Notice of meeting and agenda

The City of Edinburgh Council

10.00 am, Thursday, 12 February 2015

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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Tel: 0131 529 4246

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 WIG (Womens International Group) Royston/Wardieburn

3.2 EVOC (Edinburgh Voluntary Organisations Council)

3.3 Workers Educational Association Scotland

3.4 Edinburgh East Save Our Services

4. Reports

4.1 Revenue Budget 2014/15 – Health and Social Care – Use of Priorities Fund – referral from the Finance and Resources Committee (circulated)

4.2 Revenue Budget 2015/16 – reports (circulated)

(a) 2015/18 - Update Report - referral from the Finance and Resources Committee

(b) 2015/18 - Further Update Report – referral from the Finance and Resources Committee

(c) Risks and Reserves – referral from the Finance and Resources Committee

(d) Revenue Budget Framework 2015/18 - Impact Assessments - referral from the Finance and Resources Committee

(e) Housing Revenue Account Budget 2015/16 - referral by the Finance and Resources Committee

4.3 Capital Investment Programme 2015/16 to 2019/20 – referral from the Finance and Resources Committee (circulated)

4.4 Proposal for a New Meadowbank – referral from the Corporate Policy and Strategy Committee (circulated)

4.5 National Housing Trust Phase 3 – Procurement - referral from the Finance and Resources Committee (circulated)

4.6 Shared Repairs Service – Development of a New Service – report by the Director of Corporate Governance (circulated)

4.7 Review of Fee Structures – referral from the Regulatory Committee (circulated)

5. Motions

5.1 If any

Carol Campbell

Head of Legal, Risk and Compliance

Information about the City of Edinburgh Council meeting

The City of Edinburgh Council consists of 58 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 3.1

From: linda garcia
Sent: 14 January 2015 22:32
To: Committee Services
Subject: COUNCIL MEETING 12 FEBRUARY 2015 .... BUDGET

Hi

Would like to register our interest in sending a Delegation to speak at the above Meeting.

Regards

Linda Garcia

on behalf of the WIG Royston/Wardieburn

ITEM NO 3.2

From: Dianne Morrison
Sent: 28 January 2015 09:28
To: Allan McCartney
Subject: Deputation to Council Meeting on 12 February
Importance: High

Hi Allan

Following on from our conversation – EVOC would like to take a Deputation to the Full Council Budget Meeting on 12 February – Ella Simpson from EVOC will attend.

Please get back if there is anything else you need

Kind Regards

Dianne

Dianne Morrison

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Get The Facts on #WelfareReform: EVOC.org.uk has info & resources pages you can use. Please share your resources with us.

ITEM NO 3.3

From: Tim Green
Sent: 02 February 2015 16:30
To: Committee Services; Louise Williamson 2; Allan McCartney
Cc: Andrew Burns; Steve Cardownie; Alasdair Rankin; Bill Cook; Paul Godzik; Cathy Fullerton
Subject: Council Budget Setting Meeting

Dear Committee Services,

I would like to make a deputation to the Council Budget Setting Meeting on February 12th on behalf of Worker's Educational Association, Scotland. There is a proposal to cut our workplace literacies funding by 100% which equates to a saving of

£44, 000 to City of Edinburgh Council. This disproportionate cut will have a massive impact on our small but high performing front line Workplace Literacies Team. The cut will severely limit the Council in:

1. supporting Council staff to get the qualifications they need to maximise their employability particularly necessary in light of the Coalition's no compulsory redundancies policy
2. attracting additional funds for learning in the workplace and community, averaging a further £100,000 that WEA lever in each year
3. achieving its vision of Edinburgh as "… a thriving, successful and sustainable capital city in which all forms of deprivation and inequality are reduced".
4. meeting CEC's Lifelong Learning Agreement
5. meeting the recommendations of the Wood Commission
6. achieving Scottish Government national outcomes for: employment, skills, inequality, and improved public services
7. achieving national and local policy outcomes, including: Strategic Skills Pipeline; Edinburgh Partnership Community Plan 2013-2016; CLD (Scotland) Regulations 2013; Skills for Scotland: Accelerating the Recovery and Increasing Sustainable Economic Growth 2010; Curriculum for Excellence.
8. providing core skills learning to low-paid workers across Edinburgh

Thank you, I look forward to hearing from you.

Best faithfully,

Tim

Tim Green|Education Development Manager|South East Scotland|WEA Scotland,17 Gayfield Square, Edinburgh, EH1 3NX|T:0131 225 2580

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Appendix 1

The funding from CEC enables WEA to **attract further funds** for learning in the workplace and community, averaging **£100, 000 each year** over the last two years. The cut will compromise our capacity to draw these funds in to the City.

Feedback from managers demonstrates the impact we are making in the workplace:

> "Our work with WEA has transformed how this training is delivered and if WEA were no longer able to deliver this, we would have to commission exactly the same training model – we simply cannot deliver this training without this support.   I have been delighted with the excellent working relationship we enjoy with WEA and with the flexibility, expertise and professionalism of the staff we work with and I hope a way can be found to allow this excellent relationship to continue."
> Don Naismith, Senior People Planning and Development Officer, CEC.

> "The Bitesize courses have given staff more confidence, once they do one course they want to enrol onto the next one. Some staff, who may want more confidence in their reading and writing skills, can see Bitesize as a stepping stone to other learning. It gives them an opportunity to think about personal development in the workplace and perhaps applying for a Supervisory Post."
> Joanne Cook, Royal Edinburgh Hospital

> "I have already recommended this service to a number of colleagues and I will be letting more know more about this and how they can access it."
>
> Keith Speirs, Services for Communities, CEC

WEA developed an innovative life-story course for CEC care staff, using reminiscence to build communication skills.

> "It was absolutely amazing. Staff were very impressed. They enjoyed it and stated they would do it again. Tutor took it back to basics, covered spelling and grammar, and also gave them homework which staff got involved with and fully embraced. Have passed this on to our SVQ assessor and other care homes." Maggie Johnstone, Inchview Care Home Manager

WEA empathise with the financial difficulties that City of Edinburgh Council (CEC) is facing, but this proposal is a highly disproportionate response. It will have a significant impact on the WEA as an organisation but also on the **social value** that the WEA brings to the City.   Such a cut will prevent the Council achieving its vision of Edinburgh as "… a thriving, successful and sustainable capital city in which all forms of deprivation and inequality are reduced".

The budget supports 1.2 full-time equivalent posts. Our two Workplace Literacies Tutor Organisers and sessional tutors are front line staff engaging with the City's low paid workers.   In the last five years WEA have worked with more than 40 employers and 12 Council departments, and engaged with over 1500 employees in Edinburgh workplaces. A 100% cut will mean **no workplace core skills learning** for low-paid workers across Edinburgh.   The WEA has been providing this since 2003**.**

Our workplace literacies programme helps employers to: increase productivity and efficiency; reduce costs; improve staff loyalty and flexibility; and reduce absenteeism.

A more competitive economy in Edinburgh with higher skills, productivity and pay can be achieved by improving core skills in the City's workplaces. The Employability Pipeline is strengthened when workers gain confidence with their literacy, language, IT and numeracy skills: it helps to sustain their existing employment, to take up learning opportunities, and engage in development in their workplace.

Continued funding of workplace core skills is, therefore, a key factor in delivering the recommendations of the Wood Commission. WEA already encourage and support employers to recruit more young people, by supporting them in work and on Modern Apprenticeships. For example, we have worked with an Edinburgh roofing company and an outdoor education organisation. Improved literacy, IT, numeracy and language in the workplace also benefits workers' families, with workers feeling more confident to support their children, some of whom are dyslexic, with school work.

Our workplace literacies team have initiated strong partnerships with Council departments, particularly Health and Social Care, and Services for Communities, and also Community Wardens, Young Persons' Centres, Day Centres, Community Centres, where we supported staff with a variety of needs. WEA have worked with small and large employers, including NHS Lothian, Tesco, Bethany, Saheliya, Citizens Advice, Police Scotland, Lothians and Borders Fire Service, Royal Mail, National Library for Scotland, HMRC, John Lewis, and many hotels and restaurants.

WEA's workplace learning provides high quality teaching and learning programmes tailored to the needs of employers' and staff. In developing training, WEA use the "social practices" approach adopted by the Scottish Government (Scottish Curriculum for Adult Literacy and Numeracy). For example, CEC asked for our help when a high percentage of staff were failing their Pesticide Application test. WEA wrote an introduction to the calculations necessary, and the result of WEA's involvement was an increase in the pass rate to over 90%.

The workplace literacies team have developed a programme of specific learning needs (including dyslexia) training which is helping managers to recognise and address the challenges faced by workers with these needs.

Because of the workplace focus of our core skills work, we can draw in funding from STUC, Unison and Unite. The proposed cut will jeopardise WEA's partnership working with Unison and Unite, to fulfil CEC's Lifelong Learning Agreement.

The team has developed skills in using tablet computers and MiFi connections for learning in workplaces with no internet connection and/or access to ICT. This enables workplace learners to develop the skills, knowledge and understanding of the Internet and mobile devices that are essential in "future-proofing" their employability skills.

Feedback from learners shows the difference we are making to work, family, community and personal lives.

> "If it wasn't for WEA I wouldn't recognise I had dyslexia and I would not have pushed for an assessment. Doing the courses has given me the confidence to keep my job, speak out and be who I am. I can now stay in my job and get better at it. I got my SVQ with flying colours."
>
> June Primrose, Support Worker, CEC
>
> "It has been one of the best experiences of my life. I have learned so much in the past year and I want to keep on going." Mike Polowyi, Concierge, Services for Communities, CEC
>
> "It's been fantastic, brilliant – can't recommend it enough. It meant I could finish my SVQ."
> Jamie Gordon, Project Worker, Bethany Christian Trust
>
> "A better understanding of grammar and structure of writing. I am now more methodical and plan things more than I used to, I have improved my IT skills and have enjoyed working in a group and exchanging ideas. The skills that I have acquired are helping me in the workplace and also in my personal life. I'm still using the skills I learned 2 years later."
>
> Jim Lewis, Community Care Worker, CEC

WEA make a significant contribution to CEC's undertaking to meet Scottish Government national outcomes:

- We realise our full economic potential with more and better employment opportunities for our people.
- We have tackled the significant inequalities in Scottish society.
- We are better educated, more skilled and more successful, renowned for our research and innovation.
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

The small, highly efficient and effective Workplace Literacies team enables CEC to achieve national and local policy outcomes, including:

- Adult Literacies in Scotland 2020: Strategic Guidance
- Commission for Developing Scotland's Young Workforce (Wood Commission) 2013
- Adult Learning in Scotland: Statement of Ambition
- Strategic Skills Pipeline
- The Edinburgh Partnership Community Plan 2013-2016
- The Requirements for Community Learning and Development (Scotland) Regulations 2013
- Skills for Scotland: Accelerating the Recovery and Increasing Sustainable Economic Growth 2010
- Senior phase of the Curriculum for Excellence

The Workplace Literacies team is a flexible, responsive, professional and high-*performing* team that supports CEC in the renewal of public services in Edinburgh, by reflecting the four pillars recommended by Dr Campbell Christie in his report on the Future Delivery of Public Services (2011).

We work in *partnership* with CEC to deliver adult learning that reaches *people* with whom CEC find it difficult to engage. This is vital work in *prevention* of the poverty and inequality that accompany literacy, IT, numeracy and language needs in the workplace. The curriculum we offer is negotiated with employers and workplace learners, an example of co-production of learning based on the assets of learners and their workplace. We bring strong partnership-working, based at local and national level, utilizing established contacts, and building on our flair for proactively seeking out new, highly effective, strategic and operational partnerships. CEC should be harnessing this strength, rather than dispensing with it.

The workplace literacies funding gives us the capacity to support Edinburgh Adult Education Group to organise the annual Adult Learners' Week Awards. Our workplace programmes have won one this award three times in the Working Life and Personal Life category, for our:

- Starting Points course with Health and Social Care department of CEC. Here learners achieved a qualification in Communication at SCQF level 3/4.
- Communication SCQF level 6 course, also with staff from with Social Care Department of CEC
- **English for Hotel Work courses with King's Manor Hotel Workers.**
- **NHS Lothian Bitesize Project won NHS Lothian's Celebrating Success Award 2014,** in the Respect for Others category.

If the proposed funding cut goes ahead, the unique service provided by the Workplace Literacies Team will come to an end. This will remove the expertise and capacity not only from the WEA but also from the City of Edinburgh. Our team of high quality workplace literacies tutors will no longer be able to make a difference to improving the literacy, IT, numeracy and language skills of Edinburgh's working population. The cut will also reduce the ability of our small, voluntary sector organisation to continue to bring in the additional funding and services which WEA brings in to the City.

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From: lorna frost
Sent: 04 February 2015 20:09
To: Committee Services
Subject: deputation by Edinburgh East Save our Services

We would like to make a deputation to the council meeting on 12/2/15 which will vote on the 2015/16 budget.

Please advise me whether this is possible.

Pete Cannell & Lorna Frost

Edinburgh East Save our Services

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

Health and Social Care Financial Position – referral report from the Finance and Resources Committee

Item number	4.1
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 3 February 2015 considered an update report on Health and Social Care Budget, which remained under significant pressure. The estimated forecast out-turn was £4.75 million after delivery of mitigating actions of £2.3 million. The report has been referred to the Council meeting on 12 February 2015 for approval of £4.75 million from the priorities fund to cover the Health and Social Care budget deficit for this financial year only.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

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Terms of Referral

Health and Social Care Financial Position 2014/2015

Terms of referral

1.1 The Finance and Resources Committee on 3 February 2015 considered an update report on Health and Social Care Budget, which remained under significant pressure. The estimated forecast out-turn was £4.75 million after delivery of mitigating actions of £2.3 million. There were inherent risks in these projections in that movements in purchasing budgets could be volatile in response to client led demands.

1.2 The Finance and Resources Committee agreed, in light of significant and continuing pressures on the Health and Social Care Budget, originally highlighted at the Finance and Resources Committee on 27 November 2014, to instruct the Chief Executive to implement the following actions:

1) To undertake an immediate review of the current financial position within Health and Social Care.

2) To note from the report that the current predicted Departmental overspend for 2014/15 stood at £4.75 million.

3) To agree to supplement strong internal financial controls by allocating monies from the Council's priorities fund to cover the £4.75 million deficit for this year only and to refer to the Budget Council meeting of 12 February 2015 for approval.

4) To instruct the Chief Executive (with input from the Heads of Finance and Internal Audit), given the potential pressures for future years, to specifically review the current and medium-term financial position of the Health and Social Care budget and the financial modelling and monitoring systems.

5) To instruct the Chief Executive to chair monthly budget monitoring and challenge meetings for each primary service area with representation from Conveners and Vice Conveners from each Executive Committee.

6) To agree that the review also considered the continuing financial implications for the Health and Social Care Integrated Authority process.

7) To continue dialogue with the Scottish Government concerning the medium to long-term funding arrangements for the new Integration arrangements.

8) To agree that a report would be brought to the Finance and Resources Committee on 19 March 2015 on all progress made.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for approval to use the Council's priorities funding to cover the £4.75 million deficit in the Health and Social Care budget for this year only.

Background reading / external references

Health and Social Care Financial Position 2014/2015

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Veronica MacMillan, Committee Clerk

E-mail: veronica.macmillan@edinburgh.gov.uk | Tel: 0131 529 4283

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Tuesday, 3 February 2015

Health and Social Care Financial Position 2014/2015

Item number	7.2
Report number	Second update report
Executive/routine	
Wards	All

Executive summary

The Council's Health and Social Care budget remains under significant pressure with an estimated forecast out-turn of £4.75m after delivery of mitigating actions of £2.3m.

There are inherent risks in these projections in that movements in purchasing budgets can be volatile in response to client led demands.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	S01, and S02

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Report

Adult Social Care Budget Pressures, 2014/15: Further Update

Recommendations

1.1 To note that Health and Social Care are on target to deliver £2.3m of mitigating actions of £2.6m savings with £0.3m at risk.

1.2 To note these figures include further measures proposed by Health and Social Care of £0.793m.

1.3 To note that the revised projected out-turn on the Health and Social Care Account is £4.75m. This is prior to any possible contributions from the Council's Priorities Fund.

1.4 To note the table below which analyses the pressure of £4.75m

Service	**£'000**	**Description of pressure**
Care Home staffing	1,000	Increasing dependency levels of residents in CEC Care Homes, requiring increased staffing, as admissions are focussed on people with the highest levels of need
Respite income	800	The *Carers (Waiving of Charges for Support) (Scotland) Regulations 2014* now prevent local authorities from charging for support to carers, such as respite care.
Increase cost of spot purchase	200	Additional cost of high dependency Care Home placements
Care at Home	3,340	Growth in Care at Home to meet demographic and unscheduled care pressures.
Care Packages	1,710	Care packages to support people in their own homes
Total pressures	**7,050**	
Mitigating action phase I	-1,505	£1.805m less £0.3m at risk of delivery
Mitigating action phase 2	-793	Assumes full delivery
Estimated forecast outturn	4,752	

Background

2.1 At its meeting on 15 January the Committee considered a report by the Director of Health and Social Care on *Adult Social Care Budget Pressures, 2014/15: Update* which confirmed a projected overspend of £5.340 million (2.6%) in the £204.5m Health and Social Care net budget by the end of this financial year, as previously reported to Committee on 27 November. The projected overspend related to increased dependency levels in care homes, the loss of income from new legislation waiving charges for carers, growth in purchased care home high dependency packages, and growth in care at home to meet demographic and unscheduled care pressures.

2.2 The report set out management controls to reduce expenditure by £2m. Committee agreed £1.805m of these management controls. The Committee also discussed the risks associated with further increases in expenditure to the year end.

2.3 The recommendations were approved, including an additional recommendation: To agree that the Director of Health and Social Care would bring a report to the Finance and Resources Committee on 3 February 2015 on the risks of any further overspend in the Adult Health and Social Care Budget.

Main report

Management action to control budget overspends

3.1 As reported previously to Committee, Management actions to deliver a reduction in expenditure of £1.805m have been identified. The Department is on target to achieve £1.5m of these reductions. Items 1 and 3 will not be fully achieved however, they have been substituted with increased savings in the other actions, particularly training and contract savings, which are yet to be evidenced

Budget control action		£’000
1	Review of high cost packages, respite and day care packages and escalation of panel authorisations	360
2	Review equipment service criteria, cease minor aids that are available from commercial sources.	50
3	Tighten criteria for funding transport to disabilities day care services, excluding users who qualify for mobility cars or receiving DLA higher rate for mobility needs from which taxis could be funded.	60
4	Further restrictions on non-staffing budgets	100
5	Further staffing budget restrictions, including new Care Home rotas, management of agency and overtime, review of temporary staff and secondments, and phasing recruitment to essential vacancies.	630
6	Quality and Standards – reduced training budgets	118
7	Review policy re waiving of charges for respite	100
8	Revised estimates of income, including income from residential care charges	137
10	Step Down - do not let 10 beds due in December (3 months savings)	110
11	One off contract savings	140
Total savings		**1.805**

3.2 Staff are aware of the seriousness of the Health and Social Care overspend and, throughout the year, have been looking at a range of actions to restrict expenditure, including:-

- Strict staffing controls including limiting recruitment to front-line care staff, review of all agency, temporary contracts and use of overtime.
- Introduction of 12-hour rotas in care homes for older people
- Overview of size of packages of care
- Contract compliance

3.3 The management controls on the staffing budget will ensure that our staffing budget of £103m is in balance.

3.4 The introduction of 12-hour rotas in care homes from January 2015 has already started to demonstrate a reduction in agency costs.

3.5 A letter has been issued to staff seeking expressions of interest in voluntary early release, reduction in working hours and unpaid leave. This measure is likely to have more of an impact in 2015/2016. Given the level of savings required in 2015/2016, it is important to deliver a reduction in the head count as soon as possible.

Pressures

3.6 The biggest pressure is on our purchased care budget, which currently is projected to overspend by £6m. This is also the area of highest risk in relation to further increases in expenditure. Committee will be aware of the increased demand for care at home, with an increase of 12% per annum.

3.7 Adult social care legislation requires the Council to assess the needs of all adults who appear to be in need of community care services, and then decide whether the assessed needs call for the provision of services. In practice, this means deciding whether the person's needs are of a sufficient level of risk to health and wellbeing as to meet the Council's agreed eligibility criteria for adult social care.

3.8 Councils may take their resources into account in two ways: generally in deciding the level at which they set eligibility criteria, and for specific individuals only where there are different ways, with different costs, in which their assessed needs can be met equally effectively, taking into account their views and wishes, and those of any unpaid carers.
The Council, in common with most other Scottish local authorities, has set its eligibility criteria at the substantial and critical level, as defined by Scottish Government Guidance.

3.9 It is not proposed to move our eligibility criteria from critical and substantial however, due to the financial pressures in this financial year and next financial year, we need to undertake a review of the level of support we are able to offer individuals. This will take into account our ability to support the assessed needs of the individuals. As there is now only eight weeks to the end of the financial year, this review is unlikely to deliver significant savings in 2014/2015 however, it should contribute significantly to our pressures in 2015/2016.

Further Action to Reduce Expenditure

3.10 Since the report to committee in January, Health and Social Care has identified a further £0.793m of savings through additional funding sources, staffing controls and non-staffing budgets. This includes a contribution of £0.35m from the Scottish Government, which was confirmed on the 27th January, towards the cost of winter pressures and improved performance in delayed discharge.

3.11 The corporate management team has recognised the significant pressures facing Health and Social Care as a consequence of increasing demand and demographics. Given the seriousness of the financial position, the corporate management team is keen to support Health and Social Care in the management of this financial pressure. All Departments have reviewed their expenditure to see whether it is possible to contribute savings to support the overspend.

3.12 The revised projected expenditure, taking into account the above actions, and taking into account the commitments as at 27th January 2015, is a projected overspend of £4.75m.

Measures of success

4.1 Reduction in projected budget overspend.

Financial impact

5.1 This is covered in the main report.

Risk, policy, compliance and governance impact

6.1 The delivery of a balanced budget outturn for the year is the key target. The risks associated with costs pressures, increased demand – particularly over the winter period – and delivering savings targets are regularly monitored and reviewed and management action is taken as appropriate.

Equalities impact

7.1 Measures to reduce budget overspends are likely to increase waiting lists for services for older and people with disabilities.

Sustainability impact

8.1 No impacts on sustainability.

Consultation and engagement

9.1 This report reflects consultation with NHS Lothian, but timescales have precluded consultation with other key stakeholders.

Background reading/external references

Finance and Resources Committee, 27 November 2014. Report by the Director of Health and Social Care on Adult Social Care Budget Pressures, 2014/15.

Finance and Resources Committee, 15 January 2015. Report by Director of Health and Social Care: Adult Social Care Budget Pressures, 2014/15: Update

Peter Gabbitas

Director of Health and Social Care

Contact: Mike Brown, Strategic Policy and Performance Manager

E-mail: mike.brown@edinburgh.gov.uk | Tel: 0131 553 8302

Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 - Edinburgh's economy delivers increased investment, jobs and opportunities for all SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health
Appendices	None

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

Revenue Budget 2015/18 Update – referral report from the Finance and Resources Committee

Item number	4.2(a)
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 15 January 2015 considered a report on the impact on the revenue budget framework of a number of recent Scotland and UK wide announcements. An overview of the outcome of the process whereby Service Directors had systematically reviewed budget pressures and the deliverability of savings included within the framework, or previously approved for delivery in 2015/16, was also provided. The report has been referred to the City of Edinburgh Council for decision as part of setting the 2015/16 revenue budget on 12 February 2015.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Revenue Budget 2015/18 Update

Terms of referral

1.1 The Finance and Resources Committee on 15 January 2015 considered a report on the impact on the revenue budget framework of a number of recent Scotland and UK wide announcements. An overview of the outcome of the process whereby Service Directors had systematically reviewed budget pressures and the deliverability of savings included within the framework, or previously approved for delivery in 2015/16, was also provided. The report has been referred to the City of Edinburgh Council for decision as part of setting the 2015/16 revenue budget on 12 February 2015.

1.2 The Finance and Resources Committee agreed to note and refer the report, alongside a further update to be reported to the Finance and Resources Committee meeting on 3 February, to Council as part of setting the 2015/16 revenue budget on 12 February 2015.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for decision as part of the budget setting process.

Background reading / external references

Revenue Budget 2015-18 Update

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Veronica MacMillan, Committee Clerk

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10am, Thursday 15 January 2015

Revenue Budget 2015/18 – update

Item number	7.10
Report number	
Executive/routine	
Wards	

Executive summary

This short report apprises members of the impact on the revenue budget framework of a number of recent Scotland- and UK-wide announcements. An overview of the outcome of the process whereby Service Directors have systematically reviewed budget pressures and the deliverability of savings included within the framework, or previously approved for delivery in 2015/16, is also provided.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	n/a

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Revenue Budget 2015/18 – update

Recommendations

1.1 Members of the Finance and Resources Committee are requested to note the contents of the report and to remit the contents, alongside a further update to be reported to the Committee meeting on 3 February, to Council as part of setting the 2015/16 revenue budget on 12 February 2015.

Background

2.1 At the Finance and Resources Committee meeting on 30 September 2014, members approved the release for public engagement of the Council's 2015/18 revenue and 2015/2020 capital framework. The revenue framework set out proposals to a total value of £28.5m in 2015/16 which, if approved and delivered in full, alongside management of other relevant risks and pressures gave the potential for revenue investment of up to £6.5m. Following the approval by Council on 23 October of some £5.2m of savings for delivery in 2015/16, net savings of £16.8m still require to be identified to deliver a balanced budget for the next financial year.

2.2 A number of potential uses of any available "headroom" were set out in the update report considered by the Committee on 27 November. In outlining these potential uses, however, it was emphasised that its availability was subject to the on-going review of framework assumptions and an assessment of both a number of demand-led pressures and the robustness and deliverability of the savings proposals contained within the budget framework.

2.3 While the report's primary purpose is therefore to inform members of the outcome of the savings assurance and pressures review, an update is initially provided on the income and expenditure assumptions underpinning the budget framework. Members' attention is drawn in particular to the impact of changes to the employers' contribution rate for teachers' pensions and a review of loans charge forecasts for 2015/16 and future years.

Main report

Chancellor's Autumn Statement

3.1 The Chancellor of the Exchequer delivered his Autumn Statement on 3 December. The contents of this statement reinforced the UK Government's on-going strict fiscal policy, with some commentators suggesting that a further five years' real-terms reductions in public expenditure should be anticipated. Coming on top of previous years' decreases, the required savings will be increasingly challenging to deliver, with a need to consider both service prioritisation and transformation if the Council is to continue to be able to invest in its priority areas.

3.2 The announcement also indicated, however, the provision of significant additional resources to the National Health Service in England. This increase, along with other spending changes in areas where, under current devolved arrangements, responsibility rests with the Scottish Parliament, has resulted in total favourable "Barnett Consequentials" for Scotland of £231m in 2015/16, the majority of which are of a revenue nature. As of the time of writing, the Scottish Government has thus far allocated £127m, the element specifically relating to increased NHS spend in England, to health services in Scotland. COSLA, on behalf of all councils, is seeking active engagement with the Scottish Government around potential uses of the remaining sums and active engagement has similarly been made with Lothian Health on current pressures within Health and Social Care.

3.3 While not specifically highlighted in the Chancellor's statement, reference was made in its supporting documentation to the results of updated actuarial valuations in guiding employees' and employers' respective teachers' pension contribution rates. The UK Treasury has confirmed that employers' rates will increase by around 2.3% from September 2015 i.e. from the current rate of 14.9% of salary to 17.2%. Across Scotland as a whole, this is expected to result in additional costs of £28m in 2015/16, increasing to £48m in 2016/17. Based on current teacher numbers in Edinburgh, the estimated additional liability for the Council is some £1.8m in 2015/16 and £3.1m in 2016/17. While the outcome of joint COSLA and Scottish Government lobbying of the UK Treasury (and the allocation of the Barnett Consequentials referred to above) is not yet known, in the absence of firm evidence to the contrary, a corresponding additional liability has now been reflected within the budget framework.

Local Government Finance Settlement

3.4 The Cabinet Secretary for Finance, Constitution and Economy announced the Local Government Finance Settlement for 2015/16 on 11 December. Provisional grant allocations had previously been announced in July. As the budget framework had been updated to take account of subsequent confirmed funding in such areas as free school meals, early learning and childcare and Discretionary Housing Payments, the level of support indicated for Edinburgh was in line with expectations for both revenue and capital resources. Alongside the extent of pressures affecting a range of demand-led services, this reinforces the need to make difficult choices in establishing the basis of a sustainable budget going forward.

3.5 As anticipated, the announcement confirmed that receipt of full funding is contingent upon delivery of a further year's freeze in Council Tax levels.

Funding of £7m (equivalent to a 3% increase) will be lost if a Council Tax freeze is not approved by Council. Following agreement to explore jointly with COSLA alternative, outcome-focused measures of educational performance, however, there is no proposed holdback at this stage in respect of maintaining teacher numbers, although this sanction remains available to the Scottish Government should agreement not be reached.

Smith Commission

3.6 Members will be aware that the principal recommendations of the Smith Commission on devolution of further powers to Scotland were published on 27 November. While the resulting changes have the potential, in due course, to impact upon the last year of the framework, pending development of specific proposals, no changes have been incorporated at this stage.

3.7 In addition to the scrutiny of pressures and deliverability of previously-approved and proposed savings within services outlined in later sections, further analysis has been undertaken of a number of corporate budgets, most particularly loans charges and Council Tax.

Loans charges

3.8 A recent review of current loans charge provision has taken into account the extent of, and funding sources for, the capital investment programme, as well as the current debt maturity profile and projected availability of cash balances to continue the Council's medium-term strategy of using these in lieu of external borrowing. On the basis of this analysis, an opportunity has been identified to realise savings sufficient to offset, on an ongoing basis, the 2015/16 pressure in respect of increased teachers' pension contributions referred to at paragraph 3.3. The loans charges position for subsequent years remains the subject of on-going review and updates will be provided to the Committee in the following months.

Council Tax

3.9 Further work is also being undertaken to examine underlying movements in the size and profile of the Council Tax base, including the impact of the level of discounts and exemptions. Any further update in this area will be reported to the Committee on 3 February.

Living Wage

3.10 As members will be aware, the Council adopted payment of the nationally-set Living Wage for its staff in January 2013. The Living Wage currently stands at £7.65 per hour but is subject to annual review by the Living Wage Foundation based on its assessment of changes in the basic costs of living.

3.11 The Foundation has indicated that the Living Wage will increase to £7.85 per hour from April 2015. Council has previously approved funding of £2.06m to implement the Living Wage and, based on modelling of anticipated pay liabilities, the resulting additional £0.101m over and above wider existing pay award provision for the staff benefiting can be contained within this overall sum.

Organise to Deliver

3.12 Members will be aware of a report elsewhere on today's agenda setting out further details of the underlying BOLD business cases for the workstreams being taken forward as part of the "Organise to Deliver" transformation programme. The report highlights potential additional revenue programme support expenditure of £2.9m in 2015/16 and, subject to approval of the report's recommendations, these costs, as well as longer-term staff restructuring costs, will require to be considered as part of setting 2015/16's and future years' revenue budgets.

Management of pressures

3.13 A number of anticipated service pressures in 2015/16 were highlighted in the report to the Committee on 27 November. Following that meeting, a further in-depth examination of pressures, and identification of mitigating measures, was initiated to confirm the extent to which these could be contained by services.

3.14 This further work has indicated that significant residual underlying pressures remain in both Health and Social Care and Services for Communities (the latter in specific respect of iPFM). The respective Directors have therefore been instructed to develop, as a matter of urgency, potential actions to mitigate these residual pressures and a further update will be provided to the Finance and Resources Committee on 3 February.

3.15 Following consideration on 11 December, subject to the identification of corresponding funding as part of the budget motion, members will also be aware that Council approved the introduction of a new Shared Repairs Service. The estimated full-year cost of this service in 2015/16 is £2.16m.

Assurance review of savings proposals

3.16 Alongside a systematic review of budget pressures, Directors have been instructed to assess the robustness and deliverability of all savings proposals comprising the budget framework (and those savings approved for delivery in 2015/16 as part of previous years' budgets). A common template considering such areas as the proposals' strategic alignment and the extent of senior management ownership and stakeholder engagement, as well as associated financial projections, risk management arrangements and the setting of key milestones, has been used for all options to capture this assessment on a consistent basis, producing a "RAG" assessment for each proposal.

3.17 The Director of Corporate Governance has indicated that, following more in-depth consideration, the proposals in respect of merchandising (CG1) and website advertising (CG2) (together totalling £250,000) are no longer assessed to be achievable and has identified alternative, primarily workforce efficiency-related savings to address the resulting shortfall. Details of these alternative savings will be made available to members and included in the update report to Committee.

3.18 While potential challenges around delivery have been identified for a number of other proposals included within the framework or approved for delivery in 2015/16 as part of previous years' budget motions, across the piece Directors have confirmed that the level of savings set out remains achievable. In recognising the crucial importance of identifying, and then delivering, the full level of savings set out within the framework, however, a number of areas have been prioritised to ensure that all implementation plans are suitably robust. An update on progress will be provided to the Committee on 3 February.

Measures of success

4.1 Relevant measures in setting the Council's 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 2015/16 to be set as part of a 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.

Financial impact

5.1 Inclusion of additional revenue investment within the budget framework is contingent upon the development, and subsequent delivery, of corresponding savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

Risk, policy, compliance and governance impact

6.1 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 anticipated service impacts outlined in the respective budget templates.

Equalities impact

7.1 Those proposals comprising the budget framework are subject to on-going assessment of their corresponding potential equalities and human rights impacts. The results of these assessments will be reported to the Finance and Resources Committee in February to ensure that members pay due regard to them in setting the Council's 2015/16 budget on 12 February 2015.

Sustainability impact

8.1 The proposals comprising the budget framework have also been subject to an assessment of their likely corresponding carbon impacts. The results of these assessments will be reported to the Finance and Resources Committee in February to ensure that members pay due regard to them in setting the Council's 2015/16 budget on 12 February 2015.

Consultation and engagement

9.1 The contents of the budget framework have been the subject of considerable public and stakeholder engagement. The budget planner, in particular, has brought together the revenue and capital aspects of the budget and provided additional insight into the priorities of the city's residents. A summary of the main themes emerging from the public engagement will be considered by the Finance and Resources Committee on 3 February.

Background reading/external references

Revenue Budget 2015/18 and Capital Budget 2015/2020 – update, Finance and Resources Committee, 27 November 2014

Revenue and Capital Budget Framework, Finance and Resources Committee, 30 September 2014

2015/18 Revenue and Capital Budget Update, Finance and Resources Committee, 7 May 2014

Alastair D Maclean

Director of Corporate Governance

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	n/a
Appendices	None

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

Revenue Budget 2015/18 - Further Update – referral report from the Finance and Resources Committee

Item number	4.2(b)
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 3 February 2015 considered a short update report that described a number of further issues for consideration in setting the Council's 2015/16 Revenue Budget as part of a longer-term framework . The report has been referred to the City of Edinburgh Council for decision as part of setting the 2015/16 revenue budget on 12 February 2015.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Revenue Budget 2015/18 - Further Update

Terms of referral

1.1 The Finance and Resources Committee on 3 February 2015 considered a short update report that described a number of further issues for consideration in setting the Council's 2015/16 Revenue Budget as part of a longer-term framework.

1.2 At the Finance and Resources Committee meeting of 15 January 2015, members were advised of a number of changes that had affected budget framework planning assumptions and wider pressures and commitments impacting on the content of the 2015/16 budget. In particular, the report noted that, following the announcement by the UK Treasury of increased employers' contribution rates for the teachers' pension scheme effective from September 2015, provision had been made for an estimated additional liability in 2015/16 of £1.8 million.

1.3 The Finance and Resources Committee noted the issues for consideration outlined within the report and referred the report to Council as part of setting the 2015/16 revenue budget on 12 February 2015.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for decision as part of setting the 2015/16 revenue budget.

Background reading / external references

Revenue Budget 2015/18 - Further Update

Carol Campbell

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Tuesday 3 February 2015

Revenue Budget 2015/18 – further update

Item number	7.3
Report number	
Executive/routine	
Wards	

Executive summary

This short report advises members of a number of further issues for consideration in setting the Council's 2015/16 revenue budget as part of a longer-term framework on 12 February.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	n/a

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Report

Revenue Budget 2015/18 – update

Recommendations

1.1 Members of the Finance and Resources Committee are requested to note the issues for consideration outlined within the report and to remit the contents to Council as part of setting the 2015/16 revenue budget on 12 February 2015.

Background

2.1 At the Finance and Resources Committee meeting on 15 January, members were advised of a number of changes affecting budget framework planning assumptions and wider pressures and commitments impacting on the content of the 2015/16 budget. In particular, the report noted that, following the announcement by the UK Treasury of increased employers' contribution rates for the teachers' pension scheme effective from September 2015, provision had been made for an estimated additional liability in 2015/16 of £1.8m.

2.2 Following a review of loans charge forecasts, however, a recurring offsetting savings opportunity had been identified, leaving the overall position in line with that reported to the Finance and Resources Committee on 30 September 2014 i.e. potential overall revenue "headroom" of up to £6.5m in 2015/16, subject to approval and delivery of all framework savings proposals (including those savings approved for delivery in 2015/16 as part of previous years' budget motions) and management of risks and pressures.

2.3 The report furthermore noted that additional details of the Scottish Government's allocation of the favourable Barnett Consequentials arising from the Chancellor's Autumn Statement were awaited. Subsequent clarification has been received around the allocation of £95m of the total confirmed additional resources of £127m to be provided to health services in Scotland in 2015/16. NHS Lothian's share of the £65m of Scotland-wide funding for health services announced on 11 January has been confirmed as £4.9m.

2.4 In addition, the Scottish Government has now announced that a further £30m of the favourable Barnett Consequentials will be used as part of a three-year, £100m programme of investment to reduce the number of people waiting to be discharged from hospital. The Edinburgh area's approximate share of this sum is £2.5m, with the sum paid, in the first instance, to NHS Lothian.

2.5 Any direct or indirect impacts for the Council resulting from application of this additional funding will be reported to the Committee once confirmed.

Main report

Council Priorities Fund

3.1 Members of the Committee will be aware from the report elsewhere on today's agenda that the Director of Health and Social Care has intimated a potential overspend, net of proposed mitigating actions, of some £4.75m in 2014/15.

3.2 On 15 January, the Committee considered a report on the Council's risks and reserves as part of the wider budget-setting process. Appendix 2 of that report indicated the anticipated movement on a number of specific funds, including the Council Priorities Fund. This analysis set out a projected fund balance of £6.6m as of 31 March 2015, and commitments thereon in 2015/16 of £3.6m.

3.3 Whilst further measures to reduce the level of overspend within Health and Social Care continue to be examined as a matter of urgency, it is proposed to allocate up to £3m of the remaining balance to meet an element of the projected overspend in 2014/15. Drawdown of this level of funding would result in a position whereby the Council Priorities Fund is now fully committed. At the same time, and subject to the management of risks and pressures affecting other service areas and corporate budgets, it would allow the unallocated General Fund reserve to be maintained at the level underpinning the Council's longer-term financial strategy.

3.4 Members are also asked to note the existing allocation within the Council Priorities Fund (and thus reflected within the balances reported to the Committee on 15 January) of £2.25m for the anticipated costs associated with the legacy Statutory Notice service in 2015/16.

Lothian Buses dividend

3.5 Members will be aware that, as the primary shareholder of Lothian Buses Ltd, subject to the company's continuing profitability, the Council receives an annual dividend. The Lothian Buses Board has now confirmed that in light of the overall level of dividend declared, £5m is payable to the Council in respect of the financial year ended 31 December 2013. The additional level of dividend relative to 2014/15 budget assumptions of £2m this represents will be placed in an earmarked reserve and may be applied, should members so wish, as part of setting the 2015/16 revenue budget.

Shared Repairs Service

3.6 Members are reminded that Council approval has been given, subject to the identification of corresponding funding as part of the budget motion, to the establishment of a new Shared Repairs Service, the full-year cost of which is estimated at £2.16m in 2015/16.

Organise to deliver – Better Outcomes through Leaner Delivery (BOLD) business cases

3.7 The Finance and Resources Committee meeting of 15 January approved the taking forward of a number of transformation-themed BOLD business cases. Across the four workstreams, these cases set out potential gross annual savings of up to £49m by 2019/20. An element of these savings will accrue to the Housing Revenue Account, whilst others will contribute to meeting savings either previously approved by Council or included within the 2015/16 framework proposals.

3.8 While the primary focus of the Council's budget framework is currently on the three-year period to 2017/18 (over which time an overall additional savings requirement of £67m has been identified), indicative planning estimates are also in place for the following two years. Demographic and inflationary-related pressures will continue to affect the Council's budget over this period, reinforcing the need to seek out not just greater efficiency but increasingly prioritise activity according to its contribution to key policy outcomes.

3.9 Estimates of available funding over this longer timeframe are inherently more speculative. There is a need to reflect not just trends in wider public expenditure (and revised fiscal rules introduced by the UK Coalition Government in December 2014, under which there may be greater discretion in the level of spending reduction applied to address the underlying structural deficit) but also the potential influence of revised constitutional arrangements arising from the implementation of the Smith Commission's recommendations.

3.10 Over the five-year period to 2019/20, the Council's overall savings requirement, based on an assumed continuation of the Scottish Government's current 3% efficiency savings target, is over £100m. On that basis, the BOLD proposals, whilst making a significant overall contribution to addressing this gap, would address, at best, half of this requirement.

3.11 This requirement for further savings plans notwithstanding, the report to this Committee on 15 January identified a need for up to £2.9m of BOLD project management funding. In view of the crucial importance of this upfront investment in realising savings in subsequent years, it is recommended that, subject to ratification by Council, corresponding funding be made available from the ICT efficiencies fund. Based on the existing schedule of planned commitments and repayments, this sum can be accommodated within the overall fund balance.

3.12 The Channel Shift business case also indicated a requirement for up to £3m of upfront ICT capital investment to realise the full benefits set out. Members are asked to consider this requirement as part of setting the 2015/16 budget.

Management of pressures

3.13 The previous update report to this Committee indicated that the Director of Health and Social Care and Acting Director of Services for Communities had been instructed to develop proposals to return their services' budgets to a sustainable footing based on the level of resources underpinning their respective resource allocations.

3.14 Having reviewed the projected pressures and identified a range of proposed mitigating measures, the Acting Director of Services for Communities has now given assurance that these can be contained within the service's overall budget in 2015/16 as set out in the budget framework.

3.15 The Director of Health and Social Care has undertaken a similar assessment but at this time, the level of identified mitigating actions falls short of that required to balance the budget, leaving a residual shortfall of £5.5m which members may therefore wish to consider as part of the 2015/6 budget-setting process. It should be noted, however, that as in the current year, a number of these mitigating actions will require to be discussed further with NHS Lothian colleagues. The Director will continue to develop proposals to reduce the projected 2015/16 overspend, and a further update will be provided in advance of the Council meeting on 12 February 2015.

Measures of success

4.1 Relevant measures in setting the Council's 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 2015/16 to be set as part of a 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.

Financial impact

5.1 Inclusion of additional revenue investment within the budget framework is contingent upon the development, and subsequent delivery, of corresponding savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

Risk, policy, compliance and governance impact

6.1 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 anticipated service impacts outlined in the respective budget templates.

Equalities impact

7.1 Those proposals comprising the budget framework have been assessed for their corresponding potential equalities and human rights impacts. The results of these assessments are summarised elsewhere on this agenda and will be referred to Council to ensure that members pay due regard to them in setting the Council's 2015/16 budget on 12 February 2015.

Sustainability impact

8.1 The proposals comprising the budget framework have also been subject to an assessment of their likely corresponding carbon impacts. As with the equalities impacts, the results of these assessments are summarised elsewhere on this agenda and will be referred to Council to ensure that members pay appropriate regard to them in setting the Council's 2015/16 budget on 12 February 2015.

Consultation and engagement

9.1 The contents of the budget framework have been the subject of considerable public and stakeholder engagement. The budget planner, in particular, has brought together the revenue and capital aspects of the budget and provided additional insight into the priorities of the city's residents. A summary of the main themes emerging from the public engagement is included in a separate report on today's agenda.

Background reading/external references

Revenue Budget 2015/18 Update, Finance and Resources Committee, 15 January 2015

Revenue Budget 2015/18 and Capital Budget 2015/2020 – update, Finance and Resources Committee, 27 November 2014

Revenue and Capital Budget Framework, Finance and Resources Committee, 30 September 2014

2015/18 Revenue and Capital Budget Update, Finance and Resources Committee, 7 May 2014

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	n/a
Appendices	None

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

Council's Budget 2015/16 – Risks and Reserves – referral report from the Finance and Resources Committee

Item number	4.2(c)
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 15 January 2015 considered a report that set out 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 decision as part of its budget setting process and to ratify the decision of the Finance and Resources Committee to allocate £7.5 million from the Capital Fund to support additional capital investment priorities.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

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Terms of Referral

Council's Budget 2015/16 – Risks and Reserves

Terms of referral

1.1 The Finance and Resources Committee on 15 January 2015 considered a report that set out the risks inherent in the revenue and capital budget framework and the range of measures and provisions established to mitigate these.

