

The City of Edinburgh Council

10am, Tuesday, 30 June 2020

Unaudited Annual Accounts 2019/20

Executive/routine	Routine
Wards	N/a
Council Commitments	N/a

1. Recommendations

1.1 Members of Council are asked to note:

- 1.1.1 that the unaudited annual accounts for 2019/20 will be submitted to the external auditor by the statutory date;
- 1.1.2 that the provisional outturn position shows an overall overspend of £5.231m, the first such overspend in thirteen years, and that this sum will therefore require to be met by a corresponding drawdown from reserves;
- 1.1.3 that a more detailed revenue and capital outturn analysis will be reported to the Policy and Sustainability Committee in August 2020; and
- 1.1.4 the intention to submit the audited annual accounts and annual auditor's report to the Governance, Risk and Best Value Committee and thereafter to the Finance and Resources Committee in September 2020, for approval.

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Executive Director of Resources

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Unaudited Annual Accounts 2019/20

2. Executive Summary

- 2.1 The report presents to members the Council's 2019/20 Unaudited Annual Accounts prior to their submission to the external auditor. These statements detail the financial position and performance of the Council, together with that of the wider Council Group, for the year ending 31 March 2020. The report includes a summary of the draft outturn position and notes that more detailed reports will be brought to the Policy and Sustainability Committee in August 2020.

3. Background

- 3.1 The report presents the unaudited annual accounts for the 2019/20 financial year for Council's consideration.
- 3.2 The Council's unaudited annual accounts, included in Appendix 1, have been completed in accordance with proper accounting practice and will be submitted to the external auditor by 30 June, as required by the Local Authority Accounts (Scotland) Regulations 2014, upon conclusion of this meeting.
- 3.3 The supplementary provisions of the Coronavirus (Scotland) Act 2020 allow local authorities, in consultation with their external auditors, to defer submission of their unaudited annual accounts by up to two months. The Council has, however, agreed not to take advantage of this flexibility to maximise the time available to assess and manage the cost and income implications of the COVID-19 pandemic in 2020/21. The management commentary does, however, reflect a particular emphasis on the impacts of COVID-19 both in 2019/20 and going forward.
- 3.4 Members should note that the unaudited annual accounts must be published on the Council's website no later than 30 June 2020 and made available for public inspection for a period of 15 working days. This inspection period will run from Wednesday 1 July to Tuesday 20 July 2020 inclusive. Due to the on-going pandemic, however, this year's inspection process will be undertaken largely by electronic means.

4. Main report

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

- Movement in Reserves Statement (pages 17 and 18);
- Comprehensive Income and Expenditure Statement (CIES) for the Group (pages 19) and the Council (page 20); and
- Balance Sheet (page 21)

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

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

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

4.3 A number of smaller entities, listed on page 40 of the Unaudited Annual Accounts, have not been consolidated on the grounds of low materiality.

4.4 The annual remuneration report is included in the Unaudited Annual Accounts on pages 124 to 132. This covers the Council's Leader, Civic Head, Senior Councillors, Conveners of Joint Boards and senior employees within both the Council and its wider group.

Outturn Summary

Revenue

4.5 The Council's draft outturn position shows a net overspend against budget of £5.231m. This position reflects service overspends totalling £9.964m, primarily those within Place (£6.996m) and Communities and Families (£3.133m), inclusive of unfunded COVID-related losses of income. As a result of the severe impact of the pandemic on its operations, the Council additionally did not receive the budgeted £6m dividend payment from Lothian Buses during the year. These service overspends were offset, in part, by savings in loans charge expenditure (£1.370m) and Council Tax (£1.316m), alongside unbudgeted drawdowns from reserves (£7.872m) agreed by Council during the year. A reconciliation between the CIES for the Council and the General Fund outturn is included as Appendix 2.

4.6 As is required by statute, the net overspend of £5.231m has been offset by a corresponding further drawdown from reserves.

Reserves

4.7 As at 31 March 2020, the General Fund reserves had reduced to £119.787m, a fall of £25.058m from the preceding year. This movement primarily reflects net sums of £14.327m utilised from the Council Tax Discount Fund to support planned investment in affordable housing and unbudgeted drawdowns of £13.103m to offset

the revenue pressures noted at 4.5 (£7.872m) and to address the year-end deficit (£5.231m). While the adequacy and appropriateness of the overall level of reserves held is reviewed annually by Council as part of the revenue budget-setting process, a re-assessment of these and wider financial planning assumptions is being urgently undertaken as part of the Adaptation and Renewal Programme.

- 4.8 The unallocated General Fund stands at £13.927m as of 31 March 2020, an increase of £0.902m on the equivalent position for the previous year, reflecting an in-year transfer of uncommitted sums from the City Strategic Investment Fund. The remaining balance of £105.860m is earmarked for specific purposes, these being:
- Balances set aside to manage financial risks and for specific investment which are likely to arise in the medium-term future, including maintenance of an insurance fund, dilapidations and workforce management. The Council holds £80.802m against these future risks.
 - Balances set aside from income received in advance, primarily Council Tax Discount Fund and the City Strategic Investment Fund. The Council holds £17.086m of such income.
 - Balances set aside to support investment in specific projects, such as Spend to Save, which will deliver savings in future years. The Council holds £3.301m for such projects.
 - Balances held under the Devolved School Management Scheme and unallocated Pupil Equity Funding. The Council holds £4.671m of these funds.
- 4.9 Details of these earmarked balances are shown in Appendix 3.

5. Next Steps

- 5.1 The Unaudited Annual Accounts will be submitted to the external auditor by 30 June 2020, as required by the Local Authority Accounts (Scotland) Regulations 2014.

6. Financial impact

- 6.1 The report identifies a provisional deficit of £5.231m in the year to 31 March 2020 and the corresponding need to draw down offsetting funds from reserves.

7. Stakeholder/Community Impact

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

8. Background reading/external references

8.1 None.

9. Appendices

One – Unaudited Annual Accounts 2019/20

Two – Reconciliation of the Comprehensive Income and Expenditure Statement

Three – Reserve balances

2019/20

UNAUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2020

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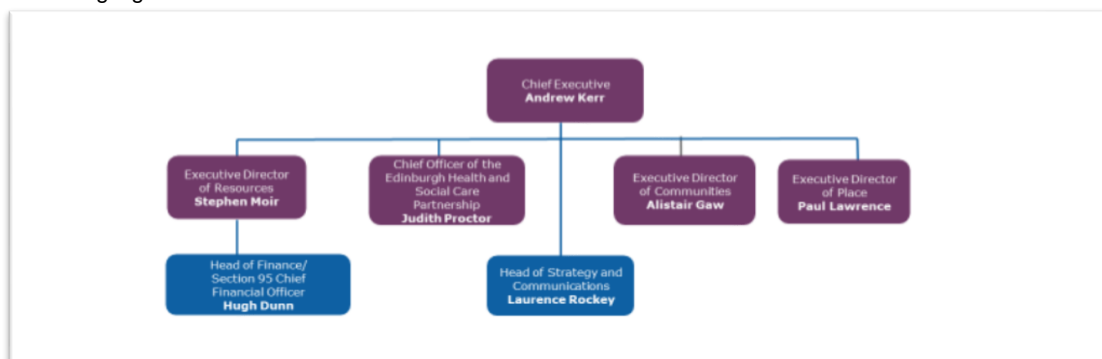
MANAGEMENT COMMENTARY

Introduction

The Unaudited Annual Accounts present the provisional financial position and performance of the Council, together with the wider Council Group, for the year to 31 March 2020. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 using the Council's management structure as a reporting basis, the same as in the previous year.

The City of Edinburgh Council was constituted under the Local Government, etc. (Scotland) Act 1994 and became the unitary local authority to Scotland's capital city in April 1996. The Council brought together most of the services delivered by the previous regional and district councils, with its primary current frontline functions being the provision of education to school-age children within the city, social care services, economic development, a range of community-based services such as roads maintenance, street lighting and refuse collection and quality of life functions such as libraries, culture, recreation and parks. Services are delivered to some 537,000 citizens across the 102 square mile Council area. As of March 2020, the Council employed 14,754 FTE staff, compared to 14,736 FTE in March 2019.

The structure of the Council continues to evolve but the Corporate Leadership Team (CLT) organisational chart and tables below indicate the latest position, with the constituent services with an Executive Director or Chief Officer highlighted in bold.

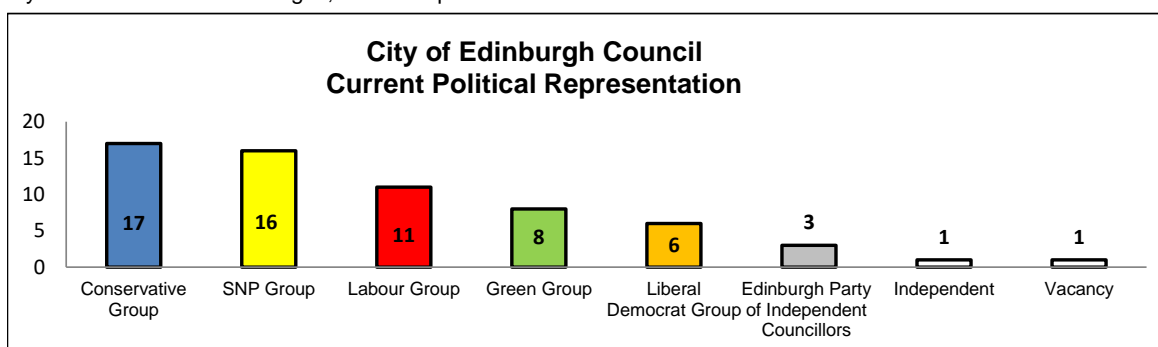


Resources	Health and Social Care	Place
Customer and Digital Services	Edinburgh Integration Joint Board	Environment (inc. waste and parks)
Finance	Older people's services	Transport (inc. parking)
Legal and Risk	Learning and Physical disabilities	Roads, bridges and flood prevention
Human Resources	Mental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

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

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

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



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

Details of the senior councillors' remuneration and committee roles, for those in office during the financial year, are disclosed in the Remuneration Report from page 124 of these financial statements.

MANAGEMENT COMMENTARY

Edinburgh and the Council's Role

Edinburgh is one of the best cities in the world in which to live, work and study. In 2019, it had the highest proportion of working-age adults in employment of any major UK city. After London, it was also the most-visited city in the UK. Over 62,000 students are enrolled in its higher education institutions. It is therefore a city full of vibrancy and opportunity and, as a council, we are working hard to ensure that all residents can share in its success. We will keep investing in the things that support and sustain growth while confronting the challenges that come with it.

Edinburgh has seen significant recent population growth, with a 13.1% increase between 2008 and 2018 compared to a national rise of 4.5% over the same period, representing almost a five-fold increase on the equivalent rate in the previous decade. The majority of this growth is due to net overseas migration. Analysis of population trends suggests that the total number of residents will increase by at least 65,000 people by 2027, with increases of more than 20% for those aged 12 to 17 and over 75. This growth will place further demands on a range of frontline services and as a result, the Council's budget framework continues to provide additional annual sums in respect of growing numbers of school pupils, at-risk children, older people and those with physical and/or learning disabilities.

A growing population is one of the most visible signs of the city's economic success. We need to make sure that the city continues to be open, progressive and forward-thinking so that everyone can benefit from its prosperity. Alongside its affluent areas, however, the city contains some of the most deprived communities in Scotland. Within the most deprived wards, more than 25% of all residents live in households below the poverty threshold. Narrowing these gaps and allowing all residents to share in the city's success therefore forms a key strand of the **City Vision**, creating a city that is connected, inspired, thriving and fair. The immediate and potential longer-term impacts of the COVID-19 pandemic have only reinforced the importance of these principles, as well as the overarching importance of tackling poverty, promoting sustainability and improving well-being to all of the Council's activity.

City of Edinburgh Council's Corporate Strategy

The **Programme for the Capital: Council Business Plan for 2017/22** describes the Council's strategic aims and target outcomes, the challenges, how success will be measured and the future direction of the organisation. The plan sets out overlapping strategic themes common to the work of all service areas. The strategic aims set out below are underpinned by the 52 commitments to the city.

- **Delivering an economy for all;**
- **Building for a future Edinburgh;**
- **Delivering a sustainable future;**
- **Delivering for our children and families;**
- **Delivering a healthier city for all ages; and**
- **Delivering a Council that works for all**

To deliver the vision and strategic aims, the Administration has set out 20 associated outcomes, as shown in the diagram below. These outcomes link to the **52 commitments** to the city which will be prioritised over the duration of the plan and into the future.



A **Council Performance Framework 2017-22** has been developed to support the implementation of the Council Business Plan 2017-22. The framework is reviewed annually, including refreshing the measures, actions and milestones to ensure that the data collected is useful in tracking performance and delivery.

MANAGEMENT COMMENTARY

Risks and Uncertainty

The Corporate Leadership Team's (CLT) **highest-prioritised risks** as reported to the Governance, Risk and Best Value Committee on 3 December 2019 are outlined below, along with the key controls in place to mitigate them.

Risk	Mitigating actions
Health and Safety (H&S)	
As a result of potential gaps in training, management or understanding, deliberate or accidental actions, there is a risk of non-compliance with legislative requirements and/or the Council's health and safety policies or operational procedures. This could lead to an incident resulting in regulatory breaches, harm to staff, service users or members of the public, subsequent liability claims, fines and associated reputational damage.	<ul style="list-style-type: none"> * Council Health and Safety Policy and Council Asbestos, Fire Safety and Water Safety Policies are available to all and set out roles and responsibilities. * H&S corporate training programme includes the Council's induction programmes for all staff and new leaders; guidance/advice is available on the Council's intranet including, for example, asbestos awareness training. * Institute of Occupational Safety and Health "Leading Safety" courses delivered to the Wider Leadership Team. * Rolling H&S audit programme identifies areas and actions for improvement. * H&S risks and issues reported to CLT on a weekly basis, H&S is a standing CLT agenda item. * H&S performance is measured and reported to the CLT Risk and Assurance Committee quarterly, Council H&S Group and Service-level H&S Groups. Actions for improvement are agreed as appropriate.
Medium-term financial planning (to 2022)	
Due to reduced funding available for Local Government, increasing demand for health social care services, challenges in achieving planned revenue and/or capital savings, public perception of (and reaction to) proposed changes, competing priorities, the requirement to ring-fence particular budgets, unknown financial impacts of the Scottish Child Abuse Inquiry and potential legislative changes following Brexit, the Council could find it more difficult to successfully undertake medium-term financial planning. The effects of this could include additional unplanned in-year financial pressures and failure to achieve the Council's medium-to-long term objectives across all areas of service delivery.	<ul style="list-style-type: none"> * Engagement and lobbying with other local authorities through COSLA (Convention of Scottish Local Authorities) to Scottish Government and Ministers. * Budget-setting protocol in place at IJB and HSCP level. * Good financial control in accordance with legislation and the Council's Financial Regulations to deliver planned capital and revenue budgets. * Controls in place to monitor budgets and identify overspends.
Asset management (property assets)	
Due to the age, condition and size of the Council's operational estate, there is a risk that properties are not of a sufficiently safe and sustainable standard for their continued use, potentially resulting in structural failures and/or negative health and safety consequences for staff, service users or members of the public. Associated with this, the Asset Management Strategy requires that decisions are made to close and dispose of properties in a planned manner. The risk associated with the implementation of the strategy is that closure decisions may not be made in a timely manner, resulting in additional cost pressures for both the capital and revenue budgets and consequently demographic pressures cannot be responded to adequately by the property portfolio, particularly for education and health and social care services.	<ul style="list-style-type: none"> * Asset Management Works programme with 5 year investment to achieve improved safety and sustainability for Council operational properties. * Planned preventative maintenance (PPM) regimes * Progress against Asset Management Strategy reported regularly to Finance and Resources Committee. * H&S inspections undertaken regularly. Cyclical condition surveys every 3-5 years. Statutory compliance testing in place * Fire Safety, Asbestos and Water Safety Standing Groups chaired by Head of Property and Facilities Management meets regularly to discuss issues * Asset Management Board (operational group) meetings monthly and is chaired by the Executive Director of Resources, with senior representation from all directorates. * Service Design change programme underway.
Programme and Project Delivery	
Due to availability of appropriately-skilled project and programme management resource, there is a risk that the Council is unable to ensure the effective management and successful delivery, on time and on budget, of its challenging and ambitious plan for major programmes and projects. This risk also outlines the need for the Council to prioritise and deploy project delivery resource effectively, according to business needs, ensuring that benefits are realised and learning is shared effectively across all delivery activity. The Council has a large number of projects and programmes in various stages of progress – these include the Granton Waterfront development, the housebuilding programme, IT Device Refresh programme, and trams to Newhaven.	<ul style="list-style-type: none"> * Oversight of major programmes and projects by the relevant Executive Committees and the Governance, Risk and Best Value Committee (every six months) * CLT Change Board provides robust monthly portfolio management and oversight for all programmes and projects, including review of business cases and project closedown benefits realisation and evaluation reports. * Internal Audit recommendations relating to Change Management delivered and project management training rolled out. * Integrated impact assessments in place * More funding has been agreed for major projects as well as additional project management resource appointed to develop and enable delivery of Change Strategy business cases.

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

The new approach involves:

- * **assessment of inherent risks (pre-controls) only**, as it is not possible to evaluate fully the effectiveness of mitigating actions taken in a dynamic resilience environment;
 - * **implementation of new inherent risk classifications** (critical; high; medium; and low) for both detailed and consolidated strategic COVID-19 risks based on the urgency of responses required; and
 - * **assessment of whether existing 'business as usual' operational controls are adequate to address new COVID-19 risks**, and details of actions completed; in progress; or proposed to address the gaps identified.
- * The following nine strategic inherent COVID-19 risks have been identified:

Health and safety of citizens and service users – Critical, *Health and availability of employees to deliver critical services* – Critical, **Council premises and physical security** – Critical, **Supply chain risk** – Critical, **Financial and Economic Risk** – Critical, **Technology and information** – High, **Fraud and serious organised crime** – High, **Legal and commercial risk** – Medium and **Council response and governance** – Medium.

The Council's **Enterprise Risk Management Policy**; and **Risk Appetite Statement** (covering its attitude to service delivery, infrastructure, compliance and financial risks) were approved at the meeting of the Corporate Policy and Strategy Committee on 7 August 2018.

MANAGEMENT COMMENTARY

Other Risks, Challenges and Uncertainties

On 23 June 2020, the Accounts Commission published its annual **Local Government in Scotland Overview**. This report sets out a number of challenges common to all councils in Scotland, including the

- **Political and economic** - including the impact of the COVID-19 pandemic on the economy, public finances and public bodies; the outcome of the local governance review; and impact of EU withdrawal. Given their particular significance to the population of the city (with 40,000 resident EU nationals, of whom over 1,000 are Council employees), the Council set up an officers' working group to plan for a number of scenarios to mitigate this last-mentioned risk, including potential impacts on availability of staffing for Council services, with its preparedness favourably assessed as part of the **2018/19 Annual Audit Report**. A cross-party elected members working group, supported by key Council officers, has also been established, with its remit including consideration of issues relating to personnel, vulnerable people, procurement, funding and resilience. The **Audit Scotland Briefing on withdrawal preparations** was considered by the Policy and Sustainability Committee on 25 February 2020 and referred to the Governance, Risk and Best Value Committee for scrutiny. The covering report updated members on further progress in this area.
- **Community needs**: including the uncertain longer-term impact of COVID-19 on communities; implications of an ageing population, particularly those aged over 75, for demand for services; and increasing poverty and child poverty levels. In response to the last-mentioned challenge, the Council has established a **Poverty Commission**, the final recommendations from which will be published later in the autumn.
- **Policy**: including continuing Health and Social Care Integration, tackling climate change, welfare reform, expansion of Early Learning and Childcare, additional support for learning and the Planning (Scotland) Act 2019. The Council has established a **Climate Change Commission** tasked with driving action on the climate crisis and Edinburgh's commitment to be a net-zero carbon emissions city by 2030.
- **Financial**: uncertainties over future funding levels; available flexibilities in deployment of funding; increasing cost pressures; and increasing use of reserves. The Council has sought to mitigate some of these risks through successfully lobbying for the ability to introduce, in a way that works for Edinburgh, visitor and workforce parking levies. The Council has, in addition, not drawn any funding from its unallocated reserve since reaching its target level in March 2011, although this may become increasingly challenging going forward.

Performance Overview

While the Council is required by statute to report publicly on its performance across a range of areas set out by the Accounts Commission, a suite of measures is reported quarterly to the Corporate Leadership Team, using a balanced scorecard approach analysing performance across a complementary range of service outcome, delivery, capability and financial sustainability perspectives. Six-monthly performance reports will be considered by the Policy and Sustainability Committee in 2020/21.

Edinburgh-specific performance data has also been provided through a range of other channels, including the **Edinburgh People Survey**, audits and inspections. Performance against a suite of local-level, outcome-focused "quality of life" indicators is in addition monitored on a regular basis, with corresponding areas for improvement identified.

Council Performance and Best Value

The Council's **Annual Performance Report for 2019/20**, along with a progress assessment against the 52 commitments underpinning the Council's Business Plan, will be considered by the Policy and Sustainability Committee on 20 August 2020. The report will also include an analysis of the comparative indicators comprising the 2018/19 Local Government Benchmarking Framework (LGBF). Initial analysis points to an improvement in the Council's performance compared to other local authorities in both relative and absolute terms, particularly in Education, Environmental and Culture and Leisure services. Over a longer period from 2013/14, the overall pace of improvement has also been better than that for Scotland's cities as a whole.

The Council's **2018/19 Annual Audit Report** concluded that the Council had a well-developed and responsive medium-term revenue budget framework and appropriate arrangements in place for managing its financial position during the year. In common with other councils, however, the savings requirement in future years remains challenging and will require development of robust savings proposals and a focus on strategic priorities. While noting the review during 2018/19 of the effectiveness of the Council's political governance arrangements and the resulting improvement actions, the report also emphasised a need to accelerate implementation of internal audit recommendations. In addition, while acknowledging improvements in some areas, certain indicators within waste management, adult social care and homelessness services remained poor and, as such, the pace of change in implementation needed to be increased.

The report also noted that the Council would be subject to an external **Best Value Audit** in early 2020. The Best Value assessment considers whether the Council has achieved continuous improvement not in all service areas, but in the outcomes within the Council's strategic priority areas. The provisional findings of this assessment are currently being discussed with the audit team, with an expectation that they will be published in Winter 2020.

MANAGEMENT COMMENTARY

Financial Performance

Comparative Performance

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

Due to the focus on the Council's immediate COVID-19 response, provisional 2019/20 data, along with commentary on both required improvement actions in areas of deteriorating or poor performance and actions taken in response to previous years' reviews, will be included in the Council's Annual Performance Report for 2019/20, anticipated to be considered by the Policy and Sustainability Committee on 20 August 2020.

Further detail of both **Council-wide and service-specific performance** is also available on the Council's website.

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 20. This statement has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement (page 17).

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

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

	Revised Budget 2019/20 £000	Actual 2019/20 £000	(Under) / Over Spend £000
General Fund services	865,630	875,594	9,964
Non-service specific areas			
Loans charges / interest on revenue balances	106,080	104,710	(1,370)
Other non-service specific costs	30,668	25,048	(5,620)
Council Tax Reduction Scheme*	26,319	24,070	(2,249)
Net Cost of Benefits	(127)	(277)	(150)
Dividend and other interest received	(7,910)	(3,204)	4,706
Non-service specific areas total	155,030	150,347	(4,683)
Movements in Reserves			
Net contribution to / (from) earmarked funds	(1,072)	581	1,653
Contribution to / (from) Renewal and Repairs Fund	0	0	0
Contribution to / (from) Capital Fund	(334)	(334)	0
Movements in Reserves total	(1,406)	247	1,653
Sources of funding			
General Revenue Grant	(360,206)	(360,206)	0
Distribution from Non-Domestic Rate pool	(365,250)	(365,637)	(387)
Council Tax	(293,798)	(295,114)	(1,316)
Sources of funding total	(1,019,254)	(1,020,957)	(1,703)
Transfer (to) / from earmarked reserves	0	5,231	5,231

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

*uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £2.249m were transferred to an earmarked reserve.

MANAGEMENT COMMENTARY

Financial Performance - continued

Budget performance - General Fund - continued

On 21 February 2019, the Council set a **balanced budget for 2019/20** but with (i) delivery of approved savings and (ii) prompt identification and management of underlying or emerging risks and pressures key to maintaining financial stability in the year. In total, the approved budget was predicated on the delivery of some £39m of directorate-specific and corporate savings.

The Council's outturn position shows a net overspend against budget of £5.231m. This net position is attributable to three main factors:

- In-year reporting to the Finance and Resources Committee consistently highlighted a number of significant and mainly demand-led pressures affecting the Communities and Families Directorate, including those linked to rising pupil rolls, increasing costs of home-to-school transport, temporary accommodation and community access to schools. In addition, a number of brought-forward underlying pressures and delays, or shortfalls, in the delivery of approved savings were apparent within the Place Directorate. While mitigating measures taken during the year reduced the COVID-excluded final service outturn relative to the Period 8-based forecast by some £2.5m, General Fund services as a whole overspent by £10.0m, primarily within the Place (£7m) and Communities and Families (£3.1m) Directorates, alongside a £3.25m shortfall in the delivery of Council-wide savings.
 - A number of **savings or additional income in non-service budgets**, including loans charges, interest on revenue balances and other interest income (£2.8m) and Council Tax (£1.3m), were identified during the year. Alongside additional use of earmarked reserves not included in the approved budget totalling £7.9m and other savings of £2.0m, taken together, these primarily one-off savings meant that **a balanced position had been forecast as of January 2020.**
 - While the primary income and expenditure impacts of the COVID-19 pandemic are expected to affect the Council in 2020/21, the favourable movement in service outturns between January 2020 and the year-end was outweighed by some £8.3m of COVID-19 impacts, most materially the loss of the budgeted Lothian Buses dividend (£6m) and reductions in parking income. Of this total, £0.6m of expenditure was assumed to be met from the Hardship and Food Funds, resulting in a net COVID-related pressure of £7.7m; £1.7m of this total is included in the service outturns above.
- These factors contributed to an overall in-year overspend, being the first time in thirteen years in which expenditure has exceeded budgeted levels and a clear indication of the likely need for much more difficult decisions going forward.

In overall terms, **77% of approved savings were delivered during the year.** This marked a significant improvement on the equivalent figure for 2018/19 of 60% and reflected, in part, the provision of additional project management resource.

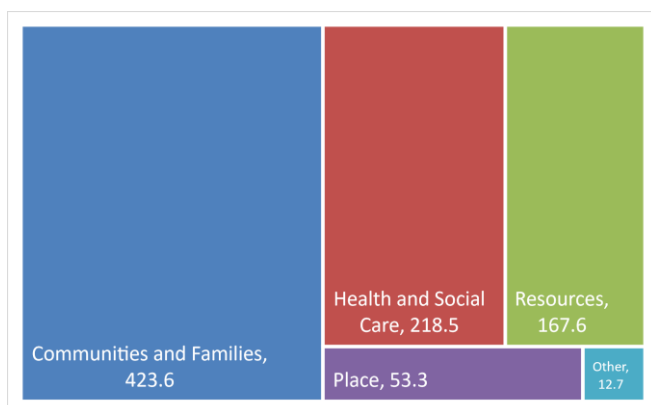
The net overspend of £5.231m has been funded from the drawdown of reserves.

