

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 9 March 2023

Edinburgh Living Annual Update 2022

Executive/routine Wards Council Commitments	Routine All
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1. Recommendations

- 1.1 Housing, Homelessness and Fair Work Committee is asked to:
 - 1.1.1 Note the contents of the Edinburgh Living annual update for 2022;
 - 1.1.2 Note Edinburgh Living's positive impact on tackling housing need through the provision of new affordable homes across the city; and
 - 1.1.3 Refer this report to the Governance, Risk and Best Value Committee in line with Edinburgh Living's governance arrangements

Paul Lawrence

Executive Director of Place

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Report

Edinburgh Living Annual Update 2022

2. Executive Summary

- 2.1 In line with the agreed governance structure set out for the Council's housing delivery Limited Liability Partnerships (LLPs), known as Edinburgh Living, an annual update providing an overview of each financial year is required to be submitted to the Governance, Risk and Best Value Committee. This report should be noted by the Housing, Homelessness and Fair Work Committee and referred on to the Governance, Risk and Best Value Committee.
- 2.2 This report sets out the activities carried out by Edinburgh Living in 2022, the financial statement for the previous year (2021) as agreed by the Corporate Body, and the interim financial position at the end of 2022.
- 2.3 Edinburgh Living purchased its first home in 2019 and owned 502 homes by the end of December 2022.

3. Background

- 3.1 In [February 2018](#), the City of Edinburgh Council agreed to establish two new LLPs which would own and manage homes for rent to households on low to moderate income; one offering mid-market rent (MMR) homes and the second offering market rent homes. The Business Case for the implementation of the LLPs was agreed by Scottish Government under the Edinburgh and South East Scotland City Deal (City Deal). The LLPs are known under the single banner of Edinburgh Living.
- 3.2 The Council owns 99.99% of the Edinburgh Living MMR LLP and 99% of the market rent LLP. Scottish Futures Trust (SFT) owns the remaining shares.
- 3.3 Edinburgh Living is managed on a day to day basis by a Senior Management Team (SMT) made up of five senior Council officers and one staff member from SFT. Oversight is provided by a Corporate Body which comprises four elected members, the Executive Director of Place and a Director from SFT.
- 3.4 Risk and financial management are integral to the SMT's work plan throughout the year and the activities of the LLPs are reported to the Corporate Body through quarterly business updates.
- 3.5 In order to provide the Council as a Member of the LLP with relevant information relating to the operation of the LLP, the annual reporting cycle includes the

requirement for bi-annual updates to the Housing, Homelessness and Fair Work Committee and an annual update to the Governance, Risk and Best Value Committee. This report is specific to the activities of the LLPs during 2022.

4. Main report

- 4.1 Over the course of 2022, Edinburgh Living continued to purchase homes being constructed for mid-market rent on the Council's mixed tenure sites, with 158 homes being added to the portfolio.
- 4.2 In addition to the homes delivered by the Council, Edinburgh Living also purchased a former National Housing Trust (NHT) development at Fruitmarket. This purchase was agreed by the Finance and Resources Committee on [8 September 2022](#) with funding for purchase approved by the City of Edinburgh Council on 22 September 2022. This purchase of 80 homes will deliver long-term affordable housing for the city and supports Edinburgh Living's objective to have a positive impact on housing need by operating at scale.
- 4.3 Homes were also purchased at North Sighthill and Pennywell, including the remaining mid-market rent homes at the Pennywell Town Centre regeneration area. A city map showing the location of homes purchased has been provided at Appendix 1.
- 4.4 Lettings across all developments was strong over the course of the year. Edinburgh Living continued to support homelessness prevention in the city with a total of 45 households at risk of homelessness successfully moving in to permanent homes with Edinburgh Living in 2022. In total, Edinburgh Living has let 122 homes to working homeless households that have been referred from the Council's Private Rented Sector Team.
- 4.5 In 2019 the Council entered into a contract with Lowther Homes to manage and maintain Edinburgh Living homes. In October 2021, SMT were made aware of two significant administrative errors by Lowther Homes firstly, in relation to the handling of tenants' deposits over 2020/21 and secondly, the provision of prescribed information to tenants on where and how their deposits were being held. Last year's report to this committee contained information on the issue and the steps that had been taken to contact tenants, ensure all deposits were correctly registered, make compensation payments and the escalation through Edinburgh Living's governance structure. Tenants' money was not at risk at any time.
- 4.6 Since the last report to Committee, an indemnity has also been secured from Lowther Homes in relation to any future claims regarding deposit failures. This indemnity will mitigate any risks arising from these issues following the end of the Lowther contract.
- 4.7 Following an independent assurance review, which provided assurance against the Letting Agents Code of Practice, and a Wheatley Group internal audit, Lowther Homes has taken steps to address the areas of failure in relation to management of deposits. These changes were reviewed at the most recent assurance review in 2022, which was carried out in person at Lowther's offices.

