

Notice of meeting and agenda

The City of Edinburgh Council

10.00 am, Thursday, 22 February 2018

Council Chamber, City Chambers, High Street, Edinburgh

This is a public meeting and members of the public are welcome to attend

Contact

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1. Order of business

- 1.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

2. Declaration of interests

- 2.1 Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

3. Deputations

- 3.1 Edinburgh Tenants Federation

4. Questions

- 4.1 By Councillor Whyte – Council Budget – for answer by the Leader of the Council
- 4.2 By Councillor Webber – Council Budget – for answer by the Deputy Leader of the Council
- 4.3 By Councillor Johnston – Council Budget – for answer by the Convener of the Finance and Resources Committee

5. Revenue and Capital Budgets

- 5.1 Revenue Budget 2018/23– reports (circulated)
 - (a) Revenue Budget Framework 2018/23 Progress Update - referral from the Finance and Resources Committee
 - (b) Edinburgh Leisure – Pension Guarantee – referral from the Finance and Resources Committee
 - (c) Extension of Temporary Accommodation Private Sector Leasing Contract and Increase to Costs – referral from the Finance and Resources Committee
 - (d) 2018-19 Budget Proposals: Overview of Citizen Engagement Process and Feedback – referral from the Finance and Resources Committee
 - (e) Council Revenue Budget Framework (2018-2023) - Impact Assessments – referral from the Finance and Resources Committee
 - (f) Council's Budget 2018/23 – Risks and Reserves – referral from the Finance and Resources Committee

- (g) Housing Revenue Account Budget Strategy 2018-2023 - referral from the Finance and Resources Committee
- 5.2 Capital Investment Programme 2018/19 to 2022/23 – referral from the Finance and Resources Committee (circulated)
- 5.3 City Strategic Investment Fund 2017-18 Update – referral from the Housing and Economy Committee (circulated)

6. Other Business

- 6.1 If any

7. Motions

- 7.1 By Councillor Rust – Additional Responsibility Allowances Regarding Localities

“Council:

Congratulates the newly elected conveners of the Locality Committees of the Council.

Notes the role the Senior Councillors previously appointed by Council to chair the Locality Working Groups have played, and following the first meeting of each Locality Committee, recognises that these roles have come to an end.

Ceases the payment of additional remunerations to Councillors Child, Watt, Gordon and Dixon from 23 February 2018, as agreed by Council on 22 June 2017, in respect of being senior Councillors for locality areas.

Ratify Senior Councillor remuneration of 47.5% for the Conveners of each Locality Committee from 23 February 2018, where the Conveners are not already receiving an additional remuneration of at least that amount.”

Lawrence Rockey

Head of Strategy and Insight

Information about the City of Edinburgh Council meeting

The City of Edinburgh Council consists of 63 Councillors and is elected under proportional representation. The City of Edinburgh Council usually meets once a month and the Lord Provost is the Convener when it meets.

The City of Edinburgh Council usually meets in the Council Chamber in the City Chambers on the High Street in Edinburgh. There is a seated public gallery and the Council meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Allan McCartney, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4246, e-mail allan.mccartney@edinburgh.gov.uk.

A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the main reception office, City Chambers, High Street, Edinburgh.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to www.edinburgh.gov.uk/cpol.

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Item no 4.1

QUESTION NO 1

By Councillor Whyte for answer by the Leader of the Council at a meeting of the Council on 22 February 2018

Question

In order to ensure that Edinburgh is fully and properly funded in setting its budget for 2018/19 please advise what representations you have made to Scottish Government making Edinburgh's case, including:

- a. The dates and times of any meetings;
- b. Who from Council attended those meetings;
- c. Which Scottish Government Ministers were in attendance;
- d. Whether a minute or any form of record is available;
- e. Any other communications you had by correspondence or otherwise in this regard?

Answer

Item no 4.2

QUESTION NO 2

By Councillor Webber for answer by the Deputy Leader of the Council at a meeting of the Council on 22 February 2018

Question

In order to ensure that Edinburgh is fully and properly funded in setting its budget for 2018/19 please advise what representations you have made to Scottish Government making Edinburgh's case, including:

- a. The dates and times of any meetings;
- b. Who from Council attended those meetings;
- c. Which Scottish Government Ministers were in attendance;
- d. Whether a minute or any form of record is available;
- e. Any other communications you had by correspondence or otherwise in this regard?

Answer

Item no 4.3

QUESTION NO 3

**By Councillor Johnston for answer
by the Convener of the Finance and
Resources Committee at a meeting
of the Council on 22 February 2018**

Question

In order to ensure that Edinburgh is fully and properly funded in setting its budget for 2018/19 please advise what representations you have made to Scottish Government making Edinburgh's case, including:

- a. The dates and times of any meetings;
- b. Who from Council attended those meetings;
- c. Which Scottish Government Ministers were in attendance;
- d. Whether a minute or any form of record is available;
- e. Any other communications you had by correspondence or otherwise in this regard?

Answer

The City of Edinburgh Council

10.00am, Thursday 22 February 2018

Revenue Budget Framework 2018/23: Progress Report - referral from the Finance and Resources Committee

Item number	5.1(a)
Report number	
Wards	All
Council Commitments	

Executive summary

On 8 February 2018 the Finance and Resources Committee considered a report that provided an update on the anticipated outcome of the Local Government Finance Settlement that was announced on 14 December 2017 and, in particular, its impact on the budget framework. The report has been referred to the City of Edinburgh Council for approval as part of the budget-setting process.

Terms of Referral

Revenue Budget Framework 2018/23: Progress Update - referral from the Finance and Resources Committee

Terms of referral

- 1.1 On 7 November 2017, members of the Finance and Resources Committee considered the Council's revenue budget framework mid-year review. The report provided an update on progress in delivering the savings approved for implementation in 2017/18 and advised as to the outcome of a review of the main income and expenditure factors included within the long-term financial plan. The report furthermore highlighted a number of risks and demand-led pressures affecting, in particular, Health and Social Care and Safer and Stronger Communities.
- 1.2 Following the announcement of the Local Government Finance Settlement on 14 December 2017 and subsequent changes that arose from the consultation period on the accompanying Finance Circular and the wider Draft 2018/19 Scottish Budget's Parliamentary consideration, details were provided of the implications of the Council's provisional funding allocation for the budget framework.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note the impact of the provisional 2018/19 Local Government Finance Settlement on the 2018/23 revenue budget framework.
 - 1.3.2 To note the officer recommendations in allocating additional available grant funding relative to framework assumptions.
 - 1.3.3 To note, nonetheless, the estimated remaining savings requirements across the overall period of the framework.
 - 1.3.4 To refer the report to Council as part of the budget-setting process.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to consider the report as part of the budget-setting process.

Background reading / external references

Additional Finance and Resources Committee 8 February 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

2.00pm, Thursday, 8 February 2018

Revenue Budget Framework 2018/23: Progress Update

Item number

Report number

Executive/routine

Wards

Council Commitments:None

Executive Summary

On 7 November 2017, members of the Finance and Resources Committee considered the Council's revenue budget framework mid-year review. The report provided an update on progress in delivering the savings approved for implementation in 2017/18 and advised as to the outcome of a review of the main income and expenditure factors included within the long-term financial plan. The report furthermore highlighted a number of risks and demand-led pressures affecting, in particular, the Health and Social Care and Safer and Stronger Communities functions.

Taking into account both updated projections of grant funding and the need to address underlying structural deficits within the two service areas above on a sustainable basis, the report set out a revised in-year 2018/19 savings requirement of £20.9m, with significant further incremental annual savings requirements thereafter, together totalling £151.2m by 2022/23. While the Committee approved the release for public engagement of specific and themed proposals with the potential to address in full the estimated savings requirement in 2018/19, it was emphasised that the precise requirement would be determined by the Local Government Finance Settlement announced on 14 December 2017 and any subsequent amendments resulting from both the consultation period on the accompanying Finance Circular and Parliamentary consideration of the Draft Scottish Budget Bill. This report therefore updates members on the anticipated outcome of the Settlement and, in particular, its impact on the budget framework.

Revenue Budget Framework 2018/23: Progress Update

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
- 1.1.1 note the impact of the provisional 2018/19 Local Government Finance Settlement on the 2018/23 revenue budget framework;
 - 1.1.2 consider, as appropriate, the officer recommendations in allocating additional available grant funding relative to framework assumptions;
 - 1.1.3 note, nonetheless, the estimated remaining savings requirements across the overall period of the framework; and
 - 1.1.4 refer the report to Council as part of the budget-setting process.

2. Background

- 2.1 On 7 November 2017, members of the Finance and Resources Committee considered the Council's revenue budget framework mid-year review. The report provided an update on progress in delivering the savings approved for implementation in 2017/18 and advised as to the outcome of a review of the main income and expenditure factors included within the long-term financial plan. The report furthermore highlighted a number of risks and demand-led pressures affecting, in particular, the Health and Social Care and Safer and Stronger Communities functions.
- 2.2 Taking into account both updated projections of grant funding and the need to address underlying structural deficits within the two service areas above on a sustainable basis, the report set out a revised in-year 2018/19 savings requirement of £20.9m, with significant further incremental annual savings requirements thereafter, together totalling £151.2m by 2022/23. The savings requirement in each year of the framework assumes:
- (i) delivery of all previously-approved savings;
 - (ii) a 3% annual increase in Council Tax; and
 - (iii) management of other risks and pressures over and above those for which specific additional budgetary provision has been made.
- 2.3 In considering the report's contents, members of the Committee also approved the release for public engagement of a number of specific proposals to a total value of £17.393m, with the balance of the incremental savings requirement for 2018/19 to be met through a number of Council-wide themes. Taken together, these

proposals, if all approved and the associated savings delivered, would address in full the estimated savings requirement in 2018/19. While the report noted that implementation and delivery of these, or alternative, proposals would go a significant way towards re-establishing financial stability across the period of the budget framework, it was emphasised that the 2018/19 proposals are best seen as a first step on a longer journey.

- 2.4 Members will be aware that the Council's budget framework, by necessity, included estimates of grant funding for 2018/19 and subsequent years based on best-available independent projections of likely levels of public expenditure and relative Scottish Government policies, priorities and commitments over the short- to medium-term. Following the announcement of the Local Government Finance Settlement on 14 December 2017 and subsequent changes arising from the consultation period on the accompanying Finance Circular and the wider Draft 2018/19 Scottish Budget's Parliamentary consideration, however, this report provides details of the implications of the Council's provisional funding allocation for the budget framework.

3. Main report

Background

- 3.1 The Cabinet Secretary for Finance and the Constitution presented a one-year Local Government Finance Settlement to the Scottish Parliament as part of the 2018/19 Draft Scottish Budget on 14 December 2017. As in previous years, the draft Settlement has been subject to a number of weeks' consultation, with any Council Leader not agreeing to the full package of measures included within it asked to notify the Cabinet Secretary in writing, setting out the reasons, by 2 February 2018. No such letter was submitted by the Council Leader. Comments on the calculations underpinning the accompanying Finance Circular were similarly invited and, as a consequence, the allocations within it remained provisional at the time of issue. Members are reminded that any reallocations of funding resulting from agreed distributional changes are made within the overall level of resources provided within the Settlement and there is thus the potential for any council's final allocation to vary from the provisional level intimated therein.
- 3.2 Receipt of each council's full funding allocation is dependent upon increasing Council Tax levels by no more than 3% in 2018/19 and continuing adherence to national commitments around maintaining current pupil:teacher ratios and guaranteeing a place for every probationary teacher who requires one under the Teacher Induction Scheme.
- 3.3 The funding package reflects baselining of the £130m of revenue resources initially provided on a one-off basis as part of the revised Local Government Finance Settlement in February 2017. It also includes additional revenue and capital monies to facilitate expansion of early learning and childcare provision and further investment of £66m to support implementation of the Carers (Scotland) Act 2016,

continued payment of the Living Wage and increases in personal and nursing care payments. Given these additional monies received through the Local Government Finance Settlement, recurring Social Care Fund investment will be maintained at 2017/18 levels. While local authorities will be expected to prioritise their financial support for social care, the Settlement contains no specific requirements with regard to the level of financial “offer” to be made to Integration Joint Boards in 2018/19.

Scotland-wide and Edinburgh-specific 2018/19 Settlement as initially announced on 14 December 2017

- 3.4 Compared on a like-for-like basis and taking account of monies provided in respect of new commitments and/or pressures, the headline year-on-year Scotland-wide decrease in revenue funding announced on 14 December 2017 was around £150m, or 1.6%, a somewhat lower level of decrease than had been anticipated by local authority commentators.
- 3.5 While, subject to the outcome of the consultation process, the grant allocations remained provisional, on the basis of the figures contained within the accompanying Finance Circular, Edinburgh’s equivalent reduction was marginally higher than the national average at 1.7%, equating to some £12.2m. Although the Council’s share of the core, needs-based indicators has increased (reflective of the city’s relative population growth), the continuing effect of significant reductions in Edinburgh’s level of historic debt has resulted in a significant reduction in borrowing support. As a result, the Council remains firmly within the funding floor, with £21.6m of support provided to offset the level of grant reduction that would otherwise have been faced.
- 3.6 Following amendments to the basis of calculation first introduced in 2017/18, while Edinburgh’s per capita funding levels remain the lowest in Scotland, only Aberdeen City Council received additional funding as part of the Scottish Government policy whereby no authority receives less than 85% of the per capita average level of revenue support.

Revision to funding floor calculation

- 3.7 As part of the consultation on the content of the Finance Circular, an error came to light in the calculation of the funding floor. The floor is a stability mechanism that, in times of reducing resources, has the effect of minimising the level of year-on-year reduction faced by any authority, thereby allowing the corresponding decrease in expenditure to be phased in over a longer period.
- 3.8 The floor is self-funding, meaning that any resources provided to support authorities facing higher reductions are met by means of contributions from those authorities receiving more favourable relative settlements. Following the issuing of a revised Settlement, the Council’s contribution reduced by £3m to £18.6m. By extension, the Council’s grant funding allocation fell by a further £3m, with the year-on-year level of grant reduction, at that stage, increasing to around 2.2%.

Scottish Parliamentary consideration of the Draft Scottish Budget Bill

- 3.9 Previous reports have noted the potential for further changes to result from the Draft Budget's consideration by the Scottish Parliament. As part of the Stage 1 Budget Bill Debate on 31 January, a number of further amendments were introduced by the Cabinet Secretary. These revised budget proposals were approved by 69 votes to 56 and now move onto the next stage in the legislative process ahead of a final Parliamentary vote on 21 February.
- 3.10 Following a re-assessment of the total level of grant funding to be made available to councils, an additional £170m has been introduced into the Local Government Finance Settlement for 2018/19. This total comprises £159.5m of support to be allocated across councils in accordance with shares of overall assessed expenditure need and £10.5m specifically in respect of funding support for inter-island ferries for Orkney and Shetland Islands Councils. While a number of differing comparisons of the relative change in the level of Settlement can be made, on a like-for-like basis relative to the Council's planning assumptions, receipt of these additional monies results in an overall Scotland-wide year-on-year cash-terms increase of about 0.1%.
- 3.11 Based on its proportionate needs share of 7.77%, Edinburgh's allocation from the additional resources of £159.5m is £12.399m. While an element of the funding will be paid in March 2018, the full sum is being provided in respect of 2018/19.

Implications of level of grant settlement for Council's budget framework

- 3.12 The Council's revenue budget framework assumed a headline decrease in grant of 2.9%, along with non-continuation of the £130m referenced at 3.4 above. Taken together, these factors resulted in an estimated total reduction of about 4.3%. The provisional actual level of reduction of 0.4%, inclusive of the additional monies noted at 3.12 above, therefore results in a favourable movement of 3.9% (equating to £27.1m) relative to framework assumptions.
- 3.13 While no further changes are anticipated at this stage, following consideration by the Scottish Parliamentary's Finance Committee on 15 February, the final Parliamentary debate will take place (with formal approval expected) on 21 February. Members will be kept apprised of any further changes resulting from this Parliamentary consideration.

Potential application of additional funding relative to framework assumptions

- 3.14 An indicative allocation of some of the £27.1m of funding identified above, taking into account a number of national and local commitments, pressures and policies, is provided in the following sections. The proposals' starting point assumes approval and delivery of all of the specific proposals that were the subject of recent public engagement and that none of the service investment funded through the £10m of "one-off" monies in 2017/18 continues. In addition, it assumes delivery of £9.8m of savings previously approved for implementation in 2018/19, including £4.2m through the Asset Management Strategy.

Officer proposals based on actual funding settlement	£m	£m
Property condition surveys and repairs and maintenance		8.5
Health and Social Care - additional funding		4.0
Private Sector Leasing (PSL) - contract renewal/uplift		0.9
Extension of broad principles of Scottish Government 2018/19 pay award to Local Government		3.5
Unallocated funding		10.2
Total		27.1

Asset Management Strategy

- 3.15 The update report considered by the Finance and Resources Committee on 23 January indicated that some £2.6m of Asset Management-related savings previously approved for delivery in 2018/19 were assessed as red, with a further £0.9m at amber. The budget framework proposals for 2018/19 include an additional £0.539m of staffing-related savings.
- 3.16 A number of primarily one-off savings to be delivered in 2018/19, alongside maintenance of the level of performance factor implicit in the staff-related saving above, have now been identified, with the potential to address in full the £3.5m of red- and amber-assessed savings. This notwithstanding, sustainable savings measures, particularly those relating to process efficiencies and estate rationalisation, are being developed by officers, fully accepting that such savings will require cross-party political support and approval to secure longer term financial stability

Looked-After Children and Young People

- 3.17 A marked increase in the number of children requiring to be looked after within the Council's own residential facilities is placing additional pressure on the numbers of out-of-council placements required. While a range of mitigating actions is being examined, there is a risk that this expenditure pressure and any subsequent growth will not be able to be managed in full in 2018/19. On this basis, regular updates on this issue will be provided to members.

Property condition surveys and repairs and maintenance

- 3.18 A report setting out the outcomes of the property condition surveys and the consequent requirement for a planned programme of backlog maintenance across the Council's operational estate was also considered at the Finance and Resources Committee's meeting on 23 January. Following in-depth analysis, this assessment points to a total in-year requirement in 2018/19 of £8.5m, based on the expected profile of the first year's capital works. The delivery plan, aligned to the financial profile contained in the report, is being developed on the assumption that the required funding will be available as set out. Subject to members' approval, the budget framework will be revised to incorporate the additional required revenue

provision to support the further capital requirement of £48.9m emerging from this assessment.

Health and Social Care

- 3.19 The £4m sum for Health and Social Care, alongside a corresponding assumed contribution from NHS Lothian, is intended to facilitate the provision of care packages to individuals previously assessed as requiring support, alongside provisions for new demographic demand and the part-year care requirement emerging from those individuals currently awaiting an assessment. Going forward, it is envisaged that the full-year impact of this increased demand will primarily be met from release of capacity through telecare, support planning and brokerage and homecare/re-ablement initiatives.
- 3.20 Discussions are continuing with NHS Lothian to supplement any additional investment provided by the Council, with decisions in this area subject to ratification by both the Edinburgh Integration Joint Board and NHS Lothian. On-going work is also taking place to assess both the service demand and capacity available to increase service provision next year.

Private Sector Leasing (PSL)

- 3.21 It is anticipated that, following this Committee's in-principle approval at its previous meeting on 23 January, arrangements to extend the current PSL contract will be finalised later in February 2018. These revised arrangements will require payment of the increased rent and management fees rates implicit in the uplift at 3.15 above to allow the Council to continue to meet its statutory responsibilities in this area. Approving the extension of this contract and the associated increase in cost is a key part of continuing to deliver against Council commitments to address homelessness in the city.

Pay awards

- 3.22 While Local Government pay awards are separately negotiated through COSLA, as part of the Cabinet Secretary's announcement on 14 December 2017, a revised Scottish Government public sector pay policy for 2018/19, comprising the following elements, was confirmed:
- (i) a 3% increase for all staff whose annual remuneration is less than £30,000;
 - (ii) a 2% increase for staff whose salary falls between £30,000 and £80,000; and
 - (iii) a £1,600 capped maximum increase for those staff earning more than £80,000.
- 3.23 The detailed application of this policy, particularly the appropriate level of increase to apply to staff in the middle banding, requires to be confirmed. Based on a literal application of the principles above, however, the additional annual cost to the Council of matching this offer would be about £2.2m.

- 3.24 As part of the Draft Scottish Budget Bill's consideration by the Scottish Parliament, the Cabinet Secretary for Finance and the Constitution subsequently announced a change in the Scottish Government's public sector pay policy on 30 January, increasing to £36,500 (from £30,000) the upper threshold to which the 3% pay increase applies. Based on an assessment of the additional Council staff now brought into scope of the higher percentage increase, the estimated full-year cost relative to the policy announced on 14 December 2017 is £1.3m, bringing the total additional cost relative to budget framework assumptions to £3.5m.
- 3.25 While it is anticipated that, as in previous years, pay awards will be negotiated between COSLA and the representative trade unions at a Scotland-wide level, the officer recommendation reflects this additional liability as indicative of the upward pressure on staff salaries that would be anticipated to result from a relaxation of the Scottish Government's policy.
- 3.26 In view of the general heightening of expectations around staff pay awards witnessed by the levels of claim lodged by both the representative teaching and non-teaching trade unions, however, it may be prudent to increase further the level of provision across all staffing groups to 3%. While not included in the proposals at 3.15 above, adoption of this assumption would result in a further increase of £1.9m i.e. to £5.4m in total, relative to the budget framework baseline.

Development of "themed" savings

- 3.27 A series of meetings between the Chief Executive and Executive Directors, supported by the relevant Principal Accountants, has been held with a view to identifying additional, or accelerating existing, proposed savings that could contribute towards the £3.5m of "themed" savings assumed within the budget consultation and framework in 2018/19. Whilst the wider focus has been on the immediate budget requirements for 2018/19, these meetings have had the main purpose of ensuring that the medium-term financial framework and savings profile for the next four years are being actively developed and are wholly aligned to the Council's emergent Change Strategy. While these proposals and opportunities focus on the medium term and are intended to enable the delivery of savings from 2019/20 onwards, some of them may be able to be accelerated into 2018/19.
- 3.28 At this stage, £1m of additional officer proposals, representing a combination of service efficiencies and acceleration from later years' initiatives, have been identified and corresponding one-page templates will be made available to all Groups prior to Council's budget-setting on 22 February 2018.
- 3.29 In addition to this primarily medium-term work, as an agreed part of this wider review, consideration of the Council's corporate budgets has identified additional savings opportunities as follows:
- (i) £1m of recurring savings in loan charge provision, based on anticipated slippage within the current year's capital programme reflected in the month nine monitoring position reported to the Finance and Resources Committee on 23 January 2018;

- (ii) £1m of additional Council Tax income evident within updated assessments of the size and profile of the city's Council Tax base; and
- (ii) £0.5m of additional interest on the Council's available cash balances, assumed for one year only at this stage, following the recent increase in base interest rates.

Overall position for 2018/19

- 3.30 Taken together, these identified corporate savings and other unallocated funding offer the potential for a total of £10.2m of additional investment in addition to that set out in Paragraph 3.15. Given that a significant savings requirement remains to be addressed in subsequent years of the framework, members may wish to identify, in particular, items of a one-off nature.
- 3.31 This investment could be used to support a range of expenditure including that of a preventative nature or, alternatively, rejection of, or amendment to, the level of previously-approved or proposed savings. The further reading section contains a link to the report setting out the approved uses of the £10m of one-off investment in 2017/18 that may form part of this consideration.
- 3.32 At its meeting on 23 November 2017, Council considered a motion from Cllr Hutchison seeking clarification on the feasibility of analysing the Council's budget according to the statutory or non-statutory nature of the activities concerned. Whilst relevant legislation sets out a range of powers and duties, no definitive and accepted list of such services exists. In addition, the extent and nature of statutory provision is, in many cases, not formally prescribed.
- 3.33 To provide additional transparency and further inform members' consideration, however, an analysis of the Council's principal areas of expenditure is included at Appendix 1.

Future years

- 3.34 In view of the larger financial challenges anticipated in subsequent years of the framework, work to develop additional proposals involving service redesign, improved demand management and service prioritisation will continue to be accelerated in line with the intention to present a four-year, sustainable plan, built upon the Programme for the Capital and aligned to the Change Strategy, to the Finance and Resources Committee in September 2018. A review of the financial framework assumptions will also be undertaken as part of the four-year budget planning exercise.

Barclay Review on Non-Domestic Rates

- 3.35 Following the earlier publication of the recommendations of the Barclay Review on Non-Domestic Rates, the Cabinet Secretary for Finance and the Constitution made a ministerial statement to Parliament on the Scottish Government's response on 12 September 2017. This response signalled an intention, subject to Parliamentary approval, to implement the majority of the Review's recommendations, including granting a year's relief for newly-constructed and expanded properties, introducing

more frequent revaluations, full rates relief for childcare facilities and conducting a comprehensive review of the operation of the Small Business Bonus Scheme.

- 3.36 The Scottish Government indicated that it would engage further with key stakeholders concerning the Review's recommendations on entitlement to charitable relief for local authority arm's length leisure and cultural trusts and independent schools, before publishing its response to these proposals by the end of 2017.
- 3.37 On 28 November 2017, the Cabinet Secretary confirmed that existing rates relief for local authority arm's length organisations (ALEOs), including Edinburgh Leisure and the Festival City Theatres Trust, would be maintained, thereby avoiding a potential annual liability of around £2.5m across the two organisations. The Cabinet Secretary further intimated, however, that rates relief would not be granted for any further proposed ALEOs.
- 3.38 As part of the Scottish Budget announcement, the Cabinet Secretary also intimated that existing charitable relief for independent schools (except special schools) would be removed from 2020/21. Overall changes in school roll projections will continue to be monitored and inform demographic-related projections contained within the Council's Long-Term Financial Plan.

4. Measures of success

- 4.1 Relevant measures in setting the revenue budget include:
- Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2018/19 and subsequent years to be set as part of a sustainable longer-term framework;
 - Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
 - Subsequent delivery of the approved savings, particularly where these are linked to additional service investment, along with key service performance indicators.

5. Financial impact

- 5.1 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery, of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.
- 5.2 By adopting more prudent assumptions with respect to grant funding levels, the budget framework has offered elected members the potential to consider a wider range of savings and investment options.

6. Risk, policy, compliance and governance impact

- 6.1 An annual report on the risks inherent in the budget process (contained elsewhere on today's agenda) is considered by the Finance and Resources Committee and referred to Council as part of setting the revenue and capital budgets.
- 6.2 The savings assurance process is intended to ensure that, as far as is practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the expected service impacts outlined in the respective budget proposals.
- 6.3 A summary of progress in respect of savings delivery is reported to the Finance and Resources Committee on a quarterly basis, with additional detail and commentary on risks, mitigations and alternative measures (as appropriate) reported to Executive Committees.

7. Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. A report on material impacts arising from the budget proposals and associated planned mitigating actions is included elsewhere on today's agenda. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

8. Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas, with the main impacts included elsewhere on today's agenda.

9. Consultation and engagement

- 9.1 As in previous years, an extensive programme of engagement on the specific proposals and wider themes comprising the framework has been undertaken. A separate report on the main areas of feedback emerging from this year's citizen budget engagement exercise is included elsewhere on today's agenda.