Principal Sources of Funding - General Fund

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

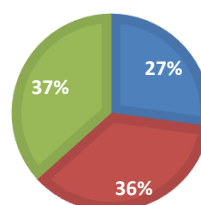
	£000
Council Tax, net of Council Tax Reduction Scheme (CTRS) (<i>property-related tax from households</i>)	271,044
General Revenue Grant (<i>Government revenue grant funding based on city's relative needs assessment</i>)	360,206
Distribution from Non-Domestic Rates pool (<i>property-related tax primarily from businesses</i>)	365,637
Total	996,887

General Fund expenditure 2019/20 by service area (£m)



General Fund - Principal Sources of Funding

- Council Tax
- General Revenue Grant
- Non Domestic Rates



MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

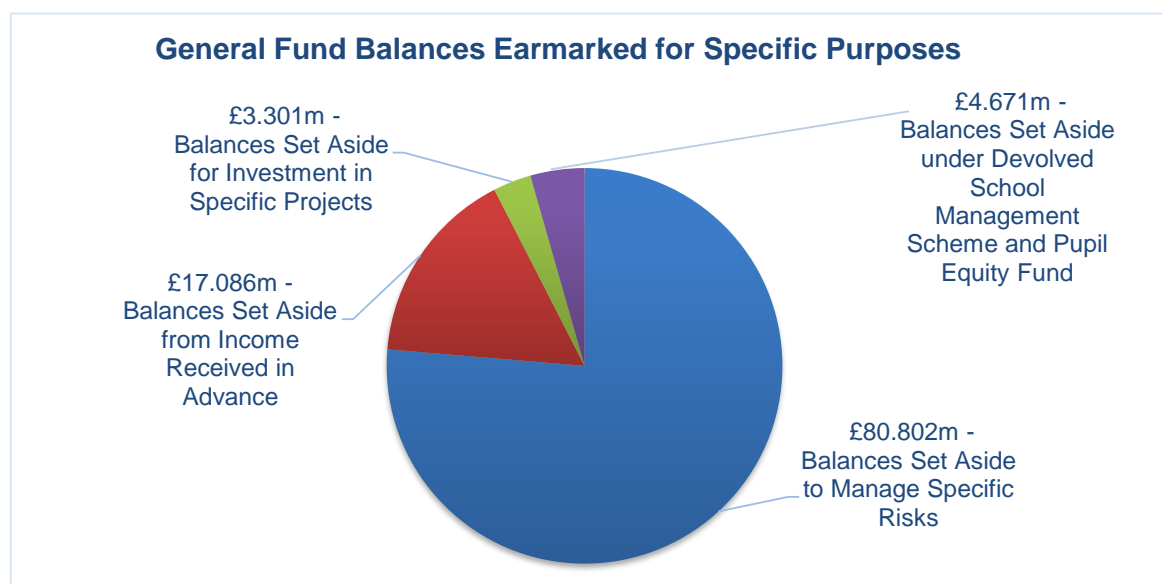
The Council's General Fund reserves comprise two elements:

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

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

The **latest review** was in February 2020, as part of the 2020/21 budget-setting process. The unallocated General Fund balance at 31 March 2020 was £13.927m, which equates to 1.37% of the annual budgeted net expenditure. Council approved a contribution of £0.9m to the unallocated General Fund during 2019/20.

In addition, the Council has a further £105.860m, (2018/19 £131.820m) of balances earmarked for specific purposes. Details can be seen in note 12 to the Financial Statements. The chart below highlights the split of these balances.



These balances are held for a number of reasons:

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

The decrease in reserves from the previous year mainly reflects a drawdown of the Council Tax Discount Fund to support planned development of affordable housing and drawdowns to fund the in-year deficit.

Given the extent of unfunded COVID-related expenditure pressures apparent in 2020/21, a fundamental review of the Council's earmarked reserves is underway to identify those that could be made available without compromising the Council's financial stability and/or ability to contribute to the city's recovery.

Other Reserves

The Council holds other usable reserves; these are the Capital Grants Unapplied Account with a balance of £28.452m, the Capital Fund with a balance of £48.934m, Donated Assets Reserve with a balance of £53.617m and the Renewal and Repairs Fund with a balance of £29.748m, including £2.983m of monies for schools prepaid under PPP arrangements.

MANAGEMENT COMMENTARY

Financial Performance - continued

Financial Ratios

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

Re-stated			
Council Tax	2019/20	2018/19	Notes on interpretation of ratios
In-year collection rate	96.95%	97.03%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of sums billed relating to previous financial years. The collection rate is stated on a line-by-line basis, adjusted for the impact of water-only debt in the joint collection of Council Tax and water charges. The indicator shows that the in-year collection levels dropped slightly, which reflects the economic impact of the COVID-19 Pandemic on actual Council Tax collection.
Council Tax income as a percentage of overall funding	27.19%	26.92%	This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS) support. The increase is mainly due to a combination of greater property numbers and the application of a 3% rise across all bands relative to a lower level of increase in other elements of funding.
Debt and Borrowing - Prudence		Notes on interpretation of ratios	
Capital Financing Requirement	£1,649.2m	£1,567.4m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets and shows an increase of around 5% during the year. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 38 to the Financial Statements.
External debt levels	£1,622.6m	£1,422.8m	External debt levels include long-term commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure and show a year-on-year increase of around 14%. The primary increases related to expenditure on the Trams to Newhaven, on-lending to Edinburgh Living and the waste facility at Millerhill and construction of Queensferry High School acquired on leases. External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
Debt and Borrowing - Affordability		Notes on interpretation of ratios	
Financing costs to net revenue stream - General Fund	10.50%	11.16%	These ratios show the proportion of total revenue funding that is used to meet financing costs.
Financing costs to net revenue stream - HRA	37.65%	37.29%	
Impact of capital investment on Council Tax	-0.95%	-1.07%	These ratios show incremental impact of financing costs, the increase or (decrease) in financing costs from the previous financial year, as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents	-0.02%	1.34%	

MANAGEMENT COMMENTARY

Financial Performance - continued

Treasury Management Strategy

The **Annual Treasury Management Strategy 2020/21** was approved on 12 March 2020. The key points are:

- the Council's total capital expenditure is forecast to be £2.104 billion between 2019/20 and 2023/24;
- the Council's underlying need to borrow at 31 March 2024 is forecast to be £2.310 billion;
- the opportunity to mitigate future interest rate risk with alternatives to the Public Works Loan Board (PWLb) will continue to be sought and the risk locked out where appropriate; and
- the Council will continue to fund its Capital Financing Requirement from temporary investment balances over the next year.

Capital Strategy

The **Capital Strategy 2020-30** was approved at Full Council on 12 March 2020.

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

The Capital Investment Programme will be reviewed in light of COVID-19 and this is likely to result in significant slippage from the original 2020/21 budget. The details of this will be reported to Committee in August 2020.

Capital Expenditure

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

The 2019/20 outturn position for capital expenditure is summarised below:

	Budget 2019/20 £000	Actual 2019/20 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	297,207	278,562	(18,645)
Housing Revenue Account	108,954	111,854	2,900
Total capital expenditure	406,161	390,416	(15,745)
Capital receipts and other contributions			
- General Fund services	(43,194)	(59,102)	(15,908)
- Housing Revenue Account	(40,917)	(61,838)	(20,921)
Government and other grants			
- General Fund services	(156,520)	(148,229)	8,291
- Housing Revenue Account	(8,526)	(11,613)	(3,087)
Total capital income	(249,157)	(280,782)	(31,625)
Balance to be funded through borrowing			
- General Fund services	97,493	71,231	(26,262)
- Housing Revenue Account	59,511	38,403	(21,108)
Total advances from loans fund	157,004	109,634	(47,370)

Expenditure on General Fund services slipped in total by £18.645m. The majority of slippage related to delays on the Early Years initiative and rising school rolls projects, lending to the National Housing Trust (NHT) and Edinburgh Living LLPs and major infrastructure projects, caused by factors largely outwith the Council's control, however acceleration in the programme of Asset Management Works significantly offset the slippage in these projects.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure

The Council received £59.246m of general capital grant during 2019/20. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £390.416m. Major capital projects undertaken during the year included:

- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £111.854m;
- Roads, carriageways and other transport infrastructure - £53.623m;
- Social housing through the housing development fund - £50.528m;
- Educational and other operational properties - £44.195m;
- Creation and expansion of educational properties - £27.639m;
- Trams to Newhaven project - £24.440m;
- Sports facilities - £16.728m;
- Providing funding for homes for mid-market rent from private developers through the Edinburgh Living LLP - £16.348m; and
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £11.790m.

Housing Revenue Account

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

The Council approved the five-year Housing Revenue Account Budget Strategy in February 2019. It set out the investment priorities on building new homes, modernising existing homes and helping tenants reduce their cost of living. The Council also approved the Housing Service Improvement Plan (HSIP) to address the financial pressures between 2022/23 to 2032/33 of the HRA Business Plan and to improve service efficiency and customers' satisfaction.

The HRA revenue account secured £102.453m income in 2019/20, i.e. £1.792m more than the revised budget of £100.661m and resulted in a £7.477m in-year surplus. Due to the comprehensive work on prevention and income maximisation, current tenancy rent arrears reduced by £2 million from an in-year high of £8.348m to £6.320m by the end of 2019/20. This work included arranging secured rent payment method with tenants. The number of tenants with a Direct Debit set up has increased by nearly 30% from 1,576 in 2018/19 to 2,029 in 2019/20.

The HRA Capital Programme is geared towards delivering the HRA Budget Strategy. The 2019/20 HRA capital programme was the largest ever programme with an approved budget of £108.954m. The year end outturn for 2019/20 was £111.854 million, i.e. £2.900m above the original approved budget, and represented a 38% increase from the 2018/19 outturn (£80.963m).

Following on from the achievements of previous years the Housebuilding Programme continues to grow, with currently in the region of 2,000 homes completed or under construction. Nearly 300 affordable homes were completed in 2019/20 at Royston, Dumbryden (Phase 1), Greendykes G, Hailesland Place, Crewe Road Gardens and North Sighthill. This includes 128 mid-market rented homes that were purchased by Edinburgh Living. At the end of the financial year, over 800 new homes were under construction, with nearly 3,400 homes in design and development stage. A significant sum of capital expenditure was also spent to secure land for affordable housing development.

More than £165 million has been invested to improve existing homes and estates, resulting in over 28,000 improvement measures delivered over the last five years. In 2019/20, the Improvement Programme has delivered 1,250 homes with new kitchen and bathrooms; 1,960 homes with new modern heating systems; 615 homes with electrical upgrades; 1,200 homes with external fabric upgrades; and nearly 100 major adaptations in tenants' homes and 100 locality environmental projects.

The Acquisition and Disposal Project is an integral part of the capital investment programme for existing homes, which helps to consolidate ownership within a block, and in turn to progress improvements in common areas. 38 homes were purchased through the project in 2019/20, helping to gain 100% ownership in 13 blocks and further consolidate ownership in another 25 blocks. The project sold 18 homes in 2019/20, helping to divest interest in 13 blocks, giving a net increase of 20 affordable homes.

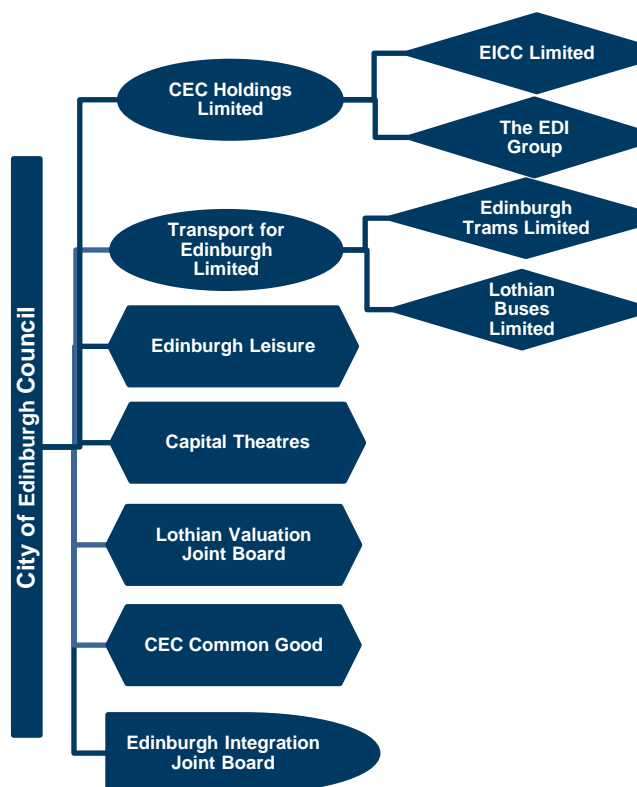
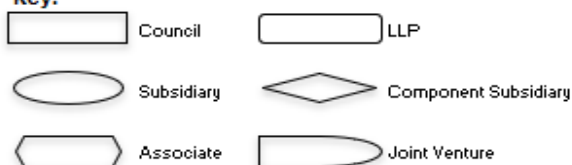
MANAGEMENT COMMENTARY

Financial Performance - continued

Group Accounts

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, Group Accounts have been prepared, which consolidate the financial interests the Council has in subsidiaries, associates and joint ventures, where the interest is considered material. Note 9 details the interests the Council holds and further financial details about the entities. The adjacent chart shows the components in the structure of the Group. Information on the Common Good can be found on page 109 and the International Conference Centre Trusts have now been discharged.

Key:



CEC Holdings Ltd

EDI Group Ltd (subsidiary of CEC Holdings Ltd)

The EDI Group was established in 1988 by The City of Edinburgh Council to carry out the development of Edinburgh Park, now regarded as one of the principal business parks in Europe. In early 2017, the Council conducted a review of its approach to the use of surplus land and its interactions with the property market and concluded that the default position will be that the land or buildings are used to deliver affordable housing, meaning that EDI has no future pipeline of projects. As a result, in the longer term the Council decided it should not have an arm's-length development company. The Council therefore instructed the directors to begin a process of closure, with the majority of land transferring to the Council and all staff leaving by October 2018, with the company's activities now overseen by Council officers under the governance of a scheme of delegation and service level agreement. The company will continue to trade into 2020 and beyond until such time as all projects currently being undertaken by EDI have either concluded or have been transferred to the Council.

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

EICC Ltd operates a prime conference venue in the centre of Edinburgh. The Centre was built in 1995 and since that time has welcomed 1.4 million delegates from more than 120 countries, generating over £660m of economic impact for the city region.

In 2019, the Centre produced its best-ever operating profits and saw its operating and financial performance improve for the fifth successive year, notwithstanding limited clients' budgets, increased competition from a growing number of conference centres and aggressive price competition from venues across the globe. The Company's revenues for the year amounted to £9.359m, which was an increase of £0.596m on the previous year and generated a gross profit of £1.503m, an increase of 10.51%.

Transport for Edinburgh Ltd

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

The Group retained a substantial share of the local public transport market in Edinburgh and the Lothians. Revenue has increased by 5.2% from the previous year to £185.6m with net reserves of £129.5m at the year end. The Group faced significant operating and cost pressures in 2019 and anticipate these pressures to persist in 2020. With the COVID-19 outbreak in March 2020 the Group needs to be extremely proactive to address and mitigate the impact of the revenue decline and cost pressures.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Lothian Valuation Joint Board (LVJB)

The Board reported a balanced budget for 2019/20 against a revised budget of £6.001m. The primary reasons for the reported position against budget were property costs coming under budget and an ongoing review of external survey requirements giving rise to savings which were balanced against increased expenditure in supplies and services due to the 2019 General Election and costs associated with the Valuation Appeal Committee. The cost of Individual Electoral Registration (IER) was fully funded by a grant, against which an underspend of £0.284m was carried forward to 2020/21 to mitigate the risk of the removal of Cabinet Office funding and ongoing legacy costs arising from IER.

Edinburgh Leisure

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

In 2019/20, an underlying deficit on unrestricted funds of £0.624m was achieved as a result of increasing competition and cost pressures and a reduced payment for service from the Council.

In view of the wider health risks arising from the COVID-19 pandemic, all venues were closed until further notice on 19 March 2020, with on-going social distancing requirements and public attitudes also likely to affect demand upon re-opening.

Edinburgh Leisure continues to work with the Council and other stakeholders on a range of projects, including Movement for Memories that will support people living with dementia to get active, the Ageing Well programme which provides opportunities for all ages to lead more active, healthy lives and the Active Mums project which encourages mums to incorporate physical activity into their lives.

Capital Theatres

2019/20 was a period of very positive trading for the Trust, welcoming around 504,000 paying visitors to the Trust's venues and hosting 115 shows on the Capital Theatre stages.

The Trust changed its name to Capital Theatres on 28 February 2018 to reflect the organisation's growth and to establish a brand for the Trust's three venues – the Festival Theatre, King's Theatre and The Studio.

The three venues have hosted a variety of productions during the year, including the renowned show, Phantom of the Opera, Scottish Ballet and Scottish Opera performances and several touring premieres. The King's pantomime, Goldilocks and the Three Bears, once again broke all records during the capital city's Christmas season.

The Trust's Learning and Participation work has continued in 2019/20, with the involvement in the Life Change Trust and contribution as co-funder of the Edinburgh Performing Arts Development (EPAD).

Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board (EIJB) was formally delegated the functions and resources of the Council's Health and Social Care Service and NHS Lothian's Community Health Partnership, with effect from 1 April 2016. At that time an assessment was undertaken on the relationship of the Council with the Edinburgh Integration Joint Board and on the basis of level of control, being fifty percent Board representation, and wider materiality levels, this Joint Venture has been consolidated into the Group accounts for the year to 31 March 2020, see note 9.3.

In August 2019, the Board agreed its strategic plan for 2019-2022. The plan defines the EIJB's vision for the future of health and social care in Edinburgh, explains how it intends to transition towards this and highlights the resources and enablers it must manage to achieve its objectives. There remains much to do but together it can create the conditions to deliver a sustainable health and social care model for the citizens of Edinburgh.

A deficit of £6.5m is being reported for 2019/20, reflecting the use of reserves to offset the opening budget deficit, leaving a remaining reserve of £3.2m which will be carried forward into 2020/21. All of this sum is ringfenced for specific purposes, with the vast majority being the investment in transformation agreed by the Board.

Group Summary

Net assets for 2019/20 include a combined group pension liability of £509.882m (2018/19 £600.979m), as shown in note 42.9. This reflects the inclusion of pension liabilities relating to the Council, other employees, including subsidiary companies and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. This exceeds the value of distributable reserves held by the Group. It should be noted that this is a snapshot of the position at 31 March 2020. The actuarial valuation, which takes a longer-term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

MANAGEMENT COMMENTARY

Wider Policy Environment and Future Developments

Since 2012/13, the Council has approved for delivery over £350m of savings, equivalent to around a third of its current net budget. This level of savings has been required as a result of cost pressures arising from increasing, mainly demographic-led demand, legislative reform, inflationary uplifts and rising expectations and a level of available grant funding, Council Tax and other income that has not kept pace. The cumulative impact of successive years' savings requirements has inevitably made the delivery of further incremental reductions and management of pressures increasingly challenging.

COVID-19

Council and its Group's role and response

It is almost impossible to overstate the extent to which life within Edinburgh has changed as a result of the COVID-19 pandemic, with events moving at sometimes-overwhelming speed. The Council has, however, been at the heart of the city's emergency response, with business continuity and resilience arrangements quickly put in place with the aim of managing its effects as fully and effectively as possible. Direct service changes have included across-the-board school closures (with a resulting move to online learning) whilst securing continuing provision for children of key workers. The pandemic has also resulted in extensive revisions to waste collection services, suspension of parking charges and closure of all libraries, museums, performing arts venues and community centres. At the same time, the demands on home and residential care services, primarily for older people and vulnerable or shielding groups, have greatly increased.

Community resilience centres were therefore quickly established and homelessness services reconfigured to allow for effective social distancing. Council staff have played a vital role in providing lifeline business grant support to local businesses, with 98% of applications processed and £90m paid out thus far.

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

Immediate and on-going financial impacts

Given the Coronavirus pandemic's unprecedented scale and consequent impact on the Council's activities, the full financial implications will only emerge over time, with numerous variables to be considered at both local and national level. Costs incurred in the immediate response phase have included additional hotel and other accommodation to allow for safe social distancing for homeless groups, free school meal vouchers and related food distribution to more vulnerable groups, additional security for unoccupied buildings, ICT to facilitate home and/or flexible working and extensive personal protective equipment (PPE) to protect both staff and service users. In other cases, the Council has made payments to suppliers in excess of contracted levels to seek to ensure their on-going viability once the pandemic's worst impacts have receded. □

Income losses include those relating to parking fees and fines, property rental income, licensing and planning applications, building warrants and cultural venues. Current disruption is also expected to result in reductions in in-year Council Tax collection rates (with evidence already showing a significant year-on-year decrease) and a lower level of increase in the Council Tax base. Having not received the budgeted £6m dividend from Lothian Buses in 2019/20, the Council expects this position to continue at least for 2020/21 and potentially further years thereafter.

A series of assessments on the financial position has already been reported to elected members. **The most recent of these** was considered by the Policy and Sustainability Committee on 25 June, setting out an estimated overall COVID-related funding gap of £29.9m, based on an assumed three-month lockdown period and gradual recovery over the following three months. This sum takes account of available external and internal funding, including some use of earmarked reserves. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action is urgently required, with the enduring impacts also likely to require a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.

Elected members have therefore been asked to endorse the principle that any subsequent requests to Executive Committees or Council to incur additional, non-essential expenditure are considered only in cases where a specific funding source has been identified. This needs to take place, however, within the context of a more fundamental re-assessment of the Council's services, priorities and operating models as part of the Adaptation and Renewal Programme, informed by conversations with key stakeholders across the city. These conversations will also need to be conducted against a backdrop of on-going affordability, considering both service reduction and possible cessation.

MANAGEMENT COMMENTARY

COVID-19 (continued)

Adaptation and Renewal Programme

In recognising the need for a fundamental re-assessment of service operating models as the city emerges from the pandemic, **an Adaptation and Renewal programme** has therefore been established, co-ordinating all aspects of the Council and city's response. Five officer working groups have therefore been established as follows:

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

Progress on this complex but vital programme will continue to be reported to elected members and wider stakeholders.

Change Strategy

Both the Council's Change Strategy and the Adaptation and Renewal Programme seek to prioritise decisions with positive impacts on poverty, well-being and sustainability; these priorities are arguably more, rather than less, relevant in a post-COVID world.

A number of key foundations for further development of the Strategy have therefore been put in place during 2019/20, including:

- improving general performance in Health and Social Care, including delayed discharge levels and introducing a radical new model of delivery which seeks to meet people's needs as early and holistically as possible;
- creating an independent Poverty Commission which will shortly publish its final findings and recommendations which we are fully committed to implementing;
- delivering a country-leading programme of intelligent automation, improving response times and reducing bureaucracy;
- leading the way in successfully lobbying, working with COSLA, for the ability for councils to introduce transient and workplace parking levies. Along with partners, we will now seek to implement these, at an appropriate time, in a way that works for Edinburgh;
- working with the Scottish Government in securing a much-needed ability to regulate short-term lets, including mandatory licensing, strengthened planning controls and ensuring operators pay their fair share of taxation. This aspect complements the tourist tax in sharing the costs incurred in supporting tourism more equitably;
- commencing construction works on the tram extension to Newhaven and putting in place a programme of actions to support residents and businesses affected by the transition;
- investigating a range of measures to combat homelessness, working towards our goal of ending the use of bed and breakfast accommodation; and
- overseeing an in-year reduction in 2018/19 carbon emissions of 20%.

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Section 95 Officer's responsibilities

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

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

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

The Section 95 Officer has also:

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

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2020.

HUGH DUNN, CPFA
Head of Finance
Section 95 Officer

22 June 2020

MOVEMENT IN RESERVES STATEMENT

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

Council 2019/20	General Fund Balance	Housing Revenue Account Balance	Renewal and Repairs Fund	Capital Grants Unapplied Account	Donated Asset Fund	Capital Fund	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2019/20	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	144,845	0	26,346	15,784	0	55,908	242,883	2,386,886	2,629,769
Movement during 2019/20									
Total Comprehensive Income and Expenditure	(59,481)	32,000	0	0	0	0	(27,481)	324,053	296,572
Adjustments between accounting basis and funding basis under regulations (Note 11)	53,280	(47,455)	0	12,668	53,617	(6,974)	65,136	(65,136)	0
Net increase / (decrease) before transfers to statutory reserves	(6,201)	(15,455)	0	12,668	53,617	(6,974)	37,655	258,917	296,572
Transfer (to) / from other statutory reserves (Note 12.3)	(18,857)	15,455	3,402	0	0	0	0	0	0
Increase / (decrease) in year	(25,058)	0	3,402	12,668	53,617	(6,974)	37,655	258,917	296,572
Balance at 31 March 2020.	119,787	0	29,748	28,452	53,617	48,934	280,538	2,645,804	2,926,342

Group - 2019/20	Total Usable Reserves	Total Unusable Reserves	Council Total Reserves	Group Reserves	Total Reserves
2019/20	£000	£000	£000	£000	£000
Balance at 31 March 2019	242,883	2,386,886	2,629,769	197,522	2,827,291
Movement during 2019/20					
Total Comprehensive Income and Expenditure	(27,481)	324,053	296,572	(7,047)	289,525
Adjustments between accounting basis and funding basis under regulations (Note 11)	65,136	(65,136)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	37,655	258,917	296,572	(7,047)	289,525
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	(11,721)	(11,721)
Increase / (decrease) in year	37,655	258,917	296,572	(18,768)	277,804
Balance at 31 March 2020.	280,538	2,645,804	2,926,342	178,753	3,105,095

MOVEMENT IN RESERVES STATEMENT

Council	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Grants Unapplied Account £000	Capital Fund £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
2018/19 Comparative Data								
Balance at 31 March 2018	<u>151,285</u>	<u>0</u>	<u>58,123</u>	<u>4,796</u>	<u>63,558</u>	<u>277,762</u>	<u>2,240,857</u>	<u>2,518,619</u>
Movement during 2018/19								
Total Comprehensive Income and Expenditure	(155,471)	30,771	0	0	0	(124,700)	235,849	111,149
Adjustments between accounting basis and funding basis under regulations (Note 11)	143,298	(56,815)	0	10,988	(7,650)	89,821	(89,821)	0
Net increase / (decrease) before transfers to statutory reserves	<u>(12,173)</u>	<u>(26,044)</u>	<u>0</u>	<u>10,988</u>	<u>(7,650)</u>	<u>(34,879)</u>	<u>146,028</u>	<u>111,149</u>
Transfer (to) / from other statutory reserves (Note 12.3)	5,733	26,044	(31,777)	0	0	0	0	0
Increase / (decrease) in year	<u>(6,440)</u>	<u>0</u>	<u>(31,777)</u>	<u>10,988</u>	<u>(7,650)</u>	<u>(34,879)</u>	<u>146,028</u>	<u>111,149</u>
Balance at 31 March 2019	<u>144,845</u>	<u>0</u>	<u>26,346</u>	<u>15,784</u>	<u>55,908</u>	<u>242,883</u>	<u>2,386,886</u>	<u>2,629,769</u>

Group - 2018/19	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000	Group Reserves £000	Total Reserves £000
Balance at 31 March 2018	<u>277,762</u>	<u>2,240,857</u>	<u>2,518,619</u>	<u>202,196</u>	<u>2,720,815</u>
Movement during 2018/19					
Total Comprehensive Income and Expenditure	(124,700)	235,849	111,149	(4,673)	106,476
Adjustments between accounting basis and funding basis under regulations (Note 11)	89,821	(89,821)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	<u>(34,879)</u>	<u>146,028</u>	<u>111,149</u>	<u>(4,673)</u>	<u>106,476</u>
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	0	0
Increase / (decrease) in year	<u>(34,879)</u>	<u>146,028</u>	<u>111,149</u>	<u>(4,673)</u>	<u>106,476</u>
Balance at 31 March 2019	<u>242,883</u>	<u>2,386,886</u>	<u>2,629,769</u>	<u>197,522</u>	<u>2,827,291</u>