- 4.8 Since the assurance review in 2021, Lowther Homes has introduced upgrades to IT systems and specific deposit procedures which include structured gateways for staff to provide information to senior managers. Copies of deposit registration certificates are provided to Edinburgh Living as part of the enhanced reporting requirements put in place following the failure. Following the 2022 review there have been further improvements to insight, monitoring and tenant contact as well as staff training.
- 4.9 The current contract for management and maintenance services is due to come to an end in May 2023. A procurement process is underway to appoint a new provider. The future contract for the Edinburgh Living lettings provider has taken in to account the lessons learned as a result of this unforeseen failure by the current provider.
- 4.10 The second Edinburgh Living tenants survey took place in September 2022. Similar to the 2021 survey, 49% of tenants (representing 166 households at the time of the survey) took part. Surveys were carried out on-line and by phone and have provided a very useful insight. The surveys covered tenants moving into new homes and those living in homes built over the last four years.
- 4.11 The majority of the respondents (55%) had previously rented in the private sector and 19% had been living with parents before moving in to their Edinburgh Living home. 14% had been renting from the Council or a Housing Association. 93% of those surveyed stated that their home met their needs well.
- 4.12 While 86% of tenants were very or fairly satisfied with the quality of their home and the majority of areas saw increased satisfaction, there is still scope for improvement across responsiveness and complaint handling. Satisfaction with customer service was up slightly at 63% but this is still below overall expectations. However, only 3% of tenants said that they would not recommend Edinburgh Living to friends and family.
- 4.13 The results of the satisfaction survey will be benchmarked against wider mid-market rent provision and the results of the survey has been fed back to Lowther Homes.
- 4.14 Subject to approval, a new service provider will be in place in June 2023. The intention would be to provide time for the new service provider to establish their service and relationships with tenants, with the next survey due to be carried out in 2024.

Financial Position and Impact of Rent Freeze

- 4.15 The financial statements for 2021 (Appendix 2) were prepared in accordance with the relevant accounting standards, audited by Azets and approved by the Edinburgh Living Corporate Body in September 2022. Council representation on the Corporate Body is set out at Appendix 3.
- 4.16 The financial statements for 2022 are currently only in draft and will be subject to revision, mainly related to the impact of the property valuations which are in progress. As at the 31 December 2022 the indicative position shows a modest increase in surplus from the previous year, all of which will be ring-fenced for the

lifecycle maintenance of the property portfolio in future years, in accordance with the business model.

- 4.17 Rental income has increased by approximately 38% due to the expansion of the property portfolio and this combined with the costs of the Management and Maintenance (M&M) contract having been fixed prior to recent increases in inflation, have been the main drivers behind the favourable outturn. The main M&M contract terminates in May 2023 and the early indications are that the future contract will have significantly higher costs going forward, which will impact on the level of future funding set aside for lifecycle maintenance. The single largest cost incurred in year relates to interest on loan repayments, which has risen due to the expansion of the property portfolio and the impact of increased borrowing costs. Edinburgh Living operates on tight margins and therefore the impact of contract price increases, interest rate rises, and any rent restrictions have a significant impact on the ability to set aside funds for future investment in the property portfolio.
- 4.18 Edinburgh Living pays for all the services it requires through the collection of rents. Rent increases take place throughout the year dependent on when individual developments are purchased. Tenants' rents can only be increased once a year, with increases capped at the Consumer Price Index (CPI) and tenants are given three months' notice of any future rental increase.
- 4.19 The published CPI figure for Edinburgh Living rental increases from January 2022 was 5.4%. However, Edinburgh Living rents only increased at around 3% to balance the need to meet financial commitments, now and into the future, and the ability for tenants to meet their own financial commitments. Rental increases before 2022 were at below business case expectations and equated to 1.21% rise in 2020 and 0.58% rise in 2021. On average, rents are at around 80% of Local Housing Allowance (LHA).

