

The City of Edinburgh Council

10.00am, Thursday, 19 December 2024

Accounts Commission Findings on Best Value in the City of Edinburgh Council – referral from the Policy and Sustainability Committee

Executive/routine
Wards

Routine

1. For Decision/Action

- 1.1 The Policy and Sustainability Committee has referred a report on the Accounts Commission Findings on Best Value to the City of Edinburgh Council for further consideration of the Accounts Commission's findings and the Council's proposed actions, as required by the Accounts Commission.

Dr Deborah Smart
Executive Director of Corporate Services

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Referral Report

Accounts Commission Findings on Best Value in the City of Edinburgh Council – referral from the Policy and Sustainability Committee

2. Terms of Referral

2.1 On 10 December 2024, the Policy and Sustainability Committee considered a report by the Executive Director of Corporate Services on the Accounts Commission's findings, following the Controller of Audit's recent report on Best Value in The City of Edinburgh Council, published in October 2024.

2.2 Motion

- 1) To note the Accounts Commission's findings, following the Controller of Audit's recent report on Best Value in The City of Edinburgh Council, published in October 2024.
- 2) To note whether the Commission's findings were noted/accepted/not accepted and the Council responses to each finding.
- 3) To note that the remaining open actions from the Best Value Assurance Action Plan, which was presented to Committee in August 2024, would be closed out by June 2025 in line with the previously established timeline.
- 4) To refer the report by the Executive Director of Corporate Services onto Council for further consideration of the Accounts Commission's findings and the Council's proposed actions, as required by the Accounts Commission.

- moved by Councillor Watt, seconded by Councillor Graham

Amendment

- 1) To note the Accounts Commission's findings, following the Controller of Audit's recent report on Best Value in The City of Edinburgh Council, published in October 2024.
- 2) To note whether the Commission's findings were noted/accepted/not accepted and the Council responses to each finding.
- 3) To note that the remaining open actions from the Best Value Assurance Action Plan, which was presented to Committee in August 2024, would be

closed out by June 2025 in line with the previously established timeline but regrets the completion of the findings from the Best Value Assurance Report will have taken almost five years, even if the timeline is achieved.

- 4) Notes in Finding 4, there remains outstanding work in setting realistic costings and resource requirements.
- 5) Notes in Finding 6, the results of the 25/26 budget engagement work will not be fully available for the budget setting process.
- 6) To refer the report by the Executive Director of Corporate Services onto Council for further consideration of the Accounts Commission's findings and the Council's proposed actions, as required by the Accounts Commission.

- moved by Councillor Doggart, seconded by Councillor Mowat

In accordance with Standing Order 22(13), the amendment was accepted as an addendum to the motion.

Decision

To approve the following motion by Councillor Watt:

- 1) To note the Accounts Commission's findings, following the Controller of Audit's recent report on Best Value in The City of Edinburgh Council, published in October 2024.
- 2) To note whether the Commission's findings were noted/accepted/not accepted and the Council responses to each finding.
- 3) To note that the remaining open actions from the Best Value Assurance Action Plan, which was presented to Committee in August 2024, would be closed out by June 2025 in line with the previously established timeline but regrets the completion of the findings from the Best Value Assurance Report will have taken almost five years, even if the timeline is achieved.
- 4) Notes in Finding 4, there remains outstanding work in setting realistic costings and resource requirements.
- 5) Notes in Finding 6, the results of the 25/26 budget engagement work will not be fully available for the budget setting process.
- 6) To refer the report by the Executive Director of Corporate Services onto Council for further consideration of the Accounts Commission's findings and the Council's proposed actions, as required by the Accounts Commission.

3. Background Reading/ External References

Policy and Sustainability Committee of 10 December 2024 - [webcast](#)

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Policy and Sustainability Committee

10.00am, Tuesday, 10 December 2024

Accounts Commission findings on Best Value in The City of Edinburgh Council

Executive/routine
Wards

1. Recommendations

- 1.1 Members of the Policy and Sustainability Committee are asked:
 - 1.1.1 to note the Accounts Commission's findings, following the Controller of Audit's recent report on Best Value in The City of Edinburgh Council, published in October 2024;
 - 1.1.2 to note whether the Commission's findings are noted/accepted/not accepted and the council responses to each finding;
 - 1.1.3 to note that the remaining open actions from the Best Value Assurance Action Plan, which was presented to Committee in August 2024, will be closed out by June 2025 in line with the previously established timeline; and
 - 1.1.4 to refer this report onto Council for further consideration of the Accounts Commission's findings and the Council's proposed actions, as required by the Accounts Commission.

