

The City of Edinburgh Council

10.00am, Thursday, 22 June 2023

Unaudited Annual Accounts 2022/23

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

- 1.1 Members of Council are asked:
- 1.1.1 to note that the unaudited annual accounts for 2022/23 will be submitted to the external auditor by the statutory date;
 - 1.1.2 to note that the provisional outturn position shows an overall underspend of £13.748m and that this sum has been set aside in reserves at this time given wider pressures and risks, including those within the Edinburgh Integration Joint Board, and pending the outcome of the audit process;
 - 1.1.3 to note that a more detailed revenue and capital outturn analysis will be reported to the Finance and Resources Committee in September 2023; and
 - 1.1.4 to note the intention to submit the audited annual accounts and annual auditor's report initially to the Governance, Risk and Best Value Committee and thereafter to the Finance and Resources Committee in September 2023, for approval.

Dr Deborah Smart

Executive Director of Corporate Services

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Report

Unaudited Annual Accounts 2022/23

2. Executive Summary

- 2.1 The report presents to members the Council's 2022/23 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 2023. The report includes a summary of the draft outturn position and notes that more detailed reports will be brought to the Finance and Resources Committee at the conclusion of the audit process in September 2023.

3. Background

- 3.1 The report presents the unaudited annual accounts for the 2022/23 financial year for Council's consideration.
- 3.2 The Council's unaudited annual accounts, included in Appendix 1, have been completed in accordance with proper accounting practice and will be submitted to the external auditor, as required by the Local Authority Accounts (Scotland) Regulations 2014, following this meeting and thereby meet the 30 June deadline.
- 3.3 In contrast to the previous two financial years, no extension to the statutory timescales for completion of the audit process has been approved for 2022/23. The audited accounts will therefore be considered initially by the Governance, Risk and Best Value Committee and subsequently presented to the Finance and Resources Committee for approval in September 2023.
- 3.4 Members should note that the unaudited annual accounts must be published on the Council's website no later than 30 June 2023 and thereafter made available for public inspection for a period of 15 working days. This inspection period will run from Monday 3 July to Friday 21 July 2023 inclusive.

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 20 and 21);
- Comprehensive Income and Expenditure Statement (CIES) for the Group (pages 22) and the Council (page 23); and,
- Balance Sheet (page 24)

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, Edinburgh International Conference Centre Ltd and Edinburgh International Conference Centre Hotels Ltd), Transport for Edinburgh Ltd, Edinburgh Living Mid-Market Rent LLP and The City of Edinburgh Council Charitable Trusts.

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 43 of the Unaudited Annual Accounts, have not been consolidated on the grounds of low materiality.

4.4 The annual remuneration report is included in the Unaudited Annual Accounts on pages 131 to 140. 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.

In-year COVID impacts

4.5 While the financial effects of the pandemic continued the reducing trend apparent in 2021/22, these impacts remained significant in 2022/23. The net cost to the Council during the year, including exposure through its Arm's-Length External Organisations (ALEOs), was some £19m. The largest single contributors were the loss of the Lothian Buses dividend of £6m, a reduction in parking income, net of enforcement costs, of £3.9m, additional homelessness expenditure of £3.0m and further support for Edinburgh Leisure of £3.0m. The budget framework assumes a reducing drawdown of COVID-related reserves funding for each of the next four years, the adequacy of which will be kept under review.

Provisional overall outturn position

4.6 Taken as a whole, an in-year Council-wide underspend of £13.748m was achieved. Service areas overspent by some £7.9m (although when Homelessness Services pressures of £11.2m were excluded, the three main service areas all recorded slight underspends), alongside in-year energy cost pressures of £5.7m. These were offset by £9.8m of additional Council Tax income (representing a combination of the in-year collection rate and a reduction in required bad debt provision for previous years), £8.2m of other corporate savings, including application of the budget framework risk contingency, £5m of unbudgeted income from the Millerhill Recycling and Energy Recovery Centre off-take agreement and £4.3m of net savings in loans charges, interest and investment income.

- 4.7 This net underspend has been set aside in reserves. When account is taken of the small IFRS9-related element of the overall underspend that, while required for accounting purposes, cannot be used to support additional expenditure, £13.711m of the overall underspend therefore remains unallocated at this time. A reconciliation between the CIES for the Council and the General Fund outturn is also included as Appendix 2.
- 4.8 Additional detail of both the revenue and capital outturns will be presented to the Finance and Resources Committee in September 2023. As members will be aware, the Edinburgh Integration Joint Board (EIJB) is currently projecting a significant in-year deficit of at least £14m and, in this context, the September meeting will also consider the first in-year revenue monitoring report across the Council including detailing progress in addressing this funding shortfall. Recommendations on the allocation of any underspend will therefore be made at this time once the outcome of the audit process is also known.
- 4.9 Members should note that due to the timing of receipt of the IAS19 actuals-based year-end pension valuation report for both the Council and Transport for Edinburgh, these details will be incorporated in the audited financial statements. This will not affect the overall outturn.

Reserves

- 4.10 As of 31 March 2023, the General Fund reserves had increased to £266.379m, an increase of £9.174m from the preceding year. This increase reflects a complex series of movements, the most material of which were the application of £48.9m of service-specific and general COVID-related funding, offset by the receipt of £33.4m of upfront Ukraine-related funding earmarked to meet future liabilities and the £13.7m in-year underspend noted above. Remaining net increases totalling £11m accounted for the remaining movement.
- 4.11 The unallocated General Fund stands at £25.831m as of 31 March 2023, a decrease of £3.150m relative to the balance the previous year, reflecting the effect of planned in-year drawdowns. The remaining balance of £240.548m is earmarked for specific purposes, these being:
- **Balances set aside for specific financial risks which are likely to arise in the medium-term future** totalling £202.954m. 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, primarily from grant income** due to timing differences between the receipt of the grant income and the planned expenditure thereof, totalling £29.069m;
 - **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, totalling £4.502m; and

- **Balances held under the Devolved School Management scheme (DSM) and Pupil Equity Fund (PEF), totalling £4.023m.**

4.12 Further details of these earmarked balances are shown in Appendix 3.

5. Next Steps

5.1 The Unaudited Annual Accounts will be submitted to the external auditor by 30 June 2023, as required by the Local Authority Accounts (Scotland) Regulations 2014.

6. Financial impact

6.1 The report identifies a provisional underspend of £13.748m in the year to 31 March 2023. This sum has been set aside in reserves in view of wider service pressures and pending the outcome of the audit process.

7. Stakeholder/Community Impact

7.1 There are no impacts arising directly from this report.

8. Background reading/external references

8.1 [Medium Term Financial Strategy and 2023/24 Financial Plan Update](#), Edinburgh Integration Joint Board, 13 June 2023

9. Appendices

9.1 Appendix 1 - Unaudited Annual Accounts 2022/23

9.2 Appendix 2 - Reconciliation of the Comprehensive Income and Expenditure Statement

9.3 Appendix 3 - Reserve balances, 31 March 2023

2022/23

UNAUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2023

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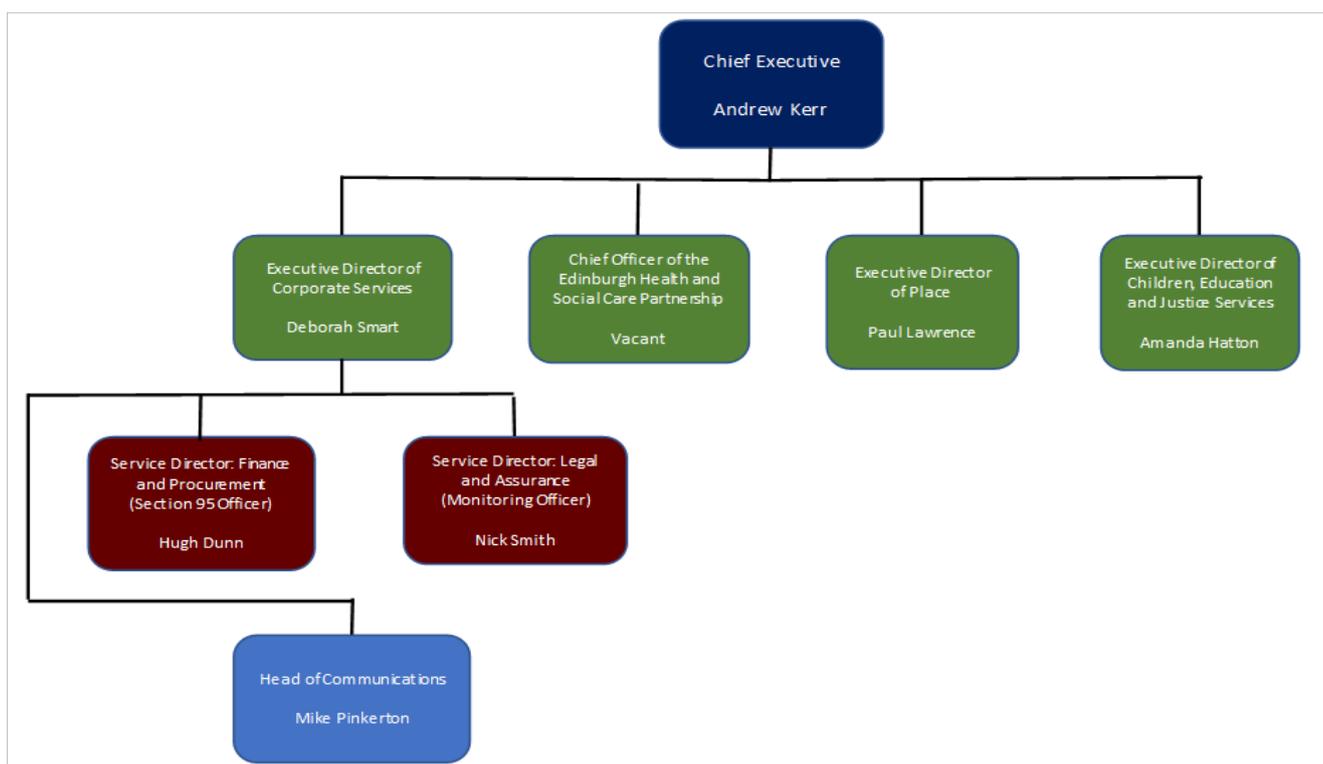
MANAGEMENT COMMENTARY

Introduction

The Unaudited Annual Accounts present the financial position and performance of the Council, together with the wider Council Group, for the year to 31 March 2023. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 534,000 citizens across the 102 square mile Council area. As of March 2023, the Council employed 15,109 FTE staff, compared to 15,085 FTE as of March 2022.

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



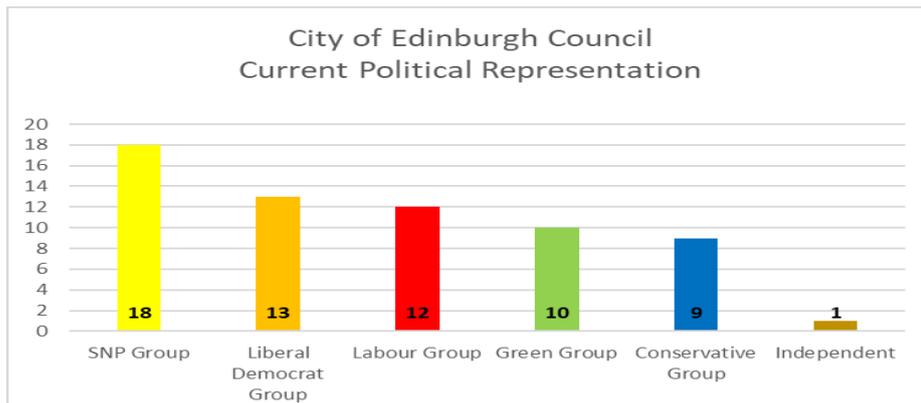
Corporate Services	Health and Social Care	Place
Customer and Digital Services	Edinburgh Integration Joint Board	Environment (inc. waste and parks)
Finance and Procurement	Older people's services	Transport (inc. parking)
Legal and Assurance	Learning and Physical disabilities	Roads, bridges and flood prevention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

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

MANAGEMENT COMMENTARY

There was a Local Government Election on 5 May 2022 which resulted in a change in political representation for the Council, with a new minority Labour administration formed. Following a subsequent resignation, a local by-election was held on 9 March 2023.

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



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

Details of the senior councillors' remuneration and committee roles, for those in office during the financial year, are disclosed in the Remuneration Report from page 131 of these financial statements.

The Council in 2022/23

The Council led Scotland in its humanitarian response to the crisis caused by the war in Ukraine, welcoming almost 10,000 people to safety and refuge through our Welcome Hub. Against a backdrop of rates of inflation not seen for over forty years, we have also supported people through the cost-of-living crisis with an £8m investment in additional support to help those families most in need.

We have done this at the same time as continuing our city's recovery from the COVID pandemic, making sure our ongoing public health measures are focused on keeping people safe and protected, and responding with outstanding professionalism to the sad passing of Her Majesty The Queen. Throughout the COVID-19 crisis, we proved too that by working together as a collective with our partners across the third sector, we can create a strong and positive culture in which we and our communities are empowered to shape the city we live and work in.

Demographic Trends

Edinburgh continues to see significant population growth, with a 10.2% increase in the ten years to 2021, compared to a national rise of 3.4% over the same period, and further projected growth of 11.6% by 2043. The main driver of this growth continues to be net overseas migration. The number of residents aged 65 and over continues to increase and it is projected that by 2032 the number of pupils in our schools will increase by 3%. This growth will place further demands on a range of frontline services and as a result, the Council's budget framework continues to provide additional annual sums in respect of growing numbers of school pupils, at-risk children, older people and those with physical and/or learning disabilities.

City of Edinburgh Council's Corporate Strategy and Vision

In 2023, a new **Business Plan** was approved, which sets out the Council's priorities from 2023 to 2027 and the actions that will be taken to achieve these priorities. The Business Plan sets out three main priorities that the Council will focus on in the coming years:

1. Create good places to live and work in Edinburgh;
2. Take all the local actions needed to end poverty in Edinburgh; and
3. Work to deliver a net zero city by 2030

These priorities connect the major strategies and Council policies agreed in recent years, through the shared goals and commitments of the Edinburgh Partnership as set out in the **Edinburgh Partnership Community Plan 2022-28**.

This plan stands as one part of a golden thread linking and guiding operations through to the shared goals and commitments of the Edinburgh Partnership and towards the long-term ambitions for Edinburgh to be a thriving, connected, inspired and fair city, as outlined in the **2050 Edinburgh City Vision**.

A new Medium-Term Financial Plan is being developed alongside the Business Plan to ensure that the actions committed to are affordable and deliverable.

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

MANAGEMENT COMMENTARY

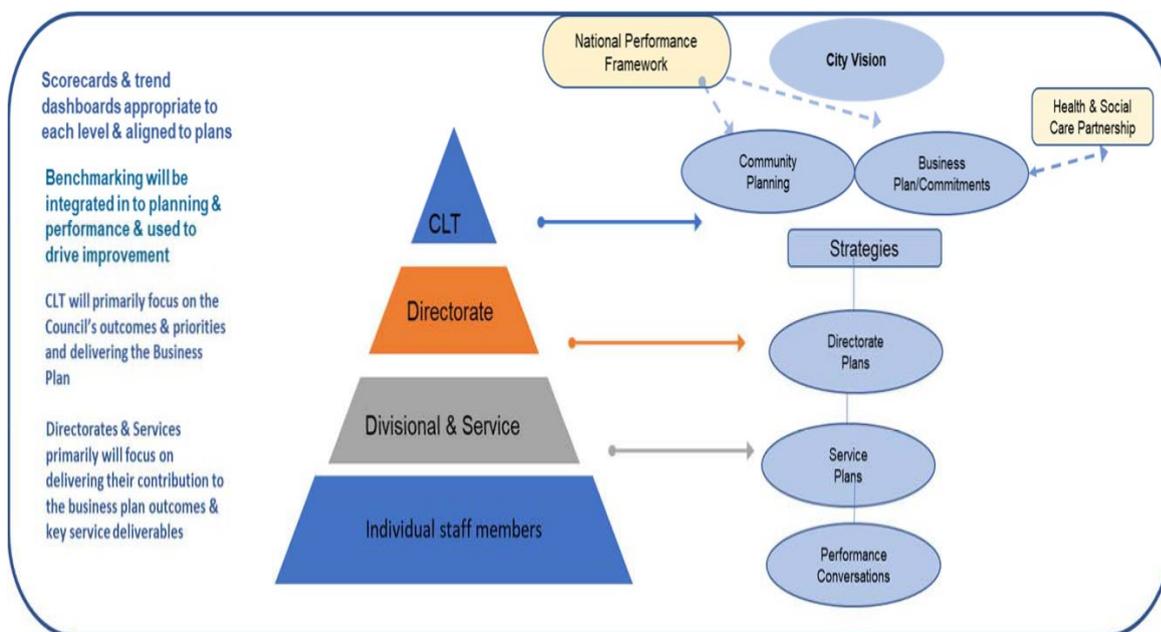
The actions identified in the Business Plan will ensure that:

- 1 Core services for people in need of care and support are improved;
- 2 People can access fair work and the support they need to prevent and stay out of poverty and homelessness;
- 3 Edinburgh is a cleaner, better maintained city that we can all be proud of;
- 4 People can access public services locally and digitally in ways that meet their needs and expectations and contribute to a greener net zero city;
- 5 People have decent, energy efficient, climate-proofed homes they can afford to live in;
- 6 Attainment, achievement and positive destinations are improved for all, with a particular focus on those in poverty;
- 7 People use decarbonised public transport and active travel as the first choice way to get round the city;
- 8 Edinburgh is a climate adapted city, with biodiverse green spaces, and cheaper, cleaner networks for energy use;
- 9 Edinburgh has a stronger, greener, fairer economy and remains a world leading cultural capital, and
- 10 We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost

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

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

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



Risks and Uncertainty

The main enterprise risks facing the Council are as follows:

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

The Corporate Leadership Team’s (CLT) highest-prioritised risks as reported to the Governance, Risk and Best Value Committee (GRBV) on 2 May 2023 are outlined below, along with the key controls in place to mitigate them.

MANAGEMENT COMMENTARY

Risks and Uncertainty - continued

Current Assessment of Enterprise Risks compared to Risk Appetite

		Quarter 4 2022	Risk Appetite			Quarter 4 2022	Risk Appetite
R1	Strategic Delivery			R8	Governance and Decision Making		
R2	Financial and Budget Management			R9	Service Delivery		
R3	Programme and Project Delivery			R10	Workforce		
R4	Health and Safety (including Public Safety)			R11	Regulatory and Legislative Compliance		
R5	Resilience			R12	Reputational Risk		
R6	Supplier, Contractor and Partnership Management			R13	Fraud and Serious Organised Crime		
R7	Technology and Information						

Critical	High	Moderate	Low
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Details of the mitigating actions that are in progress in respect of each of these risks, are included in **Appendix 3** of the risk report.

Several risks currently exceed the Council's agreed Risk Appetite levels. The most significant risks are currently Financial and Budget Management; Technology and Information; Service Delivery; and Workforce, as described below:

R2	Financial and Budget Management	Inability to perform financial planning; deliver an annual balanced budget; manage cash flows; and confirm ongoing adequacy of reserves
R7	Technology and Information	Potential failure of cyber defences; network security; application security; and physical security and operational arrangements
R9	Service Delivery	Inability to deliver quality services that meet citizen needs effectively and in line with statutory requirements
R10	Workforce	Insufficient resources to support delivery of quality services that meet citizen needs effectively and in line with statutory requirements

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

Once approved by the Committee, the Policy is shared and communicated across the Council, with the refreshed version published on the policy register maintained on the Council's website. The most recent Risk Management Policy was approved on 21 March 2023.

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

Other Risks, Challenges and Uncertainties

On 17 May 2023, the Accounts Commission published its annual **Local Government in Scotland Overview** with the following key messages:

- Budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. Increasingly difficult choices about spending priorities and service provision are having to be made.
- The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas.
- The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.
- Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic.
- Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure.

A report considering any specific local implication of the national report will be considered by Members in August 2023.

MANAGEMENT COMMENTARY

Other Risks, Challenges and Uncertainties - continued

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

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

The second **annual update report** on how Edinburgh is progressing in its aim details the actions taken by the Council and partners, in response to calls to action made by the Edinburgh Poverty Commission. The report covers the period from October 2021 to the end of September 2022 and includes the ongoing response to the Covid-19 pandemic and to the emerging cost of living crisis, both of which have been significant in informing current and future actions.

Ending poverty in Edinburgh is one of the Council's key priorities for 2023 to 2027 and this is firmly embedded in the new Business Plan.

Performance Overview

The latest in-year performance update report was considered by the Policy and Sustainability Committee on 17 November 2022. This provides information to enable Elected Members to scrutinise performance in a structured way, following the approach set out in the Planning and Performance Framework (PPF) which was approved on 10 June 2021.

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

Council Performance and Best Value

The Council's 2022/23 Annual Performance Report will be considered by members in August 2023.

The Council's **2021/22 Annual Audit Report** concluded that the Council had appropriate arrangements in place for managing its financial position, with a surplus outturn position reported in 2021/22.

It was noted that "the Council continues to face significant financial pressures resulting from increased demand for services, inflation, legislative reform and increased citizen expectations, as well as the continuing financial impacts of the pandemic." It was also noted that "the impact of increasing costs to the Housing Revenue Account (HRA) as well as a reduction in income as a result of rent freezes means that the HRA business plan goes into considerable deficits over the next few years unless mitigating measures are implemented. The Council will need to make difficult decisions over the medium-term to ensure the financial sustainability of the HRA is maintained."

It was acknowledged that Covid-19 continued to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies.

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

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

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

An **update on progress** made to date, in response to the Best Value Assurance Audit Report recommendations was reported to Policy and Sustainability Committee on 21 March 2023. The update report was referred to Governance Risk and Best Value Committee for consideration on 2 May 2023.

MANAGEMENT COMMENTARY

Performance Overview - continued

Comparative Performance

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

Financial Performance

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 22. This statement has been prepared as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. 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 20).

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

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

	Revised Budget 2022/23 £000	Actual 2022/23 £000	(Under) / Over Spend £000
General Fund services	1,098,324	1,106,207	7,883
Non-service specific areas			
Loans charges / interest on revenue balances	82,526	85,066	2,540
Other non-service specific costs	29,807	18,027	(11,780)
Council Tax Reduction Scheme*	28,800	25,993	(2,807)
Net Cost of Benefits	(127)	(117)	10
Dividend and other interest received	(1,341)	(8,211)	(6,870)
Non-service specific areas total	139,665	120,758	(18,907)
Movements in Reserves			
Net contribution to / (from) earmarked funds	(27,832)	(20,715)	7,117
Contribution to / (from) Capital Fund	(8,759)	(8,759)	0
Movements in Reserves total	(36,591)	(29,474)	7,117
Sources of funding			
General Revenue Grant	(627,905)	(627,905)	0
Distribution from Non-Domestic Rate pool	(249,861)	(249,861)	0
Council Tax **	(323,632)	(333,473)	(9,841)
Sources of funding total	(1,201,398)	(1,211,239)	(9,841)
Transfer (to) / from earmarked reserves	0	(13,748)	(13,748)

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 £2.807m were transferred to an earmarked reserve.

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

MANAGEMENT COMMENTARY

Financial Performance - continued

Revenue - General Fund - continued

On 24 February 2022, the Council set a **balanced budget for 2022/23** but with the delivery of approved savings and the prompt identification and management of underlying or emerging pressures key to maintaining financial stability in the year. In total, the approved budget was predicated on the delivery of some £18.3m of directorate-specific and corporate savings.

Covid-19 Financial Impact and overall outturn

While the financial effects of the pandemic continued the reducing trend apparent in 2021/22, these impacts remained significant in 2022/23. The net cost to the Council during the year, including exposure through its Arm's-Length External Organisations (ALEOs), was some £19m. The largest single contributors were the loss of the Lothian Buses dividend of £6m, a reduction in parking income, net of enforcement costs, of £3.9m, additional homelessness expenditure of £3.0m and further support for Edinburgh Leisure of £3.0m. The budget framework assumes a reducing drawdown of COVID-related reserves funding for each of the next four years, the adequacy of which will be kept under review.

Taken as a whole, an in-year Council-wide underspend of £13.7m was achieved. Service areas overspent by some £7.9m (although when Homelessness services pressures of £11.2m were excluded, the three main service areas all recorded slight underspends) alongside in-year energy cost pressures of £5.7m. These were offset by £9.8m of additional Council Tax income (representing a combination of high in-year collection rates and a reduction in required bad debt provision for previous years), £8.2m of other corporate savings, including application of the budget framework risk contingency, £5m of unbudgeted income from the Millerhill Recycling and Energy Recovery Centre off-take agreement and £4.3m of net savings in loans charges, interest and investment income.

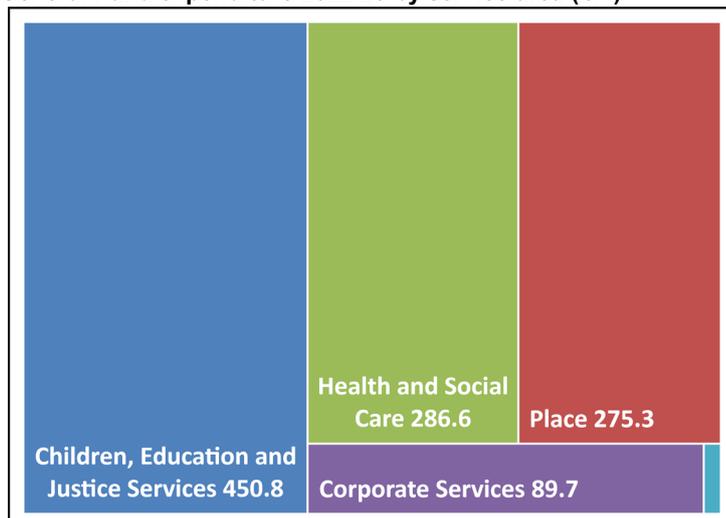
In overall terms, 98% of approved savings were delivered during the year. This marked a continuing improvement on the equivalent figures for 2021/22 (89%), 2020/21 (82%), 2019/20 (77%) and 2018/19 (60%).

Principal Sources of Funding - General Fund

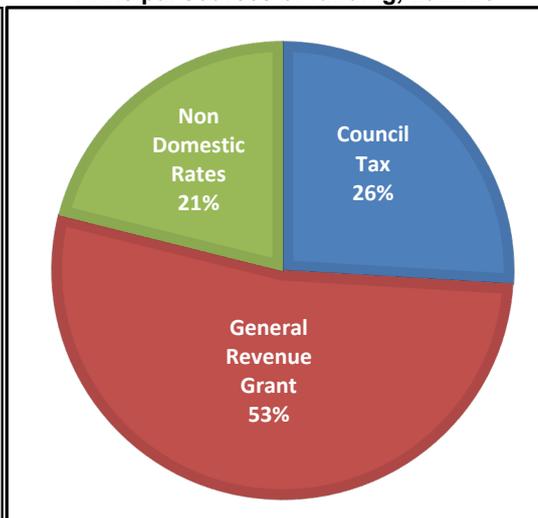
The principal sources of funding used by the Council during the year were:

	£000
Council Tax, net of Council Tax Reduction Scheme (CTRS) <i>(property-related tax from households)</i>	307,480
General Revenue Grant <i>(Government revenue grant funding based on city's relative needs assessment)</i>	627,905
Distribution from Non-Domestic Rates pool <i>(property-related tax primarily from businesses)</i>	249,861
Total	1,185,246

General Fund expenditure 2022/23 by service area (£m)*



Principal sources of funding, 2022/23



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

MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

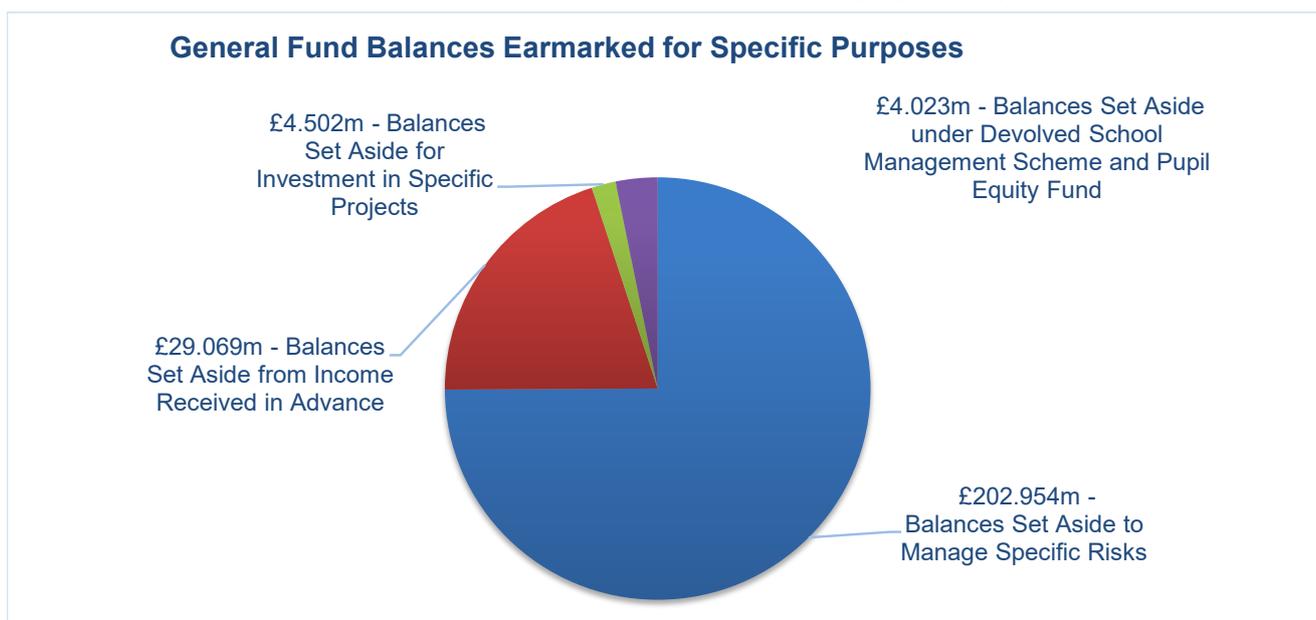
The Council's General Fund reserves comprise two elements:

- 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 2023, as part of the 2023/24 budget-setting process. The unallocated General Fund balance at 31 March 2023 was £25.831m, which equates to 2.15% of annual budgeted net expenditure.

In addition, the Council has a further £240.548m (2021/22 £228.224m) 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.



- Balances set aside for specific financial risks which are likely to arise in the medium-term future. Examples include monies earmarked for staff release costs, dilapidations and other related contractual commitments and the insurance fund. The sums shown above include £33.317m of non-service specific COVID-related funding to be applied against expenditure and income losses in future years;
- Balances set aside from income received in advance are primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof. The sums above include £4.381m of service-specific COVID-related funding carried forward to be offset against expenditure in 2023/24, primarily in respect of the Discretionary Business Fund;
- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years, such as Spend to Save. These savings are used, initially, to replenish the earmarked balances; and
- Balances held under the Devolved School Management scheme (DSM) and Pupil Equity Fund (PEF), which permits balances on individual school budgets to be carried forward to the following financial year and academic years.

While the overall balance of reserves held for specific purposes increased slightly during the year, this reflected the in-year underspend of £13.748m, the majority of which has been transferred to the Council Priorities Fund.