Impact of the rent freeze on 2022/23

- 4.20 On 6 October 2022, the Scottish Parliament approved *The Cost of Living (Tenant Protection)(Scotland) Act* which gives Ministers the power to cap rent increases for both private and social tenants. The legislation is in force until at least 31 March 2023. The current rent freeze will impact 426 Edinburgh Living homes, which would have received rental increases of around 3%. This would have generated £47,700 of income to support running costs.
- 4.21 298 of the LLP's properties were eligible for a rent increase between the start of the rent freeze on 6 September 2022 and 31 March 2023. A further 128 properties would be eligible for rent increases between 1 April and 31 July 2023 and therefore would be due to receive letters regarding rent increases before the end of the rent freeze. It has been assumed that no letters will be issued until after the 31 March 2023 and therefore no rent increase will be applied until 1 August 2023 at the earliest.

Impact of rent freeze on 2023/24

- 4.22 The City of Edinburgh Council agreed a motion to request a report to the next Housing, Homelessness and Fair Work Committee on the implications of a rent freeze for Edinburgh Living tenants in 2023/24. In the event that Edinburgh Living rents were frozen for a further year from March 2023, the potential rental income due to the LLP would be £127,000 less than it would otherwise have been from the period 6 September 2022 to 31 March 2024, assuming rents would be increased from 1 April 2024. The figures have been calculated based on a rise of 3%, in line with the most recent rent increases applied.
- 4.23 In January 2023 the Scottish Government announced that, subject to the approval of Parliament, changes to the Cost of Living (Tenant Protection) Act will mean that from the 1 April 2023 private rents could be increased with a cap at 3%. There will be a review of these measures in September 2023. As noted above, with three months' notice to tenants, this would allow rental increases to take place from 1 August 2023. Edinburgh Living rental increases for 2023 will be set within the parameters of the legislation and the LLP's governance.
- 4.24 Edinburgh Living needs to build up reserves to allow it to maintain the homes at a suitable standard for tenants. The current financial context is that day-to-day costs that the LLP is incurring are higher than the original business case, reflecting the wider economic climate. When this is combined with the rent freezes it impacts on the LLP's ability to build up sufficient reserves which are required to cover lifecycle costs and the LLP's ability to withstand any further increases in costs e.g. borrowing to purchase more homes.
- 4.25 The Edinburgh Living business model assumes properties will be held for 40 years with annual rent increases. If rent rises in subsequent years are not set at a level that will recover the income foregone by the freeze up to 31 July 2023, there will be a compounding impact over the remainder of the properties' 40 year lifetime. This will equate to £3.2m (for the 426 homes). Should rents continue to be frozen until 31 March 2024, the cumulative impact over 40 years would be £8m.

5. Next Steps

- 5.1 Edinburgh Living is expected to purchase a further 109 homes over the course of 2023. These homes will include the Council's first net zero carbon homes and the first homes within the Granton regeneration area.
- 5.2 The SMT will continue to support the management of the LLP on a day to day basis including monitoring the completion of the procurement process to appoint a new management and maintenance provider and the transfer of service provision, following approval to appoint in early 2023.

6. Financial impact

- 6.1 There is no financial impact arising from this report.

- 6.2 Purchase of homes is funded through Council borrowing from the General Fund, repaid from rental income and Scottish Government grant funding. Scottish Government consent is in place for the Council to on-lend to Edinburgh Living.

7. Stakeholder/Community Impact

- 7.1 The LLPs have a key role to play in delivering the Council's housing strategy and commitment to deliver affordable homes. The development of the LLPs will also have a positive impact on the local economy, through creating opportunities for local businesses as well as jobs in construction.
- 7.2 Edinburgh Living acquires new build homes that are developed through the Council's housebuilding programme to high standards in terms of energy efficiency and sustainability. A strong emphasis is placed on providing homes that are cheap to heat and affordable to manage for tenants.

Community benefits are secured through housing contracts and the management and maintenance contract can enhance the local environment. As part of the Lowther Homes contract, the delivery of community benefits was focused on training schemes, apprenticeships and a bursary programme. Lowther Homes is also committed to delivering benefits linked to tackling fuel poverty and supporting local businesses.