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2020

2018/19			Gross	Income	Net
£000	Notes	£000	£000	£000	£000
	SERVICES				
414,403	Communities and Families	547,799	(111,745)	436,054	
140,054	Place	334,703	(199,637)	135,066	
(22,130)	Housing Revenue Account	89,351	(103,979)	(14,628)	
215,677	Health and Social Care	547,817	(319,706)	228,111	
283,310	Resources	313,710	(46,723)	266,987	
10,469	Chief Executive	14,423	(4,343)	10,080	
3,575	Lothian Valuation Joint Board	3,678	0	3,678	
(811)	Net cost of benefits	180,602	(180,879)	(277)	
63,562	Other non-service specific costs	6,767	9,794	16,561	
7,706	Subsidiary Companies	196,251	(180,540)	15,711	
1,115,815	COST OF SERVICES	<u>2,235,101</u>	<u>(1,137,758)</u>	1,097,343	
(5,888)	Gains on disposal of non-current assets			(9,858)	
80,214	Financing and Investment Income and Exp.	13.		134,618	
(1,058,679)	Taxation and Non-Specific Grant Income	14.		(1,177,870)	
131,462	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			44,233	
(377)	Associates and Joint Ventures Accounted for on an Equity Basis			1,586	
(275)	Taxation of Group entities	14.		884	
<u>130,810</u>	GROUP (SURPLUS) / DEFICIT			<u>46,703</u>	
(316,011)	Surplus on Revaluation of Non-Current Assets		(139,697)		
(183,615)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp		195,313		
263,604	Changes in Financial and Demographic Assumptions / Other Experience		(379,337)		
(1,264)	Other Unrealised Gains		(9,584)		
(237,286)	Other Comprehensive Income and Expend.			(333,305)	
<u>(106,476)</u>	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			<u>(286,602)</u>	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2020

2018/19			Gross	Income	Net
£000	SERVICES	Notes	Expend.	£000	Expend.
			£000		£000
414,403	Communities and Families		547,799	(111,745)	436,054
140,054	Place		334,703	(199,637)	135,066
(22,130)	Housing Revenue Account		89,351	(103,979)	(14,628)
215,677	Health and Social Care		547,817	(319,706)	228,111
283,310	Resources		313,710	(46,723)	266,987
10,469	Chief Executive		14,423	(4,343)	10,080
3,575	Lothian Valuation Joint Board		3,678	0	3,678
(811)	Net cost of benefits		180,602	(180,879)	(277)
63,562	Other non-service specific costs		6,767	9,794	16,561
1,108,109	COST OF SERVICES		<u>2,038,850</u>	<u>(957,218)</u>	1,081,632
(6,001)	Gains on disposal of non-current assets				(9,991)
81,271	Financing and Investment Income and Exp.	13.			133,710
(1,058,679)	Taxation and Non-Specific Grant Income	14.			(1,177,870)
124,700	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				27,481
(316,011)	Surplus on Revaluation of Non-Current Assets			(139,697)	
(183,615)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			195,313	
263,604	Changes in Financial and Demographic Assumptions / Other Experience			(379,337)	
173	Other Unrealised (Gains) / Losses			(332)	
(235,849)	Other Comprehensive Income and Expend.				(324,053)
(111,149)	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE				<u>(296,572)</u>

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
(111,149)	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(296,572)
(5,815)	Subsidiary and associate transactions included in the Council's CIES	(21,319)
11,406	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	32,796
(918)	Associates and Joint Ventures	(1,507)
(106,476)	Group total Comprehensive (Income) / Expenditure for the year	<u>(286,602)</u>

BALANCE SHEET

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

31 March 2019			31 March 2020		
Group	Council		Notes	Group	Council
£000	£000			£000	£000
335	335	Intangible Assets	17.	444	444
4,600,761	4,485,705	Property, Plant and Equipment	15.	4,915,428	4,775,753
19,136	18,916	Investment Properties	16.	47,221	19,225
31,304	31,304	Heritage Assets	18.	32,077	32,077
1,586	1,586	Assets Held for Sale	23.	1,253	1,253
65,471	0	Other Long-Term Assets (Pension)		35,606	0
11,698	23,690	Long-Term Investments	22.	11,698	23,690
32,538	0	Investments in Associates and Joint Ventures		32,603	0
131,380	134,932	Long-Term Debtors	20.	128,492	158,755
4,894,209	4,696,468	Long-Term Assets		5,204,822	5,011,197
17,100	17,100	Short-Term Investments	22.	45,798	45,563
17,606	17,606	Assets Held for Sale	23.	21,138	21,138
25,959	25,959	Financial Assets	43.	67,936	67,936
13,285	2,984	Inventories	19.	13,472	3,451
124,485	106,294	Short-Term Debtors	20.	124,035	110,013
135,844	106,679	Cash and Cash Equivalents	21.	123,083	94,056
334,279	276,622	Current Assets		395,462	342,157
(75,002)	(73,722)	Short-Term Borrowing	43.	(77,396)	(75,288)
(216,567)	(175,270)	Short-Term Creditors	24.	(255,510)	(201,331)
(36,710)	(33,810)	Provisions	25.	(36,900)	(34,452)
(328,279)	(282,802)	Current Liabilities		(369,806)	(311,071)
(1,136,414)	(1,150,591)	Long-Term Borrowing	43.	(1,270,552)	(1,285,886)
(219,165)	(213,259)	Other Long-Term Liabilities	43.	(257,799)	(247,224)
(15,957)	0	Deferred Tax		(10,931)	0
(37,201)	(37,201)	Deferred Liability	43.	(42,078)	(42,078)
(4,713)	0	Liabilities in Associates and Joint Ventures		(3,270)	0
(659,468)	(659,468)	Other Long-Term Liabilities (Pensions)	27.5	(540,753)	(540,753)
(2,072,918)	(2,060,519)	Long-Term Liabilities		(2,125,383)	(2,115,941)
2,827,291	2,629,769	Net Assets		3,105,095	2,926,342
2,505,652	2,386,886	Unusable Reserves	27.	2,783,355	2,645,804
321,639	242,883	Usable Reserves	12.	321,740	280,538
2,827,291	2,629,769	Total Reserves		3,105,095	2,926,342

The unaudited accounts were issued on 22 June 2020.

HUGH DUNN, CPFA
Head of Finance
22 June 2020

CASH FLOW STATEMENT

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

Year to 31 March 2019				Year to 31 March 2020	
Group	Council			Group	Council
£000	£000		Notes	£000	£000
		Operating Activities			
131,462	124,700	Surplus on the Provision of Services		44,233	27,481
(275)	0	Adjustment to Surplus / (Deficit) for Taxation of Group entities		884	0
(424,427)	(390,892)	Adjustments to Surplus on the Provision of Services for non-cash movements		(275,042)	(239,101)
14,799	13,742	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities		46,366	47,273
(278,441)	(252,450)	Net cash flows from operating activities	28.	(183,559)	(164,347)
		Investing Activities			
204,420	187,703	Net cash flows from investing activities	30.	347,962	314,867
		Financing Activities			
75,199	71,473	Net cash flows from financing activities	31.	(151,642)	(137,897)
1,178	6,726	Net decrease in cash and cash equivalents		12,761	12,623
(137,022)	(113,405)	Cash and cash equivalents at 1 April		(135,844)	(106,679)
(135,844)	(106,679)	Cash and cash equivalents at 31 March	21.	(123,083)	(94,056)
1,178	6,726	Net decrease in cash and cash equivalents		12,761	12,623

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts summarise the authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The authority is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

1.1 Material Items

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

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

Specific levels of materiality are considered appropriate for both the Trading Operation and the Housing Revenue Account. The trading operation has been assessed on 5% of its cumulative three year deficit and the Housing Revenue Account on 1% of gross expenditure.

Group	Council	HRA	Trading
£m	£m	£m	£m
22.286	20.305	0.829	0.013

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

1.2 Recognition of Income and Expenditure

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

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

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

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

1.3 Value Added Tax

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

1.4 Overheads

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

1.5 Events after the balance sheet date

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.5 Events after the balance sheet date - continued

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

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

1.6 Prior period adjustments, changes in accounting policies and estimates

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

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

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

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

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

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

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

1.8 Fair Value measurement - surplus assets and investment properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

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

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

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

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

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

1.9 Property, Plant and Equipment

• Categories of Assets

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

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

• Recognition

Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis. Expenditure lower than £6,000 on individual assets is charged to revenue.

• Measurement

Infrastructure, community assets and assets under construction are measured at historical cost.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Property, Plant and Equipment - continued

- **Depreciation**

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

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

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

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

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

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

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

- **Revaluations**

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

- **De-recognition**

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

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

- **Components**

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Property, Plant and Equipment - continued

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

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

1.10 Revenue Expenditure Funded from Capital Under Statute

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

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

1.11 Group Account Consolidation

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

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned where possible.
- The following methods of consolidation have been used:
 - Subsidiaries - line-by-line basis;
 - Associates - equity method.
- Transport for Edinburgh Limited's and CEC Holdings Limited's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March) a review was undertaken to establish the potential impact of the COVID-19 pandemic on the financial position of the companies. An adjustment was made for the pension valuation of Transport for Edinburgh, as a result of this review, no other consolidation adjustments have been assessed as being required.
- Transport for Edinburgh Limited and CEC Holdings Limited have adopted Accounting Standard IFRS 16 Finance Leases for the year to 31 December 2019. The Council is not required to adopt this standard until 1 April 2021 and therefore consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Group members' financial statements have been prepared on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the authority (i.e. government and other grants, rents, fees and charges, Council Tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 20.

2019/20	Net Expend. Chargeable to the General Fund and HRA Balances £000	Adjustments £000	Net Expenditure in the CIES £000
Communities and Families Place	423,570	12,484	436,054
Housing Revenue Account	53,269	81,797	135,066
Health and Social Care Resources	0	(14,628)	(14,628)
Chief Executive	218,472	9,639	228,111
Lothian Valuation Joint Board	167,555	99,432	266,987
	9,050	1,030	10,080
	3,678	0	3,678
Cost of Services	875,594	189,754	1,065,348
Other income and expenditure			
Net cost of benefits	(277)	0	(277)
Other non-service specific costs	25,048	(8,487)	16,561
Net deficit on trading activities	0	48	48
Net income and changes in relation to investment properties and changes in their fair value	0	(1,967)	(1,967)
Interest and investment income	(3,204)	(1,935)	(5,139)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	104,710	19,738	124,448
Net pension interest cost	0	16,410	16,410
Gains on disposal of assets	0	(9,991)	(9,991)
Gains on derecognition or revaluation of financial assets	0	(90)	(90)
Contribution to Renewal and Repairs Fund	0	0	0
Contribution from Capital Fund	(334)	334	0
Contribution from General Fund	581	(581)	0
Income from Council Tax	(271,044)	0	(271,044)
Government Grants	(360,206)	0	(360,206)
Distribution from NDRI pool	(365,637)	0	(365,637)
Donated asset income	0	(53,177)	(53,177)
Capital grants and contributions	0	(127,806)	(127,806)
(Surplus) / Deficit on the provision of services	5,231	22,250	27,481
Opening General Fund and HRA Balance	144,845		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	(19,827)		
Deficit on the provision of services	(5,231)		
Closing General Fund and HRA Balance at 31 March	119,787		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 17.

NOTES TO THE FINANCIAL STATEMENTS

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

2018/19 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	£000
Communities and Families Place	397,307	17,096	414,403
Housing Revenue Account	54,295	85,759	140,054
Health and Social Care Resources	0	(22,130)	(22,130)
Chief Executive	208,237	7,440	215,677
Lothian Valuation Joint Board	172,582	110,728	283,310
	9,656	813	10,469
	3,575	0	3,575
Cost of Services	845,652	199,706	1,045,358
Other income and expenditure			
Net cost of benefits	(811)	0	(811)
Other non-service specific costs	23,246	40,316	63,562
Net deficit on trading activities	0	36	36
Net income and changes in relation to investment properties and changes in their fair value	0	(2,768)	(2,768)
Interest and investment income	(12,020)	(386)	(12,406)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	107,521	(25,086)	82,435
Net pension interest cost	0	14,129	14,129
Gains on disposal of assets	0	(6,001)	(6,001)
Gains on derecognition or revaluation of financial assets	0	(155)	(155)
Contribution to Renewal and Repairs Fund	173	(173)	0
Contribution from Capital Fund	(980)	980	0
Contribution from General Fund	(697)	697	0
Income from Council tax	(259,435)	0	(259,435)
Government Grants	(363,757)	0	(363,757)
Distribution from NDRI pool	(340,474)	0	(340,474)
Capital grants and contributions	0	(95,013)	(95,013)
Surplus on the provision of services	(1,582)	126,282	124,700
Opening General Fund and HRA Balance	151,285		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	(8,022)		
Surplus on the provision of services	1,582		
Closing General Fund and HRA Balance at 31 March	144,845		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 18.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

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

Statement amounts

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
2019/20				
Communities and Families Place	(5,735)	17,964	(311)	11,918
Housing Revenue Account	75,240	10,873	(842)	85,271
Health and Social Care	(30,496)	1,296	(884)	(30,084)
Resources	72	9,981	26	10,079
Chief Executive	103,889	9,050	(898)	112,041
	1	1,046	(81)	966
Cost of Services	142,971	50,210	(2,990)	190,191
Other income and expenditure				
Other non-service specific costs	(3,888)	(1,313)	0	(5,201)
Net income and changes in relation to investment properties and changes in their fair value	0	0	(309)	(309)
Interest and investment income	(1,188)	0	0	(1,188)
Interest payable and similar charges	(35,113)	0	31,346	(3,767)
Net pension interest cost	0	16,410	0	16,410
Gains on disposal of assets	(9,991)	0	0	(9,991)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(127,806)	0	0	(127,806)
Income from donated assets	(53,177)	0	0	(53,177)
Total Adjustments	(88,192)	65,307	28,047	5,162

Notes -

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

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

	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
2019/20				
Communities and Families Place	11,918	(81)	647	12,484
Housing Revenue Account	85,271	(1,181)	(2,293)	81,797
Health and Social Care	(30,084)	0	15,456	(14,628)
Resources	10,079	(440)	0	9,639
Chief Executive	112,041	(16,586)	3,977	99,432
	966	0	64	1,030
Cost of Services	190,191	(18,288)	17,851	189,754
Other income and expenditure				
Other non-service specific costs	(5,201)	(2,982)	(304)	(8,487)
Net deficit on trading activities	0	48	0	48
Net income and changes in relation to investment properties and changes in their fair value	(309)	(1,658)	0	(1,967)
Interest and investment income	(1,188)	(535)	(212)	(1,935)
Interest payable and similar charges	(3,767)	23,505	0	19,738
Net pension interest cost	16,410	0	0	16,410
Gains on disposal of assets	(9,991)	0	0	(9,991)
Gains on derecognition or revaluation of financial assets	0	(90)	0	(90)
Use of reserves	0	0	(247)	(247)
Capital grants and contributions	(127,806)	0	0	(127,806)
Income from donated assets	(53,177)	0	0	(53,177)
Total Adjustments	58,339	0	17,088	22,250

Notes -

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

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

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

Re-stated

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
2018/19 Comparative Data				
Communities and Families Place	409	13,891	1,112	15,412
Housing Revenue Account	73,122	8,787	146	82,055
Health and Social Care	(49,685)	2,035	(523)	(48,173)
Resources	192	8,179	(59)	8,312
Chief Executive	110,913	7,415	60	118,388
	9	779	(4)	784
Cost of Services	134,960	41,086	732	176,778
Other income and expenditure				
Other non-service specific costs	(1,333)	41,770	(3)	40,434
Net income and changes in relation to investment properties and changes in their fair value	0	0	(1,026)	(1,026)
Interest and investment income	(115)	0	1	(114)
Interest payable and similar charges	(42,460)	0	(1,334)	(43,794)
Net pension interest cost		14,129	0	14,129
Gains on disposal of assets	(6,001)	0	0	(6,001)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(95,013)	0	0	(95,013)
Total Adjustments	(9,962)	96,985	(1,630)	85,393

Notes -

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

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

Re-stated

	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
2018/19 Comparative Data				
Communities and Families Place	15,412	(783)	2,467	17,096
Housing Revenue Account	82,055	422	3,282	85,759
Health and Social Care Resources	(48,173)	0	26,043	(22,130)
Chief Executive	8,312	(880)	8	7,440
	118,388	(16,081)	8,421	110,728
	784	0	29	813
Cost of Services	176,778	(17,322)	40,250	199,706
Other income and expenditure				
Other non-service specific costs	40,434	3,738	(3,856)	40,316
Net deficit on trading activities	0	36	0	36
Net income and changes in relation to investment properties and changes in their fair value	(1,026)	(1,742)	0	(2,768)
Interest and investment income	(114)	0	(272)	(386)
Interest payable and similar charges	(43,794)	18,708	0	(25,086)
Net pension interest cost	14,129	0	0	14,129
Gains on disposal of assets	(6,001)	0	0	(6,001)
Gains on derecognition or revaluation of financial assets	0	(155)	0	(155)
Use of reserves	0	(3,263)	4,767	1,504
Capital grants and contributions	(95,013)	0	0	(95,013)
Total Adjustments	85,393	0	40,889	126,282

Notes -

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

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

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

	Communities and Families	Place	Housing Revenue Account	Health and Social Care
2019/20				
Expenditure	£000	£000	£000	£000
Employee expenses	343,850	84,015	10,726	87,256
Other service expenses	199,027	179,689	42,509	232,390
Support service recharges	0	0	7,023	0
Interest payments	77	1,737	18,001	0
Debt repayments (<i>HRA only</i>)	0	0	43,695	0
Total Expenditure	542,954	265,441	121,954	319,646
Income				
Revenues from external customers	(53,075)	(142,270)	(98,582)	(19,432)
Income from recharges for services	(16)	(435)	(166)	0
Government grants and other contribs.	(66,293)	(69,467)	(22,018)	(81,742)
Interest and investment income	0	0	(1,188)	0
Total Income	(119,384)	(212,172)	(121,954)	(101,174)
Cost of Services	423,570	53,269	0	218,472

	Resources	Chief Executive	Lothian Valuation Joint Board	Council Total
Expenditure	£000	£000	£000	£000
Employee expenses	73,940	7,966	0	607,753
Other service expenses	133,520	5,576	3,678	796,389
Support service recharges	37	0	0	7,060
Interest payments	18,196	0	0	38,011
Debt repayments (<i>HRA only</i>)	0	0	0	43,695
Total Expenditure	225,693	13,542	3,678	1,492,908
Income				
Revenues from external customers	(29,342)	(780)	0	(343,481)
Income from recharges for services	(9,938)	(475)	0	(11,030)
Government grants and other contribs.	(18,858)	(3,237)	0	(261,615)
Interest and investment income	0	0	0	(1,188)
Total Income	(58,138)	(4,492)	0	(617,314)
Cost of Services	167,555	9,050	3,678	875,594

	Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure	£000	£000	£000
Employee expenses	119,178	0	726,931
Other service expenses	52,766	0	849,155
Support service recharges	0	0	7,060
Depreciation, amortisation and impairment	24,307	0	24,307
Interest payments	0	0	38,011
Debt repayments (<i>HRA only</i>)	0	0	43,695
Net expend from Associates and Joint Ventures	0	5,073	5,073
Total Expenditure	196,251	5,073	1,694,232
Income			
Revenues from external customers	(214,608)	0	(558,089)
Income from recharges for services	0	0	(11,030)
Government grants and other contribs.	34,068	0	(227,547)
Interest and investment income	0	0	(1,188)
Net income from Associates and Joint Ventures	0	(3,487)	(3,487)
Total Income	(180,540)	(3,487)	(801,341)
Cost of Services	15,711	1,586	892,891

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

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

2018/19 Comparative Data	Communities and Families	Place	Housing Revenue Account	Health and Social Care
Expenditure	£000	£000	£000	£000
Employee expenses	309,712	81,762	10,758	88,237
Other service expenses	182,626	189,852	44,496	215,450
Support service recharges	0	0	6,742	0
Interest payments	78	0	18,897	0
Debt repayments (<i>HRA only</i>)	0	0	52,916	0
Total Expenditure	492,416	271,614	133,809	303,687
Income				
Revenues from external customers	(46,125)	(139,043)	(102,814)	(20,924)
Income from recharges for services	(44)	(458)	(150)	0
Government grants and other contribs.	(48,940)	(77,818)	(30,730)	(74,526)
Interest and investment income	0	0	(115)	0
Total Income	(95,109)	(217,319)	(133,809)	(95,450)
Cost of Services	397,307	54,295	0	208,237

	Resources	Chief Executive	Lothian Valuation Joint Board	Council Total
Expenditure	£000	£000	£000	£000
Employee expenses	75,112	7,376	0	572,957
Other service expenses	130,942	3,781	3,575	770,722
Support service recharges	40	0	0	6,782
Interest payments	18,521	0	0	37,496
Total Expenditure	224,615	11,157	3,575	1,440,873
Income				
Revenues from external customers	(29,790)	(431)	0	(339,127)
Income from recharges for services	(9,546)	(462)	0	(10,660)
Government grants and other contribs.	(12,697)	(608)	0	(245,319)
Total Income	(52,033)	(1,501)	0	(595,221)
Cost of Services	172,582	9,656	3,575	845,652

	Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure	£000	£000	£000
Employee expenses	102,332	0	675,289
Other service expenses	75,754	0	846,476
Support service recharges	0	0	6,782
Depreciation, amortisation and impairment	19,950	0	19,950
Interest payments	0	0	37,496
Debt repayments (<i>HRA only</i>)	0	0	52,916
Net expend from Associates and Joint Ventures	0	984	984
Total Expenditure	198,036	984	1,639,893
Income			
Revenues from external customers	(190,361)	0	(529,488)
Income from recharges for services	0	0	(10,660)
Government grants and other contribs.	31	0	(245,288)
Interest and investment income	0	0	(115)
Net income from Associates and Joint Ventures	0	(1,361)	(1,361)
Total Income	(190,330)	(1,361)	(786,912)
Cost of Services	7,706	(377)	852,981

NOTES TO THE FINANCIAL STATEMENTS

3. Expenditure and Income Analysed by Nature Group

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

	2019/20	2018/19
	£000	£000
Expenditure		
Employee expenses	781,976	766,484
Other service expenses	1,205,753	1,215,609
Support service recharges	7,059	6,782
Depreciation, amortisation and impairment	241,245	239,622
Interest payments	229,246	181,511
Net Interest in the profit/loss of associates and joint ventures	1,586	(377)
Total Expenditure	2,466,865	2,409,631
Income		
Fees, charges and other service income	(927,849)	(887,603)
(Gain) / Loss on the disposal of assets	(9,858)	(5,888)
Donated asset income	(53,177)	0
Interest and investment income	(94,586)	(101,331)
Income from Council Tax and Non-Domestic Rates	(636,681)	(599,909)
Government grants and other contributions	(570,205)	(589,077)
Recognised capital income	(127,806)	(95,013)
Total Income	(2,420,162)	(2,278,821)
Group Deficit	46,703	130,810

Council

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

	2019/20	2018/19
	£000	£000
Expenditure		
Employee expenses	662,798	664,152
Other service expenses	1,152,103	1,139,978
Support service recharges	7,059	6,782
Depreciation, amortisation and impairment	216,938	219,672
Interest payments	212,116	169,882
Total Expenditure	2,251,014	2,200,466
Income		
Fees, charges and other service income	(713,241)	(697,243)
(Gain) / Loss on the disposal of assets	(9,991)	(6,001)
Interest and investment income	(78,364)	(88,492)
Income from Council Tax and Non-Domestic Rates	(636,681)	(599,909)
Government grants and other contributions	(604,273)	(589,108)
Recognised capital income	(127,806)	(95,013)
Donated asset income	(53,177)	0
Total Income	(2,223,533)	(2,075,766)
Deficit on the Provision of Services	27,481	124,700

NOTES TO THE FINANCIAL STATEMENTS

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2020/21 Code:

The Code requires implementation from 1 April 2020 and there is therefore no impact on the 2019/20 financial statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan amendment, curtailment or settlement

5. Judgements Made in Applying Accounting Policies

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

5.1 Provision of School Buildings

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) and the Design, Build, Finance and Maintain (DBFM) for James Gillespie's High School, for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1), Axiom Education Limited (PPP2) and Hub South East Scotland (JGHS). The Council has entered into an agreement for the provision of the new Queensferry High School which is currently under construction under a DBFM arrangement.

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £519.948m at 31 March 2020) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

5.2 Group Membership

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets. Council dwellings are valued using the Beacon Method which aggregates the vacant possession values of each unit of housing stock. The beacon discount factor is determined by applying a capitalisation yield to the gross rental income and comparing this to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied in the 2019-20 revaluations is 38% with a 4% uplift (38% previously).	If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls.
		It is estimated that the annual depreciation charge would increase and the carrying value would fall by £13.821m for each year that useful lives were reduced.
		If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £25.262m.
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single Status Pension in 2016 has resulted in a recalculation of pension liabilities related to the estimated impact of Guaranteed minimum pension (GMP) indexation changes.</p> <p>Legislation requires the Local Government Pension Scheme (LGPS) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The costs management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities).</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>Note 42.6 provides further information on the Council's pension liability.</p> <p>The estimate for the Council is that total liabilities could be approximately £10.32m higher. The increased liability has been reflected in the pension liability as a past service cost. This estimate will be revised at the upcoming valuation.</p> <p>The Council's actuary has included an estimate within the pension liability as a past service cost (see Note 42.2) which will be subject to future revision as the outcome of the judgement becomes clearer in line with the upcoming valuation.</p>

NOTES TO THE FINANCIAL STATEMENTS

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

Arrears	At 31 March, the Council had a balance of sundry debtors of £28.035m. A review of significant balances suggested that an impairment of doubtful debts of £3.156m (11.3%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £1.402m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £7.569m. A review of significant balances suggested that an impairment of doubtful debts of £6.386m (84.4%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There is a relatively high level of arrears and the impairment set aside should help protect against potential loss of income to the Council arising from welfare reforms such as Universal Credit and the reduction in the benefits cap announced in the UK Government's budget, which will potentially impact on the level of rent arrears.

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

7. Material Items of Income and Expense

There are no material items of Income and Expense that require to be highlighted in this disclosure.

8. Events After the Balance Sheet Date

As with organisations across Scotland, the UK and indeed the world, the COVID-19 pandemic has already had a massive impact on the Council's service delivery models and financial stability. Further details of these impacts and remedial steps taken and planned are included in the Management Commentary.

9. Subsidiaries and Associates

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

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

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

Subsidiaries:

	Shareholding
• CEC Holdings Limited	100.00%
• Transport for Edinburgh Limited	100.00%
• Edinburgh Living MMR LLP	> 75% controlling interest

Associates:

• Edinburgh Leisure	33.33%	Board representation
• Capital Theatres	33.33%	Board representation
• Lothian Valuation Joint Board	61.29%	Funding percentage
• Common Good	100.00%	

Joint Venture

	Interest	
• Edinburgh Integration Joint Board	50.00%	Board representation

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

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

	Shareholding
• Capital City Partnership Limited	100.00%
• CEC Recovery Limited (formerly tie Limited)	100.00%
• Marketing Edinburgh Limited	100.00%
• Energy for Edinburgh Limited	100.00%
• Edinburgh Living MR LLP	> 75% controlling interest (dormant to 31.12.19)
• Telford NHT LLP	> 75% controlling interest

In January 2019 the Council bought out the developer's share in Telford NHT LLP and now holds majority control of this associate, in conjunction with the Scottish Futures Trust.

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

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

9.1 Subsidiary Companies

• CEC Holdings Limited

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

The most recent unaudited results of the company are as follows:	31.12.19	31.12.18
	£000	£000
Net assets	20,608	18,137
Net (profit) / loss before taxation	(3,057)	(158)
Retained profit / (loss) carried forward	(48,961)	(51,059)

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

• Transport for Edinburgh Limited

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

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

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

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

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

	31.12.19	31.12.18
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	129,486	148,768
Net (profit) / loss before taxation	16,873	6,920
Retained earnings	22,223	58,789
Dividend paid in March 2019 and March 2018	7,000	6,180

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

• Edinburgh Living MMR LLP

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

The most recent unaudited results of the company are as follows:	31.12.19	31.12.18
	£000	£000
Net assets	203	0
Net (profit) / loss before taxation	(8,615)	0
Retained (profit) / loss carried forward	(8,615)	0

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.2 Associates

• Edinburgh Leisure

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

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

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

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

The most recent unaudited results of the company are as follows:	31.03.20	31.03.19
	£000	£000
Net assets / (liabilities)	134	610
Net operating (profit) / loss	3,706	(1,114)
Earnings / (Losses) carried forward	134	610

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

• Capital Theatres

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

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

The most recent unaudited results of the company are as follows:	31.03.20	31.03.19
	£000	£000
Net assets	5,323	4,877
Net operational (profit) / loss	(561)	(828)
Fund balances carried forward	5,323	4,877

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

• Lothian Valuation Joint Board

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

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

	31.03.20	31.03.19
	£000	£000
Deficit for the year	936	1,520
Net Liabilities	(5,336)	(7,709)
Usable reserves	897	897
Unusable reserves	(6,233)	(8,606)
Total reserves	<u>(5,336)</u>	<u>(7,709)</u>

NOTES TO THE FINANCIAL STATEMENTS

9.3 Joint Ventures

- **Edinburgh Integration Joint Board**

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

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

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

The most recent unaudited results of the Board are as follows:	31.03.20	31.03.19
	£000	£000
Gross expenditure	762,032	726,394
(Surplus) / Deficit for the year	6,528	(1,342)
Usable reserves	3,166	9,694

9.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are unaudited.