Other Reserves

The Council holds other usable reserves; these are the Capital Grants Unapplied Account with a balance of £31.189m, the Capital Fund with a balance of £42.194m and the Renewal and Repairs Fund with a balance of £37.430m, including £3.885m of monies for schools prepaid under PPP arrangements. These sums are used to support capital investment across the Council's property estate.

MANAGEMENT COMMENTARY

Financial Performance - continued

Financial Ratios

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

Council Tax	2022/23	2021/22	Notes on interpretation of ratios
In-year collection rate	97.13%	96.77%	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 have increased from levels achieved in prior years.
Council Tax income as a percentage of overall funding	25.94%	25.45%	This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS) support. While Council Tax rates increased in 2022/23, the proportional increase was similar to prior years.
Debt and Borrowing - Prudence			Notes on interpretation of ratios
Capital Financing Requirement	£2,025.9m	£1,902.9m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets and shows an increase of around 6% during the year. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 37 to the Financial Statements.
External debt levels	£1,680.9m	£1,736.1m	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. (Excludes Right of Use Assets) 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	7.18%	6.80%	These ratios show the proportion of total revenue funding that is used to meet financing costs.
Financing costs to net revenue stream - HRA	33.79%	32.04%	
Impact of capital investment on Council Tax	2.49%	-0.73%	These ratios show incremental impact of financing costs, the increase or (decrease) in financing costs from the previous financial year, as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA. The ratios for 2022/23 reflect the effect of increased capital expenditure and rates.
Impact of capital investment on house rents	2.38%	-0.32%	

Treasury Management Strategy

The **Annual Treasury Management Strategy 2023/24** was approved on 16 March 2023. The key points are:

- the Council's total capital expenditure is forecast to be £2.473 billion between 2022/23 and 2027/28;
- the Council's underlying need to borrow at 31 March 2028 is forecast to be £2.321 billion;
- the Council will continue to fund its Capital Financing Requirement from temporary investment balances over the next year.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Strategy

The **Sustainable Capital Strategy 2023-33 - Annual Report** was approved at Full Council on 16 March 2023. The report provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services and is linked to a number of other key plans and policies such as the Annual Treasury Strategy, the Capital Investment Programme and HRA Budget Strategy.

The Capital Budget Strategy has been reviewed in light of COVID-19, the war in Ukraine, cost of living crisis and the Council's priorities and Council Business Plan.

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

The 2022/23 outturn position for capital expenditure is summarised below:

	Budget 2022/23 £000	Actual 2022/23 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	284,097	287,795	3,698
Housing Revenue Account	<u>118,755</u>	<u>121,335</u>	<u>2,580</u>
Total capital expenditure	<u>402,852</u>	<u>409,130</u>	<u>6,278</u>
Capital receipts and other contributions			
- General Fund services	(17,565)	(23,078)	(5,513)
- Housing Revenue Account	(27,288)	(36,878)	(9,590)
Government and other grants			
- General Fund services	(149,151)	(149,935)	(784)
- Housing Revenue Account	<u>(9,137)</u>	<u>(37,679)</u>	<u>(28,542)</u>
Total capital income	<u>(203,141)</u>	<u>(247,570)</u>	<u>(44,429)</u>
Balance to be funded through capital advances			
- General Fund services	117,381	114,782	(2,599)
- Housing Revenue Account	<u>82,330</u>	<u>46,778</u>	<u>(35,552)</u>
Total advances from loans fund	<u>199,711</u>	<u>161,560</u>	<u>(38,151)</u>

At budget setting, the gross General Fund capital budget was reduced by £21.694m to reflect anticipated slippage in the capital programme, however actual slippage was £17.996m therefore, as delivery of the programme has exceeded expectations, this has resulted in budget acceleration of £3.698m. Of the actual slippage, Asset Management Works was the biggest contributor (£8.105m), followed by the Fleet (£4.672m) and Depot Rationalisation (£4.206m) programmes. Increased costs of the North Bridge Refurbishment have led to an overspend in 2022/23 of £3.540m, however this has been addressed in the 2023-33 Sustainable Capital Strategy. This and other acceleration of spend in Roads and Transport infrastructure has been offset by slippages elsewhere in the capital programme.

Delivery of the 2022/23 HRA Capital Programme is largely in line with the budget revised at Month 3 which took into account latest forecasts. Some small slippages in the housebuilding programme were offset by the purchase of a number of homes at Dreghorn for £5.792m which has led to budget acceleration of £2.580m. The much anticipated purchase of land at Liberton Hospital completed within the year at a cost of £15.605m including fees. Again, the capital advances were less than budget due to increased receipts.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure

The Council received £52.471m of general capital grant during 2022/23, £9.7m of which has, as with other local authorities, been transferred to the Capital Fund and subsequently allocated to the Pay Award. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £409.130m. Major capital projects undertaken during the year included:

- Creation and expansion of educational properties - £46.465m;
- Trams to Newhaven project - £53.419m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £121.335m;
- Roads, carriageways and other transport infrastructure - £65.466m;
- Social housing through the housing development fund - £55.182m;
- Asset Management Works at operational properties - £10.497m;
- The Council's Environmental capital programmes including Waste, Parks and Greenspace, Depot Rationalisation and Fleet - £10.327m; and
- Providing funding for homes for mid-market rent through the Edinburgh Living LLP - £27.400m.

Housing Revenue Account

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

The Council approved the Housing Revenue Account Budget Strategy 2022-2032 on 24 February 2022 and the outline 10-year HRA capital programme with a second rent freeze in a row in 2022/23. It set out an ambitious strategy to deliver a £2.9bn investment over ten years to deliver Council commitments, including the delivery of new homes and net zero carbon emissions. It also agreed an accelerated contribution of £5m to support a programme of fabric upgrades to minimum Energy Efficiency Standard for Social Housing 2 (ESSH2) standard and to a further acceleration of £0.25m to facilitate stock condition survey work, prioritising surveys on the buildings known to have issues with damp.

The HRA revenue account secured income of £108.3m in 2022/23. This represents an over recovery of income against budget of £1.448m. However, when looking solely at income from dwelling rent, this element under-recovered by £2.816m. A significant element was due lost rent on void properties (£1.355m). Despite normal working practices broadly having been resumed in 2022/23, there are a number of challenges still impacting on recovery of the position on void properties (for example in-house and contractor capacity). The remaining under-recovery (£1.460m) was primarily attributable to time taken for property acquisitions to offset disposals in the year, and time to complete and let newly built properties.

The 2022/23 capital programme budget was first revised up from £121.819m to £126.819m to take account of the Council's decision to accelerate investment of £5m on fabric upgrades, but was later revised down to £118.755m at Month 3 forecast following a review to incorporate the most up to date cash flow projection for individual projects and programmes in the new build programme. The year end capital programme outturn for 2022/23 was £121.335m; £2.580m above the Month 3 revised budget and the largest capital spend delivered to date.

The Council Housebuilding Programme delivered just over 300 new homes in 2022/23 at Pennywell and North Sighthill. This included 54 social rented homes, 148 mid-market rented homes that were purchased by Edinburgh Living LLP and 99 homes for market sale. The delivery pipeline for new homes remains strong. There were 613 affordable homes under construction (as of the end of March 2023), and a further 1,054 in the design or pre-construction stage.

Throughout 2022/23 work has been progressing to transition the capital investment programme for existing homes towards a focus on area-based investment, combining wider building improvements and Whole House Retrofit (WHR). The first area-based low rise investment programme was selected for detailed design and development focussing on the Magdalene, Bingham and Christians area. Phase 1a will launch later in 2023/24 in Magdalene.

The WHR Design Principles study was completed in 2022/23 and helped to detail the costs and level of intervention required across the Council's most common housing archetypes to implement a WHR approach and deliver ESSH2. In addition, WHR pilot projects had been planned for a range of deep whole-house retrofit approaches across 10 blocks (52 homes), with the first three archetypes due for site start in spring 2023.

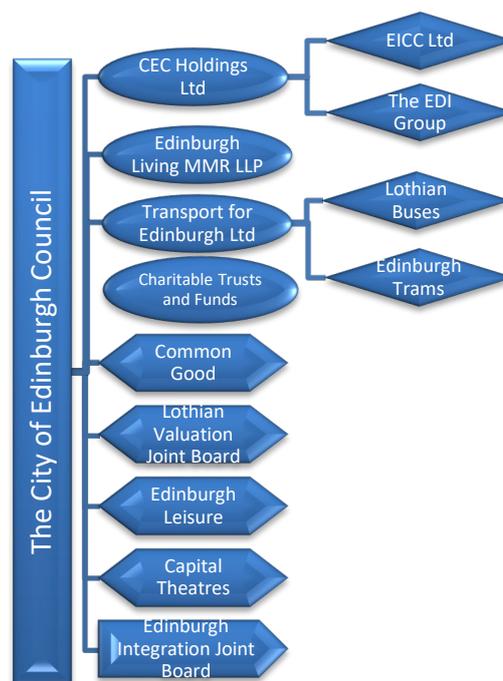
The Mixed Tenure Improvement Service (MTIS) pilot in Murrayburn/Dumbryden consists of 10 phases over three years. To date a total of 911 homes including 233 private and 678 Council homes in phases 1 to 8 are either complete or currently undergoing works to retrofit and improve the blocks. The MTIS Programme will move into its final year of works in 2023/24, with phases 9 to 11 to be progressed across Murrayburn, Dumbryden and Hailesland targeting a further 380 homes.

MANAGEMENT COMMENTARY

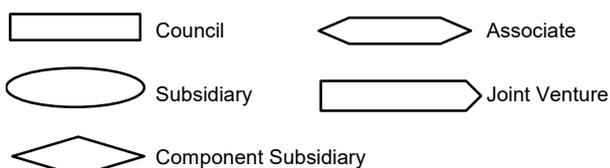
Financial Performance - continued

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 117.



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 2023 and beyond until such time as all projects currently being undertaken by EDI have either concluded or have been transferred to the Council.

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

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

At the outset of 2022 the company anticipated a challenging and uncertain financial year given the continued presence of Covid-19, budgeting for an operating surplus of £0.2m for 2022 based on, amongst other things: the level of contracted bookings that had been secured for the year including the NHS in the first quarter; the expected bookings that could be secured in the year for the year; the uncertainty with regards expenditure specifically the level of forecasted inflation and impact on utilities cost and the extension of Non-Domestic rates relief until March 2022.

The year to December 2022 saw the Company produce operating profits significantly ahead of budget due to the sales team securing the required business for the year. This was achieved despite the depressed economic outlook, increased levels of competition within the UK and from across the world and aggressive price competition. The Conference Centre held 175 events in 2022, these events varied enormously in their size, duration, diversity and profitability. As well as holding conferences, meetings and exhibitions, the Conference Centre hosted, amongst other things: NHS vaccination centres; celebrity evenings; a variety of award ceremonies; dance competitions; ballet performances; comedy shows; comic book and horror movie exhibitions; theatre-circus performances; food and drink fairs; and university examinations.

The Company made significant progress towards its aim of operating a hotel, in close proximity to the Conference Centre, during the year. It is believed that this is essential in order to provide the necessary funding for the Conference Centre's long-term capital expenditure programme. An agreement for lease with the developer and a franchise agreement with the hotel brand were completed and signed off in April 2022. Construction commenced in August with the hotel due to open in late 2025. A new fully owned subsidiary, Edinburgh International Conference Centre Hotels Ltd, was incorporated in February prior to the formal sign off of the various agreements.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Edinburgh Living MMR LLP

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

Edinburgh Living bought its first homes in January 2019 and owned 502 homes across nine sites in the city by the end of December 2022.

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 in 2022. Revenue has increased by 15.4% from the previous year to £181.5m which was in line with expectations following the Covid-19 pandemic. This was primarily due to the fact that patronage has not returned to pre-Covid levels and patterns of public transport use are different to those seen pre-Covid. Throughout 2022, Transport for Edinburgh continued to receive some funding support from Scottish Government via Transport Scotland.

During 2020, it was agreed that a reform of the Council's Transport ALEOs should be initiated, the purpose of the reform was to identify an organisational structure that will deliver optimal integration of the Council's public transport companies to ensure delivery against Council policies and objectives. A Short Life Working Group (SLWG) was convened to develop a preferred course of action in respect of reform. The group proposed that Lothian Buses be reconstituted to be responsible for the management of all Council-owned public transport models in the city whilst retaining the brands and services of each of the transport companies. The proposal was agreed and formal project management support has been employed to develop a detailed Project Execution Plan to implement these reforms, with the hope that they will be completed by early 2024.

Lothian Valuation Joint Board (LVJB)

The Board reported expenditure of £6.384m for 2022/23. This required a net drawdown of £0.155m from the Board's Reserves. Additional employee expenditure of £0.132m was incurred due to the cost of the COSLA pay award for 2022/23. A reduced level of employee turnover was partially offset by reduced National Insurance costs. The Board retains a General reserve of £1.294m. £0.180m is retained to meet the Board's commitment to a minimum level of Reserve of 3%. A balance of £0.311m relates to NDR Reform, with the remainder of the Board's Reserve retained to support costs of the Continual Improvement Programme in future years.

Edinburgh Leisure

Edinburgh Leisure is a charity dedicated to making a positive difference by creating opportunities for everyone to get active, stay active and achieve more. During the year, Edinburgh Leisure had over five million customer visits across fifty venues, offering hundreds of activities and opportunities for people who live, work and visit Edinburgh, to get active and protect their own health and wellbeing.

For Edinburgh Leisure, the key focus for 2022/23 was the opening of Meadowbank Sports Centre and delivering on the potential that this new state of art venue offers. The charity reported an underlying surplus on unrestricted funds of £1.481m.

Edinburgh Leisure continued to work with the Council and other stakeholders on a range of projects during the year, including the Active Communities Programme which supports around 10,000 people a year to get active to improve their health and wellbeing. The programme includes initiatives including Open all Hours which offers teenagers the chance to get active, make friends and have fun on Friday evenings for free and YouCan which focuses on care experienced young people primarily aged between 14-26 and helping them improve their physical, mental and emotional health.

Capital Theatres

2022/23 was the first period since Covid-19 where Capital Theatres did not suffer an enforced closure, however, the aftershocks of the pandemic could still be felt, particularly at the beginning of the year, with the rescheduling of shows, rebuilding of audience confidence and last-minute show cancellations due to infections in show casts. However, by the end of 2022/23 the programme, audience figures and income were recovering and feeling more robust.

During 2022/23 the artistic reputation of Capital Theatres grew by staging six co-productions in both their own theatres and other venues across Scotland. At the end of the financial year, the organisation attained one of its biggest achievements, by securing the Scottish Premier of 'Hamilton', one of the biggest shows in the world.

The Capital Theatres creative engagement also expanded with the introduction of the new talent development programme called Open@The Studio aimed at local theatre makers and producers forging their own way in the industry. In addition to the award-winning dementia-friendly events, further focus was placed on audience development and inclusion with the establishment of a Youth Advisory Board.

Another significant event during the financial year was the fundraising campaign for the redevelopment of the King's Theatre that was held across a variety of stakeholders. The campaign secured the funds required to allow the redevelopment project to proceed as planned.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

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 2023, see note 9.4.

The Edinburgh Integration Joint Board agreed its strategic plan for 2019-22 in August 2019. A comprehensive programme of redesign and transformation was designed to deliver the vision set out in the strategic plan, working in tandem with other core strategies such as Carers, Thrive Edinburgh (mental health) and the Primary Care Improvement Plan (PCIP). This programme has been a key delivery mechanism for the ambitions set out in the strategic plan. It is a wide-ranging and ambitious programme of whole system change, which is transforming ways of working and delivering high quality and sustainable health and social care services for our citizens. Over the next stage of the strategic planning cycle, priorities and planned actions will be refined and adjusted where necessary and any identified gaps will be closed. The next EIJB strategy is under review. Publication of the refreshed plan is being delayed to ensure sufficient time to take account of the emerging financial context and approach to change and transformation going forward.

For the year to 31 March 2023, the EIJB reported an in-year deficit of £58m in the annual accounts, reflecting timing differences, with income received in 2021/22 to offset expenditure incurred during the year, resulting in an overall balanced position.

The City of Edinburgh Charitable Trusts and City of Edinburgh Charitable Funds

Due to the City of Edinburgh Council acting as sole trustee for the City of Edinburgh Charitable Trusts and Funds, it has been consolidated into the Group accounts as a subsidiary for the year to 31 March 2023.

The City of Edinburgh Council administers six charitable trusts, as listed below, which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR).

The funds are:

Scottish Registered Charities	Scottish Charity Registration Number
Lauriston Castle	SC020737
Jean F. Watson	SC018971
Edinburgh Education Trust	SC042754
Nelson Halls	SC018946
The Royal Scots Trust	SC018945
Boyd Anderson	SC025067

Approval has been granted to wind up the Boyd Anderson Trust once all of the trust's funds are fully distributed, therefore, the Boyd Anderson Trusts is not considered as a going concern.

Group Summary

Net assets for 2022/23 include a combined group pension liability of £181.623m (2021/22 £118.792m), as shown in note 41.9. This reflects the inclusion of pension liabilities relating to the Council, other employees (including subsidiary companies) and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. It should be noted that this is a snapshot of the position at 31 March 2023. 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

Financial Performance - continued

COVID-19 Impact and Benchmarking

The Council continued to provide vital pandemic-related support to communities and businesses during 2022/23.

An overview of the 2021/22 benchmarking data provided by the **Scottish Local Government Benchmarking Framework (LGBF)** was reported to the Policy and Sustainability Committee on 23 May 2023. The report reflects the impact of the second year of Covid-19, providing an overview of Edinburgh's recovery as Covid-19 restrictions eased, and how this is reflected in the data during 2021/22, as well as a longer-term comparison with pre-Covid performance. The data analysis will be used to inform Senior Management Team discussions and the Council Planning and Performance Framework.

A report to the Finance and Resources Committee on 7 February 2023 provided a summary of the main issues and themes identified within the **Accounts Commission's Financial Bulletin 2021/22** published on 12 January 2023, and how these relate to the local context within Edinburgh. These included the following:

- an increasing proportion of external grant funding is either formally ring-fenced or provided with the expectation it will be spent on specific services;
- in-year collection rates for Council Tax have broadly returned to pre-pandemic levels; and
- the Council continues to face significant financial pressures resulting from increased demand for services, inflation, legislative reform and the on-going financial impacts of the pandemic, with these factors being set against a backdrop of core grant funding that is not increasing.

In the **Accounts Commission's Overview of Local Government** published in May 2023, it was reported that "Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services."

Climate Change and Sustainability

The Council published its **2030 Climate Strategy** in December 2021 with an ambitious target for Edinburgh to become a net zero city by 2030. This means that by 2030, we want to remove the same amount of greenhouse gases that we, as a city, put into the air. The 2030 target recognises the need for Edinburgh to play its part in helping to deliver on national goals to reduce emissions, with cities having to make faster progress on reducing greenhouse gas emissions if Scotland is to meet its national 2045 net zero target. Our longer-term vision for a greener, cleaner, fairer Edinburgh will only be possible through working with others, with people from across the city, across the Council and across our partners. There is a lot that needs to be done to deliver a net zero, climate ready capital but our focus will always be on making Edinburgh a better place to live, work and visit.

The **2030 Climate Strategy Environmental Assessment and Annual Review** provided the Policy and Sustainability Committee with an update report in November 2022. This included findings from the consultation process, proposed actions in response to the findings and an overview of key work undertaken to date.

The most significant climate impacts identified for Edinburgh are rising sea level and coastal erosion, heavy rainfall and storms, river flooding, surface-water flooding, drought, temperature change and heatwaves, wildfires, landslides and subsidence and multi-hazards affecting people, species and habitats. These impacts will result in risks to coastal communities, housing, cultural heritage assets, infrastructure assets, coastal habitats, transport infrastructure, business activity and communication services, other buildings (including schools and hospitals) within floodplains, water availability, local river water quality, wetland or loch environments, flora and fauna, food production, public health and wellbeing (heat stress, air and water quality), water and energy demand due to higher temperatures and biodiversity.

The **Sustainable Capital Budget Strategy 2023-2033** sets out priorities for £1.47bn of Council capital investment, in alignment with the Council Business Plan and our wider net-zero goals and responsibilities over the medium to long-term. A climate assessment has been carried out for capital spending proposals with 25% assessed as very favourable, 34% favourable under conditions, 33% neutral, 4% unfavourable and 4% undefined. Investments made for the construction of new buildings are evaluated using three criteria:

- (i) energy-carbon performance of the construction in relation to the standard in force;
- (ii) land use change or soil artificialisation (the construction should not waterproof the soil or change the use of agricultural, forest or natural land); and
- (iii) access to essential services

Updated RICS Valuation Standards effective from January 2022 have been incorporated in the Council's asset valuation procedures. Environmental and sustainability information obtained from the Energy Team (including building-specific emissions data and Energy Performance Certificates) is used to inform assessments of remaining useful lives (RULs) for all buildings revalued in a given year. These assessments take into account planned programmes of property retrofitting with net-zero measures. As a result, both Environmental, Social and Governance definitions and sustainability have been taken into account in the calculation of asset valuations and RULs.

MANAGEMENT COMMENTARY

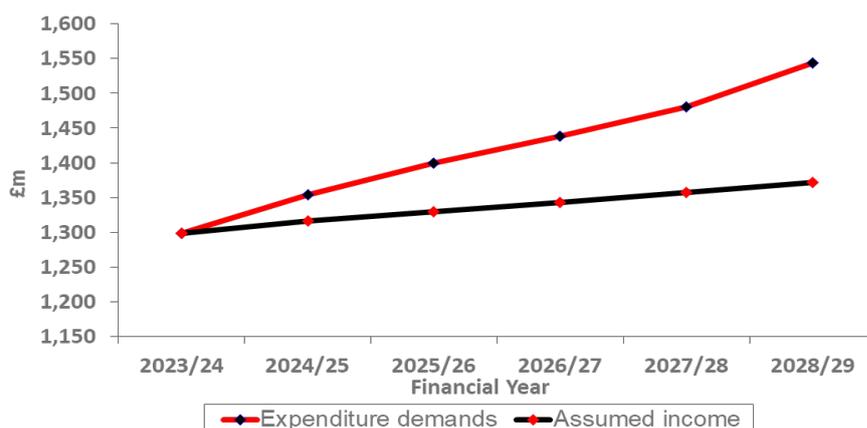
The latest **Performance Update Report** to the Policy and Sustainability Committee on 17 November 2022 provides an update on the Key Performance Indicators and Milestones associated with the Council's three main priorities: Wellbeing and Equalities; Ending Poverty by 2030; and Becoming a sustainable and net zero city.

Medium-term financial planning

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

A series of assessments of the financial position has been reported to elected members. The most recent of these was considered by the Finance and Resources Committee on 20 June 2023.

While the Council has approved a balanced budget for 2023/24, we face significant financial challenges going forward. Current projections indicate a need to deliver at least £37.6m of recurring savings in 2024/25, increasing to £172.7m over the five-year period to 2028/29 as shown in the chart below:



The urgent need to initiate a structured medium to longer-term savings programme was highlighted in both the Council's Best Value Assurance Report and the external auditor's report for 2020/21. Development of the Council's Medium-Term Financial Plan (MTFP) will therefore place a greater emphasis on strategic and cross-cutting proposals, informed by the priorities included within the Business Plan, as a means of improving outcomes and ensuring continuing financial sustainability. The plan also emphasises the importance of the Council's services becoming more technologically enabled and digitally delivered, with a reorientation of work to focus, where appropriate, on more preventative practices. An update on development of the Plan was reported to the Finance and Resources Committee on 20 June 2023.

CIPFA Financial Management Code (FM Code)

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

Focus has been maintained to embed improvements introduced through the 2021/22 and 2022/23 budget processes including:

- (i) Maintaining an increased level of unallocated general reserve;
- (ii) Incorporating explicit revenue budget provision for exceptional inflationary pressures and underlying service pressures including temporary accommodation for homeless households;
- (iii) Continuing to reflect the ongoing impacts of the pandemic, particularly for losses of income; and
- (iv) Earlier publication of the schedule of proposed fees and charges for 2023/24.

Improvements then introduced for the 2023/24 process include the following:

- (i) Progress in the identification of service revenue budget savings with £13.4m of new service savings options approved in setting a balanced revenue budget for 2023/24;
- (ii) Improved financial performance in service revenue budgets with the provisional outturn for 2022/23 showing services delivered within the approved revenue budgets across the Place; Children, Education and Justice; and Corporate Services Directorates;
- (iii) The establishment of a formal change programme is underway to support the development of the Council's Medium-Term Financial Plan (MTFP). The Year 1 focus will include the Social Care Operating Model, Inclusion Services and the HR / Pay Core System. The MTFP remains in the formative stage and the Council's Leadership Team supported by service managers will need to develop realistic and robust savings options to address projected medium-term funding gaps; and
- (iv) Assessing the congruence of the capital investment programme to our wider net-zero goals and responsibilities.

MANAGEMENT COMMENTARY

Medium-term financial planning - continued

Further initiatives are completed or underway to support the Council's Section 95 Officer's assessment and further strengthen financial management arrangements including:

- (i) Positive outcomes from Internal Audit reviews of financial management arrangements for both the Council's Capital Investment Programme and Housing Revenue Account;
- (ii) A Financial Management customer survey has recently been completed based on CIPFA FM Code and will be used to agree and implement improvement actions. Areas for development are likely to include: greater use of benchmarking and other techniques to assess the value for money of services and to identify opportunities for improvement; and development of training necessary to support budget management including training in the use of core financial management systems;
- (iii) Updated Financial Management guidance is being finalised and will incorporate additional guidance on the Capital Investment Programme and Housing Revenue Account; and
- (iv) Business cases to recruit additional professional accounting staff have been approved to recognise additional workload, risk and complexity relating to the Council's Capital Investment Programme and areas of the revenue budget including Housing, Refugee Support and Homelessness.

The **Sustainable Capital Budget Strategy 2023 - 2033** details the priorities for Council capital investment, in alignment with the Business Plan, over the medium to long-term, and sets out a plan on how this could be funded. The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects. Funding assumptions have been reviewed, but there are limited opportunities to increase the level of funding to address inflationary pressures. It is therefore proposed that, where possible, budgets are cash limited, uncommitted learning estate projects are delayed pending the development of fully funded business plans and Balerno High School undergoes a retrofit, rather than a full replacement. Delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget, to comply with the terms of the Prudential Code.

Financial flexibilities - service concession arrangements

In June 2022, the Cabinet Secretary for Finance and the Economy agreed to the main elements of COSLA's request on changes to accounting for service concession arrangements as part of making available a wider suite of financial flexibilities, thus allowing councils to spread the principal element of capital repayments over the (longer) asset life as opposed to the existing contract term. It is important to emphasise, however, that this mechanism is a timing-related one that merely spreads an unchanged overall level of liability over a longer period. Council approval of this change as part of setting the 2023/24 budget will result in the transferring to a usable reserve (in 2023/24) of an estimated retrospective benefit up to 31 March 2023 of some £94.7m, with this benefit then applied equally over a five-year period. Timing-related savings generated going forward will be ringfenced both to provide for additional repairs and maintenance liabilities when the assets revert to Council ownership, consistent with the assumed extended asset lives, and to mitigate future principal repayment liabilities.

Change Strategy and Business Plan

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

As recommended in the report, the Council amalgamated its Change Strategy into its Business Plan which was approved in 2021. The Business Plan also addressed the other recommended improvement actions included in the BVAR.

In 2023, a new **Business Plan** was approved for 2023 - 2027, and this continues to meet the BVAR recommendations on aligning the Council's strategic direction.

In order to achieve the outcomes and objectives that the Council's services aim to deliver in 2023 - 2027, the Business Plan sets out the following key strategies:

- **2030 Climate Strategy**
- **Edinburgh Economy Strategy**
- **20 Minute Neighbourhoods Strategy**
- **Edinburgh Learns for Life**
- **Our People Strategy**
- **Digital and Smart City Strategy**
- **Sustainable Procurement Strategy**
- **Equality and Diversity Framework**

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Section 95 Officer's responsibilities

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

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

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

The Section 95 Officer has also:

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

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2023.

