

The City of Edinburgh Council

10.00am, Thursday, 24 June 2021

Unaudited Annual Accounts 2020/21

Executive/routine Wards Council Commitments	Executive All Not applicable
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1. Recommendations

1.1 Members of Council are asked to note:

- 1.1.1 that the unaudited annual accounts for 2020/21 will be submitted to the external auditor by the statutory date;
- 1.1.2 that, following the receipt of significant additional grant funding late in the year, the provisional outturn position shows an overall underspend of £8.080m and that this sum has been set aside in reserves, with £7m used to fund the service investment approved by Council on 27 May 2021;
- 1.1.3 that a more detailed revenue and capital outturn analysis will be reported to the Finance and Resources Committee on 12 August 2021; and,
- 1.1.4 the intention to submit the audited annual accounts and annual auditor's report to the Governance, Risk and Best Value Committee and thereafter to the Finance and Resources Committee in November 2021, for approval.

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Executive Director of Resources

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Unaudited Annual Accounts 2020/21

2. Executive Summary

- 2.1 The report presents to members the Council's 2020/21 Unaudited Annual Accounts prior to their submission to the external auditor. These statements detail the financial position and performance of the Council, together with that of the wider Council Group, for the year ending 31 March 2021. The report includes a summary of the draft outturn position and notes that more detailed reports will be brought to the Finance and Resources Committee in August 2021.

3. Background

- 3.1 The report presents the unaudited annual accounts for the 2020/21 financial year for Council's consideration.
- 3.2 The Council's unaudited annual accounts, included in Appendix 1, have been completed in accordance with proper accounting practice and will be submitted to the external auditor by 30 June, as required by the Local Authority Accounts (Scotland) Regulations 2014, following this meeting.
- 3.3 The supplementary provisions contained within the Coronavirus (Scotland) Act 2020 have been extended until 30 September 2021 and allow local authorities, in consultation with their external auditors, to defer submission of their unaudited annual accounts by up to two months. As for the 2019/20 audit year, however, the Council will adhere to the statutory deadline. It is likely, nonetheless, that the two-month permitted extension will be requested by the external auditor at the audit stage, meaning that the audited accounts will be considered initially by the Governance, Risk and Best Value Committee (and subsequently presented to the Finance and Resources Committee for approval) in November 2021.
- 3.4 Members should note that the unaudited annual accounts must be published on the Council's website no later than 30 June 2021 and thereafter made available for public inspection for a period of 15 working days. This inspection period will run from Thursday 1 July to Wednesday 21 July 2021 inclusive. Due to the on-going pandemic, however, and as permitted by the Coronavirus (Scotland) Act, this year's inspection process will again be undertaken largely by electronic means.

4. Main report

4.1 The financial position of the Council and its wider Group is presented in the following statements:

- Movement in Reserves Statement (pages 19 and 20);
- Comprehensive Income and Expenditure Statement (CIES) for the Group (pages 21) and the Council (page 22); and,
- Balance Sheet (page 23)

4.2 The consolidated Group accounts include the results for the following subsidiaries, associates and joint ventures:

Subsidiaries – CEC Holdings Ltd (including EDI Group Ltd and Edinburgh International Conference Centre Ltd), Transport for Edinburgh Ltd and Edinburgh Living Mid-Market Rent LLP.

Associates and Joint Ventures – Edinburgh Leisure, Capital Theatres, Common Good, Lothian Valuation Joint Board and Edinburgh Integration Joint Board.

4.3 A number of smaller entities, listed on page 42 of the Unaudited Annual Accounts, have not been consolidated on the grounds of low materiality.

4.4 The annual remuneration report is included in the Unaudited Annual Accounts on pages 129 to 137. This covers the Council's Leader, Civic Head, Senior Councillors, Conveners of Joint Boards and senior employees within both the Council and its wider group.

Outturn Summary

Revenue

4.5 While the initial financial impacts of the pandemic were felt in 2019/20, the extent of this additional expenditure, and in particular loss of income, increased greatly in 2020/21. By the end of the year, the net cost to the Council, including exposure through its Arm's-Length External Organisations (ALEOs), had reached nearly £80m, with some £70m of these impacts relating to 2020/21.

4.6 Given the unprecedented scale of these pressures, elected members considered detailed financial reports on a monthly basis during 2020/21 and through a combination of savings identified in corporate budgets and significant additional grant funding received late in the financial year, expenditure and income were brought back into balance, with an overall underspend of £8.080m recorded. Members should note, however, that £0.148m of this total relates to unrealised IFRS 9-related gains and is thus not available to fund additional investment in services.

4.7 This net underspend has been set aside in reserves. As approved by Council on 27 May 2021, £7m of this sum will be applied to fund a range of largely one-off service investments in 2021/22.

- 4.8 Additional detail of both the revenue and capital outturn will be presented to the Finance and Resources Committee on 12 August 2021. A reconciliation between the CIES for the Council and the General Fund outturn is also included as Appendix 2.

Reserves

- 4.9 As at 31 March 2021, the General Fund reserves had increased substantially to £217.827m, a movement of £96.842m from the preceding year. This sum includes, however, £101.124m of COVID-related funding received during 2020/21 but to be applied against additional expenditure (and income losses) in 2021/22 and subsequent years.
- 4.10 The unallocated General Fund stands at £25.025m as of 31 March 2021, an increase of £11.098m relative to the balance the previous year. This increase reflects the realignment of the Council's reserves approved as part of setting the Council's 2021/22 budget on 18 February 2021. The remaining balance of £192.802m is earmarked for specific purposes, these being:
- Balances set aside to manage financial risks and for specific investment which are likely to arise in the medium-term future, including maintenance of an insurance fund, dilapidations and workforce transformation. The Council holds £137.982m against these future risks, including £78.635m of COVID-related funding to be applied against expenditure and income losses in future years;
 - Balances set aside from income received in advance, including the Council Tax Discount Fund and City Strategic Investment Fund. The Council holds £46.412m of such income, including £22.489m of service-specific COVID-related funding carried forward to be offset against expenditure in 2021/22;
 - Balances set aside to support investment in specific projects, such as Spend to Save, which will deliver savings in future years. The Council holds £3.720m for such projects; and
 - Balances held under the Devolved School Management Scheme and unallocated Pupil Equity Funding. The Council holds £4.688m of these funds.
- 4.11 Further details of these earmarked balances are shown in Appendix 3.

5. Next Steps

- 5.1 The Unaudited Annual Accounts will be submitted to the external auditor by 30 June 2021, as required by the Local Authority Accounts (Scotland) Regulations 2014.

6. Financial impact

- 6.1 The report identifies a provisional underspend of £8.080m in the year to 31 March 2021. This sum has been set aside in reserves, pending drawdown of £7m to support a range of largely one-off service investments in 2021/22.

7. Stakeholder/Community Impact

- 7.1 There are no impacts arising directly from this report.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Appendix 1 - Unaudited Annual Accounts 2020/21
- 9.2 Appendix 2 - Reconciliation of the Comprehensive Income and Expenditure Statement
- 9.3 Appendix 3 - Reserve balances, 31 March 2021

2020/21

UNAUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2021

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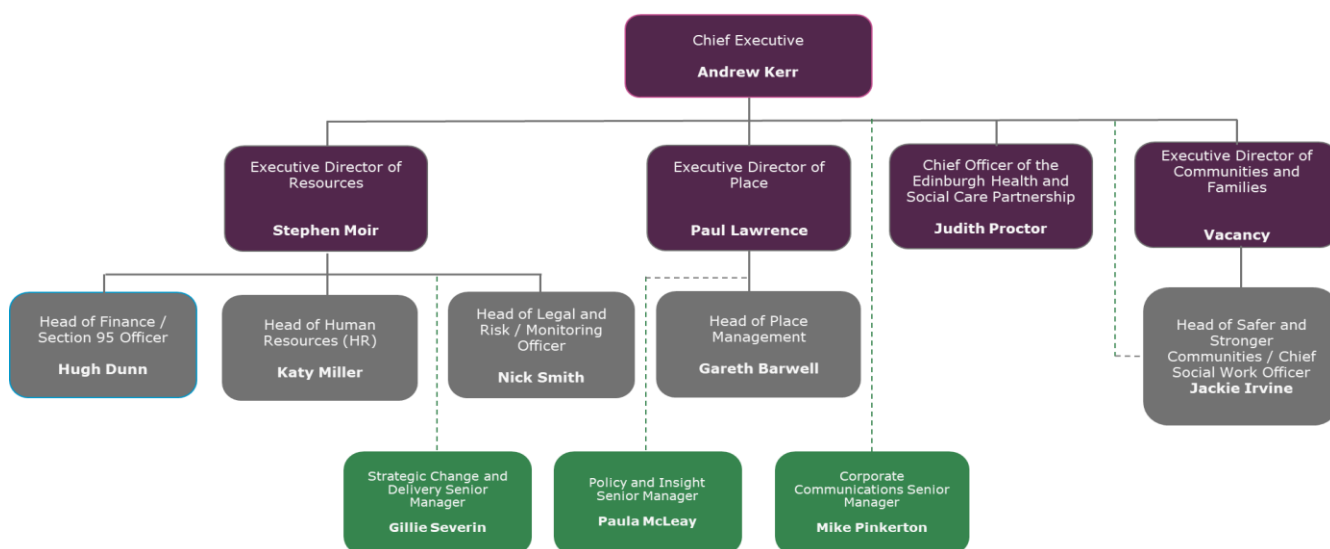
MANAGEMENT COMMENTARY

Introduction

The Unaudited Annual Accounts present the provisional financial position and performance of the Council, together with the wider Council Group, for the year to 31 March 2021. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 using the Council's management structure as a reporting basis, the same as in the previous year.

The City of Edinburgh Council was constituted under the Local Government, etc. (Scotland) Act 1994 and became the unitary local authority to Scotland's capital city in April 1996. The Council brought together most of the services delivered by the previous regional and district councils, with its primary current frontline functions being the provision of education to school-age children within the city, social care services, economic development, a range of community-based services such as roads maintenance, street lighting and refuse collection and quality of life functions such as libraries, culture, recreation and parks. Services are delivered to some 527,000 citizens across the 102 square mile Council area. As of March 2021, the Council employed 14,898 FTE staff, compared to 14,754 FTE in March 2020.

The structure of the Council continues to evolve but the Corporate Leadership Team (CLT) organisational chart and tables below indicate the latest position, with the constituent services with an Executive Director or Chief Officer highlighted in bold. A revised Senior Management structure was approved by Council on 27 May 2021 and a detailed structure is currently in the process of being formalised. The structure shown is the position at the date the accounts were approved.



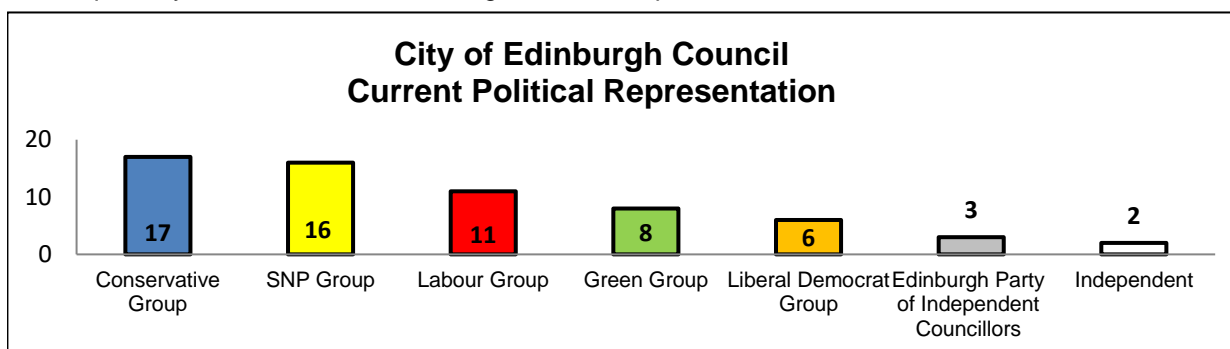
Resources	Health and Social Care	Place
Customer and Digital Services	Edinburgh Integration Joint Board	Environment (inc. waste and parks)
Finance	Older people's services	Transport (inc. parking)
Legal and Risk	Learning and Physical disabilities	Roads, bridges and flood prevention
Human Resources	Mental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

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

MANAGEMENT COMMENTARY

There was a Local Government Election on 4 May 2017 which resulted in a change in political representation for the Council, with a new minority SNP and Labour administration formed.

The Council currently has **63 Councillors** representing 17 wards within the city. Taking into account subsequent by-elections and other changes, current representation is as follows:



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

Details of the senior councillors' remuneration and committee roles, for those in office during the financial year, are disclosed in the Remuneration Report from page 129 of these financial statements.

Edinburgh and the Council's Role

2020/2021 has been a year like no other and throughout the pandemic, we have worked hard to keep services running, and to deliver vital help to those citizens and businesses who need it most.

Edinburgh continues to see significant population growth, with a 13.3% increase between 2009 and 2019 compared to a national rise of 4.4% over the same period. The majority of this growth is due to net overseas migration. Analysis of population trends suggests that the total number of residents will increase by at least 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, at-risk children, older people and those with physical and/or learning disabilities.

City of Edinburgh Council's Corporate Strategy and Vision

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

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

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

1. Ending poverty by 2030;
2. Becoming a sustainable and net zero city; and
3. Promoting wellbeing and equalities

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

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

MANAGEMENT COMMENTARY

The 15 outcomes of the Business Plans are as follows:

Ending poverty by 2030

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

Becoming a sustainable and net zero city

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

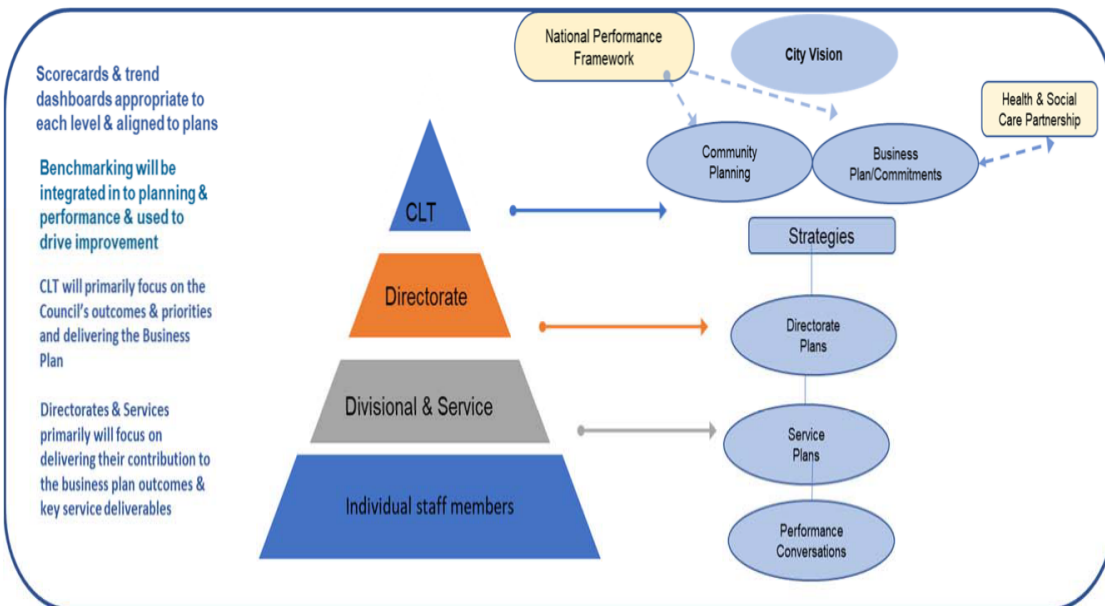
Enhancing Wellbeing and equalities

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

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

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

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



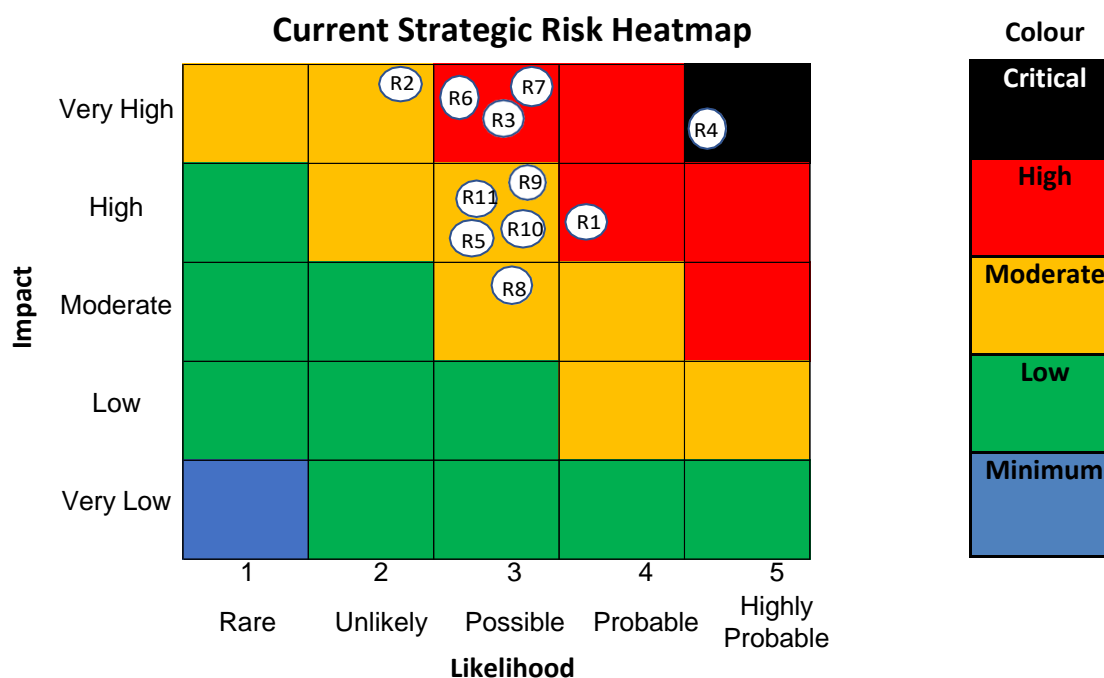
Risks and Uncertainty

The Corporate Leadership Team's (CLT) highest-prioritised risks as reported to the Governance, Risk and Best Value Committee (GRBV) on 8 June 2021 are outlined below, along with the key controls in place to mitigate them.

In light of the COVID-19 pandemic, the Council developed a detailed risk management plan that identifies and tracks key risks, along with associated mitigating actions. These are discussed at weekly risk forum meetings with cross-Directorate representation, and fortnightly at the Council Incident Management Team (CIMT).

MANAGEMENT COMMENTARY

Risks and Uncertainty - continued



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

Five of the Council's eleven strategic risks are currently outwith approved risk appetite ranges, mainly due to the ongoing impacts of Covid-19, with Health and Safety (including public safety) remaining the most significant current risk for the Council, which continues to be assessed as critical. The following mitigating actions are in progress in respect of these five risks, with further details available in **Appendix 2 of the plan**:

R1	Strategic Delivery	- Develop and implement new performance framework
R3	Programme and Project Delivery	- Consolidation of all major projects into the Adaptation and Renewal Programme
R4	Health and Safety (including Public Safety)	- Implementation of Life Safety audit actions - Corporate (2nd Line) Health and Safety recruitment
R6	Supplier, Contractor, and Partnership Management	- Understand impacts of the new Brexit legislation on significant (Tier 1 and 2) contracts
R7	Technology and Information	- Resolution of vulnerability scanning outcomes

Quarterly CLT and Directorate risk committees were paused during Covid-19 to enable focus on the Council's Covid-19 resilience response. Both CLT and Directorate risk quarterly committees have now been reinstated.

Appropriate risk management arrangements have been established to support ongoing identification; assessment; recording; and management of the new Covid-19 risks faced by the Council. These new risks are recorded together with mitigating actions in the Covid-19 Risk Management Plan (RMP) that is regularly reviewed and refreshed and presented monthly to the CIMT for review and discussion.

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

Once approved by the Committee, the Policy is shared and communicated across the Council, with the refreshed version published on the policy register maintained on the Council's website. The next review will be carried out in October 2021.

The Council's **Risk Appetite Statement** (covering its attitude to service delivery, infrastructure, compliance and financial risks) was approved at the meeting of the Policy and Sustainability Committee on 6 October 2020.

MANAGEMENT COMMENTARY

Other Risks, Challenges and Uncertainties

On 27 May 2021, the Accounts Commission published its annual **Local Government in Scotland Overview**. This report sets out a number of challenges common to all councils in Scotland, mainly relating to the impact of the pandemic, and the key characteristics of the response:

- Communities and people. Community wellbeing and the role of communities in responding to the crisis: differing impacts of Covid-19 on demographic groups; the impact of the pandemic on inequalities; communities' contributions in responding to the crisis.
- Service delivery and partnership working. The adaption of service provision and working with partners: reduced service provision and prioritised services; innovation and digital delivery; enhanced collaboration and more positive working relationships.
- Resources and governance. The financial impact of responding to Covid-19, use of resources and changes to governance arrangements: challenging financial outlook– additional spending and lost income; new funding and financial flexibilities; staff redeployed to fulfil essential roles; virtual decision-making; changes to governance arrangements.

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

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

Performance Overview

While the Council is required by statute to report publicly on its performance across a range of areas set out by the Accounts Commission, a suite of measures is reported quarterly to the Corporate Leadership Team, using a balanced scorecard approach analysing performance across a complementary range of service outcome, delivery, capability and financial sustainability perspectives.

An **Adaptation and Renewal Programme** update report, outlining the Council's on-going response to the pandemic, was considered by the Policy and Sustainability Committee on 10 June 2021 including a Covid-19 Response Dashboard detailing Edinburgh case numbers, vaccinations, Public Health and Safety, vulnerable groups and economic indicators.

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

Council Performance and Best Value

The Council's **2020/21 Annual Performance Report**, along with a progress assessment against the 52 commitments underpinning the Council's Business Plan, was considered by the Policy and Sustainability Committee on 10 June 2021. A separate report included an analysis of the comparative indicators comprising the 2019/20 Local Government Benchmarking Framework (LGBF). Initial analysis points to a slight improvement in the Council's performance compared to other local authorities in both relative and absolute terms, particularly in Environmental services.

The Council's **2019/20 Annual Audit Report** concluded that the Council had appropriate arrangements in place for managing its financial position during 2019/20 despite reporting an unplanned net overspend of £4.9million due to the impact of COVID-19, which was met from a drawdown of earmarked reserves. It was noted that the Council's three-year revenue budget strategy and 10 year capital budget strategy were developed prior to the impact of COVID-19 becoming known, and that these strategies therefore required to be updated given the significant cost impact of COVID-19 on council services and income levels over the short and medium term.

It was found that the Council had demonstrated improvements in performance in several areas including waste and cleaning, school education and processing times for benefits and grant claims. Performance declined in five of the nine adult social care indicators however the 2018/19 Local Government Benchmarking Framework information showed that the Council performed better than other councils in around half of national benchmarking indicators in overall terms.

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

The report noted that mixed progress had been made since the 2016 Best Value report but that services continued to perform relatively well. Much of the work for the Best Value audit was undertaken before the Covid-19 pandemic and did not consider the additional and sizeable pressure that Covid-19 has placed on the Council, especially on its finances, however, it was recommended that the Council implement a longer-term financial plan to show how it will address such future pressures. The Council was commended for its commitment to reducing inequalities, including the work of the Edinburgh Poverty Commission.

Actions were agreed at the Edinburgh Partnership Board on 23 March 2021 in response to the partnership working and empowerment findings of the Council Best Value Assurance Audit and updates are reported to the **Policy and Sustainability Committee**.

MANAGEMENT COMMENTARY

Financial Performance

Comparative Performance

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

The Council's **2020/21 Annual Performance Report** provides an overview of council performance in 2020/21 against the Change Strategy themes, drawing on corporate performance indicators and benchmarking data including the Local Government Benchmarking Framework. The report provides a detailed analysis of performance in the year of the COVID-19 pandemic using a Red Amber Green (RAG) assessment. The impact of COVID-19 has been varied across Council services so a Blue RAG status has been added to indicate where comparison with performance in previous years or against targets is not appropriate (37 out of 87 indicators). Of the remaining indicators where a RAG status has been assigned, 37 show improved or maintained performance and nine show a decline. The indicators that show a decline in performance in 2020/21 was spread across a number of services rather than being focused in a single service area.

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 22. This statement has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement (page 19).

An Expenditure and Funding Analysis has been provided to reconcile adjustments between the Council's financial performance under the funding position and the surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis can be found in Note 2 and the Expenditure and Income Analysed by Nature in Note 3.

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

	Revised Budget 2020/21 £000	Actual 2020/21 £000	(Under) / Over Spend £000
General Fund services	991,291	986,792	(4,499)
Non-service specific areas			
Loans charges / interest on revenue balances	90,650	79,064	(11,586)
Other non-service specific costs	77,471	33,214	(44,257)
Council Tax Reduction Scheme*	28,470	28,075	(395)
Net Cost of Benefits	(127)	(127)	0
Dividend and other interest received	(7,021)	(2,638)	4,383
Non-service specific areas total	189,443	137,588	(51,855)
Movements in Reserves			
Net contribution to / (from) earmarked funds	3,280	56,362	53,082
Contribution to / (from) Renewal and Repairs Fund	0	0	0
Contribution to / (from) Capital Fund	(885)	(885)	0
Movements in Reserves total	2,395	55,477	53,082
Sources of funding			
General Revenue Grant	(637,444)	(637,444)	0
Distribution from Non-Domestic Rate pool	(238,922)	(238,922)	0
Council Tax **	(306,763)	(311,571)	(4,808)
Sources of funding total	(1,183,129)	(1,187,937)	(4,808)
Transfer (to) / from earmarked reserves	0	(8,080)	(8,080)

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

*uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £0.395m were transferred to an earmarked reserve.

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

MANAGEMENT COMMENTARY

Financial Performance - continued

Budget performance - General Fund - continued

On 20 February 2020, the Council set a **balanced budget for 2020/21** but with the delivery of approved savings and the prompt identification and management of underlying or emerging pressures key to maintaining financial stability in the year. In total, the approved budget was predicated on the delivery of some £35.845m of directorate-specific and corporate savings.

While the initial financial impacts of the pandemic were felt in 2019/20, the extent of this additional expenditure, and in particular loss of income, increased greatly in 2020/21. By the end of the year, the net cost to the Council, including exposure through its Arm's-Length External Organisations (ALEOs), had reached nearly £80m, with some £70m of this relating to 2020/21. The largest single contributors during the year were loss of parking income, net of reduced enforcement costs, of £13.4m, additional homelessness expenditure of £8.8m, loss of commercial rental income of £7.1m, loss of £6m of dividend income from Lothian Buses and reduced income from cultural venues of £3.9m.

Given the unprecedented scale of these impacts, elected members considered detailed financial reports on a monthly basis during 2020/21 and through a combination of savings identified in corporate budgets and significant additional grant funding received late in the financial year, expenditure and income were brought back into balance, with an overall underspend of £8.1m recorded.

Looking forward, in order to provide resilience against the longer-lasting financial impacts of the pandemic and other budget framework risks, the 2021/22 budget set aside further monies for these impacts and almost doubled the size of the Council's unallocated reserves. Significant additional service investment was also approved across a number of priority areas in February 2021, with these sums supplemented by further targeted service funding following approval by Council in May 2021.

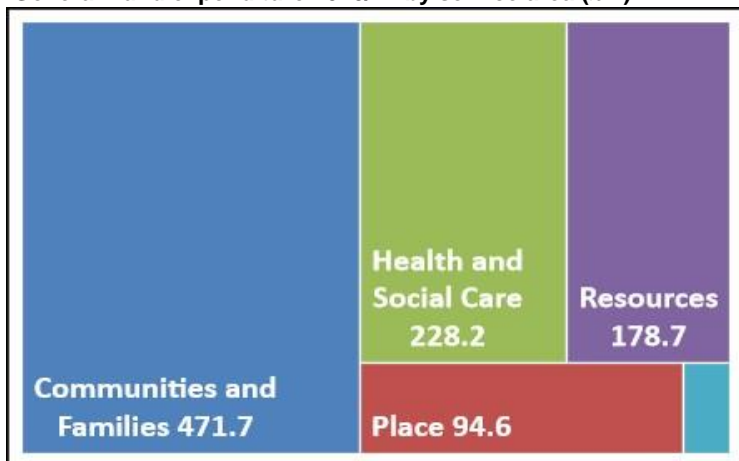
In overall terms, 82% of approved savings were delivered during the year. This marked a continuing improvement on the equivalent figures for 2019/20 (77%) and 2018/19 (60%).

Principal Sources of Funding - General Fund

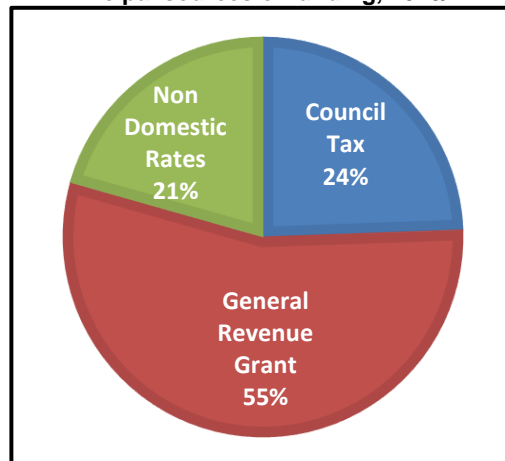
The principal sources of funding used by the Council during the year were:

	£000
Council Tax, net of Council Tax Reduction Scheme (CTRS) <i>(property-related tax from households)</i>	283,496
General Revenue Grant <i>(Government revenue grant funding based on city's relative needs assessment)</i>	637,444
Distribution from Non-Domestic Rates pool <i>(property-related tax primarily from businesses)</i>	238,922
Total	1,159,862

General Fund expenditure 2020/21 by service area (£m)*



Principal sources of funding, 2020/21



* - The light blue-shaded box on the expenditure diagram represents Other Expenditure, comprising the net cost of the Chief Executive's Service and the Council's requisition for the Lothian Valuation Joint Board.

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

MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

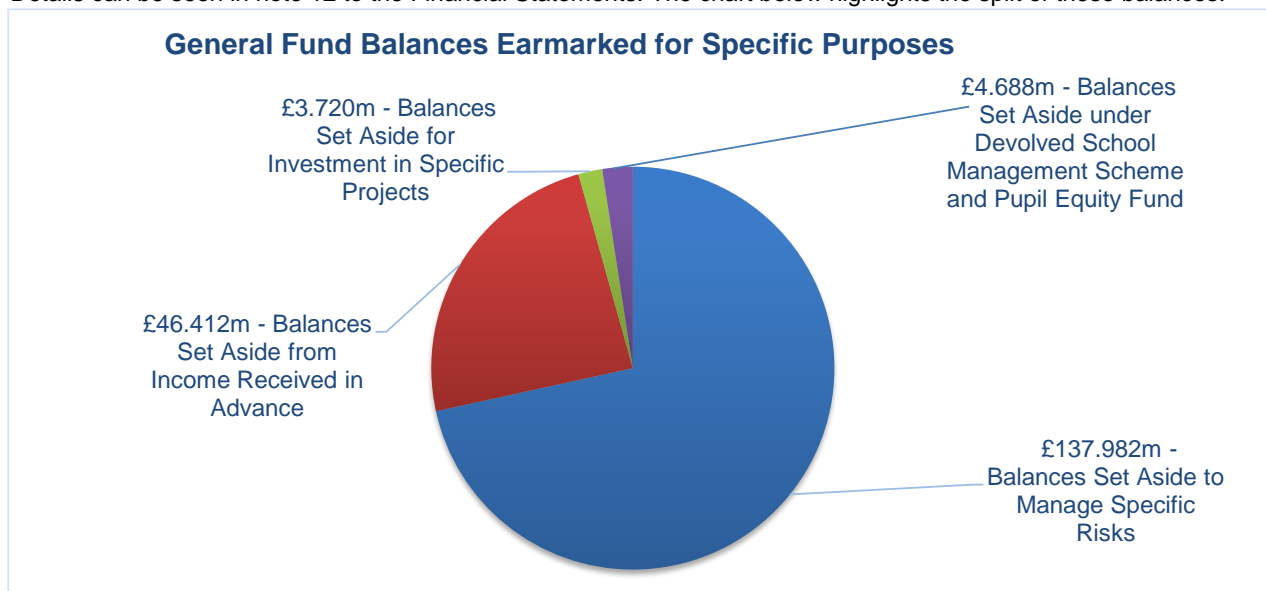
The Council's General Fund reserves comprise two elements:

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

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

The **latest review** was in February 2021, as part of the 2021/22 budget-setting process. The unallocated General Fund balance at 31 March 2021 was £25.025m, which equates to 2.127% of the annual budgeted net expenditure.

In addition, the Council has a further £192.802m (2019/20 £106.185m) of balances earmarked for specific purposes. Details can be seen in note 12 to the Financial Statements. The chart below highlights the split of these balances.



These balances are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium-term future. Examples include monies earmarked for staff release costs, dilapidations and other related contractual commitments and the insurance fund. The sums shown above include £78.635 of non-service specific COVID-related funding received in-year to be applied against expenditure and income losses in future years;
- Balances set aside from income received in advance are primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof. The sums above include £22.489m of service-specific COVID-related funding carried forward to be offset against expenditure in 2021/22;
- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years, such as Spend to Save. These savings are used, initially, to reimburse the earmarked balances.
- Balances held under the School Board Delegation Scheme (DSM) and Pupil Equity Fund (PEF), which permits balances on individual school budgets to be carried forward to the following financial year and academic years.

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

Other Reserves

The Council holds other usable reserves; these are the Capital Grants Unapplied Account with a balance of £47.949m, the Capital Fund with a balance of £49.731m and the Renewal and Repairs Fund with a balance of £41.162m, including £3.293m of monies for schools prepaid under PPP arrangements.