Dr Deborah Smart

Executive Director of Corporate Services

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Finance and Procurement Division, Corporate Services Directorate

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Accounts Commission findings on Best Value in The City of Edinburgh Council

2. Executive Summary

- 2.1 This report summarises the Best Value findings made by the Accounts Commission in October 2024, whether the Commission's findings are noted/accepted/not accepted and the council responses to each finding.
- 2.2 The Accounts Commission requires its findings to be considered at a full Council meeting within three months of publication, hence the recommendation for this report to be referred to Council.

3. Background

- 3.1 In October 2024, the Controller of Audit submitted a report to the Accounts Commission on Best Value in The City of Edinburgh Council.
- 3.2 It should be noted that the previous 'Best Value Assurance Report' (BVAR) approach followed by Audit Scotland has been superseded, as Best Value audit work is now fully integrated into the annual financial audit. The Controller of Audit reports to the Accounts Commission on each council's performance on their duty of Best Value at least once over the five-year audit appointment, and the Accounts Commission determines how it wishes to respond.
- 3.3 Officers have previously reported regular updates on Best Value actions to the Policy and Sustainability Committee, and to the Governance, Risk and Best Value Committee. The last update on the Best Value Assurance Action Plan was brought to this Committee in August 2024.

4. Main report

- 4.1 The Controller of Audit report, submitted to the Accounts Commission in October 2024, was based on evidence collected by auditors as part of 2022/23 and 2023/24 annual audits.

- 4.2 The reporting of Best Value includes detailed work focusing on a Scotland-wide theme. The theme for 2022/23 was councils' leadership of the development of new local strategic priorities, while the 2023/24 theme focused on workforce innovation.
- 4.3 The full report detailing the Controller of Audit's report and the Accounts Commission's findings is at **Appendix 1**.
- 4.4 The Accounts Commission's findings have been outlined below, including whether the Commission's findings are noted/accepted/not accepted. Council responses are noted against each finding:

4.4.1 FINDING 1: The Commission welcomes and endorses the Controller of Audit's report on Best Value in The City of Edinburgh Council and the recommendations made by the auditors.

4.4.1.1 Council response – noted.

4.4.2 FINDING 2: The Commission is pleased to see the progress made since our Best Value Assurance Report in 2020, in particular the actions completed on performance reporting and medium-term financial planning. However, given the council's ambitious strategic priorities and financial challenges, work must be concluded as soon as possible on the actions to embed community engagement in service improvement and delivery, and to implement the Edinburgh Partnership's new governance arrangements and progress reporting.

4.4.2.1 Council response (progress since BVAR) – noted that the Accounts Commission, and the Controller of Audit, have commented positively on the Council's progress against previous BVAR actions.

4.4.2.2 Council response (conclusion of work) - accepted. Council officers presented an updated Best Value Assurance Action Plan to Committee in August 2024 – remaining open actions are currently being addressed and will be closed out in line with the timelines stated in the plan.

4.4.3 FINDING 3: Given the fine balance of political power, collaborative political leadership will be essential to take difficult decisions on how to transform services to make them financially sustainable. The Commission would urge the council not to lose sight of community priorities and the impacts of savings options on service delivery as it goes through its political decision-making processes.

4.4.3.1 Council response – noted. Officers continue to work closely with Elected Members to facilitate and inform effective political governance and decision making on operational and financial

aspects. The Budget Strategy Working Group is a dedicated Member/Officer Group which continues to enable effective collaboration in the lead up to 2025/26 budget setting. Council decisions regarding financial sustainability are informed by public engagement and consultation, and by detailed impact assessments for savings proposals, where appropriate. Community priorities continue to inform the Council's service and transformation planning. Officers engage with Elected Members in detail on short-, medium- and long-term transformation planning – the most recent update is being presented to the Finance and Resources Committee in November 2024.

4.4.4 FINDING 4: The Commission acknowledges the ambitious plans in place to end poverty and become a net zero city by 2030. However, based on progress to date, there is still much to do in relation to the targets set. Specific project costs must be established urgently to better inform decision-making about priorities.

4.4.4.1 Council response – accepted. The Council has been working with Scottish Government on the new Scottish Climate Intelligence Service and this will help to establish a clearer path to transition to net zero. While the 2030 target was ambitious, it was not legally binding. We have seen progress in several areas and the knowledge accumulated over the last five years has highlighted the complexities of focusing on net zero alone without incorporating wider nature and climate actions. The Council is therefore refocusing to tackle the twin climate nature emergencies by combining approaches to align emissions reduction with climate adaptation and nature recovery. We are now updating the business plan to reflect how this agenda has evolved. Since the publication of the Edinburgh poverty commission findings and the establishment of the end poverty ambitions, the work of the Council and its partners has shown a significant impact in terms of avoiding an increase in poverty levels despite the cost-of-living crisis and other economic challenges facing residents of the city. The poverty commission is reconvening to review interim progress on this work, and to reset specific goals for the Council and partners to address poverty. A key focus of the Council's work now is developing well-costed business cases for the prevention investment needed in several key areas.