HUGH DUNN, CPFA
Service Director: Finance and Procurement
Section 95 Officer

Date:

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 2022/23	General Fund Balance	Housing Revenue Account Balance	Renewal and Repairs Fund	Capital Grants Unapplied Account	Capital Fund	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2022/23	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022	257,205	0	50,407	46,994	42,550	397,156	3,067,842	3,464,998
Movement during 2022/23								
Total Comprehensive Income and Expenditure	(112,861)	12,079	0	0	0	(100,782)	1,354,125	1,253,343
Adjustments to Usable Reserves permitted by accounting standards	68,364	5,420	0	0	0	73,784	(73,784)	0
Adjustments between accounting basis and funding basis under regulations (Note 11)	69,165	(36,270)	0	(15,805)	(10,056)	7,034	(7,034)	0
Net increase / (decrease) before transfers to statutory reserves	24,668	(18,771)	0	(15,805)	(10,056)	(19,964)	1,273,307	1,253,343
Transfer (to) / from other statutory reserves (Note 12.3)	(15,494)	18,771	(12,977)	0	9,700	0	0	0
Increase / (decrease) in year	9,174	0	(12,977)	(15,805)	(356)	(19,964)	1,273,307	1,253,343
Balance at 31 March 2023	266,379	0	37,430	31,189	42,194	377,192	4,341,149	4,718,341

Group - 2022/23	Total Usable Reserves	Total Unusable Reserves	Council Total Reserves	Group Reserves	Minority Interest	Total Reserves
2022/23	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022	397,156	3,067,842	3,464,998	223,955	15,562	3,704,515
Charitable Trusts Opening Reserves				16,127		16,127
	397,156	3,067,842	3,464,998	240,082	15,562	3,720,642
Movement during 2022/23						
Total Comprehensive Income and Expenditure	(100,782)	1,354,125	1,253,343	(53,057)	0	1,200,286
Adjustments to Usable Reserves permitted by accounting standards	73,784	(73,784)	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	7,034	(7,034)	0	0	0	0
Net increase / (decrease) before transfers to statutory reserves	(19,964)	1,273,307	1,253,343	(53,057)	0	1,200,286
Transfer (to) / from other statutory reserves	0	0	0	0	0	0
Minority interest and other consolidation adjustments	0	0	0	(3,456)	(3,740)	(7,196)
Increase / (decrease) in year	(19,964)	1,273,307	1,253,343	(56,513)	(3,740)	1,193,090
Balance at 31 March 2023	377,192	4,341,149	4,718,341	183,569	11,822	4,913,732

MOVEMENT IN RESERVES STATEMENT

Re-stated Council	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Grants Unapplied Account £000	Capital Fund £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
2021/22 Comparative Data								
Balance at 31 March 2021	221,033	0	41,162	47,949	49,731	359,875	2,310,236	2,670,111
Movement during 2021/22								
Total Comprehensive Income and Expenditure	(265,059)	24,337	0	0	0	(240,722)	1,035,608	794,886
Adjustments to Usable Reserves permitted by accounting standards	38,372	291	0	0	0	38,663	(38,663)	0
Adjustments between accounting basis and funding basis under regulations (Note 11)	263,449	(15,975)	0	(955)	(7,181)	239,338	(239,338)	0
Net increase / (decrease) before transfers to statutory reserves	36,762	8,653	0	(955)	(7,181)	37,279	757,607	794,886
Transfer (to) / from other statutory reserves (Note 12.3)	(590)	(8,653)	9,245	0	0	2	(2)	0
Increase / (decrease) in year	36,172	0	9,245	(955)	(7,181)	37,281	757,605	794,886
Balance at 31 March 2022	257,205	0	50,407	46,994	42,550	397,156	3,067,842	3,464,998

Group - 2021/22	Total Usable Reserves £000	Total Unusable Reserves £000	Council Total Reserves £000	Group Reserves £000	Minority Interest £000	Total Reserves £000
Balance at 31 March 2021	359,875	2,310,236	2,670,111	156,121	11,187	2,837,419
Movement during 2021/22						
Total Comprehensive Income and Expenditure	(240,722)	1,035,608	794,886	99,843	0	894,729
Adjustments to Usable Reserves permitted by accounting standards	38,663	(38,663)	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	239,338	(239,338)	0	0	0	0
Net increase / (decrease) before transfers to statutory reserves	37,279	757,607	794,886	99,843	0	894,729
Transfer (to) / from other statutory reserves	2	(2)	0	0	0	0
Minority interest and other consolidation adjustments	0	0	0	(32,009)	4,375	(27,634)
Increase / (decrease) in year	37,281	757,605	794,886	67,834	4,375	867,095
Balance at 31 March 2022	397,156	3,067,842	3,464,998	223,955	15,562	3,704,515

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 2023

Re-stated 2021/22 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES				
462,825	Children, Education and Justice Services		571,539	(124,213)	447,326
540,434	Place *		759,290	(290,301)	468,989
(16,935)	Housing Revenue Account		119,832	(107,958)	11,874
266,334	Health and Social Care		707,702	(408,248)	299,454
97,566	Corporate Services		123,175	(18,635)	104,540
3,833	Lothian Valuation Joint Board		3,817	0	3,817
(349)	Net cost of benefits		160,688	(160,805)	(117)
11,940	Other non-service specific costs		8,630	1,839	10,469
6,703	Subsidiary Companies		193,954	(198,417)	(4,463)
1,372,351	COST OF SERVICES		<u>2,648,627</u>	<u>(1,306,738)</u>	1,341,889
(3,255)	Gains on disposal of non-current assets				(335)
83,749	Financing and Investment Income and Exp.	13.			49,295
(1,206,662)	Taxation and Non-Specific Grant Income	14.			(1,302,254)
246,183	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				88,595
(29,297)	Associates and Joint Ventures Accounted for on an Equity Basis				29,107
3,670	Taxation of Group entities	14.			(671)
<u>220,556</u>	GROUP (SURPLUS) / DEFICIT				<u>117,031</u>
(471,108)	Surplus on Revaluation of Non-Current Assets			(474,726)	
(287,525)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(6,513)	
(276,974)	Changes in Financial and Demographic Assumptions / Other Experience			(872,886)	
(79,678)	Other Unrealised (Gains) / Losses			36,808	
(1,115,285)	Other Comprehensive Income				(1,317,317)
<u>(894,729)</u>	TOTAL COMPREHENSIVE INCOME				<u>(1,200,286)</u>

* Homelessness was reported separately last year, now in Place

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 2023		
Re-stated 2021/22		Gross Expend.	Income	Net Expend.
£000	SERVICES	£000	£000	£000
	Notes			
462,825	Children, Education and Justice Services	571,539	(124,213)	447,326
540,434	Place *	759,290	(290,301)	468,989
(16,935)	Housing Revenue Account	119,832	(107,958)	11,874
266,334	Health and Social Care	707,702	(408,248)	299,454
97,566	Corporate Services	123,175	(18,635)	104,540
3,833	Lothian Valuation Joint Board	3,817	0	3,817
(349)	Net cost of benefits	160,688	(160,805)	(117)
9,017	Other non-service specific costs	8,630	5,839	14,469
<u>1,362,725</u>	COST OF SERVICES	<u>2,454,673</u>	<u>(1,104,321)</u>	1,350,352
(2,405)	Gains on disposal of non-current assets			(143)
87,064	Financing and Investment Income and Exp.	13.		52,827
<u>(1,206,662)</u>	Taxation and Non-Specific Grant Income	14.		<u>(1,302,254)</u>
240,722	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			100,782
(471,109)	Surplus on Revaluation of Non-Current Assets		(474,726)	
(287,525)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp		(6,513)	
(276,974)	Changes in Financial and Demographic Assumptions / Other Experience		(872,886)	
<u>(1,035,608)</u>	Other Comprehensive Income			<u>(1,354,125)</u>
<u>(794,886)</u>	TOTAL COMPREHENSIVE INCOME			<u>(1,253,343)</u>
RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION				
£000				£000
(794,886)	Total Comprehensive Income on the Council's Comprehensive Income and Expenditure Statement (CIES)			(1,253,343)
2,082	Subsidiary and associate transactions included in the Council's CIES			(5,983)
(63,249)	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries			33,037
<u>(38,676)</u>	Associates and Joint Ventures			<u>26,003</u>
<u>(894,729)</u>	Group total Comprehensive Income for the year			<u>(1,200,286)</u>

* Homelessness was reported separately last year, now in Place

BALANCE SHEET

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

Re-stated				31 March 2023	
31 March 2022				Group	Council
Group	Council		Notes	£000	£000
£000	£000				
182	182	Intangible Assets	17.	68	68
5,207,583	5,074,222	Property, Plant and Equipment	15.	5,836,880	5,658,779
87,650	19,996	Investment Properties	16.	125,900	21,532
31,426	31,426	Heritage Assets	18.	44,504	31,426
59	59	Assets Held for Sale	23.	120	120
88,072	0	Other Long-Term Assets (Pension)	27.5	623,547	597,500
1,854	21,455	Long-Term Investments	22.	619	20,219
75,674	0	Investments in Associates and Joint Ventures		49,670	0
81,944	152,986	Long-Term Debtors	20.	66,887	162,661
5,574,444	5,300,326	Long-Term Assets		6,748,195	6,492,305
77,105	77,105	Short-Term Investments	22.	15,549	9,995
81	81	Assets Held for Sale	23.	3,813	3,813
39,633	39,633	Financial Assets	42.	36,147	36,147
9,888	3,677	Inventories	19.	9,240	3,981
235,855	220,105	Short-Term Debtors	20.	215,032	198,317
183,225	144,579	Cash and Cash Equivalents	21.	184,587	139,637
545,787	485,180	Current Assets		464,368	391,890
(70,453)	(70,453)	Short-Term Borrowing	42.	(59,744)	(59,744)
(274,723)	(223,102)	Short-Term Creditors	24.	(318,214)	(266,179)
(10,237)	(8,342)	Provisions	25.	(14,424)	(12,909)
(355,413)	(301,897)	Current Liabilities		(392,382)	(338,832)
(1,453,032)	(1,453,032)	Long-Term Borrowing	42.	(1,419,176)	(1,419,176)
(295,706)	(276,529)	Other Long-Term Liabilities	39.1	(362,324)	(298,930)
(23,081)	(23,081)	Long-Term Provisions	25.	(24,477)	(24,477)
(22,515)	0	Deferred Tax		(16,033)	0
(62,144)	(62,144)	Deferred Liability	42.	(84,438)	(84,438)
(203,825)	(203,825)	Other Long-Term Liabilities (Pensions)	27.5	0	0
(2,060,303)	(2,018,611)	Long-Term Liabilities		(1,906,448)	(1,827,021)
3,704,515	3,464,998	Net Assets		4,913,732	4,718,341
3,189,912	3,067,842	Unusable Reserves	27.	4,492,697	4,341,149
514,603	397,156	Usable Reserves	12.	421,035	377,192
3,704,515	3,464,998	Total Reserves		4,913,732	4,718,341

The unaudited financial statements were issued on 16 June 2023 .

HUGH DUNN, CPFA
 Service Director: Finance and Procurement
 Date:

CASH FLOW STATEMENT

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

Re-stated			Year to 31 March 2023	
Year to 31 March 2022			Group	Council
Group	Council	Notes	£000	£000
£000	£000			
		Operating Activities		
246,183	240,722	(Surplus) / Deficit on the Provision of Services	88,595	100,782
3,670	0	Adjustment to (Surplus) / Deficit for Taxation of Group entities	(671)	0
(509,519)	(478,315)	Adjustments to (Surplus) / Deficit on the Provision of Services for non-cash	(358,863)	(332,957)
81,007	77,693	Adjustments for items included in the (Surplus) / Deficit on the Provision of Services that are investing or Financing	120,778	117,246
<u>(178,659)</u>	<u>(159,900)</u>	Net cash flows from operating activities	<u>(150,161)</u>	<u>(114,929)</u>
		Investing Activities		
310,245	275,652	Net cash flows from investing activities	30. 157,348	123,309
<u>(118,834)</u>	<u>(94,773)</u>	Net cash flows from financing activities	31. <u>(8,144)</u>	<u>(3,438)</u>
<u>12,752</u>	<u>20,979</u>	Net decrease / (increase) in cash and cash equivalents	<u>(957)</u>	<u>4,942</u>
<u>(195,977)</u>	<u>(165,558)</u>	Cash and cash equivalents at 1 April	(183,225)	(144,579)
		CEC Trusts Cash and cash equivalent at 1 April	(405)	
		Total Cash and cash equivalents at 1 April	<u>(183,630)</u>	<u>(144,579)</u>
<u>(183,225)</u>	<u>(144,579)</u>	Cash and cash equivalents at 31 March	21. <u>(184,587)</u>	<u>(139,637)</u>
<u>12,752</u>	<u>20,979</u>	Net decrease / (increase) in cash and cash equivalents	<u>(957)</u>	<u>4,942</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts summarise the authority's and the authority's group transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The authority is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that these accounts be prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and supported by International Financial Reporting Standards (IFRS).

1.1 Material Items

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

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

1.2 Recognition of Income and Expenditure

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

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

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

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

1.3 Value Added Tax

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

1.4 Overheads

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

1.5 Going Concern

The Council's Statement of Accounts for 2022/23 has been prepared on a going concern basis. The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2022/23), the Council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.6 Events after the balance sheet date

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

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

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

1.7 Prior period adjustments, changes in accounting policies and estimates

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

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

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

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

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

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

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

1.9 Right of Use Assets

The Council has adopted IFRS16 (Leases) with effect from 1 April 2022. The adoption of the new standard resulted in the balance sheet recognition of a right-of-use asset and related lease liability in relation to all former operating leases. The Council has elected to apply recognition exemptions to low value assets (below £10,000 when new) and to short-term leases i.e. existing leases that expire on or before 31 March 2024, and new leases with a duration of less than 12 months. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2022 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.10 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.

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.

1.11 Property, Plant and Equipment

• Categories of Assets

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

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

• Recognition

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

Interest costs associated with qualifying assets are capitalised to better match costs to income streams, with an approved de minimis limit of £2m.

• Measurement

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

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

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

• 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

1.11 Property, Plant and Equipment - continued

- **Depreciation**

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

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

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

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

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

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

The Council is not required to raise Council Tax to cover depreciation or impairment losses.

Depreciation and impairment losses are therefore a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account.

- **Revaluations**

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

The Council has reviewed the potential for indexation of the Other Land and Buildings within our asset base and it was deemed by our senior surveyors and external advisors that in their professional judgement, an indexation of 8.9% should be applied to build cost components of Other Land and Buildings that are not revalued in the year, to reflect the conditions in the external market.

- **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.

The Scottish Government issued a Statutory Override under section 12(2)(b) of the Local Government in Scotland Act 2003 to manage historic issues surrounding the derecognition of Infrastructure asset components, which had the potential for the gross cost of assets to be overstated, albeit that the Net Book Value was still materially correct. The Council has adopted the Statutory Overrides in full, but particularly relevant to derecognition is Override 2, which is detailed overleaf:-

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.11 Property, Plant and Equipment - continued

• De-recognition - continued

Statutory Override 2

For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

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.

1.12 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.

1.13 Group Account Consolidation

The group has reviewed its investments in other entities and has determined to consolidate the City of Edinburgh Council Charitable Trusts and Funds into the Group accounts with effect from 1 April 2022.

Group accounts have been prepared on the following basis:

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

NOTES TO THE FINANCIAL STATEMENTS

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

The Code requires implementation from 1 April 2023 and there is therefore no impact on the 2022/23 financial statements.

- IFRS 16 Leases (adoption for PFI/PPP arrangements)
- Updating Reference to the Conceptual Framework (Amendments to IFRS 3)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

3. Judgements Made in Applying Accounting Policies

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

3.1 Provision of School Buildings and Waste Facility

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

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

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

The accounting policies for public private partnerships have been applied to these arrangements and the schools and waste facility (valued at net book value of £659.759m and £93.561m respectively at 31 March 2023) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3.2 Group Membership

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

3.3 Materiality

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

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

Group	Council	HRA
£m	£m	£m
26.484	24.544	1.198

3.4 Agency Arrangements

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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. The Council have used data available on repairs and maintenance to improve the identification of impairments as part of the valuation process. A formal procedure has been put in place in accordance with that procedure and included within the Checklist for Asset Valuation Process. The valuation process also includes a material changes spreadsheet which includes both impairments from unexpected events, the scrutiny of the repairs and maintenance data and the condition score data, as well as changes from capital expenditure on assets, demolitions, etc. No estimations and assumptions about the estimated cost of dismantling, removing or restoring items of property, plant and equipment have been included in the Capital Expenditure in the Accounts. The Council has reviewed the potential for indexation of the Other, Land and Buildings within our asset base and it was deemed by our senior surveyors and external advisors that in their professional judgement, an indexation of 6% should be applied to build cost components of Other Land and Buildings that are not revalued in the year, to reflect the conditions in the external market. Council dwellings are valued using the Beacon Method under which the values of groups of similar properties are calculated by assessing the capital value of one of them (a beacon) then extrapolating the value across the rest of the group. The beacon discount factor is determined by comparing levels of private rent with social rent for each beacon property and calculating the average to apply across the whole portfolio to take account of the difference between private stock (the source of the comparable sales data) and social rented stock. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied in the 2022-23 revaluations is 38% with a 4% uplift (38% and 2.8% uplift previously).	<p>If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase and the carrying value would fall by £18.338m for each year that useful lives were reduced.</p>				
	Per Accounting Policy 1.11, 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.	<p>If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £29.289m.</p>				
	We have also introduced a new system for calculating the remaining useful lives for each property rather than using an assumed useful life and are part way through the five-year programme to calculate them all. In any given financial year, we also calculate useful lives for each property we revalue. This is used as the basis for the useful life of the building component.	<p>If the assumption of £5m building carrying value increased to £10m then the number of assets included would decrease from 136 to 53.</p>				
	The Council uses the table below as the basis for its standard apportionments of components;					
Standard Apportionments						
Type	B - Structural	D - Finishes	F - Fittings	R - Non-Traditional Roof	S - Services	This table and the relevant splits will be reviewed annually by the valuer.
High School	38%	17%	3%	6%	36%	
Primary School	38%	17%	3%	6%	36%	
Care Home	36%	19%	4%	3%	38%	
Sport Centre	39%	17%	4%	6%	34%	
Waverley Court	43%	16%	2%	3%	36%	
City Chambers	46%	16%	2%	0%	36%	
Offices, Galleries and Other	44%	16%	2%	2%	36%	
Millerhill Residual Waste	38%	16%	4%	5%	37%	
Est. Useful Life	Various	25 Years	15 Years	35 Years	20 Years	

NOTES TO THE FINANCIAL STATEMENTS

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

Uncertainty - continued

Pensions Liability	<p>Estimation of the net asset / 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>Accounting Standards impose a limit on the maximum amount of pension surplus recognised on the Balance Sheet Note 41 provides further information</p> <p>A further ruling on GMP has been made, in relation to historic transfers.</p> <p>Legislation requires the Local Government Pension Scheme (LGPS) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The costs management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities).</p> <p>The Goodwin case judgement, in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities.</p> <p>The Walker and O'Brien cases, may impact LGPS benefits in the future, in respect of retrospective discrimination in spousal transfer of benefits for same sex couples.</p>	<p>The effects on the net pensions asset / liability of changes in individual assumptions can be measured.</p> <p>Note 41.6 provides further information on the Council's pension asset / liability.</p> <p>The increased liability has been reflected in the pension liability as a past service cost.</p> <p>The Council's actuary has provided a basis of restriction calculation.</p> <p>The Council's actuary has not included any allowance for this as they deem it unlikely to have a significant impact on the pension obligations of a typical Employer.</p> <p>The Council's actuary has included an estimate within the pension asset / liability as a past service cost.</p> <p>The Council's actuary has not included an estimate of the impact of the Goodwin case in the valuation due to the uncertainty of the final outcome. The estimated impact on the Employer's future obligations may be around 0.1-0.2% higher.</p> <p>The Council's actuary has not included an estimated of the impact of these cases as they are unlikely to result in significant impact on the pension obligations.</p>
Arrears	<p>At 31 March, the Council had a balance of sundry debtors of £32.328m. A review of significant balances suggested that an impairment of doubtful debts of £6.618m (20.5%) was appropriate. In the current economic climate it is not certain that this will be sufficient.</p>	<p>If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £1.616m to be set aside as an allowance.</p>
House Rent Arrears	<p>At 31 March, the Council had a balance of housing rent arrears of £13.160m. A review of significant balances suggested that an impairment of doubtful debts of £11.508m (87.45%) was appropriate. In the current economic climate it is not certain that this will be sufficient.</p>	<p>There is a relatively high level of arrears and the impairment set aside should help protect against potential loss of income to the Council arising from welfare reforms such as Universal Credit and the reduction in the benefits cap which will potentially impact on the level of rent arrears.</p>

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the authority (i.e. government and other grants, rents, fees and charges, Council Tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 23.

2022/23	Net Expend. Chargeable to the General Fund and HRA Balances £000	Adjustments £000	Net Expenditure in the CIES £000
Children, Education and Justice Services Place	450,841	(3,515)	447,326
Housing Revenue Account	275,293	193,696	468,989
Health and Social Care	0	11,874	11,874
Corporate Services	286,571	12,883	299,454
Lothian Valuation Joint Board	89,684	14,856	104,540
	3,817	0	3,817
Cost of Services	1,106,206	229,794	1,336,000
Other income and expenditure			
Net cost of benefits	(117)	0	(117)
Other non-service specific costs	18,027	(3,558)	14,469
Net income and changes in relation to investment properties and changes in their fair value	0	(3,460)	(3,460)
Interest and investment income	(8,210)	(1,813)	(10,023)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	85,066	(25,087)	59,979
Net pension interest cost	0	6,450	6,450
Gains on disposal of assets	0	(143)	(143)
Gains on derecognition or revaluation of financial assets	0	(120)	(120)
Contribution from Capital Fund	(8,759)	8,759	0
Contribution from General Fund	(20,715)	20,715	0
Income from Council Tax	(307,480)	0	(307,480)
Government Grants	(627,905)	0	(627,905)
Distribution from NDR1 pool	(249,861)	0	(249,861)
Movement in donated assets	0	239	239
Capital grants and contributions	0	(117,246)	(117,246)
(Surplus) / Deficit on the provision of services	(13,748)	114,530	100,782
Opening General Fund and HRA Balance	257,205		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	(4,574)		
Surplus on the provision of services	13,748		
Closing General Fund and HRA Balance at 31 March	266,379		

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

NOTES TO THE FINANCIAL STATEMENTS

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

2021/22 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net
	Balances £000	Adjustments £000	Expenditure in the CIES £000
Children, Education and Justice Services	444,004	18,821	462,825
Place	242,743	297,691	540,434
Housing Revenue Account	0	(16,935)	(16,935)
Health and Social Care	252,662	13,672	266,334
Corporate Services	87,136	10,430	97,566
Lothian Valuation Joint Board	3,833	0	3,833
Cost of Services	1,030,378	323,679	1,354,057
Other income and expenditure			
Net cost of benefits	(349)	0	(349)
Other non-service specific costs	12,664	(3,647)	9,017
Net income and changes in relation to investment properties and changes in their fair value	0	(1,507)	(1,507)
Interest and investment income	81	(224)	(143)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	76,773	(2,198)	74,575
Net pension interest cost	0	14,232	14,232
Gains on disposal of assets	0	(2,405)	(2,405)
Gains on derecognition or revaluation of financial assets	0	(93)	(93)
Contribution from Capital Fund	(26)	26	0
Contribution from General Fund	6,157	(6,157)	0
Income from Council tax	(287,487)	0	(287,487)
Government Grants	(653,272)	0	(653,272)
Distribution from NDRI pool	(188,796)	0	(188,796)
Movement in donated assets	0	586	586
Capital grants and contributions	0	(77,693)	(77,693)
Surplus on the provision of services	(3,877)	244,599	240,722
Opening General Fund and HRA Balance	221,033		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	32,295		
Deficit on the provision of services	3,877		
Closing General Fund and HRA Balance at 31 March	257,205		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 21.

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council

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

Statement amounts

2022/23	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Children, Education and Justice Services Place	1,390	25,597	1,441	28,428
Housing Revenue Account	165,242	25,832	(139)	190,935
Health and Social Care	(8,080)	2,153	(970)	(6,897)
Corporate Services	150	13,315	(162)	13,303
	906	9,618	(109)	10,415
Cost of Services	159,608	76,515	61	236,184
Other income and expenditure				
Net cost of benefits	0	0	0	0
Other non-service specific costs	17,503	(4,890)	(17,085)	(4,472)
Net income and changes in relation to investment properties and changes in their fair value	0	0	(1,536)	(1,536)
Interest and investment income	(921)	0	0	(921)
Interest payable and similar charges	(28,100)	0	(2,233)	(30,333)
Net pension interest cost	0	6,450	0	6,450
Gains on disposal of assets	(143)	0	0	(143)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(117,246)	0	0	(117,246)
Income from donated assets	239	0	0	239
Total Adjustments	30,940	78,075	(20,793)	88,222

Notes -

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

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

2022/23	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Children, Education and Justice Services Place	28,428	(63)	(31,880)	(3,515)
Housing Revenue Account	190,935	75	2,686	193,696
Health and Social Care	(6,897)	0	18,771	11,874
Corporate Services	13,303	(420)	0	12,883
	10,415	1,923	2,518	14,856
Cost of Services	236,184	1,515	(7,905)	229,794
Other income and expenditure				
Net cost of benefits	0	0	0	0
Other non-service specific costs	(4,472)	(4,643)	5,557	(3,558)
Net income and changes in relation to investment properties and changes in their fair value	(1,536)	(1,924)	0	(3,460)
Interest and investment income	(921)	(74)	(818)	(1,813)
Interest payable and similar charges	(30,333)	5,246	0	(25,087)
Net pension interest cost	6,450	0	0	6,450
Gains on disposal of assets	(143)	0	0	(143)
Gains on derecognition or revaluation of financial assets	0	(120)	0	(120)
Use of reserves	0	0	29,474	29,474
Capital grants and contributions	(117,246)	0	0	(117,246)
Income from donated assets	239	0	0	239
Total Adjustments	88,222	0	26,308	114,530

Notes -

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

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

Re-stated

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
2021/22 Comparative Data				
Children, Education and Justice Services Place	(7,939)	28,082	(805)	19,338
Housing Revenue Account	315,570	19,963	(455)	335,078
Health and Social Care	(9,779)	2,428	(930)	(8,281)
Corporate Services	94	14,472	(471)	14,095
	1,044	13,190	(271)	13,963
Cost of Services	298,990	78,135	(2,932)	374,193
Other income and expenditure				
Net cost of benefits	0	0	0	0
Other non-service specific costs	(2,607)	5,454	6	2,853
Net income and changes in relation to investment properties and changes in their fair value	0	0	318	318
Interest and investment income	(209)	0	0	(209)
Interest payable and similar charges	(23,594)	0	(2,174)	(25,768)
Net pension interest cost	0	14,232	0	14,232
Gains on disposal of assets	(2,405)	0	0	(2,405)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(77,693)	0	0	(77,693)
Income from donated assets	586	0	0	586
Total Adjustments	193,068	97,821	(4,782)	286,107

Notes -

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

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

Re-stated

	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
2021/22 Comparative Data				
Children, Education and Justice Services Place	19,338	(18)	(499)	18,821
Housing Revenue Account	335,078	(19,630)	(17,757)	297,691
Health and Social Care	(8,281)	0	(8,654)	(16,935)
Corporate Services	14,095	(423)	0	13,672
	13,963	1,825	(5,358)	10,430
Cost of Services	374,193	(18,246)	(32,268)	323,679
Other income and expenditure				
Net cost of benefits	0	0	0	0
Other non-service specific costs	2,853	(3,402)	(3,098)	(3,647)
Net income and changes in relation to investment properties and changes in their fair value	318	(1,825)	0	(1,507)
Interest and investment income	(209)	(4)	(11)	(224)
Interest payable and similar charges	(25,768)	23,570	0	(2,198)
Net pension interest cost	14,232	0	0	14,232
Gains on disposal of assets	(2,405)	0	0	(2,405)
Gains on derecognition or revaluation of financial assets	0	(93)	0	(93)
Use of reserves	0	0	(6,131)	(6,131)
Capital grants and contributions	(77,693)	0	0	(77,693)
Income from donated assets	586	0	0	586
Total Adjustments	286,107	0	(41,508)	244,599

Notes -

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

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council

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

2022/23	Children, Education and Justice Services		Housing Revenue Account	Health and Social Care
	£000	Place £000	£000	£000
Employee expenses	395,324	157,681	14,323	91,231
Other service expenses	192,191	456,255	49,326	317,203
Support service recharges	0	2,510	9,392	0
Interest payments	64	0	17,957	0
Debt repayments (<i>HRA only</i>)	0	0	40,403	0
Total Expenditure	587,579	616,446	131,401	408,434
Income				
Revenues from external customers	(3,661)	(229,870)	(103,908)	(20,579)
Income from recharges for services	0	(8,351)	(526)	0
Government grants and other contribs.	(133,077)	(102,932)	(26,046)	(101,284)
Interest and investment income	0	0	(921)	0
Total Income	(136,738)	(341,153)	(131,401)	(121,863)
Cost of Services	450,841	275,293	0	286,571

Expenditure	Corporate Services	Lothian Valuation Joint Board	Council Total
	£000	£000	£000
Employee expenses	63,530	0	722,089
Other service expenses	61,671	3,817	1,080,463
Support service recharges	(917)	0	10,985
Interest payments	0	0	18,021
Debt repayments (<i>HRA only</i>)	0	0	40,403
Total Expenditure	124,284	3,817	1,871,961
Income			
Revenues from external customers	(4,669)	0	(362,687)
Income from recharges for services	(12,066)	0	(20,943)
Government grants and other contribs.	(17,865)	0	(381,204)
Interest and investment income	0	0	(921)
Total Income	(34,600)	0	(765,755)
Cost of Services	89,684	3,817	1,106,206

Expenditure	Subsidiaries	Associates and Joint Ventures	Group Total
	£000	£000	£000
Employee expenses	99,908	0	821,997
Other service expenses	115,416	0	1,195,879
Support service recharges	0	0	10,985
Depreciation, amortisation and impairment	(21,370)	0	(21,370)
Interest payments	0	0	18,021
Debt repayments (<i>HRA only</i>)	0	0	40,403
Net expend from Associates and Joint Ventures	0	29,787	29,787
Total Expenditure	193,954	29,787	2,095,702
Income			
Revenues from external customers	(243,382)	0	(606,069)
Income from recharges for services	0	0	(20,943)
Government grants and other contribs.	44,965	0	(336,239)
Interest and investment income	0	0	(921)
Net income from Associates and Joint Ventures	0	(680)	(680)
Total Income	(198,417)	(680)	(964,852)
Cost of Services	(4,463)	29,107	1,130,850

NOTES TO THE FINANCIAL STATEMENTS

5. Expenditure and Funding Analysis - Council - continued

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

Re-stated

2021/22 Comparative Data	Children, Education and Justice Services		Housing Revenue Account	Health and Social Care
	£000	Place £000	£000	£000
Employee expenses	376,747	128,854	13,722	88,517
Other service expenses	172,804	387,952	45,411	295,003
Support service recharges	0	37	7,293	0
Interest payments	13	19,644	16,883	0
Debt repayments (<i>HRA only</i>)	0	0	17,356	0
Total Expenditure	549,564	536,487	100,665	383,520
Income				
Revenues from external customers	(8,263)	(203,755)	(96,634)	(17,242)
Income from recharges for services	0	(4,163)	(208)	0
Government grants and other contribs.	(97,297)	(85,826)	(3,614)	(113,616)
Interest and investment income	0	0	(209)	0
Total Income	(105,560)	(293,744)	(100,665)	(130,858)
Cost of Services	444,004	242,743	0	252,662

Expenditure	Corporate Services	Lothian Valuation Joint Board	Council Total
	£000	£000	£000
Employee expenses	59,411	0	667,251
Other service expenses	57,954	3,833	962,957
Support service recharges	-817	0	6,513
Interest payments	0	0	36,540
Debt repayments (<i>HRA only</i>)	0	0	17,356
Total Expenditure	116,548	3,833	1,690,617
Income			
Revenues from external customers	(5,310)	0	(331,204)
Income from recharges for services	(9,980)	0	(14,351)
Government grants and other contribs.	(14,122)	0	(314,475)
Interest and investment income	0	0	(209)
Total Income	(29,412)	0	(660,239)
Cost of Services	87,136	3,833	1,030,378

Expenditure	Subsidiaries	Associates and Joint Ventures	Group Total
	£000	£000	£000
Employee expenses	94,644	0	761,895
Other service expenses	108,024	0	1,070,981
Support service recharges	0	0	6,513
Depreciation, amortisation and impairment	(21,887)	0	(21,887)
Interest payments	0	0	36,540
Debt repayments (<i>HRA only</i>)	0	0	17,356
Net expend from Associates and Joint Ventures	0	963	963
Total Expenditure	180,781	963	1,872,361
Income			
Revenues from external customers	(207,949)	0	(539,153)
Income from recharges for services	0	0	(14,351)
Government grants and other contribs.	33,871	0	(280,604)
Interest and investment income	0	0	(209)
Net income from Associates and Joint Ventures	0	(30,260)	(30,260)
Total Income	(174,078)	(30,260)	(864,577)
Cost of Services	6,703	(29,297)	1,007,784

NOTES TO THE FINANCIAL STATEMENTS

6. Expenditure and Income Analysed by Nature Group

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

	2022/23	Re-stated 2021/22
	£000	£000
Expenditure		
Employee expenses	895,688	846,111
Other service expenses	1,514,895	1,359,129
Support service recharges	10,985	6,513
Depreciation, amortisation and impairment	226,390	336,721
Interest payments	171,989	166,037
Net Interest in the (profit) / loss of associates and joint ventures	29,106	(29,297)
Total Expenditure	<u>2,849,053</u>	<u>2,685,214</u>
Income		
Fees, charges and other service income	(1,007,266)	(913,103)
Gain on the disposal of assets	(335)	(3,255)
Movement on donated assets	239	586
Interest and investment income	(114,095)	(75,124)
Income from Council Tax and Non-Domestic Rates	(557,341)	(476,283)
Government grants and other contributions	(927,498)	(912,716)
Recognised capital income	(125,726)	(84,763)
Total Income	<u>(2,732,022)</u>	<u>(2,464,658)</u>
Group (Surplus) / Deficit	<u>117,031</u>	<u>220,556</u>

Council

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

	2022/23	Re-stated 2021/22
	£000	£000
Expenditure		
Employee expenses	795,780	751,467
Other service expenses	1,400,149	1,247,435
Support service recharges	10,985	6,513
Depreciation, amortisation and impairment	247,760	358,608
Interest payments	158,048	153,743
Total Expenditure	<u>2,612,722</u>	<u>2,517,766</u>
Income		
Fees, charges and other service income	(759,884)	(708,077)
(Gain) / Loss on the disposal of assets	(143)	(2,405)
Interest and investment income	(105,102)	(66,586)
Income from Council Tax and Non-Domestic Rates	(557,341)	(476,283)
Government grants and other contributions	(972,462)	(946,586)
Recognised capital income	(117,247)	(77,693)
Donated asset income	239	586
Total Income	<u>(2,511,940)</u>	<u>(2,277,044)</u>
(Surplus) / Deficit on the Provision of Services	<u>100,782</u>	<u>240,722</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Material Items of Income and Expense

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

8. Events After the Balance Sheet Date

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

9. Subsidiaries and Associates

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

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

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

Subsidiaries:

	Shareholding
• CEC Holdings Limited	100.00%
• Transport for Edinburgh Limited	100.00%
• Edinburgh Living MMR LLP	99.999%
• City of Edinburgh Charitable Trusts	Sole Trustee

Associates:

• Edinburgh Leisure	33.33%	Board representation
• Capital Theatres	16.67%	Board representation
• Lothian Valuation Joint Board	61.36%	Funding percentage
• Common Good	100.00%	

Joint Venture

	Interest	
• Edinburgh Integration Joint Board	50.00%	Board representation

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%	(dissolved 25.04.23)
• Energy for Edinburgh Limited	100.00%	
• Edinburgh Living MR LLP	99.00%	(dormant to 31.12.22)
• Telford NHT LLP	> 75% controlling interest	

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

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

The accounts of the subsidiary bodies may be accessed, as they become available, through **the Council's website**.