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 arrangements in place to manage these known risks.

1.3 The Finance and Resources Committee agreed:

1) To note the report.

2) To refer the report to Council for decision on the 12 February 2015 as part of the budget setting process.

3) To authorise for ratification by Council the allocation of £7.5m from the Capital Fund to support additional capital investment priorities, on the basis that briefings would be offered on this to each political group.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for decision as part of the budget setting process and to authorise for ratification the allocation of £7.5 million from the Capital Fund to support additional capital investment priorities, on the basis that briefins would be offered on this to each political group.

Background reading / external references

Council's Budget 2015-16 - Risks and Reserves

Carol Campbell

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Thursday 15 January 2015

Council's Budget 2015/16 – Risks and Reserves

Item number	7.8
Report number	
Executive/routine	
Wards	

Executive summary

The report advises members on the risks inherent in the revenue and capital budget framework and the range of measures and provisions established to mitigate these. In addition, it provides an update on projected reserves including the Capital Fund for the period 2015/16.

Links

Coalition pledges	P30;
Council outcomes	CO25
Single Outcome Agreement	SO1, SO2, SO3 and SO4

Report

Council's Budget 2015/16 – Risks and Reserves

Recommendations

1.1 Members of the Finance and Resources Committee are asked to:

1.1.1 note the contents of this report;

1.1.2 remit this report to Council for decision on 12 February 2015 as part of the budget setting process; and

1.1.3 authorise for ratification by Council the allocation of £7.5m from the Capital Fund to support additional capital investment priorities.

Background

2.1 Risks are inherent in any budget process. This report advises members of significant risks identified in the budget process, quantifying these where possible, and sets out the range of measures and provisions put in place to mitigate them.

2.2 Reserves are held against the risk of unanticipated expenditure or reduced income arising in any particular year. In addition, under accounting rules, some reserves are set aside to manage timing differences between the receipt of income and expenditure being incurred.

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.

2.4 Whilst the revenue budget framework covers the period 2015 to 2018 and the capital framework 2015/16 to 2019/20, the emphasis within this report is on 2015/16.

Main report

Risks

3.1 There will always be risks inherent in the budget process. What is important is that these are identified and mitigated / managed effectively. Appendix 1 shows a risk matrix, setting out how the known risks identified in this report are managed. It is important to recognise, however, that the combined effect of the complexity of the Council's activities and the environment within which it operates means that this list should not be seen as exhaustive.

3.2 Risks have been categorised into one of three groups – (i) risks associated with the delivery of major projects, savings proposals, internal improvement plans and severance costs, (ii) on-going risks and (iii) emerging risks. The most significant of these are summarised below:

Risks associated with the delivery of major projects, savings proposals, internal improvement plans and severance costs

<u>Transformational, organisational reviews, efficiency, income-generating options and procurement</u>

3.3 The budget process makes assumptions on the delivery of major projects and the level of savings that can be achieved, including those from internal improvement plans. There are a number of risks that fall within this area:

- the ability to deliver savings already approved by Council that impact in 2015/16, and savings proposals set out in the revenue budget framework for decision on 12 February 2015, within the timescales stated; and
- the ability to deliver services within the baseline level of available resources.

3.4 The budget proposals as set out at the meeting of the Finance and Resources Committee on 30 September 2014, if all accepted and subject to management of other risks and pressures, are sufficient to address the Council's net savings requirement in 2015/16. The final list of agreed options will not be known until February 2015, however, and therefore the risks may vary, depending on the final approved budget.

3.5 Given the level of savings targeted through transformational change, procurement and BOLD-themed plans in 2015/16 and future years, regular updates on these critical areas will be provided to the Finance and Resources Committee as part of its work programme. These updates, forming part of wider progress reports on the Council's operational governance arrangements, are geared towards providing due assurance on the robustness of the relevant plans and closely tracking the associated savings. This assessment will also need to consider the level of investment and voluntary release-related costs underpinning the relevant workstreams.

3.6 The ICT Transformation programme has up to £7.5m provided through set-aside balances for additional investment to support the transition to a new provider. There are risks around the adequacy of this sum and the current level of provision for any other upfront expenditure associated with the changes such as procurement, development and training costs.

On-going risks

Financial Settlements and wider fiscal policy changes

3.7 Whilst details of the financial settlement are known for the 2015/16 financial year, this is a one-year settlement agreement. There is a risk that the actual level of income in future years is lower than the level assumed in the long-term financial plan. The level of funding could vary for a number of reasons, including updated population data, as the distribution formula is complex and covers a wide range of factors. The outcomes from the Smith Commission could also have significant impacts on the future funding arrangements for national and local government. Longer-term assumptions on grant funding are based on best-available estimates of wider public expenditure but are also subject to changes in both Scottish Government priorities and wider UK Government fiscal policy.

3.8 Besides grant funding settlements, the budget framework reflects the impact of such factors as the removal of the existing employer's National Insurance rebate in April 2016. There is a risk that further similar changes are introduced as part of addressing the UK-wide structural deficit, placing additional cost pressures on the Council.

Holiday Pay claims

3.9 The European Court of Justice ruling in May 2014 requiring overtime and other pay elements to be included in the calculation of holiday pay has resulted in an increase in employee costs in 2014/15. Additional resource of £1.1m was approved by the Finance and Resources Committee on 30 October 2014 and holiday pay arrangements comply with relevant guidance. There is a risk, however, that claims will be made for further backdated payments.

Loss of income

3.10 Assumptions on the level of income that will be generated for services are made in the budget process. The risks relate to (i) a decrease in the demand for services for which the Council charges a fee and (ii) the ability to collect all income due.

3.11 Whilst these risks cannot be wholly quantified, there are measures the Council can take to mitigate the risk. Such measures include using service level agreements (or similar) for the provision of services to external users and application of the Council's corporate debt policy. Income levels are also subject to regular monitoring and where appropriate the identification of mitigating actions to manage any shortfall.

Demographic changes leading to rising service demands across a range of services

3.12 The risk relates to increased demand for such services and the ability to provide for this within the level of available resources.

3.13 The budget framework identifies £9.6m in 2015/16 for additional expenditure due to demographic pressures.

Council Tax collection targets are not met

3.14 The risk relates to the ability to collect all income due and potential increases in the number of homes entitled to discounts and exemptions. Members are reminded that there can be significant movements in the number of properties entitled to exemptions and discounts, particularly in the latter months of the financial year due partly to the large student population. The revenue budget framework includes the assumption that there will be a further increase in the collection rate of 0.2% in 2015/16. It should be noted, however, that the highest ever in-year collection rate was achieved in 2013/14.

Council Tax Freeze

3.15 The budget framework assumes that 2016/17 will be the last year of the Council Tax Freeze in line with the Scottish Government's policy commitment over the current parliamentary term. An additional £7m of income is included in the framework as a result of levying an indicative 3% increase in 2017/18 and each year thereafter. There is a risk that this increase is not achieved and alternative income or compensating savings are required.

Infrastructure

3.16 The risk relates to there not being sufficient resources to adequately maintain the Council's existing and planned infrastructure, resulting in reduced service provision and / or increased costs in the future.

3.17 A further risk relates to the realisation of capital receipts in line with amounts recognised in the capital programme and the ability to deliver and afford the full programme if these do not materialise. The revenue budget framework for 2015-2018 includes £4m of savings from more efficient use of Council buildings and land, a number of which are predicated on disposal of assets.

3.18 CMT approved an urgent programme of condition surveys and subsequent safety works in light of the tragic incident at Liberton High School. The extent of this programme and the subsequent potential funding requirement is still to be fully quantified.

3.19 The overview of the Local Development Plan reported to this Committee on 7 May 2014 noted the assumption that capital costs would be fully funded by developers' Section 75 contributions. There remains a risk both on the timing and achievement of these contributions which could create a short-term or overall funding pressure.

Large-scale emergencies

3.20 The risk relates to the Council requiring to meet the first £1.901m (2014/15 threshold) of any costs for large-scale emergencies for which claims are made under the Bellwin scheme and the ability to manage this within the overall level of resources available to the Council. Bellwin thresholds represent 0.2% of a local authority's budgeted net revenue expenditure.

Statutory notices

3.21 Provision of £12.6m has been made within the financial statements to 31 March 2014 for impairment of the debtors balance relating to statutory notices. The Council has also earmarked a further £3.9m in its reserves to cover the costs of any potential further liability claims in respect of statutory repairs. This is reflected in the projected movement in reserves shown in Appendix 2. The current position on billing and recovery is detailed in a report elsewhere on the agenda.

Major Projects

3.22 The risk relates to the requirement to meet additional loan charges if the costs of major capital projects exceed approved budget levels. The Corporate Programmes Office assists the Council in mitigating this risk and ensuring best practice is shared across projects.

Universal Credit / Welfare Reform

3.23 The risk relates to the impact on service and Housing Benefits budgets from the introduction of Universal Credit as it is rolled out across Scotland. Welfare reform will provide further exposure to risk through, for example, non-direct deductions for Council Tax Reduction elements of Council Tax bills. Regular update reports on Welfare Reform are considered by the Finance and Resources and Corporate Policy and Strategy Committees. The impact on the Housing Revenue Account (HRA) will be reported separately as part of the HRA budget process.

3.24 There is a risk that demand-led services may exceed available funding and that further welfare changes may have an impact on demand for other council services. The Scottish Government has indicated, however, that it will engage with Local Authorities if it can be demonstrated that expenditure exceeds funding in relation to Discretionary Housing Payments.

Dilapidations

3.25 Dilapidation costs relate to payments for disrepair at the termination of leases. A reserve has been established for dilapidations however there is a risk that the sums within this will not be sufficient. There are ongoing negotiations related to a number of properties; the value and timing of these settlements is as yet unknown.

Legal Claims

3.26 There is an increased risk of compensation claims arising as a result of specific events and emerging issues.

Tram operations

3.27 There is a risk of passenger fares revenue falling below business case assumptions. Projections are subject to ongoing review and will be reported on in detail early in the new year.

Inflation

3.28 The majority of the Council's operating expenditure, whether incurred directly or indirectly (including employee costs), is subject to the effects of inflation. Corresponding provision has therefore been made across all key areas of expenditure, based on available economic forecasts and other relevant factors. Particularly in the case of contractually-committed sums and negotiated settlements, however, there is a risk that this level of provision is insufficient.

Emerging Risks

Pentland Hill Care Home

3.29 The proposed joint interim care facility – Gylemuir House (formerly Pentland Hill Care Home) will involve a new lease arrangement on the property and associated costs. There is a risk that if combined Council and NHS Lothian funding of £2.8m cannot be secured for 2015/16, the facility will not be able to provide the additional care beds but will still incur the lease costs as detailed in the report to this Committee on 27 November 2014.

Health and Social Care Integration

3.30 The functions in scope for Health and Social Care Integration will be delegated to the Integration Joint Board which will be responsible for the governance, planning, operational oversight and resourcing of adult social health and care services in Edinburgh. The Integration Joint Board will need to identify how the available resources are to be spent to deliver on the national outcomes and how the balance of care will be shifted from institutional to community-based settings within available resources. The most recent update was reported to Committee on 27 November 2014. There is a risk that funding will be insufficient to deliver the planned outcomes.

Zero Waste Project

3.31 Council approved the commencement of the procurement process for the residual waste treatment contract at its meeting on 14 October 2010. Members were alerted to the potential exposure of the Council to legacy contract costs with the incumbent provider during the period 2017/18 – 2019/20.

Reserves

4.1 Members are aware that the Council holds a number of earmarked balances within the General Fund. At 31 March 2014, the General Fund balance stood at £123.309m, of which £110.284m was earmarked for specific purposes. The unallocated General Fund balance stood at £13.025m, in line with the medium term strategy. There are planned movements in reserves during 2014/15, with a projected balance at 31 March 2015 of £105.450m.

4.2 The current budget does not provide for any further contributions to the unallocated General Fund. The level of this reserve at 31 March 2014, together with the forward strategy, is considered appropriate, in view of the financial liabilities and risks likely to face the Council in the short to medium term.

4.3 There are a number of planned contributions to / from the earmarked balances held within the General Fund. Details of these planned movements are shown in Appendix 2. Appendix 3 provides details on the purposes of the main earmarked balances held.

4.4 The amount held in the insurance fund is deemed adequate, taking into consideration the estimated value of outstanding claims. This is subject to on-going review.

4.5 There are a wide range of commitments on, and potential risks to, the existing level of reserves in the coming and subsequent years. In the absence at this stage of firm longer-term plans, reliance on reserves solely to facilitate additional investment and /or reduce the level of required savings would therefore be considered neither prudent nor sustainable.

4.6 The creation of the Strategic Acquisition Fund was approved by Council on 7 February 2013. Funding of £7.5m was to be earmarked from the sale of capital assets not currently supporting the capital investment or property rationalisation programmes. During 2014/15, part-funding of this initiative has been provided by means of a one-off dividend receipt of £3m derived through an asset sale from Shawfair Land Ltd.

4.7 Members are reminded of the approval to draw down £5.23m of funding from the reserves, including from the Repair and Renewals reserve, to the General Fund in 2014/15 and 2015/16 to meet pressures within imProveIt and iPFM, as reported to the Finance and Budget Committee on 19 September 2013. It should be noted that there are no planned reimbursements of these sums in 2015-16 but a requirement to refund in the longer term is noted.

4.8 The Capital Fund reserve has been built up over recent years to provide flexibility in future years with regard both to savings arising from procurement and as a source of funding for key transformational projects such as the BOLD initiative. The balance at 31 March 2014 stood at £25.835m.

4.9 Following a review of the fund, it is recommended that, subject to Council decision, £7.5m be made available from the Capital Fund to support the capital investment priorities outlined in the report elsewhere on this agenda. Subject to the Committee's approval, allocation of these sums will then form part of the budget proposals presented to members on 12 February 2015.

Measures of success

5.1 Relevant measures include:

- 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.
- The Council maintains an adequate level of unallocated General Fund reserves.

Financial impact

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

Risk, policy, compliance and governance impact

7.1 The aim of this 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.

Equalities impact

8.1 Equality impact assessments are being carried out, where required, on the proposals set out in the Draft Council Revenue Budget Framework 2015-2018. A separate report will be submitted to the February Committee to ensure that members pay due regard to relevant issues in setting the 2015/16 budget on 12 February 2015.

Sustainability impact

9.1 The proposals comprising the budget framework have also been subject to an assessment of their likely corresponding carbon impacts. The results of these assessments will therefore be reported to the Finance and Resources Committee in February to ensure that members pay due regard to them in setting the Council's 2015/16 budget on 12 February 2015.

Consultation and engagement

10.1 A budget consultation and engagement exercise has been undertaken. A separate report will be submitted to the February Committee.

Background reading/external references

Revenue and capital budget framework, Finance and Budget Committee, 19 September 2013

2015-18_revenue_and_capital_budget_framework, Finance and Resources Committee, 30 September 2014

Revenue_budget_2015-18_and_capital_budget_2015-2020_-_update, Finance and Resources Committee, 27 November 2014

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1 – Risks Matrix Appendix 2 – Planned Use of Reserves Appendix 3 – Purpose of earmarked balances

Risk Matrix

The table below summarises how the risks identified in the report are managed. Explanations of the actions set out in the “Provision to Manage” column follow the table.

Risk	**Provision to Manage**
Transformation, efficiency, income-generation options and procurement	Workforce Reductions – Earmarked provision Procurement strategy / Mitigating action Regular monitoring of savings delivery
Financial settlements	Long-Term Financial Plan Regular monitoring of public expenditure projections and recognise potential or actual grant variations in LTFP
Holiday Pay settlements	Earmarked provision
Demographic changes leading to rising service demands	Long-Term Financial Plan
Council Tax collection targets are not met	Unallocated reserve
Infrastructure	Asset Management Plan / Mitigating Action
Large scale emergencies	Unallocated reserve
Property conservation	Earmarked provision / Unallocated reserve
Major projects	Mitigating action (Corporate Programmes Office) / Long-Term Financial Plan
Universal Credit/Welfare Reform	Long-Term Financial Plan
Dilapidations	Long-Term Financial Plan
Legal Claims	Unallocated reserve
Service area -specific risks	Mitigating action
Health and Social Care Integration	Ongoing development of Strategic Plan with NHS

Definitions of ‘Provision to Manage’ used in above table

Asset Management Plans – will require to be addressed through asset management plans.

Earmarked Provision – the Council has set monies aside in an earmarked reserve or other provision to meet the estimated costs.

Mitigating Action – Directors to identify alternative measures to manage risks within available resources

Long-Term Financial Plan – provision in the Long-Term Financial Plan

Procurement Strategy – establishment of an approved procurement pipeline

Unallocated Reserve – Council would require drawing funding down from the unallocated General Fund balance to meet costs

Projected Movement in General Fund **Appendix 2**

	Projected Balance at 31.3.15	Projected Investment / (Withdrawal)	Projected Balance at 31.3.16
	£000	£000	£000
Unallocated General Fund	13,025	-	13,025
Balances Set Aside to Manage Financial Risks			
Balances Set Aside For Specific Investment	4,351	(2,724)	1,627
Council Priorities Fund	6,607	(3,600)	3,007
Contingency Funding/Workforce Management	22,332	(3,900)	18,432
Dilapidations Fund	8,376	(1,000)	7,376
Insurance Fund	11,470	40	11,510
Strategic Acquisition Fund	3,000	(3,000)	0
Balances Set Aside from Income Received in Advance			
Licensing Income	1,824	4	1,828
Lothian Buses	3,000	(1,000)	2,000
Other Minor Funds	193	(71)	122
Pre-paid PPP Monies	1,580	125	1,705
Recycling Monies	1,374	(500)	874
National Performance Centre	1,996	(1,996)	0
Council Tax Discount Fund	14,257	(4,192)	10,065
Unspent Grants	3,173	(34)	3,139
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings			
IT Transformation	3,777	3,880	7,657
Energy Efficiency	1,015	4	1,019
Spend to Save	3,000	(60)	2,940
Balances Set Aside under Devolved School Management Scheme			
Devolved School Management	1,100	-	1,100
Total General Reserve	**105,450**	**(18,024)**	**87,426**
Capital Fund	25,835	(7,500)	18,335

Balances set aside to manage financial risk	**Source/purpose**
Balances set aside for specific investment	Funding set aside for specific projects; including improveIt and iPFM.
Council Priorities Fund	Monies set aside primarily from service and corporate underspends, combined with the residual balance from the former budgetary flexibility scheme, which are utilised to meet key Council priorities or expenditure pressures
Contingency funding, Workforce management	Held to cover costs of workforce management changes including staff severance costs.
Dilapidations Fund	This represents monies set aside to meet dilapidation costs arising from the termination of property leases and other contractual commitments.
Insurance Fund	Insurance Funds can be used to defray any loss where an authority 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.
Balances set aside from income received in advance	
Licensing Income	This represents the surplus derived from licensing cabs and houses in multiple occupation and liquor licences. Council is not permitted to use this surplus on other services.
Lothian Buses	Holds dividend income previously paid by Lothian Buses which will be drawn down to support operations of Transport for Edinburgh.
Other Minor Funds	Minor funds held in respect of major exhibitions, social inclusion and a legacy for Craiglockhart Young People's Centre
Pre-paid PPP monies	Holds monies set aside in recognition of the phasing issues relating to the former 'level playing field support' grant monies.
Recycling monies	Holds monies received by Council through Zero Waste funding.

Balances set aside from income received in advance (cont.)	Source/Purpose
National Performance Centre	Holds monies returned by the police and fire authorities at March 2013, following the creation of unitary providers. Proposed to use as the Council's contribution for the National Performance Centre for Sport.
Council Tax Discount Fund	Holds monies received as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to affordable housing type projects.
Unspent grants	Holds 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.
Strategic Acquisition Fund	Funds set aside to sit alongside private sector finance to create new city development opportunities.

Spend to Save

IT transformation	Monies set aside from efficiencies in the ICT contracts for the following purposes: (i) cash releasing efficiency projects; (ii) modernising government, through enhanced use of IT; (iii) new ways of working; and (iv) strategic financial planning
Energy Efficiency	Monies received from the Scottish Government's Energy Efficiency Initiative to facilitate the operation of spend-to-save schemes in this area.
Spend to Save	A fund set up in February 2000 to assist service areas to deliver revenue savings in future years through longer-term financial planning.

Capital Fund	A usable reserve which comprises receipts from the sale of property. The fund is used for capital expenditure such as purchase of property or repayment of loans.

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

Council Revenue Budget Framework 2015/18 – Impact Assessments – referral report from the Finance and Resources Committee

Item number	4.2(d)
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 3 February 2015 considered a summary of the main potential equality and rights impacts of the proposals described within the draft Revenue Budget Framework 2015/18. The report has been referred to the City of Edinburgh Council for consideration at the Council budget meeting on 12 February 2015.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

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Terms of Referral

Council Revenue Budget Framework 2015/18 – Impact Assessments

Terms of referral

1.1 The Finance and Resources Committee on 3 February 2015 considered a series of savings and additional income proposals that were set out in the Council's Draft Revenue Budget Framework for 2015/18. A summary was presented of equality and rights impact assessments (ERIA) of these proposals and of associated mitigating actions to address negative impacts, all of which should inform the budget decision taken on 12 February 2015.

1.2 The Finance and Resources Committee agreed:

1) To pay due regard to the potential equality and rights impact associated with the revenue budget 2015/18 options, and the recommendations to mitigate potential negative impacts.

2) To note the cumulative equality and rights impacts across all revenue budget options.

3) To note the summary analysis of carbon, prevention and partnership impact assessment of revenue budget options.

4) To refer the report for consideration at the Council budget meeting on 12 February 2015.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for consideration as part of setting the 2015/16 revenue budget.

Background reading / external references

Council Revenue Budget Framework 2015/18 - Impact Assessments

Carol Campbell

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Tuesday, 3 February 2015

Council Revenue Budget Framework 2015/18 – Impact Assessments

Item number	7.4
Report number	
Executive/routine	
Wards	All

Executive summary

This report presents a summary of the main potential equality and rights impacts of proposals described within the draft Revenue Budget Framework 2015/18, and identifies recommendations for mitigating any potential negative equality and rights impacts.

It also provides a summary of carbon impact assessments of revenue budget proposals.

In addition, a brief analysis is provided of the results of prevention and partnership impact assessments, which were undertaken for the first time.

Links

Coalition pledges	All
Council outcomes	All
Single Outcome Agreement	All

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Report

Council Revenue Budget Framework 2015/18 – Impact Assessments

Recommendations

1.1 Members of the Finance and Resources Committee are recommended to:

1.1.1 Pay due regard to the potential equality and rights impacts associated with the revenue budget 2015/18 options, and the recommendations to mitigate potential negative impacts.

1.1.2 Consider the cumulative equality and rights impacts across all revenue budget options.

1.1.3 Note the summary analysis of carbon, prevention and partnership impact assessments of revenue budget options.

1.1.4 Refer this report for consideration at the Council budget meeting on 12 February 2015.

Background

2.1 The Council's Draft Revenue Budget Framework 2015/18 sets out a series of savings, and additional income proposals. This report presents a summary of equality and rights impact assessments (ERIA) of these proposals, and of associated mitigating actions to address negative impacts, all of which should inform the budget decision taken on 12 February 2015.

2.2 Under the 'Framework to Advance Equality and Rights 2012-2017', the Council is implementing a five year corporate programme of ERIA. The programme is comprised of ongoing ERIAs of all relevant existing policies and services, and any proposed changes to policies and services. Budget proposals and decisions are a key feature of this programme.

2.3 As well as meeting the requirements of the Equality Act 2010 public sector equality duty, and human and children's rights conventions, ERIA enables the Council to assess the positive and negative impacts on vulnerable citizens, equalities groups in the city and Council staff. It also enables the development of mitigating actions to counteract negative impacts.

2.4 In addition, the report provides a brief summary of carbon, prevention and partnership impact assessments of revenue budget proposals. It should be noted that prevention and partnership impacts of draft revenue budget proposals were considered systematically for the first time by council officers.

Main report

3.1 In line with their responsibility for ERIA activity, under the 'Framework to Advance Equality and Rights 2012-2017, each council service area undertook a summary ERIA of their respective revenue budget options, utilising a council template specifically designed for the budget process. It should be noted that this template differs from the standard full ERIA template, which is more detailed. Consequently, some recommendations refer to undertaking further detailed ERIA work, if options are approved.

3.2 Support and advice was provided to staff by the Equality and Rights Lead Officers in each service area. Completed templates were returned to Corporate Governance, which co-ordinates the whole ERIA programme, and provides summary analysis. Copies of completed budget ERIA templates are available to members for more detailed consideration.

3.3 Information gathered from the budget engagement process was used as evidence to inform the ERIA analysis of the budget options. In addition, individual lead officers may have undertaken specific engagement activity with staff, service users or representative groups to inform their respective ERIAs.

3.4 In total, there are over 150 individual savings or additional income proposals contained within the draft 2015/18 budget framework. In order to facilitate necessary implementation planning, and allow for public engagement to focus on those proposals most affecting frontline services, some sixty "early approval" proposals were considered by Council on 23 October 2014. The potential equalities and rights and carbon impacts of these proposals were reported to Council as part of that consideration to ensure that members paid due regard to these issues, and the proposed mitigating actions, in reaching their decisions.

3.5 Of the proposals considered by Council, the majority were approved for implementation, with a remaining four referred on to form part of the full public budget consultation exercise. These proposals are thus included within the scope of this report.

3.6 There are a number of proposals which may impact negatively on equality and rights if approved. However, there is a range of mitigating actions in place to address such impacts, and further impact analysis is planned for some proposals if approved. In addition, it should be noted that no officer impact analysis at this stage indicates that any of the savings options will be regarded as illegal, with respect to the Equality Act 2010, or any rights based legislation.

3.7 The following section provides a summary of the main potential ERIA impacts, alongside proposed mitigating actions, of all proposed revenue budget options:

- **Children and Families** –7 options have potential equality and rights negative impacts:

    i. *CF5 – Reduce Education Welfare Officer Posts* – Impacts - The Education Welfare Service is a statutory service which has a legal responsibility to monitor and support the attendance of children and young people. Potential negative impacts have been identified for vulnerable children and young people, specifically equality of opportunity and rights related to education. **Mitigation -** A review of service would be required to prioritise the allocation of staff throughout the city. A risk based approach to non attendants to prevent high levels of truancy within specific groups of pupils will be implemented. A proportionate model to ensure support where it is most needed will be introduced. Not all clusters will have full-time dedicated support, but all will have access to support according to need following rigorous analysis

ii. *CF13 – Reduction in operational services for Community Services* – Impacts **-** The reduction in operational budgets for community services including reducing staff numbers and revenue for grant awards and funding for specific programmes may reduce the opportunity to support people in accessing their rights with regard to quality of life, education and learning, involvement in productive and valued activity, improved individual, family and social life, identity expression and respect and being able to participate, influence and be heard. **Mitigation** – Further detailed engagement and consultation with all the key stakeholders. Change management resulting in other council service areas taking on key aspects of service delivery e.g. administration of international visits.

iii. *CF15 – Review Weekend Services* – Impacts **-** There may be some initial impact on the number of families who currently use this service. **Mitigation -** Self Directed Support implementation will ensure outcomes are met. To develop a detailed communication plan to advise parents, service users and stakeholders of the changes.

iv. *CF16 – Service wide reductions to grant and contract funding for third parties -* Impacts – Potential negative impacts on a range of equalities and rights of vulnerable service users from reductions in service. **Mitigation -** Negative impacts on equalities or rights of any proposed reduction of spend on grants or contracts will be considered at the time of proposal and discussed with the service provider. The intention will be to ensure that levels of support to service users are maintained or delivered in alternative ways and to minimise negative impact on any equalities group where possible. This will vary across the range of current providers and agreed mitigating actions will be specific to the user group in question.

v. *CF18 – Review Throughcare Service -* Impacts **-** Whilst there would be no specific impact on children's rights, care would be taken to ensure young people received the appropriate information about their entitlements and support to access relevant services wherever possible. For those with a disability, supplying information about entitlements and support may not be enough and would require to be further explored.

Mitigation – Throughcare and aftercare staff will take all possible steps to support young people to access appropriate healthcare advice, guidance and services and will be trained and supported to provide this. Assistance to access the support may be required for those with communication difficulties or mental health conditions, and this should be built in to forward planning for these client groups

vi. *CF19 – Efficiencies in financial assistance payments* – Impacts - There may be a disproportionate impact on vulnerable families with multiple problems and those without recourse to public funds. In turn, this may have a subsequent impact on families within specific equalities groups. This would only be evidenced over time through the monitoring of implementation and potential negative impacts. **Mitigation** - Practice teams will prioritise support to those with greatest need to make best use of available resources. Signpost clients to alternative services to maximise entitlement to benefits and work collaboratively with Citizen's Advice Bureaux and other voluntary organisations to encourage uptake of, and access to, other support available, such as food banks. Implementation of this proposal should take account of the potential for there being an increased call on other services and resources and ongoing monitoring and assessment of impact will be built in.

vii. *CF20 – Review Day Care Services* – Impacts - There will be some impact on vulnerable families as services reduce, however, increases in early years provision for vulnerable two year olds and increases in nursery hours to 600 a year will help to mitigate the impact. **Mitigation** - Services will be targeted at those most at risk of becoming looked after. Alternative provision would be identified in early years services for some children through the funding provided for looked after two year olds as part of the Children and Young People's Act.

- **Corporate Governance –** 2 options have potential equality and rights negative impacts:

i. *CG5 – Reduction in Service Payment – Edinburgh Leisure* – Impacts - Work is ongoing by Edinburgh Leisure to identify the full range of impacts that may arise from this option. **Mitigation** - Edinburgh Leisure is currently developing an options paper to be considered by the Council which will detail the impact of the proposed reduction in service payment upon special programmes, core services and facilities. Based on the existing business model, it is likely that the scale of the reductions identified (£2.1m p.a. reduction by 2017/18) may lead to some facility closures and a displacement of existing users. There will also likely be an inability to continue providing special targeted programmes at existing levels. The special programmes include the following: Active Lives - for inactive adults living in multi-deprivation areas; High Flyers - targeting children and young people with disabilities; a swim programme for under fives living in areas of multiple deprivation and young people with additional support needs; Looked After and Active – physical activity programme for young people in care for whom the Council is the Corporate Parent; and Positive Destinations **-** development programme for young people not in employment, education or training. However, the formal review of all Council-owned sports facilities and services began in July 2014 and it is anticipated that this review may identify new ways of working across other Council services and may result in more efficient and effective ways of delivering service outcomes.

ii. *CG8 – Reduction in Activcity budget* – Impacts **-** There may be a negative impact on equality. The Activcity budget supports a wide range of sport events, some of which are targeted specifically at women, girls; people with disabilities; the Lesbian, Gay, Bisexual and Transgender community, and older people. **Mitigation -** As far as possible, prioritise expenditure on events targeted at vulnerable groups with protected characteristics.

- **Economic Development –** 1 option has potential equality and rights negative impacts:

i. *ED3 – Reduction in third Party Grants –Impacts -* There may be impacts arising from this proposal once the specific funding reductions are identified. **Mitigation** – High quality engagement, co production activities and a renewed focus on key target groups will enable the mitigation of many negative impacts.

- **Health and Social Care** – 3 options have potential negative equality and rights impacts:

i. *HSC17 – Social Strategy* – Impacts - *A* reduction to grant supported services to reduce Health Inequalities (30 services) and Social Justice (15 services) may lead to an impact on individual rights to access services, but there would be small reductions in access arrangements for priority equality groups. The reductions may limit further development of facilities for vulnerable groups and communities of interest such as migrants, and LGBT, BME, disabled and economically disadvantaged people. **Mitigation -** Funding proposals have been selected to minimise the impact and prevent any complete loss of preventive services. Most affected services indicated that they would seek efficiencies which enable a continuation of service levels and reduce overhead costs. The net effect would be to reduce the range of activities available to people rather than reduce the number of people in contact.

ii. *HSC22 – Reducing staffing ratios in day services for people with disabilities* – Impacts - Reduced staff support to some adults with learning disabilities using day services may reduce their participation in community activities and social opportunities. **Mitigation** - Staff will work to mitigate the risks as far as possible by ensuring targeted staff time with those most in need, and reviewing day activities and community based options for people affected by reduced staffing ratios.

iii. *HSC24 – Reduce the Volunteer Support Team* – Impacts - The main risk is a potential increase in social isolation for service users currently visited by volunteers. **Mitigation** – Consider an approach to improve targeting activity of the Volunteer Support Team.

- **Services for Communities –** 9 options have potential equality and rights negative impacts:

i. *SFC3 – Reform parking charges structure* – Impacts - This could impact on elderly and disabled customers' standard of living, and potentially reduce mobility to access individual, social and family life. **Mitigation** - A clearly defined pricing strategy will be produced which is transparent and understandable to the Council's customers. It is recommended that a review of usage and complaints received is completed in six months time, and again six months after that, to identify if there is negative impact.

ii. *SFC4 – Increase allotment charges* – Impacts - A threat of legal challenge framed in terms of the Equality Act 2010 has been submitted. Increasing rental costs for allotments could result in some plot holders having to give up their allotment and therefore impacting on access to social and health related activities. **Mitigation** – There will be enhanced community engagement, referring those who may lose allotments to other appropriate activities, ensuring allotments are available to those most in need and trying to better monitor the equality and rights impacts on current allotment holders.

iii. *SFC5 – Increased income from implementation of concessionary lets policy* – Impacts - Increase in rents may result in a tenant potentially ceasing or reducing its operations. **Mitigation** - If an increase in rent results in the tenant potentially ceasing or reducing its operations, organisations may seek a grant from the relevant Council service area. There will be an assessment as to whether the tenant and associated services meet Council outcomes. The proposal could be trialled for a pilot period with the impacts being monitored and revisited at the end of the pilot period. The Council's Community Asset Transfer Policy will address disposals by sale or lease to local third sector organisations. This will provide an alternative means of providing accommodation to some groups. Stepped rents would be offered when necessary to provide for a gradual increase in rent to market level over a few years. Rent free periods may be available to tenants to compensate for the cost of improvement works carried out by the tenant. Assistance would be provided to help organisations find alternative premises. Affected organisations would be encouraged to work together and share properties where possible.

iv. *SFC17 – Reduce third sector / partner agency grants* – Impacts - The services funded via the commissioning budget are available for many clients with the protected characteristics e.g. clients with disabilities, young people, women, and clients from the BME communities. Additional savings from these services may affect future provision. Many services assist clients to access housing, health, care and other services, that they would not be able to access without support. Many services work to eliminate harassment, discrimination and victimisation and to promote understanding of the specific issues facing clients who are homeless or at risk of homelessness across the protected characteristics. Grants to the Police could affect new clients who may not be able to access the services they need, which could have a negative impact on their safety related rights. The service allows clients in neighbourhoods to access support in relation to crime, including hate crime. Community policing also engages with young people in certain areas. Reduction of funding may result in reductions in community policing resources in areas of deprivation, but many services should still be available city wide. **Mitigation** - How the savings are to be split has yet to be decided and will be informed by the budget consultation process. The effects of previous savings should be considered when discussing these proposals, particularly in relation to advice and homelessness services. Specific mitigating actions for Police grants include reviewing the current funding model, and analysing crime and anti social behaviour data to ascertain which community policing services equality groups are accessing.

v. *SFC18 – Library opening hours* – Impacts - Potential negative impacts may include reduced access to library information and learning resources, events and activities, fewer cross service health promotion events, either for individuals or as part of a community group. There is a possibility that people with disabilities will be adversely affected, especially people with visual impairments and disabilities, who require access to assistive technology and staff support to access library facilities. The change in library opening hours may also impact on diversionary activities and events for children and young people, community language book groups, womens book groups, newspapers and computer and internet access for low income families, and access to stock and software in community languages (especially in McDonald Road and Muirhouse Libraries). **Mitigation** - Additional tailored sessions for visually impaired people to support easier access to assistive technology and devices across libraries at other times of the week. Running additional events, and children's events, on a Saturday. Moving book groups and other activities to weektime sessions. Active promotion of resources and children's activities online via the library service website. Library services will provide additional staff supported sessions to promote libraries online information resources, e-books and membership services. Customers will be signposted to online resources which are available 24/7. Continued free access to computers in Kirkliston neighbourhood office and Gate 55. Promotion of free computer access in Royston Wardieburn community centre for Granton residents. More activities on Tuesday and Thursday mornings, signposting to Library Link and Housebound services, book drop service and tailored support to access more library services online. In addition, library visitors and customers will be encouraged to use the five libraries during their new opening hours and to access other neighbouring library services which are open across the city on Monday and Wednesday mornings, Thursdays and Tuesday evenings.

vi. *SFC20 – Catering Service Delivery* – Impacts - There are potential negative impacts in relation to staff currently employed by the Council to deliver the in house service. Depending on the catering service model chosen to replace the current service, there could be a positive or negative impact on people with specific dietary requirements due to their race and/or religion/belief. **Mitigation** - As part of the review, scrutiny of the quality and range of food to be undertaken.

vii. *SFC21- Review of garden waste collection* – Impacts - Potential negative impacts on disabled and older people. **Mitigation** - Ensure information is communicated to customers regarding the availability of special uplifts and access to community recycling Centres. Undertake work with community organisations who may be able to provide support.

viii. *SFC26 - Review taxi card provision* – Impacts - The proposed £20 administration charge could negatively affect those on a low income who could find their access to transport reduced, potentially leading to social isolation. It could be that elderly and disabled people will have reduced opportunity to engage in all aspects of daily life including engagement with family and social networks. Use of the taxi card is also linked to other services and benefits payments enabling access to other forms of transport. **Mitigation** – Further dedicated equality and rights impact assessment work is required. A dedicated group would be established to do this and link to the wider accessible transport review. It is this group that would coordinate a further customer consultation programme. Current users of the service will be advised that the service will continue to be delivered by accessible suppliers. If changes are made then the performance of the service will be closely monitored, as will feedback from users and their representatives.

ix. *SFC31 – Improve efficiencies of library reminders and notifications* – Impacts – Negative impacts on older people and those on low incomes who may incur library charges for overdue materials. **Mitigation** - Online options for reminders will be actively promoted to encourage greater sign-up. Promote the use of the 'library app' on smart phones with digital surgeries in all libraries. Use the 'Get online' programme to support digital access and use of online reminders. Ensure library staff engage with customers to ensure people do not incur overdue charges. Promote use of self service machines which issue printed receipts with a return date indicated. Promote use of adaptive screens on self service machines in libraries. Establish working practice with Royal Voluntary Service who deliver housebound and library link services to keep customers informed of return dates and availability of material.

3.8 A significant consideration identified as a result of the ERIA programme is the range of cumulative impacts that may arise as a result of revenue budget proposals, and associated changes to services, which need to be considered when setting the budget. For example:

i. Lack of employment, or reductions in income, for council staff as a result of employee cost savings targets, coupled with increased cost of living and changes to welfare benefits, mean that some people may be less able to live with independence and security, and secure necessary nutrition, clothing, housing warmth, utilities, services and transport. There may be specific negative impacts for some disabled staff, lower grade staff, or part-time and older-aged female staff, as research indicates these groups are more vulnerable to income loss and increased costs of living. 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 e.g. additional support in council redeployment, or in seeking alternative employment, establishing career transition schemes, or delivering enhanced benefits and pension advice.

ii. Some disabled and older citizens and service users may face changes and reductions in the health and social care services that they receive. This may make it more difficult to access free or low cost activities, lead to social isolation, with associated negative health and wellbeing impacts.

iii. Services that visit vulnerable people's homes could reduce and increase isolation, and proposed changes to transport mean that some people may find it more difficult to get out to access employment, maintain a social life or participate in leisure activities.

iv. Reductions to services or community assets in some areas of higher social deprivation could further widen inequality gaps for some families, neighbourhoods or communities.

3.9 As in previous years, the ERIA of draft revenue budget proposals has led to a number of lessons learnt and future improvement actions. In summary, these relate to improving support and training to council officers, improving engagement with equality groups as part of the budget consultation programme, and improving impact assessment quality assurance systems. Further work will be undertaken by equality and rights lead officers to identify and deliver improvement actions.

3.10 As part of the budget proposal development process, officers were also asked to consider whether carbon emissions resulting from energy use in buildings, transport, waste and street/stair lighting were likely to increase, decrease or remain the same. As with the equalities and rights assessments, supporting information for the "early approval" proposals was advised as part of Council's earlier consideration of relevant savings on 23 October 2014.

3.11 Of all the proposals within the framework, only three were returned with no note of likely carbon impacts. One proposal, SFC21 (Review of garden waste collection), indicated the possibility of an increase in emissions from increased waste sent to landfill, adding to the Council's overall landfill tonnage and carbon emissions, but noted that promotion of home composting and relevant facilities within community recycling centres would mitigate such impacts. Around 20% of assessments noted a likely slight decrease in emissions, with the remainder stating that carbon emissions were expected to remain essentially unchanged. Completed carbon impact assessment templates for individual budget proposals can be supplied on request.

3.12 As indicated above, this year, for the first time, the Council undertook summary impact assessments of each revenue budget proposal relating to prevention and partnership. Several assessments, and some consultation responses, identified some potential negative impacts on preventative work, specifically proposed reductions in grants or contracts to third parties. As a result, it is possible that there may be increased demand on statutory or third party crisis intervention services in the future. It is difficult to project any detailed costs or impacts in this regard. However, ways to monitor any impacts over several years should be put in place. With regard to partnership impact assessments, proposals relating to third party payments were regarded as presenting the most risk to partnership relations.

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 options.

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.

4.3 The potential cumulative (both annual and incremental) equality and rights impacts are taken into account, and mitigating actions are identified when each year's budget decisions are being made.

Financial impact

5.1 This report identifies the potential risks in relation to equality and rights. 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.

Risk, policy, compliance and governance impact

6.1 The incorporation of equalities and rights, carbon, prevention and partnership impact assessments as an integral part of the budget development process reflects both good practice and 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.

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. .

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.

Consultation and engagement

9.1 Relevant feedback from the budget engagement, that has taken place in the months leading up to budget setting, has informed equality and rights, carbon, prevention and partnership impact assessment analysis.

Background reading/external references

Draft Council Revenue Budget Framework 2014/18 – Equality and Rights Impact Assessment – referral from Finance and Resources Committee

A Framework to Advance Equality and Rights 2012-2017 (Policy and Strategy Committee, 12 June 2012)

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Links

Coalition pledges	All
Council outcomes	All
Single Outcome Agreement	All
Appendices	None

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

Housing Revenue Account Budget 2015/16 – referral report from the Finance and Resources Committee

Item number	4.2(e)
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 3 February 2015 considered a report which proposed a Housing Revenue Account (HRA) budget for 2015/16 which was based on a rent increase of inflation set at 2 per cent, in line with the current rent strategy; that delivered investment priorities as developed in partnership with tenants; and that managed risk in relation to welfare reform and its impact on rent collection and arrears. The report has been referred to the City of Edinburgh Council for decision on rent levels for 2015/16 as part of the Council's overall budget at the Council budget meeting on 12 February 2015.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

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Terms of Referral

Housing Revenue Account Budget 2015/16

Terms of referral

1.1 The Finance and Resources Committee on 3 February 2015 considered a report which proposed a Housing Revenue Account (HRA) budget for 2015/16 which was based on a rent increase of inflation set at 2 pet cent, in line with the current rent strategy; that delivered investment priorities as developed in partnership with tenants; and that managed risk in relation to welfare reform and its impact on rent collection and arrears.

1.2 For 2015/16, the HRA budget was based on the HRA Business Plan (Business Plan). This was a 30 year financial model which set out annual revenue income and expenditure and how the HRA would contribute to the delivery the City Housing Strategy outcomes.

1.3 The Finance and Resources Committee agreed:

1) To note the progress in delivering new Council homes and in meeting the Scottish Housing Quality Standard and high levels of tenant satisfaction.

2) To note the potential risks to the Housing Revenue Account (HRA) and how these were being managed.

3) To refer the report to the City of Edinburgh Council Budget Meeting on 12 February 2015 for approval of the rent levels for 2015/16.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for approval of the rent levels for 2015/16 as part of the Council's overall budget setting at its meeting on 12 February 2015.

Background reading / external references

Housing Revenue Account Budget 2015/16

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10:00am, Tuesday, 3 February 2015

Housing Revenue Account Budget 2015/16

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive summary

In 2007, following consultation with tenants, a rent strategy was adopted of annual rent increases of inflation plus 2.7% until 2015 and by inflation only thereafter.

This report proposes a Housing Revenue Account (HRA) budget for 2015/16 which:

a) Is based on a rent increase of inflation, in line with the current rent strategy.
b) Delivers investment priorities as developed in partnership with tenants.
c) Manages risk in relation to welfare reform and its impact on rent collection and arrears; as well as the risk of increasing management costs associated with ensuring compliance with the Scottish Government Guidance on managing local authority HRAs.

At its meeting on 11 November 2014, Health, Social Care and Housing Committee noted progress on delivering new Council homes, meeting the Scottish Housing Quality Standard and achieving high levels of tenant satisfaction. It agreed investment priorities for the next five years and noted options for a future rent strategy. Committee also agreed that the decision on rent levels for 2015/16 should be determined as part of the Council's overall budget at the meeting of City of Edinburgh Council on 12 February 2015.

