

The City of Edinburgh Council

10.00am, Thursday, 30 June 2022

Unaudited Annual Accounts 2021/22

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

1.1 Members of Council are asked:

- 1.1.1 to note that the unaudited annual accounts for 2021/22 will be submitted to the external auditor by the statutory date;
- 1.1.2 to note that the provisional outturn position shows an overall underspend of £3.877m and that this sum has been set aside in reserves, with £2.628m of this underspend previously earmarked to allow a balanced budget for 2022/23 to be set on 18 February 2022;
- 1.1.3 to approve, subject to the outcome of the audit process, earmarking up to £0.961m from the remaining unallocated element of the underspend to invest in essential infrastructure upgrades for the Enterprise Resource Planning project;
- 1.1.4 to approve additionally up to £0.450m from the in-year COVID-related underspend to provide further support to the Our Future Work programme;
- 1.1.5 to note that a more detailed revenue and capital outturn analysis will be reported to the Finance and Resources Committee in September 2022; and
- 1.1.6 to note 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 October 2022, for approval.

Richard Carr

Interim Executive Director of Corporate Services

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Report

Unaudited Annual Accounts 2021/22

2. Executive Summary

- 2.1 The report presents to members the Council's 2021/22 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 2022. 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 September 2022.

3. Background

- 3.1 The report presents the unaudited annual accounts for the 2021/22 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, as required by the Local Authority Accounts (Scotland) Regulations 2014, immediately following this meeting and thereby meet the 30 June deadline.
- 3.3 The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 amend the date by which local authorities must approve the audited 2021/22 annual accounts from 30 September until 30 November 2022. It is anticipated at this stage 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 October 2022.
- 3.4 Members should note that the unaudited annual accounts must be published on the Council's website no later than 30 June 2022 and thereafter made available for public inspection for a period of 15 working days. This inspection period will run from Friday 1 July to Thursday 21 July 2022 inclusive. 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 131 to 139. 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 financial effects of the pandemic lessened somewhat relative to the previous year, these impacts continued to be significant in 2021/22. The net cost to the Council during the year, including exposure through its Arm's-Length External Organisations (ALEOs), was some £25.5m. The largest single contributors were a reduction in parking income, net of enforcement costs, of £6.8m, the loss of the Lothian Buses dividend of £6m, additional homelessness expenditure of £5.2m and further support for Edinburgh Leisure of £5m.

4.6 Given the scale of these impacts, elected members continued to consider regular financial monitoring reports during the year and through a combination of savings in both service areas and corporate budgets, a provisional underspend of £3.877m was achieved. This position was also delivered without the planned level of drawdown from reserves, providing an additional contingency against the on-going expenditure and income impacts of the pandemic.

4.7 This net underspend has been set aside in reserves. As approved by Council on 18 February 2022, £2.628m of this sum will be applied in balancing the Council's budget for 2022/23. When account is also taken of the small IFRS9-related element of the overall underspend that, while required for accounting purposes, can not be

used to support additional expenditure, £1.212m of the overall underspend therefore remains unallocated at this time.

- 4.8 Additional detail of both the revenue and capital outturns will be presented to the Finance and Resources Committee in September 2022. A reconciliation between the CIES for the Council and the General Fund outturn is also included as Appendix 2.
- 4.9 Members should note that due to the timing of receipt of the IAS19 actuals-based year-end pension valuation report for both the Council and Transport for Edinburgh, these details will be incorporated in the audited financial statements. This will not affect the overall outturn.

Enterprise Resource Planning (ERP)

- 4.10 The ERP Programme will deliver a range of upgrades and improved interfaces between core systems in Finance, HR/Payroll and Banking and Payments Services and is in full delivery with contracts in place through CGI with a range of partners to support this implementation.
- 4.11 The ERP programme is delivering a technical upgrade of Oracle E-Business (EBS) to the existing Finance and Procurement system with the addition of a debt management solution (DMS). Both are proposed to go live during 2022/23. This upgrade is required as the current EBS system version will soon be out of support.
- 4.12 Additionally, through testing it has become clear that further upgrades to the Frontier finance budget management system are required to support the enhanced functionality provided through the upgraded EBS.
- 4.13 Based on current assessments, to conclude the programme additional one-off investment funding for infrastructure upgrades of between £0.761m and £0.961m is required. It is therefore recommended that, subject to the outcome of the audit process, funding of up to £0.961m be earmarked from the remaining unallocated element of the 2021/22 underspend noted at Paragraph 4.7. On-going associated revenue costs of £0.102m will require to be considered as part of the 2023/24 budget-setting process.

Our Future Work (OFW)

- 4.14 The Our Future Work programme is about changing the way we work so that we are more flexible, colleagues feel empowered and we are creating a more sustainable organisation, all whilst still delivering the right services for our residents.
- 4.15 In February 2022 at the OFW programme board, a budget of £0.400m was identified to support building trials in Waverley Court, the City Chambers and North East Neighbourhood Office. This included sums to assess existing building occupancy and associated use of assets, design team and move planning resource to support a co-ordinated return to buildings and AV/video conferencing facilities.
- 4.16 This cost did not, however, include localities or other offices and, as a result, there is a current lack of resource to manage the planning and co-ordination of the wider

resumption of these buildings. The initial budget also did not include sums for any additional furniture.

- 4.17 The Council set aside £39m in 2021/22 to address the in-year income and expenditure impacts of the pandemic. The provisional outturn indicates that only £25.5m of this provision was required and while the majority of this sum will therefore be available to address subsequent years' impacts or for other uses, it is recommended that £0.450m be earmarked to address the one-off costs outlined in Paragraph 4.16 which are directly linked to post-COVID working practices.

Reserves

- 4.18 As of 31 March 2022, the General Fund reserves had increased to £257.205m, a movement of £36.172m from the preceding year. This sum reflects the net in-year application of COVID-related funds of £14.518m, offset by increases in sums set aside for specific investments of £31.680m and various, primarily statutory, other funds (including the Council Tax Discount Fund, Devolved School Management Fund and the Council's General Fund) of £19.010m.
- 4.19 The unallocated General Fund stands at £28.981m as of 31 March 2022, an increase of £3.956m relative to the balance the previous year. This increase primarily reflects the planned in-year transfer of £2.743m to the Fund and the unallocated element of the 2021/22 underspend noted at Paragraph 4.7. The remaining balance of £228.224m 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 £170.980m against these future risks, including £71.178m 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 £45.791m of such income, including £15.159m of service-specific COVID-related funding carried forward to be offset against relevant expenditure in 2022/23;
 - Balances set aside to support investment in specific projects, such as Spend to Save, which will deliver savings in future years. The Council holds £4.207m for such projects; and
 - Balances held under the Devolved School Management Scheme and unallocated Pupil Equity Funding. The Council holds £7.246m of these funds.
- 4.20 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 2022, as required by the Local Authority Accounts (Scotland) Regulations 2014.

6. Financial impact

- 6.1 The report identifies a provisional underspend of £3.877m in the year to 31 March 2022. This sum has been set aside in reserves, pending drawdown of £2.628m to support the delivery of a balanced overall budget in 2022/23.

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 2021/22
- 9.2 Appendix 2 - Reconciliation of the Comprehensive Income and Expenditure Statement
- 9.3 Appendix 3 - Reserve balances, 31 March 2022

2021/22

UNAUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2022

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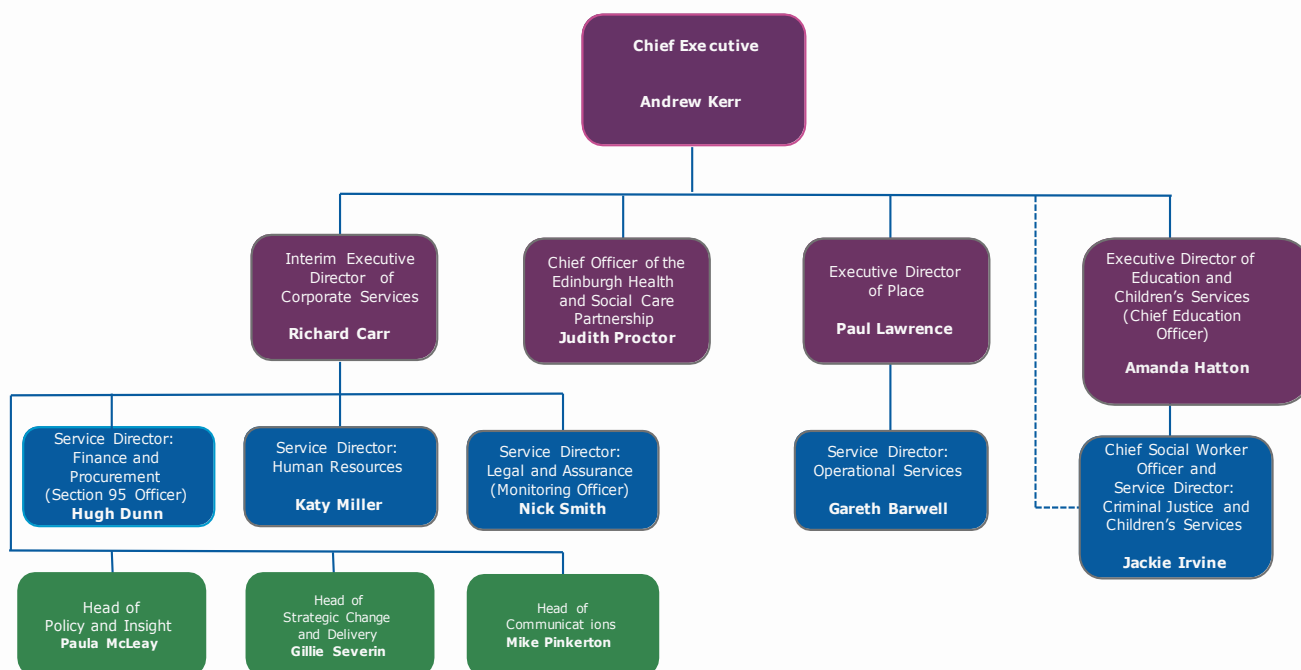
MANAGEMENT COMMENTARY

Introduction

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

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

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



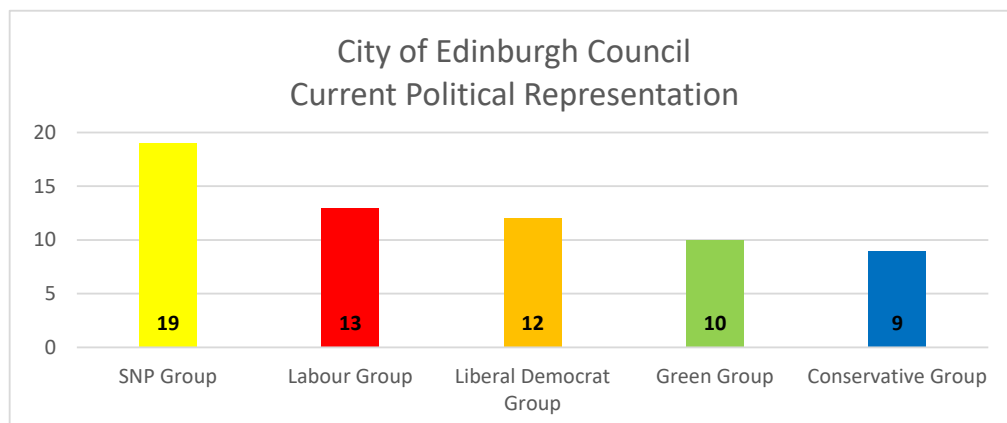
Corporate Services	Health and Social Care	Place
Customer and Digital Services	Edinburgh Integration Joint Board	Environment (inc. waste and parks)
Finance and Procurement	Older people's services	Transport (inc. parking)
Legal and Assurance	Learning and Physical disabilities	Roads, bridges and flood prevention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

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

MANAGEMENT COMMENTARY

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

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



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

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

The Council's role during the pandemic

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

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

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

Demographic Trends

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

City of Edinburgh Council's Corporate Strategy and Vision

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

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

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

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

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

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

MANAGEMENT COMMENTARY

The 15 outcomes of the Business Plans are as follows:

Ending poverty

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

Sustainability

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

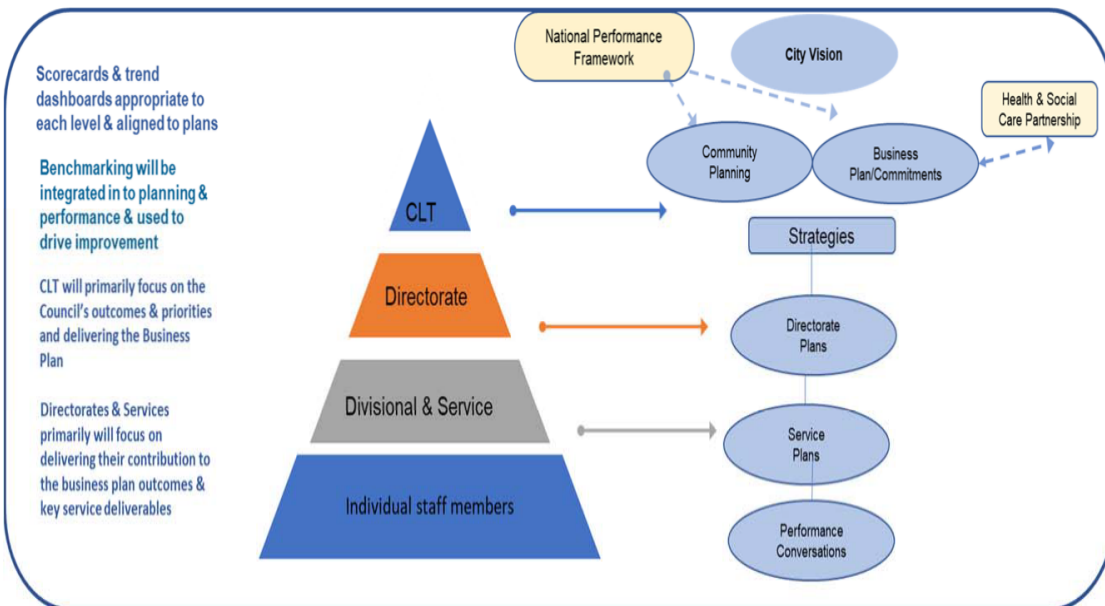
Wellbeing

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

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

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

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



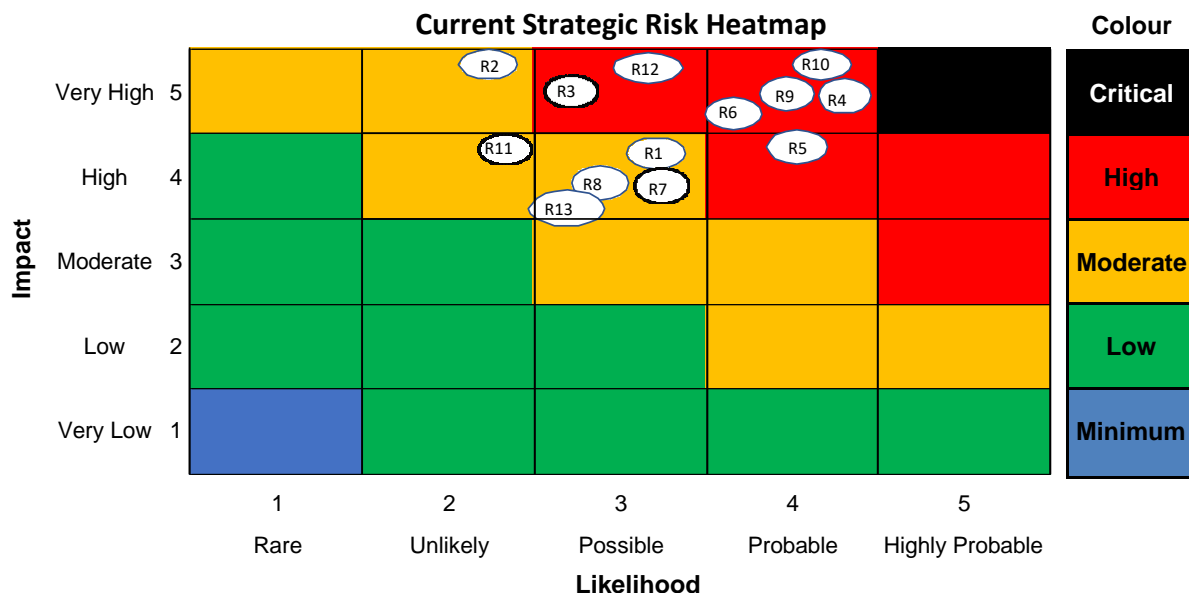
Risks and Uncertainty

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

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

MANAGEMENT COMMENTARY

Risks and Uncertainty - continued



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

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

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

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

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

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

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

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

Other Risks, Challenges and Uncertainties

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

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

MANAGEMENT COMMENTARY

Other Risks, Challenges and Uncertainties - continued

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

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

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

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

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

Performance Overview

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

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

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

Council Performance and Best Value

The Council's 2021/22 Annual Performance Report will be considered by the Policy and Sustainability Committee in August 2022. This report will also include an analysis of the comparative indicators comprising the 2020/21 Local Government Benchmarking Framework (LGBF).

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

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

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

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

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

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

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

MANAGEMENT COMMENTARY

Performance Overview - continued

Comparative Performance

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

Financial Performance

Revenue - General Fund

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

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

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

	Revised Budget 2021/22 £000	Actual 2021/22 £000	(Under) / Over Spend £000
General Fund services	1,035,426	1,030,378	(5,048)
Non-service specific areas			
Loans charges / interest on revenue balances	85,438	76,773	(8,665)
Other non-service specific costs	25,748	12,665	(13,083)
Council Tax Reduction Scheme*	26,605	26,124	(481)
Net Cost of Benefits	(127)	(349)	(222)
Dividend and other interest received	(445)	81	526
Non-service specific areas total	137,219	115,294	(21,925)
Movements in Reserves			
Net contribution to / (from) earmarked funds	(19,211)	6,156	25,367
Contribution to / (from) Capital Fund	(26)	(26)	0
Movements in Reserves total	(19,237)	6,130	25,367
Sources of funding			
General Revenue Grant	(653,272)	(653,272)	0
Distribution from Non-Domestic Rate pool	(188,796)	(188,796)	0
Council Tax **	(311,340)	(313,611)	(2,271)
Sources of funding total	(1,153,408)	(1,155,679)	(2,271)
Transfer (to) / from earmarked reserves	0	(3,877)	(3,877)

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

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

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

MANAGEMENT COMMENTARY

Financial Performance - continued

Revenue - General Fund - continued

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

Covid-19 Financial Impact

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

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

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

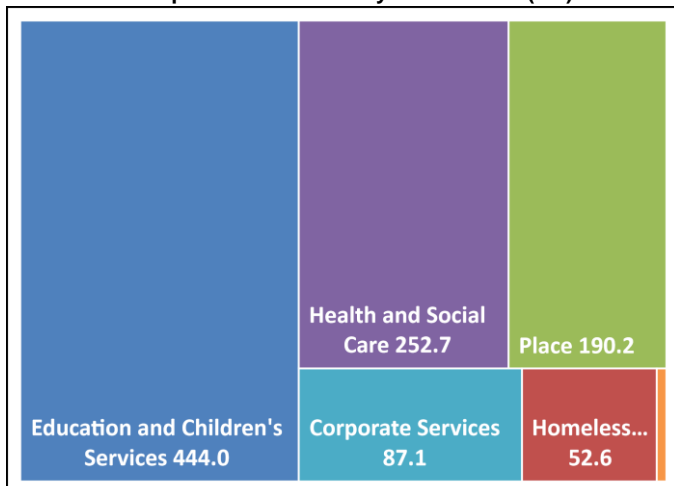
In overall terms, 89% of approved savings were delivered during the year. This marked a continuing improvement on the equivalent figures for 2020/21 (82%), 2019/20 (77%) and 2018/19 (60%).

Principal Sources of Funding - General Fund

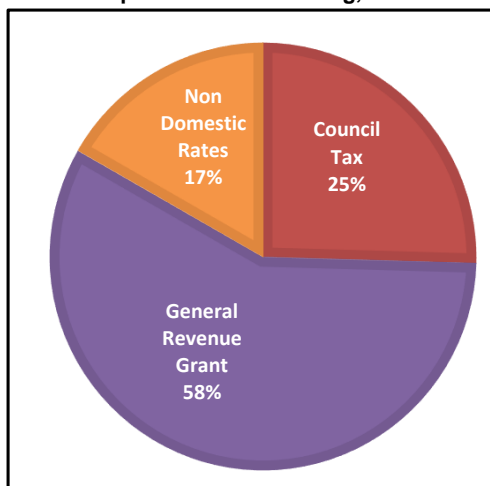
The principal sources of funding used by the Council during the year were:

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

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



Principal sources of funding, 2021/22



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

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

MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

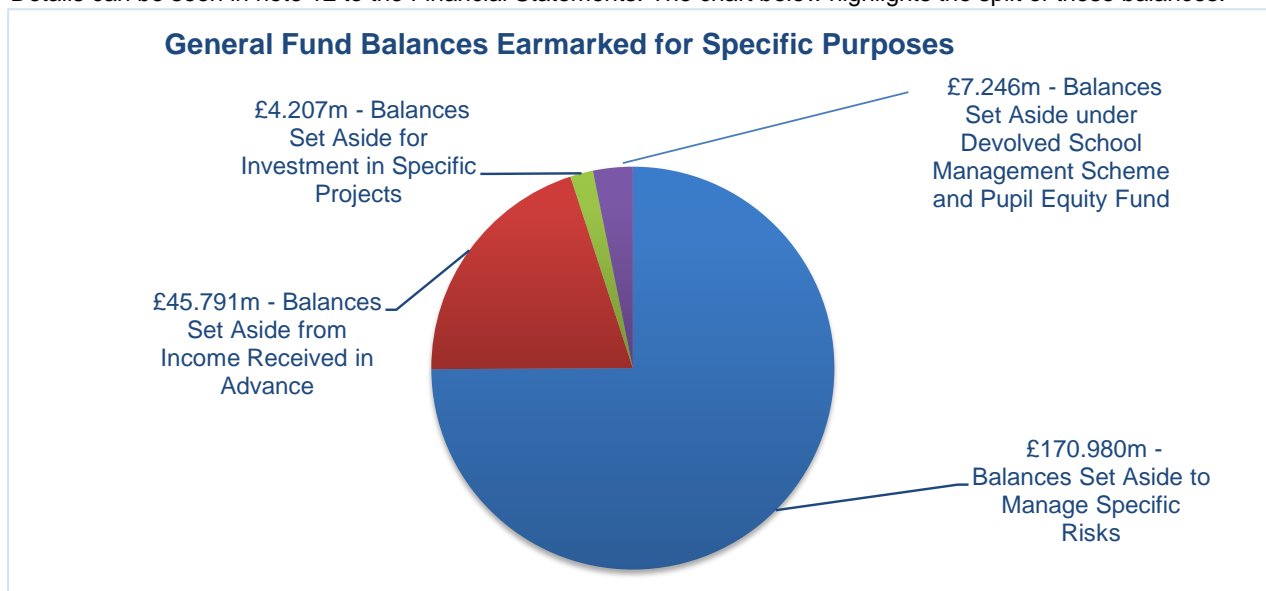
The Council's General Fund reserves comprise two elements:

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

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

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

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



These balances are held for a number of reasons:

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

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

Other Reserves

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

MANAGEMENT COMMENTARY

Financial Performance - continued

Financial Ratios

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

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

MANAGEMENT COMMENTARY

Financial Performance - continued

Treasury Management Strategy

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

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

Capital Strategy

The **Sustainable Capital Strategy 2022-32 - Annual Report** was approved at Full Council on 17 March 2022.

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

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

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

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

	Budget 2021/22 £000	Actual 2021/22 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	438,020	402,151	(35,869)
Housing Revenue Account	103,987	64,850	(39,137)
Total capital expenditure	<u>542,007</u>	<u>467,001</u>	<u>(75,006)</u>
Capital receipts and other contributions			
- General Fund services	(74,180)	(71,426)	2,754
- Housing Revenue Account	(42,443)	(9,526)	32,917
Government and other grants			
- General Fund services	(109,363)	(110,285)	(922)
- Housing Revenue Account	(11,859)	(19,959)	(8,100)
Total capital income	<u>(237,845)</u>	<u>(211,197)</u>	<u>26,648</u>
Balance to be funded through borrowing			
- General Fund services	254,477	220,440	(34,037)
- Housing Revenue Account	49,685	35,364	(14,321)
Total advances from loans fund	<u>304,162</u>	<u>255,804</u>	<u>(48,358)</u>

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

Expenditure on Housing Revenue Account slipped in total by £39.137m, primarily as a result of the acquisition of Liberton Hospital for £12m not completing in the financial year. HRA capital income also slipped significantly, mainly from the capital funded from current revenue not being used in year. This resulted in a net requirement of £35.364m in loans fund advances.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure

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

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

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

Housing Revenue Account

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

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

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

The 2021/22 capital programme budget was revised from £87.386m to £103.987m to take account of the Council's decision to accelerate investment to improve internal common stairwell and to increase resources for MTIS, as well as, the reprofiling of slippage from 2020/21. The year end capital programme outturn for 2021/22 was £64.850 million; slippage of £39.137 million. Almost 30% of the slippage was due to the delay in concluding the land acquisition of Liberton Hospital, which is now expected to conclude in early 2022/23. Other slippage was due to delays in projects under construction through the impacts of material shortages and Covid-19 measures extending the duration of the programme.