4.4.5 FINDING 5: Given its priorities and the scale of the financial challenge, the council must accelerate its transformation and change programme. This will require a review of how services are delivered in the future, the detailed delivery plans required to achieve the necessary savings, and an understanding of how these plans will deliver on the council's priorities and performance outcomes. The council has a good track record of delivering savings in recent years, but not all of these have been recurring, and options for further savings of this nature are now limited.

4.4.5.1 Council response – accepted. The Council has a transformation portfolio which fully aligns with the Council's Medium-Term Financial Plan (MTFP) and strategic priorities. The transformation portfolio identifies priorities for change, proposals for transforming future service delivery, and outlines what delivery against each priority looks like in the short- and long-term. Detailed activity plans for each transformation workstream have recently been developed, showing key outcomes. Strategic and operational delivery of the MTFP and the transformation portfolio is effectively governed through internal officer boards/groups involving senior responsible officers. This was detailed in the 'Revenue Budget Framework and Medium-Term Financial Plan (MTFP) 2024/29 – progress update' report taken to Finance and Resources Committee in November 2024.

4.4.6 FINDING 6: Engaging staff, partners, and communities in shaping transformation and change will be vital, along with clear and transparent communications about what is and isn't possible. The Commission looks forward to seeing how the council builds on its current budget engagement work and how it embeds community engagement across service redesign. Going forward, the council should provide the opportunity for a range of voices to be heard, not just those who have engaged previously, and the intelligence from communities should be clearly laid out in the options presented to elected members to inform decision-making.

4.4.6.1 Council response – accepted. The Council has a new colleague survey planned for the new year. Budget engagement on specific proposals will be launched ahead of setting the budget in February and draft Integrated Impact Assessments (IIAs) will be published with proposals, where appropriate. In addition, phase 2 of the Council's budget engagement work will be concluded by January 2025.

Throughout next year, the Council intends to strengthen the use of IIAs which will be published for all high-level consultations. A new IIA quality assurance process will also be developed. As part of our transformation and improvement programme for community planning in the city, the council is considering new structures for working locally with residents.

4.4.7 FINDING 7: The Commission notes that the council plans to significantly increase levels of borrowing to realise its ambitious capital plan. We do not underestimate the major infrastructure challenges facing Edinburgh, in particular around housing and the school estate, but such levels of borrowing bring risks that could impact future financial sustainability. The council will need to manage this carefully to ensure that its levels of borrowing are affordable and that service impacts are minimised.

4.4.7.1 Council response – noted. Please refer to **Appendix 2** for a detailed response to this finding.

4.4.8 FINDING 8: Unlike some other councils, Edinburgh has opportunities on the horizon to raise additional income, for example the introduction of a visitor levy. The Commission will watch with interest as work to maximise these opportunities progresses, but would warn the council against using the benefits of potential future income to defer difficult decisions in the short term.

4.4.8.1 Council response – noted. The Council recognises the opportunity that the visitor levy presents to help mitigate some of the unique financial pressures Edinburgh faces as a capital city with a thriving tourist industry. However, it also recognises that the visitor levy cannot solely be utilised to mitigate existing pressures and must also be invested in further development of services. Council officers will continue to work with Elected Members to develop an effective strategic approach to the use of visitor levy funds. The Council also recognises that, aside from additional income-generating opportunities, difficult decisions will likely be required to secure the Council's medium- to long-term financial sustainability.

4.4.9 FINDING 9: The council has an exciting opportunity to use its new people strategy, revised workforce plan, and new HR/payroll system to ensure that it has the right people with the right skills (including digital) for future models of service delivery. This will be especially important in key areas where service performance has deteriorated, such as housing and waste, and in areas like health and social care where

workforce capacity and demand-led pressures are negatively impacting service users. The Commission looks forward to seeing evidence of the impact of these new plans and systems, including across its Integration Joint Board, and how they are being used to drive improvements to services and working practices.

4.4.9.1 Council response (workforce) – noted. During 2023/24 the Accounts Commission undertook a national Best Value Audit on Workforce Innovation: How Councils Are Responding to Workforce Challenges. The outcome report for the Council, and associated recommendations, were presented and agreed by the Governance, Risk and Best Value Committee in September 2024. Following the approval of the Strategic Workforce Plan in August 2024, work commenced on the development of local Service Operational Workforce Plans. These are due to be finalised, and key findings and activity consolidated by March 2025. These will include learning and development and skill reviews, as well as roles and workforce requirements for each service function. There has been extensive engagement and guidance, and training provided to Heads of Services to support the creation of these Plans and this will continue as part of ongoing review and monitoring. Monitoring reports will be provided quarterly to the Finance and Resources Committee in the form of Workforce Dashboards. In addition, committee will receive a ‘deep dive’ report on each People Strategy theme to provide assurance on implementation and outcomes.