10. Background reading/external references

- 10.1 [Capital Coalition Budget Motion](#), City of Edinburgh Council, 9 February 2017
- 10.2 [Revenue and Capital Budget Framework 2018/23 – progress update](#), Finance and Resources Committee, 5 September 2017
- 10.3 [Revenue Budget Monitoring 2017/18 – Update](#), Finance and Resources Committee, 28 September 2017
- 10.4 [Revenue Budget Framework 2018/23: Mid-Year Review](#), Finance and Resources Committee, 7 November 2017
- 10.5 [Approved 2017/18 – 2020/21 Revenue Budget and 2017/18 – 2021/22 Capital Investment Programme – plans for supplementary investment](#), Finance and Resources Committee, 23 March 2017

Stephen S Moir

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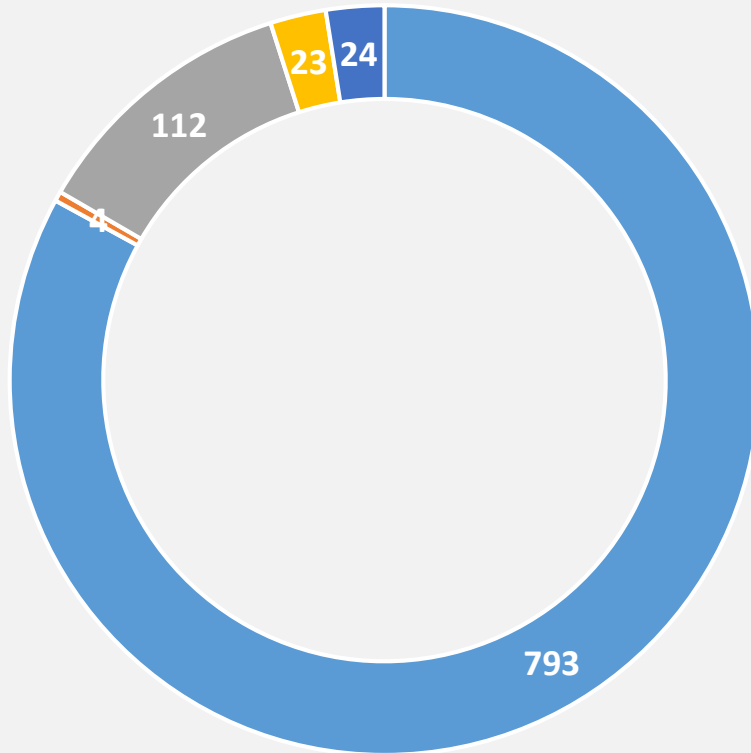
11. Appendices

Appendix 1 – Corporate and service-by-service analysis of 2017/18 approved revenue budget

Revised Council revenue budget, 2017/18

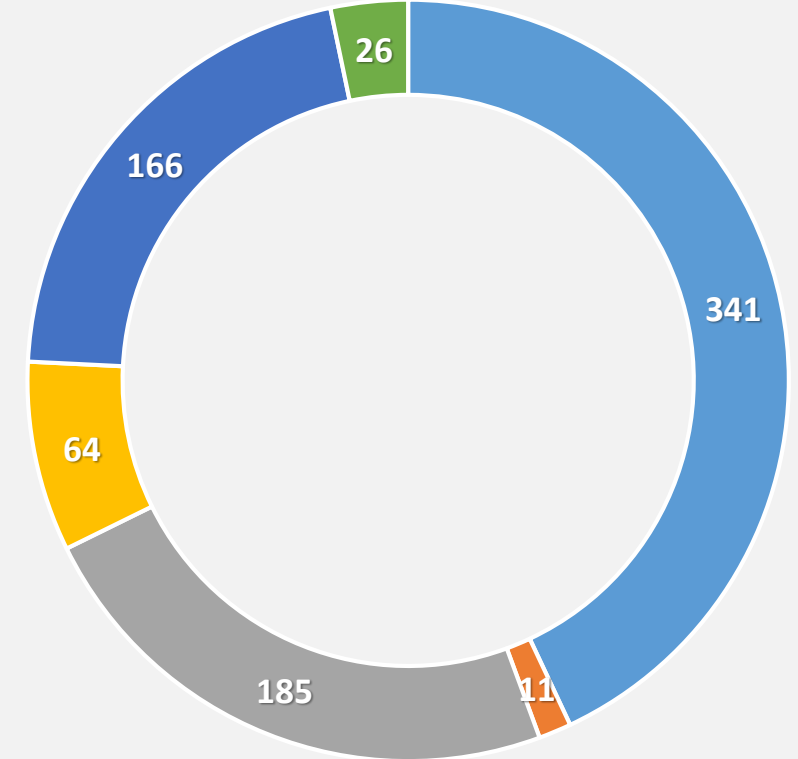
Appendix 1

Net Budget (£m) – General Fund £956m



- Total net service expenditure
- Loan charges
- Other corporate exp
- Lothian Valuation Joint Board
- Council Tax Reduction Scheme

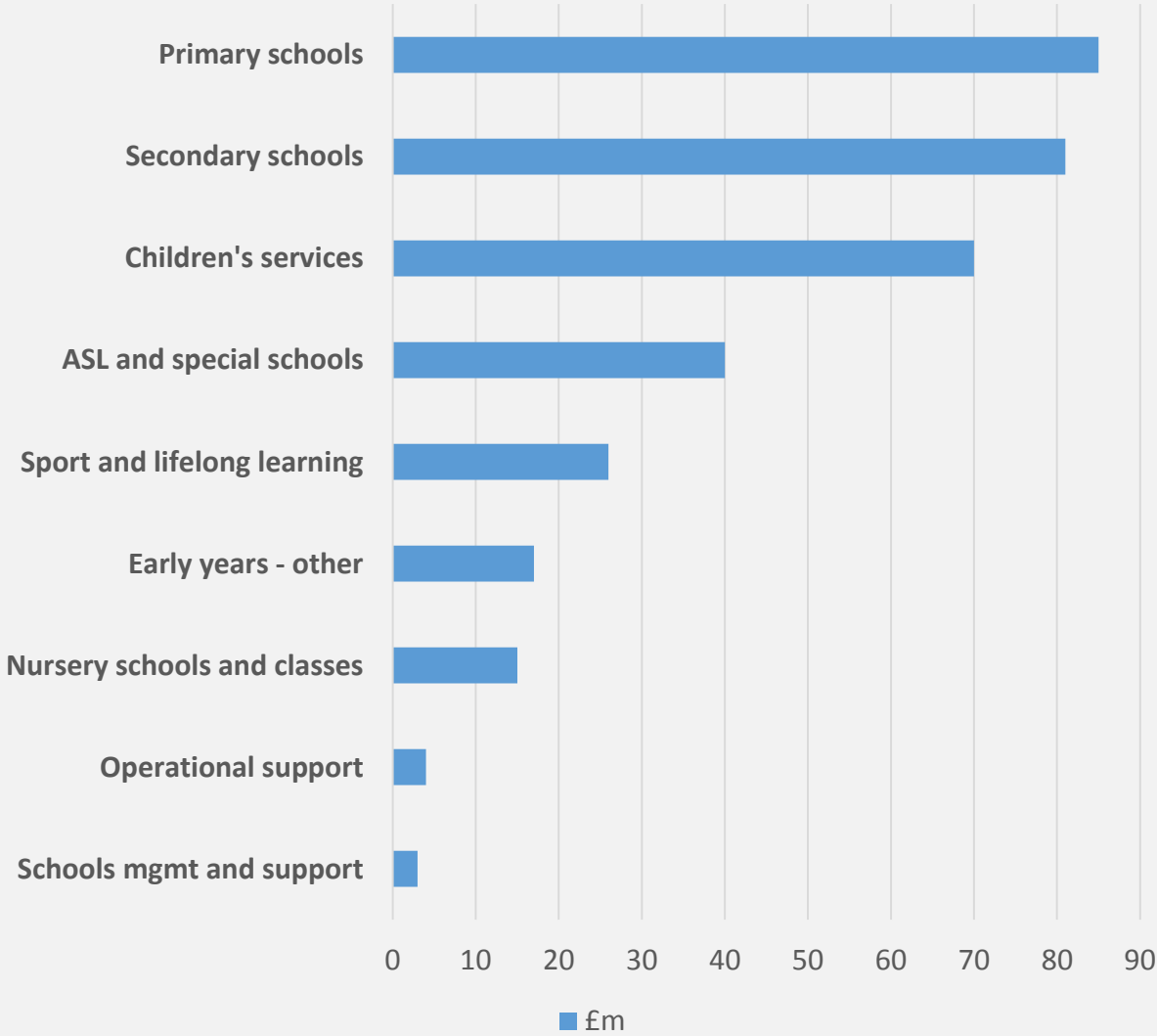
Net Budget (£m) – Service Expenditure £793m



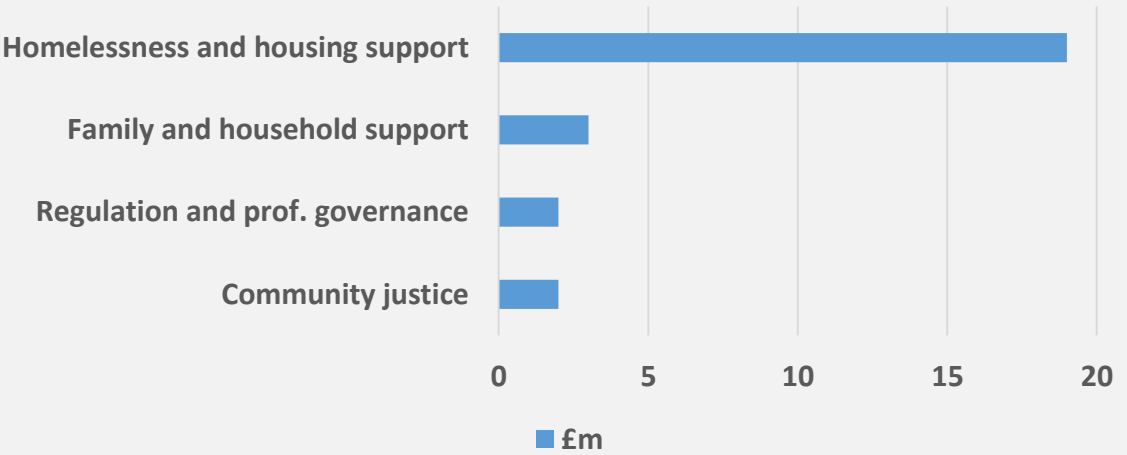
- Communities and Families
- Health and Social Care
- Resources
- Chief Executive
- Place
- Safer and Stronger Communities

Financial context – Council Budget

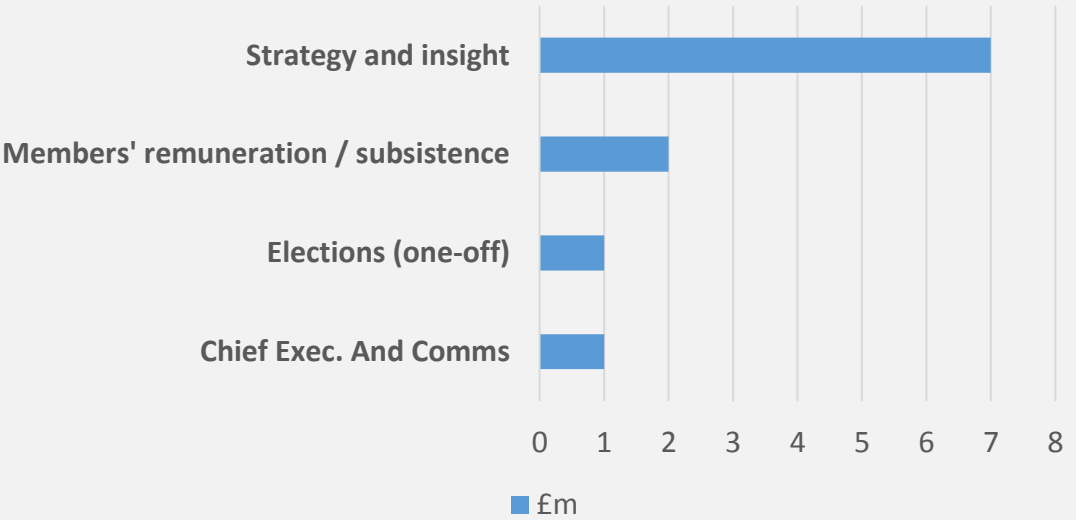
Communities and Families - £341m



Safer and Stronger Communities - £26m

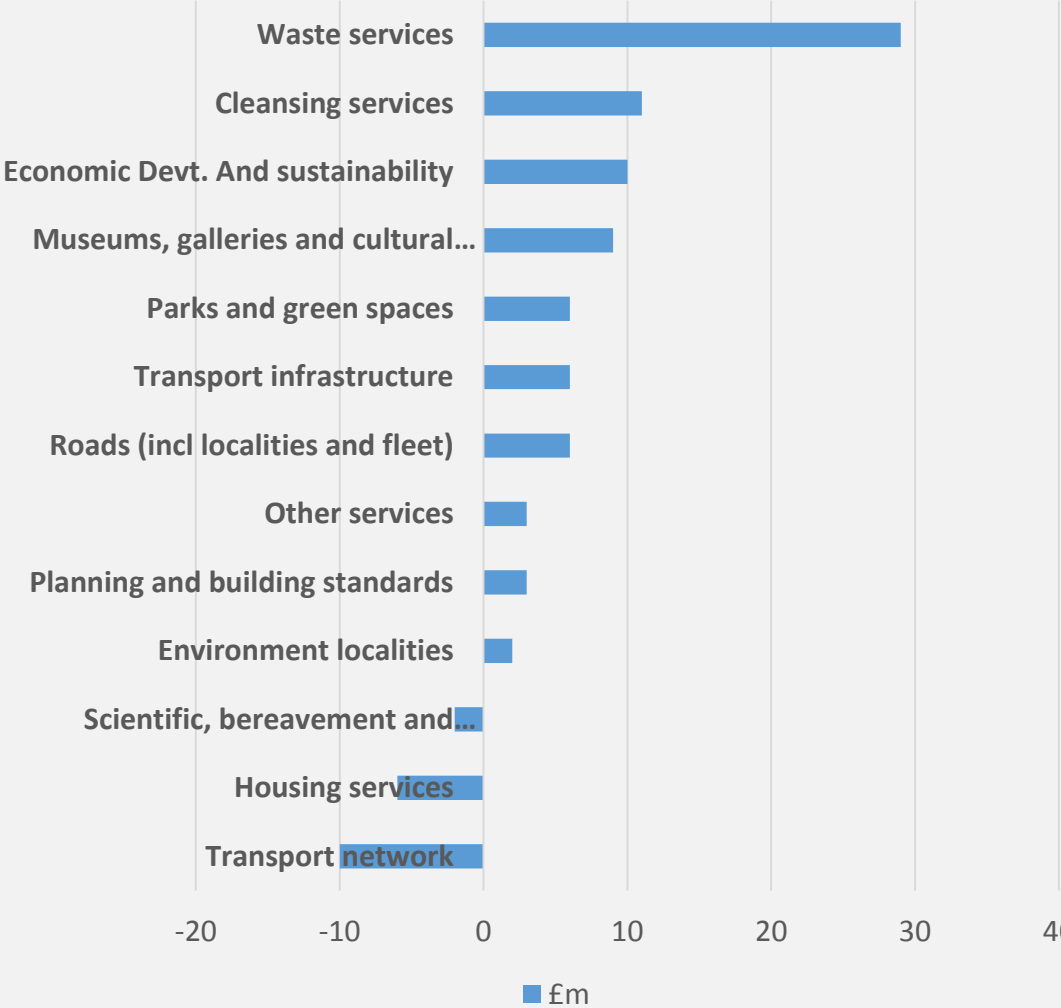


Chief Executive - £11m

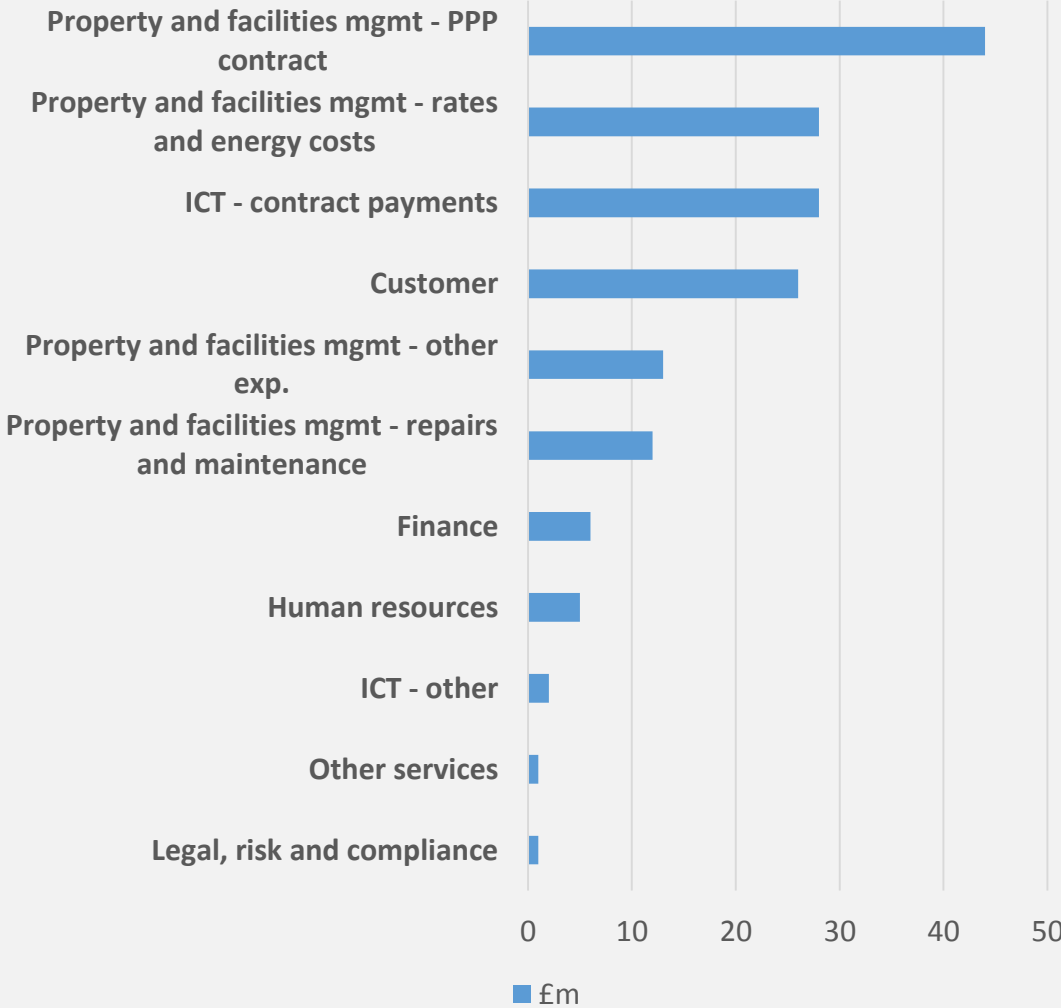


Financial context – Council Budget

Place - £64m

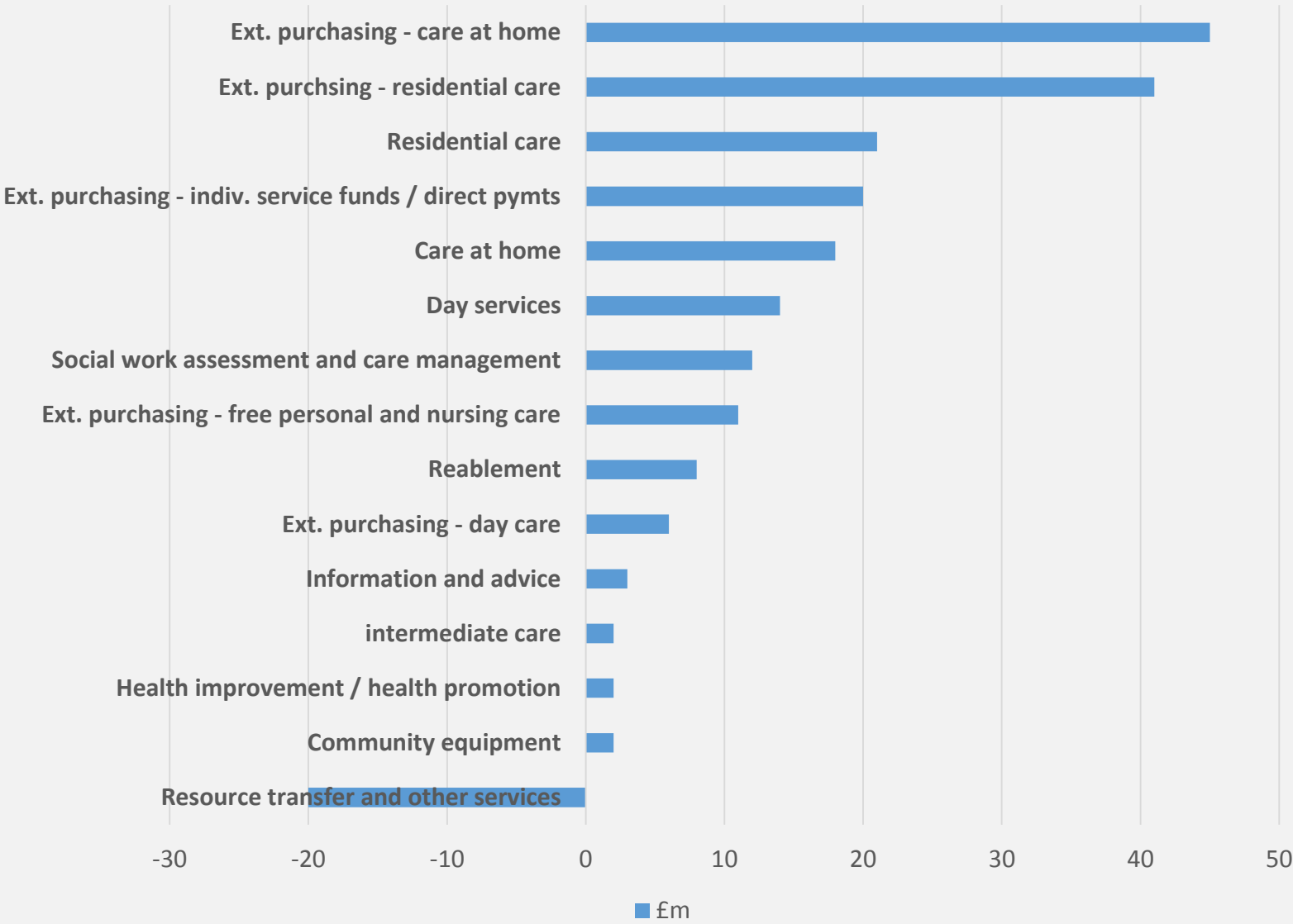


Resources - £166m



Financial context – Council Budget

Health and Social Care - £185m



Budgets are net of funding through the Social Care Fund.

The City of Edinburgh Council

10.00am, Thursday 22 February 2018

Edinburgh Leisure – Pension Guarantee - referral from the Finance and Resources Committee

Item number	5.1(b)
Report number	
Wards	All
Council Commitments	

Executive summary

On 8 February 2018 the Finance and Resources Committee considered a report detailing a request by Edinburgh Leisure (EL) to act as a guarantor for its pension arrangements with Lothian Pension Fund (LPF) to enable EL to continue to fund its pension obligations using the “ongoing basis” to minimise the impact of pension increases on its budget. The report has been referred to the City of Edinburgh Council for approval for Council to act as a pension guarantor for Edinburgh Leisure and to agree that any further requests from organisations that sought pension liability guarantees should be considered on their own merits.

Terms of Referral

Edinburgh Leisure – Pension Guarantee - referral from the Finance and Resources Committee

Terms of referral

- 1.1 Since 2006, Lothian Pension Fund (LPF) had required any employer that sought admission to the Local Government Pension Scheme (LGPS) to provide a pension liability guarantee from an organisation of suitable financial strength. Prior to this date, however this was not mandatory.
- 1.2 The Council has had other requests to provide formal pension guarantees from charitable and/or grant funded bodies in respect of historic admissions to LPF. To date, however, it had only entered into such agreements with three smaller organisations, the admissions to LPF in all three cases arose because of TUPE staff transfer considerations. The general principle applied by the Council was that, as primary responsibility lay with each organisation and with no staff being TUPE'd from the Council, the preference was to allow such organisations to meet any cessation liabilities over a longer time period.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note the report.
 - 1.3.2 To refer the report to Council for approval to act as pension guarantor for Edinburgh Leisure.
 - 1.3.3 To agree that any further requests from organisations that sought pension liability guarantees should be considered on their own merit.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to approve that Council acts as a pension guarantor for Edinburgh Leisure and that any further requests from organisations that sought pension liability guarantees should be considered on their own merit.

Background reading / external references

Additional Finance and Resources Committee 8 February 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

2.00p.m., Thursday 8 February 2018

Edinburgh Leisure – Pension Guarantee

Item number

Report number

Executive/routine

Wards

Council Commitments:None

Executive Summary

The Council has been asked by Edinburgh Leisure (EL) to act as a guarantor for its pension arrangements with Lothian Pension Fund (LPF), thus enabling EL to continue to fund its pension obligations using the “ongoing basis” to minimise the impact of pension increases on its budget. This is in accordance with LPF’s Funding Strategy Statement (FSS) which specifically provides for such, given that the EL admission to LPF followed a formal transfer of staff from the Council.

Committee is asked to approve the recommendations in this report.

Edinburgh Leisure – Pension Guarantee

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 Note the content of the report;
 - 1.1.2 Refer the report to Council for approval to act as a pension guarantor for Edinburgh Leisure; and
 - 1.1.3 Agree that any further requests from organisations seeking pension liability guarantees should be considered on their own merits.

2. Background

- 2.1 Since 2006, LPF has required any employer seeking admission to the Local Government Pension Scheme (LGPS) to provide a pension liability guarantee from an organisation of suitable financial strength. Prior to this date, however, this was not mandatory.
- 2.2 Edinburgh Leisure (EL) was created on 1 April 1998, with 575 staff being TUPE transferred from the City of Edinburgh Council. These individuals transferred under TUPE, with full recognition of all Council terms and conditions, including membership of Lothian Pension Fund (LPF), with an “admitted body” status. EL closed the LPF to new employees in 2008, with alternative pension arrangements put in place for new employees. There are currently 231 employees still in LPF.
- 2.3 Each admitted body within LPF is aligned to one of the scheduled bodies (including Councils), and they are liable for any costs should the scheduled body be unable to meet its pension liabilities. The Council is the sponsor for EL.
- 2.4 An extract from Appendix C of the LPF FSS states “ ... where the employer leaving the fund if a Transferee Admission Body or if an employer was admitted owing to the transfer from another Fund employer (and the ceding employer has agreed to the treatment of the employer as a Transferee Admission Body for funding purposes), the ongoing basis will be used”.
- 2.5 The Council has had other requests to provide formal pension guarantees from charitable and / or grant funded bodies in respect of historic admissions to LPF. To date, however, it, has only entered into such agreements with three smaller organisations, the admission to LPF in all three cases arose because of TUPE staff transfer considerations. The general principle applied by the Council is that, as

primary responsibility lies with each organisation and with no staff being TUPE'd from the Council, the preference is to allow such organisations to meet any cessation liabilities over a longer time-period.

- 2.6 For information, West Lothian Council has previously accepted a TUPE transfer admission basis to LPF in respect of West Lothian Leisure (WLL) and therefore acts as a guarantor to LPF for WLL pension liabilities

3. Main report

- 3.1 LPF is introducing a new investment strategy from 1 April 2018. This medium-term strategy will be for those employers closed to new entrants but who do not meet the criteria for LPF's lower-risk strategy. EL, being closed to new entrants, would be moved into this strategy, which will be invested 50% in the primary strategy and 50% in the lower-risk strategy. The impact of this would be a significant increase in contribution rates.
- 3.2 The funding strategy statement allows for allocation to an alternative strategy "where the higher risk strategy is supported by an explicit guarantor and / or where the Fund would not consider such to represent a scenario of greater risk exposure to other employer(s)". Should the Council be minded to act as a guarantor, EL could be moved back to the primary strategy. The Council may be minded to consider that, due to the original transfer of staff from the Council to EL, at its inception, any exit payment on cessation could be calculated on an ongoing basis, rather than on a gilts basis.
- 3.3 The table below sets out the difference in contribution rates, and an assessment of the impact into EL's budget, provided by their Chief Executive Officer.

Financial Year	Medium risk strategy		Main strategy	
	Contrib. rate	Contrib. £m	Contrib. rate	Contrib. £m
2017/18	18.5%	0.923	18.5%	0.923
2018/19	29.8%	1.487	20.8%	1.038
2019/20	41.1%	2.051	23.2%	1.158
2020/21	42.2% and £0.5m cash	2.606	25.5%	1.273

- 3.4 The table shows that, without the support of the Council as a guarantor, pension contributions will be considerably more expensive, place a huge financial burden on EL and likely result in a significant impact into services provided by EL.

Additionally, this would place a significant risk on the savings proposals included within the Council's budget framework for 2018/19.