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

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

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

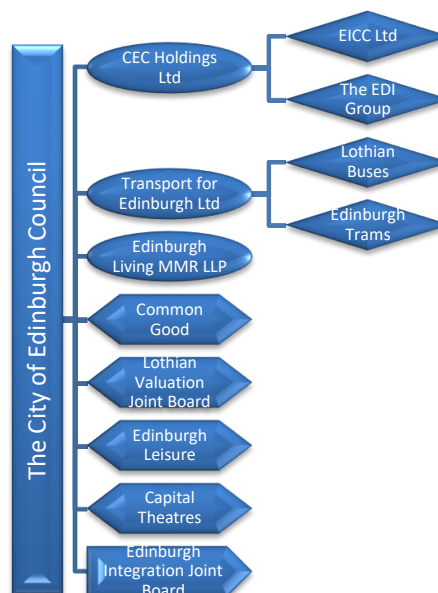
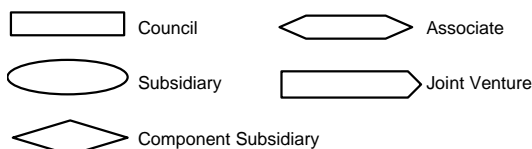
MANAGEMENT COMMENTARY

Financial Performance - continued

Group Accounts

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

Key:



CEC Holdings Ltd

EDI Group Ltd (subsidiary of CEC Holdings Ltd)

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

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

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

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

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

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

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

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

Transport for Edinburgh Ltd

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

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

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

Lothian Valuation Joint Board (LVJB)

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

Edinburgh Leisure

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

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

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

Capital Theatres

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

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

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

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

Edinburgh Integration Joint Board

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

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

For the year to 31 March 2022, the EIJB is reporting a surplus of £57.7m in the annual accounts, reflecting additional funding made available by the Scottish Government to support the impact of the pandemic in future years. All funding received during the year but not yet spent has been transferred to reserves, bringing total reserves to £82.2m. The vast majority of these reserves is earmarked for specific purposes, with the balance of £3.1m being held in general reserve.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Group Summary

Net assets for 2021/22 include a combined group pension liability of £132.998m (2020/21 £701.122m), as shown in note 41.9. This reflects the inclusion of pension liabilities relating to the Council, other employees (including subsidiary companies) and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. It should be noted that this is a snapshot of the position at 31 March 2022. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

COVID-19

Council and its Group's role and response

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

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

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

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

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

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

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

Immediate and on-going financial impacts

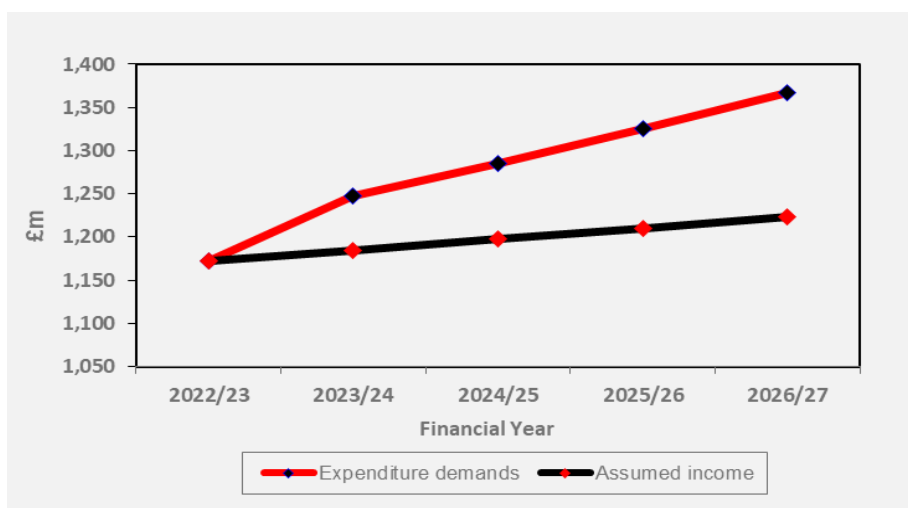
The Council continues to face significant financial challenges resulting from increased demand for services, inflation, legislative reform and increased citizen expectations, as well as the continuing financial impacts of the pandemic. These factors are set against a backdrop of core grant funding (accounting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

A series of assessments of the financial position has been reported to elected members. The **most recent** of these was considered by the Finance and Resources Committee on 16 June 2022.

MANAGEMENT COMMENTARY

Immediate and on-going financial impacts - continued

While the Council has approved a balanced budget for 2022/23, we face significant financial challenges going forward. Current projections indicate a need to deliver at least £63m of recurring savings in 2023/24, increasing to £144m over the five-year period to 2026/27 as shown in the chart below:



The urgent need to initiate a structured medium to longer-term savings programme was highlighted in both the Council's Best Value Assurance Report and the external auditor's report for 2020/21. In recognising this urgency, Directorates have been asked to develop potential options, captured by means of a standard template detailing service and performance impacts, risks and dependencies, with reference to the priorities set out in the Council's business plan. These proposals will be subject to a process of co-design between the incoming administration and officers and form the basis of public consultation in Autumn 2022. Given the extent of the challenge noted above, members will likely need to make increasingly difficult choices about the Council's priorities, including considering service reductions, across all service areas to maintain expenditure in line with available income.

CIPFA Financial Management Code (FM Code)

CIPFA's Financial Management Code (FM Code) was published in October 2019 and is designed to support good practice and assist councils in demonstrating their financial sustainability and resilience by setting out expected standards of financial management. 2020/21 was a "shadow" year for adoption of the Code and 2021/22 marks the first full year of implementation.

The Council's Section 95 Officer's initial assessment, carried out with reference to the 2021/22 budget process and involving interviews with a range of key stakeholders including service directors, elected members and colleagues within partner services, highlighted a number of recent improvements contributing positively to the Council's financial resilience and stability, including:

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

Improvements then introduced for the 2022/23 process included the following:

- (i) finalisation of financial management guidance and communication to the Wider Leadership Team;
- (ii) development of a fully-funded 2022/32 capital investment programme (albeit with full funding strategies for large-scale initiatives such as the City Plan, City Centre Transformation Plan and City Mobility Plan still to be developed);
- (iii) earlier publication of the schedule of proposed fees and charges for 2022/23; and
- (iv) further recognition of underlying service pressures and estimated recurring COVID-related impacts within the budget framework, alongside review of other key assumptions.

These steps build on a number of aspects already in place that are conducive to enhancing the Council's longer-term financial sustainability including (i) regular reviews, reported to both Council Leadership Team (CLT) and elected members, of revenue and capital budget planning assumptions, (ii) close working between the CLT and the Coalition Budget Core Group and (iii) development of updated, detailed and consistently-applied guidance for Finance staff used to assess savings implementation plans and mitigation of service budget pressures.

MANAGEMENT COMMENTARY

Immediate and on-going financial impacts - continued

The **Sustainable Capital Budget Strategy 2022 - 2032** details the priorities for Council capital investment, in alignment with the Business Plan, over the medium to long-term, and sets out a plan on how they could be funded. The Capital Budget Strategy is expected to come under significant financial pressure as a result of higher tender prices, caused by external factors including COVID-19 and Brexit. Currently, this is most notable in the scarcity and cost pressures in various key construction materials, i.e. steel and timber, which is leading to slippage on delivery of projects. Delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget, to comply with the terms of the Prudential Code. The strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will require to be funded primarily from external funding, unless significant realignment of existing budgets is undertaken. The wider financial implications of City Plan 2030 infrastructure requirements are also likely to have a further impact on the 2022-32 Capital Budget Strategy.

Changing for the future

Delivery of the '**Our Future Work**' strategy includes a programme of work which is currently underway, enabling colleagues to return to buildings across the Council estate from June 2022. A focus group undertaken with frontline colleagues helped to establish what flexible working means for them. The strategy was built on colleague feedback and sets out a vision for a modern Council which makes full use of hybrid and flexible working.

Adaptation and Renewal Programme

In recognising the need for a fundamental re-assessment of service operating models as the city emerges from the pandemic, an **Adaptation and Renewal programme** was established, co-ordinating all aspects of the Council and city's response. The programme was developed in response to the pandemic and has now been closed.

Change Strategy and Business Plan

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

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

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

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

The key achievements include:

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

The report also notes areas where further progress is required:

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

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Section 95 Officer's responsibilities

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

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

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

The Section 95 Officer has also:

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

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2022.

HUGH DUNN, CPFA

Service Director: Finance and Procurement

Section 95 Officer

Date: 24 June 2022

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 2021/22	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
2021/22								
Balance at 31 March 2021	221,033	0	41,162	47,949	49,731	359,875	2,911,812	3,271,687
Movement during 2021/22								
Total Comprehensive Income and Expenditure	(255,702)	9,870	0	0	0	(245,832)	1,152,907	907,075
Adjustments to Usable Reserves permitted by accounting standards	38,372	20,520	0	0	0	58,892	(58,892)	0
Adjustments between accounting basis and funding basis under regulations (Note 11)	254,092	(21,737)	0	(955)	(7,181)	224,219	(224,219)	0
Net increase / (decrease) before transfers to statutory reserves	36,762	8,653	0	(955)	(7,181)	37,279	869,796	907,075
Transfer (to) / from other statutory reserves (Note 12.3)	(590)	(8,653)	9,245	0	0	2	(2)	0
Increase / (decrease) in year	36,172	0	9,245	(955)	(7,181)	37,281	869,794	907,075
Balance at 31 March 2022	257,205	0	50,407	46,994	42,550	397,156	3,781,606	4,178,762

Group - 2021/22	Total Usable Reserves £000	Total Unusable Reserves £000	Council Total Reserves £000	Group Reserves £000	Minority Interest £000	Total Reserves £000
2021/22						
Balance at 31 March 2021	359,875	2,911,812	3,271,687	176,597	11,187	3,459,471
Movement during 2021/22						
Total Comprehensive Income and Expenditure	(245,832)	1,152,907	907,075	61,439	0	968,514
Adjustments to Usable Reserves permitted by accounting standards	58,892	(58,892)	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	224,219	(224,219)	0	0	0	0
Net increase / (decrease) before transfers to statutory reserves	37,279	869,796	907,075	61,439	0	968,514
Transfer (to) / from other statutory reserves	2	(2)	0	0	0	0
Minority interest and other consolidation adjustments	0	0	0	(72,248)	(3,141)	(75,389)
Increase / (decrease) in year	37,281	869,794	907,075	(10,809)	(3,141)	893,125
Balance at 31 March 2022	397,156	3,781,606	4,178,762	165,788	8,046	4,352,596

MOVEMENT IN RESERVES STATEMENT

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
2020/21 Comparative Data								
Balance at 31 March 2020	121,346	0	29,748	28,452	48,934	228,480	2,653,457	2,881,937
Movement during 2020/21								
Total Comprehensive Income and Expenditure	72,059	8,674	0	0	0	80,733	309,016	389,749
Adjustments to Usable Reserves permitted by accounting standards	32,090	17,922	0	0	0	50,012	(50,012)	0
Adjustments between accounting basis and funding basis under regulations (Note 11)	(3,552)	(16,092)	0	19,497	797	650	(650)	(0)
Net increase / (decrease) before transfers to statutory reserves	100,597	10,504	0	19,497	797	131,395	258,354	389,749
Transfer (to) / from other statutory reserves (Note 12.3)	(910)	(10,504)	11,414	0	0	0	(0)	0
Increase / (decrease) in year	99,687	0	11,414	19,497	797	131,395	258,354	389,749
Balance at 31 March 2021	221,033	0	41,162	47,949	49,731	359,875	2,911,812	3,271,687

Group - 2020/21	Total Usable Reserves £000	Total Unusable Reserves £000	Council Total Reserves £000	Group Reserves £000	Minority Interest £000	Total Reserves £000
Balance at 31 March 2020	228,480	2,653,457	2,881,937	206,524	14,944	3,103,405
Movement during 2020/21						
Total Comprehensive Income and Expenditure	80,733	309,016	389,749	(33,589)	0	356,160
Adjustments to Usable Reserves permitted by accounting standards	50,012	(50,012)	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	650	(650)	(0)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	131,395	258,354	389,749	(33,589)	0	356,160
Transfer (to) / from other statutory reserves	0	(0)	0	0	0	0
Minority interest and other consolidation adjustments	0	0	0	3,662	(3,757)	(95)
Increase / (decrease) in year	131,395	258,354	389,749	(29,927)	(3,757)	356,065
Balance at 31 March 2021	359,875	2,911,812	3,271,687	176,597	11,187	3,459,471

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2022

Re-stated 2020/21 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES				
461,227	Education and Children's Services		552,363	(89,538)	462,825
168,679	Place *		697,442	(210,488)	486,954
(1,888)	Housing Revenue Account		102,541	(106,367)	(3,826)
235,015	Health and Social Care		623,975	(357,641)	266,334
215,645	Corporate Services		116,301	(18,735)	97,566
0	Homelessness **		98,471	(45,406)	53,065
3,805	Lothian Valuation Joint Board		3,833	0	3,833
(1,474)	Net cost of benefits		165,970	(166,319)	(349)
16,719	Other non-service specific costs		8,009	(1,182)	6,827
24,628	Subsidiary Companies		178,579	(174,078)	4,501
1,122,356	COST OF SERVICES		<u>2,547,484</u>	<u>(1,169,754)</u>	1,377,730
(6,525)	Gains on disposal of non-current assets				(1,895)
84,365	Financing and Investment Income and Exp.	13.			83,191
(1,267,227)	Taxation and Non-Specific Grant Income	14.			(1,210,418)
(67,031)	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				248,608
(12,410)	Associates and Joint Ventures Accounted for on an Equity Basis				(28,635)
(325)	Taxation of Group entities	14.			3,392
<u>(79,766)</u>	GROUP (SURPLUS) / DEFICIT				<u>223,365</u>
(410,549)	Surplus on Revaluation of Non-Current Assets			(573,786)	
(399,005)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(300,836)	
500,620	Changes in Financial and Demographic Assumptions / Other Experience			(278,270)	
32,540	Other Unrealised (Gains) / Losses			<u>(38,987)</u>	
(276,394)	Other Comprehensive Income				(1,191,879)
<u>(356,160)</u>	TOTAL COMPREHENSIVE INCOME				<u>(968,514)</u>

* Property and Facilities was reported to Corporate Service in the prior year, now in Place

** Homelessness was reported to Education and Children's Services in the prior year.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

			for the year ended 31 March 2022		
2020/21			Gross		Net
£000	SERVICES	Notes	Expend.	Income	Expend.
			£000	£000	£000
461,227	Education and Children's Services		552,363	(89,538)	462,825
168,679	Place *		697,442	(210,488)	486,954
(1,888)	Housing Revenue Account		102,541	(106,367)	(3,826)
235,015	Health and Social Care		623,975	(357,641)	266,334
215,645	Corporate Services		116,301	(18,735)	97,566
0	Homelessness **		98,471	(45,406)	53,065
3,805	Lothian Valuation Joint Board		3,833	0	3,833
(1,474)	Net cost of benefits		165,970	(166,319)	(349)
27,642	Other non-service specific costs		8,009	(4,105)	3,904
1,108,651	COST OF SERVICES		<u>2,368,905</u>	<u>(998,599)</u>	1,370,306
(6,499)	Gains on disposal of non-current assets				(1,045)
84,342	Financing and Investment Income and Exp.	13.			86,989
(1,267,227)	Taxation and Non-Specific Grant Income	14.			(1,210,418)
(80,733)	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				245,832
(410,550)	Surplus on Revaluation of Non-Current Assets			(573,786)	
(399,005)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(300,836)	
500,620	Changes in Financial and Demographic Assumptions / Other Experience			(278,270)	
(82)	Other Unrealised (Gains) / Losses			(15)	
(309,017)	Other Comprehensive Income				(1,152,907)
(389,750)	TOTAL COMPREHENSIVE INCOME				<u>(907,075)</u>

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
(389,750)	Total Comprehensive Income on the Council's Comprehensive Income and Expenditure Statement (CIES)	(907,075)
(10,841)	Subsidiary and associate transactions included in the Council's CIES	2,082
55,196	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	(27,911)
(10,766)	Associates and Joint Ventures	(35,610)
(356,161)	Group total Comprehensive Income for the year	<u>(968,514)</u>

* Property and Facilities was reported to Corporate Service in the prior year, now in Place

** Homelessness was reported to Education and Children's Services in the prior year.

BALANCE SHEET

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

Re-stated					
31 March 2021			31 March 2022		
Group	Council		Notes	Group	Council
£000	£000			£000	£000
296	296	Intangible Assets	17.	182	182
5,349,212	5,221,797	Property, Plant and Equipment	15.	5,918,273	5,784,911
65,631	19,239	Investment Properties	16.	88,371	19,996
31,391	31,391	Heritage Assets	18.	31,426	31,426
59	59	Assets Held for Sale	23.	59	59
23,743	0	Other Long-Term Assets (Pension)		27,991	0
9,461	21,455	Long-Term Investments	22.	9,854	21,455
41,055	0	Investments in Associates and Joint Ventures		72,608	0
156,332	190,594	Long-Term Debtors	20.	78,920	152,986
5,677,180	5,484,831	Long-Term Assets		6,227,684	6,011,015
31,571	31,571	Short-Term Investments	22.	77,105	77,105
6,135	6,135	Assets Held for Sale	23.	81	81
85,691	85,691	Financial Assets	42.	39,633	39,633
13,569	3,448	Inventories	19.	9,888	3,677
143,503	126,929	Short-Term Debtors	20.	216,628	200,879
195,977	165,558	Cash and Cash Equivalents	21.	183,225	144,579
476,446	419,332	Current Assets		526,560	465,954
(70,695)	(68,588)	Short-Term Borrowing	42.	(70,767)	(70,453)
(284,721)	(228,719)	Short-Term Creditors	24.	(274,445)	(223,102)
(12,446)	(7,380)	Provisions	25.	(10,237)	(8,342)
(367,862)	(304,687)	Current Liabilities		(355,449)	(301,897)
(1,287,954)	(1,303,005)	Long-Term Borrowing	42.	(1,437,716)	(1,453,032)
(297,867)	(288,615)	Other Long-Term Liabilities	39.1	(295,706)	(276,529)
(25,703)	(25,703)	Long-Term Provisions	25.	(23,081)	(23,081)
(247)	0	Deferred Tax		(22,514)	0
(39,964)	(39,964)	Deferred Liability	42.	(62,144)	(62,144)
(4,056)	0	Liabilities in Associates and Joint Ventures		0	0
(670,502)	(670,502)	Other Long-Term Liabilities (Pensions)	27.5	(205,038)	(181,524)
(2,326,293)	(2,327,789)	Long-Term Liabilities		(2,046,199)	(1,996,310)
3,459,471	3,271,687	Net Assets		4,352,596	4,178,762
3,037,011	2,911,812	Unusable Reserves	27.	3,923,471	3,781,606
422,460	359,875	Usable Reserves	12.	429,125	397,156
3,459,471	3,271,687	Total Reserves		4,352,596	4,178,762

The unaudited financial statements were issued on 24 June 2022

HUGH DUNN, CPFA
Service Director: Finance and Procurement
Date: 24 June 2022

CASH FLOW STATEMENT

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

Year to 31 March 2021	Year to 31 March 2022				
Group	Council		Notes	Group	Council
£000	£000			£000	£000
		Operating Activities			
(67,031)	(80,733)	(Surplus) / Deficit on the Provision of Services		248,608	245,832
(325)	0	Adjustment to (Surplus) / Deficit for Taxation of Group entities		3,392	0
(255,081)	(225,986)	Adjustments to (Surplus) / Deficit on the Provision of Services for non-cash		(487,237)	(458,513)
109,013	109,037	Adjustments for items included in the (Surplus) / Deficit on the Provision of Services that are investing or Financing		85,247	81,449
<u>(213,424)</u>	<u>(197,682)</u>	Net cash flows from operating activities	28.	<u>(149,990)</u>	<u>(131,232)</u>
		Investing Activities			
140,459	119,947	Net cash flows from investing activities	30.	285,772	251,180
		Financing Activities			
<u>(12,808)</u>	<u>(6,646)</u>	Net cash flows from financing activities	31.	<u>(123,030)</u>	<u>(98,969)</u>
<u>(85,773)</u>	<u>(84,381)</u>	Net decrease / (increase) in cash and cash equivalents		<u>12,752</u>	<u>20,979</u>
<u>(110,204)</u>	<u>(81,177)</u>	Cash and cash equivalents at 1 April		<u>(195,977)</u>	<u>(165,558)</u>
<u>(195,977)</u>	<u>(165,558)</u>	Cash and cash equivalents at 31 March	21.	<u>(183,225)</u>	<u>(144,579)</u>
<u>(85,773)</u>	<u>(84,381)</u>	Net decrease / (increase) in cash and cash equivalents		<u>12,752</u>	<u>20,979</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts summarise the authority's and the authority's group transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The authority is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that these accounts be prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and supported by International Financial Reporting Standards (IFRS).

1.1 Material Items

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

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

1.2 Recognition of Income and Expenditure

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

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

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

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

1.3 Value Added Tax

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

1.4 Overheads

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

1.5 Going Concern

The Council's Statement of Accounts for 2021/22 has been prepared on a going concern basis. The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2021/22), the Council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.6 Events after the balance sheet date

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

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

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

1.7 Prior period adjustments, changes in accounting policies and estimates

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

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

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

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

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

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

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

1.9 Fair Value measurement - surplus assets and investment properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

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

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

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

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

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

1.10 Property, Plant and Equipment

• Categories of Assets

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

Council dwellings	Other land and buildings
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

1.10 Property, Plant and Equipment - continued

- **Depreciation**

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

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

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

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

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

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

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

- **Revaluations**

Where assets are included in the Balance Sheet at fair value, revaluations are carried out at intervals of no more than five years. The Council operates a rolling programme for revaluations. The determination of fair value of land and buildings is undertaken by the Council's Operational Estate Manager. Changes in the market are monitored throughout the year and any property which has a material change during the year that impacts its value is revalued at the time of the change. This includes extensions, improvements, demolitions, new construction and property damage.

- **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

1.10 Property, Plant and Equipment - continued

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

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

1.11 Revenue Expenditure Funded from Capital Under Statute

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

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

1.12 Group Account Consolidation

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

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned unless highlighted below.
- The following methods of consolidation have been used:
 - Subsidiaries - line-by-line basis;
 - Associates and Joint Ventures - equity method.
- Transport for Edinburgh Limited's, CEC Holdings Limited's and Edinburgh Living MMR LLP's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March) a review was undertaken to establish the potential impact of the different reporting periods and of the COVID-19 pandemic on the financial position of the companies. An adjustment has been made for the B Shares issue of Transport for Edinburgh, as a result of this review, but no other consolidation adjustments have been assessed as being required.
- Transport for Edinburgh Limited and CEC Holdings Limited have adopted Accounting Standard IFRS 16 Finance Leases for the year to 31 December 2021. The Council is not adopting this standard until 1 April 2022 and therefore consolidation adjustments have been made.
- Edinburgh Living MMR LLP accounts for government grants for acquisition of properties on a deferred income basis, which is not aligned to the Council's income recognition policy requirements. Adjustments have been made for this on consolidation.
- Inter-company transactions have been eliminated on consolidation.
- Group members' financial statements have been prepared on an accruals basis.

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

The Code requires implementation from 1 April 2022 and there is therefore no impact on the 2021/22 financial statements.

- IFRS 16 Leases (early adoption in 2022/23)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IAS 37, IFRS 16, IAS 41)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16)

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Standards that have been issued but not yet adopted - continued

In 2022/2023, the Authority will apply IFRS 16 Leases as adopted by the Code of Accounting Practice. IFRS 16 will mean that the majority of leases where the Council act as lessee will come onto the balance sheet and lessor accounting is effectively unchanged.

The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2022. Leases for items of low value and leases that expire on or before 31 March 2023 are exempt from the new arrangements.

IFRS 16 will be applied retrospectively, but with the cumulative effect recognised at 1 April 2022. This means that right-of-use assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in 2022/2023 and not by adjusting prior year figures.

As a lessee, the Authority has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Authority. Under IFRS 16, the Authority recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Authority has decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

It is anticipated that the application of the Code's adaptation of IFRS16 will result in the following additions to the balance sheet:

- £42.7m Property, plant and equipment – land and buildings (right-of-use assets)
- £28.1m Non-current creditors (lease liabilities)
- £14.9m Current creditors (lease liabilities)

3. Judgements Made in Applying Accounting Policies

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

3.1 Provision of School Buildings and Waste Facility

The Council has entered into Public Private Partnership (PPP) and Design, Build, Finance and Maintain (DBFM) agreements for provision of school buildings and waste facilities. For each of these contracts the Council has considered the tests under IFRIC12 and concluded these to be service concessions.

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

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

The accounting policies for public private partnerships have been applied to these arrangements and the schools and waste facility (valued at net book value of £631.591m and £92.007m respectively at 31 March 2022) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3.2 Group Membership

The Council has an interest in a number of subsidiary and associate companies and trusts. The most significant of these companies in terms of the size of trading operations, shareholding and board representation and other factors have been assessed and where deemed material to the Council, are included in the Group Accounts. Full details of these interests are shown in note 9 to the Financial Statements.