9.5 Shareholder Support to Council Companies

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

9.6 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £178.753m (2018/19 £197.522m) representing the Council's share of the realisable surpluses or deficits in these companies.

10. Contingent Liabilities

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

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

The Scottish Child Abuse Inquiry was set up in October 2015 to examine the abuse of children in care from the 1930s to the present day and has identified a number of care institutions it wishes to investigate, including four council establishments - Howdenhall Centre, St Katherine's and two children's homes that closed in the 1980s. The Council has set up a project team to support the inquiry, review historic records and ensure that the evidence required by the Inquiry can be provided. There is a possibility that these investigations may give rise to significant claims against local authorities in Scotland, including the Council.

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2019/20	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	187,607	29,273	0
Movements in the market value of investment properties	(351)	42	0
Amortisation and impairment of intangible assets	58	0	0
Capital grants and contributions applied	(98,544)	(29,262)	0
Capital funded from revenue	(6,581)	(23,000)	0
Donated assets	(53,177)	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	52,778	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(77,071)	(20,695)	0
Capital expenditure charged against General Fund and HRA balances	(52,778)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	8,549	(18,540)	64,314
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(64,314)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	31,346	13,113	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	131,476	3,288	0
Employer's pension contributions and direct payments to pensioners payable in the year	(67,925)	(1,530)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(2,107)	(144)	0
Total Adjustments	53,280	(47,455)	0

NOTES TO THE FINANCIAL STATEMENTS

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

	Usable Reserves			
	Capital Grants Unapplied Account £000	Donated Asset Reserve £000	Capital Fund £000	Movement in Unusable Reserves £000
2019/20				
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)				
Charges for depreciation and impairment of non-current assets	0	0	0	(216,880)
Movements in the market value of investment properties	0	0	0	309
Amortisation of intangible assets	0	0	0	(58)
Capital grants and contributions applied	13,473	0	0	114,333
Capital funded from revenue	0	0	0	29,581
Donated assets	0	53,617	0	(440)
Capital fund used to finance new capital expenditure	0	0	(6,311)	6,311
Revenue expenditure funded from capital under statute	0	0	0	(52,778)
Insertion of items not debited or credited to the CIES	0	0	0	0
Statutory provision for the financing of capital investment	0	0	(663)	98,429
Capital expenditure charged against General Fund and HRA balances	0	0	0	52,778
Adjustments primarily involving the Capital Grant Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	(805)	0	0	805
Adjustments primarily involving the Capital Receipts Reserve				
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	0	(54,323)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	64,314
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	(44,459)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	0	(134,764)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	0	69,455
Adjustments primarily involving the Employee Statutory Adjustment Account				
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	2,251
Total Adjustments	12,668	53,617	(6,974)	(65,136)

NOTES TO THE FINANCIAL STATEMENTS

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

2018/19 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	196,986	21,446	0
Movements in the market value of investment properties	(965)	(60)	0
Amortisation of intangible assets	1,240	0	0
Capital grants and contributions applied	(67,951)	(24,789)	0
Capital funded from revenue	(6,088)	(32,800)	0
Donated assets	(2,273)	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	59,774	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(68,529)	(20,115)	0
Capital expenditure charged against General Fund and HRA balances	(59,774)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	(3,619)	(2,382)	25,953
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(25,953)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,334)	(567)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	158,464	3,910	0
Employer's pension contributions and direct payments to pensioners payable in the year	(63,886)	(1,502)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	1,253	44	0
Total Adjustments	143,298	(56,815)	0

NOTES TO THE FINANCIAL STATEMENTS

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

	Usable Reserves		
	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000
2018/19 Comparative Data			
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(218,432)
Movements in the market value of investment properties	0	0	1,025
Amortisation of intangible assets	0	0	(1,240)
Capital grants and contributions applied	12,339	0	80,401
Capital funded from revenue	0	0	38,888
Donated assets	0	0	2,273
Capital fund used to finance new capital expenditure	0	(7,385)	7,385
Revenue expenditure funded from capital under statute	0	0	(59,774)
Insertion of items not debited or credited to the CIES	0	0	
Statutory provision for the financing of capital investment	0	(265)	88,909
Capital expenditure charged against General Fund and HRA balances	0	0	59,774
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,351)	0	1,351
Adjustments primarily involving the Capital Receipts Reserve			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	(19,952)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	25,953
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,901
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(162,374)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	65,388
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(1,297)
Total Adjustments	10,988	(7,650)	(89,821)

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves

12.1 Transfers to and from Usable Reserves

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

	Balance at 01.04.19 £000	Net Transfers Out 2019/20 £000	Net Transfers In 2019/20 £000	Balance at 31.03.20 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,059)	0	2,098	(48,961)
Capital grants unapplied account	1,521	(216)	0	1,305
Transport for Edinburgh Limited				
Revenue reserves	118,718	(39,490)	0	79,228
Edinburgh Living MMR LLP				
Revenue reserves	0	(13)	0	(13)
Total Usable Reserves - Subsidiaries	69,180	(39,719)	2,098	31,559
Associates and Joint Ventures				
Common Good Fund - Reserves	2,352	0	3,339	5,691
Edinburgh Leisure - Reserves	203	(158)	0	45
Capital Theatres - Reserves	1,626	0	148	1,774
Lothian Valuation Joint Board - Reserves	548	0	2	550
Edinburgh Integration Joint Board - Reserves	4,847	(3,264)	0	1,583
Total Usable Reserves - Associates and Joint Ventures	9,576	(3,422)	3,489	9,643
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	78,756	(43,141)	5,587	41,202

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.18 £000	Net Transfers Out 2018/19 £000	Net Transfers In 2018/19 £000	Balance at 31.03.19 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,338)	0	279	(51,059)
Capital grants unapplied account	1,803	(282)	0	1,521
Transport for Edinburgh				
Revenue reserves	123,852	(5,134)	0	118,718
Total Usable Reserves - Subsidiaries	74,317	(5,416)	279	69,180
Associates and Joint Ventures				
Common Good Fund - Reserves	2,387	(35)	0	2,352
Edinburgh Leisure - Reserves	69	0	134	203
International Conference Centre Trusts				
Income Trust	1	(1)	0	0
Expenditure Trust	20	(20)	0	0
Capital Theatres - Reserves	1,307	0	319	1,626
Lothian Valuation Joint Board - Reserves	488	0	60	548
Edinburgh Integration Joint Board - Reserves	4,176	0	671	4,847
Total Usable Reserves - Associates and Joint Ventures	8,448	(56)	1,184	9,576
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	82,765	(5,472)	1,463	78,756

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31.03.20 £000
Council's Usable Reserves				
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	42,296	(12,110)	13,270	43,456
Council Priorities Fund	6,625	(9,154)	3,286	757
Contingency funding, workforce mgmt.	18,194	(7,160)	2,230	13,264
Dilapidations Fund	5,721	(2,493)	0	3,228
Insurance Funds	19,585	(841)	1,353	20,097
	<u>92,421</u>	<u>(31,758)</u>	<u>20,139</u>	<u>80,802</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration Income	2,584	(118)	516	2,982
Revenue grants and contributions received in advance of planned expenditure	5,394	(1,680)	3,087	6,801
Council Tax Discount Fund	18,631	(18,000)	3,673	4,304
Other earmarked balances	203	0	1	204
City Strategic Investment Fund	3,552	(902)	145	2,795
	<u>30,364</u>	<u>(20,700)</u>	<u>7,422</u>	<u>17,086</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	244	0	51	295
Spend to Save Fund and similar projects	2,718	(245)	533	3,006
	<u>2,962</u>	<u>(245)</u>	<u>584</u>	<u>3,301</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	6,073	(6,034)	4,632	4,671
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	0	0
Unallocated General Fund	<u>13,025</u>	<u>0</u>	<u>902</u>	<u>13,927</u>
Total General Fund	<u>144,845</u>	<u>(58,737)</u>	<u>33,679</u>	<u>119,787</u>
Housing Revenue Account Balance	0	0	0	0
Renewal and Repairs Fund	26,346	(5,123)	8,525	29,748
Donated Assets Reserve	0	0	53,617	53,617
Capital Fund	55,908	(8,454)	1,480	48,934
Capital Receipts Reserve	0	(279,048)	279,048	0
Capital Grants Unapplied Account	15,784	(805)	13,473	28,452
Total Usable Reserves - Council	<u>242,883</u>	<u>(352,167)</u>	<u>389,822</u>	<u>280,538</u>
Total Usable Reserves - Group	<u>321,639</u>	<u>(395,308)</u>	<u>395,409</u>	<u>321,740</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.18 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31.03.19 £000
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	40,649	(13,147)	14,794	42,296
Council Priorities Fund	7,691	(2,852)	1,786	6,625
Contingency funding, workforce mgmt.	18,143	0	51	18,194
Dilapidations Fund	5,077	(356)	1,000	5,721
Insurance Funds	15,875	(83)	3,793	19,585
	<u>87,435</u>	<u>(16,438)</u>	<u>21,424</u>	<u>92,421</u>
Balances Set Aside from Income Received in Advance				
Licensing Income	3,080	(855)	359	2,584
Recycling balances	697	(697)	0	0
Revenue grants and contributions received in advance of planned expend.	4,830	(1,620)	2,184	5,394
Council Tax Discount Fund	27,432	(12,346)	3,545	18,631
Other earmarked balances	218	(16)	1	203
City Strategic Investment Fund	5,461	(2,054)	145	3,552
	<u>41,718</u>	<u>(17,588)</u>	<u>6,234</u>	<u>30,364</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	178	0	66	244
Spend to Save Fund and similar projects	3,171	(716)	263	2,718
	<u>3,349</u>	<u>(716)</u>	<u>329</u>	<u>2,962</u>
Balances Set Aside under Devolved School Management Scheme				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	5,758	(5,758)	6,073	6,073
	<u>5,758</u>	<u>(5,758)</u>	<u>6,073</u>	<u>6,073</u>
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	0	0
Unallocated General Fund	<u>13,025</u>	<u>0</u>	<u>0</u>	<u>13,025</u>
Total General Fund	<u>151,285</u>	<u>(40,500)</u>	<u>34,060</u>	<u>144,845</u>
Housing Revenue Account Balance	0	0	0	0
Renewal and Repairs Fund	58,123	(35,273)	3,496	26,346
Capital Fund	63,558	(8,892)	1,242	55,908
Capital Receipts Reserve	0	(25,953)	25,953	0
Capital Grants Unapplied Account	4,796	(1,351)	12,339	15,784
Total Usable Reserves - Council	<u>277,762</u>	<u>(111,969)</u>	<u>77,090</u>	<u>242,883</u>
Total Usable Reserves - Group	<u>360,527</u>	<u>(117,441)</u>	<u>78,553</u>	<u>321,639</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £4.671m (2018/19 £6.073m) is held within the General Fund in accordance with the Devolved School Management scheme and permitted carry forward of the Pupil Equity Fund.

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

2019/20

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Transfers out	(58,737)	0	(5,123)	(279,048)	(805)
Transfers in	33,679	0	8,525	279,048	13,473
Total movements in fund	<u>(25,058)</u>	<u>0</u>	<u>3,402</u>	<u>0</u>	<u>12,668</u>
Recognised in Comprehensive Income and Expenditure Statement	(6,201)	(15,455)	0	0	12,668
Transfers to other earmarked reserves	<u>(18,857)</u>	<u>15,455</u>	<u>3,402</u>	<u>0</u>	<u>0</u>
Total movements in fund	<u>(25,058)</u>	<u>0</u>	<u>3,402</u>	<u>0</u>	<u>12,668</u>

	Donated Assets Reserve £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	0	(8,454)	(43,141)	(395,308)
Transfers in	53,617	1,480	5,587	395,409
Total movements in fund	<u>53,617</u>	<u>(6,974)</u>	<u>(37,554)</u>	<u>101</u>
Recognised in Comprehensive Income and Expenditure Statement	53,617	(6,974)	(7,047)	30,608
Transfers to other earmarked reserves	<u>0</u>	<u>0</u>	<u>(30,507)</u>	<u>(30,507)</u>
Total movements in fund	<u>53,617</u>	<u>(6,974)</u>	<u>(37,554)</u>	<u>101</u>

2018/19 Comparative Data

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(40,500)	0	(35,273)	(25,953)
Transfers in	34,060	0	3,496	25,953
Total movements in fund	<u>(6,440)</u>	<u>0</u>	<u>(31,777)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	(12,173)	(26,044)	0	0
Transfers to other earmarked reserves	<u>5,733</u>	<u>26,044</u>	<u>(31,777)</u>	<u>0</u>
Total movements in fund	<u>(6,440)</u>	<u>0</u>	<u>(31,777)</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

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

2018/19 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(1,351)	(8,892)	(5,472)	(117,441)
Transfers in	12,339	1,242	1,463	78,553
Total movements in fund	10,988	(7,650)	(4,009)	(38,888)
Recognised in Comprehensive Income and Expenditure Statement	10,988	(7,650)	(8,395)	(43,274)
Transfers to other earmarked reserves	0	0	4,386	4,386
Total movements in fund	10,988	(7,650)	(4,009)	(38,888)

13. Financing and Investment Income and Expenditure

	2019/20		Re-stated 2018/19	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	81,446	77,505	82,444	82,435
Premiums arising from refinancing	46,943	46,943	0	0
Interest cost on defined benefit obligation	100,857	87,668	99,067	87,447
Interest receivable and similar income	(6,295)	(5,139)	(12,201)	(12,406)
Interest income on plan assets	(86,296)	(71,258)	(86,361)	(73,318)
Net income in relation to investment properties and changes in their fair value	(1,967)	(1,967)	(2,616)	(2,768)
Net income in relation to financial assets derecognised or revalued	(90)	(90)	(155)	(155)
Net (surplus) / deficit from trading activities	20	48	36	36
	134,618	133,710	80,214	81,271

14. Taxation and Non-Specific Grant Income

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(271,044)	(271,044)	(259,435)	(259,435)
Non-domestic rates	(365,637)	(365,637)	(340,474)	(340,474)
Non-ring fenced government grants	(360,206)	(360,206)	(363,757)	(363,757)
Capital grants and contributions	(127,806)	(127,806)	(95,013)	(95,013)
Donated asset income	(53,177)	(53,177)	0	0
Taxation expenses	884	0	(275)	0
	(1,176,986)	(1,177,870)	(1,058,954)	(1,058,679)

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment

15.1 Depreciation

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

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

15.2 Capital Commitments

At 31 March 2020, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £221.650m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2019 were £295.064m.

	£000	Expected Completion Date
Millerhill - Zero Waste	29.520	May-20
St James Redevelopment - Growth Accelerator Model	62.900	Sep-20
North Bridge Refurbishment	11.650	Dec-20
Victoria Primary School	7.022	Mar-21
New South Edinburgh Primary School	11.566	Apr-21
Energy Efficiency Street Lighting Project (LED Project)	11.362	May-21
Castlebrae High School	21.313	Aug-21
St Crispin's Special School	8.584	Sep-21
General Fund - Other	5.958	Sep-21
National Housing Trust	8.760	Nov-21
Meadowbank Sports Centre	17.823	Dec-21
Pennywell Phase 3	8.056	Mar-22
Pennywell Town Centre	12.713	Sep-22
HRA - Other	4.422	2023/24
	117.580	

Per the 'Capital Budget Update – 2019/20 Provisional Outturn and 2020/21 COVID-19 Forecast' reported to the Policy and Sustainability Committee on 25 June 2020, there is likely to be significant slippage (currently estimated at £161.257m) in the 2020/21 Capital Programme which may result in the timescales above being delayed."

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2019/20

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2019	1,484,507	2,155,479	335,351	1,465,451
Additions	35,034	67,822	37,627	76,980
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(337)	90,506	(826)	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(58)	70,042	(407)	0
Derecognition - disposals	(2,684)	(50,312)	(12,666)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	52,648	12,999	0	0
At 31 March 2020	<u>1,569,110</u>	<u>2,346,536</u>	<u>359,079</u>	<u>1,542,431</u>
Accumulated Depreciation and Impairment				
At 1 April 2019	(141)	(97,601)	(160,194)	(701,660)
Depreciation charge	(29,510)	(66,109)	(23,715)	(70,003)
Depreciation charge written out to Revaluation Reserve	20,604	14,603	0	0
Depreciation written out to the Surplus on the Provision of Services	0	1,601	(1,179)	0
Derecognition - disposals	35	0	11,977	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	826	0
Depreciation on assets transferred to Held for Sale	0	0	0	0
At 31 March 2020	<u>(9,012)</u>	<u>(147,506)</u>	<u>(172,285)</u>	<u>(771,663)</u>
Net book value				
At 31 March 2020	<u>1,560,098</u>	<u>2,199,030</u>	<u>186,794</u>	<u>770,768</u>
At 31 March 2019	<u>1,484,366</u>	<u>2,057,878</u>	<u>175,157</u>	<u>763,791</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2019/20

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property Plant and Equipment £000
Cost or Valuation					
At 1 April 2019	8,987	1,421	109,161	0	5,560,357
Additions	2,055	0	126,929	1,035	347,482
Revaluation increases / (decreases) recognised in the Revaluation Reserve	347	0	0	0	89,690
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(4,195)	0	0	0	65,382
Derecognition - disposals	0	(1,401)	0	0	(67,063)
Derecognition - other	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0	0
Other increases / (decreases) in cost or valuation	1	0	(45,602)	0	20,046
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>190,488</u>	<u>1,035</u>	<u>6,015,894</u>
Accumulated Depreciation and Impairment					
At 1 April 2019	0	0	0	0	(959,596)
Depreciation charge	0	0	0	0	(189,337)
Depreciation charge written out to Revaluation Reserve	0	0	0	0	35,207
Depreciation written out to the Surplus on the Provision of Services	0	0	0	0	422
Derecognition - disposals	0	0	0	0	12,012
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	826
Depreciation on assets transferred to Held for Sale	0	0	0	0	0
At 31 March 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,100,466)</u>
Net book value					
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>190,488</u>	<u>1,035</u>	<u>4,915,428</u>
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>0</u>	<u>4,600,761</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group Accounts

2018/19 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2018	1,370,303	2,075,364	323,984	1,431,378
Additions	30,349	40,233	26,348	34,073
Revaluation increases / (decreases) recognised in the Revaluation Reserve	66,921	89,305	(124)	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(217)	(55,688)	(2,382)	0
Derecognition - disposals	(1,842)	(799)	(10,091)	0
Derecognition - other	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	(6,016)	0	0
Other increases / (decreases) in cost or valuation	18,993	13,080	0	0
At 31 March 2019	<u>1,484,507</u>	<u>2,155,479</u>	<u>335,351</u>	<u>1,465,451</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	(71,600)	(108,452)	(142,816)	(633,143)
Depreciation charge	(20,329)	(61,266)	(29,342)	(68,517)
Depreciation charge written out to Revaluation Reserve	91,605	68,556	0	0
Depreciation written out to the Surplus on the Provision of Services	27	3,471	334	0
Derecognition - disposals	156	35	9,246	0
Derecognition - other	0	0	2,384	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2019	<u>(141)</u>	<u>(97,601)</u>	<u>(160,194)</u>	<u>(701,660)</u>
Net book value				
At 31 March 2019	<u>1,484,366</u>	<u>2,057,878</u>	<u>175,157</u>	<u>763,791</u>
At 31 March 2018	<u>1,298,703</u>	<u>1,966,912</u>	<u>181,168</u>	<u>798,235</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group 2018/19 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2018	14,050	1,421	56,299	5,272,799
Additions	5,087	0	87,742	223,832
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(238)	0	0	155,864
Revaluation decreases recognised in the Surplus on the Provision of Services	(8,318)	0	0	(66,605)
Derecognition - disposals	(1,594)	0	(2,809)	(17,135)
Derecognition - other	0	0	0	(2,384)
Assets reclassified (to) / from held for sale	0	0	0	(6,016)
Other increases / (decreases) in cost or valuation	0	0	(32,071)	2
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>5,560,357</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	0	0	0	(956,011)
Depreciation charge	0	0	0	(179,454)
Depreciation charge written out to Revaluation Reserve	0	0	0	160,161
Depreciation written out to the Surplus on the Provision of Services	0	0	0	3,832
Derecognition - disposals	0	0	0	9,437
Derecognition - other	0	0	0	2,384
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2019	<u>0</u>	<u>0</u>	<u>0</u>	<u>(959,596)</u>
Net book value				
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>4,600,761</u>
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,316,788</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council Movements in 2019/20

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2019	1,484,507	2,093,576	163,562	1,458,781
Additions	35,034	67,082	7,069	76,980
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(337)	81,480	(826)	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(58)	69,150	(407)	0
Derecognition - disposals	(2,684)	(50,312)	0	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	52,648	12,999	0	0
At 31 March 2020	<u>1,569,110</u>	<u>2,273,975</u>	<u>169,398</u>	<u>1,535,761</u>
Accumulated Depreciation and Impairment				
At 1 April 2019	(141)	(66,106)	(72,866)	(695,177)
Depreciation charge	(29,510)	(65,923)	(7,477)	(69,891)
Depreciation charge written out to Revaluation Reserve	20,604	14,603	0	0
Depreciation written out to the Surplus on the Provision of Services	0	1,601	(1,179)	0
Derecognition - disposals	35	0	407	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	826	0
Other increases / (decreases) in cost or valuation	0	0	0	0
At 31 March 2020	<u>(9,012)</u>	<u>(115,825)</u>	<u>(80,289)</u>	<u>(765,068)</u>
Net book value				
At 31 March 2020	<u>1,560,098</u>	<u>2,158,150</u>	<u>89,109</u>	<u>770,693</u>
At 31 March 2019	<u>1,484,366</u>	<u>2,027,470</u>	<u>90,696</u>	<u>763,604</u>

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council

Movements in 2019/20

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
At 1 April 2019	8,987	1,421	109,161	5,319,995	520,170
Additions	2,055	0	126,929	315,149	17,598
Revaluation increases / (decreases) recognised in the Revaluation Reserve	347	0	0	80,664	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(4,195)	0	0	64,490	0
Derecognition - disposals	0	(1,401)	0	(54,397)	0
Derecognition - other	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0	0
Other increases / (decreases) in cost or valuation	1	0	(45,602)	20,046	0
At 31 March 2020	7,195	20	190,488	5,745,947	537,768
Accumulated Depreciation and Impairment					
At 1 April 2019	0	0	0	(834,290)	(8,542)
Depreciation charge	0	0	0	(172,801)	(9,278)
Depreciation charge written out to Revaluation Reserve	0	0	0	35,207	0
Depreciation written out to the Surplus on the Provision of Services	0	0	0	422	0
Derecognition - disposals	0	0	0	442	0
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	826	0
Other increases / (decreases) in cost or valuation	0	0	0	0	0
At 31 March 2020	0	0	0	(970,194)	(17,820)
Net book value					
At 31 March 2020	7,195	20	190,488	4,775,753	519,948
At 31 March 2019	8,987	1,421	109,161	4,485,705	511,628

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council 2018/19 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2018	1,370,303	2,013,461	156,538	1,424,708
Additions	30,349	40,233	14,252	34,073
Revaluation increases / (decreases) recognised in the Revaluation Reserve	66,921	89,305	(124)	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(217)	(55,688)	(2,382)	0
Derecognition - disposals	(1,842)	(799)	(2,338)	0
Derecognition - other	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	(6,016)	0	0
Other increases / (decreases) in cost or valuation	18,993	13,080	0	0
At 31 March 2019	<u>1,484,507</u>	<u>2,093,576</u>	<u>163,562</u>	<u>1,458,781</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	(71,600)	(77,150)	(68,036)	(626,940)
Depreciation charge	(20,329)	(61,073)	(9,865)	(68,237)
Depreciation charge written out to Revaluation Reserve	91,605	68,556	0	0
Depreciation written out to the Surplus on the Provision of Services	27	3,471	334	0
Derecognition - disposals	156	35	2,317	0
Derecognition - other	0	0	2,384	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2019	<u>(141)</u>	<u>(66,106)</u>	<u>(72,866)</u>	<u>(695,177)</u>
Net book value				
At 31 March 2019	<u>1,484,366</u>	<u>2,027,470</u>	<u>90,696</u>	<u>763,604</u>
At 31 March 2018	<u>1,298,703</u>	<u>1,936,311</u>	<u>88,502</u>	<u>797,768</u>

Included within Other Land and Buildings is £2.274m for donated assets related to timing of PPP lifecycle maintenance spend by the contract provider, ahead of the planned programme.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council

2018/19 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
Cost or Valuation					
At 1 April 2018	14,050	1,421	56,299	5,036,780	593,418
Additions	5,087	0	87,742	211,736	21,355
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(238)	0	0	155,864	(46,769)
Revaluation decreases recognised in the Surplus on the Provision of Services	(8,318)	0	0	(66,605)	(31,991)
Derecognition - disposals	(1,594)	0	(2,809)	(9,382)	0
Derecognition - other	0	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	0	0	(6,016)	0
Other increases / (decreases) cost or valuation	0	0	(32,071)	2	(15,843)
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>5,319,995</u>	<u>520,170</u>
Accumulated Depreciation and Impairment					
At 1 April 2018	0	0	0	(843,726)	(43,603)
Depreciation charge	0	0	0	(159,504)	(14,258)
Depreciation charge written out to Revaluation Reserve	0	0	0	160,161	47,424
Depreciation written out to the Surplus on the Provision of Services	0	0	0	3,832	1,895
Derecognition - disposals	0	0	0	2,508	0
Derecognition - other	0	0	0	2,384	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	0
At 31 March 2019	<u>0</u>	<u>0</u>	<u>0</u>	<u>(834,290)</u>	<u>(8,542)</u>
Net book value					
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>4,485,705</u>	<u>511,628</u>
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,193,054</u>	<u>549,815</u>

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.7 Council Dwellings, Other Land and Buildings and Investment Properties

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

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, valuations of this property will be kept under review.

The significant assumptions applied in estimating fair value are:

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

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

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	103	86,497	169,398	1,535,761
Valued at fair value as at:				
31 March 2020	1,566,888	367,618	0	0
31 March 2019	608	768,844	0	0
31 March 2018	502	725,676	0	0
31 March 2017	0	188,560	0	0
31 March 2016	1,009	136,780	0	0
Total cost or valuation	1,569,110	2,273,975	169,398	1,535,761

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	7,195	0	190,488	1,989,442
Valued at fair value as at:				
31 March 2020	0	0	0	1,934,506
31 March 2019	0	0	0	769,452
31 March 2018	0	0	0	726,178
31 March 2017	0	0	0	188,560
31 March 2016	0	20	0	137,809
Total cost or valuation	7,195	20	190,488	5,745,947

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.8 Surplus Assets and Investment Properties - Fair Value Disclosure

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2020
	£000	£000	£000	£000
Surplus assets	0	20	0	20
Investment properties - advertising hoardings	0	19,225	0	19,225
Total cost or valuation	0	19,245	0	19,245

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

16. Investment Properties

Policy

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

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

Investment properties are revalued annually.

Investment properties held at fair value are not depreciated.

