

The City of Edinburgh Council

Proposed 2024/25 Annual Audit Report



Prepared for the Members of The City of Edinburgh Council and the Controller of Audit
September 2025

Contents

Key messages	3
Introduction	4
Audit scope and responsibilities	5
Audit of the annual accounts	7
Wider scope audit	21
Best Value audit	41
Appendix 1	47
Appendix 2	53
Appendix 3	61

Accessibility

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

Key messages

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement. This means we consider the accounts to show a true and fair view and follow relevant accounting standards and legislation.
- 2 There were a number of significant findings to report. All material audit adjustments required to correct the financial statements were processed by the council.

Wider scope audit

- 3 The council has broadly effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- 4 The scale of the council's budget consultation with its residents has improved, but there is scope to make financial reports more accessible to members and the public.
- 5 The council has high levels of debt which are forecast to reach £3 billion by 2029/30. It is essential that members fully understand the implications of the council's external borrowing levels on future years budgets.

Best Value audit

- 6 The council has broadly effective and appropriate arrangements in place for securing Best Value.
- 7 The Management Report on themes prescribed by the Accounts Commission reported that the council is not yet demonstrating significant transformational change activity to reduce demand for its services and secure longer-term financial sustainability.
- 8 The council has appropriate arrangements in place for preparing and publishing Statutory Performance information, with performance compared to prior years and other councils presenting an improvement in many areas.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the City of Edinburgh Council's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to City of Edinburgh Council, (hereafter referred to as 'the council') and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Michael Oliphant, of Audit Scotland, has been appointed as external auditor of The City of Edinburgh Council for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, the appointed auditor and the audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the council and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit.

Audit scope and responsibilities

Scope of the audit

5. Our audit of The City of Edinburgh Council and its group is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and the Whole of Government Accounts (WGA) return

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the council's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may

not be all that exist. Communicating these does not absolve the council from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

Responsibilities of the City of Edinburgh Council

10. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual accounts, comprising financial statements for the council and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the council. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement. This means we consider the accounts to show a true and fair view and follow relevant accounting standards and legislation.

There were no significant findings or key audit matters to report. All material audit adjustments required to correct the financial statements were processed by the council.

Audit opinions on the annual accounts

12. The council and its group's annual accounts were approved by Finance & Resources Committee **on 18 September 2025**. The Independent Auditor's Report is included in the council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual accounts and all working papers were received on 26 June 2025 in accordance with the agreed audit timetable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £736,760. We determine our audit fee based on the timely receipt of responses to our requests for audit evidence. We experienced a significant delay during 2024/25 in relation to receiving evidence for our best value report on transformation and in receiving assurances in our assessment of the council's payroll system and controls. As a result, we have increased our audit fee by £20,783. Our final audit fee is £757,543.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor’s professional judgement.

17. Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated, and these can be seen in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for the council and its group

Materiality	Value
Materiality – set at 2% of gross expenditure	£55 million
Performance materiality – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£36 million
Reporting threshold	£0.5 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

19. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.

- Significant events or transactions that occurred during the year.

20. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
1. Non-current assets valuation Our audit of the council’s disclosures around non-current assets identified the following: • Heritage assets: The council reported heritage assets valued at £53.587 million. However, this figure included an overall total for collections held in museums and galleries which was not itemised, and so we could not verify this amount. Additionally, it was estimated that some items were owned by the charitable trusts administered by the council, rather than by the council itself. • Asset categorisation: Assets with a net book value of approximately £3 million were incorrectly classified and should have been reported under ‘Other Land and Buildings’. • Capital commitments: The total value of capital commitments was overstated by £50 million.	The revised set of accounts was adjusted to correct these errors. The value of the council’s group heritage assets was amended to £64.739 million, based, in part, on recent insurance valuations.

Significant findings and key audit matters	Outcome
2. Valuation of IFRS16 'right of use' assets The council has a large number of lease arrangements and uses a third-party provider to supply information to meet IFRS 16 Leases disclosure requirements. These are disclosed in the accounts as 'right of use' assets, increasing the value of the council's assets on the balance sheet. The finance team identified a number of inconsistencies in the figures supplied, and raised several queries on the draft figures provided by the external provider. Due to the constraints of the accounts production timetable, these were included in the initial accounts presented to audit. Further figures were provided and the accounts were updated to reflect these.	Our audit testing confirmed the revised figures used by the council. The council recorded a late adjustment of £2.476 million and an overall in-year movement of £5.061 million for the net book value of its 'right-of-use' assets.
3. Public Private Partnerships (PPP) - inclusion of contingent rent The council's calculations for its longer-term PPP liability included an estimated uplift on rent expenditure derived from the underlying accounting models. Accounting standards are clear that liabilities should not include estimated future indexation-linked increases.	The current and long-term liability for 2024/25 and the prior year were recalculated to remove this assumption. The opening balance for the liability was restated and reduced by £26 million. The adjustment for 2024/25 was an increase of £1 million to the PPP liability.

Significant findings and key audit matters	Outcome
4. Common Good community assets The Common Good account is separate to the council's financial statements and represents those properties acquired by the local authority which have been passed down through time from former burghs. The Common Good balance sheet disclosed £20.568 million of long-term debtors, which represented a significant group of assets of local and national importance, including the City Chambers, Princes St Gardens, the Meadows and Calton Hill, among others. With the introduction of IFRS 16, these assets are no longer deemed to be leased by the council (debtor balances) and should be disclosed as community assets. Accounting standards also give guidance that these should be valued at historic cost, however due to the nature of these assets such information is not available.	The Common Good account in the final audited statements was amended to disclose £4.325 million of community assets at historical cost, in line with accounting standards. A value of £1000 has been applied to each asset as a proxy for historic cost, and the opening balance sheet position has been restated to reflect this change.
5. Payments to providers of social care Swift is a social care case management system which the council has agreed to replace as an 'end of life' system, expected to be completed in early 2026. In response to our findings from 2023/24, we undertook testing on a sample of payments. Our testing focused on payments to providers of care homes and at-home carers, to verify the underlying basis for the payment. Again, we found several cases where there was no agreed payment plan or contract to confirm the rate paid was correct. In these cases, there may be potential under or overpayments to suppliers, which the council is investigating. We concluded that, for all items we examined, there existed a valid underlying basis for the transaction and therefore that the accounts are not materially misstated.	Following our audit findings reported in September 2024, in December 2024, the control was tightened to manually review every invoice which did not match exactly the amount expected in Swift. This resulted in a backlog of payments. The council established a temporary, multi-disciplinary team to investigate and address differences between Swift (the council's records system) and the amounts invoiced by care providers. By April 2025, approximately £250,000 in overpayments had been identified and were in the process of being recovered from providers. Due to the needs-based nature of the service, changes to individual care arrangements often take place, making it essential for the council to have robust processes and controls to maintain a clear audit trail. Paragraph 52.

Significant findings and key audit matters	Outcome
6. Group accounting The authority's accounts also include its share in other organisations which it has an element of control, for example Edinburgh Living and Transport for Edinburgh. The Common Good account was previously consolidated into the City of Edinburgh Group accounts on an associate basis as it was judged not to have significant control. As the council administers the Common Good, we concluded that it should be included in the consolidation on a subsidiary basis. In addition, our work identified that the council's consolidated group accounts had not included Edinburgh Living's purchase of 27 properties at a purchase price of £6.5 million, as this was a post balance sheet event in Edinburgh Living's accounts and identified as part of our audit of the group accounts.	The group accounts were adjusted to: • Consolidate the Common Good account into the group. • Include an additional £6.5 million of non-current assets, as the purchase of properties was before the council group year end of 31 March 2025
7. Implementation of a new HR and payroll system The council implemented a new Oracle Fusion HR and Payroll System in October 2024. As with any change of such a significant system, there were potential risks in the accurate processing and transfer of data, which could result in incorrect staff costs reported in the council's accounts.	We considered the governance arrangements for the new system implementation project, reviewed documentation of the data transfer and inspected reconciliations between the new payroll system and general ledger. The delivery of the project was split into two phases. Both phases were delivered late as compared to original timescales. Phase 1 was initially scheduled to complete by end of March 2024 and completed in October 2024. Phase 2 was initially scheduled to complete by October 2024 and after revisions to the project timescales was implemented in March 2025. We concluded that the council's approach to the data transfer exercise was appropriate. The council identified issues with how the data was feeding from the new payroll system into the general ledger. This required significant input from payroll and finance staff to resolve. Our audit testing confirmed that the ledger materially agrees with the payroll system and therefore staff costs reported in council's accounts are not misstated.

Significant findings and key audit matters	Outcome
8. Errors in classification of balances Our audit identified the following errors as a result of our testing of transactions and balances: • There were compensating payables and receivables balances relating to non-domestic rates which had not been adjusted. A correction was required to net off payables and receivables by £27.9 million. • We also identified a negative prepayment within the receivables balance of £2.065 million, having the effect of reducing the value of receivables owed to the council. This sum was based on information provided by a third-party provider, but as further evidence was not available, we concluded this was an error.	Management processed all necessary adjustments to correct the NDR payables and receivables. Adjustments were made to prepayments, but management chose not to adjust the queried balance in total, leaving a remainder of £1.780 million. This falls below our materiality threshold and is therefore classed as an unadjusted error.