3.3 Materiality

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

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

Group	Council	HRA
£m	£m	£m
25.475	23.689	1.025

3.4 Agency Arrangements

The Council is in receipt of funding which it administers on behalf of other bodies. The Council has assessed the nature of these transactions to determine if it is acting as a Principal or Agent in the process. Under the Code an Agent is acting as an intermediary, whereas a Principal is acting on its own behalf. Details of those arrangements which have been assessed as agency are disclosed in Note 33.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

		Effect if Actual Results Differ from Assumptions				
Item	Uncertainty					
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. The Council have used data available on repairs and maintenance to improve the identification of impairments as part of the valuation process. A formal procedure has been put in place in accordance with that procedure and included within the Checklist for Asset Valuation Process. The valuation process also includes a material changes spreadsheet which includes both impairments from unexpected events, the scrutiny of the repairs and maintenance data and the condition score data, as well as changes from capital expenditure on assets, demolitions, etc. In addition, facilities management have now retendered their repairing contracts and have two new suppliers that cover the whole city between them. The works orders will now be raised through a new IT solution and it is anticipated that the repairing data will be easier to scrutinise in future as a result. The new contracts came into force on 1 October 2021. No estimations and assumptions about the estimated cost of dismantling, removing or restoring items of property, plant and equipment have been included in the Capital Expenditure in the Accounts. The Council has reviewed the potential for indexation of the Other, Land and Buildings within our asset base but it was deemed by our senior surveyors and external advisors that in their professional judgement this would make values less accurate and move away from professionally prepared valuations to figures calculated without due attention to all the relevant factors that would influence a valuation and inevitably be a more time consuming exercise. Council dwellings are valued using the Beacon Method under which the values of groups of similar properties are calculated by assessing the capital value of one of them (a beacon) then extrapolating the value across the rest of the group. The beacon discount factor is determined by comparing levels of private rent with social rent for each beacon property and calculating the average to apply across the whole portfolio to take account of the difference between private stock (the source of the comparable sales data) and social rented stock. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied in the 2021-22 revaluations is 38% with a 2.8% uplift (38% and 4.5% uplift previously).	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 £11.088m 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 £28.046m.				
		Per Accounting Policy 1.9, the building component of an asset is separated into further components primarily to those with a carrying value of over £5 million. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component. We have also introduced a new system for calculating the remaining useful lives for each property rather than using an assumed useful life and are part way through the five-year programme to calculate them all. In any given financial year, we also calculate useful lives for each property we revalue. This is used as the basis for the useful life of the building component. The Council uses the table below as the basis for its standard apportionments of components;	If the assumption of £5m building carrying value increased to £10m then the number of assets included would decrease from 103 to 48.			
Standard Apportionments						
Type	B - Structural	D - Finishes	F - Fittings	R – Non-Traditional Roof	S – Services	This table and the relevant splits will be reviewed annually by the valuer.
High School	38%	17%	3%	6%	36%	
Primary School	38%	17%	3%	6%	36%	
Care Home	36%	19%	4%	3%	38%	
Sport Centre	39%	17%	4%	6%	34%	
Waverley Court	43%	16%	2%	3%	36%	
City Chambers	46%	16%	2%	0%	36%	
Offices, Galleries and Other	44%	16%	2%	2%	36%	
Millerhill Residual Waste	38%	16%	4%	5%	37%	
		25 Years	15 Years	35 Years	20 Years	

NOTES TO THE FINANCIAL STATEMENTS

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

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single Status Pension in 2016 has resulted in a recalculation of pension liabilities related to the estimated impact of Guaranteed minimum pension (GMP) indexation changes.</p> <p>A further recent ruling on GMP has been made, in relation to past transfers.</p> <p>Legislation requires the Local Government Pension Scheme (LGPS) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The costs management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities).</p> <p>The Goodwin case judgement, in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities.</p> <p>The Walker and O'Brien cases, may impact LGPS benefits in the future, in respect of retrospective discrimination in spousal transfer of benefits for same sex couples.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>Note 41.6 provides further information on the Council's pension liability.</p> <p>The increased liability has been reflected in the pension liability as a past service cost.</p> <p>The Council's actuary has not included any allowance for this as they deem it unlikely to have a significant impact on the pension obligations of a typical Employer.</p> <p>The Council's actuary has included an estimate within the pension liability as a past service cost.</p> <p>The Council's actuary has not included an estimate of the impact of the Goodwin case in the valuation due to the uncertainty of the final outcome. The estimated impact on the Employer's future obligations may be around 0.13% higher.</p> <p>The Council's actuary has not included an estimated of the impact of these cases as they are unlikely to result in significant impact on the pension obligations.</p>
Arrears	<p>At 31 March, the Council had a balance of sundry debtors of £31.482m. A review of significant balances suggested that an impairment of doubtful debts of £6.938m (22.04%) was appropriate. In the current economic climate it is not certain that this will be sufficient.</p>	<p>If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £1.574m to be set aside as an allowance.</p>
House Rent Arrears	<p>At 31 March, the Council had a balance of housing rent arrears of £12.115m. A review of significant balances suggested that an impairment of doubtful debts of £10.779m (88.9%) was appropriate. In the current economic climate it is not certain that this will be sufficient.</p>	<p>There is a relatively high level of arrears and the impairment set aside should help protect against potential loss of income to the Council arising from welfare reforms such as Universal Credit and the reduction in the benefits cap which will potentially impact on the level of rent arrears.</p>

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council

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

2021/22	Net Expend. Chargeable to the General Fund and HRA Balances £000	Adjustments £000	Net Expenditure in the CIES £000
Education and Children's Services	444,004	18,821	462,825
Place	190,153	296,801	486,954
Housing Revenue Account	0	(3,826)	(3,826)
Health and Social Care	252,662	13,672	266,334
Corporate Services	87,136	10,430	97,566
Homelessness	52,590	475	53,065
Lothian Valuation Joint Board	3,833	0	3,833
Cost of Services	1,030,378	336,373	1,366,751
Other income and expenditure			
Net cost of benefits	(349)	0	(349)
Other non-service specific costs	12,664	(8,760)	3,904
Net income and changes in relation to investment properties and changes in their fair value	0	(1,507)	(1,507)
Interest and investment income	81	(224)	(143)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	76,773	(2,198)	74,575
Net pension interest cost	0	14,157	14,157
Gains on disposal of assets	0	(1,045)	(1,045)
Gains on derecognition or revaluation of financial assets	0	(93)	(93)
Contribution from Capital Fund	(26)	26	0
Contribution to General Fund	6,157	(6,157)	0
Income from Council Tax	(287,487)	0	(287,487)
Government Grants	(653,272)	0	(653,272)
Distribution from NDR1 pool	(188,796)	0	(188,796)
Movement in donated assets	0	586	586
Capital grants and contributions	0	(81,449)	(81,449)
(Surplus) / Deficit on the provision of services	(3,877)	249,709	245,832
Opening General Fund and HRA Balance	221,033		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	32,295		
Surplus on the provision of services	3,877		
Closing General Fund and HRA Balance at 31 March	257,205		

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

2020/21 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	£000
Communities and Families Place	470,063	(8,836)	461,227
Housing Revenue Account	94,630	74,049	168,679
Health and Social Care	0	(1,888)	(1,888)
Resources and Chief Executive	228,156	6,859	235,015
Lothian Valuation Joint Board	188,465	27,180	215,645
	3,805	0	3,805
Cost of Services	985,119	97,364	1,082,483
Other income and expenditure			
Net cost of benefits	(127)	(1,347)	(1,474)
Other non-service specific costs	33,376	(5,734)	27,642
Net income and changes in relation to investment properties and changes in their fair value	0	(811)	(811)
Interest and investment income	(2,638)	(1,173)	(3,811)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	79,064	(2,353)	76,711
Net pension interest cost	0	12,410	12,410
Gains on disposal of assets	0	(6,499)	(6,499)
Gains on derecognition or revaluation of financial assets	0	(156)	(156)
Contribution from Capital Fund	(885)	885	0
Contribution from General Fund	56,362	(56,362)	0
Income from Council tax	(283,496)	0	(283,496)
Government Grants	(635,771)	0	(635,771)
Distribution from NDRI pool	(238,922)	0	(238,922)
Movement in donated assets	0	1,008	1,008
Capital grants and contributions	0	(110,047)	(110,047)
Surplus on the provision of services	(7,918)	(72,815)	(80,733)
Opening General Fund and HRA Balance	121,346		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	91,769		
Deficit on the provision of services	7,918		
Closing General Fund and HRA Balance at 31 March	221,033		

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council

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

Statement amounts

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
2021/22				
Education and Children's Services	(7,939)	28,082	(805)	19,338
Place	315,155	18,638	(426)	333,367
Housing Revenue Account	3,542	2,216	(930)	4,828
Health and Social Care	94	14,472	(471)	14,095
Corporate Services	1,044	13,190	(271)	13,963
Homelessness	0	1,325	(29)	1,296
Cost of Services	311,896	77,923	(2,932)	386,887
Other income and expenditure				
Net cost of benefits	0	0	0	0
Other non-service specific costs	(313)	(1,952)	6	(2,259)
Net income and changes in relation to investment properties and changes in their fair value	0	0	318	318
Interest and investment income	(209)	0	0	(209)
Interest payable and similar charges	(23,594)	0	(2,174)	(25,768)
Net pension interest cost	0	14,157	0	14,157
Gains on disposal of assets	(1,045)	0	0	(1,045)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(81,449)	0	0	(81,449)
Income from donated assets	586	0	0	586
Total Adjustments	205,872	90,128	(4,782)	291,218

Notes -

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

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

2021/22	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Education and Children's Services	19,338	(18)	(499)	18,821
Place	333,367	(19,630)	(16,936)	296,801
Housing Revenue Account	4,828	0	(8,654)	(3,826)
Health and Social Care	14,095	(423)	0	13,672
Corporate Services	13,963	1,825	(5,358)	10,430
Homelessness	1,296	0	(821)	475
Cost of Services	386,887	(18,246)	(32,268)	336,373
Other income and expenditure				
Net cost of benefits	0	0	0	0
Other non-service specific costs	(2,259)	(3,402)	(3,099)	(8,760)
Net income and changes in relation to investment properties and changes in their fair value	318	(1,825)	0	(1,507)
Interest and investment income	(209)	(4)	(11)	(224)
Interest payable and similar charges	(25,768)	23,570	0	(2,198)
Net pension interest cost	14,157	0	0	14,157
Gains on disposal of assets	(1,045)	0	0	(1,045)
Gains on derecognition or revaluation of financial assets	0	(93)	0	(93)
Use of reserves	0	0	(6,131)	(6,131)
Capital grants and contributions	(81,449)	0	0	(81,449)
Income from donated assets	586	0	0	586
Total Adjustments	291,218	0	(41,509)	249,709

Notes -

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

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

Re-stated

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
2020/21 Comparative Data				
Communities and Families Place	(10,943)	12,270	953	2,280
Housing Revenue Account	81,004	7,301	444	88,749
Health and Social Care	8,478	975	(838)	8,615
Resources and Chief Executive	111	6,661	525	7,297
	48,020	6,767	459	55,246
Cost of Services	126,670	33,974	1,543	162,187
Other income and expenditure				
Net cost of benefits	0	0	0	0
Other non-service specific costs	275	(1,031)	(11)	(767)
Net income and changes in relation to investment properties and changes in their fair value	0	0	(13)	(13)
Interest and investment income	(1,164)	0	0	(1,164)
Interest payable and similar charges	(25,821)	0	(2,129)	(27,950)
Net pension interest cost	0	12,410	0	12,410
Gains on disposal of assets	(6,499)	0	0	(6,499)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(110,047)	0	0	(110,047)
Income from donated assets	1,008	0	0	1,008
Total Adjustments	(15,578)	45,353	(610)	29,165

Notes -

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

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

Re-stated

	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
2020/21 Comparative Data				
Communities and Families Place	2,280	(26)	(11,090)	(8,836)
Housing Revenue Account	88,749	25	(14,725)	74,049
Health and Social Care	8,615	0	(10,503)	(1,888)
Resources and Chief Executive	7,297	(438)	0	6,859
	55,246	(18,666)	(9,400)	27,180
Cost of Services	162,187	(19,105)	(45,718)	97,364
Other income and expenditure				
Net cost of benefits	0	0	(1,347)	(1,347)
Other non-service specific costs	(767)	(5,529)	562	(5,734)
Net income and changes in relation to investment properties and changes in their fair value	(13)	(798)	0	(811)
Interest and investment income	(1,164)	(9)	0	(1,173)
Interest payable and similar charges	(27,950)	25,597	0	(2,353)
Net pension interest cost	12,410	0	0	12,410
Gains on disposal of assets	(6,499)	0	0	(6,499)
Gains on derecognition or revaluation of financial assets	0	(156)	0	(156)
Use of reserves	0	0	(55,477)	(55,477)
Capital grants and contributions	(110,047)	0	0	(110,047)
Income from donated assets	1,008	0	0	1,008
Total Adjustments	29,165	0	(101,980)	(72,815)

Notes -

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council

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

2021/22	Education and Children's Services	Place	Housing Revenue Account	Health and Social Care
Expenditure	£000	£000	£000	£000
Employee expenses	376,747	121,151	13,509	88,517
Other service expenses	172,804	296,319	45,411	295,003
Support service recharges	0	37	7,293	0
Interest payments	13	19,644	16,883	0
Debt repayments (<i>HRA only</i>)	0	0	17,356	0
Total Expenditure	549,564	437,151	100,452	383,520
Income				
Revenues from external customers	(8,263)	(158,087)	(96,421)	(17,242)
Income from recharges for services	0	(4,163)	(208)	0
Government grants and other contribs.	(97,297)	(84,748)	(3,614)	(113,616)
Interest and investment income	0	0	(209)	0
Total Income	(105,560)	(246,998)	(100,452)	(130,858)
Cost of Services	444,004	190,153	0	252,662

	Corporate Services	Homelessness	Lothian Valuation Joint Board	Council Total
Expenditure	£000	£000	£000	£000
Employee expenses	57,458	7,703	0	665,085
Other service expenses	59,907	91,227	3,833	964,504
Support service recharges	(817)	0	0	6,513
Interest payments	0	0	0	36,540
Debt repayments (<i>HRA only</i>)	0	0	0	17,356
Total Expenditure	116,548	98,930	3,833	1,689,998
Income				
Revenues from external customers	(5,310)	(45,668)	0	(330,991)
Income from recharges for services	(9,980)	0	0	(14,351)
Government grants and other contribs.	(14,122)	(672)	0	(314,069)
Interest and investment income	0	0	0	(209)
Total Income	(29,412)	(46,340)	0	(659,620)
Cost of Services	87,136	52,590	3,833	1,030,378

	Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure	£000	£000	£000
Employee expenses	94,644	0	759,729
Other service expenses	105,822	0	1,070,326
Support service recharges	0	0	6,513
Depreciation, amortisation and impairment	(21,887)	0	(21,887)
Interest payments	0	0	36,540
Debt repayments (<i>HRA only</i>)	0	0	17,356
Net expend from Associates and Joint Ventures	0	565	565
Total Expenditure	178,579	565	1,869,142
Income			
Revenues from external customers	(207,949)	0	(538,940)
Income from recharges for services	0	0	(14,351)
Government grants and other contribs.	33,871	0	(280,198)
Interest and investment income	0	0	(209)
Net income from Associates and Joint Ventures	0	(29,200)	(29,200)
Total Income	(174,078)	(29,200)	(862,898)
Cost of Services	4,501	(28,635)	1,006,244

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

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

2020/21 Comparative Data	Communities and Families	Place	Housing Revenue Account	Health and Social Care
Expenditure	£000	£000	£000	£000
Employee expenses	362,517	86,561	11,220	88,029
Other service expenses	251,463	189,009	42,093	269,282
Support service recharges	0	18	6,893	0
Interest payments	21	0	17,414	0
Debt repayments (<i>HRA only</i>)	0	0	17,130	0
Total Expenditure	614,001	275,588	94,750	357,311
Income				
Revenues from external customers	(56,187)	(111,913)	(91,461)	(17,925)
Income from recharges for services	0	(165)	(254)	0
Government grants and other contribs.	(87,751)	(68,880)	(1,871)	(111,230)
Interest and investment income	0	0	(1,164)	0
Total Income	(143,938)	(180,958)	(94,750)	(129,155)
Cost of Services	470,063	94,630	0	228,156

	Resources and Chief Executive	Lothian Valuation Joint Board	Council Total
Expenditure	£000	£000	£000
Employee expenses	83,544	0	631,871
Other service expenses	133,859	3,805	889,511
Support service recharges	-873	0	6,038
Interest payments	19,464	0	36,899
Debt repayments (<i>HRA only</i>)	0	0	17,130
Total Expenditure	235,994	3,805	1,581,449
Income			
Revenues from external customers	(18,866)	0	(296,352)
Income from recharges for services	(9,249)	0	(9,668)
Government grants and other contribs.	(19,414)	0	(289,146)
Interest and investment income	0	0	(1,164)
Total Income	(47,529)	0	(596,330)
Cost of Services	188,465	3,805	985,119

	Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure	£000	£000	£000
Employee expenses	97,733	0	729,604
Other service expenses	43,677	0	933,188
Support service recharges	0	0	6,038
Depreciation, amortisation and impairment	24,111	0	24,111
Interest payments	0	0	36,899
Debt repayments (<i>HRA only</i>)	0	0	17,130
Net expend from Associates and Joint Ventures	0	300	300
Total Expenditure	165,521	300	1,747,270
Income			
Revenues from external customers	(178,941)	0	(475,293)
Income from recharges for services	0	0	(9,668)
Government grants and other contribs.	38,048	0	(251,098)
Interest and investment income	0	0	(1,164)
Net income from Associates and Joint Ventures	0	(12,710)	(12,710)
Total Income	(140,893)	(12,710)	(749,933)
Cost of Services	24,628	(12,410)	997,337

NOTES TO THE FINANCIAL STATEMENTS

6. Expenditure and Income Analysed by Nature Group

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

	2021/22	2020/21
	£000	£000
Expenditure		
Employee expenses	836,539	772,712
Other service expenses	1,358,196	1,254,853
Support service recharges	6,513	6,038
Depreciation, amortisation and impairment	349,629	206,840
Interest payments	162,579	167,044
Net Interest in the (profit) / loss of associates and joint ventures	(28,634)	(12,410)
Total Expenditure	2,684,822	2,395,077
Income		
Fees, charges and other service income	(910,810)	(876,968)
Gain on the disposal of assets	(1,896)	(6,525)
Movement on donated assets	586	1,008
Interest and investment income	(71,503)	(80,020)
Income from Council Tax and Non-Domestic Rates	(476,283)	(522,419)
Government grants and other contributions	(912,310)	(877,371)
Recognised capital income	(89,241)	(112,548)
Total Income	(2,461,457)	(2,474,843)
Group (Surplus) / Deficit	223,365	(79,766)

Council

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

	2021/22	2020/21
	£000	£000
Re-stated Expenditure		
Employee expenses	741,895	674,979
Other service expenses	1,248,982	1,211,501
Support service recharges	6,513	6,038
Depreciation, amortisation and impairment	371,516	182,729
Interest payments	153,672	154,369
Total Expenditure	2,522,578	2,229,616
Income		
Fees, charges and other service income	(705,784)	(687,103)
(Gain) / Loss on the disposal of assets	(1,045)	(6,499)
Interest and investment income	(66,590)	(69,871)
Income from Council Tax and Non-Domestic Rates	(476,283)	(522,419)
Government grants and other contributions	(946,181)	(915,419)
Recognised capital income	(81,449)	(110,046)
Donated asset income	586	1,008
Total Income	(2,276,746)	(2,310,349)
(Surplus) / Deficit on the Provision of Services	245,832	(80,733)

NOTES TO THE FINANCIAL STATEMENTS

7. Material Items of Income and Expense

There has been material income and expense during this financial year related to the Covid 19 pandemic, further details of this are contained in the Management Commentary page 8.

8. Events After the Balance Sheet Date

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

9. Subsidiaries and Associates

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

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

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

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	61.52%	Funding percentage
• Common Good	100.00%	

Joint Venture

Interest

• Edinburgh Integration Joint Board	50.00%	Board representation
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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 31.12.21)
• Telford NHT LLP	> 75% controlling interest	

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.1 Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure 2021/22	Authority £000	Minority Interest £000	Total £000
(Surplus) or Deficit on the Provision of Services	228,721	(5,356)	223,365
Other Comprehensive Income and Expenditure	(1,196,121)	4,242	(1,191,879)
	<u>(967,400)</u>	<u>(1,114)</u>	<u>(968,514)</u>
Re-stated 2020/21	£000	£000	£000
(Surplus) or Deficit on the Provision of Services	(85,029)	5,263	(79,766)
Other Comprehensive Income and Expenditure	(274,888)	(1,506)	(276,394)
	<u>(359,917)</u>	<u>3,757</u>	<u>(356,160)</u>

9.2 Subsidiary Companies

• CEC Holdings Limited

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

The most recent unaudited results of the company are as follows:	31.12.21	31.12.20
	£000	£000
Net assets	14,977	13,837
Net (profit) / loss before taxation	(1,032)	4,941
Retained profit / (loss) carried forward	(55,073)	(56,107)

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

• Transport for Edinburgh Limited

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

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

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

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

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

Transport for Edinburgh Limited (Consolidated Group)	31.12.21	31.12.20
	£000	£000
Net assets	132,032	70,310
Net loss before taxation	15,937	21,271
Retained earnings	4,858	(38,230)
Dividend paid in March 2022 and March 2021	0	0

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

• Edinburgh Living MMR LLP

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

The most recent unaudited results of the partnership are as follows:	31.12.21	31.12.20
	£000	£000
Net assets	60,826	40,268
Net profit before taxation	(8,807)	(2,627)
Retained profit carried forward	1,157	142

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.3 Associates

• Edinburgh Leisure

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

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

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

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

The most recent unaudited results of the company are as follows:	31.03.22	31.03.21
	£000	£000
Net assets / (liabilities)	509	892
Net operating (profit) / loss	383	(4,453)
Earnings / (Losses) carried forward	509	892

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

• Capital Theatres

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

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

The most recent unaudited results of the company are as follows:	31.03.22	31.03.21
	£000	£000
Net assets	8,104	5,626
Net operational (profit) / loss	(2,412)	82
Fund balances carried forward	8,104	5,626

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

• Lothian Valuation Joint Board

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

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

	31.03.22	31.03.21
	£000	£000
Deficit for the year	694	490
Net Assets / (Liabilities)	3,314	(6,620)
Usable reserves	1,450	1,231
Unusable reserves	1,864	(7,851)
Total reserves	<u>3,314</u>	<u>(6,620)</u>

NOTES TO THE FINANCIAL STATEMENTS

9.4 Joint Ventures

• Edinburgh Integration Joint Board

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

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

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

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

	31.03.22 £000	31.03.21 £000
Gross expenditure	862,408	850,054
(Surplus) / Deficit for the year	(56,749)	(22,244)
Usable reserves	82,159	25,410

9.5 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are unaudited.

9.6 Shareholder Support to Council Companies

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

9.7 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £173.834m (2020/21 £187.784m) representing the Council's share of the realisable surpluses or deficits in these companies.

10. Contingent Liabilities

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

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

The work of the Scottish Child Abuse Inquiry, which began in 2015, is continuing under Lady Smith. Since early 2022, this has focussed on historic foster carer provision and the Council is contributing accordingly. As the Redress scheme for survivors of historical child abuse and the introduction of Qualified One-Way Costs Shifting (QOCS) have now both been introduced, there are increased avenues for survivors to seek compensation for alleged abuse which took place whilst in the care of an organisation. The Council's project team continues to support the inquiry, review historic records and respond to requests from the Inquiry for information. Local authorities across Scotland will be presented with claims, however the extent of the exposure remains unknown in 2022 as there is no time bar on the presentation of claims. The introduction of the Prescription (Scotland) Act 2018 may also have an impact on claims in coming years

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

The Council is currently finalising the details of a redress scheme for survivors who suffered physical and sexual abuse at the hands of a former Council employee. The total amounts paid out under this scheme will depend on the number of eligible claimants, nature of the claims being brought and the tariffs for each type of injury.

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2021/22			
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	296,363	16,146	0
Movements in the market value of investment properties	318	0	0
Amortisation and impairment of intangible assets	114	0	0
Capital grants and contributions applied	(61,335)	(20,114)	0
Capital funded from revenue	(15,043)	0	0
Donated assets	586	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	58,593	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(51,306)	(17,356)	0
Capital expenditure charged against General Fund and HRA balances	(58,593)	0	0
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	1,041	(2,086)	16,442
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(16,442)
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	(2,174)	(906)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	162,341	4,578	0
Employer's pension contributions and direct payments to pensioners payable in the year	(74,817)	(1,974)	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	(1,996)	(25)	0
Total Adjustments	254,092	(21,737)	0

NOTES TO THE FINANCIAL STATEMENTS

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

	Usable Reserves		
	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000
2021/22			
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	(312,509)
Movements in the market value of investment properties	0	0	(318)
Amortisation of intangible assets	0	0	(114)
Capital grants and contributions applied	2,506	0	78,943
Capital funded from revenue	0	0	15,043
Donated assets	0	0	(586)
Capital fund used to finance new capital expenditure	0	(7,150)	7,150
Revenue expenditure funded from capital under statute	0	0	(58,593)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	(31)	68,693
Capital expenditure charged against General Fund and HRA balances	0	0	58,593
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(3,461)	0	3,461
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	(15,397)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	16,442
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	3,080
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(166,919)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	76,791
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	2,021
Total Adjustments	(955)	(7,181)	(224,219)

NOTES TO THE FINANCIAL STATEMENTS

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

2020/21 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
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	109,538	23,031	0
Movements in the market value of investment properties	(14)	0	0
Amortisation of intangible assets	148	0	0
Capital grants and contributions applied	(87,797)	(22,249)	0
Capital funded from revenue	(13,658)	0	0
Donated assets	1,008	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	51,107	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(50,778)	(17,130)	0
Capital expenditure charged against General Fund and HRA balances	(51,107)	0	0
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	(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	115,521	3,063	0
Employer's pension contributions and direct payments to pensioners payable in the year	(71,511)	(1,721)	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	(3,552)	(16,092)	0

NOTES TO THE FINANCIAL STATEMENTS

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

	Usable Reserves		
	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000
2020/21 Comparative Data			
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	(132,569)
Movements in the market value of investment properties	0	0	14
Amortisation of intangible assets	0	0	(148)
Capital grants and contributions applied	19,645	0	90,401
Capital funded from revenue	0	0	13,658
Donated assets	0	0	(1,008)
Capital fund used to finance new capital expenditure	0	2,000	(2,000)
Revenue expenditure funded from capital under statute	0	0	(51,107)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	(1,203)	69,111
Capital expenditure charged against General Fund and HRA balances	0	0	51,107
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 (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	(20,889)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27,388
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	(118,584)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	73,232
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	(650)

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 01.04.21 £000	Net Transfers Out 2021/22 £000	Net Transfers In 2021/22 £000	Balance at 31.03.22 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(56,030)	0	1,028	(55,002)
Capital grants unapplied account	1,213	(85)	0	1,128
Transport for Edinburgh Limited				
Revenue reserves	82,539	(60,223)	0	22,316
Minority interests	11,187	(3,142)		8,045
Edinburgh Living MMR LLP				
Revenue reserves	5,375	0	2,607	7,982
Total Usable Reserves - Subsidiaries	44,284	(63,450)	3,635	(15,531)
Associates and Joint Ventures				
Common Good Fund - Reserves	2,669	(12)	0	2,657
Edinburgh Leisure - Reserves	297	(127)	0	170
Capital Theatres - Reserves	1,875	0	826	2,701
Lothian Valuation Joint Board - Reserves	755	0	137	892
Edinburgh Integration Joint Board - Reserves	12,705	0	28,375	41,080
Total Usable Reserves - Associates and Joint Ventures	18,301	(139)	29,338	47,500
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	62,585	(63,589)	32,973	31,969

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.20 £000	Net Transfers Out 2020/21 £000	Net Transfers In 2020/21 £000	Balance at 31.03.21 £000
Re-stated				
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(49,323)	(6,707)	0	(56,030)
Capital grants unapplied account	1,305	(92)	0	1,213
Transport for Edinburgh				
Revenue reserves	119,653	(37,114)	0	82,539
Minority interests	14,944	(3,757)	0	11,187
Edinburgh Living MMR LLP				
Revenue reserves	2,898	0	2,477	5,375
Total Usable Reserves - Subsidiaries	89,477	(47,670)	2,477	44,284
Associates and Joint Ventures				
Common Good Fund - Reserves	2,665	0	4	2,669
Edinburgh Leisure - Reserves	(408)	0	705	297
Capital Theatres - Reserves	1,774	0	101	1,875
Lothian Valuation Joint Board - Reserves	724	0	31	755
Edinburgh Integration Joint Board - Reserves	1,583	0	11,122	12,705
Total Usable Reserves - Associates and Joint Ventures	6,338	0	11,963	18,301
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	95,815	(47,670)	14,440	62,585

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.21 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31.03.22 £000
Council's Usable Reserves				
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	28,005	(1,289)	32,969	59,685
Council Priorities Fund	0	0	2,628	2,628
Contingency funding, Workforce Transformation	11,237	0	37	11,274
Dilapidations Fund	4,000	(43)	0	3,957
Insurance Funds*	19,580	(3,012)	5,690	22,258
Covid Funds	78,473	(11,867)	4,572	71,178
	<u>141,295</u>	<u>(16,211)</u>	<u>45,896</u>	<u>170,980</u>
Balances Set Aside from Income Received in Advance				
Licensing Income*	3,973	(66)	1,805	5,712
Revenue grants and contributions received in advance of planned expenditure	11,678	(5,206)	5,913	12,385
Council Tax Discount Fund*	6,063	0	5,242	11,305
Other earmarked balances	175	0	0	175
City Strategic Investment Fund	2,034	(1,124)	145	1,055
Covid advance funding	22,382	(14,284)	7,061	15,159
	<u>46,305</u>	<u>(20,680)</u>	<u>20,166</u>	<u>45,791</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	311	0	23	334
Spend to Save Fund and similar projects	3,409	(102)	566	3,873
	<u>3,720</u>	<u>(102)</u>	<u>589</u>	<u>4,207</u>
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)*	4,688	(4,688)	7,246	7,246
Unallocated General Fund	<u>25,025</u>	<u>0</u>	<u>3,956</u>	<u>28,981</u>
Total General Fund	<u>221,033</u>	<u>(41,681)</u>	<u>77,853</u>	<u>257,205</u>
Housing Revenue Account Balance	0	0	0	0
Renewal and Repairs Fund	41,162	(3,701)	12,946	50,407
Capital Fund	49,731	(7,226)	45	42,550
Capital Receipts Reserve	0	(16,442)	16,442	0
Capital Grants Unapplied Account	47,949	(3,461)	2,506	46,994
Total Usable Reserves - Council	<u>359,875</u>	<u>(72,511)</u>	<u>109,792</u>	<u>397,156</u>
Total Usable Reserves - Group	<u>422,460</u>	<u>(136,100)</u>	<u>142,765</u>	<u>429,125</u>

* - mandatory earmarked General Fund balances

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.20 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31.03.21 £000
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	44,690	(36,815)	20,130	28,005
Council Priorities Fund	757	(757)	0	0
Contingency funding, Workforce Transformation	13,589	(2,500)	148	11,237
Dilapidations Fund	3,228	(778)	1,550	4,000
Insurance Funds*	20,097	(1,572)	1,055	19,580
Covid Funds	0	0	78,473	78,473
	<u>82,361</u>	<u>(42,422)</u>	<u>101,356</u>	<u>141,295</u>
Balances Set Aside from Income Received in Advance				
Licensing Income*	2,982	0	991	3,973
Revenue grants and contributions received in advance of planned expenditure	6,801	(2,420)	7,297	11,678
Council Tax Discount Fund*	4,304	(520)	2,279	6,063
Other earmarked balances	204	(29)	0	175
City Strategic Investment Fund	2,795	(906)	145	2,034
Covid advance funding	0	0	22,382	22,382
	<u>17,086</u>	<u>(3,875)</u>	<u>33,094</u>	<u>46,305</u>
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				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)*	4,671	(4,671)	4,688	4,688
Unallocated General Fund	<u>13,927</u>	<u>0</u>	<u>11,098</u>	<u>25,025</u>
Total General Fund	<u>121,346</u>	<u>(51,144)</u>	<u>150,831</u>	<u>221,033</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>228,480</u>	<u>(83,420)</u>	<u>214,815</u>	<u>359,875</u>
Total Usable Reserves - Group	<u>324,295</u>	<u>(131,090)</u>	<u>229,255</u>	<u>422,460</u>

* - mandatory earmarked General Fund balances

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £7.246m (2020/21 £4.688m) is held within the General Fund in accordance with the Devolved School Management scheme and permitted carry forward of the Pupil Equity Fund.