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

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

Attributable shares of income and expenditure 2022/23	Authority £000	Minority Interest £000	Total £000
(Surplus) or Deficit on the Provision of Services	116,558	474	117,032
Other Comprehensive Income and Expenditure	(1,320,585)	3,267	(1,317,318)
	<u>(1,204,027)</u>	<u>3,741</u>	<u>(1,200,286)</u>
Re-stated 2021/22	£000	£000	£000
(Surplus) or Deficit on the Provision of Services	225,912	(5,356)	220,556
Other Comprehensive Income and Expenditure	(1,116,266)	981	(1,115,285)
	<u>(890,354)</u>	<u>(4,375)</u>	<u>(894,729)</u>

9.2 Subsidiary Companies

- **CEC Holdings Limited**

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

The most recent unaudited results of the company are as follows:	31.12.22 £000	Restated 31.12.21 £000
Net assets	13,537	14,699
Net (profit) / loss before taxation	1,433	(1,032)
Retained profit / (loss) carried forward	(56,777)	(55,073)

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

- **Transport for Edinburgh Limited**

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

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

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

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

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

Transport for Edinburgh Limited (Consolidated Group)	31.12.22 £000	31.12.21 £000
Net assets	123,710	132,032
Net loss before taxation	7,180	15,937
Retained earnings	(12,320)	4,858
Dividend paid in March 2022 and March 2021	0	0

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

- **Edinburgh Living MMR LLP**

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

The most recent audited results of the partnership are as follows:	31.12.22 £000	31.12.21 £000
Net assets	87,379	60,104
Net profit before taxation (including revaluation gains)	(9,777)	(8,085)
Retained profit carried forward	(2,454)	(1,157)

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.2 Subsidiary Companies - continued

- **The City of Edinburgh Council Charitable Trusts**

The City of Edinburgh Council acts as sole Trustee for the charitable trusts. The charities that the Council administers are constituted in a variety of different ways. Details of how each charity was originally established are available from the Council.

The most recent unaudited results of the trusts are as follows:	31.03.23	31.03.22
	£000	£000
Net assets	15,975	16,034
Net (profit) / loss before taxation	60	(227)

9.3 Associates

- **Edinburgh Leisure**

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

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

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

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

The most recent unaudited results of the company are as follows:	31.03.23	31.03.22
	£000	£000
Net assets / (liabilities)	6,616	6,995
Net operating (profit) / loss	379	1,578
Earnings / (Losses) carried forward	6,616	6,995

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:	31.03.23	31.03.22
	£000	£000
Net assets	11,550	8,104
Net operational (profit) / loss	(3,543)	(2,412)
Fund balances carried forward	11,550	8,104

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

- **Lothian Valuation Joint Board**

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

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

	31.03.23	31.03.22
	£000	£000
Deficit for the year	973	711
Net Assets / (Liabilities)	7,619	3,042
Usable reserves	1,294	1,450
Unusable reserves	6,325	1,592
Total reserves	<u>7,619</u>	<u>3,042</u>

NOTES TO THE FINANCIAL STATEMENTS

9.4 Joint Ventures

• Edinburgh Integration Joint Board

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

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

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

The most recent unaudited results of the Board are as follows:	31.03.23	31.03.22
	£000	£000
Gross expenditure	923,269	881,767
(Surplus) / Deficit for the year	58,126	(56,749)
Usable reserves	24,033	82,159

9.5 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are unaudited.

9.6 Shareholder Support to Council Companies

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

9.7 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £195.391m (2021/22 £239.518m) representing the Council's share of the realisable surpluses or deficits in these companies.

10. Contingent Liabilities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2022/23	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	130,865	42,998	0
Movements in the market value of investment properties	(1,536)	0	0
Amortisation and impairment of intangible assets	114	0	0
Capital grants and contributions applied	(69,378)	(38,169)	0
Capital funded from revenue	(2,767)	(21,742)	0
Donated assets	239	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	64,847	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(64,744)	(18,661)	0
Capital expenditure charged against General Fund and HRA balances	(64,847)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	1,833	(2,061)	23,703
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(23,703)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(2,233)	(941)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	154,643	4,482	0
Employer's pension contributions and direct payments to pensioners payable in the year	(78,904)	(2,147)	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	1,033	(29)	0
Total Adjustments	69,165	(36,270)	0

NOTES TO THE FINANCIAL STATEMENTS

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

2022/23	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(173,863)
Movements in the market value of investment properties	0	0	1,536
Amortisation of intangible assets	0	0	(114)
Capital grants and contributions applied	803	0	106,744
Capital funded from revenue	0	0	24,509
Donated assets	0	0	(239)
Capital fund used to finance new capital expenditure	0	(1,297)	1,297
Revenue expenditure funded from capital under statute	0	0	(64,847)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	(8,759)	92,164
Capital expenditure charged against General Fund and HRA balances	0	0	64,847
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(16,608)	0	16,608
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	(23,475)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	23,703
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	3,174
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(159,125)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	81,051
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	(1,004)
Total Adjustments	(15,805)	(10,056)	(7,034)

NOTES TO THE FINANCIAL STATEMENTS

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

Re-stated 2021/22 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	296,778	23,053	0
Movements in the market value of investment properties	318	0	0
Amortisation of intangible assets	114	0	0
Capital grants and contributions applied	(57,579)	(20,114)	0
Capital funded from revenue	(15,043)	0	0
Donated assets	586	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	58,999	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(53,599)	(17,356)	0
Capital expenditure charged against General Fund and HRA balances	(58,999)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	1,041	(3,446)	16,442
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(16,442)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(2,174)	(906)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	169,526	4,780	0
Employer's pension contributions and direct payments to pensioners payable in the year	(74,523)	(1,961)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(1,996)	(25)	0
Total Adjustments	263,449	(15,975)	0

NOTES TO THE FINANCIAL STATEMENTS

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

Re-stated 2021/22 Comparative Data	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(319,831)
Movements in the market value of investment properties	0	0	(318)
Amortisation of intangible assets	0	0	(114)
Capital grants and contributions applied	2,506	0	75,187
Capital funded from revenue	0	0	15,043
Donated assets	0	0	(586)
Capital fund used to finance new capital expenditure	0	(7,150)	7,150
Revenue expenditure funded from capital under statute	0	0	(58,999)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	(31)	70,986
Capital expenditure charged against General Fund and HRA balances	0	0	58,999
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(3,461)	0	3,461
Adjustments primarily involving the Capital Receipts Reserve			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	(14,037)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	16,442
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	3,080
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(174,306)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	76,484
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	2,021
Total Adjustments	(955)	(7,181)	(239,338)

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 01.04.22 £000	Net Transfers Out 2022/23 £000	Net Transfers In 2022/23 £000	Balance at 31.03.23 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(55,280)	(1,497)	0	(56,777)
Capital grants unapplied account	1,128	(67)	0	1,061
Transport for Edinburgh Limited				
Revenue reserves	98,396	(50,787)	0	47,609
Minority interests	15,560	(3,747)	0	11,813
Edinburgh Living MMR LLP				
Revenue reserves	7,982	0	10,963	18,945
The City of Edinburgh Council Charitable Trusts				
Revenue reserve	1,344	0	145	1,489
Total Usable Reserves - Subsidiaries	69,130	(56,098)	11,108	24,140
Associates and Joint Ventures				
Common Good Fund - Reserves	2,657	0	105	2,762
Edinburgh Leisure - Reserves	2,331	(126)	0	2,205
Capital Theatres - Reserves	2,701	(776)	0	1,925
Lothian Valuation Joint Board - Reserves	892	(98)	0	794
Edinburgh Integration Joint Board - Reserves	41,080	(29,063)	0	12,017
Total Usable Reserves - Associates and Joint Ventures	49,661	(30,063)	105	19,703
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	118,791	(86,161)	11,213	43,843

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.21 £000	Net Transfers Out 2021/22 £000	Net Transfers In 2021/22 £000	Balance at 31.03.22 £000
Re-stated				
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(56,030)	0	750	(55,280)
Capital grants unapplied account	1,213	(85)	0	1,128
Transport for Edinburgh				
Revenue reserves	82,539	0	15,857	98,396
Minority interests	11,187	0	4,373	15,560
Edinburgh Living MMR LLP				
Revenue reserves	5,375	0	2,607	7,982
	<u>44,284</u>	<u>(85)</u>	<u>23,587</u>	<u>67,786</u>
Total Usable Reserves - Subsidiaries				
Associates and Joint Ventures				
Common Good Fund - Reserves	2,669	(12)	0	2,657
Edinburgh Leisure - Reserves	297	0	2,034	2,331
Capital Theatres - Reserves	1,875	0	826	2,701
Lothian Valuation Joint Board - Reserves	755	0	137	892
Edinburgh Integration Joint Board - Reserves	12,705	0	28,375	41,080
	<u>18,301</u>	<u>(12)</u>	<u>31,372</u>	<u>49,661</u>
Total Usable Reserves - Associates and Joint Ventures				
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	<u><u>62,585</u></u>	<u><u>(97)</u></u>	<u><u>54,959</u></u>	<u><u>117,447</u></u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.22 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31.03.23 £000
Council's Usable Reserves				
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	59,685	(13,866)	69,528	115,347
Council Priorities Fund	2,628	(2,629)	13,711	13,710
Contingency funding, Workforce Transformation	11,274	0	2,323	13,597
Dilapidations Fund	3,957	0	300	4,257
Insurance Funds*	22,258	(4,862)	5,330	22,726
Covid Funds	71,178	(38,165)	304	33,317
	<u>170,980</u>	<u>(59,522)</u>	<u>91,496</u>	<u>202,954</u>
Balances Set Aside from Income Received in Advance				
Licensing Income*	5,712	(523)	314	5,503
Revenue grants and contributions received in advance of planned expenditure	12,385	(5,645)	5,934	12,674
Council Tax Discount Fund*	11,305	(9,674)	3,619	5,250
Other earmarked balances	175	0	4	179
City Strategic Investment Fund	1,055	(118)	145	1,082
Covid service-specific advance funding	15,159	(10,778)	0	4,381
	<u>45,791</u>	<u>(26,738)</u>	<u>10,016</u>	<u>29,069</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	334	(72)	7	269
Spend to Save Fund and similar projects	3,873	(280)	640	4,233
	<u>4,207</u>	<u>(352)</u>	<u>647</u>	<u>4,502</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)*	7,246	(7,246)	4,023	4,023
Unallocated General Fund	28,981	(3,150)	0	25,831
Total General Fund	<u>257,205</u>	<u>(97,008)</u>	<u>106,182</u>	<u>266,379</u>
Housing Revenue Account Balance	0	0	0	0
Renewal and Repairs Fund	50,407	(22,003)	9,026	37,430
Capital Fund	42,550	(1,297)	941	42,194
Capital Receipts Reserve	0	(23,703)	23,703	0
Capital Grants Unapplied Account	46,994	(16,608)	803	31,189
Total Usable Reserves - Council	<u>397,156</u>	<u>(160,619)</u>	<u>140,655</u>	<u>377,192</u>
Total Usable Reserves - Group	<u>515,947</u>	<u>(246,780)</u>	<u>151,868</u>	<u>421,035</u>

* - mandatory earmarked General Fund balances

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.21 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31.03.22 £000
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	28,005	(1,289)	32,969	59,685
Council Priorities Fund	0	0	2,628	2,628
Contingency funding, Workforce Transformation	11,237	0	37	11,274
Dilapidations Fund	4,000	(43)	0	3,957
Insurance Funds*	19,580	(3,012)	5,690	22,258
Covid Funds	78,473	(11,867)	4,572	71,178
	<u>141,295</u>	<u>(16,211)</u>	<u>45,896</u>	<u>170,980</u>
Balances Set Aside from Income Received in Advance				
Licensing Income*	3,973	(66)	1,805	5,712
Revenue grants and contributions received in advance of planned expenditure	11,678	(5,206)	5,913	12,385
Council Tax Discount Fund*	6,063	0	5,242	11,305
Other earmarked balances	175	0	0	175
City Strategic Investment Fund	2,034	(1,124)	145	1,055
Covid service-specific advance funding	22,382	(14,284)	7,061	15,159
	<u>46,305</u>	<u>(20,680)</u>	<u>20,166</u>	<u>45,791</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	311	0	23	334
Spend to Save Fund and similar projects	3,409	(102)	566	3,873
	<u>3,720</u>	<u>(102)</u>	<u>589</u>	<u>4,207</u>
Balances Set Aside under Devolved School Management Scheme				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)*	4,688	(4,688)	7,246	7,246
Unallocated General Fund	<u>25,025</u>	<u>0</u>	<u>3,956</u>	<u>28,981</u>
Total General Fund	<u>221,033</u>	<u>(41,681)</u>	<u>77,853</u>	<u>257,205</u>
Housing Revenue Account Balance	0	0	0	0
Renewal and Repairs Fund	41,162	(3,701)	12,946	50,407
Capital Fund	49,731	(7,226)	45	42,550
Capital Receipts Reserve	0	0	0	0
Capital Grants Unapplied Account	47,949	(3,461)	2,506	46,994
Total Usable Reserves - Council	<u>359,875</u>	<u>(56,069)</u>	<u>93,350</u>	<u>397,156</u>
Total Usable Reserves - Group	<u>422,460</u>	<u>(56,166)</u>	<u>148,309</u>	<u>514,603</u>

* - mandatory earmarked General Fund balances

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £4.023m (2021/22 £7.246m) 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

2022/23

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(97,008)	0	(22,003)	(23,703)
Transfers in	106,182	0	9,026	23,703
Total movements in fund	<u>9,174</u>	<u>0</u>	<u>(12,977)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	24,668	(18,771)	0	0
Transfers to other earmarked reserves	(15,494)	18,771	(12,977)	0
Total movements in fund	<u>9,174</u>	<u>0</u>	<u>(12,977)</u>	<u>0</u>

	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(16,608)	(1,297)	(86,161)	(246,780)
Transfers in	803	941	11,213	151,868
Total movements in fund	<u>(15,805)</u>	<u>(356)</u>	<u>(74,948)</u>	<u>(94,912)</u>
Recognised in Comprehensive Income and Expenditure Statement	(15,805)	(10,056)	(75,719)	(95,683)
Transfers to other earmarked reserves	0	9,700	0	0
Group account adjustments unusable reserves	0	0	771	771
Total movements in fund	<u>(15,805)</u>	<u>(356)</u>	<u>(74,948)</u>	<u>(94,912)</u>

Re-stated

2021/22 Comparative Data

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(41,681)	0	(3,701)	0
Transfers in	77,853	0	12,946	0
Total movements in fund	<u>36,172</u>	<u>0</u>	<u>9,245</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	36,762	8,653	0	0
Transfers to other earmarked reserves	(590)	(8,653)	9,245	0
Total movements in fund	<u>36,172</u>	<u>0</u>	<u>9,245</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

2021/22 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(3,461)	(7,226)	(97)	(56,166)
Transfers in	2,506	45	54,959	148,309
Total movements in fund	<u>(955)</u>	<u>(7,181)</u>	<u>54,862</u>	<u>92,143</u>
Recognised in Comprehensive Income and Expenditure Statement	(955)	(7,181)	72,911	110,190
Transfers to other earmarked reserves	0	0	(18,049)	(18,047)
Total movements in fund	<u>(955)</u>	<u>(7,181)</u>	<u>54,862</u>	<u>92,143</u>

13. Financing and Investment Income and Expenditure

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	65,692	59,979	78,295	74,575
Interest cost on defined benefit obligation	106,296	98,069	87,741	79,168
Interest receivable and similar income	(10,034)	(10,023)	(156)	(143)
Interest income on plan assets	(100,601)	(91,619)	(73,460)	(64,936)
Net income in relation to investment properties and changes in their fair value	(11,938)	(3,459)	(8,578)	(1,507)
Net income in relation to financial assets derecognised or revalued	(120)	(120)	(93)	(93)
	<u>49,295</u>	<u>52,827</u>	<u>83,749</u>	<u>87,064</u>

14. Taxation and Non-Specific Grant Income

	2022/23		Re-stated 2021/22	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(307,480)	(307,480)	(287,487)	(287,487)
Non-domestic rates	(249,861)	(249,861)	(188,796)	(188,796)
Non-ring fenced government grants	(627,905)	(627,905)	(653,272)	(653,272)
Capital grants and contributions	(117,247)	(117,247)	(77,693)	(77,693)
Movement on donated assets	239	239	586	586
Taxation expenses / (refund)	(671)	0	3,670	0
	<u>(1,302,925)</u>	<u>(1,302,254)</u>	<u>(1,202,992)</u>	<u>(1,206,662)</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment

15.1 Depreciation

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

Council dwellings	50 years
Buildings	Up to 120 years as advised by the valuer (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP - Millerhill Residual Waste Facility	30 years
PPP - Schools	40 years (PPP1 schools) and 35 years (PPP2 schools) 50 years (JGHS and QHS)
Infrastructure assets	20 years (up to 30 years for Tram assets, 5 years for Spaces for People)
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 2023, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £336.604m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2022 were £204.614m.

	£000	Expected Completion Date
Trams to Newhaven	9,662	Jun-23
Maybury Primary School	19,753	Aug-23
General Fund - Asset Management Works Programme	10,263	23/24
Tram Lifecycle	3,418	23/24
St James GAM	525	23/24
Place General Fund Other	3,553	23/24
City Centre West Edinburgh Link	4,952	23/24
Carriageway and Footways	14,684	23/24
Smart City Operation Centre	1,428	23/24
Council House Building - Macmillan Hub Homes	1,072	23/24
Council House Building - Western Villages	127,794	23/24
HRA New Build Homes Other	4,083	23/24
HRA - Other	39,276	23/24
Bankhead Depot	2,395	Jul-24
Currie High School	51,018	Feb-25
Impact - Dunard Centre	5,000	24/25
North Bridge Refurbishment	7,207	24/25
Gas Holder Park	17,191	24/25
Council House Building - GRANTON D1 (EHD)	10,518	24/25
Council House Building - Greendykes - K&L	1,536	24/25
George Street and First New Town	1,276	27/28
	<u>336,604</u>	

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2022/23

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000
Cost or Valuation				
At 1 April 2022	1,070,167	2,963,143	301,132	7,754
Recognition of Right of Use Assets	0	86,142	0	0
Additions	60,042	38,994	13,705	956
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,753	336,742	0	62
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(21,329)	22,140	(2,979)	(1,883)
Derecognition - disposals	(2,454)	(1,402)	(711)	(1)
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	3,334	0	0
Other increases / (decreases) in cost or valuation	8,313	96,537	(8,012)	83
At 31 March 2023	<u>1,117,492</u>	<u>3,545,630</u>	<u>303,135</u>	<u>6,971</u>
Accumulated Depreciation and Impairment				
At 1 April 2022	105	(90,285)	(133,111)	0
Recognition of Right of Use Assets	0	(23,420)	0	0
Depreciation charge	(23,539)	(117,403)	(25,729)	0
Depreciation charge written out to Revaluation Reserve	23,492	114,443	0	0
Depreciation written out to the Surplus on the Provision of Services	0	0	0	0
Derecognition - disposals	59	70	572	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,979	0
Depreciation on assets transferred to Held for Sale	(213)	351	7,563	0
At 31 March 2023	<u>(96)</u>	<u>(116,244)</u>	<u>(147,726)</u>	<u>0</u>
Net book value				
At 31 March 2023	<u>1,117,396</u>	<u>3,429,386</u>	<u>155,409</u>	<u>6,971</u>
At 31 March 2022	<u>1,070,272</u>	<u>2,872,858</u>	<u>168,021</u>	<u>7,754</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2022/23

	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2022	15,501	203,261	0	4,560,958
Recognition of Right of Use Assets	0	0	1,189	87,331
Additions	0	80,449	2	194,148
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(450)	0	0	339,107
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	473	0	0	(3,578)
Derecognition - disposals	(980)	(10,221)	0	(15,769)
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	(14,457)	0	0	(11,123)
Other increases / (decreases) in cost or valuation	0	(104,842)	69,434	61,513
At 31 March 2023	87	168,647	70,625	5,212,587
Accumulated Depreciation and Impairment				
At 1 April 2022	0	0	0	(223,291)
Recognition of Right of Use Assets	0	0	(358)	(23,778)
Depreciation charge	0	0	(18,664)	(185,335)
Depreciation charge written out to Revaluation Reserve	0	0	0	137,935
Depreciation written out to the Surplus on the Provision of Services	0	0	0	0
Derecognition - disposals	0	0	0	701
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	2,979
Depreciation on assets transferred to Held for Sale	0	0	0	7,701
At 31 March 2023	0	0	(19,022)	(283,088)
Net book value				
At 31 March 2023	87	168,647	51,603	4,929,499
At 31 March 2022	15,501	203,261	0	4,337,667

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group Accounts 2021/22 Comparative Data

Re-stated Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000
Restated At 1 April 2021	1,015,715	2,736,866	352,795	7,619
Additions	32,221	62,218	26,685	135
Revaluation increases / (decreases) recognised in the Revaluation Reserve	9,509	268,924	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(179)	(158,710)	(2,296)	0
Derecognition - disposals	(2,066)	(85)	(24,813)	0
Derecognition - other	0	0	(51,239)	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	14,967	53,930	0	0
At 31 March 2022	1,070,167	2,963,143	301,132	7,754
Accumulated Depreciation and Impairment				
Restated At 1 April 2021	42	(175,608)	(183,016)	0
Depreciation charge	(21,352)	(85,956)	(26,994)	0
Depreciation charge written out to Revaluation Reserve	16,987	156,087	0	0
Depreciation written out to the Surplus on the Provision of Services	4,383	15,192	0	0
Derecognition - disposals	45	0	23,364	0
Derecognition - other	0	0	51,239	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,296	0
At 31 March 2022	105	(90,285)	(133,111)	0
Net book value				
At 31 March 2022	<u>1,070,272</u>	<u>2,872,858</u>	<u>168,021</u>	<u>7,754</u>
At 31 March 2021	<u>1,015,757</u>	<u>2,561,258</u>	<u>169,779</u>	<u>7,619</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group

2021/22 Comparative Data

Re-stated Cost or Valuation	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Restated At 1 April 2021	15,819	186,278	4,315,092
Additions	329	89,793	211,381
Revaluation increases / (decreases) recognised in the Revaluation Reserve	67	0	278,500
Revaluation decreases recognised in the Surplus on the Provision of Services	(342)	(7)	(161,534)
Derecognition - disposals	(373)	(3,906)	(31,243)
Derecognition - other	0	0	(51,239)
Assets reclassified (to) / from held for sale	0	0	0
Other increases / (decreases) in cost or valuation	1	(68,897)	1
At 31 March 2022	<u>15,501</u>	<u>203,261</u>	<u>4,560,958</u>
Accumulated Depreciation and Impairment			
Restated At 1 April 2021	0	0	(358,582)
Depreciation charge	0	0	(134,302)
Depreciation charge written out to Revaluation Reserve	0	0	173,074
Depreciation written out to the Surplus on the Provision of Services	0	0	19,575
Derecognition - disposals	0	0	23,409
Derecognition - other	0	0	51,239
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,296
At 31 March 2022	<u>0</u>	<u>0</u>	<u>(223,291)</u>
Net book value			
At 31 March 2022	<u>15,501</u>	<u>203,261</u>	<u>4,337,667</u>
At 31 March 2021	<u>15,819</u>	<u>186,278</u>	<u>3,956,510</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council Movements in 2022/23

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000
Cost or Valuation				
At 1 April 2022	1,070,167	2,890,290	125,394	7,754
Additions	60,042	38,994	10,521	956
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,753	336,038	0	62
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(21,329)	22,140	(2,979)	(1,883)
Derecognition - disposals	(2,454)	(1,402)	(271)	(1)
Derecognition - other	0	0	0	0
Assets declassified (to) / from held for sale	0	3,332	0	0
Other increases / (decreases) in cost or valuation	8,313	96,539	(8,012)	83
At 31 March 2023	<u>1,117,492</u>	<u>3,385,931</u>	<u>124,653</u>	<u>6,971</u>
Accumulated Depreciation and Impairment				
At 1 April 2022	105	(58,180)	(49,986)	0
Depreciation charge	(23,539)	(109,396)	(11,295)	0
Depreciation charge written out to Revaluation Reserve	23,492	114,443	0	0
Depreciation written out to the Surplus on the Provision of Services	0	0	0	0
Derecognition - disposals	59	70	271	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,979	0
Other increases / (decreases) in cost or valuation	(213)	351	7,563	0
At 31 March 2023	<u>(96)</u>	<u>(52,712)</u>	<u>(50,468)</u>	<u>0</u>
Net book value				
At 31 March 2023	<u>1,117,396</u>	<u>3,333,219</u>	<u>74,185</u>	<u>6,971</u>
At 31 March 2022	<u>1,070,272</u>	<u>2,832,110</u>	<u>75,408</u>	<u>7,754</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council

Movements in 2022/23

Cost or Valuation	Surplus Assets £000	Assets Under Construction £000	Right of Use Assets £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
At 1 April 2022	15,501	203,261	0	4,312,367	739,131
Additions	0	80,449	0	190,962	973
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(450)	0	0	338,403	19,004
Revaluation decreases recognised in the Surplus on the Provision of Services	473	0	0	(3,578)	17,775
Derecognition - disposals	(980)	(10,221)	0	(15,329)	(17)
Derecognition - other	0	0	0	0	0
Assets reclassified (to) / from held for sale	(14,457)	0	0	(11,125)	0
Other increases / (decreases) in cost or valuation	0	(104,842)	69,434	61,515	(4,909)
At 31 March 2023	<u>87</u>	<u>168,647</u>	<u>69,434</u>	<u>4,873,215</u>	<u>771,957</u>
Accumulated Depreciation and Impairment					
At 1 April 2022	0	0	0	(108,061)	(15,533)
Depreciation charge	0	0	(18,541)	(162,771)	(24,002)
Depreciation charge written out to Revaluation Reserve	0	0	0	137,935	20,898
Depreciation written out to the Surplus on the Provision of Services	0	0	0	0	0
Derecognition - disposals	0	0	0	400	0
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	2,979	0
Other increases / (decreases) in cost or valuation	0	0	0	7,701	0
At 31 March 2023	<u>0</u>	<u>0</u>	<u>(18,541)</u>	<u>(121,817)</u>	<u>(18,637)</u>
Net book value					
At 31 March 2023	<u>87</u>	<u>168,647</u>	<u>50,893</u>	<u>4,751,398</u>	<u>753,320</u>
At 31 March 2022	<u>15,501</u>	<u>203,261</u>	<u>0</u>	<u>4,204,306</u>	<u>723,598</u>

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council 2021/22 Comparative Data

Re-stated Cost or Valuation	Council Dwellings £000	Re-stated Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000
Restated 1 April 2021	1,015,715	2,664,011	175,279	7,619
Additions	32,221	62,220	3,996	135
Revaluation increases / (decreases) recognised in the Revaluation Reserve	9,509	268,924	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(179)	(158,710)	(2,296)	0
Derecognition - disposals	(2,066)	(85)	(346)	0
Derecognition - other	0	0	(51,239)	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	14,967	53,930	0	0
At 31 March 2022	<u>1,070,167</u>	<u>2,890,290</u>	<u>125,394</u>	<u>7,754</u>
Accumulated Depreciation and Impairment				
Restated 1 April 2021	42	(143,691)	(91,978)	0
Depreciation charge	(21,352)	(85,768)	(11,889)	0
Depreciation charge written out to Revaluation Reserve	16,987	156,087	0	0
Depreciation written out to the Surplus on the Provision of Services	4,383	15,192	0	0
Derecognition - disposals	45	0	346	0
Derecognition - other	0	0	51,239	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,296	0
At 31 March 2022	<u>105</u>	<u>(58,180)</u>	<u>(49,986)</u>	<u>0</u>
Net book value				
At 31 March 2022	<u>1,070,272</u>	<u>2,832,110</u>	<u>75,408</u>	<u>7,754</u>
At 31 March 2021	<u>1,015,757</u>	<u>2,520,320</u>	<u>83,301</u>	<u>7,619</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council

2021/22 Comparative Data

Re-stated Cost or Valuation	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	Re-stated PPP and similar Assets £000
Restated At 1 April 2021	15,819	186,278	4,064,721	676,187
Additions	329	89,793	188,694	1,372
Revaluation increases / (decreases) recognised in the Revaluation Reserve	67	0	278,500	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(342)	(7)	(161,534)	61,572
Derecognition - disposals	(373)	(3,906)	(6,776)	0
Derecognition - other	0	0	(51,239)	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	1	(68,897)	1	0
At 31 March 2022	<u>15,501</u>	<u>203,261</u>	<u>4,312,367</u>	<u>739,131</u>
Accumulated Depreciation and Impairment				
Restated At 1 April 2021	0	0	(235,627)	(27,447)
Depreciation charge	0	0	(119,009)	(15,481)
Depreciation charge written out to Revaluation Reserve	0	0	173,074	27,395
Depreciation written out to the Surplus on the Provision of Services	0	0	19,575	0
Derecognition - disposals	0	0	391	0
Derecognition - other	0	0	51,239	0
Impairment losses recognised in in the Surplus on the Provision of Services	0	0	2,296	0
At 31 March 2022	<u>0</u>	<u>0</u>	<u>(108,061)</u>	<u>(15,533)</u>
Net book value				
At 31 March 2022	<u>15,501</u>	<u>203,261</u>	<u>4,204,306</u>	<u>723,598</u>
At 31 March 2021	<u>15,819</u>	<u>186,278</u>	<u>3,829,094</u>	<u>648,740</u>

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.7 Infrastructure Assets

The Council has adopted the Statutory Overrides contained within the Local government finance circular 09/2022: statutory override - accounting for infrastructure assets (www.gov.scot/publications/local-governmentfinance-circular-09-2022-statutory-overrideaccounting-for-infrastructure-assets/) issued by the Scottish Government under section 12(2)(b) of the Local Government in Scotland Act 2003 in relation to Infrastructure assets. The overrides were put in place to manage historic issues surrounding the derecognition of Infrastructure asset components, which had the potential for the gross cost of assets to be overstated, albeit that the Net Book Value was still materially correct. The Statutory Overrides that the Council has adopted are detailed below: -

Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

Movements in Year	2022/23		Re-stated 2021/22	
	Group £000	Council £000	Group £000	Council £000
Net Book Value				
At 1 April	869,916	869,916	791,128	791,128
Additions	120,691	120,691	156,383	156,383
Depreciation	<u>(83,226)</u>	<u>(83,226)</u>	<u>(77,595)</u>	<u>(77,595)</u>
At 31 March	<u>907,381</u>	<u>907,381</u>	<u>869,916</u>	<u>869,916</u>

Reconciliation of Property, Plant and Equipment

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Infrastructure Assets	907,381	907,381	869,916	869,916
Other Property, Plant and Equipment Assets	<u>4,929,499</u>	<u>4,751,398</u>	<u>4,337,667</u>	<u>4,204,306</u>
Total Property Plant and Equipment	<u>5,836,880</u>	<u>5,658,779</u>	<u>5,207,583</u>	<u>5,074,222</u>

15.8 Council Dwellings, Other Land and Buildings and Investment Properties

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

In 2021/22 the Council first applied an indexation, per audit recommendation, to those Land and Building assets valued at depreciated replacement cost that were not revalued during the year. The indexation was applied only to the building element. These assets were not revalued but they were treated as such for accounting purposes. This policy has continued in 2022/23.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.8 Council Dwellings, Other Land and Buildings and Investment Properties - continued

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	Right of Use Assets £000
Carried at historical cost	1,065,545	162,886	124,653	69,434
Valued at fair value as at:				
31 March 2023	25,702	1,163,288	0	0
31 March 2022	11,502	792,252	0	0
31 March 2021	6,531	394,163	0	0
31 March 2020	30	222,313	0	0
31 March 2019	8,182	651,029	0	0
Total cost or valuation	1,117,492	3,385,931	124,653	69,434

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	6,971	67	168,647	1,598,203
Valued at fair value as at:				
31 March 2023	0	0	0	1,188,990
31 March 2022	0	0	0	803,754
31 March 2021	0	0	0	400,694
31 March 2020	0	0	0	222,343
31 March 2019	0	20	0	659,231
Total cost or valuation	6,971	87	168,647	4,873,215

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.9 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 2023
	£000	£000	£000	£000
Surplus assets	0	87	0	87
Investment properties - advertising hoardings	0	21,532	0	21,532
Total cost or valuation	0	21,619	0	21,619

- 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 £1.924m (£1.825m 2021/22) and expense £Nil (£Nil 2021/22) 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.