MANAGEMENT COMMENTARY

Financial Performance - continued

Financial Ratios

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

Re-stated

Council Tax	2020/21	2019/20	Notes on interpretation of ratios
In-year collection rate	95.96%	96.95%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of sums billed relating to previous financial years. The collection rate is stated on a line-by-line basis, adjusted for the impact of water-only debt in the joint collection of Council Tax and water charges. The indicator shows that the in-year collection levels dropped slightly, which reflects the economic impact of the COVID-19 pandemic on Council Tax collection, including rescheduling of recovery actions.
Council Tax income as a percentage of overall funding	24.44%	27.18%	This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS) support. While Council Tax levels increased by 4.79% in 2020/21, this was outweighed by the provision of significant additional (mainly COVID-related) funding during the year.
Debt and Borrowing - Prudence			Notes on interpretation of ratios
Capital Financing Requirement	£1,802.2m	£1,709.9m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets and shows an increase of around 5% during the year. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 38 to the Financial Statements.
External debt levels	£1,614.2m	£1,616.1m	<p>External debt levels include long-term commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure.</p> <p>External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.</p>
Debt and Borrowing - Affordability			Notes on interpretation of ratios
Financing costs to net revenue stream - General Fund	6.82%	10.50%	These ratios show the proportion of total revenue funding that is used to meet financing costs. In each case, the impact of the Loans Fund review and other treasury-related savings has reduced the nominator whilst, particularly in the case of the General Fund, receipt of additional funding has resulted in a significant increase in the denominator.
Financing costs to net revenue stream - HRA	32.92%	37.65%	
Impact of capital investment on Council Tax	-8.23%	-0.95%	These ratios show incremental impact of financing costs, the increase or (decrease) in financing costs from the previous financial year, as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents	-4.59%	-0.02%	

MANAGEMENT COMMENTARY

Financial Performance - continued

Treasury Management Strategy

The **Annual Treasury Management Strategy 2021/22** was approved on 11 March 2021. The key points are:

- the Council's total capital expenditure is forecast to be £1.987 billion between 2020/21 and 2024/25;
- the Council's underlying need to borrow at 31 March 2025 is forecast to be £2.327 billion;
- the opportunity to mitigate future interest rate risk with alternatives to the Public Works Loan Board (PWLb) will continue to be sought and the risk locked out where appropriate; and
- the Council will continue to fund its Capital Financing Requirement from temporary investment balances over the next year.

Capital Strategy

The **Sustainable Capital Strategy 2021-31 - Annual Report** was approved at Full Council on 11 March 2021.

The report provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services and is linked to a number of other key plans and policies such as the Annual Treasury Strategy, the Capital Investment Programme and HRA Budget Strategy.

The Capital Budget Strategy has been reviewed in light of COVID-19 and the Council's priorities and approach proposed under the Adaptation and Renewal Programme outlined in the new Council Business Plan.

Capital Expenditure

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

The 2020/21 outturn position for capital expenditure is summarised below:

	Budget 2020/21 £000	Actual 2020/21 £000	(Slippage) / Acceleration* £000
Capital expenditure			
General Fund services	341,182	316,551	(24,631)
Housing Revenue Account	56,969	41,456	(15,513)
Total capital expenditure	398,151	358,007	(40,144)
Capital receipts and other contributions			
- General Fund services	(50,059)	(52,887)	(2,828)
- Housing Revenue Account	(26,100)	(36,674)	(10,574)
Government and other grants			
- General Fund services	(119,331)	(113,058)	6,273
- Housing Revenue Account	(6,933)	(6,361)	572
Total capital income	(202,423)	(208,980)	(6,557)
Balance to be funded through borrowing			
- General Fund services	171,792	150,606	(21,186)
- Housing Revenue Account	23,936	(1,579)	(25,515)
Total advances from loans fund	195,728	149,027	(46,701)

* - in the case of income, a positive figure indicates an under-recovery relative to budget, a negative figure an over-recovery.

Expenditure on General Fund services slipped in total by £24.631m. The majority of slippage was caused by COVID-19 related delays, including the construction lockdown and restrictions on internal works. Within Place, the main slippage was from On-Lending for the provision of mid-market homes (£11.760m) which is offset by a delay in the need to borrow. Within Communities and Families, the main slippage was on construction of learning estates, such as Canaan Lane and Leith Victoria Primary Schools and Darroch Refurbishment. Expenditure on Housing Revenue Account slipped in total by £15.513m, primarily as a result of the acquisition of Liberton Hospital for £12m not completing in the financial year. The remaining slippage was caused by COVID-19 related delays, primarily due to restrictions on internal works.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure

The Council received £38.129m of general capital grant during 2020/21. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £358.007m. Major capital projects undertaken during the year included:

- Creation and expansion of educational properties - £67.639m;
- Trams to Newhaven project - £53.071m;
- Social housing through the housing development fund - £49.143m;
- Roads, carriageways and other transport infrastructure - £44.353m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £41.456m;
- Millerhill Recycling and Energy Recovery Centre (RERC) capital contribution - £29.520m;
- Providing funding for homes for mid-market rent from the Housing Revenue Account through the Edinburgh Living LLP - £19.313m;
- Sports facilities - £17.229m; and
- Asset Management Works at operational properties - £14.517m.

Housing Revenue Account

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

The Council approved the Housing Revenue Account Budget Strategy 2020 – 2030 in February 2020 (pre-Covid 19). It set out an ambitious strategy to deliver £2.5 billion investment over ten years in building and improving Council homes to deliver our commitments on affordable housing and net zero carbon. The aspiring capital investment was accompanied by the Housing Service Improvement Plan (HSIP), which aims to improve customer satisfaction, operating performance and ensure value for money.

The HRA revenue account secured £104.8234 million of income in 2020/21. Many social landlords have seen rent arrears increase in 2020/21, this is partly due to the financial impact of the Covid pandemic on households and restrictions on formal actions for rent arrears recovery (courts closure and increased notice period for new court actions under the Coronavirus legislation).

Around £160 million has been invested to improve existing homes and estates over the last five years, resulting in over 20,000 improvement measures delivered. The capital programme was paused for most of the first quarter in 2020/21 during the first lockdown but resumed as soon as government restrictions allowed to do so. As a result, the programme was revised down by 41% to £56.969 million and mainly focused on the improvements on the wider estates and external fabric and communal areas of buildings.

The year-end outturn for 2020/21 was £41.456 million; £12.000m of the £15.513 million slippage was due to the delay in concluding the land acquisition of Liberton Hospital. The land acquisition was previously expected to take place in the last quarter of 2020/21 but is now expected to conclude in early 2021/22. Improvements requiring access to tenants' homes were postponed for most of the year, with the suspended works to be carried out over the next two years, as restrictions are lifted.

The Housebuilding Programme delivered over 270 affordable homes completed in 2020/21 at Craigmillar Town Centre, Crewe Road Gardens, and North Sighthill. This included 172 mid-market rented homes that were purchased by Edinburgh Living LLP. Handovers were delayed in both Pennywell and North Sighthill; and will now take place up until autumn 2021.

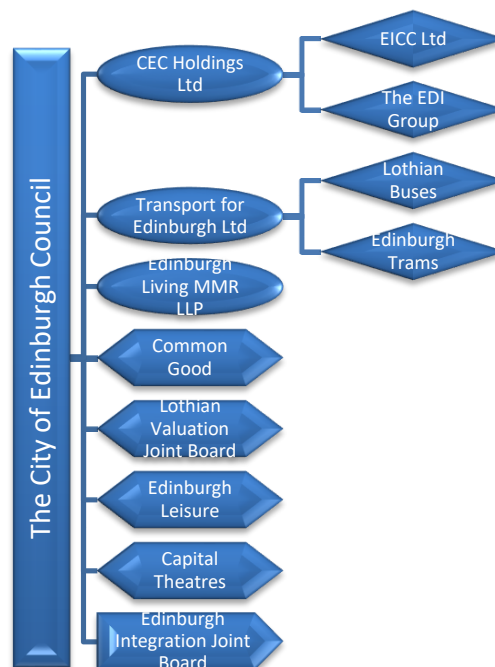
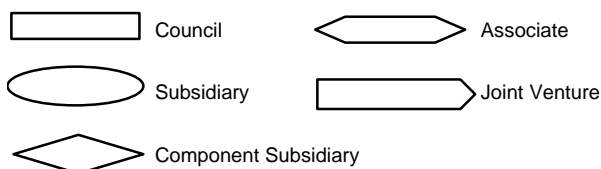
MANAGEMENT COMMENTARY

Financial Performance - continued

Group Accounts

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, Group Accounts have been prepared, which consolidate the financial interests the Council has in subsidiaries, associates and joint ventures, where the interest is considered material. Note 9 details the interests the Council holds and further financial details about the entities. The adjacent chart shows the components in the structure of the Group. Information on the Common Good can be found on page 113.

Key:



CEC Holdings Ltd

EDI Group Ltd (subsidiary of CEC Holdings Ltd)

The EDI Group was established in 1988 by The City of Edinburgh Council to carry out the development of Edinburgh Park, now regarded as one of the principal business parks in Europe. In early 2017, the Council conducted a review of its approach to the use of surplus land and its interactions with the property market and concluded that the default position will be that the land or buildings are used to deliver affordable housing, meaning that EDI has no future pipeline of projects. As a result, in the longer term the Council decided it should not have an arm's length development company. The Council therefore instructed the directors to begin a process of closure, with the majority of land transferring to the Council and all staff leaving by October 2018, with the company's activities now overseen by Council officers under the governance of a scheme of delegation and service level agreement. The company will continue to trade into 2021 and beyond until such time as all projects currently being undertaken by EDI have either concluded or have been transferred to the Council.

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

EICC Ltd operates a prime conference venue in the centre of Edinburgh. The Centre was built in 1995 and since that time has welcomed 1.5 million delegates from more than 120 countries, generating £660m of economic impact for the city region.

At the outset of 2020, the Centre anticipated a strong financial year and continuation of the growth shown in the previous five years, however, due to the global Covid-19 pandemic the Centre closed on 18th March 2020 which had a negative impact on the Centre's traditional client base. To retain as much business as possible, the Centre developed an alternative virtual events platform "Make it Edinburgh Live" and delivered 15 virtual events during the year. This together with robust client contracts had a significant impact on the Centre's revenue which amounted to £3.188m, which was a significant decrease from the previous year of £9.359m but revenues generated were much greater than expected earlier in the year.

Transport for Edinburgh Ltd

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

The Group retained a substantial share of the local public transport market in Edinburgh and the Lothians. Revenue has decreased by 22.6% from the previous year to £143.6m although this was in line with expectations due to the significant downturn in patronage due to Covid-19 restrictions on travel. The Group continued to face significant operating and cost pressures in 2020, with the Covid-19 outbreak in March 2020 and the ongoing restrictions meaning the Group had to be extremely proactive to address and mitigate the impact of the revenue decline and cost pressures in order to maintain its business. Edinburgh Trams also received £6m of in-year support from the Council.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Edinburgh Living MMR LLP

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

Edinburgh Living MMR LLP bought its first homes in January 2019 and over the course of 2020/21 purchased 149 homes across three developments in the city, bringing the total number of homes the LLP owns to 299.

Lothian Valuation Joint Board (LVJB)

The Board reported core expenditure of £6.208m for 2020/21 which was within the approved budget. The approved revenue budget included a planned drawdown of reserves of £0.657m to meet both Transformation Programme severance costs and running costs. Due mainly to underspends in employee costs and additional Scottish Government funding received during 2020/21, there was only a requirement to draw down £0.113m from Reserve to achieve a balanced budget. The reduction in reserve drawdown will be retained as part of the Board's Unallocated Reserve to support Transformation Programme costs in future years.

Edinburgh Leisure

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

During 2020/21, the Covid-19 pandemic had a significant impact on Edinburgh Leisure income, particularly when all venues and services were closed during lockdown from 20 March 2020. The Coronavirus Job Retention Scheme provided support to 92% of the workforce who were furloughed under the Scheme and alongside £3m of additional in-year support received from the City of Edinburgh Council has enabled the charity to continue and report an underlying surplus on unrestricted funds of £1.583m.

Edinburgh Leisure continued to work with the Council and other stakeholders on a range of projects during the year, including Active Communities which encouraged communities to keep active during the pandemic as a way to benefit physical and mental health and Get Active classes which were livestreamed during Level 3 and 4 restrictions.

Capital Theatres

Due to the Covid-19 pandemic, all Capital Theatre's buildings were closed on 20th March 2020 and at the end of 2020/21 they remained closed, although awaiting clearance to hold performances in the near future.

On closing on 20th March, 90% of Capital Theatre's regular income disappeared overnight, however, support has been available from the Coronavirus Job Retention Scheme, the City of Edinburgh Council, the Scottish Government, Creative Scotland and the National Lottery Heritage Fund together with donated funds from many hundreds of audience members.

The Trust's Learning and Participation work has continued in 2020/21, with much of the Creative Learning activities moving to a virtual world. Additionally the Life Changes Trust, which ensures people with dementia and their carers can continue to be part of the theatre-going community, continues to hold events remotely including the popular Tea Party.

Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board (EIJB) was formally delegated the functions and resources of the Council's Health and Social Care Service and NHS Lothian's Community Health Partnership, with effect from 1 April 2016. At that time an assessment was undertaken on the relationship of the Council with the Edinburgh Integration Joint Board and on the basis of level of control, being fifty percent Board representation, and wider materiality levels, this Joint Venture has been consolidated into the Group accounts for the year to 31 March 2021, see note 9.3.

The Edinburgh Integration Joint Board agreed its strategic plan for 2019-22 in August 2019. The Board is now engaged in the next planning cycle, remaining focussed on four key areas: redefining the Edinburgh Pact, embracing the three conversations approach, adopting the principle of home first and advancing our transformation programme. A comprehensive programme of redesign and transformation was designed to deliver the vision set out in the strategic plan, working in tandem with other core strategies such as Carers, Thrive Edinburgh (mental health) and the Primary Care Improvement Plan. The transformation programme remains a key element of the strategy, and is a wide-ranging and ambitious programme of change and innovation which aims to deliver high quality and sustainable health and social care services for our citizens.

For the year to 31 March 2021, the EIJB is reporting a surplus of £22.2m in the annual accounts, largely as a result of the additional funding made available by the Scottish Government. All funding received during the year but not yet spent has been transferred to reserves, bringing total reserves to £25.4m. The vast majority of these reserves is 'ring fenced' for specific purposes, with the balance of £1.0m being held in general reserve.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Group Summary

Net assets for 2020/21 include a combined group pension liability of £698.144m (2019/20 £462.327m), as shown in note 42.9. This reflects the inclusion of pension liabilities relating to the Council, other employees (including subsidiary companies) and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. This exceeds the value of distributable reserves held by the Group. It should be noted that this is a snapshot of the position at 31 March 2021. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

COVID-19

Council and its Group's role and response

The Council continues to provide ongoing support to communities and businesses during the pandemic. In the first weeks of the initial lockdown, the Contact Centre team handled 12,000 calls, providing guidance and support to vulnerable and shielded residents. Council Resilience Centres meant appropriate face to face services could be continued, with almost 6,000 citizens making use of these essential services between April and September. Over 8,000 applications for crisis support were processed, which was a 76% increase on the same period in 2019 and there was a 100% increase in the take-up of free school meals, with direct payments made to families throughout lockdown and school holidays. During 2020/21, over £186 million of grants were also processed, to support the city's businesses, individuals and the economy, including Strategic Framework grants, Business Support Grants, Taxi and Private Hire Support, Self Employed Grants, Retail and Hospitality Support, and Hardship Grants. The Council continues to respond to new challenges quickly, to ensure that services are maintained, businesses are supported and the most vulnerable people in the city get the help they need. This work can only be done in close partnership with the third sector, volunteers and our communities. Locality Operation Groups have been set up to provide practical and professional support to the children and families most in need of assistance. Barriers that have prevented collaboration in the past have been overcome in the face of a crisis. As plans are made for recovery, these changes will be embraced, be that in working in new ways with the third and voluntary sector, or simply equipping and supporting residents and local businesses to play a more active role in maintaining their local environment and helping each other out.

The Council's Arm's-Length External Organisations (ALEOs) have also been severely impacted, with the closure of all of Edinburgh Leisure's sports facilities and the Edinburgh International Conference Centre for much of the year, and passenger numbers on buses and trams running at a fraction of normal levels whilst adhering to strict guidelines on social distancing.

Immediate and on-going financial impacts

Given the unprecedented nature and scale of the financial challenges facing the Council in 2020/21, the frequency of reporting to the Corporate Leadership Team and elected members (through the Leadership and Advisory Panel, Policy and Sustainability Committee and Finance and Resources Committee) was greatly increased, with a focus not only on the immediate in-year position but estimated implications for the budget framework in future years.

A series of assessments of the financial position has been reported to elected members. The **most recent** of these was considered by the Finance and Resources Committee on 20 May 2021.

While an unprecedented level of overspend had been forecast early in the year, through a combination of savings in corporate budgets and the receipt of additional grant funding late in the year, a provisional in-year underspend of £8.1m was achieved. An element of this underspend relates to an IFRS9-related gain and, as such, is not available for spending on frontline services. This sum, alongside additional carried-forward COVID-related funding and a COVID contingency created through re-alignment of the Council's reserves, has been used to increase the budget framework's provision for the pandemic's on-going impacts. Despite the impacts of the pandemic, it was also encouraging to note the continuing increase in the in-year proportion of savings delivered.

Income losses included those relating to parking fees and fines, property rental income, licensing and planning applications, building warrants and cultural venues. Current disruption also resulted in a slight drop in in-year Council Tax collection rates. There was a significant loss of dividend income from Lothian Buses in 2019/20 and 2020/21, and this position is expected to continue in 2021/22 and potentially beyond.

MANAGEMENT COMMENTARY

COVID-19 - continued

A preliminary assessment has been undertaken as to the extent to which the Council's financial management arrangements comply with the principles set out within the CIPFA Financial Management (FM) Code. The Code is designed to support good practice and assist councils in demonstrating their financial sustainability and resilience by setting out expected standards of financial management. While 2020/21 is only a "shadow" year for implementation of the Code, all councils are encouraged to undertake an early assessment in preparation for full adoption during 2021/22. This assessment has highlighted a number of recent improvements contributing positively to the Council's financial resilience and stability, including:

- realigning and reprioritising the Council's reserves to enable the creation of a £16m COVID-specific contingency whilst also increasing the level of the unallocated general reserve to £25m;
- incorporating within the budget framework explicit provision for underlying service pressures and anticipated shortfalls in savings delivery, all based on detailed discussion with members of the Corporate Leadership Team;
- reflecting within the budget framework, insofar as is practicable at this stage given the on-going nature of the pandemic, increased provision for its continuing impacts, particularly for losses of income; and
- dedicated investment in prevention-related resource which, if used effectively, should make a contribution towards future years' savings requirements, as well as improving outcomes for service users.

While the above position reflects a number of positive aspects, it has been impressed upon elected members that there is a need for additional savings proposals to be brought forward if the Council's financial sustainability is to be maintained. With this in mind, the revenue budget update report considered by Council on 27 May 2021 pointed to an anticipated incremental savings requirement of more than £50m in 2023/24 with, at this stage, no specific proposals as to how this gap will be bridged. The capital programme is projecting a funding shortfall of around £172m over the next ten years.

The case will therefore continue to be made for greater use of service prioritisation aligned to the three principles within the **Business Plan**:

- ending poverty and preventing adverse outcomes such as homelessness and unemployment
- becoming a net zero city
- ensuring wellbeing and equalities are enhanced for all

The **Sustainable Capital Budget Strategy 2021 - 2031** details the priorities for council capital investment in alignment with the Business Plan, over the medium to long-term and sets out a plan on how they could be funded. While the plan is affordable in the short-term, thereafter a funding gap develops from 2024/25 onwards, which future budgets will need to address. This strategy should therefore be seen as setting out aspirations for future investment rather than making long-term commitments. The Capital Budget Strategy is expected to come under significant financial pressure as a result of higher tender prices caused by social distancing requirements and associated construction industry changes arising from COVID-19 guidance. There is also renewed focus on embedding the ambitions of a net-zero carbon City contribution from the Council by 2030 into the restart of major capital investment projects, which has had further financial consequences on previous assumptions. 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. Moreover, the strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will be funded from a combination of external funding and realignment of existing budgets.

Adaptation and Renewal Programme

In recognising the need for a fundamental re-assessment of service operating models as the city emerges from the pandemic, an **Adaptation and Renewal programme** was established, co-ordinating all aspects of the Council and city's response. Five officer working groups were established, four of which continue to be active as follows:

MANAGEMENT COMMENTARY

COVID-19 - continued

Adaptation and Renewal Programme - continued

- **Public Health Advisory Group** – bringing together Council, NHS Lothian and Edinburgh Health and Social Care Partnership colleagues to ensure effective communication and implementation of national advice concerning public health within an Edinburgh context;
- **Service Operations** – facilitating cross-Council co-ordination to enable a phased and prioritised plan for resumption and adaptation where possible, guided by the Scottish Government's route map;
- **Change, People and Finance** – enabling the adaptation and renewal of the Council as an organisation and ensuring that clear direction for the Council's own requirements for change in a post COVID-19 world is aligned with the resources available to deliver these changes. This group has recently reached conclusion and delivered against its original scope so has now been stepped down;
- **Sustainable Economic Recovery** – allowing key sectors of the city to survive and thrive thereafter, with a focus on investment and development, employability, business support and resilience, our future cultural capital and fostering innovation; and
- **Life Chances** – aligning the Council's recovery activity to the key themes of addressing poverty, promoting sustainability and improving well-being.

Progress on this complex but vital programme continues to be reported to elected members, wider stakeholders and to the **Policy and Sustainability Committee**.

Change Strategy and Business Plan

A Best Value Assurance Audit was carried out by a team from Audit Scotland and the Council's external auditor, Azets. The resulting **Best Value Assurance Report (BVAR)** was published by the Accounts Commission on 26 November 2020.

As recommended in the report, the Council amalgamated its Change Strategy into its **Business Plan**.

The other recommended improvement actions included in the BVAR were also addressed in the Business Plan.

The report highlighted a number of key achievements and areas for the Council to improve since the 2016 Best Value Audit, and reflects on this as mixed progress.

The key achievements include:

- The Council's ambitious plans for the City. Specifically, referencing the Council's Sustainability Programme, approach to tackling poverty, major housing and community regeneration projects in Fountainbridge, Meadowbank and at Granton Waterfront; retail, hospitality and cultural developments, such as the St James Quarter; and extending the tram network;
- The Council's long track record of maintaining revenue expenditure within budget;
- Aspects of leadership and service performance. Specifically, referencing improved performance across many KPIs – schools and education, waste and cleansing and time taken to process benefit and grant claims; and
- Improvements in asset management, procurement and risk management.

The report also notes areas where further progress is required:

- Alignment of strategic priorities;
- Implementation of effective community planning governance arrangements, the pace of change within the CPP and community empowerment;
- The Council's approach to self-assessment, continuous improvement and public performance reporting; and
- Long-term financial planning and workforce planning.

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs, including group interests, and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer is the Head of Finance.
- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- to approve the Annual Accounts for signature.

The Section 95 Officer's responsibilities

The Section 95 Officer is responsible for the preparation of the Authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Section 95 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Local Authority Accounting Code (insofar as it is compatible with legislation), except where stated in the Policies and Notes to the Accounts.

The Section 95 Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2021.

HUGH DUNN, CPFA
Head of Finance
Section 95 Officer

18 June 2021

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

Council 2020/21	General Fund Balance	Housing Revenue Account Balance	Renewal and Repairs Fund	Capital Grants Unapplied Account	Capital Fund	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	121,345	0	29,748	28,452	48,934	228,479	2,664,396	2,892,875
Movement during 2020/21								
Total Comprehensive Income and Expenditure	50,135	22,914	0	0	0	73,049	316,220	389,269
Adjustments between accounting basis and funding basis under regulations (Note 11)	47,258	(12,411)	0	19,497	797	55,141	(55,141)	0
Net increase / (decrease) before transfers to statutory reserves	97,393	10,503	0	19,497	797	128,190	261,079	389,269
Transfer (to) / from other statutory reserves (Note 12.3)	(911)	(10,503)	11,414	0	0	0	(0)	0
Increase / (decrease) in year	96,482	0	11,414	19,497	797	128,190	261,079	389,269
Balance at 31 March 2021	217,827	0	41,162	47,949	49,731	356,669	2,925,476	3,282,145

Group - 2020/21	Total Usable Reserves	Total Unusable Reserves	Council Total Reserves	Group Reserves	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2020	228,479	2,664,396	2,892,875	209,615	3,102,490
Movement during 2020/21					
Total Comprehensive Income and Expenditure	73,049	316,220	389,269	(51,217)	338,052
Adjustments between accounting basis and funding basis under regulations (Note 11)	55,141	(55,141)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	128,190	261,079	389,269	(51,217)	338,052
Transfer (to) / from other statutory reserves (Note 12.3)	0	(0)	0	0	0
Adjustments between group and authority accounts	0	0	0	(39,663)	(39,663)
Increase / (decrease) in year	128,190	261,079	389,269	(90,880)	298,389
Balance at 31 March 2021	356,669	2,925,476	3,282,145	118,734	3,400,879

MOVEMENT IN RESERVES STATEMENT

Re-stated Council	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Grants Unapplied Account £000	Capital Fund £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
2019/20 Comparative Data								
Balance at 31 March 2019	<u>144,845</u>	<u>0</u>	<u>26,346</u>	<u>15,784</u>	<u>55,908</u>	<u>242,883</u>	<u>2,386,886</u>	<u>2,629,769</u>
Movement during 2019/20								
Total Comprehensive Income and Expenditure	(87,200)	17,694	0	0	0	(69,506)	332,612	263,106
Adjustments between accounting basis and funding basis under regulations (Note 11)	82,557	(33,149)	0	12,668	(6,974)	55,102	(55,102)	0
Net increase / (decrease) before transfers to statutory reserves	<u>(4,643)</u>	<u>(15,455)</u>	<u>0</u>	<u>12,668</u>	<u>(6,974)</u>	<u>(14,403)</u>	<u>277,510</u>	<u>263,107</u>
Transfer (to) / from other statutory reserves (Note 12.3)	(18,857)	15,455	3,402	0	(0)	0	(0)	0
Increase / (decrease) in year	<u>(23,500)</u>	<u>0</u>	<u>3,402</u>	<u>12,668</u>	<u>(6,974)</u>	<u>(14,403)</u>	<u>277,510</u>	<u>263,107</u>
Balance at 31 March 2020	<u>121,345</u>	<u>0</u>	<u>29,748</u>	<u>28,452</u>	<u>48,934</u>	<u>228,479</u>	<u>2,664,396</u>	<u>2,892,876</u>

Re-stated Group - 2019/20	Total Unusable Reserves £000	Total Unusable Reserves £000	Council Total Reserves £000	Group Reserves £000	Total Reserves £000
Balance at 31 March 2019	<u>242,883</u>	<u>2,386,886</u>	<u>2,629,769</u>	<u>197,522</u>	<u>2,827,291</u>
Movement during 2019/20					
Total Comprehensive Income and Expenditure	(69,506)	332,612	263,106	20,891	283,997
Adjustments between accounting basis and funding basis under regulations (Note 11)	55,102	(55,102)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	<u>(14,404)</u>	<u>277,510</u>	<u>263,106</u>	<u>20,891</u>	<u>283,997</u>
Transfer (to) / from other statutory reserves (Note 12.3)	0	(0)	0	(8,800)	(8,800)
Increase / (decrease) in year	<u>(14,404)</u>	<u>277,510</u>	<u>263,106</u>	<u>12,091</u>	<u>275,197</u>
Balance at 31 March 2020	<u>228,480</u>	<u>2,664,397</u>	<u>2,892,877</u>	<u>209,613</u>	<u>3,102,490</u>

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services for the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover its expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

for the year ended 31 March 2021

Re-stated 2019/20 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES				
436,054	Communities and Families		598,523	(134,681)	463,842
136,414	Place		336,205	(167,482)	168,723
(15,308)	Housing Revenue Account		88,700	(104,828)	(16,128)
228,111	Health and Social Care		581,698	(346,643)	235,055
270,917	Resources		268,928	(39,809)	229,119
10,588	Chief Executive		13,483	(2,787)	10,696
3,678	Lothian Valuation Joint Board		3,805	0	3,805
(277)	Net cost of benefits		178,083	(178,210)	(127)
(1,208)	Other non-service specific costs		12,407	12,481	24,888
16,852	Subsidiary Companies		163,595	(138,655)	24,940
1,085,821	COST OF SERVICES		<u>2,245,427</u>	<u>(1,100,614)</u>	1,144,813
(5,331)	Gains on disposal of non-current assets				(6,525)
127,518	Financing and Investment Income and Exp.	13.			81,731
(1,124,640)	Taxation and Non-Specific Grant Income	14.			(1,267,902)
83,368	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				(47,883)
4,729	Associates and Joint Ventures Accounted for on an Equity Basis				(12,295)
374	Taxation of Group entities	14.			(321)
88,471	GROUP (SURPLUS) / DEFICIT				<u>(60,499)</u>
(147,821)	Surplus on Revaluation of Non-Current Assets			(417,803)	
195,313	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(398,990)	
(379,337)	Changes in Financial and Demographic Assumptions / Other Experience			500,655	
(40,623)	Other Unrealised (Gains) / Losses			38,585	
(372,468)	Other Comprehensive Income				(277,553)
(283,997)	TOTAL COMPREHENSIVE INCOME				<u>(338,052)</u>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing Council services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover its expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		for the year ended 31 March 2021		
Re-stated 2019/20		Gross Expend.	Income	Net Expend.
£000	SERVICES	£000	£000	£000
436,054	Communities and Families	598,523	(134,681)	463,842
136,414	Place	336,205	(167,482)	168,723
(15,308)	Housing Revenue Account	88,700	(104,828)	(16,128)
228,111	Health and Social Care	581,698	(346,643)	235,055
270,917	Resources	268,928	(39,809)	229,119
10,588	Chief Executive	13,483	(2,787)	10,696
3,678	Lothian Valuation Joint Board	3,805	0	3,805
(277)	Net cost of benefits	178,083	(178,210)	(127)
(1,208)	Other non-service specific costs	12,407	12,481	24,888
1,068,969	COST OF SERVICES	<u>2,081,832</u>	<u>(961,959)</u>	1,119,873
(5,464)	Gains on disposal of non-current assets			(6,499)
130,641	Financing and Investment Income and Exp.	13.		81,479
(1,124,640)	Taxation and Non-Specific Grant Income	14.		(1,267,902)
69,506	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			(73,049)
(147,821)	Surplus on Revaluation of Non-Current Assets		(417,803)	
195,313	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp		(398,990)	
(379,337)	Changes in Financial and Demographic Assumptions / Other Experience		500,655	
(767)	Other Unrealised (Gains) / Losses		(82)	
(332,612)	Other Comprehensive Income			(316,220)
(263,106)	TOTAL COMPREHENSIVE INCOME			<u>(389,269)</u>

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
(263,106)	Total Comprehensive Income on the Council's Comprehensive Income and Expenditure Statement (CIES)	(389,269)
(21,319)	Subsidiary and associate transactions included in the Council's CIES	(10,840)
(1,338)	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	73,436
1,766	Associates and Joint Ventures	(11,379)
(283,997)	Group total Comprehensive Income for the year	<u>(338,052)</u>

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and Group. The net assets (assets less liabilities) are matched by the reserves held by the Council and Group. Reserves are reported in two categories. The first is usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category are those that are not able to be used to provide services. This includes reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

Re-stated					
31 March 2020			31 March 2021		
Group	Council		Notes	Group	Council
£000	£000			£000	£000
444	444	Intangible Assets	17.	295	295
4,916,729	4,777,745	Property, Plant and Equipment	15.	5,340,432	5,213,017
47,221	19,225	Investment Properties	16.	65,631	19,239
32,077	32,077	Heritage Assets	18.	31,391	31,391
1,254	1,254	Assets Held for Sale	23.	1,271	1,271
66,190	0	Other Long-Term Assets (Pension)		0	0
11,698	23,690	Long-Term Investments	22.	661	21,455
29,531	0	Investments in Associates and Joint Ventures		41,814	0
128,492	158,755	Long-Term Debtors	20.	148,001	190,594
5,233,636	5,013,190	Long-Term Assets		5,629,496	5,477,262
45,798	45,563	Short-Term Investments	22.	31,571	31,571
21,139	21,139	Assets Held for Sale	23.	21,124	21,124
67,936	67,936	Financial Assets	43.	85,691	85,691
13,472	3,451	Inventories	19.	10,671	3,448
137,395	123,276	Short-Term Debtors	20.	141,235	124,571
110,204	81,177	Cash and Cash Equivalents	21.	195,977	165,558
395,944	342,542	Current Assets		486,269	431,963
(77,396)	(75,288)	Short-Term Borrowing	43.	(70,695)	(68,588)
(248,249)	(203,938)	Short-Term Creditors	24.	(274,530)	(218,439)
(36,960)	(34,512)	Provisions	25.	(44,826)	(42,658)
(362,605)	(313,738)	Current Liabilities		(390,051)	(329,685)
(1,270,552)	(1,285,886)	Long-Term Borrowing	43.	(1,287,954)	(1,303,005)
(311,129)	(297,618)	Other Long-Term Liabilities	40.1	(300,361)	(286,008)
(10,932)	0	Deferred Tax		(247)	0
(44,865)	(42,079)	Deferred Liability	43.	(39,964)	(39,964)
(3,472)	0	Liabilities in Associates and Joint Ventures		(4,377)	0
(523,535)	(523,535)	Other Long-Term Liabilities (Pensions)	27.5	(691,932)	(668,418)
(2,164,485)	(2,149,118)	Long-Term Liabilities		(2,324,835)	(2,297,395)
3,102,490	2,892,876	Net Assets		3,400,879	3,282,145
2,802,246	2,664,397	Unusable Reserves	27.	3,057,559	2,925,476
300,244	228,479	Usable Reserves	12.	343,320	356,669
3,102,490	2,892,876	Total Reserves		3,400,879	3,282,145

The unaudited accounts were issued on 18 June 2021.

HUGH DUNN, CPFA
Head of Finance
18 June 2021

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and Group during the reporting period. The statement shows how the Council and Group generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council and Group are funded by way of taxation and grant income or from the recipients of services provided by the Council and Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council and Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council and Group.