Links

Coalition pledges	P30 P8
Council outcomes	C10 C16 C25
Single Outcome Agreement	SO2 SO4

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Report

Housing Revenue Account Budget 2015/16 and Rent Options 2015-2020

Recommendations

It is recommended that Finance and Resources Committee:

1.1 Notes the progress in delivering new Council homes, meeting the Scottish Housing Quality Standard and high levels of tenant satisfaction.

1.2 Notes the potential risks to the Housing Revenue Account (HRA) and how these are being managed.

1.3 Refers the report to the City of Edinburgh Council Budget Meeting on 12 February 2015 for approval.

Background

2.1 The HRA Budget for 2015/16 is based on the HRA Business Plan (Business Plan). This is a 30 year financial model which sets out planned annual revenue income and expenditure. It sets out how the HRA will contribute to delivering the City Housing Strategy outcomes:

- People live in a home they can afford.
- People live in a warm, safe and accessible home in a well-managed neighbourhood.
- People can move home if they need to.

2.2 The Business Plan sets out projected levels of capital investment required to ensure that Council homes and surrounding neighbourhoods are well maintained and meet modern standards. It also sets out how much will be invested in building new affordable homes to meet the city's housing needs for more affordable housing.

2.3 In 2007, following consultation with tenants, a rent strategy was adopted of increasing rents annually by inflation plus 2.7% until 2014/15 with rents rising by inflation thereafter. This rent strategy allowed the Council to fund the investment required to meet the Scottish Housing Quality Standard (SHQS) and deliver new affordable homes.

2.4 Over the last 18 months, the Housing Service has been consulting tenants through the 'Your Rent, Your Priorities' consultation. The purpose of the consultation was to identify investment priorities and establish tenants' views on rent levels.

2.5 At its meeting on 11 November 2014, Health, Social Care and Housing Committee noted this consultation and progress on delivering new Council homes, meeting the Scottish Housing Quality Standard and achieving high levels of tenant satisfaction. Committee agreed investment priorities for the next five years and noted the options for a future rent strategy.

2.6 Committee also agreed that the decision on rent levels should be determined as part of the Council's overall budget at the meeting of the City of Edinburgh Council on 12 February 2015.

Main report

3.1 The purpose of this report is to set out the proposed HRA Budget for 2015/16, which is attached at Appendix 1. The budget is presented to Council annually and is based on the 30 year HRA Business Plan.

3.2 The HRA Business Plan is based on a set of assumptions which are reviewed every six months to ensure forecasting is up to date. The main assumptions can be found at Appendix 2a. These assumptions have been further reviewed in light of the debate at the Health, Social Care and Housing Committee meeting of 11 November 2014.

3.3 The proposed HRA budget for 2015/16 assumes a rent increase of inflation set at 2%. Inflation is based on the Bank of England's target inflation rate and is in line with the inflation assumptions held within the Council's Long Term Financial Plan.

3.4 The Business Plan and the 2015/16 Budget are based on a draft 30 year capital investment programme, an outline of which can be found at Appendix 3.

Achievements

3.5 Effective management of the HRA has ensured that the Council has been able to make significant progress in meeting housing objectives. The Housing Service is:

- One of the top three Scottish local authorities for tenant satisfaction in relation to the housing service (90% compared to average of 81%), quality of home (89% compared to average of 81%) and neighbourhood (89% compared to average of 79%).
- Starting construction of over 700 high quality new homes in the Pennywell and Muirhouse area as part of the 21st Century Homes initiative – one of the largest regeneration schemes in the country.
- On track to comply with the key elements of the SHQS in 2015.
- Reducing borrowing costs through effective treasury management. This has meant that £213 million has been invested over the last five years, while borrowing has only increased by £57 million.
- As a result of investing in improving existing homes, the number of repairs required to homes is reducing.

Five Year Investment Priorities

3.6 On 11 November 2014, following consultation with tenants through 'Your Rent, Your Priorities', Health, Social Care and Housing Committee agreed investment priorities for the next five years. The investment priorities are:

- Reduce household energy costs.
- New affordable homes.
- Provide a quality repairs service.
- Invest in neighbourhoods.

3.7 In addition to meeting these priorities, there are a number of statutory requirements that the investment programme needs to address. These include:

- Ensuring Council homes meet the SHQS by 2015 (and continue to meet that standard thereafter).
- Ensuring Council homes meet the Energy Efficiency Standard for Social Housing (EESSH) by 2020.
- Health and Safety obligations.

Investing in Existing Homes

3.8 This approach reflects the priority given to maintaining quality services for existing tenants first and the provision of new homes once these priorities are achieved.

3.9 Significant progress has been made in further improving the quality and condition of Council homes. By 2015 most homes will comply fully with the SHQS, albeit 3,000 homes will lack a secure door entry system due mainly to the challenges of getting agreement from other owners in the block where the Council is not in the majority.

3.10 These investment priorities have informed the preparation of the capital investment programme. The five year HRA Capital Investment Programme is set out in Appendix 4. Key elements of this programme include:

- £35 million to provide 5,000 tenants with new kitchens and bathrooms.
- £3 million to fit secure door entry systems in 1,240 homes in 240 blocks.
- £15.3 million to install new heating systems in 5,100 homes.
- £6 million to insulate 800 'hard to treat' homes.
- £3.4 million to provide 1,200 tenants with replacement, triple glazed windows.
- £7.5 million to adapt 2,500 homes to ensure that tenants can remain at home.
- £12.5 million to improve neighbourhoods across the city.

3.11 In order to meet EESSH by 2020, all Council homes must have efficient heating systems and be adequately insulated. The capital investment programme includes resources to ensure all properties in multi-storey blocks receive, at a minimum, modern, smart, electric heating systems. Heating options are currently being considered, including the feasibility of installing district heating systems in some of these blocks where there are neighbouring buildings which could also participate in district heating schemes. In addition, a smart electric heating system is being piloted in two blocks in the city. An evaluation of this pilot along with a review of options for appropriate use of district heating systems will inform the future strategy for multi-storeys.

3.12 Investment in energy efficiency works will be supplemented by bringing in as much grant as possible through schemes such as, Home Energy Efficiency Programmes for Scotland and the Energy Company Obligation. This funding can be used to support owners to contribute to works in mixed tenure blocks.

Investing in New Supply

3.13 Edinburgh needs an additional 16,000 affordable homes over the next 10 years. New affordable homes are delivered through a number of funding mechanisms, with new Council homes delivered through the 21st Century Homes programme.

3.14 New Council homes have been completed in Gracemount, Craigmillar and Pilton. The regeneration of Gracemount being recognised through winning a considerable number of national awards. New homes are under construction in Pennywell, in one of the country's largest regeneration projects and commitments have been made to build homes in Leith (Fort) and North Sighthill.

3.15 On 11 November 2014, Health, Social Care and Housing Committee agreed the business case for developing an additional 400 affordable homes through the 21st Century Homes Programme. While making an overall positive contribution to the HRA revenue budget over time, this will require additional capital investment of around £46 million and has been included in the HRA Business Plan assumptions. Additional grant would be sought from the Scottish Government to support the delivery of social rented homes and developer contributions would reduce the HRA contribution further.

HRA Value for Money Strategy

3.16 In the most recent tenant survey 94% of tenants said they thought the housing service was value for money or did not express a view.

3.17 Benchmarking shows that customer satisfaction with the housing service, the quality of tenants' homes and the quality of their local neighbourhoods is high compared to other local authority landlords. Housing management costs are comparatively low compared to other landlords and the cost of the repairs to the HRA is reducing as a result of improved quality through capital investment. Some overheads are above average compared to other landlords, in particular IT and premises costs and the unit cost of repairs.

3.18 In the last twelve months new housing asset management and repairs contracts have been procured, which will allow the Housing Service to deliver better value in property maintenance and improvement. The HRA disposal and acquisition strategy, agreed by the Health, Social Care and Housing Committee in June 2014, will allow the Housing Service to sell vacant homes that are costly to maintain and manage with the proceeds being used to build new modern cheap to heat homes and consolidate mixed tenure repairs.

3.19 The intention is to build on this approach to value for money and to ensure compliance with the Scottish Social Housing Charter which requires landlords to work with tenants to evidence value for money. The Housing Service will work through the tenants Panel to develop a value for money strategy in 2015 to ensure that tenants get the best possible value for money for the rent they pay. The key elements of this strategy will be to:

- Maintain and improve customer satisfaction with services.
- Modernise access to services for tenants by making greater use of technology.
- Support low income households reduce their household costs.
- Ensure revenue and capital costs are compare favourably with other similar landlords.

Risks to the HRA Business Plan

3.20 The HRA Business Plan faces a number of considerable risks and challenges the scale of which are greater than at any time since the HRA Business Plan approach was introduced in 2006.

Welfare Reform – Universal Credit and Rental Income

3.21 The introduction of under-occupation placed significant pressure on the management of rent collection in 2013/14. Like almost all local authority landlords the Housing Service experienced a significant increase in rent arrears during this period. Another major cause of the increase in rents arrears is the suspension of housing benefit payments as a measure to reduce the risk of fraud and over-payment.

3.22 While rent arrears appear to have stabilised in 2014/15, rent collection presents significant challenges and is still fragile. Uncertainty around future income and the impact of welfare reform continues to present significant risks. The introduction of Universal Credit is projected to have a significant impact on rental income as it is proposed that housing costs (currently met through Housing Benefit) will be paid directly to tenants, rather than directly to the Council's housing service, as is currently the case. Universal Credit will begin to be phased in from March 2015.

3.23 The Business Plan now assumes that a minimum of £20 million is held in reserve as a contingency to manage the impact of welfare reform. This would allow the HRA to manage a short term 50% loss of Housing Benefit income, arising from the introduction of Universal Credit and direct payment of benefit to tenants.

Welfare Reform - Temporary Accommodation Rental Income

3.24 The introduction of the Benefit Cap was anticipated to have a significant impact on rental income from temporary accommodation. Projected rental income from temporary accommodation was, therefore, reduced for 2014/15 to manage this. There were delays in the UK Government's introduction of the Benefit Cap and the impact has been less than initially anticipated in 2014/15. However, this remains a significant risk for 2015/16, therefore rental income from temporary accommodation is projected to reduce from £8.3 million in 2014/15 to £5 million in 2015/16.

Managing Rent Arrears

3.25 Over 95% of HRA income is derived from rental income, therefore effective management of rent collection is critical. Despite the growth in arrears in 2013/14, rent collection performance was 99.1% of rental income due compared to a national average of 98.9%.

3.26 At any one time up to 2,000 tenants have their Housing Benefit payments delayed or suspended. It is difficult to estimate the extent of arrears arising from disrupted payments of legitimate housing allowances, but it is significant. In order to minimise the risk to the HRA arising from delayed and suspended benefit claims, the HRA currently provides additional resources to support the administration of Housing Benefit for Council tenants.

3.27 In addition, a specialist welfare reform team was established in the Housing Service to provide advice to tenants who were particularly affected by welfare reform. As a result of this and targeted work by local rents teams in the neighbourhoods, only 130 of the 3,300 tenants who were affected by under-occupation regulations have not engaged with services.

3.28 As part of managing the risk associated with rent arrears, the HRA budget contains provision for bad debt. This is an amount that is set aside within the budget to deal with debt that is likely to be written off. In 2013/14, rent arrears peaked and as such, the bad debt provision was increased by £1.7 million. As a result of the management of rent arrears, a rent payment advertising campaign and investment in the welfare reform team, the position has stabilised throughout 2014/15. This means that the increase in bad debt provision can be reduced to £0.5 million for 2015/16.

Scottish Government Guidance on Local Authority Operation of HRAs

3.29 In 2014, the Scottish Government published revised Guidance on the operation of local authority HRAs. In light of this, a review of the operation of the HRA will be carried out with tenants. The scope of the review has been agreed with ETF and tenants will be involved through the establishment of a Tenant Consultative Board.

3.30 As part of this work, the apportionment of staffing costs between the HRA and the General Fund will be reviewed to ensure they are appropriate. In addition, the Housing Service buys a number of services from other parts of the Council, such as community safety, environmental maintenance and public health. These costs are being reviewed as part of this work, to ensure appropriate apportionment of costs between the HRA and General Fund.

3.31 A baseline for allocating costs between HRA and General Fund has been established. This is reflected in the current budget proposals and will be kept under review throughout the coming year.

3.32 The key feature of the HRA Guidance is that the HRA should operate in the interests of current and future tenants. This covers, not only HRA capital and revenue expenditure, but also the use of reserves. The HRA reserve is held within the Repairs and Renewal (R&R) Fund, which was historically a combination of General Fund and HRA reserves. However, since 2013/14 when the Council wide element was transferred out of the R&R Fund and into an earmarked part of the General Fund, the R&R Fund has been exclusively an HRA reserve.

3.33 The R&R Fund is now predominantly earmarked for supporting development costs associated with 21st Century Homes. It also serves as a contingency to manage the risk of income loss arising from welfare reform. This approach is in line with the Scottish Government Guidance and the Council will continue to manage HRA reserves in the best interest of current and future tenants.

Funding Investment Priorities

3.34 2014/15 is the final year of annual increases of inflation plus 2.7% under the current rent strategy. This strategy has enabled the Council to provide a housing service with some of the highest levels of tenants satisfaction, ensured compliance with SHQS and has delivered the first new Council homes for a generation.

3.35 Three options for five year rent strategies were presented to Health, Social Care and Housing Committee on 11 November 2014. The assumption in the HRA Business Plan for inflation is 2%. The options were:

- Option1 - Inflation
- Option 2 - Inflation +1%
- Option 3 - Inflation +2.7%

3.36 Following the debate at the Committee meeting, assumptions have been reviewed and the revised impact of the rent options on the business plan can be found at Appendix 2b.

3.37 Each option includes three core assumptions:

- Investment requirements of existing homes are met (including SHQS, EESSH, Health and Safety)

- A minimum of £20 million in reserve to manage the impact of welfare reform.
- The construction of 400 additional Council homes over the period 2017/18-2019/20.

3.38 Management costs reflect an inflation assumption of 1% in line with pay awards and additional costs of rent collection to support tenants pay their rent.

Affordability

3.39 Following the Health, Social Care and Housing Committee meeting in November 2014, some further analysis and testing of affordability was carried out using hypothetical cases and real life case studies. This analysis took account of recently announced tax and benefit changes to provide a more accurate assessment of the impact of rent strategy options on household budgets. The findings can be found at Appendix 4.

3.40 It is proposed that a comparative study on the impact of rent levels on tenant household budgets will be commissioned in 2015/16 to inform future rent levels.

3.41 Approximately 16,100 (84%) or five out of six Council tenants are eligible for Housing Benefit, therefore any rent increase would not directly affect their household budget. The level of Housing Benefit is not determined by the rent level, but by the household income.

3.42 Approximately 3,100 (16%) or one out of six tenants is not in receipt of any level of housing benefit and would be required to meet the cost of the rent increase. Based on inflation at 2%, tenants would see increases in their rent charge of between £1.40 and £2.29 per week under rent option one, between £2.10 and £3.43 for option two, and between £3.30 and £5.37 under option three (depending on house size).

Business Plan Revisions

3.43 Following the debate on the ‘Council Housing Business Plan – Investment Strategy and Rent Options 2015-2020’ report which was considered by Health, Social Care and Housing Committee on 11 November 2014, some revisions have been made to the assumptions underlying the Business Plan.

- Additional, unbudgeted income from developer contributions and Scottish Government grant, combined with some slippage in the capital investment programme has resulted in lower than anticipated borrowing in 2014/15. The programme slippage will have no impact on the Council’s ability to meet SHQS by 2015 and programmes have been re-profiled for the subsequent four years.
- This re-profiling of the capital programme and effective treasury management means that loan charges for 2015/16 are £1.1 million lower than anticipated in the November report to Health, Social Care and Housing Committee.

- In addition, the reduction in the number of repairs is greater than originally anticipated and means that the repairs budget assumptions have been reduced over the next five years to reflect this.

Impact of Rent Strategy on Budget 2015/16

3.44 The draft budget presented in Appendix 1 assumes rent increases at inflation over the next five years. The impact of adopting an above inflation increase is to raise the level of income, making more resource available for capital investment, contingency or debt reduction. The table below shows the impact of each option:

	Option 1 (Inflation)	Option 2 (Inflation +1%)	Option 3 (Inflation +2.7%)
Net Income	£92.435m	£93.334m	£94.862m
Revenue Investment	£12.548m	£13.447m	£14.975m

3.45 Irrespective of which rent strategy option is taken forward, the Council is required to prepare a balanced HRA Budget each year.

Measures of success

4.1 Council homes meet the SHQS and are maintained at a level which exceeds SHQS.

4.2 Council homes meet the EESSH by 2020.

4.3 Tenant satisfaction with the housing service, home and neighbourhood continues to be above the average for Scottish local authorities.

4.4 A minimum of an additional 400 affordable homes are delivered in the next five years of the Business Plan.

4.5 High levels of customer satisfaction with the housing service are maintained.

Financial impact

5.1 The HRA business planning process ensures the HRA is in a position to deliver investment requirements and manage risk. Delivering the priorities identified in this report, including an additional 400 affordable homes through expanding the 21st Century Homes programme, will require investment of approximately £270 million over the next five years.

5.2 An inflationary rent increase allows key priorities outlined in this report to be delivered whilst managing risk and maintaining a balanced position on the HRA.

Risk, policy, compliance and governance impact

6.1 Failure to establish a robust Business Plan may result in reduced investment in existing Council homes and services, which would have a negative impact on performance and tenant satisfaction levels.

6.2 Reduced levels of investment would also impact the Council's ability to meet statutory minimum standards for existing homes and to develop new affordable homes through the 21st Century Homes programme.

6.3 The rent strategy is reviewed annually so it continues to ensure affordability for tenants and sustainability for the HRA.

Equalities impact

7.1 The proposals in the report will have a positive impact on Council tenants.

7.2 Investing in improving the condition of existing homes will increase energy efficiency.

7.3 Provision is made within the investment programme for adapting Council homes to meet the needs of older and disabled tenants.

7.4 The 21st Century Homes programme will deliver nearly 400 new accessible homes, 10% of which will be built to wheelchair accessible standards.

7.5 Changes in tax and benefit rules will be the main factors that affect household income in 2015/16. The choice of rent strategy has minimal impact on household budgets but greater levels of investment would have a beneficial impact on quality of life through investment in existing and new homes. Those who have to spend the highest proportion of their income on rent (single people on minimum and living wage) would actually spend a lower proportion of their income on rent, following an inflationary rent increase.

7.6 The Council provides a comprehensive rent service which identifies tenants who are in arrears and provides advice and support to help them manage their arrears and sustain their tenancy. Statutory pre-court action requirements ensure that no eviction actions are carried out against any tenant until all other options have been exhausted.

Sustainability impact

8.1 Investing in improvements to Council homes will increase energy efficiency and lead to a reduction in carbon emissions.

8.2 21st Century Homes will deliver new affordable 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.

Consultation and engagement

9.1 An extensive Tenant Survey was carried out in 2013, the results of which are helping to inform future investment priorities and the shape of the housing service. Over 1,000 tenants were surveyed, with the results being reported to Health, Social Care and Housing Committee on 18 June 2013.

9.2 The 'Your Rent, Your Priorities' consultation for Council tenants ran between October 2013 and March 2014. The purpose of the consultation was to identify tenant priorities for investment and views on affordability to help inform the

Council's future rent policy from April 2015 onwards. This consultation, as well as ongoing liaison with Edinburgh Tenants Federation (ETF) has informed the five year investment priorities and draft budget for 2015/16.

9.3 Tenants Panel meetings were held across neighbourhoods in January 2015 to discuss the content of the draft Budget for 2015/16, including the outline capital investment programme.

9.4 ETF has advised that it will be campaigning for no rent increase to be applied in 2015/16. Those speaking in support of this campaign have observed that there is a great deal of uncertainty in terms of welfare reform and the economy and that a rent freeze would provide "some breathing space" for tenants.

9.5 ETF has stated that it believes the proposal to maintain a minimum balance of £20 million in reserve is excessive and has proposed that new house building should be slowed down to facilitate no rent increase in 2015/16. ETF disagrees with officers' analysis on affordability. It has also said that no rent increase should be introduced when the shape of the Council, and the housing service, is unclear.

9.6 ETF has provided briefing material to its members and supported them to lobby their local councillors and other politicians for no rent increase in 2015/16.

9.7 However, other tenants have also stated that they felt the Housing Service provided good value for money, which reflects the findings of the Tenants Survey from 2013. Some tenants stated that a small rent increase might be "a price worth paying" and that "maybe a few people could manage a small rent increase for the benefit of the many", referring to the fact that five out of six tenants would have an increase met by Housing Benefit.

9.8 Engagement with tenants will continue throughout 2015/16 to ensure tenants are involved in shaping the Value for Money strategy.

Background reading/external references

Council Housing Business Plan – Investment Strategy and Rent Options 2015-2020, Report to Health, Social Care and Housing Committee, 11 November 2014

City Housing Strategy 2012-17 Annual Review – Health, Wellbeing and Housing Committee, 17 June 2013

21st Century Homes – Future Programme Update – Health, Social Care and Housing Committee, 11 November 2014

John Bury

Acting Director of Services for Communities

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Links

Coalition pledges	P30. Continue to maintain a sound financial position including long-term financial planning. P8. Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites.
Council outcomes	C10. Improved health and reduced inequalities. C16. Well-housed – people live in a good quality home that is affordable and meets their needs in a well-managed neighbourhood C25. The Council has efficient and effective services that deliver on objectives.
Single Outcome Agreement	SO2. Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health. SO4. Edinburgh's communities are safer and have improved physical and social fabric.
Appendices	Appendix 1 – Draft HRA Budget 2015/16 Appendix 2a – Business Planning Assumptions Appendix 2b – Impact of Rent Options on HRA Business Plan Appendix 3 – Outline Capital Investment Programme Appendix 4 - Affordability Of Rent Options

Appendix 1 - Housing Revenue Account Budget 2015/16 (Draft)

Narrative	2014/15 revised budget £m	Change £m	Change %	2015/16 proposed budget £m	Notes
					1
Income					
Net rent income	90.332	2.103	2%	92.435	2
Temporary accommodation	8.332	-3.240	-39%	5.092	3
Other income	4.042	0.040	1%	4.082	4
Total income	**102.706**	**-1.097**	**-1%**	**101.609**	
Expenditure					
Housing Management	22.247	1.262	6%	23.509	5
Repairs & maintenance	18.990	-0.572	-3%	18.418	6
Debt charges	38.700	1.524	4%	40.250	7
Environmental maintenance	2.505	0.412	16%	2.917	8
Temporary accommodation (direct costs)	6.641	0.092	1%	6.733	9
Bad debt provision (set aside)	1.700	-1.2	-71%	0.500	10
Revenue Investment	11.923	0.625	-22%	9.282	11
Total expenditure	**102.706**	**2.143**	**-1%**	**101.609**	
Outturn	**0.000**	**0.000**	**0%**	**0.000**	

Notes:

1. 2015/16 budget figures are based on the 2015/16 HRA Business Plan. The 2014/15 figures are based on the revised HRA budget.

2. 'Net rental income' is the total rent that could be charged, minus written off former tenant arrears (0.75%) and rent loss due to empty homes (0.75%). It also takes account of the variation in housing stock numbers and rent increase of 2.0% for 2015/16.

3. This is income from Council homes that are used as managed or dispersed Temporary Accommodation and is unchanged from 2014/15. To manage risk and uncertainty in relation to welfare reform, in particular the impact of the Benefit Cap, income to temporary accommodation is projected to reduce.

4. This includes service charges to tenants, non-housing rents, Government grant income, recovered costs from owner occupiers. An inflationary increase of 2.5% has been applied to all 'Other income' for 2015/16, apart from land rent and core furnished tenancies, which has not increased. No increase has been applied to land rent and core furnished tenancies which is why the net increase amounts to only 1%.

5. 'Housing Management' includes employee costs, central support costs and recharges, premises and other expenditure. Initial reapportionment of employee costs to comply with HRA guidance has resulted in a net increase of management costs charged to the HRA. However, benchmarking shows that the Council's Housing Management costs are lower than average, compared to other similar landlords across the UK. The Council is in the upper quartile

(lowest cost) for antisocial behaviour, tenancy management and lower than average cost for lettings management. 1% pay award has been applied to employee costs, 2% to premises costs and Central Support Charges. The Council established a Welfare Reform Team to provide additional support to tenants affected by welfare reform. Initially this was funded through Transitional Funding from the Department of Work and Pensions. It was agreed that this service would continue, with funding from the HRA. In addition, the HRA funds a number of staff members in Corporate Governance to reduce delays in Housing Benefit processing for Council tenants.

6. As a result of investing in improving the quality of homes, the number of repairs required has reduced, therefore the repairs budget has been reduced by 3%. This covers responsive repairs, empty property repairs and sheltered housing repairs. This has been adjusted for projected stock loss from right to buy sales, additional new homes from the 21st Century Homes programme and an uplift of 2% on costs.

7. 'Debt charges' are capital financing costs (principal repayments, interest & expenses) for HRA debt for existing stock and the planned investment programme. The 2015/16 debt charges assume that no Capital Funded from Current Revenue (CFCR) has been used to repay debt at the end of 2014/15. Using CFCR instead of borrowing would reduce debt charges.

8. 'Environmental maintenance' comprises grounds maintenance costs, including empty properties, pest control, garden aid and temporary accommodation. These are services that the Housing Service purchases from other parts of the Council. In order to comply with the HRA guidance, these costs are being reviewed to ensure appropriate apportionment between the HRA and General Fund. This has resulted in an increase assumption for environmental maintenance. For example, the cost of pest control has increased, as the full costs of the service have not been recovered from the general fund for a number of years. 78 additional temporary accommodation properties have been added to the grounds maintenance contract in 2014/15, this has been reflected in the budget for 2015/16.

9. This is the cost of temporary accommodation to the HRA excluding capital financing and repairs costs, which are included elsewhere in the table. An inflationary increase of 1.0% has been applied for 2015/16 to cover a pay award.

10. The increase in bad debt provision has been reduced to £0.5m for 2015/16. Rent arrears peaked in 2013/14. To manage this, the amount set aside to manage bad debt was increased by £1.7m for 2014/15. The rent arrears position stabilised throughout 2014/15 as a result of additional staff resources and the rent payment advertising campaign. This means that the increase in set aside for bad debt can now be reduced to £0.5m. Any of the provision which is not required will be used as 'revenue investment'. This position will be kept under review and is likely to increase again when Universal Credit is introduced.

11. 'Revenue Investment' is income in excess of expenditure that is used within the same year to fund new capital investment, repay old HRA debt, maintain a working balance and support 21st Century Homes funding in this or future years.

Appendix 2a – Business Planning - High Level Assumptions

Input	2015/16	Note
Housing Asset Management Investment	£27.36m	Includes SHQS and EESSH related works.
Stock modernisation & Regeneration Investment	£12.745m	Includes regeneration, neighbourhood investment, community care and capital salaries.
21st Century Homes Net Funding Requirement	£6.2m	Net of Scottish Government subsidy and developer contributions.
Total HRA Capital Expenditure	£39.105m	
Inflation	2%	Based on Bank of England target inflation rate for 2015/16, November 2014 RPI and Council's long term financial plan.
Rent Increase	Inflation	Business Plan assumes inflationary increase.
Right to Buy Income	£1.692m	
Rent lost on empty homes	0.75%	
Debt level (projected for March 2015)	£383m	£369m at 31 March 2014
Interest on debt	5.1%	Based on estimated interest rate at December 2014

Appendix 2b – Impact of Rent Options on HRA Business Plan

This Appendix sets out the impact of different rent options on the HRA Business Plan over the next 10 years, following a review of assumptions to take account of the most recent information.

Table 1: Three rent strategy options

The table below sets out three rent strategy options that were presented to Health, Social Care and Housing Committee on 11 November 2014.

Rent Strategy 2015/16-2019/20	**Annual Increase***
Annual increase - inflation	2%
Annual increase – inflation + 1%	3%
Annual increase – inflation + 2.7%	4.7%

**based on assumption of 2% rate of inflation (Office for Budget Responsibility target rate of inflation)*

The Council has nine rent charges for different house types/sizes. The impact of each rent strategy on each house type is set out below:

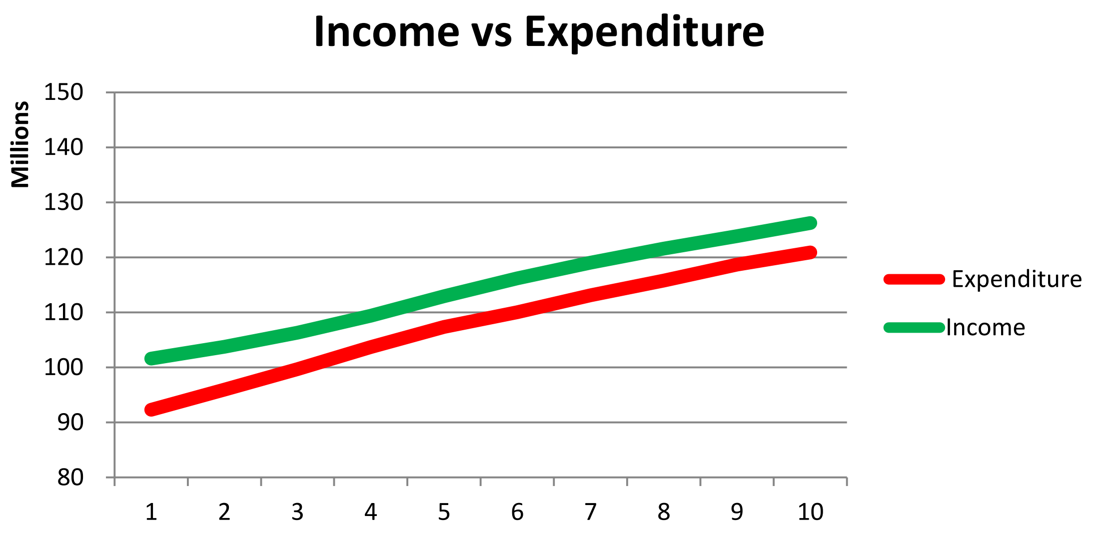
Table 2: Impact of Rent Strategy Options

	2014/15 Weekly Rent	**2015/16 Weekly Rent (2.0% increase)**	**2015/16 Weekly Rent (3.0% increase)**	**2015/16 Weekly Rent (4.7% increase)**
Bedsit	£70.23	£71.63	£72.33	£73.53
1 bedroom flat	£78.26	£79.82	£80.61	£81.94
1 bedroom house	£82.26	£83.90	£84.72	£86.12
2 bedroom flat	£90.97	£92.79	£93.70	£95.24
2 bedroom house	£94.98	£96.87	£97.82	£99.44
3 bedroom flat	£103.68	£105.75	£106.79	£108.55
3 bedroom house	£107.69	£109.84	£110.92	£112.75
4+ bedroom flat	£110.36	£112.57	£113.67	£115.55
4+ bedroom house	£114.37	£116.66	£117.80	£119.74

Impact of Rent Options on HRA Business Plan

Option 1 – Annual Increase of Inflation

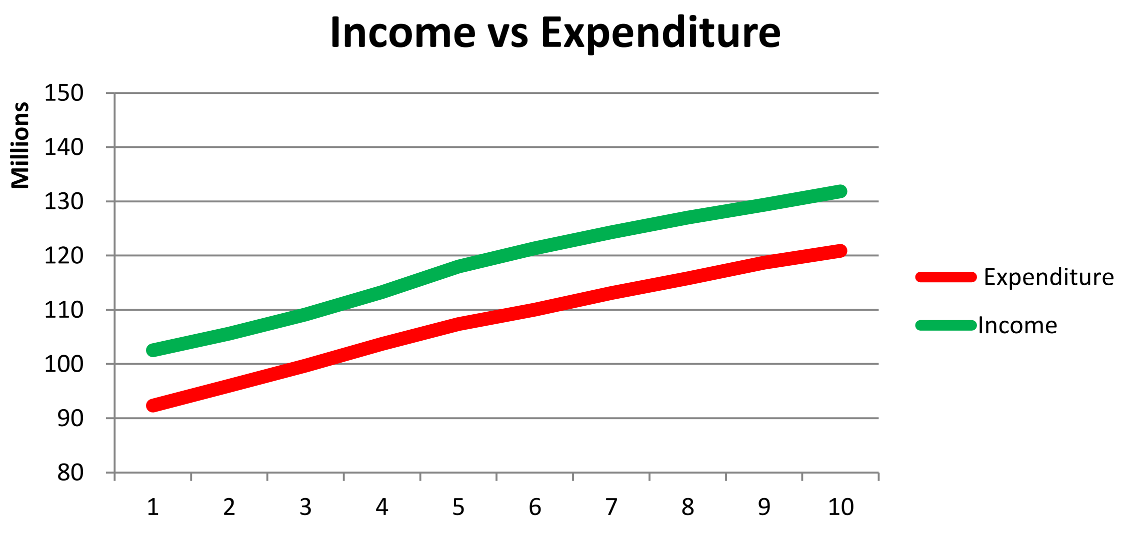
The chart below shows the impact of Option 1 on annual income and expenditure over the next 10 years of the Business Plan.



This option would allow the Council to meet investment requirements of existing homes, deliver the current 21st Century Homes programme and expand the programme to provide an additional 400 affordable homes. However, net income falls to £5 million in year nine of the Business Plan. This is deemed to be relatively high risk, as it would take a variation on income and expenditure of 5% to see the HRA fall into a deficit at year nine.

Option 2 – Annual Increase of Inflation +1%

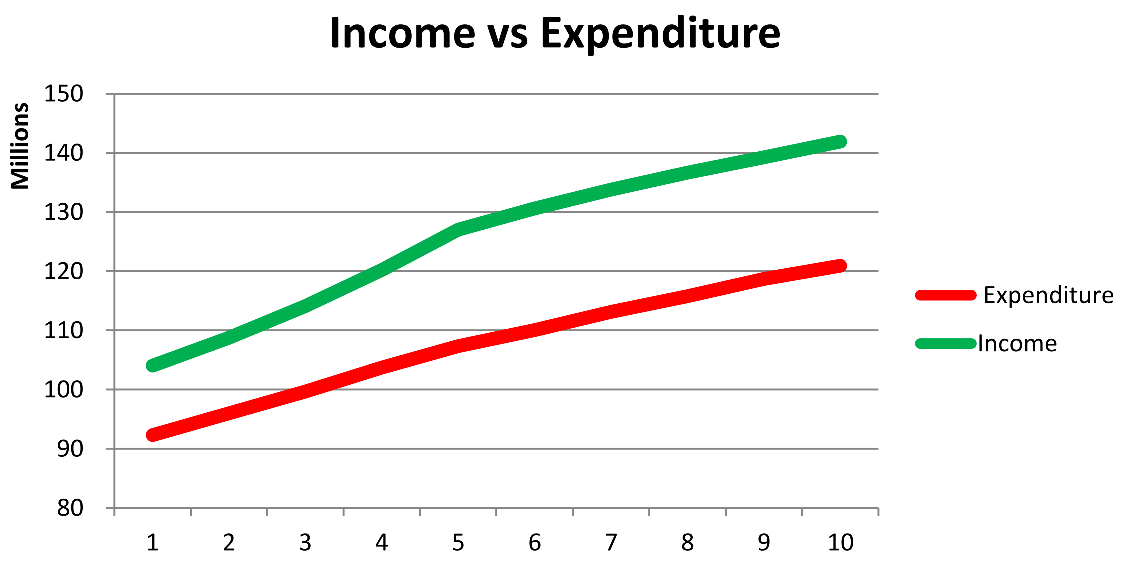
The chart below shows the impact of Option 2 on annual income and expenditure over the next 10 years of the Business Plan.



This option would allow the Council to meet investment requirements of existing homes, deliver the current 21st Century Homes programme and expand the programme to provide an additional 400 affordable homes. Net income falls to £9 million in year three of the Business Plan. This option is lower risk, as it would take a variation on income and expenditure of 9% to see the HRA fall into a deficit at year three.

<u>Option 3 – Annual Increase of Inflation +2.7%</u>

The chart below shows the impact of Option 3 on annual income and expenditure over the next 10 years of the Business Plan.



This option would mean the continuation of increases of inflation plus 2.7% for the next five years. This option would deliver current investment requirements, whilst ensuring net income remains above £11 million over the 30 year Business Plan period.

Options 2 and 3 provide scope to increase significantly the house building programme over a 10 year period. This would however, require significant investment in land acquisitions and resources to manage the programme.

Appendix 3 – Draft HRA Capital Investment Programme

The 2015/16 Draft Budget and Business Plan are based on the assumptions set out in Appendix 2. Below is the outline draft Capital Investment Programme, which is based on the investment priorities agreed by Health, Social Care and Housing Committee on 11 November 2014. 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	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£million	£million	£million	£million	£million	£million
HRA Core Programme						
Housing Investment	27.360	21.360	22.160	21.160	22.060	114.100
Neighbourhood Environmental Investment	2.500	2.500	2.500	2.500	2.500	12.500
Community Care	5.035	5.035	5.035	5.035	5.035	25.175
Regeneration	1.000	0.500	0.000	0.000	0.000	1.500
Capital and Council House Sales and Salaries	4.200	3.800	3.800	3.800	3.800	19.400
Sub Total	**40.105**	**33.195**	**33.495**	**32.495**	**33.395**	**172.685**
21st Century Homes						
21st Century Homes Investment	9.725	15.498	17.990	11.880	6.952	62.046
Total	**49.830**	**48.693**	**51.485**	**44.375**	**40.347**	**234.731**
Funding Source	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**
HRA Core Programme						
Prudential Borrowing	36.798	30.399	31.874	30.874	31.774	161.719
Receipts from Council House Sales	1.692	1.175	0.000	0.000	0.000	2.867
Receipts from Other HRA Assets	0.000	0.000	0.000	0.000	0.000	0.000
Capital Grant	0.000	0.000	0.000	0.000	0.000	0.000
Owners Contributions	1.615	1.621	1.621	1.621	1.621	8.099
Sub Total	**39.105**	**32.695**	**33.495**	**32.495**	**33.395**	**171.185**
21st Century Homes						
CFCR and Reserves	6.242	13.629	11.973	7.696	0.000	39.540
Prudential Borrowing	0.000	0.000	0.000	3.231	6.762	9.993
Developers Contributions	1.005	1.133	1.279	0.954	0.190	4.561
Scottish Government Subsidy	2.477	0.736	4.738	0.000	0.000	7.951
Sub Total	9.725	15.498	17.990	11.880	6.952	62.046
Total	**49.830**	**48.693**	**51.485**	**44.375**	**40.347**	**234.731**

Appendix 4 – Affordability of Rent Strategy Options

1. Introduction

2. This appendix is designed to provide an insight into the impact of rent strategy options for a range of sample tenant scenarios.

3. Key Findings

3.1. Around 16,100 Council tenants (five out of six or 84%) are estimated to be entitled to Housing Benefit. Any rent increase will not directly affect their household budget. The level of Housing Benefit is not determined by the rent level, but by the household income.

3.2. Approximately 3,100 (one in six or 16%) tenants were not in receipt of any level of housing benefit. Based on a 52 week year, these tenants would see increases in their rent charge of between £1.40 and £2.29 under rent option one, between £2.10 and £3.43 for option two, and between £3.30 and £5.37 under option three (depending on house size).

3.3. Single adult working households, although rent would increase under the three rent options, would see their income increase at a faster rate. This is due to a combination of changes in tax thresholds and increase in the minimum and living wage. The impact of this is that the proportion of household income spent on rent would actually decrease under options one and two for a single person earning the living wage.

3.4. The private rented sector is significantly less affordable, particularly for single adult working households. The effect of Housing Benefit means the difference is less pronounced for working family households.

3.5. This study does not take into account the introduction of Universal Credit, and the effect it may have on tenants' income. Universal Credit for single, unemployed people will be rolled out in Edinburgh between February and April. Further roll out is not yet confirmed.

4. Methodology

4.1. The affordability of rent was analysed based on several example scenarios.

- **Scenario 1: Family on minimum wage**. This example is for a family of four, with two children and two adults, one adult working 36 hours a week on the minimum wage. The other adult has no earned income. The family lives in a two bedroom flat.

- **Scenario 2: Family on living wage.** This example is for a family of four, with two children and two adults, one adult working 36 hours a week on the living wage. The other adult has no earned income. The family lives in a two bedroom flat.

- **Scenario 3: Single person on minimum wage.** This example is for a single person working 36 hours a week on the minimum wage, living in a 1 bedroom flat.

- **Scenario 4: Single person on living wage.** This example is for a single person working 36 hours a week on the living wage, living in a 1 bedroom flat.

4.2. Several assumptions had to be made for these scenarios. The welfare system is complicated and wide ranging; and many factors affecting entitlement to various benefits had to be considered. Some of the main points are outlined below:

Assumption	**Notes**
Minimum wage	The minimum wage is increased annually in October. For the purposes of the study, the 2014 minimum wage of £6.31 was used for the financial year 2014/15, and the 2015 minimum wage of £6.50 was used for the financial year 2015/16.
Living wage	Living wage figures are updated annually in November by the Living Wage Foundation. For the purposes of the study, the 2014 living wage of £7.65 was used for the financial year 2014/15, and the 2015 living wage of £7.85 was used for the financial year 2015/16.
Family Scenarios Housing Costs	For the family scenarios the rent charge of a two bedroom Council flat was used, apportioned over 52 weeks to give a better indication of rent costs over the year (£90.97). For the private rented comparisons: Citylets average private rent for a two bedroom property in Q3 2014 (£186.69) was used.
Single Person Scenarios Housing Costs	For the single person scenarios the rent charge of a one bedroom Council flat was used, apportioned over 52 weeks to give a better indication of rent costs over the year (£78.25). For the private rented comparisons: Citylets average private rent for a one bedroom property in Q3 2014 (£139.15) was used.
Tax and National Insurance	Tax and national insurance was calculated manually and verified using an online tax calculator (*www.listentotaxman.com*). Changes in tax rates and thresholds between the financial years 2014/15 and 2015/16, in particular the increase in annual personal allowance to £10,600, were reflected in the increases of net incomes of each scenario in 2015/16.
Benefits income	Tax credit, child benefit and Housing Benefit entitlement was calculated manually for the 2014/15 financial year on current rates and thresholds. These were verified against independent benefits calculators. The same

	formulas were used for the 2015/16 financial year but updated with expected new rates and thresholds. [1 2]
Housing Benefit for Private Rented Sector	The Local Housing Allowance determines Housing Benefit for private tenants. The two bedroom rate was used for the family scenarios, and the shared rate used for the single person scenarios.

4.3. Net income and benefit entitlement was calculated for each example scenario for the 2014/15 tax year, and the figures verified with independent online benefits calculators. Income and benefit entitlement was then calculated again for 2014/15 financial year using the expected new tax and benefit rates and thresholds, announced as part of the Government's Autumn Statement on 3 December. Figures for the next financial year could not be independently verified, however use the same formulas for entitlement as the current financial year.

4.4. Total net rent as a proportion of net income was calculated. Net rent is taken as the rent charge minus the Housing Benefit award. Net income is total household income after tax and inclusive of tax and child credits and child benefits.

5. <u>Results</u>

5.1. In its report published August 2014, The Resolution Foundation stated that "There is some degree of consensus that more than 30 to 35% of either gross or net income spent on ongoing costs is a reasonable indicator of difficulty paying for housing, although some landlords report using thresholds of up to 40%."[3]

5.2. Table 1 shows the proportion of net income spent on net rent for each scenario and each proposed rent increase, and also shows levels in the private rented sector for 2014/15 as a comparison.

Table 1: Proportion of Net Income Spent on Net Rent: Comparison with Private Rented Sector (PRS)

Scenario	Current	Option 1 (Inflation only)	Option 2 (Inflation + 1%)	Option 3 (Inflation + 2.7%)	Citylets average PRS rent
Single adult minimum wage	35.3%	35.2%	35.6%	36.2%	62.8%
Single adult living wage	32.1%	31.7%	32.0%	32.6%	57.0%
Family Minimum wage	13.5%	13.9%	13.9%	13.9%	25.0%
Family Living Wage	15.1%	15.5%	15.5%	15.5%	26.2%

Net rent (rent charge minus housing benefit entitlement) as a percentage of net income (income after tax and national insurance deductions and inclusive of ben

5.3. Table two shows the estimated financial impact of the different rent options.

[1] Policy Paper: Tax and tax credit rates and thresholds for 2015-16. HM Treasury. December 2014. www.gov.uk/government/publications/tax-and-tax-credit-rates-and-thresholds-for-2015-16.
[2] Guidance: proposed Benefit and Pension Rates 2015 to 2016. Department for Work and Pensions. December 2014. www.gov.uk/government/publications/proposed-benefit-and-pension-rates-2015-to-2016.
[3] *Housing pinched: Understanding which households spend the most on housing costs.* The Resolution Foundation. August 2014

Table 2: Increase in rent charge

Scenario	Current Rent	Option 1 Increase (Inflation only)	Option 2 Increase (Inflation + 1%)	Option 3 Increase (Inflation + 2.7%)
Single adult minimum wage	£78.26	£1.56	£2.35	£3.68
Single adult living wage	£78.26	£1.56	£2.35	£3.68
Family Minimum wage	£90.97	£2.82	£2.82	£2.82
Family Living Wage	£90.97	£2.88	£2.88	£2.88

5.4. The results indicate that Council rents for the family scenarios are currently affordable. A higher percentage of income is spent on rent for the family on a living wage, which is due to the reduction in tax credits and Housing Benefit.