Source: Audit Scotland

Qualitative aspects of accounting practices

21. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the council's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

22. The appropriateness of accounting policies adopted by the council was assessed as part of the audit. These were considered to be appropriate to the circumstances of the council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

23. Accounting estimates are used in number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of the council has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

Group audit

24. The council is part of a group and prepares group financial statements. The group is made up of ten components, including the council which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on components material to the CEC group for the purposes of the group audit, and this work was performed by a combination of the audit team and the components’ audit teams. As group auditor we placed reliance on the work of component auditors and where the component was material we reviewed their risk assessment and work to address significant risks identified. The audit work performed on the group’s material components is summarised in [Exhibit 3](#).

Exhibit 3
Summary of audit work on the group’s components

Group component	Auditor and audit work required	Summary of audit work performed
Transport for Edinburgh	Azets Work to address the significant risk over fraud in revenue recognition and also the significant risk over the valuation of non-current assets, including right of use assets	The specific audit procedures required were performed by the component auditor and these were evaluated and reviewed by the group audit team. No significant issues were identified. No issues were identified in the audit procedures performed by the component auditor.
Edinburgh Living MMR	Azets Work involved in estimating updated valuations for investment property as at 31 March 2025	Additional work by the component auditor confirmed that the valuation of investment property had not been significantly affected between December 2024 and March 2025.

Other matters to report

25. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. Other matters not disclosed in [Exhibit 2](#) include the following:

- The accounts presented to audit were adjusted from those presented to the council to include data from more recently-available actuarial reports relating to IAS 19 pensions disclosures.
- The cash and cash equivalents balance was adjusted to properly reflect unprocessed creditor payments and banking off-setting arrangements.
- We have identified areas where financial controls could be strengthened. These relate to payments to social care providers and payroll validation procedures, refer Paragraph 52.

Significant matters discussed with management

26. All significant matters identified during the audit and discussed with officers have been reported in the Annual Audit Report.

Audit adjustments

27. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.5 million are outlined in [Exhibit 4, \(page 18\)](#)

Exhibit 4

Significant audit adjustments

Significant audit adjustments					
Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
1. Correction to reflect unprocessed creditor payments and offsetting arrangements.					
	Cash and cash equivalents			35,028	
	Trade Payables				(35,028)

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)	Balance Sheet
2. Correction required relating to NDR debtors and creditors.			
	Receivables		27,941
	Payables		27,941
3. Public Private Partnerships (PPP) restatement to remove an estimated uplift to contingent rent from the liability.			
	Finance leases (creditors)		26,026
	Right of use assets		(26,026)
4. Post balance sheet event for Edinburgh Living (Exhibit 2 , point 6).			
	Investment Property		6,525
	Long term liabilities (removed on consolidation)		(6,525)
5. Classification corrections for non-current assets			
	Other land and buildings		3,095
	Assets under construction		(2,412)
	Dwellings		(683)
6. Recognising the Common Good Fund as a subsidiary and not an associate within the group			
	Surplus for the year	(269)	
	Assets		9,478
	Liabilities		(9,209)

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)	Balance Sheet
7. Restating Common Good long term debtors as non-current assets			
	Community assets		1,304
	Other land and buildings		752
	Receivables		(20,658)
	Deferred income		(2,909)
	Revaluation reserve		21,511
Net impact on financial statements		(269)	105,645 (105,376)

Source: Audit Scotland

28. In addition to the corrected misstatements outlined in [Exhibit 2](#), there were other misstatements identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

29. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management has processed all audit adjustments to correct these misstatements, with the exception of a £1.780 million balance, detailed within item 8 in [Exhibit 2](#) which cannot be agreed to sufficient evidence. This uncorrected error does not have any impact on the audit opinions given in the Independent Auditor's Report.

Significant risks of material misstatement identified in the Annual Audit Plan

30. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#).

Exhibit 5**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. Conclusion: no evidence of fraud caused by management override of controls.

Risk of material misstatement	Planned audit response	Outcome of audit work
Valuation of property, plant and equipment The City of Edinburgh Council disclosed more than £5.7 billion of property, plant, and equipment (PPE) at 31 March 2024, of which £4.4 billion was land and buildings. There is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations and therefore presenting a risk of misstatement.	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. • Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required. •	Our work in this area is summarised in Exhibit 2. Conclusion: the valuation of PPE is not materially misstated in the adjusted annual accounts.

Risk of material misstatement	Planned audit response	Outcome of audit work
Risk of fraud over expenditure recognition In line with Practice Note 10: <i>Audit of financial statements and regularity of public sector bodies in the United Kingdom</i>, most public bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. We have evaluated the council's significant expenditure streams. Some significant expenditure areas, including staff costs, interest payments and depreciation, amortisation and impairment, are not considered areas of risk. However, due to the extent and complexity of the council's other service expenses, we identified there is a risk that expenditure may be misstated.	The audit team will: • Perform detailed testing of expenditure transactions, including cut-off testing, focussing on the areas of greatest risk to assess completeness and accuracy of expenditure. • Monitor the budgetary process and reporting. • Carry out substantive testing of accruals and prepayments.	We carried out targeted testing of higher-risk areas, including substantive testing of accruals and prepayments. We did not identify evidence of fraudulent expenditure. Conclusion: The accounts are not materially misstated in respect of fraudulent expenditure.

Source: Audit Scotland

Prior year recommendations

31. The council has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the council and are outlined in [Appendix 1](#).

Wider scope audit

Conclusion

The council has broadly effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

Audit approach to wider scope

Wider scope

32. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

33. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the council has in place for each of these is reported in this chapter.

Significant wider scope risk

34. Audit work has been performed in response to the one significant wider scope risk identified in the Annual Audit Plan, relating to financial sustainability. The outcome of audit work performed is summarised below in [Exhibit 6 \(page 22\)](#).

Exhibit 6

Significant wider scope risk

Significant risk	Planned audit response	Outcome of audit work
Financial sustainability The council's budget for 2024/25 was approved with financial balance dependent upon delivery of savings and additional income totalling £28.5 million. In January 2025, the council reported that, despite further underlying pressures of £32.6 million, it was on track to delivering 90% of planned savings. The council is now forecasting a balanced year-end position, with further savings in corporate budgets identified to offset the additional cost pressures which had arisen throughout the year. Financial sustainability remains a risk for the council, with its own financial plan forecasting a £94.2 million gap by 2029/30. Challenges include pressures for frontline services, delivery of almost £48 million of approved savings within the Edinburgh Integration Joint Board and proposals for a significant increase in the level of capital borrowing, which is forecast to increase to £2.879 billion by March 2029.	The audit team will: Monitor the financial position throughout the year and provide an update in our 2024/25 Annual Audit Report. Consider the council's progress in developing a longer-term financial plan.	The council has reported in its annual accounts that it achieved an overall underspend of £2.719 million, delivering 84% of its savings measures. There is a medium term financial plan in place which now forecasts a budget gap of £94.2 million by 2030.

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

35. The audit work performed on the arrangements the council has in place for securing sound financial management found that these were largely effective and appropriate, with areas for improvement highlighted throughout this report. This judgement is evidenced by the council:

- having a system of internal control in place, with some areas identified where key controls could be strengthened.
- having policies and procedures, for example, financial regulations and scheme of delegation, in place
- having policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- having suitably qualified and experienced staff leading the finance function.
- having arrangements in place for the scrutiny of arrangements that support sound financial management.

The council achieved an underspend of £2.719 million in 2024/25

36. The council approved its revenue budget for 2024/25 in February 2024, with total planned expenditure of £1,361 million (2023/24: £1,282 million). The council did not increase council tax, utilising the Scottish Government's offer of £16.1 million to compensate for the income which would have been raised through a rise to residential taxpayers.

37. The initial budget identified required savings and additional income totalling £28.5 million, representing around two per cent of its total revenue budget. In setting the 2024/25 budget, the council recognised there are widespread financial pressures creating significant risks to the delivery of a balanced budget. Key pressures included:

- Delivery of almost £47.8 million of savings across Edinburgh IJB, with the joint board reporting that £42.6 million was achieved by year-end. The council agreed to provide additional funding of £12.1 million to the IJB during 2024/25, alongside a £2.4m further contribution from NHS Lothian, as a budget shortfall deteriorated, and funding for the IJB has been a source of tension between the two bodies. While financial pressures remain significant, we have observed encouraging signs of improved communication and collaboration between the council, the IJB and NHS Lothian.
- Demand-led pressures in services but particularly homelessness, with an associated full-year pressure of £7.5 million.

- Pay awards, with an average of 3% included in the approved budget.

38. The council has reported in its annual accounts that it achieved an overall underspend of £2.719 million, made possible by a further application of reserves (£12.889 million) and savings/additional income in corporate budgets (£8.766 million). This is set against unbudgeted overspends of £18.936 million. The underspend has been earmarked for reinstatement of the council's Innovation Fund.

