

# Governance, Risk and Best Value Committee

10.00a.m. Thursday, 23 April 2015

## Governance of Major Projects: Update on Edinburgh International Conference Centre (EICC)

Item number	7.2
Report number	
Executive/routine	
Wards	

### Executive summary

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The report updates the Committee on the financial position of the Edinburgh International Conference Centre.

### Links

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Coalition pledges	P28
Council outcomes	
Single Outcome Agreement	All

## Governance of Major Projects: Update on Edinburgh International Conference Centre (EICC)

### Recommendations

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- 1.1 Members are asked to note:
  - 1.1.1 That there is no indebtedness between the City of Edinburgh Council and the EICC in respect of the grant payment of £2.146m made to the Company by the former Edinburgh District Council in March 1996.
  - 1.1.2 The contents of this report which update members on the business plan for the Edinburgh International Conference Centre.

### Background

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- 2.1 Governance Risk and Best Value Committee on 13 November 2014 asked for a further update on the EICC following consideration of a report on the governance of major projects to Finance and Resources Committee on 30 October 2014.
- 2.2 EY were commissioned by the Council, as the shareholder, and the EICC board to review the business plan and to consider possible restructuring options. The business case for the Additional Function Space at the EICC was developed a number of years ago, with the 2014 budget originally prepared in 2010. The report by EY confirmed that revenue income was likely to fall below levels set out in the original business plan for the foreseeable future.
- 2.3 The report to Finance and Resources Committee on 30 October 2014 identified a number of strategies which the Company, supported by Council officers would undertake to improve its financial position.

### Main report

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#### Projected Financial Outturn 2014

- 3.1 An updated projection for the financial year to 31 December 2014 was presented to the EICC Board at its meeting of 28 January 2015. The management accounts for the year showed an improved position from the projection reported to the Board in August 2014. The company is anticipating a net loss for 2014 of £0.9m compared to £1.2m projected in August 2014.

- 3.2 The improvement in projected outturn for the year was largely as a result of increased catering income and tight management of expenditure. The company continues to review the existing cost model to identify further efficiencies and savings going forward.
- 3.3 The Company's cash flow projection to December 2018 shows that no solvency issues within that period are expected. It is however essential that cash flows continue to be closely monitored to ensure that fluctuations in cash resources are appropriately managed.
- 3.4 Neither the projected outturn nor the cash flow analysis presented to the January 2015 Board included any assumption on the refund of non domestic rates which would be receivable under the offer made by the Assessor on rateable value of the centre. This was reported on the same agenda for approval by the Board, which is noted below.

#### Non Domestic Rates Assessment

- 3.5 The Board approved at its meeting of 27 January 2015 to accept a reduced assessment of rateable value of £3,000,000 for the EICC and Additional Function Space.
- 3.6 This acceptance will result in a rebate of overpayment of £457k for the 2 years 2013-14 and 2014-15. The on-going liability for non domestic rates is therefore expected to be reduced by around £225k per annum.

#### Charitable Status

- 3.7 Initial discussions have taken place between the Company's Chief Executive, senior Council officers and the Office of the Scottish Charity Regulator with regard to the potential for the Company to seek charitable status.
- 3.8 It is unlikely that the Company as a whole would be eligible for charitable status but that a structure with a charitable body and a trading subsidiary may be possible. Further work is being undertaken to document the charitable activities of the Company and assess the full implications and viability of such a structure before making an application.

#### Indebtedness between the City of Edinburgh Council and EICC

- 3.9 Inconsistencies between the accounting for indebtedness between the Council and the EICC were highlighted in the previous report to Finance and Resources Committee. The EICC balance sheet shows a short term loan liability to the City of Edinburgh Council of £2.146m. This relates to a payment made to the company by the former Edinburgh District Council in March 1996. The City of Edinburgh Council's accounts do not reflect an equivalent indebtedness and no repayment of this sum has been assumed by the Council.
- 3.10 The former Council's records were reviewed to confirm the basis on which the payment was made. There is no evidence that the former Edinburgh District Council intended the payment to be other than a grant to the EICC and the

District Council's abstract of accounts and balance sheet for the year did not reflect any indebtedness in this respect by the EICC.

## Measures of success

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4.1 The operation of the EICC within the approved business plan.

## Financial impact

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5.1 There are no financial implications directly arising from this report.

## Risk, policy, compliance and governance impact

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6.1 The process of reporting and senior management oversight of risk within major projects portfolio serves to strengthen the control environment and where appropriate prompt mitigating action.

## Equalities impact

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7.1 There is no direct relevance of the report's contents to equalities related issues.

## Sustainability impact

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8.1 There is no direct relevance of the report's contents to sustainability related issues.

## Consultation and engagement

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9.1 Not applicable.

## Background reading/external references

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[Governance of Major Projects](#) – Governance, Risk and Best Value, 14 August 2014

[Governance of Major Projects: Update on Edinburgh International Conference Centre – Finance and Resources, 30 October 2014](#)

[Governance of Major Projects: Update on Edinburgh International Conference Centre – Governance, Risk and Best Value, 13 November 2014](#)

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## Links

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<b>Coalition pledges</b>	<b>P28</b> - Further develop our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city
<b>Council outcomes</b>	
<b>Single Outcome Agreement</b>	All
<b>Appendices</b>	