8. Background reading/external references

- 8.1 [Edinburgh Living Annual Update 2020 and 2021 – Referral from the Housing, Homelessness and Fair Work Committee, 23 August 2022](#)
- 8.2 [E8.1 Edinburgh Living Annual Report 2019 – Referral from the Housing, Homelessness and Fair Work Committee, Governance, Risk and Best Value Committee, 16 February 2021.](#)
- 8.3 [City Deal – New Housing Delivery Partnership Implementation – Referral from the Housing and Economy Committee, City of Edinburgh Council, 1 February 2018.](#)

9. Appendices

- 9.1 Appendix 1 – Delivery.
- 9.2 Appendix 2 – Financial Statements 2021.
- 9.3 Appendix 3 – Corporate Body Membership.

Appendix 1 – Delivery

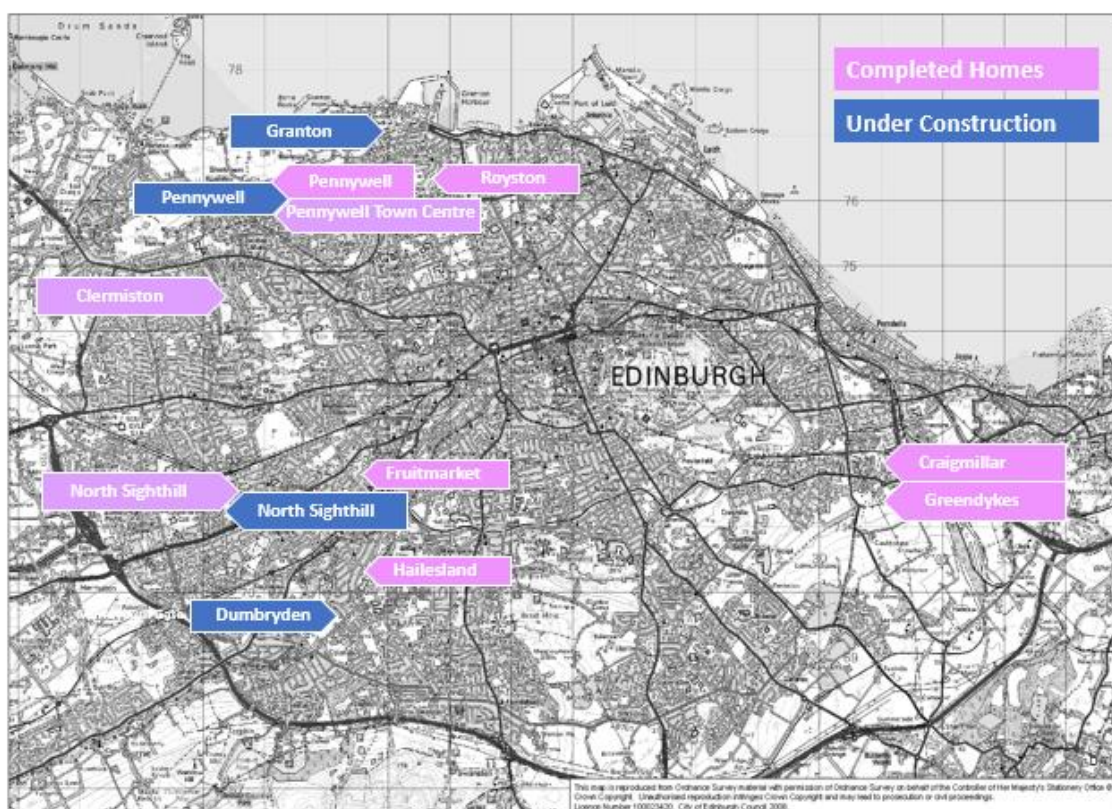
Delivery of mid-market rent homes city-wide

Homes purchased by Edinburgh Living in 2019	
Clermiston	22
Hailesland	11
Pennywell Town Centre	12
North Sighthill	8
Greendykes	56
Royston	22
Total	131

Homes purchased by Edinburgh Living in 2020	
Dumbryden	19
Craigmillar	77
North Sighthill	16
Total	112

Homes purchased by Edinburgh Living in 2021	
Craigmillar	56
North Sighthill	37
Pennywell	8
Total	101

Homes purchased by Edinburgh Living in 2022	
Pennywell	38
Pennywell Town Centre	40
Fruitmarket	80
Total	158



Appendix 2 – Financial Statements 2021

Edinburgh Living MMR LLP

Members' report and financial statements

Registered number SO306071

For the year ended 31 December 2021

Edinburgh Living MMR LLP
Members' report and financial statements
For the year ended 31 December 2021
Registered number SO306071

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Members' report

The members present their members' report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the LLP during the year was investment in residential property for rental purposes.