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

2021/22

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(41,681)	0	(3,701)	(16,442)
Transfers in	77,853	0	12,946	16,442
Total movements in fund	36,172	0	9,245	0
Recognised in Comprehensive Income and Expenditure Statement	36,762	8,653	0	0
Transfers to other earmarked reserves	(590)	(8,653)	9,245	0
Total movements in fund	36,172	0	9,245	0
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(3,461)	(7,226)	(63,589)	(136,100)
Transfers in	2,506	45	32,973	142,765
Total movements in fund	(955)	(7,181)	(30,616)	6,665
Recognised in Comprehensive Income and Expenditure Statement	(955)	(7,181)	33,221	70,500
Transfers to other earmarked reserves	0	0	0	2
Group account adjustments unusable reserves	0	0	(63,837)	(63,837)
Total movements in fund	(955)	(7,181)	(30,616)	6,665

2020/21 Comparative Data

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(51,144)	0	(3,537)	(27,388)
Transfers in	150,831	0	14,951	27,388
Total movements in fund	99,687	0	11,414	0
Recognised in Comprehensive Income and Expenditure Statement	100,597	10,504	0	0
Transfers to other earmarked reserves	(910)	(10,504)	11,414	0
Total movements in fund	99,687	0	11,414	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

2020/21 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(148)	(1,203)	(47,670)	(131,090)
Transfers in	19,645	2,000	14,440	229,255
Total movements in fund	19,497	797	(33,230)	98,165
Recognised in Comprehensive Income and Expenditure Statement	19,497	797	(33,440)	97,955
Transfers to other earmarked reserves	0	0	210	210
Total movements in fund	19,497	797	(33,230)	98,165

13. Financing and Investment Income and Expenditure

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	78,295	74,575	79,236	76,711
Interest cost on defined benefit obligation	84,947	79,097	87,808	77,658
Interest receivable and similar income	(156)	(143)	(3,394)	(3,812)
Interest income on plan assets	(70,503)	(64,940)	(75,815)	(65,248)
Net income in relation to investment properties and changes in their fair value	(9,299)	(1,507)	(3,314)	(811)
Net income in relation to financial assets derecognised or revalued	(93)	(93)	(156)	(156)
	83,191	86,989	84,365	84,342

14. Taxation and Non-Specific Grant Income

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(287,487)	(287,487)	(283,496)	(283,496)
Non-domestic rates	(188,796)	(188,796)	(238,922)	(238,922)
Non-ring fenced government grants	(653,272)	(653,272)	(635,771)	(635,771)
Capital grants and contributions	(81,449)	(81,449)	(110,046)	(110,046)
Movement on donated assets	586	586	1,008	1,008
Taxation expenses / (refund)	3,392	0	(325)	0
	(1,207,026)	(1,210,418)	(1,267,552)	(1,267,227)

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment

15.1 Depreciation

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

Council dwellings	50 years
Buildings	Up to 120 years as advised by the valuer (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP - Millerhill Residual Waste Facility	30 years
PPP - Schools	40 years (PPP1 schools) and 35 years (PPP2 schools) 50 years (JGHS and QHS)
Infrastructure assets	20 years
Vehicles, plant, furniture and equipment	5 years to 30 years, to reflect estimated useful life 3 years to 15 years, Group Companies

15.2 Capital Commitments

At 31 March 2022, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £204.614m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2021 were £250.801m.

	£000	Expected Completion Date
General Fund - Asset Management Works Programme	29.764	23/24
Trams to Newhaven	28.818	23/24
HRA - Whole House Retrofit and Fabric Works	27.388	23/24
HRA - Kitchen and Bathrooms	15.284	23/24
North Bridge Refurbishment	14.953	23/24
General Fund Other	13.651	23/24
City Centre West Edinburgh Link	12.443	22/23
Carriageway and Footways	12.268	23/24
Pennywell Town Centre	10.541	22/23
HRA - Rewiring	6.228	23/24
HRA - Other	8.111	23/24
Trinity HS Phase 1 (Bangholm)	5.266	22/23
HRA - Neighbourhood	3.497	23/24
HRA - Council Housebuilding Other	3.428	23/24
HRA - Western Villages	2.888	23/24
HRA - Secure Doors and CCTV	2.863	23/24
HRA - Health and Safety	2.806	23/24
Dumbryden Phase 2 and 3	2.567	23/24
St James Redevelopment Growth Accelerator Model	1.850	22/23
	<u>204.614</u>	

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2021/22

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2021	1,655,147	2,684,172	352,796	1,642,750
Additions	32,221	62,220	26,685	182,366
Revaluation increases / (decreases) recognised in the Revaluation Reserve	44,501	352,207	(2,296)	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(179)	(183,966)	0	0
Derecognition - disposals	(3,455)	(85)	(24,813)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	(4)	0	0
Other increases / (decreases) in cost or valuation	14,967	53,934	0	0
At 31 March 2022	<u>1,743,202</u>	<u>2,968,478</u>	<u>352,372</u>	<u>1,825,116</u>
Accumulated Depreciation and Impairment				
At 1 April 2021	42	(175,610)	(183,018)	(845,514)
Depreciation charge	(34,674)	(84,213)	(26,994)	(79,524)
Depreciation charge written out to Revaluation Reserve	34,433	154,700	0	0
Depreciation written out to the Surplus on the Provision of Services	228	13,540	0	0
Derecognition - disposals	75	0	23,364	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,296	0
Depreciation on assets transferred to Held for Sale	0	0	0	0
At 31 March 2022	<u>104</u>	<u>(91,583)</u>	<u>(184,352)</u>	<u>(925,038)</u>
Net book value				
At 31 March 2022	<u>1,743,306</u>	<u>2,876,895</u>	<u>168,020</u>	<u>900,078</u>
At 31 March 2021	<u>1,655,189</u>	<u>2,508,562</u>	<u>169,778</u>	<u>797,236</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2021/22

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2021	7,619	15,819	195,009	6,553,312
Additions	135	329	84,514	388,470
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	67	0	394,479
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	(342)	0	(184,487)
Derecognition - disposals	0	(373)	(3,906)	(32,632)
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	(4)
Other increases / (decreases) in cost or valuation	0	0	(68,897)	4
At 31 March 2022	7,754	15,500	206,720	7,119,142
Accumulated Depreciation and Impairment				
At 1 April 2021	0	0	0	(1,204,100)
Depreciation charge	0	0	0	(225,405)
Depreciation charge written out to Revaluation Reserve	0	0	0	189,133
Depreciation written out to the Surplus on the Provision of Services	0	0	0	13,768
Derecognition - disposals	0	0	0	23,439
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	2,296
Depreciation on assets transferred to Held for Sale	0	0	0	0
At 31 March 2022	0	0	0	(1,200,869)
Net book value				
At 31 March 2022	7,754	15,500	206,720	5,918,273
At 31 March 2021	7,619	15,819	195,009	5,349,212

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group Accounts

2020/21 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2020	1,569,110	2,338,814	359,048	1,543,665
Additions	21,437	22,462	12,350	99,085
Revaluation increases / (decreases) recognised in the Revaluation Reserve	46,591	290,902	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(17)	(7,378)	0	0
Derecognition - disposals	(2,849)	(442)	(18,602)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	406	0	0
Other increases / (decreases) in cost or valuation	20,875	39,408	0	0
At 31 March 2021	<u>1,655,147</u>	<u>2,684,172</u>	<u>352,796</u>	<u>1,642,750</u>
Accumulated Depreciation and Impairment				
At 1 April 2020	(9,012)	(151,526)	(172,255)	(771,663)
Depreciation charge	(31,651)	(71,695)	(27,970)	(73,851)
Depreciation charge written out to Revaluation Reserve	49,849	47,971	0	0
Depreciation written out to the Surplus on the Provision of Services	(9,219)	(360)	0	0
Derecognition - disposals	75	0	17,207	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2021	<u>42</u>	<u>(175,610)</u>	<u>(183,018)</u>	<u>(845,514)</u>
Net book value				
At 31 March 2021	<u>1,655,189</u>	<u>2,508,562</u>	<u>169,778</u>	<u>797,236</u>
At 31 March 2020	<u>1,560,098</u>	<u>2,187,288</u>	<u>186,793</u>	<u>772,002</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group 2020/21 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2020	7,195	20	194,715	6,012,567
Additions	601	0	77,890	233,825
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(145)	0	225	337,573
Revaluation 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	15,799	225	16,430
Other increases / (decreases) in cost or valuation	0	0	(60,283)	0
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>195,009</u>	<u>6,553,312</u>
Accumulated Depreciation and Impairment				
At 1 April 2020	0	0	0	(1,104,456)
Depreciation charge	0	0	0	(205,167)
Depreciation charge written out to Revaluation Reserve	0	0	0	97,820
Depreciation written out to the Surplus on the Provision of Services	0	0	0	(9,579)
Derecognition - disposals	0	0	0	17,282
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,204,100)</u>
Net book value				
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>195,009</u>	<u>5,349,212</u>
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>194,715</u>	<u>4,908,111</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council Movements in 2021/22

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2021	1,655,147	2,611,318	175,280	1,636,080
Additions	32,221	62,220	3,996	182,366
Revaluation increases / (decreases) recognised in the Revaluation Reserve	44,501	352,207	(2,296)	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(179)	(183,966)	0	0
Derecognition - disposals	(3,455)	(85)	(346)	0
Derecognition - other	0	0	0	0
Assets declassified (to) / from held for sale	0	(4)	0	0
Other increases / (decreases) in cost or valuation	14,967	53,934	0	0
At 31 March 2022	<u>1,743,202</u>	<u>2,895,624</u>	<u>176,634</u>	<u>1,818,446</u>
Accumulated Depreciation and Impairment				
At 1 April 2021	42	(143,693)	(91,980)	(838,844)
Depreciation charge	(34,674)	(84,025)	(11,889)	(79,524)
Depreciation charge written out to Revaluation Reserve	34,433	154,700	0	0
Depreciation written out to the Surplus on the Provision of Services	228	13,540	0	0
Derecognition - disposals	75	0	346	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,296	0
Other increases / (decreases) in cost or valuation	0	0	0	0
At 31 March 2022	<u>104</u>	<u>(59,478)</u>	<u>(101,227)</u>	<u>(918,368)</u>
Net book value				
At 31 March 2022	<u>1,743,306</u>	<u>2,836,146</u>	<u>75,407</u>	<u>900,078</u>
At 31 March 2021	<u>1,655,189</u>	<u>2,467,625</u>	<u>83,300</u>	<u>797,236</u>

Included within Other Land and Buildings is £0.239m for donated assets related to timing of PPP lifecycle maintenance spend by the contract provider, ahead of the planned programme.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council

Movements in 2021/22

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 2021	7,619	15,819	195,009	6,296,272	676,187
Additions	135	329	84,514	365,781	1,372
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	67	0	394,479	0
Revaluation decreases recognised in the Surplus on the Provision of Services	0	(342)	0	(184,487)	61,572
Derecognition - disposals	0	(373)	(3,906)	(8,165)	0
Derecognition - other	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	(4)	0
Other increases / (decreases) in cost or valuation	0	0	(68,897)	4	0
At 31 March 2022	<u>7,754</u>	<u>15,500</u>	<u>206,720</u>	<u>6,863,880</u>	<u>739,131</u>
Accumulated Depreciation and Impairment					
At 1 April 2021	0	0	0	(1,074,475)	(27,447)
Depreciation charge	0	0	0	(210,112)	(15,481)
Depreciation charge written out to Revaluation Reserve	0	0	0	189,133	27,395
Depreciation written out to the Surplus on the Provision of Services	0	0	0	13,768	0
Derecognition - disposals	0	0	0	421	0
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	2,296	0
Other increases / (decreases) in cost or valuation	0	0	0	0	0
At 31 March 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,078,969)</u>	<u>(15,533)</u>
Net book value					
At 31 March 2022	<u>7,754</u>	<u>15,500</u>	<u>206,720</u>	<u>5,784,911</u>	<u>723,598</u>
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>195,009</u>	<u>5,221,797</u>	<u>648,740</u>

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council

2020/21 Comparative Data

Cost or Valuation	Council Dwellings £000	Re-stated Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2020	1,569,110	2,265,909	169,398	1,536,995
Additions	21,437	22,433	6,301	99,085
Revaluation increases / (decreases) recognised in the Revaluation Reserve	46,591	290,902	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(17)	(7,378)	0	0
Derecognition - disposals	(2,849)	(362)	(419)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	402	0	0
Other increases / (decreases) in cost or valuation	20,875	39,412	0	0
At 31 March 2021	<u>1,655,147</u>	<u>2,611,318</u>	<u>175,280</u>	<u>1,636,080</u>
Accumulated Depreciation and Impairment				
At 1 April 2020	(9,012)	(119,845)	(80,290)	(765,068)
Depreciation charge	(31,651)	(71,459)	(12,109)	(73,776)
Depreciation charge written out to Revaluation Reserve	49,849	47,971	0	0
Depreciation written out to the Surplus on the Provision of Services	(9,219)	(360)	0	0
Derecognition - disposals	75	0	419	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2021	<u>42</u>	<u>(143,693)</u>	<u>(91,980)</u>	<u>(838,844)</u>
Net book value				
At 31 March 2021	<u>1,655,189</u>	<u>2,467,625</u>	<u>83,300</u>	<u>797,236</u>
At 31 March 2020	<u>1,560,098</u>	<u>2,146,064</u>	<u>89,108</u>	<u>771,927</u>

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council 2020/21 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	Re-stated PPP and similar Assets £000
Cost or Valuation					
At 1 April 2020	7,195	20	194,715	5,743,342	634,123
Additions	601	0	77,890	227,747	1,574
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(145)	0	225	337,573	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(32)	0	0	(7,427)	40,153
Derecognition - disposals	0	0	(17,763)	(21,393)	0
Derecognition - other	0	0	0	0	
Assets reclassified (to) / from held for sale	0	15,799	225	16,426	0
Other increases / (decreases) in cost or valuation	0	0	(60,283)	4	337
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>195,009</u>	<u>6,296,272</u>	<u>676,187</u>
Accumulated Depreciation and Impairment					
At 1 April 2020	0	0	0	(974,215)	(21,839)
Depreciation charge	0	0	0	(188,995)	(14,264)
Depreciation charge written out to Revaluation Reserve	0	0	0	97,820	8,656
Depreciation written out to the Surplus on the Provision of Services	0	0	0	(9,579)	0
Derecognition - disposals	0	0	0	494	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 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,074,475)</u>	<u>(27,447)</u>
Net book value					
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>195,009</u>	<u>5,221,797</u>	<u>648,740</u>
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>194,715</u>	<u>4,769,127</u>	<u>612,284</u>

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.7 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 set up a Material Valuation Uncertainty Leaders Forum (UK) in response to the Covid 19 Pandemic. On 9 September 2020, the forum recommended a general "lifting" of material valuation uncertainty excluding assets valued with reference to trading potential. This recommendation was reaffirmed on 3 November 2020 and 5 January 2021. On 11 May 2021, the recommendation was amended to lift the exclusion of assets valued with reference to trading potential. In light of this, the forum has reduced the frequency of its meetings but continues to monitor markets and evidence and will convene at short notice if necessary. No new recommendation has been made so the recommendation of May 2021 still stands.

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

The significant assumptions applied in estimating fair value are:

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

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets
	£000	£000	£000	£000
Council assets				
Carried at historical cost	209	238,283	176,634	1,818,446
Valued at fair value as at:				
31 March 2022	1,740,159	2,206,681	0	0
31 March 2021	2,249	79,952	0	0
31 March 2020	408	133,042	0	0
31 March 2019	177	114,687	0	0
31 March 2018	0	122,979	0	0
Total cost or valuation	1,743,202	2,895,624	176,634	1,818,446

	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000
Council assets				
Carried at historical cost	7,754	15,480	206,720	2,463,526
Valued at fair value as at:				
31 March 2022	0	0	0	3,946,840
31 March 2021	0	0	0	82,201
31 March 2020	0	0	0	133,450
31 March 2019	0	0	0	114,864
31 March 2018	0	20	0	122,999
Total cost or valuation	7,754	15,500	206,720	6,863,880

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	15,501	0	15,501
Investment properties - advertising hoardings	0	19,996	0	19,996
Total cost or valuation	0	35,497	0	35,497

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

16. Investment Properties

Policy

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

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

Investment properties are revalued annually.

Investment properties held at fair value are not depreciated.

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

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

Note

16.1 Income and Expenses on Investment Properties

Income of £1.825m (£0.798m 2020/21) and expense £Nil (£Nil 2020/21) have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

NOTES TO THE FINANCIAL STATEMENTS

16. Investment Properties - continued

16.2 Movement in Fair Value - continued

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

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	65,631	19,239	47,221	19,225
Additions	15,266	1,075	15,894	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	7,474	(318)	2,516	14
Value at 31 March	<u>88,371</u>	<u>19,996</u>	<u>65,631</u>	<u>19,239</u>

17. Intangible Assets

Policy

Intangible fixed assets represent software licences purchased by the Council.

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

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

Note

The carrying value of intangible assets of the Group and the Council is £0.182m in 2021/22 (£0.296m in 2020/21).

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.114m in 2021/22 (2020/21 £0.148m) was charged to Corporate Services.

18. Heritage Assets

Policy

Heritage assets comprise the following:

Monuments and statues

Civic regalia and artefacts

Archival collections

Libraries' special collections

Museum and gallery collections

Intangible heritage assets represent three private vehicle registration plates.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

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

Reconciliation of the Carrying Value of Heritage Assets Note

Movements in 2021/22

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2021	929	2,047	6,797
Additions	2,664	0	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(2,629)	0	0
At 31 March 2022	964	2,047	6,797
Net book value			
At 31 March 2022	964	2,047	6,797
At 31 March 2021	929	2,047	6,797

	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2021	1,975	19,643	31,391
Additions	0	0	2,664
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	(2,629)
At 31 March 2022	1,975	19,643	31,426
Net book value			
At 31 March 2022	1,975	19,643	31,426
At 31 March 2021	1,975	19,643	31,391

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2020/21 Comparative Data

	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

18.2 Details of Heritage Assets

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

19. Inventories

Policy

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

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

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

Note	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	13,569	3,448	13,472	3,451
Purchases	75,030	14,699	60,675	13,901
Held by a third party	114	114	169	169
Recognised as an expense in the year	(74,720)	(14,538)	(60,745)	(14,071)
Stock written off	(4,105)	(46)	(2)	(2)
Balance at 31 March	9,888	3,677	13,569	3,448

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

NOTES TO THE FINANCIAL STATEMENTS

20. Debtors

20.1 Long-term Debtors

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Council Tax	104,517	104,517	99,556	99,556
Trade Debtors	52,258	52,258	54,607	54,607
Other Debtors	58,119	132,185	132,226	166,488
Total long-term debtors before provision for impairment	214,894	288,960	286,389	320,651
Less: Provision for impairment	(135,974)	(135,974)	(130,057)	(130,057)
Total net long-term debtors	78,920	152,986	156,332	190,594

Long-term debtors include £9.567m (2020/21 £10.123m) for sums recoverable from Police Scotland. These sums relate to monies advanced to the former joint board for capital expenditure.

20.2 Short-term Debtors

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Council Tax	118,413	118,413	120,691	120,691
Trade Debtors	44,326	42,333	50,923	47,266
Prepayments	9,496	7,530	7,534	4,470
Other Debtors	162,977	151,187	86,119	76,266
Total current debtors before provision for impairment	335,212	319,463	265,267	248,693
Less: Provision for impairment	(118,584)	(118,584)	(121,764)	(121,764)
Total net current debtors	216,628	200,879	143,503	126,929

20.3 Provision for Impairment

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Council Tax	(97,449)	(97,449)	(91,685)	(91,685)
Trade Debtors	(30,013)	(30,013)	(28,520)	(28,520)
Other Debtors	(8,512)	(8,512)	(9,852)	(9,852)
Total long-term provision for impairment	(135,974)	(135,974)	(130,057)	(130,057)
Current provision for impairment	£000	£000	£000	£000
Council Tax	(108,082)	(108,082)	(108,562)	(108,562)
Trade Debtors	(9,334)	(9,334)	(12,621)	(12,621)
Other Debtors	(1,168)	(1,168)	(581)	(581)
Total current provision for impairment	(118,584)	(118,584)	(121,764)	(121,764)

21. Cash and Cash Equivalents

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

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Cash held	352	352	352	352
Bank current accounts	24,531	(14,115)	8,244	(22,175)
Short-term deposits:				
With banks or building societies	56,129	56,129	112,212	112,212
With other local authorities	24,777	24,777	75,169	75,169
Treasury bills	21,288	21,288	0	0
Other	56,148	56,148	0	0
	183,225	144,579	195,977	165,558

NOTES TO THE FINANCIAL STATEMENTS

22. Investments

22.1 Long-Term Investments

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Transport for Edinburgh	392	5,824	0	5,824
Tudor Trust	350	350	350	350
TIE	1	1	1	1
CEC Holdings	7,875	14,044	7,874	14,044
Telford NHT	1,236	1,236	1,236	1,236
	<u>9,854</u>	<u>21,455</u>	<u>9,461</u>	<u>21,455</u>

22.2 Short-Term Investments

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Local Authority Loans	10,654	10,654	31,571	31,571
Other short-term investments	66,451	66,451	0	0
	<u>77,105</u>	<u>77,105</u>	<u>31,571</u>	<u>31,571</u>

23. Assets Held for Sale

Policy

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

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

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

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

Note

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
23.1 Non-Current Assets - Held for Sale				
Balance at 1 April	59	59	1,254	1,254
Additions	0	0	17	17
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	0	0
Assets Declassified as held for sale	0	0	(1,212)	(1,212)
	<u>59</u>	<u>59</u>	<u>59</u>	<u>59</u>
Balance at 31 March	59	59	59	59

23.2 Current Assets - Held for Sale

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	6,135	6,135	21,139	21,139
Additions	1,645	1,645	210	210
Revaluation gains/(losses) recognised in the revaluation reserve	61	61	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	0	0
Assets Sold	(7,760)	(7,760)	0	0
Assets declassified as held for sale	0	0	(15,214)	(15,214)
	<u>81</u>	<u>81</u>	<u>6,135</u>	<u>6,135</u>
Balance at 31 March	81	81	6,135	6,135

NOTES TO THE FINANCIAL STATEMENTS

24. Creditors

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Trade Creditors	(119,951)	(115,114)	(121,355)	(118,594)
Council Tax Creditors	(6,903)	(6,903)	(6,958)	(6,958)
Other Tax payable	(14,981)	(11,508)	(13,924)	(11,239)
Other Creditors	(106,817)	(76,629)	(118,563)	(78,067)
PPP Creditor (Note 39.1)	(11,379)	(11,379)	(11,924)	(11,924)
Finance Leases (non PPP - Note 38.1)	(14,414)	(1,569)	(11,997)	(1,937)
	<u>(274,445)</u>	<u>(223,102)</u>	<u>(284,721)</u>	<u>(228,719)</u>

25. Provisions

Policy

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation. An assessment of long and short-term provisions has been made at the 31 March 2022 year end and provisions disclosed separately.

Note

Long-Term

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	(25,703)	(25,703)	0	0
Transfers	3,569	3,569	(25,925)	(25,925)
Additional provisions made in year	(1,180)	(1,180)	(1,952)	(1,952)
Amounts used during the year	233	233	2,174	2,174
Unused amounts reversed during year	0	0	0	0
Balance at 31 March	<u>(23,081)</u>	<u>(23,081)</u>	<u>(25,703)</u>	<u>(25,703)</u>

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	(12,446)	(7,380)	(36,960)	(34,512)
Transfers	(3,569)	(3,569)	25,925	25,925
Additional provisions made in year	(2,010)	(1,188)	(7,398)	(3,805)
Amounts used during the year	4,070	77	2,445	1,470
Unused amounts reversed during year	3,718	3,718	3,542	3,542
Balance at 31 March	<u>(10,237)</u>	<u>(8,342)</u>	<u>(12,446)</u>	<u>(7,380)</u>

The Council provisions include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, contract arrangements, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects.

26. Reserves

Policy

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

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

Unusable reserves cannot be applied to fund expenditure.