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

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

Note

16.1 Income and Expenses on Investment Properties

Income of £1.658m (£1.743m 2018/19) and expense £Nil (£Nil 2018-19) have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

NOTES TO THE FINANCIAL STATEMENTS

16. Investment Properties - continued

16.2 Movement in Fair Value - continued

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

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	19,136	18,916	18,321	17,891
Additions	19,262	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	8,823	309	815	1,025
Value at 31 March	<u>47,221</u>	<u>19,225</u>	<u>19,136</u>	<u>18,916</u>

17. Intangible Assets

Policy

Intangible fixed assets represent software licences purchased by the Council.

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

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

Note

The carrying value of intangible assets of the Group and the Council is £0.444m in 2019/20 (£0.335m in 2018/19).

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.058m in 2019/20 (2018/19 £1.240m) was charged to Resources.

18. Heritage Assets

Policy

Heritage assets comprise the following:

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

Intangible heritage assets represent three private vehicle registration plates.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

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

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

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

18.1 Reconciliation of the Carrying Value of Heritage Assets Note

Movements in 2019/20

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2019	842	2,047	6,797
Additions	773	0	0
At 31 March 2020	<u>1,615</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2020	<u>1,615</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>

	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2019	1,975	19,643	31,304
Additions	0	0	773
At 31 March 2020	<u>1,975</u>	<u>19,643</u>	<u>32,077</u>
Net book value			
At 31 March 2020	<u>1,975</u>	<u>19,643</u>	<u>32,077</u>
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2018/19 Comparative Data

Cost or Valuation	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
At 1 April 2018	423	2,047	6,797
Additions	155	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	317	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(9)	0	0
Transferred to Common Good	(44)	0	0
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2018	<u>423</u>	<u>2,047</u>	<u>6,797</u>

Cost or Valuation	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
At 1 April 2018	1,975	19,643	30,885
Additions	0	0	155
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	317
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(9)
Transferred to Common Good	0	0	(44)
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>
Net book value			
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.2 Details of Heritage Assets

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

19. Inventories

Policy

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

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

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

Note	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	13,285	2,984	13,958	2,513
Purchases	62,285	15,437	60,057	15,184
Held by a third party	62	62	192	192
Recognised as an expense in the year	(62,127)	(14,999)	(60,403)	(14,872)
Stock written off	(33)	(33)	(519)	(33)
Balance at 31 March	13,472	3,451	13,285	2,984

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

NOTES TO THE FINANCIAL STATEMENTS

20. Debtors

20.1 Long-term Debtors

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Council Tax	87,063	87,063	89,366	89,366
Trade Debtors	44,516	44,516	41,421	41,421
Other Debtors	127,956	158,219	121,562	125,114
Total long-term debtors before provision for impairment	259,535	289,798	252,349	255,901
Less: Provision for impairment	(131,043)	(131,043)	(120,969)	(120,969)
Total net long-term debtors	128,492	158,755	131,380	134,932

Long-term debtors include £10.667m (2018/19 £11.184m) for sums recoverable from Police Scotland. These sums relate to monies advanced to the former joint board for capital expenditure.

20.2 Current Debtors

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Council Tax	120,416	120,416	112,089	112,089
Trade Debtors	23,057	18,829	54,818	49,225
Prepayments	6,261	3,469	5,086	2,528
Other Debtors	96,758	89,756	64,248	54,208
Total current debtors before provision for impairment	246,492	232,470	236,241	218,050
Less: Provision for impairment	(122,457)	(122,457)	(111,756)	(111,756)
Total net current debtors	124,035	110,013	124,485	106,294

20.3 Provision for Impairment

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Council Tax	(81,340)	(81,340)	(83,290)	(83,290)
Trade Debtors	(25,856)	(25,856)	(22,043)	(22,043)
Other Debtors	(23,847)	(23,847)	(15,636)	(15,636)
Total long-term provision for impairment	(131,043)	(131,043)	(120,969)	(120,969)
Current provision for impairment	£000	£000	£000	£000
Council Tax	(109,827)	(109,827)	(102,082)	(102,082)
Trade Debtors	(12,451)	(12,451)	(9,534)	(9,534)
Other Debtors	(179)	(179)	(140)	(140)
Total current provision for impairment	(122,457)	(122,457)	(111,756)	(111,756)

21. Cash and Cash Equivalents

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

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Cash held	351	351	353	353
Bank current accounts	26,902	(2,125)	29,323	158
Short-term deposits:				
With banks or building societies	28,364	28,364	32,936	32,936
With other local authorities	67,466	67,466	73,232	73,232
	123,083	94,056	135,844	106,679

NOTES TO THE FINANCIAL STATEMENTS

22. Investments

22.1 Long-Term Investments

	2019/20		2018/19	
	Group	Council	Group	Council
	£000	£000	£000	£000
Transport for Edinburgh	0	5,824	0	5,824
Tudor Trust	350	350	350	350
TIE	1	1	1	1
CEC Holdings	7,876	14,044	7,876	14,044
Telford NHT	3,471	3,471	3,471	3,471
	<u>11,698</u>	<u>23,690</u>	<u>11,698</u>	<u>23,690</u>

22.2 Short-Term Investments

	2019/20		2018/19	
	Group	Council	Group	Council
	£000	£000	£000	£000
Local Authority Loans	45,798	45,563	17,100	17,100
	<u>45,798</u>	<u>45,563</u>	<u>17,100</u>	<u>17,100</u>

23. Assets Held for Sale Policy

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

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

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

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

Note

	2019/20		2018/19	
	Group	Council	Group	Council
	£000	£000	£000	£000
23.1 Non-Current Assets - Held for Sale				
Balance at 1 April	1,586	1,586	2,580	2,580
Additions	2	2	25	25
Revaluation gains/(losses) recognised in the revaluation reserve	(316)	(316)	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	(19)	(19)	0	0
Assets sold	0	0	(19)	(19)
Transfers from non-current to current	0	0	(1,000)	(1,000)
	<u>1,253</u>	<u>1,253</u>	<u>1,586</u>	<u>1,586</u>

23.2 Current Assets - Held for Sale

	2019/20		2018/19	
	Group	Council	Group	Council
	£000	£000	£000	£000
Balance at 1 April	17,606	17,606	20,126	20,126
Additions	296	296	193	193
Revaluation gains/(losses) recognised in the revaluation reserve	2,630	2,630	4,000	4,000
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	606	606	0	0
Assets reclassified as held for sale:				
Property, Plant and Equipment	0	0	5,960	5,960
Assets sold	0	0	(13,673)	(13,673)
Transfers from non-current to current	0	0	1,000	1,000
	<u>21,138</u>	<u>21,138</u>	<u>17,606</u>	<u>17,606</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Creditors

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Trade Creditors	(101,046)	(98,434)	(84,173)	(79,330)
Council Tax refundable to taxpayer	(5,029)	(5,029)	(1,980)	(1,980)
Other Tax payable	(14,020)	(10,282)	(13,914)	(10,598)
Other Creditors	(76,576)	(48,319)	(105,160)	(73,971)
PFI Creditor	(37,399)	(37,399)	(8,206)	(8,206)
Finance Leases (non PFI)	(21,440)	(1,868)	(3,134)	(1,185)
	<u>(255,510)</u>	<u>(201,331)</u>	<u>(216,567)</u>	<u>(175,270)</u>

25. Provisions

Policy

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

Note

Provision has been made within the Group Financial Statements for outstanding payments of £36.900m (2018/19 £36.710m).

Of this amount, £34.452m (2018/19 £33.810m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, contract arrangements, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, based on the Council's assessment of the costs.

	Group £000	Council £000
Balance at 1 April 2019	(36,710)	(33,810)
Additional provisions made during the year	(7,695)	(5,818)
Amounts used during the year	4,397	2,067
Unused amounts reversed during the year	3,108	3,109
Balance at 31 March 2020	<u>(36,900)</u>	<u>(34,452)</u>

26. Reserves

Policy

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

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

Unusable reserves cannot be applied to fund expenditure.

Usable Reserves

The Council operates the following usable reserves:

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

Note

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 17 to 18) and Note 12.

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves

Policy

The Council operates the following unusable reserves:

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

27.1 Summary of Unusable Reserves

	Balance as at:	
	31 March 2020 £000	31 March 2019 £000
Revaluation Reserve	1,766,379	1,666,037
Capital Adjustment Account	1,519,949	1,437,923
Financial Instruments Adjustment Account	(85,964)	(41,548)
Pensions Reserve	(540,753)	(659,468)
Employee Statutory Adjustment Account	(13,807)	(16,058)
Total Council Unusable Reserves	2,645,804	2,386,886
Subsidiaries, Associates and Joint Ventures	137,551	118,766
Total Group Unusable Reserves	2,783,355	2,505,652

27.2 Revaluation Reserve

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

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

	2019/20 £000	2018/19 £000
Balance at 1 April	1,666,037	1,378,280
Upward revaluation of assets	162,733	405,501
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(23,036)	(89,490)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	139,697	316,011
Difference between fair value depreciation and historical cost depreciation	(17,380)	(130)
Accumulated gains on assets sold	(21,975)	(28,124)
Amount written off to the capital adjustment account	(39,355)	(28,254)
Balance at 31 March	1,766,379	1,666,037

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.3 Capital Adjustment Account

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

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

	2019/20 £000	2018/19 £000
Balance at 1 April	1,437,923	1,403,298
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(179,412)	(157,814)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(37,467)	(60,619)
Amortisation and impairment of intangible assets	(58)	(1,240)
Capital funded from revenue	29,581	38,888
Revenue exp. funded from capital under statute	(52,778)	(59,774)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(53,995)	(19,952)
	(294,129)	(260,511)
Adjusting amounts written out of the revaluation reserve	39,355	28,254
Net written out amount of the costs of non-current assets consumed in the year	(254,774)	(232,257)
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	64,315	25,953
Donated assets	(440)	2,273
Use of capital fund for new capital expenditure	6,311	7,385
Capital grants and contributions credited to the CIES that have been applied to capital financing	114,333	80,401
Application of grants from the capital grants unapplied account / capital fund	805	1,351
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	98,429	88,909
Capital expenditure charged against the General Fund and HRA balances	52,778	59,774
	336,531	266,046
Movements in the market value of investment properties credited to the CIES	309	1,025
Transfer to the General Fund	0	0
Other unrealised losses debited to the CIES	(40)	(189)
Balance at 31 March	<u>1,519,949</u>	<u>1,437,923</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.4 Financial Instruments Adjustment Account

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

	2019/20	2018/19
	£000	£000
Balance at 1 April	(41,548)	(43,467)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	2,376	1,849
Premium on refinancing of loans	(46,900)	0
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	108	70
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	(44,416)	1,919
Balance at 31 March	<u>(85,964)</u>	<u>(41,548)</u>

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

27.5 Pensions Reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.5 Pensions Reserve - continued

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

	2019/20 £000	2018/19 £000
Balance at 1 April	(659,468)	(482,493)
Actuarial gains or (losses) on pension assets and liabilities	184,024	(79,989)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(134,764)	(162,374)
Employer's pension contributions and direct payments to pensioners payable in the year	69,455	65,388
Balance at 31 March	<u>(540,753)</u>	<u>(659,468)</u>

27.6 Employee Statutory Adjustment Account

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

	2019/20 £000	2018/19 £000
Balance at 1 April	(16,058)	(14,761)
Settlement or cancellation of accrual made at the end of the preceding year	16,058	14,761
Amount accrued at the end of the current year	<u>(13,807)</u>	<u>(16,058)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,251	(1,297)
Balance at 31 March	<u>(13,807)</u>	<u>(16,058)</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.8 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2020 £000	31 March 2019 £000
Subsidiaries		
CEC Holdings Limited	76,665	76,292
Transport for Edinburgh	32,710	24,226
Edinburgh Living MMR LLP	8,486	0
Associates and Joint Ventures		
Common Good	23,510	23,510
Lothian Valuation Joint Board	(3,820)	(5,262)
Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures	137,551	118,766

28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	641,726	641,726	571,307	571,307
General Revenue Grant	(360,206)	(360,206)	(363,757)	(363,757)
Non-Domestic Rates receipts from national pool	(365,637)	(365,637)	(340,474)	(340,474)
Other net operating cash payments / (receipts)	(80,229)	(80,229)	(116,137)	(116,137)
Net cash flows from subsidiary companies	(19,213)	0	(26,028)	0
Net cash flows from operating activities	(183,559)	(164,346)	(275,089)	(249,061)

29. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Interest received	(4,219)	(4,093)	(5,519)	(5,406)
Interest paid	78,156	77,504	82,766	82,435
Investment income received	(1,047)	(1,047)	(7,000)	(7,000)

NOTES TO THE FINANCIAL STATEMENTS

30. Cash Flow Statement - Investing Activities

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	352,399	325,424	230,998	218,902
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(77,873)	(76,910)	(19,563)	(18,770)
Net purchase of Short-Term and Long-Term Investments	70,439	70,439	(1,800)	(1,053)
Other payments for investing activities	53,593	46,510	55,316	49,136
Other receipts from investing activities	(50,596)	(50,596)	(60,531)	(60,512)
Net cash flows from investing activities	347,962	314,867	204,420	187,703

31. Cash Flow Statement - Financing Activities

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(239,101)	(236,348)	(654)	(2,875)
Other Receipts for Financing Activities	5,810	31,234	22,243	22,243
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	22,787	8,580	3,650	2,145
Repayment of short-term and long-term borrowing	58,862	58,637	49,960	49,960
Net cash flows from financing activities	(151,642)	(137,897)	75,199	71,473

32. Trading Operations

Edinburgh Catering Services - Other Catering continues to meet the definition of a significant trading operation under the terms of the Local Government in Scotland Act 2003, as amended.

32.1 Edinburgh Catering Services - Other Catering

Edinburgh Catering Services - Other Catering is a quality accredited trading operation providing a catering service to staff and the public across seven Council buildings which includes civic hospitality in Waverley Court and the City Chambers.

	2019/20 £000	2018/19 £000	2017/18 £000	Cumulative £000
Turnover	921	966	931	n/a
Deficit	(48)	(36)	(42)	(126)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period.

The impact of COVID-19 will make achieving a breakeven position challenging. A tariff increase in line with inflation is due on re-commencement of services. Re-modelling the service will be considered, to accommodate changes in demand and the lack of commercial activity at the City Chambers

The results of Edinburgh Catering Services - Other Catering are included within 'Financing and Investment Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees

33.1 Loans and guarantees

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

	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartans Community Football Academy	Spartans Community Football Academy
Opening Balance	0	939	57	55
New Loans	0	0	0	0
Increase in the Discounted Amount	0	42	4	5
Fair Value Adjustment	0	0	0	0
Loan Repayment	0	(981)	(3)	(3)
Balance Carried Forward	0	0	58	57
Nominal Value Carried Forward	0	0	93	96

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

The Transport for Edinburgh loans were fully repaid during the year to 31 March 2019.

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

33.2 Guarantees

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees - continued

33.3 Shared Equity Scheme / Scheme of Assistance

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

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

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

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

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

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

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

33.4 National Housing Trust

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

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

The Telford NHT LLP with Miller Homes was bought over by the Council in January 2019.

NHT Phase 3 is to deliver up to 368 mid-market rent homes across three separate sites. The total required budget for NHT3 is £50.1m for the three projects. Fruitmarket NHT3 has completed, with investment totalling £9.153m and delivery of 80 homes. Western Harbour has also completed, with investment totalling £17.284m and 138 homes delivered. The final project under NHT Phase 3 (Shrubhill) commenced in 2018/19 and 93 homes have been delivered to date, with an investment of £14.923m. The remaining 57 homes are due to complete before the end of 2020. However, delays in the construction programme will result in overall slippage, possibly into 2021/22.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees - continued

33.4 National Housing Trust - continued

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

Developer	Development Site	Phase	Total No. of Units	Advanced 2019/20 £000	Repaid 2019/20 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	106	0	(3,572)	13,323	9,751
Places for People	Lighthouse Court	1	56	0	(1,096)	6,492	5,396
Teague Homes Limited	Salamander Place / Leith Links	1	145	0	0	15,551	15,551
City of Edinburgh Council	Telford North	1	89	0	0	10,299	10,299
FP Newhaven Ltd	Sandpiper Road	2	96	0	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	80	0	0	9,153	9,153
Cruden Homes	Western Harbour	3	138	6,005	0	11,279	17,284
Places for People	Shrubhill	3	93	5,784	0	9,139	14,923
			803	11,789	(4,668)	87,144	94,265

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

34. Agency Income and Expenditure

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

During the financial year the total Agency income was £101.877m (2018/19 £11.799m) and Agency Expenditure £96.167m (2018/19 £8.619m).

The Council undertakes, on an agency basis, the financial administration on behalf of the Scottish Cities Alliance. During the year £0.323m (2018/19 £0.653m) was paid out to the respective lead authorities of the projects concerned, included in the totals above.

The Council acts as the Billing Authority for a number of Business Improvement Districts (BIDs). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh and Edinburgh West End. During the year income of £1.195m (2018/19 £1.185m) was collected and £1.240m (2018/19 £1.138m) paid out to BID schemes, included in the totals above.

In August 2018 the Edinburgh and South-East Scotland City Region Deal (ESES CR Deal) was signed and committed a total of £600m of funding from both the Scottish and UK Governments, over 15 years. The Council has undertaken, on an agency basis, to act as the accountable body for the management of the Deal. During the year the funds amounted to income of £89.159m and expenditure of £89.159m (2018/19 £Nil).

35. Audit Costs

The fees payable to Scott Moncrieff in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.623m (2018/19 £0.594m).

In addition, the Council paid audit fees to Scott Moncrieff for the audit of CEC Recovery Limited's (formerly tie Limited) accounts. The Council paid £0.003m during 2019/20 (2018/19 £0.002m) for the audit of the 2018/19 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

36. Grant Income

Policy

• Revenue

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

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

• Capital

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

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

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

Note

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

	2019/20		2018/19	
	£000	£000	£000	£000
Credited to taxation and non-specific grant income				
General revenue funding	(360,206)		(363,757)	
Non-domestic rates	(365,637)		(340,474)	
Capital grants and contributions	<u>(127,806)</u>		<u>(95,013)</u>	
		(853,649)		(799,244)
Credited to services				
Central Government Bodies	(225,700)		(202,802)	
Other Local Authorities	(2,907)		(3,288)	
NHS bodies	(78,050)		(70,336)	
Other entities and individuals	<u>(23,419)</u>		<u>(10,469)</u>	
		<u>(330,076)</u>		<u>(286,895)</u>
Total		<u><u>(1,183,725)</u></u>		<u><u>(1,086,139)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

37. Related Parties

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

	2019/20	2019/20	2019/20	2018/19	2018/19
	Expenditure	Income	Debtor / (Creditor)	Net Expenditure / (Income)	Debtor / (Creditor)
	£000	£000	£000	£000	£000
Capital City Partnership	3,847	(470)	(7)	4,075	216
CEC Holdings (incl. EDI Group, EICC)	190	(374)	4,723	(53)	3,784
Capital Theatres	204	(686)	0	481	0
Edinburgh Leisure Limited	8,685	(620)	99	10,712	147
Edinburgh Trams Ltd	2,418	(34,013)	4,110	638	1,442
Lothian Buses	1,540	(97)	5,911	1,638	10
Edinburgh Living MMR	16,348	0	19,212	996	2,748
Edinburgh Integration Joint Board	212,252	(240,686)	(3,992)	(21,967)	(12,373)
Lothian Valuation Joint Board	3,686	(54)	(1,437)	3,527	(1,715)
Telford NHT	0	0	3	3,454	0
NHS Bodies	4,194	(28,261)	1,527	(23,207)	219
Other Local Authorities	3,985	(2,435)	76	1,036	126
HMRC	0	0	1,862	0	(1,769)
Lothian Pension Fund	12	(358)	(4,943)	(242)	(3,722)
Scottish Government	12,283	(2,281)	59,826	11,581	28,623
Scottish Police Authority	2,284	(39)	0	2,207	0
Scottish Qualifications Authority	1,523	0	0	1,538	0
<u>Other</u>					
Audit Scotland	652	0	(388)	665	(382)
Autism Initiative UK	4,423	0	0	4,408	0
Bethany Christian Trust	969	(0)	0	799	0
Criminal Justice Bodies	591	0	0	555	0
Dean and Cauvin Charitable Trust	1,028	0	0	935	0
Edinburgh International Festival Society	2,133	0	0	1,947	43
Edinburgh Military Tattoo	0	(244)	0	(406)	0
Edinburgh Vol. Org. Council	526	(0)	0	1,314	0
Festivals Edinburgh Ltd	149	0	0	153	0
Handicab	620	0	248	452	0
Hubco	3,223	0	0	8,941	0
Lifecare Edinburgh	388	0	0	354	0
Marketing Edinburgh	721	(26)	0	1,336	11
Police Scotland	13	(1,053)	10,684	(1,629)	11,154
Port of Leith Housing	10,525	(0)	0	4,369	0
Royal Blind Asylum and School	1,442	(256)	0	1,636	0
Royal Lyceum Theatre Co Ltd	356	0	0	304	0
Scottish Fire and Rescue Service	99	(6)	0	(296)	(15)
Scottish Water	806	(12)	70	4	70
SESTRAN	1	(16)	163	(24)	356
Spartans	94	(5)	0	55	57
SUSTRANS	3,566	0	2,746	2,930	1,685
Transport Scotland	2	0	1,811	20	0
Total	305,778	(311,992)	102,304	25,233	30,714

NOTES TO THE FINANCIAL STATEMENTS

38. Capital Expenditure and Capital Financing

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

	2019/20		Re-stated 2018/19	
	£000	£000	£000	£000
Opening capital financing requirement		1,567,368		1,575,864
Capital Investment				
Property, plant and equipment	315,149		211,736	
Heritage Assets	773		155	
Assets held for sale	298		218	
Intangible assets	168		131	
Capital Receipts transferred to Capital Fund	0		825	
National Housing Trust - Consent to borrow (see note 33.4)	11,789		20,418	
Edinburgh Living LLP - Consent to borrow	16,348		2,734	
Acquisition of Long Term Investment	0		3,471	
Revenue expenditure funded from capital under statute	52,778		59,774	
PPP Lease Agreements Recognised In-Year	<u>74,044</u>		<u>17,902</u>	
		471,347		317,364
Sources of Finance				
Capital receipts	(64,314)		(25,953)	
Capital Funded from Current Revenue	(29,581)		(38,888)	
Government grants and other contributions	(174,227)		(148,910)	
Write down of EDI Loan Stock	0		(2,200)	
PPP schools -				
- under construction and lifecycle additions	(16,691)		(20,175)	
Loans fund / finance lease repayments	<u>(104,710)</u>		<u>(89,734)</u>	
		(389,523)		(325,860)
Closing capital financing requirement		<u><u>1,649,192</u></u>		<u><u>1,567,368</u></u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow or fund from credit arrangements		4,924		(35,886)
Assets acquired under finance leases		76,900		27,390
(Decrease) / Increase in capital financing requirement		<u><u>81,824</u></u>		<u><u>(8,496)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

39. Leases

39.1 Assets Leased in - Finance Leases

Policy

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

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

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

Note

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

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd have adopted the new standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is not required to adopt IFRS 16 until 1 April 2021, therefore consolidation adjustments have been made to the finance lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

	2019/20		Re-stated 2018/19	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	17,867	8,683	10,013	0
Additions during the year	23,506	2,856	9,488	9,488
Depreciation charge for the year	(3,467)	(1,553)	(1,634)	(805)
Value at 31 March	37,906	9,986	17,867	8,683
Vehicles, plant, equipment and furniture	37,906	9,986	17,867	8,683
Value at 31 March	37,906	9,986	17,867	8,683
Analysed by:	£000	£000	£000	£000
Current	10,700	1,868	3,133	1,185
Non-Current	21,302	8,118	12,695	7,499
Finance costs payable in future years	1,615	985	1,405	1,094
	33,617	10,971	17,233	9,778
Finance Lease Liabilities	£000	£000	£000	£000
Within one year	11,167	2,082	3,386	1,353
Between 2 and 5 years	18,618	5,057	9,529	4,107
Over 5 years	3,832	3,832	4,318	4,318
Total liabilities	33,617	10,971	17,233	9,778

39.2 Assets Leased in - Operating Leases

Policy

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

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

NOTES TO THE FINANCIAL STATEMENTS

39. Leases - continued

39.2 Assets Leased in - Operating Leases - continued

Note

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd adopted the new accounting standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is not required to adopt IFRS 16 until 1 April 2021, therefore consolidation adjustments have been made to the operating lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

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

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

	2019/20		2018/19	
	Group	Council	Group	Council
Future Repayment Period		£000	£000	£000
Not later than one year	9,910	870	9,610	741
Later than one year and not later than five years	37,949	1,977	37,615	2,172
Later than five years	71,897	1,190	78,025	3,559
	119,756	4,037	125,250	6,472
Value at 31 March				
Other land and buildings	13,691	3,637	7,992	6,454
Vehicles, plant, equipment and furniture	106,065	400	117,258	18
	119,756	4,037	125,250	6,472
Recognised as an expense during the year	10,252	1,216	10,511	1,508

39.3 Assets Leased Out by the Council - Operating Leases

Policy

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

Note

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

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

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

	2019/20	2018/19
	£000	£000
Not later than one year	22,486	21,239
Later than one year and not later than five years	78,534	72,298
Later than five years	339,362	324,856
Total liabilities	440,382	418,393

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

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts

40.1 PPP - Education Projects

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

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

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

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

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2020/21	20,367	8,439	17,977	46,783
Payable within two to five years	94,009	32,251	67,280	193,540
Payable within six to ten years	132,301	49,230	75,549	257,080
Payable within eleven to fifteen years	126,966	56,533	58,898	242,397
Payable within sixteen to twenty years	61,781	37,468	26,924	126,173
Payable within twenty one to twenty five years	782	3,938	591	5,311
	<u>436,206</u>	<u>187,859</u>	<u>247,219</u>	<u>871,284</u>

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

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

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

	2019/20 £000	2018/19 £000
Balance at 1 April	196,065	204,089
PPP unitary charge restatement adjustment	0	(1)
Repayments during the year	<u>(8,206)</u>	<u>(8,023)</u>
Balance at 31 March	<u>187,859</u>	<u>196,065</u>

The Council has entered into a DBFM agreement with Hub South East Scotland for the provision of the new Queensferry High School. Capital expenditure of £34.593m related to the construction of the school is reported as Assets Under Construction within the balance sheet and as a future finance lease liability.

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts

40.2 PPP - Residual Waste

In 2016, the Council entered into a twenty five year contract with FCC to supply residual waste treatment at Millerhill. The contract is a joint arrangement between the Council and Midlothian Council on an 80:20 split respectively. This contract became operational in April 2019. The Council's 80% share of the facility value is included in the Fixed Assets on the balance sheet, which includes £54m of a donated asset.

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

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2020/21	3,914	27,975	5,709	37,598
Within two to five years	17,311	1,518	14,410	33,239
Within six to ten years	24,994	2,040	16,777	43,811
Within eleven to fifteen years	27,742	4,079	14,813	46,634
Within sixteen to twenty years	31,402	7,542	10,881	49,825
Within twenty one to twenty five years	28,784	10,898	3,827	43,509
	<u>134,147</u>	<u>54,052</u>	<u>66,417</u>	<u>254,616</u>

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

40.3 Provision of Information Technology services

In 2015 the Council entered into a seven year contract with CGI for the provision of information technology services. This contract became operational on 1 April 2016.

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

Future Repayment Period	£000	Inflationary Uplift
2020/21	23,213	2.5%
2021/22 - 2022/23	<u>45,592</u>	2.5%
	<u><u>68,805</u></u>	

40.4 Provision of Parking Enforcement

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

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

Future Repayment Period	£000
2020/21	7,000
2021/22 - 2024/25	<u>24,500</u>
	<u><u>31,500</u></u>

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts - continued

40.5 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £36.307m.

41. Pension schemes accounted for as defined contribution schemes

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

	2019/20		2018/19	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	31,974		22,873	
As a percentage of teachers' pensionable pay Apr - Aug		17.20		17.20
As a percentage of teachers' pensionable pay Sep - Mar		23.00		17.20
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2018/19	15,978		18,949	

At 31 March 2020, creditors include £4.166m (2018/19 £3.673m) in respect of teachers' superannuation.