Business review

Edinburgh Living is a housing delivery partnership created to address housing need in Edinburgh. The initiative is a partnership between the City of Edinburgh Council (The Council) and Scottish Futures Trust (SFT). The Limited Liability Partnership will deliver homes for mid-market rent to let households in housing need.

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

Edinburgh Living is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £248m along with a contribution of up to £16.1m from a Scottish Government grant.

Results

The results for the year are shown on the profit and loss account on page 7.

Members

The members who held office during the year were as follows:

Scottish Futures Trust Investments Limited
The City of Edinburgh Council

Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members

Cash received by Edinburgh Living, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any loan advances and associated accrued interest charges, thirdly to fund the Lifecycle Account as necessary to establish and maintain the Maintenance Fund and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above allocations will be held to apply in early repayment of loan advances. Such balances will not be distributed without the unanimous approval of members and where any payment under the Facility Agreement (between Edinburgh Living and the Council) has not been made in accordance with its terms.

Cash received from property disposals will be allocated firstly to reimburse any subsidy paid out under the Scottish Government Grant, secondly in payment of any accrued interest charges on loan advances, thirdly to repay the outstanding balance of the principal of the loan advances, fourthly to pay any operating costs including any disposal costs, to establish and maintain the Reserve Account balance, fifthly to pay for the acquisition of any replacement units, sixthly to fund the Lifecycle Account, seventhly to the Reserve Account as necessary and finally, following disposal of the final property, to repay the initial capital.

Disclosure of information to auditor

The members who held office at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditor is unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

*Edinburgh Living MMR LLP
Members' report and financial statements
For the year ended 31 December 2021
Registered number SO306071*

Members' report *(continued)*

Auditor

Azets Audit Services are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

The above report has been prepared in accordance with the special provisions relating to limited liability partnerships subject to the small limited liability partnerships' regime within Part 15 of the Companies Act 2006, as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Signed on behalf of the members

Paul Lawrence *on behalf of The City of Edinburgh Council*
Designated member

Waverley Court
4 East Market Street
Edinburgh
EH8 8BG
29 September 2022

Statement of members' responsibilities in respect of the Members' report and the financial statements

The members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Edinburgh Living MMR LLP

Opinion

We have audited the financial statements of Edinburgh Living MMR LLP (the 'limited liability partnership') for the year ended 31 December 2021 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Bennett (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

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Chartered Accountants
Statutory Auditor

Exchange Place 3
Semple Street
Edinburgh
United Kingdom
EH3 8BL

Profit and loss account

for the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover		2,255,965	1,025,440
Cost of sales		(232,236)	(208,817)
		<hr/>	<hr/>
Gross profit		2,023,729	816,623
Government grant release	8	167,596	89,805
Administrative expenses		(194,379)	(192,555)
Net gain from fair value adjustment on investment properties		7,070,583	2,502,272
		<hr/>	<hr/>
Operating profit		9,067,529	3,216,145
Interest payable and similar charges	4	(982,207)	(588,878)
		<hr/>	<hr/>
Profit before tax		8,085,322	2,627,268
		<hr/>	<hr/>
Profit for the financial year available for discretionary division among members	3	8,085,322	2,627,268
		<hr/> <hr/>	<hr/> <hr/>

The LLP's turnover and expenses all relate to continuing operations.

There are no items of other comprehensive income for the current or previous year and therefore no separate statement of other comprehensive income has been presented.

Balance sheet

at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Investment properties	5	67,405,995	46,144,069
Current assets			
Debtors	6	347,187	217,255
Cash at bank and in hand		1,104,066	512,955
		<hr/>	<hr/>
Current assets		1,451,253	730,210
Creditors: amounts falling due within one year	7		
Trade and other payables		(1,927,526)	(1,372,752)
Deferred income	8	(177,650)	(133,650)
		<hr/>	<hr/>
Net current assets		(653,923)	(776,192)
		<hr/>	<hr/>
Creditors: amounts falling due in more than one year	7 & 8	(6,647,883)	(5,099,480)
		<hr/>	<hr/>
Net assets attributable to members		60,104,189	40,268,397
		<hr/>	<hr/>
Represented by:			
Loans and other debts due to members			
Other amounts	10	41,139,575	29,389,105
Members' equity			
Members' capital	11	2	2
Revaluation reserve		17,808,100	10,737,517
Profit & loss reserve		1,156,512	141,773
		<hr/>	<hr/>
		60,104,189	40,268,397
		<hr/>	<hr/>

These financial statements have been prepared in accordance with the special provisions relating to Limited Liability Partnerships subject to the small Limited Liability Partnerships' regime within Part 15 of the Companies Act 2006, as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, and in accordance with Section 1A "Small Entities" of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities), and the Statement of Recommended Practice Accounting by Limited Liability Partnerships.