5.5. The research found that, families with one earner on the living wage and living in a Council home currently spend around 15% of their net income on rent. Their gross household income, before benefits, is £14,695 per year. After benefits and taxes, it is estimated to be around £22,367 per year. With any potential rent increase, this family would spend 0.4% more of their net income on rent. As they have a Housing Benefit award, their net rent charge is determined by the Housing Benefit rates and even in the event of a rent freeze, this family would spend 0.4% more of their net income on rent.

5.6. When a family has a gross household income, before tax and benefits, of approximately £23,000 per year, they cease to be entitled to Housing Benefit. Such a household would expect to pay approximately 19.4% of their net income, after tax and benefits, on their Council rent. An inflationary increase would see that increase to 19.6%. Inflation plus 1% would be 19.8% of net income on their rent.

5.7. The single adult scenarios may be viewed as less affordable, however it should be borne in mind that single person households will not have the same outgoings as families. Table 2 demonstrates that rent option one (inflation only) would have a positive effect on rent affordability, and option two (inflation + 1%) would have no or little effect on affordability for these scenarios.

5.8. A single adult earning the minimum wage currently spends around 35.3% of their income on renting their Council home. This person's net income is increasing at a faster rate than inflation, due to changes in tax allowances and the up-rating of the minimum wage. This means that, with an inflationary rent increase, this person would actually spend marginally less of their net income (0.1%) on rent. If the rent increase was 1% above inflation, they would spend 0.2% more of their net income on rent.

5.9. A single adult on the living wage would see the proportion of income they spend on rent fall by 0.3% after an inflationary rent increase. With an inflation plus 1% increase, they would see no change in the proportion of income spent on rent.

5.10. When compared to the private rented sector (PRS) Council rents are more affordable, sometimes significantly so. A single adult on minimum wage would expect to spend about 35.3% of their income on rent if they are a Council tenant.

With the higher rents in the PRS this rises to 62.8% of that household's income. The effect of Housing Benefit entitlement for the family scenario reduces the difference.

Table 3: Percenatge point change in net income as percentage of net rent

Scenario	Option 1 (Inflation only)	Option 2 (Inflation + 1%)	Option 3 (Inflation + 2.7%)
Minimum wage Family	0.5%	0.5%	0.5%
Living Wage Family	0.4%	0.4%	0.4%
Single adult minimum wage	-0.1%	0.2%	0.8%
Single adult living wage	-0.3%	0.0%	0.5%

Figures may not exactly match table 2 due to rounding

5.11. Table 2 demonstrates the percentage point change in income spent on rent for each of the scenarios. The impact for the family scenarios is the same for each scenario, as any increases in rent is accompanied by an increase in Housing Benefit. For the single adult scenarios, the proposed increases have much less of an effect, with option one being favourable for affordability and option two having little or no effect.

6. Conclusion

6.1. Based on the generally accepted principle that rent payments of around a third of income are affordable, Council rents are affordable to most households. Families on low incomes are supported through tax credits and benefits, ensuring rent levels are affordable.

6.2. Single person households are under most pressure, although due to tax threshold and benefit changes, a rent increase of inflation would actually result in a single person household earning the living wage having a slightly increased disposable income.

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

Capital Investment Programme 2015/16 to 2019/20 – referral report from the Finance and Resources Committee

Item number	4.3
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 15 January 2015 considered a report on the Capital Investment Programme. The roll forward capital investment programme set out planned investment for the period 2015/16 to 2019/20. Projects had been realigned which reflected slippage and acceleration in the current financial year. The report has been referred to the City of Edinburgh Council for decision as part of the budget setting process.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Capital Investment Programme 2015/16 to 2019/20

Terms of referral

1.1 The Finance and Resources Committee on 15 January 2015 considered a report on the Capital Investment Programme. The roll forward capital investment programme set out planned investment for the period 2015/16 to 2019/20. Projects had been realigned which reflected 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.

1.2 The Finance and Resources Committee agreed:

1) To note the report and to refer the report for decision on the Capital Investment Programme to the Council meeting on 12 February 2015 as part of the budget setting process.

2) To note the remaining net balance of £5.819m of additional General Capital Grant available in 2015/16 and refer to Council for decision on 12 February 2015 regarding how this would be allocated in the context of the up-to-date analysis of service priorities and pressures set out within the report.

3) To note the £9m of funding per annum that was currently unallocated from 2019/20 onwards and refer to Council for decision on 12 February 2015 regarding how this would be allocated in the context of infrastructure needs / priorities and existing Council commitments.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for decision as part of the budget setting process.

Background reading / external references

Capital Investment Programme 2015-16 to 2019- 20

Carol Campbell

Head of Legal, Risk and Compliance

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Thursday, 15 January 2015

Capital Investment Programme 2015/16 to 2019/20

Item number	7.9
Report number	
Executive/routine	
Wards	

Executive summary

The roll forward capital investment programme sets out planned investment for the period 2015/16 to 2019/20. 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 for 2015/16 includes an additional £7.5m of General Capital Grant relative to the previous estimate factored in to the 2014-2019 approved Capital Investment Programme (CIP), of which £5.819m remains to be allocated. Members will therefore require to consider the allocation of this balance in the context of the up-to-date analysis of priorities and pressures collated from each service Director outlined within this report.

The CIP is based upon the capital plan which has previously been rolled forward to the period 2019/20 to 2023/24. From 2019/20 onwards, with the exception of £9m of funding that remains as unallocated pending a decision by Members as to where best to redistribute this, the capital plan was rolled forward on the basis of directing approximately £41m of capital expenditure per annum to the same priority areas as before.

Links

Coalition pledges	P3; P8; P30; P31; P33; P42
Council outcomes	CO1; CO16; CO20; CO23; CO25
Single Outcome Agreement	SO3; SO4

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Capital Investment Programme 2015/16 to 2019/20

Recommendations

1.1 Finance and Resources Committee is requested to:

1.1.1 Note the contents of this report and remit to Council for decision on 12 February 2015, the 2015 – 2020 Capital Investment Programme;

1.1.2 Note the remaining net balance of £5.819m of additional General Capital Grant available in 2015/16 and remit to Council for decision on 12 February 2015 how this be allocated in the context of the up-to-date analysis of service priorities and pressures set out within this report; and

1.1.3 Note the £9m of funding per annum that is currently unallocated from 2019/20 onwards and remit to Council for decision on 12 February 2015 how this be allocated in the context of infrastructure needs / priorities and existing Council commitments.

Background

2.1 This report provides members with an update on the roll forward of the capital investment programme to 2019/20.

2.2 Council approved the five year capital programme for the period 2014-2019 in February 2014. A revised programme, incorporating both net slippage/acceleration from 2013/14 and the outcome of a re-phasing exercise, was reported to the Finance and Resources Committee in August 2014. 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 2024 on broadly similar terms as before.

2.3 Details of capital funding for 2015/16 were provided in the Financial Settlement announcement in December 2014. Beyond this, however, no firm allocations have been advised, with the level of available funding being linked to subsequent Spending Reviews and, potentially, revised constitutional arrangements. The situation will be subject to on-going review as additional details become available.

Main report

3.1 The table below summarises the capital grant allocation the Council has received in 2015/16 from the Scottish Government, as announced in the one year Finance Settlement. This includes additional capital monies to be paid through the general capital grant mechanism in 2015/16 to fund agreed additional costs arising from the Children and Young People Bill.

	2015/16
Edinburgh's Allocation	**£m**
General Capital Grant	57.461
Specific Capital Grant	32.392
Of which:	
Management Development Funding	*31.663*
Cycling, Walking and Safer Streets	*0.729*

3.2 As no firm allocations have been advised beyond this period, updated grant funding estimates have been factored into the 2015 – 2020 CIP. An estimate of each year's General Capital Grant Settlement has been factored in for the period 2016/17 to 2019/20 based on a prudent estimate of the possible Scotland-Wide funding.

3.3 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.

3.4 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 up-to-date cash flow information. The roll forward capital programme, incorporating this review can be seen at Appendix 1.

3.5 As part of this roll forward, the total Asset Management budget of £14m per annum from 2016/17 has been updated to show the allocation provided for asset management works on Children and Families properties to 2019/20. This is based on the programme of highest priority works identified as required following condition surveys carried out on the Children and Families estate.

3.6 The remainder of the total Asset Management budget allocation from 2016/17 onwards currently shows as unallocated. Condition surveys for the rest of the Council estate will commence imminently to inform how the remainder of budget will be distributed, based on prioritisation of asset condition. Following this exercise, Corporate Property will then plan the asset management works to be carried out on the basis of need and the corresponding budget allocations to be provided, with updates being provided through future roll forward programmes.

3.7 The Finance Settlement for 2015/16 includes an additional £7.5m of General Capital Grant (net of the allocation provided for the Children and Young People Bill) relative to the previous estimate factored in to the 2014-2019 CIP. Following approval by Council to allocate some of this to the balance of funding required for both the replacement physical education facilities at Liberton High School and the proposed replacement of Queensferry High School projects, the balance on this additional General Capital Grant for 2015/16 stands at £5.819m

3.8 This currently shows as unallocated in the roll forward 2015-2020 CIP and as part of the budget framework process, members are asked to consider how this balance should be allocated.

3.9 In making this decision, members are asked to consider the current unfunded capital priorities over the period 2015-2020, including an element of works across the Council estate collated from each service Director totalling approximately £188m, as summarised in Appendix 2. This is an up to date list of priorities superseding those presented in the report to Finance and Resources Committee on 7 May 2014, recognising the fact that priorities can change even in the short term. Following a request from Members, each service area has ranked its priorities in order of importance taking cognisance of council commitments and pledges.

3.10 Members are also reminded of the likely future infrastructure requirements as a consequence of housing growth in the city initiated through the Local Development Plan which were described on a high level basis in a report to Finance and Resources Committee on 7 May 2014. Although the assumption is that capital costs associated with providing this (currently estimated at approximately £200m) will be fully funded by developers through Section 75 contributions, there remains a risk both on the timing and achievement of these contributions which could create a short-term or overall funding pressure. No allowance has been provided for this potential future pressure (which is currently estimated at £0.755m in 2015/16 and a further £0.150m in 2016/17 for early design works on likely transport and education infrastructure) in the current capital programme or within the indicative five year capital plan 2019-2024; members will therefore require to consider the allocation of net additional General Capital Grant in the context of these priorities and pressures.

3.11 A report elsewhere on the agenda recommends that an additional £7.5m of funding, subject to Council decision, is made available from the Capital Fund to support the unfunded priorities outlined. Subject to approval, allocation of these sums would form part of the budget proposals presented to Members on 12 February 2015. As this recommendation is still to be approved, the potential £7.5m of additional funding has not been factored into the draft roll forward programme presented.

3.12 The indicative Capital Plan was rolled forward to the period 2019/20 to 2023/24 and approved by Council on 13 February 2014. In rolling forward the capital plan, £9m per annum from 2019/20 onwards, previously provided for Wave three schools and flood prevention projects currently remains shown as unallocated funding. Members are asked to identify where this £9m (from 2019/20 onwards) should be redirected within the programme in the context of infrastructure needs / priorities and existing Council commitments. In addition to those priorities and pressures already set out within this report, Members are also reminded of the update provided on the proposed Wave 4 school investment programme as set out in the report to Council on 25 September 2014.

3.13 The roll forward capital programme is for General Fund projects only. The Housing Revenue Account capital budget will be the subject of a separate report.

3.14 A separate report setting out the risks relating to infrastructure can be seen elsewhere on the agenda.

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

Financial impact

5.1 The revenue funding required to support the borrowing costs associated with the five-year capital programme (2015-2020) 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. As the budget framework identifies only broad themes in later years, no such additional investment is included within the framework at this stage. In addition, the emphasis within a number of revenue investments is on using this short-term investment to develop sustainable recurring savings going forward.

Risk, policy, compliance and governance impact

6.1 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.

6.2 Monitoring of major capital projects including risk assessment is carried out by the Council's Corporate Programmes Office (CPO).

6.3 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.

6.4 Although the Local Development Plan assumes that capital costs associated with providing necessary infrastructure will be fully funded by developers through Section 75 contributions, a risk remains on both the timing and achievement of these contributions which could create a short-term or overall loan charge funding pressure for the Council. No allowance for any potential funding pressure has been provided for within the current capital investment programme or indicative five year plan.

6.5 Once necessary infrastructure required through the Local Development Plan is delivered, this will result in significant additional ongoing revenue costs being incurred, for which provision will require to be made in future Council revenue budgets to avoid the risk of future funding pressures. This applies in particular to the provision of additional accommodation, such as new schools or extensions to existing schools; in addition to the ongoing property running costs (rates, utilities, cleaning and repairs and maintenance) there will be significant additional staffing costs to educate the additional pupils generated from growth in the city. Other revenue costs include those relating to new streets, and any new green spaces adopted by the Council. The position will require to be kept under review as requirements become clearer.

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.

7.2 There is little contribution with regard to capital expenditure and the duty to eliminate unlawful discrimination, harassment or victimisation.

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.

8.2 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.

8.3 The proposals in this report will increase the city's resilience to climate change impacts because they are securing funding for flood prevention projects.

Consultation and engagement

9.1 Consultation on the budget will be undertaken as part of the budget process.

Background reading/external references

Revenue Budget 2015/18 and Capital Budget 2015/2020 - update, Finance and Resources Committee, 27 November 2014

Future Investment in the School Estate - Wave 4, City of Edinburgh Council, 25 September 2014

Revenue and Capital Budget Framework, Finance and Resources Committee, 30 September 2014

2015/18 Revenue and Capital Budget Update, Finance and Resources Committee, 7 May 2014

Capital Investment Programme / Plan 2014/15 to 2023/24 - referral from Finance and Resources Committee, City of Edinburgh Council, 13 February 2014

Alastair D Maclean

Director of Corporate Governance

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Links

Coalition pledges	P3 – Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools P8 – Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites P30 – Continue to maintain a sound financial position including

	long-term financial planning P31 – Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used P42 – Continue to support and invest in our sporting infrastructure
Council outcomes	CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed CO16 – Edinburgh draws new investment in development and regeneration CO20 – Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and future of citizens CO23 – Well-Engaged and Well-Informed – Communities and individuals are empowered and supported to improve local outcomes and foster a sense of community CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	1 – Draft Roll Forward Capital Investment Programme 2015-2020 2 – Currently-unfunded capital priorities

Appendix 1

DRAFT CAPITAL INVESTMENT PROGRAMME 2015-2020

(Incorporating part-year slippage from 2014/15)

CAPITAL INVESTMENT PROGRAMME 2015-2020

SUMMARY OF EXPENDITURE AND RESOURCES - GENERAL SERVICES

2014-2019	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Expenditure	**187,357**	**94,056**	**50,239**	**35,472**	**41,000**	**408,124**
Resources						
Capital receipts						
General asset sales	10,000	13,000	10,000	4,500	3,000	**40,500**
Less General asset sales for property rationalisation savings	(5,400)	-	-	-	-	**(5,400)**
Asset sales to reduce corporate borrowing	1,900	-	-	-	-	**1,900**
Ring-fenced asset sales	-	4,895	-	-	10,000	**14,895**
Developers and other contributions	6,100	869	209	-	-	**7,178**
Total receipts	12,600	18,764	10,209	4,500	13,000	**59,073**
Grants						
Specific Capital Grant	32,392	-	-	-	-	**32,392**
General Capital Grant	57,461	46,000	44,500	44,500	38,000	**230,461**
Total Grants	89,853	46,000	44,500	44,500	38,000	**262,853**
Borrowing						
Support brought forward	63,388	-	-	-	-	**63,388**
Prudential framework						
- Through council tax	4,458	120	-	-	-	**4,578**
- Departmentally supported	7,692	9,452	-	-	-	**17,144**
Total borrowing	75,538	9,572	0	0	0	**85,110**
Over / (under)-programming	9,366	19,720	(4,470)	(13,528)	(10,000)	**1,088**
Total Resources	**187,357**	**94,056**	**50,239**	**35,472**	**41,000**	**408,124**

Grant funding for 2016/17,2017/18, 2018/2019 and 2019/20 is outside the current one year settlement and therefore the grant settlement figures for these years are based on prudent estimates.

CAPITAL INVESTMENT PROGRAMME 2015-2020

SUMMARY OF EXPENDITURE	Revised Budget 2015/16 £000	Indicative Budget 2016/17 £000	Indicative Budget 2017/18 £000	Indicative Budget 2018/19 £000	Indicative Budget 2019/20 £000	**Total Budget 2015-2020 £000**
General Services						
Children and Families	68,556	31,060	15,543	4,531	-	**119,690**
Corporate Governance	3,895	2,089	165	165	165	**6,479**
Health and Social Care	7,171	1,514	114	-	-	**8,799**
Services for Communities	79,371	45,736	20,417	16,776	17,835	**180,135**
Services for Communities - Asset Management Works						
- Children and Families	10,480	9,173	7,553	7,007	3,774	**37,987**
- Corporate Property	3,310	-	-	-	-	**3,310**
- Corporate Governance	3,971	-	-	-	-	**3,971**
- Health and Social Care	1,650	-	-	-	-	**1,650**
- Services for Communities	3,134	-	-	-	-	**3,134**
- Not yet allocated to services	-	4,484	6,447	6,993	10,226	**28,150**
Unallocated - additional General Capital Grant in 2015/16	5,819	-	-	-	-	**5,819**
Unallocated - indicative 5 year plan	-	-	-	-	9,000	**9,000**
Total General Services	**187,357**	**94,056**	**50,239**	**35,472**	**41,000**	**408,124**

* The draft roll forward programme does not include the proposed additional funding of £7.5m that could be made available from the Capital Fund as this is subject to seperate approval.

CAPITAL INVESTMENT PROGRAMME 2015-2020

CHILDREN AND FAMILIES	Realigned Budget 2015-16	Indicative Budget 2016-17	Indicative Budget 2017-18	Indicative Budget 2018-19	Indicative Budget 2019-20	Total Budget 2015-2020
	£000	£000	£000	£000	£000	£000
Early years						
Early learning and childcare	4,887	4,220	-	-	-	9,107
Early years contingency	-	145	-	-	-	145
Fox Covert nursery	1,403	-	-	-	-	1,403
Early years total	**6,290**	**4,365**	**0**	**0**	**0**	**10,655**
Primary schools						
Corstorphine	43	-	-	-	-	43
Upgrade kitchens - free school meals initiative	1,538	1,538	-	-	-	3,076
Waterfront	-	19	-	-	-	19
Primary schools total	**1,581**	**1,557**	**0**	**0**	**0**	**3,138**
Secondary schools						
Liberton high school replacement gym	1,385	1,012	54	-	-	2,451
New high school for Craigmillar	-	-	618	-	-	618
Replacement Queensferry high school	1,500	1,500	750	2,027	-	5,777
Secondary schools total	**2,885**	**2,512**	**1,422**	**2,027**	**0**	**8,846**
Community centres						
Duncan Place	387	-	-	-	-	387
Community centres total	**387**	**0**	**0**	**0**	**0**	**387**
Children's services						
Accommodation young person centre	-	408	-	-	-	408
Greendykes young person centre	912	20	-	-	-	932
Children's services total	**912**	**428**	**0**	**0**	**0**	**1,340**
Other projects						
Blackhall new gym	901	-	-	-	-	901
Duddingston nursery	933	-	-	-	-	933
Kirkliston primary school - development works	2,264	207	-	-	-	2,471
Rising school rolls	6,787	1,941	-	-	-	8,728
Wardie nursery	697	-	-	-	-	697
Other projects total	**11,582**	**2,148**	**0**	**0**	**0**	**13,730**
Wave three school projects						
Boroughmuir high school replacement	19,010	8,024	400	-	-	27,434
Boroughmuir wave 3 enhancement	5	-	-	-	-	5
James Gillespies campus	844	512	-	-	-	1,356
Portobello high school replacement	24,054	5,788	1,439	-	-	31,281
St Crispin's special school replacement	-	726	5,656	-	-	6,382
St John's essential improvement works	6	-	-	-	-	6

CAPITAL INVESTMENT PROGRAMME 2015-2020

CHILDREN AND FAMILIES	**Realigned Budget 2015-16**	**Indicative Budget 2016-17**	**Indicative Budget 2017-18**	**Indicative Budget 2018-19**	**Indicative Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
St John's new wave 3 School	1,000	5,000	6,626	-	-	12,626
Wave three inflation contingency	-	-	-	2,504	-	2,504
Wave three school projects total	**44,919**	**20,050**	**14,121**	**2,504**	**0**	**81,594**
Total Children and Families	**68,556**	**31,060**	**15,543**	**4,531**	**0**	**119,690**

CAPITAL INVESTMENT PROGRAMME 2015-2020

CORPORATE GOVERNANCE	**Realigned Budget 2015-16**	**Indicative Budget 2016-17**	**Indicative Budget 2017-18**	**Indicative Budget 2018-19**	**Indicative Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Museums and arts						
Calton Hill redevelopment	431	-	-	-	-	431
Museums and Arts Total	**431**	**0**	**0**	**0**	**0**	**431**
Edinburgh Leisure						
Edinburgh Leisure	165	165	165	165	165	825
Edinburgh Leisure total	**165**	**165**	**165**	**165**	**165**	**825**
Pavilions and pitches						
Pavilions, pitches and new sports facilities	100	1,115	-	-	-	1,215
Pavilions and pitches total	**100**	**1,115**	**0**	**0**	**0**	**1,215**
Strategic support						
CATs ICT capital investment	1,200	-	-	-	-	1,200
City dressing programme	50	167	-	-	-	217
ICT transformational change investment	1,935	-	-	-	-	1,935
Winter festival lighting	44	-	-	-	-	44
Strategic support total	**3,229**	**167**	**0**	**0**	**0**	**3,396**
Miscellaneous projects						
Contingency	-	642	-	-	-	642
Fees related to future asset sales	(38)	-	-	-	-	(38)
Sale of Leith Waterworld	8	-	-	-	-	8
Miscellaneous projects total	**-30**	**642**	**0**	**0**	**0**	**612**
Total Corporate Governance	**3,895**	**2,089**	**165**	**165**	**165**	**6,479**

CAPITAL INVESTMENT PROGRAMME 2015-2020

HEALTH AND SOCIAL CARE	**Realigned Budget 2015-16**	**Indicative Budget 2016-17**	**Indicative Budget 2017-18**	**Indicative Budget 2018-19**	**Indicative Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Care homes						
New care home - Drumbrae	-	-	-	-	-	-
New care home 6 - net of other funding	5,964	1,514	114	-	-	7,592
Care homes total	**5,964**	**1,514**	**114**	**-**	**-**	**7,592**
Other projects						
Autism day and respite centre	459	-	-	-	-	459
Fees related to future asset sales	(25)	-	-	-	-	(25)
Oxgangs day centre	389	-	-	-	-	389
Unallocated funding	34	-	-	-	-	34
Wester Hailes Living Centre Underpass	350	-	-	-	-	350
Other projects total	**1,207**	**-**	**-**	**-**	**-**	**1,207**
Total Health and Social Care	**7,171**	**1,514**	**114**	**-**	**-**	**8,799**

CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES	**Realigned Budget 2015-16**	**Indicative Budget 2016-17**	**Indicative Budget 2017-18**	**Indicative Budget 2018-19**	**Indicative Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Environment						
Waste services						
Containers - CRC's	40	-	-	-	-	40
Containers - household waste	286	-	-	-	-	286
Containers - trade waste	251	-	-	-	-	251
Purchase of litter bins	269	-	-	-	-	269
SW Millerhill land acquisition	13	-	-	-	-	13
Waste - service re-design	1,184	-	-	-	-	1,184
Zero Waste: Millerhill	1,919	-	-	-	-	1,919
Parks and green spaces						
Footway landslips	68	-	-	-	-	68
HAVS replacement equipment	6	-	-	-	-	6
New allotments	120	-	-	-	-	120
New play areas	53	-	-	-	-	53
Parks and green spaces	118	-	-	-	-	118
Pitch and park drainage	110	-	-	-	-	110
Fleet						
Fuel depot improvements	16	-	-	-	-	16
Environment works						
Env asset works order system	60	-	-	-	-	60
Refurbishment - public conveniences	19	-	-	-	-	19
Environment total	**4,532**	**0**	**0**	**0**	**0**	**4,532**
Community Safety						
CCTV - Telfer Subway	31	-	-	-	-	31
CCTV combine services	999	-	-	-	-	999
CCTV Reinstatement - TIE	105	-	-	-	-	105
Libraries						
George IV Bridge Library-enhancement works	363	-	-	-	-	363
Libraries for you	14	-	-	-	-	14
People's Network	49	-	-	-	-	49
Community Safety & Libraries total	**1,561**	**0**	**0**	**0**	**0**	**1,561**
Housing and Regeneration						
Commuted sums	159	-	-	-	-	159
Development Funding Grant	31,663	-	-	-	-	31,663
Home owners' adaptation grants	1,000	-	-	-	-	1,000
National Housing Trust Phase 2	2,978	8,930	-	-	-	11,908
Neighbourhood env partnerships	1,799	814	814	814	-	4,241
Private Sector Housing Grant	-	1,477	-	-	-	1,477
Travelling People's site	4	-		-	-	4
Housing and Regeneration total	**37,603**	**11,221**	**814**	**814**	**0**	**50,452**
Projects Controlled by Corporate Property						
Castlebrae business centre	950	-	-	-	-	950
Grassmarket Nursery 6VT relocation	151	-	-	-	-	151

CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES	**Realigned Budget 2015-16**	**Indicative Budget 2016-17**	**Indicative Budget 2017-18**	**Indicative Budget 2018-19**	**Indicative Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
New Craigmillar Neighbourhood office	54	-	-	-	-	54
Portobello kilns	6	-	-	-	-	6
Project disposals	4	-	-	-	-	4
Projects Controlled by Corporate Property total	**1,165**	**0**	**0**	**0**	**0**	**1,165**
Transport and other infrastructure						
Engineering						
Braidburn	37	-	-	-	-	37
Bridge strengthening	944	-	-	-	-	944
Disabled parking bay signing	15	-	-	-	-	15
Flood prevention [block]	59	-	-	-	-	59
Lower Granton Road realignment	167	-	-	-	-	167
Reservoirs	119	-	-	-	-	119
St Andrew Square public realm	467	-	-	-	-	467
Traffic signals (renewal)	527	-	-	-	-	527
Transport asset management	-	1,000	1,000	1,000	1,000	4,000
UTMC and parking guidance	491	-	-	-	-	491
Water of Leith - phase 1	251	500	-	-	-	751
Water of Leith - phase 2	7,362	13,038	2,598	1,723	-	24,721
Policy & planning						
20mph speed limiting [block]	100	-	-	-	-	100
Bus priority schemes / bus shelters	133	-	-	-	-	133
Bus Tracker priority at signals	22	-	-	-	-	22
Bus Tram integration	9	-	-	-	-	9
Bustracker- RTI extension	67	-	-	-	-	67
Charlotte Square refurbishment	960	-	-	-	-	960
CWSS road safety	67	-	-	-	-	67
Cycle projects [block]	77	-	-	-	-	77
Cycling, Walking and Safer Streets	729	-	-	-	-	729
Electric vehicles	8	-	-	-	-	8
Hermiston Park and Ride (land acq)	312	-	-	-	-	312
Park and Ride development	4	-	-	-	-	4
Road safety	292	-	-	-	-	292
Road safety, cycling and public transport	1,750	1,750	1,750	1,750	1,750	8,750
St Andrew Square bus station	59	-	-	-	-	59
Walking projects [block]	75	-	-	-	-	75
City centre - transport						
City Centre public realm	74	-	-	-	-	74
George Street -festival works	61	-	-	-	-	61
Leith Walk Constitution Street	3,187	-	-	-	-	3,187
Roads ward allocation	244	-	-	-	-	244
Rose Street - public realm	245	-	-	-	-	245
Waverley Bridge / Market Street	504	-	-	-	-	504
West end public realm	110	-	-	-	-	110

CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES	**Realigned Budget 2015-16**	**Indicative Budget 2016-17**	**Indicative Budget 2017-18**	**Indicative Budget 2018-19**	**Indicative Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Roads	-	-	-	-	-	-
Carriageway / footway works [block]	12,941	15,727	12,755	9,989	13,585	64,997
Street lighting	2,041	2,500	1,500	1,500	1,500	9,041
Transport and other infrastructure total	**34,510**	**34,515**	**19,603**	**15,962**	**17,835**	**122,425**
Total Services for Communities	**79,371**	**45,736**	**20,417**	**16,776**	**17,835**	**180,135**

CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES - ASSET MANAGEMENT WORKS	Realigned Budget 2015-16	Indicative Budget 2016-17	Indicative Budget 2017-18	Indicative Budget 2018-19	Indicative Budget 2019-20	Total Budget 2015-2020
	£000	£000	£000	£000	£000	£000
Children and Families						
Boiler upgrade	59	-	71	-	-	130
Disability Discrimination Act works	-	-	16	16	-	32
Doors and windows	1,456	592	140	139	8	2,335
Early Years property	36	-	12	-	-	48
External fabric	-	456	58	58	-	572
Fabric Enhancement	892	475	111	204	-	1,682
Fire safety	674	240	200	400	-	1,514
Integration works	8	-	-	-	-	8
Mechanical and engineering upgrade	2,154	5,685	5,834	5,440	3,400	22,513
Roof and rainwater	3,326	310	205	175	133	4,149
Statutory compliance	-	-	100	100	100	300
Stonework/masonry	508	94	133	133	133	1,001
Sustainability	6	-	-	-	-	6
Upgrade high schools	377	-	-	-	-	377
Upgrade primary schools	30	-	-	-	-	30
Water quality upgrading	954	1,321	673	342	-	3,290
Total for Children and Families	**10,480**	**9,173**	**7,553**	**7,007**	**3,774**	**37,987**
Corporate Governance						
Energy efficiency	8	-	-	-	-	8
External fabric improvements	1,025	-	-	-	-	1,025
Fabric enhancement	1,833	-	-	-	-	1,833
Improvement works	56	-	-	-	-	56
Mechanical and engineering upgrade	599	-	-	-	-	599
Roof and rainwater	350	-	-	-	-	350
Security works	20	-	-	-	-	20
Statutory compliance	80	-	-	-	-	80
Total for Corporate Governance	**3,971**	**0**	**0**	**0**	**0**	**3,971**
Health and Social Care						
Bedroom upgrades	72	-	-	-	-	72
Doors and windows	32	-	-	-	-	32
Fabric enhancement	150	-	-	-	-	150
Fire safety	60	-	-	-	-	60
Improvement works	223	-	-	-	-	223
Lift upgrade	160	-	-	-	-	160
Mechanical and engineering upgrade	48	-	-	-	-	48
Statutory compliance	250	-	-	-	-	250
Unallocated funding	655	-	-	-	-	655
Total for Health and Social Care	**1,650**	**0**	**0**	**0**	**0**	**1,650**
Services for Communities						
Doors and windows	70	-	-	-	-	70
External fabric improvements	331	-	-	-	-	331
Fabric enhancement	288	-	-	-	-	288
Fire safety	121	-	-	-	-	121

CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES - ASSET MANAGEMENT WORKS	**Realigned Budget 2015-16**	**Indicative Budget 2016-17**	**Indicative Budget 2017-18**	**Indicative Budget 2018-19**	**Indicative Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Improvement works	898	-	-	-	-	898
Mechanical and engineering upgrade	471	-	-	-	-	471
Parks infrastructure	400	-	-	-	-	400
Roof and rainwater	140	-	-	-	-	140
Security work	20	-	-	-	-	20
Statutory compliance	100	-	-	-	-	100
Structural enhancement	150	-	-	-	-	150
Unallocated funding	139	-	-	-	-	139
Water quality upgrading	6	-	-	-	-	6
Total for Services for Communities	**3,134**	**0**	**0**	**0**	**0**	**3,134**
Services for Communities - Corporate Property						
Boiler upgrade	300	-	-	-	-	300
Doors and windows	412	-	-	-	-	412
Fabric enhancement	918	-	-	-	-	918
Heating upgrade	18	-	-	-	-	18
Mechanical and engineering upgrade	1,180	-	-	-	-	1,180
Security work	12	-	-	-	-	12
Statutory compliance	63	-	-	-	-	63
Stonework/masonry	81	-	-	-	-	81
Unallocated funding	326	-	-	-	-	326
Total for Services for Communities - Corp. Property	**3,310**	**0**	**0**	**0**	**0**	**3,310**
Funding not yet allocated to projects	-	4,484	6,447	6,993	10,226	28,150
Total Asset Management Works	**22,545**	**13,657**	**14,000**	**14,000**	**14,000**	**78,202**

Current unfunded capital priorities

Estimated spend profile over 2015-2020 CIP

Service	Priority (ranked in order of importance at service level taking cognisance of council commitments and pledges)	Capital Project	Brief description of project	Prudential borrowing supported by service suitability (Y/N)	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total estimated cost £000	Annual revenue income or savings streams identified if potential to fund through prudential framework supported by service £000	Comment	Estimated Annual Loan Charges, (20 year repayment) £000	Estimated Total Loan Charges £000
Children and Families	1.	Rising Primary School Rolls (with the exception of a long term solution for South Edinburgh)	This represents the latest projected deficit in the overall funding required to address the anticipated accommodation pressures in the primary school estate over the next five years to meet catchment demand which was reported to the Education, Children and Families Committee on 20 May 2014. The costs exclude provision to address the long term pressure in the south Edinburgh area which are identified separately below.	N	-	3,527	1,336	157	-	5,020		The deficit is shown in the year in which, based on current projections, it is currently expected to arise. The primary school roll projections are updated each year with the next update scheduled to be reported to the Education, Children and Families Committee in March 2015.	407	8,138
Children and Families	2.	Rising Primary School Rolls (long term solution for South Edinburgh)	This represents the latest projected cost of addressing the anticipated long term accommodation pressures in meeting catchment demand in the primary school estate in the south Edinburgh area as explained in the 'Primary School Capacity Pressure in South Edinburgh' report to the Education, Children and Families Committee on 4 March 2014. The costs are based on option of delivering a new double-stream primary school (no nursery) in the area however this is one of three possible solutions identified; the other two being at lower cost. The approach to the south Edinburgh area has been the subject of consultation and engagement with the relevant school communities and the outcome and proposed way forward was reported to the Education, Children and Families Committee for consideration on 9 December 2014.	N	6,000	2,924	7,250	-	-	16,174		This is based on the cost of the option of delivering a new primary school only (no nursery) of £15.312m identified in the March Committee report which has been uplifted by a further £0.862m to £16.174m to reflect the further increase in projected future cost inflation which has arisen since that report was produced. The profile of spend further assumes that the acquisition of land (assumed cost £6m) will be required in the 2015/16 financial year with an overall project completion date of December 2017.	1,324	26,474
Children and Families	3.	Children and Families Estate - Asset Management Works (capital only, excludes revenue)	This represents the gap in funding within the existing Asset Management Works budgets (held by SfC) to cover the essential condition works which were identified as a result of the condition surveys which were undertaken of all properties within the Children and Families estate. This excludes a further significant unfunded pressure regarding revenue related costs.	N	4,952	4,952	4,952	4,952	4,952	24,760		The deficit is taken from the related 'Children and Families Capital Asset Management Programme Priorities 2014-2019' Report to the Education, Children and Families Committee on 10 December 2013. No detailed profile of this spend is available therefore the deficit has been spread evenly over the five year period.	2,026	40,528
Children and Families	4.	A new secondary school in Craigmillar	This represents the commitment made by Council to deliver a new secondary school in Craigmillar (replacing the existing Castlebrae Community High School) as part of the regeneration of Craigmillar. The costs and associated profile are based on the current working assumption regarding both the required date of delivery and the required capacity on opening as reflected in the 'Investment in the School Estate' Report to Council on 25 September 2014.	N	-	-	144	3,151	23,698	26,993		This is based on the projected total cost for the new school which is now estimated to be £27.611m based on an assumed opening date of August 2020; a capacity of 700 (including 100 vocational) and with additional space incorporated to develop the ambition of Castlebrae to become a city wide centre of excellence in Science. It further assumes that the balance which requires to be funded is £26.993m with the only existing funding being the £0.618m already in the C&F Capital Investment Programme. This assumes that all other potential sources of funding would only be realised in the longer term.	2,209	44,183
Children and Families	5.	Additional Investment in WHEC	The 'Queensferry High School' Report to Council on 25 September 2014 Council included a recommendation that Council agree to consider, as part of the forthcoming 2015/16 budget process, the provision of additional capital investment to WHEC as the only other remaining Condition C secondary school in the Council estate to assist in the ongoing regeneration of the school and the wider Wester Hailes area. This recommendation was approved by Council.	N	1,250	1,250	-	-	-	2,500		A sum of £2.5m has been identified which is consistent with the additional investment which the Council has recently made at Liberton High School. The phasing assumes that this would be utilised evenly over a two year period.	205	4,092

Current unfunded capital priorities

					Estimated spend profile over 2015-2020 CIP									
Service	**Priority (ranked in order of importance at service level taking cognisance of council commitments and pledges)**	**Capital Project**	**Brief description of project**	**Prudential borrowing supported by service suitability (Y/N)**	**2015/16 £000**	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**Total estimated cost £000**	**Annual revenue income or savings streams identified if potential to fund through prudential framework supported by service £000**	**Comment**	**Estimated Annual Loan Charges, (20 year repayment) £000**	**Estimated Total Loan Charges £000**
Children and Families	6a.	Educational Infrastructure Requirements arising from the Council's proposed second Local Development Plan - Identified early design works required	The proposed second Local Development Plan reflects the intended delivery of a significant level of new housing development in the city. The consequences of this regarding changes which will be required to the existing educational infrastructure to accommodate this will be significant with there being an anticipated requirement for several new primary schools and significant extensions to existing secondary schools. The cost estimates produced within the current Education Appraisal have been produced using cost metrics derived from either national guidance for new primary/secondary school projects or, for extensions, other recent Council projects. Whilst these are sufficient to provide a reasonable approximation of costs, the ability of progressing what has been suggested in each area and the costs of doing so can only be confirmed with any degree of certainty by undertaking early design work. This would include undertaking site investigations to determine any locations where any new build or extension could be located and any abnormal site issues which would require to be addressed such as the necessity to divert utilities or other services (a necessity which has arisen in several recent projects).	N	405					405		Current assumption is that all capital costs will be fully funded by developers through section 75 contributions, though it remains unclear at this point in time how this will be achieved and whether or not this capital expenditure identified would be required on a temporary or permanent basis.	33	663
Children and Families	6b.	Educational Infrastructure Requirements arising from the Council's proposed second Local Development Plan	The proposed second Local Development Plan reflects the intended delivery of a significant level of new housing development in the city. The consequences of this regarding changes which will be required to the existing educational infrastructure to accommodate this will be significant with there being an anticipated requirement for several new primary schools and significant extensions to existing secondary schools. The capital (and revenue) costs arising will be very significant. Whilst the assumption is that the capital costs will be fully funded by developers through section 75 contributions it remains unclear at this point in time how this will be achieved and whether or not there might be the requirement for any new capital expenditure to be identified on either a temporary or permanent basis. Due to the long lead time associated with delivering new accommodation the associated spend requirements may be out of alignment with when section 75 funding can be received resulting in a gap which would require to be funded by the Council. This return assumes no unfunded capital pressures would arise however until a clear strategy on this has been determined the risk of such pressures arising remains.	N	-	-	-	-	-	-				

Current unfunded capital priorities

Service	Priority (ranked in order of importance at service level taking cognisance of council commitments and pledges)	Capital Project	Brief description of project	Prudential borrowing supported by service suitability (Y/N)	Estimated spend profile over 2015-2020 CIP 2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total estimated cost £000	Annual revenue income or savings streams identified if potential to fund through prudential framework supported by service £000	Comment	Estimated Annual Loan Charges, (20 year repayment) £000	Estimated Total Loan Charges £000
Corporate Governance - Customer Services	1.	ICT - Digital Workstream Channel Shift	The Council currently receives over 2.5 million individual contacts directly from citizens every year. These cover almost all services the Council provides, and range from enquiries regarding Council Tax, to reporting a pothole in the road, to registering a pupil for a school trip. Over 90% of all these contacts are over the phone with the majority of the remaining 10% being face-to-face, and almost no contacts are undertaken on-line (digitally). When compared to digital, the cost of each transaction is 20 times higher per contact over the phone and 100 times more when face-to-face. Therefore not only is the Council not meeting the expectations of digitally active citizens but it is spending more in these areas than is required. The project plans to move a minimum of 40% of all contacts over the next 2 years, saving the Council £4m per annum, whilst improving the customer experience. In addition to these benefits the Council will also gain a much better understanding of its citizens as individuals, allowing the Council to better focus its services on the needs and desires of the city.	Y	2,000	-	-	-	-	2,000		Additional investment of £3m (a total of £5m) could be funded using the Prudential Framework on a case by case basis. Funding for the additional investment of £3m would require to be met through revenue budget savings.	473 (Based on 5 year repayment period as ICT equipment)	2,364
Corporate Governance - Culture and Sport	2.	Meadowbank Sports Centre	Rebuild of sports centre	Y	9,165	9,165	-	-	-	18,330	Part funding through prudential framework of a total of £3.028m. Annual income/ saving stream to support this of £0.248m.	This estimated cost is based on option 1, net of the best estimate of capital receipt realisable as detailed in the report to Culture and Sport Committee on 17 Dec 2013.	1,500	30,003
Corporate Governance - Culture and Sport	3.	Jack Kane Centre	Upgrading and refurbishment of sports centre	Y	1,500	1,500	-	-	-	3,000	Part funding through prudential framework may be possible through increased revenue from new 3G pitches and fitness facilities.		246	4,911
Corporate Governance - Culture and Sport	4.	Refurbishment of Ross Bandstand	Capital redevelopment project to refurbish listed building in key city centre location, Princes Street Gardens, home for Hogmanay and Edinburgh Festival Fireworks concert, and enable additional use at other times of the year. Upgrade facilities, building fabric and seating.	Y	650	650	-	-	-	1,300	Part funding through prudential framework of a total of £0.25m. Annual income stream to support this of £0.3m over 20 years	The Ross Bandstand is in poor condition and improvements are required to enable income generation.	106	2,128
Corporate Governance - Culture and Sport	5.	Redevelopment of Museum of Childhood	The redevelopment is part of the modernisation programme for Museums and Galleries. The redevelopment of the Museum of Childhood will provide a more engaging and interactive experience for children and families; the re-display and re-interpretation of the collection and modernisation of all the facilities for visitors.	N	500	500	-	-	-	1,000		An application will be submitted to Heritage Lottery Fund for the modernisation of the Museum of Childhood.	82	1,637

Current unfunded capital priorities

Estimated spend profile over 2015-2020 CIP

Service	Priority (ranked in order of importance at service level taking cognisance of council commitments and pledges)	Capital Project	Brief description of project	Prudential borrowing supported by service suitability (Y/N)	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total estimated cost £000	Annual revenue income or savings streams identified if potential to fund through prudential framework supported by service £000	Comment	Estimated Annual Loan Charges, (20 year repayment) £000	Estimated Total Loan Charges £000
Health and Social Care	1.	7th new care home - Dumbryden	A new 60-bedded care home to replace an older care home and to create additional capacity for 20 beds. A site has been identified at Dumbryden. A capital receipt of between £5m and £6m is available to part fund. The balance would be funded from prudential borrowing. There is currently a shortage of care home places, with 90 people waiting in hospital for a care home bed.	Y	2,610	390	-	-	-	3,000		-	246	4,911
Health and Social Care	2.	8th new care home	New purpose built 60 bedded care home to replace 2 older care homes. There are currently 8 older remaining Council care homes which are no longer fit for purpose. The requirement to replace the older remaining care homes was agreed in the Older People's Accommodation Strategy for Older People. There is a high risk of needing to close older care homes if they are not replaced as they do not meet operational requirements or Care Inspectorate standards.	N	-	8,190	1,224	-	-	9,414		-	770	15,409
Health and Social Care	3.	9th new care home	New purpose built 60 bedded care home to replace 2 older care homes. There are currently 8 older remaining Council care homes which are no longer fit for purpose. The requirement to replace the older remaining care homes was agreed in the Older People's Accommodation Strategy for Older People. There is a high risk of needing to close older care homes if they are not replaced as they do not meet operational requirements or Care Inspectorate standards.	N	-	-	8,636	1,291	-	9,927		-	812	16,249
Services for Communities	1.	Saughton Park	Restoration of historic gardens and park.	N	860	-	-	-	-	860		Committed to delivering this contribution towards a larger scheme; levers in an additional £4m of Heritage Lottery funding.	70	1,408
Services for Communities	2.	Asset Management Works	Asset Management Works - non-school estate	N	5,000	5,000	5,000	5,000	5,000	25,000		To address the historic backlog maintenance issues across the non-schools estate.	2,046	40,921
Services for Communities	3a.	LDP transport infrastructure-early design work for both west and south east of Edinburgh	Initial design work on proposed transport infrastructure to determine more accurate costs to inform and aid planning applications and S.75 developer contribution agreements	N	350	150	0	0	0	500		In acknowledgment of potential developer contribution shortfalls in early years of development; potential reimbursement of funding in later years.	41	818
Services for Communities	3b.	LDP roads infrastructure funding gap	Potential funding gap associated with the delivery of roads infrastructure to support the development proposed in the Local Development Plan	N	-	1,000	1,000	1,500	1,500	5,000		In acknowledgment of potential developer contribution shortfalls in early years of development; potential reimbursement of funding in later years.	409	8,184
Services for Communities	4.	Roads and footway investment	Additional capital investment in the City's roads and footways	N	2,000	2,000	2,000	4,800	2,000	12,800		To enhance the current programme of upgrade for the city's roads.	1,048	20,951
Services for Communities	5.	Central Library	Refurbishment and renovation of central library	N	-	-	10,000	10,000	-	20,000		Long term development proposal subject to discussions with the National Library.	1,637	32,737
TOTAL ALL PROJECTS					**37,242**	**41,198**	**41,542**	**30,851**	**37,150**	**187,983**				

City of Edinburgh Council

10.00am, Thursday 12 February 2014

Proposal for a New Meadowbank – referral from the Corporate Policy and Strategy Committee

Item number	4.4
Report number	
Wards	All

Executive summary

The Corporate Policy and Strategy Committee on 20 January 2015 recommended that the Council consider the proposals for a new build facility at Meadowbank as part of its budget considerations.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

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Terms of Referral

Proposal for a New Meadowbank

Terms of referral

1.1 On 13 March 2008, the Council agreed to commission an appraisal for a new build facility at Meadowbank.

1.2 On 20 January 2015, the Corporate Policy and Strategy Committee considered a report on the conclusions of a feasibility study and a business case which had been prepared and benchmarked against other UK facilities to allow cost consultants to calculate 10 year revenue projections.