4.4.9.2 Council response (performance) – not accepted. The Council respectfully challenges the view that there has been a decline in street cleansing performance. The Local Government Benchmarking Framework data set shows year-on-year improvements in the LEAMS street cleanliness score over the past three years. The Council’s own Public Performance Scorecard data has been used to determine a ‘decline’ in performance because public reports of litter, dog fouling and fly-tipping have increased. This increase in reporting does not correlate with a deterioration in service quality. Furthermore, the Council has already recognised the need for improvements in our Housing service through the implementation of the Housing Improvement Plan and the Housing Emergency Action Plan, both of which continue to have regular scrutiny from Elected Members.

- 4.5 Council officers continue to progress against remaining open actions in the Best Value Assurance Audit Plan, previously reported on in August 2024, and that actions will be closed out in line with timelines established in the plan.

5. Next Steps

- 5.1 Council officers will bring an update on the Best Value Assurance Action Plan and its remaining open items to the next Committee meeting.
- 5.2 It is recommended that this report is referred to a full Council meeting to allow further consideration of the Accounts Commission's findings.

6. Financial impact

- 6.1 All financial impacts are contained within directorate budgets. Any additional budget or resource needed to close the actions, that are not already contained within directorate budgets, will be reported to committee.

7. Poverty Impact

- 7.1 Any equalities or poverty impacts are considered as part of the different workstreams.

8. Climate and Nature Emergency Implications

- 8.1 There are no climate or nature emergency implications as a result of this report.

9. Risk, policy, compliance, governance and community impact

- 9.1 Each workstream has differing compliance, governance and consultation requirements. Further information can be provided on these matters if requested.

10. Background reading/external references

- 10.1 [Best Value Assurance Action Plan](#), Policy and Sustainability Committee, 22 August 2024

11. Appendices

- 11.1 Appendix 1 – Best Value: The City of Edinburgh Council, October 2024

11.2 Appendix 2 – Briefing note – Best Value Audit – Borrowing

Best Value

The City of Edinburgh Council



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
October 2024

Contents







Key facts	3
Commission findings	4
Controller of Audit report	6
Appendix 1.	12
Appendix 2.	13



Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key facts

	102	Square miles
	537,000	Population
	15,588	Workforce (FTE)
	63	Elected members 18 SNP; 13 Liberal Democrats; 11 Labour; 10 Green; 9 Conservative; 2 Other. (Minority Labour administration)
	£109m	Savings required by 2028/29
	£1,282m	Net revenue budget 2023/24
	£411m	Capital budget 2023/24

Commission findings

- 1** The Commission welcomes and endorses the Controller of Audit's report on Best Value in The City of Edinburgh Council (presented at [page 6](#)) and the recommendations made by the auditors.
- 2** The Commission is pleased to see the progress made since our Best Value Assurance Report in 2020, in particular the actions completed on performance reporting and medium-term financial planning. However, given the council's ambitious strategic priorities and financial challenges, work must be concluded as soon as possible on the actions to embed community engagement in service improvement and delivery, and to implement the Edinburgh Partnership's new governance arrangements and progress reporting.
- 3** Given the fine balance of political power, collaborative political leadership will be essential to take difficult decisions on how to transform services to make them financially sustainable. The Commission would urge the council not to lose sight of community priorities and the impacts of savings options on service delivery as it goes through its political decision-making processes.
- 4** The Commission acknowledges the ambitious plans in place to end poverty and become a net zero city by 2030. However, based on progress to date, there is still much to do in relation to the targets set. Specific project costs must be established urgently to better inform decision-making about priorities.
- 5** Given its priorities and the scale of the financial challenge, the council must accelerate its transformation and change programme. This will require a review of how services are delivered in the future, the detailed delivery plans required to achieve the necessary savings, and an understanding of how these plans will deliver on the council's priorities and performance outcomes. The council has a good track record of delivering savings in recent years, but not all of these have been recurring, and options for further savings of this nature are now limited.