Re-stated

Year to 31 March 2020			Year to 31 March 2021	
Group	Council		Group	Council
£000	£000	Notes	£000	£000
Operating Activities				
83,368	69,506	Surplus on the Provision of Services	(47,883)	(73,049)
374	0	Adjustment to Surplus / (Deficit) for Taxation of Group entities	(321)	0
(258,499)	(217,449)	Adjustments to Surplus on the Provision of Services for non-cash movements	(276,045)	(235,284)
(153)	(3,277)	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities	96,369	96,621
<u>(174,910)</u>	<u>(151,220)</u>	Net cash flows from operating activities	<u>(227,880)</u>	<u>(211,712)</u>
Investing Activities				
303,438	268,656	Net cash flows from investing activities	140,459	119,947
Financing Activities				
<u>(102,888)</u>	<u>(91,934)</u>	Net cash flows from financing activities	<u>1,648</u>	<u>7,384</u>
<u>25,640</u>	<u>25,502</u>	Net decrease in cash and cash equivalents	<u>(85,773)</u>	<u>(84,381)</u>
<u>(135,844)</u>	<u>(106,679)</u>	Cash and cash equivalents at 1 April	<u>(110,204)</u>	<u>(81,177)</u>
<u>(110,204)</u>	<u>(81,177)</u>	Cash and cash equivalents at 31 March	<u>(195,977)</u>	<u>(165,558)</u>
<u>25,640</u>	<u>25,502</u>	Net decrease in cash and cash equivalents	<u>(85,773)</u>	<u>(84,381)</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts summarise the authority's and the authority's group transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The authority is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and supported by International Financial Reporting Standards (IFRS).

1.1 Material Items

Items of income and expenditure are material if individually or collectively they could influence the decisions or assessments of users of the financial statements, by omission or misstatement. Materiality is an expression of the relative significance of a matter in the context of the annual accounts as a whole.

The assessment of materiality is based on 1% of gross expenditure, at net cost of services level, as this is considered to be the principal consideration for users when assessing the Group and Council's performance. The materiality assessment is set out in the table below.

Specific levels of materiality are considered appropriate for the Housing Revenue Account. The Housing Revenue Account has been assessed on 1% of gross expenditure.

Group	Council	HRA
£m	£m	£m
22.237	20.261	0.887

The principle of materiality does not, however, override the need for relevant statutory disclosures (such as those included within the remuneration report), even if the amounts concerned would otherwise fall below the materiality threshold. Similarly, the assessment of materiality also considers the nature of transactions, irrespective of amount, insofar as these might influence a user of the financial statements.

1.2 Recognition of Income and Expenditure

- The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Income from service recipients is recognised when the goods or services are transferred to the service recipient.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date the supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.
- Provision has been made in the relevant accounts for bad and doubtful debts.
- Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits will flow and the amount of revenue can be measured reliably. Revenue is measured at the full amount receivable (net of any bad debt provision) as they are non-contractual, non-exchange transactions.

1.3 Value Added Tax

Value added tax (VAT) is excluded from the financial statements unless it is non-recoverable from HM Revenue and Customs.

1.4 Overheads

The costs of support services are reported in accordance with the current management structure. Certain support service costs are recovered through direct charges during the year.

1.5 Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.5 Events after the balance sheet date - continued

- those that provide evidence of conditions that existed at the end of the reporting period - the Annual Accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Annual Accounts are not adjusted to reflect such events, but where the effect would have been material, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

1.6 Prior period adjustments, changes in accounting policies and estimates

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting policy are only made when required by proper accounting practice or to provide more reliable or relevant information on the Council's financial position. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always been applied. Changes in accounting estimation techniques are applied in the current and future years and do not give rise to a prior period adjustment.

1.7 Public Private Partnership - School Buildings, Maintenance and Other Facilities

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the non-current assets required to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under this scheme and as ownership of the schools and other facilities will pass to the Council at the end of the contracts for no additional charge, the Council carries the non-current assets used under the contracts on its Balance Sheet.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other assets owned by the Council.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year - debited to services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 8.968% (PPP1 scheme), 5.895% (PPP2 scheme), 8.197% (James Gillespie's High School), 4.36% (Queensferry High School) and 6.84% (Millerhill Residual Waste Facility) on the outstanding balance sheet liability - debited to 'financing and investment income and expenditure' in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract - debited to 'financing and investment income and expenditure' in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the value of the finance lease on the Balance Sheet.
- lifecycle replacement costs - recognised as non-current assets on the Balance Sheet.

Service Concession Agreements are accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The Standard recognises that the Council is in control of services provided under the PPP scheme. As ownership of the long-term assets will pass to the Council at the end of the contract for no additional charge, the Council carries the assets on the Balance Sheet.

1.8 Fair Value measurement - surplus assets and investment properties

Surplus assets, investment properties and relevant financial instruments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.8 Fair Value measurement - surplus assets and investment properties - continued

In measuring the fair value, the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use is taken into account.

Appropriate valuation techniques have been applied, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

1.9 Property, Plant and Equipment

• Categories of Assets

Property, plant and equipment is categorised into the following classes:

Council dwellings	Other land and buildings
Vehicles, plant, furniture and equipment	Infrastructure assets, e.g. roads and footways
Community assets, e.g. parks	Assets under construction
Surplus assets (assets that are surplus to requirements, but there are no clear plans to sell these at the current time)	

• Recognition

Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis. Expenditure lower than £10,000 on individual assets is charged to revenue.

A change in accounting policy was approved at Finance and Resources Committee on 21 January 2021, enabling interest costs with qualifying assets to be capitalised to better match costs to income streams. A de minimis limit of £2m for interest costs has been approved.

• Measurement

Infrastructure, community assets and assets under construction are initially measured at historic cost, comprising their purchase price and any costs attributable to bringing the assets into use for their intended purpose.

All other classes of property, plant and equipment are measured at fair value.

- Other land and buildings - fair value is the amount that would be paid for the assets in their existing use.
- Council dwellings - fair value is measured at existing use value - social housing.
- Vehicles, plant, furniture and equipment - fair value is the amount equivalent to depreciated historical cost for short life and/or low value assets. For assets with longer lives and/or high values, fair value is the amount that would be paid for the asset in its existing use or depreciated replacement cost for specialised /rarely sold assets where insufficient market-based evidence exists.
- Surplus assets - fair value is the price that would be paid for an asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Property, Plant and Equipment - continued

- **Depreciation**

Depreciation is provided on all property, plant and equipment, other than freehold land, community assets and assets under construction.

The Council depreciates its non-current assets in the year of acquisition. The Council operates a five-year rolling revaluation programme for assets and provides for depreciation on a straight line basis on the opening book value plus the cost of acquisitions and enhancements during the year over the remaining useful life of the asset. Thus the charge to the Comprehensive Income and Expenditure Statement for the year is impacted by changes in asset value during the year arising from enhancements but not revaluation.

Component accounting is applied as part of the revaluation process. As a result, where a building asset is split down into further components for the first time in year, the depreciation charge is based on the opening book value over the opening remaining useful life of the asset rather than subsequent component values and associated lives. The difference is not considered material.

- **Charges to Revenue for use of Non-Current Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- impairment losses attributable to the clear consumption of economic benefits on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Council is not required to raise Council Tax to cover depreciation or impairment losses. Depreciation and impairment losses are therefore a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account.

- **Revaluations**

Where assets are included in the Balance Sheet at fair value, revaluations are carried out at intervals of no more than five years. The Council operates a rolling programme for revaluations. The determination of fair value of land and buildings is undertaken by the Council's Operational Estate Manager.

- **De-recognition**

An asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an asset is included in 'surplus or deficit on the provision of services' within the Comprehensive Income and Expenditure Statement when the asset is de-recognised.

The gain or loss on de-recognition of property, plant and equipment assets is a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

- **Components**

Component accounting is applied to all assets that comprise land and buildings. Land and buildings are treated as separate components of an asset and accounted for separately.

The building component of an asset is separated into further components primarily to those with a carrying value of over £5 million. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Property, Plant and Equipment - continued

Where it is necessary to break a building down into further components, the following categories are applied:

- Structural - includes external and internal walls, traditional roofing, doors, etc.
- Non-traditional roofing - includes flat roof, non-traditional roof coverings and industrial type roofs.
- Finishes - includes doors, windows and room finishes.
- Mechanical and electrical services - includes water, heat, ventilation, electrical, lifts, fire and communications.
- Fittings and furnishings - includes fittings, furnishings and sanitary appliances.

1.10 Revenue Expenditure Funded from Capital Under Statute

Expenditure that may be capitalised under statutory provisions that does not result in the creation of assets for the Council has been charged to the 'cost of services' in the Comprehensive Income and Expenditure Statement.

These costs are a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the capital adjustment account.

1.11 Group Account Consolidation

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under IFRS 10 than under IAS 27. No differences were found.

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned where possible.
- The following methods of consolidation have been used:
 - Subsidiaries - line-by-line basis;
 - Associates - equity method.
- Transport for Edinburgh Limited's, CEC Holdings Limited's and Edinburgh Living MMR LLP's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March) a review was undertaken to establish the potential impact of the COVID-19 pandemic on the financial position of the companies. An adjustment will be made for the pension valuation of Transport for Edinburgh, as a result of this review, but no other consolidation adjustments have been assessed as being required.
- Transport for Edinburgh Limited and CEC Holdings Limited have adopted Accounting Standard IFRS 16 Finance Leases for the year to 31 December 2020. The Council is not required to adopt this standard until 1 April 2022 and therefore consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Group members' financial statements have been prepared on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the authority (i.e. government and other grants, rents, fees and charges, Council Tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 22.

2020/21	Net Expend. Chargeable to the General Fund and HRA Balances £000	Adjustments £000	Net Expenditure in the CIES £000
Communities and Families Place	471,737	(7,895)	463,842
Housing Revenue Account	94,630	74,093	168,723
Health and Social Care Resources	0	(16,128)	(16,128)
Chief Executive	228,156	6,899	235,055
Lothian Valuation Joint Board	178,740	50,379	229,119
	9,725	971	10,696
	3,805	0	3,805
Cost of Services	986,793	108,319	1,095,112
Other income and expenditure			
Net cost of benefits	(127)	0	(127)
Other non-service specific costs	33,214	(8,326)	24,888
Net income and changes in relation to investment properties and changes in their fair value	0	(811)	(811)
Interest and investment income	(2,638)	(1,173)	(3,811)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	79,064	(5,191)	73,873
Net pension interest cost	0	12,385	12,385
Gains on disposal of assets	0	(6,499)	(6,499)
Gains on derecognition or revaluation of financial assets	0	(156)	(156)
Contribution from Capital Fund	(885)	885	0
Contribution to General Fund	56,362	(56,362)	0
Income from Council Tax	(283,497)	0	(283,497)
Government Grants	(637,444)	0	(637,444)
Distribution from NDRl pool	(238,922)	0	(238,922)
Movement in donated assets	0	1,008	1,008
Capital grants and contributions	0	(109,048)	(109,048)
(Surplus) / Deficit on the provision of services	(8,080)	(64,969)	(73,049)
Opening General Fund and HRA Balance	121,345		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	88,402		
Surplus on the provision of services	8,080		
Closing General Fund and HRA Balance at 31 March	217,827		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 19.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued Re-stated

2019/20 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	£000
Communities and Families Place	423,570	12,484	436,054
Housing Revenue Account	53,269	83,145	136,414
Health and Social Care Resources	0	(15,308)	(15,308)
Chief Executive	218,472	9,639	228,111
Lothian Valuation Joint Board	167,555	103,362	270,917
	9,050	1,538	10,588
	3,678	0	3,678
Cost of Services	875,594	194,860	1,070,454
Other income and expenditure			
Net cost of benefits	(277)	0	(277)
Other non-service specific costs	25,112	(26,320)	(1,208)
Net deficit on trading activities	0	48	48
Net income and changes in relation to investment properties and changes in their fair value	0	(1,967)	(1,967)
Interest and investment income	(3,204)	(1,433)	(4,637)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	104,710	16,167	120,877
Net pension interest cost	0	16,410	16,410
Gains on disposal of assets	0	(5,464)	(5,464)
Gains on derecognition or revaluation of financial assets	0	(90)	(90)
Contribution from Capital Fund	(334)	334	0
Contribution from General Fund	581	(581)	0
Income from Council tax	(271,044)	0	(271,044)
Government Grants	(360,206)	0	(360,206)
Distribution from NDR1 pool	(366,025)	0	(366,025)
Movement in donated assets	0	441	441
Capital grants and contributions	0	(127,806)	(127,806)
Surplus on the provision of services	4,907	64,599	69,506
Opening General Fund and HRA Balance	144,845		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	(18,593)		
Deficit on the provision of services	(4,907)		
Closing General Fund and HRA Balance at 31 March	121,345		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 20.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure

Statement amounts

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
2020/21				
Communities and Families Place	(10,943)	12,344	952	2,353
Housing Revenue Account	81,004	7,345	444	88,793
Health and Social Care Resources	(5,699)	911	(837)	(5,625)
Chief Executive	111	6,701	525	7,337
	70,649	6,137	412	77,198
	1	671	47	719
Cost of Services	135,123	34,109	1,543	170,775
Other income and expenditure				
Other non-service specific costs	(2,563)	(3,276)	(11)	(5,850)
Net income and changes in relation to investment properties and changes in their fair value	0	0	(14)	(14)
Interest and investment income	(1,164)	0	0	(1,164)
Interest payable and similar charges	(25,821)	0	(2,129)	(27,950)
Net pension interest cost	0	12,385	0	12,385
Gains on disposal of assets	(6,499)	0	0	(6,499)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(109,048)	0	0	(109,048)
Income from donated assets	1,008	0	0	1,008
Total Adjustments	(8,964)	43,218	(611)	33,643

Notes -

Adjustments for capital purposes include the replacement of depreciation and impairment costs with repayment of borrowing to the Loans Fund.

Net changes for pensions adjustment relate to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other differences include reversal of the value of entitlement to accrued leave, the revaluation of investment properties and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2020/21	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	2,353	(26)	(10,222)	(7,895)
Housing Revenue Account	88,793	25	(14,725)	74,093
Health and Social Care	(5,625)	0	(10,503)	(16,128)
Resources	7,337	(438)	0	6,899
Chief Executive	77,198	(18,666)	(8,153)	50,379
	719	(1)	253	971
Cost of Services	170,775	(19,106)	(43,350)	108,319
Other income and expenditure				
Other non-service specific costs	(5,850)	(2,691)	215	(8,326)
Net income and changes in relation to investment properties and changes in their fair value	(14)	(797)	0	(811)
Interest and investment income	(1,164)	(9)	0	(1,173)
Interest payable and similar charges	(27,950)	22,759	0	(5,191)
Net pension interest cost	12,385	0	0	12,385
Gains on disposal of assets	(6,499)	0	0	(6,499)
Gains on derecognition or revaluation of financial assets	0	(156)	0	(156)
Use of reserves	0	0	(55,477)	(55,477)
Capital grants and contributions	(109,048)	0	0	(109,048)
Income from donated assets	1,008	0	0	1,008
Total Adjustments	33,643	0	(98,612)	(64,969)

Notes -

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (*including PPP schemes*), trading operations, internal recharges and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

Re-stated

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
2019/20 Comparative Data				
Communities and Families Place	(5,735)	17,964	(311)	11,918
Housing Revenue Account	75,240	10,873	(842)	85,271
Health and Social Care	(44,544)	811	12,970	(30,763)
Resources	72	9,981	26	10,079
Chief Executive	108,327	9,050	(898)	116,479
	1	1,046	(81)	966
Cost of Services	133,361	49,725	10,864	193,950
Other income and expenditure				
Other non-service specific costs	(5,473)	(18,046)	(1)	(23,520)
Net income and changes in relation to investment properties and changes in their fair value	0	0	(309)	(309)
Interest and investment income	(1,189)	0	0	(1,189)
Interest payable and similar charges	(35,114)	0	31,346	(3,768)
Net pension interest cost	0	16,410	0	16,410
Gains on disposal of assets	(5,464)	0	0	(5,464)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(127,806)	0	0	(127,806)
Income from donated assets	441	0	0	441
Total Adjustments	(41,244)	48,089	41,900	48,745

Notes -

Adjustments for capital purposes include the replacement of depreciation and impairment costs with repayment of borrowing to the Loans Fund.

Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other differences include reversal of the value of entitlement to accrued leave, the revaluation of investment properties and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

Re-stated

	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
2019/20 Comparative Data				
Communities and Families Place	11,918	(81)	647	12,484
Housing Revenue Account	85,271	53	(2,179)	83,145
Health and Social Care Resources	(30,763)	0	15,455	(15,308)
Chief Executive	10,079	(440)	0	9,639
	116,479	(16,586)	3,469	103,362
	966	0	572	1,538
Cost of Services	193,950	(17,054)	17,964	194,860
Other income and expenditure				
Other non-service specific costs	(23,520)	(1,149)	(1,651)	(26,320)
Net deficit on trading activities	0	48	0	48
Net income and changes in relation to investment properties and changes in their fair value	(309)	(1,658)	0	(1,967)
Interest and investment income	(1,189)	(32)	(212)	(1,433)
Interest payable and similar charges	(3,768)	19,935	0	16,167
Net pension interest cost	16,410	0	0	16,410
Gains on disposal of assets	(5,464)	0	0	(5,464)
Gains on derecognition or revaluation of financial assets	0	(90)	0	(90)
Use of reserves	0	0	(247)	(247)
Capital grants and contributions	(127,806)	0	0	(127,806)
Income from donated assets	441	0	0	441
Total Adjustments	48,745	0	15,854	64,599

Notes -

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (*including PPP schemes*), trading operations, internal recharges and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

2020/21	Communities and Families	Place	Housing Revenue Account	Health and Social Care
Expenditure	£000	£000	£000	£000
Employee expenses	362,517	86,561	11,156	88,029
Other service expenses	251,162	189,009	42,093	266,926
Support service recharges	0	18	6,893	0
Interest payments	21	0	17,414	0
Debt repayments (<i>HRA only</i>)	0	0	17,130	0
Total Expenditure	613,700	275,588	94,686	354,955
Income				
Revenues from external customers	(54,212)	(111,913)	(91,397)	(17,925)
Income from recharges for services	0	(165)	(254)	0
Government grants and other contribs.	(87,751)	(68,880)	(1,871)	(108,874)
Interest and investment income	0	0	(1,164)	0
Total Income	(141,963)	(180,958)	(94,686)	(126,799)
Cost of Services	471,737	94,630	0	228,156

	Resources	Chief Executive	Lothian Valuation Joint Board	Council Total
Expenditure	£000	£000	£000	£000
Employee expenses	75,510	8,034	0	631,807
Other service expenses	127,512	4,847	3,805	885,354
Support service recharges	(873)	0	0	6,038
Interest payments	19,464	0	0	36,899
Debt repayments (<i>HRA only</i>)	0	0	0	17,130
Total Expenditure	221,613	12,881	3,805	1,577,228
Income				
Revenues from external customers	(16,792)	(574)	0	(292,813)
Income from recharges for services	(8,772)	(477)	0	(9,668)
Government grants and other contribs.	(17,309)	(2,105)	0	(286,790)
Interest and investment income	0	0	0	(1,164)
Total Income	(42,873)	(3,156)	0	(590,435)
Cost of Services	178,740	9,725	3,805	986,793

	Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure	£000	£000	£000
Employee expenses	97,733	0	729,540
Other service expenses	41,751	0	927,105
Support service recharges	0	0	6,038
Depreciation, amortisation and impairment	24,111	0	24,111
Interest payments	0	0	36,899
Debt repayments (<i>HRA only</i>)	0	0	17,130
Net expend from Associates and Joint Ventures	0	395	395
Total Expenditure	163,595	395	1,741,218
Income			
Revenues from external customers	(176,703)	0	(469,516)
Income from recharges for services	0	0	(9,668)
Government grants and other contribs.	38,048	0	(248,742)
Interest and investment income	0	0	(1,164)
Net income from Associates and Joint Ventures	0	(12,690)	(12,690)
Total Income	(138,655)	(12,690)	(741,780)
Cost of Services	24,940	(12,295)	999,438

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

2019/20 Comparative Data	Communities and Families	Place	Housing	Health and Social Care
			Revenue Account	
Expenditure	£000	£000	£000	£000
Employee expenses	343,850	84,015	10,242	87,256
Other service expenses	199,027	179,689	42,509	232,390
Support service recharges	0	0	7,023	0
Interest payments	77	0	18,001	0
Debt repayments (<i>HRA only</i>)	0	0	43,695	0
Total Expenditure	542,954	263,704	121,470	319,646
Income				
Revenues from external customers	(53,075)	(141,768)	(98,098)	(19,432)
Income from recharges for services	(16)	(435)	(166)	0
Government grants and other contribs.	(66,293)	(68,232)	(22,018)	(81,742)
Interest and investment income	0	0	(1,188)	0
Total Income	(119,384)	(210,435)	(121,470)	(101,174)
Cost of Services	423,570	53,269	0	218,472

	Resources	Chief Executive	Lothian	Council Total
			Valuation Joint Board	
Expenditure	£000	£000	£000	£000
Employee expenses	73,940	7,966	0	607,269
Other service expenses	133,520	5,576	3,678	796,389
Support service recharges	37	0	0	7,060
Interest payments	18,196	0	0	36,274
Debt repayments (<i>HRA only</i>)	0	0	0	43,695
Total Expenditure	225,693	13,542	3,678	1,490,687
Income				
Revenues from external customers	(29,342)	(780)	0	(342,495)
Income from recharges for services	(9,938)	(475)	0	(11,030)
Government grants and other contribs.	(18,858)	(3,237)	0	(260,380)
Interest and investment income	0	0	0	(1,188)
Total Income	(58,138)	(4,492)	0	(615,093)
Cost of Services	167,555	9,050	3,678	875,594

	Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure	£000	£000	£000
Employee expenses	119,178	0	726,447
Other service expenses	53,813	0	850,202
Support service recharges	0	0	7,060
Depreciation, amortisation and impairment	24,433	0	24,433
Interest payments	0	0	36,274
Debt repayments (<i>HRA only</i>)	0	0	43,695
Net expend from Associates and Joint Ventures	0	5,190	5,190
Total Expenditure	197,424	5,190	1,693,301
Income			
Revenues from external customers	(214,640)	0	(557,135)
Income from recharges for services	0	0	(11,030)
Government grants and other contribs.	34,068	0	(226,312)
Interest and investment income	0	0	(1,188)
Net income from Associates and Joint Ventures	0	(461)	(461)
Total Income	(180,572)	(461)	(796,126)
Cost of Services	16,852	4,729	897,175

NOTES TO THE FINANCIAL STATEMENTS

3. Expenditure and Income Analysed by Nature Group

3.1 The authority's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows;

	2020/21	2019/20
	£000	£000
Expenditure		
Employee expenses	770,603	764,758
Other service expenses	1,253,172	1,204,985
Support service recharges	6,038	7,059
Depreciation, amortisation and impairment	215,292	247,166
Interest payments	162,882	224,478
Net Interest in the (profit) / loss of associates and joint ventures	(12,296)	4,729
Total Expenditure	2,395,691	2,453,175
Income		
Fees, charges and other service income	(860,495)	(927,817)
Gain on the disposal of assets	(6,525)	(5,331)
Movement on donated assets	1,008	441
Interest and investment income	(80,995)	(96,918)
Income from Council Tax and Non-Domestic Rates	(522,419)	(637,068)
Government grants and other contributions	(877,716)	(570,205)
Recognised capital income	(109,048)	(127,806)
Total Income	(2,456,190)	(2,364,704)
Group (Surplus) / Deficit	(60,499)	88,471

Council

3.2 The authority's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows

	2020/21	Re-stated 2019/20
	£000	£000
Re-stated Expenditure		
Employee expenses	672,870	645,580
Other service expenses	1,211,742	1,150,799
Support service recharges	6,038	7,059
Depreciation, amortisation and impairment	191,181	222,733
Interest payments	151,506	208,545
Total Expenditure	2,233,337	2,234,716
Income		
Fees, charges and other service income	(683,791)	(713,178)
(Gain) / Loss on the disposal of assets	(6,499)	(5,464)
Interest and investment income	(69,870)	(77,861)
Income from Council Tax and Non-Domestic Rates	(522,419)	(637,069)
Government grants and other contributions	(915,767)	(604,273)
Recognised capital income	(109,048)	(127,806)
Donated asset income	1,008	441
Total Income	(2,306,386)	(2,165,210)
(Surplus) / Deficit on the Provision of Services	(73,049)	69,506

NOTES TO THE FINANCIAL STATEMENTS

4. Accounting Standards that have been issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2021/22 Code:

The Code requires implementation from 1 April 2021 and there is therefore no impact on the 2020/21 financial statements.

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7 - interest rate benchmark reform
- Amendments to IAS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - interest rate benchmark reform phase 2

5. Judgements Made in Applying Accounting Policies

In applying the accounting policies set out in Note 1 and elsewhere in the accounts to the Financial Statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The most significant judgements made in these Financial Statements are detailed below:

5.1 Provision of School Buildings and Waste Facility

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) and the Design, Build, Finance and Maintain (DBFM) for James Gillespie's High School (JHGS) and Queensferry High School (QHS), for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1), Axiom Education Limited (PPP2), Hub South East Scotland (JGHS) and QHS DBFMCO Ltd (QHS).

The Council is deemed to control 80% of the services provided under the DBFM for Millerhill Residual Waste Facility (20% controlled by Midlothian Council).

The accounting policies for public private partnerships have been applied to these arrangements and the schools and waste facility (valued at net book value of £527.216m and £97.488m respectively at 31 March 2021) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

5.2 Group Membership

The Council has an interest in a number of subsidiary and associate companies and trusts. Full details of these interests are shown in note 9 to the Financial Statements. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

6. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

NOTES TO THE FINANCIAL STATEMENTS

6. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The following table details uncertainties on assumptions and estimates, and outlines the potential effect if actual results differ from the assumptions made.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets. Council dwellings are valued using the Beacon Method which aggregates the vacant possession values of each unit of housing stock. The beacon discount factor is determined by applying a capitalisation yield to the gross rental income and comparing this to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied in the 2020-21 revaluations is 37% with a 4.5% uplift (38% previously).	If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls.
		It is estimated that the annual depreciation charge would increase and the carrying value would fall by £10.942m for each year that useful lives were reduced.
		If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £26.210m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. Note 42.6 provides further information on the Council's pension liability.
	The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single Status Pension in 2016 has resulted in a recalculation of pension liabilities related to the estimated impact of Guaranteed minimum pension (GMP) indexation changes.	The increased liability has been reflected in the pension liability as a past service cost.
	A further recent ruling on GMP has been made, in relation to past transfers.	The Council's actuary has not included any allowance for this as they deem it unlikely to have a significant impact on the pension obligations of a typical Employer.
	Legislation requires the Local Government Pension Scheme (LGPS) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The costs management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities).	The Council's actuary has included an estimate within the pension liability as a past service cost.
	The Goodwin case judgement, in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities.	The Council's actuary has not included an estimate of the impact of the Goodwin case in the valuation due to the uncertainty of the final outcome. The estimated impact on the Employer's future obligations may be around 0.13% higher.
	The Walker and O'Brien cases, may impact LGPS benefits in the future, in respect of retrospective discrimination in spousal transfer of benefits for same sex couples.	The Council's actuary has not included an estimated of the impact of these cases as they are unlikely to result in significant impact on the pension obligations.

NOTES TO THE FINANCIAL STATEMENTS

6. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty - continued

Arrears	At 31 March, the Council had a balance of sundry debtors of £43.984m. A review of significant balances suggested that an impairment of doubtful debts of £9.1m (20.7%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £2.199m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £10.447m. A review of significant balances suggested that an impairment of doubtful debts of £9.035m (86.5%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There is a relatively high level of arrears and the impairment set aside should help protect against potential loss of income to the Council arising from welfare reforms such as Universal Credit and the reduction in the benefits cap which will potentially impact on the level of rent arrears.

This list does not include assets and liabilities that are carried at fair value based on recently observed market prices.

7. Material Items of Income and Expense

There has been material income and expense during this financial year related to the Covid 19 pandemic, further details of this are contained in the Management Commentary page 15.

8. Events After the Balance Sheet Date

There have been no material events to disclose after the Balance Sheet date.

9. Subsidiaries and Associates

The Council holds shares in various trading companies, either as a controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

Subsidiaries:

	Shareholding
• CEC Holdings Limited	100.00%
• Transport for Edinburgh Limited	100.00%
• Edinburgh Living MMR LLP	99.999%

Associates:

• Edinburgh Leisure	33.33%	Board representation
• Capital Theatres	33.33%	Board representation
• Lothian Valuation Joint Board	61.29%	Funding percentage

• Common Good	100.00%
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Joint Venture

	Interest	
• Edinburgh Integration Joint Board	50.00%	Board representation

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

The following companies are not consolidated into the Group Accounts. An assessment has been carried out on these companies, their activities and the level of Council control. These companies are not considered to be a material part of the Group and have therefore been excluded from the Group Accounts:

	Shareholding
• Capital City Partnership Limited	100.00%
• CEC Recovery Limited (formerly tie Limited)	100.00%
• Marketing Edinburgh Limited	100.00%
• Energy for Edinburgh Limited	100.00%
• Edinburgh Living MR LLP	99.00% (dormant to 31.12.20)
• Telford NHT LLP	> 75% controlling interest

In January 2019 the Council bought out the developer's share in Telford NHT LLP and held majority control of this associate during the financial year, in conjunction with the Scottish Futures Trust. The properties held were sold on 4 May 2021, however the controlling interest has been retained.

LFPE Limited and LPFI Limited are consolidated in the annual accounts of Lothian Pension Fund.

Unless otherwise stated, the accounts of these bodies may be accessed, as they become available, through [the Council's website](#).

9.1 Subsidiary Companies

• CEC Holdings Limited

The principal activities of the company are property development and the operation of an international conference centre. The company is wholly owned by the City of Edinburgh Council.

The most recent unaudited results of the company are as follows:

	31.12.20 £000	31.12.19 £000
Net assets	13,833	20,416
Net (profit) / loss before taxation	4,941	(3,058)
Retained profit / (loss) carried forward	(56,111)	(49,497)

The Council inherited its interest in CEC Holdings Limited following the local government reorganisation in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

• Transport for Edinburgh Limited

The principal activities of the company are as a holding company for the City of Edinburgh Council's interest in public transport companies; Lothian Buses Limited and Edinburgh Trams Limited. The company is wholly owned by the City of Edinburgh Council.

The Council's major shareholding in Lothian Buses of 5,824,139 (91.01%) £1 ordinary shares (fully paid) was transferred to Transport for Edinburgh Limited in 2014.

The Council inherited its interest in Lothian Buses Limited, following the reorganisation of local government in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

Edinburgh Trams Limited commenced a fare paying revenue service on 31 May 2014.

The most recent audited results of the company are as follows:

	31.12.20 £000	31.12.19 £000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	70,310	129,486
Net loss before taxation	21,271	16,873
Retained earnings	(38,230)	22,223
Dividend paid in March 2020 and March 2019	0	7,000

A copy of the latest accounts can be obtained by writing to the Finance Director, Lothian Buses Limited, Annandale Street, Edinburgh, EH7 4AZ.

• Edinburgh Living MMR LLP

The limited liability partnership (LLP) members are the City of Edinburgh Council and Scottish Futures Trust (SFT). The principal activities of the partnership are to acquire and manage homes for mid-market rent.

	31.12.20 £000	Re-stated 31.12.19 £000
The most recent unaudited results of the partnership are as follows:		
Net assets	542	113
Net profit before taxation	(2,765)	(8,252)
Retained profit carried forward	(280)	(17)

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.2 Associates

• Edinburgh Leisure

This is a non-profit-distributing company limited by guarantee and registered as a Charity. Each member has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of the company being wound up.

The principal activity of the company is the provision of recreation and leisure facilities.

The City of Edinburgh Council is represented on the company's Board of Directors and contributes a substantial sum to the company towards the cost of operating sport and leisure facilities.

The City of Edinburgh Council leases its sport and leisure centres to the company.

The most recent unaudited results of the company are as follows:	31.03.21	31.03.20
	£000	£000
Net assets / (liabilities)	3,171	(1,223)
Net operating (profit) / loss	(4,394)	4,901
Earnings / (Losses) carried forward	3,171	(1,223)

Although Edinburgh Leisure is included in the Group Accounts, as the nature of its activities is a core part of Council policy, the Council has no legal interest in the assets or liabilities of the company.

• Capital Theatres

This is a non-profit-distributing company limited by guarantee and registered as a Charity.

The City of Edinburgh Council is represented on the trust's board of directors and gives substantial financial assistance. The City of Edinburgh Council leases the King's Theatre and the Festival Theatre to the trust.

The most recent audited results of the company are as follows:	31.03.21	31.03.20
	£000	£000
Net assets	5,626	5,323
Net operational (profit) / loss	82	(561)
Fund balances carried forward	5,626	5,323

Although Capital Theatres is included in the Group Accounts, due to its activities being a core part of the Council's policy, the Council has no legal interest in the assets or liabilities of the company.

• Lothian Valuation Joint Board

The Lothian Valuation Joint Board provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services.

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils. Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for Council Tax within the areas of each constituent authority.

	31.03.21	31.03.20
	£000	£000
Deficit for the year	645	478
Net Liabilities	(7,142)	(5,002)
Usable reserves	784	897
Unusable reserves	(7,926)	(5,899)
Total reserves	<u>(7,142)</u>	<u>(5,002)</u>

NOTES TO THE FINANCIAL STATEMENTS

9.3 Joint Ventures

• Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board (EIJB) was established by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014.

The Board comprises 10 voting members, made up of five elected members appointed by the City of Edinburgh Council and five NHS non-executive directors appointed by NHS Lothian, along with a number of non voting members.

The expenditure incurred by the EIJB is covered in full by income received from the partner bodies, NHS Lothian and the City of Edinburgh Council. EIJB therefore commission services from the parent bodies based on the approved strategic plan.

The most recent unaudited results of the Board are as follows:	31.03.21	31.03.20
	£000	£000
Gross expenditure	850,054	762,032
(Surplus) / Deficit for the year	(22,244)	6,528
Usable reserves	25,410	3,166

9.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

9.5 Shareholder Support to Council Companies

A number of companies within the group are currently dependent on the continued financial support of the Council. The companies are EICC Limited, a subsidiary of CEC Holdings Limited - (the Council owns 100% of the shares in CEC Holdings Limited), Transport for Edinburgh Ltd - (including Lothian Buses and Edinburgh Trams Ltd), Capital Theatres and Edinburgh Leisure.