Usable Reserves

The Council operates the following usable reserves:

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

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves

Note

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

Policy

The Council operates the following unusable reserves:

- Revaluation reserve - holds unrealised gains arising since 1 April 2007 from holding non-current assets.
- Capital adjustment account - provides a mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.
- Financial instruments adjustment account - provides a mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for sale financial assets - provides a mechanism to recognise the unrealised gains and losses on the revaluation of financial assets (such as investment bonds).
- Pensions reserve - represents the net monies which the Council requires to meet its pension liability, as calculated under IAS19, Employee Benefits. The Council operates a pensions reserve fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations 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 2022 £000	31 March 2021 £000
Revaluation Reserve	2,626,795	2,117,198
Capital Adjustment Account	1,430,410	1,564,291
Financial Instruments Adjustment Account	(79,850)	(82,929)
Pensions Reserve	(181,524)	(670,502)
Employee Statutory Adjustment Account	(14,225)	(16,246)
Total Council Unusable Reserves	3,781,606	2,911,812
Subsidiaries, Associates and Joint Ventures	141,865	125,199
Total Group Unusable Reserves	3,923,471	3,037,011

27.2 Revaluation Reserve

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

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

	2021/22 £000	2020/21 £000
Balance at 1 April	2,117,198	1,758,446
Upward revaluation of assets	869,726	469,880
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(295,940)	(59,330)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	573,786	410,550
Difference between fair value depreciation and historical cost depreciation	(58,892)	(50,012)
Accumulated gains on assets sold written off to the capital adjustment account	(5,297)	(1,786)
Balance at 31 March	2,626,795	2,117,198

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.3 Capital Adjustment Account

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

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

	2021/22 £000	2020/21 £000
Balance at 1 April	1,564,291	1,518,318
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(312,509)	(132,569)
Amortisation and impairment of intangible assets	(114)	(148)
Capital funded from revenue	15,043	13,658
Revenue exp. funded from capital under statute	(58,593)	(51,107)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(15,397)	(20,889)
	<u>(371,570)</u>	<u>(191,055)</u>
Adjusting amounts written out of the revaluation reserve	5,297	1,786
	<u>(366,273)</u>	<u>(189,269)</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	16,441	27,388
Donated assets	(586)	(1,008)
Use of capital fund for new capital expenditure	7,150	(2,000)
Capital grants and contributions credited to the CIES that have been applied to capital financing	78,943	90,401
Application of grants from the capital grants unapplied account / capital fund	3,461	148
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	68,693	69,111
Capital expenditure charged against the General Fund and HRA balances	58,593	51,107
	<u>232,695</u>	<u>235,147</u>
Movements in the market value of investment properties credited to the CIES	(318)	14
Other unrealised losses debited to the CIES	15	81
Balance at 31 March	<u>1,430,410</u>	<u>1,564,291</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.

	2021/22	2020/21
	£000	£000
Balance at 1 April	(82,929)	(85,965)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	3,008	3,010
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	71	26
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	3,079	3,036
Balance at 31 March	<u>(79,850)</u>	<u>(82,929)</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.

	2021/22 £000	2020/21 £000
Balance at 1 April	(670,502)	(523,535)
Actuarial gains or (losses) on pension assets and liabilities	579,106	(101,615)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(166,919)	(118,584)
Employer's pension contributions and direct payments to pensioners payable in the year	76,791	73,232
Balance at 31 March	<u>(181,524)</u>	<u>(670,502)</u>

27.6 Employee Statutory Adjustment Account

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

	2021/22 £000	2020/21 £000
Balance at 1 April	(16,246)	(13,807)
Settlement or cancellation of accrual made at the end of the preceding year	16,246	13,807
Amount accrued at the end of the current year	<u>(14,225)</u>	<u>(16,246)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,021	(2,439)
Balance at 31 March	<u>(14,225)</u>	<u>(16,246)</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2022 £000	31 March 2021 £000
Subsidiaries		
CEC Holdings Limited	77,146	77,040
Transport for Edinburgh	21,080	18,725
Edinburgh Living MMR LLP	18,530	10,737
Associates and Joint Ventures		
Common Good	23,962	23,509
Lothian Valuation Joint Board	1,147	(4,812)
Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures	141,865	125,199

28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	676,092	676,092	646,146	646,146
General Revenue Grant	(653,272)	(653,272)	(635,771)	(635,771)
Non-Domestic Rates receipts from national pool	(188,796)	(188,796)	(238,922)	(238,922)
Other net operating cash payments / (receipts)	34,744	34,744	30,865	30,865
Net cash flows from subsidiary companies	(18,757)	0	(15,741)	0
Net cash flows from operating activities	(149,989)	(131,232)	(213,423)	(197,682)

29. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Interest received	(151)	(143)	(2,129)	(2,062)
Interest paid	76,659	74,201	77,565	76,267
Investment income received	0	0	(1,750)	(1,750)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

Proceeds from short-term and long-term investments	3,798	0	(24)	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets				
Recognised Capital Income	82,035	82,035	110,045	110,045
Movement in Donated Assets	(586)	(586)	(1,008)	(1,008)
	85,247	81,449	109,013	109,037

NOTES TO THE FINANCIAL STATEMENTS

29. Cash Flow Statement - Operating Activities - continued

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Depreciation	(241,294)	(210,236)	(210,435)	(186,335)
Impairment	(161,279)	(161,279)	3,606	3,606
Increase/(decrease) in impairment for bad debts	(1,005)	(1,278)	(14,112)	(14,392)
Increase/(decrease) in creditors	(7,658)	(26,525)	(23,314)	(17,927)
Increase/(decrease) in debtors	21,874	28,645	29,329	29,184
Increase/(decrease) in inventories	(3,680)	229	99	(3)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	8,837	1,045	11,247	6,499
Other non-cash items charged to the net surplus or deficit on the provision of services	(103,032)	(89,114)	(51,501)	(46,618)
	<u>(487,237)</u>	<u>(458,513)</u>	<u>(255,081)</u>	<u>(225,986)</u>

30. Cash Flow Statement - Investing Activities

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	417,966	381,083	346,033	324,026
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(19,006)	(16,719)	(26,835)	(25,384)
Net purchase of Short-Term and Long-Term Investments	(524)	(524)	3,763	3,763
Other payments for investing activities	4,222	4,222	(555)	(555)
Other receipts from investing activities	<u>(116,886)</u>	<u>(116,882)</u>	<u>(181,947)</u>	<u>(181,903)</u>
Net cash flows from investing activities	<u>285,772</u>	<u>251,180</u>	<u>140,459</u>	<u>119,947</u>

31. Cash Flow Statement - Financing Activities

	2021/22		Re-stated 2020/21	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(254,156)	(206,264)	(81,714)	(70,000)
Other Receipts for Financing Activities	41,597	41,597	(5,422)	(5,422)
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	35,096	11,763	23,288	9,650
Repayment of short-term and long-term borrowing	54,433	53,935	51,040	59,126
Net cash flows from financing activities	<u>(123,030)</u>	<u>(98,969)</u>	<u>(12,808)</u>	<u>(6,646)</u>

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees

32.1 Loans and guarantees

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

	2021/22 £000	2020/21 £000
Opening Balance	60	58
New Loans	0	0
Increase in the Discounted Amount	5	5
Fair Value Adjustment	0	0
Loan Repayment	(9)	(3)
Balance Carried Forward	<u>56</u>	<u>60</u>
Nominal Value Carried Forward	<u>81</u>	<u>90</u>

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

The Spartans loan relates to the lease of an area of ground lying immediately to the west of Ainslie Park Leisure Centre, Pilton Drive, Edinburgh. The original outstanding payment was £120,000, with £3,000 paid annually for ten consecutive years up to 31 March 2021 and £9,000 to be paid for ten consecutive years on or before 31 March from 31 March 2022.

32.2 Guarantees

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees - continued

32.3 Shared Equity Scheme / Scheme of Assistance

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

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

Purchasers have the option to pay interest annually or accumulate charges on the same terms as the original equity. Sums due to the Council, including accrued interest, where owners have opted to defer interest, are included in long-term debtors, the balance at 31 March 2022 £0.205m.

The assisted purchase scheme was an initiative administered on behalf of the Council to allow home owners to enter into a lifetime mortgage agreement to finance repairs to their properties. Forty loans were made between 2007 and 2012, with an original loan principal value of £0.762m. These sums are included in long-term debtors, the balance at 31 March 2022 £0.735m.

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

In June 2018 the Council purchased the interest in a shared equity loan scheme from PARC for £0.512m. The scheme provided assistance to buyers to purchase homes from PARC and twenty two loans remain in the scheme. These sums are included in long-term debtors, the balance at 31 March 2022 £0.327m.

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

32.4 National Housing Trust

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees - continued

32.4 National Housing Trust - continued

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

Developer	Development Site	Phase	Total No. of Units	Advanced 2021/22 £000	Repaid 2021/22 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	60	0	(3,532)	5,059	1,527
Places for People	Lighthouse Court	1	33	0	(2,039)	3,375	1,336
Teague Homes Limited	Salamander Place / Leith Links	1	0	0	(15,551)	15,551	0
City of Edinburgh Council	Telford North	1	0	0	(10,299)	10,299	0
FP Newhaven Ltd	Sandpiper Road	2	96	0	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	80	0	0	9,153	9,153
Cruden Homes	Western Harbour	3	138	0	0	17,284	17,284
Places for People	Shrubhill	3	93	0	0	14,923	14,923
			500	0	(31,421)	87,552	56,131

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

33. Agency Income and Expenditure

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

During the financial year the total Agency income was £157.552m (2020/21 £284.898m) and Agency Expenditure £148.607m (2020/21 £276.450m).

During the financial year the Council undertook the administration of several Covid-19 related funding streams on behalf of the Scottish Government, on an agency basis. During the year income and expenditure amounted to £88.87m (2020/21 £213.473m), grants of £112.665m were paid out, utilising funding carried forward from the prior year and funds received in year (2020/21 £188m).

The council also undertakes, on an agency basis, the financial administration on behalf of the Scottish Cities Alliance. During the year £0.197m (2020/21 £0.231m) was paid out to the respective lead authorities of the projects concerned, included in the totals above.

The Council acts as the Billing Authority for a number of Business Improvement Districts (BIDs). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh and Edinburgh West End. During the year income of £1.049m (2020/21 £1.071m) was collected and £0.997m (2020/21 £0.401m) paid out to BID schemes, included in the totals above.

In August 2018 the Edinburgh and South-East Scotland City Region Deal (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 £54.935m (2020/21 £58.659m).

34. Audit Costs

The fees payable to Azets Audit Services in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.617m (2020/21 £0.638m).

In addition, the Council paid audit fees to Azets Audit Services for the audit of CEC Recovery Limited's (formerly tie Limited) accounts. The Council paid £0.002m during 2021/22 (2020/21 £0.002m) for the audit of the 2020/21 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

35. Grant Income

Policy

• Revenue

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

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

• Capital

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

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

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

Note

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

	2021/22		2020/21	
	£000	£000	£000	£000
Credited to taxation and non-specific grant income				
General revenue funding	(653,272)		(635,771)	
Non-domestic rates	(188,796)		(238,922)	
Capital grants and contributions	<u>(81,449)</u>		<u>(110,046)</u>	
		(923,517)		(984,739)
Credited to services				
Central Government Bodies	(277,566)		(285,120)	
Other Local Authorities	(3,325)		(3,059)	
NHS bodies	(73,701)		(75,403)	
Other entities and individuals	<u>(22,249)</u>		<u>(14,269)</u>	
		<u>(376,841)</u>		<u>(377,851)</u>
Total		<u><u>(1,300,358)</u></u>		<u><u>(1,362,590)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

36. Related Parties

During the year, the Council entered into a number of transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The most material of these transactions, including Outstanding Balances where normal terms and conditions apply, are shown below.

	2021/22	2021/22	2021/22	2020/21	2020/21
	Expenditure	Income	Debtor /	Net	Debtor /
	£000	£000	(Creditor)	Expenditure	(Creditor)
			£000	/ (Income)	£000
Subsidiaries and Associates					
Subsidiaries and Associates are independent bodies over which the Council is considered to have control or influence, see Note 9 (page 42) for further details. The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:					
CEC Holdings (incl. EDI Group, EICC)	120	(414)	2,335	(215)	5,985
Transport for Edinburgh (inc. Edinburgh Trams and Lothian Buses)	4,375	(11,595)	(377)	(21,702)	(123)
Edinburgh Living MMR	4,167	(1,057)	41,979	18,610	38,089
Edinburgh Leisure Limited	13,988	(296)	251	13,126	2,299
Capital Theatres	585	(279)	(150)	309	0
Lothian Valuation Joint Board	3,831	(347)	(1,728)	3,412	(1,695)
Common Good	0	0	(411)	0	(451)
Edinburgh Integration Joint Board	230,524	(251,748)	(83,663)	276	(27,898)

The following companies are not consolidated into the Group Accounts as, following an assessment, the companies are not considered to be a material part of the Group and have therefore been excluded from the Group Accounts:

Capital City Partnership	5,332	(274)	3	4,436	225
CEC Recovery (formerly Tie Limited)	0	0	(1)	0	(1)
Marketing Edinburgh	57	0	0	374	0
Energy for Edinburgh	0	(16)	0	0	0
Telford NHT	0	(11)	203	(11)	17

LFPE Limited and LPFI Limited are corporate bodies wholly owned by the City of Edinburgh Council. Both bodies' accounts are consolidated in the annual accounts of Lothian Pension Fund.

Lothian Pension Fund	5,362	0	(4,084)	5,656	(6,081)
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Scottish Government

The Scottish Government has control over the general operations of the Council. It outlines the statutory framework in which the Council operates, specifies the terms of various transactions that the Council has with other parties such as council tax, and provides the majority of the Council's funding through grants. Grants received from government are shown in the Note 35. Grant Income.

Scottish Government	949	(7,274)	107,273	(2,036)	40,984
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NOTES TO THE FINANCIAL STATEMENTS

36. Related Parties - continued

	2021/22 Expenditure	2021/22 Income	2021/22 Debtor / (Creditor)	2020/21 Net Expenditure / (Income)	2020/21 Debtor / (Creditor)
	£000	£000	£000	£000	£000

Other Public Bodies

If a public body has had a related party transaction during the year, IAS 24 requires information to be disclosed about the transactions and any outstanding balances. Of the bodies sampled, the most common transactions related to loans and grants, and the rendering or receiving of services.

Business Stream	2,106	0	322	1,815	0
Criminal Justice Bodies	491	0	0	590	0
NHS Bodies	2,996	(29,467)	2,515	(27,871)	29,852
Other Local Authorities	4,612	(2,799)	298	253	93
Police Scotland	126	(1,019)	9,482	(1,019)	10,138
Scottish Police Authority	162	0	0	1,206	0
Scottish Fire and Rescue Service	65	(2)	(14)	0	(86)
Scottish Qualifications Authority	1,492	0	0	1,504	0
Scottish Water	334	(17)	71	(5)	73
Transport Scotland	0	(706)	66	(14)	635

Members Interest

Under the Council Code of Conduct, elected members must declare any registered interests in any bodies where the Council *itself* does not have significant influence over their operations. Each member's Register of Interest is available in the Your Councillors section of the City of Edinburgh Council website.

In 2021/22, the Council made payments totalling £29.123m to 40 bodies where members hold an interest, i.e. they held or hold a position where they have significant influence or control. Material payments (in excess of £0.250m) have been detailed below:

Autism Initiative UK	5,609	0	(4)	5,219	0
Bethany Christian Trust	1,257	(264)	10	979	(72)
Church of Scotland	488	(38)	0	352	0
Dean and Cauvin Charitable Trust	1,061	0	0	905	(4)
Lifecare Edinburgh	457	0	0	404	0
Port of Leith Housing	16,466	(2)	0	2,190	0
Royal Blind Asylum and School	682	0	(75)	983	0
The Citadel Youth Centre	275	0	0	294	0
University of Edinburgh	595	(307)	22	246	22

Other Organisations

Other related parties include bodies in which the Council has an interest in collaboration with other local authorities, but are not Associates together with bodies to which the Council provides substantial funding or in which it holds a significant interest.

Edinburgh International Festival Society	1,926	0	44	2,026	0
Edinburgh School Partnership	19,784	0	(44,470)	17,778	(46,894)
Edinburgh Vol. Org. Council	448	0	0	810	(62)
Handicab	370	0	112	499	248
Hubco	15,967	0	(19)	10,482	(1,635)
South East of Scotland Transport Partnership	0	(12)	601	(12)	483
SUSTRANS	11	(4,235)	3,053	(7,981)	6,212

NOTES TO THE FINANCIAL STATEMENTS

36. Related Parties - continued

Senior Officers

Senior Officers have control over the Council's financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report. In 2021/22, two senior officers, J. Kramer and R. Carr were employed by external companies, details of their salary and additional costs are listed in the Remuneration paid to Senior Officers section of the Remuneration Report

Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that may directly or indirectly influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest would opt out of taking part in any discussion or decisions relating to transactions with these parties.

37. Capital Expenditure and Capital Financing

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

	2021/22		2020/21	
	£000	£000	£000	£000
Opening capital financing requirement		1,749,002		1,676,228
Capital Investment				
Property, plant and equipment	366,838		257,267	
Heritage Assets	2,664		672	
Assets held for sale	1,645		227	
Capital Receipts transferred to Capital Fund (see note 33.4)	0		2,000	
Edinburgh Living LLP - Consent to borrow	4,167		19,313	
Revenue expenditure funded from capital under statute	58,593		51,107	
PPP Lease Agreements Recognised In-Year	990		1,983	
		434,897		332,569
Sources of Finance				
Capital receipts	(16,442)		(27,388)	
Capital Funded from Current Revenue	(15,043)		(13,658)	
Government grants and other contributions	(145,561)		(138,389)	
PPP schools -				
- under construction and lifecycle additions	(990)		(1,983)	
Loans fund / finance lease repayments	(102,997)		(78,377)	
		(281,033)		(259,795)
Closing capital financing requirement		<u>1,902,866</u>		<u>1,749,002</u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow or fund from credit arrangements		152,874		70,650
Assets acquired under finance leases		990		2,124
(Decrease) / Increase in capital financing requirement		<u>153,864</u>		<u>72,774</u>

NOTES TO THE FINANCIAL STATEMENTS

38. Leases

38.1 Assets Leased in - Finance Leases

Policy

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

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

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

Note

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

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd have adopted the accounting standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is going to adopt IFRS 16 from 1 April 2022, therefore consolidation adjustments have been made to the finance lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	33,612	8,240	37,906	9,986
Additions during the year	24,943	63	141	141
Depreciation charge for the year	(6,542)	(1,945)	(4,435)	(1,887)
Value at 31 March	52,013	6,358	33,612	8,240
Vehicles, plant, equipment and furniture	52,013	6,358	33,612	8,240
Value at 31 March	52,013	6,358	33,612	8,240
Analysed by:	£000	£000	£000	£000
Current	12,842	1,569	11,997	1,937
Non-Current	23,434	4,789	13,535	6,303
Finance costs payable in future years	1,634	599	1,390	774
	37,910	6,957	26,922	9,014
Finance Lease Liabilities	£000	£000	£000	£000
Within one year	13,368	1,696	12,525	2,117
Between 2 and 5 years	21,681	2,400	11,050	3,550
Over 5 years	2,861	2,861	3,347	3,347
Total liabilities	37,910	6,957	26,922	9,014

38.2 Assets Leased in - Operating Leases

Policy

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

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

NOTES TO THE FINANCIAL STATEMENTS

38. Leases - continued

38.2 Assets Leased in - Operating Leases - continued

Note

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

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

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

	2021/22		2020/21	
	Group	Council	Group	Council
Future Repayment Period	£000	£000	£000	£000
Not later than one year	10,571	1,316	10,072	845
Later than one year and not later than five years	39,868	3,262	38,372	1,590
Later than five years	28,368	851	62,963	915
	78,807	5,429	111,407	3,350
Value at 31 March				
Other land and buildings	12,934	2,962	13,460	2,919
Vehicles, plant, equipment and furniture	65,873	2,467	97,947	431
	78,807	5,429	111,407	3,350
Recognised as an expense during the year	9,094	1,259	10,576	1,313

38.3 Assets Leased Out by the Council - Operating Leases

Policy

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

Note

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

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

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

	2021/22	2020/21
	£000	£000
Not later than one year	21,043	21,133
Later than one year and not later than five years	72,312	74,149
Later than five years	319,292	324,515
Total liabilities	412,648	419,797

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

NOTES TO THE FINANCIAL STATEMENTS

39. Public Private Partnerships and Similar Contracts

39.1 PPP, Finance Lease and Other Liabilities

		2021/22		2020/21	
		Group	Council	Group	Council
Short Term Creditors	Note	£000	£000	£000	£000
PPP Residual Waste	39.2	2,607	2,607	2,606	2,606
PPP Education	39.3	8,772	8,772	9,318	9,318
Finance Leases	38.1	12,842	1,569	11,997	1,937
		<u>24,221</u>	<u>12,948</u>	<u>23,921</u>	<u>13,861</u>
Other Long-Term Liabilities					
PPP Residual Waste	39.2	23,673	23,673	23,987	23,987
PPP Residual Waste Donated Asset	39.2	50,452	50,452	52,745	52,745
PPP Education	39.3	197,615	197,615	203,597	203,597
PPP Queensferry High School - Phase 2		0	0	1,983	1,983
Finance Leases	38.1	23,434	4,789	13,535	6,303
Group other liabilities		532	0	2,020	0
		<u>295,706</u>	<u>276,529</u>	<u>297,867</u>	<u>288,615</u>

39.2 PPP - Residual Waste

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

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

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000	Donated Asset £000
Payable in 2022/23	4,242	314	3,690	8,245	2,293
Within two to five years	18,389	1,271	14,288	33,948	9,173
Within six to ten years	25,960	2,168	16,673	44,802	11,466
Within eleven to fifteen years	28,774	4,795	14,184	47,754	11,466
Within sixteen to twenty years	32,799	9,150	9,144	51,093	11,466
Within twenty one to twenty five years	14,952	6,288	1,296	22,536	6,880
	<u>125,117</u>	<u>23,986</u>	<u>59,275</u>	<u>208,378</u>	<u>52,745</u>

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

NOTES TO THE FINANCIAL STATEMENTS

39. Public Private Partnerships and Similar Contracts - continued

39.3 PPP - Education Projects

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

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

In December 2013, the Council entered into 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 into an agreement with QHS DBFMCO Ltd for the provision of a new building for Queensferry High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with QHS DBFMCO Ltd. The concession is due to terminate in March 2045.

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

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2022/23	23,413	8,772	19,014	51,199
Payable within two to five years	101,249	38,235	72,063	211,546
Payable within six to ten years	141,839	60,173	78,406	280,418
Payable within eleven to fifteen years	107,640	59,811	55,024	222,475
Payable within sixteen to twenty years	32,847	31,113	15,444	79,405
Payable within twenty one to twenty five years	1,787	8,282	1,833	11,903
	408,776	206,387	241,784	856,946

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 and Queensferry High School schemes, 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:

	2021/22 £000	2020/21 £000
Balance at 1 April	212,915	187,859
PPP unitary charge restatement adjustment	4	0
Additions during the year	2,973	34,594
Repayments during the year	(9,505)	(9,538)
Balance at 31 March	206,387	212,915

NOTES TO THE FINANCIAL STATEMENTS

39. Public Private Partnerships and Similar Contracts - continued

39.4 Provision of Information Technology services

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

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

Future Repayment		Inflationary
Period	£000	Uplift
2022/23	23,489	2.5%
2023/24 - 2028/29	138,283	2.5%
	<u>161,772</u>	

39.5 Provision of Parking Enforcement

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

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

Future Repayment	£000
Period	
2022/23	7,165
2023/24 - 2024/25	10,748
	17,913

39.6 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £35.232m.

40. Pension schemes accounted for as defined contribution schemes

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

	2021/22		2020/21	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	37,327		36,657	
As a percentage of teachers' pensionable pay		23.00		23.00
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards	13,086		15,012	

At 31 March 2022, creditors include £4.408m (2020/21 £4.292m) in respect of teachers' superannuation.

41. Defined Pension Schemes

41.1 Participation in Pension Scheme

The Council is operating as an administering authority for the Local Government Pension Scheme.

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

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

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.1 Participation in Pension Scheme - continued

In terms of this scheme, in 2021/22 the Council paid an employer's contribution of £69.915m (2020/21 £66.934m) into the Lothian Pension Fund, representing 22.7% (2020/21 22.7%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The data is based on the valuations as at March 2020, at which point the funding level (i.e. the percentage of assets to past service liabilities) was 106%.

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

41.2 Transactions Relating to Post-Employment Benefits

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

	2021/22		2020/21	
Comprehensive Income and Expenditure Statement	£000	£000	£000	£000
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	151,054		103,848	
Past service costs	1,708		2,326	
		152,762		106,174
<i>Financing and investment income:</i>				
Net interest expense		14,157		12,410
Total post employee benefit charged to the surplus on the provision of services		166,919		118,584
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(300,836)		(399,005)	
Actuarial (gains) and losses arising on changes in financial assumptions	(258,047)		712,967	
Actuarial (gains) and losses arising on changes in demographic assumptions	(23,834)		(167,174)	
Other experience	3,611		(45,173)	
		(579,106)		101,615
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		(412,187)		220,199
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.		(166,919)		(118,584)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		71,970		68,031
Contributions in respect of unfunded benefits		4,821		5,201
		76,791		73,232

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2021/22 £000	2020/21 £000
Fair value of employer assets	3,613,502	3,250,790
Present value of funded liabilities	(3,735,433)	(3,853,353)
Present value of unfunded liabilities	(59,593)	(67,939)
Net liability arising from defined benefit obligation	<u>(181,524)</u>	<u>(670,502)</u>

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

	2021/22 £000	2020/21 £000
Opening fair value of scheme assets	3,250,790	2,843,437
Effect of settlements	0	0
Interest income	64,940	65,250
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	300,836	399,005
Contributions from employer	71,970	68,031
Contributions from employees into the scheme	18,924	18,249
Contributions in respect of unfunded benefits	4,821	5,201
Other Experience	0	(47,851)
Benefits paid	(93,958)	(95,331)
Unfunded benefits paid	(4,821)	(5,201)
Closing fair value of scheme assets	<u>3,613,502</u>	<u>3,250,790</u>

Reconciliation of Present Value of the Scheme Liabilities

	2021/22 £000	2020/21 £000
Present value of funded liabilities	(3,853,353)	(3,296,740)
Present value of unfunded liabilities	(67,939)	(70,232)
Opening balance at 1 April	(3,921,292)	(3,366,972)
Current service cost	(151,054)	(103,848)
Interest cost	(79,097)	(77,660)
Contributions from employees into the scheme	(18,924)	(18,249)
Re-measurement gain / (loss):		
Change in financial assumptions	258,047	(712,967)
Change in demographic assumptions	23,834	167,174
Other experience	(3,611)	93,024
Past service (cost) / gain	(1,708)	(2,326)
Benefits paid	93,958	95,331
Unfunded benefits paid	4,821	5,201
Closing balance at 31 March	<u>(3,795,026)</u>	<u>(3,921,292)</u>

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.5 Fair Value of Employer Assets

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

	2021/22 £000	%	2020/21 £000	%
Consumer *	444,542	12	406,173	12
Manufacturing *	478,232	13	474,653	15
Energy and Utilities *	199,485	6	175,030	5
Financial Institutions *	208,262	6	221,518	7
Health and Care *	250,308	7	221,555	7
Information technology *	164,196	5	155,331	5
Other *	269,398	7	260,975	8
Sub-total Equity Securities	2,014,421		1,915,234	
Debt Securities:				
UK Government *	315,561	9	196,096	6
Corporate Bonds (investment grade) *	0	0	0	0
Corporate Bonds (investment grade)	0	0	1,767	0
Other	67,777	2	0	0
Sub-total Debt Securities	383,338		197,863	
Private Equity				
All *	379	0	0	0
All	16,612	0	509,731	16
Sub-total Private Equity	16,991		509,731	
Real Estate:				
UK Property *	33,644	1	0	0
UK Property	157,382	4	169,910	5
Overseas Property	1,018	0	1,218	0
Sub-total Real Estate	192,044		171,127	
Investment Funds and Unit Trusts:				
Equities *	62,115	2	46,753	2
Equities	2,792	0	0	0
Bonds *	67,906	2	72,141	2
Bonds	101,306	3	0	0
Infrastructure	366,372	10	2,608	0
Sub-total Investment Funds and Unit Trusts	600,490		121,502	
Derivatives:				
Foreign Exchange *	172	0	(346)	0
Sub-total Derivatives	172		(346)	
Cash and Cash Equivalents				
All *	406,046	11	335,679	10
Sub-total Cash and Cash Equivalents	406,046		335,679	
Total Fair Value of Employer Assets	3,613,502	100	3,250,790	100

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

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2022 were those from the beginning of the year (i.e. 31 March 2021) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 31 March 2021 to 28 February 2022	(8.40%)
Total return for period from 1 April 2021 to 31 March 2022	(11.30%)

Average future life expectancies at age 65:

		31.03.22	31.03.21
Current pensioners	male	20.3 years	20.5 years
Current pensioners	female	23.1 years	23.3 years
Future pensioners	male	21.6 years	21.9 years
Future pensioners	female	25.0 years	25.2 years
Period ended		31.03.22	31.03.21
Pension increase rate		3.20%	2.85%
Salary Increase rate		3.70%	3.35%
Discount rate		2.70%	2.00%

As at the date of the most recent valuation, the duration of the Employer's funded obligations is 19 years.