42. Defined Pension Schemes

42.1 Participation in Pension Scheme

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

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

In terms of this scheme, in 2019/20 the Council paid an employer's contribution of £63.062m (2018/19 £58.521m) into the Lothian Pension Fund, representing 22.3% (2018/19 22.5%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The data is based on the latest available valuations as at March 2017.

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

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.2 Transactions Relating to Post-Employment Benefits

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

	2019/20		2018/19	
Comprehensive Income and Expenditure Statement	£000	£000	£000	£000
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	117,983		103,040	
Past service costs	371		45,205	
		118,354		148,245
<i>Financing and investment income:</i>				
Net interest expense		16,410		14,129
Total post employee benefit charged to the surplus on the provision of services		134,764		162,374
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	195,313		(183,615)	
Actuarial (gains) and losses arising on changes in financial assumptions	(354,198)		259,229	
Actuarial (gains) and losses arising on changes in demographic assumptions	0		0	
Other experience	(25,139)		4,375	
		(184,024)		79,989
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		(49,260)		242,363
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		(134,764)		(162,374)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		64,097		59,815
Contributions in respect of unfunded benefits		5,358		5,573
		69,455		65,388

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2019/20 £000	2018/19 £000
Fair value of employer assets	2,843,437	2,970,647
Present value of funded liabilities	(3,313,958)	(3,548,983)
Present value of unfunded liabilities	<u>(70,232)</u>	<u>(81,132)</u>
Net liability arising from defined benefit obligation	<u>(540,753)</u>	<u>(659,468)</u>

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

	2019/20 £000	2018/19 £000
Opening fair value of scheme assets	2,970,647	2,720,975
Effect of settlements	0	0
Interest income	71,258	73,318
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	(195,313)	183,615
Contributions from employer	64,097	59,815
Contributions from employees into the scheme	17,430	16,446
Contributions in respect of unfunded benefits	5,358	5,573
Benefits paid	(84,682)	(83,522)
Unfunded benefits paid	<u>(5,358)</u>	<u>(5,573)</u>
Closing fair value of scheme assets	<u>2,843,437</u>	<u>2,970,647</u>

Reconciliation of Present Value of the Scheme Liabilities

	2019/20 £000	2018/19 £000
Present value of funded liabilities	(3,548,983)	(3,124,427)
Present value of unfunded liabilities	<u>(81,132)</u>	<u>(79,041)</u>
Opening balance at 1 April	(3,630,115)	(3,203,468)
Current service cost	(117,983)	(103,040)
Interest cost	(87,668)	(87,447)
Contributions from employees into the scheme	(17,430)	(16,446)
Re-measurement gain / (loss):		
Change in financial assumptions	354,198	(259,229)
Other experience	25,139	(4,375)
Past service cost	(371)	(45,205)
Benefits paid	84,682	83,522
Unfunded benefits paid	<u>5,358</u>	<u>5,573</u>
Closing balance at 31 March	<u>(3,384,190)</u>	<u>(3,630,115)</u>

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.5 Fair Value of Employer Assets

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

	2019/20 £000	%	2018/19 £000	%
Consumer *	271,003	10	316,076	11
Manufacturing *	410,093	15	365,504	9
Energy and Utilities *	181,357	6	224,417	7
Financial Institutions *	184,931	7	249,909	8
Health and Care *	196,766	7	161,397	6
Information technology *	122,907	4	96,757	3
Other *	207,594	7	289,656	12
Sub-total Equity Securities	1,574,651		1,703,715	
Debt Securities:				
UK Government *	175,051	6	301,834	11
Corporate Bonds (investment grade) *	47,625	2	0	0
Corporate Bonds (investment grade)	104,649	4	0	0
Sub-total Debt Securities	327,325		301,834	
Private Equity				
All	24,740	1	40,287	1
Sub-total Private Equity	24,740		40,287	
Real Estate:				
UK Property *	32,704	1	0	0
UK Property	153,614	5	201,206	6
Overseas Property	2,505	0	0	0
Sub-total Real Estate	188,823		201,206	
Investment Funds and Unit Trusts:				
Equities *	34,815	1	29,345	1
Bonds	12,205	0	75,308	3
Infrastructure	399,797	14	368,743	12
Sub-total Investment Funds and Unit Trusts	446,817		473,397	
Derivatives:				
Foreign Exchange *	5,801	0	750	0
Sub-total Derivatives	5,801		750	
Cash and Cash Equivalents				
All *	275,280	10	249,458	8
Sub-total Cash and Cash Equivalents	275,280		249,458	
Total Fair Value of Employer Assets	2,843,437	100	2,970,647	100

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

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2020 were those from the beginning of the year (i.e. 31 March 2019) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 31 March 2019 to 31 March 2020	(4.20%)
Total return for period from 1 April 2019 to 31 March 2020	(4.20%)

Average future life expectancies at age 65:

	31.03.20	31.03.19
Current pensioners male	21.7 years	21.7 years
Current pensioners female	24.3 years	24.3 years
Future pensioners male	24.7 years	24.7 years
Future pensioners female	27.5 years	27.5 years

Period ended	31.03.20	31.03.19
Pension increase rate	1.9%	2.5%
Salary Increase rate	3.5%	4.2%
Discount rate	2.3%	2.4%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2020 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

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

Change in assumptions at 31 March 2020	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	341,811
0.5% increase in the Salary Increase Rate	2%	55,326
0.5% increase in the Pension Increase Rate	8%	281,293

42.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. The rate was increased by 0.5% from 1 April 2018 and thereafter, for the remainder of the actuarial valuation period of one year, rates could vary from this rate by a maximum increase of 0.5% or a maximum decrease of (0.5%) per annum.

42.8 Information about the defined benefit obligation

	£000	%
Active members	1,657,758	50.0
Deferred members	431,059	13.0
Pensioner members	1,225,141	37.0
Total	3,313,958	100.0

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.8 Information about the defined benefit obligation - continued

The figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation as at 31 March 2017.

The unfunded pensioner liability at 31 March 2020 comprises approximately £54.254m (2018/19 £62.183m) in respect of LGPS unfunded pensions and £15.978m (2018/19 £18.949m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2020, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

42.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Valuation Joint Board are included in unusable reserves. Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, the City of Edinburgh Council has obligations to meet the liabilities arising from the joint board pension deficits as they fall due. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below.

	2019/20 Pension Reserve £000	2018/19 Pension Reserve £000
Unusable Reserves		
Council	(540,753)	(659,468)
Lothian Valuation Joint Board	(3,955)	(5,432)
	<u>(544,708)</u>	<u>(664,900)</u>
Usable Reserves		
Edinburgh Leisure	(780)	(1,550)
Transport for Edinburgh Ltd	35,606	65,471
	<u>34,826</u>	<u>63,921</u>
Net Pension Reserves	<u>(509,882)</u>	<u>(600,979)</u>

42.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2021

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(99,409)	(99,409)	(37.0%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(99,409)	(99,409)	(37.0%)
Interest income on plan assets	65,271	0	65,271	24.3%
Interest cost on defined benefit obligation	0	(78,083)	(78,083)	(29.1%)
Total Net Interest Cost	65,271	(78,083)	(12,812)	(4.8%)
Total included in Profit or Loss	<u>65,271</u>	<u>(177,492)</u>	<u>(112,221)</u>	<u>(41.8%)</u>

The Council's estimated contribution to Lothian Pension Fund for 2020/21 is £61.115m.

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £1.186m, including accrued payments (2018/19 £1.172m).

42.12 Further Information

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

43. Financial Instruments

Policy

Classifications

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

- o money market funds

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

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued Financial Assets - continued

Transition to IFRS 9 Financial Statements

The Council adopted IFRS9 Financial Instruments accounting standard with effect from 1 April 2019. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

As part of the introduction of IFRS9, a further review of the classification of Financial Instruments has been undertaken and as a result, investment in Money Market Funds has been reclassified from Available for Sale to Fair value through Profit and Loss. The Council's shareholding (of £23.340m) in subsidiary companies which was previously classified as 'Unquoted Equity at cost' continues to be held at cost and is no longer classified as financial instruments.

There was no unrealised gain on the available for sale financial assets (2018/19 £nil).

43.1 Categories of Financial Instruments

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

	2019/20		2018/19	
	Long-Term	Current	Long-Term	Current
	£000	£000	£000	£000
Assets				
At amortised cost				
- Bank Call Accounts (Note 21)	0	28,364	0	32,936
- Local Authority Loans - S-T (Note 22)	0	45,563	0	17,100
- Local Authority Loans - S-T (Note 21)	0	67,466	0	73,232
		141,393		123,268
At fair value through profit and loss				
- Money Market Funds	0	67,936	0	25,959
Total Financial Instruments - Assets	0	209,329	0	149,227
The Investment total does not include £23.34m (2018/19 £23.34m) in unquoted equity in subsidiary companies which are not deemed to be Financial Instruments.				
Debtors				
At amortised cost	160,515	103,164	118,708	68,471
Total debtors	160,515	103,164	118,708	68,471
Borrowings				
- Public Works Loans Board	(1,041,404)	(71,783)	(863,875)	(69,968)
- Salix	(722)	(302)	(1,024)	(289)
- Market debt	(243,760)	(3,203)	(285,692)	(3,465)
Total borrowings	(1,285,886)	(75,288)	(1,150,591)	(73,722)
Other Liabilities				
Financial liabilities at amortised cost	0	(19,008)	0	(26,901)
PPP and finance lease liabilities	(247,224)	(39,268)	(213,259)	(9,391)
Deferred liability	(42,078)	0	(37,201)	0
Total other long-term liabilities	(289,302)	(58,276)	(250,460)	(36,292)

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.1 Categories of Financial Instruments - continued

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

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

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

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

43.2 Income, Expenses, Gains and Losses

	Financial Liabilities:	Financial Assets:	Fair Value	
	Measured at Amortised Cost	Measured at Amortised Cost	through Profit / Loss	Total
	£000	£000	£000	£000
Interest expense	59,660	0	0	59,660
Interest on leases	21,785	0	0	21,785
Total expense in Surplus on the Provision of Services	81,445	0	0	81,445
Interest income	0	(1,439)	(469)	(1,908)
Total Interest and investment income	0	(1,439)	(469)	(1,908)
Net (gain) / loss for the year	81,445	(1,439)	(469)	79,537

In addition to the above interest expense, £2.419m (2018/19 £1.849m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. The increase relates to the charging of premiums incurred on the restructuring of the Council's Inverse LOBO loans. It also excludes £0.232m (2018/19 £0.427m) of loans fund expenses charged to the Council.

Dividend income of £1.047m (2018/19 £7m) was received from a subsidiary council company but not included in the table above as the holding is not classified as a financial instrument.

43.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

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

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.3 Fair Value of Assets and Liabilities - continued

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

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

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

The fair values are calculated as follows:

		2019/20		2018/19		
	Fair Value Level	Principal Outstanding £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,100,213)	(1,113,186)	(1,400,813)	(933,843)	(1,221,824)
Salix	2	(1,058)	(1,024)	(1,003)	(1,313)	(1,290)
Market debt	2	(234,900)	(246,964)	(456,213)	(289,157)	(523,985)
Borrowings		(1,336,171)	(1,361,174)	(1,858,029)	(1,224,313)	(1,747,099)
Other long-term liabilities	n/a	(42,078)	(42,078)	(42,078)	(37,201)	(37,201)
Trade creditors	n/a	(19,008)	(19,008)	(19,008)	(26,901)	(26,901)
PPP and Finance Leases	3	(286,492)	(286,492)	(310,901)	(222,650)	(308,033)
Financial liabilities		<u>(1,683,749)</u>	<u>(1,708,752)</u>	<u>(2,230,016)</u>	<u>(1,511,065)</u>	<u>(2,119,234)</u>

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

		2019/20		2018/19	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	67,936	67,936	25,959	25,959
		<u>67,936</u>	<u>67,936</u>	<u>25,959</u>	<u>25,959</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	28,364	28,361	32,936	32,936
Local Authority Loans	2	113,029	113,125	90,332	90,267
		<u>141,393</u>	<u>141,486</u>	<u>123,268</u>	<u>123,203</u>
Debtors					
Loan Stock	n/a	2,240	2,240	2,339	2,339
Soft Loans	3	56	56	55	55
Other trade debtors	n/a	103,164	103,164	68,471	68,471
		<u>105,460</u>	<u>105,460</u>	<u>70,865</u>	<u>70,865</u>
Total Investments		<u>314,789</u>	<u>314,882</u>	<u>220,092</u>	<u>220,027</u>

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.4 Financial Assets classified as Fair Value through Profit and Loss

As part of the introduction of IFRS9, a further review of the classification of Financial Instruments has been undertaken and as a result, investment in Money Market Funds have been reclassified from Available for Sale to Fair value through Profit and Loss. The Council's shareholding (of £23.340m) in subsidiary companies which was previously classified as 'Unquoted Equity at cost' continues to be held at cost and are no longer classified as financial instruments.

	Fair Value Level	2019/20 Carrying Amount £000	Fair Value £000	2018/19 Carrying Amount £000	Fair Value £000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	67,936	67,936	25,959	25,959
		<u>67,936</u>	<u>67,936</u>	<u>25,959</u>	<u>25,959</u>

There was no unrealised gain on the available for sale financial assets (2018/19 £nil).

44. Nature and Extent of Risks Arising from Financial Instruments

44.1 Overall Procedures for Managing Risk

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 12 March 2020 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2020/21 has been set at £2.266bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2020/21 has been set at £2.085bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.

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

44.2 Key Risks

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

44.3 Credit Risk

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

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

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills and has previously purchased Bonds and Floating Rate Notes with an explicit UK Government Guarantee. At 31 March 2020, the Council had £45.6m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 41.2% were loans to other local authorities, a further 41.5% was held in three AAA rated Money Market Funds, leaving only 17.3% with banks. All of the monies held on deposit with banks at 31 March 2020 were in call or near call accounts.

The principal outstanding on monies held by the Council under its treasury management arrangements at 31 March 2020 was £209.0m (31 March 2019: £149.1m). This was held with the following institutions:

Summary	Standard and Poor's Rating	Principal Outstanding 31.03.20 £000	Carry Value 31.03.20 £000	Fair Value 31.03.20 £000	Carry Value 31.03.19 £000
Money Market Funds					
Deutsche Bank AG, London	AAAm	25,130	25,141	25,141	4,006
Goldman Sachs	AAAm	15,021	15,022	15,022	59
Standard Life	AAAm	27,758	27,772	27,772	21,895
Bank Call Accounts					
Bank of Scotland	A	5,787	5,789	5,789	14,678
Royal Bank of Scotland	BBB+	11,630	11,630	11,630	577
Santander UK	A	1	1	1	1
Barclays Bank	A-	14	14	14	13
Svenska Handelsbanken	AA-	7	7	7	7
HSBC Bank Plc 31 dn	AA-	10,918	10,918	10,916	17,647
HSBC Bank Plc	AA-	5	5	5	14
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	112,777	113,029	113,125	90,332
UK Government Treasury Bills	AAu	0	0	0	0
Total		209,048	209,328	209,422	149,229

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2020 would have been 'AA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £28.4m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. There was no evidence at 31 March 2020 that this risk was likely to crystallise.

NOTES TO THE FINANCIAL STATEMENTS

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

44.3 Credit Risk - continued

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

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2020 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2020 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2020. This is available on request from corporate.finance2@edinburgh.gov.uk, marked for the attention of Treasury.

All Council invoices become due for payment on issue. Excluding pre-payments of £0.569m (2018/19 £2.246m), trade debtors past due date can be analysed by age as follows:

	2019/20 £000	2018/19 £000
Less than two months	15,170	12,325
Two to four months	1,662	1,774
Four to six months	699	977
Six months to one year	1,609	2,153
More than one year	7,212	6,566
Total	26,352	23,795

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

Credit Risk: Trade Debtors

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

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

		31.03.20	
	Range	Gross Receivable	Loss Allowance
Council Tax	3% - 100%	207,479	(191,167)
Non Domestic Rates	1% - 100%	3,316	(1,880)
HRA tenants and other debtors	5% - 95%	7,554	(6,387)
Housing Benefits	75% - 80%	27,768	(21,375)
Trade and Other Debtors	7.5% - 60%	45,154	(32,691)
Total		291,271	(253,500)

44.4 Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

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

44.4 Liquidity risk - continued

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

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

44.5 Re-financing and Maturity Risk

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

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

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

	2019/20	Re-stated 2018/19
	£000	£000
Less than one year	(97,410)	(68,018)
Between one and two years	(61,751)	(66,199)
Between two and five years	(156,228)	(159,632)
Between five and ten years	(253,678)	(258,702)
More than ten years	<u>(1,053,597)</u>	<u>(868,559)</u>
Financial Liabilities	<u>(1,622,664)</u>	<u>(1,421,110)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £19.008m (2019/20 £26.900m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £16.176m (2018/19 £15.116m) nor net equivalent interest rate (EIR) adjustments of £8.825m (2018/19 £10.737m) to the carrying amounts of market debt shown in the financial liabilities are included. The reduction in the EIR value relates to the extinguishing of the Council's Inverse LOBO loans.

The only investment which the Council has with a maturity of greater than one year is £2.4m in EDI loan stock.

44.6 Market risk

Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

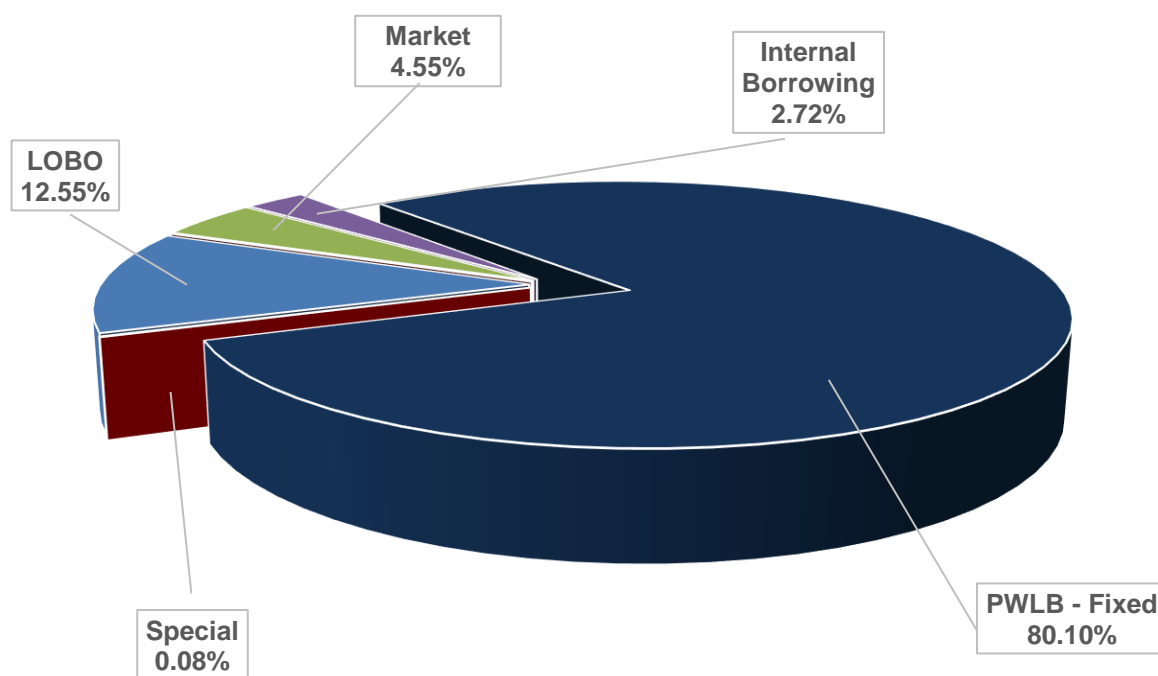
44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.6 Market risk - continued

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

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

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



Source of Borrowing - 31/03/2020

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

NOTES TO THE FINANCIAL STATEMENTS

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

44.6 Market risk - continued

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

	£000
Increase in interest payable on variable borrowings	0
Increase in interest receivable on variable rate investments	(854)
Impact on Comprehensive Income and Expenditure Statement	(854)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Decrease in fair value of fixed rate borrowings liabilities	257,132

Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £23.340m (2018/19 £23.340m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

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

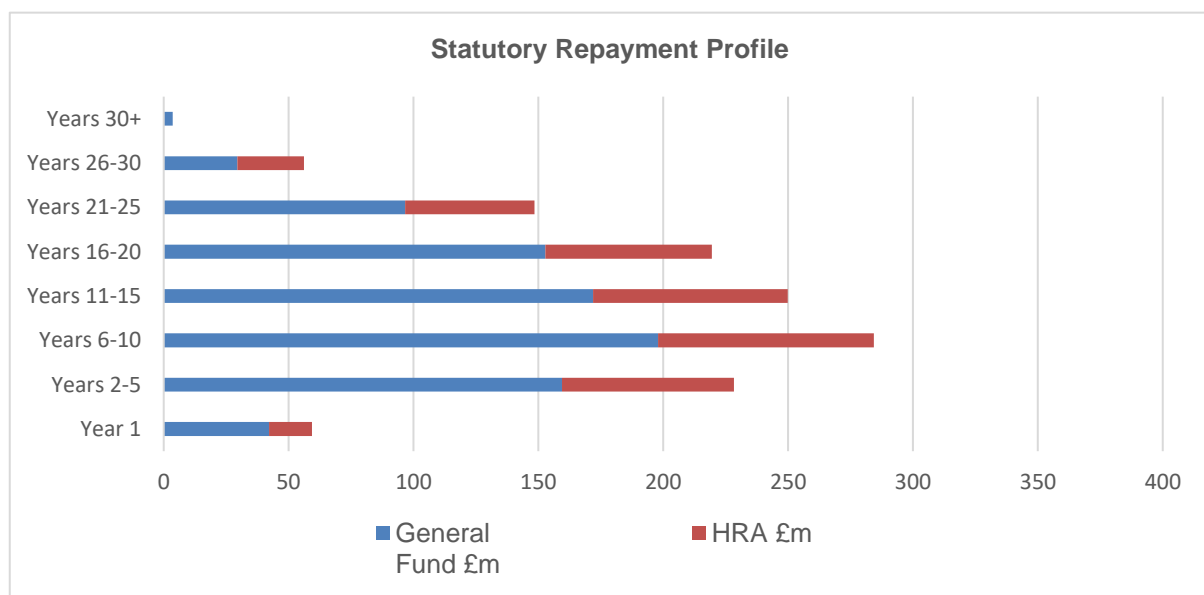
Foreign exchange risk

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

44.7 Repayment Profile

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

The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund. Capital advances are repaid by the General Fund and HRA over a period of up to 35 years. Capital Advances to Edinburgh Living MMR LLP are repaid on an annuity basis over a 40 year period.



NOTES TO THE FINANCIAL STATEMENTS

45. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to six, with further plans in place to wind up the Boyd Anderson Trust in 2020/21.

45.1 The funds are:

	Scottish Charity Registration Number	Market Value 31.03.20 £000	Market Value 31.03.19 £000
Scottish Registered Charities			
Lauriston Castle	SC020737	7,043	7,043
Jean F. Watson	SC018971	6,450	6,424
Edinburgh Education Trust	SC042754	1,012	1,021
Nelson Halls	SC018946	235	241
The Royal Scots Trust	SC018945	34	34
Boyd Anderson	SC025067	100	105
Total market value		<u>14,874</u>	<u>14,868</u>

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

45.2 Financial Position of the Scottish Registered Charity Funds

2018/19 Income and Expenditure Account £000	2019/20 £000
Income	
79 Investment income	71
26 Other non-investment income	27
<u>105</u>	<u>97</u>
Expenditure	
(22) Prizes, awards and other expenses	(19)
(16) Governance Costs	(15)
<u>(38)</u>	<u>(34)</u>
<u>67</u> Surplus / (Deficit) for the year	<u>64</u>
2018/19 Balance Sheet £000	2019/20 £000
Long-Term Assets	
2,207 Investments	2,144
5,317 Artworks - Jean F Watson Trust	5,374
7,020 Heritable property	7,020
<u>14,544</u> Total Long-Term Assets	<u>14,538</u>
Current Assets	
331 Cash and bank	362
20 Debtors	15
<u>351</u>	<u>377</u>
Current Liabilities	
(27) Creditors	(41)
<u>(27)</u>	<u>(41)</u>
<u>14,868</u> Total Assets less Liabilities	<u>14,874</u>
Funds	
3,291 Capital at 1 April	3,490
67 Surplus / (Deficit) for the year	64
132 Unrealised gains on investments	0
0 Unrealised losses on investments	(58)
<u>3,490</u>	<u>3,496</u>
11,378 Revaluation reserve	11,378
<u>14,868</u> Funds at 31 March	<u>14,874</u>

At the request of the Office of the Scottish Charity Regulator, a separate Trustee's Report and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained on the [Council's website](#) in due course.

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2020

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

2018/19		2019/20	
£000	EXPENDITURE	£000	£000
33,823	Repairs and maintenance	29,616	
19,282	Supervision and management	20,993	
21,446	Depreciation and impairment of non-current assets	29,273	
5,873	Other expenditure	7,133	
43	Impairment of debtors	613	
<u>80,467</u>			87,628
	INCOME		
(97,455)	Dwelling rents	(99,591)	
(41)	Non-Dwelling rents (gross)	(22)	
(7,539)	Other income	(4,366)	
<u>(105,035)</u>			<u>(103,979)</u>
(24,568)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(16,351)
150	HRA share of corporate and democratic core		166
2,288	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		1,557
<u>(22,130)</u>			<u>(14,628)</u>
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(2,381)	(Gain) / loss on sale of HRA fixed assets	(18,540)	
(60)	Investment Property changes in fair value	42	
18,330	Interest payable and similar charges	31,114	
2,306	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,467	
(114)	Interest and investment income	(1,188)	
(1,934)	Interest income on plan assets (<i>pension-related</i>)	(2,005)	
<u>(24,788)</u>	Capital grants and contributions	<u>(29,262)</u>	
<u>(8,641)</u>			<u>(17,372)</u>
<u><u>(30,771)</u></u>	Surplus for the year on HRA services		<u><u>(32,000)</u></u>

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2018/19 £000		2019/20 £000
0	Balance on the HRA at the end of the previous year	0
30,771	Surplus for the year on the HRA Income and Exp Account	32,000
(56,814)	Adjustments between accounting basis and funding basis under statute	(47,455)
(26,043)	Net increase before transfers to reserves	(15,455)
26,043	Contribution (to) / from renewal and repairs fund, via the General Fund	15,455
0	Balance on the HRA at the end of the current year	0

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
21,446	Charges for depreciation and impairment of non-current assets	29,273
(24,788)	Capital grants and contributions applied	(29,262)
(60)	Movement in the market value of investment properties	42
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(20,115)	Statutory provision for the financing of capital investment	(20,695)
(32,800)	Capital funded from revenue	(23,000)
	Adjustments primarily involving the Capital Receipts Reserve	
(2,382)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(18,540)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(567)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	13,113
	Adjustments primarily involving the Pensions Reserve	
3,910	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	3,288
(1,502)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,530)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
44	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(144)
(56,814)		(47,455)

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2020 are as follows:

Types of Houses	2020		2019	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	285	4,051.00	285	3,970.00
2 Apartment	5,610	4,532.00	5,499	4,443.00
3 Apartment	10,207	5,262.00	10,103	5,159.00
4 Apartment	3,512	6,069.00	3,460	5,944.00
5 Apartment	521	6,496.00	514	6,366.00
6 Apartment	10	6,557.00	9	6,413.00
7 Apartment	4	6,336.00	4	6,212.00
8 Apartment	1	6,336.00	1	6,212.00
Mid-market rent dwellings				
2 Apartment	23	5,896.00	23	5,780.00
3 Apartment	84	7,240.00	84	7,098.00
4 Apartment	22	9,125.00	22	8,946.00
	<u>20,279</u>		<u>20,004</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £7.569m (£6.907m 2018/19) against which a provision amounting to £6.386m (£5.773m 2018/19), has been created in respect of non collectable debts.
- The total value of uncollectable void rents for main provision properties was £0.648m (2018/19 £0.624m). This has been netted against rental income.