9.6 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £118.734m (2019/20 £209.614m) representing the Council's share of the realisable surpluses or deficits in these companies.

10. Contingent Liabilities

Contingent Assets and Liabilities are not recognised in the accounting statements. Where there is probable inflow or outflow of economic benefits or service potential, these are disclosed in the notes to the financial statements.

There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

The work of the Scottish Child Abuse Inquiry, which began in 2015, is continuing under Lady Smith. With the imminent introduction of the Redress scheme for survivors of historical child abuse and the introduction of Qualified One-Way Costs Shifting (QOCS) from June 2021, there will be increased avenues for survivors to seek compensation for abuse which took place whilst in the care of an organisation. The Council's project team continues to support the inquiry, review historic records and respond to requests from the Inquiry for information. Local authorities across Scotland will be presented with claims, however the extent of the exposure remains unknown in 2021 as there is no time bar on the presentation of claims.

The Inquiry has identified a number of Council operated or commissioned facilities which it wishes to review as part of their investigation. Separately, some civil litigation claims have been submitted to the City of Edinburgh Council, as successor authority to Lothian Regional Council. Where claims are ongoing, it is impossible to confirm the likely cost to the Council as reserves change regularly and accurate costs are only known when a claim is settled. The total cost to the Council will include any settlement amount, fees (both first and third party), which may be offset by the insurance coverage in force at the time of the alleged abuse. It is worth noting that discussions are due to take place to ensure an equitable distribution of legacy claims across all Lothian councils which will further impact the exposure to the Council.

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	164,257	26,776	0
Movements in the market value of investment properties	(14)	0	0
Amortisation and impairment of intangible assets	148	0	0
Capital grants and contributions applied	(86,798)	(22,249)	0
Capital funded from revenue	(13,658)	0	0
Donated assets	1,008	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	51,107	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(53,616)	(17,130)	0
Capital expenditure charged against General Fund and HRA balances	(51,107)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	(6,251)	(248)	27,388
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(27,388)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(2,129)	(906)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	113,240	2,993	0
Employer's pension contributions and direct payments to pensioners payable in the year	(71,300)	(1,715)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	2,371	68	0
Total Adjustments	47,258	(12,411)	0

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2020/21	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(191,033)
Movements in the market value of investment properties	0	0	14
Amortisation of intangible assets	0	0	(148)
Capital grants and contributions applied	19,645	0	89,402
Capital funded from revenue	0	0	13,658
Donated assets	0	0	(1,008)
Capital fund used to finance new capital expenditure	0	2,000	(2,000)
Revenue expenditure funded from capital under statute	0	0	(51,107)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	(1,203)	71,949
Capital expenditure charged against General Fund and HRA balances	0	0	51,107
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(148)	0	148
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	(20,889)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27,388
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	3,035
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(116,233)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	73,015
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(2,439)
Total Adjustments	19,497	797	(55,141)

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

Re-stated 2019/20 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	193,597	29,078	0
Movements in the market value of investment properties	(351)	42	0
Amortisation of intangible assets	58	0	0
Capital grants and contributions applied	(98,544)	(29,262)	0
Capital funded from revenue	(6,581)	(23,000)	0
Donated assets	441	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	52,778	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(80,210)	(20,695)	0
Capital expenditure charged against General Fund and HRA balances	(52,778)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	(1,910)	(3,554)	9,640
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(9,640)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	31,346	13,113	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	114,743	2,803	0
Employer's pension contributions and direct payments to pensioners payable in the year	(67,925)	(1,530)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(2,107)	(144)	0
Total Adjustments	82,557	(33,149)	0

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

Re-stated 2019/20 Comparative Data	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(222,674)
Movements in the market value of investment properties	0	0	309
Amortisation of intangible assets	0	0	(58)
Capital grants and contributions applied	13,473	0	114,333
Capital funded from revenue	0	0	29,581
Donated assets	0	0	(441)
Capital fund used to finance new capital expenditure	0	(6,311)	6,311
Revenue expenditure funded from capital under statute	0	0	(52,778)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	(663)	101,568
Capital expenditure charged against General Fund and HRA balances	0	0	52,778
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(805)	0	805
Adjustments primarily involving the Capital Receipts Reserve			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	(4,176)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	9,640
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	(44,459)
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(117,546)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	69,455
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	2,251
Total Adjustments	12,668	(6,974)	(55,102)

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves

12.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year.

	Balance at 01.04.20 £000	Net Transfers Out 2020/21 £000	Net Transfers In 2020/21 £000	Balance at 31.03.21 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(49,323)	(6,711)	0	(56,034)
Capital grants unapplied account	1,305	(92)	0	1,213
Transport for Edinburgh Limited				
Revenue reserves	113,602	(91,196)	0	22,406
Edinburgh Living MMR LLP				
Revenue reserves	17	0	263	280
Total Usable Reserves - Subsidiaries	65,601	(97,999)	263	(32,135)
Associates and Joint Ventures				
Common Good Fund - Reserves	2,665	0	4	2,669
Edinburgh Leisure - Reserves	(408)	0	1,465	1,057
Capital Theatres - Reserves	1,774	0	101	1,875
Lothian Valuation Joint Board - Reserves	550	(70)	0	480
Edinburgh Integration Joint Board - Reserves	1,583	0	11,122	12,705
Total Usable Reserves - Associates and Joint Ventures	6,164	(70)	12,692	18,786
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	71,765	(98,069)	12,955	(13,349)

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.19 £000	Net Transfers Out 2019/20 £000	Net Transfers In 2019/20 £000	Balance at 31.03.20 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,059)	0	1,736	(49,323)
Capital grants unapplied account	1,521	(216)	0	1,305
Transport for Edinburgh				
Revenue reserves	118,718	(5,116)	0	113,602
Edinburgh Living MMR LLP				
Revenue reserves	0	0	17	17
Total Usable Reserves - Subsidiaries	69,180	(5,332)	1,753	65,601
Associates and Joint Ventures				
Common Good Fund - Reserves	2,352	0	313	2,665
Edinburgh Leisure - Reserves	203	(611)	0	(408)
Capital Theatres - Reserves	1,626	0	148	1,774
Lothian Valuation Joint Board - Reserves	548	0	2	550
Edinburgh Integration Joint Board - Reserves	4,847	(3,264)	0	1,583
Total Usable Reserves - Associates and Joint Ventures	9,576	(3,875)	463	6,164
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	78,756	(9,207)	2,216	71,765

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.20 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31.03.21 £000
Council's Usable Reserves				
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	44,690	(35,815)	17,155	26,030
Council Priorities Fund	757	(757)	0	0
Contingency funding, Workforce Transformation	13,588	(2,500)	148	11,236
Dilapidations Fund	3,228	(777)	50	2,501
Insurance Funds	20,097	(1,572)	1,055	19,580
Covid Funds	0	0	78,635	78,635
	<u>82,360</u>	<u>(41,421)</u>	<u>97,043</u>	<u>137,982</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration Income	2,982	0	991	3,973
Revenue grants and contributions received in advance of planned expenditure	6,801	(2,420)	7,297	11,678
Council Tax Discount Fund	4,304	(520)	2,279	6,063
Other earmarked balances	204	(29)	0	175
City Strategic Investment Fund	2,795	(906)	145	2,034
Covid advance funding	0	0	22,489	22,489
	<u>17,086</u>	<u>(3,875)</u>	<u>33,201</u>	<u>46,412</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	295	(28)	44	311
Spend to Save Fund and similar projects	3,006	(148)	551	3,409
	<u>3,301</u>	<u>(176)</u>	<u>595</u>	<u>3,720</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	4,671	(4,671)	4,688	4,688
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	0	0
Unallocated General Fund	<u>13,927</u>	<u>0</u>	<u>11,098</u>	<u>25,025</u>
Total General Fund	<u>121,345</u>	<u>(50,143)</u>	<u>146,625</u>	<u>217,827</u>
Housing Revenue Account Balance	0	0	0	0
Renewal and Repairs Fund	29,748	(3,537)	14,951	41,162
Capital Fund	48,934	(1,203)	2,000	49,731
Capital Receipts Reserve	0	(27,388)	27,388	0
Capital Grants Unapplied Account	28,452	(148)	19,645	47,949
Total Usable Reserves - Council	<u>228,479</u>	<u>(82,419)</u>	<u>210,609</u>	<u>356,669</u>
Total Usable Reserves - Group	<u>300,244</u>	<u>(180,488)</u>	<u>223,564</u>	<u>343,320</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

Re-stated	Balance at 01.04.19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31.03.20 £000
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	42,296	(10,876)	13,270	44,690
Council Priorities Fund	6,625	(9,154)	3,286	757
Contingency funding, Workforce Transformation	18,194	(7,160)	2,554	13,588
Dilapidations Fund	5,721	(2,493)	0	3,228
Insurance Funds	19,585	(841)	1,353	20,097
	<u>92,421</u>	<u>(30,524)</u>	<u>20,463</u>	<u>82,360</u>
Balances Set Aside from Income Received in Advance				
Licensing Income	2,584	(118)	516	2,982
Revenue grants and contributions received in advance of planned expend.	5,394	(1,680)	3,087	6,801
Council Tax Discount Fund	18,631	(18,000)	3,673	4,304
Other earmarked balances	203	0	1	204
City Strategic Investment Fund	3,552	(902)	145	2,795
	<u>30,364</u>	<u>(20,700)</u>	<u>7,422</u>	<u>17,086</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	244	0	51	295
Spend to Save Fund and similar projects	2,718	(245)	533	3,006
	<u>2,962</u>	<u>(245)</u>	<u>584</u>	<u>3,301</u>
Balances Set Aside under Devolved School Management Scheme				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	6,073	(6,034)	4,632	4,671
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	0	0
Unallocated General Fund	<u>13,025</u>	<u>0</u>	<u>902</u>	<u>13,927</u>
Total General Fund	<u>144,845</u>	<u>(57,503)</u>	<u>34,003</u>	<u>121,345</u>
Housing Revenue Account Balance	0	0	0	0
Renewal and Repairs Fund	26,346	(5,123)	8,525	29,748
Capital Fund	55,908	(8,453)	1,479	48,934
Capital Receipts Reserve	0	(279,048)	279,048	0
Capital Grants Unapplied Account	15,784	(805)	13,473	28,452
Total Usable Reserves - Council	<u>242,883</u>	<u>(350,932)</u>	<u>336,528</u>	<u>228,479</u>
Total Usable Reserves - Group	<u>321,639</u>	<u>(360,139)</u>	<u>338,744</u>	<u>300,244</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £4.688m (2019/20 £4.671m) is held within the General Fund in accordance with the Devolved School Management scheme and permitted carry forward of the Pupil Equity Fund.

12.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves

2020/21

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(50,143)	0	(3,537)	(27,388)
Transfers in	146,625	0	14,951	27,388
Total movements in fund	96,482	0	11,414	0
Recognised in Comprehensive Income and Expenditure Statement	97,393	10,503	0	0
Transfers to other earmarked reserves	(911)	(10,503)	11,414	0
Total movements in fund	96,482	0	11,414	0
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(148)	(1,203)	(98,069)	(180,488)
Transfers in	19,645	2,000	12,955	223,564
Total movements in fund	19,497	797	(85,114)	43,076
Recognised in Comprehensive Income and Expenditure Statement	19,497	797	(71,810)	56,380
Transfers to other earmarked reserves	0	0	0	0
Group account adjustments unusable reserves	0	0	(13,304)	(13,304)
Total movements in fund	19,497	797	(85,114)	43,076

2019/20 Comparative Data

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(57,503)	0	(5,123)	(279,048)
Transfers in	34,003	0	8,525	279,048
Total movements in fund	(23,500)	0	3,402	0
Recognised in Comprehensive Income and Expenditure Statement	(4,643)	(15,455)	0	0
Transfers to other earmarked reserves	(18,857)	15,455	3,402	0
Total movements in fund	(23,500)	0	3,402	0

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves - continued

2019/20 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Re-stated Group Usable Reserves £000	Total £000
Transfers out	(805)	(8,453)	(9,207)	(360,139)
Transfers in	13,473	1,479	2,216	338,744
Total movements in fund	<u>12,668</u>	<u>(6,974)</u>	<u>(6,991)</u>	<u>(21,395)</u>
Recognised in Comprehensive Income and Expenditure Statement	12,668	(6,974)	22,011	7,608
Transfers to other earmarked reserves	0	(0)	(29,002)	(29,003)
Total movements in fund	<u>12,668</u>	<u>(6,974)</u>	<u>(6,991)</u>	<u>(21,395)</u>

13. Financing and Investment Income and Expenditure

	2020/21		Re-stated 2019/20	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	74,374	73,873	74,014	73,933
Premiums arising from refinancing	0	0	46,943	46,943
Interest cost on defined benefit obligation	88,508	77,633	103,520	87,668
Interest receivable and similar income	(3,394)	(3,812)	(5,792)	(4,636)
Interest income on plan assets	(76,790)	(65,248)	(89,130)	(71,258)
Net income in relation to investment properties and changes in their fair value	(811)	(811)	(1,995)	(1,967)
Net income in relation to financial assets derecognised or revalued	(156)	(156)	(90)	(90)
Net deficit from trading activities	0	0	48	48
	<u>81,731</u>	<u>81,479</u>	<u>127,518</u>	<u>130,641</u>

14. Taxation and Non-Specific Grant Income

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(283,496)	(283,496)	(271,044)	(271,044)
Non-domestic rates	(238,922)	(238,922)	(366,025)	(366,025)
Non-ring fenced government grants	(637,444)	(637,444)	(360,206)	(360,206)
Capital grants and contributions	(109,048)	(109,048)	(127,806)	(127,806)
Movement on donated assets	1,008	1,008	441	441
Taxation expenses / (refund)	(321)	0	374	0
	<u>(1,268,223)</u>	<u>(1,267,902)</u>	<u>(1,124,266)</u>	<u>(1,124,640)</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment

15.1 Depreciation

Depreciation is provided in the year of an asset's purchase. Assets in the course of construction are not depreciated until they are brought into use. Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

Council dwellings	50 years
Buildings	Up to 80 years (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP - Millerhill Residual Waste Facility	30 years
PPP - Schools	40 years (PPP1 schools) and 35 years (PPP2 schools) 50 years (JGHS and QHS)
Infrastructure assets	20 years
Vehicles, plant, furniture and equipment	5 years to 30 years, to reflect estimated useful life 3 years to 15 years, Group Companies

15.2 Capital Commitments

At 31 March 2021, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £243.090m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2020 were £192.129m.

	£000	Expected Completion Date
Trams to Newhaven	81,583	23/24
St James Redevelopment - Growth Accelerator Model	61,400	21/22
Picardy Place Public Realm *	1,500	21/22
General Fund - Asset Management Works Programme	13,967	21/22
Trinity High School Phase 1 - Bangholm	13,590	21/22
Castlebrae High School	11,117	21/22
HRA - Pennywell Town Centre	10,345	22/23
Darroch School Refurbishment	8,853	22/23
New South Edinburgh Primary School	7,939	21/22
General Fund - Other	7,464	22/23
HRA - Other	6,840	23/24
North Bridge Refurbishment	6,240	23/24
Energy Efficiency Street Lighting Project	3,904	21/22
St Crispin's Special School	3,511	21/22
HRA - Pennywell Phase 3	3,481	22/23
Meadowbank Sports Centre	1,356	21/22
	<u>243,090</u>	

* The Picardy Place public realm payment will be made following the completion of the wider St James Redevelopment.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2020/21

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2020	1,569,110	2,346,880	359,048	1,543,665
Additions	21,437	22,462	12,350	99,085
Revaluation increases / (decreases) recognised in the Revaluation Reserve	46,591	286,332	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(17)	(7,378)	0	0
Derecognition - disposals	(2,849)	(442)	(18,602)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	20,875	39,408	0	0
At 31 March 2021	<u>1,655,147</u>	<u>2,687,262</u>	<u>352,796</u>	<u>1,642,750</u>
Accumulated Depreciation and Impairment				
At 1 April 2020	(9,012)	(150,974)	(172,255)	(771,663)
Depreciation charge	(31,651)	(70,043)	(27,970)	(73,851)
Depreciation charge written out to Revaluation Reserve	35,672	0	0	0
Depreciation written out to the Surplus on the Provision of Services	4,958	49,336	0	0
Derecognition - disposals	75	0	17,207	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Depreciation on assets transferred to Held for Sale	0	0	0	0
At 31 March 2021	<u>42</u>	<u>(171,681)</u>	<u>(183,018)</u>	<u>(845,514)</u>
Net book value				
At 31 March 2021	<u>1,655,189</u>	<u>2,515,581</u>	<u>169,778</u>	<u>797,236</u>
At 31 March 2020	<u>1,560,098</u>	<u>2,195,906</u>	<u>186,793</u>	<u>772,002</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2020/21

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2020	7,195	20	194,715	6,020,633
Additions	601	0	77,890	233,825
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(145)	0	225	333,003
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(32)	0	0	(7,427)
Derecognition - disposals	0	0	(17,763)	(39,656)
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	0	0	(60,058)	225
At 31 March 2021	7,619	20	195,009	6,540,603
Accumulated Depreciation and Impairment				
At 1 April 2020	0	0	0	(1,103,904)
Depreciation charge	0	0	0	(203,515)
Depreciation charge written out to Revaluation Reserve	0	0	0	35,672
Depreciation written out to the Surplus on the Provision of Services	0	0	0	54,294
Derecognition - disposals	0	0	0	17,282
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Depreciation on assets transferred to Held for Sale	0	0	0	0
At 31 March 2021	0	0	0	(1,200,171)
Net book value				
At 31 March 2021	7,619	20	195,009	5,340,432
At 31 March 2020	7,195	20	194,715	4,916,729

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group Accounts 2019/20 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2019	1,484,507	2,155,479	335,320	1,465,451
Additions	35,034	180,542	37,627	78,214
Revaluation increases / (decreases) recognised in the Revaluation Reserve	39,167	92,703	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	137	(44,531)	0	0
Derecognition - disposals	(2,684)	(1,540)	(13,899)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	12,949	(35,773)	0	0
At 31 March 2020	<u>1,569,110</u>	<u>2,346,880</u>	<u>359,048</u>	<u>1,543,665</u>
Accumulated Depreciation and Impairment				
At 1 April 2019	(141)	(97,601)	(160,162)	(701,660)
Depreciation charge	(29,510)	(69,576)	(24,895)	(70,003)
Depreciation charge written out to Revaluation Reserve	20,604	14,627	0	0
Depreciation written out to the Surplus on the Provision of Services	0	1,576	0	0
Derecognition - disposals	35	0	12,802	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2020	<u>(9,012)</u>	<u>(150,974)</u>	<u>(172,255)</u>	<u>(771,663)</u>
Net book value				
At 31 March 2020	<u>1,560,098</u>	<u>2,195,906</u>	<u>186,793</u>	<u>772,002</u>
At 31 March 2019	<u>1,484,366</u>	<u>2,057,878</u>	<u>175,158</u>	<u>763,791</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group 2019/20 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property Plant and Equipment £000
Cost or Valuation					
At 1 April 2019	8,987	1,421	109,161	0	5,560,326
Additions	2,055	0	76,756	0	410,228
Revaluation increases / (decreases) recognised in the Revaluation Reserve	347	0	0	0	132,217
Revaluation decreases recognised in the Surplus on the Provision of Services	(4,195)	0	0	0	(48,589)
Derecognition - disposals	0	0	(14,986)	0	(33,109)
Derecognition - other	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0	0
Other increases / (decreases) in cost or valuation	1	(1,401)	23,784	0	(440)
At 31 March 2020	7,195	20	194,715	0	6,020,633
Accumulated Depreciation and Impairment					
At 1 April 2019	0	0	0	0	(959,564)
Depreciation charge	0	0	0	0	(193,984)
Depreciation charge written out to Revaluation Reserve	0	0	0	0	35,231
Depreciation written out to the Surplus on the Provision of Services	0	0	0	0	1,576
Derecognition - disposals	0	0	0	0	12,837
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	0
At 31 March 2020	0	0	0	0	(1,103,904)
Net book value					
At 31 March 2020	7,195	20	194,715	0	4,916,729
At 31 March 2019	8,987	1,421	109,161	0	4,600,762

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council Movements in 2020/21

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2020	1,569,110	2,273,975	169,398	1,536,995
Additions	21,437	22,433	6,301	99,085
Revaluation increases / (decreases) recognised in the Revaluation Reserve	46,591	286,332	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(17)	(7,378)	0	0
Derecognition - disposals	(2,849)	(362)	(419)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	20,875	39,408	0	0
At 31 March 2021	<u>1,655,147</u>	<u>2,614,408</u>	<u>175,280</u>	<u>1,636,080</u>
Accumulated Depreciation and Impairment				
At 1 April 2020	(9,012)	(119,293)	(80,290)	(765,068)
Depreciation charge	(31,651)	(69,807)	(12,109)	(73,776)
Depreciation charge written out to Revaluation Reserve	35,672	0	0	0
Depreciation written out to the Surplus on the Provision of Services	4,958	49,336	0	0
Derecognition - disposals	75	0	419	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Other increases / (decreases) in cost or valuation	0	0	0	0
At 31 March 2021	<u>42</u>	<u>(139,764)</u>	<u>(91,980)</u>	<u>(838,844)</u>
Net book value				
At 31 March 2021	<u>1,655,189</u>	<u>2,474,644</u>	<u>83,300</u>	<u>797,236</u>
At 31 March 2020	<u>1,560,098</u>	<u>2,154,682</u>	<u>89,108</u>	<u>771,927</u>

Included within Other Land and Buildings is £1.833m for donated assets related to timing of PPP lifecycle maintenance spend by the contract provider, ahead of the planned programme.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council

Movements in 2020/21

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
At 1 April 2020	7,195	20	194,715	5,751,408	642,189
Additions	601	0	77,890	227,747	1,574
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(145)	0	225	333,003	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(32)	0	0	(7,427)	40,588
Derecognition - disposals	0	0	(17,763)	(21,393)	0
Derecognition - other	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	225	225	0
Other increases / (decreases) in cost or valuation	0	0	(60,283)	0	(34,256)
At 31 March 2021	<u>7,619</u>	<u>20</u>	<u>195,009</u>	<u>6,283,563</u>	<u>650,095</u>
Accumulated Depreciation and Impairment					
At 1 April 2020	0	0	0	(973,663)	(21,286)
Depreciation charge	0	0	0	(187,343)	(12,761)
Depreciation charge written out to Revaluation Reserve	0	0	0	35,672	8,656
Depreciation written out to the Surplus on the Provision of Services	0	0	0	54,294	0
Derecognition - disposals	0	0	0	494	0
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	0
Other increases / (decreases) in cost or valuation	0	0	0	0	0
At 31 March 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,070,546)</u>	<u>(25,391)</u>
Net book value					
At 31 March 2021	<u>7,619</u>	<u>20</u>	<u>195,009</u>	<u>5,213,017</u>	<u>624,704</u>
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>194,715</u>	<u>4,777,745</u>	<u>620,903</u>

The disclosure for PPP and similar assets is for information only. The costs and depreciation are included in 'Other Land and Buildings' and 'Assets Under Construction'.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council

2019/20 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2019	1,484,507	2,093,576	163,562	1,458,781
Additions	35,034	179,458	7,069	78,214
Revaluation increases / (decreases) recognised in the Revaluation Reserve	39,167	83,677	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	137	(45,423)	0	0
Derecognition - disposals	(2,684)	(1,540)	(1,233)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	12,949	(35,773)	0	0
At 31 March 2020	<u>1,569,110</u>	<u>2,273,975</u>	<u>169,398</u>	<u>1,536,995</u>
Accumulated Depreciation and Impairment				
At 1 April 2019	(141)	(66,106)	(72,866)	(695,177)
Depreciation charge	(29,510)	(69,390)	(8,656)	(69,891)
Depreciation charge written out to Revaluation Reserve	20,604	14,627	0	0
Depreciation written out to the Surplus on the Provision of Services	0	1,576	0	0
Derecognition - disposals	35	0	1,232	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2020	<u>(9,012)</u>	<u>(119,293)</u>	<u>(80,290)</u>	<u>(765,068)</u>
Net book value				
At 31 March 2020	<u>1,560,098</u>	<u>2,154,682</u>	<u>89,108</u>	<u>771,927</u>
At 31 March 2019	<u>1,484,366</u>	<u>2,027,470</u>	<u>90,696</u>	<u>763,604</u>

Included within Other Land and Buildings is £1.833m for donated assets related to timing of PPP lifecycle maintenance spend by the contract provider, ahead of the planned programme.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council

2019/20 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
Cost or Valuation					
At 1 April 2019	8,987	1,421	109,161	5,319,995	520,170
Additions	2,055	0	76,756	378,586	129,974
Revaluation increases / (decreases) recognised in the Revaluation Reserve	347	0	0	123,191	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(4,195)	0	0	(49,481)	(7,955)
Derecognition - disposals	0	0	(14,986)	(20,443)	0
Derecognition - other	0	0	0	0	
Assets reclassified (to) / from held for sale	0	0	0	0	0
Other increases / (decreases) in cost or valuation	1	(1,401)	23,784	(440)	0
At 31 March 2020	7,195	20	194,715	5,751,408	642,189
Accumulated Depreciation and Impairment					
At 1 April 2019	0	0	0	(834,290)	(8,542)
Depreciation charge	0	0	0	(177,447)	(12,744)
Depreciation charge written out to Revaluation Reserve	0	0	0	35,231	0
Depreciation written out to the Surplus on the Provision of Services	0	0	0	1,576	0
Derecognition - disposals	0	0	0	1,267	0
Derecognition - other	0	0	0	0	0
Impairment losses recognised in in the Surplus on the Provision of Services	0	0	0	0	0
At 31 March 2020	0	0	0	(973,663)	(21,286)
Net book value					
At 31 March 2020	7,195	20	194,715	4,777,745	620,903
At 31 March 2019	8,987	1,421	109,161	4,485,705	511,628

The disclosure for PPP and similar assets is for information only. The costs and depreciation are included in 'Other Land and Buildings' and 'Assets Under Construction'.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.7 Council Dwellings, Other Land and Buildings and Investment Properties

The Council carries out a rolling programme of revaluations that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out under the direction of the Council's Operational Estate Manager, L. Turner RICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Fixtures and fittings are included in the valuation of the buildings where appropriate.

In 2019/20, the Valuation Certificate that accompanied the asset valuations contained a Material Valuation Uncertainty clause in line with RICS guidance. The RICS has set up a Material Valuation Uncertainty Leaders Forum (UK) in response to the COVID-19 Pandemic. On 9 September 2020, the forum recommended a general "lifting" of material valuation uncertainty excluding assets valued with reference to trading potential. This recommendation was reaffirmed on 3 November 2020 and 5 January 2021. On 11 May 2021, the recommendation was amended to lift the exclusion of assets valued with reference to trading potential.

In line with the RICS recommendations, no material valuation uncertainty declaration is made for the asset valuations this year. The Valuation Certificate contains a statement to this effect in line with the RICS Covid 19 practice alert supplement "Impact of Covid 19 on Valuation" dated 6 November 2020.

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were taken into account based on the actual condition of the property and its actual residual useful life. Where the Council has a planned replacement programme asset life is reviewed accordingly;
- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board; and
- Not all properties were inspected.

The following statement shows the progress of the Council's five-year rolling programme for the revaluation of property, plant and equipment.

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	204	202,551	175,280	1,636,080
Valued at fair value as at:				
31 March 2021	1,653,448	689,156	0	0
31 March 2020	630	245,658	0	0
31 March 2019	363	700,593	0	0
31 March 2018	502	590,195	0	0
31 March 2017	0	186,255	0	0
Total cost or valuation	1,655,147	2,614,408	175,280	1,636,080

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	7,619	0	195,009	2,216,743
Valued at fair value as at:				
31 March 2021	0	0	0	2,342,604
31 March 2020	0	0	0	246,288
31 March 2019	0	0	0	700,956
31 March 2018	0	0	0	590,697
31 March 2017	0	20	0	186,275
Total cost or valuation	7,619	20	195,009	6,283,563

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.8 Surplus Assets and Investment Properties - Fair Value Disclosure

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2021
	£000	£000	£000	£000
Recurring fair value measurements using:				
Surplus assets	0	20	0	20
Investment properties - advertising hoardings	0	19,239	0	19,239
Total cost or valuation	0	19,259	0	19,259

- There were no transfers between levels during the year.
- The fair value for surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in similar locations. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs is significant, leading to the properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's surplus assets, the assumption has been made that these would be disposed of for highest and best use consideration.
- The fair value for investment properties has been based on the market approach using current rent receivable with a capitalisation rate applied. The rate reflects the return that an investor would expect from the capital employed. There is evidence of lettings from the Council's property information systems which have been used to determine valuation parameters and the level of observable inputs is significant, leading to the investment properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

16. Investment Properties

Policy

Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value (the price that would be received for the asset in its highest and best use).

Any gains or losses arising from a change in the fair value of investment properties are recognised in the Comprehensive Income and Expenditure Statement for the period in which they arise.

Investment properties are revalued annually.

Investment properties held at fair value are not depreciated.

Investment properties are de-recognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the retirement or disposal of an investment property is recognised in the 'surplus or deficit on provision of services' within the Comprehensive Income and Expenditure Statement in the period of the retirement or disposal.

Note

16.1 Income and Expenses on Investment Properties

Income of £0.798m (£1.658m 2019/20) and expense £Nil (£Nil 2019/20) have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal.

NOTES TO THE FINANCIAL STATEMENTS

16. Investment Properties - continued

16.2 Movement in Fair Value - continued

The following table summarises the movement in the fair value of investment properties over the year.

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	47,221	19,225	19,136	18,916
Additions	18,396	0	19,513	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	14	14	8,572	309
Value at 31 March	<u>65,631</u>	<u>19,239</u>	<u>47,221</u>	<u>19,225</u>

17. Intangible Assets

Policy

Intangible fixed assets represent software licences purchased by the Council.

Expenditure on the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis.

Intangible fixed assets are initially measured at cost. Software licences are depreciated over the period of the licence, commencing in the year of acquisition.

Note

The carrying value of intangible assets of the Group and the Council is £0.295m in 2020/21 (£0.444m in 2019/20).

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.148m in 2020/21 (2019/20 £0.58m) was charged to Resources.

18. Heritage Assets

Policy

Heritage assets comprise the following:

Monuments and statues	Civic regalia and artefacts
Archival collections	Libraries' special collections
Museum and gallery collections	

Intangible heritage assets represent three private vehicle registration plates.

It has not been practical or possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore, the Council's Balance Sheet may hold elements of heritage assets that belong to other entities. Work is on-going to establish and maintain a common good register, in accordance with the Community Empowerment (Scotland) Act 2015.

Expenditure on the acquisition, creation or enhancement of heritage assets has been capitalised on an accruals basis.

Heritage asset valuations may be made by any method that is appropriate and relevant. Furthermore valuations need not be carried out by external valuers and there is no prescribed period between valuations.

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

The following measurement bases have been applied, based on the most relevant and appropriate information available. This is set in the context where it is not practicable to obtain up to date valuations for all heritage assets at a cost which is commensurate with the benefits to users of the Council's financial statements.

Monuments and statues	Historic value
Civic regalia and artefacts	Insurance purposes valuation
Archival collections	Insurance purposes valuation, based on restoration costs
Libraries' special collections	Insurance purposes valuation
Museum and gallery collections	Insurance purposes valuation
Private vehicle registration plates	Cost or current value information is not readily available, therefore these assets have not been recognised on the Council's Balance Sheet

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation.

18.1 Reconciliation of the Carrying Value of Heritage Assets

Note

Movements in 2020/21

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2020	1,615	2,047	6,797
Additions	672	0	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(1,358)	0	0
At 31 March 2021	<u>929</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2021	<u>929</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2020	<u>1,615</u>	<u>2,047</u>	<u>6,797</u>

	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2020	1,975	19,643	32,077
Additions	0	0	672
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	(1,358)
At 31 March 2021	<u>1,975</u>	<u>19,643</u>	<u>31,391</u>
Net book value			
At 31 March 2021	<u>1,975</u>	<u>19,643</u>	<u>31,391</u>
At 31 March 2020	<u>1,975</u>	<u>19,643</u>	<u>32,077</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2019/20 Comparative Data

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2019	842	2,047	6,797
Additions	773	0	0
At 31 March 2020	<u>1,615</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2020	<u>1,615</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>
	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2019	1,975	19,643	31,304
Additions	0	0	773
At 31 March 2020	<u>1,975</u>	<u>19,643</u>	<u>32,077</u>
Net book value			
At 31 March 2020	<u>1,975</u>	<u>19,643</u>	<u>32,077</u>
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.2 Details of Heritage Assets

- Valuations on Monuments and Statues are carried out under the direction of the Council's Operational Estate Manager. Monuments and Statues are valued on a historic basis.
- Civic Regalia and artefacts include items such as the Lord Provost's Badge and Chain of Office and the Rosebery Jewel. The value of these assets is based on an insurance purposes valuation carried out in 1998.
- Archival collections include historical records which relate to the history of Edinburgh and its surrounding areas. The value of these assets is based on a current insurance purposes valuation based on restoration costs only. This valuation has not changed since 2008/09.
- Libraries' special collections include items such as rare book collections and pictures in Calotype. The value of these assets is based on an insurance purposes valuation carried out in 2007 with a minor proportions valuation being updated in 2014.
- Museums and Gallery collections include various collections held at a number of museums across Edinburgh. They include items held within the Social History, Applied Art, Writers' Museum, Childhood, City Art Centre and Picture Loan Scheme. The value of these assets is based on insurance purposes valuations carried out in 2003 along with a minor proportions valuation being updated in 2014. A small minority of the assets are based on insurance purposes valuations carried out in 1996.
- The valuations for heritage assets have all been carried out internally and although they are from earlier periods, they are considered the most appropriate and relevant. Carrying out valuations for the majority of collections held is very costly and time consuming so it is not practicable to obtain recent valuations at a cost which is commensurate with the benefits to users of the financial statements. The carrying amounts of these heritage assets will be reviewed with sufficient regularity in the future to ensure they are brought up to date and remain appropriate.
- It has not been practical or possible to split out all heritage assets belonging to common good, charities or trusts. Therefore, the Council's balance sheet may hold this element of heritage assets that belong to other entities.
- The Council has three private vehicle registration plates which meet the definition of intangible heritage assets. These have not been recognised on the balance sheet due to lack of information on cost or current value. They are limited registration numbers that rarely become available for sale and therefore no relevant or appropriate current value can be placed on these. It is also almost certain they are below the materiality threshold for the Council.