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2022 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

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

Change in assumptions at 31 March 2022	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	2%	70,538
1 year increase in member life expectancy	4%	151,801
0.1% increase in the Salary Increase Rate	0%	6,812
0.1% increase in the Pension Increase Rate	2%	63,186

41.7 Impact on the Council's Cash Flows

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

41.8 Information about the defined benefit obligation

	£000	%
Active members	1,777,085	47.6%
Deferred members	554,883	14.9%
Pensioner members	1,403,465	37.6%
Total	3,735,433	100.0%

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.8 Information about the defined benefit obligation - continued

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

The unfunded pensioner liability at 31 March 2022 comprises approximately £46.507m (2020/21 £52.927m) in respect of LGPS unfunded pensions and £13.086m (2020/21 £15.012m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2022, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

41.9 Pension Reserves - Group Position

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

	2021/22 Pension Reserve £000	2020/21 Pension Reserve £000
Unusable Reserves		
Council	(181,524)	(670,502)
Lothian Valuation Joint Board	(1,035)	(4,934)
	<u>(182,559)</u>	<u>(675,436)</u>
Usable Reserves		
Edinburgh Leisure	(2,172)	(2,172)
Transport for Edinburgh Ltd	51,733	(23,514)
	<u>49,561</u>	<u>(25,686)</u>
Net Pension Reserves	<u>(132,998)</u>	<u>(701,122)</u>

41.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2023

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(134,280)	(134,280)	(45.7%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(134,280)	(134,280)	(45.7%)
Interest income on plan assets	97,409	0	97,409	33.1%
Interest cost on defined benefit obligation	0	(103,150)	(103,150)	(35.1%)
Total Net Interest Cost	97,409	(103,150)	(5,741)	(2.0%)
Total included in Profit or Loss	<u>97,409</u>	<u>(237,430)</u>	<u>(140,021)</u>	<u>(47.7%)</u>

The Council's estimated contribution to Lothian Pension Fund for 2022/23 is £66.711m.

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £1.598m, including accrued payments (2020/21 £1.194m).

41.12 Further Information

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

42. Financial Instruments

Policy

Classifications

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

Financial Liabilities

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

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

- long-term loans from the Public Works Loan Board and commercial lenders,
- lease payables detailed in note 38,
- PPP contracts detailed in note 39, and
- trade payables for goods and services received.

Financial Assets

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

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

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

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

- money market funds

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

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.1 Categories of Financial Instruments

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

	2021/22		Re-stated 2020/21	
	Long-Term £000	Current £000	Long-Term £000	Current £000
Assets				
At amortised cost				
- Bank Call Accounts (Note 21)	0	56,129	0	112,212
- Local Authority Loans - S-T (Note 22.2)	0	10,654	0	31,571
- Local Authority Deposits - S-T (Note 21)	0	24,777	0	75,169
- Sovereign / Supranational debt	0	143,887	0	0
		<u>235,447</u>		<u>218,952</u>
At fair value through profit and loss				
- Money Market Funds	0	39,633	0	85,691
	<u>0</u>	<u>39,633</u>	<u>0</u>	<u>85,691</u>
Total Financial Instruments - Assets	0	275,080	0	304,643
The Investment total does not include £21.1m (2020/21 £21.1m) in unquoted equity in subsidiary companies which are not deemed to be Financial Instruments.				
Debtors				
At amortised cost	<u>143,258</u>	<u>151,737</u>	<u>181,940</u>	<u>85,677</u>
Total debtors	143,258	151,737	181,940	85,677
Borrowings				
- Public Works Loans Board	(1,152,648)	(64,538)	(1,000,544)	(62,672)
- Salix	(221)	(233)	(454)	(268)
- Market debt	<u>(300,163)</u>	<u>(5,682)</u>	<u>(302,007)</u>	<u>(5,648)</u>
Total borrowings	<u>(1,453,032)</u>	<u>(70,453)</u>	<u>(1,303,005)</u>	<u>(68,588)</u>
Other Liabilities				
Financial liabilities at amortised cost	0	(40,113)	0	(19,217)
PPP and finance lease liabilities	(226,077)	(10,655)	(235,870)	(11,568)
PPP and finance lease liabilities (donated assets)	(50,452)	(2,293)	(52,745)	(2,293)
Deferred liability	<u>(62,144)</u>	<u>0</u>	<u>(39,964)</u>	<u>0</u>
Total other long-term liabilities	<u>(338,673)</u>	<u>(53,061)</u>	<u>(328,579)</u>	<u>(33,078)</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.1 Categories of Financial Instruments - continued

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

Further detail on the finance lease and PPP liabilities can be seen in notes 38 and 39.

42.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Measured at Amortised Cost £000	Fair Value through Profit / Loss £000	Total £000
Interest expense	58,478	0	0	58,478
Interest on leases	18,277	0	0	18,277
Total expense in Surplus on the Provision of Services	76,755	0	0	76,755
Interest income	0	(312)	(23)	(335)
Total Interest and investment income	0	(312)	(23)	(335)
Net (gain) / loss for the year	76,755	(312)	(23)	76,420

In addition to the above interest expense, £3.008m (2020/21 £3.008m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.193m (2020/21 £0.118m) of loans fund expenses charged to the Council.

Dividend income of £nil (2020/21 £1.75m) was received from a subsidiary council company.

42.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

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

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.3 Fair Value of Assets and Liabilities - continued

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

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

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

The fair values are calculated as follows:

	Fair Value Level	2021/22		2020/21		
		Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000	£000
Public Works Loans Board	2	(1,205,738)	(1,217,185)	(1,313,405)	(1,063,216)	(1,345,200)
Salix	2	(463)	(454)	(452)	(722)	(736)
Market debt	2	(293,173)	(305,845)	(448,848)	(307,655)	(513,134)
Borrowings		(1,499,374)	(1,523,485)	(1,762,704)	(1,371,593)	(1,859,070)
Other long-term liabilities	n/a	(62,144)	(62,144)	(62,144)	(62,144)	(62,144)
Trade creditors	n/a	(40,113)	(40,113)	(40,113)	(40,113)	(19,218)
PPP and Finance Leases	3	(289,477)	(289,477)	(337,807)	(302,476)	(391,022)
Financial liabilities		<u>(1,891,108)</u>	<u>(1,915,219)</u>	<u>(2,202,768)</u>	<u>(1,776,326)</u>	<u>(2,331,454)</u>

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

	Fair Value Level	2021/22		2020/21	
		Fair Value	Carrying Amount	Fair Value	Carrying Amount
		£000	£000	£000	£000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	39,633	39,633	85,691	85,691
		<u>39,633</u>	<u>39,633</u>	<u>85,691</u>	<u>85,691</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	56,129	56,132	112,212	112,211
Local Authority Loans	2	35,431	35,391	106,740	106,749
Sovereign / Supranational debt	1 / 2	143,886	144,096	0	0
		<u>235,446</u>	<u>235,619</u>	<u>218,952</u>	<u>218,960</u>
Debtors					
Loan Stock	n/a	2,240	2,240	2,240	2,240
Soft Loans	3	53	53	58	58
Other trade debtors	n/a	151,737	151,737	85,677	85,677
		<u>154,030</u>	<u>154,030</u>	<u>87,975</u>	<u>87,975</u>
Total Investments		<u>429,109</u>	<u>429,282</u>	<u>392,618</u>	<u>392,626</u>

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.4 Financial Assets classified as Fair Value through Profit and Loss

	Fair Value Level	2021/22	Fair Value £000	2020/21	Fair Value £000
		Carrying Amount £000		Carrying Amount £000	
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	39,633	39,633	85,691	85,691
		<u>39,633</u>	<u>39,633</u>	<u>85,691</u>	<u>85,691</u>

There was no unrealised gain on the available for sale financial assets (2020/21 £nil).

43. Nature and Extent of Risks Arising from Financial Instruments

43.1 Overall Procedures for Managing Risk

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 17 March 2022 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2022/23 has been set at £2.226bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2022/23 has been set at £2.216bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.

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

43.2 Key Risks

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

43.3 Credit Risk

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

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

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills, short dated UK Government Gilts and short dated EIB and other commercial Paper. At 31 March 2022, the Council had £75.5m in short term investments, split between loans to other local authorities, UK Treasury Bills, UK Gilts and EIB Commercial Paper. Of the net Cash and Cash Equivalents, 12.5% were loans to other local authorities, a further 20.0% was held in three AAA rated Money Market Funds, 39.1% was with the UK Government, leaving 28.3% with banks. All of the monies held on deposit with banks at 31 March 2022 were in call or near call accounts.

The principal outstanding on monies held by the Council under its treasury management arrangements at 31 March 2022 was £275.0m (31 March 2021: £261.3m). This was held with the following institutions:

Summary	Standard and Poor's Rating	Principal Outstanding 31.03.22 £000	Carry Value 31.03.22 £000	Fair Value 31.03.22 £000	Carry Value 31.03.21 £000
Money Market Funds					
Deutsche Bank AG, London	AAAm	10,267	10,274	10,274	39,523
Goldman Sachs	AAAm	7,184	7,187	7,187	3
Standard Life	AAAm	22,168	22,172	22,172	2,870
Bank Call Accounts					
Bank of Scotland	A	27,407	27,416	27,416	30,576
Royal Bank of Scotland	A	1,244	1,244	1,244	23,473
Santander UK	A	27	27	27	30,581
Barclays Bank	A	14	14	14	16
Handelsbanken	AA-	16	16	16	0
HSBC Bank Plc 31 dn	A+	24,322	24,327	24,330	27,561
HSBC Bank Plc	A+	3,084	3,085	3,085	5
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	35,410	35,431	35,391	106,740
Supranational CP	AAA	21,146	21,153	21,302	0
DMADF	AAu	56,145	56,148	56,148	0
UK Government Treasury Bills/Gilts	AAu	66,539	66,586	66,645	0
Total		274,973	275,079	275,253	261,348

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2022 would have been 'AA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £56.13m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. There was no evidence at 31 March 2022 that this risk was likely to crystallise.

NOTES TO THE FINANCIAL STATEMENTS

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

43.3 Credit Risk - continued

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

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2022 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2022 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2022. This is available on request from corporate.finance2@edinburgh.gov.uk, marked for the attention of Treasury.

All Council invoices become due for payment on issue. Excluding pre-payments of £2.062m (2020/21 £4.088m), trade debtors past due date can be analysed by age as follows:

	2021/22 £000	2020/21 £000
Less than two months	15,135	20,330
Two to four months	1,334	3,498
Four to six months	1,268	2,360
Six months to one year	4,654	5,164
More than one year	8,584	9,919
Total	30,976	41,270

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

Credit Risk: Trade Debtors

Loss allowances on debtors have been calculated by reference to the Council's historic experience of default. The Council will continue to take appropriate and proportionate action to recover what is due even where the related debts are written off for the purposes of the financial statements.

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

		31.03.22	
		Gross	Loss
	Range	Receivable	Allowance
Council Tax	3.5% - 100%	222,929	(205,532)
Non Domestic Rates	1% - 100%	5,195	(4,596)
HRA tenants and other debtors	5% - 95%	12,215	(10,779)
Housing Benefits	75% - 85%	28,085	(23,191)
Trade and Other Debtors	10% - 100%	54,291	(10,461)
Total		322,715	(254,559)

43.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs.

NOTES TO THE FINANCIAL STATEMENTS

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

43.4 Liquidity risk - continued

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

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

43.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 43.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

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

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

	2021/22 £000	2020/21 £000
Less than one year	(68,048)	(66,726)
Between one and two years	(56,764)	(65,057)
Between two and five years	(226,989)	(191,282)
Between five and ten years	(216,668)	(236,341)
More than ten years	<u>(1,220,381)</u>	<u>(1,090,115)</u>
Financial Liabilities	<u>(1,788,850)</u>	<u>(1,649,521)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £40.113m (2020/21 £19.008m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £15.358m (2020/21 £15.733m) nor net equivalent interest rate (EIR) adjustments of £8.763m (2020/21 £8.834m) to the carrying amounts of market debt shown in the financial liabilities are included.

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

43.6 Market risk

Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

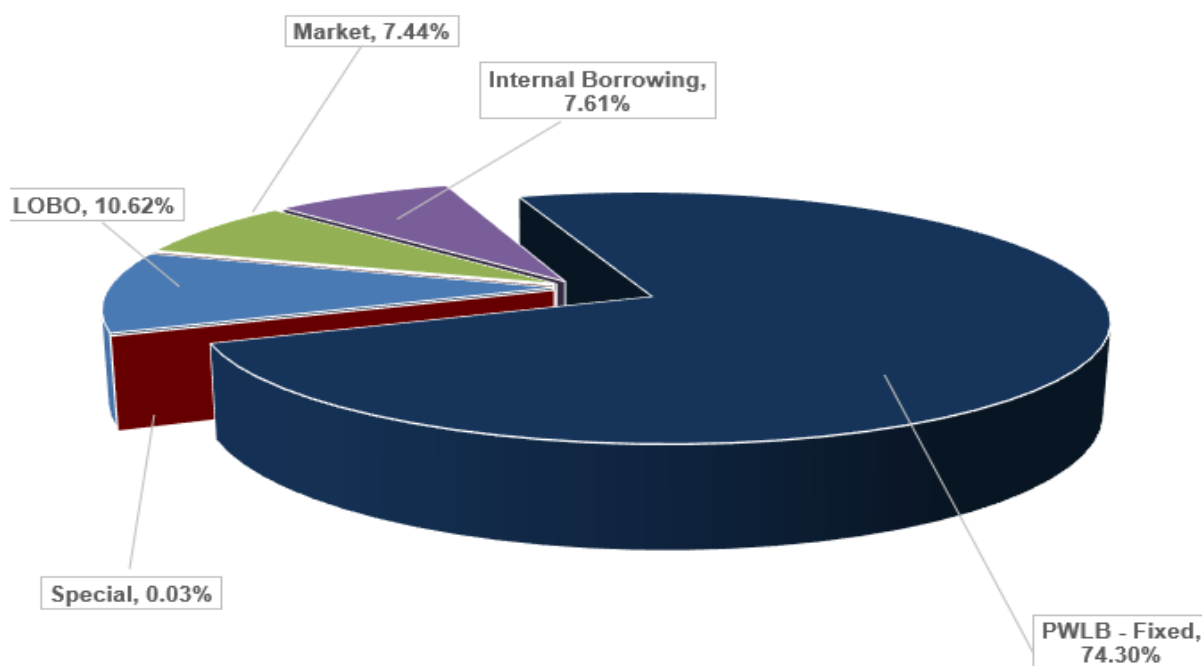
43. Nature and Extent of Risks Arising from Financial Instruments - continued

43.6 Market risk - continued

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

The Council has a number of strategies for managing interest rate risk. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. The Council has run such a strategy over the last three years, borrowing £500m in fixed rate loans at historically low interest rates.

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



Sources of Borrowing 2021/22

NOTES TO THE FINANCIAL STATEMENTS

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

43.6 Market risk - continued

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

	£000
Increase in interest receivable on variable rate investments	(1,932)
Impact on Comprehensive Income and Expenditure Statement	(1,932)
Decrease in fair value of fixed rate borrowings liabilities	(239,143)

Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £21.105m (2020/21 £21.105m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

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

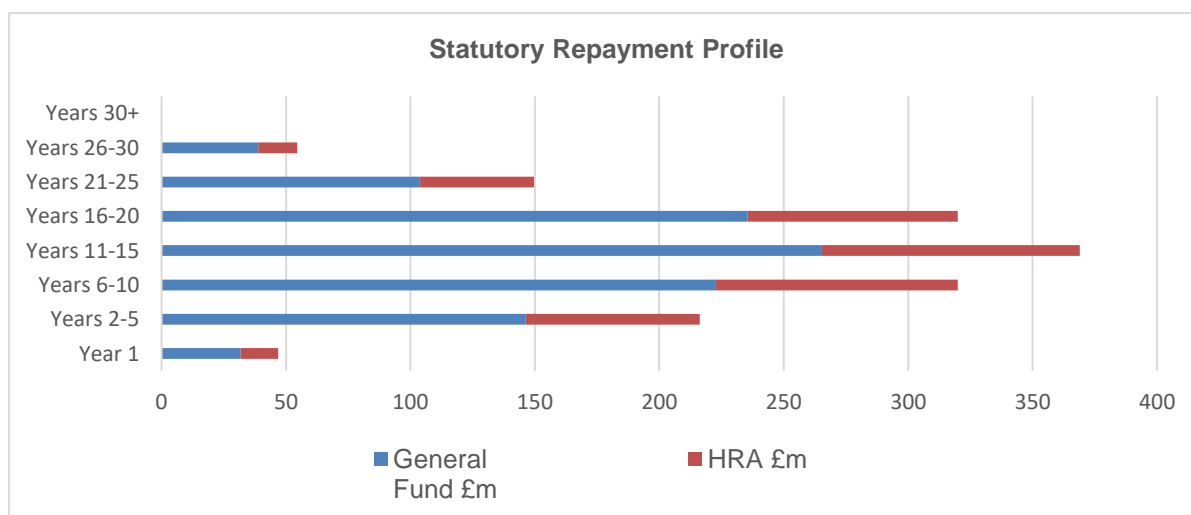
Foreign exchange risk

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

43.7 Repayment Profile

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

The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund. As part of the 2020/21 budget process the Council received a report on the review carried out on the loans fund. The report recommended changes in the method of calculating loans fund repayments for current and historical capital advances. Those changes mean that the repayments for both historical and new capital advances (with the exception of those detailed below) will be calculated using the Asset Life method. For capital advances relating to loans to the Edinburgh Living LLPs and capital advances for the "Trams to Newhaven" project, all advances from the loans fund in the current year have a repayment profile set out using the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments. The business cases brought forward for other projects involving major capital expenditure funded by borrowing will consider the appropriate repayment method depending on the structure of the business case. The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend.



NOTES TO THE FINANCIAL STATEMENTS

44. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to six, with approval also granted to wind up the Boyd Anderson Trust.

44.1 The funds are:

	Scottish Charity Registration Number	Market Value 31.03.22 £000	Market Value 31.03.21 £000
Scottish Registered Charities			
Lauriston Castle	SC020737	7,677	7,673
Jean F. Watson	SC018971	6,753	6,641
Edinburgh Education Trust	SC042754	1,284	1,191
Nelson Halls	SC018946	286	271
The Royal Scots Trust	SC018945	35	33
Boyd Anderson	SC025067	92	96
Total market value		<u>16,127</u>	<u>15,905</u>

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

44.2 Financial Position of the Scottish Registered Charity Funds

2020/21 Income and Expenditure Account £000	2021/22 £000
Income	
71 Investment income	71
295 Other non-investment income	356
<u>366</u>	<u>427</u>
Expenditure	
(306) Prizes, awards and other expenses	(352)
(16) Governance Costs	(17)
<u>(322)</u>	<u>(369)</u>
<u>44</u> Surplus / (Deficit) for the year	<u>58</u>
2020/21 Balance Sheet £000	2021/22 £000
Long-Term Assets	
2,505 Investments	2,668
5,383 Artworks - Jean F Watson Trust	5,419
7,645 Heritable property	7,645
<u>15,533</u> Total Long-Term Assets	<u>15,732</u>
Current Assets	
387 Cash and bank	404
15 Debtors	16
<u>402</u>	<u>420</u>
Current Liabilities	
(30) Creditors	(26)
<u>(30)</u>	<u>(26)</u>
<u>15,905</u> Total Assets less Liabilities	<u>16,127</u>
Funds	
3,497 Capital at 1 April	3,903
44 Surplus / (Deficit) for the year	58
361 Unrealised gains on investments	163
0 Unrealised losses on investments	0
<u>3,903</u>	<u>4,124</u>
12,002 Revaluation reserve	12,002
<u>15,905</u> Funds at 31 March	<u>16,127</u>

Separate Trustee's Reports and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained on the [Council's website](#).

NOTES TO THE FINANCIAL STATEMENTS

45. Prior Period Adjustment

Edinburgh Living MMR LLP

Government grants for acquisition of properties are accounted for on a deferred income basis, which is not aligned to the Council's income recognition policy. The relevant balances in Edinburgh Living's accounts have been adjusted for the prior year on consolidation

	2020/21 Statements £000	Grant Income £000	2020/21 Re-stated £000
Movement in Reserves Statement			
Balance at 31 March 2020	203,643	2,881	206,524
Total Comprehensive Income and Expenditure	(35,940)	2,351	(33,589)
Net increase / (Decrease) before transfers to statutory reserves	(35,940)	2,351	(33,589)
Increase / (Decrease) in year	(32,278)	2,351	(29,927)
Balance at 31 March 2021	171,364	5,233	176,597
Group Comprehensive Income and Expenditure Statement			
Subsidiary companies	26,979	(2,351)	24,628
Cost of Service	1,124,707	(2,351)	1,122,356
(Surplus) / Deficit on provision of service	(64,680)	(2,351)	(67,031)
Group (Surplus) / Deficit	(77,415)	(2,351)	(79,766)
Total Comprehensive Income	(353,809)	(2,351)	(356,160)
Group Balance Sheet			
Short-Term Creditors	(284,854)	133	(284,721)
Other Long-term Liabilities	(302,968)	5,101	(297,867)
Net Assets	3,454,238	5,233	3,459,471
Usable Reserves	417,227	5,233	422,460

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2022

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

2020/21 £000	EXPENDITURE	2021/22 £000	£000
24,749	Repairs and maintenance	29,357	
22,706	Supervision and management	23,318	
40,953	Depreciation and impairment of non-current assets	36,666	
10,347	Other expenditure	9,097	
2,662	Impairment of debtors	1,731	
<u>101,417</u>			100,169
	INCOME		
(100,924)	Dwelling rents	(100,407)	
(29)	Non-Dwelling rents (gross)	(69)	
<u>(3,870)</u>	Other income	<u>(6,236)</u>	
<u>(104,823)</u>			<u>(106,712)</u>
(3,406)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(6,543)
253	HRA share of corporate and democratic core		208
1,265	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		<u>2,509</u>
(1,888)	Net income for HRA Services		(3,826)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(248)	(Gain) / loss on sale of HRA fixed assets	(2,086)	
16,509	Interest payable and similar charges	15,977	
2,299	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,169	
(1,164)	Interest and investment income	(209)	
(1,933)	Interest income on plan assets (<i>pension-related</i>)	(1,781)	
<u>(22,249)</u>	Capital grants and contributions	<u>(20,114)</u>	
<u>(6,786)</u>			<u>(6,044)</u>
<u>(8,674)</u>	Surplus for the year on HRA services		<u>(9,870)</u>

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2020/21 £000		2021/22 £000
0	Balance on the HRA at the end of the previous year	0
8,674	Surplus for the year on the HRA Income and Exp Account	9,870
1,830	Adjustments between accounting basis and funding basis under statute	(1,217)
<u>10,504</u>	Net increase before transfers to reserves	<u>8,653</u>
<u>(10,504)</u>	Contribution (to) / from renewal and repairs fund, via the General Fund	<u>(8,653)</u>
<u>0</u>	Balance on the HRA at the end of the current year	<u>0</u>

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	
40,953	Charges for depreciation and impairment of non-current assets	36,666
(22,249)	Capital grants and contributions applied	(20,114)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(17,130)	Statutory provision for the financing of capital investment	(17,356)
	Adjustments primarily involving the Capital Receipts Reserve	
(248)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,086)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(906)	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	
3,063	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	4,578
(1,721)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,974)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
68	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)
<u>1,830</u>		<u>(1,217)</u>

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2022 are as follows:

Types of Houses	2022		Re-stated 2021	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	285	4,105.00	284	4,132.00
2 Apartment	5,629	4,612.00	5,565	4,619.00
3 Apartment	10,182	5,350.00	10,129	5,353.00
4 Apartment	3,545	6,160.00	3,497	6,168.00
5 Apartment	536	6,606.00	523	6,655.00
6 Apartment	12	6,678.00	10	6,672.00
7 Apartment	4	6,463.00	4	6,463.00
8 Apartment	1	6,463.00	1	6,463.00
Mid-market rent dwellings				
2 Apartment	22	6,005.00	23	6,005.00
3 Apartment	83	7,372.00	84	7,378.00
4 Apartment	22	9,307.00	22	9,307.00
	<u>20,321</u>		<u>20,142</u>	

1. The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.
2. The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £12.115m (£10.447m 2020/21) against which a provision amounting to £10.779m (£9.035m 2020/21), has been created in respect of non collectable debts.
3. The total value of uncollectable void rents for main provision properties was £2.045m (2020/21 £0.948m). This has been netted against rental income.