1.3 The Corporate Policy and Strategy Committee agreed:

1.3.1 To note that the feasibility work completed since February 2014 had reviewed a range of different options for funding a new Meadowbank.

1.3.2 To note that the Member Officer Working Group had concluded that the typical package used by UK local authorities to fund sport and leisure developments would be the most appropriate funding method for a new Meadowbank because it would secure delivery within the proposed timescale and retain Council control of the new facility.

1.3.3 To note that there was a funding shortfall of between £11.3m and £19.8m of the estimated £43m total cost of the project.

1.3.4 To note that expenditure of up to £0.100m on an intrusive ground survey and preparation of a Development Brief would potentially reduce the total cost and funding gap, and provide more financial certainty.

1.3.5 To note the proposed sporting facility mix and proposed Royal Institute of British Architects (RIBA) Stage C design for a new Meadowbank.

1.3.6 To note that the current timeline anticipated that a new Meadowbank would open by the end of 2017, should approval be given to proceed, and to demolish the existing facility before construction began.

1.3.7 To note the potential funding identified to date (capital receipt from sale of surplus land at Meadowbank; revenue savings from closure of the existing facility; prudential borrowing based on income projections for the new Meadowbank; and a **sport**scotland grant) and the consequent funding shortfall.

1.3.8 To refer the report to the Council budget meeting on 12 February and if Council considered it appropriate and identified funding, to note that Council would require to:-

1.3.8.1 approve expenditure of up to £0.040m from the Corporate Governance revenue budget 2014/15 for an intrusive ground survey as phase one;

1.3.8.2 approve as phase two, subject to the Director of Corporate Governance being satisfied with the ground conditions, expenditure of up to £0.060m from the Corporate Governance revenue budget 2014/15 to prepare and agree a Development Brief with Planning;

1.3.8.3 note that throughout phases one and two, soft market testing and negotiations would continue with external stakeholders and potential partners to reduce the funding gap, and that any resultant changes in the financial costs and funding package would be reported to the appropriate committee;

1.3.8.4 subject to satisfactory completion of phases one and two, approve the proposed sporting facility mix and proposed Royal Institute of British Architects (RIBA) Stage C design for a new Meadowbank;

1.3.8.5 agree to progress the proposed design to RIBA Stage D (design development), and subject to satisfactory completion of Stage D, to Stage E (technical design);

1.3.8.6 agree to demolish the existing facility before constructing the new Meadowbank;

1.3.8.7 approve the ringfencing of any capital receipt from sale of surplus land at Meadowbank for a new Meadowbank to proceed;

1.3.8.8 note the potential funding identified to date (capital receipt from sale of surplus land at Meadowbank; revenue savings from closure of the existing facility; prudential borrowing based on income projections for the new Meadowbank; and a **sport**scotland grant);

1.3.8.9 consider the consequent funding shortfall.

1.3.9 To call for a further report to be submitted to a future meeting of the Finance and Resources Committee on proposed financial packages including partnership funding.

1.3.10 To thank the members of the Working Group for the work undertaken by them to date.

For Decision/Action

2.1 The Council is asked if it considers it appropriate and identifies funding, to note that Council would require to:-

1) approve expenditure of up to £0.040m from the Corporate Governance revenue budget 2014/15 for an intrusive ground survey as phase one;

2) approve as phase two, subject to the Director of Corporate Governance being satisfied with the ground conditions, expenditure of up to £0.060m from the Corporate Governance revenue budget 2014/15 to prepare and agree a Development Brief with Planning;

3) note that throughout phases one and two, soft market testing and negotiations would continue with external stakeholders and potential partners to reduce the funding gap, and that any resultant changes in the financial costs and funding package would be reported to the appropriate committee;

4) subject to satisfactory completion of phases one and two, approve the proposed sporting facility mix and proposed Royal Institute of British Architects (RIBA) Stage C design for a new Meadowbank;

5) agree to progress the proposed design to RIBA Stage D (design development), and subject to satisfactory completion of Stage D, to Stage E (technical design);

6) agree to demolish the existing facility before constructing the new Meadowbank;

7) approve the ringfencing of any capital receipt from sale of surplus land at Meadowbank for a new Meadowbank to proceed;

8) note the potential funding identified to date (capital receipt from sale of surplus land at Meadowbank; revenue savings from closure of the existing facility; prudential borrowing based on income projections for the new Meadowbank; and a **sport**scotland grant);

9) consider the consequent funding shortfall.

Background reading / external references

Corporate Policy and Strategy Committee 20 January 2015.

Carol Campbell

Head of Legal, Risk and Compliance

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Corporate Policy and Strategy Committee

10.00am, Tuesday, 20 January 2015

Proposal for a new Meadowbank

Item number	7.2
Report number	
Executive	
Wards	All, and particularly Craigentinny/Duddingston

Executive summary

In 2008, Council agreed to commission an appraisal for a new build facility at Meadowbank. A 2014 feasibility study has concluded that if the Council wishes to replace Meadowbank – at a total estimated cost of £43m - the funding package would comprise ringfenced capital receipt from sale of surplus land on site; revenue savings from closure during construction; prudential borrowing funded from forecast improvement in net income and a sportscotland grant. The Council's advisers have identified a funding shortfall of between £11.3m and £19.8m, using a range of differing estimates for land value receipts and the external grant.

An intrusive ground survey and a Development Brief defined with Planning could confirm, and possibly narrow, the funding gap estimates. This work could be done within the first quarter of 2015 without delaying the programme. These actions would involve costs of up to £0.100m.

A funding shortfall will still need to be addressed. Committee is asked to refer this report to Council as part of its budget considerations on 12 February 2015. If funding cannot be found, or Committee decides in any case not to proceed, an immediate review of Meadowbank will be required and planned withdrawal of service within the next five years.

Links

Coalition pledges	P42, P43, P45
Council outcomes	CO20
Single Outcome Agreement	SO2

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Proposal for a new Meadowbank

Recommendations

It is recommended that the Corporate Policy and Strategy Committee:

1.1 notes that the feasibility work completed since February 2014 has reviewed a range of different options for funding a new Meadowbank;

notes that the Member Officer Working Group has concluded that the typical package used by UK local authorities to fund sport and leisure developments would be the most appropriate funding method for a new Meadowbank because it would secure delivery within the proposed timescale and retain Council control of the new facility;

1.2 notes that there is a funding shortfall of between £11.3m and £19.8m of the estimated £43m total cost of the project;

1.3 notes that expenditure of up to £0.100m on an intrusive ground survey and preparation of a Development Brief would potentially reduce the total cost and funding gap, and provide more financial certainty;

1.4 notes the proposed sporting facility mix and proposed Royal Institute of British Architects (RIBA) Stage C design for a new Meadowbank;

1.5 notes that the current timeline anticipates that a new Meadowbank would open by the end of 2017, should approval be given to proceed, and to demolish the existing facility before construction begins;

1.6 notes the potential funding identified to date (capital receipt from sale of surplus land at Meadowbank; revenue savings from closure of the existing facility; prudential borrowing based on income projections for the new Meadowbank; and a **sport**scotland grant); notes the consequent funding shortfall;

1.7 agrees to refer this report to the Council budget meeting on 12 February and if Council considers it appropriate, and identifies funding, notes that Council would require to:

1.7.1 approve expenditure of up to £0.040m from the Corporate Governance revenue budget 2014/15 for an intrusive ground survey as phase one;

1.7.2 approve as phase two, subject to the Director of Corporate Governance being satisfied with the ground conditions, expenditure of up to £0.060m from the Corporate Governance revenue budget 2014/15 to prepare and agree a Development Brief with Planning;

1.7.3 note that throughout phases one and two, soft market testing and negotiations will continue with external stakeholders and potential partners to reduce the funding gap, and that any resultant changes in the financial costs and funding package would be reported to the appropriate committee;

1.7.4 subject to satisfactory completion of phases one and two, approve the proposed sporting facility mix and proposed Royal Institute of British Architects (RIBA) Stage C design for a new Meadowbank;

1.7.5 agree to progress the proposed design to RIBA Stage D (design development), and subject to satisfactory completion of Stage D, to Stage E (technical design);

1.7.6 agree to demolish the existing facility before constructing the new Meadowbank;

1.7.7 approve the ringfencing of any capital receipt from sale of surplus land at Meadowbank for a new Meadowbank to proceed;

1.7.8 note the potential funding identified to date (capital receipt from sale of surplus land at Meadowbank; revenue savings from closure of the existing facility; prudential borrowing based on income projections for the new Meadowbank; and a **sport**scotland grant); and

1.7.9 consider the consequent funding shortfall.

If the Corporate Policy and Strategy Committee decides to proceed no further with this project:

1.8 instructs a review to bring forward proposals for a planned withdrawal of service within the next five years; this review to be developed in consultation with stakeholders, for review by the Board of Edinburgh Leisure and reported to the appropriate Council committees; and

1.9 requests a report outlining alternative options for Meadowbank and its site.

Background

2.1 Meadowbank does not meet customer expectations of 21st century sporting facilities nor the requirements specified by Scottish Governing Bodies of Sport for lighting levels, run-offs for courts (to prevent injury) and ceiling heights. Meadowbank is now regarded as inferior when compared to other facilities more recently developed in Glasgow, Aberdeen, Stirling and Motherwell.

2.2 On 13 March 2008, the Council approved “a new build at Meadowbank as the best option” for the future of this Sport Centre and Stadium and agreed “to commission an appraisal for this new facility”.

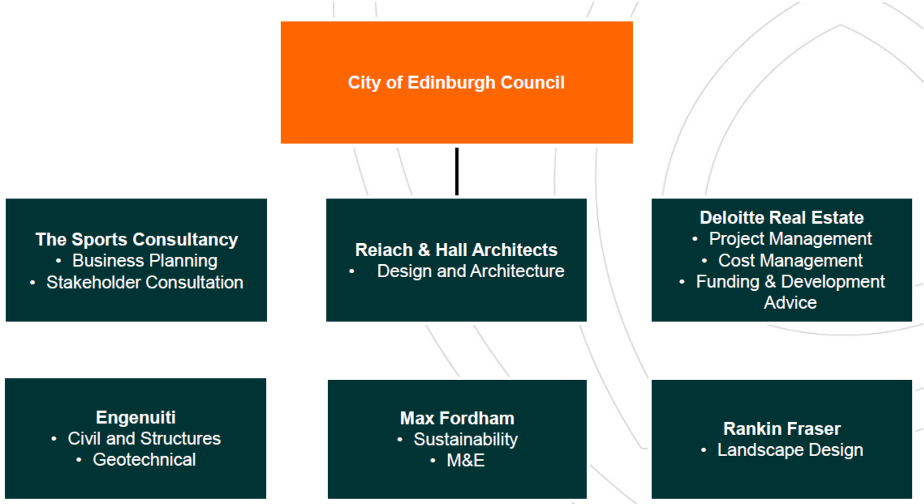
2.3 As an interim investment measure, and in recognition that the facility was more than 40 years old, was beyond its designed lifespan and required significant upgrades, the Council spent £1.45m in 2009 to improve the reception areas, showers and changing facilities. Edinburgh Leisure continues to carry out routine repairs and maintenance, and an annual condition survey to identify any immediate risks to the ongoing operation of the facility, including failure of mechanical and electrical services and plant.

2.4 Various systems within the building are becoming more difficult to keep in service through repair work, and it is anticipated that a point will be reached in the short term when it is no longer practical or economic to keep the current facility open. Before that point is reached, unless other plans are developed for the future of this facility, a planned withdrawal of service within the next five years will be required.

2.5 Since February 2013, the following work has been completed:

February 2013	Council allocated £60k for an initial stakeholder engagement and options appraisal
August 2013	Council appointed Deloitte Real Estate, supported by The Sports Consultancy and Reiach and Hall Architects, to carry out this study
December 2013	Culture and Sport Committee considered the results of this stakeholder engagement and options appraisal and referred it to Council
February 2014	Council allocated £0.200m towards a detailed feasibility study and business case for Meadowbank and community consultation
July 2014	Design team and cost consultant appointed to deliver the feasibility study, business case and future community consultation, led by Culture and Sport

2.6 Team members are shown in the diagram below.



2.7 A Meadowbank Member Officer Group was established during 2013, and has met four times in 2014. The group includes all political groups, local ward members, **sport**scotland, Edinburgh Leisure and Council officers and is chaired by the Convener of Culture and Sport.

2.8 The report discusses the key points of the feasibility study and business case, before providing details of the proposed sporting facility mix. The feasibility study and business case have been placed in political group rooms; key points from both are provided below.

Main report

3.1 A **business case for a new Meadowbank** has been prepared and benchmarked against other UK facilities to allow the cost consultants to calculate 10-year revenue projections.

3.2 To develop the business case, the team:

3.2.1 reviewed Meadowbank's revenue income and expenditure from 2009 to date;

3.2.2 reviewed Meadowbank's footfall and usage over that period;

3.2.3 reviewed latent demand for health and fitness in Edinburgh;

3.2.4 considered the staffing structure required to operate the new facilities;

3.2.5 prepared conservative estimates of the running costs of the new facility, building in higher than currently projected utility costs, increases in inflation, etc; and

3.2.6 prepared a sensitivity analysis of varying levels of income and costs for the new facility.

3.3 Currently, the Council makes a service payment to Edinburgh Leisure to manage Meadowbank. Before 2013, the service payment was approximately £0.400m per annum. Since the opening of the 3G pitch in 2013/14 and the curricular use by James Gillespie's High School of the facility, the payment has fallen to around

£0.250m for the current financial year. This is expected to increase to a payment of around £0.350m in 2015/16, when curricular use by Gillespie's will cease.

3.4 The business case for the new Meadowbank demonstrates that after the first year of its operation, the new facility is projected to generate a surplus in each of the following nine years. This business case, which was produced by The Sports Consultancy and reviewed by Edinburgh Leisure, will be regularly reviewed and updated if the project progresses.

3.5 Using the business case described above, and the proposed facility mix and architectural design, the team has prepared estimated costings for the entire project and identified different ways to fund the project. These funding options are summarised in appendix one and discussed below.

3.6 The **feasibility study** is based on a core sporting facility mix for a new Meadowbank and architectural concept and design to RIBA Stage C (concept and outline proposals for buildings and structures). The purpose of RIBA Stage C is to develop the client's design brief into outline proposals that show the design sufficiently developed for the client to understand, comment on and approve. The Developed Design would be prepared in Stage D. This would include coordinated and updated proposals for structural design, building services systems and outline specifications, along with cost information. The Technical Design would be prepared in Stage E, to include all architectural, structural and building services information, and any specialist subcontractor design and specifications.)

3.7 A key element of the feasibility study is that residual land not needed for the new facility (a total of 10 acres in three lots) should be sold for development. (A 3G pitch which is within one of the three lots would be lifted and re-laid in a new position to the west.) The proposed layout plan, showing the residual land, is provided in appendix two.

3.8 The design team has drawn up indicative plans for the area to the east for 430 housing units (25% of which will be in the affordable housing category) set in green space with access for vehicles. In addition, a plot of land to the west at Wishaw Terrace could accommodate housing, and the team has identified student accommodation (273 beds) as likely to generate the best financial return. The team is assessing demand for student housing in this area. It is accepted that there is a Planning risk associated with such a use in this location. The smallest lot of surplus land has been identified as suitable for office accommodation.

3.9 To progress this work, it will be necessary to work with Planning to produce a Development Brief for the site, based on the design by the current Design Team. This Development Brief would be part of the procurement information package.

3.10 It would be beneficial to procure a single company to develop the entire site in accordance with any Development Brief. It would be the responsibility of this company to deliver each of the land uses across the site through subcontractor agreements where necessary. This would result in one contract between the Council and the developer company and reduce the risks to the Council from a mixed use development. This would also create a single point of contact to the Council to provide efficiencies during the development process.

Estimated cost of a new Meadowbank

3.11 The construction cost of the three options reported in December 2013, with varying sporting facility mixes, ranged from £35.1m to £85.2m. These cost estimates excluded some elements of fees, lifecycle costs, asbestos removal, inflation, demolition, risk, contingency, fixtures, fittings and equipment.

3.12 The construction costs and the entire project costs have been revised and updated since then, and are now estimated to be £43m. This figure includes a high risk allowance for underpinning the new building, based on worst case assumptions about the underlying ground conditions; an allowance for pre-construction and construction inflation totalling £1.75m, up to the third quarter of 2016; and allowances for removal of contamination and the inclusion of client direct fit out costs.

3.13 A detailed ground survey would provide certainty about the exact underlying conditions. If these are better than the worst case scenario, this would reduce the risk allowance required for underpinning the building, reduce the allowance for removal of contamination across the site, and remove some risk from this key construction element of the project.

Review of funding options

3.14 The cost consultant, Deloitte Real Estate, has concluded that the majority of community sport and leisure developments in the UK now rely on a blend of funding to make them viable. The typical package used by local authorities includes prudential borrowing (based on the forecast improvement in the revenue position); capital receipts from the sale of assets; grant funding from external bodies, capital funding from local authorities and Planning gain (in Scotland, under Section 75 of the Town and Country Planning (Scotland) Act 1997).

3.15 The detailed feasibility study has explored a wide range of funding options. None of these options taken individually would generate enough funding to cover the full cost of the project. A summary of the review of funding options by Deloitte, assisted by the Sports Consultancy, is attached as appendix 1.

3.16 The project team and the Member Officer Working Group have reviewed the funding options and have noted that:

3.16.1 some options are incompatible (eg **sport**scotland grant with development partner);

3.16.2 grant funding from **sport**scotland is not available to a private developer, and is dependent on a capital contribution from the local authority;

3.16.3 the typical funding package used by local authorities allows councils to retain a great deal of control and also provide greater measures of certainty on future income, costs and service levels than the options which involve the private sector in a lead or management role.

3.17 Taking all of this into account, the Member Officer Working Group and the project team recommend the type of funding package which is described in paragraphs 3.14 and 3.16.3 above.

Recommended funding package

3.18 A fund of £20m set aside by the Scottish Government for National and Regional Facilities Investment is managed by **sport**scotland. It has been assumed that between £5m to £7m would be available from this fund for the project. It is hoped that it may be possible to achieve more than the higher estimated grant figure through further negotiations with **sport**scotland and the Scottish Government.

3.19 It is possible to provide estimates for the total sum which could be achieved by combining the sale of excess land, prudential borrowing, revenue savings during demolition and construction and a grant from **sport**scotland. This total sum is estimated to be worth between £23.2m and £31.7m. This leaves an estimated funding shortfall of between £11.3m and £19.8m. Although alternative funding methods have been reviewed by the Council's advisers, these are not considered to be achievable within the timescale required and have considerable uncertainty attached to them at this stage.

3.20 Soft market testing is under way with the private sector and developers. This will continue if the project progresses, and will help to confirm the estimates for capital receipts from surplus land and for income from the operation of the new facilities.

3.21 The project team and Member Officer Working Group have also discussed procurement solutions. Alternative procurement routes explored so far include SCAPE (a provider of national construction frameworks), delivery company hubco (for the South East Territory) and the standard procurement route via calls for tender in the Official Journal of the European Union. An indicative high level timeline is provided in appendix three, showing that the earliest point by which the new Meadowbank could open, if the project proceeds, is the end of 2017.

Core facility mix for a new Meadowbank

3.22 The design team has re-tested the core facility mix reported in December 2013, by consulting **sport**scotland, Scottish governing bodies of sport, and key clubs which use Meadowbank. As a result of this process, the design team has defined the core sport facility mix for a new Meadowbank as follows:

An outdoor athletics track with seating for 500
A 3G synthetic or grass sports pitch in the centre of the athletics track

An additional outdoor 3G synthetic sports pitch
An indoor 60m 6 lane athletics track with jumps area
Outdoor throws area
An eight badminton court sports hall with 500 permanent seats plus bleachers (in area, the same size as the current Meadowbank Hall 1)
A four badminton court sports hall with 500 permanent seating (the same size as the current Meadowbank Hall 2)
A gymnastics hall
A gym
Studios
Café
Meeting rooms
Changing facilities

3.23 For many people, the outdoor athletics track is synonymous with Meadowbank, and its long Commonwealth Games history from 1970 onwards. In contrast with all previous attempts to redesign Meadowbank, this new design (which has been taken up to RIBA Stage C) is based around keeping the outdoor athletics track in its current position. Further details on the architectural concept for a new facility are provided in appendix four.

Measures of success

4.1 A decision whether or not to proceed further with the project.

Financial impact

5.1 A total of £0.325m in revenue has been spent to date on developing the new Meadowbank proposal.

5.2 The total cost of the project is estimated to be £43m. The total estimated funding, which could be achieved by combining the sale of excess land, prudential borrowing, revenue savings during demolition and construction and a grant from **sport**scotland, is between £23.2m and £31.7m.

5.3 It is anticipated that the total cost of the project could be reduced if the ground conditions are better than worst case. In order to confirm this, a sum of up to £0.040m requires to be spent on an intrusive ground conditions survey. It is recommended that Council approve £0.040m from the Corporate Governance revenue budget 2014/15.

5.4 It is anticipated that a Design Brief for the site, developed and agreed with Planning, and costing up to £0.060m, would remove further risk from the project. Subject to the Director of Corporate Governance being satisfied with the ground conditions following a survey, it is recommended that Council approve £0.060m from the Corporate Governance revenue budget 2014/15 for the Development Brief.

5.5 To progress the prudential borrowing element of funding, full approval will need to be sought from the Finance and Resources Committee and Council, based on a business case that demonstrates the associated revenue income / saving streams that would be generated to pay for annual loan charges. The level of prudential borrowing indicated in the funding package has been calculated by assuming that the improved operating position of the new facility would remove the requirement for a service payment. The forecast service payment level for the existing facility (around £0.350m per annum) will be made available by the Council to fund the proposed prudential borrowing.

5.5 Pending realisation of capital receipts and grant contributions, the Council could incur additional borrowing costs. These costs will be known once the procurement solution is identified and the cost profile is known.

5.6 The report outlines proposed total capital expenditure plans of a maximum of £43m. If this expenditure were to be funded fully by borrowing, the overall loan charges associated with this expenditure over a 20 year period would be a principal amount of £43m and interest of £28.6m, resulting in a total cost of £71.6m based on a loans fund interest rate of 5.2%. The annual loan charges would be £3.580m.

5.7 It should be noted that the Council's Capital Investment Programme is funded through a combination of General Capital Grant from the Scottish Government, developers and third party contributions, capital receipts and borrowing. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy and is provided for on an overall programme basis rather than for individual capital projects. Following a request from Members, notional loan charge estimates have been provided above; these estimates are based on the assumption of borrowing in full for this capital project.

5.8 If the decision is taken not to proceed with the proposed new Meadowbank, a further report on the financial and other implications of this will be required. As noted in previous reports, the facility cannot be refurbished to a satisfactory standard and there is a five-year limit to the length of time it can remain operational.

Risk, policy, compliance and governance impact

6.1 The total project cost and funding projections are, at this stage, estimates and are subject to fluctuating market conditions and inflation which may affect the scope and delivery of the project. However, inflation has already been included in the construction costs. The capital receipt estimates are based on current day prices.

6.2 The revenue costs and income projections for the business case will be subject to regular review and updating which could change the prudential borrowing level.

6.3 The Planning risk would be mitigated by preparing and agreeing a Development Brief for the site with Planning.

6.4 If the project does not proceed beyond RIBA Stages D or E, or is reduced in scope, design fees related to the abortive elements of the project will require to be written off to the revenue budget.

6.5 As discussed in appendix four below, early discussions are ongoing with NHS Lothian on the potential for creating a broader health and wellbeing focus for a new Meadowbank, through locating a primary health care facility on site. This opportunity would be lost, and the current Meadowbank will continue to decline, if the decision is taken not to proceed with this project. Since this is Edinburgh's biggest driver of indoor and outdoor sport participation, the closure of this facility would have a negative impact on levels of physical activity and participation in sport by Edinburgh residents of all ages.

6.6 This would have a negative impact on the delivery of key policies including the Physical Activity and Sport Strategy agreed by the Council and city partners; two of the Council's Pledges; and the Scottish Government's National Outcome on physical activity.

6.7 If this project does not proceed, the wider implications of this decision for the delivery of physical activity and sport services will be taken into account by the ongoing strategic review of all Council-owned sport and physical activity facilities and services. This wider review, which includes consideration of community access to schools, is scheduled to report early in 2015.

Equalities impact

7.1 The new Meadowbank proposal would help to meet the city's housing needs, including affordable housing, and would provide a modern, fully accessible, high quality facility open to all Edinburgh residents and visitors. The new facility would make a positive impact on the health, well-being and quality of life of those who use it. The facility is currently projected to attract over 600,000 visits per year by the second year of its operation. The current Meadowbank has just over 500,000 visits per year. If the project does not proceed, the impact on current users losing this facility within the next five years would require to be assessed.

Sustainability impact

8.1 The impacts of this report have been considered in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties, and the outcomes are described below.

8.2 The new building would be built to meet or exceed modern energy efficiency standards. On a like for like basis, the energy consumption would be significantly lower than the existing building. The new building's energy demands would be reduced by the proposed enhanced building fabric performance; high efficiency equipment for heating, ventilation, and lighting; and renewable energy technologies such as Photovoltaics.

8.3 A visual inspection of the trees surrounding the Meadowbank site was undertaken in September 2014. The inspection report identified the 11 Wheatley Elms on Wishaw Terrace and 10 on London Road as having the most significant impact on the street scene. Unlike many cities in the UK, Edinburgh has managed its stock to retain approximately 15,000 elms in the city. From assessing historic photos of the area and the height of the trees it is reasonable to assume the elms pre-date the existing stadium. The new building proposal has been designed to maintain an adequate distance from the existing elm trees to allow their retention in principle. A detailed survey of their condition and any impacts on the trees of construction works or resurfacing around the trees will be undertaken at the next stage.

8.4 The decision to retain the new sports centre on the existing Meadowbank site will enable the new facility to benefit from the existing transportation network already serving Meadowbank. A strategic plan for maintaining and improving these transportation links will be developed if the project progresses. The landscaping proposal will help to create a civic presence along the London Road frontage, and will provide a generous public arrival area at the entrance to building. Shelter will be provided along the length of the building from the roof canopy, and features within the landscape will provide seating and gathering areas. Consideration has been given to providing increased facilities for cyclists in line with National Planning Policy. The existing bus stops would be retained and incorporated into the landscaping proposals along London Road.

Consultation and engagement

9.1 Detailed consultation with the public will be undertaken if this project proceeds.

9.2 Given the recommendation – for reasons of efficiency, safety and cost – to complete the demolition before construction begins, alternative provision will need to be made for Meadowbank's customers, using Edinburgh Leisure facilities and the school's sporting estate. This is the approach that was taken by the successful £37.1m refurbishment of the Royal Commonwealth Pool. Further work will be done on this if the project proceeds.

Background reading/external references

Report to Culture and Sport Committee on [17 December 2013]

Nine previous reports on National and Regional Sports Facilities (incorporating Meadowbank) to Council, Culture and Leisure Committee, and the Culture and Sport Committee, from 2004 to present, including the March 2008 report to Council cited above

Alastair D Maclean

Director of Corporate Governance

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Links

Coalition pledges	**P42** – Continue to support and invest in our sporting infrastructure. **P43** – Invest in healthy living and fitness advice for the most in need. **P45** – Spend 5% of the transport budget on provision for cyclists
Council outcomes	**C020** – Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and futures of citizens.
Single Outcome Agreement	**S02** – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health.
Appendices	1. Summary of Review of Funding Options 2. Proposed layout plan 3. Current proposed timeline for the project 4. Architectural concept for a new Meadowbank

Appendix 1

Summary of Review of Funding Options - Deloitte, supported by The Sports Consultancy

Principal funding options considered

Option 1	**Capital receipt from disposal of the excess land, primarily comprising some 9 acres to the east of the stadium together with smaller areas to the south and west of the stadium**	
Advantages	*Weaknesses and risks*	*Conclusion*
Council would benefit from a significant capital contribution. Student housing has the potential to raise a higher level of price over other uses. Would help the Council to deliver targets for provision of new homes and will assist in the wider regeneration of the area.	No significant weaknesses Risks: Land values could fall between now and the point at which the site is sold. On the positive side, values could also increase during that period. Planning consent obtained without onerous conditions relating to development density and infrastructure requirements Abnormal costs resulting from soil and site investigations to confirm the development capability and contamination levels Demand for the proposed developments Other points: timing of disposal and the impact this will have on project cash flow; impact of a significant development taking place on the site at the same time as the new Meadowbank is being built should be considered, as the project programme is developed.	Capital receipt from sale of excess land presents the most significant funding opportunity for the project and is relatively low risk to the Council. Opportunities for further intensification of development should be considered and discussed with planners as the project moves forward to determine whether further capital can be generated.

Option 2	**Prudential borrowing capability based on improvement in operational revenue**	
Advantages	*Weaknesses and risks*	*Conclusion*
Prudential loan rates tend to be more competitive than private sector funding. This maximises the amount of capital that can be borrowed. The loan repayments can be fixed for the term of the loan term. This reduces the risk of future index-linked increases in loan repayments. This tends to be the borrowing route of choice for public sector projects.	There are prudential borrowing limits for local authorities. The Council will need to be clear whether it can borrow the amount of funding required, without breaching its borrowing limits.	Prudential borrowing should be used to access capital funding towards the project.

Option 3	**sportscotland grant funding**	
Advantages	*Weaknesses and risks*	*Conclusion*
Grant funding is external funding which does not rely on revenue funding from the Council to support loan repayments.	Funding tends to be conditional on delivery of programme objectives and can limit future use of the funded facilities. The Council should ensure that it is comfortable with the proposed terms, conditions and required outcomes before applying for grant funding. This funding is subject to a funding application process and an application, so cannot be guaranteed at this stage.	The Council should apply to **sport**scotland for funding to help deliver the project. It should make a strong case for a grant of £7m. **sport**scotland should be engaged in the development of the project.

Option 4	**Revenue savings from closure during build period**	
Advantages	*Weaknesses and risks*	*Conclusion*
The sooner the centre is closed the more the Council is likely to save in terms of the service payment it makes towards the operation of Meadowbank. In addition to the financial savings, closure is likely to simplify the construction process, reducing risk, cost and timescales compared to retaining operation of parts of the centre while the new build takes place.	The net revenue savings need to be clarified with any deductions for closure costs and operator compensation.	There is an opportunity for the Council to make revenue savings during the construction works that can be used as capital funding towards the project. The final figure will need to be agreed with the Finance Service and is likely to be subject to negotiation with Edinburgh Leisure, with reference to the terms and conditions of the management agreement.

Based on the results of these four principal funding routes, and faced with a further funding gap, we believe that consideration should be given to the alternative sources of funding described in the table below.

Alternative source of funding	*Advantages*	*Weaknesses*
Option 5: A contribution from the Council's capital reserves	Avoids the Council being left with an on-going revenue commitment. Assuming funds are available, this is a relatively straightforward approach. Offers flexibility with the delivery approach – the Council could procure a contractor for the sports facility and dispose of the surplus land separately. Alternatively a single development partner could be procured to deliver both elements.	Clearly reliant upon the Council having sufficient capital reserves to contribute. Limited scope for the Council to derive a return on the equity it has invested. High risk – the current forecast is that funds will not be available from capital reserves.
Option 6: Head lease commitment *The Council commits to a head lease over the new Meadowbank facility.* *Ideally, the Council would look to cover its head lease commitment by the management fee paid by the centre's operator.* *Dependent on the new facility generating a positive income stream.*	The Council's covenant would be well received by the funders and developers, particularly if it was underwriting a secure income stream of 20 years plus. The strength of this income stream could be used to generate an up-front capital contribution from a funder, which is a model a number of pension funds are actively promoting. In a best case scenario, the management fee would be greater than the head lease commitment; presenting the Council with a revenue stream.	Head lease commitments of this nature are often linked to fixed rental uplifts, typically on an RPI basis. Should the management fee not cover the head lease commitment, a risk which would increase over the lifespan of the centre, then the Council would potentially be left with an increasing revenue liability. Would require significant change from current operating model. The revenue forecasts for the centre estimate an annual operating surplus of circa £124k per annum. This level of income would not be sufficient to service the head lease payments required to service the capital investment required. Therefore, this option should be discounted.
Option 7: Additional prudential borrowing (including increasing the borrowing term) *Using borrowing from the Public Works Loan Board (PWLB), the Council would be required to commit additional annual revenue payments,*	The Council has the potential to access borrowing at a lower cost than a developer, via the PWLB. These savings should be reflected in the overall costs of the project. Scope for repayment of the loan from income received from the operator over the borrowing period of the loan.	Loan repayments of this nature are fixed over the borrowing period of the loan. As an example, if the Council wishes to raise an additional £10m capital funding to close the funding gap it would need to find £833,330 per annum to cover the additional repayment costs to service the annual loan repayments.

Alternative source of funding	*Advantages*	*Weaknesses*
over and above the forecast revenue improvement, to finance the borrowing costs for the capital sum required, as described previously in the principal funding options section.		The Council is currently unable to afford the loan repayments, unless these can be funded from additional revenue savings elsewhere in the Council. This would require a significant additional revenue commitment from the Council. This additional revenue cannot be generated from the new Meadowbank site and would have to come from other Council budgets. This could include closure of other facilities in the leisure portfolio.
Option 8: Private sector borrowing *For example, pension fund annuity funding. This scenario envisages the Council committing to pay an income stream to a pension fund, which would in return offer an upfront capital payment.*	Does not require the Council to allow for a Minimum Revenue Provision (MRP) set aside as is the case with Prudential Borrowing. Scope to explore entering into a wider partnership.	Likely to be more expensive than prudential borrowing: rental payments are subject to RPI-linked increases (likely to be between 0-5% per annum). The Council is unable to afford the loan repayments, if these cannot be funded from additional income. Private sector borrowing is likely to be more expensive for the Council over the term of the loan. As with prudential borrowing it would require a significant additional revenue commitment from the Council. This additional revenue cannot be generated from the New Meadowbank site and would have to come from other Council budgets.
Option 9: Other grant funding *This would involve the Council accessing other grant funding opportunities, which would effectively provide a one-off capital contribution to the project with no requirement for repayment.*	Provides capital contributions without the Council being left with an on-going revenue commitment.	Funding often comes with conditions relating to delivery of specific outcomes. These can have an impact on capital costs and operational revenue. We are not aware of any significant funding opportunities available for a scheme of the specific nature of Meadowbank, other than the £5m - £7m that has been discussed with **sport**scotland. A fundraiser would need to be engaged to review funding opportunities and work with the Council in making applications.

Alternative source of funding	*Advantages*	*Weaknesses*
Option 10: Naming rights and sponsorship *Would involve attracting a headline sponsor and branding Meadowbank via naming rights. Agreements tend to be for a medium to long term. Most recent examples relate to high profile stadia or arenas, as opposed to community leisure facilities, since sponsors seek maximum exposure for their brands.*	Provides a sum that can be used to fund capital or revenue over a fixed term of the agreement	Meadowbank is not home to a large, high profile club with a significant fan base and media exposure, particularly TV. Therefore, the value of naming rights is likely to be low and perhaps best suited to local businesses. There may be a conflict between the requirements of the sponsor to promote its association with the venue and the need for the Council and the venue operator to promote their association. There are no significant examples of naming rights and sponsorship of community leisure facilities with the order of funding required for Meadowbank. The relatively low levels of brand exposure mean that any sponsorship that can be obtained will be of low value and will not generate a significant sum towards the funding shortfall.
Option 11: Philanthropic contributions *Would involve the Council running a fundraising campaign to attract donations from businesses and individuals towards the cost of the project. This is a model frequently used in the arts and culture sectors.*	Provides a sum that can be used to fund capital or revenue with no ongoing payment from the Council.	There is not an established culture of philanthropy in relation to funding public sector sports buildings, to the extent required to cover the funding requirement. While it may be possible to attract some funding through philanthropic contributions, this is likely to require a significant campaign to be undertaken by the Council and there is no guarantee of success. The amounts raised are likely to be very small compared to the scale of the funding required. In many cases philanthropic donations tend to be distributed funding organisations and trusts set up for specific purposes (covered under “other grant funding” discussion above).

Alternative source of funding	*Advantages*	*Weaknesses*
Option 12: Reduce the scope of the building and capital costs *This would be achieved by removing areas from the building, with a focus on those areas that provide the lowest return on capital investment.*	Reducing the scale and cost of the building could reduce the capital cost and the funding requirement	The specification is based on extensive work completed to date and on the Council's aim to replace Meadowbank with a similar facility. The extent of reductions required to close the funding gap would need radical changes which will not deliver the facility identified through the needs analysis and consultation to date. Changes to the building may have a detrimental impact on revenue generation and must be carefully considered. Any departure from the agreed specification would diminish the Council's ability to meet the sporting needs of the local community and the needs of other stakeholders. We understand that this is unlikely to be acceptable to the Council and partners.
Option 13: Include additional revenue generating facilities within the Meadowbank redevelopment	Other facilities could add to the mix on the site. Some commercial uses could generate additional income for the Council.	Any additional facilities will require additional capital investment, which will increase the initial funding requirements on the Council. There is a risk that the additional facilities may not generate a significant additional income that helps contribute towards the funding of the project. There are planning constraints that will limit the options for commercial facilities at the site. Deloitte has undertaken a broad property market review and concludes that residential development on the surplus land appears to be the most viable option. Adding additional commercial space to the sports centre is likely to increase its build costs and also impact upon the space available to provide the facilities sought. The additional build costs are unlikely to be offset by significant improvement in the net revenue generated at the site. Planning issues are likely to be a barrier to further commercial

Alternative source of funding	*Advantages*	*Weaknesses*
		development of the sports centre site. Commercial development is arguably better delivered by the private sector through sale of the excess land to generate a capital receipt for the Council.
Option 14: Rationalisation – contribute additional surplus land/assets to the project *Would mean taking a wider strategic view of assets in the leisure portfolio and other Council-owned property to understand if there are any other facilities that could be disposed of to generate either a revenue saving or capital receipt that could contribute towards the funding shortfall.*	Capital or revenue can be raised through disposal of excess Council facilities to provide a contribution with no ongoing revenue commitment for the Council.	Scope for additional savings and disposals may be limited. Disposal opportunities beyond the leisure portfolio may be limited and capital receipts and revenue saving may be earmarked for other projects. Many recent community leisure developments have been facilitated by rationalisation of facilities across a portfolio. This has helped unlock capital receipts and revenue savings that have been used to finance borrowing costs. The Council should consider whether there are any further opportunities to dispose of assets to contribute towards the shortfall for Meadowbank.
Option 15: Competitive tendering of the management contract for the centre *The operator market in the UK has matured in recent years with the growth of private sector and trust operators that are increasingly expanding their portfolio of management contracts, through aggressive growth. This has provided significant revenue benefits to authorities that have competitively tendered contracts. It is increasingly common for operators to pay a management fee to a local authority, particularly where new facilities have been built. The larger operators are able to do this due to the economies of scale and efficiencies they can offer compared to smaller trust organisations.*	This option would require no further investment from the Council. The improvement in revenue position could be used to finance further prudential borrowing. It could bring a fresh approach to the management and operation of the centres.	There is a risk that operators will not be interested in the contract, as there are currently many contracts out for tender in the market. However, initial conversations indicate that there would be interest. Possible conflict with Council policy and commitments (for example, on pricing structures) and therefore would potentially be resisted by the public and governing bodies of sport. Soft market testing should be conducted early in the next stage of development, to test the market's appetite for managing the new Meadowbank.

Conclusions

The majority of community sport and leisure developments in the UK are funded by using a traditional approach. They rely on a blend of funding to make them viable. Typically, this tends to include the following sources:

- Prudential borrowing, based on the forecast improvement in the net revenue position
- Capital receipts from the sale of assets
- Grant funding from external partners eg **sport**scotland/Sport England
- Contributions from capital reserves
- Planning gain/developer contributions eg S106 / S75 funding
- Partnerships eg schools, universities and local authorities pooling funding to deliver a shared facility that meets the need of their users.

There is clearly a significant funding shortfall under the best and worst case scenarios.

As building costs increase it is becoming more difficult for community leisure facilities to be developed in a cost neutral way. Increasingly, local authorities are having to take a broader view of their leisure facility portfolios to unlock value to fund new developments. This tends to involve rationalisation of their portfolios. By closing facilities that operate at a significant deficit, and disposing of sites, many are able to use the revenue savings to fund further prudential borrowing. The capital receipt can also be applied to the development of new facilities. In some cases this has included sale of non-leisure sites, such as libraries, to help fund new leisure developments.

The financial benefits from competitively tendering management contracts are also providing a significant improvement in the revenue position, particularly where new facilities are built. This enables authorities to unlock revenue to service capital borrowing. In addition, many projects are reliant on maximising the commercial return from sale of excess land to developers. This tends to result in development for residential or commercial development, which provides the highest return.

The funding opportunities summarised in this paper have been identified by Deloitte and The Sports Consultancy in consultation with members of the project team, including the City of Edinburgh Council, **sport**scotland and Edinburgh Leisure, as well as the Scottish Futures Trust. This input represents many years of collective experience and knowledge in the development and funding of public and private sector leisure projects.

All realistic options have been reviewed. No single solution is going to close the significant funding gap that exists. **The principal funding options to explore further as the project develops are listed below.**

Capital receipts from sale of excess land

The proposal for the development of the excess land should be reviewed with the Council’s Planning Service to explore whether there is any further opportunity to generate additional capital receipts from the site. This should include exploring the possibility of building residential accommodation above the sports centre itself. This has been done successfully on other schemes in the UK, helping to meet demand for new housing which helps fund community infrastructure such as leisure centres.

Rationalisation - Contribute additional surplus land / assets to the project

The ability to raise the shortfall funding required from the Meadowbank site alone is limited. Therefore the Council should take a broader strategic view of other assets within its leisure portfolio and identify whether other sites that are performing poorly from a revenue perspective could be closed or transferred to other organisations to operate. The revenue saving could then be used to help finance borrowing for the development of Meadowbank.

In addition, capital could be raised from sale of leisure or non-leisure sites to contribute towards the development. We understand this work is being conducted as part of a strategic review of the Council's leisure service, which is due to be completed in early 2015.

Competitive tendering of the management contract

This option provides a significant opportunity for the Council. The financial benefits, in terms of additional revenue savings could be provided following a competitive tendering process. This improved revenue contribution could then be used to finance additional borrowing to help fund the shortfall. The main cost to the Council would be the costs associated with the procurement process.

Funding from Council budgets

We are aware that the Council allocates funding for capital and revenue budgets for projects and services and that it is possible for the Council to allocate funding based on the priority of projects as part of its budget setting process. This may also provide a source of funding. Although Meadowbank will be competing against many other priorities.

Summary

Overall, the solution to funding the shortfall is likely to be a blend of the principal and alternative options reviewed in this paper. At this stage it is not possible to put figures against the contribution which all of these could make towards funding the shortfall. However, we recommend all options are explored further as the project develops beyond RIBA Stage C.

It is recognised that the disposal of surplus assets at Meadowbank, together with grant funding from **sport**scotland and a contribution from prudential borrowing, still leaves a funding shortfall of between £11.3m (best case) and £19.8m (worst case). A number of alternative sources of funding have been identified, which could contribute towards closing this gap. The Council will need to decide which of these to pursue as the project progresses. Until some soft market testing and further detailed site analysis are carried out a question mark will remain over the amount of the shortfall. The Council needs to consider internal options to cover this deficit to provide the level of physical activity and sport services required at Meadowbank for the city, and be prepared to allocate internal funds for this purpose in the short term.