19. Inventories

Policy

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories held for distribution at no charge or a nominal charge are measured at the lower of cost and current replacement cost.

Note	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	13,472	3,451	13,285	2,984
Purchases	60,675	13,901	62,285	15,437
Held by a third party	169	169	62	62
Recognised as an expense in the year	(63,643)	(14,071)	(62,127)	(14,999)
Stock written off	(2)	(2)	(33)	(33)
Balance at 31 March	10,671	3,448	13,472	3,451

The majority of the Council inventory transactions and balances relate to fuel and building materials, with catering supplies, community equipment and clothing making up the remainder. The Group inventory mainly relates to fuel and work in progress.

NOTES TO THE FINANCIAL STATEMENTS

20. Debtors

20.1 Long-term Debtors

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Council Tax	99,556	99,556	87,063	87,063
Trade Debtors	54,607	54,607	44,516	44,516
Other Debtors	151,949	194,542	127,956	158,219
Total long-term debtors before provision for impairment	306,112	348,705	259,535	289,798
Less: Provision for impairment	(158,111)	(158,111)	(131,043)	(131,043)
Total net long-term debtors	148,001	190,594	128,492	158,755

Long-term debtors include £10.123m (2019/20 £10.667m) for sums recoverable from Police Scotland. These sums relate to monies advanced to the former joint board for capital expenditure.

20.2 Short-term Debtors

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Council Tax	120,690	120,690	120,416	120,416
Trade Debtors	48,566	44,909	35,260	32,092
Prepayments	7,534	4,470	6,265	3,469
Other Debtors	86,209	76,266	97,911	89,756
Total current debtors before provision for impairment	262,999	246,335	259,852	245,733
Less: Provision for impairment	(121,764)	(121,764)	(122,457)	(122,457)
Total net current debtors	141,235	124,571	137,395	123,276

20.3 Provision for Impairment

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Council Tax	(91,685)	(91,685)	(81,340)	(81,340)
Trade Debtors	(28,520)	(28,520)	(25,856)	(25,856)
Other Debtors	(37,906)	(37,906)	(23,847)	(23,847)
Total long-term provision for impairment	(158,111)	(158,111)	(131,043)	(131,043)
Current provision for impairment	£000	£000	£000	£000
Council Tax	(108,562)	(108,562)	(109,827)	(109,827)
Trade Debtors	(581)	(581)	(12,451)	(12,451)
Other Debtors	(12,621)	(12,621)	(179)	(179)
Total current provision for impairment	(121,764)	(121,764)	(122,457)	(122,457)

21. Cash and Cash Equivalents

The balance of cash and cash equivalents comprises the following elements. Investments maturing within three months of the balance sheet are deemed to be cash and cash equivalents.

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Cash held	352	352	351	351
Bank current accounts	8,244	(22,175)	14,022	(15,005)
Short-term deposits:				
With banks or building societies	112,212	112,212	28,364	28,364
With other local authorities	75,169	75,169	67,467	67,467
	195,977	165,558	110,204	81,177

NOTES TO THE FINANCIAL STATEMENTS

22. Investments

22.1 Long-Term Investments

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Transport for Edinburgh	(8,800)	5,824	0	5,824
Tudor Trust	350	350	350	350
TIE	1	1	1	1
CEC Holdings	7,874	14,044	7,876	14,044
Telford NHT	1,236	1,236	3,471	3,471
	<u>661</u>	<u>21,455</u>	<u>11,698</u>	<u>23,690</u>

22.2 Short-Term Investments

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Local Authority Loans	31,571	31,571	45,563	45,563
Other short-term investments	0	0	235	0
	<u>31,571</u>	<u>31,571</u>	<u>45,798</u>	<u>45,563</u>

23. Assets Held for Sale

Policy

Current assets held for sale are assets that the Council has identified as surplus to requirements, are being actively marketed and it is expected that the sale will be realised within twelve months of the Balance Sheet date.

Non-current assets held for sale are assets that the Council has identified as surplus to requirements, are being actively marketed, but it is not expected that the sale will be realised within twelve months of the Balance Sheet date.

Assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the Balance Sheet date. Where the sale is expected to occur in more than twelve months, the cost is measured at present value.

Current and non-current assets held for sale are not depreciated.

Note

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
23.1 Non-Current Assets - Held for Sale				
Balance at 1 April	1,254	1,254	1,586	1,586
Additions	17	17	2	2
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	(316)	(316)
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(18)	(18)
	<u>1,271</u>	<u>1,271</u>	<u>1,254</u>	<u>1,254</u>
Balance at 31 March				

23.2 Current Assets - Held for Sale

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	21,139	21,139	17,606	17,606
Additions	210	210	296	296
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	2,631	2,631
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	606	606
Assets declassified as held for sale: Property, Plant and Equipment	(225)	(225)	0	0
Balance at 31 March	<u>21,124</u>	<u>21,124</u>	<u>21,139</u>	<u>21,139</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Creditors	2020/21		Re-stated 2019/20	
	Group £000	Council £000	Group £000	Council £000
Trade Creditors	(112,899)	(110,138)	(101,372)	(98,434)
Council Tax refundable to taxpayer	(6,958)	(6,958)	(5,029)	(5,029)
Other Tax payable	(13,924)	(11,239)	(13,068)	(10,282)
Other Creditors	(118,383)	(77,798)	(78,073)	(48,318)
PPP Creditor (Note 40.1)	(10,369)	(10,369)	(40,007)	(40,007)
Finance Leases (non PPP - Note 39.1)	(11,997)	(1,937)	(10,700)	(1,868)
	<u>(274,530)</u>	<u>(218,439)</u>	<u>(248,249)</u>	<u>(203,938)</u>

25. Provisions

Policy

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

Note

Provision has been made within the Group Financial Statements for outstanding payments of £44.826m (2019/20 £36.960m).

Of this amount, £42.658m (2019/20 £34.512m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, contract arrangements, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, based on the Council's assessment of the costs.

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	(36,960)	(34,512)	(36,710)	(33,810)
Additional provisions made in year	(12,552)	(11,857)	(7,755)	(5,878)
Amounts used during the year	4,618	3,643	4,397	2,067
Unused amounts reversed during year	68	68	3,108	3,109
Balance at 31 March	<u>(44,826)</u>	<u>(42,658)</u>	<u>(36,960)</u>	<u>(34,512)</u>

26. Reserves

Policy

Reserves held on the Balance Sheet are classified as either usable or unusable reserves.

Usable reserves hold monies that can be applied to fund expenditure or reduce Council Tax.

Unusable reserves cannot be applied to fund expenditure.

Usable Reserves

The Council operates the following usable reserves:

- Capital receipts reserve - this represents capital receipts available to finance capital expenditure in future years.
- Capital grants unapplied account - holds capital grants and contributions that have been received towards specific works that have yet to be completed.
- Capital fund - under Schedule 3 of the Local Government (Scotland) Act 1975, certain receipts derived from the sale of property may also be used to create a capital fund "to be used for defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans".
- Renewal and repairs fund - holds monies set aside for the renewal and repair of Council property and funds for PPP school lifecycle maintenance. This fund is operated under the terms of Schedule 3 to the Local Government (Scotland) Act 1975.
- General Fund - held to mitigate financial consequences of risks and other events impacting on the Council's resources. Monies within the General Fund can be earmarked for specific purposes.

Note

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 19 to 20) and Note 12.

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves

Policy

The Council operates the following unusable reserves:

- Revaluation reserve - holds unrealised gains arising since 1 April 2007 from holding non-current assets.
- Capital adjustment account - provides a mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.
- Financial instruments adjustment account - provides a mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for sale financial assets - provides a mechanism to recognise the unrealised gains and losses on the revaluation of financial assets (such as investment bonds).
- Pensions reserve - represents the net monies which the Council requires to meet its pension liability, as calculated under IAS19, Employee Benefits. The Council operates a pensions reserve fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations 2003.
- Employee statutory adjustment account - represents the net monies which the Council requires to meet its short-term compensated absences for employees under IAS19.

27.1 Summary of Unusable Reserves

	Balance as at:	
	31 March 2021 £000	31 March 2020 £000
Revaluation Reserve	2,124,452	1,758,446
Capital Adjustment Account	1,568,617	1,529,257
Financial Instruments Adjustment Account	(82,929)	(85,964)
Pensions Reserve	(668,418)	(523,535)
Employee Statutory Adjustment Account	(16,246)	(13,807)
Total Council Unusable Reserves	2,925,476	2,664,397
Subsidiaries, Associates and Joint Ventures	132,083	137,850
Total Group Unusable Reserves	<u>3,057,559</u>	<u>2,802,246</u>

27.2 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are: revalued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2020/21 £000	2019/20 £000
Balance at 1 April	1,758,446	1,666,037
Upward revaluation of assets	456,652	178,646
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(38,848)	(30,825)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	417,804	147,821
Difference between fair value depreciation and historical cost depreciation	(50,012)	(53,963)
Accumulated gains on assets sold	(1,786)	(1,449)
Amount written off to the capital adjustment account	(51,798)	(55,412)
Balance at 31 March	<u>2,124,452</u>	<u>1,758,446</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.3 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council to finance the costs for acquisition, construction and enhancement of non-current assets. The account also holds accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

Note 11 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

	2020/21 £000	2019/20 £000
Balance at 1 April	1,529,257	1,437,923
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(185,456)	(183,849)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(3,691)	(37,272)
Amortisation and impairment of intangible assets	(148)	(58)
Capital funded from revenue	13,658	29,581
Revenue exp. funded from capital under statute	(51,107)	(52,778)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(20,889)	(3,847)
	<u>(247,633)</u>	<u>(248,223)</u>
Adjusting amounts written out of the revaluation reserve	51,798	55,412
	<u>(195,835)</u>	<u>(192,811)</u>
Net written out amount of the costs of non-current assets consumed in the year		
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	27,388	9,640
Donated assets	(1,008)	(440)
Use of capital fund for new capital expenditure	(2,000)	6,311
Capital grants and contributions credited to the CIES that have been applied to capital financing	89,402	114,333
Application of grants from the capital grants unapplied account / capital fund	148	805
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	70,063	100,014
Capital expenditure charged against the General Fund and HRA balances	51,107	52,778
	<u>235,100</u>	<u>283,441</u>
Movements in the market value of investment properties credited to the CIES	14	309
Other unrealised losses debited to the CIES	81	395
Balance at 31 March	<u><u>1,568,617</u></u>	<u><u>1,529,257</u></u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.4 Financial Instruments Adjustment Account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund and Housing Revenue Account. This account also holds the equivalent interest rate adjustment on lender option / borrower option loans.

	2020/21	2019/20
	£000	£000
Balance at 1 April	(85,964)	(41,548)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	3,009	2,376
Premium on refinancing of loans	0	(46,900)
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	26	108
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	3,035	(44,416)
Balance at 31 March	<u>(82,929)</u>	<u>(85,964)</u>

The Council operates a loans pool on behalf of the General Fund and Housing Revenue Account. With the transfer of responsibility for Police and Fire services to the new national bodies, all movements are now reflected on the Council's Balance Sheet. An element of the cost, however, is recovered through the pooled interest rate and therefore there is no financial impact on the Council.

27.5 Pensions Reserve

The pensions reserve provides a balancing mechanism arising from the different arrangements for accounting for post employment benefits (pension costs) and for funding pensions in accordance with statutory provisions. The Council accounts for pensions in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements, however, require benefits to be financed as the Council makes its contributions to Lothian Pension Fund or pays any pensions for which it is directly responsible.

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.5 Pensions Reserve - continued

The debit balance on the pension reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits require to be paid.

	2020/21 £000	2019/20 £000
Balance at 1 April	(523,535)	(659,468)
Actuarial gains or (losses) on pension assets and liabilities	(101,665)	184,024
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(116,233)	(117,546)
Employer's pension contributions and direct payments to pensioners payable in the year	73,015	69,455
Balance at 31 March	<u>(668,418)</u>	<u>(523,535)</u>

27.6 Employee Statutory Adjustment Account

The employee statutory adjustment account provides a balancing mechanism arising from the different arrangements that would otherwise impact on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year (annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund and HRA balances is mitigated by transfers to or from this account.

	2020/21 £000	2019/20 £000
Balance at 1 April	(13,807)	(16,058)
Settlement or cancellation of accrual made at the end of the preceding year	13,807	16,058
Amount accrued at the end of the current year	<u>(16,246)</u>	<u>(13,807)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,439)	2,251
Balance at 31 March	<u>(16,246)</u>	<u>(13,807)</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2021 £000	31 March 2020 £000
Subsidiaries		
CEC Holdings Limited	77,040	77,010
Transport for Edinburgh	25,656	32,710
Edinburgh Living MMR LLP	10,737	8,236
Associates and Joint Ventures		
Common Good	23,509	23,509
Lothian Valuation Joint Board	(4,859)	(3,615)
Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures	132,083	137,850

28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	646,145	646,145	641,666	641,666
General Revenue Grant	(637,444)	(637,444)	(360,206)	(360,206)
Non-Domestic Rates receipts from national pool	(238,922)	(238,922)	(366,025)	(366,025)
Other net operating cash payments / (receipts)	18,509	18,509	(66,654)	(66,654)
Net cash flows from subsidiary companies	(16,168)	0	(23,691)	0
Net cash flows from operating activities	(227,880)	(211,712)	(174,910)	(151,219)

29. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Interest received	(2,129)	(2,062)	(4,219)	(4,093)
Interest paid	74,727	73,429	78,156	77,504
Investment income received	(1,750)	(1,750)	(1,047)	(1,047)

NOTES TO THE FINANCIAL STATEMENTS

30. Cash Flow Statement - Investing Activities

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	346,033	324,026	308,038	279,213
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(26,835)	(25,384)	(77,873)	(76,910)
Net purchase of Short-Term and Long-Term Investments	3,763	3,763	70,439	70,439
Other payments for investing activities	(599)	(555)	53,510	46,510
Other receipts from investing activities	(181,903)	(181,903)	(50,676)	(50,596)
Net cash flows from investing activities	140,459	119,947	303,438	268,656

31. Cash Flow Statement - Financing Activities

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(68,250)	(70,000)	(236,129)	(236,348)
Other Receipts for Financing Activities	5,770	5,770	31,132	31,133
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	26,126	12,488	28,896	14,644
Repayment of short-term and long-term borrowing	38,002	59,126	73,213	98,637
Net cash flows from financing activities	1,648	7,384	(102,888)	(91,934)

32. Trading Operations

Edinburgh Catering Services - Other Catering no longer meets the definition of a significant trading operation under the terms of the Local Government in Scotland Act 2003, as amended. It ceased to operate as such from 1 April 2020, with formal "de-badging" **approved by the Finance and Resources Committee** on 4 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees

33.1 Loans and guarantees

The Council has made loans to the following organisations at less than market interest rates (soft loans).

	2020/21 £000	2019/20 £000
	Spartans Community Football Academy	Spartans Community Football Academy
Opening Balance	58	57
New Loans	0	0
Increase in the Discounted Amount	5	4
Fair Value Adjustment	0	0
Loan Repayment	(3)	(3)
Balance Carried Forward	<u>60</u>	<u>58</u>
Nominal Value Carried Forward	<u>90</u>	<u>93</u>

Adjustments have been made under the requirements of IFRS 9 Financial Instruments, as required by the Code.

The Spartans loan relates to the lease of an area of ground lying immediately to the west of Ainslie Park Leisure Centre, Pilton Drive, Edinburgh. The original outstanding payment was £120,000, with £3,000 to be paid on or before 31 March each year for ten consecutive years from 31 March 2012 and £9,000 to be paid for ten consecutive years on or before 31 March from 31 March 2022.

33.2 Guarantees

In February 2018 the Council agreed to provide a formal pension guarantee to Lothian Pension Fund on behalf of Edinburgh Leisure.

From 1 April 2018 Lothian Pension Fund introduced a new investment strategy, whereby those employers closed to new entrants but who do not meet the criteria for the Fund's low-risk strategy, would be moved to a medium risk strategy.

Edinburgh Leisure would fall into this category and the impact would be a considerable increase in contribution rates and would likely result in a significant impact on services provided by this entity.

The Council approved providing a pension guarantee which enabled Edinburgh Leisure to be moved back to a low-risk strategy, avoiding the additional financial costs.

In June 2018 the Council also approved to provide a pension guarantee to Lothian Pension Fund on behalf of Lothian Buses, to enable them to merge their existing pension fund into Lothian Pension Fund, to streamline the pension portfolio and bring associated financial efficiencies.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees - continued

33.3 Shared Equity Scheme / Scheme of Assistance

In 2010/11, the Council approved a shared equity scheme to help buyers purchase homes from PARC. The Council provided assistance to sixteen purchasers, at a cost of £0.484m. No further assistance has been provided since 2012/13.

The monies are required to be repaid to the Council either on sale of the property or after twenty years, whichever occurs earlier.

Purchasers have the option to pay interest annually or accumulate charges on the same terms as the original equity. Sums due to the Council, including accrued interest, where owners have opted to defer interest, are included in long-term debtors.

The assisted purchase scheme was an initiative administered on behalf of the Council to allow home owners to enter into a lifetime mortgage agreement to finance repairs to their properties. Forty loans were made between 2007 and 2012, with an original loan principal value of £0.762m. These sums are included in long-term debtors.

The loans are repayable on sale of the property or on the death of the home owner. The amount repayable is a minimum of the original loan principal and a maximum of the original loan as a percentage of the property value on signing the agreement, as applied to the value on redeeming the loan.

In June 2018 the Council purchased the interest in a shared equity loan scheme from PARC for £0.512m. The scheme provided assistance to buyers to purchase homes from PARC and twenty two loans remain in the scheme. These sums are included in long-term debtors.

The loans are repayable on sale of the property or on the death of the home owner. The amount repayable is a minimum of the original loan principal and a maximum of the original loan as a percentage of the property value on signing the agreement, as applied to the value on redeeming the loan.

33.4 National Housing Trust

The National Housing Trust (NHT) is a housing initiative developed by the Scottish Government, in partnership with the Scottish Futures Trust (SFT) and local authorities. The aim is to deliver new homes for mid-market rent while at the same time stimulating the housing market. The scheme is underwritten by the Scottish Government, by way of a guarantee against the borrowing and associated interest costs. The Council works with the Scottish Government and SFT to procure private developers to build homes for mid-market rent and enter into joint ventures with the Council, by way of Limited Liability Partnerships through the NHT initiative.

Phase 1 and 2 of NHT are now complete and have delivered 518 new homes.

Phase 1 NHT developments are now in the latter stages of their investment, and in accordance with the scheme, are now making arrangements to repay their borrowing.

The Telford NHT LLP with Miller Homes was bought over by the Council in January 2019. The Council agreed, in October 2020, to approve the sale of the homes in the Telford North LLP to LAR Housing Trust. The sale took place in May 2021.

NHT Phase 3 is to deliver up to 368 mid-market rent homes across three separate sites. The total required budget for NHT3 is £50.1m for the three projects. Fruitmarket NHT3 has completed, with investment totalling £9.153m and delivery of 80 homes. Western Harbour has also completed, with investment totalling £17.284m and 138 homes delivered. The final project under NHT Phase 3 (Shrubhill) commenced in 2018/19 and 93 homes have been delivered to date, with an investment of £14.923m. The final two phases at Shrubhill (57 homes in total) will no longer be part of the NHT Programme, as works are due to be completed outwith the approved timeframe. There will therefore be no further Council investment in NHT Phase 3.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees - continued

33.4 National Housing Trust - continued

The Council has advanced and had repaid the following sums through the NHT scheme:

Developer	Development Site	Phase	Total No. of Units	Advanced 2020/21 £000	Repaid 2020/21 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	79	0	(4,692)	9,751	5,059
Places for People	Lighthouse Court	1	44	0	(2,021)	5,396	3,375
Teague Homes Limited	Salamander Place / Leith Links	1	145	0	0	15,551	15,551
City of Edinburgh Council	Telford North	1	89	0	0	10,299	10,299
FP Newhaven Ltd	Sandpiper Road	2	96	0	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	80	0	0	9,153	9,153
Cruden Homes	Western Harbour	3	138	0	0	17,284	17,284
Places for People	Shrubhill	3	93	0	0	14,923	14,923
			764	0	(6,713)	94,265	87,552

These sums are included within long-term debtors, as detailed in note 20.1.

34. Agency Income and Expenditure

The Council has entered into agency agreements with other local public bodies to provide and receive services, the income and expenditure for which is included in the Comprehensive Income and Expenditure Statement.

During the financial year the total Agency income was £283.225m (2019/20 £101.877m) and Agency Expenditure £274.777m (2019/20 £96.167m).

During the financial year the Council undertook the administration of several Covid-19 related funding streams on behalf of the Scottish Government, on an agency basis. During the year income and expenditure amounted to £211.8m.

The council also undertakes, on an agency basis, the financial administration on behalf of the Scottish Cities Alliance. During the year £0.231m (2019/20 £0.323m) was paid out to the respective lead authorities of the projects concerned, included in the totals above.

The Council acts as the Billing Authority for a number of Business Improvement Districts (BIDs). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh and Edinburgh West End. During the year income of £1.071m (2019/20 £1.195m) was collected and £0.401m (2019/20 £1.240m) paid out to BID schemes, included in the totals above.

In August 2018 the Edinburgh and South-East Scotland City Region Deal (ESESCR Deal) was signed and committed a total of £600m of funding from both the Scottish and UK Governments, over 15 years. The Council has undertaken, on an agency basis, to act as the accountable body for the management of the Deal. During the year income and expenditure amounted to £58.659m (2019/20 £89.159m).

35. Audit Costs

The fees payable to Azets Audit Services in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.638m (2019/20 £0.623m).

In addition, the Council paid audit fees to Azets Audit Services for the audit of CEC Recovery Limited's (formerly tie Limited) accounts. The Council paid £0.002m during 2020/21 (2019/20 £0.003m) for the audit of the 2019/20 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

36. Grant Income

Policy

• Revenue

Revenue grants and contributions have been included in the financial statements on an accruals basis.

Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, these amounts have been set aside in the General Fund.

• Capital

Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement except to the extent there are conditions attached to them that have not been met.

Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account, where expenditure has been incurred, and the unapplied capital grants account, where expenditure has not been incurred.

Where there are outstanding conditions attached to capital grants and contributions that have not been met at the Balance Sheet date, the grant or contribution will be recognised as part of capital grants receipts in advance. Once the condition has been met, the grant or contribution will be transferred from capital grants received in advance and recognised as income in the Comprehensive Income and Expenditure Statement, as above.

Note

Grants and contributions credited to the Comprehensive Income and Expenditure Statement include the following:

	2020/21		2019/20	
	£000	£000	£000	£000
Credited to taxation and non-specific grant income				
General revenue funding	(637,444)		(360,206)	
Non-domestic rates	(238,922)		(366,025)	
Capital grants and contributions	<u>(109,048)</u>		<u>(127,806)</u>	
		(985,414)		(854,037)
Credited to services				
Central Government Bodies	(285,120)		(225,700)	
Other Local Authorities	(3,059)		(2,907)	
NHS bodies	(75,403)		(78,050)	
Other entities and individuals	<u>(14,269)</u>		<u>(23,419)</u>	
		<u>(377,851)</u>		<u>(330,076)</u>
Total		<u><u>(1,363,265)</u></u>		<u><u>(1,184,113)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

37. Related Parties

During the year, the Council entered into a number of transactions with related parties. The most material of these transactions, not disclosed elsewhere, are shown below.

	2020/21 Expenditure	2020/21 Income	2020/21 Debtor / (Creditor)	2019/20 Net Expenditure / (Income)	2019/20 Debtor / (Creditor)
	£000	£000	£000	£000	£000
Capital City Partnership	4,484	(47)	225	3,377	(7)
Capital Theatres	588	(279)	0	(482)	0
CEC Holdings (incl. EDI Group, EICC)	76	(292)	5,985	(184)	4,723
Edinburgh Leisure Limited	13,395	(269)	2,299	8,065	99
Edinburgh Living MMR	19,313	(21)	38,089	16,348	19,212
Edinburgh Trams Ltd	1,403	(24,076)	(117)	(31,595)	4,110
Edinburgh Integration Joint Board	252,021	(251,744)	(27,898)	(28,434)	(3,992)
HMRC	0	0	6,071	0	1,862
Lothian Buses	1,033	(62)	(6)	1,443	5,911
Lothian Pension Fund	2	(339)	(6,081)	(346)	(4,943)
Lothian Valuation Joint Board	3,806	(394)	(1,695)	3,632	(1,437)
NHS Bodies	3,815	(31,687)	29,852	(24,067)	1,527
Other Local Authorities	2,458	(2,205)	93	1,550	76
Scottish Government	468	(77,330)	40,984	10,002	59,826
Scottish Police Authority	1,206	(1)	0	2,245	0
Scottish Qualifications Authority	1,504	0	0	1,523	0
Telford NHT	0	(11)	17	0	3
<u>Other</u>					
Audit Scotland	606	0	(448)	652	(388)
Autism Initiative UK	5,219	0	0	4,423	0
Bethany Christian Trust	979	0	(72)	969	0
Criminal Justice Bodies	590	0	0	591	0
Dean and Cauvin Charitable Trust	906	(1)	(4)	1,028	0
Edinburgh International Festival Society	2,026	0	0	2,133	0
Edinburgh Military Tattoo	0	(401)	0	(406)	0
Edinburgh School Partnership	17,778	0	(46,894)	14,359	(49,475)
Edinburgh Vol. Org. Council	810	0	(62)	526	0
Festivals Edinburgh Ltd	125	0	0	149	0
Handicab	499	0	248	620	248
Hubco	10,482	0	(1,635)	3,223	0
Lifecare Edinburgh	404	0	0	388	0
Marketing Edinburgh	374	0	0	695	0
Police Scotland	38	(1,058)	10,138	(1,040)	10,684
Port of Leith Housing	2,190	(1)	0	10,525	0
Royal Blind Asylum and School	1,142	(159)	0	1,186	0
Royal Lyceum Theatre Co Ltd	329	(88)	0	356	0
Scottish Fire and Rescue Service	0	0	(86)	93	0
Scottish Water	7	(12)	73	794	70
SESTRAN	0	(12)	483	(15)	163
Spartans	150	(5)	0	89	0
SUSTRANS	0	(7,981)	6,212	3,566	2,746
Transport Scotland	0	(14)	635	2	1,811
Total	350,226	(398,489)	56,406	7,983	52,829

NOTES TO THE FINANCIAL STATEMENTS

38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred during the year is shown below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years through charges to revenue (loan charges), capital expenditure results in an increase in the capital financing requirement. This shows the amount of capital expenditure that has yet to be financed. The capital financing requirement is analysed below.

	2020/21		Re-stated 2019/20	
	£000	£000	£000	£000
Opening capital financing requirement		1,709,950		1,567,368
Capital Investment				
Property, plant and equipment	227,747		378,586	
Heritage Assets	672		773	
Assets held for sale	227		298	
Intangible assets	0		168	
Capital Receipts transferred to Capital Fund	2,000		0	
National Housing Trust - Consent to borrow (see note 33.4)	0		11,789	
Edinburgh Living LLP - Consent to borrow	19,313		16,348	
Revenue expenditure funded from capital under statute	51,107		52,778	
PPP Lease Agreements Recognised In-Year	<u>1,983</u>		<u>16,691</u>	
		303,049		477,431
Sources of Finance				
Capital receipts	(27,388)		(9,640)	
Capital Funded from Current Revenue	(13,658)		(29,581)	
Government grants and other contributions	(139,363)		(174,227)	
PPP schools - - under construction and lifecycle additions	(1,983)		(16,691)	
Loans fund / finance lease repayments	<u>(28,356)</u>		<u>(104,710)</u>	
		(210,748)		(334,849)
Closing capital financing requirement		<u><u>1,802,251</u></u>		<u><u>1,709,950</u></u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow or fund from credit arrangements		90,177		10,660
Assets acquired under finance leases		2,124		131,922
(Decrease) / Increase in capital financing requirement		<u><u>92,301</u></u>		<u><u>142,582</u></u>

NOTES TO THE FINANCIAL STATEMENTS

39. Leases

39.1 Assets Leased in - Finance Leases

Policy

Finance leases, which have substantially transferred to the authority the benefits and risks of ownership of a non-current asset, are treated as if the asset had been purchased outright.

Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The capital element of the lease is included as obligations under finance leases / creditors.

The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to revenue on a straight line basis over the terms of the lease.

Note

The Council has acquired a waste treatment facility and its IT equipment under finance leases. The assets classified under these leases are included in property, plant and equipment in the Balance Sheet.

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd have adopted the new standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is not required to adopt IFRS 16 until 1 April 2022, therefore consolidation adjustments have been made to the finance lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

	2020/21		2019/20	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	37,906	9,986	17,867	8,683
Additions during the year	141	141	23,506	2,856
Depreciation charge for the year	(4,435)	(1,887)	(3,467)	(1,553)
Value at 31 March	33,612	8,240	37,906	9,986
Vehicles, plant, equipment and furniture	33,612	8,240	37,906	9,986
Value at 31 March	33,612	8,240	37,906	9,986
Analysed by:	£000	£000	£000	£000
Current	11,997	1,937	10,700	1,868
Non-Current	13,535	6,303	21,302	8,118
Finance costs payable in future years	1,391	774	1,615	985
	26,923	9,014	33,617	10,971
Finance Lease Liabilities	£000	£000	£000	£000
Within one year	12,526	2,117	11,167	2,082
Between 2 and 5 years	11,050	3,550	18,618	5,057
Over 5 years	3,347	3,347	3,832	3,832
Total liabilities	26,923	9,014	33,617	10,971

39.2 Assets Leased in - Operating Leases

Policy

Leases that do not meet the definition of a finance lease are accounted for as operating leases.

Rental payments, net of benefits received, under operating leases are charged to the relevant service on a straight line basis over the life of the lease.

NOTES TO THE FINANCIAL STATEMENTS

39. Leases - continued

39.2 Assets Leased in - Operating Leases - continued

Note

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd adopted the new accounting standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is not required to adopt IFRS 16 until 1 April 2022, therefore consolidation adjustments have been made to the operating lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

The Group leases in property, vehicles and copying equipment. The amount charged to the Comprehensive Income and Expenditure Statement under these arrangements and the value of future payments under operating leases is shown below.

Under these operating leases, the Group and Council is committed to paying the following sums:

	2020/21		2019/20	
	Group	Council	Group	Council
Future Repayment Period	£000	£000	£000	£000
Not later than one year	10,072	845	9,910	870
Later than one year and not later than five years	38,371	1,590	37,949	1,977
Later than five years	62,962	915	71,897	1,190
	111,405	3,350	119,756	4,037
Value at 31 March				
Other land and buildings	13,459	2,919	13,691	3,637
Vehicles, plant, equipment and furniture	97,946	431	106,065	400
	111,405	3,350	119,756	4,037
Recognised as an expense during the year	10,576	1,313	10,252	1,216

39.3 Assets Leased Out by the Council - Operating Leases

Policy

Rental income received under operating leases is credited to the relevant service in accordance with the terms specified in the lease agreement.

Note

The Council leases out property, equipment and infrastructure under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's-length companies for the provision of services such as sport and leisure and theatres.
- an operating lease arrangement with Edinburgh Trams for the lease of the tram infrastructure.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2020/21	2019/20
	£000	£000
Not later than one year	21,133	22,486
Later than one year and not later than five years	74,149	78,534
Later than five years	324,515	339,362
Total liabilities	419,797	440,382

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts

40.1 PPP, Finance Lease and Other Liabilities

		2020/21		Re-stated 2019/20	
	Note	Group £000	Council £000	Group £000	Council £000
Short Term Creditors					
PPP Residual Waste	40.2	1,052	1,052	30,584	30,584
PPP Education	40.3	9,318	9,318	9,423	9,423
Finance Leases	39.1	11,997	1,937	10,700	1,868
		<u>22,367</u>	<u>12,307</u>	<u>50,707</u>	<u>41,875</u>
Other Long-Term Liabilities					
PPP Residual Waste	40.2	43,047	43,047	44,099	44,099
PPP Residual Waste Donated Asset	40.2	31,078	31,078	32,373	32,373
PPP Education	40.3	203,597	203,597	213,028	213,028
PPP Queensferry High School - Phase 2		1,983	1,983	0	0
Finance Leases	39.1	13,535	6,303	21,302	8,118
Group other liabilities		7,120	0	327	0
		<u>300,360</u>	<u>286,008</u>	<u>311,129</u>	<u>297,618</u>

40.2 PPP - Residual Waste

In 2016, the Council entered into a twenty five year contract with FCC to supply residual waste treatment at Millerhill. The contract is a joint arrangement between the Council and Midlothian Council on an 80:20 split respectively. This contract became operational in April 2019. The Council's 80% share of the facility value is included in the Fixed Assets on the balance sheet.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2021/22	4,151	1,052	2,999	8,202
Within two to five years	18,032	4,465	11,264	33,761
Within six to ten years	25,659	6,641	12,241	44,541
Within eleven to fifteen years	28,485	9,391	9,582	47,458
Within sixteen to twenty years	32,308	12,578	5,873	50,759
Within twenty one to twenty five years	22,067	9,972	1,254	33,293
	<u>130,702</u>	<u>44,099</u>	<u>43,213</u>	<u>218,014</u>

Payments due under the scheme have been inflated by 1.06% per annum, reflecting the terms of the contracts.

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts - continued

40.3 PPP - Education Projects

In 2001, the Council entered into a Public Private Partnership (PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership. This agreement was supplemented by a further agreement in April 2004, which now requires Edinburgh Schools Partnership either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to an agreed standard. When the agreement ends in July 2033 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In April 2007, the Council entered into a second Public Private Partnership (PPP2) for the provision of school buildings, maintenance and other facilities with Axiom Education Limited. This required Axiom Education Limited to replace six secondary schools and two primary schools and to maintain these schools to a high standard. When the agreement ends in July 2038 the schools will be handed to the Council with an agreed major maintenance-free life of five years.