The notes on pages 10 to 14 form part of these financial statements.

These financial statements were approved by the members and authorised for issue on 29 September 2022 and are signed on their behalf by:

Paul Lawrence on behalf of The City of Edinburgh Council
 Designated member

Statement of changes in Members' interests

for the year ended 31 December 2021

	Members' Capital (classified as equity)	Profit & Loss Reserve	Revaluation Reserve £	Loans & Other Debts Due to Members £	Total Members' interests £
Balance at 1 January 2020	2	16,777	8,235,245	16,595,617	24,847,641
New loans from Members during year	-	-	-	12,793,488	12,793,488
Profit for the financial year	-	124,996	-	-	124,996
Revaluations	-	-	2,502,272	-	2,502,272
Balance at 31 December 2020	2	141,773	10,737,517	29,389,105	40,268,397
New loans from Members during year	-	-	-	11,750,470	11,750,470
Profit for the financial year	-	1,014,739	-	-	1,014,739
Revaluations	-	-	7,070,583	-	7,070,583
Balance at 31 December 2021	2	1,156,512	17,808,100	41,139,575	60,104,189

The notes on pages 10 to 14 form part of these financial statements.

The revaluation element of Members' other interests is non-distributable.

Notes

(forming part of the financial statements)

1. General information

Edinburgh Living MMR LLP (the "Partnership") is a Limited Liability Partnership, incorporated and domiciled in the Scotland. The address of the registered office is Waverley Court, East Market Street, Edinburgh, EH8 8BG.

2. Accounting policies

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

Basis of preparation

These financial statements were prepared in accordance with Section 1A small entities of Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014 and amended in December 2018, and the LLP Statement of Recommended Practice (SORP) as issued in December 2018. The presentation currency of these financial statements is sterling.

Going concern

In relation to the LLP's working capital requirements, the members have prepared cash flow forecasts which indicate that the LLP will continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least twelve months from the date of approval of these financial statements. The LLP finances its day to day working capital requirements through funds advanced to the LLP by its members, as detailed in note 10.

Covid-19 has had an effect on rental income and acquisitions and may continue to do so in 2022. The Board has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The Board concluded that there were sufficient resources available to the LLP to withstand a reasonable level of negative impact on the rental income.

Based upon the reasons outlined above, and after making appropriate enquiries, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the members continue to adopt the going concern basis in preparing the annual financial statements.

Cash flow statement

Under Section 1A Small entities of FRS 102, the company is not required to prepare a cash flow statement.

Turnover

The turnover shown in the profit and loss account represents rental income, exclusive of value added tax, and is recognised as it accrues.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- i. Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. No depreciation is provided in respect of investment properties applying the fair value model.

Notes (continued)

2. Accounting policies (continued)

Investment properties (continued)

If a reliable measure is not available with undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets until a reliable measure of fair value becomes available.

Interest

Interest payable and similar charges comprises interest payable on loans from members. Interest payable is recognised in the profit and loss account as it accrues.

Taxation

As members are personally liable for taxation on their share of the profits of the LLP there is no corporation or deferred tax charges.

The LLP is not making taxable supplies therefore is not required to register for VAT.

Government grants

The accrual model is applied to government grants relating to assets. Grants are recognised when receivable and measured at fair value.

Grants receivable in respect of contributions to fixed assets are initially credited to deferred income and released to the profit and loss account over the useful life of the asset which is deemed to be 40 years.

Key sources of estimation uncertainty

Valuation of Investment Property

The company believes that the most significant judgement applied is the valuation of investment properties. As described above investment properties are held at fair value. The investment property portfolio has been valued by the members and any valuation movement will be reflected in the profit and loss account. This results in inherent volatility in the expected results.

Critical accounting judgements in applying the company's accounting policies

The company believes that the major judgement applied is the use of the going concern principle which supports the valuation of the assets included in the Balance sheet.