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	87,650	19,996	65,631	19,239
Additions	28,235	0	15,266	1,075
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	10,015	1,536	6,753	(318)
	<u>125,900</u>	<u>21,532</u>	<u>87,650</u>	<u>19,996</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 £0.068m in 2022/23 (£0.182m in 2021/22).

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.114m in 2022/23 (2021/22 £0.114m) was charged to Corporate Services.

18. Heritage Assets

Policy

Heritage assets comprise the following:

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

Intangible heritage assets represent three private vehicle registration plates.

It has not been 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

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

Reconciliation of the Carrying Value of Heritage Assets Note

Movements in 2022/23

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
At 1 April 2022	964	2,047	6,797
Additions	1,960	0	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(1,960)	0	0
At 31 March 2023	<u>964</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2023	<u>964</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2022	<u>964</u>	<u>2,047</u>	<u>6,797</u>

	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Council Heritage Assets £000
At 1 April 2022	1,975	19,643	31,426
Additions	0	0	1,960
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	(1,960)
At 31 March 2023	<u>1,975</u>	<u>19,643</u>	<u>31,426</u>
Net book value			
At 31 March 2023	<u>1,975</u>	<u>19,643</u>	<u>31,426</u>
At 31 March 2022	<u>1,975</u>	<u>19,643</u>	<u>31,426</u>

	City of Edinburgh Council Charitable Trusts £000	Total Group Heritage Assets £000
At 1 April 2022	13,064	44,490
Additions	14	1,974
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	(1,960)
At 31 March 2023	<u>13,078</u>	<u>44,504</u>
Net book value		
At 31 March 2023	<u>13,078</u>	<u>44,504</u>
At 31 March 2022	<u>13,064</u>	<u>44,490</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2021/22 Comparative Data

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

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

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.2 Details of Heritage Assets

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

19. Inventories

Policy

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

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

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

Note	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	9,888	3,677	13,569	3,448
Purchases	94,247	17,940	75,030	14,699
Held by a third party	195	195	114	114
Recognised as an expense in the year	(95,089)	(17,830)	(74,720)	(14,538)
Stock written off	(1)	(1)	(4,105)	(46)
Balance at 31 March	<u>9,240</u>	<u>3,981</u>	<u>9,888</u>	<u>3,677</u>

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

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Council Tax	118,121	118,121	104,517	104,517
Trade Debtors	50,819	50,819	52,258	52,258
Other Debtors	47,276	143,050	61,143	132,185
Total long-term debtors before provision for impairment	216,216	311,990	217,918	288,960
Less: Provision for impairment	(149,329)	(149,329)	(135,974)	(135,974)
Total net long-term debtors	66,887	162,661	81,944	152,986

Long-term debtors include £8.978m (2021/22 £9.567m) for sums recoverable from Police Scotland. These sums relate to monies advanced to the former joint board for capital expenditure.

20.2 Short-term Debtors

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Council Tax	110,783	110,783	118,413	118,413
Trade Debtors	81,245	79,463	44,326	42,333
Prepayments	15,366	8,951	9,496	7,530
Other Debtors	122,169	113,651	182,204	170,413
Total current debtors before provision for impairment	329,563	312,848	354,439	338,689
Less: Provision for impairment	(114,531)	(114,531)	(118,584)	(118,584)
Total net current debtors	215,032	198,317	235,855	220,105

20.3 Provision for Impairment

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Council Tax	(108,687)	(108,687)	(97,449)	(97,449)
Trade Debtors	(31,203)	(31,203)	(30,013)	(30,013)
Other Debtors	(9,439)	(9,439)	(8,512)	(8,512)
Total long-term provision for impairment	(149,329)	(149,329)	(135,974)	(135,974)
Current provision for impairment				
Council Tax	(99,262)	(99,262)	(108,082)	(108,082)
Trade Debtors	(14,328)	(14,328)	(9,334)	(9,334)
Other Debtors	(941)	(941)	(1,168)	(1,168)
Total current provision for impairment	(114,531)	(114,531)	(118,584)	(118,584)

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.

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Cash held	348	348	352	352
Bank current accounts	31,031	(13,919)	24,531	(14,115)
Short-term deposits:				
With banks or building societies	16,629	16,629	56,129	56,129
With other local authorities	116,482	116,482	24,777	24,777
Treasury bills	20,097	20,097	21,288	21,288
Other	0	0	56,148	56,148
	184,587	139,637	183,225	144,579

NOTES TO THE FINANCIAL STATEMENTS

22. Investments

22.1 Long-Term Investments

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Transport for Edinburgh	0	5,824	0	5,824
Tudor Trust	350	350	350	350
TIE	1	1	1	1
CEC Holdings	268	14,044	267	14,044
Telford NHT	0	0	1,236	1,236
	<u>619</u>	<u>20,219</u>	<u>1,854</u>	<u>21,455</u>

22.2 Short-Term Investments

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Local Authority Loans	0	0	10,654	10,654
Other short-term investments	15,549	9,995	66,451	66,451
	<u>15,549</u>	<u>9,995</u>	<u>77,105</u>	<u>77,105</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

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
23.1 Non-Current Assets - Held for Sale				
Balance at 1 April	59	59	59	59
Additions	1,764	1,764	0	0
Revaluation gains/(losses) recognised in the revaluation reserve	61	61	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	0	0
Assets Sold	(1,717)	(1,717)	0	0
Assets Declassified as held for sale	(47)	(47)	0	0
	<u>120</u>	<u>120</u>	<u>59</u>	<u>59</u>

23.2 Current Assets - Held for Sale

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	81	81	6,135	6,135
Additions		0	1,645	1,645
Revaluation gains/(losses) recognised in the revaluation reserve	(1,810)	(1,810)	61	61
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	909	909	0	0
Assets Sold	(6,915)	(6,915)	(7,760)	(7,760)
Assets declassified as held for sale	11,170	11,170	0	0
Other movements	378	378	0	0
Balance at 31 March	<u>3,813</u>	<u>3,813</u>	<u>81</u>	<u>81</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Creditors	2022/23		Re-stated 2021/22	
	Group £000	Council £000	Group £000	Council £000
Trade Creditors	(140,589)	(135,524)	(119,951)	(115,114)
Council Tax Creditors	(4,584)	(4,584)	(6,903)	(6,903)
Other Tax payable	(3,467)	(18)	(14,981)	(11,508)
Other Creditors	(127,559)	(97,532)	(108,667)	(76,629)
PPP Creditor (Note 39.1)	(11,305)	(11,305)	(11,379)	(11,379)
Right of Use Asset (Note 38.4)	(30,307)	(16,813)	0	0
Finance Leases (non PPP - Note 38.1)	(403)	(403)	(12,842)	(1,569)
	<u>(318,214)</u>	<u>(266,179)</u>	<u>(274,723)</u>	<u>(223,102)</u>

25. Provisions

Policy

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation. An assessment of long and short-term provisions has been made at the 31 March 2023 year end and provisions disclosed separately.

Note	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Long-Term				
Balance at 1 April	(23,081)	(23,081)	(25,703)	(25,703)
Transfers	0	0	3,569	3,569
Additional provisions made in year	(1,675)	(1,675)	(1,180)	(1,180)
Amounts used during the year	279	279	233	233
Unused amounts reversed during year	0	0	0	0
Balance at 31 March	<u>(24,477)</u>	<u>(24,477)</u>	<u>(23,081)</u>	<u>(23,081)</u>

Short-Term	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	(10,237)	(8,342)	(12,446)	(7,380)
Transfers	0	0	(3,569)	(3,569)
Additional provisions made in year	(8,885)	(7,129)	(2,010)	(1,188)
Amounts used during the year	2,149	13	4,070	77
Unused amounts reversed during year	2,549	2,549	3,718	3,718
Balance at 31 March	<u>(14,424)</u>	<u>(12,909)</u>	<u>(10,237)</u>	<u>(8,342)</u>

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

26. Reserves

Policy

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

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

Unusable reserves cannot be applied to fund expenditure.

Usable Reserves

The Council operates the following usable reserves:

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

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves

Note

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 20 to 21) and Note 12.

Policy

The Council operates the following unusable reserves:

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

27.1 Summary of Unusable Reserves

	Balance as at:	
	31 March 2023 £000	31 March Re-stated 2022 £000
Revaluation Reserve	2,413,893	2,019,466
Capital Adjustment Account	1,421,660	1,346,276
Financial Instruments Adjustment Account	(76,676)	(79,850)
Pensions Reserve	597,500	(203,825)
Employee Statutory Adjustment Account	(15,228)	(14,225)
Total Council Unusable Reserves	4,341,149	3,067,842
Subsidiaries, Associates and Joint Ventures	151,548	122,070
Total Group Unusable Reserves	<u>4,492,697</u>	<u>3,189,912</u>

27.2 Revaluation Reserve

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

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

	2022/23 £000	Re-stated 2021/22 £000
Balance at 1 April	2,019,466	1,591,221
Upward revaluation of assets	560,437	768,264
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(85,711)	(297,155)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	474,726	471,109
Difference between fair value depreciation and historical cost depreciation	(73,784)	(38,663)
Accumulated gains on assets sold written off to the capital adjustment account	(6,515)	(4,201)
Balance at 31 March	<u>2,413,893</u>	<u>2,019,466</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.3 Capital Adjustment Account

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

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

	2022/23 £000	2021/22 £000
Balance at 1 April	1,346,276	1,488,692
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(173,863)	(319,831)
Amortisation and impairment of intangible assets	(114)	(114)
Capital funded from revenue	24,509	15,043
Revenue exp. funded from capital under statute	(64,847)	(58,999)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(23,561)	(14,037)
	<u>(237,875)</u>	<u>(377,938)</u>
Adjusting amounts written out of the revaluation reserve	6,515	4,201
	<u>(231,360)</u>	<u>(373,738)</u>
Net written out amount of the costs of non-current assets consumed in the year		
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	23,703	16,442
Donated assets	(239)	(586)
Use of capital fund for new capital expenditure	1,297	7,150
Capital grants and contributions credited to the CIES that have been applied to capital financing	106,744	75,186
Application of grants from the capital grants unapplied account / capital fund	16,608	3,461
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	92,164	70,986
Capital expenditure charged against the General Fund and HRA balances	64,847	58,999
	<u>305,125</u>	<u>231,639</u>
Movements in the market value of investment properties credited to the CIES	1,536	(318)
Movements in value of finance leases	83	0
Balance at 31 March	<u><u>1,421,660</u></u>	<u><u>1,346,276</u></u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.4 Financial Instruments Adjustment Account

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

	2022/23	2021/22
	£000	£000
Balance at 1 April	(79,850)	(82,929)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	3,009	3,008
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	165	71
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	3,174	3,079
Balance at 31 March	<u>(76,676)</u>	<u>(79,850)</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 credit balance on the pension reserve therefore shows a surplus between the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements ensure that funding will have been set aside by the time the benefits require to be paid.

	2022/23	2021/22
	£000	£000
Balance at 1 April	(203,825)	(670,502)
Actuarial gains or (losses) on pension assets and liabilities	879,399	564,499
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	(159,125)	(174,306)
Employer's pension contributions and direct payments to pensioners payable in the year	81,051	76,484
Balance at 31 March	<u>597,500</u>	<u>(203,825)</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.

		2022/23	2021/22
		£000	£000
Balance at 1 April		(14,225)	(16,246)
Settlement or cancellation of accrual made at the end of the preceding year	14,225	16,246	
Amount accrued at the end of the current year	<u>(15,228)</u>	<u>(14,225)</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		(1,003)	2,021
Balance at 31 March		<u>(15,228)</u>	<u>(14,225)</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2023 £000	31 March 2022 £000
Subsidiaries		
CEC Holdings Limited	58,307	57,169
Transport for Edinburgh	22,410	21,080
Edinburgh Living MMR LLP	26,287	17,808
The City of Edinburgh Council Charitable Trusts	14,576	0
Associates and Joint Ventures		
Common Good	26,087	25,033
Lothian Valuation Joint Board	3,881	980
Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures	151,548	122,070

28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2022/23		Re-stated 2021/22	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	724,818	724,818	676,092	676,092
General Revenue Grant	(627,905)	(627,905)	(653,272)	(653,272)
Non-Domestic Rates receipts from national pool	(249,861)	(249,861)	(188,796)	(188,796)
Other net operating cash payments / (receipts)	38,019	38,019	6,076	6,076
Net cash flows from subsidiary companies	(35,232)	0	(18,759)	0
Net cash flows from operating activities	(150,161)	(114,929)	(178,659)	(159,900)

29. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2022/23		Re-stated 2021/22	
	Group £000	Council £000	Group £000	Council £000
Interest received	(10,148)	(10,023)	(151)	(143)
Interest paid	62,215	59,599	76,242	74,201
Investment income received	0	0	0	0
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:				
Proceeds from short-term and long-term investments	3,532	0	3,314	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets				
Recognised Capital Income	117,485	117,485	78,279	78,279
Movement in Donated Assets	(239)	(239)	(586)	(586)
	120,778	117,246	81,007	77,693

NOTES TO THE FINANCIAL STATEMENTS

29. Cash Flow Statement - Operating Activities - continued

	2022/23		Re-stated 2021/22	
	Group £000	Council £000	Group £000	Council £000
Depreciation	(268,675)	(246,111)	(227,786)	(196,728)
Impairment	(1,649)	(1,649)	(161,880)	(161,880)
Increase/(decrease) in impairment for bad debts	(15,655)	(15,361)	(1,005)	(1,278)
Increase/(decrease) in creditors	(40,877)	(32,764)	(7,936)	(26,525)
Increase/(decrease) in debtors	37,546	37,214	(4,501)	2,270
Increase/(decrease) in inventories	(648)	304	(3,680)	229
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	8,621	142	9,476	2,405
Other non-cash items charged to the net surplus or deficit on the provision of services	(77,526)	(74,732)	(112,207)	(96,808)
	<u>(358,863)</u>	<u>(332,957)</u>	<u>(509,519)</u>	<u>(478,315)</u>

30. Cash Flow Statement - Investing Activities

	2022/23		Re-stated 2021/22	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	345,870	314,449	413,800	376,916
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(24,185)	(23,854)	(20,498)	(18,211)
Net purchase of Short-Term and Long-Term Investments	(70,596)	(70,596)	(524)	(524)
Other payments for investing activities	3,865	3,865	4,222	4,222
Other receipts from investing activities	<u>(97,606)</u>	<u>(100,555)</u>	<u>(86,755)</u>	<u>(86,751)</u>
Net cash flows from investing activities	<u>157,348</u>	<u>123,309</u>	<u>310,245</u>	<u>275,652</u>

31. Cash Flow Statement - Financing Activities

	2022/23		Re-stated 2021/22	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(37,496)	(11,096)	(254,156)	(206,264)
Other Receipts for Financing Activities	(58,121)	(58,121)	45,793	45,793
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	31,678	10,657	35,096	11,763
Repayment of short-term and long-term borrowing	55,795	55,122	54,433	53,935
Net cash flows from financing activities	<u>(8,144)</u>	<u>(3,438)</u>	<u>(118,834)</u>	<u>(94,773)</u>

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees

32.1 Loans and guarantees

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

	2022/23 £000	2021/22 £000
Opening Balance	56	60
New Loans	0	0
Increase in the Discounted Amount	4	5
Fair Value Adjustment	0	0
Loan Repayment	<u>(9)</u>	<u>(9)</u>
Balance Carried Forward	<u>51</u>	<u>56</u>
Nominal Value Carried Forward	<u>72</u>	<u>81</u>

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

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

32.2 Guarantees

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees - continued

32.3 Shared Equity Scheme / Scheme of Assistance

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

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

Purchasers have the option to pay interest annually or accumulate charges on the same terms as the original equity. Sums due to the Council, including accrued interest, where owners have opted to defer interest, are included in long-term debtors, the balance at 31 March 2023 is £0.207m.

The assisted purchase scheme was an initiative administered on behalf of the Council to allow home owners to enter into a lifetime mortgage agreement to finance repairs to their properties. Forty loans were made between 2007 and 2012, with an original loan principal value of £0.762m. These sums are included in long-term debtors, the balance at 31 March 2023 is £0.738m.

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

In June 2018 the Council purchased the interest in a shared equity loan scheme from PARC for £0.512m. The scheme provided assistance to buyers to purchase homes from PARC and twenty two loans remain in the scheme. These sums are included in long-term debtors, the balance at 31 March 2023 is £0.268m.

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

32.4 National Housing Trust

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

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

All Phase 1 NHT developments have now been repaid in full.

NHT Phase 3 is complete and has delivered 829 homes.

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees - continued

32.4 National Housing Trust - continued

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

Developer	Development Site	Phase	Total No. of Units	Advanced 2022/23 £000	Repaid 2022/23 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	0	0	(1,527)	1,527	0
Places for People	Lighthouse Court	1	0	0	(1,336)	1,336	0
FP Newhaven Ltd	Sandpiper Road	2	96	0	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	0	0	(9,153)	9,153	0
Cruden Homes	Western Harbour	3	138	0	0	17,284	17,284
Places for People	Shrubhill	3	93	0	0	14,923	14,923
			327	0	(12,016)	56,131	44,115

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

33. Agency Income and Expenditure

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

During the financial year the total Agency income was £97.799m (2021/22 £157.552m) and Agency Expenditure £83.518m (2021/22 £148.607m).

During the financial year the Council undertook the administration of the Energy Bill Support Scheme and several Covid-19 related funding streams on behalf of the UK and Scottish Governments, on an agency basis. During the year income and expenditure amounted to £25.925m (2021/22 £88.87m), grants of £24.265m were paid out, utilising funding carried forward from the prior year and funds received in year (2021/22 £112.665m).

The council also undertakes, on an agency basis, the financial administration on behalf of the Scottish Cities Alliance. During the year £0.338m (2021/22 £0.197m) was paid out to the respective lead authorities of the projects concerned, included in the totals above.

The Council acts as the Billing Authority for a number of Business Improvement Districts (BIDs). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh and Edinburgh West End. During the year income of £1.049m (2021/22 £1.049m) was collected and £1.028m (2021/22 £0.997m) paid out to BID schemes, included in the totals above.

In August 2018 the Edinburgh and South-East Scotland City Region Deal (ESESCR Deal) was signed and committed a total of £600m of funding from both the Scottish and UK Governments, over 15 years. The Council has undertaken, on an agency basis, to act as the accountable body for the management of the Deal. During the year income and expenditure amounted to £52.253m (2021/22 £54.935m).

34. Audit Costs

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.682m (2021/22 Azets Audit Services £0.617m).

In addition, the Council paid audit fees to Azets Audit Services for the audit of CEC Recovery Limited's (formerly tie Limited) accounts. The Council paid £0.002m during 2022/23 (2021/22 £0.002m) for the audit of the 2021/22 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

35. Grant Income

Policy

• Revenue

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

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

• Capital

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

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

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

Note

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

	2022/23		Re-stated 2021/22	
	£000	£000	£000	£000
Credited to taxation and non-specific grant income				
General revenue funding	(627,905)		(653,272)	
Non-domestic rates	(249,861)		(188,796)	
Capital grants and contributions	<u>(117,247)</u>		<u>(77,693)</u>	
		(995,013)		(919,761)
Credited to services				
Central Government Bodies	(259,766)		(277,566)	
Other Local Authorities	(4,102)		(3,325)	
NHS bodies	(84,119)		(73,701)	
Other entities and individuals	<u>(49,499)</u>		<u>(22,249)</u>	
		<u>(397,486)</u>		<u>(376,841)</u>
Total		<u><u>(1,392,499)</u></u>		<u><u>(1,296,602)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

36. Related Parties

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

	2022/23	2022/23	2022/23	2021/22	2021/22
	Expenditure	Income	Debtor /	Net	Debtor /
	£000	£000	(Creditor)	Expenditure	(Creditor)
			£000	/ (Income)	£000
				£000	£000

Subsidiaries and Associates

Subsidiaries and Associates are independent bodies over which the Council is considered to have control or influence, see Note 9 (page 43) for further details. The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

CEC Holdings (incl. EDI Group, EICC)	74	(577)	2,429	(294)	2,335
Transport for Edinburgh (inc. Edinburgh Trams and Lothian Buses)	3,597	(8,603)	(443)	(7,220)	(377)
Edinburgh Living MMR	18,400	(11,074)	44,930	3,110	41,979
Edinburgh Leisure Limited	11,112	(260)	163	13,692	251
Capital Theatres	588	(200)	0	307	(150)
Lothian Valuation Joint Board	3,778	(501)	(1,524)	3,485	(1,728)
Common Good	0	0	(384)	0	(411)
Edinburgh Integration Joint Board	278,822	(310,197)	(81,735)	(21,225)	(83,663)

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

Capital City Partnership	6,922	(250)	(249)	5,058	3
CEC Recovery (formerly Tie Limited)	0	0	1	0	(1)
Marketing Edinburgh	0	0	0	57	0
Energy for Edinburgh	0	(2)	0	(16)	0
Telford NHT	0	(1,247)	6	(11)	203

The Council is the administering authority for the Lothian Pension Fund which is a Local Government Pension Scheme, details of the scheme, including contributions paid to the fund are shown in Note 41. LFPE Limited and LPFI Limited are corporate bodies wholly owned by the City of Edinburgh Council. Both bodies' accounts are consolidated in the annual accounts of Lothian Pension Fund.

Lothian Pension Fund	6,416	(264)	(2,710)	5,362	(4,084)
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Scottish Government

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

Scottish Government	264	(95,642)	66,518	(75,966)	107,273
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NOTES TO THE FINANCIAL STATEMENTS

36. Related Parties - continued

	2022/23 Expenditure	2022/23 Income	2022/23 Debtor / (Creditor)	2021/22 Net Expenditure / (Income)	2021/22 Debtor / (Creditor)
	£000	£000	£000	£000	£000

Other Public Bodies

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

Business Stream	2,523	0	288	2,106	322
Criminal Justice Bodies	425	0	0	491	0
NHS Bodies	4,167	(29,567)	1,289	(26,471)	2,515
Other Local Authorities	3,783	(2,100)	(889)	1,813	298
Police Scotland	135	(1,045)	9,018	(893)	9,482
Scottish Fire and Rescue Service	56	0	(28)	62	(14)
Scottish Police Authority	171	(133)	0	162	0
Scottish Qualifications Authority	1,524	0	0	1,492	0
Scottish Water	255	(50)	(3,007)	316	71
Transport Scotland	0	(1,762)	764	(706)	66

Members Interest

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

In 2022/23, the Council made payments totalling £29.123m to 40 bodies where members hold an interest, i.e. they held or hold a position where they have significant influence or control. Material payments (in excess of £0.250m) have been detailed below:

Bethany Christian Trust	1,254	(0)	419	994	10
Church of Scotland	379	(47)	0	450	0
Dean and Cauvin Charitable Trust	1,079	0	6	1,061	0
Harbour Homes Scotland Limited	4,143	(0)	0	16,464	0
Lifecare Edinburgh	551	0	0	457	0
Royal Blind Asylum and School	355	0	(192)	682	(75)
Smilechildcare	277	0	0	240	0
The Citadel Youth Centre	276	0	0	275	0
University of Edinburgh	638	(209)	25	288	22

Other Organisations

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

Edinburgh International Festival Society	1,931	(298)	43	1,926	44
Edinburgh and Lothians Greenspace Trust	684	0	0	460	0
Edinburgh School Partnership	21,407	0	(40,394)	19,784	(44,470)
Edinburgh Vol. Org. Council	427	0	0	448	0
Handicab	536	(240)	0	370	112
Hubco	1,165	0	0	15,967	(19)
South East of Scotland Transport Partnership	2	(0)	525	(12)	601
SUSTRANS	66	(13,494)	10,573	(4,224)	3,053

NOTES TO THE FINANCIAL STATEMENTS

36. Related Parties - continued

Senior Officers

Senior Officers have control over the Council's financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report. In 2022/23, a senior officer, R. Carr was employed by an external company, details of the salary and additional costs are listed in the Remuneration paid to Senior Officers section of the Remuneration Report.

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

37. Capital Expenditure and Capital Financing

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

	2022/23		Re-stated 2021/22	
	£000	£000	£000	£000
Opening capital financing requirement		1,746,483		1,749,002
Capital Investment				
Property, plant and equipment	347,810		189,775	
Heritage Assets / Common Good Assets	1,960		2,664	
Assets held for sale	1,764		1,645	
Capital Receipts transferred to Capital Fund	10,503		0	
Capital Investment applied to debtors	18,400		23,393	
Revenue expenditure funded from capital under statute	64,847		58,999	
Right of Use Asset Recognised in year	66,863		0	
PPP Lease Agreements Recognised In-Year	(504)		990	
		511,643		277,466
Sources of Finance				
Capital receipts	(23,703)		(16,442)	
Capital Funded from Current Revenue	(24,509)		(15,043)	
Government grants and other contributions	(200,058)		(145,099)	
PPP schools -				
- under construction and lifecycle additions	239		(404)	
Loans fund / finance lease repayments	(104,866)		(102,997)	
		(352,897)		(279,985)
Closing capital financing requirement		<u>1,905,229</u>		<u>1,746,483</u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow or fund from credit arrangements		159,250		(3,509)
Assets acquired under finance leases		(504)		990
(Decrease) / Increase in capital financing requirement		<u>158,746</u>		<u>(2,519)</u>

NOTES TO THE FINANCIAL STATEMENTS

38. Leases

38.1 Assets Leased in - Finance Leases

Policy

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

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

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

Note

The Council has acquired a waste treatment facility and its IT equipment under finance leases. The assets classified under these leases are included in property, plant and equipment in the Balance Sheet. In 2022/23 all IT liabilities were derecognised and the asset ownership passed to the Council

The Council has adopted IFRS 16 from 1 April 2022, therefore no further consolidation adjustments have been made to the finance lease disclosures for 2022/23, to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	52,013	6,358	33,612	8,240
Adjustment for Right of Use Assets	(45,655)	0	0	0
Additions during the year	0	0	24,943	63
Depreciation charge for the year	(1,569)	(1,569)	(6,542)	(1,945)
Derecognition	(448)	(448)	0	0
Value at 31 March	<u>4,341</u>	<u>4,341</u>	<u>52,013</u>	<u>6,358</u>
Vehicles, plant, equipment and furniture	<u>4,341</u>	<u>4,341</u>	<u>52,013</u>	<u>6,358</u>
Value at 31 March	<u><u>4,341</u></u>	<u><u>4,341</u></u>	<u><u>52,013</u></u>	<u><u>6,358</u></u>
Analysed by:	£000	£000	£000	£000
Current	403	403	12,842	1,569
Non-Current	3,938	3,938	23,434	4,789
Finance costs payable in future years	463	463	1,634	599
	<u>4,804</u>	<u>4,804</u>	<u>37,910</u>	<u>6,957</u>
Finance Lease Liabilities	£000	£000	£000	£000
Within one year	486	486	13,368	1,696
Between 2 and 5 years	1,943	1,943	21,681	2,400
Over 5 years	2,375	2,375	2,861	2,861
Total liabilities	<u>4,804</u>	<u>4,804</u>	<u>37,910</u>	<u>6,957</u>

38.2 Assets Leased in - Operating Leases

Policy

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

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

NOTES TO THE FINANCIAL STATEMENTS

38. Leases - continued

38.2 Assets Leased in - Operating Leases - continued

Note

The Council adopted IFRS 16 from 1 April 2022, therefore consolidation adjustments are no longer required for Group bodies who adopted prior to this date. Properties and other vehicles, plant and equipment that fall under the scope of IFRS16 have now been reclassified as right of use assets on the balance sheet. The disclosures below relate to low value (below £10k assets) and leases that have less than 12 months to run.

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:

	2022/23		2021/22	
	Group £000	Council £000	Group £000	Council £000
Future Repayment Period				
Not later than one year	139	139	10,571	1,316
Later than one year and not later than five years	283	283	39,868	3,262
Later than five years	1	1	28,368	851
	423	423	78,807	5,429
Value at 31 March				
Other land and buildings	35	35	12,934	2,962
Vehicles, plant, equipment and furniture	388	388	65,873	2,467
	423	423	78,807	5,429
Recognised as an expense during the year	306	306	9,094	1,259

38.3 Assets Leased Out by the Council - Operating Leases

Policy

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

Note

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

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

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

	2022/23 £000	2021/22 £000
Not later than one year	21,318	21,043
Later than one year and not later than five years	72,653	72,312
Later than five years	312,390	319,292
Total liabilities	406,361	412,648

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

38. Leases - continued

38.4 Right of Use Assets

The Council adopted IFRS 16 from 1 April 2022, to recognise all right of use assets. IFRS 16 will mean that the majority of leases where the Council acts as lessee will come onto the balance sheet and lessor accounting is effectively unchanged. Right-of-use assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in 2022/2023 and not by adjusting prior year figures.

The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset and future rents as a liability), a right-of-use asset and a lease liability are now on the balance sheet at 1 April 2022. Leases for items of low value and leases that expire on or before 31 March 2024 are exempt from the new arrangements.