In December 2013, the Council entered in to an agreement with Hub South East Scotland for the provision of a new building for James Gillespie's High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. The concession is due to terminate in July 2041.

In June 2018, the Council entered in to an agreement with QHS DBFMCO Ltd for the provision of a new building for Queensferry High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with QHS DBFMCO Ltd. The concession is due to terminate in March 2045. Capital expenditure of £1.983m related to Phase 2 of the school project is reported as Assets Under Construction within the balance sheet and as a future finance lease liability.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2021/22	21,296	9,318	19,769	50,383
Payable within two to five years	98,198	36,053	73,910	208,161
Payable within six to ten years	137,230	56,828	81,844	275,902
Payable within eleven to fifteen years	119,051	60,560	60,731	240,342
Payable within sixteen to twenty years	50,370	38,944	24,168	113,482
Payable within twenty one to twenty five years	2,929	11,212	2,917	17,058
	429,074	212,915	263,339	905,328

Payments due under the following schemes have been inflated by: 1.11% per annum for the PPP1 scheme, 1.67% per annum for the PPP2 scheme and 2.5% per annum for the James Gillespie's High School scheme, reflecting the terms of the separate contracts and assumed inflation of 2.5% per annum.

The amounts disclosed as reimbursement of capital expenditure are included in creditors and other long-term liabilities on the Balance Sheet. These are not subject to the above inflationary uplifts.

The unitary charges paid to the service providers include amounts to compensate them for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	2020/21 £000	2019/20 £000
Balance at 1 April	187,859	196,065
Additions during the year	34,594	0
Repayments during the year	(9,538)	(8,206)
Balance at 31 March	212,915	187,859

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts - continued

40.4 Provision of Information Technology services

In 2015 the Council entered into a seven year contract with CGI for the provision of information technology services. This contract became operational on 1 April 2016. During the financial year a seven year contract extension was approved to 31 March 2029.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift). These sums exclude amounts disclosed under finance leases for ICT asset additions.

Future Repayment	Inflationary
Period	Uplift
£000	
2021/22	25,531
2022/23 - 2028/29	156,613
	182,144

40.5 Provision of Parking Enforcement

The Council entered into a five year contract with NSL for the provision of parking enforcement on 1 October 2014 which ended on 30 September 2019. There was a five year extension clause which has been approved with the contract extended to 30 September 2024.

The Council is committed to paying the following sums in cash terms (renegotiated annually):

Future Repayment
Period
£000
2021/22
7,000
2022/23 - 2024/25
17,500
24,500

40.6 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £33.404m.

41. Pension schemes accounted for as defined contribution schemes

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is excluded from the accounting requirements of IAS 19 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, only include the payments made by the Council to the scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the scheme as they are administered through the Local Government Pension Scheme and are taken into consideration in accounting for pension costs under IAS 19.

	2020/21		2019/20	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	36,657		31,974	
As a percentage of teachers' pensionable pay Apr - Aug		23.00		17.20
As a percentage of teachers' pensionable pay Sep - Mar		23.00		23.00
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2018/19	15,012		15,978	

At 31 March 2021, creditors include £4.292m (2019/20 £4.166m) in respect of teachers' superannuation.

42. Defined Pension Schemes

42.1 Participation in Pension Scheme

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.1 Participation in Pension Scheme - continued

In terms of this scheme, in 2020/21 the Council paid an employer's contribution of £66.934m (2019/20 £63.062m) into the Lothian Pension Fund, representing 22.7% (2019/20 22.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The data is based on the latest available valuations as at March 2017.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

42.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

	2020/21		2019/20	
Comprehensive Income and Expenditure Statement	£000	£000	£000	£000
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	103,848		117,983	
Past service costs	0		(16,847)	
		103,848		101,136
<i>Financing and investment income:</i>				
Net interest expense		12,385		16,410
Total post employee benefit charged to the surplus on the provision of services		116,233		117,546
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(398,990)		195,313	
Actuarial (gains) and losses arising on changes in financial assumptions	712,967		(354,198)	
Actuarial (gains) and losses arising on changes in demographic assumptions	(167,065)		0	
Other experience	(45,247)		(25,139)	
		101,665		(184,024)
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		217,898		(66,478)
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		(116,233)		(117,546)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		67,814		64,097
Contributions in respect of unfunded benefits		5,201		5,358
		73,015		69,455

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plan is as follows:

	2020/21 £000	2019/20 £000
Fair value of employer assets	3,250,556	2,843,437
Present value of funded liabilities	(3,851,035)	(3,296,740)
Present value of unfunded liabilities	(67,939)	(70,232)
Net liability arising from defined benefit obligation	<u>(668,418)</u>	<u>(523,535)</u>

42.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2020/21 £000	2019/20 £000
Opening fair value of scheme assets	2,843,437	2,970,647
Effect of settlements	0	0
Interest income	65,248	71,258
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	398,990	(195,313)
Contributions from employer	67,814	64,097
Contributions from employees into the scheme	18,249	17,430
Contributions in respect of unfunded benefits	5,201	5,358
Other Experience	(47,851)	0
Benefits paid	(95,331)	(84,682)
Unfunded benefits paid	<u>(5,201)</u>	<u>(5,358)</u>
Closing fair value of scheme assets	<u>3,250,556</u>	<u>2,843,437</u>

Reconciliation of Present Value of the Scheme Liabilities

	2020/21 £000	2019/20 £000
Present value of funded liabilities	(3,296,740)	(3,548,983)
Present value of unfunded liabilities	<u>(70,232)</u>	<u>(81,132)</u>
Opening balance at 1 April	(3,366,972)	(3,630,115)
Current service cost	(103,848)	(117,983)
Interest cost	(77,633)	(87,668)
Contributions from employees into the scheme	(18,249)	(17,430)
Re-measurement gain / (loss):		
Change in financial assumptions	(712,967)	354,198
Change in demographic assumptions	167,065	0
Other experience	93,098	25,139
Past service (cost) / gain	0	16,847
Benefits paid	95,331	84,682
Unfunded benefits paid	<u>5,201</u>	<u>5,358</u>
Closing balance at 31 March	<u>(3,918,974)</u>	<u>(3,366,972)</u>

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2020/21 £000	%	2019/20 £000	%
Consumer *	422,675	13	271,003	10
Manufacturing *	468,702	14	410,093	15
Energy and Utilities *	165,599	5	181,357	6
Financial Institutions *	199,232	6	184,931	7
Health and Care *	203,102	6	196,766	7
Information technology *	154,038	5	122,907	4
Other *	258,079	8	207,594	7
Sub-total Equity Securities	1,871,427		1,574,651	
Debt Securities:				
UK Government *	110,879	4	175,051	6
Corporate Bonds (investment grade) *	0	0	47,625	2
Corporate Bonds (investment grade)	260,788	8	104,649	4
Sub-total Debt Securities	371,667		327,325	
Private Equity				
All	19,905	1	24,740	1
Sub-total Private Equity	19,905		24,740	
Real Estate:				
UK Property *	0	0	32,704	1
UK Property	169,521	5	153,614	5
Overseas Property	381	0	2,505	0
Sub-total Real Estate	169,902		188,823	
Investment Funds and Unit Trusts:				
Equities *	45,932	1	34,815	1
Bonds	66,903	2	12,205	0
Infrastructure	372,094	12	399,797	14
Sub-total Investment Funds and Unit Trusts	484,929		446,817	
Derivatives:				
Foreign Exchange *	172	0	5,801	0
Sub-total Derivatives	172		5,801	
Cash and Cash Equivalents				
All *	332,554	10	275,280	10
Sub-total Cash and Cash Equivalents	332,554		275,280	
Total Fair Value of Employer Assets	3,250,556	100	2,843,437	100

Scheme assets marked with an asterisk (*) have quoted prices in active markets.

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2021 were those from the beginning of the year (i.e. 31 March 2020) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 31 March 2020 to 31 March 2021	(16.40%)
Total return for period from 1 April 2020 to 31 March 2021	(16.40%)

Average future life expectancies at age 65:

	31.03.21	31.03.20
Current pensioners male	20.5 years	21.7 years
Current pensioners female	23.3 years	24.3 years
Future pensioners male	21.9 years	24.7 years
Future pensioners female	25.2 years	27.5 years

Period ended	31.03.21	31.03.20
Pension increase rate	2.85%	1.90%
Salary Increase rate	3.35%	3.50%
Discount rate	2.00%	2.30%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2021 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2021	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	373,206
0.5% increase in the Salary Increase Rate	1%	36,988
0.5% increase in the Pension Increase Rate	8%	328,344

42.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council agreed a contribution stability mechanism with the scheme's actuary until 31 March 2024. The rate will be increased by 1.1% from 1 April 2021 and thereafter, for the remainder of the actuarial valuation period, rates will remain fixed.

42.8 Information about the defined benefit obligation

	£000	%
Active members	1,749,800	45.4%
Deferred members	598,084	15.5%
Pensioner members	1,503,151	39.0%
Total	3,851,035	100.0%

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.8 Information about the defined benefit obligation - continued

The figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation of 31 March 2020.

The unfunded pensioner liability at 31 March 2021 comprises approximately £52.927m (2019/20 £54.254m) in respect of LGPS unfunded pensions and £15.012m (2019/20 £15.978m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2021, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

42.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Lothian Valuation Joint Board are included in unusable reserves. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below;

	2020/21 Pension Reserve £000	2019/20 Pension Reserve £000
Unusable Reserves		
Council	(668,418)	(523,535)
Lothian Valuation Joint Board	(4,980)	(3,750)
	<u>(673,398)</u>	<u>(527,285)</u>
	2020/21 £000	2019/20 £000
Usable Reserves		
Edinburgh Leisure	(1,232)	(1,232)
Transport for Edinburgh Ltd	(23,514)	66,190
	<u>(24,746)</u>	<u>64,958</u>
Net Pension Reserves	<u>(698,144)</u>	<u>(462,327)</u>

42.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2022

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(144,239)	(144,239)	(51.4%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(144,239)	(144,239)	(51.4%)
Interest income on plan assets	64,892	0	64,892	23.1%
Interest cost on defined benefit obligation	0	(79,009)	(79,009)	(28.2%)
Total Net Interest Cost	64,892	(79,009)	(14,117)	(5.1%)
Total included in Profit or Loss	<u>64,892</u>	<u>(223,248)</u>	<u>(158,356)</u>	<u>(56.5%)</u>

The Council's estimated contribution to Lothian Pension Fund for 2021/22 is £63.712m.

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £1.147m, including accrued payments (2019/20 £1.186m).

42.12 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Chief Executive Officer, Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

43. Financial Instruments

Policy

Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- lease payables detailed in note 39,
- PPP contracts detailed in note 40, and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash in hand,
- current, call and notice accounts with banks
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- certificates of deposit and covered bonds issued by banks and building societies,
- treasury bills and gilts issued by the UK Government,
- trade receivables for goods and services provided.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- money market funds

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.1 Categories of Financial Instruments

The following categories of financial instrument are carried on the Council's Balance Sheet:

	2020/21		2019/20	
	Long-Term £000	Current £000	Long-Term £000	Current £000
Assets				
At amortised cost				
- Bank Call Accounts (Note 21)	0	112,212	0	28,364
- Local Authority Loans - S-T (Note 22)	0	31,571	0	45,563
- Local Authority Loans - S-T (Note 21)	0	75,169	0	67,467
		<u>218,952</u>		<u>141,394</u>
At fair value through profit and loss				
- Money Market Funds	0	85,691	0	67,935
Total Financial Instruments - Assets	0	304,643	0	209,329
The Investment total does not include £21.1m (2019/20 £23.34m) in unquoted equity in subsidiary companies which are not deemed to be Financial Instruments.				
Debtors				
At amortised cost	<u>209,994</u>	<u>85,677</u>	<u>160,515</u>	<u>103,164</u>
Total debtors	209,994	85,677	160,515	103,164
Borrowings				
- Public Works Loans Board	(1,000,544)	(62,672)	(1,041,404)	(71,783)
- Salix	(454)	(268)	(722)	(302)
- Market debt	<u>(302,007)</u>	<u>(5,648)</u>	<u>(243,760)</u>	<u>(3,203)</u>
Total borrowings	<u>(1,303,005)</u>	<u>(68,588)</u>	<u>(1,285,886)</u>	<u>(75,288)</u>
Other Liabilities				
Financial liabilities at amortised cost	0	(19,217)	0	(19,008)
PPP and finance lease liabilities	(254,930)	(12,307)	(241,440)	(38,516)
Deferred liability	<u>(39,964)</u>	<u>0</u>	<u>(42,078)</u>	<u>0</u>
Total other long-term liabilities	<u>(294,894)</u>	<u>(31,524)</u>	<u>(283,518)</u>	<u>(57,524)</u>

In August 2018, the Council undertook a fixed rate forward starting loan transaction. The Council drew down a £60m loan in October 2020 repayable over 25 years on a semi annual annuity basis.

Lothian Regional Council entered into an agreement for the disposal of Norton Park Annex to the Tudor Trust. The terms of the disposal included the creation of a Title Company with share capital of 100 ordinary shares, held by the Tudor Trust, and 350,000 £1 preference shares held by City of Edinburgh Council. The preference shares carry rights that, in the event of the company being wound up or the property sold, the Council will receive the first £0.35m of the sale proceeds. This is included in the Balance Sheet as a 'Deferred Liability' of £0.35m, and as a long-term investment.

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.1 Categories of Financial Instruments - continued

Other deferred liabilities relate to income received in advance, which is required to be put on interest bearing deposit.

Further detail on the finance lease and PPP liabilities can be seen in notes 39 and 40.

43.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Measured at Amortised Cost £000	Fair Value through Profit / Loss £000	Total £000
Interest expense	59,083	0	0	59,083
Interest on leases	21,111	0	0	21,111
Total expense in Surplus on the Provision of Services	80,194	0	0	80,194
Interest income	0	(491)	(119)	(610)
Total Interest and investment income	0	(491)	(119)	(610)
Net (gain) / loss for the year	80,194	(491)	(119)	79,584

In addition to the above interest expense, £3.008m (2019/20 £2.419m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. The increase relates to the charging of premiums incurred on the restructuring of the Council's Inverse LOBO loans. It also excludes £0.118m (2019/20 £0.232m) of loans fund expenses charged to the Council.

Dividend income of £1.75m (2019/20 £1.047m) was received from a subsidiary council company but not included in the table above as the holding is not classified as a financial instrument.

43.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following methods and assumptions:

- Loans, including PWLB loans, borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans has been increased by the value of the embedded options.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.3 Fair Value of Assets and Liabilities - continued

- The fair value of soft loan assets has been calculated using the cash flows implied by the appropriate market interest rate which has been deemed to be the appropriate PWLB rate plus a credit spread of between 2% and 5% depending on the party to whom the advance has been made.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values are calculated as follows:

		2020/21		2019/20		
	Fair Value Level	Principal Outstanding £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,051,404)	(1,063,216)	(1,345,200)	(1,113,186)	(1,400,813)
Salix	2	(741)	(722)	(736)	(1,024)	(1,003)
Market debt	2	(294,900)	(307,654)	(513,134)	(246,964)	(456,213)
Borrowings		(1,347,045)	(1,371,592)	(1,859,070)	(1,361,174)	(1,858,029)
Other long-term liabilities	n/a	(39,964)	(39,964)	(39,964)	(42,078)	(42,078)
Trade creditors	n/a	(19,218)	(19,218)	(19,218)	(19,008)	(19,008)
PPP and Finance Leases	3	(267,237)	(267,237)	(351,337)	(279,956)	(355,129)
Financial liabilities		<u>(1,673,464)</u>	<u>(1,698,011)</u>	<u>(2,269,589)</u>	<u>(1,702,216)</u>	<u>(2,274,244)</u>

The fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

		2020/21		2019/20	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	85,691	85,691	67,936	67,936
		<u>85,691</u>	<u>85,691</u>	<u>67,936</u>	<u>67,936</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	112,212	112,211	28,364	28,361
Local Authority Loans	2	106,740	106,749	113,030	113,125
		<u>218,952</u>	<u>218,960</u>	<u>141,394</u>	<u>141,486</u>
Debtors					
Loan Stock	n/a	2,240	2,240	2,240	2,240
Soft Loans	3	58	58	56	56
Other trade debtors	n/a	85,677	85,677	103,164	103,164
		<u>87,975</u>	<u>87,975</u>	<u>105,460</u>	<u>105,460</u>
Total Investments		<u>392,618</u>	<u>392,626</u>	<u>314,790</u>	<u>314,882</u>

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.4 Financial Assets classified as Fair Value through Profit and Loss

	Fair Value Level	2020/21	Fair Value £000	2019/20	Fair Value £000
		Carrying Amount £000		Carrying Amount £000	
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	85,691	85,691	67,936	67,936
		<u>85,691</u>	<u>85,691</u>	<u>67,936</u>	<u>67,936</u>

There was no unrealised gain on the available for sale financial assets (2019/20 £nil).

44. Nature and Extent of Risks Arising from Financial Instruments

44.1 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures in the maturity structure of its debt;
- by selecting investment counterparties in compliance with the Council's Treasury Policy Statement.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 11 March 2021 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2021/22 has been set at £2.814bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2021/22 has been set at £2.207bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

44.2 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

NOTES TO THE FINANCIAL STATEMENTS

44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

The Council's funds are managed along with those of Lothian Pension Fund and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration while at the same time seeking innovative and secure cash investment opportunities. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills and has previously purchased Bonds and Floating Rate Notes with an explicit UK Government Guarantee. At 31 March 2021, the Council had £31.6m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 27.5% were loans to other local authorities, a further 31.4% was held in three AAA rated Money Market Funds, leaving only 41.1% with banks. All of the monies held on deposit with banks at 31 March 2021 were in call or near call accounts.

The principal outstanding on monies held by the Council under its treasury management arrangements at 31 March 2021 was £255.0m (31 March 2020: £209.3m). This was held with the following institutions:

Summary	Standard and Poor's Rating	Principal Outstanding 31.03.21 £000	Carry Value 31.03.21 £000	Fair Value 31.03.21 £000	Carry Value 31.03.20 £000
Money Market Funds					
Deutsche Bank AG, London	AAAm	39,523	39,523	39,523	25,141
Goldman Sachs	AAAm	3	3	3	15,022
Standard Life	AAAm	2,868	2,870	2,870	27,772
Bank Call Accounts					
Bank of Scotland	A+	30,575	30,576	30,576	5,789
Royal Bank of Scotland	A-	23,473	23,473	23,473	11,630
Santander UK	A	30,579	30,581	30,581	1
Barclays Bank	A	16	16	16	14
Svenska Handelsbanken	AA-	0	0	0	7
HSBC Bank Plc 31 dn	AA-	27,561	27,561	27,561	10,918
HSBC Bank Plc	AA-	5	5	5	5
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	106,720	106,740	106,749	113,030
Total		261,323	261,348	261,357	209,329

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2021 would have been 'AA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £112.2m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. There was no evidence at 31 March 2021 that this risk was likely to crystallise.

NOTES TO THE FINANCIAL STATEMENTS

44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.3 Credit Risk - continued

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2021 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2021 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2021. This is available on request from corporate.finance2@edinburgh.gov.uk, marked for the attention of Treasury.

All Council invoices become due for payment on issue. Excluding pre-payments of £4.088m (2019/20 £0.569m), trade debtors past due date can be analysed by age as follows:

	2020/21 £000	2019/20 £000
Less than two months	20,330	15,170
Two to four months	3,498	1,662
Four to six months	2,360	699
Six months to one year	5,164	1,609
More than one year	9,919	7,212
Total	41,271	26,352

Collateral – During the reporting period the Council held no collateral as security.

Credit Risk: Trade Debtors

Loss allowances on debtors have been calculated by reference to the Council's historic experience of default.

Debtors are collectively assessed for credit risk in the following groups:

		31.03.21	
	Range	Gross Receivable	Loss Allowance
Council Tax	3% - 100%	220,246	(200,246)
Non Domestic Rates	1% - 100%	4,579	(3,122)
HRA tenants and other debtors	5% - 95%	10,432	(7,424)
Housing Benefits	75% - 80%	27,785	(21,863)
Trade and Other Debtors	10% - 100%	89,353	(47,219)
Total		352,395	(279,874)

44.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs. It is anticipated that some short to medium term borrowing may be required within the next financial year to meet cashflow and working capital requirements. This will be managed as part of the Council's short- and medium-term cashflow monitoring as required.

NOTES TO THE FINANCIAL STATEMENTS

44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.4 Liquidity risk - continued

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to achieve a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

44.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 44.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. With the margin on new borrowing rates and a separate rate for the premature repayment of loans, it is unlikely that there will be much scope for any substantial rescheduling of PWLB debt. However the Council is in on-going discussion with institutions over the potential to restructure some of the Council's market debt. In 2019/20 the Council repaid its £40m Inverse LOBO loans and replaced them with a £40m fixed rate loan from the PWLB.

The maturity analysis of the principal outstanding on the Council's debt is as follows:

	2020/21 £000	2019/20 £000
Less than one year	(65,172)	(97,643)
Between one and two years	(63,527)	(62,676)
Between two and five years	(179,978)	(159,292)
Between five and ten years	(229,603)	(258,677)
More than ten years	<u>(1,076,002)</u>	<u>(1,037,841)</u>
Financial Liabilities	<u>(1,614,282)</u>	<u>(1,616,129)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £19.218m (2019/20 £19.008m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £15.733m (2019/20 £16.176m) nor net equivalent interest rate (EIR) adjustments of £8.834m (2019/20 £8.825m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investment which the Council has with a maturity of greater than one year is £2.24m in EDI loan stock.

44.6 Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

NOTES TO THE FINANCIAL STATEMENTS

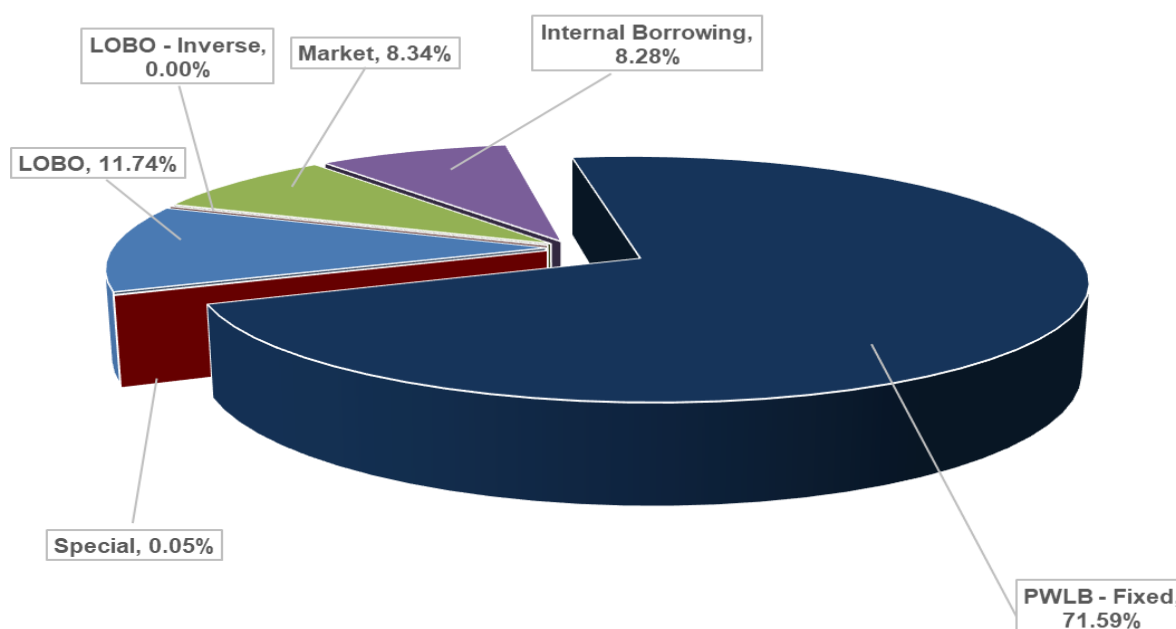
44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.6 Market risk - continued

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Any such strategy is run within the short and medium term liquidity requirements of the Council.

The following chart shows the source of the Council's borrowing. Most of the Council's borrowings are from the Government by way of the Public Works Loans Board (PWLB). As interest rates are historically low, none of the PWLB borrowing was variable rate.



Sources of Borrowing 2020/21

In addition to the borrowing in the chart above, in August 2018, the Council undertook a fixed rate forward starting loan transaction. The Council drew down a £60m loan in October 2020 repayable over 25 years on a semi annual annuity basis. The purpose of the transaction was to mitigate the interest rate risk on the Council's future capital financing requirement.

NOTES TO THE FINANCIAL STATEMENTS

44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.6 Market risk - continued

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	(1,718)
Impact on Comprehensive Income and Expenditure Statement	(1,718)
Decrease in fair value of fixed rate borrowings liabilities	(280,242)

Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £21.105m (2019/20 £23.340m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

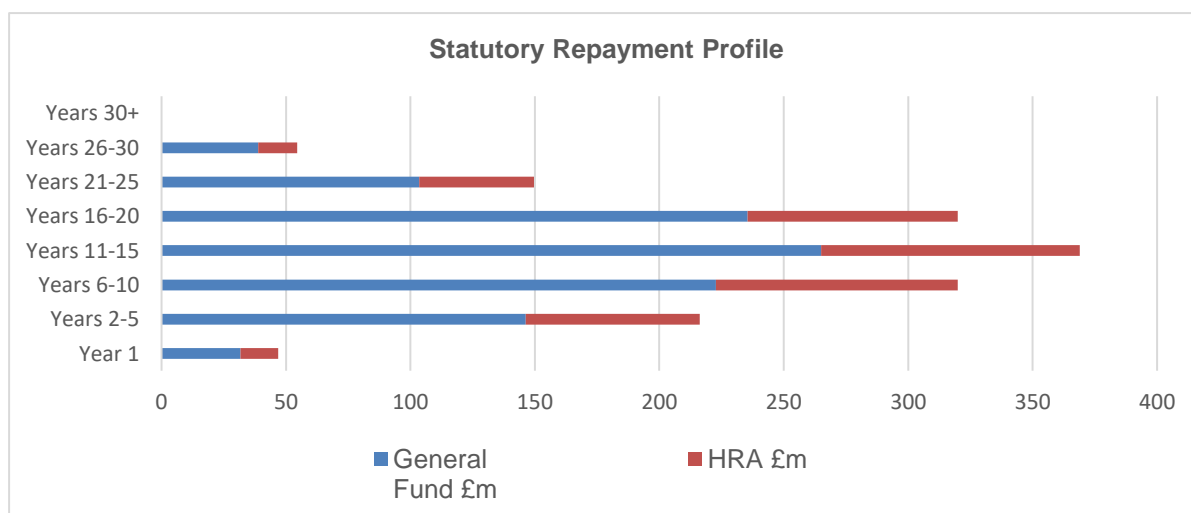
Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

44.7 Repayment Profile

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require the statutory loans fund to be administered in accordance with the 2016 Regulations, proper accounting practices and prudent financial management.

The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund. As part of the 2019/20 budget process the Council received a report on the review carried out on the loans fund. The report recommended changes in the method of calculating loans fund repayments for current and historical capital advances. Those changes mean that the repayments for both historical and new capital advances (with the exception of those detailed below) will be calculated using the Asset Life method. For capital advances relating to loans to the Edinburgh Living LLPs and capital advances for the "Trams to Newhaven" project, all advances from the loans fund in the current year have a repayment profile set out using the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments. The business cases brought forward for other projects involving major capital expenditure funded by borrowing will consider the appropriate repayment method depending on the structure of the business case. The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend.



NOTES TO THE FINANCIAL STATEMENTS

45. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to six, with further plans in place to wind up the Boyd Anderson Trust in 2021/22.

45.1 The funds are:

The funds are:	Scottish Charity Registration Number	Market Value 31.03.21 £000	Market Value 31.03.20 £000
Scottish Registered Charities	Number	£000	£000
Lauriston Castle	SC020737	7,660	7,043
Jean F. Watson	SC018971	6,641	6,450
Edinburgh Education Trust	SC042754	1,191	1,012
Nelson Halls	SC018946	271	235
The Royal Scots Trust	SC018945	33	35
Boyd Anderson	SC025067	96	100
Total market value		15,892	14,875

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

45.2 Financial Position of the Scottish Registered Charity Funds

2019/20 Income and Expenditure Account		2020/21
£000		£000
Income		
71	Investment income	71
28	Other non-investment income	9
<u>99</u>		<u>80</u>
Expenditure		
(19)	Prizes, awards and other expenses	(20)
(15)	Governance Costs	(16)
<u>(34)</u>		<u>(36)</u>
<u>65</u>	Surplus / (Deficit) for the year	<u>44</u>
2019/20 Balance Sheet		2020/21
£000		£000
Long-Term Assets		
2,143	Investments	2,505
5,374	Artworks - Jean F Watson Trust	5,383
7,021	Heritable property	7,632
<u>14,538</u>	Total Long-Term Assets	<u>15,520</u>
Current Assets		
361	Cash and bank	387
16	Debtors	15
<u>377</u>		<u>402</u>
Current Liabilities		
(40)	Creditors	(30)
<u>(40)</u>		<u>(30)</u>
<u>14,875</u>	Total Assets less Liabilities	<u>15,892</u>
Funds		
3,490	Capital at 1 April	3,497
65	Surplus / (Deficit) for the year	44
0	Unrealised gains on investments	361
(58)	Unrealised losses on investments	0
<u>3,497</u>		<u>3,903</u>
<u>11,378</u>	Revaluation reserve	<u>11,989</u>
<u>14,875</u>	Funds at 31 March	<u>15,892</u>

A separate Trustee's Report and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained on the [Council's website](#) as part of the public inspection period.

NOTES TO THE FINANCIAL STATEMENTS

46. Prior Period Adjustment

Capitalisation of Tram Interest

The Finance and Resources Committee at its meeting on 21 January 2021 approved the adoption of a change in accounting policy to enable the capitalisation of interest on qualifying assets. It further gave approval to apply this policy retrospectively on the Trams to Newhaven project. The 2019/20 financial statements have been restated to reflect this change.

Accounting treatment of Residual Waste Facility donated asset

The residual waste facility at Millerhill became operational during 2019/20 and was accounted for as a PPP service concession with the inclusion of an element of a donated asset. The accounting treatment for the donated asset element and a deferred capital payment has subsequently been reviewed and amended to better reflect the nature of these transactions. The donated asset reserve created in 2019/20 of £61m has therefore been removed and treated as a non-current liability within the balance sheet. In addition the change in accounting treatment has impacted on the financial repayment profile on the asset.

Edinburgh Living

Edinburgh Living MMR LLP provides mid-market homes for rent and became operational during 2019/20. The Scottish Government has provided grant funding towards the costs of acquiring properties. The accounting treatment for the government grant has been reviewed and amended. The grant is now treated as deferred income and released to the Income and Expenditure Statement over the lifetime of the assets. This has also had an impact on the Balance Sheet.

CEC Holdings

CEC Holdings consolidated accounts comprise the results for the EDI Group and Edinburgh International Conference Centre Ltd (EICC). Each of these companies adopted the new IFRS 16 for Leases as of 1 January 2019 and the CEC Holdings consolidated accounts reflect this. As the City of Edinburgh Council's annual accounts are not required to adopt the standard IFRS 16 Leases until 1st April 2022, consolidation adjustments are required to bring the lease accounting in-line with the City of Edinburgh Council treatment. The EICC accounts also contained a lease which had not been identified in the City of Edinburgh Council audited accounts, an adjustment has therefore also been recognised for this.

	2019/20 Statements £000	Tram Interest £000	Residual Waste PPP £000	Edinburgh Living £000	CEC Holdings IFRS16 £000	2019/20 Re-stated £000
Movement in Reserves						
Statement						
Total Comprehensive Income and Expenditure						
Total Usable Reserves	(11,202)	1,234	(59,539)	0	0	(69,507)
Total Reserves	321,410	1,234	(59,539)	0	0	263,105
Adjustments between accounting basis and funding basis						
General Fund	23,019	0	59,539	0	0	82,558
Donated Asset Fund	61,893	0	(61,893)	0	0	0
Total Usable Reserves	57,457	0	(2,355)	0	0	55,102
Net increase / (Decrease) before transfers to statutory reserves						
Total Usable Reserves	46,255	1,234	(61,893)	0	0	(14,403)
Total Reserves	321,410	1,234	0	0	0	322,644
Group Total Reserves						
Balance at 31 March 2020						
General Fund	120,111	1,234	0	0	0	121,345
Total Usable Reserves	289,138	1,234	(61,893)	0	0	228,480
Total Reserves	2,951,180	1,234	(59,539)	0	0	2,892,877
Group Total Reserves						

NOTES TO THE FINANCIAL STATEMENTS

46. Prior Period Adjustment - Continued

	2019/20 Statements £000	Tram Interest £000	Residual Waste PPP £000	Edinburgh Living £000	CEC Holdings IFRS16 £000	2019/20 Re-stated £000
Group Comprehensive Income and Expenditure Statement						
Cost of Services - Subsidiary Companies	16,980	0	0	(23)	(28)	16,929
Financing and Investment Income and Expenditure (Surplus) / Deficit on Provision of Services	131,178	(1,234)	(2,355)	0	(70)	127,519
	25,262	(1,234)	59,539	(23)	(97)	83,447
Total Comprehensive (Income) / Expenditure	(342,104)	(1,234)	59,539	(23)	(97)	(283,919)
Council Comprehensive Income and Expenditure Statement						
Financing and Investment Income and Expenditure (Surplus) / Deficit on Provision of Services	134,231	(1,234)	(2,355)	0	0	130,642
	11,202	(1,234)	59,539	0	0	69,507
Total Comprehensive (Income) / Expenditure	(321,410)	(1,234)	59,539	0	0	(263,105)
Group Balance Sheet						
Property, Plant and Equipment	4,916,529	1,234	0	0	(1,036)	4,916,727
Long-Term Assets	5,233,436	1,234	0	0	(1,036)	5,233,634
Net Assets	3,160,595	1,234	(59,539)	(72)	192	3,102,410
Short Term Creditors	(244,988)	0	(3,359)	(72)	94	(248,326)
Other Long-Term Liabilities	(255,989)	0	(56,178)	0	1,039	(311,128)
Deferred Liability	(44,960)	0	0	0	95	(44,865)
Usable Reserves	360,706	1,234	(61,893)	23	97	300,167
Total Reserves	3,160,595	1,234	(59,539)	23	97	3,102,410
Council Balance Sheet						
Property, Plant and Equipment	4,776,511	1,234	0	0	0	4,777,745
Long-Term Assets	5,011,956	1,234	0	0	0	5,013,190
Net Assets	2,951,180	1,234	(59,539)	0	0	2,892,876
Short Term Creditors	(200,580)	0	(3,359)	0	0	(203,939)
Other Long-Term Liabilities	(241,440)	0	(56,178)	0	0	(297,618)
Usable Reserves	289,138	1,234	(61,893)	0	0	228,481
Total Reserves	2,951,180	1,234	(59,539)	0	0	2,892,877

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2021

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

2019/20		2020/21	
£000	EXPENDITURE	£000	£000
29,616	Repairs and maintenance	24,749	
20,993	Supervision and management	22,706	
29,078	Depreciation and impairment of non-current assets	26,776	
7,133	Other expenditure	10,347	
613	Impairment of debtors	2,662	
<u>87,433</u>			87,240
	INCOME		
(99,592)	Dwelling rents	(100,924)	
(22)	Non-Dwelling rents (gross)	(29)	
(4,366)	Other income	(3,870)	
<u>(103,980)</u>			<u>(104,823)</u>
(16,547)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(17,583)
166	HRA share of corporate and democratic core		254
1,073	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		<u>1,201</u>
(15,308)	Net income for HRA Services		(16,128)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(3,554)	(Gain) / loss on sale of HRA fixed assets	(248)	
42	Investment Property changes in fair value	0	
31,114	Interest payable and similar charges	16,509	
2,467	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,299	
(1,188)	Interest and investment income	(1,164)	
(2,005)	Interest income on plan assets (<i>pension-related</i>)	(1,933)	
<u>(29,262)</u>	Capital grants and contributions	<u>(22,249)</u>	
(2,386)			(6,786)
<u>(17,694)</u>	Surplus for the year on HRA services		<u>(22,914)</u>

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2019/20 £000		2020/21 £000
0	Balance on the HRA at the end of the previous year	0
17,694	Surplus for the year on the HRA Income and Exp Account	22,914
(33,149)	Adjustments between accounting basis and funding basis under statute	(12,411)
(15,455)	Net increase before transfers to reserves	10,503
15,455	Contribution (to) / from renewal and repairs fund, via the General Fund	(10,503)
0	Balance on the HRA at the end of the current year	0

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
29,078	Charges for depreciation and impairment of non-current assets	26,776
(29,262)	Capital grants and contributions applied	(22,249)
42	Movement in the market value of investment properties	0
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(20,695)	Statutory provision for the financing of capital investment	(17,130)
(23,000)	Capital funded from revenue	0
	Adjustments primarily involving the Capital Receipts Reserve	
(3,554)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(248)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
13,113	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(906)
	Adjustments primarily involving the Pensions Reserve	
2,803	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,993
(1,530)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,715)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(144)	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	68
(33,149)		(12,411)

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2021 are as follows:

Types of Houses	2021		2020	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	285	4,132.00	285	4,051.00
2 Apartment	5,610	4,619.00	5,610	4,532.00
3 Apartment	10,207	5,353.00	10,207	5,262.00
4 Apartment	3,512	6,168.00	3,512	6,069.00
5 Apartment	521	6,655.00	521	6,496.00
6 Apartment	10	6,672.00	10	6,557.00
7 Apartment	4	6,463.00	4	6,336.00
8 Apartment	1	6,463.00	1	6,336.00
Mid-market rent dwellings				
2 Apartment	23	6,005.00	23	5,896.00
3 Apartment	84	7,378.00	84	7,240.00
4 Apartment	22	9,307.00	22	9,125.00
	<u>20,279</u>		<u>20,279</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units. The housing types and numbers at 31 March 2021 are still to be confirmed.

2. The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £10.447m (£7.569m 2019/20) against which a provision amounting to £9.035m (£6.386m 2019/20), has been created in respect of non collectable debts.
3. The total value of uncollectable void rents for main provision properties was £0.948m (2019/20 £0.648m). This has been netted against rental income.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

2019/20 £000		2020/21 £000 £000	
(366,569)	Gross council tax levied and contributions in lieu		(387,802)
58,696	Less: - Exemptions and other discounts	62,682	
9,207	- Provision for bad debts	11,344	
24,070	- Council Tax Reduction Scheme	28,075	
4,457	- Other reductions	5,044	
<u>96,430</u>		<u>107,145</u>	
(270,139)			(280,657)
<u>(905)</u>	Previous years' adjustments		<u>(2,839)</u>
<u>(271,044)</u>	Total transferred to General Fund		<u>(283,496)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 96.0% (2019/20 97.0%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation. Bands E to H were rebased in 2017/18 by the Scottish Government as per the Council Tax Base table below, with a 4.79% increase applied to Council Tax in 2020/21 (2019/20 3%).

Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted to properties, with certain attributes, that are the sole and main residence of permanently disabled persons.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

Calculation of the Council Tax Base 2020/21

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	24,417	79	3,882	3,522	17,092	6/9	11,395	£892.39
B £27,001 - £35,000	48,226	60	3,747	7,056	37,483	7/9	29,153	£1,041.12
C £35,001 - £45,000	45,320	(2)	2,896	5,667	36,755	8/9	32,671	£1,189.86
D £45,001 - £58,000	41,159	71	2,609	4,574	34,047	9/9	34,047	£1,338.59
E £58,001 - £80,000	43,141	(16)	3,588	3,909	35,628	473/360	46,811	£1,758.76
F £80,001 - £106,000	26,054	(32)	1,518	2,035	22,469	585/360	36,512	£2,175.20
G £106,001 - £212,000	22,429	(127)	491	1,334	20,477	705/360	40,101	£2,621.40
H Over £212,000	4,183	(33)	134	205	3,811	882/360	9,337	£3,279.54
Total							240,027	
Add: Contributions in Lieu							500	
Less: Provision for Non-Payment							<u>(8,418)</u>	
Council Tax Base							<u>232,109</u>	

NON-DOMESTIC RATES INCOME ACCOUNT

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic Rate pool.

2019/20 £000		2020/21 £000	£000
(477,545)	Gross rates levied and contributions in lieu		(478,952)
104,041	Less: - Reliefs and other deductions	290,727	
5,095	- Uncollectable debt written off and provision for impairment	2,644	
109,136			293,371
(368,409)			(185,581)
25,591	Previous years' adjustments		17,665
(342,818)	Net Non-Domestic Rates Income		(167,916)
775	Non-domestic rate income retained by authority		0
(342,043)	Non-Domestic Rate Income		(167,916)
	Allocated to:		
(342,740)	Contribution to Non-Domestic Rate Pool		(168,636)
697	City of Edinburgh Council		720
(342,043)			(167,916)

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2020	Number	Rateable Value £000
Shops, offices and other commercial subjects	16,108	637,703
Industrial and freight transport	2,797	80,549
Telecommunications	6	23
Public service subjects	361	50,217
Miscellaneous	3,955	170,732
	23,227	939,224

- The amount distributed to the council from the national non-domestic rate income pool in the year was £238.922m (2019/20 £365.250m).
- Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 49.8p per £ in 2020/21 (2019/20 49.0p per £).

Properties with a rateable value between £51,001 and £95,000 (2019/20 greater than £51,000) had their rate charges calculated using the poundage of 51.1p per £ (2019/20 51.6p per £). Properties with rateable value greater than £95,000 had their rate charges calculated using the poundage of 52.4p per £ (2019/20 51.6p).

- From 1 April 2008, the Scottish Government introduced the small business bonus scheme. Business properties with a rateable value of £18,000 or less may receive relief as set out below.

100% relief	below	£	15,000
25% relief	£	15,001 to	£ 18,000
Upper limit for combined rateable value *		£	35,000

* Businesses with multiple properties whose combined rateable value is £35,000 or less will be eligible for relief of 25% for each property with a rateable value of £18,000 or less.

- Due to Covid-19 a number of sectors including retail, hospitality, aviation and leisure were given additional rates reliefs and this accounts for the significant increase in the above figures.

COMMON GOOD FUND

Common Good Fund Foreword

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

The Common Good accounts are prepared in accordance with the Council's accounting policies as detailed in Note 1.

In 2015/16, £2m of the Common Good Fund was earmarked to be utilised to fund a planned property maintenance programme. £123,000 of this funding has been used to fund Scott Monument lighting work and surveys, £33,000 on surveys and work at the City Observatory, £16,400 on engineering consultancy at the Queensferry Harbour, and £12,600 on surveys and work for the Portobello Municipal Clock.

The balance of the Common Good Fund is £2.669m as at 31 March 2021 (£2.665m 2019/20). This is split £0.854m in the fund and £1.815m in the planned property maintenance fund.

During 2020/21, the Common Good made a surplus of £0.003m.

The lease of 329 High Street was completed in January 2020 with a lease premium of £3.036m received in the Common Good. The lease premium is being amortised over the lease term of 125 years. The in-year surplus, as mentioned above, includes a lease premium of £0.024m for 2020/21. Recommendations for the use of the funds from the lease will be presented to the Finance and Resources Committee for approval.

The Common Good Annual Performance Report will be considered by the Finance and Resources Committee in November 2021, along with the Audited Annual Accounts.

COMMON GOOD FUND - INCOME AND EXPENDITURE ACCOUNT

2019/20		2020/21	
£000		£000	£000
Income			
(24) Investment income		(13)	
(1,160) Rent Income		(271)	
(71) Capital Funding		(142)	
(338) Sale of Fixed Assets		0	
(5) Lease Premium		(24)	
(2,175) Recharges Income		(2,566)	
(3,773) Total Income		(3,016)	
Expenditure			
67 Common Good Fund		30	
3,394 Common Good Property Costs		2,983	
3,461 Total Expenditure			3,013
(312) (Surplus) / Deficit for the Year			(3)

COMMON GOOD FUND - BALANCE SHEET

31 March 2020 £000		31 March 2021 £000 £000	
<u>2,558</u>	Community Assets	<u>2,558</u>	
<u>2,558</u>	Property, Plant and Equipment		2,558
17,798	Long-Term Debtors	17,823	
<u>146</u>	Heritage Assets	<u>146</u>	
<u>17,944</u>	Long-Term Assets		17,969
1,616	Short-Term Investments	989	
4	Debtors	9	
<u>4,052</u>	Cash and Cash Equivalents	<u>4,653</u>	
<u>5,672</u>	Current Assets		<u>5,651</u>
<u>26,174</u>	Net Assets		<u>26,178</u>
23,522	Capital Contribution	23,522	
<u>(13)</u>	Capital Adjustment Account	<u>(13)</u>	
<u>23,509</u>	Unusable Reserves		23,509
842	Common Good Fund	854	
<u>1,823</u>	Earmarked Reserve	<u>1,815</u>	
<u>2,665</u>	Usable Reserves		<u>2,669</u>
<u>26,174</u>	Total Reserves		<u>26,178</u>

The unaudited accounts were issued on 18 June 2021.

HUGH DUNN, CPFA
Head of Finance
18 June 2021

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation			
At 1 April 2020	2,558	2,558	146
At 31 March 2021	2,558	2,558	146
Net Book Value			
At 31 March 2021	2,558	2,558	146
At 31 March 2020	2,558	2,558	146
Cost or Valuation			
At 1 April 2020	2,558	2,558	146
At 31 March 2020	2,558	2,558	146
Net Book Value			
At 31 March 2020	2,558	2,558	146
At 31 March 2019	2,558	2,558	146

These asset categories are not depreciated.

1.2 Developing a Common Good Register

Significant progress has been made to collate information regarding properties considered by the Council to be Common Good.

A response to the Community Empowerment (Scotland) Act 2015 consultation on Common Good matters was approved by the Finance and Resources Committee on 28 September 2017 and submitted to the Scottish Government.

The relevant provisions came into force on 27 June 2018, and the Scottish Government published the accompanying guidance in July 2018. The Community Empowerment (Scotland) Act 2015 places a duty on Local Authorities to “establish and maintain a register of property which is held by the authority as part of the Common Good” (a Common Good Register).

Before establishing a Common Good Register, the Act requires a Local Authority to prepare and publish a list of properties that it proposes to include in the register. The Common Good Asset Register for **public consultation** was approved for issuing at the 27 September 2018 Finance and Resources Committee. The consultation closed on 31 December 2018.

The first version of the Common Good Register was published on the Council's Common Good webpage on 28 June 2019, complying with Scottish Government guidance. The Register was subsequently presented and approved by the Finance and Resources Committee on 26 September 2019 as part of the 2018-19 Common Good Annual Performance Report.

The Council maintains a **web page** with a link to the latest Common Good Register on its website.

A further updated draft of the Common Good Asset Register is yet to be finalised because work had to be put on hold due to the imposed COVID-19 lockdown. Therefore, at the balance sheet date, the Council's balance sheet may hold heritage assets that belong to the Common Good and vice versa.

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

2. Unusable Reserves

2.1 Capital Contribution

This balance contains the gains made by the Common Good Fund arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- transferred from Common Good;
- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2020/21		2019/20	
	£000	£000	£000	£000
Balance at 1 April		23,522		23,523
Movement of assets	0		(1)	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	0		0	
Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus on the Provision of Service		0		(1)
Derecognition of asset disposals		0		0
Balance at 31 March		<u>23,522</u>		<u>23,522</u>

2.2 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

	2020/21	2019/20
	£000	£000
Balance at 1 April	(13)	(13)
Movement in Year	0	0
Balance at 31 March	<u>(13)</u>	<u>(13)</u>

ANNUAL GOVERNANCE STATEMENT

Introduction

2020/21 has been an unprecedented year for the City of Edinburgh Council, responding to the demands of a global pandemic and fundamental changes to people's freedoms and way of life. As a direct consequence of the Council's response to Covid-19, governance, both political and operational, had to adapt and evolve rapidly to ensure that the Council fulfilled its statutory duties arising from the Civil Contingencies Act and was able to work directly and with partners to address the safety of vulnerable people, the continuity of essential public services and the safety of our employees alike. Recognising the importance of democratic leadership and oversight of the Council's response to the pandemic, a rapid transition back to the full operation of our executive committees as soon as practicable was also managed. The past year has been challenging for elected members and officers alike and has placed a significant strain upon Council finances, the workforce, digital and physical assets, along with our supply chain and partners. Through robust and effective governance, the Council has been able to respond well to these challenges, to adapt and evolve the provision of its services and, importantly, to take on additional responsibilities to support local and national responses to Covid-19.

Scope of Responsibility

The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is demonstrated by continuous improvement in the way its functions are carried out.

In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 41 of the Accounts.

Council's Strategy and Vision

In February 2021 the Council approved a new Council Business Plan: Our Future Council, Our Future City which set out the Council's strategic priorities and how the aims set out in the Community Plan would be taken forward over the next 3 years.

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

The Business Plan set out the three main priorities the Council would focus on in the coming years:

- Ending poverty by 2030;
- Becoming a sustainable and net zero city; and
- Wellbeing and Equalities

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

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

Decision making structures

Political Governance Arrangements

The Council operates an executive committee structure (see figure 1.1). This consists of six executive committees which are responsible for policy and financial decision making and scrutiny in their designated areas of responsibility. These committees are Policy and Sustainability; Culture and Communities; Education, Children and Families; Finance and Resources; Housing, Homelessness and Fair Work; and Transport and Environment.

The Governance, Risk and Best Value Committee seeks assurance over the adequacy of governance and risk management frameworks and the internal control environment. It also scrutinises the Council's financial and nonfinancial performance, approves and monitors progress against the internal audit risk-based plan, and monitors performance of the internal audit service.

The Council also operates a range of other committees, some of which are quasi-judicial such as the Development Management Sub-Committee and the Licensing Sub-Committee, to consider individual applications.

ANNUAL GOVERNANCE STATEMENT

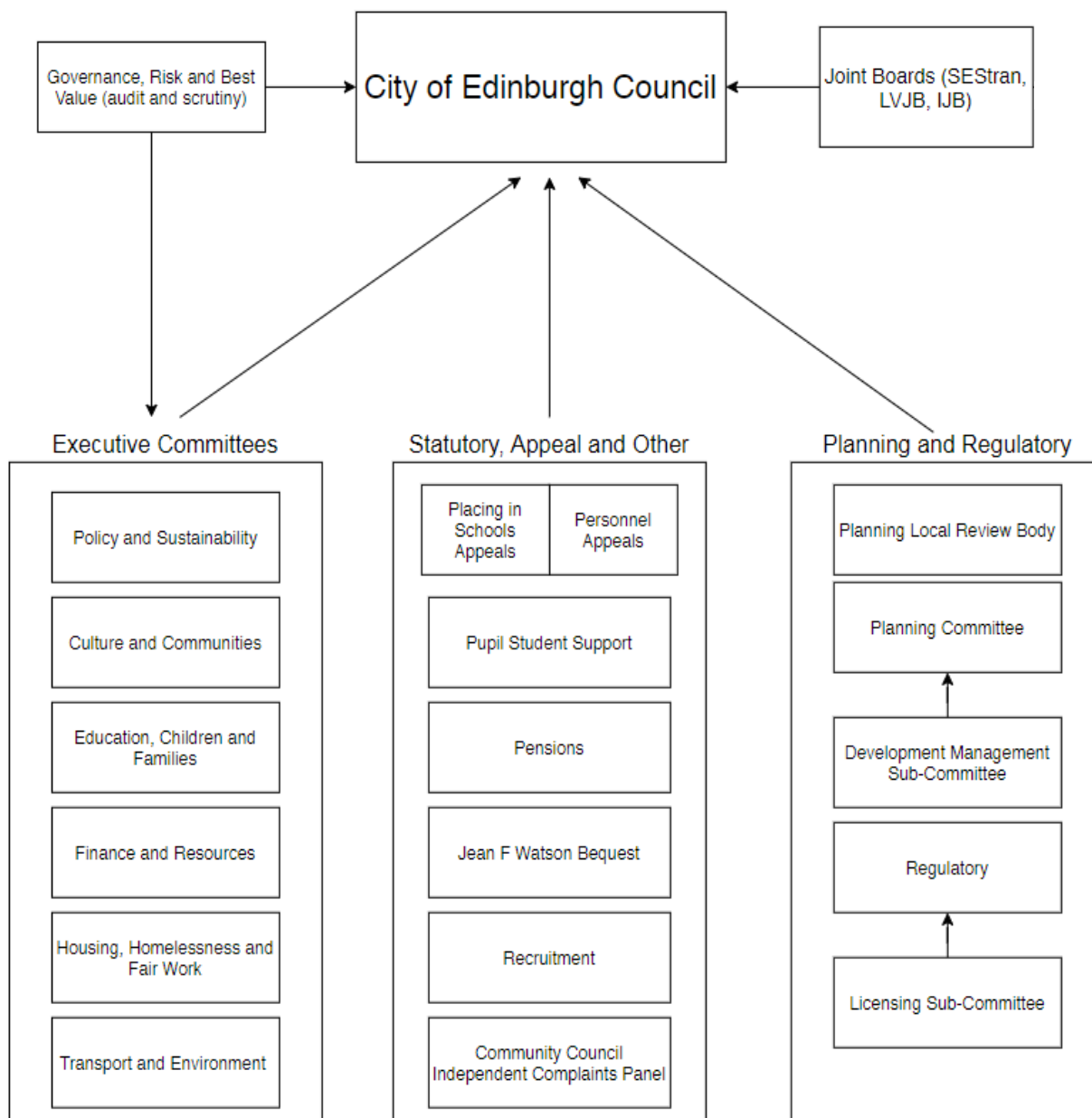


Figure 1.1 Executive Committee Structure

Political Decision Making in Covid-19

To date the Council has implemented three phases of political governance arrangements in response to the Covid-19 emergency. The first phase, agreed by the Chief Executive under emergency powers, was to extend the recess period of the City of Edinburgh Council from Friday 20 March 2020 to Sunday 29 March 2020 inclusive and from Monday 20 April 2020 to Sunday 26 April 2020 inclusive. The Leadership Advisory Panel was an existing committee that had the authority to take all decisions during recess periods. This was stood up and met twice during this period.

The second phase followed a report considered by the Leadership Advisory Panel on 23 April 2020 and agreed that the Policy and Sustainability Committee would meet every two weeks from May 2020 and would have the authority to make decisions on all matters of business. This committee has a larger number of elected members, includes a number of the executive committee conveners and is chaired by the Council Leader. All business, with the exception of quasi-judicial matters, was submitted to this committee. The Development Sub-Committee and the Local Review Bodies met from May 2020 as required and the Governance, Risk and Best Value Committee met again from 9 June 2020. This re-established independent committee scrutiny and allowed audit activity to re-commence.

The third phase from 7 August 2020 re-introduced the Finance and Resources Committee to provide financial scrutiny and then all other executive committees from 1 September 2020; meaning the Council's political management arrangements were back operating normally (and remotely) from that date.

ANNUAL GOVERNANCE STATEMENT

Officer Decision Making

The Corporate Leadership Team (CLT) meets weekly, led by the Chief Executive, and includes all Executive Directors and key statutory officers including the Section 95 Officer, Monitoring Officer and Chief Social Work Officer.

It is supported by a range of groups covering key matters such as risk, health and safety and programme management. There is a robust health and safety reporting structure which includes directorate health and safety groups, a quarterly Council health and safety group and a quarterly consultative forum involving the trade unions. Health and safety working groups are in place for key life safety issues including: fire; water safety; and, asbestos. All directorates have risk and assurance committee meetings at least quarterly and ensure escalation of risks. The CLT also has a specific risk committee meeting which reviews the corporate risk register on a quarterly basis.

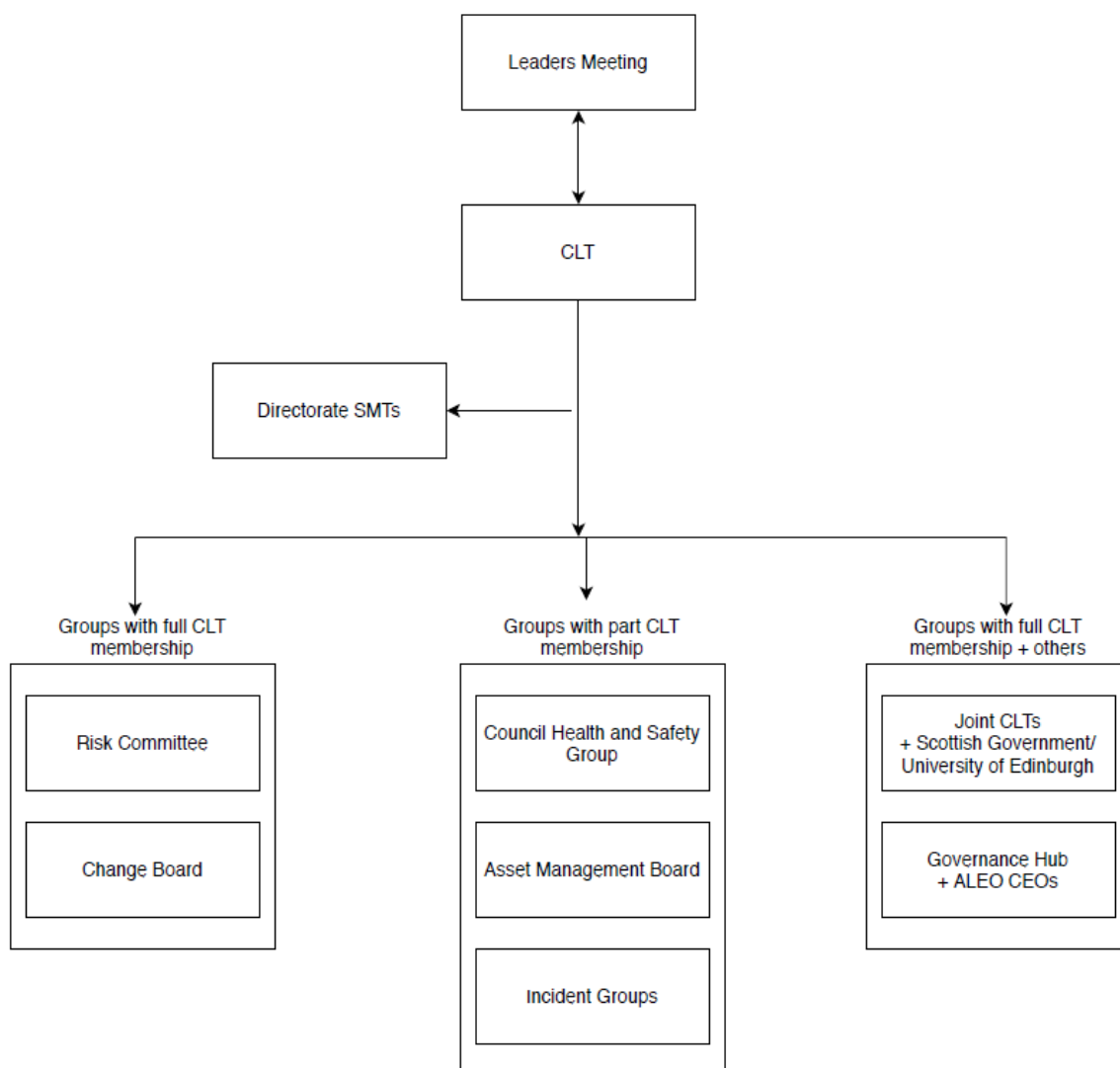


Figure 1.2 - CLT and Senior Management Team (SMTs) Structure

A key area of governance for the Council is its involvement in national, regional and city wide bodies. The Chief Executive and members of CLT represent the Council on a number of groups. Examples of these include SOLACE, Scottish Government Directors, City Deal Executive, Edinburgh Guarantee and Edinburgh Chamber of Commerce Council. Partnership working has increased during the Pandemic, building on strong relationships and the need to work together to provide holistic solutions for the City and its region.

ANNUAL GOVERNANCE STATEMENT

Covid-19 Officer Decision Making

The groups below were all established to respond to Covid-19:

- Council Incident Management Team (CIMT), chaired by the Chief Executive
- Directorate Incident Management Teams, with escalation to CIMT
- Specialist Incident Management Teams:
 - Health and Social Care Command, chaired by Edinburgh Health and Social Care Partnership
 - (EHSCP) Head of Operations
 - Personal Protective Equipment (PPE), chaired by the Chief Procurement Officer
 - Shielding, chaired by the Executive Director of Resources
 - Vulnerable and Volunteering, chaired by the Executive Director of Communities and Families
- Cross-Council Risk Forum, convened and chaired by the Head of Legal and Risk
- Weekly meetings with the Trade Unions, including on specialist subjects such as PPE

The CIMT and directorate IMTs have provided a clear, easy to understand and effective governance structure for organising services during the emergency. They have met with differing frequency during the pandemic, operating flexibly to ensure the Council could react rapidly to any arising issues.

The three principles that were set out at the beginning of the response have been the framework for every decision taken:

- to protect the most vulnerable in our city;
- to minimise the risks to our colleagues; and
- to continue to provide services in challenging circumstances.

The Chief Executive established measures to ensure that decision making was as transparent as possible and that decisions were taken only by officers where absolutely necessary. The following principles were applied:

- The Chief Executive would be the only officer to take decisions in response to the Covid-19 emergency using powers outlined in the Scheme of Delegation to Officers;
- The Chief Executive would consult on all these decisions with the Leader and Depute Leader;
- Decisions would be considered and discussed at the Council's Incident Management Team;
- If possible, Executive Directors would discuss matters at their directorate incident management teams before escalating to the CIMT;
- Decisions would only be taken by the Chief Executive where urgent and where they could not be considered in good time by the Leadership Advisory Panel;
- Decisions would be reported to the Leadership Advisory Panel for information; and
- When making decisions, the potential risk and impact of those decisions, whether existing controls are effective and what new measures or controls may be required should be considered. This process should be as efficient and streamlined as possible.

The Council has reduced both the number and frequency of its Covid-19 meetings, but the Council's Incident Management Team continues to meet twice a week and other meetings have been stood back up depending on the changing situation of the pandemic.

In May 2020 the Council, recognising the significant long term impact and challenges caused by the pandemic, commenced a programme of work titled Adaptation and Renewal, focussed on post-Covid new ways of working. It aimed to set a clear long term vision, feeding into the business plan, on how the City would recover while retaining the flexibility to adapt to the changing public health situation.

Its five work programmes were as follows:

- Public Health Advisory Board - This board brought together NHS Lothian and the Edinburgh Health and Social Care Partnership (EHSCP) to ensure the effective communication and implementation of national advice concerning public health.
- Service Operations – To consider how to reintroduce services and adapt to new ways of working.
- Change, People and Finance – To evolve the Council's current Change Strategy and financial framework and the impact of the pandemic on our workforce, our digital strategy and governance arrangements.
- Sustainable Economic Recovery – To work closely with the Scottish and UK Governments, the business community and the third sector, to respond to the challenging economic circumstances facing the city and the nation.
- Life Chances - To consider the provision of education and to ensure the Council is supporting people who are vulnerable or need support because of the impact of Covid-19.

ANNUAL GOVERNANCE STATEMENT

Partnership Working

The Council plays an important role in the Edinburgh Partnership, the Community Planning Partnership in Edinburgh, and its new community planning structure. The new framework agreed by the Edinburgh Partnership comprises a Board, four city wide partnerships, four locality partnerships and thirteen neighbourhood networks. The new arrangements are designed to support a different way of working and to support the delivery of the Partnership's priorities for the city as set out in the new community plan. The plan focuses on reducing poverty and inequality in the city through making sure people have enough money to live on; access to work, learning and training opportunities; and have a good place to live.



The Council, NHS Lothian and the Edinburgh Integration Joint Board work closely together to work towards a more caring, healthier and safer Edinburgh. The responsibility for the budget does not sit with the Council but it plays a key role in supporting the processes in place to ensure sound financial management and budget control.

Internal Controls

A significant part of the governance framework is the system of internal controls in place to ensure that risks are being identified and managed effectively. The Council has adopted a local Corporate Governance Code (CGC). The CGC is based on the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives and Senior Managers (SOLACE) model framework Delivering Good Governance in Local Government. The CGC outlines how the Council embeds good governance throughout the organisation and is available on the Council's website.

Review of Effectiveness

An assurance statement on the effectiveness of the system of internal controls has been provided and was informed by:

- the work of the Corporate Leadership Team which develops and maintains the governance environment;
- the certified annual assurance statements provided by all Executive Directors;
- the certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies;
- council officers' management activities;
- the Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
- reports from the Council's external auditor; and
- reports by external, statutory inspection agencies.

The Accounts Commission in November 2020 published their Best Value Assurance report into the City of Edinburgh Council. The report highlights a number of key achievements and areas for the Council to improve since the 2016 Best Value Audit and reflects on this as mixed progress.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

The key achievements outlined in the Best Value Assurance report include:

- The Council's ambitious plans for the City. Specifically, referencing the Council's Sustainability Programme, approach to tackling poverty, major housing and community regeneration projects in Fountainbridge, Meadowbank and at Granton Waterfront; retail, hospitality and cultural developments, such as the St James Quarter; and extending the tram network;
- The Council's long track record of maintaining revenue expenditure within budget;
- Aspects of leadership and service performance. Specifically, referencing improved performance across many of KPIs – schools and education, waste and cleansing and time taken to process benefit and grant claims;
- Improvements in asset management, procurement and risk management.

The Best Value Assurance report also notes areas where further progress is required:

- To align strategic priorities;
- The implementation of effective community planning governance arrangements, the pace of change within the CPP and community empowerment;
- The Council's approach to self-assessment, continuous improvement and public performance reporting; and
- Long-term financial planning and workforce planning.

The Chief Executive put into place an improvement plan for all the areas of improvement outlined in the Best Value Assurance report. As outlined above the Business Plan has been created to ensure strategic priorities are aligned under a set of key priorities. Changes have been made to ensure the Council is working to the business plan including senior management structural change and work will continue throughout 2021 to align work streams and governance with the business plan and the priorities within.

As outlined earlier the Best Value report highlighted that the Council and its partners had not established effective community planning governance arrangements. The report acknowledged that it was too early to conclude if the review undertaken in 2019 would effectively support the Partnership to deliver the Local Outcome Improvement Plan (LOIP). There was further commentary on the Partnership not delivering effective Local Improvement Plans. The Edinburgh Partnership has considered the recommendations outlined in the Best Value report and has agreed a series of actions to address the concerns, with a number of these being led by the Council. This includes a partnership plan to deliver the 20 minute neighbourhood model, strengthening the resourcing and capacity to support neighbourhood networks and developing a framework for collaboration with the Edinburgh Association of Community Councils and Community Councils themselves.

Following approval of the Council Business Plan in February 2021, work was outlined to develop a new integrated planning and performance framework. This aims to ensure that the Council's priorities and outcomes are translated into clear actions and performance measures which are monitored, actioned and delivered. This is expected to be delivered in June 2021.

The Council agreed a new People Strategy in April 2021, supporting the new Business Plan and aligned to the key priorities. The Plan sets out what employees should expect from the Council as their employer and what the Council expects from its workforce. The Plan has three strategic themes:

- Living our behaviours;
- Maximising our capacity and performance; and
- Enhancing our colleague experience.

The People Strategy should also be cross-referenced with the Strategic Workforce Plan 2021-2024 which sets out how the Council addresses the gaps between its current workforce and the future workforce needed to meet the priorities of the Business Plan.

The impact of the Council's review of its political management arrangements was disrupted by the Covid-19 pandemic but had been in place six months before committees were paused. The full committee system did recommence in September 2020 and has operated remotely during that period. Meetings have taken longer than pre-Covid but the system has continued to run effectively, with meetings continuing to be filmed and available to the public in the archive. To reduce the impact on staff and elected members, changes were made to Standing Orders to manage the time taken at committee whilst still ensuring that effective scrutiny could take place.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

The Council was faced with having to make important decisions quickly in response to the pandemic but also ensure good governance was still being applied. An example of this is support to local businesses that was approved in August 2020. This streamlined the process to allow businesses to apply to use outdoor space, created a champions network and waived fees. This work was done quickly with the first report going to Council on 28 July and then followed up on 6 August. It showed the Council could make urgent decisions efficiently but also still with full democratic oversight and transparency.

The Council's political management arrangements consider a significant amount of business and that puts pressure on resources in terms of elected members and officers. The system could potentially be improved by freeing up more time for the most significant items of business and by reducing reports on more straightforward business matters. However, as a whole, current arrangements provide a transparent and robust decision-making structure with clear democratic accountability. The Best Value report by the Accounts Commission highlighted that the Council had been able to make important decisions despite there being a difficult political environment, demonstrating the effectiveness of the structure.

The Internal Audit team operates in accordance with CIPFA's Code of Practice for Internal Audit and the Public Sector Internal Audit Standards (PSIAS). The team undertakes an annual work programme based on an agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal and Risk but had free access to the Chief Executive, all Executive Directors and Elected Members along with direct reporting to the Governance, Risk and Best Value Committee.

Each Executive Director has reviewed the arrangements in their directorate and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and will be subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered relevant thirdparty reviews and recommendations. Assurance has also been taken from each organisation's most recent audited accounts, together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement.

Covid-19 has created, and continues to set, a very challenging environment for the Council which has resulted in decisions being made at pace but never without efficient and effective governance at the core. Although there was a reduction in the number of committee meetings for a period at the start of the pandemic, the Chief Executive tried to ensure that delegated decisions taken by him under emergency powers were kept to a minimum and that the democratic decision making structures were re-instated as soon as they could safely be re-introduced. External Audit concluded in the annual report that the Council had responded promptly and effectively in its political management arrangements during the Covid-19 pandemic.

The Council has extensive governance at officer level to support operational decision making. The current system has evolved through custom and practice and can be sometimes be unwieldy and difficult to navigate. Although it can be resource intensive, it does ensure that there is sufficient oversight of major decisions. However, improvements should be made to ensure there is a structure in place that is more efficient and encourages cross-directorate working. Work is ongoing to create a new officer governance structure that will align with the business plan and the new senior management structures.

External Audit had previously highlighted the importance of adhering to approved member-officer protocols in respect of sensitive information and the importance of all Councillors and senior officers having a clear understanding of their respective rights and responsibilities in relation to information held by the Council. A review of the Member/Officer protocol had commenced but completion of the revised document was delayed by Covid-19 and a subsequent delay to the revised Councillors' Code of Conduct. Work has recommenced on the document and is expected to be considered by the Council in Summer 2021.

The Council agreed a new Consultation Policy in April 2021, recognising the need to strengthen community engagement but also introduce more robust controls to manage significant consultations. The policy strengthens the management and governance of consultation activity by introducing a sign off process to ensure oversight and challenge at an early stage.

External Audit concluded that the Council's arrangements in relation to standards of conduct and the prevention of bribery and corruption were adequate.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

In compliance with standard accounting practice, the Section 95 Chief Financial Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31 March 2021. It is the Chief Financial Officer's opinion that although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including some embedding of actions taken in response to previous recommendations, are still required. This said, while some aspects of the financial control framework have had to be adapted to a home-working environment following the COVID-19 pandemic, the emphasis has consistently been on obtaining assurance in a different way rather than compromising or relaxing existing controls. Responsible managers have also worked closely with Internal Audit colleagues in developing a proportionate system of internal control for payment of business grants with a view to detecting fraudulent claims.

While full implementation of the CIPFA Financial Management (FM) Code does not fall due until the 2021/22 reporting year, the Chief Financial Officer has also undertaken a preliminary assessment of the extent to which the Council's arrangements comply with its principles. This assessment, carried out with reference to the 2021/22 budget process and involving interviews with a range of key stakeholders including service directors, elected members and colleagues within partner services, has highlighted a number of improvements contributing positively to the Council's financial resilience and stability, including realignment of its reserves (including significantly increasing the size of the unallocated General Fund reserve), additional investment in preventative services and explicit recognition within the budget framework of underlying service pressures and assessments of likely savings delivery. While the unprecedented current level of uncertainty has been widely acknowledged to make planning much more difficult, the assessment also highlighted steps undertaken thus far to adopt a longer financial planning timeframe, the detail of which will be added once the likely recurring implications of the pandemic become clearer.

The Chief Internal Auditor's Annual Opinion for the year ended 31 March 2020 stated that significant improvement was required as significant and/or numerous control weaknesses were identified in the design and/effectiveness of the control environment and/or governance and risk management frameworks across the Council. The report also noted that the weaknesses identified and highlighted in Internal Audit (IA) reports supporting the 2019/20 annual opinion were predominantly attributable to lack of capacity and skills within first line divisions and directorates to ensure that key controls; governance; and risk management processes were consistently and effectively applied to support effective ongoing management of service delivery and projects. In response the Chief Executive instructed the Executive Directors to deploy temporary additional resource to directorates to assist in the completion of internal audit actions and instructed that a plan be put in place to look at current assurance capacity and structures and operational governance structures. Work has been carried out in these areas and further improvements are expected later in 2021.

Meeting the demands of new data protection legislation has led to significant increases in the volume of data protection work. The work necessary to deal with complex subject access requests has increased significantly reducing the number of staff working on Freedom of Information requests. This has resulted in several resource and operational challenges which have had a detrimental effect on statutory obligations and associated timescales. Remedial plans continue to be maintained to reduce risks in this area and to ensure that statutory obligations are met.

The Council's whistleblowing arrangements continue to operate with oversight from an independent external service provider with the autonomy to decide who investigates the concerns raised, the Council or the service provider. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the whistleblowing policy is reviewed annually by committee. In October 2020, the Council agreed to commission an independent review of its whistleblowing culture. At the time of writing this review is in progress but has not yet been published.

Work is still outstanding on reviewing how the Council works with its ALEOs, in particular examining the shareholder agreements and Service Level Agreements in place to ensure a greater degree of consistency, alignment with key outcomes and clarity of relationship.

Following concerns raised at committee, the Council began looking into its governance arrangements regarding the Trusts where it is sole trustee. This is expected to report later in 2021.

Each directorate's assurance schedule is scrutinised by the Governance, Risk and Best Value Committee.

There are established, well exercised, resilience incident management processes and protocols in place to effectively plan for and respond to emergencies. The Council Resilience Group and Council Counter Terrorism Group are the two main groups that drive and monitor the Council Resilience Management Programme, reporting to CLT, with the flexibility to convene working groups as required, for example, for Brexit planning. In the event of an incident there is a flexible framework, including directorate and Council-wide levels, that can be stood up as required, reporting to CLT and the appropriate committee(s). The Council feeds into Scotland's resilience structures on a multi-agency basis, through the Lothian and Borders Local Resilience Partnership and East of Scotland Regional Resilience Partnership. The incident management used for Covid-19 is a good example of the effectiveness and agility of these structures.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

The Council is aligning its operational risk management arrangements with the ‘three lines of defence’ model and good practice. A series of phased improvements over a three-year period were set out in November 2020. It was specifically highlighted that to ensure the ongoing effectiveness of the Council risk management framework, it was essential that there was sufficient capacity with the skills and experience to support the changes. These arrangements are supported by a refreshed enterprise risk management policy and risk appetite statement approved in September 2020.

Work has been ongoing to address previously identified control weaknesses in the Council’s policy management framework. Renewed processes, responsibilities and definitions have been agreed by CLT and a review of the public facing policy register was undertaken. Software solutions are currently being explored that could be used to assist with the communication of policies to the Council’s workforce.

The Council has adapted how it works on some of its key priorities enabling it to work flexibly with its partners with a view to achieving its ambitious objectives. An example of this is the Poverty Commission where the Council has worked with a newly created independent body and chair and agreed that recommendations proposed by the Commission will be used to inform future Council policies and actions to prevent, reduce, and mitigate poverty in Edinburgh. A further example is the partnership with the University of Edinburgh to appoint a climate commission. The flexible governance approach taken in these two examples has allowed the Council to be informed by external experts from across a range of sectors with the aim of achieving better outcomes, however final decision making remains with the Council and partner organisations.

Although partnership working has strengthened over the pandemic, engagement with local communities has been more challenging. The Council is though aware of the need to improve how it empowers communities and is reviewing its locality arrangements.

During the Covid-19 emergency, the Council’s role in providing governance oversight and support for Community Councils has included the provision of guidance on key issues including the submission of accounts, the use of meetings software and Annual General Meeting responsibilities. A consultation was conducted on the Community Councillors’ Code of Conduct Complaints Procedure and a revised version was approved by the Culture and Communities Committee in March 2021.

The status of the previous year’s actions is outlined below:

	Governance Issue	Mitigation Action / Proposed Action	Responsible Party	Status
1	I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively	Development of Business Forums for Finance/ Property/HR to provide a risk based approach to business management	Executive Director for Communities and Families	Completed except for the Property Group which is to be established.
2	I have risk management arrangements in place to identify the key risks to my directorate (and the Council).	Roll out risk management framework across wider leadership teams and Partnership teams	Chief Officer, Edinburgh Health and Social Care Partnership	Started - This work has been delayed as Partnership Services were and continue to be impacted by Covid19, however, the Partnership have now agreed their integrated risk framework and risk governance structure and are starting to develop plans to roll this across the Partnership.

ANNUAL GOVERNANCE STATEMENT

	Governance Issue	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
3	I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	The creation of the Edinburgh Learns Risk Board is to involve school colleagues in the management of relevant risks. It will act as a gatekeeper in terms of what is included in risk management and will provide isomorphic learning here the Service learns from within to manage the risks jointly, efficiently and effectively	Executive Director for Communities and Families	Managed through Headteacher Executive Lite weekly meetings
4	I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	All Edinburgh Health and Social Care Partnership (EHSCP) and Place policies on the Policy Register will be reviewed with the support of the Governance team. A review framework will be introduced to ensure that the register is updated, and relevant changes are applied accordingly.	Executive Director of Place and Chief Officer, EHSCP	Started – This work has been delayed as Partnership Services were and continue to be impacted by Covid19. The Partnership have started to develop an approach to developing their policy framework.
5	I have competencies, processes and controls in place to ensure that all service areas in my directorate, and other areas of responsibility, operate in compliance with all applicable Health & Safety laws and regulations.	Directorate to review SHE and the Essential Learning matrix and mechanism within the Service to be undertaken with Corporate Health and Safety to ensure that the portal is being used efficiently, effectively and necessary improvements are made.	Executive Director for Communities and Families	HR reviewing essential learning system Council wide
6	I have appropriate arrangements in place throughout my service area for recording, monitoring and managing customer service complaints and customer satisfaction.	Development of a carbon scenario tool with ECCI as part of the sustainability programme	Chief Executive	Complete
7	All projects and programmes have a clear business justification, as a minimum this should articulate outcomes and benefits; have appropriate governance in place to support delivery; effective controls in place to track delivery progress and to take corrective action if required; have a robust benefits management framework in place; and ensure that a formal closure process is undertaken.	There will be a development of a new Roads and Transport Infrastructure Improvement Plan. This will require the realignment of roads and transport services to implement the plan. This will ensure clear accountability for all programmes and projects.	Executive Director of Place	The Roads and Transport Infrastructure Improvement Plan was approved by Transport and Environment Committee on 1 October 2020.

ANNUAL GOVERNANCE STATEMENT

	Governance Issue	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
8	The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	The Finance Service will work with the Schools and Lifelong Learning Service to review the issues with the forecasting spreadsheet used in schools. This review will address the causal effects and seek to mitigate them.	Executive Director for Communities and Families	Being addressed through Finance Group
9	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	A Consolidated decision tracker for ensuring the implementation of Best Value, Assurance and Annual Accounts recommendations is created.	Chief Executive	The additional resource to solve assurance capacity issues is designed to provide the consolidated monitoring, tracking and review of Best Value, Assurance and Annual Accounts
10	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	To ensure that a framework is in place for directorates to understand the requirements of the Annual Assurance Schedule and the Corporate Governance Framework.	Chief Executive	Completed

Following the review of effectiveness and the assurance statements from directorates and ALEOs, the following actions have been identified to improve the Council's governance arrangements:

	Action	Action Owner	Action Deadline
1	To review, design and implement an officer governance structure for the Council aligned to the Council Business Plan.	Head of Legal and Risk/ Strategic Change and Delivery Senior Manager	August 2021
2	To review and propose a revised Scheme of Delegation to take into account senior management restructures.	Head of Legal and Risk	October 2021
3	To create a revised planning and performance framework linked to the Business Plan	Strategic Change and Delivery Senior Manager	June 2021
4	Implementation of the new Equality and Diversity Framework 2021-2025	Chief Executive	Ongoing
5	Review of the governance arrangements regarding the Council's trusts	Executive Director of Resources	December 2021
6	Initiate development of a cross-Council savings programme, aligned to the priorities set out within the Business Plan, to address significant estimated funding gaps in 2023/24 and 2024/25	Head of Finance and Strategic Change and Delivery Senior Manager	November 2021
7	Review of the Council's service level agreements and shareholder agreements with its ALEOs	Executive Director of Resources	April 2022
8	Review of the political management arrangements of the Council	Chief Executive	August 2022

ANNUAL GOVERNANCE STATEMENT

Conclusion

In conclusion, the Council's governance and controls framework provides a satisfactory level of assurance. The Council understands its areas for improvement and there are robust arrangements to deal with issues when they do arise. Improvements are needed in certain areas to ensure that the Council's controls are implemented and embedded fully and in particular capacity issues in services has to be overcome. Covid-19 has put considerable strain on services but the Council has put in strong processes to manage these pressures. However, the Council must continue to be ambitious and committed to improving its governance to ensure that it continues to operate effectively.

We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and will further enhance our corporate governance and internal control arrangements.

Certification

It is our opinion that, in light of the foregoing, assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively, and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

REMUNERATION REPORT

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration was over £150,000 during the year covered by these accounts. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 in that year.

Remuneration Arrangements

Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2017. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of Councillors' remuneration, Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC's recommendations were first implemented for councillors elected in the local government elections in May 2007. SLARC was stood down as a committee in February 2013, but the principles of its work continue.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2020/21, the remuneration for the Leader of the City of Edinburgh Council was £53,567. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2020/21 this was £40,175. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all Senior Councillors shall not exceed £696,351. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below:

	No. of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Communities, Housing, Homelessness and Fair Work, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment, Licensing Board and Integration Joint Board Committees	9	62.5%
Convener of Governance, Risk and Best Value	1	50%
Vice-Conveners of Culture and Communities, Housing, Homelessness and Fair Work, Education, Children and Families, Finance and Resources, Planning, Regulatory and Transport and Environment Committees	7	50%
Opposition Group Leaders - Conservative, Green and Liberal Democrat Groups	3	50%

In addition, the Council has an arrangement with the Joint Boards to reimburse the Council for any additional costs for councillors that arise from their being a Convener or Vice Convener of the Joint Boards.

REMUNERATION REPORT

Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Where a Councillor has held more than one post during the year, he/she is only included once within the following table. Salary, fees and allowances represents the total amount received during the year, where the individual was a Senior Councillor for part or all of the year.

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits-in-kind £	Total Remun. 2020/21 £	Total Remun. 2019/20 £
A. McVey, Leader of the Council	53,567	0	722	54,289	53,234
F. Ross, Lord Provost	40,175	0	117	40,292	44,063
C. Day, Deputy Leader of the Council	40,175	0	117	40,292	39,426
J. Griffiths, Depute Convener	26,785	0	116	26,901	26,424
Conveners					
D. Wilson, Convener Culture and Communities	33,480	0	116	33,596	33,293
I. Perry, Convener Education, Children and Families	33,480	0	123	33,603	33,199
A. Rankin, Convener Finance and Resources (to 25.08.20)	33,480	0	117	33,597	32,929
R. Munn, Convener Finance and Resources (from 25.08.20)	27,263	0	717	27,980	17,718
K. Campbell, Convener Housing, Homelessness and Fair Work	33,480	0	117	33,597	33,613
L. Macinnes, Convener Transport and Environment	33,480	0	116	33,596	32,893
J. Mowat, Convener Governance, Risk and Best Value	26,785	0	117	26,902	26,987
N. Work, Convener Licensing Board	33,480	0	131	33,611	32,294
N. Gardiner, Convener Planning	33,480	0	117	33,597	33,520
C. Fullerton, Convener Regulatory	33,480	0	116	33,596	32,880
Vice-Conveners					
A. McNeese-Mechan, Vice Convener Culture and Communities	26,785	0	187	26,971	27,145
A. Dickie, Vice Convener Education, Children and Families	26,785	0	116	26,901	26,408
M. Watt, Vice Convener Housing, Homelessness and Fair Work	26,785	0	717	27,502	26,874
K. Doran, Vice Convener Transport and Environment	26,785	0	117	26,902	26,974
R. Henderson, Vice Chair Edinburgh Integration Joint Board	33,480	0	716	34,196	33,515
M. Child, Vice Convener Planning	26,785	0	142	26,927	26,316
D. Dixon, Vice Convener Regulatory	26,785	0	117	26,902	26,085

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2020/21 £	Total Remun. 2019/20 £
Council's Leader, Civic Head and Senior Councillors					
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	26,785	0	692	27,477	26,121
R. Aldridge, Liberal Democrat Group Leader	26,785	0	0	26,785	25,993
M. Main, Green Group Leader (to 27.07.2020 and from 29.01.2021)	22,295	0	125	22,420	19,819
A. Staniforth, Green Group Leader (from 28.07.2020 to 28.01.2021)	22,343	0	118	22,461	21,974
<u>Councillors</u>					
D. Key, Convener to the Lothian Valuation Joint Board (Note 1)	22,320	0	96	22,416	21,936

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2020/21 was £4,488.40 (2019/20 £4,391.88). Expenses relate to Councillor role.
2. For Councillors whose role has covered part-year, the Salary, Fees and Allowances disclosed relates to the full year appointment, not just the current appointment.
3. The full year equivalent under Salary, Fees and Allowances represents the Senior Responsibility Allowance at the year end for the position.

Members' Salaries and Expenses

The Council paid the following amounts to members of the Council during the year (these sums include the totals shown above):

	2020/21 £	2019/20 £
Salaries	1,455,259	1,422,542
Expenses		
<i>Claimed by councillors</i>	0	387
<i>Paid directly by the Council</i>	13,286	39,635
Total	<u>1,468,544</u>	<u>1,462,564</u>

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2020/21 £	Total Remun. 2019/20 £
Council's Senior Officers				
A. Kerr, Chief Executive (Note 1)	179,364	0	179,364	175,740
A. Gaw, Executive Director of Communities and Families (to 13.10.20)	127,072	0	127,072	158,150
<i>(full year equivalent)</i>			161,247	
J. Proctor, Integration Joint Board Chief Officer (Note 2)	80,624	0	80,624	79,009
P. Lawrence, Executive Director of Place	161,247	0	161,247	158,150
J. Irvine, Chief Social Work Officer	111,266	0	111,266	109,100
S. Moir, Executive Director of Resources	161,247	0	161,247	158,150
H. Dunn, Head of Finance	117,039	0	117,039	115,230
Total	<u>937,859</u>	<u>0</u>	<u>937,859</u>	<u>953,529</u>

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. The approved remuneration for A Kerr for Returning Officer Duties in 2020/21 amounted to £234.
2. J. Proctor took up the position of Chief Officer of the Integration Joint Board in May 2018. J Proctor is employed by the City of Edinburgh Council and 50% of her salary costs are recharged to the EIJB and NHS Lothian. The above figures therefore show the Council's share.

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers - continued

Council Subsidiary Companies

EICC is a subsidiary company of CEC Holdings Limited. Figures shown for this company, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the years ended 31 December 2020 and 2019 respectively.

	Salary, Fees and Allowances	Bonus	Other Benefits	Compensation for Loss of Office	Total Remun. 2020/21	Total Remun. 2019/20
	£	£	£	£	£	£
Council's Subsidiary Companies						
M. Dallas, Chief Executive, EICC	161,380	0	0	0	161,380	183,779
R. Hunter, Chief Executive, Capital City Partnership	64,240	0	0	0	64,240	58,767
<u>Transport for Edinburgh</u>						
G. Lowder, Chief Executive	150,834	0	1,516	0	152,350	146,441
<u>Lothian Buses Ltd.</u>						
R. Hall, Managing Director (Note 1)	53,446	0	1,071	0	54,517	323,091
N. Serafini, Interim Managing Director (Note 2)	125,498	0	2,120	0	127,618	0
<u>Edinburgh Trams Ltd.</u>						
L. Harrison, Managing Director (Note 3)	150,523	0	16,037	0	166,560	198,920
	<u>705,921</u>	<u>0</u>	<u>20,744</u>	<u>0</u>	<u>726,665</u>	<u>910,998</u>

Notes:

1. Prior-year figure includes compensation for loss of office and contractually-due payment in lieu of six-month notice period agreed at the end of March 2020.
2. N. Serafini was appointed Interim Managing Director on 24 February 2020.
3. L. Harrison's 2019/20 Total Remuneration has been restated.
4. Edinburgh Living MMR LLP is a subsidiary of the Council however there are no employees and therefore no remuneration disclosures.

REMUNERATION REPORT

Remuneration Paid - continued

Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2020/21	2019/20		2020/21	2019/20
£50,000 - £54,999	426	410	£115,000 - £119,999	3	2
£55,000 - £59,999	203	218	£120,000 - £124,999	1	1
£60,000 - £64,999	146	134	£125,000 - £129,999	1	1
£65,000 - £69,999	92	70	£130,000 - £134,999	1	1
£70,000 - £74,999	22	16	£135,000 - £139,999	1	0
£75,000 - £79,999	20	34	£140,000 - £144,999	0	0
£80,000 - £84,999	23	20	£145,000 - £149,999	0	0
£85,000 - £89,999	21	17	£150,000 - £154,999	0	0
£90,000 - £94,999	2	2	£155,000 - £159,999	0	4
£95,000 - £99,999	1	2	£160,000 - £164,999	3	1
£100,000 - £104,999	3	2	£165,000 - £169,999	0	0
£105,000 - £109,999	2	11	£170,000 - £174,999	0	0
£110,000 - £114,999	9	1	£175,000 - £179,999	1	1
			Total No. of Employees	981	948

Notes:

- The 2019/20 remuneration includes the back dated pay awards for 2018/19 (3.5% for local government employees and 3% for teachers) which were paid in April/May 2019 and the subsequent pay increases for the 2019/20 tax year (3% for local government employees and 7% for teachers).

Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£0 - £20,000							£000	£000
- Council	0	0	7	30	7	30	60	245
- Group companies	31	0	7	1	38	1	210	6
£20,001 - £40,000								
- Council	0	0	12	28	12	28	366	788
- Group companies	0	1	8	2	8	3	229	88
£40,001 - £60,000								
- Council	0	0	4	13	4	13	223	675
- Group companies	0	0	2	1	2	1	98	50
£60,001 - £80,000								
- Council	0	0	5	5	5	5	350	344
- Group companies	0	0	1	0	1	0	66	54
£80,001 - £100,000								
- Council	0	0	4	3	4	3	360	276
- Group companies	0	0	0	0	0	0	0	0
£100,001 - £150,000								
- Council	0	0	1	3	1	3	123	358
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	6	1	6	1	1,150	151
- Group companies	0	0	1	0	1	0	157	0
£200,001 - £250,000								
- Council	0	0	0	2	0	2	0	458
- Group companies	0	0	0	0	0	0	0	0
	31	1	58	89	89	90	3,392	3,493

REMUNERATION REPORT

Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. For Pre April 2015 benefits, the councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The Post April 2015 benefits are calculated in the same way as Local Government employees.

For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2020/21 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £22,200 (2019/20 £21,800)	5.50%
On earnings above £22,201 and up to £27,100 (2019/20 £21,801 to £26,700)	7.25%
On earnings above £27,101 and up to £37,200 (2019/20 £26,701 to £36,600)	8.50%
On earnings above £37,201 and up to £49,600 (2019/20 £36,601 to £48,800)	9.50%
On earnings above £49,601 (2019/20 £48,801)	12.00%

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger lump sum up to the limit set by the Finance Act 2004.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives.

For the reporting year 2020/21, the equivalent of 7.2 FTE (across 19 individuals) of paid facility time was made available, with an associated cost of £0.22m. This sum equates to 0.05% of the Council's overall paybill.

Of the total time made available, four individuals spent 100% of time during the year on trade union-related activities, one between 51% and 99%, and the remaining fourteen between 1% and 50%.

REMUNERATION REPORT

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2021 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2021	For year to 31.03.2020		As at 31.03.2021	Difference from 31.03.2020
	£	£		£000	£000
<u>Council's Leader and Civic Head</u>					
A. McVey, Leader of the Council	12,213	11,688	Pension	7	1
			Lump Sum	0	0
F. Ross, Lord Provost	9,160	8,766	Pension	7	1
			Lump Sum	0	0
C. Day, Deputy Leader of the Council	9,160	8,766	Pension	3	1
			Lump Sum	0	0
J. Griffiths, Depute Convener	6,107	5,844	Pension	4	1
			Lump Sum	0	0
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	7,633	7,305	Pension	8	0
			Lump Sum	2	0
I. Perry, Convener Education, Children and Families	7,633	7,305	Pension	8	1
			Lump Sum	2	0
A. Rankin, Convener Finance and Resources (to 25.08.20)	7,633	7,305	Pension	6	1
			Lump Sum	0	0
R. Munn, Convener Finance and Resources (from 25.08.20)	6,216	3,247	Pension	1	1
			Lump Sum	0	0
K. Campbell, Convener Housing, Homelessness and Fair Work	7,633	7,305	Pension	2	0
			Lump Sum	0	0
L. Macinnes, Convener Transport and Environment	7,633	7,305	Pension	3	1
			Lump Sum	0	0
J. Mowat, Convener Governance, Risk and Best Value	6,107	5,844	Pension	4	0
			Lump Sum	0	0
N. Work, Convener Licensing Board	7,633	7,162	Pension	7	1
			Lump Sum	2	0
N. Gardiner, Convener Planning	7,633	7,305	Pension	2	0
			Lump Sum	0	0
<u>Vice-Conveners</u>					
A. McNeese-Mechan, Vice Convener Culture and Communities	6,107	5,844	Pension	2	1
			Lump Sum	0	0
A. Dickie, Vice Convener Education, Children and Families	6,107	5,844	Pension	2	0
			Lump Sum	0	0
M. Watt, Vice Convener Housing, Homelessness and Fair Work	6,107	5,819	Pension	2	0
			Lump Sum	0	0
K. Doran, Vice Convener Transport and Environment	6,107	5,844	Pension	4	1
			Lump Sum	0	0
R. Henderson, Vice Chair Edinburgh Integration Joint Board	7,633	7,305	Pension	8	1
			Lump Sum	2	0
M. Child, Vice Convener Planning	6,107	5,844	Pension	11	0
			Lump Sum	17	0
D. Dixon, Vice Convener Regulatory	6,107	5,796	Pension	3	0
			Lump Sum	0	0

REMUNERATION REPORT

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2021 £	For year to 31.03.2020 £		As at 31.03.2021 £000	Difference from 31.03.2020 £000
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	6,107	5,796	Pension	7	1
			Lump Sum	2	0
R. Aldridge, Liberal Democrat Group Leader	6,107	5,796	Pension	6	1
			Lump Sum	2	0
M. Main, Green Group Leader (to 27.07.2020 and from 29.01.2021)	5,192	4,399	Pension	3	0
			Lump Sum	0	0
A. Staniforth, Green Group Leader (from 28.07.2020 to 28.01.2021)	5,094	5,373	Pension	2	1
			Lump Sum	0	0
<u>Councillors</u>					
D. Key (<i>including role as Convener of Lothian Valuation Joint Board</i>)	5,089	4,870	Pension	4	1
			Lump Sum	0	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2021 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2021 £	For year to 31.03.2020 £		As at 31.03.2021 £000	Difference from 31.03.2020 £000
A. Kerr, Chief Executive	n/a	n/a	Pension	9	0
			Lump Sum	0	0
A. Gaw, Executive Director of Communities and Families (to 13.10.20)	19,667	35,267	Pension	80	2
			Lump Sum	150	2
J. Proctor, Integration Joint Board Chief Officer (Note 1)	36,764	35,238	Pension	6	6
			Lump Sum	0	0
P. Lawrence, Executive Director of Place	36,764	35,267	Pension	32	3
			Lump Sum	0	0
J. Irvine, Chief Social Work Officer	25,369	24,329	Pension	36	3
			Lump Sum	38	1
S. Moir, Executive Director of Resources	9,191	35,267	Pension	10	1
			Lump Sum	0	0
H. Dunn, Head of Finance	26,685	25,696	Pension	83	4
			Lump Sum	151	0
Total	<u>154,440</u>	<u>191,064</u>			

REMUNERATION REPORT

Pension Rights - continued Senior Employees - continued

Notes:

The pension figures shown for senior employees relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2021, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 134.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2021 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2021 £	For year to 31.03.2020 £		As at 31.03.2021 £000	Difference from 31.03.2020 £000
M. Dallas, Chief Executive, EICC	5,693	9,617	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
R. Hall, Managing Director	4,397	17,462	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Serafini, Interim Managing Director	35,161	0	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, Managing Director	19,971	13,203	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
R. Hunter, Chief Executive	14,904	12,929	Pension	16	2
			Lump Sum	13	2
Total	<u>80,126</u>	<u>53,211</u>			

EICC is a subsidiary company of CEC Holdings Limited. Figures shown for this company, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the years ended 31 December 2020 and 2019 respectively.

R. Hunter and N Serafini are the only current members of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total relevant service and not just their current appointment.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

INDEPENDENT AUDITOR'S REPORT

The Statement of Accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

The Auditor appointed for this purpose by the Accounts Commission for Scotland is:

Azets
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (as shown on page 22 of the Unaudited Financial Statements)

	£000	2020/21 £000	£000
Total Comprehensive (Income) and Expenditure			(389,269)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		(417,804)	
Gains and losses relating to pension liability		101,665	
Other unrealised losses		(82)	
			(316,221)
Surplus on provision of services, per CIES			(73,048)
<u>Amounts included in the CIES but required by statute to be excluded when determining the General Fund surplus for the year</u>			
Depreciation and impairment of fixed assets	(191,181)		
Net loss on sale of fixed assets	6,499		
Revenue expenditure funded from capital under statute	51,107		
Income from donated assets	(1,008)		
Finance costs - statutory adjustments	3,035		
Net charges made for retirement benefits in accordance with IAS 19	(116,233)		
		(247,781)	
<u>Amounts not included in the CIES but required to be included by statute when determining the General Fund surplus for the year</u>			
Statutory provision for repayment of debt (includes voluntary repayments)	59,461		
Lease repayments (including element relating to PPP contracts)	12,488		
Capital expenditure charged to the General Fund balance	(51,107)		
Capital expenditure funded from revenue	13,658		
Change in fair value of Investment Properties	14		
Capital grants and contributions credited to the CIES	109,047		
Net transfer for holiday pay accrual	(2,439)		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	73,015		
		214,137	
<u>Transfers to / or from the General Fund Balance that are required to be taken into account when determining the General Fund surplus for the year</u>			
Statutory transfer of HRA surplus to Renewal and Repairs Fund	11,103		
Net Transfer from earmarked reserves	(892)		
		10,211	
			(23,433)
General Fund Surplus reported in Financial Statements			(96,481)
Consolidation Adjustments			
Funds (drawn down from) / contributed to earmarked balances:			
- Unallocated General Fund		11,098	
- Balances set aside for specific investment		(20,775)	
- City Strategic Investment Fund		(761)	
- Council Priorities Fund		(757)	
- Council Tax Discount Fund		1,758	
- Covid Contingency (net of 20/21 surplus set aside)		70,555	
- Covid Advances		22,490	
- Devolved School Management and Pupil Equity Fund		17	
- Dilapidation fund		(727)	
- Energy efficiency		16	
- IFRS 9 gains		148	
- Insurance fund		(517)	
- Licensing income		991	
- Lothian Buses		(308)	
- Other minor funds		(29)	
- Pre-paid PPP monies		351	
- Salix / CEEF		167	
- Spend to save		236	
- Trams to Newhaven		2,115	
- Unspent grants		4,833	
- Workforce transformation		(2,500)	
			88,401
General Fund (Surplus)/Deficit			(8,080)

Reserve balances, 31 March 2021

	Balance at 31-Mar-20 £000	Inter-Fund Transfers 2020/21 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31-Mar-21 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment					
Balances set aside for specific inv.	44,690	(33,148)	(2,667)	17,155	26,030
Workforce management	13,358	(2,500)	0	0	10,858
Council Priorities Fund	757	(757)	0	0	0
IFRS9 Gains	230	0	0	148	378
Dilapidations fund	3,228	(710)	(67)	50	2,501
Insurance funds	20,097	0	(1,572)	1,055	19,580
Covid Contingency	0	26,017	0	52,618	78,635
	<u>82,360</u>	<u>(11,098)</u>	<u>(4,306)</u>	<u>71,026</u>	<u>137,982</u>
Balances Set Aside from Income Received in Advance					
Licensing and Registration income	2,982	0	0	991	3,973
Lothian Buses	308	0	(308)	0	0
Pre-paid PPP monies	3,318	0	0	351	3,669
Unspent grants	3,175	0	(2,112)	6,946	8,009
Council Tax Discount Fund	4,304	0	(520)	2,279	6,063
Other minor funds	204	0	(29)	0	175
City Strategic Investment Fund	2,795	0	(906)	145	2,034
Covid Fund	0	0	0	22,489	22,489
	<u>17,086</u>	<u>0</u>	<u>(3,875)</u>	<u>33,201</u>	<u>46,412</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings					
Energy efficiency	295	0	(28)	44	311
Salix / CEEF	271	0	(98)	265	438
Spend to save	2,735	0	(50)	286	2,971
	<u>3,301</u>	<u>0</u>	<u>(176)</u>	<u>595</u>	<u>3,720</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund					
Devolved School Management	<u>4,671</u>	<u>0</u>	<u>(4,671)</u>	<u>4,688</u>	<u>4,688</u>
Unallocated General Reserve					
	<u>13,927</u>	<u>11,098</u>	<u>0</u>	<u>0</u>	<u>25,025</u>
Total General Reserve	<u>121,345</u>	<u>0</u>	<u>(13,028)</u>	<u>109,510</u>	<u>217,827</u>