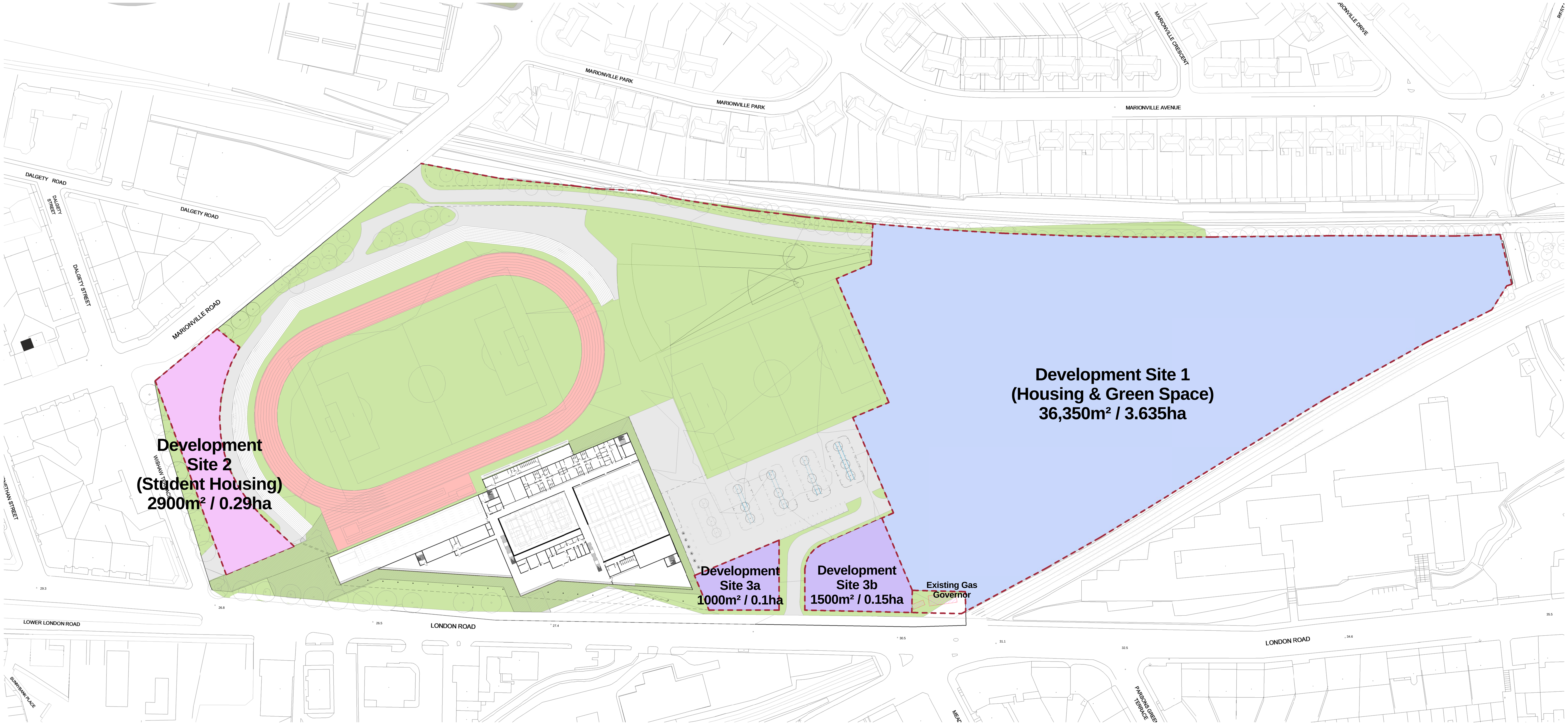
APPENDIX 2

DRAWING INFORMATION

NOTE

All dimensions should be checked on site.
Do not scale off this drawing.
Any drawing errors or divergences should be brought to the attention of the originator of this drawing.

Revision



NOTE:
LEVELS SHOWN ARE RELATIVE TO ATHLETICS TRACK

FOR INFORMATION

Reiach and Hall Architects

Meadowbank Stadium and Sports Centre

Site Plan

Capital Receipt Development Sites

4149 (SK) 075

Date : 05/12/14 Drawn : Scale : 1 : 750

6 Darnaway Street
Edinburgh EH3 6BG

Tel : 0131 225 8444
www.reiachandhall.co.uk

Meadowbank Sports Centre (MSC)	20013				2014				2015				2016				2017			
Activities	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Appraisal (completion of initial options review)																				
Council Consideration																				
Consultant Procurement																				
Detailed Feasibility, inc site investigation (RIBA Stage A-C)																				
Public Consultation (TBC)																				
Council Consideration of Feasibility Study																				
Design Team Procurement																				
Design Development (RIBA Stage D)																				
Planning Application																				
Technical Design (RIBA Stage E)																				
Tender Documentation (RIBA Stage G)																				
Tender Action (RIBA Stage H)																				
Production Information (RIBA Stage F)																				
Demolition of existing centre																				
Mobilisation (RIBA Stage J)																				
Construction to Practical Completion (RIBA Stage K)																				
Fit Out and Familiarisation																				
Opening of New Centre																				

Appendix 4

Architectural concept for a new Meadowbank

1. The existing facility is separated from London Road and the pavement by trees and grass, and the reception is reached by a pedestrian bridge. The building's street façade has few windows.

2. The architectural concept for a new Meadowbank is to bring the building forward, right up to the pavement, and to make extensive use of glass to create an open, lively and welcoming feel for users and passers-by. As shown in the architectural visualisations below, pedestrians will have direct access from the street to the reception. Anyone passing will be able to see some of the activities taking place inside the building and come in and use facilities such as the cafe.

3. This design would enhance the street, by fully integrating a new Meadowbank into the streetscape, and creating a lively civic space. This attractive new facility, which could incorporate within its footprint some community uses (described below) should help to regenerate the London Road area.

4. The team has worked in detail on functionality of the building, the optimum design and layout of the overall complex and of facilities within it, to achieve ideal customer flow. The development of the proposed building diagram has been influenced by the reconciliation of two key issues – site and brief. The triangular shape of the site, constrained by London Road to the south, the existing athletics track to the north and the existing Sport Centre to the east, introduces interesting limitations for a building which is essentially comprised of large rectangular spaces. The form and massing of the building is largely a direct result of the specific dimensional requirements of the sports spaces, which are pre-determined by various governing bodies, combined with the area available on the site.

5. A primary structural grid has been placed on the site, determined by the requirement for clear spans across the sports halls. The east-west span is defined by the length of a badminton court, typically the 'building block' around which multi-purpose sport halls are conceived. The intersection of the east-west grid and the building line of London Road determines the north-south grid.

6. Natural daylight is brought into the sports halls through roof lights placed between the courts, whilst avoiding glare. The large 8-Court Hall is located on the east elevation where the site is widest, and the 4-Court Hall and the Athletics Hall are placed further into the site. The more adaptable spaces, such as the Gym, are placed in the voids left between the large halls.

7. At the heart of the layout, accessed directly off London Road, is the entrance and reception area, The Gym is located next to the Reception, allowing direct access to this facility from the street entrance. The café and retail areas are also next to the reception, and could be open for business separately, if required, from the sporting facilities, maximising trading hours and potential income.

8. Forming the west elevation, the Athletics Hall affords views down London Road. Placing it next to the Gym allows both facilities to benefit from sharing the Strength and Conditioning Area which would be located in the Gym. Through the north façade the Athletics Hall opens up onto the existing running track, providing views in and out, daylight and allowing the indoor track to perform as a warm up area during competitions.

9. From the Reception and Café area a stair leads up to first floor level. Located on the first floor are a number of Studio spaces. Elevated above London Road, the Studios offer views across to Arthur’s Seat and Holyrood Park whilst providing a level of privacy to their occupants. The double height volumes of the ground floor provide a connection between the Entrance, Café and Gym on the ground floor and the Studios above.

10. The first floor level also provides access to the spectator seating in the Sports Hall and the Hospitality facilities which overlook the outside athletics track and 3G Football/Rugby pitch.

11. This new design includes all the existing sports accommodated currently in Meadowbank with two exceptions. The existing shooting range (currently used by the national shooting squad and some clubs), and the outdoor velodrome (currently leased to Edinburgh Road Club), cannot be replaced because of the space they would require, their high capital cost, and the very low revenue they generate. SportScotland intends to make some funding available to build a shooting range of the same standard elsewhere in Scotland. Members will recall that £1.215m was allocated in February 2013 towards creating a cycling hub in Hunter’s Hall park. The results of community engagement on options for this hub were presented to the Culture and Sport Committee on 16 December 2014.

12. The Council continues to explore with Scottish Rugby whether there is potential to provide a home for Edinburgh Rugby at several locations across the city, including Meadowbank. The design team’s proposal incorporates the potential for 7,000 seats, which could be included in a future phase should funding become available.

13. Early discussions are also ongoing with NHS Lothian on the potential for creating a broader health and wellbeing focus for the new venue. For example, there may be an opportunity to locate a primary health care facility on site if NHS Lothian is able to identify a funding contribution. It may also be possible to locate supplementary healthcare practitioners, for example offering physiotherapy, remedial massage, injury rehabilitation, and advice on nutrition, fitness and healthy lifestyles. This would help serve as an additional portal into the sporting activities, and help broaden the appeal and footfall of the new venue. It may also be possible to accommodate other community uses within the plans, such as small retail units and office space for small businesses.

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

National Housing Trust Phase 3 - Procurement – referral report from the Finance and Resources Committee

Item number	4.5
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 3 February 2015 approved the award of four contracts for the delivery of up to 413 mid market rent (MMR) homes under the National Housing Trust (NHT) Phase 3. The report has been referred to the City of Edinburgh Council for approval of additional borrowing of up to £54,997,627.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Terms of Referral

National Housing Trust Phase 3 - Procurement

Terms of referral

1.1 The Finance and Resources Committee on 3 February 2015 approved the award of four contracts under the National Housing Trust Phase 3 Initiative, subject to the approval of additional borrowing by the Council and to the necessary statutory consents being obtained by developers. This would lead to the development of up to 413 mid market (MMR) rented homes.

1.2 The Finance and Resources Committee agreed:

1) To approve the award of contracts for the delivery of up to 413 mid market rent (MMR) homes under the National Housing Trust (NHT) Phase 3, subject to Council approval for additional borrowing and confirmation of the Scottish Government capital and revenue guarantee, for the following projects:

   a) Chesser Developments Limited for up to 80 homes at Fruitmarket, with an on-lending requirement of up to £9,153,123.

   b) FP Newhaven Two Limited for up to 138 homes at Western Harbour, with an on-lending requirement of up to £17,284,583.

   c) The Walled Garden (Edmonstone) Limited for up to 28 homes at the Walled Garden, Old Dalkeith Road, with an on-lending requirement of up to £4,703,832.

   d) Places for People Shrubhill Limited for 167 homes at Shrubhill, Leith Walk, with an on-lending requirement of up to £23,856,089.

2) To authorise the Acting Director of Services for Communities (or an alternative officer designated by him in writing) to finalise the terms of the contractual documentation based on the terms set out in the report, as well as any amendments the Acting Director of Services for Communities (or designated officer) deemed appropriate, and thereafter arranged for the contract to be entered into on behalf of the Council and the said award of contracts effected.

3) To refer the report to Full Council on 12 February 2015 to seek approval for the additional borrowing of up to £54,997,627.

4) To note that the Council would be required to enter into four separate Limited Liability Partnerships with the Scottish Futures Trust (SFT) for each of the four developments, in order to acquire and manage the homes.

5) To note that borrowing of £48,070,975 for on-lending to Registered Social Landlords (RSLs) previously approved by the Finance and Budget Committee on 6 June 2013 and 29 August 2013 was no longer required.

6) To note that a report on the progress of NHT would be presented to the Finance and Resources Committee in the third quarter of 2015/16.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for approval of additional borrowing of £54,997,627 for the delivery of up to 413 mid market rent (MMR) homes under the National Housing Trust (NHT) Phase 3, subject to confirmation of the Scottish Government capital and revenue guarantee.

Background reading / external references

National Housing Trust Phase 3 - Procurement

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Veronica MacMillan, Committee Clerk

E-mail: veronica.macmillan@edinburgh.gov.uk | Tel: 0131 529 4283

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Tuesday, 3 February 2015

National Housing Trust Phase 3 – Procurement

Item number	7.14
Report number	
Executive/routine	Executive
Wards	All

Executive summary

The purpose of this report is to seek approval from Committee to award four contracts, under the National Housing Trust Phase 3 initiative, subject to the approval of additional borrowing by the Council and subject to necessary statutory consents being obtained by the developers. This would lead to the development of up to 413 mid market rented (MMR) homes. Revenue and capital costs of borrowing for NHT are underwritten by a Scottish Government guarantee.

Previous rounds of NHT have taken forward the development of five large brownfield sites in Edinburgh and delivered 422 mid market rent homes with a further 96 homes currently under construction.

A further round of procurement for NHT was approved by Finance and Resources Committee on 7 May 2014. Eight tenders were returned. Approval is sought to enter into four contracts. If agreed by Committee, this report will be referred to the City of Edinburgh Council on 12 February 2015 for approval of the additional borrowing required.

Links

Coalition pledges	P8, P9
Council outcomes	CO7, CO8, CO16, CO17, CO19
Single Outcome Agreement	SO1, SO2, SO4

Report

National Housing Trust – Phase 3 Procurement

Recommendations

It is recommended that Finance and Resources Committee:

1.1 Approves the award of contracts for the delivery of up to 413 mid market rent (MMR) homes under the National Housing Trust (NHT) Phase 3, subject to Council approval for additional borrowing and confirmation of the Scottish Government capital and revenue guarantee, for the following projects:

- a) Chesser Developments Limited for up to 80 homes at Fruitmarket, with an on-lending requirement of up to £9,153,123;
- b) FP Newhaven Two Limited for up to 138 homes at Western Harbour, with an on-lending requirement of up to £17,284,583;
- c) The Walled Garden (Edmonstone) Limited for up to 28 homes at The Walled Garden, Old Dalkieth Road, with an on-lending requirement of up to £4,703,832; and
- d) Places for People Shrubhill Limited for up to 167 homes at Shrubhill, Leith Walk, with an on-lending requirement of up to £23,856,089.

1.2 Authorises the Director of Services for Communities (or an alternative officer designated by him in writing) to finalise the terms of the contractual documentation based on the terms set out in this report, as well as any amendments the Director of Services for Communities (or designated officer) deems appropriate, and thereafter arrange for the contract to be entered into on behalf of the Council and the said award of contracts effected.

1.3 Refers this report to full Council on 12 February 2014 to seek approval for the additional borrowing of up to £54,997,627.

1.4 Notes the Council would be required to enter into four separate Limited Liability Partnerships with the Scottish Futures Trust (SFT) for each of the four developments, in order to acquire and manage the homes.

1.5 Notes that borrowing of £48,070,975 for on-lending to Registered Social Landlords (RSLs) previously approved by the Finance and Budget Committee on 6 June 2013 and 29 August 2013, is no longer required.

1.6 Notes that a report on the progress of NHT will be presented to Committee in the third quarter of 2015/16.

Background

2.1 The Council has previously supported five NHT developments in Edinburgh, building 422 new affordable homes with another 96 currently under construction. NHT projects have been supported by Council investment through on-lending of just under £58 million and Scottish Government capital and revenue guarantees. Five Limited Liability Partnerships (LLPs) involving the Council, SFT and developers have been established to manage these developments. To date there has been no call on the Scottish Government guarantee for any of the NHT developments.

2.2 To deliver NHT homes, the Council works with the Scottish Government and SFT to procure private developers to build homes for MMR. Homes are funded through Council on-lending to LLPs with Council loans repaid in full, with interest. The Council, SFT and developer are members of the LLP.

2.3 The LLP appoints a managing agent and purchases the completed homes from the developer, using the loan from the Council of up to a maximum of 70% of the market value, with the remaining 30% of purchase price met by the developer. The homes are then let at a MMR for between five and ten years, following which they are sold and the loan is repaid to the Council. NHT arrangements are controlled by a robust contractual framework, which has been developed nationally by SFT over the various phases of NHT. It has also been reviewed by Council officers and a framework law firm on behalf of the Council, prior to this procurement commencing. This provides strong contractual protections for the Council and its investment in each project. The Council receives a first ranking standard security over each development, and a floating charge from the LLP, to help further protect its investment, as the Council's borrowing is the first money to be repaid.

2.4 On 7 May 2014, the Finance and Resources Committee agreed to a further round of NHT procurement. Committee also noted that around £50 million in additional Council borrowing may be required to support the purchase of homes procured under NHT Phase 3.

2.5 In 2013, the Finance and Budget Committee previously approved in principle borrowing for on-lending to RSLs of £48,070,975. This consists of over £10 million approved by the Finance and Budget Committee on 6 June 2013 and a further £38 million approved by the Finance and Budget Committee on 29 August 2013. This borrowing approval was not utilised because RSL developers faced other financial constraints which precluded them from taking forward projects at that time. Some of the projects for which funding was previously awarded are now being taken forward through this phase of NHT.

Main report

3.1 Following approval from the Finance and Resources Committee on 7 May 2014, developers were procured through open procurement, with a single stage consisting of an Invitation to Tender (ITT). The ITT was published in the Official Journal of the European Union (OJEU) on 15 September 2014.

3.2 Eight tenders were returned on 14 November 2014. SFT and the Council evaluated the tenders during November and December 2014, with financial evaluations carried out by SFT, as was the case in previous phases of NHT. The first stage of evaluation was quality and financial background checks, to ensure that contractors had the experience to deliver the projects and to ensure that financial standing tests were met. Two projects failed this stage due to financial standing, insufficient evidence of relevant experience and technical ability. Six contractors progressed to the second stage.

3.3 The second stage consisted of evaluations on quality and deliverability of the proposed project, financial viability and value for money. Two projects failed this stage as the proposed values of properties were above the acceptable margin. The four projects which passed this stage are recommended for approval.

3.4 Details of the projects recommended for approval are set out below:

Site and Ward	**Developer**	**Homes**	**Borrowing required**
Fruitmarket *Fountainbridge / Craiglockhart ward*	Chesser Developments	Up to 80	Up to £9,153,123
R3 and S1 Western Harbour *Leith ward*	FP Newhaven Two Ltd	Up to 138	Up to £17,284,583
The Walled Garden *Liberton/Gilmerton ward*	The Walled Garden (Edmonstone) Ltd	Up to 28	Up to £4,703,832
Shrubhill *Leith Walk ward*	Places for People Shrubhill Ltd	Up to 167	Up to £23,856,089

3.5 The Fruitmarket site has been mothballed for a number of years. This site had previously been approved for on-lending by the Council in 2013, but the RSL was unable to take the development forward at that time. Its development will make a significant contribution to the ongoing regeneration of the area.

3.6 The Western Harbour sites will complete the development of a major part of the regeneration of the Waterfront. The existing developments at Lindsay Road and Goosander Place delivered 220 affordable homes and were assisted with almost £14 million in grant funding from the Council to Port of Leith Housing Association. New homes under construction at the corner of Sandpiper Road and Newhaven Place have been enabled by previous NHT borrowing of approximately £12 million. If approved, the development of these two western harbour sites will bring the Council's total investment in these developments to £43 million in grants and loans. Up to 500 affordable homes will have been developed at these sites.

3.7 The Walled Garden site sits within the Edmonstone Estate and will be the first NHT homes in the East of the city. This will also be the first time that NHT family houses have been built in Edinburgh, as prior NHT developments have been mainly flats.

3.8 The Shrubhill site is one of the Council's twelve priority sites. Previous attempts to develop this site failed. This site was previously approved for on-lending by the Council in 2013, but the RSL was unable to take the development forward at that time. The current owner of the site, Places for People, has extensive experience in mixed tenure regeneration. It also has experience in developing, letting and managing NHT homes. Places for People will make a cash contribution of £109,000 to the LLP at the point of settlement. This proposal forms part of a wider development on the site, which could include a significant number of social rented homes, close to the city centre.

3.9 The total funding requirement from the Council for NHT Phase 3, in the form of a loan, is up to £54,997,627. This will deliver up to 413 affordable homes with the loan being repaid between years five and ten. Interest payments are made bi-annually and any shortfall in interest or capital repayments would be covered by the Scottish Government guarantee.

3.10 The Scottish Government guarantee will cover homes completed before a long stop date of 31 December 2019. The risk of homes not completing before the long stop date has been assessed as part of the procurement process. If homes do not complete before the long stop date, the LLP will not be obliged to purchase them and the Council would not lend to the LLP.

Measures of success

4.1 The development of four sites delivering up to 413 affordable homes, with the loan being repaid between years five and ten.

4.2 Modern, energy efficient, affordable homes would be made available at affordable mid market rents. A tenant saving scheme is in place for this phase of NHT to enable tenants to save for a deposit to buy the home they are renting. This is managed by the managing agent.

4.3 Council borrowing of up to £54,997,627 is estimated to support over 780 jobs and generate an additional £38 million investment in the wider economy.

Financial impact

5.1 Council borrowing of up to £54,997,627 is required to enable the delivery and purchase of up to 413 NHT homes for affordable MMR procured under this phase of NHT. Committee will be aware that previous decisions to approve borrowing of £48 million for on-lending to RSLs, are no longer required.

5.2 The Council's borrowing for NHT will be backed by a Scottish Government guarantee covering both revenue and capital costs. The Council has a first ranking security in the NHT model, which ensures that the Council's revenue costs for servicing the debt and capital borrowing is the first money to be repaid making participation in the NHT model low risk for the Council.

5.3 If the recommendations of this report are approved, the revenue cost to the Council of providing loans (the interest over the period) will be up to £18,171,000. However, this will be recoverable from the four LLPs through the interest payments the LLPs will make.

5.4 The costs associated with procuring this contract are estimated to be between £20,001 and £35,000.

Risk, policy, compliance and governance impact

6.1 Risks are monitored through the NHT Project Board, which provides governance and oversight for all NHT projects.

6.2 The NHT programme is part of the Major Projects governance monitored by the Council's Corporate Programme Office. An assurance review of the NHT programme was recently undertaken and the programme was awarded an overall status of "green, delivery highly likely".

6.3 The main risks to the Council from NHT are mitigated through the provision of a Scottish Government capital and revenue guarantee. This report does not have a negative impact on existing Council policy; other rounds of NHT have previously been approved by committee.

6.4 The interest rate for NHT projects is fixed by Scottish Government at 4%. There is a risk that the borrowing undertaken by the Council exceeds this. The risk will be mitigated through treasury management. Further to this any additional costs could be met from Council Tax Discount Fund revenues in future years.

Equalities impact

7.1 There are no negative equality or human rights impacts arising from this report. These homes will contribute to meeting an affordable housing need that was identified in the Lothians' Housing Need & Demand Assessment, as set out in City Housing Strategy 2012-2017, approved by Health, Social Care and Housing Committee on 13 December 2011.

7.2 Bidders for NHT have certified that they comply with current legislation in relation to race relations, sex discrimination, equal pay, disability discrimination and equalities.

Sustainability impact

8.1 This further round of NHT allows modern, energy efficient homes to be built at very low risk to the Council.

8.2 This will have a positive impact on carbon emissions, through the provision of new, energy efficient homes which have a lesser impact on the environment and which will increase the city's resilience to climate change.

8.3 Homes which are built will meet the diverse needs of people in existing and future communities and can assist in promoting social cohesion and inclusion. The building of new homes will bring custom to local businesses, supporting the local economy and securing jobs in the city.

Consultation and engagement

9.1 SFT carried out formal market sounding in early 2014 with the members of Homes for Scotland, which represent the construction industry. Developers and RSLs were also briefed on this phase of NHT.

9.2 Public consultation has already or will take place during the planning process, in relation to each site.

9.3 Participation in this round of NHT procurement was approved by Finance and Resources Committee on 07 May 2014.

Background reading/external references

Report to Finance and Resources Committee on 5 June 2014 - National Housing Trust Phase 2B

Report to Finance and Resources Committee on 7 May 2014 - National Housing Trust - Further Round of Procurement

Report to City of Edinburgh Council on 26 September 2013 - Leith Walk Shrubhill Regeneration On Lending to Registered Social Landlords

John Bury

Acting Director, Services for Communities

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Links

Coalition pledges	P8 – Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites. P9 - Work in partnership with Scottish Government to release more funds for Council homes for rent.
Council outcomes	CO7 -Edinburgh draws new investment in development and regeneration. CO8 -Edinburgh's economy creates and sustains job opportunities. CO16 - Well-housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood. CO17 - Continue efforts to develop the city's gap sites and encourage regeneration. CO19 - Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards.
Single Outcome Agreement	SO1 -Edinburgh's economy delivers increased investment, jobs and opportunities for all. SO2 -Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health. SO4 - Edinburgh's communities are safer and have improved physical and social fabric.
Appendices	Appendix 1 - Summary of Tendering and Tender Evaluation Processes.

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Contract Name	National Housing Trust Phase 3 OJEU Ref: 316825-2014 (2014/S 180-316825)
Contract Period	5-10 Years
Estimated Contract Value	Up to £54,997,627
Standing Orders Observed	Yes
EU Procedure Chosen	Open Procedure
Tenders Returned	8 Tenders Returned
Tenders Fully Compliant	4 Tenders Fully Compliant
Recommended Supplier	Subject to statutory consents: Chesser Developments, up to 80 Units FP Newhaven Two Limited, up to 138 Units The Walled Garden (Edmonstone) Limited, up to 28 Units Places for People Shrubhill Limited, up to 167 Units
Primary Criteria	**Qualitative (50%)** Outline Development Proposal Approach to Management and Maintenance Specification **Quantitative (50%)** Valuation Viability Investment Return
Evaluation Team	Alex Blyth - CEC Hazel Ferguson - CEC Neil Watts - CEC Christine Gray - Scottish Futures Trust
Procurement Advisors	Laurie Carberry – CEC Category Manager Christine Gray - Scottish Futures Trust Graeme Young - CMS Cameron McKenna

The City of Edinburgh Council

10.00am, Thursday 12 February 2015

Shared Repairs Services – Development of a New Service

Item number	4.6
Report number	
Wards	All

Executive summary

The City of Edinburgh Council on 11 December 2014 considered a report on the establishment of a new shared repairs service. A detailed service blueprint, costed business plan and an implementation plan were provided. The Council is now asked to consider the funding requirement for the service as part of the budget setting process.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Shared Repairs Services – Development of a New Service

Terms of referral

1.1 The Finance and Resources Committee on 27 November 2014 had referred a report requesting approval to establish a new shared repairs service to the Council on 11 December 2014.

1.2 The City of Edinburgh Council on 11 December 2014 considered a report on the establishment of a new shared repairs service. A detailed service blueprint, costed business plan and an implementation plan were provided. The Council is now asked to consider the ongoing funding requirement for this service as part of the budget setting process, as agreed at its 11 December 2014 meeting.

1.3 **Motion**

1) To approve the implementation expenditure of up to £500,000 in the current financial year.

2) To note the ongoing funding requirement for this service and agree that this be remitted to Council for decision on 12 February 2015 as part of the budget setting process.

3) To approve the full implementation of this new service on the basis of the financial information provided in the costed business plan, subject to the budget decision on 12 February 2015.

4) To approve the instigation of a formal organisational review for existing Shared Repairs staff and delegate the completion of this review to the Director of Corporate Governance.

5) To note that the service would begin to operate in the second quarter of financial year 2015/16.

6) To note the risks of this service as outlined in Appendix 1 to the report by the Director of Corporate Governance.

7) To note the proposal for continued use of the City of Edinburgh District Council Order Confirmation Act 1991 as the best means of recovery of some cost from owners for work undertaken but that this was not the best legislative solution to drive the required culture change necessary to encourage owners to take responsibility for their own shared repairs.

8) To call for a further report investigating new methods of providing information and advice to owners on legal and other mechanisms:-

   a) to achieve property repairs;

   b) safeguarding their rights and responsibilities using third sector partners and surveying and building advice professional services.

- moved by Councillor Rankin, seconded by Councillor Bill Cook

1.4 **Amendment**

1) To note the report by the Director of Corporate Governance.

2) To note with concern the risks highlighted in the report relating to delivery and financial matters and that these mirrored the areas identified as failings of the former shared repairs service.

3) To note that the service was unfunded and that the proposal would place a financial cost on the general taxpayer that was solely of benefit to individual private property owners.

4) To note the proposal for continued use of the City of Edinburgh District Council Order Confirmation Act 1991 as the best means of recovery of some cost from owners for work undertaken but that this was not the best legislative solution to drive the required culture change necessary to encourage owners to take responsibility for their own shared repairs.

5) To agree:

   i) to take no action on the implementation of a new shared repairs service;

   ii) to continue only with the emergency repairs service currently in place;

   iii) to call for a further report investigating new methods of providing information and advice to owners on legal and other mechanisms:-

      a) to achieve property repairs;

      b) safeguarding their rights and responsibilities using third sector partners and surveying and building advice professional to achieve property repairs,

- moved by Councillor Whyte, seconded by Councillor Balfour

1.5 **Voting**

The voting was as follows:

For the motion	-	44 votes
For the amendment	-	11 votes

1.6 **Decision**

To approve the motion by Councillor Rankin.

For Decision/action

2.1 The has been referred to this meeting for decision as part of the budget setting process.

Background reading / external references

Minute of the City of Edinburgh Council 11 December 2014

Carol Campbell

Head of Legal, Risk and Compliance

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

The City of Edinburgh Council

10.00am, Thursday, 11 December 2014

Shared Repairs Services – Development of a New Service – referral report from the Finance and Resources Committee

Item number	8.13
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 27 November 2014 considered a report requesting approval to establish a new shared repairs service. A detailed service blueprint, costed business plan and an implementation plan were provided to the Committee. The report was referred to the City of Edinburgh Council without recommendation.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Shared Repairs Services – Development of a New Service

Terms of referral

1.1 On 27 November 2014 the Finance and Resources Committee considered a report requested approval to establish a new shared repairs service. A detailed service blueprint, costed business plan and an implementation plan were provided to the Committee.

1.2 The City of Edinburgh Council, on 13 March 2014, requested that a report was brought to the Finance and Resources Committee on the development of an enforcement service within three months. In May 2014, responsibility for both the Property Conservation legacy service and the project to develop the new enforcement service transferred from the Director of Services for Communities to the Director of Corporate Governance. A new governance structure was implemented and Deloitte LLP was commissioned to assist with the design of the new service. As a result, the report was delayed by some months.

1.3 The Finance and Resources Committee agreed to refer the report to the City of Edinburgh Council without recommendation.

For Decision/Action

2.1 The City of Edinburgh Council is asked to consider the report that has been referred to the Council from the Finance and Resources Committee without recommendation.

Background reading / external references

Shared Repairs Service - Development of a New Service

Carol Campbell

Head of Legal, Risk and Compliance

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Thursday, 27 November 2014

Shared Repairs Services – Development of a New Service

Item number	7.29
Report number	
Executive/routine	
Wards	

Executive summary

This report responds to the Council decision of 13 March 2014, to provide a further report on the development of an enforcement service to the Finance and Resources Committee within three months.

In May 2014, responsibility for both the Property Conservation legacy service and the project to develop the new enforcement service transferred from the Director of Services for Communities to the Director of Corporate Governance. A new governance structure was implemented and Deloitte LLP was commissioned to assist with the design of the new service. As a result, the report was delayed by some months.

Since that time, work has been ongoing to produce a detailed service blueprint, a costed business plan and an implementation plan for the new service. The detail of these is now presented to Committee for approval.

Links

Coalition pledges	P40 , P41
Council outcomes	CO19
Single Outcome Agreement	**SO4**

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THE CITY OF EDINBURGH COUNCIL

Report

Shared Repairs Services – Development of a New Service

Recommendations

1.1 It is recommended that Committee:

1.1.1 Approves the implementation expenditure of up to £500,000 in the current financial year.

1.1.2 Notes the ongoing funding requirement for this service and agrees that this be remitted to Council for decision on 12 February 2015 as part of the budget setting process.

1.1.3 Approves the full implementation of this new service on the basis of the financial information provided in the costed business plan, subject to the budget decision on 12 February 2015.

1.1.4 Approves the instigation of a formal organisational review for existing Shared Repairs staff and delegates the completion of this review to the Director of Corporate Governance.

1.1.5 Notes that the service will begin to operate in the second quarter of financial year 2015/16.

1.1.6 Notes the risks of this service as outlined in Appendix 1, page 4.

Background

2.1 In March 2014, the Director of Services for Communities presented a report to the City of Edinburgh Council on the establishment of a new enforcement service.

2.2 Council approved a number of recommendations and instructed that officers proceed with the further development of an enforcement service.

2.3 In May 2014, responsibility for both the Property Conservation legacy service and the project to develop a new service transferred to the Director of Corporate Governance. The project was added to the Council's portfolio of Major Projects, overseen by the Corporate Programme Office. A new governance structure was implemented, Deloitte LLP was commissioned and Programme Momentum was established, to deal with both the remaining legacy issues and the design of the new service.

2.4 Since that time, work has been ongoing to produce a detailed service blueprint, a costed business plan and an implementation plan for the new service. Elected members have been provided with briefings on the detail of these and the full documents have been available for members to view in a data room.

2.5 The detail of these documents is now presented to Committee for approval.

Main report

Strategic Rationale

3.1 Since the closure of the former service, the Shared Repairs Service has provided owners with advice and guidance on matters relating to common repairs and has also provided a 24/7 emergency response repair service. This report contains proposals for expanding that service to once again include the enforcement of non-emergency repair projects under Statutory Notice. There are a number of drivers for this and these are set out below.

3.2 Edinburgh is a world class city whose Old and New Towns are designated UNESCO World Heritage sites. The Council has a responsibility to protect the built heritage for conservation, economic and public safety reasons.

3.3 Around 45% of Edinburgh's housing stock is tenemental and therefore the requirement for repairs to common areas of privately owned property is widespread. The Council recognises the significant difficulties which responsible owners can face in trying to reach consensus with their neighbours to take forward repair works.

3.4 Using the legislative powers available to the Council under the City of Edinburgh District Council Order Confirmation Act (1991), the former service provided an important means of repairing tenemental homes where owners could not agree on a way forward. Since the closure of the former service, many owners have struggled to organise repairs privately. Despite the issues which faced the former Property Conservation service, there remains a clear demand for an enforcement service, both from the public and from elected members.

3.5 There are also occasions when essential repairs are required to mixed tenure properties, where the Council owns one or more properties within a tenement. In some situations, achieving repairs in these mixed tenure stairs would benefit from the reintroduction of an enforcement service.

Inherent Risks

3.6 While there is undoubtedly a demand for the re-introduction of an enforcement service, it also poses a number of inherent risks to the Council. These were previously noted in the report to Council on 13 March 2014 and are again detailed in Appendix 1, page 4. Whilst every effort will be made to mitigate these risks as far as possible, it must be noted that the nature of this service is such that some residual risk will inevitably remain. In particular, Committee should note the following:

- Reputational risk – the very nature of the service means that the Council will find itself enforcing works on owners who are already in dispute and potentially unable to meet the costs of repairs which may lead to further reputational damage.
- Financial risk – there will be an ongoing requirement for the new service to be subsidised and the potential deficit could be worse than estimated due to the other inherent risks.
- Bad debt risk – some customers will not be in a position to pay, resulting in higher levels of bad debt than is experienced with other Council services.
- Nature of business risk – the enforcement service is by nature already a dispute situation with potential for customer dissatisfaction.
- Construction industry risk – the service will always be exposed to the risk of challenge over the scope and cost of works. Construction work, particularly in repairs to historic and older buildings is difficult to estimate in advance and often results in cost estimates exceeding expectations and can lead to litigious events.

<u>New Service Design – Services</u>

3.7 The new service is being developed to meet the following objectives:

- To maintain the fabric of the city, the conservation of the built heritage and protection of health and safety.
- To support, encourage and enable owners to proactively take responsibility for planning and organising repairs and maintenance.
- To intervene when owners have exhausted all other reasonable means of agreeing and undertaking a repair.
- To effectively manage the Council's financial and reputational risk as it carries out its statutory duties and powers.

3.8 The new service blueprint has been developed using a set of design principles and a tried and tested "target operating model" approach which place an emphasis on clarity, consistency and robustness. Further details are provided in Appendix 1, page 6-8.

3.9 One of the main underlying principles of the new service is that it should seek to drive a cultural change whereby owners are encouraged and supported to take responsibility for their own shared repairs. Enforcement will be the option of last resort, utilised only where it is apparent that owners have exhausted all other options.

3.10 The lessons learned from the previous service are integral to the design of the new service. Robust operational procedures have been developed which build in regular control points. Transparent communication with owners and stakeholders will be a key part of the service and quality assurance will be embedded throughout. The scope of works undertaken will be tightly controlled, with only those works deemed to meet the Council's definition of "essential" being taken forward by the Council.

3.11 A revised definition of "essential" has been developed which will consider the rate of deterioration of the defect and the severity of any associated risk and implications for customers. Further details of this are provided in Appendix 1, page 10.

3.12 The new service will be incorporated as a new function within an extended Shared Repairs Service.

3.13 The functions of the new Shared Repairs Service are split broadly into 4 areas, which are outlined below.

Emergency Service

3.14 Council officers will attend and arrange for "make safe" works to be carried out in immediately dangerous or "emergency" situations. This service is already provided via the existing Shared Repairs Service and will continue as part of the new service. This includes dealing with "corporate emergencies" such as fires, or building damage caused by extreme weather conditions reported to the service by the Police and Fire and Rescue Service.

Guidance and Advice

3.15 This will include a full range of advice for customers on all aspects of shared repairs. Information will be available on the Council's website and customers can also seek specific advice from the service about their own particular situation. The advice service will include sign-posting to the Trusted Trader scheme and advice regarding planned maintenance. Many of these services are already available through the existing Shared Repairs Service, but the range of advice and information will be expanded where necessary.

Intervention

3.16 This will include services for owners who cannot reach consensus on repairs, undertaken prior to and short of issuing a statutory notice. At a basic level, this will include the diagnosis and confirmation of defects as "essential" repairs and a series of tailored communication to owners advising of the need for a repair and the implications of not taking action. It will also include the option for owners to purchase facilitation services to help reach consensus or surveys which provide additional technical detail on the scale and nature of a defect. In addition, the Council will, in certain tightly defined circumstances, have the option to use powers under the Housing (Scotland) Act 2006 to cover a missing share of funds to allow groups of owners to take forward works privately.

Enforcement

3.17 Where all of these options have been exhausted and owners have still failed to reach a consensus on taking forward essential repairs, the Council will intervene and serve a Statutory Notice to enforce the repairs. The Council will scope the works, procure and appoint a contractor, manage the job through to completion and bill owners for their share. If owners pay promptly (within 28 days) a reduced administration fee will be offered.

New Service Design - Technology

3.18 One of the major issues of concern with the former service was the lack of robust IT systems and resulting lack of accurate management information.

3.19 The new service blueprint has considered the technology requirements for all aspects of the new service, made an assessment of the capabilities of existing systems to meet those requirements and made recommendations regarding enhancements and system changes.

3.20 The new service requires systems to deal with: - customer self-service, customer relationship management, case and asset management and billing and finance. In addition, separate systems are required for property ownership checks and drainage records.

3.21 The blueprint has identified what appear to be the most appropriate systems for the new service. Lead in times for the introduction of these systems however, are likely to be in the region of 12-18 months. It should be noted that there are risks associated with launching the service without its preferred ICT platform. However, these will be mitigated as far as possible by the introduction of an interim solution and work will commence following the approval of this report to move towards the target ICT architecture.

New Service Design – Organisation

3.22 A staffing structure has been developed for the new service which is organised around the following capability teams; customer services, case management, technical services (surveying), finance, and support services. The staffing complement is 37 full time equivalents (FTEs), plus an additional 6 FTEs to deal with historic, outstanding notices. The team has been appropriately sized according to the assumptions made about the volume of projects which the new service is likely to handle.

3.23 Assuming the introduction of the new service is approved by Committee, an organisational review will be required to consider the matching and/or assignment of the existing Shared Repairs Service staff into posts within the new staffing structure. Formal approval to instigate an organisational review is therefore sought via this report.

New Service Design – Delivery Model

3.24 Committee will be aware that the report to Council on 13 March 2014 recommended that the project management element of the new enforcement service should be delivered externally from the Council, via a Special Purpose Vehicle (SPV).

3.25 As part of the work to produce the new service blueprint, a review was undertaken of this previous recommendation.

3.26 It was determined that the five delivery models which were considered in March 2014 were still the appropriate options to consider. These are:

- In-house
- In-house with external project management resource contracted in
- Co-sourced
- Special Purpose Vehicle
- Outsourced private sector provider

3.27 The various models were considered and scored against the eight weighted evaluation criteria shown below, representing the most important aspects of the service.

Criteria	**Weight**
Ability to keep set-up costs low	15%
Ability to keep operational costs low	15%
Ability to set-up in a relatively short timescale	10%
Ability to manage risk – financial, control, reputational	20%
Ability of existing IT systems to effectively support service delivery and MI	10%
Availability of skills/capability – recruitment, retention & flexibility	10%
Ability to serve customers effectively and deliver on a arrange of services	10%
Appetite of contractors to engage with the delivery model	10%

3.28 The total weighted scores for each of the delivery model options were as follows:

Criteria	**Weighted Score (out of 5)**
In-house	3.3
Co-source	3.0
Special Purpose Vehicle	2.7
In-house with external project management	2.6
Outsource	2.4

3.29 Further details of the rationale and analysis of why each option scored as it did is presented in Appendix 1, page 14.

3.30 The in-house model scored more highly than others on the basis that it offers a good ability to manage risk by retaining direct control of the service. It also scored well in relation to set-up costs, operational costs and set-up timescales, with there being no requirement for provider procurement.

3.31 The previous recommendation to deliver the service via an SPV was in large part based on the view that it would be possible to transfer risk to the SPV. In reality however, the risk remains with the Council and it is now considered that the use of an SPV would only serve to increase the number of interfaces and thereby complicate the operating procedures of the new service.

3.32 On the basis of the review which has been carried out therefore, it is now recommended that the enforcement service be delivered as an in-house service rather than via an SPV. There are however, some challenges associated with an in-house service. In the main, these relate to the Council's ability to recruit and retain staff with the right skills and experience. If this risk cannot be overcome, it may be necessary to consider co-sourcing with respect to some of the key positions, particularly those ones which require technical capabilities.

New Service – Costed Business Plan

3.33 A detailed costed business plan, based on a series of assumptions, has been developed for the new service. It should be noted that while these assumptions are as robust as they can be at this stage, they are not guaranteed. Until the new service is operational, it is not possible to accurately predict the volume and scope of the projects which will be enforced and therefore the detail set out in the business plan is subject to change.

3.34 The business plan shows net expenditure over the six year period to 31 March 2020 of £8.41 million, including anticipated bad debt.

3.35 This expenditure is based on an assumption of an administration fee of 26% for both emergency and essential repairs. There will be a prompt payment discount to 21% for those owners who pay within one month of the bill being issued.

3.36 In order to fully recover the cost of the service, it would be necessary to set the administration fee at 40.5%. It is recognised however, that this level of fee would be prohibitive and is unlikely to be acceptable.

3.37 The administration fee of 26% allows the Council to recover the cost associated with the completion of emergency and essential repairs enforced by the Council and thereby ensures that works to private homes are not subsidised by the Council.

3.38 The business plan therefore assumes that the Council funds the cost of those elements of the service not directly related to the enforcement of works, such as the advice and intervention services. This element of the service will require £6.30 million funding in the six year period to March 2020.

3.39 In addition to this, assumptions have been made regarding the likely level of debt which will be written off for non payment. When this is taken into account, the overall net expenditure for the six years to March 2020 is £8.41 million.

3.40 Further details of the costed business plan, including sensitivity analysis showing the impact of varying some key inputs such as project volume, project value and level of administration fee are presented in Appendix 1, pages 15-25.

New Service – Implementation Plan

3.41 An implementation plan has been produced to set out the proposed activities and timescales associated with implementing the new service, based on an anticipated launch date in the second quarter of 2015/16.

3.42 The service is currently unbudgeted and a decision on its future funding will need to be made as part of the Council's budget setting in February 2015.

3.43 Assuming this report is approved by Finance and Resources Committee, preparatory implementation work will commence immediately. It is likely that costs of up to £500,000 will have been incurred in relation to implementation activities by the end of the financial year 2014/15. However, until a formal decision has been made by Council to fund this service going forward, major financial commitments such as recruitment, IT and contractor procurement will not be fully progressed.

3.44 The implementation plan has identified a number of key workstreams including technical services, customer services, ICT, finance, communications and recruitment.

3.45 A core implementation team of 7.5 FTE is required, supplemented by internal CEC IT resource and a budget of £500,000 for external support where internal capability/capacity cannot be secured. The cost of this of this external support is included in the costed business plan and is split over financial years 2014/15 and 2015/16. This is currently being procured and the contract will be awarded in due course.