The council delivered 84% of its planned savings measures

39. The council also reports that 84% of approved savings were delivered during 2024/25 (£23.9 million of the planned £28.5 million). Some of the savings and increased income plans included:

- Homelessness initiatives including a reduction in void properties with an estimated 191 households coming out of temporary accommodation - £3.45 million
- Increased income from parking and bus camera lane enforcement - £3 million
- Non-domestic rates relief for empty properties – £7 million
- Rationalisation of the council's property portfolio – £1 million.

40. The council has a good track record of achieving planned savings. In 2023/24, it achieved £22.437 million (84% of its planned total), and 98% of its measures in 2022/23. In addition to its savings plans, the council has benefitted from time-limited, significant expenditure reductions through exercising flexibilities in how it accounts for service-concessions, and reductions to the amount it is required to pay to the pension fund as an employer contribution. The council recognises that the scale of the budget gap in future years will mean more difficult savings and income generation decisions will need to be made.

The scale of budget consultation has improved

41. The Accounts Commission has, for many years, highlighted the importance of councils consulting communities as part of their budget setting processes, including seeking the views of local citizens on priority areas for investment or disinvestment. In 2024/25, 24 of Scotland's 32 local authorities informed or consulted residents about the financial pressures it faces. Of those, 20 consulted all residents and four consulted only specific groups within their communities.

42. In 2024/25, the council did not directly consult its residents prior to the budget being approved. A consultation was launched in April 2024 to inform decision-making for the 2025/26 and future budgets. The consultation sought to communicate its 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. Contributions were sought at drop-in sessions and an online consultation hub, with a series of focus groups planned to explore subjects raised by residents.

43. The council's recent consultation on the 2025/26 budget took place in two phases:

- From April to June 2024 Phase One of the budget engagement exercise with Edinburgh residents was conducted with the results of this exercise reported to the Finance and Resources Committee (F&RC) on 19 September 2024.
- The same questions were repeated in a staff engagement exercise run in October 2024, the results of which were reported on 4 February 2025 (F&RC) along with a summary of the budget consultation undertaken with Edinburgh residents between 20 November 2024 and 14 January 2025, on officer proposals to balance the budget for financial year 2025/26.

44. These results were communicated to members in February 2025 prior to finalising the 2025/26 budget. The council reported that 3,260 residents took part in the budget consultation. In June 2025, the council undertook research to compare how it carried out budget consultations against other local authorities in Scotland, the UK and internationally. It concluded that Edinburgh exceeded standards in both methodology and timeframes, but recognised areas to improve, such as in attracting views from younger people.

45. The council adopts a considered and appropriate approach to budget consultations. However, the extent to which the consultation influenced the final budget decisions made by members is less evident. The majority of the budget is 'rolled-forward' as-is based on previous years' spend, and then further shaped by political groups' priorities. As a consequence, this leaves little further room for residents' input.

46. While we did not undertake a full assessment of the consultation's impact or effectiveness, the council should be able to evidence how residents' views shaped budget outcomes. This would demonstrate that the council gives power to residents to shape its spending plans, and may help boost participation in future consultations.

Financial reports should be improved to support good scrutiny

47. Our [briefing on local government budgets 2025/26](#) identified that budget papers and financial monitoring reports provided to elected members should include clear and understandable headline figures that state the impact of specific budget decisions on the overall financial position of the council. It identified that the way in which budget papers at some local authorities were presented means that elected members and communities cannot easily

determine the impact of budget decisions nor the overall financial position of the council, highlighting a need to improve accessibility and transparency.

48. Financial reports provided to members do not support good scrutiny as they are often very technical in detail and are not tailored sufficiently to reflect that not all members have a financial background. While members may receive a degree of comfort from detailed reports, it is important that the council makes its financial reports more accessible to better support members in their understanding and scrutiny of council's finances. This is particularly important when members are expected and required to make difficult decisions that will impact on the services delivered by the council both now and in the future.

49. For example:

- The council's revenue budget monitoring report does not include details of spending to date, with the focus being on year-end forecasts. This does not allow scrutiny of spending levels during the course of the year, including monitoring of variances between budget and outturn across each area of council activity and the subsequent impact on year-end forecasts.
- The council's capital budget monitoring report does not include details of individual project performance against project budgets or timescales. This limits scrutiny on how well individual projects are performing against cost and time targets and the impact on the overall capital programme. For example, an overspending project may need targeted action to limit the cost overrun or where a project faces delays, decisions can be taken about the impact on the overall capital programme.
- The council's Treasury Management Strategy does not clearly outline the issues, risks and options for the council. It is a very detailed, technical document but more should be done to draw out the key issues for members to consider, including the benefits and risks of options and any underlying assumptions. This is particularly important due to the significant sums involved and the technical nature of treasury management. Members should be able to easily determine from officer reports if there is scope to increase borrowing, or if debt levels are a cause for concern. The current strategy highlights that "The Council continues to have a substantial borrowing requirement over the coming years leaving a significant financing risk" but there is no further commentary to explain what the council's options are to reduce or manage this risk, or the implications for the council should the risk crystallise.
- The annual budget papers could be made more accessible to members by summarising the key components of the budget. Currently, the information provided is predominantly focused on high-level policies in each area with detailed appendices and supporting papers. While all relevant information is available, it should be summarised to better support members' consideration

and scrutiny. For example, the budget information presented could summarise proposed revenue and capital budgets; council tax levels; funding gaps and savings required; funding sources; utilisation of reserves; and outcomes from equality impact assessments and community engagement processes, and how they impacted budget development.

Recommendation 1

Clarity of reporting to elected members and the public

Budget papers, financial monitoring and treasury management reports should present key information in a way that is accessible and understandable to elected members and the public. The council should improve reporting to present key financial information such as budget reports, savings measures and borrowing in an understandable and consistent way, including summary information, to better inform decision-making.

Internal audit provided a reasonable level of assurance over the council's overall control environment

50. The council's internal audit service provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

51. Internal Audit's annual report, presented to the September 2025 Governance, Risk and Best Value Committee, provided an opinion with a "reasonable" level of overall assurance. It concluded that there is a generally an overall sound system of governance, risk management and control in place.

There are areas where financial controls could be strengthened

52. From our high-level review of the design and implementation of systems of internal control (including those relating to IT) and the testing of the operating effectiveness of specific controls, we have identified areas where key controls could be strengthened as below:

Payments to social care providers (carried forward from 2023/24):

We reported in Part 1 the results of our audit testing on the payments which originate from Swift. We recommend the council reviews the overall control environment around social care transactions, from initiation to payment stages. This could include, but not be limited to:

- Appropriate agreed documentation/contracts between providers and the council for each individual package of care, clearly setting out rates, services, invoicing arrangements and any variations for each individual receiving care.
- Regular reviews of care arrangements and budgetary checks to confirm that supplier invoices are agreed to the terms of the contract including values
- Secondary quality checks/spot checks to ensure care was delivered in line with contracts, for example through care logs and attendance records and that these match invoiced amounts
- Appropriate workflows and authorisation levels
- Exception reporting for overpayments, duplicate payments or unusual variation in payments
- Ensuring an appropriate audit trail for transactions.
- The council should also consider if there are gaps in training, and undertake risk-based audits of larger or higher-risk providers.

Payroll Validation (carried forward from 2023/24): Employee validation checks to confirm the existence of employees provides assurance on the completeness and accuracy of payroll records and is an important control within any payroll system. In the prior year this was done indirectly by the council through regular budget monitoring. Our payroll work identified that during 2024/25 no budget monitoring at a required level of detail to identify individual staff members was prepared. For part of the year, this was due to the new payroll system limitations. We recommend the council ensures that budget holders confirm directly, on an annual basis, that the payroll establishment listing for their business area was accurate and remained up to date.

Recommendation 2

Budget monitoring of payroll costs

The council should ensure all budget holders directly validate their establishment list on a regular basis. This would provide assurance that only genuine, active employees are paid and ensure accurate financial reporting.

Financial Sustainability

53. The audit work performed on the arrangements the council has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the council:

- making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Corporate Plan and priorities.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.
- having savings plans in place to manage forecast budget deficits, and a reserves strategy in place to manage the use of reserves if the required level of savings cannot be met.

54. Key financial information considered in forming the judgement on the council's arrangements for securing financial sustainability is outlined in [Exhibit 10 \(page 34\)](#).

The 2025/26 budget was set with a savings target of £28.4 million

55. In February 2025, the council approved a revenue budget of £1,496 million for 2025/26 (2024/25: £1,361 million). In order to balance the budget, the council increased council tax by 8%, raising an additional £29.3 million, and identified savings of £28.4 million to be made across the council.

56. In setting the budget, the council recognised there were widespread financial risks to delivering a balanced outturn, including:

- An underlying pressure of £35 million (including additional National insurance liability) across the EIJB
- Demand-led pressures in homelessness of £20 million, with assumed savings delivery of £8.2 million
- An impact resulting from the increase in National Insurance contributions, estimated to be £18.9 million.

The financial plan forecasts a budget gap of £94.2 million by 2030

57. The council has developed a Sustain and Reform strategy, which takes a whole-organisation approach to financial sustainability, and includes a high-level revenue budget-setting framework and medium-term financial plan (MTFP). Progress is reported regularly to the Finance and Resources Committee (F&RC). It forecasts the financial situation facing the council to 2029/30, sets out the financial gap and outlines scenarios for tackling the main financial challenges to sustainability.