- 3.5 It is therefore recommended that the Council, given the original TUPE transfer of staff from the Council, becomes a guarantor for EL pension liabilities, and the approval of Council is sought to so do.

4. Measures of success

- 4.1 Edinburgh Leisure's pension liabilities do not impact adversely into service provision and that it is able to meet pension liabilities as they fall due.

5. Financial impact

- 5.1 Acting as a guarantor to EL will not impact directly on the Council at this time, provided EL meets its pension liabilities, as they fall due, however, should the Council not act as a guarantor, the likelihood of achieving planned budget savings in 2018/19 is diminished with likely need to either reduce services or increase CEC contract payment in future years.

6. Risk, policy, compliance and governance impact

- 6.1 Any guarantor arrangement requires the approval of Council.
- 6.2 The guarantor arrangement exposes the Council to a risk of additional costs if pension liabilities are not met as they fall due.
- 6.3 There is a risk that other bodies seek similar arrangements, and the Council would increase its potential exposure to additional costs if pension liabilities are not met as they fall due.

7. Equalities impact

- 7.1 There is no direct additional impact of the report's contents.

8. Sustainability impact

- 8.1 There is no direct additional impact of the report's contents.

9. Consultation and engagement

- 9.1 Discussions have been held with Edinburgh Leisure and Lothian Pension Fund.

10. Background reading/external references

10.1 None.

Stephen S. Moir

Executive Director of Resources

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11. Appendices

None.

The City of Edinburgh Council

10.00am, Thursday 22 February 2018

Extension of Temporary Accommodation Private Sector Leasing contract and increase to costs - referral from the Finance and Resources Committee

Item number	5.1(c)
Report number	
Wards	All
Council Commitments	

Executive summary

On 23 January 2018 the Finance and Resources Committee considered a report on the extension of a contract with Link Group. The report has been referred to the City of Edinburgh Council for approval of the contract extension with Link Group and additional costs as part of the budget-setting process, subject to approval by the Board of Link Group.

Terms of Referral

Revenue Budget Framework 2018/23: Progress Update - referral from the Finance and Resources Committee

Terms of referral

- 1.1 On 1 April 2015, the Council entered a contract with Link Group to manage the Council's Private Sector Leasing (PSL) Scheme. Link was the previous managing agent and offered the best tender during a procurement process, both in terms of quality and value for money.
- 1.2 The contract with Link Group would end on 31 March 2018, and in accordance with existing terms, it could be extended for a period of two years.
- 1.3 There was a significant risk to the Council that unless improved lease payments were made to landlords to stabilise property stock, and the management fee was increased to cover increasing operational costs, Link would not agree to extend the contract beyond 31 March 2018, as it would not be financially viable.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To refer the report to the City of Edinburgh Council for approval of the contract extension with Link Group and additional costs as part of the budget setting process on 22 February 2018, subject to approval by the Board of Link Group.
 - 1.4.2 To note a proposed increase in lease payments to landlords for one and two bedroom properties up to a maximum of 110% of the applicable Local Housing Allowance (LHA) rate, at an estimated annual cost of £1.241m.
 - 1.4.3 To note the proposed removal of automatic inflation-based annual rent increases from the new lease agreements, with an estimated saving of £0.115m.
 - 1.4.4 To note a proposed 10% uplift in the management fee at the contract break point at an additional cost of £0.365m.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to approve the contract extension with Link Group and additional costs as part of the budget setting process, subject to approval by the Board of Link Group.

Background reading / external references

Additional Finance and Resources Committee 23 January 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10am, Tuesday, 23 January 2018

Extension of Temporary Accommodation Private Sector Leasing contract and increase to costs

Item number

Report number

Executive/routine

Wards

City Wide

Council Commitments

[C9](#), [C34](#), [C45](#)

Executive Summary

The use of private sector housing is critical to the Council's delivery of temporary accommodation to homeless individuals and families.

The Council has contracted with Link Group under a Private Sector Leasing (PSL) contract to secure leases of up to 1,750 properties and manage the properties during their use for temporary accommodation. The Council's lease agreements with landlords are negotiated, arranged, and managed by Link on behalf of the Council.

The contract runs from 1 April 2015 to 31 March 2018, with the option to extend for a further two years at the discretion of the Council.

Link has approached the Council in advance of the break point, and advised that a continuation of the contract will require:

1. an increase to the amount of rent that can be offered to landlords; and
2. an uplift on the management fee paid to Link

The Private Rented Sector in Edinburgh is very buoyant and the general market rent is now much greater than the lease payments offered to PSL landlords. Current payment levels are linked to specified levels of Local Housing Allowance (LHA), as determined by the Department for Work and Pensions (DWP), and assessed as eligible to be recovered through housing benefit.

Since 2015, the number of properties in the scheme has declined from an average of 1,698 to the current position of 1,420, as a consequence of landlords moving away from the scheme. Most leases fall due for renewal over the next two years and there is a significant risk that numbers will reduce further.

Following negotiations with Link, it is proposed to offer landlords a maximum of 110% of the applicable LHA rate for one and two bedroom properties, to improve retention rates, stabilise property stock numbers and reduce the number of landlords withdrawing from the scheme. This would require a Council subsidy of up to 20% of the LHA rate for one and two bedroom properties.

As well as reducing the number of handbacks, it is hoped that this will encourage new landlords to join the scheme, increasing stock beyond current levels, and resulting in fewer families in unsuitable and costly bed and breakfast accommodation.

The subsidy would not be eligible for housing benefit, and the annual cost is estimated at £1.241m. This is based on a maximum subsidy of 20% and an average of 15% being paid.

Removal of the CPI uplift from lease agreements would save £0.115m, giving a net increase of £1.126m, which would be phased in over the next three financial years as leases fall due for renewal.

Link has requested a 10% uplift on the management fee paid to them, effective from the 31 March 2018 break point. This would increase the fee from £49.55 to £54.50 per property per week. Link has advised that this uplift is required for the contract to remain financially viable. The additional cost of the £4.95 uplift is £0.365m per annum.

Including the uplift in the management fee, total additional costs are estimated at £1.491m.

Officers from Temporary Accommodation services, Procurement, and Finance, in discussions with Link, are satisfied that the proposals are reasonable, and reported back to the Corporate Leadership Team (CLT) on 22 November 2017, on the outcome of the negotiations. CLT agreed that the proposal will now form part of the budget setting process in February 2018.

Extension of Temporary Accommodation Private Sector Leasing contract and increase to costs

1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee:
 - 1.1.1 Refer the report to City of Edinburgh Council for approval as the contract extension and additional costs are subject to Council approval as part of the budget setting process on 22 February 2018, and subject to approval by the Board of Link Group;
 - 1.1.2 notes a proposed increase in lease payments to landlords for one and two bedroom properties up to a maximum of 110% of the applicable LHA rate, at an estimated annual cost of £1.241m;
 - 1.1.3 notes the proposed removal of automatic inflation-based annual rent increases from new lease agreements, with an estimated saving of £0.115m; and
 - 1.1.4 notes a proposed 10% uplift in the management fee at the contract break point, at an additional cost of £0.365m.

2. Background

- 2.1 The Homelessness and Housing Support Service discharges the Council's statutory duty towards people who are homeless. This includes the provision of temporary accommodation for anyone who is homeless and requires it, until a permanent or settled offer of housing can be made.
- 2.2 On 1 April 2015, the Council entered a contract with Link Group to manage the Council's Private Sector Leasing (PSL) scheme. Link was the previous managing agent and offered the best tender during a procurement process, both in terms of quality and value for money.
- 2.3 The contract with Link Group ends on 31 March 2018, and in accordance with the existing terms, it can be extended for a period of two years.
- 2.4 There is a significant risk to the Council that unless improved lease payments are made to landlords to stabilise property stock, and the management fee is increased to cover increasing operational costs, Link will not agree to extend the contract beyond 31 March 2018, as it would not be financially viable for them to do so.

- 2.5 Currently the contract with Link places all financial risk for rent recovery, arrears, repairs, landlord hand-back costs and other associated costs on Link. The Council receives all housing benefit payments for PSL properties and pays Link's management fee and landlord lease payments monthly.

3. Main report

- 3.1 There are currently 1,420 properties in the PSL scheme, down from a peak of 1,698 in early 2015. The number of landlords withdrawing from the scheme is increasing because higher returns can be achieved on the open market.
- 3.2 For housing benefit purposes, the maximum eligible rent for PSL properties is 90% of the applicable Local Housing Allowance (LHA). This is currently the maximum amount charged by CEC to the tenant's rent account and the maximum amount that is paid to the landlord (subject to annual Consumer Price Index uplifts during the lease term).
- 3.3 The LHA rate has failed to keep track with market rents and has been frozen for several years, except for a 3% increase to the rate for one-bedroom properties applied in 2017/18.
- 3.4 Link predict that more landlords will choose to leave the scheme to achieve a higher return on the open market, unless a Council subsidy is introduced.
- 3.5 There is an acute shortage of affordable housing in Edinburgh and the mainstream private sector is unaffordable for most people who access Homelessness Services.
- 3.6 In the longer term, if numbers of properties cannot be stabilised, the PSL scheme is likely to fail. There are no viable alternatives to the PSL scheme as the Council could not accommodate 1,420 households in public sector properties and alternative private sector lets or other types of accommodation would be more expensive. Bed and Breakfast accommodation would be unsuitable and would cost an additional £17m per year, net of housing benefit.
- 3.7 The current average costs of PSL properties have been compared to market rents for normal private let properties per independent reports produced by Citylets, and there is a considerable price difference.
- 3.8 The benefits of PSL are that the landlord has a guaranteed rental income, does not incur the costs of agency fees, void periods, rent default, repairs in excess of tenant deposit and other landlord requirements, but may incur higher insurance and borrowing costs. The Edinburgh average private sector market rent was therefore reduced by 15% to take account of this, enabling a comparison to be made with PSL rents. The adjusted market rent is substantially greater than PSL currently offers.
- 3.9 Based on this comparison, the proposed increase in rent for one and two bedroom properties is considered reasonable, and necessary to reduce the gap to an acceptable level for landlords.

- 3.10 The tables below show a breakdown of properties by size and lease end periods. The greatest period of risk of falling stock levels is during 2018 and 2019 when 1,274 leases will fall due for renewal.

PSL Stock Profile – total and % of properties by number of bedrooms

No. of bedrooms	Total Properties	% of Total
1	301	21%
2	837	59%
3	253	18%
4	29	2%
	1,420	

Lease Expiry

836 leases fall due for renewal during 2018/19 and a further 296 during 2019/20.

Year	Total
2017	34
2018	786
2019	488
2020	42
2021	35
2022	13
2026	18
2027	4
	1,420

- 3.11 Rental income from the scheme covers the current cost of landlord lease payments. The Council will require to fund the difference between the 90% rate eligible under housing benefit regulations and the proposed 110% maximum lease payment for one and two bedroom properties. The shortfall in supply affects three and four bedroom properties to a much lesser extent and the average rental payments are

currently well below 90% of LHA (78% and 59% respectively). However, in some circumstances, it may be necessary to offer a landlord slightly more than 90% to secure a property.

- 3.12 The management fee/service charge was previously eligible for housing benefit. Welfare Reform changes introduced in 2010, when Link was initially awarded the contract, limited the management fee that could be charged to £60 per property per week.
- 3.13 With effect from 1 April 2017, management fees applicable to temporary accommodation were removed from eligible rent for the purposes of housing benefit claims for non-Council-owned accommodation, creating a projected pressure of £4.8m. The greatest impact of this has been in PSL (£4.5m). This loss of income is partially mitigated by £2.1m of additional government funding, leaving a net pressure of £2.7m.
- 3.14 The £60 management fee is currently split £49.55 to Link and £10.45 to the Council to cover operating costs, with full year fees of £4.5m split £3.7m to Link and £0.8m to the Council.
- 3.15 Link has advised that for the contract to remain financially viable, and to enable Link to enter into a contract extension, a 10% uplift in their fee is required, which would increase it to £54.50 per property per week. This is to pay for increased rent loss and court actions as a result of Welfare Reforms, additional marketing required to increase stock, and increases in staff salaries and pension costs.
- 3.16 On 2 October 2017, the Scottish Government amended the terms of the Unsuitable Accommodation Order 2004, placing a duty on councils to keep pregnant women and families with school age children in bed and breakfast accommodation for no more than 7 days (reduced from 14 days).
- 3.17 Welfare Reform announcements affecting supported housing and the wider social housing sector continue to be monitored.

4. Measures of success

- 4.1 Stabilise or increase the stock of PSL properties.
- 4.2 Making changes to new landlord leases by removing the automatic annual uplift to lease payments linked to CPI and replacing this with a capped increase of 1% to be offered to landlords only by exception, will limit the Council's exposure to cost increases in 2018/19 and 2019/20 until a new contract can be procured.

5. Financial impact

- 5.1 The 2017/18 gross projected costs of the PSL scheme are £13.5m, comprising £9.5m of lease payments, £3.7m of management charges and £0.3m of storage/removal costs. Link's management charges of £3.7m include £2.1m of void

costs and tenant liability, £0.13m of hand-back costs (repairs) and pays for 54 employees who operate and manage the PSL scheme.

- 5.2 Rental costs of up to 90% of LHA are currently eligible for housing benefit. Introducing a subsidy for one and two bedroom properties of up to 20% above this amount would cost an estimated £1.241m per annum.
- 5.3 Removing the automatic annual CPI uplift to lease payments from the new lease agreements would reduce costs by £0.115m.
- 5.4 The proposed 10% increase to Link's management fee will cost an estimated £0.365m.
- 5.5 The net additional cost of the proposals is estimated at £1.491m, which would be phased in over the next three financial years as leases fall due for renewal:
 - 2018/19 £0.872m
 - 2019/20 £0.506m
 - 2020/21 £0.113m
- 5.6 This cost increase will create a further budget pressure for Safer and Stronger Communities in 2018/19, in addition to the £3.5m reported in the revenue budget framework considered by Finance and Resources Committee on 27 October 2017. Subject to approval, sustainable means of addressing these costs will therefore need to be identified as part of setting the Council's budget framework on 22 February 2018.

6. Risk, policy, compliance and governance impact

- 6.1 There is a risk that the scheme will fail if the number of properties cannot be stabilised.
- 6.2 This would result in the Council being unable to fully discharge its statutory duties towards people who are homeless.
- 6.3 If Link do not extend the contract, the scheme will need to be brought in house with TUPE applying to 50 plus staff who will be entitled to employment with the Council.
- 6.4 There is a risk the Council will not have sufficient office accommodation or the appropriate IT systems to properly manage the scheme in house.

7. Equalities impact

- 7.1 There are no negative equality or human rights impacts arising from this report.

8. Sustainability impact

- 8.1 There are no impacts on carbon, adaptation to climate change or sustainable development arising from this report.

9. Consultation and engagement

- 9.1 Consultation was undertaken during the initial procurement exercise for the award of the contract in 2015.
- 9.2 Consultation with Link Housing and colleagues in Temporary Accommodation, Partnership and Planning, Finance and Procurement has taken place.

10. Background reading/external references

- 10.1 None.

Harry Robertson

Acting Head of Service, Safer and Stronger Communities

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11. Appendices

None.

The City of Edinburgh Council

10.00am, Thursday 22 February 2018

2018-19 Budget Proposals: overview of citizen engagement process and feedback - referral from the Finance and Resources Committee

Item number	5.1(d)
Report number	
Wards	All
Council Commitments	

Executive summary

On 8 February 2018 the Finance and Resources Committee considered a report that outlined the structure of the budget engagement campaign and highlighted the key actions taken to ensure citizens and other stakeholders were meaningfully engaged. The report has been referred to the City of Edinburgh Council for consideration as part of setting the 2018/19 revenue budget framework.

Terms of Referral

2018-19 Budget Proposals: overview of citizen engagement process and feedback - referral from the Finance and Resources Committee

Terms of referral

- 1.1 In the context of the £21m savings that the Council needed to make in 2018/19, the Council continued to engage citizens and organisations in an open conversation about shared priorities and important themes for implementing the budget proposals, service charges and policy areas.
- 1.2 Continuing with the qualitative approach carried out in recent years, the purpose of this year's budget engagement process was to identify and understand the potential impacts of the proposals, areas of concern, solutions and opportunities. The engagement therefore asked participants to consider the impacts of the budget proposals and submit their comments.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note the report.
 - 1.3.2 To refer the report to the City of Edinburgh Council for consideration as part of setting the 2018/19 revenue budget framework.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to consider the report as part of setting the 2018/19 revenue budget framework.

Background reading / external references

Additional Finance and Resources Committee 8 February 2018.

Laurence Rockey

Head of Strategy and Insight

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Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

2pm, Thursday, 8 February 2018

2018-19 Budget Proposals: overview of citizen engagement process and feedback

Item number

Report number

Executive/routine

Wards

Council Commitments All

Executive Summary

This report outlines the structure of the budget engagement campaign and highlights the key actions taken to ensure citizens and other stakeholders were meaningfully engaged. The report summarises the overall level of response and emerging themes from feedback to the Council's budget engagement process.

2018-19 Budget Proposals: overview of citizen engagement process and feedback

1. Recommendations

- 1.1 To note the contents of this report.
- 1.2 To refer this report to Council as part of setting the 2018/19 revenue budget framework.

2. Background

- 2.1 In the context of the £21m savings that the Council needs to make in 2018/19, the Council continues to engage citizens and organisations in an open conversation about shared priorities and important themes for implementing the budget proposals, service changes and policy areas.
- 2.2 Continuing with the qualitative approach carried out in recent years, the purpose of this year's budget engagement process was to identify and understand the potential impacts of the proposals, areas of concern, solutions and opportunities. The engagement therefore asked participants to consider the impacts of the budget proposals and submit their comments.
- 2.3 The objectives were:
 - 2.3.1 to keep people engaged about the Council's budget position and the shape of service changes;
 - 2.3.2 to encourage and enable all sections of the population and the Council's partners to have their say, using digital and non-digital engagement methods, for wide accessibility; and
 - 2.3.3 to facilitate meaningful conversations with people in a positive and collaborative way, in order to develop solutions with them based on their needs and ideas.
- 2.4 In recent years the Council has taken a progressive approach to including citizens in decision-making processes around its budget, and being the first in Scotland to use a number of online tools. This has meant a significant increase in the number of participants and an improvement in the relevance of feedback in relation to the budget decisions the Council faces. Increasingly the Council has also brought partners into the budget engagement process to further broaden its reach.

- 2.5 The engagement campaign has previously been titled 'Edinburgh's Budget Challenge' and recently 'Play your Part', and each year has been framed based on the Council's financial challenges, policy areas and budget proposals.
- 2.6 In 2014, citizens were asked to prioritise spending across all services: participants highlighted a strong preference to protect spending on vulnerable people (both adults and children); direct delivery of education (nursery, primary, secondary schools); and culture.
- 2.7 In 2015, citizens were given a range of policy decisions on which to have their say. Of particular relevance to budget setting was the attitude towards how the Council raises money to pay for services. There was support for both increasing Council Tax and increasing charges for services, however this opinion was not uniform across the city or across age groups.
- 2.8 In 2016, the focus of citizen engagement moved to service re-design and transformation including libraries (opening hours and the use of volunteer support), channel shift (how the user online experience can be improved); sport and leisure (how activities can be run by individuals and communities). Participants were also asked what should be prioritised for investment in their local area. This feedback helped form the Locality Improvement Plans.

3. Main report

- 3.1 The engagement took place over 6 weeks, starting on 8 November and closing on 19 December.
- 3.2 Responses to the budget engagement could be submitted by online survey on the Council's consultation hub, email, telephone, in writing, by paper form and face-to-face during events.
- 3.3 A Question Time event was hosted again for the third year at the City Chambers. The public was invited to attend and submit questions to the panel of elected members. The event was streamed live online so that people could watch the discussion and also participate by submit comments and questions in real time.

Communications activity

- 3.4 The budget engagement was supported by a multimedia communications approach that included:
 - 3.4.1 Posters and leaflets - printing of posters and leaflets which were widely distributed to Council and non-Council locations;
 - 3.4.2 An e-flier - used in previous years as a simple way for stakeholders to disseminate information, this was directly sent to more than 1,000 contacts;
 - 3.4.3 Social media - campaign messages were shared and discussed on major social media platforms including Facebook, Twitter and LinkedIn;
 - 3.4.4 Lamp post wraps - placed in more than 50 locations across the city;

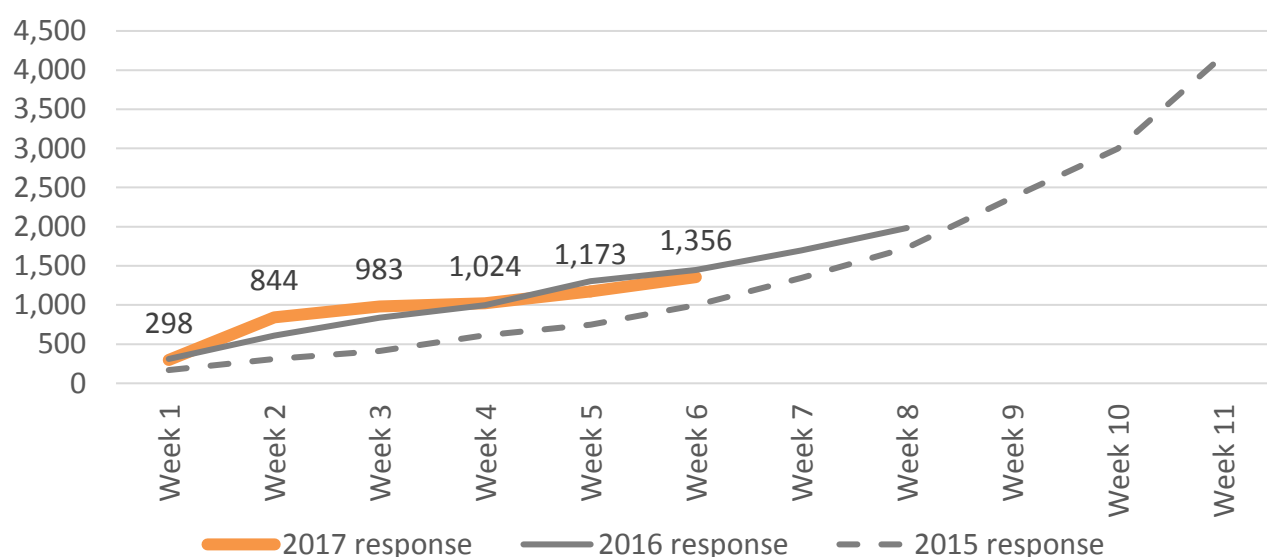
3.4.5 Internal communications - emails to Council employees from the Chief Executive and Council Leader through their scheduled messages, Managers News, Newsbeat and plasma screens in offices and libraries; and

3.4.6 Budget engagement video was produced and distributed to partners and stakeholders.

3.5 By the close of the engagement period the communications activity had generated 2,473 unique views on the Play Your Part webpage.

Response numbers

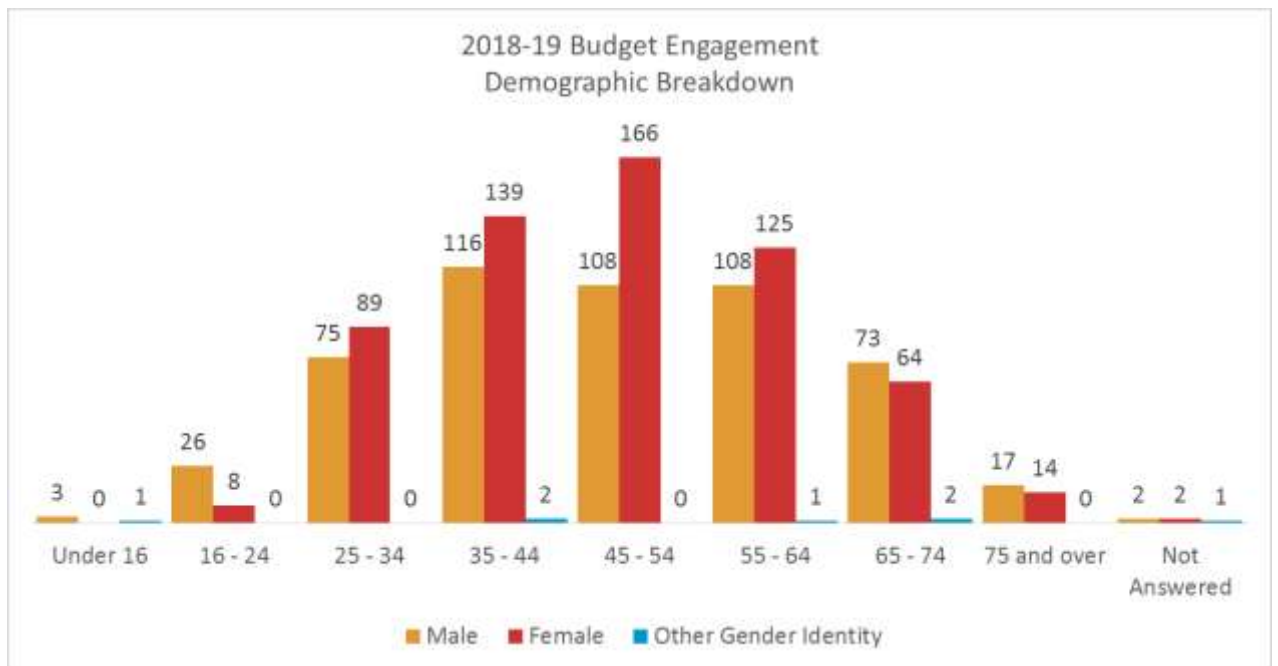
3.6 A total of 1,356 responses to the budget engagement have been received by all methods. While this was fewer responses than in 2015 and 2016 as shown in the graph below, the response was slightly above that generated over six weeks in 2015, and roughly tracked the response generated in 2016.



3.7 This total response to the budget includes the following elements:

- 1,063 comments received through the online survey, budget leaflet, and by email and telephone;
- 237 comments received through social media, including 215 Facebook comments and 22 direct replies on Twitter; and
- 56 questions asked as part of the Question Time event at the City Chambers. These questions were either answered on the night or responded to afterwards. 45 people attended this event and 77 watched it live.

3.8 The total response by age and gender is illustrated in the graph below.



Feedback on 2018-19 Budget Proposals

- 3.8 The full text of all comments received has been made available to elected members. Major themes of this feedback have been identified, especially where these were in relation to a specific budget proposal.
- 3.9 The largest number of responses were received in regard to the proposals affecting **Edinburgh Leisure** (378 total comments, 7 clearly supportive, 319 clearly opposed) with the balance being strongly negative. A direct mailout by Edinburgh Leisure was effective in delivering hundreds of additional submissions which fell into two broad categories – those who were concerned about the future of one specific facility or activity (no overall majority or consensus), and those who felt leisure facilities were an important tool to address a range of public health concerns.

Feedback also highlighted the competitive marketplace in some areas of the city, stating that Edinburgh Leisure prices were already high in relation to many private gyms.

The reduction in total Edinburgh Leisure funding was the main concern of respondents. Though charging for the maintenance of pitches was not a concern raised by most respondents, it was recognised as double hit for the service.

- 3.10 Proposals to charge for **garden waste collection** (159 total comments, 20 clearly supportive, 100 clearly opposed) caused uncertainty. While a minority felt the charge was unfair and being levied against households that already pay higher Council Tax, in general respondents did not feel charging was workable in Edinburgh. This response was based on a lack of clarity about how the charge would be implemented and enforced.

Respondents did not understand how a charge would be applied for a single bin in a communal stair, or how the Council would prevent households who hadn't paid from using a range of other options – such as burning, public litter bins, neighbours' bins or residual waste bins. Some residents felt that they would stop maintaining shared green areas if they were being penalised for doing so.

There was recognition that – as garden waste collection is not a statutory service – the Council was right to look at alternative funding and delivery approaches.

3.11 Respondents have, throughout several years of budget engagement processes, been in favour of increasing and re-banding **Council Tax** (65 total comments, 38 stating there should be an increase, 6 stating there should be a decrease). Edinburgh was regarded as a relatively wealthy city, which should not encounter difficulties paying for essential services that Edinburgh residents need.

3.12 Those responding about **Parking** (88 total comments) presented a range of different views. There was negative perception that the Council was again using parking charges as a revenue source rather than as part of an overall strategy.