3.46 There are a number of risks associated with the implementation, including IT, procurement, recruitment, and timescales. Further detail of these is provided in Appendix 1, page 28.

Future Development of the Service

3.47 The City of Edinburgh District Council Order Confirmation Act 1991 is a piece of legislation which is unique to the city and as such, it could be argued that owners have an expectation of Council intervention in Edinburgh which is much greater than in other cities. There is no doubt that there is a demand for the re-introduction of this kind of service. However, it is also essential that the Council makes continued efforts to drive a cultural change whereby owners recognise their own responsibility in relation to shared repairs.

3.48 The re-introduction of an enforcement service should be considered as a medium term solution, and one of a range of options which the Council must consider if it wants to radically change the way in which issues and risks posed by shared repairs are tackled in the city.

3.49 The new service staffing structure includes provision for a Policy and Planning capability. It is envisaged that these individuals will work to develop more innovative solutions to issues of shared repairs and mixed tenure management and will work with a wide range of stakeholders, including heritage groups, solicitors, lenders and the Scottish Government, to drive forward effective legislative and policy change in this area.

Measures of success

4.1 The objectives for the new service are set out in Appendix 1, page 7. Performance indicators will be developed for the full end to end service during the implementation period. These will be used to measure the success of the service and will include financial, customer, service quality and strategic factors.

Financial impact

5.1 A detailed costed business plan has been developed, which sets out the estimated financial impact of the introduction of this new service over the period to March 2020. Further details are provided in Appendix 1, pages 15-25.

5.2 The business plan assumes an in-house solution. This model requires the Council to recruit a significant number of technical staff. Should this not be possible, then a co-sourcing model may require to be deployed. Co-sourcing the surveying team is likely to increase the staffing cost by approximately £470,000 per annum.

5.3 The costed business plan is based on the assumption of an administration fee of 26% being charged to owners for essential and emergency repairs. This administration fee will be discounted to 21% for prompt payment within one month.

5.4 The costs of those elements of the service which are not directly attributable to enforced works cannot be recovered via the administration fee. This includes the advice and guidance service, the intervention services and the bad debt which requires to be written off due to non payment.

5.5 The costed business plan estimates that the new service requires £8.41 million in funding over the period to March 2020. This is broken down as follows:

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Net Expenditure	£0.50m	£2.00m	£1.08m	£0.94m	£0.91m	£0.87m	£6.30m
Write offs	£0	£0.15m	£0.32m	£0.59m	£0.61m	£0.63m	£2.30m
Interest Received	(£0.00)	(£0.01m)	(£0.01)	(£0.03)	(£0.07m)	(£0.11m)	(£0.19m)
Overall Net Expenditure	**£0.50m**	**£2.16m**	**£1.41m**	**£1.50m**	**£1.45m**	**£1.39m**	**£8.41m**

5.6 The costs in 2015/16 are higher as a result of service start up costs and the lag as the service is phased in before jobs are completed and billed and costs recovered.

5.7 The report to Council on 13 March 2014 noted that if the Council decided to develop the new enforcement service then the "unbudgeted financial consequences will need to be found through compensatory savings within the approved revenue budget for Services for Communities"

5.8 At its meeting of 30 October 2014, the Finance and Resources Committee considered the Council's half year revenue monitoring position. Appendix 1 of that report highlighted over £11 million of pressures in SfC, including £750,000 for the development of the a new service for the enforcement of essential repairs. These costs can be met in the current year from budget reductions across the department, including non-filling of vacancies and reductions to training and overtime budgets.

5.9 However, given the financial challenges ahead, the Council is unable to fund the service on an ongoing basis without adversely affecting service provision and the delivery of budget savings. If Committee decides to approve the blueprint for the new service, then funding of £2.16 million will need to be identified and approved as part of the 2015/16 budget process.

Risk, policy, compliance and governance impact

6.1 There are significant inherent risks associated with the introduction of this new service. These risks are detailed in Appendix 1, page 4 and were previously reported to Council on 13 March 2014.

Equalities impact

7.1 A full equalities impact assessment for the introduction of the new service is underway and will be completed as part of the implementation plan should the new service be approved.

Sustainability impact

8.1 The introduction of this service will contribute to sustainability objectives by helping to conserve the built heritage and improving the fabric of the city.

Consultation and engagement

9.1 A series of focus groups were held over summer 2014 to gather the views of customers, potential customers and stakeholders about the principles of the new service. A summary of the resulting report is attached as Appendix 2. Consultation with homeowners and key stakeholders will continue throughout the implementation period.

Background reading/external references

Development of the Shared Repairs Service – Report to the City of Edinburgh Council 24 October 2013

Minute of the City of Edinburgh Council 24 October 2013

Former Property Conservation Service – establishment of a new service - Report to the City of Edinburgh Council 13 March 2014

Minute of the City of Edinburgh Council 13 March 2014

Alastair Maclean

Director of Corporate Governance

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Links

Coalition pledges	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city's built heritage P41 – Take firm action to resolve issues surrounding the Council's Property Services
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm

Single Outcome Agreement	SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1 – New Service Design, Costed Business Plan & Implementation Plan Summary Appendix 2 – Focus Group Research Executive Summary

Appendix 1

Deloitte.

Shared Repairs Services

New Service Blueprint

EDINBVRGH

THE CITY OF EDINBURGH COUNCIL

Background to new service blueprint

City of Edinburgh Council (“the Council”) Elected Members have requested a blueprint design for a new enforcement service dealing with shared repairs where owners have been unable to agree and progress the repair work themselves.

- On 24 October 2013 the Council made a decision to instruct a report detailing how an enforcement service could be developed and instructed that this be brought to Full Council early in 2014.
- This report was produced in March 2014, and led to a subsequent decision being made to design a detailed blueprint for the new service, along with a costed business plan and an implementation plan.
- Since the beginning of July 2014 Council officers have been working with Deloitte on the design of the new service, based on an agreed project plan and approach.
- The new service blueprint design has kept the key messages from the lessons learned reviews front of mind. The new service is different from the old in a number of important and tangible ways.
- Care is also being taken to mitigate and manage risk where possible, particularly in relation to the Council’s financial risk. However, the work undertaken indicates that the service will not be cost neutral and will require ongoing subsidy.
- The re-introduction of an enforcement service is inherently risky due to the nature of the cases being dealt with. It is evident that the new service can only provide a short-term solution and a more strategic approach is required in the long term through Scottish Government.

Strategic Rationale

What are the drivers for the new service and options for how it operates?

- Edinburgh has a large number of tenements which account for 45% of the housing stock.
- Edinburgh's old and new towns are a designated UNESCO World Heritage site which the Council has a responsibility to protect for both heritage and economic reasons.
- Despite the issues facing the former Property Conservation Service there remains a clear demand for an enforcement service.
- Some of the Council's own housing stock are mixed tenure situations were the Council is not the sole owner and would benefit from the reintroduction of an enforcement service.

Option	What's Involved?
1 – Do Nothing (Emergency Service Only)	• Only carrying out emergency repairs to make safe a situation. • Issue – these repairs are short term in nature.
2 – Full Enforcement Service	• Similar to the previous Property Conservation Service, there are no limits to what the service would get involved with or value of projects. • Scope includes all required repairs for the building. • Issue – high reputational and financial risk to the Council.
3 – Essential Enforcement Service	• Only carrying out essential repairs where the Council has agreed that the defect is serious enough and once all other options have been exhausted. • Issue – the Council will have to manage expectation as to the reduced scope of the new service.
4 – Lobby Scottish Government	• Officers to lobby the Scottish Government for legislative change to enforce owners collective responsibility for shared repairs.

Inherent risk of new service

Essential enforcement has a number of inherent risks

Title	Risk	Mitigation	Impact	Likelihood
Reputational Risk	The Council repeats the same mistakes made under the legacy service, causing further reputational damage.	The new service has been designed around improved controls and robust processes to avoid any of the legacy issues. Lessons learned will be considered throughout implementation.		
Nature of Business Risk	The enforcement service is by nature already a dispute situation with potential customer dissatisfaction.	The new service will only move to enforcement if all intervention options have been exhausted. In addition, the new service is built upon open and transparent communications with customers, including a greater clarity up-front on defects that are 'essential'.		
Construction Industry Risk	The new service will always be exposed to the risk of challenge as construction is a litigious business by nature.	The new service has a number of checkpoints identified where a review panel must consider and approve the progression of cases, especially the decision to enforce and when.		
Financial Risk	The new service will have to be subsidised and the potential deficit could be worse due to the inherent risks presented on this page.	The service has been designed to control overheads where possible and that income is appropriate to the overhead for chargeable services. Mitigation of the other inherent risks is presented in this table.		
Bad Debt Risk	Some customers will not be in a position to make payments resulting in a high level of bad debt.	The new service has been designed to ensure that as much money is received from customers as possible. This includes incentive for early payment and financial plans.		
Scope Risk	An accurate assessment of final cost is difficult for tenement buildings, resulting in increased costs and customer challenge.	A robust change control procedure will be enforced to notify owners of any changes during works. Case Managers and Project Managers will have clear guidance to address the presenting defect only.		
IT Risk	The improvements outlined in the design cannot be fully affected due to issues with IT systems.	An improved target IT architecture has been identified and implementation activities planned to review how existing systems can provide an interim solution.		
Capability Risk	The improvements outlined in the design cannot be affected due to a lack of capability within the service.	The required mix of capabilities has been identified and a full service review and external recruitment (if required) is planned.		

New Service - Design

Approach to developing the new service blueprint

The new service is being designed using a three stage approach (see left-hand diagram below) covering nine components of the blueprint (see right-hand diagram below)

1 **Diagnostic & Option Identification**

"What are we doing"

- Strategy & Objectives
- Establish Design Principles
- Baseline analysis

2 **Blueprint Design Development**

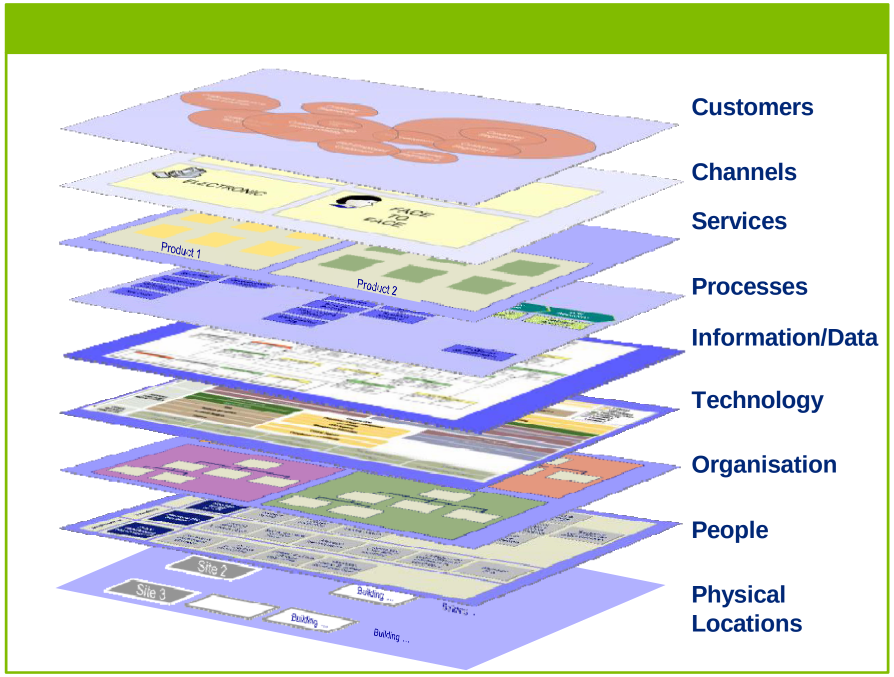
"How will we do it"

- Blueprint Design
- Identify Implementation Requirements

3 **Validation & Planning**

"When will we do it and why"

- Finalise Blueprint Design
- Costed Business Plan
- Implementation Plan



Objectives & functions of the new service

The fundamentals of the new service, including strategic considerations and guiding design principles, were developed before commencing the design activity

Objectives – *Why does the service exist?*

- To maintain the fabric of the city, the conservation of the built heritage and protection of public health & safety
- To support, encourage and enable owners to proactively take responsibility for planning and organising repairs and maintenance
- To intervene when owners have exhausted all other reasonable means of agreeing and undertaking a repair
- To effectively manage the Council's financial and reputational risk as it carries out its statutory duties and powers

Functions – *What does the service do, in terms of technically led solutions, to deliver these objectives?*

1. Provides guidance, information, advice and signposting
2. Responds to and resolves emergency repairs
3. Provides non-statutory intervention services to enable owners to take responsibility for repairs
4. Uses legislation to enforce repair work where all other options have been exhausted

There are also support functions, both within the service and corporately across the Council, that enable functions 1 – 4 (e.g. billing, case review and resolution, legal, issuing statutory notices, debt recovery, customer complaints, information requests (including FOI)).

Design principles

The design principles provide a set of statements to help shape the design activity

Design Principles: ***The recommended model for future delivery of services will:***

1. Be based on standardised, robust and transparent processes and policies for all aspects of service delivery;
2. Deliver customer-focused and clearly articulated services with consistent and timely communications at their core;
3. Be underpinned by accurate, complete, timely and integrated management information from fit for purpose IT systems;
4. Support a culture change which encourages and supports owners to take responsibility for their own repairs
5. Have strong governance, clear performance targets, be open to scrutiny and embed quality and continuous improvement
6. Have robust and consistent processes for procurement and contract management of external service providers
7. Be based on a robust and objective set of planning assumptions to determine resourcing levels and financial projections, thereby managing and controlling the Council’s financial and operational risk on an ongoing basis;

New service design – Services

The following core services will be provided (not including support services).

Emergencies

Attend and carry out make safe works in immediately dangerous or ‘emergency’ situations

- EM1 Arrange and manage emergency repair works from assessment to completion

Guidance and Advice

Guidance and advice will include sign-posting to the Trusted Trader scheme and advice regarding maintenance plans.

- GA1 Provide guidance & advice to owners on all matters relating to shared repairs
- GA2 Provide guidance to conveyancing solicitors on outstanding notices

Intervention

Services for owners who cannot reach consensus on repairs, undertaken prior to and short of issuing a statutory notice. In addition to missing shares treatment, the Council will also investigate offering a voluntary inhibition payment option

- INT1 Diagnose essential works and undertake council led communications
- INT2 Facilitation services
- INT3 Missing shares treatment
- INT4 Surveys requested by owners to provide additional detail on repair(s) required

Enforcement

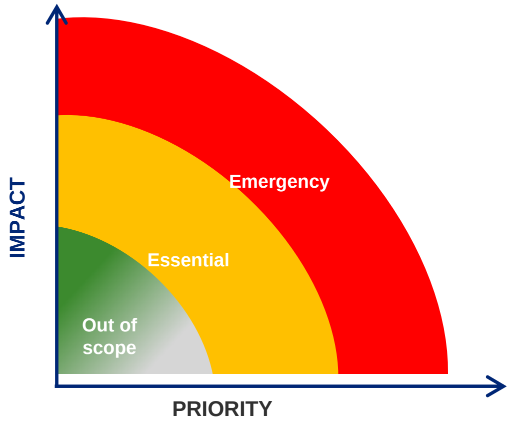
If all guidance, advice & intervention services have been exhausted and owners are still unable to agree, the Council will issue a statutory notice & enforce repair work. If owners pay within 28 days of invoicing, a reduced admin fee will be offered.

- ENF1 Scope the works required for essential repairs
- ENF2 Arrange and manage repair works from procurement to completion

Scope of work – Define essential works

The new service will take on emergency and essential works but not all reported defects

Defect Risk Analysis Matrix – High Level



Definition of essential works	An essential repair is required for any defect that is judged likely to become an emergency in the short term. This excludes: • Aesthetic improvements • Routine maintenance considerations e.g. door entry systems
Primary factors to consider (Diagnosis)	• Priority – e.g. Rate of deterioration of the defect • Impact – e.g. Severity of associated risk and implications for customers
Secondary factors to consider (Prioritisation)	• Vulnerability of tenants • Remedy attempts by customer • Current service capacity / service volumes

Key principles to diagnose defects that require an 'essential' repair

- There are two channels through which defects requiring an 'essential' repair will be raised
    1. emergency works that have been made safe but it remains essential to repair the defect; and
    2. defects reported by customers that are not judged to require an emergency repair but constitute more than a standard maintenance issue.

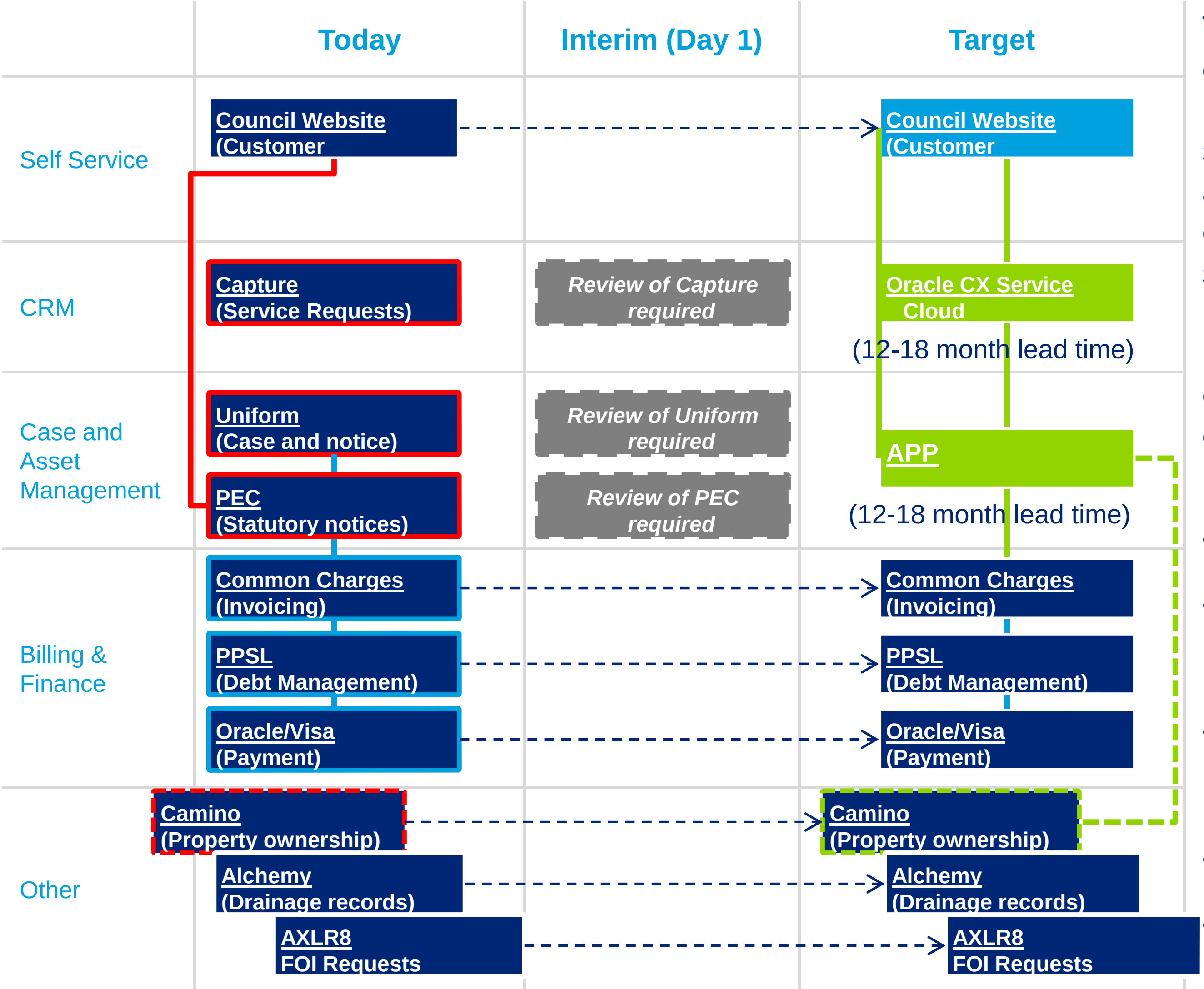
- A 3-phase approach will be adopted:
    1. initial diagnosis at customer contact that identifies whether the defect requires 'essential' repair from CEC's perspective;
    2. a subsequent inspection that gathers information in a pre-defined inspection report template; and
    3. assessment of the report, final diagnosis and prioritisation at a regular CEC case management panel.

- Customer services staff will use pre-defined scripts to assess possible essential works at customer contact, in a similar manner to the scripts currently used by SRS. (See slide 15 for examples that may be used within scripts)

- Surveyors will consider the criteria above when identifying essential works and will use industry good practice to assess the severity of risk and rate of deterioration. An overview of the defect risk analysis matrix is provided above and slide 14 provides a more detailed view of how surveyors will use this matrix in practice.

New service design – Technology

The new service will require changes to the existing systems within SRS and Legacy

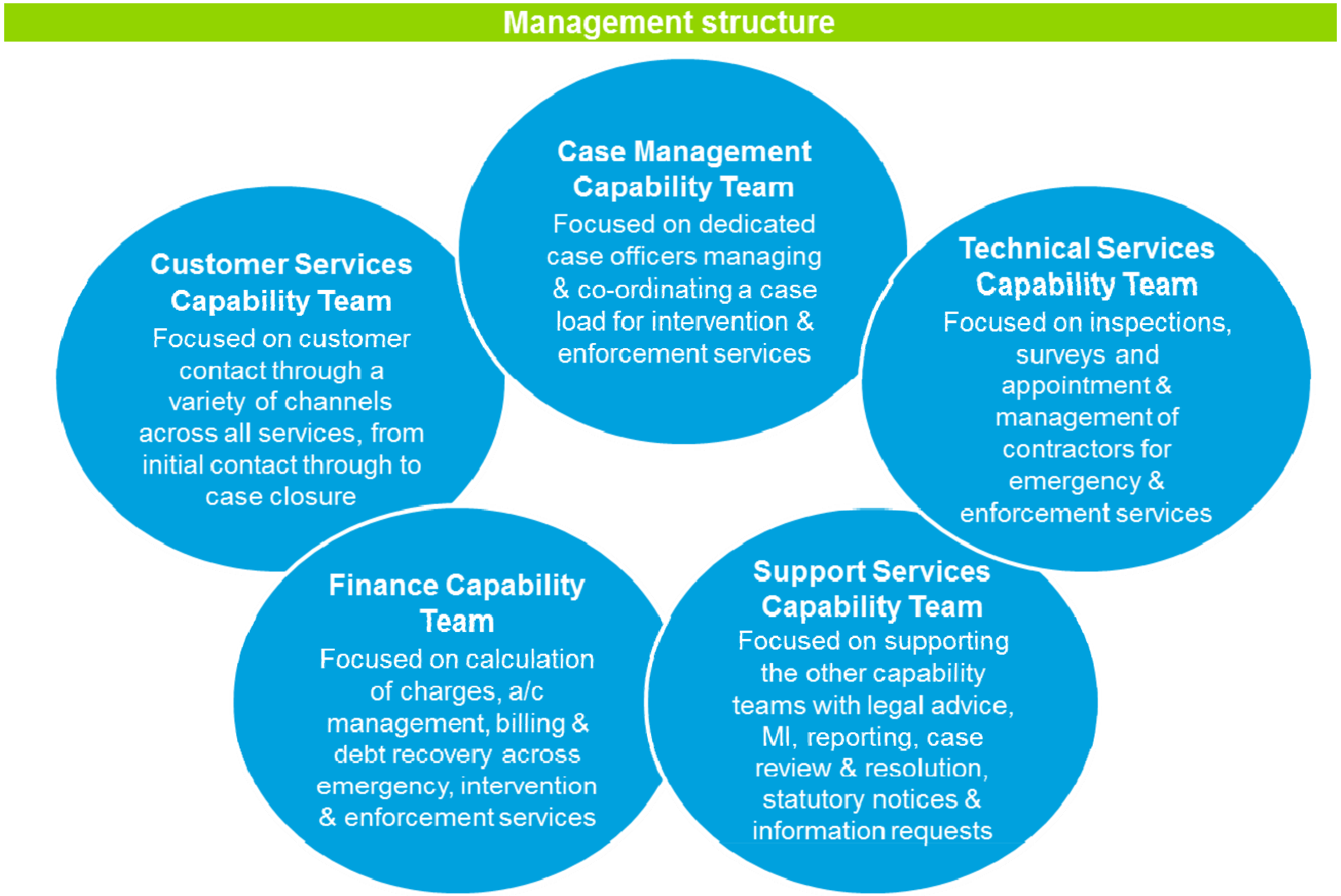


The new service blueprint sets out the technology requirements for the new service across the following areas, makes an assessment of the capabilities of existing systems to meet those requirements and makes recommendations regarding enhancements and system changes:

- Customer self-service
- Customer relationship management
- Case and asset management
- Billing and finance
- Other (e.g. drainage records, FOI requests)

Organisation

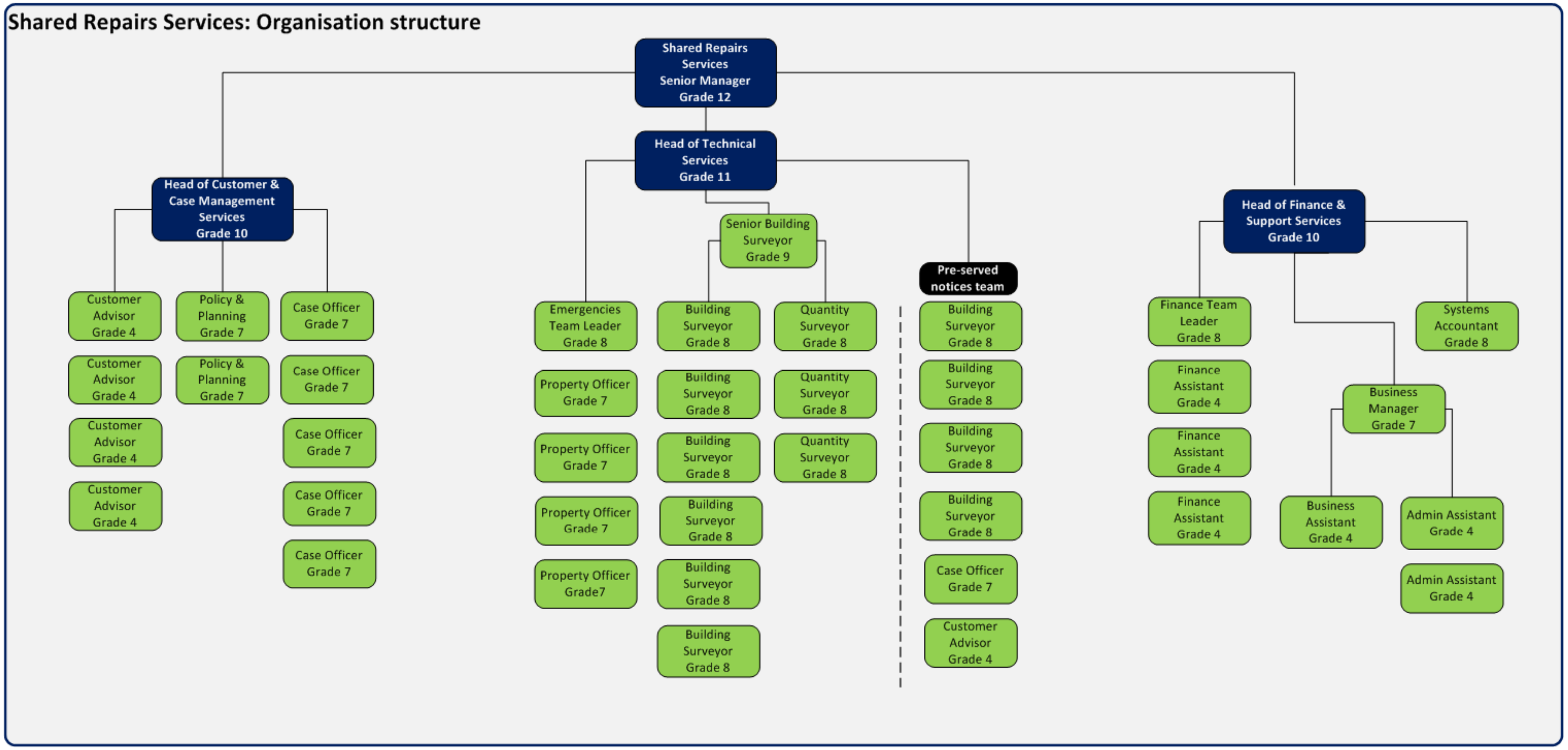
The design workshops analysed a number of operational models & concluded that capability based teams would best facilitate integrated working across the functions within scope of the new service



New service design – Organisation

The new service will require a staffing complement of 39 FTE

A structure has been developed for the new service which is organised around a Customer & Case Management Services team, a Technical team and a Finance & Support Services team. The staffing complement is 39 full time equivalents plus 6 FTEs to deal with pre-served notices. The salary cost of the new structure is £1.44m per annum.



Delivery Model – Evaluation overview

The blueprint document includes a detailed rationale and analysis of why each option scored as it did against each evaluation criteria – a summary of this is provided below:

Delivery Model Option	Weighted score (out of 5)	Evaluation scoring summary
In-house	3.3	• Low set-up costs, operational costs and set-up timescales - no requirement for provider procurement or contract management. • Good ability to manage risk by retaining direct control of the service, including transparency and control of costs. • Challenge – existing IT may hinder service delivery and access to management information • Challenge – ability to recruit and retain staff with the right skills and experience
Co-source	3.0	• Set-up costs and timescales would be high due to the need to recruit, mobilise & contract manage a co-source partner, including development of processes to ensure integration. • Risk could be slightly harder to manage in those areas delivered by a co-source partner. • No differential impact on IT systems, customer services or appetite of contractors to engage. • Positive impact on availability of skills
Special Purpose Vehicle	2.7	• Set-up costs, operational costs and set-up timescales would be high due to the need to establish a new entity and then oversee the running of the SPV. • Potential improved access to skills and ability to implement required IT in a shorter timescale. • Risk could be slightly harder to manage due to having less direct control and transparency. • No major differential impact on customer services or appetite of contractors to engage.
In-house with external Project Management	2.6	• Set-up costs, operational costs and set-up timescales would be high due to the need to recruit , mobilise & contract manage external project managers, including making revisions to processes to ensure clear 'hand-offs' and integration points. • Risk and customer service could be affected by a more fragmented delivery model with multiple agencies. • No differential impact on IT systems or appetite of contractors to engage and some positive impact on availability of skills
Outsource	2.4	• Set-up costs, operational costs and set-up timescales exceed all except the SPV. This is due to the need to appoint, mobilise and contract manage an outsource service provider. • Risk and customer service could be affected by a more fragmented delivery model. • There is likely to be a positive impact on availability of skills, and little differential impact on IT systems or appetite of contractors to engage

New Service - Costed Business Plan

Summary Financial Position – Net Expenditure

The overall financial position for the period to 31 March 2020 is net expenditure of £6.30m.

(£m)	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Total Project Costs	-	1.98	7.86	8.25	8.65	9.07	35.81
Irrecoverable project costs	-	(0.09)	(0.38)	(0.40)	(0.42)	(0.44)	(1.73)
Income							
Recoverable project costs	-	1.89	7.48	7.85	8.23	8.63	34.08
Administration fees	-	0.42	1.73	1.80	1.89	1.99	7.83
Missing shares	-	0.03	0.05	0.05	0.05	0.05	0.23
Advisory services revenue	-	0.04	0.06	0.06	0.06	0.06	0.28
Total Income	**-**	**2.38**	**9.32**	**9.76**	**10.23**	**10.73**	**42.42**
Expenditure							
Payments to contractors	-	1.98	7.86	8.25	8.65	9.07	35.81
Technical/PM consultants	-	0.03	0.11	0.12	0.13	0.13	0.52
Missing Shares	-	0.03	0.05	0.05	0.05	0.05	0.23
Overheads – Recoverable	0.15	1.28	1.59	1.52	1.54	1.57	7.65
Overheads – Unrecoverable	0.35	1.06	0.79	0.76	0.77	0.78	4.51
Total Expenditure	**0.50**	**4.38**	**10.40**	**10.70**	**11.14**	**11.60**	**48.72**
Net Income / (Expenditure)	**(0.50)**	**(2.00)**	**(1.08)**	**(0.94)**	**(0.91)**	**(0.87)**	**(6.30)**

A key consideration is whether the administration fee for emergency and enforced repairs is appropriate in relation to the overhead to undertake these repairs.

The table illustrates that £7.83m of income will be generated through administration fees for emergency and enforced repairs. This assumes an administration fee of 26%, discounted to 21% for early payment.

The overhead judged to be attributed to undertaking these repairs will largely be recovered and therefore the proposed administration fee is appropriate.

Summary Financial Position – Net Expenditure

Taking into account adjustments for bad debt and interest the net expenditure is £8.41m.

(£m)	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Net Income / (Expenditure)	**(0.50)**	**(2.00)**	**(1.08)**	**(0.94)**	**(0.91)**	**(0.87)**	**(6.30)**

The table above presents the net expenditure for the new service.

However, when accounting for adjustments to reflect amounts to be written off for non payment and any interest receivable or payable from the operation of the Service, the revised Net Expenditure for the period to 31 March 2020 is £8.41m. This is illustrated below.

(£m)	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Less: Amounts to be written off	-	0.15	0.32	0.59	0.61	0.63	2.30
Add: Net interest receivable	-	(0.01)	(0.01)	0.03	0.07	0.11	0.19
Revised Net Income / (Expenditure)	**(0.50)**	**(2.16)**	**(1.41)**	**(1.50)**	**(1.45)**	**(1.39)**	**(8.41)**

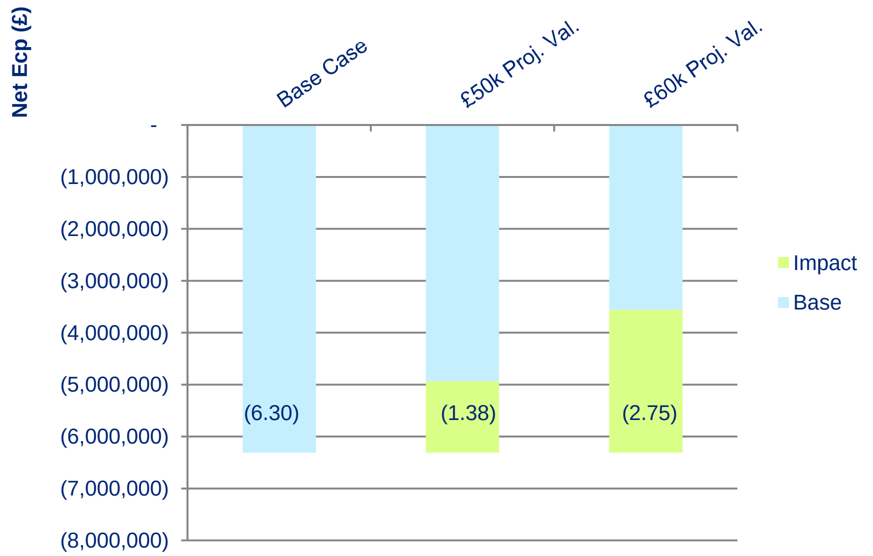
Summary Financial Position – Cash Flow

The net cash out flow for the period to March 2020 is £16.78m. The key driver for the increase in the cash out flow beyond the anticipated deficit is that approx. 12% of debt is assumed to go onto a payment plan or inhibition to be repaid over 4 to 20 years.

(£m)	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Cash Inflows							
Payments from debtors							
Invoiced projects	-	0.07	5.64	7.83	8.21	8.61	**30.36**
Payment plans	-	-	0.05	0.17	0.29	0.43	**0.94**
Compulsory inhibitions	-	-	0.01	0.03	0.05	0.07	**0.16**
Voluntary inhibitions	-	-	-	0.02	0.03	0.04	**0.09**
Advisory services	-	0.04	0.06	0.06	0.06	0.06	**0.28**
Sub-total	**-**	**0.11**	**5.76**	**8.11**	**8.64**	**9.21**	**31.83**
Payment plans interest	-	.	0.01	0.03	0.05	0.06	**0.15**
Total Inflows	**-**	**0.11**	**5.77**	**8.14**	**8.69**	**9.27**	**31.98**
Cash Outflows							
Payments to contractors	-	1.94	7.72	8.24	8.64	9.06	**35.60**
Payments to consultants	-	0.03	0.11	0.12	0.13	0.13	**0.52**
Missing Share payments	-	0.03	0.05	0.05	0.05	0.05	**0.23**
Payments to staff	-	0.98	1.88	1.90	1.92	1.94	**8.62**
Payments for set up	0.50	0.92	0.08	-	-	-	**1.50**
Other overheads	-	0.44	0.43	0.38	0.39	0.41	**2.05**
Sub-total	**0.50**	**4.34**	**10.27**	**10.69**	**11.13**	**11.59**	**48.52**
Interest Payable	.	0.01	0.04	0.05	0.06	0.08	**0.24**
Total Outflows	**0.50**	**4.35**	**10.31**	**10.74**	**11.19**	**11.67**	**48.76**
Net Cash Flow	**(0.50)**	**(4.24)**	**(4.54)**	**(2.60)**	**(2.50)**	**(2.40)**	**(16.78)**

Sensitivity Analysis on Project Value and Volume

The diagrams below present the base case position from the assumptions documented earlier along with the variance in net expenditure to 31 March 2020 when key sensitivities are tested.

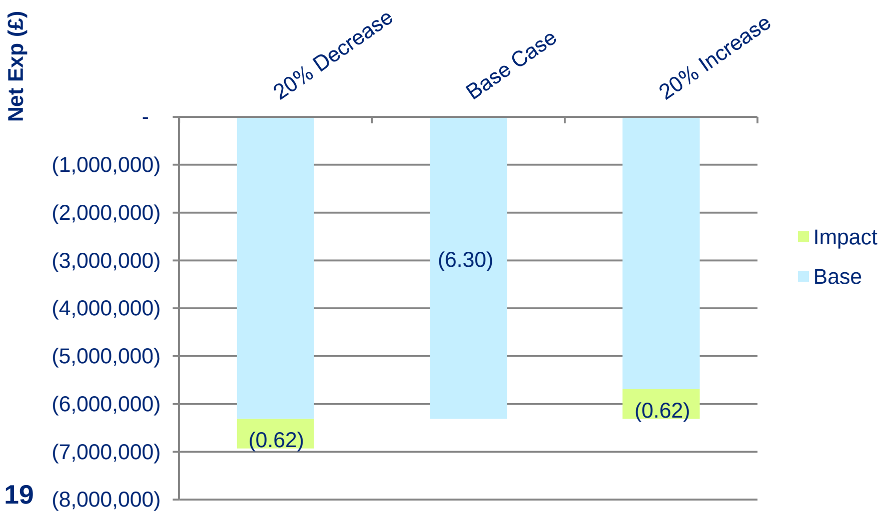


1. Increases to Project Value

Increasing the estimated value of the Essential projects from £40k to £50k leads to a reduction in the Net Expenditure for the period to 31 March 2020 of £1.38m.

When the project value is increased to £60k (50% increase), Net Expenditure Reduces by £2.75m.

An increase of 25% in project value is therefore seen to give rise to a 21.9% decrease in net expenditure, highlighting project value as a key sensitivity within the costed business plan.



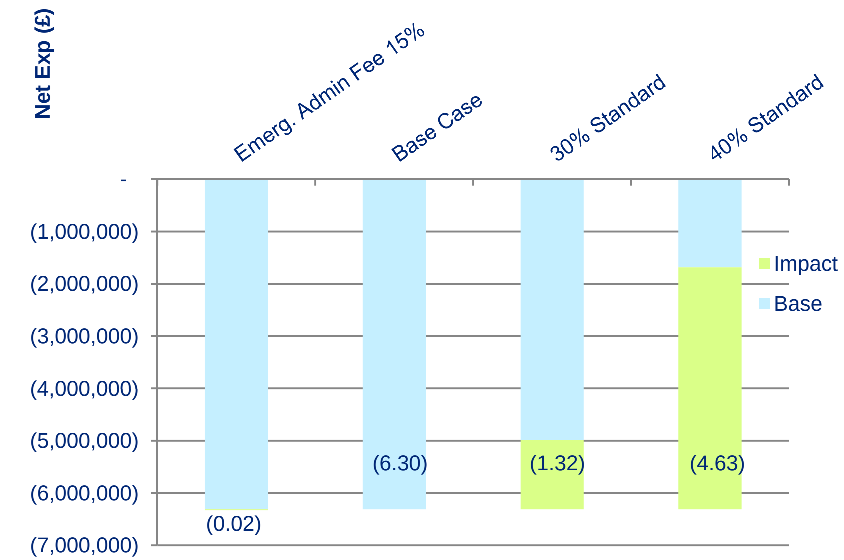
2. Varying Project Volumes

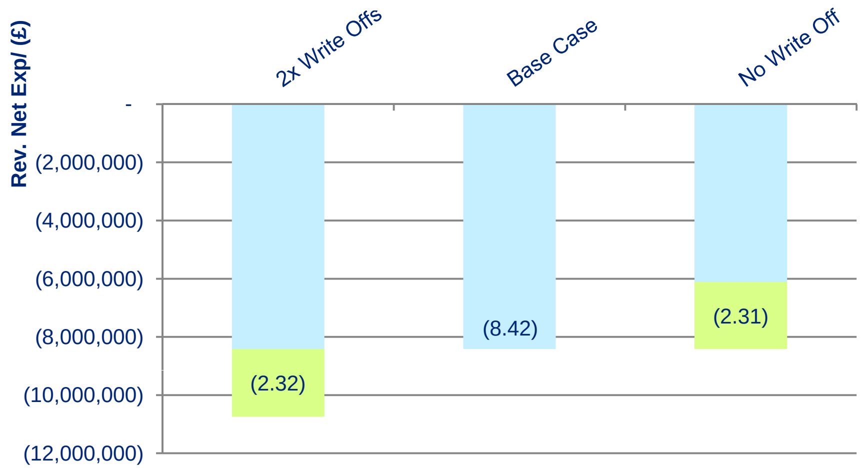
Decreasing the number of Essential projects by 20%, from 175 per year to 140, increases the net expenditure of the service by £0.62m (9.8%).

This highlights that at a estimated project cost of £40k, the overall financial position is moderately sensitive to project volumes.

Sensitivity Analysis on Admin Fee and Write Offs

The diagrams below present the base case position from the assumptions documented earlier along with the variance in net expenditure to 31 March 2020 when key sensitivities are tested.





3. Administration Fee Levels

Three different scenarios are presented.

1. An Emergency admin fee of 15%, which increases net expenditure by £20k.
2. A standard admin fee on Essential works for 30%, reducing to 25% for prompt payment. This reduces net expenditure by £1.32m.
3. A standard admin fee of 40% reducing to 35% for prompt payment. This reduces the net expenditure by £4.63m.

4. Write Off Adjustments

This chart represents the net expenditure for the service, including the adjustments for write offs and interest.

If write offs were to be 10% rather than 5% then the revised net expenditure would increase by £2.32m. There would be a corresponding reduction in the revised net expenditure should no write offs required.

New service - Costed Business Plan underpinning assumptions

Income Assumptions

Income	Total (£m)	Assumptions
Emergency Project Income	1.03	873 emergency projects will be undertaken per year with a total value of works of approximately £240,000. 61% of projects are charged using the Minimum Charge, 39% are charged with an admin fee.
Essential Project Income	33.05	175 essential projects will be undertaken per year and the average cost will be £40,000 per project.
Sub-total - Recoverable project costs	**34.08**	
Missing Shares Income	0.23	One missing share case is undertaken each month with an estimated value of £4,000.
Emergency Project Admin Fees	0.07	Prompt payment fee of 21% applied to reflect evidence of early payment in current service. Historic debtor trends for SRS charges showed that 70% of bills are paid within one month, with the balance being written off as uneconomical to pursue.
Essential Project Admin Fees	7.76	Admin fee of 26% will be applied to project costs with a prompt payment discount of 5% reduction to be applied where payment is received within 1 month.
Sub-total – Administration fees	**7.83**	
Facilitation	0.01	SRS currently charge £45 per session. It has been assumed that there will be one session per week and the charge will remain consistent with the current charge.
Surveys	0.25	Assumed charge of £1,500 per survey which includes allowance for required equipment. Assumed that there will be 3 surveys undertaken per month.
Emergency Inspections	0.02	These are currently charged at £108 for weekday call out, and £150 for a weekend call out with activity split equally between the two. It is assumed that activity will continue in line with current trend of 4 call-outs per month.
Sub-total – Advisory Service fees	**0.28**	
Total Income	**42.42**	

Expenditure Assumptions

Expenditure	Total (£m)	Assumptions
Emergency Project Costs	1.03	
Essential Project Costs	34.78	5% of project costs will be not be recoverable from property owners. This amounts to £2.2m over the period to March 2020.
Payments to consultants	0.52	15% of Essential projects will be managed by external consultants. Consultant fees will be 10% of project value.
Missing Shares	0.23	One missing share case is undertaken each month with an estimated value of £4,000.
Staffing		
Technical Surveyors / PMs	2.18	It is assumed that 85% of Essential Service projects will be managed by an internal project manager / surveyor. Internal project managers / surveyors will manage 7 projects simultaneously, i.e. 14 per annum.
Billing Staff	0.03	Additional Billing staff will be required to support the increased number of bills issued by the Service. Assumed that 1 FTE can process 1,000 bills per month.
Service Staff	2.36	Staff roles include the service lead, customer advisors and case management staff. Assumed that case officers can handles 10 cases per month.
Property Officers and Team Leaders	1.28	Roles include Emergency Projects Property Officers, and Team Leader and Essential Repairs Head Surveyor.
Support Services	1.66	Includes roles for Finance and Support Lead, Finance Assistants, Business Manager and Assistant and General Admin Assistants.
Historic Pre-Served Notice Staff	1.10	Provision of a customer advisor, case officer and building surveyors to complete outstanding work on the 3,000 Pre-Served Notices.
Sub-total – Staffing Costs	**8.62**	
Accommodation	0.96	Recurring accommodation charges have been included at £4,000 per work station, per employee per annum.