- 6** Engaging staff, partners, and communities in shaping transformation and change will be vital, along with clear and transparent communications about what is and isn't possible. The Commission looks forward to seeing how the council builds on its current budget engagement work and how it embeds community engagement across service redesign. Going forward, the council should provide the opportunity for a range of voices to be heard, not just those who have engaged previously, and the intelligence from communities should be clearly laid out in the options presented to elected members to inform decision-making.
 - 7** The Commission notes that the council plans to significantly increase levels of borrowing to realise its ambitious capital plan. We do not underestimate the major infrastructure challenges facing Edinburgh, in particular around housing and the school estate, but such levels of borrowing bring risks that could impact future financial sustainability. The council will need to manage this carefully to ensure that its levels of borrowing are affordable and that service impacts are minimised.
 - 8** Unlike some other councils, Edinburgh has opportunities on the horizon to raise additional income, for example the introduction of a visitor levy. The Commission will watch with interest as work to maximise these opportunities progresses, but would warn the council against using the benefits of potential future income to defer difficult decisions in the short term.
 - 9** The council has an exciting opportunity to use its new people strategy, revised workforce plan, and new HR/payroll system to ensure that it has the right people with the right skills (including digital) for future models of service delivery. This will be especially important in key areas where service performance has deteriorated, such as housing and waste, and in areas like health and social care where workforce capacity and demand-led pressures are negatively impacting service users. The Commission looks forward to seeing evidence of the impact of these new plans and systems, including across its Integration Joint Board, and how they are being used to drive improvements to services and working practices.
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Controller of Audit report

1. This report is made by the Controller of Audit to the Accounts Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973. It is based on evidence collected in the 2022/23 and 2023/24 annual audits of the council, with the latter reported in September 2024. [Appendix 1](#) includes links to the 2022/23 and 2023/24 Annual Audit Reports (AAR) and [Appendix 2](#) includes a link to the Best Value Statutory Guidance.

2. The reporting of Best Value is undertaken through the annual audit of each council and includes detailed work focusing on a Scotland-wide theme. The Best Value theme for 2022/23 was councils' leadership of the development of new local strategic priorities while the 2023/24 theme focused on workforce innovation.

3. The 2023/24 annual audit concluded that The City of Edinburgh Council (the council) has made good progress against improvement actions from the 2020 Best Value Assurance Report. Of the nine outstanding recommendations, five are now complete with the remaining four due for completion by April 2025. It will be important for the council to ensure revised timescales are met given the time that has now passed since the recommendations were made.

4. The 2022/23 Best Value thematic report on leadership found that the council has set out clear aims and priorities for the next five years in a refreshed business plan covering years 2023 to 2027. The plan sets out three core priorities:

- to create good places to live and work
- to end poverty in Edinburgh
- and to become a net zero city by 2030.

5. The priorities are underpinned by ten medium-term outcomes, each supported by short-term actions to be implemented over the next two years. The plan acknowledges that its overarching goals are ambitious and recognises the significant financial challenges it faces to deliver them, including making difficult choices and working more closely with partners and communities. The council has developed a clear framework to measure and monitor progress against its priorities. The first business plan progress update report was considered by the Policy and Sustainability Committee in August 2024 and highlighted that, of the 99 milestones underpinning the plan, 43 were complete, with a further 39 'on track'.

6. The development of the council's strategic priorities was informed by the results of public consultation supporting the council's previous iterations of the business plan. In 2022/23, auditors highlighted the need for the council to consider directly consulting with residents on the ranking and affordability of its strategic priorities in the development of its business plan.

7. The 2023/24 AAR noted that the council did not consult with residents on its 2024/25 budget proposals prior to its approval, but a multi-year exercise was subsequently launched to seek views on spending proposals and the impact of cuts. This exercise sought to communicate the council's overall budget position over multiple years and strategic priorities to residents, emphasising the need to create efficiencies and in some cases reduce services provided. Residents were asked for their views on how the council can save money, which services could be reduced and where the council has done well. This was the first phase of the council's 2025/26 budget engagement plan. Further public consultation is planned for early October 2024.

8. The political make-up of the council is finely balanced at a time when the council needs to work together to make some difficult strategic decisions. Tensions emerged in agreeing the 2023/24 budget with concerns raised about the lack of transparency and availability of information. This led to reviews of the budget process by the Corporate Leadership Team and by the council's internal auditors with a number of actions being taken. The council is also undertaking greater activity on Integrated Impact Assessments for spending proposals.

9. The council has appropriate financial planning arrangements in place. Options are being explored to close a budget gap of £26.4 million for 2024/25 but it is unclear if these will result in the savings required. The most significant area of savings required is within Health and Social Care, followed by Place which includes spending areas such as homelessness, repairs and maintenance and cleansing and waste. We observed that members receive regular financial information on the council's performance against budget but there is an opportunity for the council to improve its budget papers by providing more specific savings proposals, the impact of these budget reductions on services, and how these are to be achieved.

The council should consider improving its budget papers by providing more specific savings proposals, the impact of budget reductions on services, and how these are to be achieved.

10. The council has developed a medium-term financial plan (MTFP), and progress is reported regularly to the Finance and Resources Committee (F&R). It forecasts the financial landscape facing the council to 2028/29, sets out the financial gap and outlines scenarios for tackling the main financial challenges to sustainability. Financial plans forecast a budget gap of £29.9 million in 2025/26 rising to £109.1 million by 2028/29.