58. In June 2025, the council reported that to deliver a balanced budget in 2025/26, it must deliver £22.8 million in budgeted savings and mitigate an estimated further £20.4 million in unbudgeted pressures. The projected budget gap for 2026/27 was £20.2 million, with a total cumulative budget gap of £94.2 million projected by 2029/30.

59. The council continues to explore savings options and has plans to raise additional sources of income. These plans include the decision to introduce a visitor levy, which is estimated could generate up to £50 million annually, based on a 5% rate, and the creation of a Forth Green Freeport, which the council could benefit from through retained NDR estimated at £107 million.

60. The council plans to apply a zero-based budgeting approach from 2026/27. This means that every item of expenditure is determined and justified from 'zero' at the outset of the budget process – rather than rolling forward expected spend from the previous year. To support this change in approach the council is planning training for staff, developing an agreed prioritisation approach and undertaking cost and performance benchmarking.

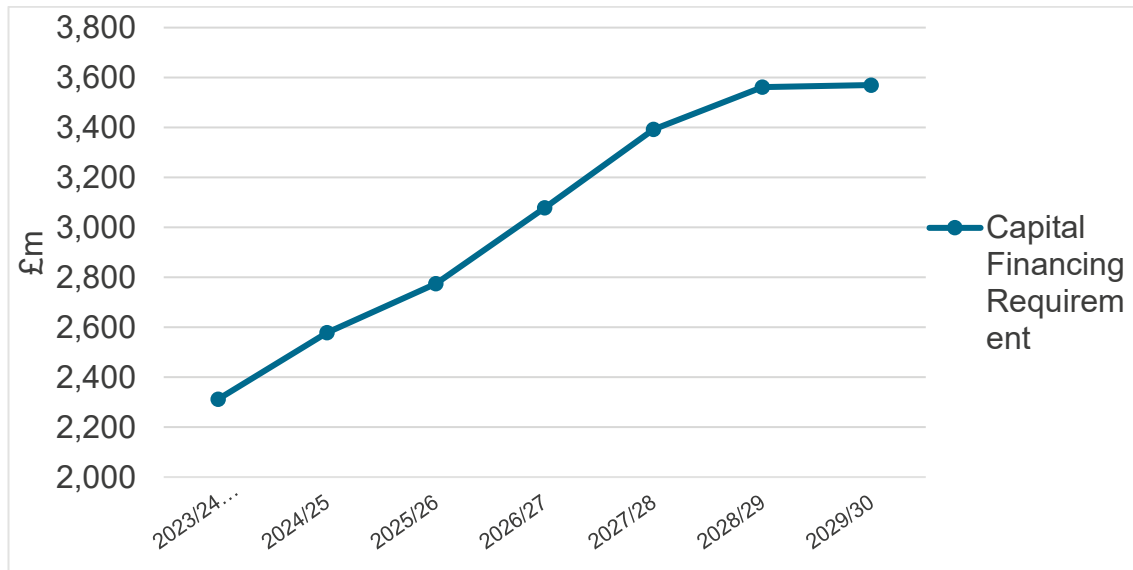
The city has high levels of debt which are forecast to reach £3 billion bringing significant financing risks

61. The City of Edinburgh Council has £1.773 billion worth of debt relating to borrowing (excluding PPP).. In recent years the council has benefited from a prolonged period of low interest rates and continues to be within its prudential indicator limits.

62. The council borrows from external sources to fund its capital programme, with 84% sourced from the UK Public Works Loans Board and the remainder from financial markets. The council borrowed £290 million during the 2024/25 financial year, of which £170 million was for the Housing Revenue Account.

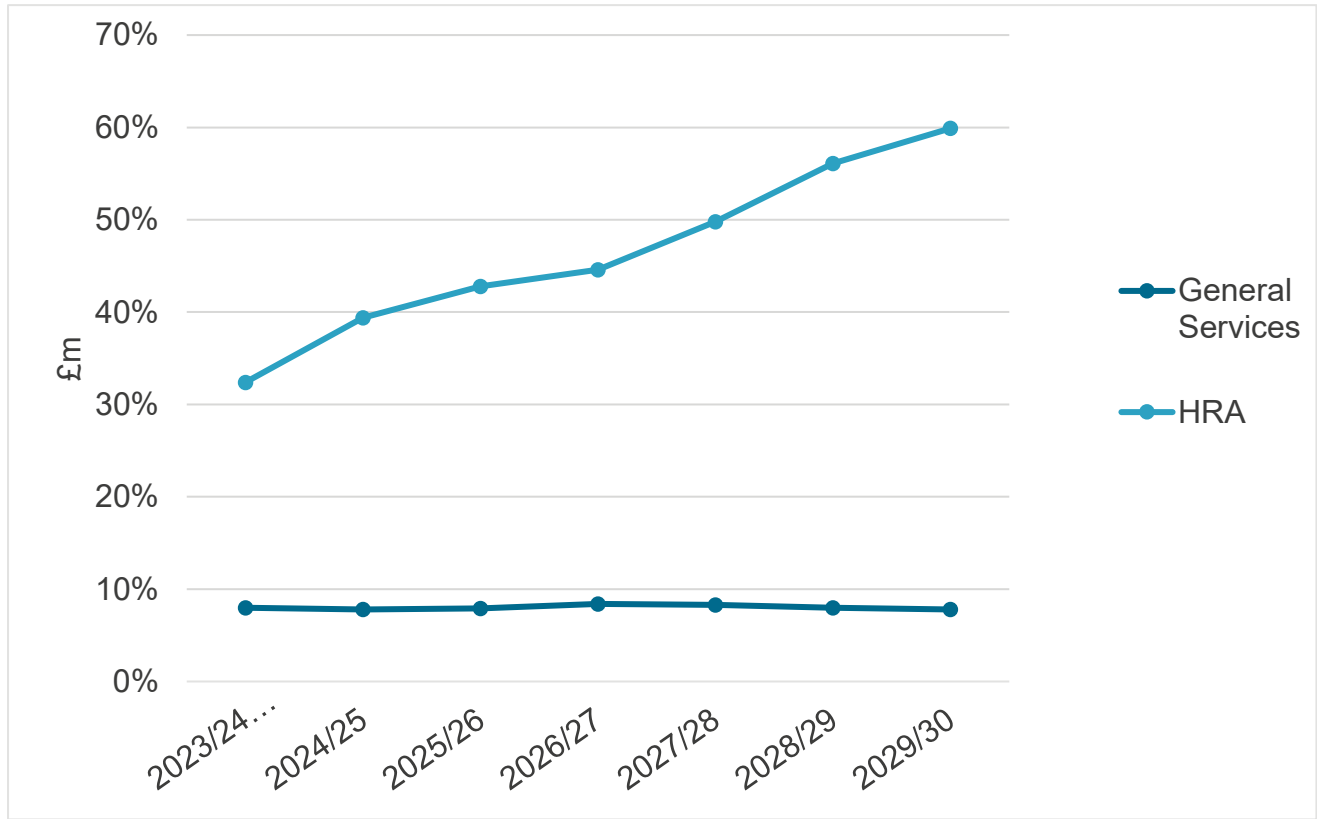
63. Much of the city's capital programme is funded by borrowing. The council's annual treasury management strategy 2025/26 noted that total capital expenditure is forecast to be £3.163 billion between 2024/25 and 2029/30 with an underlying need to borrow at 31 March 2030 forecast to be £3.186 billion.

64. The Capital Financing Requirement (CFR) is a key metric used by the council and other local authorities which shows the need to borrow based on its capital spending plans, i.e. the amount needed over and above any asset sales, grants, or direct revenue funding. The treasury management strategy warned that the council has reached the limit in resources for funding its Capital Financing Requirement from temporary investment balances and requires to undertake significant external borrowing. [Exhibit 4](#) shows how the CFR is forecast to increase over the coming years to £3.570 billion by 2029/30.

Exhibit 7**City of Edinburgh Council – Capital Financing Requirement forecasts 2023/24 to 2029/30**

Source: CEC Treasury Management Strategy 2025/26, March 2025

Exhibit 8
City of Edinburgh Council - Ratio of Financing Costs to Net Revenue Stream



Source: CEC Treasury CEC Management Strategy 2025/26, March 2025.
Note: Figures for 2026/27 onwards are indicative as the council has not set a General Services or HRA budget for these years.

65. The indicator ‘financing costs to net revenue stream’ is used to show how much of council income is used to pay borrowing and debt charges. For councils with housing, in the case of Edinburgh, they must separately calculate this indicator showing how much of housing rents income will be required to finance housing-related borrowing and debt charges. [Exhibit 6](#) shows that by 2029/30 the council forecasts that 60% of housing income will be used to finance housing-related debt and borrowing charges. For general services, this is lower at 7.8%.

66. The Local Government Benchmarking Framework provides comparative data on financing ratios across Scotland’s councils. In 2023/24, the Housing Revenue Account (HRA) financing costs ratio for City of Edinburgh Council was 34.2%, compared to a Scottish average of 20%. Of Scotland’s 26 councils which have an HRA and for which data is available, only six councils report a higher ratio, ie spend more on financing costs as a percentage of its income.