Respondents claimed that parking charges do not reduce congestion, that the Council does little to discourage out-of-town residents from parking in residential streets in some areas of the city (which did impact on congestion), and that resident parking charges were expensive, especially as there was no assurance of getting a parking space.

Increasing parking charges was seen as positive in an active travel context, where the long-term goal was to transfer people to sustainable transport modes. There were also calls to reconsider congestion charging.

3.13 **Advertising on Council assets** (34 total comments, 4 clearly supportive, 27 clearly opposed) attracted little interest from respondents, but was an emotive issue for some. The main concern of respondents was the impact on the appearance of the city and where such advertising would be located. While the Council may have envisaged this as advertising on roundabouts and bridges, it appears some respondents may have thought of this proposal as including illuminated billboards on the City Chambers. The former would likely be of little concern, while the latter would be unacceptable to some.

Of secondary concern was the impact of advertising revenue on the Council's decision-making. Respondents believed that the Council could be compromised if it were receiving advertising revenue from businesses also seeking Council contracts.

3.14 The proposal to change **Waste Services working patterns** (37 total comments, 6 clearly supportive, 19 clearly opposed) was received negatively due to perception of the current performance of the service. Respondents felt that, as the service did not function well with the current working hours, staff should not be placed on alternative hours seen as rewarding them and reducing the service to the public. Respondents were also sceptical about the choice of working days put forward, with alternatives being suggested.

- 3.15 The removal of the **Night Team** (24 total comments) was questioned by all those who mentioned this proposal. It was unclear to respondents whether Police Scotland had been consulted and what their views were, and whether there would be effective cover for issues currently dealt with by the Night Team. Respondents believed that because of the broader remit of the police, the Night Team delivered better results. And, in general, the importance of night-time economy to Edinburgh was stressed, with some feeling this reduction could be a false economy.
- 3.16 Many of the comment received in relation to **Health and Social Care** (100 total comments) did not explicitly relate to budget proposals. Respondents stressed the importance of the protection and care of vulnerable people, stating this was a core responsibility of the Council. Additionally, there was a clear misunderstanding amongst some respondents between work being performed “by the third sector” and work being performed “by volunteers”. It was felt that volunteers would not be a suitable replacement for Council staff in a care role. In future communications, it may be useful to adopt a term for third-sector partners and their staff which makes it clear to customers that they are paid to perform their services.
- 3.17 **Education** (89 total comments) received few comments that related to the budget proposals, but was often cited as a priority. As with care for the elderly and vulnerable, education was seen as a core responsibility, and was felt to be essential to secure the long-term success of the city.
- 3.18 Respondents used the budget engagement process to talk about **Housing** (62 total comments), with a consensus that there was more need for affordable housing.
- 3.19 Comments received in relation to **active travel** (48 total comments) often urged the Council to push people towards walking or cycling, or to make these easier, as a way of addressing environmental, transport and public health concerns.
- 3.20 There was significant spontaneous support for the introduction of a **Tourist Tax** (suggested 118 times) – around 42% of all suggestions received as part of the budget engagement were about a Tourist Tax, vastly more than any other suggestion. Respondents observed that they had paid similar taxes during their stays in Europe and it was reasonable that visitors to Edinburgh did the same.
- To a lesser extent, calls for a Tourist Tax were about making tourists compensate Edinburgh residents for the inconvenience and disruption they caused. This was also reflected in negative comments about **AirBnB** (19 total comments), urging the Council to restrict or control short-term lets in the city.
- The proportion of residents who believe the Festivals make Edinburgh a worse place to live has increased every year for the past five years – from less than half a percent, to the 6% recorded in the 2017 Edinburgh People Survey.
- 3.21 There were 100 complaints received about the quality of service provided by the Council, many mentioning multiple issues, including: roads and pavements (63); street cleaning (34); and refuse collection (28).

- 3.22 Respondents felt that the Council had brought some of its budget issues on itself with spending on what they termed wasteful programmes or vanity projects. There were 78 comments about the tram, most of which were negative, and a further 34 comments about the extension of 20mph zones. It should be noted that while a majority of residents support 20mph zones, the proportion who support the programme has fallen from 59% in 2016 to 55% in 2017, while those who oppose has risen from 20% to 25% (all figures as measured by the Edinburgh People Survey 2016 and 2017).
- 3.23 Though not part of the 2017 budget engagement process, there were also 38 comments in relation to libraries. These respondents opposed the reduction in opening hours which was approved by Council as part of the previous year's budget but were delayed as a result of one-off Scottish Government funding.

Feedback on the engagement process and future approach

- 3.24 Respondents commented on the budget engagement process (28 total comments) itself, criticising the process for providing no options and felt that the options decisions had already been taken.
- 3.25 Going forward the Council plans to continue to involve citizens, elected members, partner organisations and Council employees in an open and meaningful conversation to shape the strategic direction, financial planning and service redesign. To do this effectively, engagement will be integral to the Council's Change Strategy in helping to shape priorities, understand what matters most to people and to develop innovative solutions with people.
- 3.26 Any approach taken forward will be aligned to the principles of the Community Empowerment Act and the National Standards of Community Engagement with relation to involving communities in decision-making processes and ensuring engagement is inclusive, open and genuine.

4. Measures of success

- 4.1 The success of a budget engagement process is determined by several criteria, including:
- 4.1.1 The number of individuals who are reached by messages about the consultation, raising awareness that the Council is engaging on its budget;
 - 4.1.2 The number of individuals who attend events or otherwise respond to the budget engagement; and
 - 4.1.3 The extent to which individuals and organisations have been able to understand and meaningfully input into the budget process. Unlike other measures of success, this is subjective and takes into account wider feedback on the budget process.
- 4.2 The budget engagement process is reviewed each year, and all of this feedback will be considered when designing any future budget engagement activity.

5. Financial impact

- 5.1 The budget engagement process is met from within existing budgets and resources.
- 5.2 The cost of the communications campaign was £6,300.

6. Risk, policy, compliance and governance impact

- 6.1 There is a general acceptance that a local authority has a responsibility to meaningfully engage with stakeholders on its budget. An open, transparent budget engagement process is a key part of several corporate strategies and local community plans. This process reduces the overall risk of legal action and reputational damage for the Council.

7. Equalities impact

- 7.1 The engagement process has been designed to be inclusive through all communication channels, reaching both individuals and special interest groups, using a range of promotional material.
- 7.2 All proposals from the budget are in the process of being equalities rights impact assessed both individually and cumulatively. The results of these ERIAs will be reported to Full Council as part of the budget process.

8. Sustainability impact

- 8.1 The impacts of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below.
- 8.2 This budget engagement process has no appreciable impact on carbon emissions. Through any engagement process it is hoped that services and their customers will develop more sustainable ways of operating.
- 8.3 The need to build resilience to climate change impacts is not relevant to this report, however specific proposals may have climate change impacts and these will be reported on as part of their individual impact assessments.
- 8.4 The budget engagement process will help achieve a sustainable Edinburgh through ensuring a diverse range of people have a meaningful say on issues that affect the economic wellbeing and environmental stewardship of the city.

9. Consultation and engagement

- 9.1 The budget engagement process is one of the Council's key projects for ensuring citizens, staff and other stakeholders have a voice in priorities for the city and how its budget is spent.
- 9.2 The budget engagement process will be continually reviewed based on participant and stakeholder feedback and good practice. Methods will be established for enabling meaningful dialogue with all stakeholder groups to ensure they are accessible and relevant for obtaining all types of feedback.

10. Background reading/external references

None.

Andrew Kerr

Chief Executive

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11. Appendices

The City of Edinburgh Council

10.00am, Thursday 22 February 2018

Council Revenue Budget Framework (2018-2023) – Impact Assessments - referral from the Finance and Resources Committee

Item number	5.1(e)
Report number	
Wards	All
Council Commitments	

Executive summary

On 8 February 2018 the Finance and Resources Committee considered a report that presented a summary of the main potential equality, rights and environmental impacts of proposals described within the draft Revenue Budget Framework 2018-23, and identified recommendations for mitigating potential negative equality and rights impacts alongside an assessment of cumulative impacts. The report has been referred to the City of Edinburgh Council for approval as part of the budget-setting process.

Terms of Referral

Council Revenue Budget Framework (2018 – 2023) – Impact Assessments - referral from the Finance and Resources Committee

Terms of referral

- 1.1 The Council's Draft Revenue Budget Framework 2018/23 set out a series of savings proposals. The report presented a summary of equality, human rights and, carbon, climate change and sustainable development impacts on these proposals, and of the associated mitigating actions to address negative impacts, all of which should inform the budget decision on 22 February 2018.
- 1.2 The Council continued to impact assess all major changes to policy and services. For context, the 'Equality, Diversity and Rights Framework 2017-2021' committed to develop a new integrated approach to impact assessment. The new approach, called an Integrated Impact Assessment (IIA), in addition to equality, diversity and rights assessments, included an assessment of poverty, health inequality and environmental impacts. Integrating the equality, rights and environmental impacts into the assessment for budget proposals therefore aligned this process.
- 1.3 Due regard of such assessments should be given at Council Committees when major decisions were being made. Continual improvement of the budget proposal process, including impact assessment, was a key feature of the annual review.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To note the potential equality, rights and environmental impacts associated with the revenue budget 2018-23 proposals and the recommendations to mitigate potential negative impacts.
 - 1.4.2 To consider the cumulative equality, rights and environmental impacts across all revenue budget options.
 - 1.4.3 To refer the report for consideration at the Council budget-setting meeting on 22 February 2018.
 - 1.4.4 To note that a summary of the principal findings that emerged from all Integrated Impact Assessments undertaken would be reported to the Committee's next meeting on 27 March 2018.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to consider the report as part of the budget-setting process.

Background reading / external references

Additional Finance and Resources Committee 8 February 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Chief Executive

Finance and Resources Committee

2.00pm Thursday, 8 February 2018

Council Revenue Budget Framework (2018–2023) – Impact Assessments

Item number

Report number

Executive/routine

Wards

Council Commitments:None

Executive Summary

This report presents a summary of the main potential equality, rights and environmental impacts of proposals described within the draft Revenue Budget Framework 2018-23, and identifies recommendations for mitigating potential negative equality and rights impacts alongside an assessment of cumulative impacts.

Council Revenue Budget Framework (2018 – 2023) Impact Assessments

1. Recommendations

- 1.1 It is recommended that the members of the Committee:
- 1.1.1 Pay due regard to the potential equality, rights and environmental impacts associated with the revenue budget 2018-23 proposals, and the recommendations to mitigate potential negative impacts;
 - 1.1.2 Consider the cumulative equality, rights and environmental impacts across all revenue budget options; and
 - 1.1.3 Refer this report for consideration at the Council budget-setting meeting on 22 February 2018.
 - 1.1.4 Note that a summary of the principal findings emerging from all Integrated Impact Assessments undertaken will be reported to the Committee's next meeting on 27 March

2. Background

- 2.1 The Council's Draft Revenue Budget Framework 2018/23 sets out a series of savings proposals. This report presents a summary of equality, human rights, carbon, climate change and sustainable development impacts on these proposals, and of associated mitigating actions to address negative impacts, all of which should inform the budget decision on 22 February 2018.
- 2.2 Impact assessment should start as early as possible in the development of any proposal, policy or service. The depth of assessment should reflect the extent to which the proposal, policy or service has been developed. It should therefore be noted that the summary of findings in this report presents a snapshot at a moment in time and further impact assessment will be required for some of the proposals as they are further developed for implementation.
- 2.3 An initial assessment of the anticipated or potential impact of each individual proposal has been undertaken by relevant lead officers and signed off by relevant Heads of Service. These findings are published in each budget proposal template.

- 2.4 The Council continues to impact assess all major changes in policy and services. For context, the 'Equality, Diversity and Rights Framework 2017-2021', commits to develop a new integrated approach to impact assessment. This new approach, called an Integrated Impact Assessment (IIA), in addition to equality, diversity and rights assessments, includes an assessment of poverty, health inequality and environmental impacts. (Environmental impact is an all-encompassing term referring to carbon emissions, climate change adaptation and sustainable development). Integrating the equality, rights and environmental impacts into the assessment for budget proposals therefore aligns this process.
- 2.5 Due regard of such assessments should be given at Council Committees when major decisions are being made. Continual improvement of the budget proposal process, including impact assessment, is a key feature of the annual review.
- 2.6 As well as meeting the requirements of the Equality Act 2010, human and children's rights conventions, and the Climate Change (Scotland) Act 2009, Integrated Impact Assessments enable the Council to assess the positive and negative impacts on people with protected characteristics in the City. They also enable the development of mitigating actions to counteract negative impacts.

3. Main report

- 3.1 There are 44 budget proposals being considered for approval by Council on 22 February 2018. To comply with statutory obligations due regard must be given to the equality impact and environmental impact assessment of budget proposals. To this end budget proposal templates include a requirement to describe the potential equalities, human rights, carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions.
- 3.2 Many of the budget proposals for 2018-2023 have been considered as having no potential relevant impacts on equality and the environment. All those with identified material potential impacts will require an Integrated Impact Assessment to be completed by the lead officer developing the proposal, throughout the further development and implementation stages of the proposal. A number of these assessments have already been completed and it is anticipated that corresponding recommendations in respect of all relevant approved proposals will be reported to the Finance and Resources Committee on 27 March 2018.
- 3.3 Throughout this process, Finance co-ordinated the development of the budget proposals, with support and advice on equality and environmental impacts provided by the Strategy and Business Planning team where required.
- 3.4 The Council's Strategy and Business Planning team worked with the Insight and Engagement team to co-ordinate stakeholder engagement activities. Organisations, such as EaRN (Equality and Rights Network), working with people with protected characteristics and those with interest or expertise in equalities were encouraged to

participate in these engagement activities. The information gathered from the budget engagement process has been analysed for relevance to the Council's Equality, Diversity and Rights Framework and used as evidence to inform the Integrated Impact Assessment analysis of the budget proposals.

3.5 **Summary of the main potential equalities, rights and environmental impacts, including proposed mitigating actions, highlighted in proposal templates**

- 3.5.1 Fleet Financing Model (proposal 2) – Procurement of newer vehicles (with increased green fuel potential) will have a positive impact on carbon emission reduction.
- 3.5.2 Reviewing grants and contract management (proposal 6) – There are no identified impacts anticipated, although these will be kept under review, working with each service area.
- 3.5.3 Improving occupational health and wellbeing support for staff (proposal 9)– There are potential equality benefits from procuring a more effective occupational health and employee assistance programme by ensuring that the Council is better placed to support the wellbeing of its workforce. These revised arrangements will enable more timely action to support people who become unwell and are unable to attend work, including individuals who may consider themselves to have a disability or long-term condition within the Council's employment. An Integrated Impact Assessment was undertaken as part of this tendering process
- 3.5.4 Reviewing customer service structures (proposal 11) – An equalities impact may need to be undertaken, subject to the actual posts that may be affected by the proposed employee reduction.
- 3.5.5 Automating major processes and transactions for citizens (proposal 12) – An impact assessment, building on earlier work undertaken as part of the Council's Customer Strategy, may need to be undertaken to ensure the potential implications upon the accessibility to Council services by citizens and any employee impact that may arise from these proposals will be considered and appropriate mitigations implemented.
- 3.5.6 Reviewing Early Years services to deliver efficiencies (proposal 13) – While further work will be undertaken, no material impacts of the proposals are anticipated.
- 3.5.7 Reviewing Disabilities Day Services realignment (proposal 14) - While further work will be undertaken, no material impacts of the proposals are anticipated.
- 3.5.8 Edinburgh Leisure (proposal 15) - While the precise impacts will be determined by the specific means of delivering the proposed saving, no material impacts are anticipated at this stage.

- 3.5.9 Home to School Transport (proposal 16) - More efficient route-planning and, where applicable, use of the Council's internal fleet is expected to contribute positively to carbon emission reductions.
- 3.5.10 Reviewing Communications Structures (proposal 20) - A formal equality impact assessment will be undertaken and will ensure that there is no negative impact. Formal consultation processes with the staff concerned and the relevant trade unions, with professional HR support, will also be undertaken.
- 3.5.11 Reviewing Night Team Delivery arrangements (proposal 23) - Residents would still receive a service, the only change would that Police Scotland would be responding to noise calls rather than the Council. An Integrated Impact Assessment has been completed.
- 3.5.12 Transport Policy Enforcement (proposal 24) - Impact seeks improved outcomes for sustainability, congestion and air quality reporting through enforcement leading to behavioural change.
- 3.5.13 Parking Permits and Pay and Display (proposal 29) - The Council charges permits based on emissions and engine size to try to effect a change to contribute to a reduction in emissions and improvement in air quality.
- 3.5.14 Reviewing Strategy and Insight Structures (proposal 32) - A formal equality impact assessment will be undertaken as part of the organisational review and will ensure that there is no negative impact. Formal consultation processes with the staff concerned and the relevant trade unions, with professional HR support, will also be undertaken.
- 3.5.15 Align Economic Development to new Strategy (proposal 33) - The Council's Economic Strategy is currently being reviewed. The strategy will lead to a rationalisation of the Council's approach to economic development. There will be a stronger focus on high impact outcomes particularly those supporting innovation in business development and promoting fairness and equality.
- 3.5.16 Reviewing Business Support and Shared Services (proposal 34) - An impact assessment of the proposals will be undertaken as these are developed.
- 3.5.17 Public Transport Initiatives (proposal 35) - Better alignment of public transport delivery will improve integration, carbon reduction performance and affordable public transport for low to middle income households.
- 3.5.18 Reviewing property and facilities management (proposal 38) - An equalities impact may need to be undertaken, subject to the actual posts that may be affected by the proposed employee reduction.
- 3.5.19 Reducing Interim Management expenditure (proposal 40) - The potential impact of these proposals will be assessed as they are further developed.

3.5.20 Reviewing Human Resources (proposal 42) - An equalities impact may need to be undertaken, subject to the actual posts that may be affected by the proposed employee reduction and there will be full engagement and consultation with trade unions about these proposals as they develop.

3.5.21 Reviewing Finance and Procurement Structures (proposal 43) - An equalities impact may need to be undertaken, subject to the actual posts that may be affected by the proposed employee reduction.

3.5.22 Reviewing Legal and Risk Structures (proposal 44) - An equalities impact may need to be undertaken, subject to the actual posts that may be affected by the proposed reduction.

Cumulative Impacts

3.6 A large number of this year's budget proposals with equalities, rights and environmental impacts are to review Council structures and/or processes. Five of these proposals were considered to have positive environmental impacts – mainly that of carbon emission reductions, while the remaining proposals concluded that neither positive or negative environmental impacts were foreseen.

3.7 However, a significant consideration is the cumulative impacts on people with protected characteristics as a result of revenue budget proposals, and associated changes to services. For example:

3.7.1 Particular demographics of employees may be more negatively affected overall from employee cost reductions across the Council. (e.g. National concerns have been raised regarding part-time/middle-aged female staff being most affected by recession and austerity). Therefore, some further analysis of who is most likely to be affected by staffing reductions is required and, if appropriate, action identified to mitigate impacts. (This issue would be particularly relevant to:

- Proposal 11 (Reviewing Customer Service structures),
- Proposal 32 (Reviewing Strategy and Insight structures)
- and Proposal 34 (Reviewing Business Support and Shared Services)

3.7.2 In carrying out the Cumulative Integrated Impact Assessment it was noted that more information from the Integrated Impact Assessments on the following 10 proposals will be required:

- Proposal 5: Roundabouts and Verge advertising
- Proposal 6: Reviewing grants and contract management
- Proposal 9: Improving occupational health and wellbeing support for staff
- Proposal 12: Automating major processes and transactions for citizens
- Proposal 14: Reviewing Disabilities Day Services realignment
- Proposal 16: Home to School Transport

- Proposal 20: Reviewing Communications structures
 - Proposal 23: Reviewing Night Team delivery arrangements
 - Proposal 15: Edinburgh Leisure (linked with Proposal 27)
 - Proposal 27: Grounds Maintenance – Edinburgh Leisure (linked with Proposal 15)
- 3.8 In reviewing the proposals it was agreed that groups who may experience a cumulative impact from all the budget proposals going ahead are older people, people with disabilities, people experiencing poverty and potentially people for whom English is not their first language. However, disabled people could potentially be impacted more than any other group.
- 3.9 Lead officers have been asked to provide/share the IIAs ahead of the Finance and Resources Committee report on 27 March 2018. The Cumulative Impact Assessment will be reviewed in light of this information. For example, there could be concern about advertising on roundabouts and verges because drivers could be distracted or confused by additional signs. However, implementation of this proposal will include using the experience of other local authorities and undertaking separate safety audits for each location. This currently is not in the proposal template but would become transparent in an IIA.
- 3.10 In carrying out IIAs, lead officers are also obliged to consider mitigating actions to reduce any negative impact from proposals. These are included in 3.5. However, there are also national or strategic factors that could mitigate against some of the impacts.
- 3.11 The revenue budget framework update included elsewhere on today's agenda advises members of the availability of additional funding relative to current framework assumptions. Application of this funding has the potential to offset any potential negative, or accentuate positive, impacts of the proposals outlined within this report.
- 3.12 Lessons learned from this year's budget preparation will be reviewed and should be incorporated at the earliest opportunity into the budget proposal process for next year.

4. Measures of success

- 4.1 Due regard to the equality and rights impacts has been given to each of the savings, and additional income budget proposals.
- 4.2 The potential equality and rights impacts are taken into account when budget decisions are being made, and recommendations for mitigating negative impacts are implemented and reported on.
- 4.3 The potential carbon emissions, climate change adaptation and sustainable development impacts are taken into account when budget decisions are being made.

- 4.4 The potential cumulative (both annual and incremental) impacts are taken into account, and mitigating actions are identified when each year's budget decisions are being made.
- 4.5 Senior managers across all Service Areas take responsibility and ownership for compliance with Council systems put in place to ensure that statutory duties are met.

5. Financial impact

- 5.5 This report identifies the potential risks in relation to equality, rights and the environment. The Council could be the subject of a legal challenge if these risks are not considered and addressed. Other financial risks relate to savings derived from preventative services which may result in increased demand on other crisis intervention services.

6. Risk, policy, compliance and governance impact

- 6.1 The incorporation of equalities and rights, and carbon impact assessments as an integral part of the budget development process reflects both good practice and compliance with relevant legal duties. This activity enables the Council to highlight any unintended consequences of specific proposals on vulnerable service users, climate change and partnership and prevention activity, increasing the effectiveness of the mitigating actions.
- 6.2 The process is also aligned to wider council and Edinburgh Partnership strategies and plans, enabling more effective prioritising of available resources in a way that best supports the needs of vulnerable service users and groups.

7. Equalities impact

- 7.1 Undertaking equality and rights impact assessment is intended to ensure that any negative impacts, including cumulative impacts, for protected characteristic groups set by the Equality Act 2010 are reduced.
- 7.2 It also ensures that the Equality Act 2010 public sector equality duty is met with regard to (i) eliminating unlawful discrimination, victimisation and harassment; (ii) advancing equality of opportunity and (iii) fostering good relations, and that any infringements on human and children's rights are minimised.

8. Sustainability impact

- 8.1 Carbon impacts assessments have enabled consideration of the public body duties under the Climate Change (Scotland) Act 2009. The findings of these assessments

will also help to achieve a sustainable Edinburgh with regard to progressing climate change, social justice and community wellbeing objectives.

9. Consultation and engagement

- 9.1 Lead officers are required to have utilised a range of evidence gathering, including public involvement where appropriate to draw up proposals and consider their impact.
- 9.2 A Council-wide budget engagement process has also taken place. This has included members of EaRN (The Equality and Rights Network). Feedback was then gathered as part of the budget engagement process.
- 9.3 The cumulative impact assessment is based on the information provided in the proposal templates and from the budget engagement feedback.

10. Background reading/external references

- 10.1 [Equality, Diversity and Rights Framework 2017 - 2021](#)
- 10.2 [Public Bodies Climate Change Duties Reporting](#)
- 10.3 [Revenue Budget Framework 2018/23: Mid-Year Review](#), Finance and Resources Committee, 7 November 2017

Andrew Kerr

Chief Executive Officer

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11. Appendices

- 11.1 Appendix 1 - Integrated Impact Assessment on Cumulative Impact

Section 4 Integrated Impact Assessment

Summary Report Template

Audit Risk level

(Risk level will be added by Equalities Officer)

Each of the numbered sections below must be completed

Interim report	√	Final report	
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(Tick as appropriate)

1. Title of plan, policy or strategy being assessed

The cumulative impact of the Budget Proposals 2018 – 2023

2. What will change as a result of this proposal?

The Revenue Savings proposals aim to provide efficiencies, savings and allow the Council to continue to meet its statutory responsibilities, thereby maximising the level of investment available for priority services.

3. Briefly describe public involvement in this proposal to date and planned

Lead officers are required to have utilised a range of evidence gathering, including public involvement where appropriate to draw up proposals and consider their impact.

A Council wide budget engagement process has also taken place. This has included members of EaRN (The Equality and Rights Network). Feedback was then gathered as part of the budget engagement process.

The cumulative impact assessment is based on the information provided in the proposal templates and from the budget engagement feedback.

4. Date of IIA 11.01.18

5. Who was present at the IIA? Identify facilitator, Lead Officer, report writer and any partnership representative present and main stakeholder (e.g. NHS, Council)

Name	Job Title	Date of IIA training	Email
Julia Sproul (Facilitator)	Senior Strategy and Planning Officer	2017	Julia.sproul@edinburgh.gov.uk
Jenny Fausset	Lead Strategy and Planning Officer	2017	Jenny.fausset@edinburgh.gov.uk
Fraser Rowson (Lead Officer)	Principal Accountant – Corporate Accounts		Fraser.rowson@edinburgh.gov.uk
Ruth Baxendale	Senior Strategy and Planning Officer	2017	Ruth.baxendale@edinburgh.gov.uk

6. Evidence available at the time of the IIA

Evidence	Available?	Comments: what does the evidence tell you?
Data on populations in need		
Data on service uptake/access		
Data on equality outcomes		
Research/literature evidence		

Evidence	Available?	Comments: what does the evidence tell you?
Public/patient/client experience information		
Evidence of inclusive engagement of service users and involvement findings	Yes – The Budget Engagement process	<p>The funding of Edinburgh Leisure attracted comments. Amongst these were general concerns about the impact on public health as a result of withdrawing funding, and a fair amount of feedback that was specifically from and about older people. They felt that Edinburgh Leisure helped them to maintain active lifestyles.</p> <p>Proposals to charge for garden waste collection have led to some concerns where it seems likely that charging for garden waste collection would result in some reduction in recycling, some increase in landfill, and some contamination of other (non-garden waste) recycling.</p>
Evidence of unmet need		
Good practice guidelines		
Environmental data		
Risk from cumulative impacts	Yes	<p>Information on impacts for each proposal provided by respective Lead Officers have been used to undertake this cumulative impact assessment. This has highlighted the potential for adverse impacts on people with disabilities. Further work will be done by March 2018 to determine the level of cumulative impact across the full range of savings proposals.</p>
Other (please specify)	Professional expertise	<p>Groups that may experience a cumulative impact from all the budget proposals going ahead are older people, people with disabilities, people experiencing poverty and potentially people for whom English is not their</p>

Evidence	Available?	Comments: what does the evidence tell you?
		first language
Additional evidence required	Yes	<p>Integrated Impact Assessments are anticipated for some individual proposals. Namely:</p> <ul style="list-style-type: none"> ▪ Proposal 5: Roundabouts and Verge advertising ▪ Proposal 6: Reviewing grants and contract management ▪ Proposal 9: Improving occupational health and wellbeing support for staff ▪ Proposal 12: Automating major processes and transactions for citizens ▪ Proposal 14: Reviewing Disabilities Day Services realignment ▪ Proposal 16: Home to School Transport ▪ Proposal 20: Reviewing Communications structures ▪ Proposal 23: Reviewing Night Team delivery arrangements ▪ Proposal 15: Edinburgh Leisure (linked with Proposal 27) ▪ Proposal 27: Grounds Maintenance – Edinburgh Leisure (linked with Proposal 15) <p>This additional information will be used in the assessment of the cumulative impact of the proposals, noted above.</p>

7. In summary, what impacts were identified and which groups will they affect?

<p>Equality, Health and Wellbeing and Human Rights</p> <p>Positive</p> <p>Negative</p> <p>There could potentially be an impact from automating transactions, changing home school transport and disability day services, reviewing grants and contract management and Edinburgh Leisure proposals.</p> <p>Further work will be done to assess the impact by the leads for the relevant service areas, who will also identify any mitigating actions.</p>	<p>Affected populations</p> <p>Older People, People with disabilities, people experiencing poverty, people whose first language is not English.</p>
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<p>Environment and Sustainability</p> <p>Positive</p> <p>In general there is a positive or neutral impact on environmental and sustainability. This is primarily with respect to carbon emission reduction, improvement to air quality and promoting sustainable forms of transport.</p> <p>Negative</p>	<p>Affected populations</p>
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<p>Economic</p> <p>Positive</p>	<p>Affected populations</p>
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Negative	
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8. Is any part of this policy/ service to be carried out wholly or partly by contractors and how will equality, human rights including children’s rights , environmental and sustainability issues be addressed?