11. The plan acknowledges, however, there is a lack of detailed clarity over how savings will be achieved, or how the budget gap can be met. More specific plans are expected to be formed by late 2024 after being considered by service committees and informed by the results of residents' consultations.

12. In recent years, the council has been able to focus on immediate budget pressures while benefitting from one-off measures and increased income such as reduced pensions' contributions, use of reserves, changes to empty property relief and service concession financial flexibilities. From 2025/26 onwards, the council will need to make increasingly difficult choices about spending priorities and levels of service provided and balance short-term pressures with fundamental reform to provide long-term financial sustainability.

The fine balance of political power at the council means that members will need to work constructively together to reach agreement on options for reform.

13. The council is exploring savings options and has innovative plans to raise additional sources of income. These plans include the creation of a Forth Green Freeport, which the council could benefit from through retained NDR estimated at £107 million, as well as the introduction of a visitor levy, which has been estimated could generate up to £46 million annually for the city, dependent on the rate charged.

14. There has been an increase in the level of general fund reserves over recent years, but much is already allocated to agreed future spending commitments. In 2023/24, the general fund balance increased by £87 million (33 per cent) to £353 million, with a significant element of this due to the adoption of the service concession financial flexibility, with those funds set aside for future years. Only £25.7 million of the general fund balance is unallocated and available as revenue expenditure. This proportion of unallocated reserves has remained relatively stable over the last five years.

15. Total capital expenditure in 2023/24 was £425 million (2022/23: £409 million). Capital expenditure relating to general services was £288.3 million against a revised budget of £285.3 million; and capital expenditure of £136.5 million against a revised budget of £125.5 million for the Housing Revenue Account. Overall, there was 'acceleration' of the council's capital strategy of £13.9 million, ie capital spending progressed faster than budget in-year, although only after the budget was adjusted in-year to reflect anticipated slippage. A review of the council's ten-year Capital Investment Plan was undertaken during 2024 to ensure alignment with the MTFP.

16. Total external debt, which includes borrowing, finance leases and PPP school schemes, increased to £1.731 billion in 2023/24 from £1.681 billion in 2022/23. In March 2024, the council forecast that significant external borrowing is required (£2.879 billion as at 31 March 2029) to fund forecast capital expenditure of £3.25 billion to 2028/29. The council has acknowledged that such levels of borrowing will bring significant financing risks.

17. The council approved a new people strategy in March 2024 which supports the council's business plan. This sets out an overarching vision on how the council will achieve its future workforce requirements. The strategy is underpinned by a revised workforce plan, which was approved by the Policy and Sustainability Committee in August 2024.

18. Better data is needed to support the council's approach to workforce planning and how it measures impact. Work is under way to improve the information that is available for decision-making and the council has developed a new suite of key performance indicators against the new People Strategy 2024-27.

19. The new HR and payroll system (Oracle), to be introduced in October 2024, provides the opportunity for the council to provide real-time and robust workforce data. The council has developed workforce dashboards and deep dive reports to provide more comprehensive reporting across the council's services, but there is scope to present key information in a way that is more accessible and directs scrutiny to emerging challenges. The council plans to improve how it measures the impact of its workforce planning approach.

The council should ensure it has a robust measurement and reporting framework to evaluate progress of the new people strategy and workforce plan. It should report on specific key performance measures and assess the impact of its actions, including identifying timescales and assigning service leads.

20. The council's approach to workforce planning needs to be clearly aligned to other key strategies. The council's Digital and Smart City Strategy (2020-23) is now out of date, and a revised strategy is being progressed. There needs to be a clear assessment and understanding of the impact of digital technologies on workforce plans and working practices to better inform future requirements.

The council should undertake a corporate review of digital skills in its workforce to identify gaps and areas for improvement. This should include seeking feedback from staff on its digital provision to innovate and improve service delivery.

21. In December 2020, the council and partners agreed plans to adopt the End Poverty in Edinburgh by 2030 target set by the Edinburgh Poverty Commission (EPC). The council's End Poverty in Edinburgh Delivery Plan identified six areas for focused action by the city and its partners: fair work, a decent home, income security, opportunities to progress, connections and belonging, and health and wellbeing, while at the same time removing stigma. The delivery plan agrees actions for priority delivery over the next 12 months, and progress is reported annually each year.

22. The latest progress report (October 2023) shows that an estimated 17 per cent of people in Edinburgh were living in poverty in the period to 2022, including 20 per cent of all children. The data indicates that poverty rates have remained relatively unchanged in recent years, despite the impact of the pandemic and the early months of the cost-of-living crisis in 2022. The report also highlighted that women and families in priority groups are at most risk of poverty in Edinburgh. Across the council, NHS Lothian and other Edinburgh Partnership bodies, there are over 40 local actions in progress aimed at ending poverty in Edinburgh.

