

Best Value

The City of Edinburgh Council

ACCOUNTS COMMISSION 

Prepared by the Controller of Audit

October 2024

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Key facts

102 Square miles

537,000 Population

15,588 Workforce (FTE)

63 Elected members
18 x SNP; 13 x Liberal Democrats; 11 x Labour; 10 x Green; 9 x
Conservative; 2 x Other.
(Minority Labour administration)

£109m Savings required by 2028/29

£1,282m Net revenue budget 2023/24

£411m Capital budget 2023/24

Controller of Audit Report

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

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

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

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

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

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

6. The development of the council's strategic priorities was informed by the results of public consultation supporting the council's previous iterations of the business plan. In 2022/23, auditors highlighted the need for the council to

consider directly consulting with residents on the ranking and affordability of its strategic priorities in the development of its business plan.

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

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

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

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

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

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

12. In recent years, the council has been able to focus on immediate budget pressures while benefitting from one-off measures and increased income such as reduced pensions' contributions, use of reserves, changes to empty property relief and service concession financial flexibilities. From 2025/26 onwards, the

council will need to make increasingly difficult choices about spending priorities and levels of service provided and balance short-term pressures with fundamental reform to provide long-term financial sustainability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 1: 2022/23 and 2023/24 Annual Audit Reports

2022/23 and 2023/24 Annual Audit Reports

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

Each Annual Audit Report comprises:

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

[LINKS TO BE ADDED FOR PUBLICATION]

Appendix 2: Best Value

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

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

Best Value

The City of Edinburgh Council



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