3. Profit for the financial year available for discretionary division among members

	2021 £	2020 £
This is stated after charging:		
Auditor's remuneration:		
Audit of these financial statements	7,850	7,500
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4. Interest payable and similar charges

	2021 £	2020 £
On members' loans	982,207	588,878
	<u> </u>	<u> </u>

5. Investment properties

	2021 £	2020 £
Opening balance at 1 January 2021	46,144,069	27,747,852
Acquisition cost	14,191,343	15,893,945
Change in fair value	7,070,583	2,502,272
Balance at 31 December 2021	<u>67,405,995</u>	<u>46,144,069</u>

The last valuation was carried out by a registered valuer and qualified Chartered Surveyor from the City of Edinburgh Council, in December 2021 and is based on market value.

The valuation report has been used to inform the measurement of assets in these financial statements. The report states that the Edinburgh and Lothians Housing market has returned to pre-Covid levels. With restrictions lifted, the valuer was able to visit each site, undertake locality analysis and compare developments against a larger volume of comparable transactions.

6. Debtors

	2021 £	2020 £
Other debtors	340,796	213,636
Unpaid members' capital	2	2
Prepayments	6,389	3,617
	<u>347,187</u>	<u>217,255</u>
	<u> </u>	<u> </u>

Notes (continued)

7. Creditors

	2021	2020
	£	£
Amounts falling due within one year:		
Amounts due to The City of Edinburgh Council	900,555	592,536
Retentions	680,925	468,253
Accruals	223,742	269,479
Other creditors	122,305	42,484
Deferred income	177,650	133,650
	<u>2,105,177</u>	<u>1,506,402</u>
Amounts falling due in more than one year:		
Deferred income	6,647,883	5,099,479
	<u>6,647,883</u>	<u>5,099,479</u>

8. Deferred income

	2021	2020
	£	£
Opening balance	5,233,130	2,858,935
Grant received during the year	1,760,000	2,464,000
Grant released to profit and loss account	(167,596)	(89,805)
	<u>6,825,534</u>	<u>5,233,130</u>

9. Related party transactions

Throughout the year the partnership was controlled by the members.

During the year the LLP entered into transactions with related parties as follows:

		2021	2021	2020	2020
		Transactions	Short-term	Transactions	Short-term
			creditor at		creditor at
			year end		year end
		£	£	£	£
Related party					
The City of Edinburgh Council	Management fees	119,265	55,589	154,301	94,507
The City of Edinburgh Council	Interest	982,207	247,990	588,878	166,343
The City of Edinburgh Council	Principal	11,750,470	652,565	12,793,488	426,193
The City of Edinburgh Council	Staff recharges	70,784	123,349	78,128	78,128
		<u>12,922,726</u>	<u>1,079,493</u>	<u>13,614,795</u>	<u>765,171</u>

Notes (continued)

10. Loans and other debts due to members

On liquidation of the LLP, loan advances and related accrued interest will be repaid second after any required repayment of Scottish Government Grant.

	2021	2020
	£	£
Due to The City of Edinburgh Council	41,139,575	29,389,105
	<u>41,139,575</u>	<u>29,389,105</u>
	<u><u>41,139,575</u></u>	<u><u>29,389,105</u></u>

11. Members' capital

	2021	2020
	£	£
The City of Edinburgh Council	1	1
Scottish Futures Trust Investments Limited	1	1
	<u>2</u>	<u>2</u>
	<u><u>2</u></u>	<u><u>2</u></u>

12. Ultimate controlling party

The City of Edinburgh Council (CEC), Waverley Court, 4 East Market St Edinburgh, EH8 8BG is the ultimate controlling party. CEC's accounts is the largest published group accounts of which the LLP is a member.

13. Subsequent events

Covid-19 may continue to impact upon rental income. The Senior Management Team (SMT) has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The SMT concluded that there were measures in place to enable to LLP to mitigate a reasonable level of negative impact on the rental income, therefore it is not considered to change the assessment of the LLP as a going concern.

Appendix 3 – Corporate Body Membership

The Edinburgh Living Corporate body consists of two Members of the Limited Liability Partnership (LLP) – City of Edinburgh Council and Scottish Futures Trust (SFT).

Five Council representatives attend meetings of the Corporate Body alongside a representative from SFT. Council representation was agreed by the City of Edinburgh Council as follows:

Current Representative
Councillor Kate Campbell
Councillor Phil Duggart
Councillor Susan Rae
Councillor Mandy Watt
Paul Lawrence – Executive Director of Place