23. The council has developed plans which set out actions to deliver its ambition of being a net zero city by 2030, including:

- a city-wide 2030 Climate Strategy, which was published in December 2021. It sets out the strategic priorities for tackling climate change in the city, with high level strategic actions to achieve the aim of becoming a net zero city by 2030
- a council emission reduction plan, approved in November 2021, which sets out actions to reduce its corporate emissions covering up to 2030.

24. Difficult decisions and further resources will need to be targeted in this area if it is to meet the scale and pace required. Achieving net zero targets is a complex area and plans for reducing emissions compete with other priority policy areas for funding, and significant additional investment will be required.

The council should continue to build on its existing net zero plans to include further detail on specific project costs and budgets. This should include outturn information, and details of any additional funding required. This would provide better information for decision-making about prioritising projects which make the most impact and therefore maximising the contribution to achieving its 2030 Climate Strategy goals.

25. The council has developed a clear performance framework to measure and monitor progress against the council's priorities. The framework identifies milestones and specific key performance indicators (KPIs). It is aligned with the refreshed business plan and maps out the plan's outcomes against the National Performance Framework, the Accounts Commission's seven Best Value themes and the community plan's priorities.

26. The performance framework commits the council to reviewing performance measures and targets on an annual basis to ensure that they remain aligned to the delivery plan. Three annual reports are produced covering progress against the business plan, the public performance scorecard and the Local Government Benchmarking Framework (LGBF).

27. Overall, 67 of 104 available LGBF performance indicators had improved since the base year. Performance was improved or maintained, as compared to last year, in the areas of financial sustainability, children's services, adult social work services, corporate services, culture and leisure services, economic development and tackling climate change.

28. The council's analysis shows the four housing measures sit in the second bottom quartile, just below the national average. This reflects the challenges the council has acknowledged in delivering its housing service.

29. The council's own Public Performance Scorecard covers core service-level Key Performance Indicators (KPIs). Updates are provided on a quarterly basis and each year in the form of an annual performance report. Overall, the KPIs show a mixed picture, with 31 out of 78 marked as being on or ahead of target with data showing declines in street cleaning, waste and housing.

30. It is important that performance reporting is fair and balanced and should clearly and easily highlight where underperformance or weaknesses exist so that timely, targeted action can be taken. The council is considering how the Public Performance Scorecard can be enhanced following a public consultation and plans to review the format and content with elected members to ensure it meets their needs. Last year, auditors reported that accessibility requirements were not being met. Improvements were found this year, for example, there is information provided on whether performance reports are available in alternative formats or different languages.

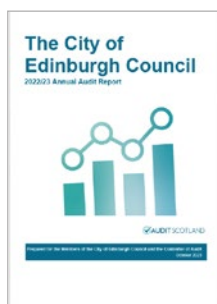
Appendix 1.

2022/23 and 2023/24 Annual Audit Reports

These reports summarise the findings from the 2022/23 and 2023/24 annual audits of The City of Edinburgh Council.

Each Annual Audit Report comprises:

- significant matters arising from the audit of the council's annual accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
 - Financial management
 - Financial sustainability
 - Vision, leadership and governance
 - Use of resources to improve outcomes.



2022/23 Annual Audit Report
City of Edinburgh Council
October 2023



2023/24 Annual Audit Report
City of Edinburgh Council
September 2024



Appendix 2.

Best Value

[The Local Government in Scotland Act 2003](#) introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Best Value

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Briefing note – Best Value Audit - Borrowing

Corporate Services Directorate
Monday 4 November 2024

1. Introduction

- 1.1 In considering the Controller of Audit's report on Best Value in The City of Edinburgh Council, the Accounts Commission made the following comment relating to the Council's investment and borrowing plans:

“The Commission notes that the council plans to significantly increase levels of borrowing to realise its ambitious capital plan. We do not underestimate the major infrastructure challenges facing Edinburgh, in particular around housing and the school estate, but such levels of borrowing bring risks that could impact future financial sustainability. The council will need to manage this carefully to ensure that its levels of borrowing are affordable and that service impacts are minimised.”

- 1.2 The Council undertakes all Capital and Treasury activities in compliance with the CIPFA Prudential and Treasury Management Codes. This note sets out the extent of the Council's capital plans, the associated risks, and how they are being managed.

2. Background

- 2.1 As part of its budget-setting process the Council reviews its capital investment plans for the general fund and the HRA each year, to ensure they are affordable within the context of the Council's overall financial position.
- 2.2 This is in line with statutory requirements which require local authorities to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code, as revised by CIPFA in 2021, has the following objectives:
- A local authority's capital expenditure plans and investment plans are affordable and proportionate
 - All external borrowing and other long-term liabilities are within prudent and sustainable levels
 - The risks associated with investments for commercial purposes are proportionate to their financial capacity, and
 - Treasury management decisions are taken in accordance with good professional practice.