COUNCIL TAX INCOME ACCOUNT

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

for the year ended 31 March 2020

2018/19 £000		2019/20 £000 £000	
(351,763)	Gross council tax levied and contributions in lieu		(366,569)
56,620	Less: - Exemptions and other discounts	58,696	
8,827	- Provision for bad debts	9,207	
24,294	- Council Tax Reduction Scheme	24,070	
4,091	- Other reductions	4,457	
<u>93,832</u>		<u></u>	<u>96,430</u>
(257,931)			(270,139)
<u>(1,504)</u>	Previous years' adjustments		<u>(905)</u>
<u>(259,435)</u>	Total transferred to General Fund		<u>(271,044)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 97.0% (2018/19 97.0%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation. Bands E to H were rebased in 2017/18 by the Scottish Government as per the Council Tax Base table below, with a 3% increase applied to Council Tax in both 2018/19 and 2019/20.

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

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

Calculation of the Council Tax Base 2019/20

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	24,169	77	3,921	3,401	16,924	6/9	11,283	£851.60
B £27,001 - £35,000	48,061	67	3,811	6,854	37,463	7/9	29,138	£993.53
C £35,001 - £45,000	44,950	(9)	2,841	5,480	36,620	8/9	32,551	£1,135.47
D £45,001 - £58,000	40,615	60	2,651	4,342	33,682	9/9	33,682	£1,277.40
E £58,001 - £80,000	42,662	(5)	3,571	3,799	35,287	473/360	46,363	£1,678.36
F £80,001 - £106,000	25,923	(34)	1,559	1,995	22,335	585/360	36,294	£2,075.78
G £106,001 - £212,000	22,218	(126)	518	1,289	20,285	705/360	39,725	£2,501.58
H Over £212,000	4,133	(30)	125	197	3,781	882/360	9,263	£3,129.63
Total							238,299	
Add: Contributions in Lieu							518	
Less: Provision for Non-Payment							<u>(7,165)</u>	
Council Tax Base							<u>231,652</u>	

NON-DOMESTIC RATES INCOME ACCOUNT

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

for the year ended 31 March 2020

2018/19		2019/20	
£000		£000	£000
(476,081)	Gross rates levied and contributions in lieu		(477,545)
103,459	Less: - Reliefs and other deductions	104,041	
4,904	- Uncollectable debt written off and provision for impairment	5,095	
<u>108,363</u>			<u>109,136</u>
(367,718)			(368,409)
7,867	Previous years' adjustments		25,591
(359,851)	Net Non-Domestic Rates Income		(342,818)
0	Non-domestic rate income retained by authority		387
<u>(359,851)</u>	Non-Domestic Rate Income		<u>(342,431)</u>
	Allocated to:		
(360,532)	Contribution to Non-Domestic Rate Pool		(343,128)
681	City of Edinburgh Council		697
<u>(359,851)</u>			<u>(342,431)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2019	Number	Rateable Value £000
Shops, offices and other commercial subjects	16,078	650,228
Industrial and freight transport	2,775	81,508
Telecommunications	6	23
Public service subjects	357	50,564
Miscellaneous	3,979	172,259
	<u>23,195</u>	<u>954,583</u>

1. The amount distributed to the council from the national non-domestic rate income pool in the year was £365.250m (2018/19 £340.474m).

2. Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 49.0p per £ in 2019/20 (2018/19 48.0p per £).

Properties with a rateable value greater than £51,000 (2018/19 £51,000) had their rate charges calculated using the poundage of 51.6p per £ (2018/19 50.6p per £).

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

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

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

4. The Business Rate Incentivisation Scheme (BRIS) permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government.

COMMON GOOD FUND

Common Good Fund Foreword

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

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

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

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

In 2015/16, £2m of the Common Good Fund was earmarked to be utilised to fund a planned property maintenance programme. £123,000 of this funding has been used to fund Scott Monument lighting work and surveys, £33,000 on surveys and work at the City Observatory, £8,600 on engineering consultancy at the Queensferry Harbour, and £12,600 on surveys and work for the Portobello Municipal Clock.

The balance of the Common Good Fund is £5.695m as at 31 March 2020 (£2.352m 2018/19). This is split £3.872m in the fund and £1.823m in the planned property maintenance fund.

During 2019/20, the Common Good made a surplus of £3.343m. This surplus includes £3.036m, which is the proceeds from the sale of a lease at 329 High Street in the financial year. Recommendations for the use of the funds from lease will be submitted to the Finance and Resources Committee as part of the Common Good Annual Performance Report.

It is anticipated that the Common Good Annual Performance Report will be considered by the Finance and Resources Committee in September 2020, along with the Audited Annual Accounts.

COMMON GOOD FUND - INCOME AND EXPENDITURE ACCOUNT

2018/19 £000	2019/20 £000	£000
Income		
(16) Investment income	(24)	
(1,684) Rent Income	(1,160)	
(1,189) Capital Funding	(71)	
0 Sale of Fixed Assets	(3,374)	
(1,680) Recharges Income	(2,175)	
(4,569) Total Income	(6,804)	
Expenditure		
51 Common Good Fund	67	
4,553 Common Good Property Costs	3,394	
4,604 Total Expenditure		3,461
35 (Surplus) / Deficit for the Year		(3,343)

COMMON GOOD FUND - BALANCE SHEET

31 March 2019 £000		31 March 2020 £000 £000	
2,558	Community Assets	2,558	
2,558	Property, Plant and Equipment		2,558
20,828	Long-Term Debtors	20,828	
147	Heritage Assets	147	
20,975	Long-Term Assets		20,975
449	Short-Term Investments	1,616	
0	Debtors	4	
1,880	Cash and Cash Equivalents	4,052	
2,329	Current Assets		5,672
25,862	Net Assets		29,205
23,523	Capital Contribution	23,523	
(13)	Capital Adjustment Account	(13)	
23,510	Unusable Reserves		23,510
496	Common Good Fund	3,872	
1,856	Earmarked Reserve	1,823	
2,352	Usable Reserves		5,695
25,862	Total Reserves		29,205

The unaudited accounts were issued on 22 June 2020.

HUGH DUNN, CPFA
Head of Finance
22 June 2020

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

Re-stated	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation			
At 1 April 2019	2,558	2,558	147
Transfer from / (to) General Fund	0	0	0
At 31 March 2020	2,558	2,558	147
Net Book Value			
At 31 March 2020	2,558	2,558	147
At 31 March 2019	2,558	2,558	147
Cost or Valuation			
At 1 April 2018	965	965	103
Transfer from / (to) General Fund	1,593	1,593	44
At 31 March 2019	2,558	2,558	147
Net Book Value			
At 31 March 2019	2,558	2,558	147
At 31 March 2018	965	965	103

These asset categories are not depreciated.

1.2 Developing a Common Good Register

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

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

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

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

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

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

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

2. Unusable Reserves

2.1 Capital Contribution

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

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

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

	2019/20	2018/19
	£000	£000
Balance at 1 April	23,523	21,886
Movement of assets	0	1,638
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	0	(1)
Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus on the Provision of Service	0	1,637
Derecognition of asset disposals	0	0
Balance at 31 March	23,523	23,523

2.2 Capital Adjustment Account

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

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

	2019/20	2018/19
	£000	£000
Balance at 1 April	(13)	(22)
Movement in Year	0	9
Balance at 31 March	(13)	(13)

ANNUAL GOVERNANCE STATEMENT

Introduction

This governance statement provides assurance over the governance arrangements that have been in place for the majority of 2019/20 and it also identifies the changes that have been implemented in response to the COVID-19 emergency. The emergency has meant that the Council has had to make significant changes to its governance arrangements and as a result the Council's arrangements are under significant pressure but it is felt that they are still robust and sufficient for the current circumstances.

Scope of Responsibility

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

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

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 39 of the Accounts.

Council's Strategy and Vision

The Council's strategy can be divided into four sections:

- The Vision – In 2016, the City of Edinburgh began a conversation about its future to create a vision for 2050. A major public engagement and awareness raising campaign was launched in 2018. The Steering Group for the city vision has been established and is developing the 2050 Edinburgh City Vision with a view to launching it in 2020. The launch of the City Vision has been delayed due to the COVID-19 emergency but is expected to be a key element of the city's collective recovery to the COVID-19 with partners using the principles in 2050 City Vision to guide their recovery planning. The Council endorsed this approach at its Policy and Sustainability Committee on 28 May.
- The Business Plan - In 2017, the Council agreed the Business Plan which is built around 52 commitments that the administration has pledged to deliver over five years. The plan sets out what the Council aims to do and how it intends to do it. The plan will inform the decision making on how to use resources. The principles and actions set out will drive how the Council reshapes and redesigns the way it delivers services and the way it works with communities and partners.
- The Change Strategy - The Change Strategy seeks to set out how the council will achieve its objectives but also how it will address the significant financial challenges it faces. The Change Strategy was produced and agreed following extensive consultation and engagement with the public and staff.
- Underpinning these documents are a series of strategic plans providing detail on the Council's priorities such as poverty and sustainability. These will be incorporated into the Council's recovery planning going forward.

Decision making structures

Political Governance Arrangements

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

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

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

ANNUAL GOVERNANCE STATEMENT

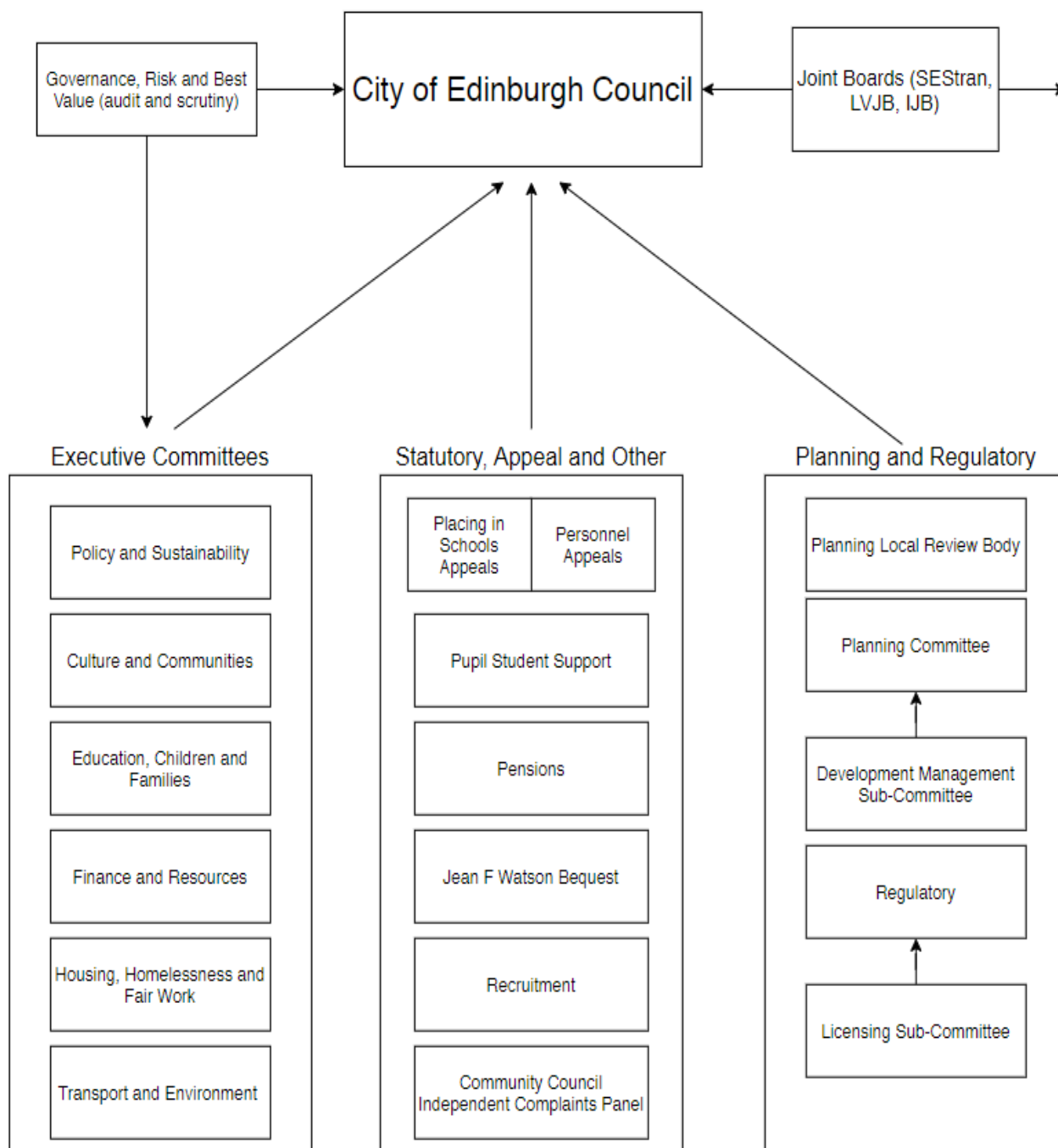


Figure 1.1 Executive Committee Structure

Officer Decision Making

The Corporate Leadership Team (CLT) meets weekly, led by the Chief Executive and includes all executive directors and key heads of service including the Head of Finance as the Council's Statutory Section 95 Officer (see figure 1.2).

It is supported by a range of groups covering key matters such as risk, health and safety and programme management. There is a robust health and safety reporting structure which includes directorate health and safety committees, a quarterly Council health and safety group and a quarterly consultation forum involving the trade unions. Health and safety working groups are in place for fire safety, water safety and asbestos. All directorates have risk and assurance committee meetings at least quarterly and ensure escalation of risks.

ANNUAL GOVERNANCE STATEMENT

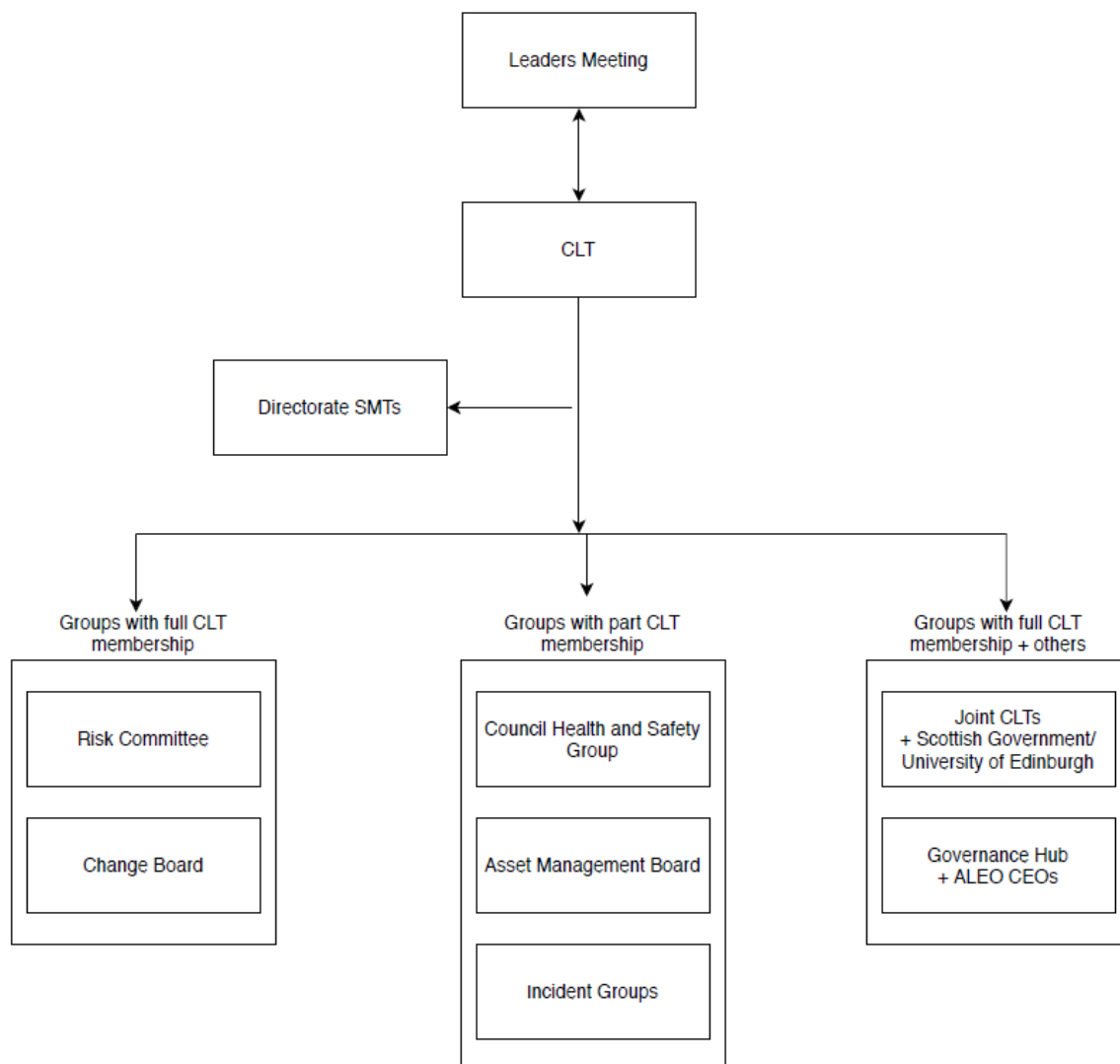


Figure 1.2 - CLT and Senior Management Team (SMTs) Structure

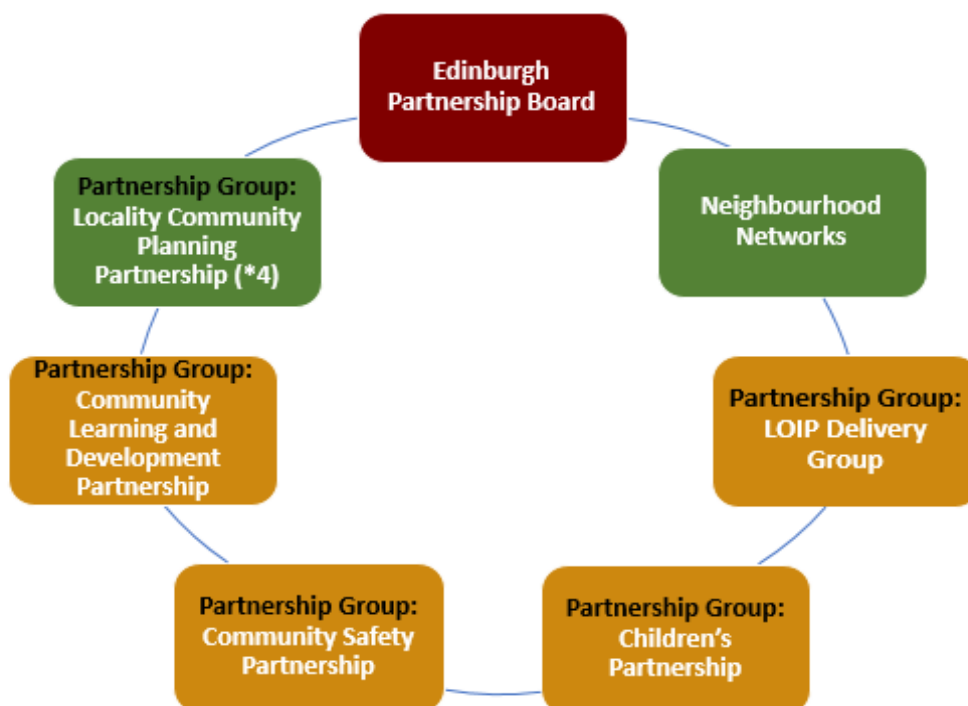
Partnership Working

The Council has four localities and is using this model to restructure and deliver a range of frontline services. This will ensure integrated local services and improved outcomes for citizens. This locality model operates in co-terminosity with our partners (such as police and fire services) enabling closer working and integration of services around our citizens. Local Improvement Plans cover every area of the city and describe in detail our multi-agency approach to improve the delivery of services in our communities.

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

ANNUAL GOVERNANCE STATEMENT

Partnership Working - continued



Internal Controls

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

Covid- 19 Arrangements

The Council implemented changes both to its operational and political management arrangements to support the response to the COVID-19 emergency

The groups below were all established to respond to the COVID-19 incident:

- Council Incident Management Team (CIMT) chaired by the Chief Executive with daily meetings from 13 March 2020
- Directorate Incident Management Teams with escalation to CIMT
- Specialist Incident Management Teams:
 - Health and Social Care Command, chaired by Edinburgh Health and Social Care Partnership's Head of Operations
 - Personal Protective Equipment operational group, chaired by the Chief Procurement Officer
 - Shielding, chaired by the Executive Director of Resources
 - Vulnerable and Volunteering, chaired by the Executive Director of Communities and Families
- Cross-Council Risk Forum, convened and chaired by the Head of Legal and Risk / Council's Monitoring Officer.
- Weekly meetings with the Trade Unions chaired by the Head of Human Resources.

The CIMT and directorate IMTs have provided a clear, easy to understand and effective governance structure for organising services during the emergency. Action notes have been kept for all meetings and executive directors have reported to the CIMT any issues for escalation. During March and April, the CIMT and directorate IMTs mostly met daily due to the pace of change and direction coming from Government. These meetings have reduced in frequency in recent weeks as the response to the emergency has stabilised but are all still in operation and operational business is still directed through these meetings.

ANNUAL GOVERNANCE STATEMENT

COVID- 19 Arrangements - continued

COVID-19 has had, and continues to provide, a very challenging environment for the Council and has resulted in decisions being made at pace but never without efficient and effective governance at the core. The three principles that were set out at the beginning of the response have been the framework for every decision taken:

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

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

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

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

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

It was agreed that the Policy and Sustainability Committee would review political governance arrangements again in August 2020.

Risk management processes were put in place to ensure that the risks associated with COVID-19 were identified, recorded, and mitigated where possible. Nine strategic risks were identified and recorded in the COVID-19 Risk Management Plan (RMP) and continue to be actively managed:

- health and safety of citizens and service users;
- health and safety of employees delivering critical services;
- Council premises and physical security;
- supply chain risk;
- technology and information;
- financial and economic risk;
- Council response and governance;
- fraud and serious organised crime, including overseeing the proportionate system of internal controls put in place for a number of newly-introduced funding streams, including business grants and self-employment payments; and
- legal and commercial risk.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

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

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

Each Executive Director has reviewed the arrangements in their service area and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and will be subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered relevant third-party reviews and recommendations. Assurance has also been taken from each organisation's most recent audited accounts, together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement. These reviews have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Council.

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

In compliance with standard accounting practice, the Head of Finance as the Council's Statutory Section 95 Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31 March 2020. It is the opinion of the Head of Finance that although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including embedding of actions taken in response to previous recommendations, are still clearly required. In this context, the Head of Finance particularly highlights the continuing required improvements to address a number of systemic weaknesses in respect of payroll-related controls, particularly those to address historic, and prevent recurring, overpayments.

The Chief Internal Auditor will present her annual audit opinion on the adequacy and effectiveness of the system of internal control (including financial controls) to the Governance, Risk and Best Value Committee in August 2020. Due to COVID-related disruption and in-year delivery challenges, however, the opinion will necessarily be limited and based upon completion of 70% of the 2019/20 audit plan, subject to the receipt of requested support from Directorates.

The Council comprehensively reviewed its political management arrangements in May 2019, focussing on the levels of business at its main executive committees. Statistics showed a considerable strain on the Council's political management arrangements. The length of meetings showed a level of healthy democratic debate and as a result a level of scrutiny taking place at executive committees, however the volume of business was high and left little room and flexibility to scrutinise all committee business on an agenda. There was a risk of scrutiny being rushed for less high-profile areas of work because of these pressures. This pressure was not evident across all committees, but the structure was not sustainable, and the Council agreed to re-align its business so there was a more even spread across committees, with areas of business still grouped logically. The committee re-alignment also ensured that sustainability, one of the Council's key priorities, was considered by the newly re-titled Policy and Sustainability Committee chaired by the Council Leader. There was also a title change for the Housing and Economy Committee which was renamed Housing, Homelessness and Fair Work, again reflecting the Council's priorities.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- External Audit had highlighted the importance of adhering to approved member-officer protocols in respect of sensitive information and the importance of all Councillors and senior staff having a clear understanding of their rights and responsibilities in relation to information held by the Council. A review of the Member/Officer protocol was commenced but the completion of the revised document was delayed by COVID-19. The review included member and officer groups and a facilitated joint meeting to build on the existing protocol before it will finally be considered by committee.
- An Internal Audit review confirmed that management; oversight; and scrutiny of the Council's major projects portfolio is generally adequate with some enhancements required. The review recognised significant progress made in the last year with the implementation of a portfolio governance framework that reflects best practice in a number of areas, and facilitates standardised reporting across the major projects' portfolio, enabling ongoing oversight and scrutiny by both the Change Board and the Governance, Risk and Best Value Committee. Since the review the system has further bedded in and the number of projects monitored by the Change Board increased significantly. Concern has been raised over the project governance for those projects that are too small for the Change Board and the need for directorates to improve their monitoring and challenge in this area.
- A major issue highlighted by both External and Internal Audit was the number of overdue findings from internal audit reports. The Corporate Leadership Team highlighted that resolving overdue findings was proving challenging due to their complexity. It was agreed that Directorates would review and refresh their agreed management actions for any findings that were more than three months overdue (including historic reopened findings) to assess whether alternative actions could be implemented to address the identified risks. This sustained effort significantly reduced the number of overdue findings and ensuring that management actions are completed on time is an agreed major priority for all directorates.
- Meeting the demands of new data protection legislation has led to significant increases in the volume of data protection work. This has resulted in several resource and operational challenges which have had a detrimental effect on statutory obligations and associated timescales. This increase has also impinged on other areas of information rights, including compliance with Scotland's freedom of information laws. Remedial plans are in place to reduce risks in this area and to ensure that statutory obligations are met.
- The Council's whistleblowing arrangements continue to include the oversight of an independent external service provider with the autonomy to decide who investigates the concerns raised, the Council or the service provider. The continuing involvement of an independent organisation helps ensure a robust, transparent and trustworthy process. The Council's approach is widely seen as best practice and as such the Council was invited to give evidence to the Scottish Parliament when an NHS whistleblowing service was being considered. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the whistleblowing policy is reviewed annually by committee.
- The division of scrutiny of the Council's Arm's Length External Organisations (ALEOs) between executive committees and Governance, Risk and Best Value Committee is essential to ensure that potential conflicts of interest are mitigated. However, the separation of scrutiny between GRBV and executive committees has not always been clear, and duplication of scrutiny has been common. A committee report in 2020 sought to clarify matters for the Council's committees and for individual ALEOs. These arrangements were agreed and implemented but the COVID-19 emergency has meant that it has not been possible to demonstrate that this was maintained. The Council's compliance with the principles set out in the Following the Public Pound Code is much wider than just committee consideration, it applies to the Council's interactions with its ALEOs at all levels. The Chief Executive intends to review how the Council works with its ALEOs, examining the shareholder agreements and Service Level Agreements in place to ensure a greater degree of consistency and clarity of relationship. Individual issues that have arisen with ALEOs such as the non-submission of annual accounts by Marketing Edinburgh are being supported by the relevant directorates.
- Each directorate's assurance schedule was scrutinised by the Governance, Risk and Best Value Committee.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- Internal Audit identified a number of significant control weaknesses in the design and application of the Council's policy management framework, across all Council directorates and divisions, that require to be addressed. Consequently, only limited assurance can be provided that policies are being effectively developed, managed, and communicated across the Council and are aligned with applicable legislation, regulations, and statutory requirements.
- In light of expected Scottish government proposal to further embed Human Rights into the Scottish Legal Framework, consideration needs to be given now as to whether the current approach to IIAs is adequate and sufficiently embedded in Council working to be fit for purpose.
- Directorate assurance schedules identified the need for a holistic, corporate tracking of actions and improvement actions associated with the assurance schedules, external audit and other regulatory bodies. Improvements are required to the administration of improvement actions and aligning this with the governance statement to provide adequate assurance that actions are being implemented and thus risks effectively managed.
- There are established, well exercised, resilience incident management processes and protocols in place to effectively plan for and respond to emergencies. The Council Resilience Group and Council Counter Terrorism Group are the two main groups that drive and monitor the Council Resilience Management Programme, reporting to the Council Leadership Team, with the flexibility to convene working groups as required, for example, for Brexit planning. In the event of an incident, there is a flexible framework including directorate and corporate levels, that can be stood up as required, reporting to the Council Leadership Team and the appropriate committee(s). The Council feeds in to Scotland's resilience structures on a multi-agency basis, through the Lothian and Borders Local Resilience Partnership and East of Scotland Regional Resilience Partnership. The incident management used for COVID-19 is a good example of the effectiveness and agility of these structures.
- The Council maintains registration to the International Standard for Business Continuity, ISO22301 and, as part of that compliance, the Council's Resilience Management System is audited biannually by an
- There is a robust risk framework in place which identifies key risks and is effective at a corporate Council-wide level. However, there is a need to ensure that adequate resource is provided to ensure that the framework is effectively implemented at all levels of the Council and that all directorates are considering risk as part of their decision-making processes. It should be noted that health and social care risks remain separate from the Council process.
- The Council has adapted how it works on some of its key priorities enabling it to work flexibly with its partners with a view to achieving its ambitious objectives. An example of this is the Poverty Commission where the Council has worked with a newly created independent body and chair and agreed that recommendations proposed by the Commission will be used to inform future Council policies and actions to prevent, reduce, and mitigate poverty in Edinburgh. A further example is the partnership with the University of Edinburgh to appoint a climate commission. The flexible governance approach in these two examples have allowed the Council to be informed by external experts from across a range of sectors with the aim of achieving better outcomes. However, the final decision making remains with the Council and partner organisations.
- A Community Council review was carried out that improved the governance documentation supporting Community Councils. In addition, a new Code of Conduct was created for Community Councillors, with a Council committee created to consider the most serious cases.