Some proposals will involve third parties e.g. Edinburgh Leisure. Third parties will be expected to carry out Integrated Impact Assessments where required.

9. Consider how you will communicate information about this policy/ service change to children and young people and those affected by hearing loss, speech impairment, low level literacy or numeracy, learning difficulties or English as a second language? Please provide a summary of the communications plan.

The Insight and Engagement team with the Communications team will be responsible for communicating the result of budget proposal decisions by elected members

10. Is the policy a qualifying Policy, Programme or Strategy as defined by The Environmental Impact Assessment (Scotland) Act 2005? (see Section 4)

No

11. Additional Information and Evidence Required

If further evidence is required, please note how it will be gathered. If appropriate, mark this report as interim and submit updated final report once further evidence has been gathered.

Lead officers have been asked to provide Integrated Impact Assessments for the following proposals:

- Proposal 5: Roundabouts and Verge advertising

- Proposal 6: Reviewing grants and contract management
- Proposal 9: Improving occupational health and wellbeing support for staff
- Proposal 12: Automating major processes and transactions for citizens
- Proposal 14: Reviewing Disabilities Day Services realignment
- Proposal 16: Home to School Transport
- Proposal 20: Reviewing Communications structures
- Proposal 23: Reviewing Night Team delivery arrangements

- Proposal 15: Edinburgh Leisure (linked with Proposal 27)
- Proposal 27: Grounds Maintenance – Edinburgh Leisure (linked with Proposal 15)

Strategy and Insight will use the full set of IIAs along with the identified mitigation actions, to determine the level of cumulative impact across the full range of savings proposals, as noted above.

12. Recommendations (these should be drawn from 6 – 11 above)

- Lead officers will be made aware of proposals where an Integrated Impact Assessment is anticipated.
- Lead officers responsible for developing the budget proposals should share the relevant respective integrated impact assessments to date and continue to refine them as the proposal develops through the planning and implementation process.
- When refining Integrated Impact Assessments particular consideration should be given to mitigating actions to reduce any negative impact on elderly people, disabled people, people experiencing poverty and people whose first language is not English.

13. Specific to this IIA only, what actions have been, or will be, undertaken and by when? Please complete:

Specific actions (as a result of the IIA which may include financial implications, mitigating actions and risks of cumulative impacts)	Who will take them forward (name and contact details)	Deadline for progressing	Review date
Ensure economic impact is recorded in budget proposal templates in future	Principal Accountant, Corporate	October 2018	February 2019

Specific actions (as a result of the IIA which may include financial implications, mitigating actions and risks of cumulative impacts)	Who will take them forward (name and contact details)	Deadline for progressing	Review date
	Accounts		
Integrated Impact Assessments for budget proposals are published and reviewed as appropriate as the proposals develop	Lead Officers	March 2018	October 2019
Co-ordination of Lead Officers to complete Integrated Impact Assessments	Principal Account, Corporate Accounts	March 2018	October 2019
Consider mitigating actions to reduce any negative impact on elderly people, disabled people, people experiencing poverty and people whose first language is not English.	Lead Officers developing respective proposals	October 2018	February 2019

14. How will you monitor how this policy, plan or strategy affects different groups, including people with protected characteristics?

Principal Accountant, Corporate Accounts, Resources will have oversight of the budget proposals and respective impact assessments. Strategy and Insight team will be called upon for advice and support where appropriate.

15. Sign off by Head of Service

Name Laurence Rockey

Date 1 February 2018

The City of Edinburgh Council

10.00am, Thursday 22 February 2018

Council's Budget 2018/23 – Risks and Reserves - referral from the Finance and Resources Committee

Item number	5.1(f)
Report number	
Wards	All
Council Commitments	

Executive summary

On 8 February 2018 the Finance and Resources Committee considered a report that advised of the risks inherent in the revenue and capital budget framework and the range of measures and provisions established to mitigate these. The report has been referred to the City of Edinburgh Council for approval as part of the budget-setting process.

Terms of Referral

Council's Budget 2018/23 – Risks and Reserves - referral from the Finance and Resources Committee

Terms of referral

- 1.1 Unallocated reserves were held against the risks of unanticipated expenditure and/or reduced income that arose in any particular year. In addition, there were specific earmarked reserves set aside to manage timing differences between the receipt of income and the related expenditure being incurred, in accordance with accounting rules.
- 1.2 The reserves held by the Council were reviewed annually as part of the revenue budget process. The review considered the level of balances, the risks inherent in the budget process and the adequacy of the arrangements in place to manage these known risks.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note the report.
 - 1.3.2 To remit the report to the City of Edinburgh Council for approval as part of the budget-setting process.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to approve the report as part of the budget-setting process.

Background reading / external references

Additional Finance and Resources Committee 8 February 2018.

Laurence Rockey

Head of Strategy and Insight

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Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

2.00pm, Thursday, 8 February 2018

Council's Budget 2018/23 – Risks and Reserves

Item number

Report number

Executive/routine

Wards

Council Commitments:None

Executive Summary

The report advises members of the risks inherent in the revenue and capital budget framework and the range of measures and provisions established to mitigate these.

The report outlines the level of reserves held and the purpose for which they are maintained, including consideration of the adequacy of balances held to mitigate against known risks.

Council's Budget 2018/23 – Risks and Reserves

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 Note the content of this report; and
 - 1.1.2 remit the report to the City of Edinburgh Council for decision on 22 February 2018 as part of the budget-setting process.

2. Background

- 2.1 This report advises members of significant risks identified in the budget process, quantifying them wherever possible, and sets out the range of measures and provisions in place to mitigate these.
- 2.2 Unallocated reserves are held against the risks of unanticipated expenditure and/or reduced income arising in any particular year. In addition, there are specific earmarked reserves set aside to manage timing differences between the receipt of income and the related expenditure being incurred, in accordance with accounting rules.
- 2.3 The reserves held by the Council are reviewed annually as part of the revenue budget process. The review considers the level of balances, the risks inherent in the budget process and the adequacy of arrangements in place to manage these known risks.

3. Main report

Risks

- 3.1 There are always risks inherent in the budget process. What is important, however, is that they are identified and mitigated/managed effectively. Appendix 1 shows a risk matrix, setting out how it is planned the known risks identified in this report will be managed. The list is however not exhaustive, due both to the complexity of the changing environment within which the Council operates and the diversity of its activity.

Funding Settlements

- 3.2 Financial settlements and wider fiscal policy changes, or more specifically their impact on the level of savings required to set a balanced budget, pose a significant risk to the financial stability of the Council. The 2018/19 Local Government Financial Settlement was announced on 14 December 2017 and confirmed a higher level of external funding than had been assumed within the budget framework, primarily reflecting the impact of the Scottish Government's baselining of the additional funding approved as part of the revised Settlement for 2017/18. Further additional funding was also announced for Local Government during consideration of the draft budget by the Scottish Government. A more detailed update on the implications of this provisional level of grant funding is included elsewhere on today's agenda.
- 3.3 The level of funding for future years could vary for a number of reasons, including the use of updated population data and the complexities of the funding distribution formula, as well as wider Scottish Government and UK Government fiscal policy. Current expectations, however, are for future years' local government settlements to be increasingly challenging given the substantial level of savings delivered in recent years, reinforcing the need for significant service change, demand management and service prioritisation beyond 2018/19.

Delivery of approved savings

- 3.4 The budget process makes assumptions on the level of savings that can be delivered for individual proposals and those linked to wider projects and initiatives. There are risks around the ability to deliver both the savings of £9.8m already approved by Council for 2018/19, particularly those linked to the Council's Asset Management Strategy, and the additional proposals brought forward in the revenue budget framework for decision on 22 February 2018 within the timescales stated and on a sustainable basis.
- 3.5 The increased scrutiny introduced during recent years' budget processes at both the proposal development and implementation stages has contributed to a significant increase in the proportion of savings subsequently delivered. There remains a risk, however, that the full level of approved savings may not be delivered, particularly in areas affecting frontline service provision and those proposals rooted in demand management and service transformation such as Health and Social Care.

Demographic changes

- 3.6 Demographic changes continue to have an impact of the overall level of demand for the Council's services and the ability to provide for this within available resources. The budget framework contains significant additional demographic-related investment in 2018/19 and subsequent years, however the level of additional funding provided assumes that both greater use of preventative approaches to service delivery and service prioritisation will be required.

Welfare reform and other legislative changes

- 3.7 The Council's revenue budget framework incorporates provision for anticipated additional expenditure demands, and where relevant, reduced income, of planned welfare reform on its activities. Due to the emerging nature of some of these reforms, however, there is a risk that additional pressures become apparent and require the identification of further savings across other areas of Council activity, particularly following the full roll-out of Universal Credit for new claims from October 2018.

Income

- 3.8 Assumptions are made in the budget process on the level of income that will be generated by services. There are risks associated with these assumptions around (i) demand for chargeable services and (ii) the ability to collect all income due. The Council has a range of measures in place to mitigate these risks, such as service level agreements with external users, application of appropriate debt policies and regular monitoring of income levels as a prompt to remedial action.

Other risks

- 3.9 The long-term revenue implications of the Local Development Plan and other major infrastructure-related projects and facilities are still emerging. While the revenue and capital budget frameworks incorporate some provision in these areas, there is a significant risk that the Council will require to support additional borrowing and/or running costs. The Council will therefore continue to review the adequacy of the level of provision made within the budget framework as funding requirements and their associated timing become clearer.
- 3.10 There is a risk, in particular, that insufficient investment in the Council's buildings infrastructure will prevent delivery of core services. With this in mind, the revenue budget framework update included elsewhere on today's agenda reminds members of the significant backlog and on-going maintenance requirements across the corporate estate and the potential for additional investment to be committed to these areas.
- 3.11 Following some relaxation of public pay policy at both UK and Scottish Government levels, there is a risk that the agreed level of pay award for 2018/19 and subsequent years exceeds the corresponding provision within the budget framework. As with all expenditure and income factors, while these assumptions will be regularly reviewed, this risk reinforces the need for on-going tightening of workforce controls and prioritisation of the Council's activities to ensure that employee costs are maintained within affordable and sustainable levels.

Reserves

- 3.12 Members are aware that the Council holds a number of earmarked reserve balances within the General Fund. At 31 March 2017, the General Fund balance stood at £141.826m, of which £128.801m was earmarked for specific purposes.

The unallocated General Fund balance remained at £13.025m, in line with the medium-term strategy of the Council. There are significant planned applications of earmarked reserves during 2017/18, in the region of £28m, consistent with the assessment of the risks and commitments underpinning the Council's wider financial strategy, with a projected balance at 31 March 2018 of £101m. Over the longer term, the Council has plans to use further reserves to support a range of targeted service initiatives.

- 3.13 There is no provision within the current budget framework to provide for any increase in the unallocated General Fund, which will remain at £13.025m. As part of the 2016/17 annual audit, the Council's external auditor assessed the level of unallocated reserve as appropriate, in light of the financial risks likely to face the Council in the short to medium term, and the level of earmarked balances held for specific risks.

4. Measures of success

- 4.1 The Council identifies and quantifies, where possible, risks that are inherent in the revenue budget in advance of these materialising and puts mitigating actions in place.
- 4.2 The Council maintains an adequate level of unallocated General Fund reserves.

5. Financial impact

- 5.1 The report identifies where funding has been made available for the risks set out. The Council holds unallocated General Fund reserves against the likelihood of unfunded risks occurring.

6. Risk, policy, compliance and governance impact

- 6.1 The aim of the report is to identify the key risks to the Council and outline actions to manage those risks through planning, mitigating actions and use of reserves, as outlined in the attached appendices.

7. Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an assessment of their potential equalities and rights impacts. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed and are reported elsewhere on today's agenda.

8. Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas and are reported elsewhere on today's agenda.

9. Consultation and engagement

- 9.1 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of regular consultation and engagement, as reported elsewhere on today's agenda.

10. Background reading/external references

- 10.1 [Revenue and Capital Budget Framework 2018/23 - progress update](#), Finance and Resources Committee, 5 September 2017
- 10.2 [City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit](#), Governance, Risk and Best Value Committee, 26 September 2017
- 10.3 [Capital Investment Framework 2018/19 to 2026/27](#), Finance and Resources Committee, 27 October 2017
- 10.4 [Revenue Budget Framework 2018/23 – mid-year review](#), Finance and Resources Committee, 7 November 2017

Stephen S. Moir

Executive Director of Resources

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11. Appendices

Appendix 1 – Risk Matrix

Appendix 2 – Projected Movement in General Fund

Risk Matrix

The table below summarises how the risks identified in the report are managed.

Risk	Provision to Manage
Financial settlements	Provisions made in the Long-Term Financial Plan (LTFP) Regular monitoring of public expenditure projections and recognise potential or actual grant variations in LTFP
Demographic changes leading to rising service demands	Provisions made in LTFP
Legal Claims	The Council provides for a number of known risks and liabilities. Funding could, however, be drawn down from the unallocated General Fund balance to meet unanticipated or additional costs.
Service area-specific risks	Mitigating action undertaken by Directors to identify alternative measures to manage risks, within available resources
Welfare Reform	Provisions made in LTFP Ongoing monitoring of impacts on expenditure and income
Health and Social Care Integration	Ongoing development of Strategic Plan with NHS

Projected Movement in General Fund

Appendix 2

General Fund	Projected Balance at 1.04.18 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.19 £000	
<u>Statutory and / or restricted use</u>				
Balances held by schools under DSM	2,000	0	2,000	Balances set aside for Devolved School Management Scheme. There will always be a balance at March as the DSM scheme is based on an academic year.
Council Tax Discount Fund	26,239	(6,895)	19,344	Monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to supporting the development of affordable housing. It forms part of the Strategic Housing Investment Fund (SHIF), alongside income from the Repair and Renewals fund. The SHIF is fully committed to the delivery of new affordable homes by the Council and housing association partners over the next ten years and investment in services to reduce tenants' living costs.
Licensing Income	3,043	0	3,043	Monies representing licensing income related to cabs, houses in multiple occupation, liquor and landlord registration. Council is not permitted to use these monies on other services.
Unspent revenue grants	1,273	(1,000)	273	Monies set aside at the year end, in accordance with proper accounting practice, where income has been received prior to the relevant expenditure being incurred. Funds will be drawn down in accordance with the grant conditions to match planned expenditure. The majority of funds will be drawn down in year and then new unspent grant funding will be carried forward.

	Projected Balance at 1.04.18 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.19 £000	
General Fund				
<u>Balances set aside to manage financial risk</u>				
Balances set aside for specific investment	11,075	(5,779)	5,296	Funding set aside for specific projects. Including monies for Asset Management Strategy, building repairs, Weather Emergency and statutory notice legacy costs.
Workforce restructuring	22,502	(2,500)	20,002	Monies held to cover costs of workforce management changes including staff severance costs, which may be utilised to support future change programmes.
Council Priorities Fund	3,146	0	3,146	Monies set aside from previous years' underspends which will be utilised to fund emerging Council priorities or expenditure pressures.
Dilapidations Fund	5,243	0	5,243	Monies set aside to meet costs arising from the termination of property leases and other related contractual commitments.
Insurance Fund	14,387	102	14,489	Insurance Funds are held to defray any loss where the Council could have insured against a loss but has not done so, and for paying premiums on an insurance policy. This includes the power to meet excesses on insurance policies and other claims arising from ongoing legal inquiries.
<u>Balances set aside from income received in advance</u>				
Recycling balances	324	(324)	0	Monies received through Zero Waste funding, which are fully committed to manage current pressures in Waste Services.
Lothian Buses	795	(795)	0	Holds dividend income previously received from Lothian Buses which is being drawn down to support the Tram Extension feasibility project.

General Fund	Projected Balance at 1.04.18 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.19 £000	
Pre-paid PPP monies and lifecycle costs	2,493	322	2,815	Monies set aside in recognition of the phasing issues related to grant monies, for lifecycle costs of projects.
Other Minor Funds	179	(15)	164	Minor funds for other specific projects.
<u>Balances set aside for investment in specific projects</u>				
City Strategic Investment Fund	5,377	(2,855)	2,522	Funds set aside to sit alongside private sector finance to create new city development opportunities. Confirmed or approved uses include drawdown for industrial units at Sighthill and monies to support tram feasibility and EDI transition.
Spend to Save Fund	2,849	(192)	2,657	Funds set aside to assist service areas deliver revenue savings in future years through provision of one-off upfront revenue investment.
Unallocated General Fund	13,025	0	13,025	Unallocated funds held against the risk of unanticipated expenditure and / or reduced income arising in any particular year, in line with Council reserves policy.
Total General Fund	113,949	(19,930)	94,019	

The City of Edinburgh Council

10.00am, Thursday 22 February 2018

Housing Revenue Account Budget Strategy 2018 - 2023 - referral from the Finance and Resources Committee

Item number	5.1(g)
Report number	
Wards	All
Council Commitments	

Executive summary

On 8 February 2018 the Finance and Resources Committee considered a report that, following on from consultation with tenants, set out the Housing Revenue Account (HRA) budget for 2018/19. The report has been referred to the City of Edinburgh Council for approval of the 2018/19 budget, draft five-year capital investment programme, and the rent levels for 2018/19.

Terms of Referral

Housing Revenue Account Budget Strategy 2018 – 2023 - referral from the Finance and Resources Committee

Terms of referral

- 1.1 The Housing Revenue Account (HRA) sets out the income and expenditure for the Council's Housing Service. The Housing Service provided affordable homes and other services to around 19,000 tenants and 500 homeowners in the city. It was the sixth largest landlord in Scotland.
- 1.2 Long-term investment priorities that underpinned the Council's strategy to reduce the cost of living for tenants and to provide good quality, well managed, affordable and low-cost housing for people on low to middle incomes were set out. The priorities were to expand and accelerate the development of affordable and low-cost housing, to continue to modernise existing Council homes and neighbourhoods and to transform front line services to tenants to tackle inequality and reduce their cost of living.
- 1.3 The financial strategy to deliver over £700 million capital investment to support the long-term investment priorities was set out. Each year tenants' views were sought on the budget strategy. There continued to be strong support from tenants for the outlined approach with four out of five tenants indicating support for the plan.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To refer the 2018/19 Housing Revenue Account (HRA) budget, draft five-year capital investment programme, and the rent levels for 2018/19 set out in Appendices 4 to 6 of the report to the Council budget meeting for approval.
 - 1.4.2 To note the progress being made on delivery of Council commitments to tenants, particularly the delivery of new affordable and low-cost homes.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to approve the 2018/19 Housing Revenue Account (HRA) budget, draft five-year capital investment programme and the rent levels for 2018/19 set out in Appendices 4 and 6 of the report.

Background reading / external references

Additional Finance and Resources Committee 8 February 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Thursday, 8 February 2018

Housing Revenue Account Budget Strategy 2018 – 2023

Item number

Report number

Executive/routine

Executive

Wards

All

Council Commitments

[1, 10, 41, and 44](#)

Executive Summary

Following consultation with tenants, this report sets out the Housing Revenue Account (HRA) budget for 2018/19 and recommends that the report is referred to the Council budget meeting for approval on 22 February 2018.

The report sets out the long-term investment priorities underpinning the Council's strategy to reduce the cost of living for tenants and to provide good quality, well managed, affordable and low-cost housing for people on low to middle incomes.

These priorities are:

- expand and accelerate the development of affordable and low-cost housing;
- continue to modernise existing Council homes and neighbourhoods; and
- transformation of front line services to tenants to tackle inequality and reduce their cost of living.

The report sets out the financial strategy to deliver over £700 million capital investment to support these priorities between 2018/19 and 2022/23.

Each year tenants' views are sought on the budget strategy. There continues to be strong support from tenants for the approach outlined in this report with four out of five tenants indicating support for the plan.

Housing Revenue Account Budget Strategy 2018 - 2023

1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee:
- 1.1.1 Agrees to refer the 2018/19 budget, draft five-year capital investment programme, and the rent levels for 2018/19 set out in Appendices 4 and 6 to the Council budget meeting for approval.
 - 1.1.2 Notes the progress being made on delivery of Council commitments to tenants, particularly in the delivery of new affordable and low-cost homes.

2. Background

- 2.1 The Housing Revenue Account (HRA) sets out the income and expenditure for the Council's Housing Service. The Housing Service provides affordable homes and other services to around 19,000 tenants and 500 homeowners in the city. It is the sixth largest landlord in Scotland.
- 2.2 The Housing Service is entirely self-financing and receives no funding from the general Council budget. The views of customers, tenants, owners and prospective tenants form an integral part of the development of the Housing Service strategy and HRA budget.
- 2.3 The HRA budget is approved by Council each year following consultation with tenants. The budget is prepared following reviews of the 30 year HRA business plan, the ten-year investment strategy and the five-year capital investment programme. Officers are advised by a working group of the Tenant Panel and the Rent Matters Working Group. Appendix 1 sets out the annual business plan review and budget development process. Appendix 2 sets out the key assumptions underpinning the business plan.
- 2.4 On [9 February 2017](#), Council approved the 2017/18 Housing Revenue Account revenue budget and five-year capital investment programme. The budget set out plans to build more affordable homes, improve tenants' homes and help tenants reduce their cost of living.
- 2.5 On [24 August 2017](#), Council approved its five-year business plan. The plan sets out an objective to build 20,000 new affordable homes in the city over the next 10 years.

- 2.6 On [7 September 2017](#), Housing and Economy Committee considered a report on the HRA budget strategy and agreed to seek tenants' views on the HRA budget plan for 2018/19.
- 2.7 On [2 November 2017](#) Housing and Economy Committee approved the Strategic Housing Investment Plan (SHIP). The SHIP sets out how the Council and housing associations plan to deliver affordable and low-cost homes over the next five years.

3. **Main report**

Customer Strategy

- 3.1 This report sets out how the strategy underpinning the HRA Budget and the Council's Housing Service reflect customer priorities.
- 3.2 While homelessness in the city has declined significantly in the last few years, demand for Council and housing association homes is consistently high with over 160 households bidding for every social rented home available to let and around 1,900 households have registered their interests in the Council's MMR homes at any one time.
- 3.3 Current Council and housing association tenants face significant hardship and are particularly affected by low paid and insecure employment, disrupted benefits and rising living costs. Consultation feedback from tenants shows significant concerns about their ability to pay for food, energy, bills and clothing.
- 3.4 Over half of tenants have identified health needs, with many having secured a home after lengthy, and sometimes recurring periods, of homelessness and disruption in their lives.
- 3.5 The revised HRA Business Plan sets out three priorities to respond to these challenges:
- 3.5.1 expand and accelerate the development of affordable and low-cost housing;
 - 3.5.2 continue to modernise existing Council homes and neighbourhoods; and
 - 3.5.3 transform front line services to tenants to tackle inequality and reduce their cost of living.

New Homes

- 3.6 There are currently over 2,000 Council and housing association homes under construction on 32 sites across the city. The Council's house building programme continues to expand, with around 1,600 homes completed or under construction this year. A further 3,000 homes are in design development stage. Appendix 3 sets out the sites currently under construction.

- 3.7 The business plan sets out a ten-year investment strategy to deliver of up to 10,000 new affordable and low-cost homes. Discussions are ongoing with housing association partners to match the Council's expanded housebuilding programme bringing the total ten-year programme to 20,000 homes.
- 3.8 All new build homes are built to an accessible standard but in recognition of the pressures facing health and social care services, the Council and partner housing associations have committed to working in partnership with NHS Lothian through the Integrated Joint Board for Health and Social Care to deliver 3,000 affordable and low-cost homes specifically for older people and people with complex health needs.
- 3.9 The retention of public sector land and acquisition of other sites, to meet public policy objectives, including affordable housing, is a key element of the strategy. Discussions are ongoing with public sector partners and through the Edinburgh Partnership to explore a more strategic approach to the use of publicly owned land in the city.

Better homes and neighbourhoods

- 3.10 Over the last five years almost half of all Council homes have benefited from the installation of new heating systems, insulation or other energy efficiency measures. In addition, over 8,000 tenants have had their heating systems modernised over the last five years. The business plan assumes that a further 6,500 tenants will benefit from new modern, efficient heating systems in the next five years.
- 3.11 By 2020 all homes will have benefited from internal modernisation programmes. The commitment to replace all kitchens and bathrooms over 20 years old by 2020 is on track to be delivered in 2019, a year ahead of schedule.
- 3.12 Around 4,500 Council homes have been adapted over the past five years to enable older people and people with disabilities to remain at home. The HRA adaptations budget is set each year based on trends from previous years, but is flexible to respond to demand.
- 3.13 The creation of mixed tenure neighbourhoods in the 1980s and 1990s, arising from the right to buy and a lack of adequate property management arrangements when properties were sold, has led to the visible deterioration of some buildings and estates.
- 3.14 Considering the scale of the housebuilding programme, there is a risk that investment in existing property and neighbourhoods is neglected. If not addressed this could lead to areas where new good quality homes are located alongside poorer quality homes and over time this could result in a requirement for further demolition. A key objective of the strategy is to ensure that all existing Council homes and estates are of the same standard and quality as new homes.

- 3.15 To address this risk the business plan assumes investment of around £20,000 per home over the next 15 years to ensure all existing homes are modernised and necessary improvements are made to the external fabric of buildings and estates. In the consultation tenants expressed support for this approach identifying maintenance, safety and security of common areas and investment in new facilities for young people as examples of the type of improvement they desire.

Service improvement and transformation

- 3.16 Recognising the financial hardship facing its customers the Housing Service has started a process of changing the way it works with tenants and the communities in which they live. These changes currently include:
- 3.16.1 **Patch based working:** Replacement of specialist teams with patch teams with generic housing officers working with an average of 200 tenants each;
 - 3.16.2 **Integrated locality teams:** Co-location of property and housing management teams in localities;
 - 3.16.3 **Good neighbour campaigns:** Establish an annual campaign to recognise and reward tenants and residents who support their neighbours and look after their communities;
 - 3.16.4 **Low cost energy:** Partner with Our Power, a not-for-profit member owned energy company to provide low cost energy;
 - 3.16.5 **Energy advisers:** Co-location of tenant energy advisers with locality teams; and
 - 3.16.6 **Employment opportunities for tenants:** Expansion of modern apprenticeships in the Housing Service and targeted support for tenants and their families to find secure and long term employment.
- 3.17 In 2018/19 a further phase of service change will be taken forward. These changes will include:
- 3.17.1 **Tenant discount card:** Expansion of the tenant discount card scheme to include more outlets and promotion to tenants.
 - 3.17.2 **Online repairs reporting:** One of the first major housing providers to introduce online repairs reporting. Phase one of this project operational in 2018.
 - 3.17.3 **Flexible and accessible payment options for rent:** Development of new and more secure methods of rent payment.
 - 3.17.4 **Broadband and digital access pilot for tenants:** Free digital access and digital skills development for tenants.
 - 3.17.5 **Expansion of food growing and community gardens.**

Funding the strategy

- 3.18 The HRA Business Plan sets out planned investment of £709 million over the next five years. This investment is funded from capital receipts, prudential borrowing, capital funded from revenue and Scottish Government subsidy for new social rented homes. Over 10 years, planned investment rises to £1.750 billion in new affordable homes, improvements to existing homes and estates and service improvement. Appendix 4 sets out the draft five and ten-year capital investment programme.
- 3.19 Projections for income and expenditure over the 30 year business plan period are set out in Appendix 5. Maximising investment in current and new homes and delivering new services, means income and expenditure is more closely aligned. This is most visible in years eight to 11. Approximately £9 million is required from the Strategic Housing Investment Fund, built up from the surpluses in years one to seven, to ensure the HRA does not go into deficit in these years.
- 3.20 The business plan assumes that rent arrears will increase as a result of financial pressures on tenants. The plan estimates a loss of £9 million income to mitigate the impact of welfare reform on tenants. A ring-fenced contingency has been established to mitigate the impact of further decreases in income and/or unexpected increases in expenditure. The contingency reserve is set at £3 million in year one rising to 10% of annual income by year 10.
- 3.21 The business plan assumes a 2% annual increase in rents. This increase is below current inflation projections of between 3%-4%. The rent strategy seeks to strike the right balance between keeping rents affordable for tenants, ensuring homes are affordable to manage and building more affordable homes.
- 3.22 Around 80% of tenants receive some help with their rents through Housing Benefit and the housing element of Universal Credit. For most of those not receiving help, the proposed rent increase would mean an average increase of between £1.66 for a one bedroom flat and £2.43 for a four-bedroomed house in 2018/19. Any increase in rent should be offset by a reduction in the cost of living through investment in new services and investment in existing homes, for example, reducing energy costs.
- 3.23 Support is available to tenants who face difficulty paying rent. No tenant will be evicted as long as they engage with the Housing Service and develop realistic plans to manage arrears and late payments of rent.
- 3.24 The 2017 tenants survey reported that 86% of tenants who did not receive help with rent had no difficulty paying their rent. Previous consultation with tenants shows that four out of five tenants support the plan for a 2% rent increase to support the investment plan. Nearly one third of tenants were willing to pay more if improvement plans could be accelerated.
- 3.25 For the third year running the business plan assumes no increase in fees and charges to tenants. These include charges for stair cleaning, furnishing and

heating. Not all of these charges are covered by housing benefit. Freezing these costs has a direct benefit to the majority of tenants.