- 2.3 The Prudential Code requires local authorities to look at capital expenditure plans, investments and debt in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-run financing implications and potential risks to the authority debt.
- 2.4 The most recent capital budget was set in February 2024. It has been more recently updated to reflect changes in the phasing of planned expenditure and reported to [Finance and Resources Committee on 19 September 2024](#). The resultant impact on borrowing was set out in the [Treasury Management Annual Report 2023/24](#) considered at the same meeting.

3. Main Points

- 3.1 Based on the most recent capital budget, the Council is planning to invest £3.5bn over the next six years:

Prudential Indicator 1: Estimate of Capital Expenditure

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
General Fund	361,443	345,922	210,715	155,121	98,038	81,280	1,252,519
HRA	180,383	345,964	324,689	471,383	463,983	415,268	2,201,671
Total	541,826	691,886	535,404	626,504	562,021	496,549	3,454,190

- 3.2 Taking account of anticipated income from capital grant, assets sales and other receipts, as well as planned repayments, the Council's Capital Financing Requirement, which represents its underlying requirement to borrow, is forecast to increase from £2.3bn in 2024/25 to £3.5bn in 2029/30.

Prudential Indicator 3: Capital Financing Requirement

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
General Fund	1,949	2,097	2,146	2,147	2,091	2,013
HRA	604	767	938	1,121	1,291	1,470
Total	2,553	2,864	3,084	3,268	3,382	3,483

- 3.3 As the above table illustrates, while the borrowing requirement for the General Fund remains relatively static, the position for the HRA more than doubles as new homes are built to address the Housing Emergency and existing homes are upgraded.
- 3.4 To ensure that the level of Council external borrowing is both affordable in the short-term and sustainable over the longer-term borrowing is monitored against the Authorised Limit (level that is considered affordable) and the

Operational Boundary (level that is considered affordable **and** sustainable).
These limits are set out below:

Prudential Indicator 5 and 6: Operational and Authorised Limits for External Debt

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Authorised Limit	3,044	3,315	3,556	3,594	3,745	3,857
Operational Boundary	2,994	3,266	3,506	3,544	3,695	3,807

There are currently no forecasts or concerns suggesting that the Council is likely to breach either of these limits. This is robustly managed and is reported to committee on a quarterly basis alongside capital monitoring and treasury management reports.

3.5 The increase in anticipated borrowing is also reflected in level of annual financing costs.

Prudential Indicator 2: Ratio of Financing Costs to Net Revenue Stream

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
General Fund Financing Cost	109,756	114,544	117,330	116,586	115,482	115,482
Net Revenue Stream	1,349,614	1,362,289	1,375,948	1,389,570	1,403,192	1,403,192
%	8.13	8.41	8.53	8.39	8.23	8.23
HRA Financing Cost	115,979	129,160	139,987	153,387	168,312	183,084
Net Revenue Stream	46,442	56,590	69,563	83,155	97,140	110,566
%	40.04	43.81	49.69	54.21	57.71	60.39

3.6 Financing costs for the General Fund remain at a similar level throughout the 6-year period and are less than 9% of the Council's total net budget. This level is considered sustainable and is contained within budgeting assumptions set out in the Medium-Term Financial Plan.

3.7 By contrast, annual financing costs for the HRA are set to increase by £67m or 60% over the same period. This cost is projected to be fully met by additional rent from additional homes for social rent as well as income generated from an annual 7% rent increase for 10 years as set out in the HRA rent strategy. However, the proportion of HRA income required to finance its borrowing requirement is forecast to increase from 40% to over 60%. To put this in context, in 2022/23 among Scottish Council HRAs this percentage ranged from 7% in Clackmannanshire to 39% in Highland.

3.8 The level of projected financing costs, particularly for the HRA, represents an increase in the financial risk to which the Council is exposed. This is because once borrowing is undertaken, these costs are fixed and cannot be reduced in response to pressures elsewhere in the budget. Until borrowing is undertaken, the Council is also exposed to interest rate risk which could result in an even higher financing cost liability.

3.9 However, it should be noted that the majority of capital investment set out in the HRA budget is still to be committed and that capital plans are reviewed annually as part of the budget process to ensure they remain affordable. This note highlights the particular risks associated with the Council's investment plans for housing. In view of this, a detailed report setting out HRA risks and reserves will be presented to the Finance and Resources Committee for consideration ahead of the Council budget meeting in February.

4. Recommendations

4.1 To note the contents of this briefing note.

4.2 Members should continue to have regard to the long-term affordability of financing costs when setting budgets for both the HRA and General Fund.

5. Contact Details

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