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

	Governance Issue	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
1	Health and Social Care – Further work is required to implement an effective risk escalation framework.	The Health and Social Care Partnership aim to complete the risk escalation framework	Chief Officer	Completed
2	To ensure workforce resources are managed properly, including compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	Implementation of new HR/ system	Executive Director of Resources	Completed

ANNUAL GOVERNANCE STATEMENT

	Governance Issue	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
3	Partial compliance (Place Directorate) - Council staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my directorate are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	A review of delegated authority within the Place directorate is being carried out to ensure that appropriate governance and controls are in place.	Executive Director of Place	Completed
4	Ensure the Council's arrangements are fully compliant with relevant Scottish, UK and EU legislation and regulations.	Review of Political Management Arrangements	Chief Executive	Completed
5	Ensure the Council's arrangements are fully compliant with relevant Scottish, UK and EU legislation and regulations.	Review Annual Assurance process	Chief Executive	Completed
6	Decisions are made on the basis of objective information, the consideration of best value, risk, stakeholder views, rigorous analysis, and consideration of future impacts. This is formalised through appropriate structures. (i.e. SMT reporting).	A new balanced score card approach is to be implemented which looks to amalgamate all aspects of performance in a single format	Chief Executive	Completed
7	Projects are not always started with clear business cases or a formal project management approach adopted. Projects are started in relation to an issue or service change, but recognition not always given to other projects creating duplication. A Business Planning process is also being established.	A transformation and change team will provide project support capacity across the Partnership allowing for greater oversight and ensure projects have clear business justification and business cases	Chief Officer	Completed
8	An issue was identified by Internal Audit as part of a review of payments to contractors in Housing Property. Actions have been agreed with Internal Audit and are currently being implemented.	Review of developer contributions held in Finance database	Executive Director of Resources	Completed
9	An issue was identified by Internal Audit as part of a review of payments to contractors in Housing Property. Actions have been agreed with Internal Audit and are currently being implemented.	Review of historic developer contributions	Executive Director of Resources	Completed
10	An issue was identified by Internal Audit as part of a review of payments to contractors in Housing Property. Actions have been agreed with Internal Audit and are currently being implemented.	Review of Developer contribution process documentation and guidance	Executive Director of Resources	Completed

ANNUAL GOVERNANCE STATEMENT

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

	Assurance Statement	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
1	I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively.	Development of Business Forums for Finance/Property/HR to provide a risk-based approach to business management.	Executive Director for Communities and Families	October 2020
2	I have risk management arrangements in place to identify the key risks to my directorate (and the Council).	Roll out risk management framework across wider leadership teams and Partnership teams.	Chief Officer	March 2021
3		A decision whether to review and align the Directorate Risk Register with the specific risk registers which exist for Brexit, Cyber and Information Security and Change Programmes will be undertaken during the next financial year.	Executive Director of Resources	September 2020
4	I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	The creation of the Edinburgh Learns Risk Board is to involve school colleagues in the management of relevant risks. It will act as a gatekeeper in terms of what is included in risk management and will provide isomorphic learning where the Service learns from within to manage the risks jointly, efficiently and effectively.	Executive Director for Communities and Families	October 2020
5	I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	All Edinburgh Health and Social Care Partnership (EHSCP) and Place policies on the Policy Register will be reviewed with the support of the Governance team. A review framework will be introduced to ensure that the register is updated and relevant changes are applied accordingly.	All	December 2020
6		A review of the policy register will be carried out to ensure it is up to date and that the correct processes are easy to understand and implement.	Chief Executive/All	October 2020
7		Directorate to review SHE and the Essential Learning matrix and mechanism within the Service to be undertaken with Corporate Health and Safety to ensure that the portal is being used efficiently, effectively and necessary improvements are made.	Executive Director for Communities and Families	October 2020
8		To ensure that the Health & Safety Team Professional Advisor roles are recruited to a sufficient level, with posts filled by individuals with appropriate competency and qualification levels during the course of the next financial year.	Executive Director of Resources	March 2021
9	I have appropriate arrangements in place throughout my service area for recording, monitoring and managing customer service complaints and customer satisfaction.	Development of a carbon scenario tool with ECCI as part of the sustainability programme	Chief Executive	December 2020

ANNUAL GOVERNANCE STATEMENT

	Assurance Statement	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
10	All projects and programmes have a clear business justification, as a minimum this should articulate outcomes and benefits; have appropriate governance in place to support delivery; effective controls in place to track delivery progress and to take corrective action if required; have a robust benefits management framework in place; and ensure that a formal closure process is undertaken.	There will be a development of a new Roads and Transport Infrastructure Improvement Plan. This will require the realignment of roads and transport services to implement the plan. This will ensure clear accountability for all programmes and projects.	Executive Director of Place	September 2020
11	The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	The Finance Service will work with the Schools and Lifelong Learning Service to review the issues with the forecasting spreadsheet used in schools. This review will address the causal effects and seek to mitigate them.	Executive Director for Communities and Families	October 2020
12	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	A consolidated decision tracker for ensuring the implementation of Best Value, Assurance and Annual Accounts recommendations is created.	Chief Executive	December 2020
13	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	To ensure that a framework is in place for directorates to understand the requirements of the Annual Assurance Schedule and the Corporate Governance Framework	Chief Executive	December 2020

Conclusion

In conclusion, the Council's controls framework continues to evolve and improve. It is robust and a reasonable level of assurance can be taken. Improvements are needed in certain areas to ensure that the Council's and controls are implemented fully. Moreover, COVID-19 has put significant pressure on the Council's processes and controls and the Council will need to be vigilant to ensure that if the Council undergoes considerable transformation due to the emergency that it ensures that its governance controls remain effective.

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

Certification

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

REMUNERATION REPORT

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

Remuneration Arrangements

Councillors

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

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2019/20, the remuneration for the Leader of the City of Edinburgh Council was £52,414. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2019/20 this was £39,310. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all Senior Councillors shall not exceed £681,366. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below.

	No. of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Communities, Housing, Homelessness and Fair Work, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Integration Joint Board Committees	8	62.5%
Convener of Licensing Board	1	55%
Convener of Governance, Risk and Best Value	1	50%
Vice-Conveners of Culture and Communities, Housing, Homelessness and Fair Work, Education, Children and Families, Finance and Resources, Planning, Regulatory and Transport and Environment Committees	7	50%
Opposition Group Leaders - Conservative, Green and Liberal Democrat Groups	3	50%

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

REMUNERATION REPORT

Remuneration Paid

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

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits-in-kind £	Total Remun. 2019/20 £	Total Remun. 2018/19 £
A. McVey, Leader of the Council	52,414	41	779	53,234	51,172
F. Ross, Lord Provost	39,310	194	4,560	44,063	44,346
C. Day, Deputy Leader of the Council	39,310	0	116	39,426	38,443
J. Griffiths, Depute Convener	26,208	0	216	26,424	25,693
Conveners					
D. Wilson, Convener Culture and Communities	32,759	26	508	33,293	32,743
A. Rankin, Convener Finance and Resources	32,759	0	170	32,929	32,036
R. Henderson, Convener Edinburgh Integration Joint Board (to 27.06.19)	32,759	0	756	33,515	32,939
I. Perry, Convener Education, Children and Families	32,759	0	440	33,199	32,457
J. Mowat, Convener Governance, Risk and Best Value	26,208	0	779	26,987	26,263
K. Campbell, Convener Housing, Homelessness and Fair Work	32,759	0	854	33,613	35,215
L. Macinnes, Convener Transport and Environment	32,759	0	134	32,893	32,247
N. Gardiner, Convener Planning	32,759	0	761	33,520	32,631
C. Fullerton, Convener Regulatory	32,759	31	90	32,880	32,072
N. Work, Convener Licensing Board	32,114	0	180	32,294	28,815
Vice-Conveners					
M. Child, Vice Convener Planning and North East Locality Chair (to 03.05.19)	26,208	0	108	26,316	25,280
M. Donaldson, Vice Convener Finance and Resources (to 29.01.19)	n/a	n/a	n/a	n/a	21,221
A. McNeese-Mechan, Vice Convener Culture and Communities	26,208	30	908	27,145	27,225
A. Dickie, Vice Convener Education, Children and Families	26,208	0	200	26,408	26,546
L M. Cameron, Vice Convener Housing, Homelessness and Fair Work (to 02.05.19) and Vice Convener Finance and Resources (from 02.05.19 to 21.10.19)	26,208	0	1,308	27,516	27,021
K. Doran, Vice Convener Transport and Environment	26,208	0	766	26,974	26,269
M. Main, Vice Convener Governance, Risk and Best Value (to 31.05.19) & Green Group Leader (to 29.06.18 & from 29.12.19)	19,725	0	94	19,819	18,855
Locality Committee Conveners					
M. Watt, Vice Convener Housing, Homelessness and Fair Work (from 02.05.19) and South East Locality Chair (to 03.05.19)	26,095	0	779	26,874	25,007
D. Dixon, Vice Convener Regulatory (from 31.05.19) and South West Locality Chair (to 03.05.19)	25,993	0	92	26,085	24,312

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2019/20 £	Total Remun. 2018/19 £
Council's Leader, Civic Head and Senior Councillors					
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	25,993	0	128	26,121	24,971
M. Campbell, Green Group Leader (<i>from 29.06.18 to 29.12.18</i>)	n/a	n/a	n/a	n/a	20,748
C. Booth, Green Group Leader (<i>from 29.12.2018</i>)	19,367	0	116	19,482	18,972
R. Aldridge, Liberal Democrat Group Leader	25,993	0	0	25,993	24,218
<u>Councillors</u>					
D. Key, Convener to the Lothian Valuation Joint Board	21,840	0	96	21,936	21,340

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2019/20 was £4,391.88 (2018/19 £4,251). Expenses relate to Councillor role.
2. The full year equivalent under Salary, Fees and Allowances represents the Senior Responsibility Allowance at the year end for the position.

Members' Salaries and Expenses

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

	2019/20 £	2018/19 £
Salaries	1,422,542	1,380,111
Expenses		
<i>Claimed by councillors</i>	387	742
<i>Paid directly by the Council</i>	35,169	46,733
Total	<u>1,458,099</u>	<u>1,427,586</u>

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2019/20 £	Total Remun. Total £
Council's Senior Officers				
A. Kerr, Chief Executive	175,740	0	175,740	167,468
A. Gaw, Executive Director of Communities and Families	158,150	0	158,150	150,390
J. Proctor, Integration Joint Board Chief Officer (Note 1)	79,009	0	79,009	68,929
M. Miller, Interim Integration Joint Board Chief Officer (<i>to 30.06.18</i>) (Note 2)	400	0	400	37,977
P. Lawrence, Executive Director of Place	158,150	0	158,150	150,390
J. Irvine, Chief Social Work Officer (<i>from 30.7.18</i>)	109,100	0	109,100	69,407
S. Moir, Executive Director of Resources	158,150	0	158,150	150,390
H. Dunn, Head of Finance	115,230	0	115,230	108,720
Total	<u>953,929</u>	<u>0</u>	<u>953,929</u>	<u>903,671</u>

Notes:

1. J. Proctor took up the position of Chief Officer with 50% of her salary costs from 1 May 2018 reflected above.
2. M. Miller held the position of Interim Integration Joint Board Chief Officer until 30 June 2018. One payment of £400 Basic Pay was made in May 2019 as part of the 2018-19 backdated pay award.

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers - continued

Council Subsidiary Companies

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2019 and 2018 respectively.

	Salary, Fees and Allowances	Bonus	Compensation Other Benefits	for Loss of Office	Total Remun. 2019/20	Total Remun. 2018/19
	£	£	£	£	£	£
Council's Subsidiary Companies						
E. Adair, Operations and Finance Director, EDI Group <i>(to 30.06.18)</i>	n/a	n/a	n/a	n/a	n/a	139,596
M. Dallas, Chief Executive, EICC	154,941	28,838	0	0	183,779	171,140
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd <i>(Note 1)</i>	5,440	0	0	0	5,440	139,200
R. Hunter, Chief Executive, Capital City Partnership	58,767	0	0	0	58,767	53,729
<u>Transport for Edinburgh</u>						
G. Lowder, Chief Executive	146,441	0	0	0	146,441	144,281
<u>Lothian Buses Ltd.</u>						
R. Hall, Managing Director (Note 2)	174,618	0	523	147,950	323,091	217,669
<u>Edinburgh Trams Ltd.</u>						
L. Harrison, General Manager	132,025	48,895	0	0	180,920	127,962
	<u>672,232</u>	<u>77,733</u>	<u>523</u>	<u>147,950</u>	<u>898,438</u>	<u>993,577</u>

Notes:

1. Marketing Edinburgh Limited entered into a contract with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive to 11 April 2019. The cost of this contract is £5,440 in 2019/20, including VAT (2018/19 £139,200, including VAT).
2. Compensation for loss of office includes contractually-due payment in lieu of six-month notice period agreed at the end of March 2020.

REMUNERATION REPORT

Remuneration Paid - continued

Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2019/20	2018/19		2019/20	2018/19
£50,000 - £54,999	410	197	£115,000 - £119,999	2	0
£55,000 - £59,999	218	132	£120,000 - £124,999	1	0
£60,000 - £64,999	134	44	£125,000 - £129,999	1	0
£65,000 - £69,999	70	35	£130,000 - £134,999	1	0
£70,000 - £74,999	16	32	£135,000 - £139,999	0	0
£75,000 - £79,999	34	20	£140,000 - £144,999	0	0
£80,000 - £84,999	20	3	£145,000 - £149,999	0	0
£85,000 - £89,999	17	4	£150,000 - £154,999	0	3
£90,000 - £94,999	2	0	£155,000 - £159,999	4	0
£95,000 - £99,999	2	2	£160,000 - £164,999	1	0
£100,000 - £104,999	2	8	£165,000 - £169,999	0	1
£105,000 - £109,999	11	1	£170,000 - £174,999	0	0
£110,000 - £114,999	1	1	£175,000 - £179,999	1	0
			Total No. of Employees	948	483

Notes:

1. The 2019/20 remuneration includes the back dated pay awards for 2018/19 (3.5% for local government employees and 3% for teachers) which were paid in April/May 2019 and the subsequent pay increases for the 2019/20 tax year (3% for local government employees and 7% for teachers).

Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20 £000	2018/19 £000
£0 - £20,000								
- Council	0	0	30	23	30	23	245	179
- Group companies	0	0	1	4	1	4	6	38
£20,001 - £40,000								
- Council	0	0	28	11	28	11	788	311
- Group companies	0	0	2	1	2	1	88	31
£40,001 - £60,000								
- Council	0	0	13	4	13	4	675	202
- Group companies	0	0	1	0	1	0	50	0
£60,001 - £80,000								
- Council	0	0	5	9	5	9	344	621
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	3	2	3	2	276	193
- Group companies	0	0	0	0	0	0	0	0
£100,001 - £150,000								
- Council	0	0	3	4	3	4	358	498
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	1	2	1	2	151	364
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	2	0	2	0	458	0
- Group companies	0	0	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>89</u>	<u>60</u>	<u>89</u>	<u>60</u>	<u>3,439</u>	<u>2,437</u>

REMUNERATION REPORT

Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. For Pre April 2015 benefits, the councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The Post April 2015 benefits are calculated in the same way as Local Government employees.

For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2019/20 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £21,800 (2018/2019 £21,300)	5.50%
On earnings above £21,801 and up to £26,700 (2018/2019 £21,300 to £26,100)	7.25%
On earnings above £26,701 and up to £36,600 (2018/2019 £26,100 to £35,700)	8.50%
On earnings above £36,601 and up to £48,800 (2018/2019 £35,700 to £47,600)	9.50%
On earnings above £48,801 (2018/2019 £47,600)	12.00%

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger lump sum up to the limit set by the Finance Act 2004.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives.

For the reporting year 2019/20, the equivalent of 8.3 FTE (across 18 individuals) of paid facility time was made available, with an associated cost of £0.26m. This sum equates to 0.04% of the Council's overall paybill.

Of the total time made available, six individuals spent 100% of time during the year on trade union-related activities, nil between 51% and 99%, and the remaining twelve between 1% and 50%.

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2020	For year to 31.03.2019		As at 31.03.2020	Difference from 31.03.2019
	£	£		£000	£000
<u>Council's Leader and Civic Head</u>					
A. McVey, Leader of the Council	11,688	11,115	Pension	6	2
			Lump Sum	0	0
F. Ross, Lord Provost	8,766	8,336	Pension	6	1
			Lump Sum	0	0
C. Day, Deputy Leader of the Council	8,766	8,336	Pension	2	1
			Lump Sum	0	0
J. Griffiths, Depute Convener	5,844	5,557	Pension	3	0
			Lump Sum	0	0
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	7,305	6,947	Pension	8	1
			Lump Sum	2	0
A. Rankin, Convener Finance and Resources	7,305	6,947	Pension	5	1
			Lump Sum	0	0
R. Henderson, Convener Edinburgh Integration Joint Board (to 27.06.19)	7,305	7,010	Pension	7	1
			Lump Sum	2	0
I. Perry, Convener Education , Children and Families	7,305	6,947	Pension	7	1
			Lump Sum	2	0
J. Mowat, Convener Governance, Risk and Best Value	5,844	5,557	Pension	4	1
			Lump Sum	0	0
K. Campbell, Convener Housing and Economy	7,305	7,094	Pension	2	2
			Lump Sum	0	0
L. Macinnes, Convener Transport and Environment	7,305	6,947	Pension	2	2
			Lump Sum	0	0
N. Gardiner, Convener Planning	7,305	6,947	Pension	2	2
			Lump Sum	0	0
N. Work, Convener Licensing Board	7,162	6,113	Pension	6	1
			Lump Sum	2	0
<u>Vice-Conveners</u>					
M. Child, Vice Convener Planning and North East Locality Chair (to 03.05.19)	5,844	5,488	Pension	11	1
			Lump Sum	17	1
M. Donaldson, Vice Convener Finance and Resources (to 29.01.2019)	n/a	4,601	Pension	n/a	n/a
			Lump Sum	n/a	n/a
A. McNeese-Mechan, Vice Convener Culture and Communities	5,844	5,642	Pension	1	0
			Lump Sum	0	0
A. Dickie, Vice Convener Education, Children and Families	5,844	5,557	Pension	2	2
			Lump Sum	0	0
L M. Cameron, Vice Convener Housing and Economy (to 02.05.19) and Vice Convener Finance and Resources (from 02.05.19 to 21.10.19)	5,844	5,557	Pension	2	2
			Lump Sum	0	0
K. Doran, Vice Convener Transport and Environment	5,844	5,557	Pension	3	1
			Lump Sum	0	0
M. Main, Vice Convener Governance, Risk and Best Value (to 31.05.19) & Green Group Leader (to 29.06.18 and from 29.12.19)	4,399	4,090	Pension	3	1
			Lump Sum	0	0

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2020 £	For year to 31.03.2019 £		As at 31.03.2020 £000	Difference from 31.03.2019 £000
<u>Locality Committee Conveners</u>					
M. Watt, M. Watt, Vice Convener Housing, Homelessness and Fair Work <i>(from 02.05.19)</i> and South East Locality Chair <i>(to 03.05.19)</i>	5,819	5,280	Pension	2	2
			Lump Sum	0	0
D. Dixon, Vice Convener Regulatory <i>(from 31.05.19)</i> and South West Locality Chair <i>(to 03.05.19)</i>	5,796	5,280	Pension	3	0
			Lump Sum	0	0
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	5,796	5,280	Pension	6	0
			Lump Sum	2	0
M. Campbell, Green Group Leader <i>(from 29.06.18 to 29.12.18)</i>	n/a	4,488	Pension	n/a	n/a
			Lump Sum	n/a	n/a
R. Aldridge, Liberal Democrat Group Leader	5,796	5,280	Pension	5	0
			Lump Sum	2	0
<u>Councillors</u>					
D. Key <i>(including role as Convener of Lothian Valuation Joint Board)</i>	4,870	4,631	Pension	3	0
			Lump Sum	0	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2020 £	For year to 31.03.2019 £		As at 31.03.2020 £000	Difference from 31.03.2019 £000
A. Kerr, Chief Executive	n/a	n/a	Pension	9	0
			Lump Sum	0	0
A. Gaw, Executive Director of Communities and Families	35,267	32,785	Pension	78	4
			Lump Sum	148	6
J. Proctor, Integration Joint Board Chief Officer (from 01.05.18)	35,238	30,053	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M. Miller, Interim Integration Joint Board Chief Officer (to 30.06.18)	n/a	8,196	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Lawrence, Executive Director of Place	35,267	32,785	Pension	29	4
			Lump Sum	n/a	n/a
J. Irvine, Chief Social Work Officer	24,329	15,131	Pension	33	32
			Lump Sum	37	37
S. Moir, Executive Director of Resources	35,267	32,785	Pension	9	9
			Lump Sum	0	0
H. Dunn, Head of Finance	25,696	23,701	Pension	79	23
			Lump Sum	151	46
Total	191,064	175,436			

REMUNERATION REPORT

Pension Benefits - continued Pension Rights - continued Senior Employees - continued

Notes:

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2020, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 129.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2020 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2020 £	For year to 31.03.2019 £		As at 31.03.2020 £000	Difference from 31.03.2019 £000
E. Adair, Operations and Finance Director, EDI Group	n/a	30,061	Pension	n/a	33
			Lump Sum	n/a	45
M. Dallas, Chief Executive, EICC	9,617	18,812	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
R. Hall, Managing Director	17,462	16,933	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, General Manager	13,203	10,996	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
R. Hunter, Chief Executive	12,929	11,112	Pension	14	2
			Lump Sum	11	1
Total	<u>53,211</u>	<u>87,914</u>			

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2019 and 31 December 2018 respectively.

R. Hunter is the only current member of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total relevant service and not just their current appointment.

E. Adair left the Local Government Pension Scheme 1 November 2018.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

INDEPENDENT AUDITOR'S REPORT

The Statement of Accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

The Auditor appointed for this purpose by the Accounts Commission for Scotland is:

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

(as shown on page 20 of the Unaudited Financial Statements)

	£000	2019/20 £000	£000
Total Comprehensive (Income) and Expenditure			(296,572)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		(139,697)	
Gains and losses relating to pension liability		(184,024)	
Other unrealised losses		(332)	
			<u>(324,053)</u>
Deficit on provision of services, per CIES			27,481
<u>Amounts included in the CIES but required by statute to be excluded when determining the General Fund surplus for the year</u>			
Depreciation and impairment of fixed assets	(216,938)		
Net loss on sale of fixed assets	9,991		
Revenue expenditure funded from capital under statute	52,778		
Income from donated assets	53,177		
Use of Capital Fund	6,311		
Finance costs - statutory adjustments	(44,459)		
Net charges made for retirement benefits in accordance with IAS 19	<u>(134,764)</u>		
		(273,904)	
<u>Amounts not included in the CIES but required to be included by statute when determining the General Fund surplus for the year</u>			
Statutory provision for repayment of debt (includes voluntary repayments)	86,924		
Lease repayments (including element relating to PPP contracts)	11,505		
Capital expenditure charged to the General Fund balance	(52,778)		
Capital expenditure funded from revenue	29,581		
Change in fair value of Investment Properties	309		
Capital grants and contributions credited to the CIES	127,806		
Net transfer for holiday pay accrual	2,251		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	<u>69,455</u>		
		275,053	
<u>Transfers to or from the General Fund Balance that are required to be taken into account when determining the General Fund surplus for the year</u>			
Statutory transfer of HRA surplus to Renewal and Repairs Fund	2,545		
Net Transfer from earmarked reserves	<u>(6,117)</u>		
		<u>(3,572)</u>	
			<u>(2,423)</u>
General Fund Deficit reported in Financial Statements			25,058

	2019/20	
£000	£000	£000
Consolidation Adjustments		
Funds (drawn down from) / contributed to earmarked balances:		
- Unallocated General Fund	902	
- Balances set aside for specific investment	127	
- City Strategic Investment Fund	(757)	
- Council Priorities Fund	(5,868)	
- Council Tax Discount Fund	(14,327)	
- Devolved School Management and Pupil Equity Fund	(1,402)	
- Dilapidation fund	(493)	
- Energy efficiency	51	
- IFRS 9 gains	230	
- Insurance fund	512	
- Licensing income	398	
- Lothian Buses	(196)	
- Other minor funds	1	
- Outdoor Centres	(33)	
- Pre-paid PPP monies	365	
- Salix / CEEF	17	
- Spend to save	269	
- Trams to Newhaven	1,067	
- Unspent grants	1,239	
- Workforce management	(1,929)	
		(19,827)
General Fund Deficit		5,231

REVENUE BALANCES

	Balance at 31-Mar-19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31-Mar-20 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	42,296	(12,110)	13,270	43,456
Workforce management	18,194	(7,160)	2,000	13,034
Council Priorities Fund	6,625	(9,154)	3,286	757
IFRS9 Gains	0	0	230	230
Dilapidations fund	5,721	(2,493)	0	3,228
Insurance funds	19,585	0	512	20,097
	<u>92,421</u>	<u>(30,917)</u>	<u>19,298</u>	<u>80,802</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration income	2,584	(118)	516	2,982
Lothian Buses	504	(196)	0	308
Other minor funds	203	0	1	204
Pre-paid PPP monies	2,953	0	364	3,317
Council Tax Discount Fund	18,631	(18,000)	3,673	4,304
Unspent grants	1,937	(1,484)	2,723	3,176
City Strategic Investment Fund	3,552	(902)	145	2,795
	<u>30,364</u>	<u>(20,700)</u>	<u>7,422</u>	<u>17,086</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy efficiency	244	0	51	295
Salix / CEEF	252	(217)	235	270
Spend to save	2,466	(28)	298	2,736
	<u>2,962</u>	<u>(245)</u>	<u>584</u>	<u>3,301</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Devolved School Management	<u>6,073</u>	<u>(6,034)</u>	<u>4,632</u>	<u>4,671</u>
Unallocated General Reserve				
	<u>13,025</u>	<u>0</u>	<u>902</u>	<u>13,927</u>
Total General Reserve				
	<u>144,845</u>	<u>(57,896)</u>	<u>32,838</u>	<u>119,787</u>