67. Each year, the council sets an affordable borrowing limit—also known as the authorised limit for external debt—based on officer recommendations. For 2029/30, this limit is set at £3.541 billion.

68. In March 2025, members recognised in a motion to the full council the financing pressure on the HRA in particular. It requested that the strategy be considered as part of the zero-based budgeting process to investigate alternative financial strategies to reduce debt requirements to more sustainable levels in future and ensure a focus on improved ongoing services to tenants.

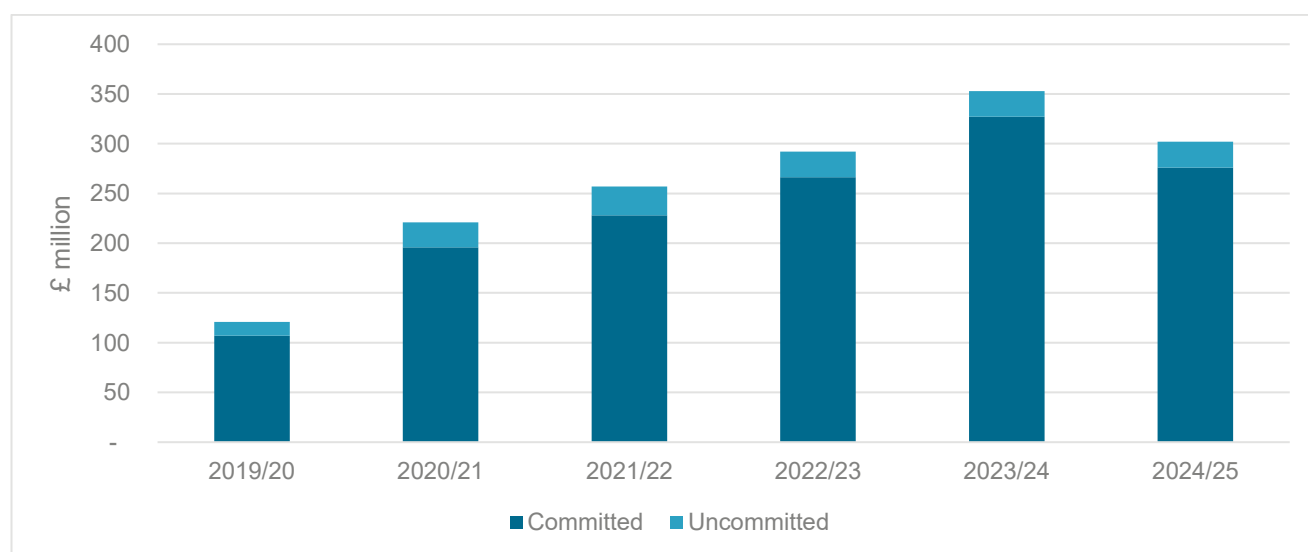
69. The council has acknowledged that such levels of borrowing will bring significant financing risks. Given the associated risks, it is essential that members fully understand the implications of the council's external borrowing levels. As recommended in [paragraph 47.](#), reporting should clearly outline these risks and present information in a straightforward and accessible manner to indicate when members need to take action.

The council's usable reserves have declined limiting its ability to respond to unforeseen issues or to invest in services

70. One of the key measures of the financial health of any local authority is the level of reserves held. The total level of usable reserves held by the council (Exhibit 5) reduced from £429 million in 2023/24 to £376 million in 2024/25. Most of this has been earmarked for specific purposes and a residual £25.6 million is unallocated and available as revenue expenditure.

Exhibit 9

Analysis of committed and unallocated general fund balances



Source: City of Edinburgh Council annual audited accounts

Exhibit 10

Key financial information

Budget setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Budget gap	28.6	62.0	28.5	70.3
Planned to be met via:				
• Savings and flexibilities	19.2	45.6	28.5	35.0
• Use of reserves			-	6.0
• Additional council tax / funding	9.4	16.4	-	29.3
Actual				
Savings delivered	18.9	41.3	23.9	n/a
Reserves				
Use of / (contribution to) reserves	29.474	36.280	44.267	n/a
Total usable reserves carried forward	377.119	429.373	376.598	
General Fund:	266.306	353.238	301,317	n/a
• Earmarked	240.475	327.485	275.714	n/a
• Uncommitted	25.831	25.753	25.603	n/a

- The council levied an additional 8% in council tax in 2025/26, which was included in the original budget. Note that there are differences in the way councils approach and present their budget and identify budget gaps. This means that direct comparison should be taken with caution.

Source: The council's 2024/25 annual accounts, Finance and Resources Committee papers and Local Government Overview report returns

The IJB's deficit will have a significant impact on council finances for years to come

71. Edinburgh IJB's services are delivered by its two chief partners, City of Edinburgh Council and NHS Lothian. The partnership's integration scheme 'directs' budgets back to those partner bodies who provide the joint board's services, which are mostly delivered through the Edinburgh Health and Social Care Partnership (EHSCP).

72. Taking into account changes in costs and funding estimates, the IJB projects a deficit of £31 million in 2025/26 rising to £87 million in 2027/28. It has

prioritised delivering efficiencies through strategic change and transformation measures, but warns that some proposals will have an impact on services, performance, citizens and staff.

73. The IJB reports in its strategic plan that it has never been in a stable and sustainable financial position since inception in 2016, with a lack of funding resulting in an underlying structural deficit.

74. An all-party motion was passed unanimously by the council in November 2023 which sought to recalibrate the relationship between the Council and the IJB, including a review of the integration scheme. The motion contained a list of actions to be addressed, and a progress update was provided most recently in March 2025 to the Policy and Sustainability Committee, which detailed work done in response. The committee passed a further motion to request a detailed timeline for the expected delivery of a revised Integration Scheme.

75. The joint board recognises that further work is required to strengthen its relationship with City of Edinburgh Council. There remains tension at a governance level, with some elected members voicing significant concern at further requests to the council for additional funding. There are indications of improvement, and the IJB has worked more closely with senior leaders from the council and NHS Lothian in forming the medium-term financial strategy.

Vision, Leadership and Governance

76. The audit work performed on the arrangements the council has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the council:

- having a council business plan in place, supported by operational plans, that set out its vision, strategy, and priorities and reflect the pace and depth of improvement required to realise these in a sustainable manner.
- having a system of financial and performance reporting in place, both internally and externally, that is linked to its operational plans, and effective scrutiny and challenge of performance provided by the Governance, Risk and Best Value Committee.

77. The council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate. Our observations at committee meetings have found that these are conducted in a professional manner and there is a reasonable level of scrutiny and challenge by members.

78. We continue to note, as we have in previous years, that some elected members voice concern over how scrutiny and governance is exercised at the council, particularly the balance of decision-making power held between officers and councillors. The finely-balanced political share of power continues to provide another challenging element to this environment.

The council is changing its relationship with its arms-length bodies

79. The council has several arm's-length external organisations (ALEOs) to provide services on its behalf, including Transport for Edinburgh Limited and Edinburgh Leisure. While the ALEOs are responsible for the delivery of some services, the council remains responsible for the public money it provides to the ALEOs and the quality of services the ALEOs provide.

80. In response to member requests, the council initiated a review of the governance framework for ALEOs in 2023, culminating in the presentation of the revised framework to the council in March 2025. This included:

- A definition of what the council considers an ALEO,
- A governance reporting structure for ALEOs, to support consistency of governance arrangements
- Changing and developing the council observer role, and a
- A position on Board member appointments to reduce the risk of elected member conflict of interests.

81. In order to minimise this potential conflict of interest, the council agreed to restrict the number of elected members appointed to boards to no more than 33% of the total number of directors; and that they should not be appointed as chair of an ALEO Board.

The council has taken some steps to improve its organisational culture following critical reports

82. The council has faced significant criticism in recent years from reports which have examined the impact of its organisational culture — for example through the Tanner Inquiry, which examined how the council handled serious allegations of abuse involving a senior officer, and more recently through the Dunion Report, which reviewed how the council responded to misconduct allegations against a former leader. A consistent theme across both inquiries—and in discussions among elected members—has been the need to build an open, positive, and supportive environment where staff feel confident raising concerns and trust that these will be taken seriously and acted upon.

83. In response, the council has made some changes to create a safe and supportive organisational culture. This includes improvements to its whistleblowing and complaints procedures, expanded training for staff, and strengthened policies and procedures. While these structural improvements are essential, they represent only one aspect of building a culture which actively identifies and addresses problems.

84. Strong leadership, both at the executive and political levels, is critical in building an organisation which is willing to learn from its mistakes and address underperformance. A clear expectation should be set that managers welcome early reporting of potential problems and respond to them swiftly. The council should actively seek to identify areas of service underperformance and commit to being open and transparent about where it needs to address failures. Concerns raised by employees, scrutiny bodies or the public should be taken as a chance to improve practice.

Use of Resources to Improve Outcomes

85. The audit work performed on the arrangements the council has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the council:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

86. The council participates in the Local Government Benchmarking Framework (LGBF). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

87. The most recent National Benchmarking Overview Report 2023/24 by the Improvement Service was published in March 2025 with the results considered by the council's GRBV committee. The data provides an additional perspective on how the council is performing and informs the council's own Planning and Performance Framework.