Expenditure Assumptions (continued)

Expenditure	Total (£m)	Assumptions
Existing ICT Licences	0.94	Recurring IT costs of £439,000 per annum are included for the initial period of service delivery. There is a reduction of £315,000 to £124,000 per annum once IT development APP and Oracle Rightnow allows for the decommissioning of the PEC software.
ICT Set Up Costs	0.73	Three distinct areas of development effort over 18 months on CRM, Case Management and Ownership Checks applications. £150k is included for implementation team resource to support this activity.
Additional ICT Licences	0.05	Additional licences required for APP and Oracle Rightnow.
Sub-total – ICT Costs	**1.73**	
Sundries	0.15	£25,000 per annum has been included for Sundry expenditure.
Internal Set Up Team	0.21	An internal implementation team of 7.5 FTE will be in place for 7-8 months to establish the service.
External Support	0.50	A budget of £500,000 is included for external support over an initial 6 month period.
Sub-total – Set up costs	**0.71**	
Total Expenditure	**48.72**	

Financial Adjustments – Assumptions

The main financial adjustments are in respect of anticipated write off of bad debts and interest charges. Interest is chargeable on the payment plan and inhibition payment mechanisms, whilst there will be an internal interest charge on revenue balances.

Financial element	Total (£m)	Assumptions
Debtor Adjustments		
Emergency Write Offs / Bad Debt Adjustments	0.35	30% of Emergency bills are currently written off as they are below the collection threshold.
Essential Write Offs / Bad Debt Adjustments	1.95	Assumed write off of 5% for Essential project bills.
Total Debtor Adjustments	**2.30**	
Payment Plan Interest Receivable	0.17	Proposed penal interest rate of 6%. Assumed that 5% of owners will go onto a payment plan.
Inhibitions Interest Receivable	0.17	Proposed penal interest rate of 6%. Assumed that 3.75% of owners will go onto an enforced inhibition.
Voluntary Interest Receivable	0.10	Proposed penal interest rate of 6%. Assumed that 2.5% of owners will go onto a voluntary inhibition.
Total Interest Receivable	**0.44**	
Bank Interest Payable	0.25	Assumed charge at 0.5% in line with the internal interest on revenue balances charge.
Net Interest Receivable *	**0.19**	

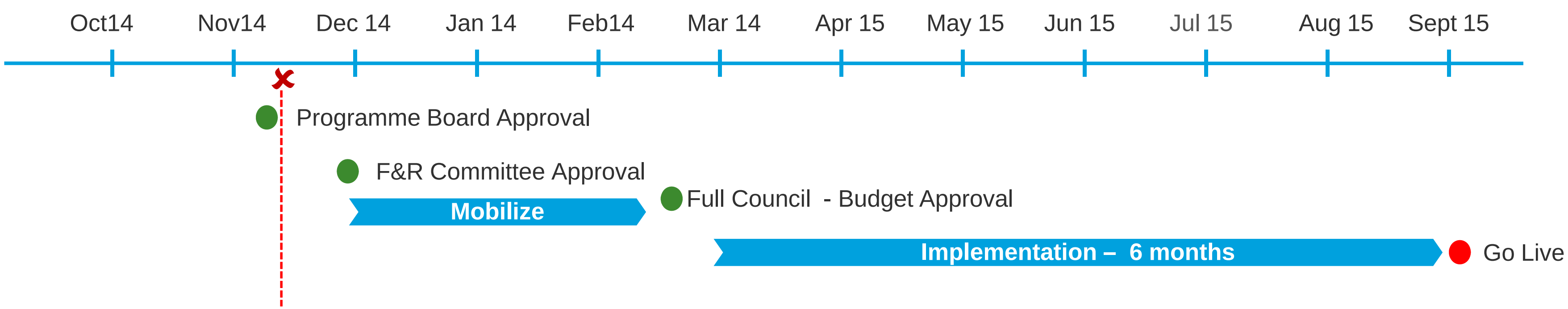
* It is anticipated that interest receivable will not be retained by the service, rather this will be held centrally.

New Service - Implementation Plan

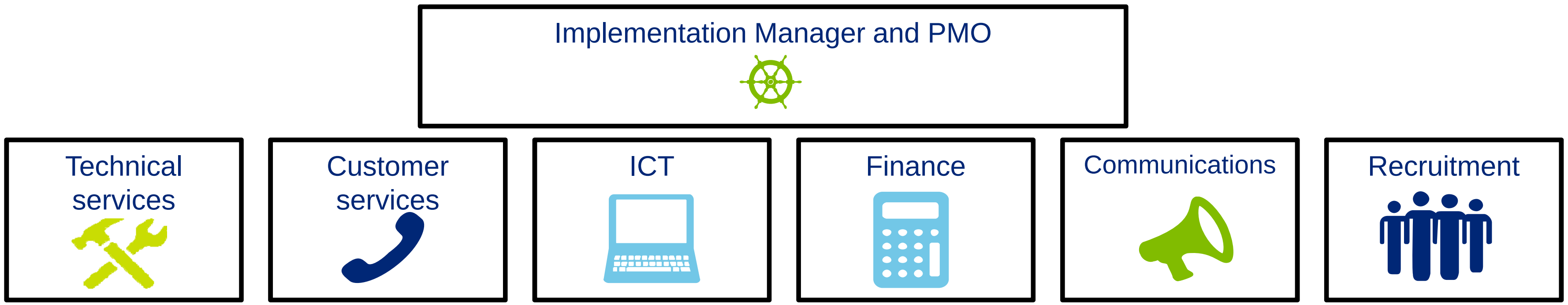
Implementation

An implementation plan has been produced alongside the new service blueprint and costed business plan to set out the proposed activities and timescales associated with implementing the new service, based on a launch date of 1st September 2015.

Implementation Timeline



Implementation Team Workstreams



A core implementation project team of 7.5 FTE is required, supplemented by internal CEC IT resource and a budget of £500k for external support where internal capacity/capability cannot be secured.

Implementation

The Implementation Plan also sets out the key risks associated with implementation:

Title	Risk	Mitigation	Impact	Likelihood
IT Risk	New service is required to use existing ICT systems in the short term	A review of short term improvements to existing systems will be undertaken, indicating any interim arrangements that can be put in place for day one of the new service. Including any improvements made during the Legacy project.		
Recruitment Risk	New service does not have all key posts filled prior to service launch	An internal service review and external recruitment will be undertaken to ensure the new service has the capacity and capability required to deliver the required level of service. Early engagement with HR has commenced.		
Procurement Risk	The required contractor frameworks are not in place by the service launch date	A full assessment of all existing or potential frameworks will be undertaken as a priority. The proposed start date of 1st September 2015 leaves 6 months to put any new framework in place after the Full Council Budget decision.		
Staffing Capacity Risk	The project team does not have sufficient capability or capacity to undertake the required implementation activities. Some staff will have split responsibilities between new service implementation and the legacy programme	A proposed budget to secure external implementation support for key roles is included within the costed business plan.		
Timescale Risk	Member expectations of the service launch date are not realistic, resulting in a shortened implementation plan	An implementation plan has been developed to enable the new service to go-live on 1st September 2015. Some initial implementation activities can be commenced at risk prior to the Full Council Budget Meeting in February 2015.		

Appendix 2

New Enforcement Service Focus Group Research

Report

THE CITY OF EDINBURGH COUNCIL

October 8, 2014

Authored by: Alan Kennedy, Knowledge Partnership

Executive Summary

Introduction, Methods and Resources

This draft report provides the results of research looking at owner, customer and stakeholder perspectives on the City of Edinburgh Council's proposed New Enforcement Service for common repairs. This research was carried out by Knowledge Partnership on behalf of the City of Edinburgh Council (the Council) and took place during September 2014.

The research draws on qualitative feedback gathered by means of eight focus groups to which a total of 64 owners, customers and stakeholders contributed.

Key Points

There is consensus amongst focus group participants that an enforcement of common repairs is required given the continuing challenges of non-engagement in the process of repair by owners and landlords for a wide range of reasons.

The advice and guidance, and the intervention elements of the proposed new service are seen as likely to be of assistance to owners and existing customers (intervention only). However landlords do not feel they would require these types of service, and some stakeholders have questioned whether the in-house skills needed to deliver the intervention element are present within the Council.

In relation to the advice, guidance and intervention components of the service, some stakeholders feel that elements of this offer can already be provided by the private sector, and in this regard, these stakeholders would ask, 'what is unique about the Council's offer', and 'is there evidence of a real market failure being addressed here by the actions of the Council'?

Some stakeholders and landlords consider that the underlying problems in relation to delivering common repairs and the clear evidence of market failure lies in the difficulty of easily accessing owner details, and in shortfalls in funding common repair projects. At the present time, the Shared Repairs service can offer sign-posting to landlord details, but this can be a complex process to administer for an individual and for this reason, an enhanced landlord identification service provided by the Council would greatly assist owners. The second major barrier identified for the process is funding, particularly the gap created by an owner's incapacity or unwillingness to commit finances to common repairs, and this is an area where the Council could usefully step in to fund or underwrite such shortfalls (as some commercial firms may do on a limited, ad-hoc basis at present)

It is clear from the focus group discussions that all participants remain cautious when matters of Council trust and transparency are explored, and these are attributes that will take time to restore. In the context of the enforcement stage of the service, there is a need to ensure that confidence is built into the design of the service so that customers feel confident in using this approach.

In discussing the proposed new service objectives, participants were satisfied that these were clear and reasonable. Some possible tweaks or additional objectives were discussed and it will be for the Council to determine the relevance of these suggestions in the context of developing the service, e.g. it was suggested that an additional service objective should be developed around promoting the idea of property maintenance.

The view that owners should be taking responsibility for repairs was accepted by participants, although it was also recognised that in practice, this outcome might be difficult to achieve and that in these cases, the balance of responsibility could shift back toward the Council. It was noted (by stakeholders) that more research may be required to establish where the current boundaries between owner and Council responsibility lie in the area of common repairs, and that this information will be necessary should the Council be prepared to underwrite funding shortfalls.

There is a suggestion that the Council should work more with other partners to tackle the issue of common repairs. One example would be addressing non-registration by landlords (which is contributing to the problem of owner identification) by vigorously pursuing those who are reported as not having registered.

The group discussion of the advice and guidance component of the service identified that there were few if any gaps in the content of information on offer, or the means by which this could be accessed. Some possible additions to this part of the service might be late opening for telephone enquiries, templates for managing projects and creating a contractor agreement, as well as the re-production of the RIAS Tenement Handbook to allow owners to attempt simple repairs.

The review of the service's proposed Trusted Trader scheme was met with a mixed response, which was partly driven by the legacy of mistrust created by the previous service failings. Whilst owners said they would use this service, they would be unlikely to do so exclusively, i.e. owners would also use word of mouth or the emerging online trade directories to locate a tradesman. Stakeholders felt that the Council should be aware in developing the Trusted Trader scheme of the many pitfalls associated with these types of service such as the resources required to administer, the changing nature of suppliers and their associated data, the risks of (in any way) underwriting the service given by trusted traders, and the issue of duplication between companies who are listed on several concurrent lists and databases.

The intervention element of the service was viewed as being likely to be of greater assistance than advice and guidance especially by current customers of the Shared Repairs service who felt their cases had moved beyond the capacity of the present service. Owners and customers considered that intervention by the Council would provide authority behind the requirement for a repair, effectively rubber stamping and giving official support to the issue. There was some concern expressed over the matter of charging for an intervention such as facilitation, particularly, as most owners saw facilitation as the beginning of an engagement process and not as a one off meeting (and hence charges would mount up). Aside from the technical support provided through the facilitation part of intervention, it was felt there may be scope to enhance this part of the service through the provision of mediation, third party financial advice etc. It was also recommended that the Council official brought into the intervention support should continue to be a key point of contact for owner queries throughout the effort to achieve a repair. A likely main barrier to intervention achieving an outcome was non-participating owners, and as such, focus group attendees asked whether this part of the service could include some direct Council engagement with such owners to discuss their reluctance to buy in and to assist with resolving this matter.

The discussion of the enforcement element of the service illustrated that this was seen by most participants as a return to the 'old' system of statutory repairs, and as such was welcomed, and seen as likely to be necessary in several cases of repair. However, participants also noted that the description of the enforcement service seemed to be based on a perverse incentive with its reference to loss of control and possible high management fees aimed at discouraging take up. A number of possible enhancements were proposed for the enforcement service including charging non-participating owners higher management fees, allowing owners to have a significant say in matters at the project commissioning stage, and providing for an independent expert or ombudsman to be appointed in the event of any disputes that arise between the Council and owners. Given the issues attached to the previous statutory repairs service, it is clearly critical that the new service operates in transparent and objective way, and these attributes would need to be 'written into' the detailed design of the service. Discussion of the enforcement stage also raised (again) the matter of whether short term funding from the Council to allow owner led projects to proceed within the commercial sector might be preferable to Council acting as a managing agent for property repairs.

Reflecting finally on maintenance plans, the promotion of this topic by the Council was seen as something that was important in achieving the objective of increasing owner responsibility for repairs. However, it was noted that the realisation of a common area maintenance plan was difficult in practice and might be challenging to 'sell' at the conclusion of an enforced repair, where owners may collectively argue that they have just paid for the lack of maintenance of previous occupiers.

Conclusions

On balance, those attending the focus groups broadly agreed with the requirement for some form of pressure to start to be applied to owners in order to achieve common repairs. The main debate in this area was whether the Council should enforce the whole part of this process, or whether they might achieve the same outcome in other ways such as funding monetary shortfalls on a time limited basis, or enforcing professional support onto owners.

Considering advice and guidance, this could be seen as beneficial to less knowledgeable owners, whilst intervention support is viewed as a better option in that it can seek to directly address fundamental problems such as owner disagreement, and (potentially) provide guidance on funding, offer mediation etc. There is some reservation however expressed on the part of landlords and stakeholders with the former saying that they would be unlikely to use these services, and (some) of the latter raising the question of whether Council provision of advice, guidance and facilitation is in fact addressing market failure, or whether indeed this offer represents a duplication of existing commercial services.

City of Edinburgh Council

10.00 am, Thursday, 12 February 2015

Review of Fee Structures –referral from the Regulatory Committee

Item number	4.7
Report number	
Wards	All

Executive summary

To consider the decision of the Regulatory Committee on the Review of Fee Structures contained within the remit of the Regulatory Committee.

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	Appendix 1: Report by the Acting Director of Services for Communities

Terms of Referral

Review of Fee Structures – referral from the Regulatory Committee

Terms of referral

1.1. The Regulatory Committee on 2 February 2015 considered the attached report by the Acting Director of Services for Communities on the review of fee structures that had been undertaken as part of the Regulatory Committee Workplan.

1.2. The Council, as a licensing authority, should recover all reasonable costs incurred during the licensing process. The work of the Licensing Service is funded by income generated through fees charged for the processing and administration of licence applications.

1.3. Fees for each licence category have been set on an individual basis and increased periodically by individual licence category. Licence fees for taxis and HMOs have been increased in the financial year 2014/15 for the first time since 2010. Fees for Civic licences have been increased steadily at 3% for the past three years.

1.4. The Council has to balance the cost of licences to customers with the cost of administration, public safety and enforcement activity to ensure that licensed businesses and events operate safely and responsibly. Currently, all Council costs are not being covered by the licensing fee.

1.5. A number of issues had also been raised in relation to licensed activity and fee levels.

1.6. In order to address these issues, a review of licensing fees was approved by the Regulatory Committee in November 2013 as part of the agreed work plan for the Committee

1.7. The Regulatory Committee agreed:

1.7.1 To amend recommendation 9.11 in Appendix 1 of the report by the Acting Director of Services for Communities, Market Operators Licences for Community Markets or registered charities, provided there is no commercial element to increase the number of stalls to a maximum of 30.

1.7.2 Otherwise to approve the revised Licensing fees set out in Appendix 1of the report by the Acting Director of Services for Communities

1.7.3 To approve the introduction of a fast track application process, for which an additional administrative fee is charged to recover the additional costs incurred due to late submission of applications.

1.7.4 To refer the report to the Council for information.

For Decision/Action

2.1 The Council is requested to note the report.

Background reading / external references

Regulatory Committee 2 February 2014

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Alison Clyne, Assistant Committee Clerk

E-mail: alison.clyne@edinburgh.gov.uk | Tel: 0131 469 3857

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Regulatory Committee

2pm, Monday, 2 February 2015

Review of Fee Structures

Item number	
Report number	
Executive/routine	Executive
Wards	All

Executive summary

A review of licence fees was agreed as part of the Regulatory Committee Work Plan. This report presents the outcome of this review and proposes changes to the fee structure for Committee approval.

Links

Coalition pledges	P28
Council outcomes	CO8
Single Outcome Agreement	SO1

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Review of Fee Structures

Recommendations

It is recommended that the Committee:

1.1 approves the revised Licensing fees (set out in Appendix 1); and

1.2 approves the introduction of a fast track application process, for which an additional administrative fee is charged to recover the additional costs incurred due to late submission of applications.

Background

2.1 The Council, as a licensing authority, should recover all reasonable costs incurred during the licensing process. The work of the Licensing Service is funded by income generated through fees charged for the processing and administration of licence applications. The current schedule of fees has been approved by Full Council. Any changes to the fees throughout the year are agreed by the Regulatory Committee.

2.2 Fees for each licence category have been set on an individual basis and increased periodically by individual licence category. Licence fees for taxis and HMOs have been increased in the financial year 2014/15 for the first time since 2010. Fees for Civic licences have been increased steadily at 3% for the past three years.

2.3 The Council has to balance the cost of licences to customers with the cost of administration, public safety and enforcement activity to ensure that licensed businesses and events operate safely and responsibly. Currently, all Council costs are not being covered by the licensing fee.

2.4 A number of issues have been raised in relation to licensed activity and fee levels:

- Customer surveys carried out by the Licensing service have highlighted concerns over taxi and private hire cars (PHC) fees, HMO fees and some Public Entertainment fees;
- The impact of licensing requirements on community events, such as gala days;
- Increased complaints about licence holders and events. Complaints about taxi and PHC drivers have increased significantly, and spot checks on licensed activity e.g. late hours catering, showed high levels of non-

compliance with the terms of the licence. Enforcement costs are not adequately covered in the current licence fees; and

- A mismatch between the licence fee and the costs of supplying each licence type.

2.5 In order to address these issues, a review of licensing fees was approved by the Regulatory Committee in November 2013 as part of the agreed work plan for the Committee.

Main report

3.1 The Licensing service is subject to an ongoing programme of modernisation, including an organisational review. The aim of the programme is to create a more efficient and effective service focused on the needs of customers. Phase 1 of the programme has concluded, achieving savings of £160,000 in the cost of administration of licences. Phase 2, which will develop further service improvements such as on-line applications, aims to reduce operating costs further.

3.2 Despite these efficiencies, the budget collected from licensing fees remains insufficient to fully pay for critical service area input which ensures public safety and minimises disruption from licensed events/activity. These services are seeking full reimbursement of the costs of supporting the licensing system.

3.3 The work of the review has, therefore, sought to balance cost pressures in providing effective public safety and enforcement activity with the need for affordability, particularly for smaller community events. The review has taken account of the requirements of the Council's Corporate Charging Policy.

Proposals

3.4 The fee table, attached at Appendix 1, sets out detailed proposals for revised fee structures. If approved, these fees would be implemented from 1 April 2015.

3.5 It is proposed to increase fees generally by 2.5% for 2015/16, which is the inflationary uplift that the Council is considering applying to fees generally for next financial year. Categories where higher increases are proposed are outlined below.

Civic Trading Licences

3.6 Certain categories of licence generate significant enforcement work for the service and current fee levels do not meet the cost of this work. It is, therefore, proposed that fees in a number of licence categories should be increased by on average 10%, to cover enforcement activity. The categories affected are:

- Street Trading;
- Second Hand dealers;
- Market Operators;
- Late Hours Catering;

- Skin Piercing;
- Knife Dealers; and
- Metal Dealers.

Detail of the individual increases is attached at Appendix 1.

3.7 Generally, where there is an increase above 2.5% for an annual licence, it is recommended that the increase is mitigated by offering a discounted three year licence. This should encourage applicants to apply for a longer licence and reduce administrative costs over time.

3.8 It is also proposed to delete the current one day Street Trading Licence fee and replace this with licences for a minimum of seven days. The high volume of daily applications is placing an unsustainable burden on the service because the costs of administering them are significantly greater than the limited income collected. The current one day licence also leads to a fragmented approach for customers by not allowing them to plan their businesses.

3.9 A new fee of £50 for employees is proposed, allowing temporary street trading licence holders to apply for up to five employees. Previously, temporary street traders could not apply for employee licences. This change aims to simplify and improve this category of licence, as currently licence holders have to be present in order to trade and cannot arrange for any substitution, if they require to be absent for a short period. Allowing employee licences provides this increased flexibility.

3.10 Noting the concerns previously expressed by Committee, it is proposed to simplify the fee structure for markets, creating a variable fee depending on the number of stalls and location. It is also proposed to reduce the fee for an indoor market stall within the city centre, from the current £69 per stall to £50, reflecting their lower inspection and enforcement potential.

3.11 Where a licence involves the welfare or keeping of animals, it is proposed that the Council will recover all costs incurred by veterinary inspections. These will be passed on at full cost to all applicants prior to the issue of a licence.

Public Entertainment

3.12 Public Entertainment (PEL) remains the most challenging category of licence fee. Significant pressure on staff and specialist safety teams mean that costs exceed the income generated from licence fees. Options around fee levels in this category have been closely examined to identify options to address concerns and balance costs.

3.13 It is proposed that, generally, the overall fee structure remains similar to the existing fee structure with the introduction of expanded fee categories for events with a capacity of greater than 10,000 people. It is also proposed to restrict the period of a temporary licence to not more than 28 days, to ensure applications with greater enforcement and monitoring costs pay an appropriate amount.

Increases are also proposed for licences for amusement arcades, sun beds and hypnotists, reflecting inspection and enforcement requirements.

3.14 The proposals in paragraphs 3.12 and 3.13 above would support the introduction of a wider and more heavily discounted scale of fees for community events. The current discounts only apply to events of up to 1,000 people and thereafter the normal PEL fee would apply. It is proposed that the following discounted fees for community events are introduced:

- Community Public Entertainment Licence, temporary, £150 for premises with a capacity of up to 2,500;
- Community Public Entertainment Licence, temporary, £300 for premises with a capacity of between 2,501 and 5,000; and
- For any event which has a capacity of above 5,000, a 25% discount on the normal PEL fee will apply.

In addition, for annual public entertainment licences for community organisations, it is proposed that the discounted fee of £400, agreed by Committee in May 2014, should be maintained. This is restricted to community events in premises with a capacity of no more than 500 people.

3.15 The Fringe Society has put forward an alternative fee structure for public entertainment licences which creates further categories based on additional tiers of capacity. This proposal has been closely examined and it is estimated that, if adopted, it has the potential to reduce income from that sector by around 50%. It is, therefore, proposed that this fee structure is not viable at this time.

Taxis and Private Hire Cars (PHCs)

3.16 At present vehicle licence costs subsidise the cost of licensing drivers. It is proposed to rebalance this. It is, therefore, proposed that a fee of £500 replaces the previous fee of £1,614 for PHCs and a fee of £600 replaces the same fee for taxis.

3.17 There have also been concerns from the taxi trade that the Council has inconsistently applied the fee due for a change of vehicle. To date, taxi/PHC owners have benefitted from a system whereby they renew their vehicle licence without paying a separate variation fee when the relevant vehicle is replaced. This arrangement, however, does not cover the administration costs involved in both processes. It is, therefore, put forward that a new fee be introduced to cover this situation, which is lower than the combined renewal and variation fee, reflecting the reduced administration cost.

3.18 As outlined above, some driver licences are being operated at a loss to the Council. Additionally, complaints against taxi and PHC drivers are increasing and placing increased costs on the service. It is proposed to increase the cost of a new Taxi and PHC Driver Licence for a new driver making their first application. This will be offset in future years by making a three year licence financially attractive, at 50% of the cost that the applicant would otherwise pay.

For example, a PHC driver will be charged £150 for a three year licence as opposed to £300 (3 x £100 per one year licence).

3.19 The current level of fee for a Taxi or PHC Booking Office Licence does not cover any inspection costs or pay for legal costs. It is therefore proposed to increase these costs to cover ongoing legal bills and to allow for the inspection of booking offices.

3.20 There are proposed increases in excess of 3% for replacement documents and identification badges. This is in response to increased requests for duplicates or replacement badges. The cost of providing duplicates is not covered by the fee. It is also hoped that this will encourage licence holders to take care of their originals.

HMO Fees

3.21 Separate work is ongoing to review HMO fees, including understanding the impact of discounts for student accommodation. Internal audit are supporting the service in this work. It is proposed that the fees should remain fixed until that work is complete and a report brought back to Committee with recommendations in spring 2015.

Additional Fee for Late Applications for Temporary Licences

3.22 The licensing process takes a minimum of 28 days due to legislative constraints, and a maximum of between six and twelve months, depending on licence type. Applicants are requested to give a minimum of 28 days notice to allow for statutory consultation with Police Scotland, the Scottish Fire and Rescue Service and other stakeholders.

3.23 The service receives a significant number of applications with less than 28 days notice, which puts the service under pressure to deliver the licence. In effect, a late application gets priority over all applications submitted timeously, which increases costs because it has to be processed separately as opposed to routine administrative methods. This problem is most acute in the run up to the August and Winter festivals and additional costs are incurred by the service in terms of overtime and agency staff. A snap shot of temporary licences received between 1 May and 30 December 2014 showed, of 477 licence applications checked, 44% were received with less than 28 days notice.

3.24 It is recommended that an additional 20% of the licence fee be charged to cover the additional costs, which would allow delivery of the licence where good reasons are given for late submission. Appendix 2 shows proposed fee levels for late applications for temporary licences.

Measures of success

4.1 That the fee levels work on a cost recovery model and, as such, should not be subsidised by other Council budgets.

4.2 That the fee structure remains effective and transparent and costs within the system are minimised.

Financial impact

5.1 The measures outlined in this report will match expenditure on licensing costs to the level of income generated.

5.2 That the existing surpluses will be reduced to a level necessary for prudent financial resilience.

Risk, policy, compliance and governance impact

6.1 This report proposes a fee structure within the context of the statutory provisions of the Civic Government (Scotland) Act 1982 and the Housing (Scotland) Act 2006.

Equalities impact

7.1 There is no equalities impact arising from the contents of this report.

Sustainability impact

8.1 There is no environmental impact arising from the contents of this report.

Consultation and engagement

9.1 The report takes account of the outcome of Customer Research which included feedback on the level of fees.

9.2 Officers have held a number of meetings with stakeholders and customers who have raised concerns or sought discussion on fee levels.

Background reading/external references

None.

John Bury

Acting Director, Services for Communities

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Links

Coalition pledges	P28 - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city.
Council outcomes	CO8 - Edinburgh's economy creates and sustains job opportunities.
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all.
Appendices	Appendix 1 – Proposed fees list Appendix 2 - Licence fees with 20% 'late fee' added

Appendix 1

	Licence type	Licence duration	2014/2015	Proposed 2015/2016
1	**Animal Boarding***	1 Year	£290	£297
2	**Boat Hire**			
2.1	New	1 Year	£520	£533
2.2	Temporary	Up to 28 days	£175	£179
3	**Dangerous Wild Animals***	1 Year	£290	£297
4	**Dog Breeding***	1 Year	£290	£297
5	**Houses in Multiple Occupation – all fees under review**			
5.1	5 or 5+ persons (new)	1 Year	£602	£602
5.2	5 or 5+ persons (renewal)	1 Year	£422	£422
5.3	4 Persons (new)	1 Year	£561	£561
5.4	4 Persons (renewal)	1 Year	£381	£381
5.5	3 Persons (new)	1 Year	£520	£520
5.6	3 Persons (renewal)	1 Year	£339	£339
5.7	Identical footprint/mirror image (new/renewal)	1 Year	£51	£51
6	**Indoor Sports**			
6.1	New/renewal	1 Year	£868	£889
6.2	Temporary	Up to 28 days	£605	£620
6.3	Community or charitable events (non-commercial) - up to six weeks	Up to 28 days	£112	£112
7	**Knife Dealer**			
7.1	New	1 Year	£161	£200
7.2	Renewal	1 Year	£113	£150
8	**Late Hours Catering**			
8.1	New	1 Year	£506	£560
8.2	Renewal	1 Year	£369	£400
8.3	Exemption	2 Months	£90	£100
9	**Market Operators (including car boot sales) outwith the City Centre (Ward 11)**			
	The Annual Market fee is only available to markets that operate with a frequency of at least once per calendar month			
9.1	over 300 Stalls	1 Year	£1,572	
9.2	50 to 300 Stalls	1 Year	£1,065	
9.3	under 50 Stalls	1 Year	£539	
9.4	Per stall		Not applicable	£12
	Temporary fees for markets outwith City Centre:			
9.5	over 300 Stalls - temporary	6 Weeks	£396	Not applicable
9.6	50 to 300 Stalls - temporary	Up to 28 days	£287	Not applicable
9.7	Under 50 Stalls - temporary	Up to 28 days	£178	Not applicable
9.8	Per stall	Up to 28 days	Not applicable	£5
	Temporary Fee for **Indoor** Markets (see below) **within City Centre (Ward 11)**:			

	An 'Indoor market is considered to be wholly or substantially contained within a building or other permanent structure. This does not apply to the exterior grounds of a building, any area temporarily fenced off or restricted area or any temporary structure i.e. marquee'			
9.9	Per stall(subject to a maximum fee of £1000)	Up to 28 days	£69	£50
	Temporary Fee for **Outdoor** Markets **within City Centre (Ward 11):**			
9.10	Per stall (subject to a maximum fee of £5000)	per stall – up to max. 28 days	£69	£75
	Community Markets or registered charities, provided there is no commercial element, i.e. where 100% of the profit is given over to charity or community group:			
9.11	20 Stalls maximum (n/b thereafter normal fees will apply)	City-wide, per week or part of a week	£112	£112
10	**Metal Dealers**			
10.1	Exemption	3 years	£1,559	£1,587
10.2	New/renewal (on change of Act)	3 year	Not applicable	£1,500
10.3	New/renewal	1 year	£519	£570
11	**Performing animals***	1 year	£519	£531
12	**Pet shops***	1 year	£341	£349
13	**Public Entertainment**			
13.1	Capacity > 15,000 New/temporary	1 Year or Temporary up to 28 days	Not applicable	£12,000
13.2	Capacity 10,000 to 15,000 - New/temporary	1 Year or Temporary up to 28 days	Not applicable	£9,275
13.3	Capacity 5,001 to 10,000 - New/temporary	1 Year or Temporary up to 28 days	£5,565	£5,704
13.4	Capacity 1,001 to 5,000 - New/temporary	1 Year or Temporary up to 28 days	£2,783	£2,852
13.5	Capacity 201 to 1,000 - New/temporary	1 Year or Temporary up to 28 days	£1,390	£1,424
13.6	Capacity 1 to 200 - New/temporary	1 Year or Temporary up to 28 days	£927	£950
13.7	Capacity > 15,000 Renewal	1 Year	Not applicable	£9,000
13.8	Capacity 10,001 to 15,000 - Renewal	1 Year	Not applicable	£6,956
13.9	Capacity 5,001 to 10,000 - Renewal	1 Year	£3,710	£3,802
13.10	Capacity 1,001 to 5,000 - Renewal	1 Year	£1,855	£1,901
13.11	Capacity 201 to 1,000 - Renewal	1 year	£927	£950
13.12	Capacity 1 to 200 - Renewal	1 year	£753	£771
13.13	Community/charitable/religious/political group, pay-to-enter: capacity 251 to 2500	Up to 28 days	Not applicable	£150

13.14	Community/charitable/religious/political group: capacity 2501 to 5000	Up to 28 days	Not applicable	£300
13.15	Community/charitable/religious/political group: capacity 250-500	1 year	£400	£400
13.16	Community/charitable/religious/political group: free to enter; capacity > 3000	discount of 25% on normal fee (see lines **3.1 to 3.12** above)		
13.17	Amusement Devices, > 20	1 Year or Temporary up to 28 days	£3,710	£4,226
13.18	Amusement Devices, 6 to 20	1 Year or Temporary up to 28 days	£1,855	£2,133
13.19	Amusement Devices, 1 to 5	1 Year or Temporary up to 28 days	£753	£865
13.20	Amusement Devices, 1 only	1 Year or Temporary up to 28 days	£164	£188
13.21	Sun beds - per bed	1 year	£175	£225
13.22	Hypnotism	Per event	£115	£200
13.23	Live Animal Supplement*	Per event	£175	£200
14	**Public Entertainment Variation**			
14.1	Capacity > 15,000	Per application	Not applicable	£12,000
14.2	Capacity 10,000 to 15,000	Per application	Not applicable	£9,275
14.3	Change of use - capacity > 10,000	Per application	£9,256	£9,487
14.4	Change of use - capacity 5,001 to 10,000	Per application	£5,565	£5,704
14.5	Change of use - capacity 1,001 to 5,000	Per application	£2,783	£2,852
14.6	Change of use - capacity 201 to 1,000	Per application	£1,400	£1,435
14.7	Change of use - capacity 1 to 200	Per application	£927	£950
14.8	Community/charitable/religious/political group, pay-to-enter: capacity 251 to 1500	Up to 28 days	Not applicable	£150
14.9	Community/charitable/religious/political group: capacity 1501 to 3000	Up to 28 days		£300
15	**Riding Establishments***	1 Year	£555	£568
16	**Second-Hand Dealer**			
16.1	New	3 Years	£500	£512
16.2	Renewal	3 Years	£354	£362
16.3	New	1 Year	£168	£200
16.4	Renewal	1 Year	£118	£150
16.5	Exemption	Per application	£89	£91.23
16.6	Temporary	Up to 28 days	£89	£100
16.7	Antique Fairs dealers	1 Year	£45	£59
16.8	Stamp and Book Fair dealers	1 Year	£24	£59

17	**Sex Shop** - New/renewal	1 year	£1,368	£1,402
18	**Skin Piercing and Tattooing - where activity carried out mainly from premises**			
18.1	Principal Operator - new	1 Year	£231	£250
18.2	Principal Operator - renewal	3 Years	£231	£500
18.3	Principal Operator with employees	Per additional employee	£59	£75
18.4	Self Employed Operator – new	1 Year	£231	£250
18.5	Self Employed Operator – renewal	3 Years	£231	£500
	Skin Piercing and Tattooing - where activity NOT carried out mainly from premises			
18.6	One-off events	Per application	£231	£240
18.7	Attending an exhibition or arts event	Per application – up to 7 days	£59	£75
19	**Street Traders**			
19.1	Food - allowing named employees	1 Year	£344	£378
19.2	Food - no employees	1 Year	£257	£282
19.3	Non-food - allowing named employees	1 Year	£216	£237
19.4	Non-food - no employees	1 Year	£175	£192
19.5	Charitable organisation	6 Months	£73	£73
19.6	Food - temporary	Per application - up to 7 days	Not applicable	£200
19.7	Non-food - temporary	Per application - up to 7 days	Not applicable	£150
19.8	Variation of licence to change of any vehicle	Per application	Not applicable	£150
19.9	Employees	Per person	Not applicable	£50
20	**Theatre**			
20.1	Commercial Operation - capacity > 1,000 - New/temporary		£2,783	£2,783
20.2	Commercial Operation - capacity 201 to 1,000 - New/temporary		£1,390	£1,390
20.3	Commercial Operation - capacity 1 to 200 - New/temporary		£927	£927
20.4	Commercial Operation - capacity > 1,000 – Renewal	1 Year	£1,855	£1,855
20.5	Commercial Operation -capacity 201 to 1,000 – Renewal	1 Year	£927	£927
20.6	Commercial Operation - capacity 1 to 200 - Renewal	1 Year	£753	£753
20.7	Charitable organisation (< 200)	max 4 p.a.	£115	£115
20.8	Street - per event, per day		£45	£45
	Theatre Variation			
20.9	Change of use -capacity > 1,000	Per application	£2,783	£2,783
20.10	Change of use - capacity 201 to 1,000	Per application	£1,391	£1,391
20.11	Change of use - capacity 1 to 200	Per application	£927	£927
20.12	Capacity Increase	Per application	£115	£115

20.13	Other variation to licence	Per application	£115	£115
21	**Venison Dealer**	3 years	£151	£154
22	**Window Cleaners**			
22.1		1 year	£50	£100
22.2		3 years	£151	£250
23	**Zoo***	6 years	£875	£896
24	**Miscellaneous civic**			
24.1	Certified copy		£36	£50
24.2	Duplicate ID badge		£13	£50
24.3	Change of manager	Per application	£75/95	£95
25	**Cinemas**			
25.1	Multi Screen	1 year	£618	£618
25.2	Single screen	1 year	£309	£309
25.3	Temporary	1 month	£206	£206
25.4	Transfer		£123	£123
25.5	up to 4 screens	1 year	£618	£618
25.6	Change of manager	Per application	£75/95	£95
26	**Taxi and Private Hire**			
26.1	Taxi/PHC Booking Office - New	1 year	£515	£1,000
26.2	Taxi/PHC Booking Office - Renewal	1 year	£515	£700
26.3	Cancellation of Inspection		£93	£95
26.4	Change of manager		£93	£95
26.5	Change of vehicle other than at annual inspection		£141	£150
26.6	Duplicate ID badge		£13	£50
26.7	Duplicate Licence		£40	£50
26.8	Medical Examination not attended		£93	£95
26.9	Further medical assessment not attended		£181	£185
	Private Hire Cars			
26.10	New licence	1 year	£1,614	£500
26.11	Renewal licence (existing vehicle)	1 year	£275	£285
26.12	Renewal licence (with variation for new vehicle)	1 year	Not applicable	£335
26.13	New driver	1 year	£74	£135
26.14	Renewal driver	1 year	£53	£100
26.15	Renewal driver	3 years	£160	£150
26.16	Partnership		£1,614	£500
26.17	Replacement plate		£26	£78
26.18	Replacement 'Pre-booked' door sign		£10	£11
	Taxis			
26.19	New licence	1 year	£1,614	£600
26.20	Renewal licence (existing vehicle)	1 year	£275	£310
26.21	Renewal licence (with variation for new vehicle)	1 year	Not applicable	£360
26.22	New driver – including one 'topographical' test	1 year	£93	£165

26.23	Renewal driver	1 year	£53	£100
26.24	Renewal driver	3 years	£160	£160
26.25	Brackets	Per application	£26	£26
26.26	Taxi topographical test re-sit	Per application	£50	£60
26.27	Variation to incorporate inspection on change of vehicle	Per application	£49	£50
26.28	Vehicle re-test (first)	Per application	£10	£10
26.29	Vehicle re-test (second and thereafter)	Per application	£47	£48
26.30	Wheelchair Exemption certificate	Per application	£10	£10
26.31	Installation of cameras	Per application	£50	£51

* Any licence which involves a Vet Inspection will in addition to the licence fee be charged the full cost of that inspection.

Appendix 2 – Licence fees with 20% 'late fee' added

	Licence type	Licence duration	2014/2015	Proposed 2015/2016 cost	2015/2016 cost with 20% 'late fee' added
2	**Boat Hire**				
2.2	Temporary	Up to 28 days	£175	£179	£214
6	**Indoor Sports**				
6.2	Temporary	Up to 28 days	£605	£620	£744
9	**Market Operators (including car boot sales) outwith the City Centre (Ward 11)**				
	The Annual Market fee is only available to markets that operate with a frequency of at least once per calendar month				
	Temporary fees for markets outwith City Centre:				
9.8	Per stall	Up to 28 days	Not applicable	£5	£6
	Temporary Fee for **Indoor** Markets (see below) **within City Centre (Ward 11)**:				
	An 'Indoor market is considered to be wholly or substantially contained within a building or other permanent structure. This does not apply to the exterior grounds of a building, any area temporarily fenced off or restricted area or any temporary structure i.e. marquee'				
9.9	Per stall(subject to a maximum fee of £1000)	Up to 28 days	£69	£50	£60
	Temporary Fee for **Outdoor** Markets **within City Centre (Ward 11):**				
9.10	Per stall (subject to a maximum fee of £5000)	per stall – up to max. 28 days	£69	£75	£90
	Community Markets or registered charities, provided there is no commercial element, i.e. where 100% of the profit is given over to charity or community group:				
9.11	20 Stalls maximum (n/b thereafter normal fees will apply)	City-wide, per week or part of a week	£112	£112	£134
13	**Public Entertainment**				
13.1	Capacity > 15,000 New/temporary	1 Year or Temporary up to 28 days	Not applicable	£12,000	£14,400
13.2	Capacity 10,000 to 15,000 - New/temporary	1 Year or Temporary up to 28 days	Not applicable	£9,275	£11,130
13.3	Capacity 5,001 to 10,000 - New/temporary	1 Year or Temporary up to 28 days	£5,565	£5,704	£6,844
13.4	Capacity 1,001 to 5,000 - New/temporary	1 Year or Temporary up to 28 days	£2,783	£2,852	£3,422
13.5	Capacity 201 to 1,000 - New/temporary	1 Year or Temporary up to 28 days	£1,390	£1,424	£1,708
13.6	Capacity 1 to 200 - New/temporary	1 Year or Temporary up to 28 days	£927	£950	£1,140
13.17	Amusement Devices, > 20	1 Year or Temporary up to 28 days	£3,710	£4,226	£5,071
13.18	Amusement Devices, 6 to 20	1 Year or Temporary up to	£1,855	£2,133	£2,559

		28 days			
13.19	Amusement Devices, 1 to 5	1 Year or Temporary up to 28 days	£753	£865	£1,038
13.20	Amusement Devices, 1 only	1 Year or Temporary up to 28 days	£164	£188	£225
14	**Public Entertainment Variation**				
14.1	Capacity > 15,000	Per application	Not applicable	£12,000	£14,400
14.2	Capacity 10,000 to 15,000	Per application	Not applicable	£9,275	£11,130
14.3	Change of use - capacity > 10,000	Per application	£9,256	£9,487	£11,384
14.4	Change of use - capacity 5,001 to 10,000	Per application	£5,565	£5,704	£6,844
14.5	Change of use - capacity 1,001 to 5,000	Per application	£2,783	£2,852	£3,422
14.6	Change of use - capacity 201 to 1,000	Per application	£1,400	£1,435	£1,722
14.7	Change of use - capacity 1 to 200	Per application	£927	£950	£1,140
14.8	Community/charitable/religious/political group, pay-to-enter: capacity 251 to 1500	Up to 28 days	Not applicable	£150	£180
14.9	Community/charitable/religious/political group: capacity 1501 to 3000	Up to 28 days		£300	£360
16	**Second-Hand Dealer**				
16.6	Temporary	Up to 28 days	£89	£100	£120
19	**Street Traders**				
19.6	Food - temporary	Per application - up to 7 days	Not applicable	£200	£240
19.7	Non-food - temporary	Per application - up to 7 days	Not applicable	£150	£180
19.8	Variation of licence to change of any vehicle	Per application	Not applicable	£150	£180
19.9	Employees	Per person	Not applicable	£50	£60
20	**Theatre**				
20.1	Commercial Operation - capacity > 1,000 - New/temporary		£2,783	£2,783	£2,783
20.2	Commercial Operation - capacity 201 to 1,000 - New/temporary		£1,390	£1,390	£1,390
20.3	Commercial Operation - capacity 1 to 200 - New/temporary		£927	£927	£927
20.8	Street - per event, per day		£45	£45	£54
	Theatre Variation				
20.9	Change of use -capacity > 1,000	Per application	£2,783	£2,783	£3,339
20.10	Change of use - capacity 201 to 1,000	Per application	£1,391	£1,391	£1,669

20.11	Change of use - capacity 1 to 200	Per application	£927	£927	£1,112
20.12	Capacity Increase	Per application	£115	£115	£138
20.13	Other variation to licence	Per application	£115	£115	£138
25	**Cinemas**				
25.1	Multi Screen	1 year	£618	£618	£741
25.2	Single screen	1 year	£309	£309	£370
25.3	Temporary	1 month	£206	£206	£247
	Transfer		£123	£123	£147
25.5	up to 4 screens	1 year	£618	£618	£741
25.6	Change of manager	Per application	£75/95	£95	£114

* Any Licence which involves a Vet Inspection will in addition to the licence fee be charged the full cost of that inspection.