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

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

	2022/23	
	Group	Council
	£000	£000
Value at 1 April	0	0
Additions during the year	121,775	66,863
Depreciation charge for the year	(19,792)	(15,434)
	<u>101,983</u>	<u>51,429</u>
Value at 31 March	101,983	51,429
Other land and buildings	57,613	49,998
Vehicles, plant, equipment and furniture	44,370	1,431
	<u>101,983</u>	<u>51,429</u>
	<u>101,983</u>	<u>51,429</u>
Analysed by:	£000	£000
Current	30,307	16,813
Non-Current	97,789	34,616
	<u>128,096</u>	<u>51,429</u>
Finance Lease Liabilities	£000	£000
Within one year	31,854	16,813
Between 2 and 5 years	77,627	27,862
Over 5 years	25,184	6,754
Total liabilities	<u>134,665</u>	<u>51,429</u>

Amount charged to the Council Comprehensive Income and Expenditure amounted to £1.3m in 2022/23, related to interest expense on the lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

39. Public Private Partnerships and Similar Contracts

39.1 PPP, Finance Lease and Other Liabilities

	Note	2022/23		2021/22	
		Group	Council	Group	Council
		£000	£000	£000	£000
Short Term Creditors					
PPP Residual Waste	39.2	2,598	2,598	2,607	2,607
PPP Education	39.3	8,707	8,707	8,772	8,772
Finance Leases	38.1	403	403	12,842	1,569
Right of Use Assets	38.4	30,307	16,813	0	0
		<u>42,015</u>	<u>28,521</u>	<u>24,221</u>	<u>12,948</u>
Other Long-Term Liabilities					
PPP Residual Waste	39.2	23,368	23,368	23,673	23,673
PPP Residual Waste Donated Asset	39.2	48,158	48,158	50,452	50,452
PPP Education	39.3	188,850	188,850	197,615	197,615
Finance Leases	38.1	3,938	3,938	23,434	4,789
Right of Use Assets	38.4	97,789	34,616	0	0
Group other liabilities		221	0	532	0
		<u>362,324</u>	<u>298,930</u>	<u>295,706</u>	<u>276,529</u>

39.2 PPP - Residual Waste

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

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

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000	Donated Asset £000
Payable in 2023/24	4,992	305	3,651	8,948	2,293
Within two to five years	21,628	1,293	14,091	37,012	9,173
Within six to ten years	30,229	2,537	16,317	49,083	11,466
Within eleven to fifteen years	33,671	5,511	13,415	52,597	11,466
Within sixteen to twenty years	38,386	10,504	7,682	56,572	11,466
Within twenty one to twenty five years	9,053	3,523	429	13,005	4,587
	<u>137,959</u>	<u>23,673</u>	<u>55,585</u>	<u>217,217</u>	<u>50,451</u>

The payments for service disclosed have had uplifts applied to reflect the current inflationary position and estimated potential future impacts, as set out below.

	2023/24	2024/25	2025/26 onwards
Payable	12.86%	2.84%	2.50%

NOTES TO THE FINANCIAL STATEMENTS

39. Public Private Partnerships and Similar Contracts - continued

39.3 PPP - Education Projects

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

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

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

In June 2018, the Council entered in to an agreement with QHS DBFMCO Ltd for the provision of a new building for Queensferry High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with QHS DBFMCO Ltd. The concession is due to terminate in March 2045.

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 2023/24	27,297	8,707	20,878	56,882
Payable within two to five years	115,155	40,442	80,140	235,737
Payable within six to ten years	163,878	61,957	87,032	312,867
Payable within eleven to fifteen years	106,667	58,877	59,362	224,906
Payable within sixteen to twenty years	15,947	21,794	8,787	46,528
Payable within twenty one to twenty five years	1,229	5,780	1,421	8,430
	<u>430,173</u>	<u>197,557</u>	<u>257,620</u>	<u>885,350</u>

The payments for service disclosed have had uplifts applied to reflect the current inflationary position and estimated potential future impacts, subject to the terms of the separate contracts, as set out below.

	2023/24	2024/25	2025/26 onwards
Payable			
PPP1	6.50%	1.42%	1.11%
PPP2	10.89%	1.90%	1.67%
James Gillespie's High School	13.84%	2.84%	2.50%
Queensferry High School	13.84%	2.84%	2.50%

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:

	2022/23 £000	2021/22 £000
Balance at 1 April	206,387	212,915
PPP unitary charge restatement adjustment	(55)	4
Additions during the year	0	2,973
Repayments during the year	<u>(8,775)</u>	<u>(9,505)</u>
Balance at 31 March	<u>197,557</u>	<u>206,387</u>

NOTES TO THE FINANCIAL STATEMENTS

39. Public Private Partnerships and Similar Contracts - continued

39.4 Provision of Information Technology services

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

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

Future Repayment	£000	Inflationary Uplift
Period		
2023/24	23,778	2.5%
2024/25 - 2028/29	119,841	2.5%
	<u>143,619</u>	

39.5 Provision of Parking Enforcement

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

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

Future Repayment	£000
Period	
2023/24	7,128
2024/25	3,564
	<u>10,692</u>

39.6 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £33.251m.

40. Pension schemes accounted for as defined contribution schemes

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

	2022/23		2021/22	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	36,260		37,327	
As a percentage of teachers' pensionable pay		23.00		23.00
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards	13,086		15,012	

At 31 March 2023, creditors include £4.401m (2021/22 £4.408m) in respect of teachers' superannuation.

41. Defined Pension Schemes

41.1 Participation in Pension Scheme

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.1 Participation in Pension Scheme - continued

In terms of this scheme, in 2022/23 the Council paid an employer's contribution of £75.752m (2021/22 £69.915m) into the Lothian Pension Fund, representing 22.7% (2021/22 22.7%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The data is based on the valuations as at March 2020, at which point the funding level (i.e. the percentage of assets to past service liabilities) was 106%.

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

41.2 Transactions Relating to Post-Employment Benefits

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

	2022/23		2021/22	
Comprehensive Income and Expenditure Statement	£000	£000	£000	£000
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	152,940		158,312	
Past service costs	366		1,762	
Effect of Settlements	<u>(631)</u>		<u>0</u>	
		152,675		160,074
<i>Financing and investment income:</i>				
Net interest expense		<u>6,450</u>		<u>14,232</u>
Total post employee benefit charged to the surplus on the provision of services		159,125		174,306
<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.	(6,513)		(287,525)	
Actuarial (gains) and losses arising on changes in financial assumptions	(1,446,141)		(258,742)	
Restrictions in pension assets	405,860		0	
Actuarial (gains) and losses arising on changes in demographic assumptions	(29,572)		(23,887)	
Other experience	<u>196,967</u>		<u>5,655</u>	
		<u>(879,399)</u>		<u>(564,499)</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>(720,274)</u>		<u>(390,193)</u>
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.		<u>(159,125)</u>		<u>(174,306)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		76,224		71,514
Contributions in respect of unfunded benefits		<u>4,827</u>		<u>4,970</u>
		<u>81,051</u>		<u>76,484</u>

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

The net asset value has been restricted in accordance with Accounting Standards, to limit the surplus recognised on the Balance Sheet.

	2022/23	2021/22
	£000	£000
Fair value of employer assets	3,701,660	3,599,772
Present value of funded liabilities	(3,053,062)	(3,742,162)
Present value of unfunded liabilities	<u>(51,098)</u>	<u>(61,435)</u>
Net asset / (liability) arising from defined benefit obligation	<u>597,500</u>	<u>(203,825)</u>

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

	2022/23	2021/22
	£000	£000
Opening fair value of scheme assets	3,599,772	3,250,790
Effect of settlements	(1,173)	0
Interest income	97,088	64,936
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	6,513	287,525
Contributions from employer	76,224	71,514
Contributions from employees into the scheme	20,461	18,965
Contributions in respect of unfunded benefits	4,827	4,970
Other Experience	0	0
Benefits paid	(97,225)	(93,958)
Unfunded benefits paid	<u>(4,827)</u>	<u>(4,970)</u>
Closing fair value of scheme assets	<u>3,701,660</u>	<u>3,599,772</u>

Reconciliation of Present Value of the Scheme Liabilities

	2022/23	2021/22
	£000	£000
Present value of funded liabilities	(3,742,162)	(3,853,353)
Present value of unfunded liabilities	<u>(61,435)</u>	<u>(67,939)</u>
Opening balance at 1 April	(3,803,597)	(3,921,292)
Current service cost	(152,940)	(158,312)
Interest cost	(103,538)	(79,168)
Contributions from employees into the scheme	(20,461)	(18,965)
Re-measurement gain / (loss):		
Change in financial assumptions	1,446,141	258,742
Restriction in pension asset	(405,860)	0
Change in demographic assumptions	29,572	23,887
Other experience	(196,967)	(5,655)
Past service (cost) / gain	(366)	(1,762)
Effects of settlements	1,804	0
Benefits paid	97,225	93,958
Unfunded benefits paid	<u>4,827</u>	<u>4,970</u>
Closing balance at 31 March	<u>(3,104,160)</u>	<u>(3,803,597)</u>

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.5 Fair Value of Employer Assets

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

	2022/23 £000	%	2021/22 £000	%
Consumer *	453,837	12	442,853	12
Manufacturing *	510,266	14	476,415	13
Energy and Utilities *	223,295	6	198,727	6
Financial Institutions *	222,674	6	207,470	6
Health and Care *	271,902	7	249,356	7
Information technology *	153,734	4	163,572	5
Other *	<u>252,757</u>	7	<u>268,374</u>	7
Sub-total Equity Securities	<u>2,088,465</u>		<u>2,006,767</u>	
Debt Securities:				
UK Government *	429,135	12	314,362	9
Corporate Bonds (investment grade) *	57,731	2	0	0
Other *	<u>77,309</u>	2	<u>67,519</u>	2
Sub-total Debt Securities	<u>564,175</u>		<u>381,881</u>	
Private Equity				
All *	2,316	0	377	0
All	<u>12,145</u>	0	<u>16,549</u>	0
Sub-total Private Equity	<u>14,460</u>		<u>16,926</u>	
Real Estate:				
UK Property *	24,807	1	33,516	1
UK Property	141,939	4	156,784	4
Overseas Property *	4,917	0	1,014	0
Overseas Property	<u>1,026</u>	0	<u>0</u>	0
Sub-total Real Estate	<u>172,690</u>		<u>191,314</u>	
Investment Funds and Unit Trusts:				
Equities *	49,281	1	61,879	2
Equities	2,868	0	2,781	0
Bonds *	0	0	67,648	2
Bonds	107,180	3	100,921	3
Infrastructure	<u>527,557</u>	14	<u>364,980</u>	10
Sub-total Investment Funds and Unit Trusts	<u>686,887</u>		<u>598,209</u>	
Derivatives:				
Foreign Exchange *	<u>157</u>	0	<u>171</u>	0
Sub-total Derivatives	<u>157</u>		<u>171</u>	
Cash and Cash Equivalents				
All *	<u>174,827</u>	5	<u>404,503</u>	11
Sub-total Cash and Cash Equivalents	<u>174,827</u>		<u>404,503</u>	
Total Fair Value of Employer Assets	<u>3,701,660</u>	<u>100</u>	<u>3,599,772</u>	<u>100</u>

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

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2023 were those from the beginning of the year (i.e. 31 March 2022) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 31 March 2022 to 28 February 2023	(1.30%)
Total return for period from 1 April 2022 to 31 March 2023	(2.90%)

Average future life expectancies at age 65:

		31.03.23	31.03.22
Current pensioners	male	19.9 years	20.3 years
Current pensioners	female	22.9 years	23.1 years
Future pensioners	male	21.2 years	21.6 years
Future pensioners	female	24.7 years	25.0 years
Period ended		31.03.23	31.03.22
Pension increase rate		2.95%	3.20%
Salary Increase rate		3.45%	3.70%
Discount rate		4.75%	2.70%

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

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2023 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 2023	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	2%	47,980
1 year increase in member life expectancy	4%	107,932
0.1% increase in the Salary Increase Rate	0%	4,268
0.1% increase in the Pension Increase Rate	2%	44,431

41.7 Impact on the Council's Cash Flows

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

41.8 Information about the defined benefit obligation

	£000	%
Active members	289,234	74.9%
Deferred members	18,499	4.8%
Pensioner members	78,261	20.3%
Total	385,994	100.0%

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.8 Information about the defined benefit obligation - continued

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

The unfunded pensioner liability at 31 March 2023 comprises approximately £39.756m (2021/22 £47.944m) in respect of LGPS unfunded pensions and £11.342m (2021/22 £13.491m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2023, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

41.9 Pension Reserves - Group Position

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

	2022/23	2021/22
	Pension	Pension
	Reserve	Reserve
	£000	£000
Unusable Reserves		
Council	597,500	(203,825)
Lothian Valuation Joint Board	(3,845)	(867)
	<u>593,655</u>	<u>(204,692)</u>
	2022/23	2021/22
	£000	£000
Usable Reserves		
Transport for Edinburgh Ltd	26,047	88,072
	<u>26,047</u>	<u>88,072</u>
Net Pension Reserves	<u>619,702</u>	<u>(116,620)</u>

41.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2024

	Assets	Obligations	Net (liability) / asset	
	£000	£000	£000	% of pay
Current service cost	0	(69,396)	(69,396)	(20.7%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(69,396)	(69,396)	(20.7%)
Interest income on plan assets	175,755	0	175,755	52.5%
Interest cost on defined benefit obligation	0	(127,816)	(127,816)	(38.2%)
Total Net Interest Cost	175,755	(127,816)	47,939	14.3%
Total included in Profit or Loss	<u>175,755</u>	<u>(197,212)</u>	<u>(21,457)</u>	<u>(6.4%)</u>

The Council's estimated contribution to Lothian Pension Fund for 2023/24 is £75.968m.

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £0.194m, including accrued payments (2021/22 £1.598m).

41.12 Further Information

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

42. Financial Instruments

Policy

Classifications

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

- money market funds

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

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.1 Categories of Financial Instruments

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

	2022/23		2021/22	
	Long-Term £000	Current £000	Long-Term £000	Current £000
Assets				
At amortised cost				
- Bank Call Accounts (Note 21)	0	16,629	0	56,129
- Local Authority Loans - S-T (Note 22.2)	0	0	0	10,654
- Local Authority Loans - S-T (Note 21)	0	116,482	0	24,777
- Sovereign / Supranational debt	0	30,092	0	143,887
		<u>163,203</u>		<u>235,447</u>
At fair value through profit and loss				
- Money Market Funds	0	36,147	0	39,633
		<u>36,147</u>		<u>39,633</u>
Total Financial Instruments - Assets	<u>0</u>	<u>199,350</u>	<u>0</u>	<u>275,080</u>
The Investment total does not include £21.1m (2021/22 £21.1m) in unquoted equity in subsidiary companies which are not deemed to be Financial Instruments.				
Debtors				
At amortised cost	143,789	113,651	143,258	170,963
Total debtors	<u>143,789</u>	<u>113,651</u>	<u>143,258</u>	<u>170,963</u>
Borrowings				
- Public Works Loans Board	(1,120,924)	(53,790)	(1,152,648)	(64,538)
- Salix	(74)	(147)	(221)	(233)
- Market debt	(298,178)	(5,807)	(300,163)	(5,682)
Total borrowings	<u>(1,419,176)</u>	<u>(59,744)</u>	<u>(1,453,032)</u>	<u>(70,453)</u>
Other Liabilities				
Financial liabilities at amortised cost	0	(51,366)	0	(40,113)
PPP and finance lease liabilities	(250,772)	(26,228)	(226,077)	(10,655)
PPP and finance lease liabilities (donated assets)	(48,158)	(2,293)	(50,452)	(2,293)
Deferred liability	(84,438)	0	(62,144)	0
Total other long-term liabilities	<u>(383,368)</u>	<u>(79,887)</u>	<u>(338,673)</u>	<u>(53,061)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.1 Categories of Financial Instruments - continued

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

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

42.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Measured at Amortised Cost £000	Fair Value through Profit / Loss £000	Total £000
Interest expense	57,997	0	0	57,997
Interest on leases	19,001	0	0	19,001
Total expense in Surplus on the Provision of Services	76,998	0	0	76,998
Interest income	0	(4,154)	(2,146)	(6,300)
Total Interest and investment income	0	(4,154)	(2,146)	(6,300)
Net (gain) / loss for the year	76,998	(4,154)	(2,146)	70,698

In addition to the above interest expense, £3.008m (2021/22 £3.008m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.132m (2021/22 £0.193m) of loans fund expenses charged to the Council.

Dividend income of £nil (2021/22 £nil) was received from a subsidiary council company.

42.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

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

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.3 Fair Value of Assets and Liabilities - continued

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

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

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

The fair values are calculated as follows:

	Fair Value Level	2022/23		2021/22		
		Principal Outstanding £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,163,723)	(1,174,713)	(967,201)	(1,217,186)	(1,313,405)
Salix	2	(225)	(221)	(212)	(454)	(452)
Market debt	2	(291,400)	(303,985)	(323,147)	(305,845)	(448,848)
Borrowings		(1,455,348)	(1,478,919)	(1,290,560)	(1,523,485)	(1,762,704)
Other long-term liabilities	n/a	(84,438)	(84,438)	(84,438)	(62,144)	(62,144)
Trade creditors	n/a	(51,366)	(51,366)	(51,366)	(40,113)	(40,113)
PPP	3	(276,024)	(276,024)	(270,762)	(289,477)	(337,807)
Total		(1,867,176)	(1,890,747)	(1,697,126)	(1,915,219)	(2,202,768)
Lease Payables *		(51,429)	(51,429)			
Total Financial liabilities		(1,918,605)	(1,942,176)	(1,697,126)	(1,915,219)	(2,202,768)

* Liabilities for which fair value is not disclosed

The fair value is lower than the carrying amount this year because the authority's portfolio of loans includes a significant value of fixed rate loans which were taken out when interest rates were substantially lower than the rates available for similar loans at the Balance Sheet date. With the adoption of IFRS16 by the Council, under IFRS7, Right of Use Liabilities are exempt from the Fair Value disclosures.

	Fair Value Level	2022/23		2021/22	
		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	36,147	36,147	39,633	39,633
		<u>36,147</u>	<u>36,147</u>	<u>39,633</u>	<u>39,633</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	16,629	16,629	56,129	56,132
Local Authority Loans	2	116,482	116,532	35,431	35,391
Sovereign / Supranational debt	1 / 2	30,092	30,579	143,886	144,096
		<u>163,203</u>	<u>163,740</u>	<u>235,446</u>	<u>235,619</u>
Debtors					
Loan Stock	n/a	2,240	2,240	2,240	2,240
Soft Loans	3	49	49	53	53
Other trade debtors	n/a	113,651	113,651	170,963	170,963
		<u>115,940</u>	<u>115,940</u>	<u>173,256</u>	<u>173,256</u>
Total Investments		<u>315,290</u>	<u>315,827</u>	<u>448,335</u>	<u>448,508</u>

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.4 Financial Assets classified as Fair Value through Profit and Loss

	Fair Value Level	2022/23		2021/22	
		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	36,147	36,147	39,633	39,633
		<u>36,147</u>	<u>36,147</u>	<u>39,633</u>	<u>39,633</u>

There was no unrealised gain on the available for sale financial assets (2021/22 £nil).

43. Nature and Extent of Risks Arising from Financial Instruments

43.1 Overall Procedures for Managing Risk

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

Overall these procedures require the Council to manage risk in the following ways:

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 16 March 2023 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2023/24 has been set at £2.596bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2023/24 has been set at £2.546bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.

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

43.2 Key Risks

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

43.3 Credit Risk

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

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

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills, short dated UK Government Gilts and short dated EIB and other commercial Paper. At 31 March 2023, the Council had £10.0m in short term investments, all of which was in UK Treasury Bills. Of the net Cash and Cash Equivalents, 61.5% were loans to other local authorities, a further 19.1% was held in three AAA rated Money Market Funds, 10.6% was in UK Treasury Bills, leaving only 8.8% with banks. All of the monies held on deposit with banks at 31 March 2023 were in call or near call accounts.

The principal outstanding on monies held by the Council under its treasury management arrangements at 31 March 2023 was £198.6m (31 March 2022: £275.1m). This was held with the following institutions:

Summary	Standard and Poor's Rating	Principal Outstanding 31.03.23 £000	Carry Value 31.03.23 £000	Fair Value 31.03.23 £000	Carry Value 31.03.22 £000
Money Market Funds					
Deutsche Bank AG, London	AAAm	27,907	27,991	27,991	10,274
Goldman Sachs	AAAm	927	930	930	7,187
Standard Life	AAAm	7,170	7,225	7,225	22,172
Bank Call Accounts					
Bank of Scotland	A+	14	14	14	27,416
Royal Bank of Scotland	A+	7,392	7,393	7,393	1,244
Santander UK	A	26	26	26	27
Barclays Bank	A+	14	14	14	14
Handelsbanken	AA-	9,137	9,169	9,169	16
HSBC Bank Plc 31 dn	A+	5	5	5	24,327
HSBC Bank Plc	A+	9	9	9	3,085
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	116,195	116,482	116,532	35,431
Supranational CP	AAA	0	0	0	21,153
DMADF	AAu	0	0	0	56,148
UK Government Treasury Bills/Gilts	AAu	29,821	30,092	30,579	66,586
Total		198,617	199,350	199,887	275,080

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2023 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 £16.6m 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 2023 that this risk was likely to crystallise.

NOTES TO THE FINANCIAL STATEMENTS

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

43.3 Credit Risk - continued

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

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2023 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2023 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2023. This is available on request from corporate.finance2@edinburgh.gov.uk, marked for the attention of Treasury.

All Council invoices become due for payment on issue. Excluding pre-payments of £2.256m (2021/22 £2.062m), trade debtors past due date can be analysed by age as follows:

	2022/23	2021/22
	£000	£000
Less than two months	13,647	15,135
Two to four months	3,116	1,334
Four to six months	3,865	1,268
Six months to one year	2,370	4,654
More than one year	8,627	8,584
Total	<u>31,625</u>	<u>30,975</u>

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

Credit Risk: Trade Debtors

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

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

31.03.23			
		Gross	Loss
	Range	Receivable	Allowance
Council Tax	3% - 100%	228,905	(207,949)
Non Domestic Rates	1% - 100%	6,162	(5,086)
HRA tenants and other debtors	5% - 95%	13,145	(11,508)
Housing Benefits	75% - 85%	27,781	(23,176)
Trade and Other Debtors	7.5% - 100%	38,537	(19,941)
Total		<u>314,530</u>	<u>(267,660)</u>

43.4 Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

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

43.4 Liquidity risk - continued

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

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

43.5 Re-financing and Maturity Risk

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

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. With the margin on new borrowing rates and a separate rate for the premature repayment of loans, it is unlikely that there will be much scope for any substantial rescheduling of PWLB debt. However if interest rates increase further, there may be some opportunities for restructuring.

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

	2022/23	2021/22
	£000	£000
Less than one year	(73,289)	(68,048)
Between one and two years	(67,260)	(56,764)
Between two and five years	(248,964)	(226,989)
Between five and ten years	(199,653)	(216,668)
More than ten years	<u>(1,193,635)</u>	<u>(1,220,381)</u>
Financial Liabilities	<u>(1,782,801)</u>	<u>(1,788,850)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £51.366m (2021/22 £40.113m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £14.978m (2021/22 £15.358m) nor net equivalent interest rate (EIR) adjustments of £8.593m (2021/22 £8.753m) to the carrying amounts of market debt shown in the financial liabilities are included.

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

43.6 Market risk

Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

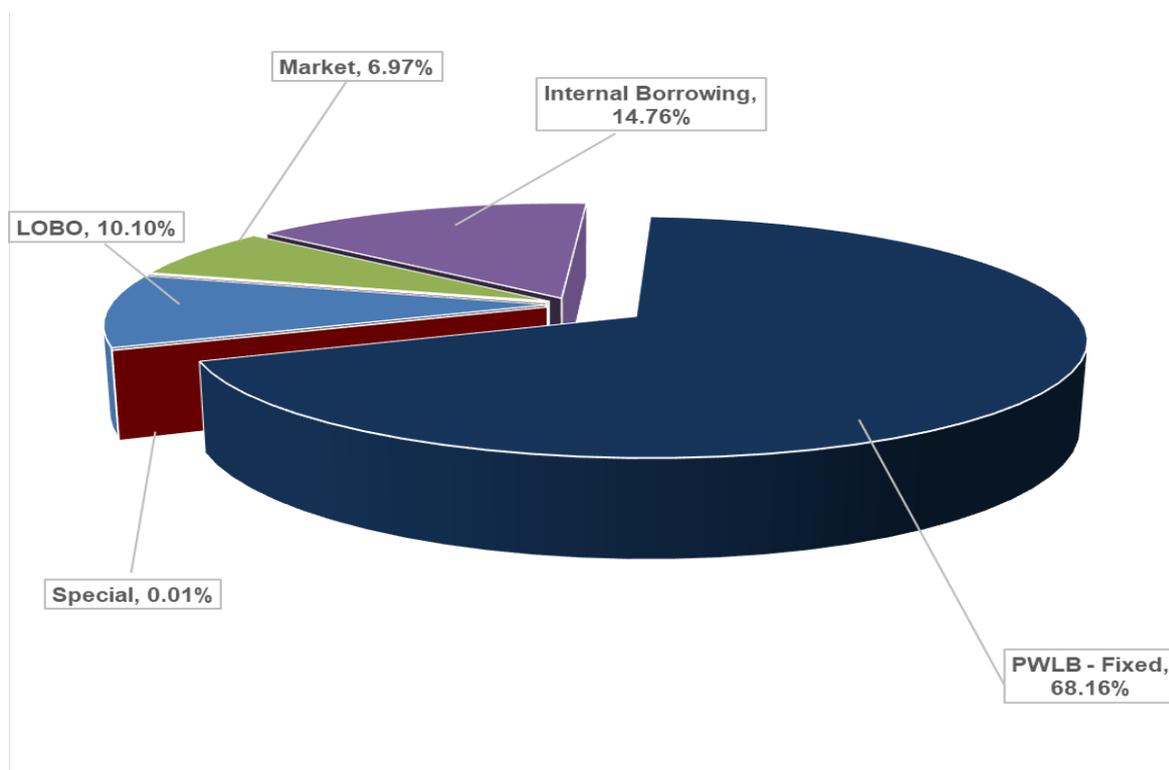
43. Nature and Extent of Risks Arising from Financial Instruments - continued

43.6 Market risk - continued

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

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

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



Sources of Borrowing 2022/23

NOTES TO THE FINANCIAL STATEMENTS

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

43.6 Market risk - continued

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

	£000
Increase in interest receivable on variable rate investments	(305)
Impact on Comprehensive Income and Expenditure Statement	(305)
Decrease in fair value of fixed rate borrowings liabilities	(162,584)

Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £21.105m (2021/22 £21.105m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

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

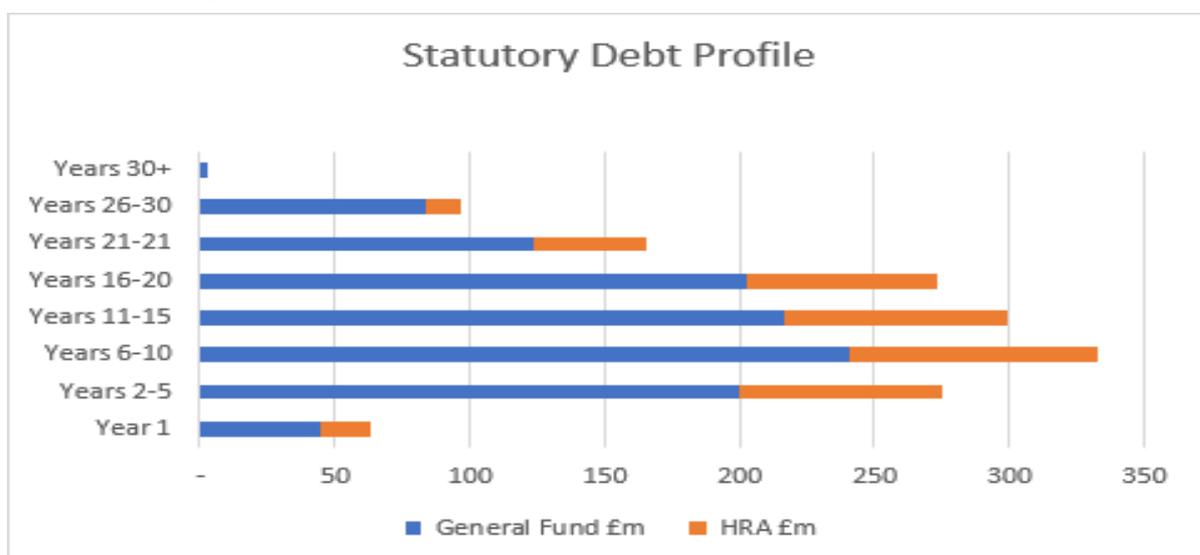
Foreign exchange risk

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

43.7 Repayment Profile

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

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



NOTES TO THE FINANCIAL STATEMENTS

44. Prior Period Adjustment

Council - Infrastructure Assets

The Council has undertaken a review of assets classified as infrastructure and identified a number of assets incorrectly categorised. A prior year adjustment has been included in the Council's accounts to correct these mis-categorisations.

Council - HRA Council Dwellings valuation

A prior year adjustment has been included in the accounts to reflect the adjustments that have been made to the disclosure of the HRA housing stock valuation, to revise the valuation discount to 38%.

Council - Presentation and Other

A prior year adjustment has been made to reflect a presentational adjustment on income received from repayment of housing loans.

	2021/22 Infrastructure Statements £000	Assets £000	HRA Valuation £000	Presentation and Other £000	2021/22 Re-stated £000
Council Movement in Reserves Statement					
Balance at 31 March 2021	3,315,183	(5,638)	(639,434)	0	2,670,111
Total Comprehensive Income and Expenditure	828,710	(29)	(33,885)	90	794,886
Net increase / (decrease) before transfers to statutory reserves	828,710	(29)	(33,885)	90	794,886
Increase / (decrease) in year	828,710	(29)	(33,885)	90	794,886
Balance at 31 March 2022	4,143,894	(5,667)	(673,319)	90	3,464,998
Council Comprehensive Income and Expenditure Statement					
Place	541,973	(1,449)	0	(90)	540,434
HRA	(3,613)	0	(13,322)	0	(16,935)
Other non-service specific costs	11,310	0	0	(2,293)	9,017
Cost of Service	1,379,879	(1,449)	(13,322)	(2,383)	1,362,725
Gains on disposal of non-current assets	(1,045)	0	(1,360)	0	(2,405)
Taxation and non-Specific Grant Income	(1,210,418)	1,478	0	2,278	(1,206,662)
(Surplus) / Deficit on provision of service	255,480	29	(14,682)	(105)	240,722
Surplus on Revaluation of Non-Current Assets	(519,676)	0	48,567	0	(471,109)
Other Unrealised (Gains) / Losses	(15)	0	0	15	0
Total Comprehensive Income	(828,710)	29	33,885	(90)	(794,886)
Council Balance Sheet					
Property, Plant and Equipment	5,753,118	(5,667)	(673,319)	90	5,074,222
Long-Term Assets	5,979,222	(5,667)	(673,319)	90	5,300,326
Net Assets	4,143,894	(5,667)	(673,319)	90	3,464,998
Unusable Reserves	3,746,738	(5,667)	(673,319)	90	3,067,842
Total Reserves	4,143,894	(5,667)	(673,319)	90	3,464,998
Council Cash Flow Statement					
(Surplus) / Deficit on the Provision of Services	255,480	29	(14,682)	(105)	240,722
Adjustments to (Surplus) / Deficit on the Provision of Services for non-cash movements	(494,536)	1,449	14,682	90	(478,315)
Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities	81,449	(1,478)	0	(2,278)	77,693
Net cash flows from operating activities	(157,607)	0	0	(2,293)	(159,900)
Net cash flows from investing activities	277,555	0	0	(1,903)	275,652
Net cash flows from financing activities	(98,969)	0	0	4,196	(94,773)

NOTES TO THE FINANCIAL STATEMENTS

44. Prior Period Adjustment - continued

CEC Holdings Ltd

A prior year adjustment has been included in the Group accounts to reflect a change in the group tax relief of CEC Holdings Ltd, along with an adjustment for historic rounding balances.

	2021/22 Statements £000	Council Adj £000	CEC Holdings £000	Group £000	2021/22 Re-stated £000
Group Movement in Reserves Statement					
Balance at 31 March 2021	3,482,491	(645,072)	0	0	2,837,419
Total Comprehensive Income and Expenditure	928,831	(33,824)	(278)	0	894,729
Net increase / (decrease) before transfers to	928,831	(33,824)	(278)	0	894,729
Increase / (decrease) in year	901,197	(33,824)	(278)	0	867,095
Balance at 31 March 2022	4,383,690	(678,896)	(278)	0	3,704,515
Group Comprehensive Income and Expenditure Statement					
Place	541,973	(1,539)	0	0	540,434
HRA	(3,613)	(13,322)	0	0	(16,935)
Other non-service specific costs	14,233	(2,293)	0	0	11,940
Cost of Service	1,389,505	(17,154)	0	0	1,372,351
Gains on disposal of non-current assets	(1,895)	(1,360)	0	0	(3,255)
Taxation and non-Specific Grant Income	(1,210,418)	3,756	0	0	(1,206,662)
(Surplus) / Deficit on provision of service	260,941	(14,758)	0	0	246,183
Taxation of Group entities	3,392	0	278	0	3,670
Group (Surplus)/Deficit	235,036	(14,758)	278	0	220,556
Surplus on Revaluation of Non-Current Assets	(519,675)	48,567	0	0	(471,108)
Other Unrealised (Gains) / Losses	(79,693)	15	0	0	(79,678)
Total Comprehensive Income	(928,831)	33,824	278	0	(894,729)
Group Balance Sheet					
Property, Plant and Equipment	5,886,488	(678,896)	0	(9)	5,207,583
Investments in Associates and Joint Ventures	75,665	0	0	9	75,674
Long-Term Assets	6,253,340	(678,896)	0	0	5,574,444
Short-Term Creditors	(274,445)	0	(278)	0	(274,723)
Current Liabilities	(355,135)	0	(278)	0	(355,413)
Net Assets	4,383,689	(678,896)	(278)	0	3,704,515
Unusable Reserves	3,868,808	(678,896)	0	0	3,189,912
Usable Reserves	514,881	0	(278)	0	514,603
Total Reserves	4,383,689	(678,896)	(278)	0	3,704,515
Group Cash Flow Statement					
(Surplus) / Deficit on the Provision of Services	260,941	(14,758)	0	0	246,183
Adjustment to (Surplus) / Deficit for Taxation of Group entities	3,392	0	278	0	3,670
Adjustments to (Surplus) / Deficit on the Provision of Services for non-cash movements	(525,462)	16,221	(278)	0	(509,519)
Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities	84,763	(3,756)	0	0	81,007
Net cash flows from operating activities	(176,366)	(2,293)	0	0	(178,659)
Net cash flows from investing activities	312,148	(1,903)	0	0	310,245
Net cash flows from financing activities	(123,030)	4,196	0	0	(118,834)

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2023

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.

Re-stated

2021/22		2022/23	
£000	EXPENDITURE	£000	£000
29,357	Repairs and maintenance	30,852	
23,318	Supervision and management	26,450	
23,344	Depreciation and impairment of non-current assets	48,418	
9,097	Other expenditure	10,406	
1,731	Impairment of debtors	729	
<u>86,847</u>			116,855
	INCOME		
(100,407)	Dwelling rents	(102,951)	
(69)	Non-Dwelling rents (gross)	(37)	
(6,236)	Other income	(4,970)	
<u>(106,712)</u>			<u>(107,958)</u>
(19,865)	Net (income) / expenditure for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		8,897
208	HRA share of corporate and democratic core		526
2,722	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		<u>2,451</u>
(16,935)	Net income for HRA Services		11,874
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(3,445)	(Gain) / loss on sale of HRA fixed assets	(2,061)	
15,978	Interest payable and similar charges	17,016	
2,169	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,916	
(209)	Interest and investment income	(921)	
(1,781)	Interest income on plan assets (<i>pension-related</i>)	(2,734)	
(20,114)	Capital grants and contributions	<u>(38,169)</u>	
<u>(7,402)</u>			<u>(23,953)</u>
<u>(24,337)</u>	Surplus for the year on HRA services		<u>(12,079)</u>

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2021/22 £000		2022/23 £000
0	Balance on the HRA at the end of the previous year	0
24,337	Surplus for the year on the HRA Income and Exp Account	12,079
(15,684)	Adjustments between accounting basis and funding basis under statute	(30,850)
<u>8,653</u>	Net increase before transfers to reserves	<u>(18,771)</u>
<u>(8,653)</u>	Contribution (to) / from renewal and repairs fund, via the General Fund	<u>18,771</u>
<u><u>0</u></u>	Balance on the HRA at the end of the current year	<u><u>0</u></u>

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
23,344	Charges for depreciation and impairment of non-current assets	48,418
(20,114)	Capital grants and contributions applied	(38,169)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(17,356)	Statutory provision for the financing of capital investment	(18,661)
0	Capital funded from revenue	(21,742)
	Adjustments primarily involving the Capital Receipts Reserve	
(3,446)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,061)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(906)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(941)
	Adjustments primarily involving the Pensions Reserve	
4,780	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	4,482
(1,961)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,147)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(25)	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	(29)
<u>(15,684)</u>		<u>(30,850)</u>

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2023 are as follows:

Types of Houses	2023		2022	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	262	4,118.00	285	4,105.00
2 Apartment	5,645	4,616.00	5,629	4,612.00
3 Apartment	10,225	5,350.00	10,182	5,350.00
4 Apartment	3,560	6,161.00	3,545	6,160.00
5 Apartment	539	6,581.00	536	6,606.00
6 Apartment	12	6,678.00	12	6,678.00
7 Apartment	4	6,463.00	4	6,463.00
8 Apartment	1	6,463.00	1	6,463.00
Mid-market rent dwellings				
2 Apartment	19	5,983.00	22	6,005.00
3 Apartment	80	7,368.00	83	7,372.00
4 Apartment	22	9,307.00	22	9,307.00
	<u>20,369</u>		<u>20,321</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 £13.160m (£12.115m 2021/22) against which a provision amounting to £11.508m (£10.695m 2021/22), has been created in respect of non collectable debts.
- The total value of uncollectable void rents for main provision properties was £2.324m (2021/22 £2.045m). This has been netted against rental income.

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.

2021/22		2022/23	
£000		£000	£000
(470,059)	Gross rates levied and contributions in lieu		(479,113)
235,563	Less: - Reliefs and other deductions	109,120	
3,360	- Uncollectable debt written off and provision for impairment	5,366	
<u>238,923</u>			<u>114,486</u>
(231,136)			(364,627)
<u>25,642</u>	Previous years' adjustments		<u>21,700</u>
<u>(205,494)</u>	Non-Domestic Rate Income		<u>(342,927)</u>
	Allocated to:		
(206,212)	Contribution to Non-Domestic Rate Pool		(343,696)
718	City of Edinburgh Council		769
<u>(205,494)</u>			<u>(342,927)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2022

	Number	Rateable Value £000
Shops, offices and other commercial subjects	15,955	641,060
Industrial and freight transport	3,135	78,728
Telecommunications	5	21
Public service subjects	355	47,138
Miscellaneous	4,036	166,738
	<u>23,486</u>	<u>933,685</u>

- The amount distributed to the council from the national non-domestic rate income pool in the year was £249.861m (2021/22 £188.796m).
- Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 49.8p per £ in 2022/23 (2021/22 49.0p per £).

Properties with a rateable value between £51,001 and £95,000 had their rate charges calculated using the poundage of 51.1p per £ (2021/22 50.3p per £). Properties with rateable value greater than £95,000 had their rate charges calculated using the poundage of 52.4p per £ (2021/22 51.6p).

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

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

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

There are changes being introduced to the small business bonus scheme from 1st April 2023.

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.

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, £50,000 on engineering consultancy and repair works at the Queensferry Harbour, £13,000 on surveys and work on the Portobello Municipal Clock, and £1,000 on Civic Regalia repairs.

The balance of the Common Good Fund is £2.762m as at 31 March 2023 (£2.657m 2021/22). This is split £0.982m in the fund and £1.780m in the planned property maintenance fund.

Assets under construction as at 31 March 2023 relates to a community hub in the former tennis pavilion on Leith Links, which was substantially complete but not yet operational at the year end.

During 2022/23, the Common Good made a surplus of £0.105m (2021/22 £0.012m deficit).

The lease of 329 High Street was completed in January 2020 with a lease premium of £3.036m received in the Common Good. The lease premium is being amortised over the lease term of 125 years. The in-year deficit, as mentioned above, includes a lease premium of £0.024m for 2022/23. Recommendations for the use of the funds from the lease will be presented to the Finance and Resources Committee for approval.

The Common Good Annual Performance Report will be considered by the Finance and Resources Committee in September 2023, along with the Audited Annual Accounts.

COMMON GOOD FUND - INCOME AND EXPENDITURE ACCOUNT

2021/22	2022/23	
£000	£000	£000
Income		
(6) Investment income	(119)	
(358) Rent Income	(919)	
(1,090) Capital Funding	(477)	
(24) Lease Premium	(24)	
<u>(3,930) Recharges Income</u>	<u>(3,487)</u>	
(5,408) Total Income		(5,026)
Expenditure		
42 Common Good Fund	38	
<u>4,307 Common Good Property Costs</u>	<u>4,883</u>	
4,349 Total Expenditure		4,921
(1,059) (Surplus) / Deficit for the Year		(105)
1,071 Transfer to Capital Contribution Reserve		0
<u>12 (Surplus) / Deficit for the Year after Transfers to Reserves</u>		<u>(105)</u>

COMMON GOOD FUND - BALANCE SHEET

31 March 2022		31 March 2023	
£000		£000	£000
2,913	Community Assets	3,093	
<u>1,071</u>	Assets Under Construction	<u>1,071</u>	
<u>3,984</u>	Property, Plant and Equipment		4,164
17,947	Long-Term Debtors	18,845	
<u>144</u>	Heritage Assets	<u>144</u>	
<u>18,091</u>	Long-Term Assets		18,989
1,867	Short-Term Investments	650	
9	Debtors	9	
<u>3,739</u>	Cash and Cash Equivalents	<u>5,037</u>	
<u>5,615</u>	Current Assets		<u>5,696</u>
<u>27,690</u>	Net Assets		<u>28,849</u>
25,046	Capital Contribution	26,100	
<u>(13)</u>	Capital Adjustment Account	<u>(13)</u>	
<u>25,033</u>	Unusable Reserves		26,087
863	Common Good Fund	982	
<u>1,794</u>	Earmarked Reserve	<u>1,780</u>	
<u>2,657</u>	Usable Reserves		<u>2,762</u>
<u>27,690</u>	Total Reserves		<u>28,849</u>

The unaudited financial statements were issued on 16 June 2023 .

HUGH DUNN, CPFA
 Service Director: Finance and Procurement
 Date:

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation				
At 1 April 2022	2,913	1,071	3,984	144
Additions	0	0	0	0
Transfer between categories	0	0	0	0
Transfer from General Fund	180	0	180	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0
Derecognition - disposals / transfers	0	0	0	0
At 31 March 2023	3,093	1,071	4,164	144
Net Book Value				
At 31 March 2023	3,093	1,071	4,164	144
At 31 March 2022	2,913	1,071	3,984	144
Cost or Valuation				
At 1 April 2021	2,558	0	2,558	146
Additions	0	1,071	1,071	0
Transfer between categories	1	0	1	(1)
Transfer from General Fund	354	0	354	0
Derecognition - disposals / transfers	0	0	0	(1)
At 31 March 2022	2,913	1,071	3,984	144
Net Book Value				
At 31 March 2022	2,913	1,071	3,984	144
At 31 March 2021	2,558	0	2,558	146

These asset categories are not depreciated.

1.2 Developing a Common Good Register

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

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

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

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

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

The Council maintains a [web page](#) with a link to the latest Common Good Register on its website.

Work continues to be ongoing to ensure the completeness of the Common Good register, and to reconcile this to the Common Good register of assets for accounting purposes.

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

2. Unusable Reserves

2.1 Capital Contribution

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

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

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

The reserve also contains capital grants used to fund assets.

	2022/23		2021/22	
	£000	£000	£000	£000
Balance at 1 April		25,046		23,522
Movement of assets	0		0	
Transfer from General Fund	1,054		354	
Transfer from Income and Expenditure Account	0		1,071	
Upward revaluation of assets	0		100	
Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Service	0		0	
Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Service		1,054		1,525
Derecognition of asset disposals / transfers		0		(1)
Balance at 31 March		<u>26,100</u>		<u>25,046</u>

£0.874m of the transfer from General Fund is included in long-term debtors (2021/22 £nil) and £0.180m is included in community assets (2021/22 £0.354m). The 2021/22 upward revaluation of assets is included in long-term debtors.

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.

	2022/23	2021/22
	£000	£000
Balance at 1 April	(13)	(13)
Movement in Year	0	0
Balance at 31 March	<u>(13)</u>	<u>(13)</u>

ANNUAL GOVERNANCE STATEMENT

Introduction

The past three years have been demanding for elected members and officers and, post Covid, there remains no shortage of challenges and difficulties which put additional strain on the Council's resources and governance arrangements. The significant financial strain on resources only increases the pressures on service delivery and the need for innovative solutions, effective service delivery and greater partnership in the City is evident. Despite these challenges the Council's governance has been effective during this period, although the strains on the system cannot be underestimated and there is a need for improvements to be made to tighten controls and provide greater support to frontline services. The Council has also had to take steps to support refugees impacted by the war in Ukraine, which has involved setting up a project team and has required input from across the Council. Partnership working has been a key factor, as well as close co-operation with the UK and Scottish Governments.

Scope of Responsibility

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

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

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 43 of the Accounts.

Council's Strategy and Vision

In February 2021 the Council approved a new Council Business Plan: Our Future Council, Our Future City which set out the Council's strategic priorities and how the aims set out in the Community Plan would be taken forward over the next 3 years. In June 2022 it was agreed that a refreshed business plan would be submitted for consideration. A revised business plan was agreed by Council in December 2022 and further updated in March 2023 following the budget.

The plan sets out three strategic priorities that will be the focus for all Council teams over the next phase of the city's development and for the way the Council will reform its services. These three strategic priorities are:

- Create good places to live and work;
- End poverty in Edinburgh; and
- Become a net-zero city by 2030.

To meet these three strategic priorities, the business plan identifies the specific outcomes, objectives and actions that Council services will deliver during 2023-27. The plan is also aligned to the Council Budget and the strategic priorities in this plan should be used to guide and inform resource allocation, including implementing service reductions in areas of lower impact and strategic priority, and exploring options to deliver all services differently.

Decision making structures

Political Governance Arrangements

The Council operates an executive committee structure (see figure 1.1) which consists of six executive committees which are responsible for policy and financial decision making and scrutiny within their designated areas of responsibility. These executive 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 is responsible for seeking assurance over the adequacy of governance and risk management frameworks and the internal control environment. It also scrutinises the Council's financial and non-financial performance, approves and monitors progress against the internal audit risk-based plan and monitors performance of the internal audit service.

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

ANNUAL GOVERNANCE STATEMENT

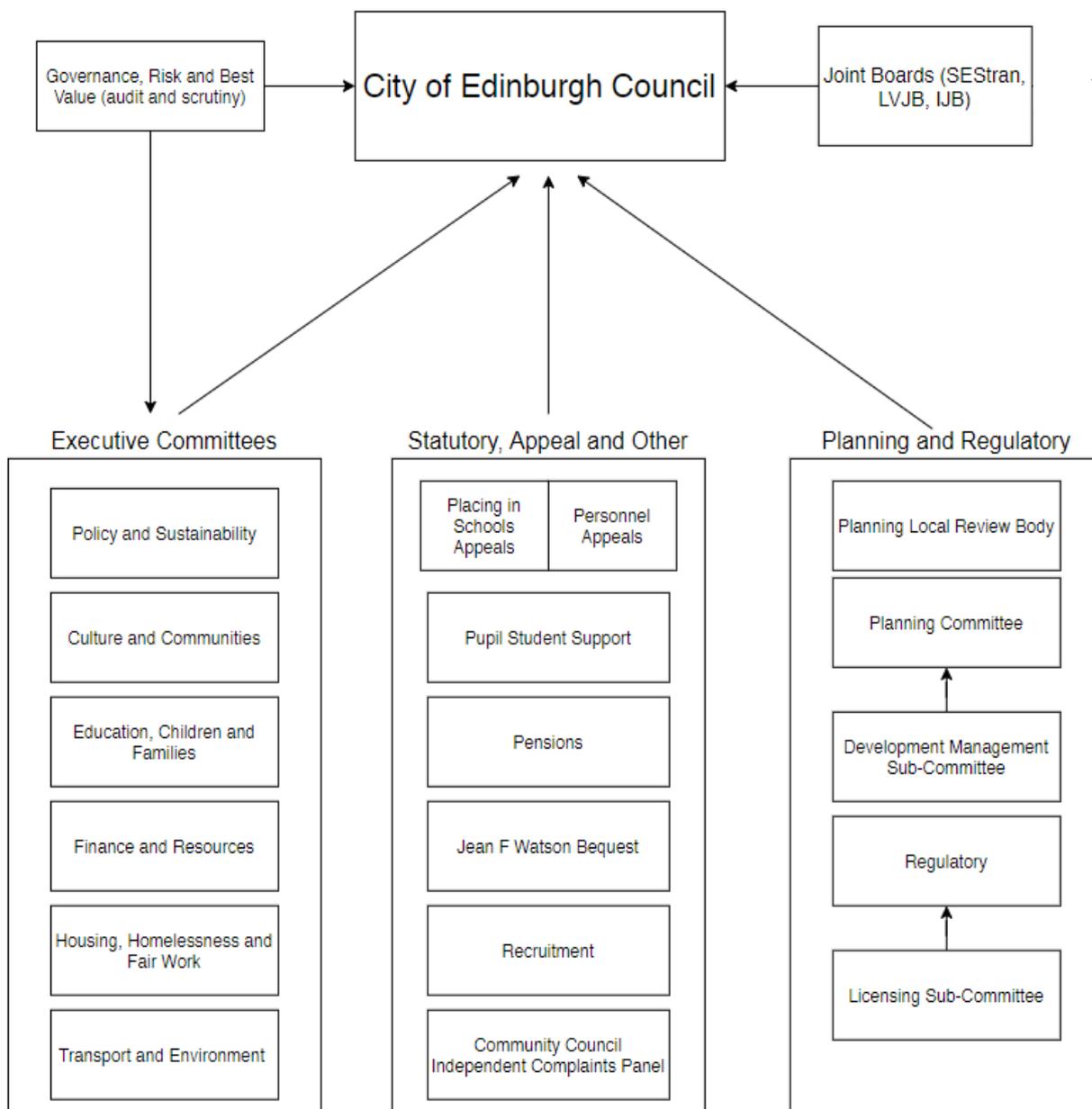


Figure 1.1 Executive Committee Structure

Officer Decision Making

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

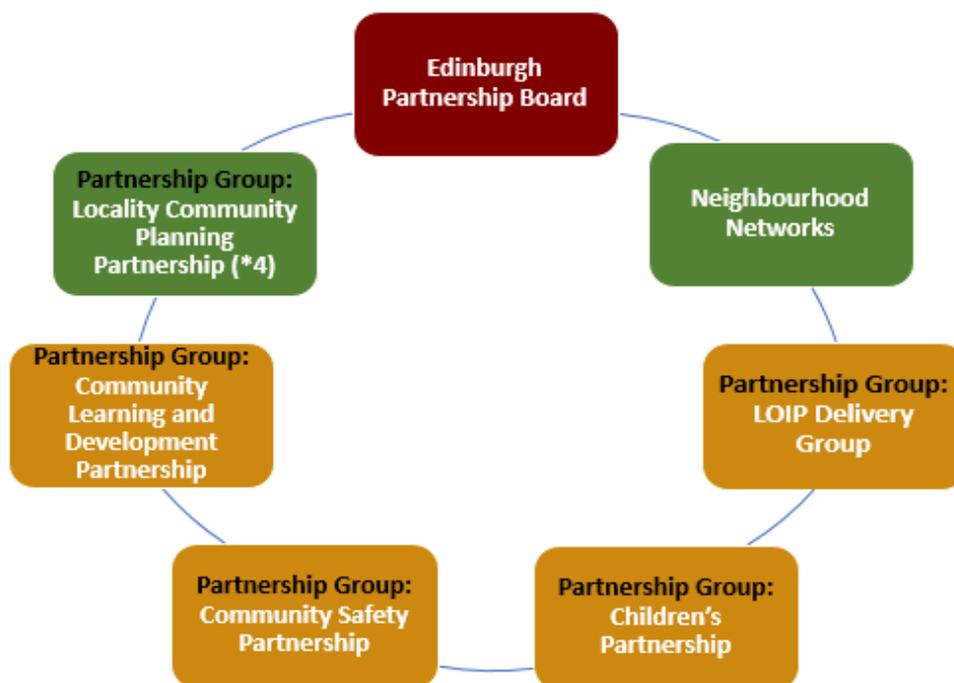
CLT is supported by a range of groups covering key matters such as risk, health and safety and programme management. There is a robust health and safety reporting structure which includes directorate health and safety groups, a quarterly Council health and safety group and a quarterly consultative forum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

A key area of governance for the Council is its involvement in national, regional and city-wide bodies. The Chief Executive and members of CLT represent the Council on a number of groups. Examples of these include SOLACE, Scottish Government Directors, City Deal Executive, Edinburgh Guarantee and Edinburgh Chamber of Commerce Council. Partnership working has increased during the Pandemic, building on strong relationships and the need to work together to provide holistic solutions for the City and its region. Arm's Length External Organisations (ALEOs) reporting in terms of the Annual Governance Statement is reported through assurance schedules being submitted to their relevant directorate. The Executive Director then determines whether they feel it is appropriate for any issues highlighted to be included in their assurance schedules and reported in the Annual Governance Statement.

ANNUAL GOVERNANCE STATEMENT

Partnership Working

The Council plays an important role in the Edinburgh Partnership, the Community Planning Partnership in Edinburgh, and its community planning structure. The framework agreed by the Edinburgh Partnership comprises a Board, four city wide partnerships, four locality partnerships and thirteen neighbourhood networks. The 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 community plan. The plan focuses on reducing poverty and inequality in the city through making sure people have enough money to live on; access to work, learning and training opportunities; and have a good place to live.



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

Internal Controls

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

Review of Effectiveness

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

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

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

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

Best Value and Strategy and Vision

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

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

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

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

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

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

Elected member training was addressed in a comprehensive induction training programme following the local government elections. The initial training programme was designed for both new and returning councillors and included mandatory training on subjects such as the Code of Conduct which was been completed by all 63 members. Recommended and committee-specific training was also well attended, particularly by new members, and each training session was delivered twice with an online and in-person option to allow members the best opportunity to attend at a convenient time. Sessions were also recorded and stored for future viewing on the member's section of myLearning Hub, the Council's online learning portal.

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

An integrated planning and performance framework was approved in June 2021 and aimed to ensure that the Council's priorities and outcomes, as established by the Business Plan were translated into clear actions and performance measures which would be monitored, actioned and delivered. The framework aimed to create a culture of robust performance management and continuous improvement. The approach has embedded a "golden thread" between the Business Plan, annual directorate and divisional plans and colleague annual performance conversations. Performance scorecards and trend dashboards are also aligned to plans and monitored regularly.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

An updated Planning and Performance Framework 2023-2027 was agreed in March 2023. This did not change the approach, model or methodology from what was agreed in June 2021 but was updated to align with the new revised business plan. The updated Planning and Performance Framework 2023 -2027 primarily focuses on:

- our approach to measuring the Business Plan priorities and outcomes and how we will track the actions detailed in the delivery plan;
- the key measures we will use to measure the delivery of the Business Plan;
- the development of the Public Performance Scorecard measures to further enhance performance reporting and monitoring.

The Council agreed a three-year People Strategy in April 2021. The Strategy sets out what employees should expect from the Council as their employer and what the Council expects from its workforce. The Strategy has three themes:

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

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

Election

In May 2022, the local government elections were held, and a new Council was elected. The election was carried out smoothly and successfully with a turnout of 47.2%. This election resulted in 32 new members joining the Council.

Decision Making

During the Covid-19 pandemic remote meetings were established to allow the committee system to operate whilst physical distancing rules were in place. In 2021-22, as the rules surrounding physical distancing relaxed, hybrid meetings were trialled to allow for physical meetings to resume while retaining the added benefits of flexibility by allowing some members and officers to join remotely. These meetings were successful and, although meetings have continued to take longer than pre-Covid, the system has run effectively, with meetings continuing to be webcast and available to the public in the archive. In 2022/23 physical meetings have resumed and the majority of meetings are now physical meetings held in the City Chambers but with a hybrid option to allow members, officers and deputations to appear virtually if this is convenient.

In December 2022, the political management arrangements of the Council were reviewed. The review concluded that the current committee model had some deficiencies and imbalances, but it was not fundamentally flawed; indeed it was functioning well and facilitated competent and lawful decision-making. However, the review also found that the City of Edinburgh Council model has an extremely high volume of business running through its structure. This volume is significantly greater than other comparable local authorities in Scotland and this has a significant impact on officer resources and on elected member time. Options for changes to the committee model were presented and Council chose to maintain the status quo but with some amendments to improve the balance of workloads for committees.

Although hybrid meetings have generally been very successful, there is concern that having members attend virtually may pose an increased risk in relation to quasi-judicial meetings. This risk needs to be analysed in the context of accessibility and will be considered further later in 2023.

The Council has extensive governance in place at officer level to support operational decision making. The current system has evolved through custom and practice and can sometimes be unwieldy and difficult to navigate. However, improvements could be made to ensure there is a structure in place that is more efficient and better encourages cross-directorate working.

A review of the Council's main governance documentation was carried out in February 2023 and included changes to the Scheme of Delegation to Officers, updating the values within the Scheme and reflecting changes to legislation and the structure of the Council. It also introduced distinct delegation to service directors, reflecting their senior role in the Council and the decisions they are routinely required to take. This delegation is not specific to any service but covers matters relating to staff, health and safety, grant offers and consultations. Changes to Standing Orders were also implemented to improve the effectiveness of committee meetings, however there remain issues with the resource demands of committee meetings and further work is required to consider wider accessibility issues.

In early 2023 failings in the delivery of adult social care identified weaknesses with the scrutiny of those services delegated to the Integration Joint Board (IJB). Further work needs to be undertaken in 2023 to ensure that the governance arrangements of the IJB and how this interacts with the Council's committee governance are improved to ensure there is greater clarity on which body carries out the scrutiny of key services and compliance with the duties set out in legislation.

Internal Controls

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

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

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

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

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

The Chief Internal Auditor had highlighted in her 2020/21 annual opinion that the weaknesses identified in internal audit reports are, in part, attributable to and/or exacerbated by a lack of capacity and skills to support effective governance; risk management; control; and assurance activities within first line divisions and directorates. The Chief Executive and Executive Directors have acknowledged that additional resource is necessary to strengthen the Council in these areas and gave a commitment to add additional resource to address the situation. In response, a first line governance and assurance model has been implemented on a permanent basis across the Council. The objective of the new model is to address the concerns highlighted in both current and recent Internal Audit annual opinions in relation to lack of capacity and skills within first line divisions and directorates to ensure that key controls; governance; and risk management processes are consistently and effectively applied, by increasing first line capacity, and first and second line assurance across these areas. Staff have been recruited in the directorates and have now been working to improve controls in their area. Further recruitment has also taken place in the Governance Team and a new business partnering approach will be initiated in 2023. Work has been ongoing to support directorates but currently there has been insufficient time for this approach to be embedded.

In 2021, the Council asked Susanne Tanner QC, supported by the legal firm Pinsent Masons, to conduct an independent review into the Council's whistleblowing and organisational culture. The review findings were considered by the Council in December 2021 with a report from the Chief Executive in February 2022 setting out how the recommendations in the review would be taken forward.

The Council's whistleblowing arrangements continue to operate with oversight from an independent external service provider, with the autonomy to decide how and by whom investigations take place. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the whistleblowing policy is reviewed annually by committee. The whistleblowing policy is currently being reviewed and will take on board the recommendations of the Cultural Review. The Council's approach to investigations has also been changed through the recruitment of an investigatory team as recommended by the Tanner Review. This has replaced the previous practice of managers taking on an investigatory role and covers both whistleblowing and HR matters. A new Whistleblowing Sub-Committee of the Governance, Risk and Best Value Committee, a recommendation of the Tanner Review, has also been established with its first meeting in May 2023 and Speak up Supporters (another Tanner Review recommendation) have been appointed and are currently undertaking a programme of training. The Council is well on the way to implementing all of Tanner's recommendations and an update in this regard was provided to Policy and Sustainability Committee in March 2023.

The Whistleblowing annual report in March 2023 confirmed that there had been a significant increase in the number of disclosures in the period from 48 the previous year to over 70. This was highlighted as being significantly higher than the average for the independent provider's client base. The Governance Team has been expanded to help deal with the resource pressures of the increase in disclosures.

External Audit had previously highlighted the importance of adhering to approved member-officer protocols in respect of sensitive information and the importance of all Councillors and senior officers having a clear understanding of their respective rights and responsibilities in relation to information held by the Council. A new Member/Officer Protocol was agreed in August 2022 that removed duplication and improved the flow of the document. The links to the Councillors' Code of Conduct were also updated and strengthened. Sections on the roles of elected members and officers were simplified, restructured and duplication removed to make the document easier to read and to ensure that the guidance was concise and to the point. The rights of access to information section was significantly re-written to reflect that the principle of "need to know" be included in the revised Member/Officer Protocol. This reflected the guidance provided by the Standards Commission and was in line with other local authorities in Scotland.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

External Audit concluded in the Annual Accounts for 2021-22 that the governance arrangements at the Council were satisfactory and appropriate.

In compliance with standard accounting practice, the Section 95 Chief Financial Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31 March 2023. It is the Chief Financial Officer's opinion that although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including some embedding of actions taken in response to previous recommendations, are still required.

2022/23 is the second year of implementation of the requirements of the CIPFA Financial Management Code. The Code is designed to support good practice and assist councils in demonstrating their financial sustainability and resilience by setting out expected standards of financial management. The Chief Financial Officer highlighted the focus on embedding improvements introduced throughout the 2021/22 and 2022/23 budget processes and the range of further initiatives underway to strengthen financial management arrangements. However, there continues to be a need for additional savings proposals to be brought forward to maintain the Council's financial sustainability which will require increasingly difficult choices about the Council's priorities including service reductions. Finally, the Chief Financial Officer concluded that further improvements to the effectiveness of current service arrangements in demonstrating value for money and their contribution to wider Council objectives were required.

The urgent need to initiate a structured medium to longer-term savings programme was highlighted in both the Council's Best Value Assurance Report and the external auditor's report for 2020/21. Work has commenced to ensure the development and delivery of a Medium-Term Financial Plan (MTFP) although this has been delayed from the originally anticipated timescale. To date three phases of work have been delivered as follows:

- Phase 1 – May to July 2022 was to develop options and proposals to address the projected budget gap through identifying opportunities for efficiencies/cost improvements, together with prioritisation of activity.
- Phase 2 – August to December 2022 was to lead the development of a project based approach, timeline and process for producing and agreeing a refreshed Council Business Plan, MTFP and budget proposals. This phase also included the design of a comprehensive Change Programme and agreement to a prioritised Year 1 programme to begin in April 2023.
- Phase 3 - January to March 2023 – mobilisation of the Change Programme and projects included in the Year 1 priority programme.

In March 2023, further funding was provided to ensure that the project was fully resourced and to support the development and delivery of the plan.

A number of senior management appointments have been made in 2023, including recruitment to the permanent Executive Director of Corporate Services post. The Chief Officer of the Integration Joint Board left the Council in May 2023 and interim arrangements have been put in place alongside plans for permanent recruitment.

A number of directorate assurance schedules highlighted policies and procedures as an area where improvement was needed. Steps are being taken to ensure policies are updated, including a dedicated working group to monitor implementation in Justice Services. Ensuring all policies and procedures are up to date continues to be an area where the Council could increase its effectiveness.

The Head of Internal Audit and Risk's Annual Opinion for the year ended 31 March 2022 stated that whilst some control weaknesses were identified in the design and/or effectiveness of the control environment and/or governance and risk management frameworks, they provide reasonable assurance that risks are being managed and the Council's objectives should be achieved. The Head of Internal Audit and Risk noted that this reflected an improvement on the 2020/21 position which was a limited 'red' (significant improvement required opinion) based on 80% plan completion due to the ongoing impacts of Covid-19. The Head of Internal Audit and Risk also noted there was significant progress with implementation of agreed management actions to address the risks associated with IA findings raised during 2021/22, reflecting significant focus from management and the impact of two Internal Audit secondments into the Place Directorate and Health and Social Care Partnership, with the final (31 March 2022) position confirming that the proportion of overdue findings is at the lowest level across the last five years. Whilst there were no 'inadequate' IA reports issued during 2021/22 and the proportion and significance of IA findings raised has improved, these assurance outcomes highlight that the most significant challenges with the Council's control environment continue to be ensuring consistent and effective compliance with external regulations and policies across the Council and managing ongoing delivery of digital services. The equivalent opinion for the year ended 31 March 2023 will be reported to the Governance, Risk and Best Value Committee in September 2023.

The Head of Internal Audit regularly reports to the Governance, Risk and Best Value Committee on the progress directorates are making with the closure of open and overdue internal audit actions. This has continued to be a focus for directorates although improvement is still needed in some areas.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

Following a whistleblowing disclosure, an investigation into practices and activities within Edinburgh Secure Services identified significant failings over a lengthy period of time (over 10 years). Given the serious and sustained failings recorded in the investigation outcome report, the Monitoring Officer reported these matters to the Council in terms of section 5 of the Local Government and Housing Act 1989 in March 2022. A consolidated improvement plan has been put in place to address the failings and improvements in the governance arrangements within the service and directorate have been put in place by the Executive Director of Children's Services, Education and Justice Services. This has included the creation of an Improvement Board to oversee the delivery of the plan with external organisations represented on the Board as critical friends.

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

Work is still outstanding on reviewing how the Council works with its Arm's Length External Organisations (ALEOs), in particular examining the Shareholder and Service Level Agreements in place to ensure a greater degree of consistency, alignment with key outcomes and clarity of relationship. The absence of an ALEO framework is an identified weakness that needs to be addressed, with work commencing in 2023 but not expected to be completed until 2024.

In July 2020, the Council approved an approach to reform the Council's transport ALEOs. In August 2021 a preferred approach was agreed by the Council and work is ongoing to reconstitute the ALEOs.

Arrangements for the reporting of the Council's ALEOs have been set out in previous years. However, it has become clear in 2023 that these arrangements are not always strictly followed and a new set of guidance is required to ensure greater understanding of the process.

Following concerns raised at committee, the Council began looking into its governance arrangements for Trusts where it is sole trustee. In August 2021 a report was considered on the governance of trusts run by the Council and in particular Lauriston Castle Trust. The review into governance found that improvements were required both to the Council's governance arrangements surrounding trusts and to the governance of the trusts themselves. A report is expected in Summer 2023 taking forward the improvements outlined in the review.

A Rapid Recovery Transition Plan has been put in place to address, over a five-year period, areas where the homelessness service was not compliant with legislation.

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

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

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

The Council's Risk Management Policy describes the Council's overarching risk management approach and is supported by a risk management framework that describes how the policy will be applied by all Council directorates and divisions. A new policy is currently expected to be presented and approved in Autumn 2023. In refreshing the policy good practice has been considered and incorporated from a number of sources, including the risk management guidance included in the Scottish Government's Public Finance Manual; CIPFA; the International Organisation for Standardisation's ISO31000 Risk Management Guidelines; the Institute of Risk Management; and other public bodies. The policy will create a clear, simple framework but the success of the policy will be determined by its implementation across Council directorates.

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

Partnership working strengthened considerably over the Covid-19 pandemic and though engagement with local communities has been more challenging, there has been progress on how the Council works with communities. The Council is aware of the need to constantly improve how it empowers communities and is reviewing its locality arrangements to see how it can best support this work.

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

	Governance Issue	Responsible Party	Status
1	Implementation of the Risk Framework	Service Director: Legal and Assurance	Autumn 2023
2	Rollout of governance and assurance framework	Service Director: Legal and Assurance	In progress
3	Agreement of the Member/Officer protocol	Service Director: Legal and Assurance	Completed August 2022
4	Review of the Scheme of Delegation to Officers	Service Director: Legal and Assurance	Completed February 2023
5	Review of Political Management Arrangements	Service Director: Legal and Assurance	Completed December 2022
6	Implementation of the recommendations from the Tanner Review	Chief Executive, Service Director; Human Resources and Service Director: Legal and Assurance	Expected to be completed by end of 2023
7	Implementation of Corporate ALEO framework	Service Director: Legal and Assurance	In progress
8	Implementation of the review into governance of Trusts	Service Director: Legal and Assurance	In progress
9	Development of a medium term financial plan	Executive Director of Corporate	In progress

ANNUAL GOVERNANCE STATEMENT

Following the review of effectiveness and the assurance statements from directorates and ALEOs, the following actions (in addition to those carried forward from 2022/23) have been identified to improve the Council's governance arrangements:

	Action	Action Owner	Action Deadline
1	Review of effectiveness of current arrangements for developing and reporting Integrated Impact Assessments	Head of Strategic Change and Delivery	December 2023
2	Review of effectiveness of current scrutiny arrangements for services delegated to Edinburgh Integration Joint Board, particularly as these interact with the Council's committee governance structures	Head of Democracy, Governance and Resilience	December 2023
3	Review of effectiveness of current officer-level governance structures and procedures	Head of Democracy, Governance and Resilience	March 2024
4	Implementation of agreed improvement actions resulting from investigation into practices and activities within Edinburgh Secure Services	Executive Director of Children's, Education and Justice Services	December 2023

Conclusion

In conclusion, the Council's governance and control framework provides a satisfactory level of assurance, although there is a need for improvements to be embedded and sustained within services. The Council understands its areas for improvement and there are robust arrangements to deal with issues when they do arise. Improvements are needed in a number of areas to ensure that the Council's controls are strengthened and embedded fully and in particular capacity issues in services have to be addressed. There has been a strong commitment shown by the Chief Executive and Executive Directors in providing additional resource to address weaknesses when they are identified.

Certification

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

REMUNERATION REPORT

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

The information disclosed in the tables Remuneration Paid and Members' Salaries and Expenses on pages 132 to 134, Number of Employees by Pay Band and Exit Packages on page 135 and Pension Rights on pages 136 to 140 in this remuneration report will be audited by Audit Scotland. The other sections of the remuneration report will be reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

Remuneration Arrangements

Councillors

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

When determining the level of Councillors' remuneration, Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC's recommendations were first implemented for councillors elected in the local government elections in May 2007. SLARC was stood down as a committee in February 2013, but the principles of its work continue. In 2022, SLARC was reconstituted to undertake a review on Councillors' remuneration with a final report, including recommendations, to be presented to the Minister for Local Government, Empowerment and Planning by the end of November 2023.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2022/23, the remuneration for the Leader of the City of Edinburgh Council was £58,719. 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 (currently the Lord Provost). For 2022/23 this was £44,039. The Council's policy is to pay the Civic Head 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 £763,323. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below:

	No. of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Communities, Housing, Homelessness and Fair Work, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment, Licensing Board and Integration Joint Board Committees	9	62.5%
Convener of Governance, Risk and Best Value	1	50%
Vice-Convener of Licensing Board	1	50%
Opposition Group Leaders - Conservative, Green, Liberal Democrat Groups, Scottish National Party	4	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.

There have been a number of changes in Senior Councillors during the year, mainly as a result of the local government election held on 5 May 2022. The new administration was formed on 26 May 2022 therefore the senior roles were vacant from the date of the election to this date, unless otherwise stated. Former senior roles ended on 4 May 2022.

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits-in-kind £	Total Remun. 2022/23 £	Total Remun. 2021/22 £
C. Day, Leader of the Council (full year equivalent)	55,194 58,719	0	2,582	57,775	42,339
R. Aldridge, Lord Provost and Liberal Democrat Group Leader (to 04.05.22) (full year equivalent)	41,303 44,039	0	374	41,677	27,908
M. Watt, Deputy Leader of the Council and Convener Finance and Resources (full year equivalent)	41,303 44,039	0	746	42,049	28,634
L. M. Cameron, Depute Convener (full year equivalent)	26,386 29,360	0	736	27,123	18,304
<u>Former Civic Head</u>					
F. Ross, Lord Provost* (full year equivalent)	16,257 44,039	0	209	16,466	42,075
<u>Conveners (FYE £36,699)</u>					
V. Walker, Convener Culture and Communities	32,227	0	129	32,356	n/a
J. Griffiths, Convener Education, Children and Families	35,068	0	205	35,273	28,048
J. Meagher, Convener Housing, Homelessness and Fair Work	32,227	0	121	32,347	n/a
S. Arthur, Convener Transport and Environment	34,121	0	42	34,162	18,604
K. Campbell, Convener Governance, Risk and Best Value (from 30.06.22) and Convener Housing, Homelessness and Fair Work (to 04.05.22)	30,807	0	726	31,533	35,011
L. Young, Convener Licensing Board	34,121	0	126	34,247	18,604
J. Mowat, Convener of Licensing Sub-Committee and Convener Governance, Risk and Best Value (to 04.05.22)	35,068	0	726	35,794	28,034
J. Dalgleish, Convener Planning	32,227	0	6	32,232	n/a
N. Ross, Convener Regulatory	34,121	0	126	34,247	18,604
T. Pogson, Chair Edinburgh Integration Joint Board	32,227	0	122	32,348	n/a
<u>Former Conveners</u>					
D. Wilson, Convener Culture and Communities*	3,552	0	126	3,678	35,011
I. Perry, Convener Education, Children and Families*	3,552	0	6	3,558	35,011
R. Munn, Convener Finance and Resources*	3,552	0	42	3,594	35,000
L. Macinnes, Convener Transport and Environment	21,229	0	126	21,355	35,011
N. Work, Convener Licensing Board	21,229	0	148	21,376	35,052
N. Gardiner, Convener Planning	21,229	0	124	21,353	35,011
C. Fullerton, Convener Regulatory	21,229	0	128	21,356	35,011
R. Henderson, Chair Edinburgh Integration Joint Board*	3,552	0	79	3,630	35,011

* - indicates former councillor

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2022/23 £	Total Remun. 2021/22 £
Council's Leader, Civic Head and Senior Councillors - continued					
<u>Vice-Conveners (FYE £29,360)</u>					
J. Rust, Vice Convener Licensing Board (from 26.05.22)	27,886	0	726	28,612	18,604
<u>Former Vice-Conveners</u>					
A. McNeese-Mechan, Vice Convener Culture and Communities	20,518	0	266	20,784	28,075
E. Bird, Vice Convener Education, Children and Families*	4,143	0	49	4,192	18,730
K. Doran, Vice Convener Transport and Environment*	2,841	0	2	2,843	28,114
M. Child, Vice Convener Planning*	2,841	0	49	2,891	28,034
D. Dixon, Vice Convener Regulatory*	20,518	0	126	20,645	28,034
<u>Opposition Group Leaders (FYE £36,699)</u>					
I. Whyte, Conservative Group Leader	35,068	0	600	35,668	28,624
A. Mumford, Green Group Co-Leader (from 22.09.22 to 05.02.23)	25,963	0	734	26,697	n/a
B. Parker, Green Group Co-Leader (from 06.02.23)	20,277	0	722	20,999	n/a
K. Lang, Liberal Democrat Group	34,121	0	49	34,170	18,604
A. McVey, Scottish National Party	37,909	0	727	38,636	56,842
<u>Former Opposition Group Leaders</u>					
C. Miller, Green Group Leader (to 30.06.22)	22,174	0	126	22,300	21,893
A. Staniforth, Green Group Co-Leader (from 01.07.22 to 21.09.22)	21,436	0	126	21,562	18,730
<u>Councillors</u>					
A. Beal, Convener to the Lothian Valuation Joint Board (from 13.06.22) (Note 1) (full year equivalent)	20,615	0	722	21,338	n/a
	23,244				
D. Key, Convener to the Lothian Valuation Joint Board (to 04.05.22) (Note 1) (full year equivalent)	20,045	0	96	20,141	23,353
	24,467				

* - indicates former councillor

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2022/23 was £3,412.18 (2021/22 £4,676.82). Expenses relate to Councillor role.
2. During 2022/23, the overall pay award for Senior Councillors was 5.2%.
3. For Councillors whose Senior role has covered part-year, the Salary, Fees and Allowances disclosed relates to the full year remuneration, not just the current appointment.

Members' Salaries and Expenses

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

	2022/23 £	2021/22 £
Salaries	1,568,090	1,503,070
Expenses		
<i>Claimed by councillors</i>	42	72
<i>Paid directly by the Council</i>	31,602	12,301
Total	<u>1,599,734</u>	<u>1,515,443</u>

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Total Remun. 2022/23 £	Total Remun. 2021/22 £
Council's Senior Officers			
A. Kerr, Chief Executive (Note 1)	189,834	189,834	180,364
A. Hatton, Executive Director of Education and Children's Services	169,025	169,025	67,520
J. Proctor, Integration Joint Board Chief Officer (Note 2)	85,074	85,074	81,374
P. Lawrence, Executive Director of Place	169,623	169,623	162,247
J. Irvine, Chief Social Work Officer (to 18.09.22) (full year equivalent)	62,519 125,563	62,519	122,888
Dr. D. Smart, Executive Director of Corporate Services (full year equivalent)	13,093 169,623	13,093	n/a
R. Carr, Interim Executive Director of Corporate Services	191,520	191,520	35,400
H. Dunn, Service Director - Finance and Procurement	127,786	127,786	120,936
Total	<u>1,008,473</u>	<u>1,008,473</u>	<u>770,729</u>

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. The approved remuneration for A Kerr for Returning Officer Duties in 2022/23 amounted to £3,568.
2. J. Proctor was the Chief Officer of the Integration Joint Board and was employed by the City of Edinburgh Council where 50% of her salary costs were recharged to the EIJB and NHS Lothian. The above figures therefore show the Council's share.
3. The City of Edinburgh Council entered into a contract with GatenbySanderson Limited for the services of R. Carr to 06.03.2023. The cost of this contract for 2022/23 is shown above, this includes fees of £24,320.

Council Subsidiary Companies

EICC is a subsidiary company of CEC Holdings Limited. Figures shown for this company, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the years ended 31 December 2022 and 2021 respectively.

	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Total Remun. 2022/23 £	Total Remun. 2021/22 £
Council's Subsidiary Companies					
M. Dallas, Chief Executive, EICC	158,711	72,280	0	230,991	157,326
R. Hunter, Chief Executive, Capital City Partnership	79,926	0	0	79,926	74,957
<u>Transport for Edinburgh</u>					
G. Lowder, Chief Executive	155,213	0	2,237	157,450	154,225
<u>Lothian Buses Ltd.</u>					
S. Boyd, Interim Managing Director (Note 1)	139,100	0	1,557	140,657	0
N. Serafini, Interim Managing Director (Note 2)	163,887	0	2,911	166,798	186,650
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, Managing Director	167,115	0	0	167,115	191,441
	<u>863,952</u>	<u>72,280</u>	<u>6,705</u>	<u>942,938</u>	<u>764,599</u>

Notes:

1. S. Boyd was appointed Interim Managing Director on 12 August 2022.
2. N. Serafini remuneration paid for 2022/23 includes a payment for holidays in lieu of £25,297.
3. Edinburgh Living MMR LLP is a subsidiary of the Council however there are no employees and therefore no remuneration disclosures.

REMUNERATION REPORT

Remuneration Paid - continued

Number of Employees by Pay Band

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

	2022/23	2021/22		2022/23	2021/22
£50,000 - £54,999	407	436	£120,000 - £124,999	0	3
£55,000 - £59,999	317	229	£125,000 - £129,999	3	1
£60,000 - £64,999	160	134	£130,000 - £134,999	1	0
£65,000 - £69,999	148	114	£135,000 - £139,999	0	0
£70,000 - £74,999	40	21	£140,000 - £144,999	0	1
£75,000 - £79,999	15	22	£145,000 - £149,999	0	0
£80,000 - £84,999	30	22	£150,000 - £154,999	0	1
£85,000 - £89,999	12	15	£155,000 - £159,999	0	0
£90,000 - £94,999	20	6	£160,000 - £164,999	0	2
£95,000 - £99,999	1	0	£165,000 - £169,999	2	1
£100,000 - £104,999	1	1	£170,000 - £174,999	0	0
£105,000 - £109,999	1	1	£175,000 - £179,999	0	0
£110,000 - £114,999	0	5	£180,000 - £184,999	0	1
£115,000 - £119,999	5	2	£185,000 - £189,999	1	0
			Total No. of Employees	1,164	1,018

Notes:

- The total number of Council employees in the table above includes the Council's Senior Officers as shown on page 134.
- The total remuneration paid above includes the back dated pay award from 1 January 2023 for staff in scope.

Exit Packages

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

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £20,000							£000	£000
- Council	0	0	3	1	3	1	32	8
- Group companies	0	1	1	0	1	1	10	16
£20,001 - £40,000								
- Council	0	0	2	5	2	5	56	152
- Group companies	0	0	0	0	0	0	0	0
£40,001 - £60,000								
- Council	0	0	1	6	1	6	49	301
- Group companies	0	0	1	0	1	0	48	0
£60,001 - £80,000								
- Council	0	0	1	1	1	1	80	75
- Group companies	0	2	0	0	0	2	0	147
£80,001 - £100,000								
- Council	0	0	1	1	1	1	89	91
- Group companies	0	0	0	0	0	0	0	0
£100,001 - £150,000								
- Council	0	0	0	5	0	5	0	613
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	0	1	0	1	0	164
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	0	1	0	1	0	211
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	0	1	0	1	0	290
- Group companies	0	0	0	0	0	0	0	0
	0	3	10	22	10	25	364	2,068

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 2022/23 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £22,300 (2021/22 £22,300)	5.50%
On earnings above £23,001 and up to £28,100 (2021/22 £22,301 to £27,300)	7.25%
On earnings above £28,101 and up to £38,600 (2021/22 £27,301 to £37,400)	8.50%
On earnings above £38,601 and up to £51,400 (2021/22 £37,401 to £49,900)	9.50%
On earnings above £51,401 (2021/22 £49,901)	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.

REMUNERATION REPORT

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2023 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

As noted in the Remuneration Paid information, a new administration was formed on 26 May 2022 therefore the senior roles were vacant from the date of the election to this date, unless otherwise stated. Former senior roles ended on 4 May 2022.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2023	For year to 31.03.2022		As at 31.03.2023	Difference from 31.03.2022
	£	£		£000	£000
<u>Council's Leader and Civic Head</u>					
C. Day, Leader of the Council	12,529	9,503	Pension	6	2
			Lump Sum	0	0
R. Aldridge, Lord Provost and Liberal Democrat Group Leader (to 04.05.22)	9,376	6,335	Pension	10	3
			Lump Sum	2	0
M. Watt, Deputy Leader of the Council and Convener Finance and Resources	9,376	6,335	Pension	4	1
			Lump Sum	0	0
L. M. Cameron, Depute Convener	6,024	n/a	Pension	3	n/a
			Lump Sum	0	n/a
<u>Former Civic Head</u>					
F. Ross, Lord Provost*	3,690	9,503	Pension	8	0
			Lump Sum	0	0
<u>Conveners</u>					
V. Walker, Convener Culture and Communities	7,315	n/a	Pension	1	n/a
			Lump Sum	0	n/a
J. Griffiths, Convener Education, Children and Families	7,960	6,335	Pension	6	1
			Lump Sum	0	0
J. Meagher, Convener Housing, Homelessness and Fair Work	7,315	n/a	Pension	1	n/a
			Lump Sum	0	n/a
S. Arthur, Convener Transport and Environment	7,745	n/a	Pension	3	n/a
			Lump Sum	0	n/a
K. Campbell, Convener Governance, Risk and Best Value (from 30.06.22) and Convener Housing, Homelessness and Fair Work (to 04.05.22)	6,993	7,919	Pension	4	1
			Lump Sum	0	0
L. Young, Convener Licensing Board	7,745	n/a	Pension	3	n/a
			Lump Sum	0	n/a
J. Mowat, Convener of Licensing Sub-Committee and Convener Governance, Risk and Best Value (to 04.05.22)	7,960	6,335	Pension	6	1
			Lump Sum	0	0
J. Dalglish, Convener Planning	7,315	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Ross, Convener Regulatory	7,745	n/a	Pension	3	n/a
			Lump Sum	0	n/a
T. Pogson, Chair Edinburgh Integration Joint Board	7,315	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a

* - indicates former councillor

REMUNERATION REPORT

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors - continued

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2023 £	For year to 31.03.2022 £		As at 31.03.2023 £000	Difference from 31.03.2022 £000
<u>Former Conveners</u>					
D. Wilson, Convener Culture and Communities*	806	7,919	Pension	10	0
			Lump Sum	3	1
I. Perry, Convener Education, Children and Families*	806	7,919	Pension	11	2
			Lump Sum	2	0
R. Munn, Convener Finance and Resources*	806	7,919	Pension	2	0
			Lump Sum	0	0
L. Macinnes, Convener Transport and Environment	4,818	7,919	Pension	4	1
			Lump Sum	0	0
N. Work, Convener Licensing Board	4,818	7,919	Pension	9	1
			Lump Sum	2	0
N. Gardiner, Convener Planning	4,818	7,919	Pension	4	1
			Lump Sum	0	0
R. Henderson, Chair Edinburgh Integration Joint Board*	806	7,919	Pension	9	0
			Lump Sum	2	0
<u>Former Vice-Conveners</u>					
A. McNeese-Mechan, Vice Convener Culture and Communities	4,658	6,335	Pension	3	0
			Lump Sum	0	0
E. Bird, Vice Convener Education, Children and Families*	4,223	4,223	Pension	2	0
			Lump Sum	0	0
K. Doran, Vice Convener Transport and Environment*	645	6,335	Pension	5	0
			Lump Sum	0	0
M. Child, Vice Convener Planning*	645	6,335	Pension	13	0
			Lump Sum	20	2
D. Dixon, Vice Convener Regulatory*	4,658	6,335	Pension	6	1
			Lump Sum	0	0
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	7,960	6,335	Pension	10	2
			Lump Sum	3	1
A. Mumford, Green Group Co-Leader (from 22.09.22 to 05.02.23)	6,484	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
B. Parker, Green Group Co-Leader (from 06.02.23)	4,603	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a

* - indicates former councillor

REMUNERATION REPORT

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2023 £	For year to 31.03.2022 £		As at 31.03.2023 £000	Difference from 31.03.2022 £000
<u>Opposition Group Leaders - continued</u>					
K. Lang, Liberal Democrat Group Leader (from 26.05.22)	7,745	n/a	Pension	3	n/a
			Lump Sum	0	n/a
A. McVey, Scottish National Party Group Leader (from 26.05.22) and Leader of the Council (to 04.05.22)	8,605	12,670	Pension	10	1
			Lump Sum	0	0
<u>Former Opposition Group Leaders</u>					
C. Miller, Green Group Leader (to 30.06.22)	5,034	4,939	Pension	7	1
			Lump Sum	0	0
A. Staniforth, Green Group Co-Leader (from 01.07.22 to 21.09.22)	4,866	4,223	Pension	3	1
			Lump Sum	0	0
<u>Councillors</u>					
A. Beal (including role as Convener of Lothian Valuation Joint Board from 13.06.22)	4,679	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
D. Key (including role as Convener of Lothian Valuation Joint Board to 04.05.22)	4,550	5,279	Pension	5	1
			Lump Sum	0	0

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

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2023 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 31.03.2023 £	For year to 31.03.2022 £		As at 31.03.2023 £000	Difference from 31.03.2022 £000
A. Kerr, Chief Executive	n/a	n/a	Pension	9	0
			Lump Sum	0	0
A. Hatton, Executive Director of Education and Children's Services	38,369	15,326	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Proctor, Integration Joint Board Chief Officer (Note 1)	38,624	36,830	Pension	11	3
			Lump Sum	0	0
P. Lawrence, Executive Director of Place	38,624	36,830	Pension	43	7
			Lump Sum	0	0
J. Irvine, Chief Social Work Officer (to 18.09.22)	13,966	27,782	Pension	43	2
			Lump Sum	43	1
Dr. D. Smart, Executive Director of Corporate Services (from 01.03.23)	2,972	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
H. Dunn, Service Director - Finance and Procurement	29,007	27,452	Pension	93	3
			Lump Sum	151	0
Total	<u>161,562</u>	<u>144,220</u>			

Notes:

- J Proctor was employed by the City of Edinburgh Council and 50% of her salary costs are recharged to the EIJB and NHS Lothian. The above Pension figures show the full contributions but only 50% of these are relevant to the City of Edinburgh Council.

REMUNERATION REPORT

Pension Rights - continued

Senior Employees - continued

Notes:

The pension figures shown for senior employees relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2023, or the date of leaving, if that is earlier.

Employees contribute towards their pensions in accordance with the rates set out on page 136.

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 2023 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 31.03.2023 £	For year to 31.03.2022 £		As at 31.03.2023 £000	Difference from 31.03.2022 £000
<u>EICC</u>					
M. Dallas, Chief Executive	18,252	17,464	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
S. Boyd, Interim Managing Director	13,910	0	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Serafini, Interim Managing Director	11,837	15,667	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, Managing Director	25,067	16,256	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
R. Hunter, Chief Executive	16,225	16,341	Pension	23	4
			Lump Sum	16	1
Total	<u>85,291</u>	<u>65,728</u>			

EICC is a subsidiary company of CEC Holdings Limited. Figures shown for this company, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the years ended 31 December 2022 and 2021 respectively.

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

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years and/or if they are not members of the Local Government Pension Scheme.

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

Trade Union (Facility Time Publication Requirements) Regulations 2017

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

For the reporting year 2022/23, the equivalent of 11.6 FTE (across 17 individuals) of paid facility time was made available, with an associated cost of £0.50m. This sum equates to 0.10% of the Council's overall paybill.

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

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:

Audit Scotland
102 West Port
Edinburgh
EH3 9ND

RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

(as shown on page 23 of the Unaudited Financial Statements)

	£000	2022/23 £000	£000
Total Comprehensive (Income) and Expenditure			(1,253,343)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		(474,726)	
Gains and losses relating to pension liability		(879,399)	
Other unrealised gains		0	
		<u> </u>	<u>(1,354,125)</u>
Deficit on provision of services, per CIES			100,782
<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	(247,760)		
Net gain on sale of fixed assets	143		
Revenue expenditure funded from capital under statute	64,847		
Movement in donated assets	(239)		
Use of Capital Fund	1,297		
Finance costs - statutory adjustments	3,174		
Net charges made for retirement benefits in accordance with IAS 19	<u>(159,125)</u>		
		(337,663)	
<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)	63,780		
Lease repayments (including element relating to PPP contracts)	28,384		
Capital expenditure charged to the General Fund balance	(64,847)		
Capital expenditure funded from revenue	24,509		
Change in fair value of Investment Properties	1,536		
Gains on IFRS16 assets	83		
Capital grants and contributions credited to the CIES	117,247		
Net transfer for holiday pay accrual	(1,003)		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	<u>81,051</u>		
		250,740	
<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	(15,471)		
Net Transfer from earmarked reserves	<u>(7,563)</u>		
		<u>(23,034)</u>	
			<u>(109,957)</u>
General Fund Surplus reported in Financial Statements			(9,175)
Consolidation Adjustments			
Funds (drawn down from) / contributed to earmarked balances:			
- Unallocated General Fund		(3,149)	
- Balances set aside for specific investment		53,842	
- City Strategic Investment Fund		27	
- Council Priorities Fund		(2,629)	
- Council Tax Discount Fund		(6,055)	
- Covid Contingency		(37,861)	
- Covid Advances		(10,778)	
- Devolved School Management and Pupil Equity Fund		(3,223)	
- Dilapidation fund		300	
- Energy efficiency		(65)	
- IFRS 9 gains		0	
- Insurance fund		468	
- Licensing income		(209)	
- Other minor funds		4	
- Pre-paid PPP monies		641	
- Salix / CEEF		198	
- Spend to save		162	
- Trams to Newhaven		1,821	
- Unspent grants		(352)	
- Workforce transformation		<u>2,285</u>	
			<u>(4,573)</u>
General Fund (Surplus)/Deficit			<u><u>(13,748)</u></u>

Reserve balances, 31 March 2023

	Balance at 31-Mar-22 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31-Mar-23 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	59,685	(13,866)	69,528	115,347
Workforce management	10,858	0	2,285	13,143
Council Priorities Fund	2,628	(2,629)	13,711	13,710
IFRS9 Gains	416	0	38	454
Dilapidations fund	3,957	0	300	4,257
Insurance funds	22,258	(4,862)	5,330	22,726
Covid Contingency	71,178	(38,165)	304	33,317
	<u>170,980</u>	<u>(59,522)</u>	<u>91,496</u>	<u>202,954</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration income	5,712	(523)	314	5,503
Pre-paid PPP monies	3,998	0	641	4,639
Unspent grants	8,387	(5,645)	5,293	8,035
Council Tax Discount Fund	11,305	(9,674)	3,619	5,250
Other minor funds	175	0	4	179
City Strategic Investment Fund	1,055	(118)	145	1,082
Covid Fund	15,159	(10,778)	0	4,381
	<u>45,791</u>	<u>(26,738)</u>	<u>10,016</u>	<u>29,069</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy efficiency	334	(72)	7	269
Salix / CEEF	605	(85)	283	803
Spend to save	3,268	(195)	357	3,430
	<u>4,207</u>	<u>(352)</u>	<u>647</u>	<u>4,502</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Devolved School Management	<u>7,246</u>	<u>(7,246)</u>	<u>4,023</u>	<u>4,023</u>
Unallocated General Reserve	<u>28,981</u>	<u>(3,150)</u>	<u>0</u>	<u>25,831</u>
Total General Reserve	<u><u>257,205</u></u>	<u><u>(97,008)</u></u>	<u><u>106,182</u></u>	<u><u>266,379</u></u>