88. We expect councils to use the LGBF as part of their approach to self-evaluation and performance reporting using the underlying principles of:

- Transparency and clarity in the public information that shows delivery of local priorities and the performance of services
- Comparison and benchmarking with councils with similar populations and areas (family groups) to drive improvement
- Trends in performance over time so the direction of travel is clear.
- Decision-making using performance data to identify improvement priorities,
- Effective scrutiny by councillors of service performance, delivery of strategic priorities and improvement plans

89. The council reported, that compared to 2022/23, it had improved its relative position in 62 of the 96 indicators, declined in 32 and maintained its relative position in two of the indicators.

90. The council's analysis shows a mixed picture. It is in the top two quartiles in Scotland for 58 of the indicators, and in the bottom two for 48 of these. Eleven indicators are in the lowest quartile, with five of these within environmental services.

- For primary schools measures, there was an increase in all children's rates of literacy and numeracy, and a reduced attainment gap.
- The street cleanliness score increased to 90.6%, placing Edinburgh slightly behind the Scottish average of 92.1%.
- The proportion of adults satisfied with libraries, parks, museums and galleries and leisure facilities indicators are all above Scottish and family group averages.
- The proportion of people earning less than the minimum wage is well below the Scottish and family group averages.
- The percentage of people aged 65+ with long-term care needs who are receiving personal care at home has reduced year on year since 2021/22, from 67.9% to 55.4%. The Scotland-wide average is 62.6%.
- While there are improvements in housing indicators, Edinburgh continues to underperform across all five key measures, remaining below both the Scottish average and its family group benchmark. This includes areas such as gross rent arrears, the average time taken to complete non-emergency repairs, and the proportion of energy-efficient dwellings. Notably, the percentage of council homes meeting the Scottish Housing Quality Standard rose from 40.3% to 44.6% this year. However, this still falls short of the family group average of 62.3% and the national average of 77.8%.

The council's own measures largely show improvement in key areas

91. The council's own Public Performance Scorecard covers core service-level KPIs and shows how performance is progressing. Updates are provided on a quarterly basis and each year in the form of an annual performance report. The council's Public Performance Scorecard annual report 2024/25 was considered at the September 2025 meeting of the GRBV Committee. Of the council's own 78 indicators, 6 were flagged as red (behind target), while 28 were marked as green (on or ahead of target).

92. As with the LGBF indicators, a mixed picture of progress across the council was presented, with indicators showing improvement in adult social care measures, children, families and communities, customer contact, planning and building standards and roads.

93. Areas with concern included homelessness, and an increase in the number of anti-social behaviour complaints. The Local Environmental Audit and Management System score (LEAMS) assesses street cleanliness and local environmental quality. Edinburgh reports that its score decreased slightly to 89% in 2024/25 after some years of improvement. The Scotland average is 91.7%, and compares favourably

to Dundee (83.2%), Glasgow (86.3%) and is similar to Aberdeen (89.3%). Domestic kerbside missed bin service requests rose in 2024/25 to more than 30,000 and is behind the target of 21,516.

94. Members also consider progress against council's business plan through an annual update report. It provides an update on the council's three core strategic priorities, and progress with actions under the ten designated outcomes.

Best Value audit

Conclusion

The council has broadly effective and appropriate arrangements in place for securing Best Value.

The council is not yet demonstrating significant transformational change activity to reduce demand for its services and secure longer-term financial sustainability.

The council has appropriate arrangements in place for preparing and publishing Statutory Performance Indicators.

Audit approach to Best Value

95. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.

96. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2024/25 is on the subject of service transformation and involves considering how the council is redesigning services to maintain outcomes and deliver services more efficiently. Conclusions and judgements on the thematic review are reported in a separate Management Report and summarised in this chapter.

Conclusions on Best Value

The council's arrangements and performance in meeting Best Value and community planning duties

97. The council was part of the second year of the programme for Controller of Audit reports to the Accounts Commission on the council's performance in meeting its Best Value duties. The Controller of Audit report, published in October 2024, is available on the Audit Scotland website. Following its consideration of the report, the Commission made the following findings:

- The Commission is pleased to see the progress made since our Best Value Assurance Report in 2020, in particular the actions completed on performance reporting and medium-term financial planning. However, given the council's ambitious strategic priorities and financial challenges, work must be concluded as soon as possible on the actions to embed community engagement in service improvement and delivery, and to implement the Edinburgh Partnership's new governance arrangements and progress reporting.
- Given the fine balance of political power, collaborative political leadership will be essential to take difficult decisions on how to transform services to make them financially sustainable. The Commission would urge the council not to lose sight of community priorities and the impacts of savings options on service delivery as it goes through its political decision-making processes.
- The Commission acknowledges the ambitious plans in place to end poverty and become a net zero city by 2030. However, based on progress to date, there is still much to do in relation to the targets set. Specific project costs must be established urgently to better inform decision-making about priorities.
- Given its priorities and the scale of the financial challenge, the council must accelerate its transformation and change programme. This will require a review of how services are delivered in the future, the detailed delivery plans required to achieve the necessary savings, and an understanding of how these plans will deliver on the council's priorities and performance outcomes. The council has a good track record of delivering savings in recent years, but not all of these have been recurring, and options for further savings of this nature are now limited.
- Engaging staff, partners, and communities in shaping transformation and change will be vital, along with clear and transparent communications about what is and isn't possible. The Commission looks forward to seeing how the council builds on its current budget engagement work and how it embeds community engagement across service redesign. Going forward, the council should provide the opportunity for a range of voices to be heard, not just those who have engaged previously, and the intelligence from communities should be clearly laid out in the options presented to elected members to inform decision-making.
- The Commission notes that the council plans to significantly increase levels of borrowing to realise its ambitious capital plan. We do not underestimate the major infrastructure challenges facing Edinburgh, in particular around housing and the school estate, but such levels of borrowing bring risks that could impact future financial sustainability. The council will need to manage this

carefully to ensure that its levels of borrowing are affordable and that service impacts are minimised.

- Unlike some other councils, Edinburgh has opportunities on the horizon to raise additional income, for example the introduction of a visitor levy. The Commission will watch with interest as work to maximise these opportunities progresses, but would warn the council against using the benefits of potential future income to defer difficult decisions in the short term.
- The council has an exciting opportunity to use its new people strategy, revised workforce plan, and new HR/payroll system to ensure that it has the right people with the right skills (including digital) for future models of service delivery. This will be especially important in key areas where service performance has deteriorated, such as housing and waste, and in areas like health and social care where workforce capacity and demand-led pressures are negatively impacting service users. The Commission looks forward to seeing evidence of the impact of these new plans and systems, including across its Integration Joint Board, and how they are being used to drive improvements to services and working practices.

Themes prescribed by the Accounts Commission

98. As previously outlined, the Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2024/25 on the subject of service transformation. Conclusions and judgements on the council's approach to service transformation are outlined in a separate Management Report which will be presented to the September 2025 meeting of the council's Governance, Risk and Best Value Committee. A summary of the conclusions and judgments made in the report is outlined below.

- The council is not yet demonstrating significant transformational change activity to reduce demand for its services and secure longer-term financial sustainability. It has largely relied on one-off or time-limited savings to balance its budget in recent years and must now increase the pace and scale of transformational activity to help deliver its vision and meet a projected £94.2 million funding gap by 2029/30.
- In late 2024, the council established a new approach to transformation, seeking to establish a more preventative operating model. This approach supersedes the council's change programme developed in 2023 which had significant shortcomings including a lack of clarity on anticipated costs and savings from projects and the council's plans for longer-term transformation.
- The council has established complex officer-led governance arrangements to oversee progress with transformation. These have

been subject to change but there remains a lack of clarity over some roles, responsibilities and reporting lines. Information reported to elected members does not clearly outline the costs, savings and non-financial benefits of transformation projects. Overall, there is a need for greater leadership focus on transformation within the council.

- The council is working with the Edinburgh Partnership to explore opportunities for early intervention and prevention of poverty as part of its transformation work. The council engaged with residents on its 2025/26 budget proposals and there is some evidence of engagement with communities on service redesign projects.

Statutory performance information (SPI) and service performance

99. The Accounts Commission issued a [Statutory Performance Information Direction](#) which requires the council to report its:

- performance in improving services and progress against agreed desired outcomes, and
- a self-assessment and audit, scrutiny, and inspection council assessment of how it has responded to these assessments.

100. Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing statutory performance information in accordance with the Direction and report a conclusion in the Annual Audit Report.

101. Audit work assessed the council's arrangements for preparing and publishing SPIs, including how it has responded to assessments. We concluded that the arrangements in place were effective and appropriate.

102. The Accounts Commission also requires auditors to report a summary of the information on service performance reported by the council. We have summarised these arrangements in the Use of Resources to Improve Outcomes section of this report. From a review of the service performance information reported by the council, this was found to be sufficiently detailed to provide an assessment of progress the council is making against its strategic priorities and allow effective scrutiny of performance.