4. Measures of success

- 4.1 Development of 10,000 new Council-led affordable and low-cost homes over the next ten years, which are energy efficient and economical to heat.
- 4.2 A significant reduction in the cost of living for tenants.
- 4.3 Investment in existing homes and estates.
- 4.4 Tenants continue to receive a good quality and well-valued Housing Service.
- 4.5 Greater visibility of the Housing Service locally for tenants.
- 4.6 Tenants continue to live in good quality, safe, homes in well managed neighbourhoods.

Financial impact

- 5.1 Appendix 6 sets out the Draft Housing Revenue Account Budget for 2018/19.
- 5.2 Projected expenditure on the HRA revenue account for 2018/19 is £99.8 million, including £9.3 million contribution to the Strategic Housing Investment Fund (SHIF). The SHIF is an amalgam of income from the HRA revenue and the Council Tax Discount Fund (CTDF). It is fully earmarked for the delivery of the business plan.
- 5.3 A high-level summary of the HRA's one and five-year budget and the impact on the housing investment fund is set out below.

Housing Revenue Account	1 Year £m (2018/19)	5 Year £m (2018/19 – 2022/23)
Revenue (See Appendix Two)		
Operating Income	£100	£529
Operating Expenditure and Debt Costs	£91	£487
Contribution to the Strategic Housing Investment Fund	£9	£42
Capital (See Appendix Four)		
Investment in homes, external fabric & estates and tenant services	£37	£170
Investment in New Homes	£41	£522
Staff Costs	£3	£17
Prudential borrowing	£16	£210
Other income and capital funded from Strategic Housing Investment Fund	£65	£499
Strategic Housing Investment Fund (Repairs and Renewals and Council Tax Discount Fund)		
Opening Strategic Housing Investment Fund (SHIF) balance	£65	£65
SHIF additions (include income from HRA revenue and CTDF)	£11	£53
SHIF draw downs	£34	£103
SHIF transferred to a ringfenced contingency reserve	£1	£7
Closing SHIF balance	£41	£8

- 5.4 The business plan assumes a significant drop in income during the full roll-out of Universal Credit to all tenants. In addition, a separate contingency reserve has been established to mitigate risks. This contingency reserve is set at £3 million in year one, building up to 10% of annual income by year 10. This is considered prudent given the risks to income collection, expansion of the capital programme and the need to have funds in reserve to deal with unforeseen events.
- 5.5 As a result of prudent treasury management and in year surpluses being used to offset capital borrowing in previous years, net debt levels are expected to increase by only £4.3 million at the end of 2017/18 compared 2012/13 levels, whilst at the same time delivering a £262.5 million capital investment programme during that period.

Risk, policy, compliance and governance impact

- 6.1 The three key strategic risks and mitigations to the delivery of the HRA Business Plan are:
- 6.1.1 **Tenants financial circumstances and welfare reform have an adverse impact on rental income:** The business plan takes account of the potential risks arising from welfare reform including under occupation, shared room rent, the four year Local Housing Allowance freeze, reduction in housing benefit backdating, universal credit and the removal of benefits to under 21 year olds. The business plan assumes a loss of £9 million income and creates a contingency fund of £3 million in year one rising to 10% of annual income (£15 million) in year ten of the business plan period.
- 6.1.2 **Changes in wider economy adversely affect the ability to deliver investment:** The business plan is reviewed annually as part of the budget development process.
- 6.1.3 **Mixed tenure challenges create ongoing obstacles to investment in properties and neighbourhoods:** The business plan assumes increased investment in external fabric of buildings and estates. Policy options for engaging other owners in mixed tenure improvement will be considered in 2018/19.
- 6.2 The Council has a statutory requirement to maintain homes to the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH).
- 6.3 The Council is required to set Council house rents annually. The Council is required to consult tenants on the rent strategy and inform them in advance of any rent increases prior to their implementation.
- 6.4 Housing and Economy Committee considered a report on the HRA budget strategy in September 2017 and approved it as a basis for consultation with

tenants. The draft HRA Budget 2018/19 is submitted to Finance and Resources Committee for consideration prior to submission to full Council.

Equalities impact

- 7.1 Prioritising investment in services and improvements that reduce the cost of living for tenants will have a significant financial benefit for tenants who are under financial pressure.
- 7.2 Investing in existing homes and neighbourhoods means that all tenants benefit from improvements to their homes, regardless of where they live in the city.
- 7.3 Patch based working means Housing Officers are getting to know their tenants better. This should improve access to services for vulnerable tenants, as their needs will be more readily identified.
- 7.4 Investment in new homes and partnership working as part of Health and Social Care integration will help increase the supply of homes built specifically for older people or people with complex health needs.
- 7.5 The house-building programme ensures 10% of all new homes will be built to wheelchair accessible standards. 3,000 new homes will be built specifically for older people and people with complex health needs.

Sustainability impact

- 8.1 The Council led house-building programme seeks to maximise delivery of homes on brownfield sites, reducing pressure on Edinburgh's green belt. New homes are built to high standards in terms of energy efficiency and sustainability.
- 8.2 It is estimated the accelerated house-building programme will create 4,000 permanent new jobs.
- 8.3 Investing in improvements to Council homes will increase energy efficiency and lead to a reduction in carbon emissions.
- 8.4 There are positive impacts on adaptations, carbon emissions and sustainable development arising from this report.
- 8.5 The Council's partnership with Our Power will help ensure stable and affordable energy prices for tenants.
- 8.6 Improving employment options of tenants and their families.

9. Consultation and engagement

- 9.1 The Council has an extensive programme of consultation and engagement with tenants including an annual survey, focus groups, tenant panels, tenant led service inspections and resident and community meetings.
- 9.2 Each year the views of tenants are sought on the HRA budget strategy and the service improvements and rent levels arising from that. The approach to

engaging tenants on the budget is reviewed annually by a working group of tenants and officers, the Rent Matters Working Group (RMWG). The RMWG is supported by Edinburgh Tenants Federation (ETF). The number of tenants engaging in the budget consultation has significantly increased since the formation of the RMWG.

- 9.3 Consultation on the 2018/19 budget took place in 2017. Appendix 7 summarises the results of the consultation. All tenants were sent information on the budget proposals, service improvements and rent levels. Individual responses were received from 1,236 tenants (out of around 19,000 tenants who were invited to provide views). This includes 1,001 tenants who took part in a detailed survey, commissioned by, but carried out independently of Council staff. Other responses were received on line and via social media, postcards, cut outs from newsletters and local events.
- 9.4 Over 30 tenant organisations received information packs and 230 individual Tenant Panel members received information either by email, text or letter. Four large events were held in the localities and tenants were encouraged to come and share their views face-to-face. The budget consultation was also discussed at the Tenants Conference held on 28 October 2017.
- 9.5 Tenants have consistently indicated strong support for building new homes, improving homes and services and stable and affordable rents.
- 9.6 In 2015 tenants indicated strong support for the budget strategy and identified building new affordable homes as their top priority for investment. Other significant priorities included reducing energy costs.
- 9.7 In 2016, 82% of tenants said they supported the 2% rent increase with one third of tenants supporting higher rent increases if delivery was accelerated.
- 9.8 In 2017, 80% of tenants expressed support for the investment proposals and rent strategy. Comments from those who responded included:
- *'The plans are good and when completed will be great for everyone'*
 - *'Appears good. Keep up the good work'*
 - *'Really pleased with all the new houses'*
 - *'£2 is a fair amount, much has been accomplished'*
- 9.9 Tenants were also asked what costs they were increasingly having difficulty meeting.
- | | |
|-------------------|-----|
| • Energy | 37% |
| • Food | 32% |
| • Household bills | 29% |
| • Clothes | 24% |
| • Transport | 24% |
| • Toiletries | 21% |
| • Repaying debt | 18% |
| • Rent | 18% |

- 9.10 In addition, one third of tenants with children said they were finding childcare more difficult to pay for.
- 9.11 The budget plan was also discussed at a meeting of the ETF on 13 November 2017. Officers presented the approach, key messages, consultation questions and results to date. ETF provided a formal response to the consultation commending the work of the RMWG in the development of the consultation. They were broadly supportive of the investment plan. They welcomed the below inflation increase, but continue to have concerns regarding long term affordability of rents.

10. Background reading/external references

[Housing Avenue Account – Budget Strategy 2017-22, The City of Edinburgh Council, 9 February 2017](#)

[Housing Revenue Account \(HRA\) Budget Strategy, Housing and Economy Committee, 7 September 2017](#)

[City Housing Strategy 2018, Housing and Economy Committee, 2 November 2017](#)

[Strategic Housing Investment Plan \(SHIP\) 2018-23, Housing and Economy Committee, 2 November 2017](#)

[City Deal – Proposal for New Housing Partnership with Scottish Future Trust, Housing and Economy Committee, 2 November 2017](#)

[Housing Investment to Support Health and Social Care Priorities, Health, Social Care and Housing Committee, 19 April 2016](#)

[Integrated Housing, Health, Care and Support Services, Health, Social Care and Housing Committee, 15 November 2016](#)

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11. Appendices

Appendix 1 – HRA Business Planning Process

Appendix 2 - Business Planning – High Level Assumptions

Appendix 3 – Citywide House-building Programme

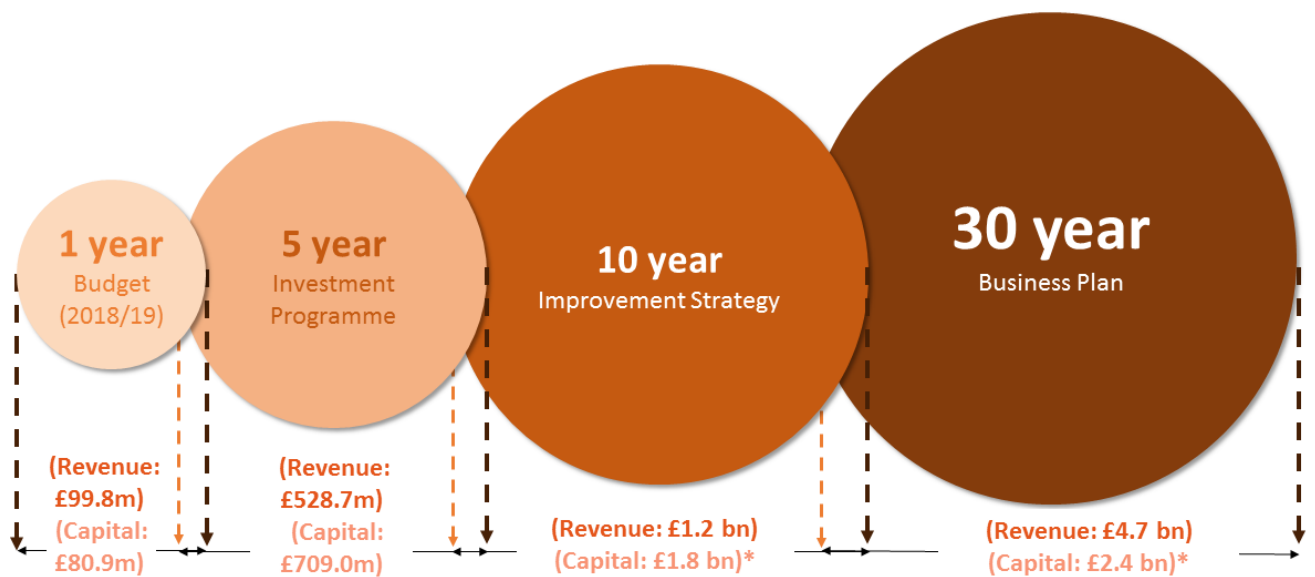
Appendix 4 – Draft 5 Year HRA Capital Investment Programme and 10 Year Investment Strategy

Appendix 5 – 30 Year HRA Business Plan Financial Analysis

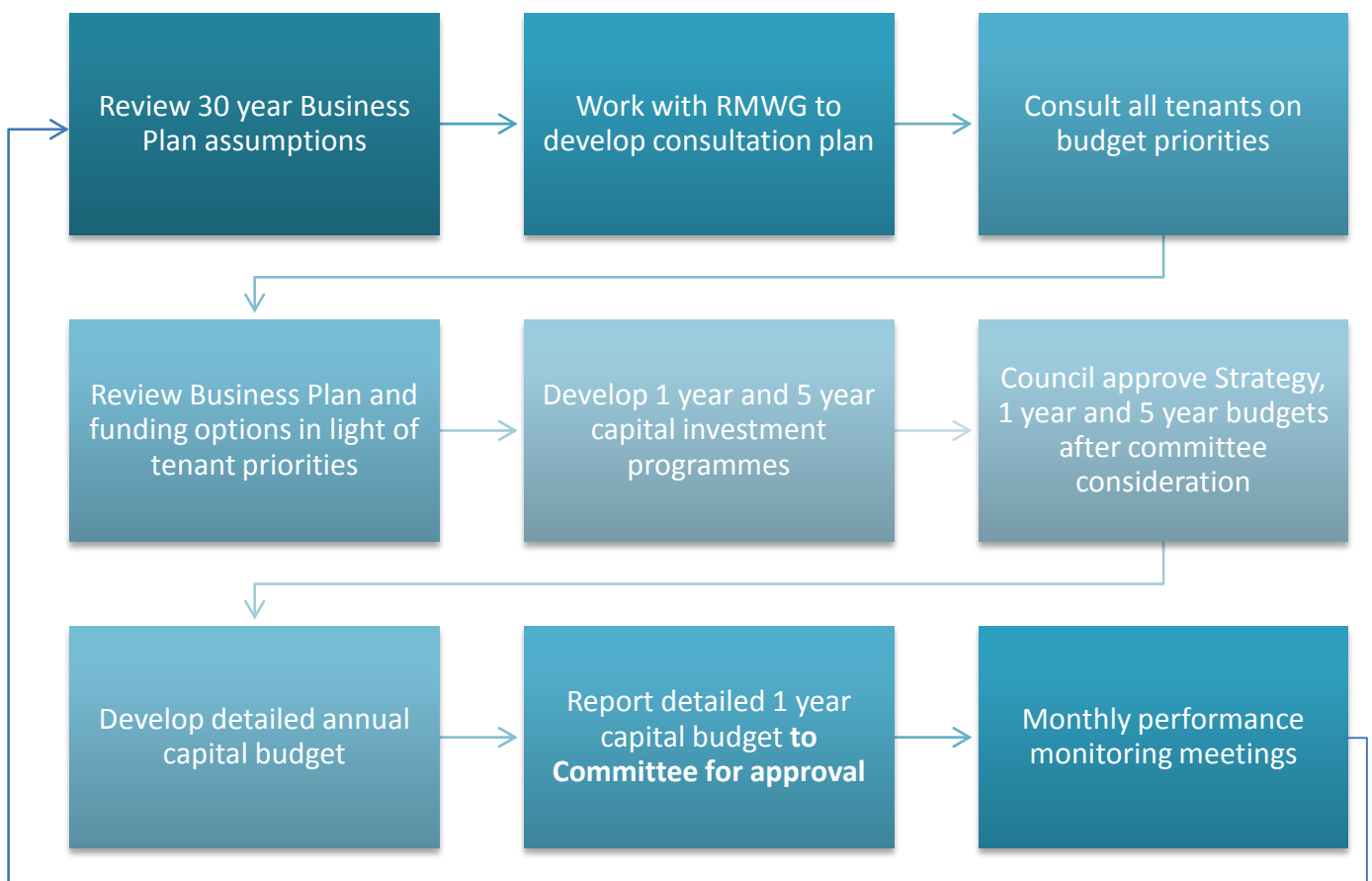
Appendix 6 – Housing Revenue Account Budget 2018/19 (Draft)

Appendix 7 – 2018/19 Budget Consultation Results

Appendix 1 – HRA Business Planning Process



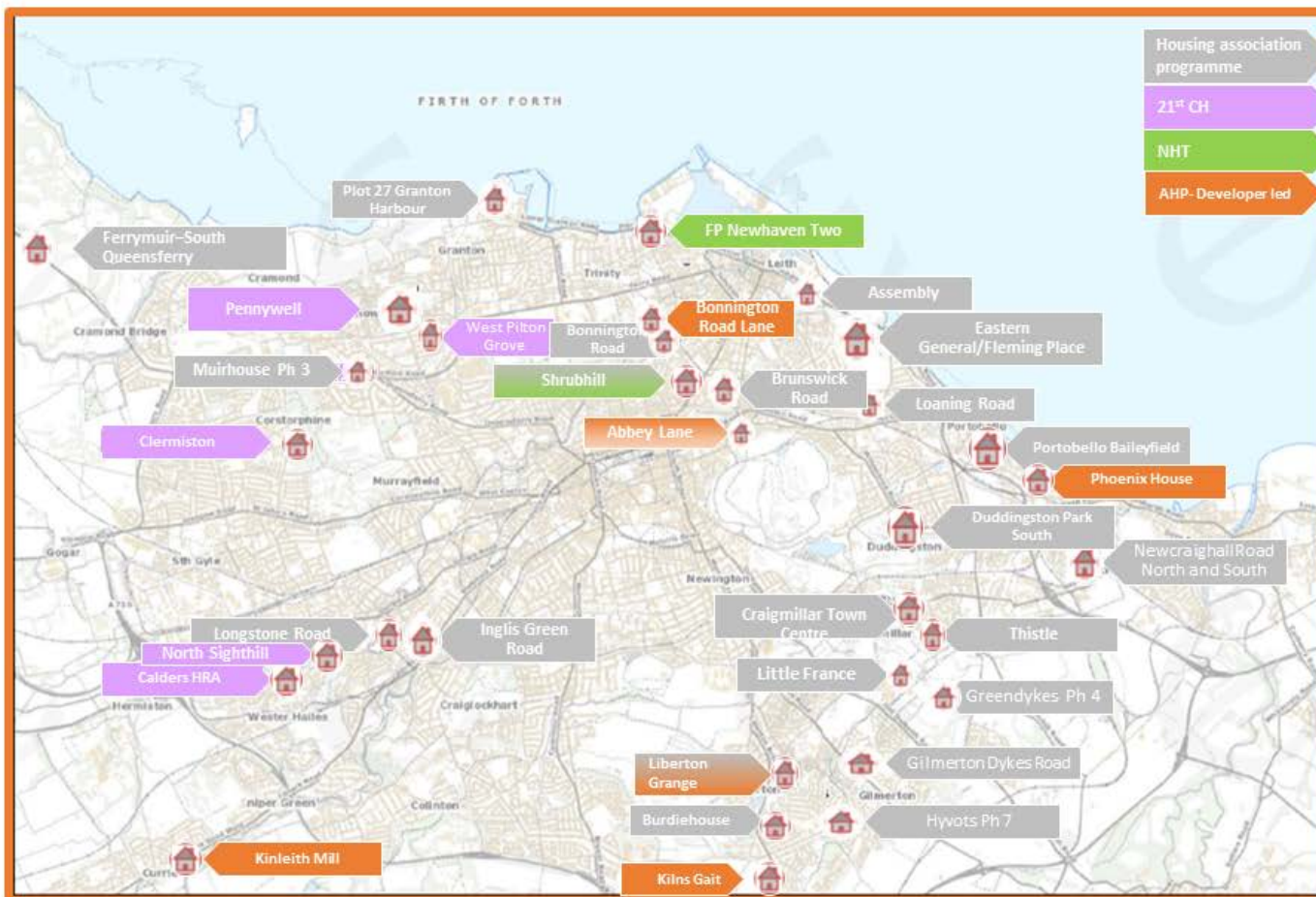
* This includes £600m in the first 10 years and £740 million over 30 years for homes built on the HRA and purchased by the Council's LLP. This has no impact on the HRA as interest payments are deferred until the homes are purchased.



Appendix 2 – Business Planning High Level Assumptions

Input	2018/19	Note
Inflation (Operating Costs)	2%	This assumption is below market projections, but is in line with the Bank of England inflation target. In order to deliver best value to tenants, management will attempt to limit the impact of inflation through efficiency measures.
Rent Increase	2%	Current market inflation projections range from 3%- 4%. Below inflation rent increases form part of the strategy to keep rents stable and affordable.
Net Rental income	97.53%	Total projected rental income, minus written off former tenant arrears and rent loss due to empty homes.
Former tenant arrears write off	1.89%	Any rental debt outstanding for over 3 months where there have been no payments received or there is no agreed repayment arrangement is written off annually. The projected write off at the end of 2017/18 is estimated to be £1.8m. This level of write off is maintained in 2018/19.
Rent lost on empty homes	0.58%	The Council remains one of the top performing Local Authorities in this area. Slight increase from 0.49% in 2017/18, to accurately reflect expected performance, with continued high proportion of lets to households with high levels of need.
Fees and charges increase	0%	Fees and charges for additional services provided with tenancies (e.g. stair cleaning, communal heating, furnished tenancies, etc) is frozen for the third year in a row.
Debt level (projected for March 2018)	£373m	Increased from £365m at 31 March 2017. This was due to increased borrowing requirement to support the accelerated capital investment programme in 2017/18.
Interest on debt (pool rate)	5.05%	Reduction of 0.05% from 2017/18. The Council does not borrow for specific projects, borrowing is pooled in a consolidated loans fund and the interest rate pooled across all projects.

2,020 homes currently under construction on 32 sites



Reducing inequality through affordable housing

- Redeveloping brownfield land
- Public realm
- Mixed communities
- Employment and job opportunities
- Achieving wider health & Social Care objectives
- Homes for older people & those with complex needs

Appendix 4 – Draft HRA Five Year Capital Investment Programme & Ten Year Investment Strategy

The 2018/19 Draft Budget and business plan are based on the assumptions set out in Appendix 2. Below is the outline draft five-year Capital Investment Programme and summary 10-year investment strategy, which is based on tenant priorities, service performance and statutory investment requirements.

The funding strategy may be revised through the year as officers seek to make the best use of any existing and new resources and use the most appropriate funding to generate the best return to the HRA.

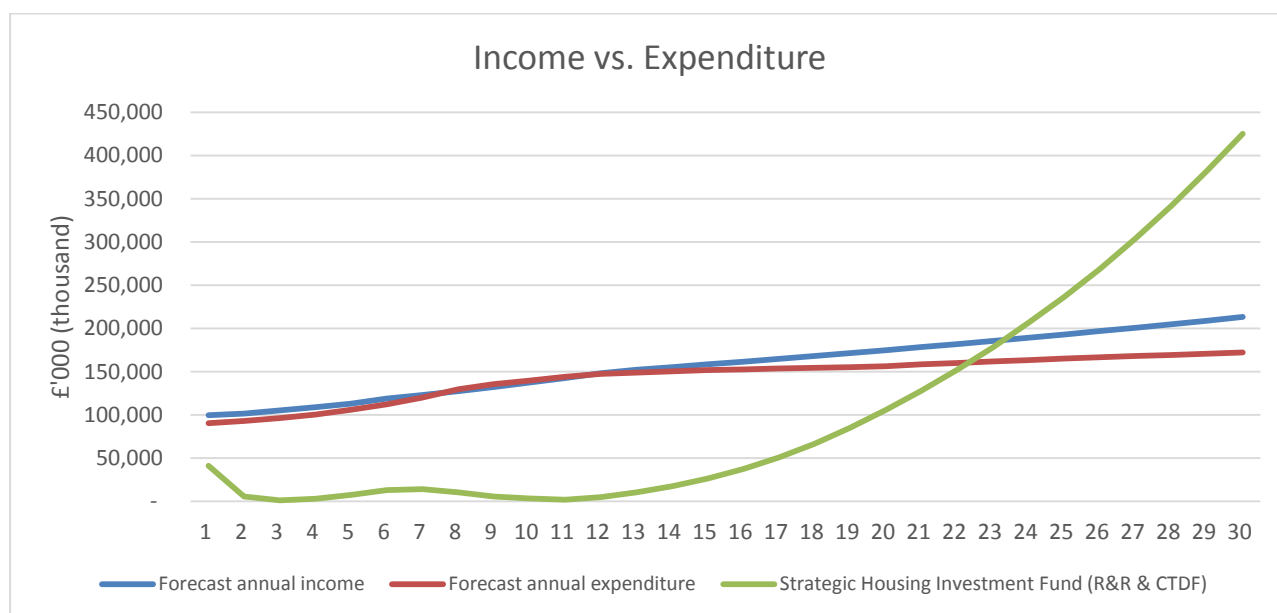
Programme Heading	1	2	3	4	5	5 Year	6 to 10	10 Year
	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total	2023/24 to 2027/2028 £m	Total
<u>Programme Expenditure</u>								
New Homes*	41.526	118.753	113.726	118.736	129.354	522.094	836.410	1,358.504
Tenant's Homes & Services	23.128	29.895	20.326	17.358	17.208	107.915	78.116	186.032
External Fabric and Estates	13.535	13.535	7.470	10.728	16.472	61.741	106.256	167.997
Staff Costs	2.745	3.095	3.445	3.795	4.145	17.225	20.725	37.950
Total Expenditure	80.934	165.278	144.967	150.617	167.179	708.976	1,041.508	1,750.483
<u>Programme Resources</u>								
Prudential Borrowing	16.256	74.596	50.416	44.927	24.100	210.296	467.561	677.856
Capital Funded From Revenue	33.898	45.000	14.000	7.200	3.200	103.298	11.000	114.298
Capital Receipts and Contributions	5.923	4.387	5.720	7.440	6.800	30.270	12.000	42.270
Receipts from LLPs*	13.508	26.378	59.462	77.603	117.879	294.830	415.264	710.094
Scottish Government Subsidy	11.349	14.917	15.369	13.447	15.200	70.282	135.683	205.965
Total Funding	80.934	165.278	144.967	150.617	167.179	708.976	1,041.508	1,750.483

**The budget for new build housing includes the upfront capital costs for the Council led development of all 10,000 affordable homes, including homes for mid market and affordable market that will be purchased by the Council's new LLPs. This has no impact on the HRA as interest payments are deferred until the homes are purchased. £110m of the £710m anticipated receipts from LLPs by year ten is for homes already under construction and due to complete in the next two years.*

Appendix 5 – 30 Year HRA Business Plan Financial Analysis

This appendix sets out the impact of delivering the investment strategy over the next 30 years. The plan seeks to deliver 10,000 new Council-led homes over the next 10 years, as well as, investing in improving the quality of existing homes and estates and developing innovative services aimed at reducing tenants living costs. It sets out an £99.8 million budget for 2018/19, as well as, a £709.0 million draft five-year capital investment plan and 10 year £1.8 billion investment strategy, funded from below inflationary rent increases of 2% a year.

Based on the outcome of this year's comprehensive tenant consultation the business plan assumes a 2% annual rent increase. Over 80% of tenants said they supported the investment plan funded by an annual 2% rent increase over the next 5 years. This 2% rent increase is below the 3% current inflation estimates and significantly below the projected average local authority rent increases in 2018/19.



Maximising investment in current and new homes and delivering new services, means income and expenditure is more closely aligned. This is most visible in years 8 to 11 due to the significant investment in the new house building programme and an increase in debt repayment due to historic debt coming to term. Approximately £9.3 million (or an average of £2.3 million a year) is required from the Strategic Housing Investment Fund to ensure the HRA does not go into deficit in these years.

The business plan assumes a loss of income of around £9 million as the result of the full roll out of Universal Credit. In addition, a ringfenced contingency reserve has been established to ensure that the investment programme can continue even with an unexpected reduction in income or increase in unplanned expenditure. This contingency reserve is set at £3 million in year one, building up to 10% of the annual income in year 10.

From year 11 onwards, once new homes are completed, the additional rental income does put the HRA back in a comfortable financial position and builds the Strategic Housing Investment Fund to 17% of annual operating costs by year 15. The business plan currently assumes no large-scale investment following the completion of 10,000 Council-led homes over 10 years and the estate-wide regeneration of existing homes over 15 years. The graph above therefore shows the capacity of the HRA to continue the investment on existing homes and estates and building more new homes after the current improvement plan has been delivered.

Appendix 6 – Housing Revenue Account Budget 2018/19 (Draft)

	Projected	Proposed Budget			Note
	Outturn				
	2017/18*	2018/19	Movement	Movement	
	£m	£m	£m	%	
Net Income	98.729	99.765	1.036	1.05%	1
Expenditure					
Housing Services	27.470	29.494	2.024	7.37%	2
Property Maintenance	21.832	21.477	-0.355	-1.63%	3
Debt Charges	37.851	39.544	1.693	4.47%	4
Strategic Housing Investment	11.576	9.250	-2.326	-20.09%	5
Total Expenditure	98.729	99.765	1.036	1.05%	

**Based on the reported month 8 position. Please note a £1.000m presentational adjustment has been made to Income and Services relating to the treatment of write off of bad debt and arrears. A provision for former tenant arrears was previously contained within Housing Services expenditure budget. This is now a direct income reduction assumption.*

Note 1.

"Net Income" is the total rent due to be collected, less written off former tenant arrears and rent loss due to empty homes. It also includes service charges and costs recovered in relation to communal heating schemes and owner occupiers. Although a 2% rent increase has been proposed the real term increase in income is expected to be 1.05%. This is due to a reduction in rental income as a result of 'right to buy' sales during 2017/18, a freeze being applied to service charges and assumptions made around a loss of income due to the rollout of Universal Credit. The average weekly rent will increase by £1.92.

Note 2.

"Housing Services" includes core housing management services, new tenant and community services like energy advice and modern apprenticeships. It includes employee costs, central support costs and recharges, premises and other expenditure. Following transformation, the HRA realised a 10% reduction in core housing management costs in 2016/17 and 2017/18 following a reduction in manager and team leader posts and a reduction in overheads. The rise in the Housing Services expenditure in 2018/19 includes an inflationary increase (£0.400m), planned growth in services (£1.000m) and expansion of new tenant and community services like energy advice, employment support services and modern apprenticeships (£0.600m).

Note 3.

'Property Maintenance' includes responsive repairs, estates maintenance, routine gas servicing and the costs associated with bringing empty homes back into use. As a part of transformation, a 20% reduction in the responsive repairs element of property maintenance over five years is assumed. This reflects the impact of increased capital investment in homes.

Note 4.

The HRA borrows to finance the planned housing investment and house building capital programmes. 'Debt Charges' are capital financing costs (principal repayments and interest). As a result of prudent treasury management and in year surpluses being used to offset capital borrowing in previous years, net debt levels are expected to increase by less than £5 million at the end of 2017/18 compared to

that at the end of 2012/13, whilst delivering over £260 million of capital investment during the same period. The 4.47% increase in 2018/19 is in line with the ambitious capital investment plan set out in the report.

Note 5.

'Strategic Housing Investment' relates to income in excess of annual operating expenditure. It can be used within the same year to fund new capital investment (CFCR), repay old HRA debt or mitigate unforeseen risks. It can also be transferred to the Repairs and Renewals fund to support the new build programme in future years. The reduction is due to increased investment to deliver new services and expansion of existing services. The Strategic Housing Investment Fund is an amalgam of the Repairs and Renewals Fund and the Council Tax Discount Fund.

2018/19 Budget Consultation Results



Consulting tenants: What did we ask in this year's budget consultation?

You said, we did. What next?
Over the last two years you told us you wanted your rent to be spent on building more homes, improving the quality of existing homes and investing in services that will help reduce costs.

Council tenants, have your say on the 2018/19 Housing Budget Consultation by 31 October 2017
Tell us what you think of what we've done so far and what else we can do to help.

Between April 2016 and March 2018

More Homes
1,300 new Council homes in development
185 new Council homes built

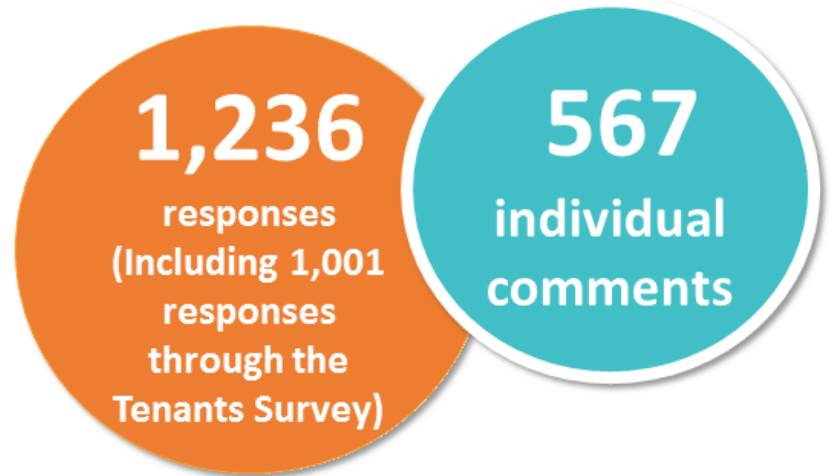
Better Homes
3,700 new heating systems
3,500 new kitchens and bathrooms
3,100 homes insulated
1,400 new front doors
1,600 new double glazed windows
100,000 repairs to homes

Better Services
111 housing officers working locally
50 housing apprenticeships
200 improvements to neighbourhoods
Expansion of the Tenant Discount Scheme
Low cost energy through Our Power
More spaces for growing food
A pilot broadband project
A new energy advice service

Win a £100 Shopping Voucher

EDINBURGH

- Q1. What do you think of the five year investment plan & what we've done so far?
- Q2. Thinking about your wider area you live in, what would be the one thing that would improve it?
- Q3. What do you think tenants have found more difficult to pay for ?
- Q4. What else can we do to help?



We encouraged tenants to take part in a variety of ways...

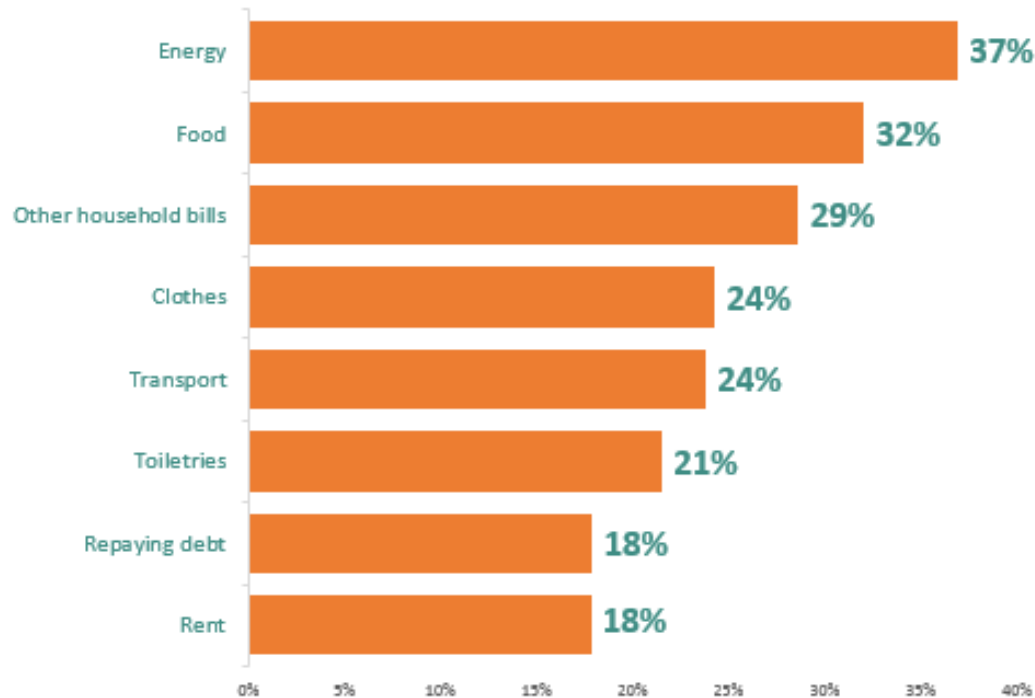
The Award Winning Rent Matters Working Group, made up of tenants, met five times to plan and deliver the annual budget consultation

- 
Online
- 
Postcard
- 
Cut-outs in newsletter
- 
Social media
- 
Local events
- 
Housing Officers, Concierge & Housing Property staff
- 
Text reminders
- 
Plasma Screens
- 
Posters
- 
Email footers emails
- 
Tenants Panel & RTOs

2018/19 Budget Consultation

82% of tenants who responded last year supported a 2% rent increase and almost a third were willing to pay more if improvements could be sped up. This year, 80% of tenants who responded were happy with the investment plan and progress to date

Q. Over the last 12 months, have you found it more difficult to pay for each of the following?*



* 31% of tenants, with childcare requirements said they were finding childcare more difficult to pay for 1236 tenants

Tenant priorities for local area: 3 Key Themes



The maintenance and cleanliness of common areas e.g. grass cuttings, stair painting and cleaning



The safety and security of blocks and areas e.g. lighting and secure doors



New facilities for young people and tenants e.g. play parks and bike storage

What else can we do to help: 4 Key Themes



Support to maximise incomes



Better communication



Improved maintenance and repair service



Reduce the cost of energy

What tenants told us

What tenants think of the plan

'The plans are good and when completed will be great for everyone'

'£2 is a fair amount, much has been accomplished'

'Good modernisations and improved living conditions'

'It's a lot for a lot of people who are struggling to pay rent as it is'

Tenant priorities for their areas

'Better stair cleaning, benches around squares. This would help old people to get out of the house'

Parks for kids to play in, they have nothing in this area.'

'Better Lights
more play parks, more youth services and support'

What else we could do to help?

'More understanding regarding benefit cuts. Not just unemployed, but working family's too'

'I would also like to see the housing officers come to see tenants more regularly'

'Would definitely like to see energy efficiency within the building and homes, far too much energy and money is wasted'

How tenants responded



129 Locality
Roadshows & Events



29 Online



40 Postcards



21 Tenants
Courier



16 Door
knocking



1,001 Tenant
Surveys

The City of Edinburgh Council

10.00am, Thursday 22 February 2018

Capital Investment Programme 2018/19 to 2022/23 - referral from the Finance and Resources Committee

Item number	5.2
Report number	
Wards	All
Council Commitments	

Executive summary

On 8 February 2018 the Finance and Resources Committee considered a report that set out the planned investment for the period 2018/19 to 2022/23. Projects had been realigned, reflecting slippage and acceleration in the current financial year. Spending in the latter years should be viewed as indicative, as details of the likely level of capital grant could only be estimated at this time. The report has been referred to the City of Edinburgh Council for approval as part of the budget-setting process.

Terms of Referral

Capital Investment Programme 2018/19 to 2022/23 - referral from the Finance and Resources Committee

Terms of referral

- 1.1 The Finance Settlement announced on 14 December 2017 provided general capital funding for 2018/19 of £49.405m which was an increase of £4.905m over the level previously assumed and this remained unallocated in the Capital Investment Programme (CIP). The provisional Finance Settlement also announced specific capital grants for Management Developing Funding of £27.950m and Cycling, Walking and Safer Street of £0.691m. These sums would require to be confirmed as part of the approval of the Scottish Budget.
- 1.2 Finance and Resources Committee considered the Capital Investment Framework 2018/19 – 2026/27 which advised that, subject to the achievement of a balanced overall position across 2018/23 revenue budget framework, resources of up to £122m could also be made available to support additional capital investment for Estate Infrastructure, the Local Development Plan and the City Region Deal.
- 1.3 The CIP was based upon the capital plan which would be rolled forward to the period 2021/22 to 2026/27. Since rolling forward the capital plan in February 2017, £7m per annum of funding, available from 2021/22 had remained unallocated.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To note the report.
 - 1.4.2 To remit the 2018-2023 Capital Investment Programme to the City of Edinburgh Council for approval as part of the budget-setting process.
 - 1.4.3 To note that the announcement of the Finance Settlement made in December 2017 indicated a general capital grant for 2018/19 of £49.405m which exceeded the Council's previous indicative plans by £4.905m and this amount remained unallocated.
 - 1.4.4 To note that the announcement of the Finance Settlement made on 14 December 2017 indicated specific capital grants for Development Management Funding of £27.950m and Cycling, Walking and Safer Streets of £0.691m.

- 1.4.5 To agree that £5m of any available budget that resulted from the underspend against the Water of Leith Phase 2 project be transferred to the North Bridge refurbishment project, subject to approval by full Council.
- 1.4.6 To note that following the proposed update to the capital plan in Appendix 1 of the report, £179.805m remained unallocated. Within this was an amount of £160.9m from additional borrowing repayable from the General Fund revenue budget subject to the achievement of a balanced overall position across the 2018/23 revenue budget framework.
- 1.4.7 To note the up-to-date analysis of unfunded service priorities and pressures set out within the report.
- 1.4.8 To note the recommended use of the additional resources to address some of the Council's capital investment priorities and remit to Council for a decision on 22 February 2018 in the context of infrastructure needs, priorities and existing Council commitments.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to:
 - 2.1.1 Approve the 2018-2023 Capital Investment Programme.
 - 2.1.2 Approve the transfer of £5m of any available budget that resulted from the underspend against the Water of Leith Phase 2 project to the North Bridge refurbishment project.
 - 2.1.3 Consider the use of additional resources to address some of the Council's capital investment priorities in the context of infrastructure needs, priorities and existing Council commitments.

Background reading / external references

Additional Finance and Resources Committee 8 February 2018.

Laurence Rockey

Head of Strategy and Insight

Contact: Veronica MacMillan, Team Leader, Committee Services

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

2.00pm, Thursday 8 February 2018

Capital Investment Programme 2018/19 to 2022/23

Item number

Report number

Executive/routine

Wards

Council Commitments:None

Executive Summary

The roll forward Capital Investment Programme (CIP) sets out planned investment for the period 2018/19 to 2022/23. Projects have been realigned, reflecting slippage and acceleration in the current financial year. Spending in the latter years should be viewed as indicative, as details of the likely level of capital grant can only be estimated at this time.

The Finance Settlement announced on 14 December 2017 provided general capital funding for 2018/19 of £49.405m which is an increase of £4.905m over the level previously assumed and this remains unallocated in the CIP. The provisional Finance Settlement also announced specific capital grants for Management Development Funding of £27.950m and Cycling, Walking and Safer Street of £0.691m. These sums will require to be confirmed as part of the approval of the Scottish Budget.

The Capital Investment Framework 2018/19 – 2026/27 considered by Finance and Resources Committee on 27 October 2017 advised that, subject to the achievement of a balanced overall position across the 2018/23 revenue budget framework, resources of up to £112m could also be made available to support additional capital investment for Estate Infrastructure, the Local Development Plan and the City Region Deal. A further report elsewhere on this agenda advises that a further £48.90m could be made available to support the capital investment requirement identified from the outcome of property condition surveys in the report to the Finance and Resources Committee on 23 January 2018.

The CIP is based upon the capital plan which will be rolled forward to the period 2021/22 to 2026/27. Since rolling forward the capital plan in February 2017, £7m per annum of funding, available from 2021/22 has remained unallocated.

Capital Investment Programme 2018/19 to 2022/23

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are requested to:
- 1.1.1 Note the contents of this report and remit to Council's budget meeting of 22 February 2018 the 2018-2023 Capital Investment Programme;
 - 1.1.2 Note that the announcement of the Finance Settlement made in December 2017 indicated a general capital grant for 2018/19 of £49.405m which exceeds the Council's previous indicative plans by £4.905m and that this amount remains unallocated;
 - 1.1.3 Note that the announcement of the Finance Settlement made on 14 December 2017 indicated specific capital grants for Development Management Funding of £27.950m and Cycling, Walking and Safer Streets of £0.691m
 - 1.1.4 Agree that £5m of any available budget resulting from the underspend against the Water of Leith Phase 2 project be transferred to the North Bridge refurbishment project, subject to approval by full Council.
 - 1.1.5 Note that following the proposed update to the capital plan in Appendix 1, £179.805m remain unallocated. Within this is an amount of £160.9m from additional borrowing repayable from the General Fund revenue budget subject to the achievement of a balanced overall position across the 2018/23 revenue budget framework;
 - 1.1.6 Note the up to date analysis of unfunded service priorities and pressures set out within this report;
 - 1.1.7 Note the recommended use of the additional resources to address some of the Council's capital investment priorities and remit to Council for decision on 22 February 2018 in the context of infrastructure needs, priorities and existing Council commitments.

2. Background

- 2.1 Council approved the five-year capital programme for the period 2017-2022 in February 2017. A revised programme, incorporating both net slippage /

acceleration from 2016/17 and the outcome of the re-phasing exercise, was reported to Finance and Resources Committee in September 2017. The capital programme is based on the ten-year capital plan originally set out in 2009, which has subsequently been rolled forward on an indicative basis to 2027 on broadly similar terms as before.

3. Main report

- 3.1 The table below summarises the capital grant allocation the Council has assumed for 2018/19 from the Scottish Government. This is based on analysis of the Finance Settlement released on 14 December 2017. Details within the Finance Settlement are subject to approval of the Scottish Budget in February 2017.

	2018/19
Edinburgh's Allocation	£m
General Capital Grant	49.405
Specific Capital Grant	28.641
<i>Of which:</i>	
<i>Management Development Funding</i>	27.950
<i>Cycling, Walking and Safer Streets</i>	0.691

- 3.2 The Finance Settlement on 14 December 2017 also confirmed that the deferred allocation of £150m of Scotland-wide resources from 2016/17, of which £10.264m relates to Edinburgh, would be paid to Councils in 2019/20. This is in line with the previous assumptions underpinning the Capital Investment Programme.
- 3.3 As no firm allocations have been advised beyond this, an estimate of each year's General Capital Grant Settlement has been factored in for the period 2019/20 to 2022/23 based on a prudent estimate of the possible Scotland-wide funding.
- 3.4 The programme has also been adjusted for current projected capital receipts forecasts and other known sources of income expected from developers and other third party contributions.
- 3.5 Executive Directors, working in conjunction with the Capital Monitoring team have been asked to re-profile the existing capital programme, including slippage and acceleration identified at period eight, based on cash flow information.
- 3.6 The roll forward capital programme, incorporating the above factors can be seen at Appendix 1.

National Housing Trust (NHT) Update

- 3.7 On 12 February 2015, Council approved on-lending of up to £54.998m for entering into NHT phase 3. The report to Finance and Resources Committee 19 January 2017 advised that three of the four developments would progress at Fruitmarket,

Shrubhill and Western Harbour providing 368 new affordable homes by the end of 2020.

- 3.8 The Fruitmarket development is now complete and the Shrubhill and Western Harbour projects continue to progress.
- 3.9 The estimated overall requirement for on-lending for the three developments remains unchanged at £50.121m and the current Capital Investment Programme includes provision of £40.968m for the completion of the Shrubhill and Western Harbour developments.

Water of Leith/North Bridge Refurbishment

- 3.10 An underspend of at least £5.0m (£4.5m in 2017/18 and £0.5m in 2018/19) from the Water of Leith Phase 2 project has previously been reported to the Committee. It is proposed that £5m from this underspend is vired to the North Bridge Refurbishment project.

Current Unfunded Priorities and Pressures

- 3.11 Executive Directors have identified unfunded capital expenditure priorities for the period 2018-2022 totalling approximately £450.95m. These priorities are listed in Appendix 2.
- 3.12 Each project bid has been reviewed by the Strategic Asset Management Division and allocated a priority score. The scoring methodology is detailed in Appendix 3.
- 3.13 As noted above, the Finance Settlement announced on 14 December 2017 and provides for an additional £4.905m of general capital grant.
- 3.14 The Capital Investment Framework 2018/19 – 2026/27 considered by Finance and Resources Committee on 27 October 2017 advised that, subject to the achievement of a balanced overall position across the 2018/23 budget framework, of corresponding revenue provision to support the following capital investment:
 - 3.14.1 **Infrastructure** – £56m to address the Council's capital infrastructure requirements,
 - 3.14.2 **Local Development Plan** – £35m to contribute towards the element of LDP related infrastructure not met by developers' contribution and other sources; and
 - 3.14.3 **City Region Deal** – £21m, representing the anticipated Council contribution in respect of the West Edinburgh Transport Appraisal improvements and a new concert venue off St. Andrew Square (IMPACT project) over the period of the framework.
- 3.15 The updated report on the Revenue Budget Framework elsewhere on this agenda includes revenue provision to support a further capital requirement of £48.90m identified from the outcome on property condition surveys in the report to Finance and Resources on 23 January 2018, subject to the achievement of a balanced overall position across the 2018/23 budget framework, of corresponding revenue provision to support the following capital investment:

- 3.16 While there are insufficient resources to meet all priorities, members may wish to consider applying additional resources against the Council's top priorities as determined by the Council Leadership Team which are detailed in Appendix 4 and summarised below

Infrastructure

- Asset Management Works shortfall - £48.9m (as described in paragraph 3.15)
- Communities and Families estate - £43.355m
- Transport infrastructure - £13.05m
- New Care Home - £10m
- Theatre upgrades – £5m
- Communal Bin Upgrade - £2.5m
- Play parks - £1m

Local Development Plan

- Schools - £11.818m
- Transport infrastructure - £6.5m

City Region Deal

- West Edinburgh Transport Appraisal improvements - £16m
- IMPACT project contribution - £5m

- 3.17 The roll forward capital programme is for General Fund projects only. The Housing Revenue Account capital budget can be seen elsewhere on the agenda.

Prudential Indicators

- 3.18 A revised Prudential Code for Capital Finance in Local Authorities was published by CIPFA in December 2017. The new Prudential Code has deleted two Prudential Indicators which were applicable to Scottish local authorities; Incremental impact of Council Tax and the adoption of the Treasury Management Code.
- 3.19 A new local indicator will show the revenue impact of the loans charges which will result from the forecast capital financing requirement.
- 3.20 The revised indicators which will accompany the Budget Motion to the Council meeting on 22 February 2018 will reflect the changes.

4. Measures of success

- 4.1 The City of Edinburgh Council sets a capital budget which adheres to the key objectives of the Prudential Code. These are to ensure, within a clear framework, that the capital plans of the Council are affordable, prudent and sustainable.

5. Financial impact

- 5.1 The revenue funding required to support the borrowing costs associated with the five-year capital programme (2018-2023) is provided for in the long term financial plan.
- 5.2 Council can only commit to further capital expenditure if revenue expenditure plans are affordable and sustainable. Inclusion of any revenue investment within the budget framework is contingent upon the development, and subsequent delivery, or corresponding savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

6. Risk, policy, compliance and governance impact

- 6.1 Significant budget virements have complied with relevant financial rules and regulations.
- 6.2 Capital monitoring and budget setting processes adopted ensure effective stewardship of resources. The processes applied aim to ensure projects are delivered on time and budget whilst fulfilling the financial criteria of value for money.
- 6.3 Monitoring of major capital projects including risk assessment is carried out by the Council's Strategy and Insight service.
- 6.4 The nature of capital projects means that there is an inherent risk of delays or unforeseen circumstances outwith the control of the Council.
- 6.5 The risk of not adequately investing in infrastructure means that it does not meet Council's and stakeholders needs and does not remain fit for purpose in the future.
- 6.6 Legal and reputational risk from failure in considering and evidencing due regard of the Climate Change (Scotland) Act 2009 Public Bodies Duties and Equality Act 2010 Public Sector Duties in capital projects.

7. Equalities impact

- 7.1 The Council's capital expenditure contributes to the delivery of the public sector equality duty to advance equality of opportunity and foster good relations e.g. enhancement works related to the Disability Discrimination Act, works on Children and Families establishments and capital expenditure on Council housing stock.

8. Sustainability impact

- 8.1 The impacts of the projects set out within the appendices of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties

have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account.

- 8.1 The proposals in this report will help achieve a sustainable Edinburgh because they are ensuring funding for key strategic projects that will enhance facilities and infrastructure in the city. A carbon impact assessment shall be carried out on each new project to achieve the most sustainable outcome for the city in each case.

9. Consultation and engagement

- 9.1 Consultation on the appropriate prioritisation of capital resources was undertaken as part of the budget process.

10. Background reading/external references

[Capital Monitoring 2016-17- Outturn and Receipts](#) Finance and Resources Committee, 5 September 2017

[Capital Investment Framework 2018/19 -2026/27](#) Finance and Resources Committee, 27 October 2017

[Capital Investment Programme Plan 2017/18 to 2025/26](#) Finance and Resources Committee 19 January 2017

[Outcome of Property Condition Surveys](#) – Finance and Resources Committee, 23 January 2018

Stephen S. Moir

Executive Director of Resources

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11. Appendices

- 1 - Revised Capital Investment Programme 2018-2023 – General Fund
- 2 - Unfunded Capital Priorities and Pressures
- 3 - Strategic Asset Management Capital Priority Weighting Methodology
- 4 - Capital Investment Priorities - Officer Recommendations

**REVISED
CAPITAL INVESTMENT
PROGRAMME 2018-2023**
(Incorporating part-year slippage from 2017/18)

REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023

FUNDING - GENERAL SERVICES	Revised Budget 2018-19	Indicative Budget 2019-20	Indicative Budget 2020-21	Indicative Budget 2021-22	Indicative Budget 2022-23	Total Budget 2018-2023
	£000	£000	£000	£000	£000	£000
Expenditure	199,909	166,000	185,762	54,066	46,900	652,637
Funding						
Capital receipts						
General asset sales	11,021	6,318	3,000	3,000	3,000	26,339
Less additional receipt income transferred to capital fund	-809	-	-	-	-	-809
Asset sales to reduce corporate loans fund advances	609	-	-	-	-	609
Ring-fenced asset sales	4,895	10,000	-	-	-	14,895
Capital Fund drawdown	15,439	4,561	-	-	-	20,000
Developers and other contributions	40	585	-	-	-	625
Capital Grants Unapplied account	2,504	-	-	-	-	2,504
Total receipts	33,699	21,464	3,000	3,000	3,000	64,163
Capital Grants						
General Capital Grant	49,405	48,264	38,000	38,000	38,000	211,669
Specific Capital Grants	28,641	-	-	-	-	28,641
Total Grants	78,046	48,264	38,000	38,000	38,000	240,310
Loans Fund Advances						
Advances supported through Council Tax	7,000	56,000	84,000	8,000	5,900	160,900
Advances supported from Council revenue budgets	58,848	53,215	65,442	-	-	177,505
Total advances	65,848	109,215	149,442	8,000	5,900	338,405
Over / (under)-programming	22,316	-12,943	-4,680	5,066	-	9,759
Total Funding	199,909	166,000	185,762	54,066	46,900	652,637

Grant funding from 2019/20 onwards is based on prudent estimates.

REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023

SUMMARY OF EXPENDITURE	Revised Budget 2018-19	Indicative Budget 2019-20	Indicative Budget 2020-21	Indicative Budget 2021-22	Indicative Budget 2022-23	Total Budget 2018-2023
	£000	£000	£000	£000	£000	£000
General Services						
Communities and Families	32,045	17,850	2,485	165	165	52,710
Edinburgh Integration Joint Board	2,069	1,528	-	-	-	3,597
Safer and Stronger Communities	1,125	-	-	-	-	1,125
Place	127,398	76,622	85,277	19,835	19,835	328,967
Resources - Asset Management Works	14,537	14,000	14,000	19,066	14,000	75,603
Resources - Other	10,830	-	-	-	-	10,830
City Deal	-	14,000	7,000	-	-	21,000
Local Development Plan - unallocated	-	14,000	21,000	-	-	35,000
Infrastructure - unallocated	-	14,000	42,000	-	-	56,000
Condition Survey Outcomes - Unallocated	7,000	14,000	14,000	8,000	5,900	48,900
Unallocated	4,905	-	-	7,000	7,000	18,905
Total General Services	199,909	166,000	185,762	54,066	46,900	652,637

** Expenditure budgets relate to the delivery of capital projects and exclude the cost of sale of assets which is netted off the capital receipt

REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023

COMMUNITIES AND FAMILIES	Revised Budget 2018-19 £000	Indicative Budget 2019-20 £000	Indicative Budget 2020-21 £000	Indicative Budget 2021-22 £000	Indicative Budget 2022-23 £000	Total Budget 2018-2023 £000
Early years						
Corstorphine primary school nursery	45	-	-	-	-	45
Davidson's Mains primary school nursery	53	-	-	-	-	53
Early years contingency	2,669	-	-	-	-	2,669
Ferryhill primary school nursery	50	-	-	-	-	50
Granton early years centre	70	-	-	-	-	70
Longstone primary school nursery	50	-	-	-	-	50
Early years total	2,937	0	0	0	0	2,937
Primary schools						
New South Edinburgh primary school	1,274	8,613	2,320	-	-	12,207
Primary schools total	1,274	8,613	2,320	0	0	12,207
Secondary schools						
Replacement Queensferry high school	4,979	-	-	-	-	4,979
Secondary schools total	4,979	0	0	0	0	4,979
Community centres						
Duncan Place	45	-	-	-	-	45
Community centres total	45	0	0	0	0	45
Children's services						
Oxgangs New young persons centre	200	-	-	-	-	200
Children's services total	200	0	0	0	0	200
Other projects						
Kirkliston primary school - development works	40	-	-	-	-	40
Other projects total	40	0	0	0	0	40
Rising School Rolls						
Rising school rolls general	-	1,206	-	-	-	1,206
Roseburn primary school (part of phase 4)	50	-	-	-	-	50
Rising School Rolls phase 5	6,367	-	-	-	-	6,367
Rising School Rolls Total	6,417	1,206	0	0	0	7,623
Wave three school projects						
Boroughmuir high school replacement	1,400	-	-	-	-	1,400
New park former Portobello high school	1,000	-	-	-	-	1,000
St Crispin's special school replacement	107	5,167	-	-	-	5,274
St John's new wave 3 school	4,327	171	-	-	-	4,498
Wave three inflation contingency	2,913	-	-	-	-	2,913
Wave three school projects total	9,747	5,338	0	0	0	15,085
Libraries						
George IV Bridge Library-enhancement works	365	-	-	-	-	365
Libraries general	340	-	-	-	-	340
Libraries projects total	705	0	0	0	0	705
Sports						
Edinburgh Leisure	165	165	165	165	165	825
Hunter Hall cycle hub and pitch	1,017	-	-	-	-	1,017
New Meadowbank sports centre	4,519	2,528	-	-	-	7,047
Sports projects total	5,701	2,693	165	165	165	8,889
Total Communities and Families	32,045	17,850	2,485	165	165	52,710

REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023

<u>EDINBURGH INTEGRATION JOINT BOARD</u>	Revised Budget 2018-19	Indicative Budget 2019-20	Indicative Budget 2020-21	Indicative Budget 2021-22	Indicative Budget 2022-23	Total Budget 2018-2023
	£000	£000	£000	£000	£000	£000
Care homes						
New care home	2,069	1,528	-	-	-	3,597
Care homes total	2,069	1,528	-	-	-	3,597
Total Edinburgh Integration Joint Board	2,069	1,528	0	0	0	3,597

<u>SAFER AND STRONGER COMMUNITIES</u>	Revised Budget 2018-19	Indicative Budget 2019-20	Indicative Budget 2020-21	Indicative Budget 2021-22	Indicative Budget 2022-23	Total Budget 2018-2023
	£000	£000	£000	£000	£000	£000
Community Safety						
CCTV Capital	1,125	-	-	-	-	1,125
	1,125	0	0	0	0	1,125
Total Chief Executive	1,125	0	0	0	0	1,125

REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023

<u>PLACE</u>	Revised Budget 2018-19	Indicative Budget 2019-20	Indicative Budget 2020-21	Indicative Budget 2021-22	Indicative Budget 2022-23	Total Budget 2018-2023
	£000	£000	£000	£000	£000	£000
Environment						
<u>Waste services</u>						
Zero Waste: Millerhill - Capital contribution	-	28,000	-	-	-	28,000
	0	28,000	0	0	0	28,000
<u>Depot Review</u>						
Bankhead depot	-	10,600	-	-	-	10,600
Russell road depot	-	1,963	-	-	-	1,963
Seafield depot - Phase 2	-	763	-	-	-	763
	0	13,326	0	0	0	13,326
Environment Total	0	41,326	0	0	0	41,326
Housing and Regeneration						
Home owners adaptation grants	1,000	1,000	1,000	1,000	1,000	5,000
National Housing Trust 3	32,208	4,718	4,042	-	-	40,968
Development Funding Grant	27,950	-	-	-	-	27,950
Housing and Regeneration Total	61,158	5,718	5,042	1,000	1,000	73,918
Transport and Planning						
<u>Roads, Structures and Flood Prevention</u>						
Bridge strengthening	882	-	-	-	-	882
Burnshot Bridge	400	-	-	-	-	400
North Bridge Major Refurbishment	7,494	3,572	-	-	-	11,066
Water of Leith - phase 1	319	-	-	-	-	319
Water of Leith - phase 2	7,909	-	-	-	-	7,909
	17,004	3,572	0	0	0	20,576
<u>Roads Asset Management Plan</u>						
Bus Stop Investment	77	-	-	-	-	77
Carriageway and footway works [block]	19,364	13,585	13,585	13,585	13,585	73,704
Right first time carriageway & footway works	497	-	-	-	-	497
	19,938	13,585	13,585	13,585	13,585	74,278
<u>Street Lighting and Traffic Signals</u>						
Traffic signals (renewal)	679	-	-	-	-	679
Street lighting	3,467	1,500	1,500	1,500	1,500	9,467
Street lighting - City wide LED replacement	15,810	7,171	-	-	-	22,981
	19,956	8,671	1,500	1,500	1,500	33,127
<u>Roads and Network</u>						
St Andrew Square public realm	430	-	-	-	-	430
Transport asset management	1,000	1,000	1,000	1,000	1,000	5,000
	1,430	1,000	1,000	1,000	1,000	5,430
<u>Policy and planning</u>						
A71 Dalmahoy Junction Upgrade	291	-	-	-	-	291
Bus priority schemes / bus shelters	474	-	-	-	-	474
Cycle projects [block]	454	-	-	-	-	454
Cycling, Walking and Safer Streets	691	-	-	-	-	691
Road safety	167	-	-	-	-	167
St Andrew Square bus station	201	-	-	-	-	201
Walking projects [block]	649	-	-	-	-	649
Road safety, cycling and public transport	1,750	1,750	1,750	1,750	1,750	8,750
	4,677	1,750	1,750	1,750	1,750	11,677

REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023

PLACE (Continued)	Revised Budget 2018-19	Indicative Budget 2019-20	Indicative Budget 2020-21	Indicative Budget 2021-22	Indicative Budget 2022-23	Total Budget 2018-2023
	£000	£000	£000	£000	£000	£000
<i>Transport - City Centre</i>						
Rose Street - public realm	490	-	-	-	-	490
Leith Walk Constitution Street	1,443	-	-	-	-	1,443
	<u>1,933</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,933</u>
<i>Localities</i>						
North East Locality	603	-	-	-	-	603
North West Locality	229	-	-	-	-	229
South East Locality	335	-	-	-	-	335
South West Locality	135	-	-	-	-	135
	<u>1,302</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,302</u>
<i>Transport Other</i>						
Tram Lifecycle Replacement	-	1,000	1,000	1,000	1,000	4,000
Transport and other infrastructure total	<u>66,240</u>	<u>29,578</u>	<u>18,835</u>	<u>18,835</u>	<u>18,835</u>	<u>152,323</u>
Strategic support						
St James GAM - Public Realm	-	-	61,400	-	-	61,400
Strategic support total	<u>0</u>	<u>0</u>	<u>61,400</u>	<u>0</u>	<u>0</u>	<u>61,400</u>
Total Place	<u><u>127,398</u></u>	<u><u>76,622</u></u>	<u><u>85,277</u></u>	<u><u>19,835</u></u>	<u><u>19,835</u></u>	<u><u>328,967</u></u>

REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023

RESOURCES - ASSET MANAGEMENT WORKS	Revised Budget 2018-19	Indicative Budget 2019-20	Indicative Budget 2020-21	Indicative Budget 2021-22	Indicative Budget 2022-23	Total Budget 2018-2023
	£000	£000	£000	£000	£000	£000
Communities and Families						
Boilers	856	497	-	-	-	1,353
Doors and Windows	-	824	-	-	-	824
External Fabric	29	-	-	-	-	29
Fabric Enhancement	2,303	500	-	-	-	2,803
Fire Safety	600	600	-	-	-	1,200
Mechanical and Electrical Upgrades	2,708	1,962	-	-	-	4,670
Roof and Rainwater	-	175	-	-	-	175
Stonework	-	181	-	-	-	181
Water Quality	600	400	-	-	-	1,000
Windows and Doors	38	634	-	-	-	672
Unallocated funding	1,040	99	-	-	-	1,139
Total for Communities and Families	8,174	5,872	0	0	0	14,046
Edinburgh Integration Joint Board						
Mechanical and Electrical Upgrades	-	25	-	-	-	25
Total for Edinburgh Integration Joint Board	0	25	0	0	0	25
Place						
Fire Safety	-	165	-	-	-	165
Unallocated funding	189	-	-	-	-	189
Total for Place	189	165	0	0	0	354
Resources - Corporate Property						
Unallocated funding	105	275	200	-	-	580
Total for Resources - Corp. Property	105	275	200	0	0	580
Funding not yet allocated to projects	6,069	7,663	13,800	19,066	14,000	60,598
Total Asset Management Works	14,537	14,000	14,000	19,066	14,000	75,603

RESOURCES - OTHER	Revised Budget 2018-19	Indicative Budget 2019-20	Indicative Budget 2020-21	Indicative Budget 2021-22	Indicative Budget 2022-23	Total Budget 2018-2023
	£000	£000	£000	£000	£000	£000
ICT function						
ICT transformational change investment	10,830	-	-	-	-	10,830
ICT function total	10,830	-	-	-	-	10,830
Total Resources - Other	10,830	0	0	0	0	10,830

APPENDIX 2

Unfunded Capital Priorities

Priority	Project	18/19	19/20	20/21	21/22	22/23	Total	Advanced Stage*	% LDP attributable
		£000s	£000s	£000s	£000s	£000s	£000s		
1	North Bridge Upgrade shortfall	0	0	5,300	0	0	5,300	Y	0
2	St Crispins replacement (Wave 3)	0	5,850	0	0	0	5,850	Y	0
3	Queensferry HS - potential funding gap	0	3,000	0	0	0	3,000	Y	23%
4	Oxgangs YPC replacement	459	0	0	0	0	459	Y	0
5	Backlog Maintenance funding gap	4,000	16,000	16,000	6,450	6,450	48,900	N	0
6	Roads budget increased to £100m over term	10,011	7,229	7,229	6,415	7,229	38,113	N	0
7	LDP roads obligations (excluding WETA)	3,190	10,275	13,343	18,314	7,682	52,804	N	100%
8	West Edinburgh Transport Appraisal (WETA)	0	0	4,000	5,000	7,000	16,000	N	0%
9	Central Edinburgh Transformation (public realm)	600	1,900	1,000	3,000	3,500	10,000	N	0
10	Integrated Care Facility - additional capacity	0	400	9,600	9,600	400	20,000	N	0
11	Wave 4 Schools Programme **	0	2,981	19,958	114,180	39,092	176,211	N	16%
12	Play park replacement equipment	200	200	200	200	200	1,000	N	0
13	Burnshot Bridge replacement	1,000	2,500	0	0	0	3,500	N	0%
14	Communal bin upgrade	750	750	1,000	0	0	2,500	N	0
15	Castlebrae High School - replacement	0	374	9,706	5,004	0	15,084	N	37%
16	Kings Theatre refurbishment contribution	1,000	1,000	1,000	1,000	1,000	5,000	N	0
17	Broomhills Primary School - LDP new	0	4,416	1,848	0	0	6,264	N	100%
18	Victoria Primary School - replacement and LDP	649	5,775	2,382	0	0	8,806	N	29%
19	South Edinburgh Primary School - new	0	0	90	1,542	0	1,632	N	0
20	Boroughmuir High School - additional places	100	2,200	1,862	0	0	4,162	N	1%
21	Ross Theatre/Princes St Gardens Upgrade	5,000	15,000	0	0	0	20,000	N	0
22	Impact	500	2,500	2,000	0	0	5,000	N	0%
23	Saughton Park - Micro Hydro Scheme	362	0	0	0	0	362	N	0%
24	Leith Theatre refurbishment	500	500				1,000	N	0%
	TOTAL	28,321	82,850	96,518	170,705	72,553	450,947		

*Project underway and at an advanced stage/contract about to be let

**Wave 4 Schools includes Balerno, Currie, Liberton High Schools, Trinity Academy, WHEC and the new West Edinburgh High School

CAPITAL INVESTMENT PROGRAMME BIDS PRIORTISATION CRITERIA

All bids for the 2018 capital budget setting process have been assessed against a series of criteria to determine their priority for funding, as described below.

Stage 1

A number of bids relate to projects already in flight, at an advanced stage but with a funding gap still remaining or newly emerging as a result of more detailed feasibility revealing higher costs, further intelligence on developer contributions, or, in some cases, lower value capital receipts than anticipated. These projects have been rated highest priority, having been assessed with a simple, Yes criterion.

Stage 2

All bids have been assessed on a scale of 0-5 points against the following criteria to determine their relative merits. The first three criteria are considered to be particularly important, and have accordingly been given a weighting of three to reflect their importance, allowing a maximum score of 15 per criterion. The remaining criteria are of lesser importance and a maximum score of 5 per criterion is possible.

1. Health and Safety – poor condition buildings or equipment score highly as they pose a risk to health and safety (max points 3x5 = 15);
2. Statutory Requirement – where the Council is obliged to make provision under statute – for example having sufficient school places (max points 3x5 = 15);
3. Risk of operational failure – where an existing asset is at risk of failing, requiring the closure of the asset and stopping the delivery of the service (max points 3x5 = 15);
4. High reputational risk – where national media coverage is a risk, this scores 5; local news coverage scores 3 (max points =5);
5. Fulfils Council commitment – contributes to delivering one the of the 52 Council commitments from the Business Plan (max points =5);
6. Significant income implication – projects may generate higher income (eg increased footfall in commercial venues), or may expose the Council to increased revenue costs if the project is not delivered – in either case they would score highly on this criterion (max points =5);
7. Sustainability benefits – may deliver benefits such as increased recycling, improved public transport use or building fabric upgrade, all scoring high points. New buildings which increase the Council's estate size and carbon footprint score 0. Buildings which replace existing buildings score some points for allowing a more sustainable design to be achieved (max points =5).

A total score of 65 is achievable.

The initial scores were undertaken by each service department, however these were moderated by Strategic Asset Management to ensure consistency across the application of the scoring

methodology. It is recognised that the standardised scoring methodology can only provide an initial starting point and further information on the particular circumstances of a project may increase its priority.

CAPITAL INVESTMENT PRIORITIES - OFFICER RECOMMENDATIONS

Unallocated Funding

	18/19	19/20	20/21	21/22	22/23	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Capital Plan	0	0	0	7,000	7,000	14,000
2018/19 Financial Settlement	4,905	0	0	0	0	4,905
Budget Framework - Infrastructure	7,000	14,000	14,000	8,000	5,900	48,900
Budget Framework - New Infrastructure	0	14,000	42,000	0	0	56,000
Budget Framework - City Deal	0	14,000	7,000	0	0	21,000
Budget Framework - LDP	0	14,000	21,000	0	0	35,000
Total	11,905	56,000	84,000	15,000	12,900	179,805

Recommended Investment

Project	18/19	19/20	20/21	21/22	22/23	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Infrastructure						
North Bridge Upgrade shortfall	0	0	5,300	0	0	5,300
St Crispins replacement shortfall (Wave 3)	0	5,850	0	0	0	5,850
Oxgangs YPC replacement shortfall	459	0	0	0	0	459
Asset Management Works shortfall	4,000	16,000	16,000	6,450	6,450	48,900
Roads, Pavements and Public Realm	1,500	1,500	1,500	1,500	1,750	7,750
Play Park Replacement Equipment	200	200	200	200	200	1,000
Communal Bin Upgrade	750	750	1,000	0	0	2,500
Victoria Primary School	461	4,100	1,691			6,252
South Edinburgh Primary School shortfall			90	1,542		1,632
Boroughmuir High School - additional places	100	2,200	1,862	0		4,162
Theatres Refurbishment	1,000	1,000	1,000	1,000	1,000	5,000
Unallocated Match Funding for Replacement High School (Wave 4)			12,500	12,500		25,000
New Care Home			5,000	5,000		10,000
	8,470	31,600	46,143	28,192	9,400	123,805
LDP						
Queensferry HS		3,000				3,000
Victoria Primary (LDP Share)	188	1,675	691	0	0	2,554
Broomhills Primary School		4,416	1,848			6,264
LDP roads obligations (excluding WETA)	500	1,000	1,000	2,000	2,000	6,500
LDP education and transport projects (unallocated)		16,682				16,682
	688	26,773	3,539	2,000	2,000	35,000
City Deal						
IMPACT	500	2,500	2,000			5,000
West Edinburgh Transport Appraisal (WETA)			4,000	5,000	7,000	16,000
	500	2,500	6,000	5,000	7,000	21,000
Under / (Over) programming	2,247	-4,873	28,318	-20,192	-5,500	0
Total Investment	11,905	56,000	84,000	15,000	12,900	179,805
	9,658	60,873	55,682	35,192	18,400	179,805

Notes

- 1 These officer recommendations assume that additional monies are being allocated from the revenue framework to address backlog maintenance
- 2 It is recommended that a significant level of funding remains unallocated. This will enable the Council to match fund Scottish Government funding for new secondary schools, should it be announced, and to revisit other priorities during the 2018/19 budget process.
- 3 It is assumed that additional capital receipts arising from the winding up of the EDI group will be made available for investment in Craigmillar.

10.00am, Thursday 22 February 2018

City Strategic Investment Fund 2017-18 Update – referral from the Housing and Economy Committee

Item number	5.3
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

On 18 January 2018 the Housing and Economy Committee considered a report by the Executive Director of Place on the City Strategic Investment Fund (CSIF). The CSIF is an evergreen fund that was created in 2013 and initially capitalised with £7.5m of capital. £5.0m of this has been committed to date, leaving an unallocated balance of £2.5m. The report was originally considered by the Committee in private however officers have confirmed the report can now be considered in public.

Terms of Referral

City Strategic Investment Fund – 2017/18 Update - referral from the Housing and Economy Committee

1. Terms of Referral

- 1.1 On 7 February 2013, the Council approved the creation of the CSIF to “create new development opportunities, support business innovation, deliver jobs and promote economic growth in Edinburgh”. The CSIF is an evergreen fund that will provide debt and equity finance for projects delivering a return on investment. The Council agreed to capitalise the CSIF with £7.5m. An investment strategy for the CSIF was agreed by the Economy Committee on 29 April 2014.
- 1.2 To date, CSIF funding of £2.0m has been committed to fund the development of the East Hermiston Business Park, a 1,587 sqm industrial park in Sighthill. This was approved by the Economy Committee on 28 April 2015 and by City of Edinburgh Council on 28 May 2015. The Park was completed in September 2017 and several units have now been let. The Park is projected to generate £155,200 of rental income for the CSIF annually.
- 1.3 East Hermiston Business Park is now complete and letting is underway with several tenants already in place. The Park is projected to generate an income for the Council of £145,500 per annum.
- 1.4 The final cost of developing the Park was £2,166,861. This is £166,861 higher than the £2m originally allocated from the CSIF towards the project. This was mainly due to the various services connections required. Further to the actual connection costs and due to the delay of Scottish Water being unable to visit the site within the contract period, additional costs were expended in the provision of traffic management, which was outwith the costs for loss and expense incurred by the contractor as an extension of time of six weeks that was granted due to delays beyond the contractor’s control. It is proposed to allocate a further £166,861 from the CSIF to cover this cost; this will delay full repayment to the CSIF by approximately one year. Future cost overruns of this nature can potentially be mitigated against by more aggressive value engineering, by building in a greater element of contingency funding, and by agreeing in advance of the project commencing how any cost overruns will be addressed.
- 1.5 The Housing and Economy Committee agreed:
 - 1.5.1 To approve the allocation of a further £166,861 to cover costs associated with the East Hermiston Business Park above the £2.0m previously allocated.

- 1.5.2 To note that the new allocations would leave the uncommitted balance of the CSIF at £1.3m.
- 1.5.3 To refer the report on to the City of Edinburgh Council for final approval of the recommendation at 1.5.1.

2. For Decision/Action

- 2.1 The Council is asked to approve the allocation of a further £166,861 to cover costs associated with the East Hermiston Business Park above the £2.0m previously allocated.

Background reading/external references

Housing and Economy Committee, 18 January 2018

Laurence Rockey

Head of Strategy and Insight

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3. Appendices

Appendix 1 – Report by the Executive Director of Place

Housing and Economy Committee

10.00am, Thursday 18 January 2018

City Strategic Investment Fund – 2017/18 update

Item number	
Report number	
Executive/routine	Executive
Wards	13 – Leith, 7 – Sighthill/Gorgie
Council Commitments	2 , 9

Executive summary

This report updates members on the City Strategic Investment Fund (CSIF). The CSIF is an evergreen fund that was created in 2013 and initially capitalised with £7.5m of capital. £5.0m of this has been committed to date, leaving an unallocated balance of £2.5m.

The first project to be funded by the CSIF, the East Hermiston Business Park, has now been completed and repayment to the CSIF has begun.

A further allocation of £0.1m is proposed. These allocations would leave the balance of the CSIF at £2.4m. Several repayments to the CSIF are expected in the latter part of 2017/18 and in 2018/19.

City Strategic Investment Fund – 2017/18 update

1. Recommendations

- 1.1 It is recommended that the Committee:
 - 1.1.1 Approves the allocation of a further £166,861 to cover costs associated with the East Hermiston Business Park above the £2.0m previously allocated.
 - 1.1.2 Notes that these new allocations would leave the uncommitted balance of the CSIF at £1.3m.
 - 1.1.3 Refers this report on to the City of Edinburgh Council for final approval of the recommendation at 1.1.1.

2. Background

- 2.1 On [7 February 2013](#), the Council approved the creation of the CSIF to “create new development opportunities, support business innovation, deliver jobs and promote economic growth in Edinburgh”. The CSIF is an evergreen fund that will provide debt and equity finance for projects delivering a return on investment. The Council agreed to capitalise the CSIF with £7.5m. An investment strategy for the CSIF was agreed by the Economy Committee on [29 April 2014](#).
- 2.2 To date, CSIF funding has been committed for the following projects:
 - 2.2.1 £2.0m to fund the development of the East Hermiston Business Park, a 1,587 sqm industrial park in Sighthill. This was approved by the Economy Committee on 28 April 2015 and by City of Edinburgh Council on 28 May 2015. The Park was completed in September 2017 and several units have now been let. The Park is projected to generate £155,200 of rental income for the CSIF annually.

£700,000 to fund the design of the replacement Meadowbank Stadium to RIBA stage 4. This was approved by the City of Edinburgh Council on 10 March 2016. This allocation was to be repaid to the CSIF by realigning the future Capital Investment Programme. Following approval by Council for the Meadowbank Stadium project to proceed, this funding will not now be required for the purpose originally envisaged.

- 2.2.2 £1.0m to make provision for any cash flow issues arising as part of the closure of The EDI Group Ltd. This was agreed by the Housing and Economy Committee on 7 September 2017, subject to ratification by full Council. This can be repaid from future savings and revenue associated with the closure of EDI.
- 2.2.3 £2.0m to fund the design of the tram extension up to RIBA stage 2. This was approved by the Transport and Environment Committee on 4 September 2017. If the decision is taken to proceed with the tram extension, these costs could be capitalised and the CSIF replenished. If the project does not proceed, no alternative route has been identified for the CSIF to be replenished and the CSIF would potentially require to absorb this write-off.
- 2.3 The uncommitted balance of the CSIF therefore stands at £2.5m.

3. Main report

East Hermiston Business Park

- 2.4 As set out above, the East Hermiston Business Park is now complete and letting is underway with several tenants already in place. The Park is projected to generate an income for the Council of £145,500 per annum.

Costs to the CSIF

- 2.5 The final cost of developing the Park was £2,166,861. This is £166,861 higher than the £2m originally allocated from the CSIF towards the project. This was mainly due to the various services connections required. Further to the actual connection costs and due to the delay of Scottish Water being unable to visit the site within the contract period, additional costs were expended in the provision of traffic management, which was outwith the costs for loss and expense incurred by the contractor as an extension of time of six weeks that was granted due to delays beyond the contractor's control. It is proposed to allocate a further £166,861 from the CSIF to cover this cost; this will delay full repayment to the CSIF by approximately one year. Future cost overruns of this nature can potentially be mitigated against by more aggressive value engineering, by building in a greater element of contingency funding, and by agreeing in advance of the project commencing how any cost overruns will be addressed.

Repayment to the CSIF

- 2.6 Based on the projected income of £145,500, the costs to the CSIF of developing the Park are projected to be fully recouped in 2032/33, after which the Park will generate surplus income for the Council. Alternatively, the CSIF could dispose of the asset before this date, either to the General Fund or to an external buyer.

4. Measures of success

- 4.1 The East Hermiston Business Park will have generated enough revenue to replenish the CSIF and begun generating a surplus for the Council.

5. Financial impact

- 5.1 The balance of the CSIF currently stands at £2.5m. It is proposed to release a further £0.1m, leaving the balance of the CSIF at £2.4m. Repayments to the CSIF anticipated to be received in 2018/19 would raise the balance back to ~£4.4m. The CSIF is projected to be fully replenished by 2032/33.

6. Risk, policy, compliance and governance impact

- 6.1 N/A

7. Equalities impact

- 7.1 N/A

8. Sustainability impact

- 8.1 N/A

9. Consultation and engagement

- 9.1 N/A

10. Background reading / external references

- 10.1 N/A

Paul Lawrence

Executive Director of Place

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11. Appendices

- 1 – City Strategic Investment Fund: projected balance

Appendix 1 – City Strategic Investment Fund: projected balance

Project	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
East Hermiston Business Park	-£2,000,000	-	-£123,251*	£145,500	£145,500	£145,500	£145,500	£145,500	£145,500
EDI cash flow reserve	-	-	-£1,000,000	-	-	-	£1,000,000	-	-
Meadowbank Stadium	-	-	(£0)	-	-	-	-	-	-
Tram design works	-	-	-£2,000,000	£2,000,000	-	-	-	-	-
Balance at year end	£5,500,000	£5,500,000	£2,376,749	£4,522,249	£4,667,749	£4,813,249	£5,958,749	£6,104,249	£6,249,749
Project	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
East Hermiston Business Park	£145,500	£145,500	£145,500	£145,500	£145,500	£145,500	£145,500	£145,500	£86,251
EDI cash flow reserve	-	-	-	-	-	-	-	-	-
Meadowbank Stadium	-	-	-	-	-	-	-	-	-
Tram design works	-	-	-	-	-	-	-	-	-
Balance at year end	£6,395,249	£6,540,749	£6,686,249	£6,831,749	£6,977,249	£7,122,749	£7,268,249	£7,413,749	£7,500,000
*Based on an additional drawdown from the CSIF of £166,861, partially offset by income of £43,610.									