COUNCIL TAX INCOME ACCOUNT

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

2020/21 £000		2021/22 £000 £000	
(387,802)	Gross council tax levied and contributions in lieu		(392,527)
62,682	Less: - Exemptions and other discounts	63,681	
11,344	- Provision for bad debts	11,475	
28,075	- Council Tax Reduction Scheme	26,124	
5,044	- Other reductions	4,810	
<u>107,145</u>		<u></u>	<u>106,090</u>
(280,657)			(286,437)
<u>(2,839)</u>	Previous years' adjustments		<u>(1,051)</u>
<u>(283,496)</u>	Total transferred to General Fund		<u>(287,488)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 96.8% (2020/21 96.0%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation. Bands E to H were rebased in 2017/18 by the Scottish Government as per the Council Tax Base table below, with no increase applied to Council Tax in 2021/22 (2020/21 4.79%).

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

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

Calculation of the Council Tax Base 2021/22

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	24,502	80	(3,978)	(3,627)	16,977	6/9	11,318	£892.39
B £27,001 - £35,000	48,536	51	(4,027)	(7,214)	37,346	7/9	29,047	£1,041.12
C £35,001 - £45,000	45,719	14	(3,024)	(5,777)	36,932	8/9	32,828	£1,189.86
D £45,001 - £58,000	41,801	65	(2,826)	(4,619)	34,421	9/9	34,421	£1,338.59
E £58,001 - £80,000	43,736	(19)	(3,636)	(3,971)	36,110	473/360	47,445	£1,758.76
F £80,001 - £106,000	26,299	(28)	(1,538)	(2,045)	22,688	585/360	36,868	£2,175.20
G £106,001 - £212,000	22,824	(132)	(493)	(1,328)	20,871	705/360	40,872	£2,621.40
H Over £212,000	4,241	(31)	(125)	(222)	3,863	882/360	9,464	£3,279.54
Total							242,263	
Add: Contributions in Lieu							490	
Less: Provision for Non-Payment							<u>(8,496)</u>	
Council Tax Base							<u>234,257</u>	

NON-DOMESTIC RATES INCOME ACCOUNT

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

2020/21 £000		2021/22 £000	£000
(478,952)	Gross rates levied and contributions in lieu		(470,059)
290,727	Less: - Reliefs and other deductions	235,563	
2,644	- Uncollectable debt written off and provision for impairment	3,360	
<u>293,371</u>			<u>238,923</u>
(185,581)			(231,136)
17,665	Previous years' adjustments		25,642
(167,916)	Net Non-Domestic Rates Income		(205,494)
(167,916)	Non-Domestic Rate Income		(205,494)
	Allocated to:		
(168,636)	Contribution to Non-Domestic Rate Pool		(206,212)
720	City of Edinburgh Council		718
<u>(167,916)</u>			<u>(205,494)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2021	Number	Rateable Value £000
Shops, offices and other commercial subjects	16,042	630,404
Industrial and freight transport	2,841	79,806
Telecommunications	5	21
Public service subjects	361	49,966
Miscellaneous	3,973	172,667
	<u>23,222</u>	<u>932,864</u>

1. The amount distributed to the council from the national non-domestic rate income pool in the year was £188.796m (2020/21 £238.922m).

2. Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 49.0p per £ in 2021/22 (2020/21 49.8p per £).

Properties with a rateable value between £51,001 and £95,000 had their rate charges calculated using the poundage of 50.3p per £ (2020/21 51.1p per £). Properties with rateable value greater than £95,000 had their rate charges calculated using the poundage of 51.6p per £ (2020/21 52.4p).

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

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

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

COMMON GOOD FUND

Common Good Fund Foreword

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

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

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

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

In 2015/16, £2m of the Common Good Fund was earmarked to be utilised to fund a planned property maintenance programme. £123,000 of this funding has been used to fund Scott Monument lighting work and surveys, £33,000 on surveys and work at the City Observatory, £36,000 on engineering consultancy at the Queensferry Harbour, and £13,000 on surveys and work for the Portobello Municipal Clock.

The balance of the Common Good Fund is £2.657m as at 31 March 2022 (£2.669m 2020/21). This is split £0.863m in the fund and £1.794m in the planned property maintenance fund.

During 2021/22, the Common Good made a deficit of £0.012m.

The lease of 329 High Street was completed in January 2020 with a lease premium of £3.036m received in the Common Good. The lease premium is being amortised over the lease term of 125 years. The in-year deficit, as mentioned above, includes a lease premium of £0.024m for 2021/22. Recommendations for the use of the funds from the lease will be presented to the Finance and Resources Committee for approval.

The Common Good Annual Performance Report will be considered by the Finance and Resources Committee in November 2022, along with the Audited Annual Accounts.

COMMON GOOD FUND - INCOME AND EXPENDITURE ACCOUNT

2020/21		2021/22	
£000		£000	£000
Income			
(13) Investment income		(6)	
(271) Rent Income		(285)	
(142) Capital Funding		(1,090)	
(24) Lease Premium		(24)	
(2,566) Recharges Income		(3,321)	
(3,016) Total Income		(4,726)	
Expenditure			
30 Common Good Fund		42	
2,983 Common Good Property Costs		4,696	
3,013 Total Expenditure			4,738
(3) (Surplus) / Deficit for the Year			12

COMMON GOOD FUND - BALANCE SHEET

31 March 2021		31 March 2022	
£000		£000	£000
2,558	Community Assets	3,013	
2,558	Property, Plant and Equipment		3,013
17,823	Long-Term Debtors	17,847	
146	Heritage Assets	144	
17,969	Long-Term Assets		17,991
989	Short-Term Investments	1,867	
9	Debtors	9	
4,653	Cash and Cash Equivalents	3,739	
5,651	Current Assets		5,615
26,178	Net Assets		26,619
23,522	Capital Contribution	23,975	
(13)	Capital Adjustment Account	(13)	
23,509	Unusable Reserves		23,962
854	Common Good Fund	863	
1,815	Earmarked Reserve	1,794	
2,669	Usable Reserves		2,657
26,178	Total Reserves		26,619

The unaudited financial statements were issued on 24 June 2022

HUGH DUNN, CPFA
 Service Director: Finance and Procurement
 Date: 24 June 2022

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 2021	2,558	2,558	146
Restatement	1	1	(1)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	454	454	(1)
At 31 March 2022	3,013	3,013	144
Net Book Value			
At 31 March 2022	3,013	3,013	144
At 31 March 2021	2,558	2,558	146
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

These asset categories are not depreciated.

1.2 Developing a Common Good Register

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

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

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

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

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

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

Work continues to be ongoing to ensure the completeness of the Common Good register, and to reconcile this to the Common Good register of assets for accounting purposes. A further updated draft of the Common Good Asset Register is yet to be finalised because work had to be put on hold during the imposed COVID-19 lockdown. Therefore, at the balance sheet date, the Council's balance sheet may hold heritage assets that belong to the Common Good.

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

2. Unusable Reserves

2.1 Capital Contribution

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

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

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

	2021/22		2020/21	
	£000	£000	£000	£000
Balance at 1 April		23,522		23,522
Movement of assets	0		0	
Upward revaluation of assets	454		0	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(1)		0	
Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus on the Provision of Service		453		0
Derecognition of asset disposals		0		0
Balance at 31 March		23,975		23,522

2.2 Capital Adjustment Account

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

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

	2021/22	2020/21
	£000	£000
Balance at 1 April	(13)	(13)
Movement in Year	0	0
Balance at 31 March	(13)	(13)

ANNUAL GOVERNANCE STATEMENT

Introduction

2021/22 has been a challenging year, with the Covid-19 pandemic remaining prevalent throughout this period but by the end of the year, restrictions ending and a return to 'normality' commencing. The pandemic continued to put strain on the Council's resources, and this was especially so as services resumed and staff returned to offices. The past two years have also been challenging for elected members and officers and the pandemic has placed a significant strain upon Council finances, the workforce, digital and physical assets, along with our supply chain and partners. The Council's governance has been effective during this period although the strains on the system cannot be underestimated. Through robust and effective governance, the Council has been able to respond well to these evolving and increasing challenges, to adapt and evolve the provision of its services and, importantly, to take on additional responsibilities to support local and national responses to Covid-19. The resumption of services and the impact of the pandemic on staff and the wider City will now be a new challenge that the Council must tackle.

The Council has also had to take steps to help refugees impacted from the war in Ukraine. This has involved setting up a project team and has required input from across the Council. Partnership working has been key to this, as well as close co-operation with the UK and Scottish Governments.

Scope of Responsibility

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

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

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 42 of the Accounts.

Council's Strategy and Vision

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

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

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

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

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

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

Decision making structures

Political Governance Arrangements

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

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

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

ANNUAL GOVERNANCE STATEMENT

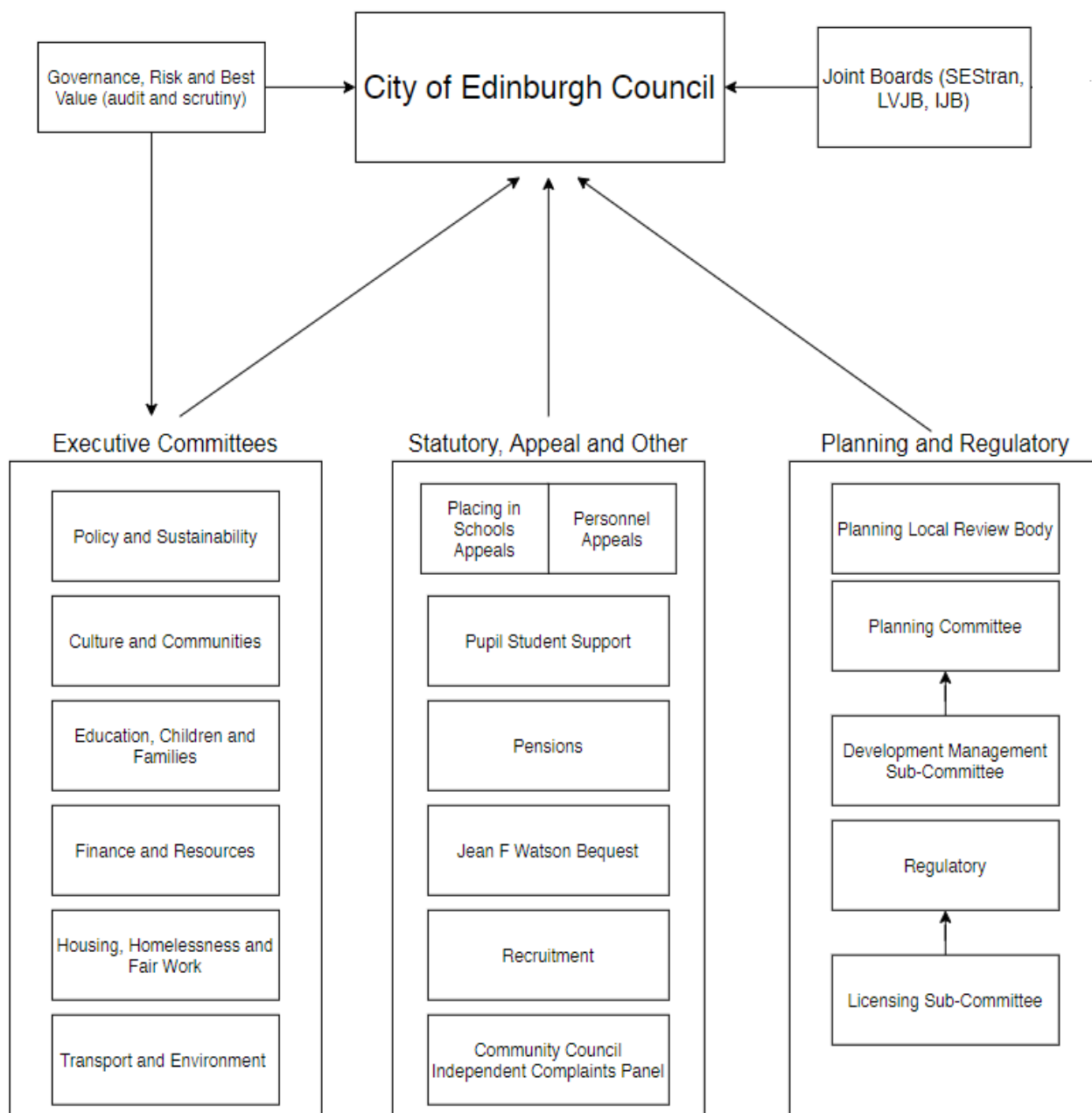


Figure 1.1 Executive Committee Structure

Political Decision Making in Covid-19

The impact of Covid-19 on political decision making in 2021-22 has been minimal. All meetings were re-established, and virtual and hybrid meeting arrangements were put in place to allow meetings to carry on as close to normal as possible. Interim Standing Orders were agreed which took account of the additional pressures that virtual only meetings put on members and attendees of committees.

Officer Decision Making

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

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

ANNUAL GOVERNANCE STATEMENT

Officer Decision Making

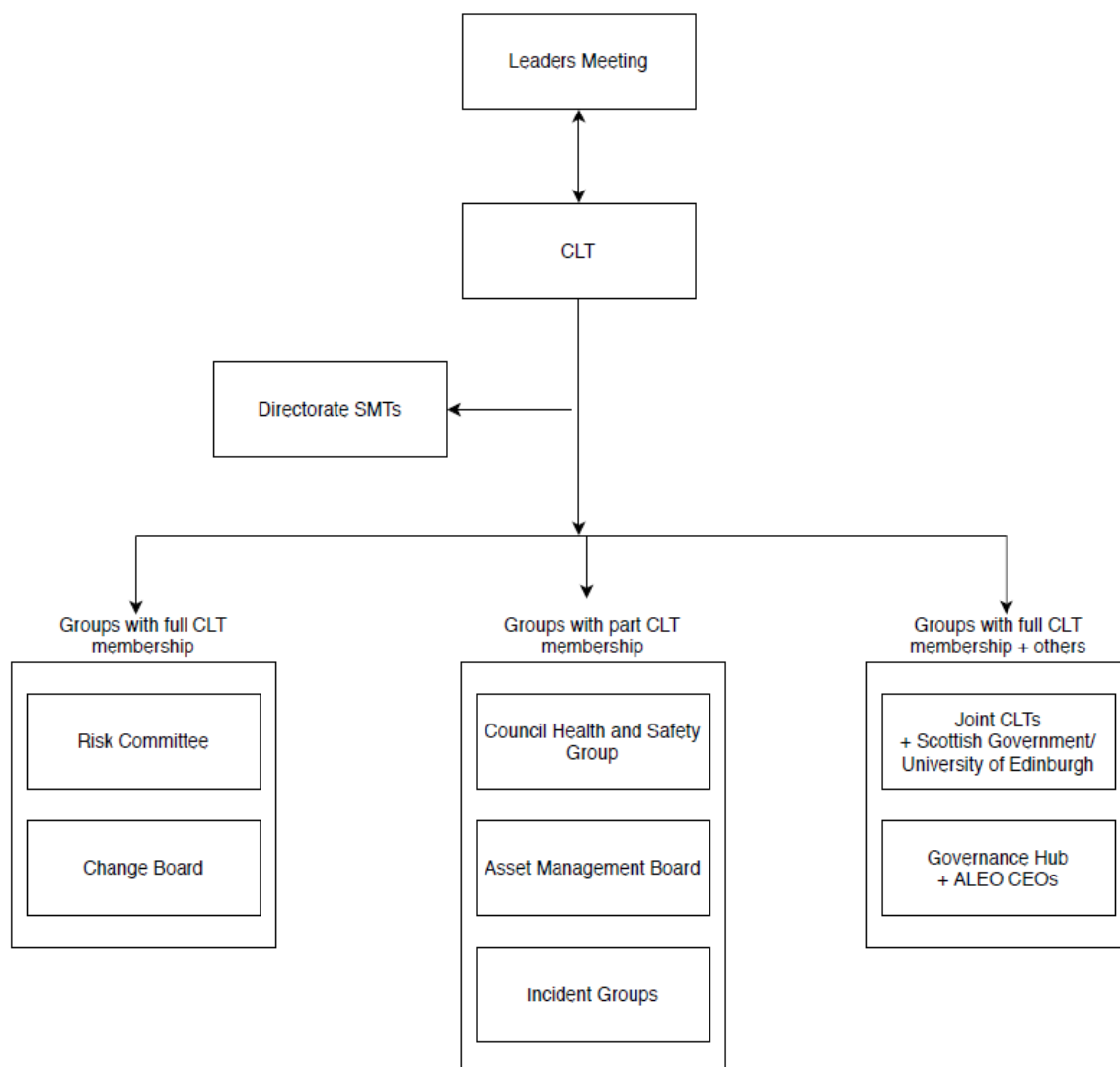


Figure 1.2 - CLT and Senior Management Team (SMTs) Structure

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

Arm's Length External Organisations (ALEOs) reporting in terms of the Annual Governance Statement is reported through assurance schedules being submitted to their relevant directorate. The Executive Director then determines whether they feel it is appropriate for any issues highlighted to be included in their assurance schedules and reported in the Annual Governance Statement.

Covid-19 Officer Decision Making

Decision making during the Covid-19 pandemic has varied depending on the current impact on Council services. As a result, the frequency of meetings varied during 2021-22, until March 2022 when Covid arrangements were reduced to a minimum. The Council's incident management team continues to meet weekly but the impact of Covid-19 on Council services has reduced to a manageable level although the impact on staff absences and the residual impact on some services remains and requires to be closely monitored.

ANNUAL GOVERNANCE STATEMENT

Covid-19 Officer Decision Making

The groups below were all established to respond to, or assisted with dealing with, Covid-19:

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

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

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

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

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

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

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

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

Its five work programmes were as follows:

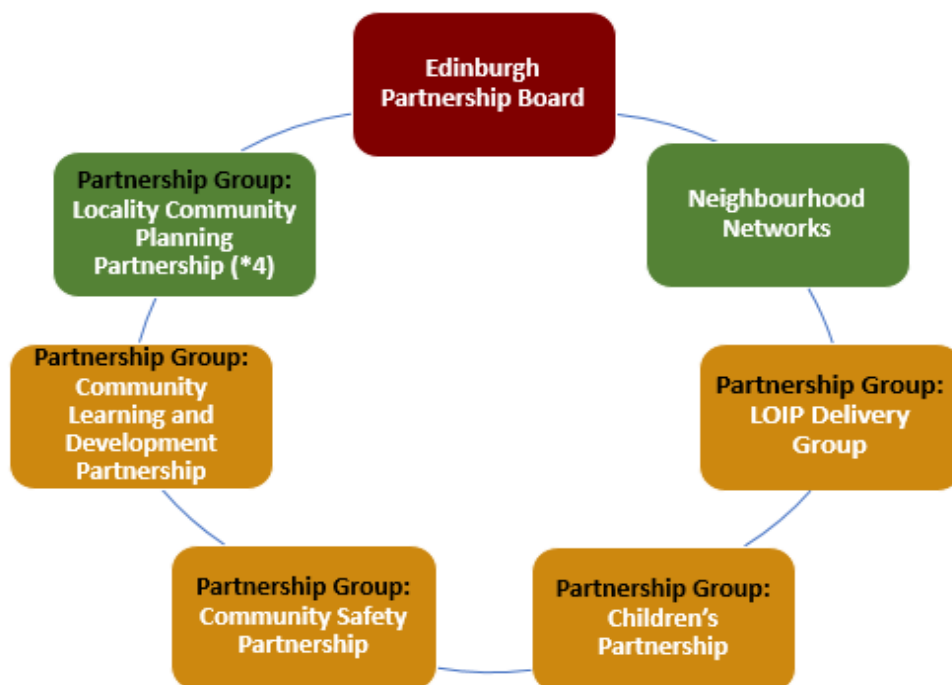
- **Public Health Advisory Board** - This board brought together NHS Lothian and the Edinburgh Health and Social Care Partnership (EHSCP) to ensure the effective communication and implementation of national advice concerning public health.
- **Service Operations** – To consider how to reintroduce services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

The programme, alongside urgent decisions taken on the pandemic were reported to the Policy and Sustainability Committee until the programme was closed at the end of 2021 and in February 2022 reporting on the programme outcomes and the Covid-19 position concluded.

ANNUAL GOVERNANCE STATEMENT

Partnership Working

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



The Council, NHS Lothian and the Edinburgh Integration Joint Board 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 highlighted a number of key achievements and areas for the Council to improve since the 2016 Best Value Audit and reflects on this as mixed progress.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

Best Value and Strategy and Vision

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

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

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

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

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

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

A new integrated planning and performance framework was approved in June 2021. This aims to ensure that the Council's priorities and outcomes as established by the Business Plan are translated into clear actions and performance measures which are monitored, actioned and delivered. The framework aims to create a culture of robust performance management and continuous improvement. The approach embeds a "golden thread" among the Business Plan, annual directorate and divisional plans and colleague annual performance conversations. Performance scorecards and trend dashboards will also be aligned to plans and monitored regularly. A Council performance report would be considered at the Policy and Sustainability Committee every four months and the public performance reporting information would also be improved.

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

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

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

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

Decision Making

During Covid remote meetings were established to allow for the committee system to operate whilst physical distancing rules were in place. In 2021-22, as the rules surrounding physical distancing relaxed, hybrid meetings were trialed to allow for physical meetings to resume but keeping the added benefits of flexibility by allowing some members and officers to join remotely. These meetings were successful and, although meetings have continued to take longer than pre-Covid, the system has run effectively, with meetings continuing to be webcast and available to the public in the archive. To reduce the impact on staff and elected members, changes were made to Standing Orders to manage the time taken at committee whilst still ensuring that effective scrutiny could take place. Hybrid meetings are set to continue in a post Covid environment and Standing Orders will be reviewed in 2022 to determine whether the changes implemented during the pandemic should continue.

It should be noted that although meetings were able to take place successfully during the pandemic, the meetings were longer and relations between members declined during this period.

The Council undertook an audit, carried out externally, into the effectiveness of its Governance, Risk and Best Value Committee. A number of weaknesses were found, and these findings will be built into the review of the Council's political management arrangements for the new Council following the local government elections. Councillors from the committee and across the Council embraced the audit and saw it as a real opportunity to look at the strengths and weaknesses of its scrutiny and improve the committee structure.

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

The Council has extensive governance at officer level to support operational decision making. The current system has evolved through custom and practice and can be sometimes be unwieldy and difficult to navigate. Although it can be resource intensive, it does ensure that there is sufficient oversight of major decisions. However, improvements could be made to ensure there is a structure in place that is more efficient and better encourages cross-directorate working. Work has been undertaken in the early and middle of 2022 to prepare for Council following the Council elections. This has included preparing for how a new programme of work could be supported, a revised business plan, a medium term financial plan and new political management arrangements. Work was commenced earlier than usual so as to allow this work to inform discussions between groups following the election.

Internal Controls

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

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

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

The Council carries out a review each year of the Corporate Governance Code which is then scrutinised by the Governance, Risk and Best Value Committee (August 2021). The Corporate Governance Code outlines the Council's internal controls and is aligned with the questions in the annual assurance schedules that are issued to directorates. In addition to the Code a self-assessment is carried out which scores the design of the controls in place. The aim is to provide a subjective picture of the quality of the design of controls which can then inform the full picture when looking at whether directorates have implemented the relevant controls. There is also a benefit of senior officers discussing, reflecting and rating the Council's controls.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

The Chief Internal Auditor has highlighted in her 2020/21 annual opinion that the weaknesses identified in internal audit reports are, in part, attributable to and/or exacerbated by a lack of capacity and skills to support effective governance; risk management; control; and assurance activities within first line divisions and directorates. The Chief Executive and Executive Directors have acknowledged that additional resource is necessary to strengthen the Council in these areas and gave a commitment to add additional resource to address the situation. These weaknesses are recognised by directorates in their annual assurance returns. In response a first line governance and assurance model has been implemented on a permanent basis across the Council. The objective of the new model is to address the concerns highlighted in both current and recent Internal Audit annual opinions in relation to lack of capacity and skills within first line divisions and directorates to ensure that key controls; governance; and risk management processes are consistently and effectively applied, by increasing first line capacity, and first and second line assurance across these areas. Recruitment of staff to these areas has taken considerable time and as a result the full framework required to support the governance and assurance model has not yet been completed. Directorates have increased support in their areas which has brought an immediate improvement, in particular in the completion of audit actions. However, it will be in 2022/23 when the framework will be implemented and an analysis can begin on its impact.

The Council had asked Susanne Tanner QC supported by the legal firm Pinsent Masons to conduct an independent review into the Council's whistleblowing and organisational culture. The review findings were considered by the Council in December 2021 with a report in February 2022 from the Chief Executive setting out how the recommendations in the review would be taken forward. There are a number of significant recommendations which cover a lot of key areas in the Council. Implementing these recommendations will take time, for example there are a number of HR policies that require to be reviewed in light of the Review and this will take approximately 18-24 months to complete. As a result, no comment on the success of the implementation plan is made in this year's statement.

The Council's whistleblowing arrangements continue to operate with oversight from an independent external service provider with the autonomy to decide who investigates the concerns raised. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the whistleblowing policy is reviewed annually by committee. The whistleblowing policy is currently being reviewed and will take on board the recommendations of the Cultural Review. The Council's approach to investigations will also be changed through the recruitment of an investigatory team as recommended by the Tanner Review. This will replace the current practice of managers taking on an investigatory role and this will cover both whistleblowing and HR matters.

External Audit had previously highlighted the importance of adhering to approved member-officer protocols in respect of sensitive information and the importance of all Councillors and senior officers having a clear understanding of their respective rights and responsibilities in relation to information held by the Council. A review of the Member/Officer protocol had commenced but completion of the revised document was delayed by Covid-19 and a subsequent delay pending the publication of the revised Councillors' Code of Conduct. Work has recommenced on the document and is expected to be considered by the Council in Summer 2022. The delay to the agreement of this document has been significant but there is a benefit to the new protocol being agreed by the new Council following the local government elections.

The Council agreed a new Consultation Policy in April 2021, recognising the need to strengthen community engagement but also introduce more robust controls to manage significant consultations. The policy strengthens the management and governance of consultation activity by introducing a sign off process to ensure oversight and challenge at an early stage. The policy has undertaken a review that will be considered by committee in summer 2022. The policy and framework have provided additional support and guidance for Council officers when conducting a consultation. The framework also includes a self-assessment exercise and a Panel to consider significant consultations with an escalation to the Corporate Leadership Team for those consultations rated highest in the criteria. The review of the Policy found that the policy itself was understood widely by officers and the additional guidance and support was beneficial. The review did however note that there was often confusion between what constituted engagement and what was consultation, and that the standard 12 week consultation period was too inflexible for smaller consultations. The implementation of the Consultation Policy and framework has supported the improvement of consultations from the Council, it has provided consistency and guidance and raised the overall quality of Council consultations. The consultation advisory panel and the control and escalation aspect of the framework adds a layer of assurance and is a practical tool in improving the quality of consultations. Improvements following the review will make the policy and framework more agile and flexible, but caution should be exercised that the control elements of the framework are not diminished by the additional flexibility.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

External Audit concluded in the Annual Accounts for 2020-21 that the governance arrangements at the Council were satisfactory and appropriate.

In compliance with standard accounting practice, the Section 95 Chief Financial Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31 March 2022. It is the Chief Financial Officer's opinion that although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including some embedding of actions taken in response to previous recommendations, are still required.

2021/22 is the first full year of implementation of the requirements of the CIPFA Financial Management Code. The Code is designed to support good practice and assist councils in demonstrating their financial sustainability and resilience by setting out expected standards of financial management. The Chief Financial Officer's initial assessment highlighted a number of key improvements contributing positively to the Council's financial resilience and stability. However, there continues to be a need for additional savings proposals to be brought forward to maintain the Council's financial sustainability which will require increasingly difficult choices about the Council's priorities including consideration of service reductions. Finally, the Chief Financial Officer concluded that further improvements to the effectiveness of current service arrangements in demonstrating value for money were required.

The urgent need to initiate a structured medium to longer-term savings programme was highlighted in both the Council's Best Value Assurance Report and the external auditor's report for 2020/21. In recognising this urgency, a dedicated project lead has been appointed. Directorates have been requested to identify potential options, captured by means of a standard template detailing service and performance impacts, risks and dependencies, with reference to the priorities set out in the Council's business plan. Given the extent of the financial challenge, members will likely need to make increasingly difficult choices about the Council's priorities, including considering service reductions, across all service areas to maintain expenditure in line with available income.

The Chief Internal Auditor's Annual Opinion for the year ended 31 March 2021 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. This was a limited opinion, recognising that the plan delivery had been curtailed due to the Covid pandemic. The Chief Internal Auditor noted that this was the Council's fourth 'red' rated opinion, although progress had been made with the move from the middle towards the lower end of the category. The Chief Internal Auditor noted that whilst all 26 historic findings that were reopened in June 2018 have now been closed, an increase in the percentage of overdue IA findings as at 31 March 2020 is evident, together with a deterioration in their ageing profile. Consequently, further focus is required to ensure that the Council consistently addresses the risks associated with open IA findings by implementing agreed management actions within agreed timeframes.

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

Work is still outstanding on reviewing how the Council works with its ALEOs, in particular examining the shareholder agreements and Service Level Agreements in place to ensure a greater degree of consistency, alignment with key outcomes and clarity of relationship. The lack of an ALEO framework is a weakness that requires to be resolved and it is anticipated that specialist resource will be brought in to assist in this work in 2022/23.

Following concerns raised at committee, the Council began looking into its governance arrangements regarding the Trusts where it is sole trustee. In August 2021 a report was considered into the governance of trusts run by the Council and in particular Lauriston Castle Trust. The review into governance found that improvements were required both to the Council's governance arrangements surrounding trusts and to the governance of the trusts themselves. A further report is expected in the Summer of 2022 on implementing the recommendations of the review.

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

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

The Council could improve its reporting and publication of integrated impact assessments (IIAs). There is a need for the Council to evidence how these IIAs are an integral part of decision making, reporting this to committee and this been scrutinised as part of the decision making process. There is a robust process in place, alongside guidance for officers in how and when IIAs should be carried out which supports officers in the completion and reporting of IIAs but there remains a gap in implementation.

A new enterprise risk management policy was agreed in November 2021. The policy sets out how risk management should be considered when making both strategic and operational decisions and delivering services; the Council's risk culture; the requirements for effective application of the operational risk management framework across Council services; risk management structures and responsibilities across the Three Lines model (including those of senior management); and ongoing risk management assurance arrangements. The policy is a robust policy and should support identification and realisation of the improvements and benefits associated with both planned and unexpected opportunities, whilst protecting the Council. However, the success of the policy will be determined by its implementation across Council directorates, and it is still too early in its application and embedding across the organisation to judge its success.

The Council has adapted how it works on some of its key priorities enabling it to work flexibly with its partners with a view to achieving its ambitious objectives. An example of this is the Poverty Commission where the Council has worked with a newly created independent body and chair and agreed that recommendations proposed by the Commission will be used to inform future Council policies and actions to prevent, reduce, and mitigate poverty in Edinburgh. A further example is the governance arrangements that have been set up to support the Climate Strategy and involve partners across the city. A silo Council approach for example would not deliver the necessary change to realise the Strategy's objectives and the approach taken ensures leadership comes from different organisations and that city-wide solutions can be explored. The flexible governance approach taken in these two examples has allowed the Council to be informed by external experts from across a range of sectors with the aim of achieving better outcomes, work closely with partners to explore city wide solutions while respecting the separate decision making processes for each organisation.

Partnership working strengthened considerably over the pandemic and while engagement with local communities has been more challenging, there has been progress in how the Council works with communities. The Council, though, is aware of the need to improve constantly how it empowers communities and is reviewing its locality arrangements to see how it can best support this work.

The status of the previous year's actions is outlined below. Where actions are incomplete, they will be rolled forward and their progress will be monitored alongside the new actions.

	Governance Issue	Responsible Party	Status
1	To review, design and implement an officer governance structure for the Council aligned to the Council Business Plan.	Head of Democracy, Governance and Resilience	Work was commenced and paused until the political management arrangements were confirmed.
2	To review and propose a revised Scheme of Delegation to take into account senior management restructures.	Head of Democracy, Governance and Resilience	Completed
3	To create a revised planning and performance framework linked to the Business Plan	Head of Strategic Change and Delivery	Completed
4	To report on the progress with the first year's Implementation of the new Equality and Diversity Framework 2021-2025	Chief Executive	Moved to the statutory review period of two years
5	Review of the governance arrangements regarding the Council's trusts	Executive Director of Resources	Review has been completed but implementation of review has not yet been confirmed
6	Initiate development of a cross-Council savings programme, aligned to the priorities set out within the Business Plan, to address significant estimated funding gaps in 2023/24 and subsequent years	Service Director - Finance and Procurement and Head of Strategic Change and Delivery	Relevant work is underway.

ANNUAL GOVERNANCE STATEMENT

	Governance Issue	Responsible Party	Reporting Date
7	Review of the Council's service level agreements and shareholder agreements with its ALEOs	Executive Director of Resources	Delayed until resource can be identified
8	Review of the political management arrangements of the Council	Chief Executive	This is targeted for October 2022

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

	Action	Action Owner	Action Deadline
1	Implementation of the Risk Framework	Service Director: Legal and Assurance	April 2023
2	Roll out of governance and assurance framework	Service Director: Legal and Assurance	Designed by October 2022 and implemented by March 2023
3	Agreement of the Member/Officer protocol	Service Director: Legal and Assurance	October 2022
4	Review of the Scheme of Delegation to Officers	Service Director: Legal and Assurance	October 2022
5	Review of Political Management Arrangements	Service Director: Legal and Assurance	October 2022
6	Implementation of the recommendations from the Tanner Review	Chief Executive, Service Director; Human Resources and Service Director: Legal and Assurance	Various
7	Implementation of Corporate ALEO framework	Service Director: Legal and Assurance	April 2023
8	Implementation of the review into governance of Trusts	Service Director: Legal and Assurance	April 2023
9	Development of a medium-term financial plan	Executive Director of Corporate Services	February 2023

Conclusion

In conclusion, the Council's governance and control framework provides a satisfactory level of assurance. The Council understands its areas for improvement and there are robust arrangements to deal with issues when they do arise. Improvements are needed in certain areas to ensure that the Council's controls are implemented and embedded fully and in particular capacity issues in services have to be overcome. There has though been a strong commitment shown by the Chief Executive and Executive Directors in providing additional resource to address these weaknesses. Covid-19 continued to put a considerable strain on services, but the Council has put in place strong processes to manage these pressures and managed to resume services based on priority. However, the Council must continue to be ambitious and committed to improving its governance, as budgetary and resource pressures increase, to ensure that it continues to operate effectively.

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. In 2022, SLARC was reconstituted to undertake a review on Councillors' remuneration.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2021/22, the remuneration for the Leader of the City of Edinburgh Council was £55,817. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2021/22 this was £41,862. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all Senior Councillors shall not exceed £725,601. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below:

	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.

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2021/22 £	Total Remun. 2020/21 £
Council's Leader, Civic Head and Senior Councillors					
A. McVey, Leader of the Council	55,817	58	736	56,611	54,289
F. Ross, Lord Provost	41,862	0	213	42,075	40,292
C. Day, Deputy Leader of the Council	41,862	0	207	42,069	40,292
J. Griffiths, Depute Convener	27,908	0	140	28,048	26,901
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	34,885	0	126	35,011	33,596
I. Perry, Convener Education, Children and Families	34,885	0	126	35,011	33,603
A. Rankin, Convener Finance and Resources (to 24.08.20) (Note 1)	22,403	0	134	22,537	33,597
R. Munn, Convener Finance and Resources (from 25.08.20)	34,885	0	116	35,000	27,980
K. Campbell, Convener Housing, Homelessness and Fair Work	34,885	0	126	35,011	33,597
L. Macinnes, Convener Transport and Environment	34,885	0	126	35,011	33,596
J. Mowat, Convener Governance, Risk and Best Value	27,908	0	126	28,034	26,902
N. Work, Convener Licensing Board	34,885	0	167	35,052	33,611
N. Gardiner, Convener Planning	34,885	0	126	35,011	33,597
C. Fullerton, Convener Regulatory	34,885	0	126	35,011	33,596
R. Henderson, Chair Edinburgh Integration Joint Board (from 27.06.21) and Vice Chair Edinburgh Integration Board (to 26.06.21)	34,885	0	126	35,011	34,196
<u>Vice-Conveners</u>					
A. McNeese-Mechan, Vice Convener Culture and Communities	27,908	0	167	28,075	26,971
A. Dickie, Vice Convener Education, Children and Families (to 27.01.22)	26,257	0	134	26,391	26,901
E. Bird, Vice Convener Education, Children and Families (from 28.01.22)	18,604	0	126	18,730	26,901
M. Watt, Vice Convener Housing, Homelessness and Fair Work	27,908	0	726	28,634	27,502
K. Doran, Vice Convener Transport and Environment	27,908	0	206	28,114	26,902
M. Child, Vice Convener Planning	27,908	0	126	28,034	26,927
D. Dixon, Vice Convener Regulatory	27,908	0	126	28,034	26,902

REMUNERATION REPORT

Remuneration Paid - continued

Council's Leader, Civic Head and Senior Councillors - continued	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits-in-kind £	Total Remun. 2021/22 £	Total Remun. 2020/21 £
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	27,908	0	716	28,624	27,477
R. Aldridge, Liberal Democrat Group Leader	27,908	0	0	27,908	26,785
M. Main, Green Group Leader (to 23.06.21)	20,775	0	60	20,835	22,420
S. Burgess, Green Group Leader (from 24.06.21 to 28.11.21)	22,584	0	152	22,736	18,593
C. Miller, Green Group Leader (from 29.11.21)	21,757	0	136	21,893	17,972
<u>Councillors</u>					
D. Key, Convener to the Lothian Valuation Joint Board (Note 2)	23,257	0	96	23,353	22,416

Notes:

1. The City of Edinburgh Council meeting held on 25 August 2020, it was agreed that Cllr. A. Rankin would continue to receive the Special Responsibility Allowance whilst on a leave of absence. This leave of absence payment continued until 24 June 2021.
2. The amount recharged to Lothian Valuation Joint Board in 2021/22 was £4,676.82 (2020/21 £4,488.40). Expenses relate to Councillor role.
3. For Councillors whose Senior role has covered part-year, the Salary, Fees and Allowances disclosed relates to the full year remuneration, not just the current appointment.

Members' Salaries and Expenses

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

	2021/22 £	2020/21 £
Salaries	1,503,070	1,455,259
Expenses		
<i>Claimed by councillors</i>	72	0
<i>Paid directly by the Council</i>	11,799	13,286
Total	1,514,941	1,468,544

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Total Remun. 2021/22 £	Total Remun. 2020/21 £
Council's Senior Officers			
A. Kerr, Chief Executive (Note 1)	180,364	180,364	179,364
J. Kramer, Interim Director of Communities and Families (from 17.05.21 to 10.12.21) (Note 2)	142,135	142,135	n/a
A. Hatton, Executive Director of Education and Children's Services (from 01.11.21) (full year equivalent)	67,520 162,747	67,520	n/a
J. Proctor, Integration Joint Board Chief Officer (Note 3)	81,374	81,374	80,624
P. Lawrence, Executive Director of Place	162,747	162,747	161,247
J. Irvine, Chief Social Work Officer	122,888	122,888	111,266
S. Moir, Executive Director of Corporate Services (to 20.02.22) (full year equivalent)	144,592 162,747	144,592	161,247
R. Carr, Interim Executive Director of Corporate Services (from 28.02.22) (Note 4)	16,500	16,500	n/a
H. Dunn, Service Director - Finance and Procurement	120,936	120,936	117,039
Total	1,039,055	1,039,055	810,787

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. The approved remuneration for A Kerr for Returning Officer Duties in 2021/22 amounted to £28,453.
2. The City of Edinburgh Council entered into a contract with Solace in Business for the services of J. Kramer from 17.05.21 to 10.12.21. The cost of this contract is £142,135 in 2021/22.
3. J. Proctor is the Chief Officer of the Integration Joint Board employed by the City of Edinburgh Council and 50% of her salary costs are recharged to the EIJB and NHS Lothian. The above figures therefore show the Council's share.
4. The City of Edinburgh Council entered into a contract with GatenbySanderson Limited for the services of R. Carr from 28.02.2022. The cost of this contract for 2021/22 was £18,900 (including fees).

Council Subsidiary Companies

EICC is a subsidiary company of CEC Holdings Limited. Figures shown for this company, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the years ended 31 December 2021 and 2020 respectively.

	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Total Remun. 2021/22 £	Total Remun. 2020/21 £
Council's Subsidiary Companies					
M. Dallas, Chief Executive, EICC	157,326	0	0	157,326	161,380
R. Hunter, Chief Executive, Capital City Partnership	74,957	0	0	74,957	64,240
<u>Transport for Edinburgh</u>					
G. Lowder, Chief Executive	152,540	0	1,685	154,225	152,350
<u>Lothian Buses Ltd.</u>					
N. Serafini, Interim Managing Director (Note 1)	158,250	26,100	2,300	186,650	127,618
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, Managing Director	175,441	16,000	0	191,441	166,560
	718,514	42,100	3,985	764,599	672,148

Notes:

1. N. Serafini was appointed Interim Managing Director on 24 February 2020.
2. Edinburgh Living MMR LLP is a subsidiary of the Council however there are no employees and therefore no remuneration disclosures.

REMUNERATION REPORT

Remuneration Paid - continued

Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2021/22	2020/21		2021/22	2020/21
£50,000 - £54,999	436	426	£120,000 - £124,999	3	1
£55,000 - £59,999	229	203	£125,000 - £129,999	1	1
£60,000 - £64,999	134	146	£130,000 - £134,999	0	1
£65,000 - £69,999	114	92	£135,000 - £139,999	0	1
£70,000 - £74,999	21	22	£140,000 - £144,999	1	0
£75,000 - £79,999	22	20	£145,000 - £149,999	0	0
£80,000 - £84,999	22	23	£150,000 - £154,999	1	0
£85,000 - £89,999	15	21	£155,000 - £159,999	0	0
£90,000 - £94,999	6	2	£160,000 - £164,999	2	3
£95,000 - £99,999	0	1	£165,000 - £169,999	1	0
£100,000 - £104,999	1	3	£170,000 - £174,999	0	0
£105,000 - £109,999	1	2	£175,000 - £179,999	0	1
£110,000 - £114,999	5	9	£180,000 - £184,999	1	0
£115,000 - £119,999	2	3	£185,000 - £189,999	0	0
			Total No. of Employees	1,018	981

Notes:

- The total remuneration paid above includes the back dated pay award from 1 January 2021 for staff in scope.

Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22 £000	2020/21 £000
£0 - £20,000								
- Council	0	0	1	7	1	7	8	60
- Group companies	1	31	0	7	1	38	16	210
£20,001 - £40,000								
- Council	0	0	5	12	5	12	152	366
- Group companies	0	0	0	8	0	8	0	229
£40,001 - £60,000								
- Council	0	0	6	4	6	4	301	223
- Group companies	0	0	0	2	0	2	0	98
£60,001 - £80,000								
- Council	0	0	1	5	1	5	75	350
- Group companies	2	0	0	1	2	1	147	66
£80,001 - £100,000								
- Council	0	0	1	4	1	4	91	360
- Group companies	0	0	0	0	0	0	0	0
£100,001 - £150,000								
- Council	0	0	5	1	5	1	613	123
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	1	4	1	4	164	702
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	1	2	1	2	211	466
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	1	0	1	0	290	0
- Group companies	0	0	0	0	0	0	0	0
	3	31	22	57	25	88	2,068	3,253

REMUNERATION REPORT

Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. For Pre April 2015 benefits, the councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The Post April 2015 benefits are calculated in the same way as Local Government employees.

For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2021/22 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £22,300 (2020/21 £22,200)	5.50%
On earnings above £22,301 and up to £27,300 (2020/21 £22,201 to £27,100)	7.25%
On earnings above £27,301 and up to £37,400 (2020/21 £27,101 to £37,200)	8.50%
On earnings above £37,401 and up to £49,900 (2020/21 £37,201 to £49,600)	9.50%
On earnings above £49,901 (2020/21 £49,601)	12.00%

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger lump sum up to the limit set by the Finance Act 2004.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives.

For the reporting year 2021/22, the equivalent of 9.4 FTE (across 20 individuals) of paid facility time was made available, with an associated cost of £0.28m. This sum equates to 0.06% of the Council's overall paybill.

Of the total time made available, eight individuals spent 100% of time during the year on trade union-related activities, none between 51% and 99%, and the remaining twelve between 1% and 50%.

REMUNERATION REPORT

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2022	For year to 31.03.2021		As at 31.03.2022	Difference from 31.03.2021
	£	£		£000	£000
<u>Council's Leader and Civic Head</u>					
A. McVey, Leader of the Council	12,670	12,213	Pension	9	2
			Lump Sum	0	0
F. Ross, Lord Provost	9,503	9,160	Pension	8	1
			Lump Sum	0	0
C. Day, Deputy Leader of the Council	9,503	9,160	Pension	4	1
			Lump Sum	0	0
J. Griffiths, Depute Convener	6,335	6,107	Pension	5	1
			Lump Sum	0	0
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	7,919	7,633	Pension	10	2
			Lump Sum	2	0
I. Perry, Convener Education, Children and Families	7,919	7,633	Pension	9	1
			Lump Sum	2	0
A. Rankin, Convener Finance and Resources (to 24.08.20)	5,085	7,633	Pension	7	1
			Lump Sum	0	0
R. Munn, Convener Finance and Resources (from 25.08.20)	7,919	6,216	Pension	2	1
			Lump Sum	0	0
K. Campbell, Convener Housing, Homelessness and Fair Work	7,919	7,633	Pension	3	1
			Lump Sum	0	0
L. Macinnes, Convener Transport and Environment	7,919	7,633	Pension	3	0
			Lump Sum	0	0
J. Mowat, Convener Governance, Risk and Best Value	6,335	6,107	Pension	5	1
			Lump Sum	0	0
N. Work, Convener Licensing Board	7,919	7,633	Pension	8	1
			Lump Sum	2	0
N. Gardiner, Convener Planning	7,919	7,633	Pension	3	1
			Lump Sum	0	0
R. Henderson, Vice Chair Edinburgh Integration Joint Board	7,919	7,633	Pension	9	1
			Lump Sum	2	0
<u>Vice-Conveners</u>					
A. McNeese-Mechan, Vice Convener Culture and Communities	6,335	6,107	Pension	3	1
			Lump Sum	0	0
A. Dickie, Vice Convener Education, Children and Families (to 27.01.22)	5,960	6,107	Pension	3	1
			Lump Sum	0	0
E. Bird, Vice Convener Education, Children and Families (from 28.01.22)	4,223	n/a	Pension	2	n/a
			Lump Sum	0	n/a
M. Watt, Vice Convener Housing, Homelessness and Fair Work	6,335	6,107	Pension	3	1
			Lump Sum	0	0
K. Doran, Vice Convener Transport and Environment	6,335	6,107	Pension	5	1
			Lump Sum	0	0
M. Child, Vice Convener Planning	6,335	6,107	Pension	13	2
			Lump Sum	18	1
D. Dixon, Vice Convener Regulatory	6,335	6,107	Pension	5	1
			Lump Sum	0	0

REMUNERATION REPORT

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2022 £	For year to 31.03.2021 £		Difference	
				As at 31.03.2022 £000	from 31.03.2021 £000
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	6,335	6,107	Pension	8	1
			Lump Sum	2	0
R. Aldridge, Liberal Democrat Group Leader	6,335	6,107	Pension	7	1
			Lump Sum	2	0
M. Main, Green Group Leader (to 23.06.21)	4,716	5,192	Pension	4	1
			Lump Sum	0	0
S, Burgess, Green Group Leader (from 24.06.21 to 28.11.21)	5,127	n/a	Pension	2	n/a
			Lump Sum	0	n/a
C. Miller, Green Group Leader (from 29.11.21)	4,939	n/a	Pension	6	n/a
			Lump Sum	0	n/a
<u>Councillors</u>					
D. Key (including role as Convener of Lothian Valuation Joint Board)	5,279	5,089	Pension	4	0
			Lump Sum	0	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2022 £	For year to 31.03.2021 £		As at 31.03.2022 £000	Difference from 31.03.2021 £000
A. Kerr, Chief Executive	n/a	n/a	Pension	9	0
			Lump Sum	0	0
A. Hatton, Executive Director of Education and Children's Services (from 01.11.21)	15,326	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Proctor, Integration Joint Board Chief Officer (Note 1)	36,830	36,764	Pension	8	2
			Lump Sum	0	0
P. Lawrence, Executive Director of Place	36,830	36,764	Pension	36	4
			Lump Sum	0	0
J. Irvine, Chief Social Work Officer	27,782	25,369	Pension	41	5
			Lump Sum	42	4
S. Moir, Executive Director of Corporate Services (to 20.02.22)	n/a	9,191	Pension	10	1
			Lump Sum	0	0
H. Dunn, Service Director - Finance and Procurement	27,452	26,685	Pension	90	7
			Lump Sum	151	0
Total	144,220	134,773			

Notes:

1. J Proctor is employed by the City of Edinburgh Council and 50% of her salary costs are recharged to the EIJB and NHS Lothian. The above Pension figures show the full contributions but only 50% of these are relevant to the City of Edinburgh Council

REMUNERATION REPORT

Pension Rights - continued Senior Employees - continued

Notes:

The pension figures shown for senior employees relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2022, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 134.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2022 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2022 £	For year to 31.03.2021 £		As at 31.03.2022 £000	Difference from 31.03.2021 £000
<u>EICC</u>					
M. Dallas, Chief Executive	17,464	5,693	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
N. Serafini, Interim Managing Director	15,667	35,161	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, Managing Director	16,256	19,971	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
R. Hunter, Chief Executive	16,341	14,904	Pension	19	3
			Lump Sum	15	2
Total	<u>65,728</u>	<u>75,729</u>			

EICC is a subsidiary company of CEC Holdings Limited. Figures shown for this company, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the years ended 31 December 2021 and 2020 respectively.

R. Hunter is the only current member of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total relevant service and not just their current appointment.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years and/or if they are not members of the Local Government Pension Scheme

The in-year pension contributions include pension strain costs where applicable.

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	2021/22 £000	£000
Total Comprehensive (Income) and Expenditure			(907,075)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		(573,786)	
Gains and losses relating to pension liability		(579,106)	
Other unrealised gains		(15)	
			(1,152,907)
Surplus on provision of services, per CIES			245,832
<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	(371,516)		
Net gain on sale of fixed assets	1,045		
Revenue expenditure funded from capital under statute	58,593		
Movement in donated assets	(586)		
Use of Capital Fund	7,150		
Finance costs - statutory adjustments	3,079		
Net charges made for retirement benefits in accordance with IAS 19	(166,919)		
		(469,154)	
<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)	56,929		
Lease repayments (including element relating to PPP contracts)	11,764		
Capital expenditure charged to the General Fund balance	(58,593)		
Capital expenditure funded from revenue	15,043		
Change in fair value of Investment Properties	(318)		
Capital grants and contributions credited to the CIES	81,449		
Net transfer for holiday pay accrual	2,021		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	76,791		
		185,086	
<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	8,653		
Net Transfer from earmarked reserves	(6,589)		
		2,064	
			(282,004)
General Fund Surplus reported in Financial Statements			(36,172)
Consolidation Adjustments			
Funds (drawn down from) / contributed to earmarked balances:			
- Unallocated General Fund		2,744	
- Balances set aside for specific investment		29,348	
- City Strategic Investment Fund		(979)	
- Council Tax Discount Fund		5,242	
- Covid Contingency		(7,295)	
- Covid Advances		(7,223)	
- Devolved School Management and Pupil Equity Fund		2,558	
- Dilapidation fund		(43)	
- Energy efficiency		23	
- Insurance fund		2,677	
- Licensing income		1,740	
- Pre-paid PPP monies		330	
- Salix / CEEF		167	
- Spend to save		297	
- Trams to Newhaven		2,332	
- Unspent grants		377	
			32,295
General Fund (Surplus)/Deficit			(3,877)

Reserve balances, 31 March 2022

	Balance at 31-Mar-21 £000	Inter-Fund Transfers 2021/22 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31-Mar-22 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment					
Balances set aside for specific inv.	28,005	(45)	(1,244)	32,969	59,685
Workforce management	10,858	0	0	0	10,858
Council Priorities Fund	0	0	0	2,628	2,628
IFRS9 Gains	379	0	0	37	416
Dilapidations fund	4,000	0	(43)	0	3,957
Insurance funds	19,580	0	(3,012)	5,690	22,258
Covid Contingency	78,473	45	(11,867)	4,527	71,178
	<u>141,295</u>	<u>0</u>	<u>(16,166)</u>	<u>45,851</u>	<u>170,980</u>
Balances Set Aside from Income Received in Advance					
Licensing and Registration income	3,973	0	(66)	1,805	5,712
Pre-paid PPP monies	3,669	0	0	329	3,998
Unspent grants	8,009	0	(5,206)	5,584	8,387
Council Tax Discount Fund	6,063	0	0	5,242	11,305
Other minor funds	175	0	0	0	175
City Strategic Investment Fund	2,034	0	(1,124)	145	1,055
Covid Fund	22,382	0	(14,284)	7,061	15,159
	<u>46,305</u>	<u>0</u>	<u>(20,680)</u>	<u>20,166</u>	<u>45,791</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings					
Energy efficiency	311	0	0	23	334
Salix / CEEF	438	0	(102)	269	605
Spend to save	2,971	0	0	297	3,268
	<u>3,720</u>	<u>0</u>	<u>(102)</u>	<u>589</u>	<u>4,207</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund					
Devolved School Management	<u>4,688</u>	<u>0</u>	<u>(4,688)</u>	<u>7,246</u>	<u>7,246</u>
Unallocated General Reserve					
	<u>25,025</u>	<u>0</u>	<u>0</u>	<u>3,956</u>	<u>28,981</u>
Total General Reserve	<u>221,033</u>	<u>0</u>	<u>(41,636)</u>	<u>77,808</u>	<u>257,205</u>