103. We continue to note that the council should not just highlight successes, but also ensure performance reporting clearly and easily highlights where underperformance or weaknesses exists so that timely, targeted action can be taken..

104. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes

prescribed by the Accounts Commission, and Controller of Audit Reports on the council's performance in meeting its Best Value duties.

Actions remain open from our 2020 Best Value Assurance Report

105. The City of Edinburgh Council Best Value Assurance Audit Report (BVAR) was published by the Accounts Commission on 26 November 2020.

106. In May 2025, the Policy and Sustainability Committee (P&S) agreed to close two of the remaining five open recommendations, but left three open pending further evidence and ongoing work with the Edinburgh Partnership. The remaining open recommendations are:

- The council should implement a strategic approach to self-evaluation and continuous improvement. This should include better demonstrating how it responds to feedback and scrutiny findings.
- The council should work with the Edinburgh Partnership Board to implement its new governance arrangements, effectively involve community representatives and deliver improved outcomes for communities.
- The council should work with the Edinburgh Partnership Board to produce progress reports with clear targets, accountable leads and links between the actions taken and the impact on performance.

107. It agreed that the continuous improvement recommendation would remain open until a further report was provided demonstrating how the work undertaken merited closure, and once the committee was provided with case studies on how the outcomes of the two pilot Public Sector Improvement Framework (PSIF) self-assessments had been implemented in practice.

108. The council has made good progress in addressing the recommendations from our 2020 Best Value Assurance Report, and has taken a reflective and committed approach to implementing its action plan. However, we note that the five-year timeframe for completing these actions is unusually long. This concern was also raised by members of the P&S committee in a motion in December 2024, which expressed regret that it has taken five years to fully resolve the findings of the Best Value Assurance Report.

109. Details of previous recommendations and progress the council is making against these can be seen in [Appendix 1](#). Overall, the council is making good progress in implementing the previous recommendations made, with two of the four recommendations made being implemented to date. Progress is ongoing with the remaining two recommendations .

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Clarity of reporting to elected members and the public It is important that the council makes its financial reports more accessible to support members in their understanding and scrutiny of council's finances. Paragraph 49.	Budget papers, financial monitoring and treasury management reports should present key information in a way that is accessible and understandable to elected members and the public. The council should improve reporting to present key financial information such as budget reports, savings measures and borrowing in an understandable and consistent way, including summary information, to better inform decision-making.	Partially Accepted While current reporting is assessed by officers to compare favourably against relevant professional guidance, a review of practice elsewhere will be undertaken. Corresponding opportunities for improvement will then be discussed and agreed with elected members and other relevant stakeholder groups. Service Director: Finance and Procurement (Section 95 Officer) January 2026

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. Budget monitoring of payroll costs Employee validation checks to confirm the existence of employees provide assurance on the completeness and accuracy of payroll records and is an important control within any payroll system. The council should have processes to directly confirm that the payroll establishment listing is accurate and up to date. Paragraph 52.	The council should ensure all budget holders directly validate their establishment list on a regular basis. This would provide assurance that only genuine, active employees are paid and ensure accurate financial reporting.	Accepted Work to confirm staffing establishments is being progressed as part of the zero-based budgeting programme. Budget managers are currently required, as part of their wider financial responsibilities, to review all staffing and other costs on a regular basis. A reminder will therefore be issued to all budget managers to verify, on a regular basis, employees charged to their respective budgets, with opportunities also explored to automate issuing of system-generated lists to facilitate the validation process. Service Director: Finance and Procurement (Section 95 Officer) Service Director: Human Resources and Organisational Development March 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update from City of Edinburgh Council
1. Payments to providers of social care The council has plans to replace its Swift social care payments system as an 'end of life' system. A new system is planned to be introduced in the second half of 2025. While the council continues to use the existing Swift system, there is a need to: • improve the quality and accuracy of data used within the system, • improve the control environment within the system • reduce the errors in the rates being paid to third party providers Risk - There is a risk that without improving the current approach, the council will make incorrect payments to suppliers.	The council should take action to improve the Swift system. In particular, there is a need to: • improve the quality and accuracy of data used within the system, • improve the control environment within the system • reduce the errors in the rates being paid to third party providers Accepted Agreed action: A lessons learned session will be arranged with all relevant stakeholders across the organisation. An action / improvement plan to implement the recommendations will be developed. Responsible officer: Pat Togher, Chief Officer of the Edinburgh Health and Social Care Partnership	Implemented Appropriate controls are a fundamental element of the implementation planning for the new social care case management system. Until this is in place, the current arrangements remain in place. A detailed update on the lessons learned approach and subsequent actions taken in response to the recommendation in the 2023/24 annual audit report was presented to the Governance, Risk and Best Value Committee on 12 June 2025 and provided assurance that appropriate processes and procedures are now in place and operating effectively pending the transition to Mosaic as the new case management system.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update from City of Edinburgh Council
2. Heritage Assets The values for heritage assets disclosed are largely based on valuations in some cases made more than ten years ago. The council's accounting policy should be improved to provide clarity around actual practice, and the valuations should be reviewed with sufficient frequency to ensure the valuations remain current. Risk – There is a risk that the value applied to heritage assets may be out of date without a clear accounting policy.	The council should consider its approach to revaluation of heritage assets and its accounting policy on valuations. Accepted Agreed action: Fine Arts and/or All Risks insurance cover is in place for the Council's heritage assets. Heritage items are part of a programme of items that is regularly reviewed, with insurance values uplifted in line with wider property increases. While the cost of obtaining bespoke annual valuations for these items would be prohibitive, the Insurance Team keeps abreast of the approach taken in other councils (through membership of the ALARM organisation) which confirms that the same approach is adopted elsewhere. This notwithstanding, opportunities will be considered to align more closely these insurance valuations and those maintained for accounting purposes. Responsible officer: Head of Corporate Finance, Financial and Procurement Division Implementation date: March 2025	Implemented The Council has reviewed and clarified its stated accounting policy in this area based on actual practice. Assets have also been reviewed for compliance with the policy and some values adjusted in the 2024/25 annual accounts, although the impact was immaterial. Asset valuations for Museums and Galleries Collections and Civic Regalia have also been undertaken in line with the latest insurance valuation and this process will be carried out annually going forward.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update from City of Edinburgh Council
3. Clarity of audit evidence We experienced some delays in establishing a clear audit trail due to the nature and complexity of the underlying evidence and the need to involve multiple departments. There are opportunities to improve the audit trail provided, for example, improving the clarity of working papers that are based on complex, legacy spreadsheets. Risk – There is an increased risk of errors occurring in the financial statements if the underpinning evidence is overly-complex and unclear.	The council should look to improve the audit trail provided in support of the accounts submitted for audit. This should involve reviewing and simplifying evidence that is provided using complex, legacy spreadsheets. This would provide assurance to the council over the evidence underpinning the accounts as well as supporting the efficient completion of the annual audit. Partially accepted Agreed action: As noted in the audit finding, the Council is a complex organisation with a wide range of detailed and specialised financial models in operation, some of which date back many years and, in a number of cases, are close to expiry. Opportunities to simplify and streamline evidence where significant delays have been encountered will, however, be explored with the audit team as part of next year's audit planning process with a view to reducing response times in subsequent years' audits. Responsible officer: Head of Corporate Finance, Finance and Procurement Division Implementation date: March 2025	Work in progress Consistent with the audit recommendation, officers have reviewed the principal models supporting production of the final accounts and continue to work with Audit Scotland colleagues to improve the audit trail for other complex working papers that are based on legacy spreadsheets. This is an iterative process as the audits progress. Head of Strategic Corporate Finance June 2026

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update from City of Edinburgh Council
4. Costing of net zero projects (raised 2022/23) The council has identified tackling climate change as a priority, working towards an ambitious ‘net zero by 2030’ target. Plans for reducing emissions compete with other priority policy areas for funding, and significant additional investment will be required to achieve this target. Risk – without a full understanding of the costs involved, the council cannot make informed decisions about where finite resources are targeted.	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. Agreed action: The funding of sustainability actions will be considered as part of the annual budget setting process for 2024/25 and beyond. Delivery will continue to be monitored through our suite of annual climate reports to the Policy and Sustainability Committee. Open Officers have advised that the climate and sustainability team works with finance colleagues to ensure that, subject to overall resource availability, opportunities to invest in projects and activities aligned to the Council’s 2030 Climate Strategy are considered as part of the budget process. However, in order to achieve existing net zero plans, the council should provide detail on specific project costs and budgets.	Work in progress The Climate and Nature Team works with Finance colleagues to ensure costed projects aimed at delivering decarbonisation and climate adaptation are included within the capital and revenue pressures that are reported to members. There is a balance to achieve between affordability and deliverability especially with regard to demand on existing resources. In order to address this challenge, elected members are provided with the detail on costs, budgets and expected timescales for projects that are aligned to the Climate Strategy, Climate Ready Edinburgh Plan and Council Emissions Reduction Plan. The level of pressures reported previously was significantly higher than the available budget, highlighting the extent of the challenge. Head of Strategic Change and Delivery On-going

Appendix 2

Progress against the findings and recommendations of the Controller of Audit's report on Best Value at The City of Edinburgh Council 2024

Matter giving rise to recommendation	Update on progress from The City of Edinburgh Council
1. Given the council's ambitious strategic priorities and financial challenges, work must be concluded as soon as possible on the actions to embed community engagement in service improvement and delivery, and to implement the Edinburgh Partnership's new governance arrangements and progress reporting. Refer Paragraph 106.	Work in progress The Edinburgh Partnership Board has agreed a new governance framework and the introduction of a management group to monitor progress between meetings. The next stage is to ensure all strategic groups are governed well so that regular reporting can be brought to the Edinburgh Partnership for scrutiny and discussion. The role of community representation will be different for each strategic group and further work is now required on how the Edinburgh Partnership interacts with the Edinburgh Association of Community Councils. The work being undertaken to understand better the partnership's relationship with the voluntary sector will provide valuable insight as to how we can improve local place-based working. Reporting guidance and templates will be introduced to the Edinburgh Partnerships over the coming weeks with the intention of delivering an update at each partnership board meeting going forward. Once this work is embedded, officers will begin work on a new local outcome improvement plan and performance framework supported by a joint strategic needs assessment and the building blocks of health.

Matter giving rise to recommendation

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

[Refer paragraph 98.](#)

**Update on progress from
The City of Edinburgh Council****Work in progress**

Officers continue to work closely with elected members to facilitate and inform effective political governance and decision-making on operational and financial aspects of the Council's activity. The Budget Strategy Working Group is, for example, a dedicated member/officer group which enables effective collaboration in the lead-up to annual budget-setting.

Council decisions regarding financial sustainability are informed by public engagement and consultation and by detailed impact assessments for savings proposals, where appropriate. External reports noted improvements in the effectiveness of arrangements in each of these areas as part of the 2025/26 budget-setting process.

Community priorities continue to inform the council's service and transformation planning, being explicitly referenced in the council's new budget strategy Sustain and Reform which outlines a strategic direction to balance financial sustainability and service delivery. Officers also engage with elected members in detail on short-, medium- and long-term transformation planning – the most recent update is being presented to the Finance and Resources Committee in September 2025.

Matter giving rise to recommendation

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

[Refer prior year recommendation 4](#)

**Update on progress from
The City of Edinburgh Council****Work in progress**

The Climate and Nature Team works with Finance colleagues to ensure costed projects aimed at delivering decarbonisation and climate adaptation are included within the capital and revenue pressures that are reported to members. There is a balance to achieve between affordability and deliverability especially with regard to demand on existing resources. In order to address this challenge, elected members are provided with the detail on costs, budgets and expected timescales for projects that are aligned to the Climate Strategy, Climate Ready Edinburgh Plan and Council Emissions Reduction Plan.

The level of pressures reported previously was significantly higher than the available budget, highlighting the extent of the challenge.

Since the publication of the Edinburgh Poverty Commission findings and establishment of the end poverty ambitions, the work of the council and its partners has shown a significant impact in terms of avoiding an increase in poverty levels despite the cost-of-living crisis and other economic challenges facing the city. The Poverty Commission will shortly publish its interim assessment of progress, resetting specific goals for the council and partners to address poverty.

A key focus of the council's work now is developing well-costed business cases for the prevention investment needed in several key areas.

Matter giving rise to recommendation

4. Given its priorities and the scale of the financial challenge, the council must accelerate its transformation and change programme. This will require a review of how services are delivered in the future, the detailed delivery plans required to achieve the necessary savings, and an understanding of how these plans will deliver on the council's priorities and performance outcomes.

[Refer paragraph 98.](#)

**Update on progress from
The City of Edinburgh Council****Work in progress**

The Council has a transformation portfolio which fully aligns with the Council's Medium-Term Financial Plan (MTFP) and strategic priorities.

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

Following the recent audit of the Council's arrangements to support transformation, a number of opportunities for improvement have been identified and are included in a report prepared for members in September's Governance, Best Value and Risk Committee.

Matter giving rise to recommendation

5. Engaging staff, partners, and communities in shaping transformation and change will be vital, along with clear and transparent communications about what is and isn't possible. The council should provide the opportunity for a range of voices to be heard, not just those who have engaged previously, and the intelligence from communities should be clearly laid out in the options presented to elected members to inform decision-making.

[Refer paragraph 41.](#)

Update on progress from The City of Edinburgh Council

Work in progress

Budget engagement on specific proposals was undertaken ahead of setting the budget in February 2025 and draft Integrated Impact Assessments (IIAs) were published, where appropriate, with proposals before being finalised based on public feedback received. A two-stage budget engagement process was also undertaken, with 3,260 residents taking part. In June 2025, the council undertook research to compare how it carries out budget consultations compared with other local authorities in Scotland, the UK and internationally.

The need for the council to improve its reporting and publication of integrated impact assessments (IIAs) more widely (ie outside the budget process) has been identified. There is a robust framework in place with detailed guidance but implementation or compliance with the process has not always been as expected. Further comprehensive training has been carried out to guide colleagues on carrying out IIAs. This training provided clear examples which are also published. A review of the IIA process is on-going and this will aim to tighten the controls around compliance with the guidance.

As part of our transformation and improvement programme for community planning in the city, the council is also considering new structures for working locally with residents.

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

[Refer paragraph 61.](#)

Work in progress

The council undertakes all capital and treasury activities in compliance with the CIPFA Prudential and Treasury Management Codes. As part of its annual budget-setting process, the council reviews its capital investment plans for the General Fund and the Housing Revenue Account (HRA) to ensure they are affordable, prudent and sustainable within the context of the Council's overall financial position. Borrowing levels are robustly managed and reported to committee on a quarterly basis alongside capital monitoring and treasury management reports.

Financing costs for the General Fund are forecast to remain largely unchanged over the medium term and are less than 9% of the council's total net budget. This level is considered sustainable and is contained within budgeting assumptions set out in the Medium-Term Financial Plan.

By contrast, annual financing costs for the HRA are set to increase by £67m, or 60%, over the same period. This cost is projected to be fully met by rent from additional homes for social rent as well as income generated from an annual 7% rent increase for 10 years as set out in the HRA rent strategy. However, the proportion of HRA income required to finance its borrowing requirement is forecast to increase from 40% to over 60%.

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

It should be noted, however, that the majority of capital investment set out in the HRA budget is still to be committed and capital plans are reviewed annually as part of the budget process to ensure they remain affordable. In view of the risks outlined above, a detailed report setting out HRA risks and reserves was also presented to the Finance and Resources Committee for consideration ahead of the council budget

Matter giving rise to recommendation	Update on progress from The City of Edinburgh Council
	meeting in February and this will be undertaken annually going forward.
7. Unlike some other councils, Edinburgh has opportunities on the horizon to raise additional income, for example the introduction of a visitor levy. The Commission will watch with interest as work to maximise these opportunities progresses, but would warn the council against using the benefits of potential future income to defer difficult decisions in the short term. Refer paragraph 53.	Work in progress The council recognises the opportunity that the visitor levy presents to help mitigate some of the unique financial pressures Edinburgh faces as a capital city with a thriving tourist industry. However, it also recognises that the visitor levy cannot solely be utilised to mitigate existing pressures and must also be invested in further development of services. Council officers will continue to work with elected members to develop an effective strategic approach to the use of visitor levy funds. The council also recognises that, aside from additional income-generating opportunities, difficult decisions will likely be required to secure the council's medium- to long-term financial sustainability.

Matter giving rise to recommendation

8. The council has an exciting opportunity to use its new people strategy, revised workforce plan, and new HR/payroll system to ensure that it has the right people with the right skills (including digital) for future models of service delivery. This will be especially important in key areas where service performance has deteriorated, such as housing and waste, and in areas like health and social care where workforce capacity and demand-led pressures are negatively impacting service users. The Commission looks forward to seeing evidence of the impact of these new plans and systems, including across its Integration Joint Board, and how they are being used to drive improvements to services and working practices.

[Refer Exhibit 2, item 7.](#)

Update on progress from The City of Edinburgh Council

Work in progress

During 2023/24 the Accounts Commission undertook a national Best Value Audit on Workforce Innovation: How Councils Are Responding to Workforce Challenges. The outcome report for the Council, and associated recommendations, were considered by the Governance, Risk and Best Value Committee in September 2024.

Following the approval of the Strategic Workforce Plan in August 2024, local Service Operational Workforce Plans were developed and reviewed. These include learning and development and skill reviews, as well as roles and workforce requirements for each service function, plus specific service-level actions based on local workforce indicators. There has been extensive engagement and guidance, and training provided, to heads of services to support the creation of these plans and this will continue as part of ongoing review and monitoring. A new workforce dashboard is considered quarterly at each Finance and Resources Committee as well as the new Corporate Leadership Team Workforce Meeting. In addition, committee receives 'deep dive' reports on each People Strategy theme to provide assurance on implementation and outcomes. A skills audit is underway across the organisation which will influence future manager and leadership programmes, as well as succession planning arrangements. This will be consolidated with a Colleague Engagement Survey in Autumn 2025 to help shape the future cultural strategy and activity.

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

The City of Edinburgh Council

Proposed 2024/25 Annual Audit Report



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot