

Notice of meeting and agenda

The City of Edinburgh Council

10.00 am, Thursday, 17 September 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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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 If any

4. Minutes

- 4.1 The City of Edinburgh Council of 20 August 2015 (circulated) – submitted for approval as a correct record

5. Questions

- 5.1 By Councillor Bagshaw – Planning Applications – Developer Contributions – for answer by the Convener of the Planning Committee
- 5.2 By Councillor Rust – Waste Collection Contracts – for answer by the Convener of the Transport and Environment Committee

6. Leader's Report

- 6.1 Leader's report (circulated)

7. Appointments

- 7.1 By-election- No 12 Leith Walk Ward – report by the Returning Officer (circulated)
- 7.2 Appointments to Committees etc - report by the Deputy Chief Executive (circulated)
- 7.3 Appointments to the Convention of Scottish Local Authorities (COSLA) - report by the Deputy Chief Executive (circulated)
- 7.4 Resignation from the Board of Marketing Edinburgh Limited – report by the Executive Director, City Strategy and Economy (circulated)

8. Reports

- 8.1 Appointment of Head of HR and Organisational Development – report by the Deputy Chief Executive (circulated)
- 8.2 Revenue Monitoring 2014/15 – Outturn Report - referral from the Finance and Resources Committee (circulated)
- 8.3 Revenue Monitoring 2015/16 – Month 3 Position – referral from the Finance and Resources Committee (circulated)
- 8.4 Treasury Management: Annual Report 2014/15 – referral from the Finance and Resources Committee (circulated)
- 8.5 Accelerating House Building - referral from the Health, Social Care and Housing Committee (circulated)

9. Motions

9.1 By Councillor Hinds – Challenging Poverty

“The Council and the Edinburgh Partnership have a strong track record in tackling poverty but acknowledge that more needs to be done. Council recognises the often hidden nature of poverty in Edinburgh, with around a fifth of households living on low incomes, with many households having at least one person in work and experiencing in-work poverty.

Council welcomes that the Council Leader recently signed a pledge in support of the Church of Scotland's 'Food Justice Movement' which includes commitments:

- To continue to work alongside those with lived experience of poverty to identify solutions.
- To encourage the Scottish and UK governments to work in partnership with local government, communities and the third sector to tackle food poverty and develop a plan to tackle its causes.

Council also welcomes and endorses the third annual Challenge Poverty Week which will take place from 17 to 23 October and asks the Chief Executive to consider ways the Council can contribute to the 2015 Challenge Poverty Week, including:

- organising events and activities to mark the week;
- promoting the week through the Council website, facebook pages, twitter, etc;
- encouraging partner organisations to get involved.

Council agrees to adopt the Poverty Alliance pledges detailed at http://povertyalliance.org/policy_campaigns/syl/syl_pledges.”

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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The City of Edinburgh Council

Edinburgh, Thursday 20 August 2015

Present:-

LORD PROVOST

The Right Honourable Donald Wilson

COUNCILLORS

Elaine Aitken
Robert C Aldridge
Norma Austin Hart
Nigel Bagshaw
Jeremy R Balfour
Gavin Barrie
Angela Blacklock
Chas Booth
Mike Bridgman
Steve Burgess
Andrew Burns
Ronald Cairns
Steve Cardownie
Maureen M Child
Bill Cook
Nick Cook
Gavin Corbett
Cammy Day
Denis C Dixon
Karen Doran
Paul G Edie
Catherine Fullerton
Nick Gardner
Paul Godzik
Joan Griffiths
Bill Henderson
Ricky Henderson

Dominic R C Heslop
Lesley Hinds
Sandy Howat
Allan G Jackson
Karen Keil
David Key
Richard Lewis
Alex Lunn
Melanie Main
Mark McInnes
Adam McVey
Eric Milligan
Joanna Mowat
Gordon J Munro
Jim Orr
Lindsay Paterson
Ian Perry
Alasdair Rankin
Vicki Redpath
Cameron Rose
Frank Ross
Jason G Rust
Alastair Shields
Stefan Tymkewycz
David Walker
Iain Whyte
Norman Work

1. Minutes

Decision

To approve the minute of the Council of 25 June 2015 as a correct record.

2. Questions

The questions put by members to this meeting, written answers and supplementary questions and answers are contained in Appendix 1 to this minute.

3. Leader's Report

The Leader presented his report to the Council. The Leader commented on:

- Andrew Kerr, Chief Executive - Welcome
- Congratulations on the look of the City during the Festival

The following questions/comments were made:

- | | |
|--------------------|----------------------------------------------------------------------------------------------------------------------|
| Councillor Rose | - Problems with and delivery of core services – in particular in relation to waste collection |
| Councillor Burgess | - Welcome to Andrew Kerr
- Councillor Maggie Chapman - appreciation
- City Deal bid for the region |
| Councillor Booth | - Apologies to Leith Primary School for lack of hot water and school meals at start of school year |
| Councillor Lewis | - Tribute to Edinburgh Festivals – Al Harah Theater – Out of the Blue Drill Hall – Sunday 23 August 2015 |
| Councillor Robson | - Employability Fair South Edinburgh – Gilmerton Library – w/c 8 September 2015 – thanks to officers involved |
| Councillor Edie | - Welcome to Andrew Kerr
- Re-opening of Borders Railway Line – visit by Lord Provost
- Transient Visitor Levy |
| Councillor Day | - Welcome to Andrew Kerr
New tennis and basketball courts at Victoria Park |
| Councillor Mowat | - Pressure on streets and facilities during the festival period |

- | | |
|--------------------|-----------------------------------------------------------------------------------------------------|
| Councillor Rust | - Welcome to Andrew Kerr
- Leith Walk by-election
- Jeremy Corbyn – success in Leadership bid |
| Councillor Shields | - Welcome to Andrew Kerr
Rejection of LDP2 proposals to build on Cammo green belt |

4. Appointments to the Board of Edinburgh Community Solar Co-operative

On 26 February 2015, in consultation with members of the Transport and Environment Committee, under delegated authority, the Acting Director of Services for Communities had agreed that the Council should progress with the Edinburgh Community Solar Co-operative (ECSC).

The Council was now asked to appoint up to three representatives to the Board of Edinburgh Community Solar Co-operative.

Decision

To appoint Councillors Booth, Bill Henderson and Hinds to the Board of Edinburgh Community Solar Co-operative.

(Reference –report by the Chief Operating Officer and Deputy Chief Executive, submitted)

5. Appointment to the Rosyth Local Liaison Committee

The Council had made appointments to outside bodies for 2012-2017.

Councillor Child had now resigned from the Rosyth Local Liaison Committee and the Council was invited to appoint a member in her place.

Decision

To appoint the Councillor Gardner to the Rosyth Local Liaison Committee.

(References - Act of Council No 2 of 24 May 2012; report by the Acting Director of Services for Communities (circulated)

6. Edinburgh Tram Inquiry

Details were provided on the action which had been taken under the urgency procedures set out at paragraph A4.1 of the Committee Terms of Reference and Delegated Functions, in relation to issues concerning participation and representation at the Edinburgh Tram Inquiry.

Decision

- 1) To note the action taken under the urgency procedures set out at paragraph A4.1 of the Committee Terms of Reference and Delegated Functions.
- 2) Subject to the qualifications set out below, to delegate authority to the Chief Executive and/or the Deputy Chief Executive to take all decisions or actions in relation to the Council's involvement in the Edinburgh Tram Inquiry provided that the financial consequences of such decisions or actions do not exceed £2 million in aggregate (to be funded from the Council's reserves) and subject to regular reporting of updates to group leaders' meetings.
- 3) To note that where in the opinion of the Chief Executive or the Deputy Chief Executive (as the case might be) any such decision or action is particularly sensitive or controversial, the Chief Executive and/or the Deputy Chief Executive would where practical, consult in advance with group leaders and would report such decision or action taken to the next meeting of the full Council.
- 4) To agree that, recognising that the Council had an obligation to safeguard public funds, the costs associated with supporting the Tram Inquiry should be kept minimal. Further to the estimated financial burdens, detailed costings should be provided to the Council Leader and Deputy Leader at the earliest opportunity.
- 5) Further recognising that the Council had yet to decide on whether to fund representation for those called to give evidence, Council instructs officers to draw up criteria for assessing any such requirement. These criteria should be approved by the Council Leader and Deputy Leader and allow a consistent and fair approach to assessing any future decisions then taken on a case by case basis.
- 6) To agree that, wherever possible, decisions that would incur a cost in excess of £10,000 should be agreed by the Chief Executive and/or Deputy Chief Executive in consultation with the Council Leader and Deputy Leader at their weekly meetings.
- 7) To ensure the public interest was safeguarded, to agree that there would be detailed costings made regularly available to all Group Leaders apportioning where the financial costs had been incurred and by whom.

(Reference – report by the Chief Executive, submitted.)

Declaration of Interests

Councillors Balfour, Child, Jackson and Perry declared a non financial interest in the above item as former members of TIE.

7. Appointment of Executive Director - Place

Details were provided on the Recruitment Committee's recommendation for appointment to the post of Executive Director - Place.

Decision

To agree to the appointment of Paul Lawrence to the post of Executive Director - Place subject to any necessary pre-employment checks.

(References – Corporate Policy and Strategy Committee of 24 March 2015 (item 5); report by the Chief Executive, submitted.)

8. Future Investment in the School Estate – Wave 4

Details were provided on the outcome of the first stage of the process to determine the remaining scope of the Wave 4 school investment programme and approval sought for four secondary schools to be shortlisted for further consideration.

Decision

- 1) To agree that the four secondary schools identified in the report by the Executive Director of Communities and Families be shortlisted for further consideration.
- 2) To note that a report would be brought back to the Council on the outcome of this process, together with the proposed approach to prioritisation, at a later date.

(References – Act of Council No 10 of 25 September 2014; report by the Executive Director of Communities and Families, submitted)

9. Reprioritisation of the Services for Communities Capital Investment Programme

Details were provided on the proposed realignment of the Services for Communities Capital Investment Programme to enable two new projects to be funded. The projects between them would account for £1.4m.

Decision

- 1) To agree to the realignment of the Capital Investment Programme proposed in the report by the Acting Director of Services for Communities.
- 2) To agree to release £1m from the Charlotte Square Project and £520,000 from Niddrie Burn Phase 1.
- 3) To allocate funding amounting to £320,000 towards Mortonhall; £1.08m towards Saughton Park and £120,000 towards a new bridge at Niddrie Burn.

(Reference – report by the Acting Director of Services for Communities, submitted)

10. LifeCare – Motion by Councillor Hinds

The following motion by Councillor Hinds was submitted in terms of Standing Order 16:

“Council congratulates LifeCare, an organisation which reaches out to the hundreds of isolated older people living in the city, on receiving the *Queen’s Award for Voluntary Service*.

LifeCare, in partnership with the Broomhouse Centre, has also been successful in an application to the Big Lottery Fund for *Vintage VIBES*, a project which will reach out to people across the city by offering them a range of long term befriending opportunities including home visiting to friendship groups and days out.

Council recognises the contribution of volunteers to these achievements and asks the Lord Provost to acknowledge this in an appropriate manner.”

Decision

To approve the motion by Councillor Hinds.

11. Ken Buchanan – Motion by Councillor Cardownie

The following motion by Councillor Cardownie was submitted in terms of Standing Order 16:

“The City of Edinburgh Council agrees to mark the contribution made by Ken Buchanan to Boxing and to the City.

As undisputed Lightweight Champion of the World it is recognised that Ken was the greatest lightweight boxer that this City, Scotland and the UK has ever produced.

Council agrees to celebrate the career of Ken in a fitting manner and requests that the Lord Provost’s office arrange an appropriate event to mark Ken’s fantastic record.”

Decision

To approve the motion by Councillor Cardownie.

Appendix 1

(As referred to in Act of Council No 2 of 20 August 2015)

QUESTION NO 1

By Councillor Jackson for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 August 2015

Of the public toilets which are being closed in the current round -

Question (1) Have any been refurbished in the last ten years?

Answer (1) Repairs and maintenance works have been carried out on all toilets as required, funded from the revenue budget. However, none of the toilets identified for closure have had major refurbishment works done within the last 10 years.

Question (2) If so – which ones and what was the cost for each?

Answer (2) See answer (1) above.

QUESTION NO 2

**By Councillor Nick Cook for answer
by the Convener of the Transport and
Environment Committee at a meeting
of the Council on 20 August 2015**

Question (1) What is the average wait time for residents making a telephone enquiry regarding waste collection issues?

Answer (1) Breakdown of each line of business covered and a comparison between May – July 15. The times quoted are in minutes:seconds

Environmental		Special Uplifts		Waste	
May-15	2:45	May-15	2:48	May-15	2:47
Jun-15	6:13	Jun-15	6:32	Jun-15	6:00
Jul-15	5:43	Jul-15	5:30	Jul-15	10:49

Question (2) Why does the Council deem it necessary for residents to provide sensitive personal information, via a MyGovScotland log-on, in order to inform the council of a missed on-street waste collection? How is this information stored and used?

Answer (2) When informing the Council of a missed on-street waste collection customers can complete the form without signing in, however the option to do so is still available.

We always encourage customers to register in order that they can begin to enjoy the full benefits of interacting with the Council through the on line channel.

We ask questions when a customer is registering to make sure the customer is who they say they are. A customer's online account allows them to view very sensitive information, such as details of their council tax for example. It's therefore very important we are certain only the customer can access it. The information provided is cross-checked with information held by National Records of

Scotland (NRS). This ensures nobody else can create a fraudulent account in their name.

However, I have asked the Chief Operating Officer and Deputy Chief Executive to consider if there is any requirement to make the system more easily accessible to residents.

Question (3) What are the current wait times for residents receiving replacement waste and recycling bins after lodging a replacement request? Please break down by bin type.

Answer (3) The information requested is provided in the table below.

There has been an unsatisfactory delay in waiting times for residents to receive new or replacement bins and containers.

There are 2 reasons for this as follows:-.

Firstly, the Department has experienced exceptionally high demand for containers (particularly food waste caddies), due to the successful roll-out of new recycling service which has seen recycling yields increase by 101% for those receiving the new service.

There are currently around 10,500 outstanding requests for bins and approximately 6,000 of these relate to food waste caddies.

In addition, the Department has experienced issues with suppliers, increasing the lead time for delivery of stock to the Council, particularly for green and brown wheelie bins, and this has also contributed to the delays in delivering these containers to residents.

Supply has now been fully restored and the Department are confident that the delivery of the vast majority of all food waste caddies will be completed by Friday 25 September 2015. This is in hand and resources are now being focused on the delivery of the remaining bins and boxes, to deal with the backlog for these bins and improve the average waiting time further. It is anticipated that the bulk of the backlog of all bins will be dealt with by the end of September 2015.

In the meantime, I have asked the Senior officers to consider what further action is possible, to reduce future waiting times for the delivery of bins to residents and I will update Members once this is available.

Request Type	Average number of days for current open requests to 12 August 2015
Bag	25
Box	20
Communal Repair Replace	39
Food	40
Garden Bin	40
Recycling Bin	28
Residual Bin	42
Trade Waste bin	35

Question (4) Is the current wait time above or below the average for the last twelve months?

Answer (4)

Request Type	Average number of days to closure for requests 1 August 2014 to 31 July 2015
Bag	15
Box	10
Communal Repair Replace	31
Food	30
Garden Bin	88
Recycling Bin	34
Residual Bin	39
Trade Waste Bin	25

Supplementary Question (1) Supplementary to Question (1), I do thank you for the frank and comprehensive answer which conveniently for some provides a frank and comprehensive evidence of failure to provide the level of service expected by Edinburgh residents.

Do these call figures include dropped calls in terms of when people have actually just given up waiting and hung up when they were trying to report an issue with waste.

What are you doing to get the issue under control and will you commit to a timetable today for doing so.

Supplementary Answer (1) I accept that the time people have to wait on the telephone is unacceptable and I've raised it on occasions with both the Director and with the Head of Waste and I'd be happy to speak to you outwith the meeting about what action I've been taking on that – I'm happy to give a timetable to get these figures a lot better.

Supplementary Question (2) My second one is to Question (3) which for the benefit of the webcast, people will notice that there are 10.500 outstanding requests for replacement bins across the City, which is rather astonishing.

Will you give a personal cast iron commitment today on behalf of the Administration that these issues will be resolved by the end of September as is stated in the answer?

Do you also agree, and I suspect I already know the answer to this question, these figures are for illustration, the Administration got it wrong when they refused to rule out an alternative delivery model for waste collections?

Supplementary Answer (2) You won't be surprised to hear for your second part, is to say that, no we didn't get it wrong. What it is, is actually almost a victim of the success of the recycling service which has been rolled out into the final phase coming in September which personally I'm looking forward to. One of the last phases to come in has been very successful and what the officers are finding they expected to be a rise in the numbers of requests, particularly for food waste caddies, but as people are changing their behaviour and recycling in the street with the new recycling service, there's been a massive increase in the request for food caddies which is one of the issues they are trying to deal with. So the two issues where there have been difficulty is the massive rise in requests for recycling bins, for food caddies etc, the other issue is to do with one of the companies that we deal with closed down for a month and therefore we were unable to get the bins.

I am assured by the Head of Waste and by the Acting Director that that is now on track. They put extra resources into it to ensure that we do get it back to what I would say an acceptable level.

My concern in particular is - if it's a recycling bin but also if it's a landfill bin – if it's not your fault, if the bin gets chewed up in the back of the lorry or someone takes your bin. It's the unacceptable times that people have to wait – what do they do with their waste? So we accept that these times are unacceptable and I will give a cast iron assurance, I will ensure over the next few weeks, continue as I do on my weekly and fortnightly meetings with the Director etc, to ensure that we get back to a level that is acceptable. I hope that you accept Councillor that there are the two issues - one is the massive increase in people asking for food waste caddies in particular and secondly one of the companies we're dealing with just closed down for a month without any notice and therefore obviously trying to then get back the bins to get into the service. So I hope you accept that there are sometimes some of these challenges and it's how you deal with the challenges, how you get on with it and make sure you put in place the extra resources, extra time , prioritise them so we get back to the service that as you say Edinburgh residents should accept.

QUESTION NO 3

**By Councillor Nick Cook for answer
by the Convener of the Transport and
Environment Committee at a meeting
of the Council on 20 August 2015**

Question (1) How much money has the Council spent, since 2012, correcting road and footway works not carried out to the provided specification?

Answer (1) There is no cost to the Council, as any carriageway and footway works that have been carried out by external contractors have been procured to the specifications detailed. The contractor is therefore responsible for ensuring that their work meets the specification and is responsible for any costs associated with the undertaking of remedial work.

Works carried out by the in-house Road Services team are carried out to specification; however remedial works may be required due to various reasons eg, unexpected road foundations. Therefore there is no recorded cost to the Council in relation to works not carried out to specification. The costs for any remedial repairs are added to the main resurfacing costs and cannot currently be identified as a separate cost.

Going forward, all future carriageway and footway works will be recorded on the Council new Asset Management System, Confirm. This will allow all remedial works to be recorded and approved to allow these costs to be separated from the main works and analysed for future improvements.

Question (2) What percentage of such works were carried out 'in-house' and what percentage by a private contractor?

Answer (2) See Answer (1) above.

Question (3) How much money has the Council spent, since 2012, correcting road and footway works carried out to a specification later deemed to be flawed after works were undertaken?

Answer (3) No costs have been incurred by the council correcting work due to flawed specifications.

In 2015/16 remedial works were carried out on a large number of schemes from the 2014/15 Local Roads Thin Surfacing Programme. This was due to a fault with the original road surfacing material. Responsibility for this was accepted by the material supplier and the remedial works were carried out at no cost to the Council.

Question (4) What percentage of such works were carried out 'in-house' and what percentage by a private contractor?

Answer (4) See Answer (1) above.

Supplementary Question While it is regrettable there didn't seem to be any effective reporting mechanism in place to date, I appreciate that's not your personal fault. I do welcome the introduction of the new asset management system, but will the new asset management system have provision for logging when works are carried out on time and on budget or indeed otherwise?.

Supplementary Answer I think we need to look, as I said in the answer, to see exactly what we can do to improve that kind of service, especially for some people who perhaps ask how do we get into that and how are we able to do that? I think we need to look at in more detail.

QUESTION NO 4

**By Councillor Whyte for answer by
the Convener of the Finance and
Resources Committee at a meeting
of the Council on 20 August 2015**

City of Edinburgh Council recently declined a Freedom of Information request to provide a list of data breaches.

Question (1) Could the Convener clarify where the details of such breaches are reported and made available for scrutiny by Elected Members?

Answer (1) In line with the Council's Data Protection Policy, all breaches which contain personal data are reported to the Council's Information Governance Unit in Corporate Governance.

To ensure corporate oversight and scrutiny, all breaches are routinely reported to the Information Council and to the Deputy Chief Executive as the Council's Senior Information Risk Owner. Depending on the seriousness of the breach, some may be reported to the UK Information Commissioner's Office (ICO).

An annual report is presented to Corporate Policy and Strategy Committee at the end of each financial year.

Question (2) What has been the scale and frequency of such breaches over the last 3 years?

Answer (2) There have been 52 data protection breaches for the period 2012-2015. The majority of these were assessed as being minor and did not require to be reported to the UK Information Commissioner.

In line with the Information Commissioner's Office guidance, the Council has reported four breaches to the ICO where the volume and sensitivity of the information involved, and the potential level of harm and distress to individuals, was deemed serious enough to warrant notification.

Question (3) How many have been reported to the Scottish Information Commissioner by the Council?

Answer (3) Four breaches have been reported to the ICO by the Council for the period 2012-2015.

Question (4) How many of these breaches have been reported to the Scottish Information Commissioner by other parties?

Answer (4) Five breaches have been reported to the ICO by other parties for the period 2012-2015.

Supplementary Question The Convener in his answer to Part 1 of the question states that an annual report is presented to the Corporate Policy and Strategy Committee at the end of each financial year. This is of course about data breaches within the Council. It goes on to list some of those breaches.

As far as I can see Lord Provost, there is a report that has been presented to the Corporate Policy and Strategy Committee that was an Information Governance update and it was on 2 December 2014. That doesn't seem like an annual report at the end of each financial year and indeed as I go through it there are headings – freedom of information, data protection, records management, archives and information governance, but I see no reference in there to the number and the extent of data breaches and how many of those have been reported to the Information Commissioner.

So can the Convener give us an assurance that what he says is happening will actually happen in the future and these will be reported and can he inform us as to how he intends to make up for the failure to report so far on this matter?

Supplementary Answer I thank Councillor Whyte for his question. I'm happy to give him that assurance that we will provide all the information that we can in line with the Data Protection Act. These are sometimes not trivial matters. Although we have no legal obligation to report some of the more serious ones to the Information Commissioner we nevertheless do as a matter of good practice and I think that as we are doing that for both

major and minor matters, it's only reasonable that we should be as transparent as possible and that information should be provided to the relevant Committee at the end of the financial year.

Insofar as you've identified any shortcomings, I will do my best to see that those are made good.

Item no 5.1

QUESTION NO 1

**By Councillor Bagshaw for answer
by the Convener of the Planning
Committee at a meeting of the
Council on 17 September 2015**

On 26 August 2015 the Development Management Sub-Committee considered an application for a site 80 Metres West of 4 Ferrymuir, South Queensferry (Application No 14/04172/FUL).

In the relevant report the Director of Children and Families assessed the impact of the proposed development on the existing school estate and calculated the financial contribution required to support the provision of essential infrastructure to accommodate the additional pupils at £845,480.00.

The developer stated that the requirement to commit to the full £845,480.00 contribution being sought would seriously prejudice its ability to provide a community facility for the residents of South Queensferry and a reduced financial contribution of £495,480.00 to the provision of education infrastructure was agreed, leaving the Council to make up the £350,000 shortfall.

Question (1) Please list all cases since 2009 of shortfalls between the cost of additional education requirements caused by developments and the amount provided by developers to meet those requirements.

Answer (1)

Question (2) How much has that shortfall amounted to in each case?

Answer (2)

Question (3) What measures are being taken to ensure that in future the Council secures the complete and necessary financial contribution towards education arising from new developments?

Answer (3)

Item no 5.2

QUESTION NO 2

By Councillor Rust for answer by the
Convener of the Transport and
Environment Committee at a meeting
of the Council on 17 September 2015

Question (1) Please advise if there is a penalty clause in any contracts in relation to waste collection between the Council and private contractors.

Answer (1)

Question (2) If there is such a clause has it ever been invoked?

Answer (2)

Question (3) How are complaints of failure in service regarding waste collection by private contractors monitored and reviewed?

Answer (3)



September 2015

A warm welcome awaits in Edinburgh



No one could fail to be moved by the tragic stories that have emerged over recent weeks as a result of people trying to flee the conflict in Syria.

The Prime Minister has announced the UK's intention to accept 20,000 additional refugees over the next five years which followed the First Minister's earlier announcement of Scotland resettling 1,000 refugees in the coming year.

Working with statutory and voluntary sector partners, the Council will play its part by applying to resettle 100 refugees this year and, we hope, more in the future. You can play yours by supporting our disaster and emergency partner [Mercy Corps](#) in their ongoing work in Syria and Europe.

On the right track

I was delighted to be one of the guests to travel on the train for the official launch of the Borders Railway this week. The event was the culmination of many years of partnership work with colleagues in Midlothian and the Scottish Borders along with Transport Scotland, the Scottish Government and Scottish Enterprise.

The new rail link will be a welcome addition to the tourism offering of the region, will help grow the economies of areas along the route, while also greatly improving the connectivity for commuters coming in and out of Edinburgh.

With a last train leaving Edinburgh just before midnight, it will be a great opportunity for those outwith the city to enjoy our pubs, restaurants and attractions.

A wheely great event

Being a keen cyclist I was delighted that some of the world's most celebrated sportsmen on two wheels set off from Holyrood Park for the fourth stage of the Tour of Britain on Tuesday.

It was a fitting and spectacular backdrop as the stage took in some of the capital's most famous landmarks such as Holyrood Palace, the Royal Mile and Edinburgh Castle.

Cycling is on the increase in the city and having the tour here with such icons of the sport as Sir Bradley Wiggins and Mark Cavendish will only encourage more people to get on their bike!

New Councillors elected

Congratulations to Lewis Ritchie and Marion Donaldson who have become the city's two newest Councillors having been elected last night following the Leith Walk by-election. They will have their first Council meeting on 17 September representing the needs and opinions of the ward's residents.

While it was no doubt a momentous occasion for them both, the by-election was also a historic event for the city. For the first time two Councillors were elected at a by-election under Single Transferable Vote (STV), allowing voters to list as many candidates as they want in order of preference.

I now look forward to working closely with Lewis and Marion to deal with matters both city-wide and on a more local level. Leith Walk is a vibrant and diverse ward, with an exciting future, and I am certain they will both serve it well.

City Region deal bid submitted

It's very encouraging that we have now submitted our bid for a £1bn Edinburgh and South East of Scotland City Region deal to the Westminster and Scottish governments.

This is our first major milestone and we worked closely with our partners, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian councils to develop a proposal which will accelerate growth in the region.

Our recent business breakfast was a great success and to date almost 100 businesses have registered their support. I look forward to bringing more detail forward as we aim to have a deal in place for early 2016.

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◆ EDINBURGH ◆
THE CITY OF EDINBURGH COUNCIL

The City of Edinburgh Council

10.00am, Thursday, 17 September 2015

By-election – No 12 Leith Walk Ward

Item number	7.1
Report number	
Executive/routine	
Wards	All

Executive summary

The Council is asked to note the election of two Councillors for No 12 Leith Walk Ward.

Links

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

By-election – No12 Leith Walk Ward

Recommendation

- 1.1 The Council is asked to note that Marion Donaldson (Scottish Labour Party) and John Lewis Ritchie (Scottish Nationalist Party) have been elected as Councillors for No 12 Leith Walk Ward.

Main report

- 2.1 On 10 September 2015 a by-election was held for No 12 Leith Walk Ward.

Measures of success

- 3.1 Not applicable.

Financial impact

- 4.1 Not applicable.

Risk, policy, compliance and governance impact

- 5.1 Not applicable.

Equalities impact

- 6.1 Not applicable.

Sustainability impact

- 7.1 Not applicable.

Consultation and engagement

- 8.1 Not applicable

Background reading / external references

Andrew Kerr

Returning Officer

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Links

Coalition pledges

Council outcomes CO25 – The Council has efficient and effective services that deliver on objectives.

Single Outcome Agreement

Appendices None

10am, Thursday, 17 September 2015

Appointments to Committees etc - Update

Item number	7.2
Report number	
Executive/routine	
Wards	All

Executive summary

At its meeting on 25 June 2015, the Council made appointments to Committees, Boards and Joint Boards for 2015/16.

The result of the Council by-election on 10 September 2015 affects the political balance of the Council, and therefore the Terms of Reference and Delegated Functions of a number of Executive and other Committees.

The Council is asked to agree the proposed changes to the political balance of some Committees, to match that of the Council as a whole, and to make the necessary appointments. To allow this, the Lord Provost must rule a material change of circumstance, namely the result of the by-election, as previous decisions on this have been made within the preceding six months.

Links

Coalition pledges

Council outcomes

Single Outcome Agreement

Appointments to Committees etc - Update

Recommendations

- 1.1 To appoint members to the following Committees, where necessary identifying which members are to relinquish Committee membership:-
 - a) Corporate Policy and Strategy Committee
 - b) Communities and Neighbourhoods Committee
 - c) Education, Children and Families Committee
 - d) Finance and Resources Committee
 - e) Health, Social Care and Housing Committee
 - f) Governance, Risk and Best Value Committee
 - g) Petitions Committee
 - h) Transport and Environment
 - i) Planning Committee/ Development Management Sub Committee
 - j) Planning Local Review Body Panel 1
 - k) Personnel Appeals Committee
 - l) Lothian Valuation Joint Board/Lothian Electoral Joint Committee
- 1.2 To appoint an Opposition member as Convener of the Petitions Committee.
- 1.3 To appoint Councillors Donaldson and Ritchie to the Leith Neighbourhood Partnership.
- 1.4 To adjust the Committee Terms of Reference and Delegated Functions to reflect these appointments.

Main report

- 2.1 At its meeting on 25 June 2015 the Council agreed the appointments to committees, boards and joint boards for 2015/16.
- 2.2 At the Council by-election on 10 September 2015, one Labour Councillor (Councillor Donaldson) and one SNP Councillor (Councillor Ritchie) were elected. This changes the political composition of the Council to 21 Labour; 17 SNP; 11 Conservative; 5 Green; 3 SLD, and one independent.
- 2.3 The following adjustments to committee etc membership are necessary should the Council follow its current practice of appointing to committees and sub-committees in accordance with its overall political balance.

- 2.3.1 **Corporate Policy and Strategy Committee**
Appoint one Labour Group member (*in place of a Green Group member*)
- 2.3.2 **Communities and Neighbourhoods Committee**
Appoint one SNP Group member (no change)
- 2.3.3 **Education, Children and Families Committee**
Appoint one SNP Group member (no change)
- 2.3.4 **Finance and Resources Committee**
Appoint one SNP Group member (no change)
- 2.3.5 **Health, Social Care and Housing Committee**
Appoint one Labour Group member (*in place of a Green Group member*)
- 2.3.6 **Governance, Risk and Best Value Committee**
Appoint one SNP Group member (no change)
- 2.3.7 **Petitions Committee**
Appoint one SNP Group member (no change)
Appoint one Labour Group member (*in place of one SLD Group member*)
- 2.3.8 **Transport and Environment Committee**
Appoint one Labour Group member (*in place of a Green Group member*)
- 2.3.9 **Planning Committee/Development Management Sub-Committee**
Appoint one SNP Group member (no change)
- 2.3.10 **Planning Local Review Body Panel 1**
Appoint one SNP Group member (no change)
- 2.3.11 **Personnel Appeals Committee**
Appoint one SNP Group member (no change)
- 2.3.12 **Police and Fire Scrutiny Committee**
Appoint one Labour Group member (*in place of one SLD Group member*)
- 2.3.13 **Lothian Valuation Joint Board/Lothian Electoral Joint Committee**
Appoint one SNP Group member (no change)

- 2.4 Councillor Chapman’s resignation from the Petitions Committee requires the appointment of a Convener to that Committee. The Convener should be a member of the opposition.
- 2.5 In accordance with the agreed practice, Councillors Donaldson and Ritchie will serve on the Leith Neighbourhood Partnership.

Measures of success

- 3.1 The Council appoints members to all its Committees.

Financial impact

- 4.1 Not applicable.

Risk, policy, compliance and governance impact

- 5.1 Appointments are required to support the democratic decision-making process.

Equalities impact

- 6.1 Not applicable.

Sustainability impact

- 7.1 Not applicable.

Consultation and engagement

- 8.1 Not applicable.

Background reading/external references

[Council minute of 25 June 2015](#)

Alastair D Maclean

Deputy Chief Executive

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Links

Coalition pledges

Council outcomes CO25 – the Council has efficient and effective services that deliver on objectives

Single Outcome Agreement

Appendices

The City of Edinburgh Council

10.00am, Thursday, 17 September 2015

Appointments to the Convention of Scottish Local Authorities (COSLA)

Item number	7.3
Report number	
Executive/routine	
Wards	All

Executive summary

Councillor Cardownie and ex-Councillor Chapman have tendered their resignation from COSLA. The Council is asked to appoint to these vacant positions.

Under the political balance approved by the Council, the new members should be a member of the SNP Group and Green Group respectively.

Links

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

Report

Appointment to the Convention of Scottish Local Authorities (COSLA)

Recommendation

1.1 To appoint two members to the vacant positions on COSLA.

Main report

- 2.1 Councillor Cardownie and ex-Councillor Chapman were appointed to COSLA on 24 May 2012.
- 2.2 They have now tendered their resignations from this position, and the Council is invited to appoint members in their place.
- 2.3 CoSLA is the representative voice of Scottish local government.
- 2.4 The Council's current membership on CoSLA is:
- Councillor Burns (L)
 - Councillor Hinds (L)
 - Councillor Cardownie (SNP)
 - Councillor Rankin (SNP)
 - Councillor Rose (C)
 - ex-Councillor Chapman (G)
- 2.5 Under the political balance approved by the Council, the new members should be members of the SNP Group and Green Group respectively.

Measures of success

3.1 The Council appoints members to various outside organisations.

Financial impact

4.1 Not applicable.

Risk, policy, compliance and governance impact

5.1 Appointments are required to support the democratic decision-making process.

Equalities impact

6.1 Not applicable.

Sustainability impact

7.1 Not applicable.

Consultation and engagement

8.1 Not applicable

Background reading / external references

[Council minute of 24 May 2012.](#)

Alastair D Maclean

Deputy Chief Executive

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Links

Coalition pledges

Council outcomes CO25 – The Council has efficient and effective services that deliver on objectives.

Single Outcome Agreement

Appendices None

10.00am, Thursday, 17 September 2015

Resignation from the Board of Marketing Edinburgh Limited

Item number	7.4
Report number	
Executive/routine	
Wards	All

Executive summary

Council is asked to note the resignation of Councillor Nick Cook from the Board of Marketing Edinburgh Limited. The Council's governance arrangements in relation to arms length companies require that three Elected Members are appointed to each Board and Council is asked to approve another Elected Member to replace Councillor Cook. Councillors Ross and Munro remain on the Board of Marketing Edinburgh.

Links

Coalition pledges	P15, P24, P28, P31
Council outcomes	CO20
Single Outcome Agreement	SO1

Resignation from the Board of Marketing Edinburgh Limited

Recommendations

- 1.1 It is recommended that Council notes the resignation of Councillor Nick Cook from the Board of Marketing Edinburgh Limited.
- 1.2 It is recommended that Council appoint a replacement Board Director to the Board of Marketing Edinburgh Limited.

Background

- 2.1 Marketing Edinburgh Limited was established in 2011 as an arms length company of the City of Edinburgh Council.
- 2.2 The Council's governance of arms length companies requires three Elected Members to be represented on each company board and this is reflected in Marketing Edinburgh Limited's Articles of Association.
- 2.3 Marketing Edinburgh Limited has a signed Service Level Agreement with the City of Edinburgh Council. This was approved by the Economy Committee on 29 April 2014 for a period of three years.

Main report

- 3.1 Marketing Edinburgh Limited is wholly owned by the City of Edinburgh Council and was established to act as the destination promotion body for the city.
- 3.2 Councillor Nick Cook has resigned as a Director of Marketing Edinburgh Limited from 14 September 2015.
- 3.3 A new Director is required to replace Councillor Nick Cook on the Board of Marketing Edinburgh Limited.

Measures of success

- 4.1 New Board Member is appointed to represent the Council on the Board to Marketing Edinburgh Limited.

Financial impact

- 5.1 Not applicable.

Risk, policy, compliance and governance impact

6.1 Not applicable.

Equalities impact

7.1 Not applicable.

Sustainability impact

8.1 Not applicable.

Consultation and engagement

9.1 Not applicable.

Background reading/external references

Greg Ward

Executive Director, City Strategy and Economy

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Links

Coalition pledges	P15 – Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors P24 – Maintain and embrace support for world-famous festivals and events P31 – Maintain our city’s reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure
Council outcomes	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 CO20 – 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	SO1 – Edinburgh's Economy Delivers increased investment,

Agreement jobs and opportunities for all

Appendices None

10am, Thursday, 17 September 2015

Appointment of Head of HR and Organisational Development

Item number	8.1
Report number	
Executive/routine	
Wards	All

Executive summary

This report refers the recommendation of the Recruitment Committee for the appointment to the post of Head of HR and Organisational Development to Council for approval.

Links

[Coalition pledges](#)
[Council outcomes](#)
[Single Outcome Agreement](#)

Appointment of Head of HR and Organisational Development

Recommendations

- 1.1 That Council appoint Katy Miller to the post of Head of HR and Organisational Development subject to any necessary pre-employment checks.

Background

- 2.1 Following the commencement of the Transformation Programme, Aspen People were engaged to source suitable applicants for the role of Head of HR and Organisational Development. External online advertising and social media recruiting methods were used to source applicants, as well as more traditional headhunting methods.

Main report

- 3.1 The composition of the Recruitment Committee for the Head of HR and Organisational Development was Councillors Burns, Bill Cook, Howat, Rankin and Rose.
- 3.2 The Recruitment Committee shortlisted applications on Tuesday 11 August 2015. Those shortlisted were invited to attend Recruitment Committee interviews which were held on Friday 21 August 2015.
- 3.3 The Recruitment Committee agreed to recommend that the Council appoint Katy Miller to the post of Head of HR and Organisational Development.

Measures of success

- 4.1 That an individual is appointed to undertake the role of Head of HR and Organisational Development.

Financial impact

- 5.1 As noted in the report agreed by the Corporate Policy and Strategy on 24 March 2015, Aspen People have been competitively procured for Chief Officer recruitment.

Risk, policy, compliance and governance impact

- 6.1 The Council's recruitment and selection policy for the recruitment of Chief Officers has been followed.

Equalities impact

- 7.1 The appointment process complies with relevant equalities legislation.

Sustainability impact

- 8.1 There is no direct sustainability impact as a result of this report.

Consultation and engagement

- 9.1 The Recruitment Committee has been conducted in an open and transparent manner.

Background reading/external references

Recruitment Committee minutes of 11 and 21 August 2015.

Alastair D Maclean

Deputy Chief Executive

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Links

Coalition pledges

Council outcomes

Single Outcome

Agreement

Appendices

The City of Edinburgh Council

10.00am, Thursday 17 September 2015

Revenue Monitoring 2014/15 – Outturn Report - referral report from the Finance and Resources Committee

Item number	8.2
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered a report on the provisional 2014/15 revenue outturn position for the Council based on the unaudited financial statements. The report has been referred to the City of Edinburgh Council for approval to allocate the capital receipt of £1.183 million in respect of the former East Market Street Garage to the Council's Common Good account. The report would subsequently be referred to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

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 Monitoring 2014/15 – Outturn Report

Terms of referral

- 1.1 The Council's statement of accounts for 2014/15 was passed to the external auditor in advance of the statutory deadline of 30 June. The report set out the provisional outturn position for the revenue budget as detailed within the unaudited statement.
- 1.2 From the 1 July 2015 the unaudited financial statements were published on the Council's website for 15 working days, in accordance with relevant regulations. For 2014/15, the unaudited outturn position showed an overall underspend of £0.519 million, which equated to 0.05 per cent of the Council's total net expenditure.
- 1.3 The Finance and Resources Committee agreed to:
 - 1.3.1 Note the contents of the report and the provisional revenue underspend of £0.519 million for the year ended 31 March 2015.
 - 1.3.2 Earmark up to £0.250 million of the General Fund surplus to support the development of the Edinburgh and South East Scotland City Region City Deal proposal, with the remaining balance of the underspend set aside within the Council's Priorities Fund.
 - 1.3.3 Note the contributions to and from the General Fund as detailed in the report by the Chief Operating Officer and Deputy Chief Executive.
 - 1.3.4 Note the Common Good Annual Performance Report would be considered at the Finance and Resources Committee meeting on 24 September 2015.
 - 1.3.5 Refer the report by the Chief Operating Officer and Deputy Chief Executive to Council for approval to allocate the capital receipt of £1.183 million in respect of the former East Market Street Garage to the Council's Common Good account.
 - 1.3.6 Refer the report by the Chief Operating Officer and Deputy Chief Executive to the Governance, Risk and Best Value Committee as part of its workplan.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report by the Chief Operating Officer and Deputy Chief Executive to The City of Edinburgh Council for approval to allocate the capital receipt of £1.183 million in respect of the former East Market Street Garage to the Council's Common Good account and for referral to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Background reading / external references

[Revenue Monitoring 2014/15 - Outturn Report](#)

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 August 2015

Revenue Monitoring 2014/15 – outturn report

Item number 7.4
Report number
Executive/routine
Wards

Executive summary

The report sets out the provisional 2014/15 revenue outturn position for the Council based on the unaudited financial statements. The statement of accounts shows an overall underspend of £0.519m.

Links

Coalition pledges [P30](#)

Council outcomes [C025](#)

Single Outcome Agreement [SO1](#), [SO2](#), [SO3](#), [SO4](#)

Finance and Resources Committee

Revenue Monitoring 2014/15 – outturn report

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the contents of this report and the provisional revenue underspend of £0.519m for the year ended 31 March 2015;
 - 1.1.2 earmark up to £0.250m of this General Fund surplus to support the development of the Edinburgh and South East Scotland City Region City Deal proposal, with the remaining balance of the underspend set aside within the Council Priorities Fund;
 - 1.1.3 note the contributions to and from the General Fund as detailed in the report;
 - 1.1.4 note the Housing Revenue Account was balanced after making a contribution of £2.5m to the Renewal and Repairs Fund;
 - 1.1.5 note the Common Good Annual Performance Report will be considered at the Committee's next meeting on 24 September;
 - 1.1.6 refer this report to Council to allocate the capital receipt of £1.183m in respect of the former East Market Street Garage to the Council's Common Good account; and
 - 1.1.7 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

Background

- 2.1 The Council's statement of accounts for 2014/15 was passed to the external auditor in advance of the statutory deadline of 30 June. This report sets out the provisional outturn position for the revenue budget as detailed within this unaudited statement.
- 2.2 The unaudited financial statements were published on the Council website by 30 June 2015 and made available for public inspection from 1 July 2015 for 15 working days, in accordance with relevant regulations.

Main report

- 3.1 The unaudited outturn position for 2014/15 shows an overall underspend of £0.519m, equating to 0.05% of the Council's total net expenditure. The table below outlines the constituent elements of this variance, alongside the movement from the position projected at period nine, with additional details provided in Appendices 1 and 2.

	Outturn Variance
Service Variance	£000
Children and Families	0
Corporate Governance	(465)
Economic Development	(26)
Health and Social Care	5,878
Services for Communities	(1)
Total Service Variances	5,386
Corporate Variances	
Council Tax Reduction Scheme	(811)
Net Cost of Benefits	(1,374)
Dividends Receivable	(437)
Loan Charges / Interest on Rev Bals	(3,170)
Prior-year and other adjustments	1,508
Council Tax / Community Charge	(4,170)
Contribution to Repairs and Renewals	10,301
Contribution from Earmarked Funds	(7,751)
Total Corporate Variances	(5,904)
In-year (surplus) / deficit	(519)

- 3.2 There was an overspend within service areas of £5.386m. Within this amount, four of the five main service areas returned underspends, or achieved a balanced position, against their approved budgets. Health and Social Care returned an overspend of £5.878m, with £4.75m of this being met through the Council Priorities Fund in accordance with Council's decision of 12 February 2015 and the remainder addressed by means of underspends / additional income from other areas of the Council's budget.

- 3.3 The net underspend of £0.519m has initially been set aside within the Council Priorities Fund, for the purposes of closing the 2014/15 accounts. Following consideration at its meeting of 28 May, Council agreed to allocate up to £0.250m of the combined Economic Development and Corporate Governance underspend (totalling £0.491m) to support the development of a full proposal for the Edinburgh and South East Scotland City Region City Deal. Members are therefore asked to refer this decision, and the resulting set-aside of the remaining balance within the Council Priorities Fund, to Council for approval.
- 3.4 Service variances are outlined in more detail in Appendix 2.

Other variances

- 3.5 In addition to the service-specific position summarised above, the overall outturn reflected a number of other variances, the main elements of which are summarised below:

Council Tax Reduction Scheme

The majority of funding for this scheme is included within the Local Government Finance Settlement. The entirely demand-led nature of this scheme exposes the Council to risks, however the sums paid out in 2014/15 were £0.8m lower than the level of budgetary provision.

Loan Charges / Interest on Revenue Balances

There was an overall favourable variance of £3.17m, largely attributable to the Council's ongoing strategy not to undertake external borrowing to finance capital investment, instead financing this from available cash resources.

Council Tax / Community Charge

Increased property numbers, lower than budgeted levels of exemptions and discounts contributed to a favourable overall variance of £4.170m.

The Community Charge Debt (Scotland) Act 2015 was passed on 19 February 2015, bringing to an end the collection of Community Charge in Scotland. The Council has written off the Community Charge debtor in the annual financial statements during the financial year and no further income collections will be made.

Property Conservation

- 3.6 As part of the 2014/15 financial year-end review process, the adequacy of provision for bad debt and irrecoverable sums was considered by Finance and Property Conservation. Following review, and as a prudent measure, the total amount earmarked for bad debts and irrecoverable sums has been increased by £1.5m, recognising a potential under-provision for legacy work and aged debts. This is in respect of old statutory notice bills that were not part of the Deloitte

process. The total amount now set aside for bad debts and irrecoverable sums is £17.9m.

Approved budget savings delivery

- 3.7 The final outturn position for 2014/15 indicates that 72% of approved savings by value were delivered, with non-delivery primarily as a result of shortfalls in Corporate Property and Health and Social Care. Opportunities to realise savings, and thereby re-establish financial stability, in these areas are being actively examined through the asset management strand of the Transformation Programme and KPMG's work with Health and Social Care.

Housing Revenue Account (HRA)

- 3.8 The HRA achieved a balanced position for 2014/15 after making a contribution of £2.503m to the Renewal and Repairs Fund, which represents sums set aside for the provision of new affordable homes through the 21st Century Homes programme and as a contingency to manage the impact of welfare reform. This contribution was achieved after a voluntary repayment of debt of £6.1m.

Staff severance costs

- 3.9 Costs relating to voluntary severance in 2014-15 were met through a combination of central funding and provision made by service areas. Services were again given the option of having pension strain costs funded centrally by way of a budget virement, with any costs being repaid to the General Fund over a period of up to five years, or managing these within available resources. Full provision to meet these costs was made in-year by all services except Children and Families, with funding of £0.137m being repayable over five years.
- 3.10 The table below summarises voluntary severance and pension strain costs relating to the release of staff during the year to enable approved savings to be delivered. The reported costs and staff numbers are based on when the corresponding commitment was created in accounting terms and not necessarily when the employees concerned left the Council. The number and associated cost of voluntary severance arrangements in 2014/15 reduced by almost 50% compared with 2013/14.

Service	Voluntary Severance Costs £000	Pension Strain Costs £000	Total £000	Number of staff
Children and Families	609	259	868	34
Corporate Governance	393	389	782	14
Economic Development	57	74	131	3
Health and Social Care	72	175	247	12
Services for Communities	328	305	633	18

Total	1,459	1,202	2,661	81
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Reserves

- 3.11 Details of the opening and closing amounts in the General Fund, including earmarked balances are shown in Appendix 3. The unallocated General Fund balance remained unchanged at £13.025m, while there was a net decrease in reserves held for specific purposes by £5.995m. The main elements of this movement were:

Net contributions to General Fund

Balances set aside for specific investment - £1.861m – various additional contributions for specific projects received during the year that are expected to be drawn down in the 2015/16.

Lothian Buses - £2m – additional dividend received from Lothian Buses which is being utilised in 2015/16 to support additional investment in the city's roads and pavements.

Council Tax Discount Fund - £2.301m - monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to affordable housing type projects.

Strategic Acquisition Fund - £3m – on 7 February 2013 Council approved the creation of this fund for the purpose of creating new city development opportunities. During 2014/5 part funding of this initiative was created from a one-off dividend receipt derived through an asset sale from Shawfair Land Ltd.

IT Transformation – £2.298m – a further contribution to the fund was made in 2014/15 to support the IT transformation programme.

Contributions from General Fund

Council Priorities Fund – net reduction of £7.739m comprised a combination of (i) drawdown of £4.75m to reduce the Health and Social Care overspend, as approved by Council, 12 February 2015, (ii) approved funding of Gylemuir House (former Pentland Hill Care Home), (iii) approved tram feasibility funding and (iv) a number of smaller approved drawdowns.

Contingency funding and workforce management - £4.931m net reduction related to (i) £1.276m central funding of voluntary release and pension strain costs, (ii) £3.155m of equal pay claims and (iii) Children and Families contingency funding carried forward from 2013/14.

Older People's Change Fund – remaining funds of £2.67m were drawn down in full during 2014/15 in accordance with funding agreements, for a number of prevention and early intervention initiatives.

Common Good

- 3.12 During 2014/15, the Council generated two capital receipts for the Common Good, with the first being the sale of air rights above Common Good land in the Grassmarket for £0.035m, which was credited to the Common Good Fund. The second sale was that of East Market Street Garage as part of a wider package of properties associated with the New Waverley development.
- 3.13 The Common Good account was credited with a receipt of £1.183m. The receipt, net of costs associated with the disposal, was then transferred to an earmarked reserve pending re-consideration by the Council of its previous decision on 14 November 2002 to transfer the receipt from the sale of the site to the Council to assist with the funding of the rationalisation of office accommodation. Given the subsequent completion of the accommodation programme, culminating in the opening of the Waverley Court Headquarters building in late 2006, and, more fundamentally, intervening changes in economic conditions (including the knock-on impact on the Fund's investment returns), it is recommended that this receipt now be retained within the Council's Common Good account.

Measures of success

- 4.1 The Council has a statutory duty to set a balanced budget each year and the Financial Regulations further set out the Directors' responsibilities in maintaining expenditure within approved levels. This has in overall terms been achieved and has allowed the level of unallocated reserves to be maintained in accordance with the Council's reserves strategy whilst also forming a solid basis from which to deliver subsequent years' savings requirements.

Financial impact

- 5.1 There is no additional financial impact arising from the report's contents but a range of pressures and the corresponding ways in which they were managed during the year is set out.

Risk, policy, compliance and governance impact

- 6.1 Risk-based monitoring, including regular tracking of the delivery of approved savings and active management of risks and pressures, forms a key element of effective financial management. This, in turn, serves as a vital aspect of the Council's wider governance framework.

Equalities impact

7.1 There are no direct equalities impact implications arising from this report.

Sustainability impact

8.1 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development.

Consultation and engagement

9.1 There is no direct relevance to the report's contents

Background reading/external references

Common Good (specifically re. sale of East Market Street Garage) – City of Edinburgh Council, 14 November 2002

[Capital Coalition Budget Motion 2013/14](#) – City of Edinburgh Council, 7 February 2013

[Adult Social Care Pressures 2014/15](#) – Finance and Resources Committee, 27 November 2014

[Revenue Monitoring 2014/15 – Nine Month Position](#) – Finance and Resources Committee, 15 January 2015

[Health and Social Care Financial Position – referral report from the Finance and Resources Committee](#) – City of Edinburgh Council, 12 February 2015

[Edinburgh and South East Scotland City Region City Deal](#), City of Edinburgh Council, 28 May 2015

[Unaudited Financial Statements 2014/15](#) – City of Edinburgh Council, 25 June 2015

Alastair D Maclean

Chief Operating Officer

Deputy Chief Executive

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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 agreed 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 - Unaudited outturn statement, 2014/15

Appendix 2 - Service outturn commentaries

Appendix 3 - General Fund – movements in usable reserves

THE CITY OF EDINBURGH COUNCILUNAUDITED OUTTURN STATEMENT 2014-15

Service	Adjusted Budget £000	Outturn £000	Outturn Variance £000
Children and Families	391,393	391,393	0
Economic Development	12,479	12,453	(26)
Corporate Governance	81,529	81,064	(465)
Health and Social Care	204,359	210,237	5,878
Valuation Joint Board requisition	3,745	3,745	0
Services for Communities	137,316	137,316	(1)
General Fund Services	830,822	836,208	5,386
Council Tax Reduction Scheme	26,597	25,785	(811)
Net Cost of Benefits	2,983	1,609	(1,374)
Non Distributed Costs	10,113	10,113	0
Dividends Receivable	(8,000)	(8,437)	(437)
Loans Charges / Interest on Revenue Balances	118,165	114,995	(3,170)
Prior Year and Other Adjustments	6,157	7,666	1,508
Total Non-Service Specific	156,015	151,731	(4,285)
Total Expenditure to be Funded	986,837	987,938	1,102
Funded by -			
Revenue Support Grant	(386,311)	(386,311)	0
Non Domestic Rates - Contrib from Pool	(364,108)	(364,108)	0
Council Tax / Community Charge	(234,591)	(238,761)	(4,170)
Contribution to Repairs and Renewals	64	10,366	10,301
Contribution to Capital Fund	91	91	0
Contribution from Earmarked Funds	(1,982)	(9,734)	(7,751)
Total Funding	(986,837)	(988,457)	(1,620)
In-year Surplus	0	(519)	(519)

Slight differences above are due to roundings.

Children and Families

Children and Families achieved a breakeven position for 2014-15 which is in line with the position reported at month nine.

The service delivered this position despite a number of significant unbudgeted pressures in demand-led areas including:

- a growth in fostering, kinship and adoption placements which exceeded expected levels;
- increased costs associated with Additional Support Needs home-to-school transport;
- increased employee costs associated with Schools and Community Services.

Mitigating management actions were put in place to manage these pressures in full, including vacancy controls, reduction in discretionary expenditure and application of service reserves.

Corporate Governance

Corporate Governance 2014-15 outturn reflected an underspend of £0.465m compared to budget.

The service achieved the underspend after managing an emerging pressure of £0.1m relating to Discretionary Housing Payments, through additional income of £0.125m from the Usher Hall and other events, £0.2m one-off saving from the transfer of the Single Fraud Investigation Service to the Department for Work and Pensions and control of expenditure within IT Solutions of £0.3m.

Economic Development

The outturn position for Economic Development showed an underspend of £0.026m for 2014-15 against a balanced position forecast at period nine.

Health and Social Care

Health and Social Care continued to face significant demand-led pressures in 2014/15 and the final outturn position was a net overspend of £5.878m. This was an adverse movement from the period nine report of £2.338m.

At the budget setting meeting of 12 February 2015, Council approved the use of up to £4.75m from the Council Priorities Fund towards this overspend. The remainder was met through savings in loans charge expenditure and additional Council Tax income.

The main pressures were in the following areas:

£3.9m Care at Home - demographic and unscheduled care pressures

£1.8m Direct Payments - Self-Directed Support option 1

£1.0m Care Home staffing - increased dependency level of residents

£0.8m Respite Income - new legislation preventing charging for support to carers

£0.5m Residential and Nursing Care - cost of high dependency placements

The "Adult Social Care Pressures 2014/15" report to Finance and Resources Committee on 27 November 2014 outlined £2m of mitigating actions to control the budget overspend. This

was subsequently increased, with £2.3m being achieved.

Agreed income of £1m to help fund the Joint Financial Plan was not made available by NHS Lothian due to increased unscheduled care demand on the acute hospital sector, as reported to Committee on 27 November.

Integration transition funding of £0.283m from NHS Lothian has yet to be received and a gap between one-off funding released by NHSL and the cost of Step Down also created a pressure of £0.492m.

Services for Communities

Services for Communities achieved a balanced budget in 2014/15 in line with the period nine forecast. This was achieved despite the service needing to address pressures of almost £6m in Corporate Property and £3m in Environment.

In order to contain expenditure within budget, money was diverted from budgets across the service to create a contingency and a decision was taken to stop discretionary/non-committed expenditure in the last quarter. This contributed to significant underspends in the Transport and Neighbourhood budgets. There was also an increased level of planning and building warrant income.

General Fund - movement in usable reserves

Appendix 3

	Balance at 31.3.14		Balance at 31.3.15	
	£m	£m	£m	£m
Unallocated General Fund		13.025		13.025
<u>Balances set aside to manage future risks</u>				
Balances set aside for specific investment	12.028		13.889	
Council priorities fund	10.894		3.155	
Contingency funding, workforce management	22.832		17.901	
Dilapidations fund	8.154		8.759	
Insurance fund	<u>11.928</u>		<u>12.557</u>	
		65.836		56.261
<u>Balances set aside from income received in advance</u>				
Licensing income	1.820		1.401	
Lothian Buses	4.000		6.000	
Other minor funds	0.197		0.219	
PPP monies	1.455		1.599	
Recycling monies	1.464		1.371	
National Performance Centre	3.446		1.996	
Council Tax discount fund	16.335		18.636	
Change Fund	2.670		0.000	
Unspent grants	4.610		4.482	
Strategic Acquisition Fund	<u>0.000</u>		<u>3.000</u>	
		35.997		38.704
<u>Balances set aside for investment in specific projects which will generate future savings</u>				
IT transformation	1.183		3.481	
Energy efficiency	0.983		0.800	
Spend to save	<u>5.012</u>		<u>3.989</u>	
		7.178		8.270
Devolved School Management		1.273		1.054
Total General Fund		<u><u>123.309</u></u>		<u><u>117.314</u></u>

The City of Edinburgh Council

10.00am, Thursday 17 September 2015

Revenue Monitoring 2015/16 – Month Three Position - referral report from the Finance and Resources Committee

Item number	8.3
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered a report on the projected month three revenue monitoring position for the Council, based on period two data. The report has been referred to The City of Edinburgh Council for approval of the Spend to Save application for the Edinburgh Leisure web development project and the £9.8 million of savings referenced in paragraph 3.6 of the report to offset, in part, the forecasted overspend in Health and Social Care. The report would subsequently be referred to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

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 Monitoring 2015/16 – Month Three Position

Terms of referral

- 1.1 The report represents the first of the quarterly revenue monitoring reports for 2015/16. Ongoing analysis of the revenue position was undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required.
- 1.2 As of period three, the Council was projecting a balanced position for the year, albeit this was subject to both approval of a number of transitional savings measures and delivery of further savings within Health and Social Care. Most other service areas had, however, also highlighted a number of pressures and/or risks to achieving the projected outturns set out in Appendix 1 of the Chief Operating Officer and Deputy Chief Executive's report. Directors had implemented a range of management measures to control expenditure and work was ongoing to identify further actions to ensure identified pressures were contained. Service-specific issues amounting to over £20 million, and corresponding mitigating actions, were highlighted in Appendix 2 of the Chief Operating Officer and Deputy Chief Executive's report.
- 1.3 The Finance and Resources Committee agreed to:
 - 1.3.1 Note the projected balanced position at month three, subject to approval by Council of £9.8 million of transitional savings and delivery of additional savings within Health and Social Care as noted below.
 - 1.3.2 Note the Health and Social Care forecast overspend of £11.2 million and instruct the service to report further to the Finance and Resources Committee on 24 September 2015, setting out progress in both delivery of the agreed mitigating measures and development of additional proposals as necessary to deliver at least a further £1.4 million of net savings, and in doing so would return the service budget towards a sustainable position.
 - 1.3.3 Note the on-going risks and challenges in achieving the necessary offsetting projected underspends across other areas of the budget which would require further management actions and active scrutiny for the remainder of the year.

- 1.3.4 Note the balanced position projected on the Housing Revenue Account (HRA) after making a £17 million contribution towards the construction of new homes.
- 1.3.5 Refer the report by the Chief Operating Officer and Deputy Chief Executive to Council for approval of the Spend to Save application for the Edinburgh Leisure web development project and the £9.8 million of savings referenced in paragraph 3.6 of the report to offset, in part, the forecasted overspend in Health and Social Care.
- 1.3.6 Refer the report by the Chief Operating Officer and Deputy Chief Executive to the Governance, Risk and Best Value Committee as part of its workplan.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report by the Chief Operating Officer and Deputy Chief Executive to The City of Edinburgh Council for approval of the Spend to Save application for the Edinburgh Leisure web development project and the £9.8 million of savings referenced in paragraph 3.6 of the report to offset, in part, the forecasted overspend in Health and Social Care, and for referral to the Governance, Risk and Best Value Committee for consideration as part of their workplan.

Background reading / external references

[Revenue Monitoring 2015/16 - Month 3 Position](#)

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, 27 August 2015

Revenue Monitoring 2015/16 – month three position

Item number 7.6
Report number
Executive/routine
Wards

Executive summary

The report sets out the projected month three revenue monitoring position for the Council, based on period two data. The current full-year outturn forecast indicates significant pressures within Health and Social Care which shows an overall overspend of £11.2m after implementation of mitigating management actions identified to date.

As previously intimated to Committee, the Corporate Leadership Group agreed in June to identify £5m of one-off funding across other services and corporate budgets to offset an element of this pressure which, subject to Council approval, would reduce the forecast underspend to £6.2m. Following further consideration, the Chief Executive has now instructed the identification of additional corporate and service-specific savings proposals to a combined value of £4.8m, reducing the projected residual overspend to £1.4m. The Chief Social Work Officer, on behalf of the Health and Social Care service, has furthermore been instructed to ensure that at least an additional £1.4m of previously-agreed mitigating actions, or agreed alternatives, be delivered. Subject to approval by Council of the £9.8m of transitional corporate funding and containment of other risks and pressures, this gives the potential for a balanced overall position to be delivered by the year-end.

Links

Coalition pledges [P30](#)
Council outcomes [CO25](#)
Single Outcome Agreement [SO1](#), [SO2](#), [SO3](#), [SO4](#)

Revenue Monitoring 2015/16 – month three position

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the projected balanced position at month three, subject to approval by Council of £9.8m of transitional savings and delivery of additional savings within Health and Social Care as noted below;
 - 1.1.2 note the Health and Social Care forecast overspend of £11.2m and instruct the service to report further to the Committee's meeting on 24 September, setting out progress in both the delivery of the agreed mitigating measures and development of additional proposals as necessary to deliver at least a further £1.4m of net savings, in so doing returning the service budget towards a sustainable position;
 - 1.1.3 note the on-going risks and challenges in achieving the necessary offsetting projected underspends across other areas of the budget which will require further management actions and active scrutiny for the remainder of the year;
 - 1.1.4 note the balanced position projected on the Housing Revenue Account (HRA) after making a £17m contribution towards the construction of new homes;
 - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its work programme; and
 - 1.1.6 refer this report to Council for approval of (i) the Spend to Save application for the Edinburgh Leisure web development project and (ii) the £9.8m of savings referenced in paragraph 3.6 of this report to offset, in part, the forecast overspend in Health and Social Care.

Background

- 2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2015/16 as at month three, based on analysis of period two data.

Main report

- 3.1 This report represents the first of the quarterly revenue monitoring reports for 2015/16. On-going analysis of the revenue position is undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required. The introduction of monthly budget review and challenge meetings has also enhanced the focus on the prompt identification of, and development of appropriate mitigating action to address, service risks and pressures.

Overall position

- 3.2 As of period three, the Council is projecting a balanced position for the year, albeit this is subject to both approval of a number of transitional savings measures and delivery of further savings within Health and Social Care. Most other service areas have, however, also highlighted a number of pressures and/or risks to achieving the projected outturns set out in Appendix 1. Directors have implemented a range of management measures to control expenditure and work is ongoing to identify further actions to ensure identified pressures are contained. Service-specific issues amounting to over £20m, and corresponding mitigating actions, are highlighted in Appendix 2.

Health and Social Care

- 3.3 The report to this Committee on 4 June 2015 highlighted demand-led pressures within the 2015/16 Health and Social Care budget of £16.5m. The position set out at that time has altered slightly, with an overall pressure of £16.2m now forecast, comprising additional Third Party Payments expenditure of £11.5m for Care at Home, Residential and Nursing, Day Care and Direct Payments; Supplies and Services of £1.7m; staff costs of £1.6m for Care Homes and Home Care; an income shortfall of £0.8m related to respite charging; and transport and premises costs of £0.5m.
- 3.4 Potential savings resulting from the mitigating actions reported to this Committee on 4 June of £11.6m have been revised slightly to £11.8m and of these, £5.0m are expected to be delivered in full (Appendix 3). The remaining £6.8m of actions require further development to allow their deliverability to be built into the outturn forecast. A planned programme of mitigation, including a specific focus on demand management, is therefore being progressed in partnership with KPMG; at this stage, however, it is too early to quantify its financial impact in 2015/16.
- 3.5 Discussions concerning the provision of potential one-off Scottish Government funding to contribute to the re-establishment of a sustainable budget are also continuing. Receipt of such funding would, however, require additional expenditure compared to that included in this budget forecast. A further update will be brought to the next Finance and Resources Committee meeting on 24 September 2015.

Transitional corporate funding to address Health and Social Care overspend

- 3.6 The Corporate Leadership Group agreed in June to identify £5m of one-off funding across other service areas and corporate budgets to offset an element of the residual pressure within Health and Social Care. In acknowledging the scale of the financial challenges facing the service and the corresponding need for mitigating measures to be embedded over the medium-term, however, Directors were subsequently requested to identify a further £4.8m of savings capable of delivery in the current year. The impact of these proposals is reflected in Appendix 1, with underspends reflected against each area in accordance with its respective contribution towards the £9.8m of total one-off funding. The identification of these additional contributions re-emphasises the need for strict scrutiny and control of all areas of expenditure if a balanced overall position is to be achieved by year-end.
- 3.7 Onward referral of this report to Council is requested to seek approval of the £9.8m one-off savings identified to reduce the forecast pressure on the Health and Social Care budget. Details of the proposed mitigating measures are shown in Appendix 4, with additional information on the £0.995m of Corporate Governance-specific measures, and wider service position, included elsewhere on today's agenda.
- 3.8 Provision of the above additional transitional funding and management of all other existing risks and pressures would reduce the residual Council-wide overspend to £1.4m. The Chief Social Work Officer, on behalf of the Health and Social Care service, has therefore furthermore been instructed to ensure that at least an additional £1.4m of previously-agreed mitigating actions, or agreed alternatives, be delivered. A further progress update in this area will be provided to the Committee's meeting on 25 September.

Children and Families

- 3.9 The Director of Children and Families is forecasting a break-even position, albeit the service continues to be subject to a number of demand-led pressures in such areas as fostering, out-of-Council residential schools and units and various impacts of increasing pupil rolls. The Senior Management Team remains committed to putting in place additional measures as appropriate to ensure a balanced position is achieved by year-end.
- 3.10 The Director of Children and Families has been requested to identify £2.025m of measures as the service's contribution to address pressures within the Health and Social Care. Proposed measures identified include vacancy controls and postponement of planned additional flexibilities around early years learning and childcare provision.

Services for Communities

- 3.11 The Acting Director of Services for Communities is reporting a £1.65m underspend at period three, representing the service's share of the £9.8m

referred to above. Service-wide pressures of £9.9m have been identified, however, with mitigating actions in place to address £9.1m of these. It is anticipated that the remaining pressure will be managed through further senior management scrutiny of overspending areas to identify potential cost reductions and reviewing areas of underspend in 2014/15 for recurring savings and/or increased income.

- 3.12 The service's proposed £1.65m contribution towards the £9.8m one-off support to the Health and Social Care budget includes the drawing down against in-year expenditure of the earmarked funding put aside to provide a contingency against the impact of severe winter weather, reductions in consultancy spend and additional income resulting from increased planning fee volumes.

Housing Revenue Account

- 3.13 The Housing Revenue Account is forecasting a break-even position after making a £17m contribution towards housing investment, relative to an assumed budgeted contribution of £9m. The favourable movement is due to the delay in the implementation of temporary accommodation-related welfare reforms which has mitigated the reduction in income anticipated in this area and treasury management savings as a result of additional debt write-off made in 2014/15.

Savings delivery

- 3.14 On 12 February 2015, Council approved a budget for 2015/16 underpinned by the delivery of £39.903m of savings spanning all areas of Council activity. Prior to the beginning of the financial year, these savings were the subject of a comprehensive assurance assessment and delivery is now being tracked on a monthly basis by Senior Management Teams.
- 3.15 The assessments categorise progress with savings implementation on a red, amber, green status based on degree of certainty of delivery. The assessments at period three indicate that 78% of these are classified as green, with a further 12% on target subject to additional measures being taken to ensure delivery. A summary of the assessments by service area is shown in Appendix 5. Maximising delivery of savings will be crucial in mitigating other risks within the budget, including any pressures arising, for example, upon confirmation of the agreed level of employee pay award for 2015/16.

Spend to Save

- 3.16 The current level of funding within the Spend to Save Fund to take forward eligible projects is £4m.
- 3.17 Edinburgh Leisure has submitted an application for the use of £0.126m of Spend to Save funding for the development of its website application. The summary of this proposal is shown below, with further details included in Appendix 6.

- 3.18 The business case provided by Edinburgh Leisure is based on extra revenue being generated across a number of activities together with a reduction in administrative costs. The Spend to Save Fund will be reimbursed over two years by a reduction in the annual service payment made to Edinburgh Leisure.

Bidder	Project	Funding Required 2015/16	Payback Period
Edinburgh Leisure	Website development	£126,000	2 Years – 2016-18 £63,000 per annum

Measures of success

- 4.1 Achieving a balanced overall budget outturn position for 2015/16 and successful delivery of approved savings.

Financial impact

- 5.1 The report's contents point to a balanced overall position for the year as a whole, although this is dependent upon Council approval of £9.8m of additional savings measures, delivery of further savings within Health and Social Care and management of other risks and pressures.

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 cost pressures, increased demand and savings delivery targets are regularly monitored and reviewed and management action is taken as appropriate.
- 6.2 Ongoing communications by the Council's section 95 Officer have reinforced the respective responsibilities of Directors to maintain expenditure within approved budgets in accordance with the Financial Regulations. Directors also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council. With this in mind, structured plans are in place for review and feedback on current and future years' savings proposals.

Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial Equalities and Rights Impact Assessment.

The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront Carbon Impact Assessment.

Consultation and engagement

- 9.1 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of annual consultation and engagement.

Background reading/external references

[Health and Social Care 2015/16 Budget – Further Progress Report](#) – Finance and Resources Committee - 4 June 2015

Service monitoring statements for Period two

Alastair D Maclean

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Deputy Chief Executive

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Links

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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 – Period three service analysis

Appendix 2 – Significant pressures, key risks and mitigating actions

Appendix 3 – Health and Social Care: progress in delivery of mitigating actions

Appendix 4 – Proposed mitigating corporate and service-specific actions to address Health and Social Care pressures

Appendix 5 – Progress assessment of savings delivery

Appendix 6 – Spend to Save proposal - Edinburgh Leisure

REVENUE MONITORING 2015-16

PERIOD 2 REPORT

SERVICE ANALYSIS

Account	Revised Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date		Projected Outturn £000	Projected Variance	
				£000	%		£000	%
Children and Families	396,205	60,127	60,514	387	0.6%	394,181	-2,025	-0.5%
Corporate Governance	75,686	22,364	22,405	41	0.2%	74,691	(995)	-1.3%
Economic Development	11,679	2,924	3,062	138	4.7%	11,429	(250)	-2.1%
Health and Social Care	201,147	46,054	48,015	1,961	4.3%	210,932	9,785	4.9%
Services for Communities	133,305	19,134	19,692	558	2.9%	131,655	(1,650)	-1.2%
Valuation Joint Board Requisition	3,744	624	624	0	0.0%	3,744	0	0.0%
Direct Service Expenditure	821,767	151,227	154,312	3,085	2.0%	826,632	4,865	0.6%
Council-wide - Energy Costs	774	0	0	0	n/a	774	0	0.0%
Council-wide - Living Wage	1,032	0	0	0	n/a	1,032	0	0.0%
Council-wide - Non-Domestic Rates	468	0	0	0	n/a	468	0	0.0%
General Fund Services Subtotal	824,040	151,227	154,312	3,085	2.0%	828,906	4,865	0.6%
Net Cost of Benefits	(62)	(10)	3,520	3,530	n/a	(62)	0	0.0%
Modernising Pay and related employee cost and other contingencies	5,278	0	0	0	n/a	4,478	(800)	-15.2%
Pension Auto Enrolment	226	0	0	0	n/a	226	0	0.0%
Pension Fund - Lump Sum Payment	3,064	511	511	0	0%	3,064	0	0.0%
Non-Domestic Rates - Discret. Relief	350	0	0	0	n/a	350	0	0.0%
Carbon Tax	1,200	1,200	1,218	18	1.5%	1,200	0	0.0%
Insurance Excesses	175	0	0	0	n/a	175	0	0.0%
Loans Charges / Interest on Rev Bals	119,153	0	0	0	n/a	116,473	(2,680)	-2.2%
Dividend and Investment Income	(5,000)	0	0	0	n/a	(5,000)	0	N/a
Unallocated budget motion funding	182	0	0	0	n/a	182	0	N/a
Prior Year and Other Adjustments	4,221	0	0	0	n/a	4,036	(185)	-4.4%
Total General Fund	952,828	152,928	159,561	6,633	4.3%	954,028	1,200	0.1%
Funding								
General Grant Funding	(337,538)	(125,919)	(125,919)	0	0%	(337,538)	0	0.0%
Non Domestic Rates	(404,108)	(67,351)	(67,351)	0	0%	(404,108)	0	0.0%
Council Tax	(237,113)	(39,519)	(39,519)	0	0%	(238,113)	(1,000)	0.4%
Less: Council Tax Reduction Scheme	27,152	4,525	4,525	0	0%	27,152	0	0.0%
Operating Deficit / (Surplus)	1,221	(75,336)	(68,703)	6,633	n/a	1,421	200	n/a
Contribution to / (from) Reserves								
Earmarked Reserves								
- BT Efficiencies Fund	1,662	0	0	0	n/a	1,662	0	0.0%
- Dilapidations Fund	717	0	0	0	n/a	717	0	0.0%
- Council Priorities Fund	(3,600)	0	0	0	n/a	(3,800)	-200	5.6%
Total Contribution to / (from) Reserves	(1,221)	0	0	0	n/a	(1,421)	-200	n/a
In-year Deficit / (Surplus)	n/a					0	0	n/a
Housing - HRA	0	(8,254)	(9,108)	(854)	n/a	0	0	n/a

Note: Net cost of Benefits variance reflects expenditure that will be recovered from the Department for Work and Pensions at period six or seven.

Service Area	Significant Pressures	Mitigating Actions/Key Risks
<p>Children and Families</p>	<p>There are budget pressures in many areas of the service and a number of challenges relating to delivery of approved savings. Areas of significant budget pressure include:</p> <ul style="list-style-type: none"> - out-of-Council residential schools and secure units; - fostering, adoption and kinship placements; and - demographic pressures within the schools budget 	<p>Mitigating management actions have been put in place to address the projected pressures, however currently, a net £3m pressure (aside from the £2.025m of savings addressing corporate pressures) remains.</p> <p>The Senior Management Team remains committed to identifying further actions to address these. There remains a high risk, however, of overspend in relation to vulnerable children, which will require identification of corresponding savings in other areas of the service budget.</p>
<p>Corporate Governance</p>	<p>No pressures are currently foreseen in this service area which cannot be contained within the approved budget.</p>	<p>A service-specific contingency has been created to mitigate budget pressures, including meeting £0.128m related to increased demands on Health and Safety services.</p> <p>One-off or accelerated savings proposals have been developed to meet the service support commitment for Health and Social Care agreed by Corporate Leadership Group.</p> <p>There is a risk of demand for payment of Discretionary Housing Payments exceeding available resources. This will continue to be monitored.</p>
<p>Economic Development</p>	<p>No pressures are currently foreseen in this service area which cannot be contained within the approved service budget.</p>	
<p>Health and Social Care</p>	<p>A number of significant pressures amounting to £16.2m have been identified, including:</p> <ul style="list-style-type: none"> - Care at Home, Residential and Nursing, Day Care and Direct Payments - £11.5m - Supplies and Services - £1.7m - Care Homes and Home Care staff costs - £1.6m - Respite income shortfall - £0.8m - Transport and Premises costs - £0.5m 	<p>£11.8m of mitigating actions have been identified, of which £5.015m are expected to be delivered in full.</p> <p>A planned programme of mitigation is being progressed in partnership with KPMG, including demand management. However at this stage it is too early to quantify the impact of this work in addressing the expenditure pressures identified.</p> <p>Corporate Leadership Group has agreed that one-off funding of up to £9.8m will be identified to assist with the pressures.</p>

Service Area	Significant Pressures	Mitigating Actions/Key Risks
		<p>There is a further emerging pressure from 20 high-cost packages of care currently awaiting approval with an associated estimated full-year cost of £2.9m which is not included in the forecast.</p>
<p>Services for Communities (SfC)</p>	<p>The most significant budget pressures within the service are:</p> <ul style="list-style-type: none"> - Corporate Property £5.5m - mainly related to £7.7m of unachieved iPFM savings, offset in part by increased income and reserves drawdown - Waste Services £2.2m, driven by additional landfill tax, removal of food waste grants, staffing budget pressures, vehicle costs, recycling redesign delays, increasing waste volumes and delays in implementation of savings in public conveniences. 	<p>One-off budget reductions of £4.3m have been made across the SfC budget to create a contingency to manage an element of the pressures.</p> <p>There is £2.6m available within ear-marked reserves to address shortfalls in the internal improvement plans.</p> <p>Further management action is required to balance the overall budget position, which will include:</p> <ul style="list-style-type: none"> - cost reductions in areas currently projecting overspends; - review areas of underspend from 2014/15; and - further cost reduction exercises if required. <p>There are potential further risks which have not been reflected in the pressures above:</p> <ul style="list-style-type: none"> - EBS - potential shortfall of £2m against budgeted contribution due to reduced level of housing repairs and reduced productivity following removal of bonus scheme; - Mortenhall Crematorium - temporary closure for essential repairs, resulting in loss of income; and - Repairs and Maintenance - risk that additional funding of £2m will not be sufficient to cover health and safety and wind and watertight expenditure demands. <p>Management action and assessments are ongoing to contain these potential risks.</p>

Ref	Mitigating Action	Mitigating	Mitigating	Reason
		Action F&R 4th June	Action status as of July	
		£'000	£'000	
1	Use remaining unallocated demography monies	(1,330)	(1,330)	Demography monies for older people (£470k), learning disabilities (£400k), and mental health problems and assessment (£460) have been used for existing unfunded care at home packages, not new demand in year: increase in waiting lists.
2	Additional Housing Revenue Account (HRA) contribution to telecare	(550)	(550)	Agreed increase in Housing Revenue Account's contribution to TeleCare.
3	Use unallocated Integrated Care Fund monies	(400)	(465)	Agreement reached in June with NHS and Third Sector partnership
4	Do not fill Home Care and Reablement vacancies as they arise in year	(700)	(700)	Impact of cessation of temporary NHS/SG funding for additional Reablement staff in 2014/15. Loss of 1,100 hours of Home Care & Reablement service by end of year: negative impacts on delayed discharge and waiting lists.
5	Cease purchased of 20 Step Down Beds via natural turnover	(720)	(720)	Transfer funding for 20 purchased step down beds (as people are discharged) to reduce care at home budget pressures. Agreed by Integrated Care Fund Core Group, 16/6/15. Assumes phased bed reduction completed by November: 13 achieved to date.
6	Constrain new purchased Residential/Nursing Home places to available budget	(800)	(800)	Full year effect of 2014/15 overspend reduces budget available for new care home placements – some impact likely on delayed discharges
7	CEC share (8%) of £10m Scottish Government funding for National Care Home Contract fees increase	(800)	(800)	Scottish Government is paying funding to councils via Health Boards. Sum confirmed: awaiting payment.
8	Scottish Government Funding for Delayed Discharge	(725)	(725)	Scottish Government delayed discharge funding to NHS Lothian included £2.457m for Edinburgh - £1.1m is being used to fund social care for 55 people being discharged from RVH by end of June: NHSL may need to use £632k to fund RVH wards in April, May and June, leaving £725k for transfer to Council. Under discussion.
9	Procurement saving - Additional Monies from Intensive Housing Benefit	(400)	(400)	Saving from reducing purchased care for amount of IHB that can be claimed to fund certain services is larger than estimate already included in 2015/16 savings
10	Procurement savings	(385)	(150)	Contract management savings
11	Further procurement savings	-	(262)	Contract management savings
12	Integration - Transition Fund	-	(160)	Share of one-off Scottish Government funding for Health and Social Care implementation planning
13	Reprovision of Silverlea Care home	(420)	(420)	Reprovision 11 remaining long-stay beds. Relocate residents to vacancies in CEC Care Homes as they arise, and staff redeployed. Saving assumes completed by August: on track.

14	Cease Carers payment	(200)	(200)	One-off payments have been made for the past two years to carers to assist them with their mental health and well-being and to support them in a caring role.
15	Proposed change to contribution-based charging policy	(230)	(230)	Committee agreed three month consultation to replace the current service-based charging policy with a contribution-based policy, whereby people with sufficient income will be asked to make a contribution to the cost of their personal budget. Consultation concluded July 2015 and responses being analysed for report and final equalities impacts assessment. HSCH Committee will be asked to make a decision in the autumn.
16	Equivalency model for supporting people at home	(250)	(250)	New policy proposal that care at home packages would usually not exceed equivalent cost of residential care. (Based on practice in many English LAs and in at least one Scottish council). Savings estimate is for 6 months only - to be clarified following further implementation planning currently underway. The HSCH Committee will be asked to make a decision in late 2015.
17	Revised practitioner guidance for new cases and reviews	(1,450)	(1,450)	Revised practitioner guidance intended to reinforce current eligibility criteria and reduce the cost of care packages has been issued, and further revised following workshops with managers and staff.
18	Review packages of care	(2,000)	(2,000)	Four sector review teams have been established to review cases including Direct Payments, day care, and mid/high-cost care at home packages, using revised practitioner guidance - commencing last week of May. (This saving, and the one above, also require some recalibration of the Financial Allocation System which derives indicative budgets from the assessment information to assist personalised care planning. This work is in two phases, one completed, the second underway).
19	Respite Policy - reduce annual maximum respite from 42 days to 35 days	(200)	(200)	Any carer assessed as requiring more respite care than 35 days in a year will require this package to be approved by a senior manager.

Red	(4,175)	(4,375)
Amber	(3,300)	(2,422)
Green	(4,085)	(5,015)
	<u>(11,560)</u>	<u>(11,812)</u>

Revenue monitoring - three-month update*(based on period two data)*

	£m	£m
Pressures within Health and Social Care		16.162
Less: Potential savings and mitigating actions <i>(with RAG status of green)</i>		<u>(5.015)</u>
Net Pressure		11.147
Direction from Corporate Leadership Group:		
1. Health and Social Care to deliver further mitigating actions		(1.362)
2. Transitional Corporate Funding <i>(see details below)</i>		
Children and Families	(2.025)	
Corporate Governance	(0.995)	
Economic Development	(0.250)	
Services for Communities	(1.650)	
Corporate Funding		
- Council Tax	(1.000)	
- Loan Charges	(2.680)	
- Residual funding from Modernising Pay budget for sleepover costs	(0.800)	
- Council Priorities Fund	(0.200)	
- Residual unallocated funding within approved 2015/16 budget	<u>(0.185)</u>	
		(9.785)
Projected year-end position, subject to approval of above savings and delivery of additional mitigating actions within Health and Social Care		<u><u>0.000</u></u>

Transitional Corporate Funding**Children and Families**

Vacancy controls and discretionary spend (service-wide)	(0.740)
Early Years - postpone flexibility increase for Early Years and Childcare provision	(0.700)
Reprovisioning of Hillview Respite Care Unit	(0.200)
Post-adoption support allowances	(0.125)
Early Years - reduce refurbishment budget	(0.100)
Community Services - Creative Learning	(0.060)
Additional Support for Learning - Queen Margaret University	(0.050)
Community Services - tertiary/sessional work	<u>(0.050)</u>
	<u><u>(2.025)</u></u>

Corporate Governance

Acceleration of savings from transformation programme	(0.200)
-------------------------------------------------------	---------

Increased income from venues and one-off ICT contract savings	(0.200)
Further controls over discretionary spending	(0.200)
Release of contingency budget	(0.195)
Council Tax Reduction Scheme, reflecting current demand	(0.100)
Channel Shift marketing budget	(0.100)
	<u>(0.995)</u>

Economic Development

Employability - reduction of 40 training starts	(0.120)
Reduction in grants to incubation projects	(0.040)
Reduction in funding for Marketing Edinburgh	(0.030)
Reduction in discretionary spending	(0.025)
Reduce activity on investment and talent promotion	(0.023)
Business partnerships - reduction in Business Improvement District funding	(0.012)
	<u>(0.250)</u>

Services for Communities

Winter weather budget	(0.607)
Additional planning income	(0.300)
Festival Wheel income (<i>re-direction from planned reinvestment in parks</i>)	(0.245)
Reduction in Transport consultancy budget	(0.193)
Additional parking income	(0.155)
Delay full implementation of shared repairs service	(0.100)
Reduction in transport Learning and Development budget	(0.050)
	<u>(1.650)</u>

Approved Budget Framework savings 2015/16 - assurance assessment

Appendix 5

Services	Total £000	RAG Status			Notes and/or actions
		Red £000	Amber £000	Green £000	
Children and Families	(14,075)	(300)	(1,777)	(11,998)	The current "red" status saving relates to a partial shortfall in increased budgeted income resulting from greater and more efficient community and other use of school facilities and is reflected as a pressure within the overall service monitoring. Risks around full delivery have also been identified for an element of the savings associated with the looked-after children transformation plan. A number of green savings are being achieved through substitutes and one-off solutions which will require long-term plans to allow them to be addressed on a sustainable basis.
Corporate Governance	(6,969)	0	0	(6,969)	The full value of the service's approved savings is projected to be delivered during the year.
Economic Development	(869)	0	0	(869)	The full value of the service's approved savings is projected to be delivered during the year.
Health and Social Care	(7,515)	(704)	(641)	(6,170)	A number of green savings are being achieved through substitutes and one-off solutions. Management actions are being taken to progress delivery of red and amber savings (most of which relate to organisational review-dependent, or other workforce control-related, savings) or identify alternative options.
Services for Communities	(10,475)	(2,765)	(2,518)	(5,192)	Red status savings, the majority of which relate to the Corporate Property functions, are incorporated in pressures in monitoring. There are some delays in progressing savings options and ongoing negotiations with staff on deliverability. Mitigating actions have been developed to manage the red status savings on a one-off basis.
Total	(39,903)	(3,769)	(4,936)	(31,198)	
		9.4%	12.4%	78.2%	

Where applicable, Directors will report further details for consideration at relevant Executive Committees.

Spend to Save proposal - Edinburgh Leisure website development

Project	Description	Outcome	Coalition Pledges and Council Outcomes	Funding	Risk	Payback Period
Website Development	Development of the website application to make improvements to customer access to information, easier booking and improved accuracy of customer data	Increased income generation, through improved access to booking systems and information, with 24 hour access. Ability to book and pay for services online better meets customers' expectations. Improving the reach of future communications and engagement opportunities. Additional administrative savings estimated of £41,000 annually through reduction in staff time on administration of customer data and booking process.	P42 - Continue to support and invest in our sporting infrastructure P43 Invest in healthy living and fitness advice for those in most need P30 Continue to maintain a sound financial position including long term financial planning CO4 - Our children and young people are physically and emotionally healthy CO20 - Culture, sport and major events - Edinburgh continues to be a leading cultural city where culture and sport play a central role in the lives and futures of citizens	£126,000	Low	2 Years

The City of Edinburgh Council

10.00am, Thursday 17 September 2015

Treasury Management: Annual Report 2014/15 - referral report from the Finance and Resources Committee

Item number	8.4
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered an update report on Treasury Management activity in 2014/15. The report has been referred to The City of Edinburgh Council for approval of the Treasury Management Activity and subsequent referral to the Governance, Risk and Best Value Committee for their scrutiny.

Links

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

Terms of Referral

Treasury Management: Annual Report 2014/15

Terms of referral

- 1.1 The Council had adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management had to be submitted to the Council after the end of each financial year. A separate mid-term report would also be produced during the financial year and therefore no update on the current year was included in the report by the Deputy Chief Executive.
- 1.2 The key points in the report by the Deputy Chief Executive were:
 - The Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £30.92 million during the year.
 - £27.74 million of PWLB debt naturally matured during the year and was not replaced.
 - The Council continued its strategy of funding capital expenditure from a reduction in temporary investments and was £97 million under-borrowed at the year end.
 - The Council had not borrowed PWLB or market debt since December 2012.
 - The average interest rate on the Cash Fund for the year was 0.47%, which continued to outperform the benchmark, which was 0.35% for the year.
- 1.3 The Finance and Resources Committee agreed to:
 - 1.3.1 Note the Annual Report on Treasury Management for 2014/15 by the Deputy Chief Executive.
 - 1.3.2 Refer the report by the Deputy Chief Executive to Council for approval of the Treasury Management activity and to subsequently refer the report to the Governance, Risk and Best Value Committee for their scrutiny.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report by the Deputy Chief Executive to The City of Edinburgh Council for approval of the Treasury

Management activity and to subsequently refer the report to the Governance, Risk and Best Value Committee for their scrutiny.

Background reading / external references

[Treasury Management: Annual Report 2014/15](#)

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, Thursday, 27 August 2015

Treasury Management: Annual Report 2014/15

Item number	7.11
Report number	
Executive/routine	
Wards	

Executive summary

The purpose of this report is to give an update on Treasury Management activity in 2014/15.

In the Strategy set in March 2014 the Council stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments. The only borrowing completed was £1.995m interest free funding from Salix in relation to street lighting. This approach generated significant short-term savings in Loans Charges for the Council.

The investment return for 2014/15 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

Treasury Management: Annual Report 2014/15

Recommendations

- 1.1 It is recommended that the Committee:
- 1.1.1 notes the Annual Report on Treasury Management for 2014/15; and
 - 1.1.2 refers the report to Council for approval and subsequent referral by Council to the Governance Risk and Best Value Committee for their scrutiny.

Background

- 2.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management has to be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year and therefore, no update on the current year is included in this report.

Main report

3.1 Key Points

- 3.1.1 The key points in this report are that:
- the Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £30.92m during the year;
 - £27.74m of PWLB debt naturally matured during the year and was not replaced;
 - the Council continued its strategy of funding capital expenditure from a reduction in temporary investments and was £97m under-borrowed at the year end;
 - the Council has not borrowed PWLB or market debt since December 2012; and
 - the average interest rate on the Cash Fund for the year was 0.47%, which continued to outperform the benchmark, which was 0.35% for the year.

3.2 Prudential Indicators

(a) Prudential Indicator 1 - Estimate of Capital Expenditure

This gives a breakdown of the actual capital expenditure incurred during 2014/15.

	2013/14 Actual £'000	2014/15 Estimate £'000	2014/15 Actual £'000
Children & Families	15,670	31,563	16,903
Corporate Governance	4,211	5,433	7,582
Economic Development	1	0	0
Health & Social Care	4,160	3,934	4,616
Services for Communities	108,953	93,017	85,260
SfC Asset Management Programme	17,082	25,965	18,657
Other Capital Projects	923	933	1,049
Trams	53,198	0	5,246
Unallocated funding	0	0	0
Total General Services	204,198	160,845	139,313
Housing Revenue Account	39,206	48,195	37,308
Total	243,404	209,040	176,621

Table 1 – Capital Expenditure 2014/15

Members are asked to note that the above estimates reflect the budget position as at February 2014. Expenditure is re-phased on an annual basis, with a revised programme being reported annually to the Finance and Resources Committee in August. Change relate to re-phasing of works across the five-year programme, based on cash-flow information. Re-phased projects included the school replacement programme and various infrastructure works in Services for Communities and the Housing Revenue Account.

As can be noted from the above table, actual expenditure decreased from £243m in 2013/14 to £177m, a reduction of £66m, of which £48m relates to the tram project, reflecting completion of the project.

Further detail on the capital expenditure is included in the Finance & Resources Committee report 'Capital Monitoring 2014/15 – Out-turn and receipts'.

[Link](#)

The following table shows how the £176.6m of capital expenditure incurred in 2014/15 was funded

	Gen Fund £'000	HRA £'000	CEC Total £'000	Police £'000	Fire £'000	Total £'000
Net Cap Adv (01/04/14)	1,150,258	369,361	1,519,619	20,351	4,467	1,544,437
Gross Cap Ex	139,313	37,308	176,621	0	0	176,621
Cap Income	108,339	17,487	125,826	0	0	125,826
Net Cap Ex	30,974	19,821	50,795	0	0	50,795
Capital Repaid	-60,585	-21,129	-81,714	-2,089	-1,275	-85,078
Net Cap Adv (01/04/15)	1,120,647	368,053	1,488,700	18,262	3,192	1,510,154

Table 2 – Source of Funding for Capital Expenditure 2014/15

The CEC Total column shows £125.8m being funded by capital grants and capital receipts, leaving £50.8m to be funded by borrowing. However, the Council repaid principal of £81.71m for previous capital advances, giving a net reduction in the need to borrow of £30.92m. In addition, previous capital advances of £3.36m were repaid on behalf of the former Police and Fire joint boards, giving a total reduction in the need to borrow of £34.28m.

(b) Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

This gives an indication of the cost of the Council's debt relative to its income.

	2013/14 Actual %	2014/15 Estimate %	2014/15 Actual %
General Services	11.60	12.93	11.63
Housing Revenue Account	36.01	39.63	33.97

Table 3 – Ratio of Financing Costs to Net Revenue Stream

The movement in the HRA prudential indicator can be explained by lower than anticipated borrowing required to fund HRA capital expenditure during 2013/14 and 2014/15, in addition to voluntary contributions made towards outstanding debt during the same period.

(c) Indicator 3 - Capital Financing Requirement (CFR)

This shows the Council underlying need to borrow / take on other forms of Capital funding.

	2013/14 Actual £'000	2014/15 Estimate £'000	2014/15 Actual £'000
General Services (including finance leases)	1,359,099	1,350,332	1,357,972
Housing Revenue Account	369,361	394,568	368,053
Total	1,728,460	1,744,900	1,726,025

Table 4 – Capital Financing Requirement

Although the total CFR including both General Fund and HRA remained broadly the same over the last year, the balance of liabilities changed as can be seen from the following break down of the CFR figures:

	2013/14 Actual £'000	2104/15 Actual £'000
General Fund Capital Advances	1,150,258	1,120,647
HRA Capital Advances	369,361	368,053
Total CEC Borrowing CFR	1,519,619	1,488,700
Other Long Term Liabilities	208,841	237,325
Total CEC Debt CFR	1,728,460	1,726,025

Table 5 – Split of Capital Financing Requirement

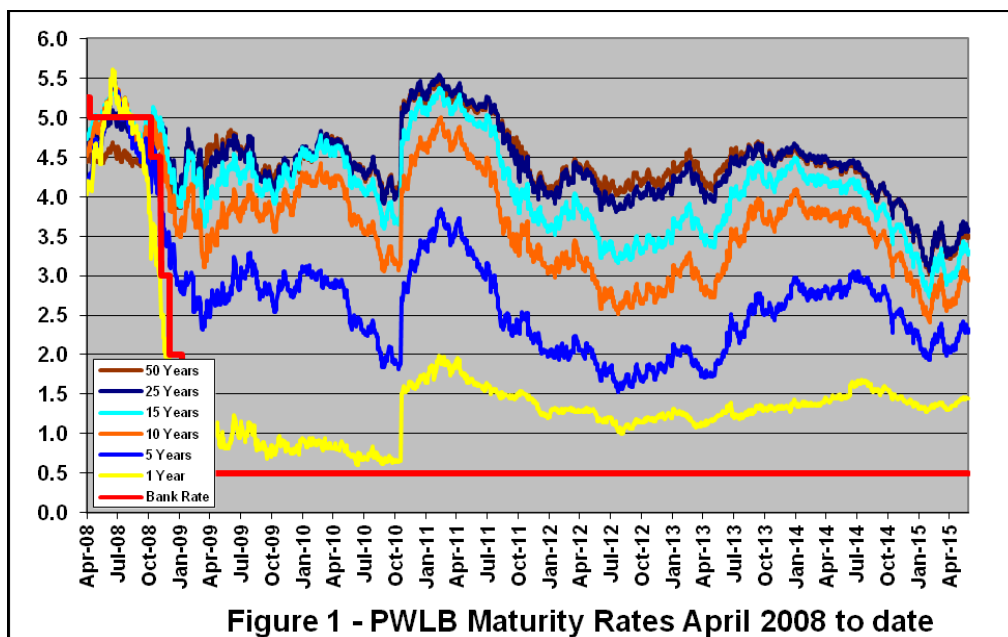
The reduction of £30.92m in Net Capital Advances shown in Table 2 above was offset by a similar increase in Other Long Term Liabilities – i.e. Finance Leases.

The increase in other-long term liabilities is mainly the result of inclusion of costs relating to on-going works at James Gillespies High School.

3.2.1 The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.

3.3 Borrowing Overview

3.3.1 2014/15 was characterised by a number of significant global macro economic issues and political uncertainties. There were concerns over the Ukraine conflict and the effect that the sanctions on Russia would have on the EU economy. These were compounded by the political uncertainty in Greece as growth in the Eurozone stalled. There were concerns too over the growth in the Chinese economy slowing. On top of this, oil and energy prices reduction led to inflation in the UK and Europe at or below zero. All this meant that the bubble in Bond prices continued, particularly at the long end, with the 10 year UK Gilt yield dropping to 1.33% in January 2015. Figure 1 shows PWLB borrowing rates since 2008.



3.3.2 This shows the drop in interest rates for borrowing last year, particularly for the longer maturities.

3.3.3 The strategy for 2014/15 approved in March 2014 was

“Depending on the Council’s cash flows, it is intended to use investments and temporary borrowing to fund the net borrowing requirement for 2014/15. PWLB borrowing, if any, is also likely to be short term and will be considered as the economy and interest rates evolve.”

However, as detailed in Table 2, the total underlying need to borrow actually fell by £34.28m during the year. Table 6 below summarises the outstanding debt portfolio during the year.

Type of Loan	Balance 01.04.2014 £m	Borrowing Raised £m	Borrowing Repaid £m	Balance 31.03.2015 £m
--------------	-----------------------------	---------------------------	---------------------------	-----------------------------

PWLB - fixed	1,141.43	0.000	-27.743	1,113.687
PWLB - variable	0.000	0.000	0.000	0.000
Salix Finance Ltd	0.000	1.995	-0.039	1.956
Market	280.900	0.000	0.000	280.900
Temp	11.959	7.168	-2.672	16.455
	<u>1,434.289</u>	<u>9.163</u>	<u>-30.454</u>	<u>1,412.998</u>
Capital Advances	<u>1,544.437</u>			<u>1,510.154</u>
Under-borrowed	<u>110.148</u>	Under-borrowed		<u>97.156</u>

Table 6 – Outstanding Debt Portfolio 2014/15

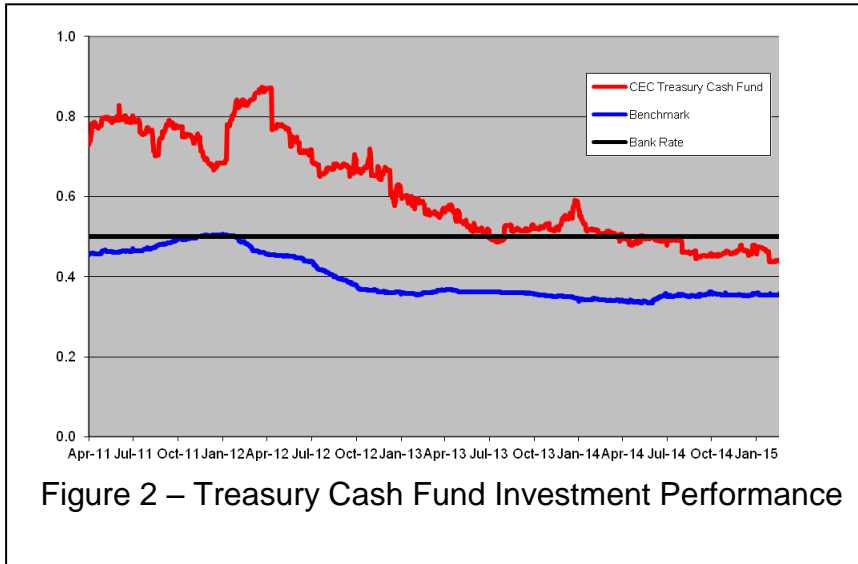
3.3.4 £27.74m of PWLB debt naturally matured during the year, and this was not replaced. The only external borrowing undertaken during the year was £2m in interest free loans from Salix in relation to street lighting replacement projects.

3.3.5 When the PWLB borrowing rates fell to the lows in January, serious consideration was given to taking some further short to medium term debt. However, with the reduced need to borrow, the cost of carrying the debt was still going to be significant, and it was determined to continue to use temporary investments to fund capital expenditure at the time. The Council's borrowing therefore fell by £21.29m over the year, but since the net capital advances fell more, the Council's under-borrowed position reduced from £110m to £97m.

3.4 Investment Out-turn 2014/15

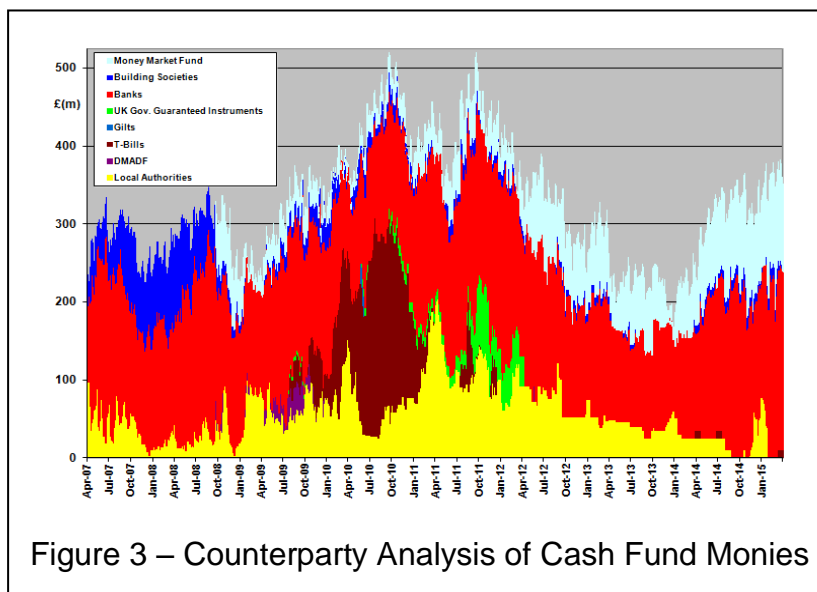
3.4.1 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which is 7-day LIBID.

3.4.2 Figure 2 below shows the investment performance during the financial year.



3.4.3 The average interest rate on the Fund for the year was 0.47%, which continued to outperform the benchmark which was 0.35% for the year. The Fund generated income of just over £482k for the financial year to CEC.

3.4.4 The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the investments, Cash Fund money invested with banking institutions is mostly on call or on short term fixed deposit. Rates being achieved with Local Authority deposits and in Treasury Bills have remained low during the year which has given another year of difficulty securing principal while achieving an attractive interest rate. Once again in December rates paid by Local Authorities for short term cash increased due to seasonal cash shortage and fewer participants in the market. The Council was able to take advantage of this albeit the investment was only for a short duration. Figure 3 below shows the distribution of the Cash Fund investments since April 2007.



3.4.5 The Cash Fund’s Investment Strategy continued to be based around the security of the investments. Figure 4 below shows the weighted average life (WAL) of the Cash Fund since inception.

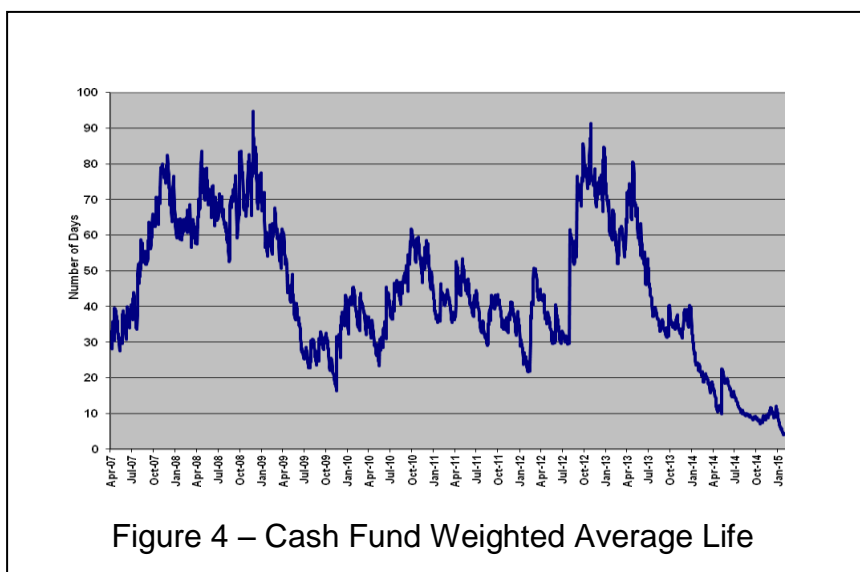


Figure 4 – Cash Fund Weighted Average Life

3.4.6 With the short term deposits placed with other local authorities over the Christmas and New Year periods maturing, the WAL (weighted average time to the final maturity of investments) has decreased. As the market returned to pre-holiday period levels, short term inter-authority rates reverted to around 0.30%.

3.5 Other Issues

3.5.1 There are a number of other issues on Treasury Management which have arisen during the year. These include:

The Scottish Government are reviewing the regulations for local authority borrowing and are likely to issue a consultation document later in the year with a view to implementation on 01 April 2016. While the new regulations are likely to have little impact on borrowing, they may well have longer term implications for the repayment profile of future capital advances and therefore Council expenditure.

MiFID (the Markets in Financial Instruments Directive) is the cornerstone of the European Union’s regulation of financial markets. The EU have revised the directive to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. The FCA is currently considering how MiFID II will be implemented in practice in the UK. It is likely that local authorities will be re-classified as ‘retail’ rather than ‘professional’ clients with criteria set to enable an opt up to ‘professional’ status.

3.5.2 Both of these are at an early stage and will be covered in more depth in future reports as the issues and implication for the City of Edinburgh Council become clearer.

3.6 Conclusions

- 3.6.1 The Strategy set in March 2014 the Council stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments rather than borrowing. The only borrowing completed was £1.995m in interest free funding. This approach continues to generate significant short term savings for the Council.
- 3.6.2 The investment return for 2014/15 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

Measures of success

- 4.1 The success of the Treasury Section can be measured by the out-performance of the Treasury Cash Fund against its benchmark and managing the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

Financial impact

- 5.1 The Council continues to manage its debt portfolio so as to minimise the medium term cost of funding its capital projects.
- 5.2 The Treasury Cash Fund has generated significant additional income for the Council.

Risk, policy, compliance and governance impact

- 6.1 The Council complies with the relevant CIPFA code of practice whilst undertaking Treasury Management activities. The significant financial risks associated with Treasury Management activities have been successfully managed during 2014/15.

Equalities impact

- 7.1 There are no adverse equality impacts arising from this report.

Sustainability impact

- 8.1 There are no adverse sustainability impacts arising from this report.

Consultation and engagement

9.1 None.

Background reading / external references

None.

Alastair Maclean

Chief Operating Officer

Deputy Chief Executive

Contact: Innes Edwards, Principal Treasury and Banking Manager

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Links

Coalition pledges	P30 - Continue to Maintain a sound financial position including long-term financial planning
Council outcomes	C025 - 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
Appendices	Appendix 1 - PWLB Debt Portfolio

Appendix 1

Outstanding PWLB debt as at 31st March 2015

Loan Ref	Start Date	Maturity Date	Loan Type	Principal Outstanding	Interest Rate %
495502	12/05/2009	12/05/2015	M	10,000,000.00	3.08
468121	23/02/1990	15/05/2015	M	8,000,000.00	10.875
468872	06/11/1990	25/03/2016	M	10,000,000.00	11.375
469721	17/05/1991	25/03/2016	M	10,000,000.00	11
496093	13/10/2009	13/04/2016	M	5,000,000.00	2.95
495471	23/04/2009	23/04/2016	M	5,000,000.00	2.96
469013	17/01/1991	15/05/2016	M	15,000,000.00	11.25
495565	09/06/2009	09/06/2016	M	5,000,000.00	3.37
470061	27/09/1991	25/09/2016	M	2,736,307.00	10.5
469898	15/08/1991	15/11/2016	M	10,000,000.00	10.875
495143	10/12/2008	10/12/2016	M	5,000,000.00	3.61
499194	02/12/2011	02/06/2017	M	5,000,000.00	2.28
471030	27/03/1992	25/09/2017	M	10,000,000.00	10.625
494911	09/10/2008	09/10/2017	M	5,000,000.00	4.39
471179	03/04/1992	25/03/2018	M	30,000,000.00	10.875
495472	23/04/2009	23/04/2018	M	15,000,000.00	3.24
471710	17/09/1992	15/05/2018	M	8,496,500.00	9.75
495566	09/06/2009	09/06/2018	M	5,000,000.00	3.75
473528	17/09/1993	15/11/2018	M	5,000,000.00	7.875
474273	23/03/1994	15/11/2018	M	5,000,000.00	8
474226	14/03/1994	11/03/2019	M	2,997,451.21	7.625
473697	18/10/1993	25/03/2019	M	5,000,000.00	7.875
495414	30/03/2009	30/03/2019	M	5,000,000.00	3.46
495457	21/04/2009	21/04/2019	M	10,000,000.00	3.4
495473	23/04/2009	23/04/2019	M	5,000,000.00	3.38
495030	12/11/2008	12/11/2019	A	2,540,803.99	3.96
474274	23/03/1994	15/11/2019	M	5,000,000.00	8
474935	07/12/1994	15/11/2019	M	10,000,000.00	8.625
495086	01/12/2008	01/12/2019	A	2,520,023.77	3.65
496260	01/12/2009	01/12/2019	M	5,000,000.00	3.77
496354	14/12/2009	14/12/2019	M	10,000,000.00	3.91
475161	15/02/1995	25/03/2020	M	5,000,000.00	8.625
495458	21/04/2009	21/04/2020	M	10,000,000.00	3.54
495501	12/05/2009	12/05/2020	M	10,000,000.00	3.96
474801	21/10/1994	15/05/2020	M	5,000,000.00	8.625
474936	07/12/1994	15/05/2020	M	5,000,000.00	8.625
499159	21/11/2011	21/05/2020	M	15,000,000.00	2.94
476237	16/08/1995	03/08/2020	M	2,997,451.21	8.375
474958	09/12/1994	15/11/2020	M	5,000,000.00	8.625
497203	10/05/2010	10/05/2021	A	3,155,846.94	3.09
474802	21/10/1994	15/05/2021	M	10,000,000.00	8.625
475259	10/03/1995	15/05/2021	M	11,900,000.00	8.75

476031	12/06/1995	15/05/2021	M	10,000,000.00	8
497378	02/06/2010	02/06/2021	M	5,000,000.00	3.89
474661	16/08/1994	03/08/2021	M	2,997,451.21	8.5
474418	28/04/1994	25/09/2021	M	5,000,000.00	8.125
495474	23/04/2009	23/04/2022	M	5,000,000.00	3.76
476030	12/06/1995	15/05/2022	M	10,200,000.00	8
497425	14/06/2010	14/06/2022	M	10,000,000.00	3.95
475781	31/03/1995	25/09/2022	M	6,206,000.00	8.625
475176	16/02/1995	03/02/2023	M	2,997,451.21	8.625
475822	24/04/1995	25/03/2023	M	10,000,000.00	8.5
476731	05/12/1995	15/05/2023	M	5,200,000.00	8
473573	20/09/1993	14/09/2023	M	2,997,451.21	7.875
473574	20/09/1993	14/09/2023	M	584,502.98	7.875
477656	08/05/1996	25/09/2023	M	10,000,000.00	8.375
496094	13/10/2009	13/10/2023	M	5,000,000.00	3.87
476732	05/12/1995	15/11/2023	M	10,000,000.00	8
497197	10/05/2010	10/05/2024	M	10,000,000.00	4.32
476350	28/09/1995	28/09/2024	M	2,895,506.10	8.25
501250	14/05/2012	14/11/2024	M	10,000,000.00	3.36
496355	14/12/2009	14/12/2024	A	7,249,741.49	3.66
1478311	17/10/1996	25/03/2025	M	10,000,000.00	7.875
497199	10/05/2010	10/05/2025	M	5,000,000.00	4.37
501723	16/11/2012	16/05/2025	M	20,000,000.00	2.88
1478760	13/02/1997	18/05/2025	M	10,000,000.00	7.375
1478830	20/02/1997	15/11/2025	M	20,000,000.00	7.375
496261	01/12/2009	01/12/2025	A	11,203,753.09	3.64
476771	21/12/1995	21/12/2025	M	2,397,960.97	7.875
1479368	21/05/1997	15/05/2026	M	10,000,000.00	7.125
1479530	28/05/1997	15/05/2026	M	10,000,000.00	7.25
479851	29/08/1997	15/11/2026	M	5,000,000.00	7
1479594	24/06/1997	15/11/2026	M	5,328,077.00	7.125
1479783	07/08/1997	15/11/2026	M	15,000,000.00	6.875
1480039	13/10/1997	25/03/2027	M	10,000,000.00	6.375
1480175	22/10/1997	25/03/2027	M	5,000,000.00	6.5
1480241	13/11/1997	15/05/2027	M	3,649,966.00	6.5
1480257	17/11/1997	15/05/2027	M	5,000,000.00	6.5
501797	13/12/2012	13/06/2027	M	20,000,000.00	3.18
1480580	12/03/1998	15/11/2027	M	8,677,693.00	5.875
497854	06/09/2010	06/09/2028	M	10,000,000.00	3.85
498768	14/07/2011	14/07/2029	M	10,000,000.00	4.9
368245	14/07/1950	03/03/2030	E	3,791.77	3
498769	14/07/2011	14/07/2030	M	10,000,000.00	4.93
80101	15/06/1951	15/05/2031	E	3,866.97	3
497855	06/09/2010	06/09/2031	M	20,000,000.00	3.95
499252	15/12/2011	15/06/2032	M	10,000,000.00	3.98
498994	15/09/2011	15/09/2036	M	10,000,000.00	4.47
499019	22/09/2011	22/09/2036	M	10,000,000.00	4.49

494139	10/12/2007	10/12/2037	M	10,000,000.00	4.49
498974	08/09/2011	08/09/2038	M	10,000,000.00	4.67
498995	15/09/2011	15/09/2039	M	10,000,000.00	4.52
499052	06/10/2011	06/10/2043	M	20,000,000.00	4.35
498851	09/08/2011	09/02/2046	M	20,000,000.00	4.8
491119	23/01/2006	23/07/2046	M	10,000,000.00	3.7
491226	23/01/2006	23/07/2046	M	10,000,000.00	3.7
491628	19/05/2006	19/11/2046	M	10,000,000.00	4.25
494202	07/01/2008	07/01/2048	M	5,000,000.00	4.4
491258	27/01/2006	27/07/2051	M	1,250,000.00	3.7
492718	16/01/2007	16/07/2052	M	40,000,000.00	4.25
492853	30/01/2007	30/07/2052	M	10,000,000.00	4.35
492908	13/02/2007	13/08/2052	M	20,000,000.00	4.35
492937	20/02/2007	20/08/2052	M	70,000,000.00	4.35
492960	22/02/2007	22/08/2052	M	50,000,000.00	4.35
493036	08/03/2007	08/09/2052	M	5,000,000.00	4.25
493334	30/05/2007	30/11/2052	M	10,000,000.00	4.6
493377	11/06/2007	11/12/2052	M	15,000,000.00	4.7
493383	12/06/2007	12/12/2052	M	25,000,000.00	4.75
493428	05/07/2007	05/01/2053	M	12,000,000.00	4.8
493516	25/07/2007	25/01/2053	M	5,000,000.00	4.65
493701	10/08/2007	10/02/2053	M	5,000,000.00	4.55
493872	24/08/2007	24/02/2053	M	7,500,000.00	4.5
493920	13/09/2007	13/03/2053	M	5,000,000.00	4.5
493979	12/10/2007	12/04/2053	M	5,000,000.00	4.6
494045	05/11/2007	05/05/2057	M	5,000,000.00	4.6
494725	15/08/2008	15/02/2058	M	5,000,000.00	4.39
499195	02/12/2011	02/12/2061	M	5,000,000.00	3.98
Total				<u>1,113,687,597.12</u>	

Outstanding Market debt as at 31st March 2015

Loan Ref	Start Date	Maturity Date	Principal Outstanding	Interest Rate %	Counterparty
6000007	03/12/1990	04/12/2015	2,000,000.00	11	PRUDENTIAL PORTFOLIOMANAGERS UK LTD
6000008	12/12/1990	11/12/2015	2,000,000.00	11	PRUDENTIAL PORTFOLIOMANAGERS UK LTD
6000017	30/03/1992	30/03/2017	1,000,000.00	10.25	BAYERISCHE LANDESBANKGIROZENTRALE
6000019	21/08/1992	21/08/2017	500,000.00	9.75	DRESDNER BANK AG
6000020	21/08/1992	21/08/2017	500,000.00	9.75	DRESDNER BANK AG
6000091	12/11/1998	13/11/2028	3,000,000.00	4.75	DEUTSCHE PFANDBRIEFBANK AG
6000102	15/12/2003	15/12/2053	10,000,000.00	5.25	FMS WERTMANAGEMENT AoR
6000105	18/02/2004	18/02/2054	10,000,000.00	4.54	DEXIA CREDIT LOCAL
6000109	28/04/2005	28/04/2055	12,900,000.00	4.75	FMS WERTMANAGEMENT AoR
6000110	01/07/2005	01/07/2065	10,000,000.00	3.86	DEXIA CREDIT LOCAL BARCLAYS BANKGLOBAL
6000111	30/06/2005	30/06/2065	5,000,000.00	4.4	SERVICES BARCLAYS BANKGLOBAL
6000112	07/07/2005	07/07/2065	5,000,000.00	4.4	SERVICES
6000113	24/08/2005	24/08/2065	5,000,000.00	4.4	DEXIA CREDIT LOCAL
6000114	07/09/2005	07/09/2065	10,000,000.00	4.99	ECPKA IN LUXEMBURG S.A.
6000115	13/09/2005	14/09/2065	5,000,000.00	3.95	ECPKA IN LUXEMBURG S.A.
6000116	03/10/2005	05/10/2065	5,000,000.00	4.375	KA FINANZ AG BARCLAYS BANKGLOBAL
6000117	21/12/2005	21/12/2065	5,000,000.00	4.99	SERVICES BARCLAYS BANKGLOBAL
6000118	28/12/2005	24/12/2065	12,500,000.00	4.99	SERVICES
6000119	23/12/2005	23/12/2065	10,000,000.00	4.75	FMS WERTMANAGEMENT AoR

6000120	03/04/2006	01/04/2066	10,000,000.00	4.875	DEXIA CREDIT LOCAL
6000121	03/04/2006	01/04/2066	10,000,000.00	4.875	DEXIA CREDIT LOCAL
6000122	03/04/2006	01/04/2066	10,000,000.00	4.875	DEXIA CREDIT LOCAL
6000123	07/04/2006	07/04/2066	10,000,000.00	4.75	ECPKA IN LUXEMBURG S.A.
6000124	06/03/2006	04/03/2066	5,000,000.00	4.625	DANSKE BANK LONDON BARCLAYS BANKGLOBAL
6000125	14/03/2006	15/03/2066	15,000,000.00	5	SERVICES BARCLAYS BANKGLOBAL
6000126	18/08/2006	18/08/2066	10,000,000.00	5.25	SERVICES
6000127	17/03/2006	17/03/2066	10,000,000.00	5.25	DEXIA CREDIT LOCAL
6000128	05/06/2006	07/06/2066	20,000,000.00	5.25	DEXIA CREDIT LOCAL
6000129	05/06/2006	07/06/2066	16,500,000.00	5.25	DEXIA CREDIT LOCAL BARCLAYS BANKGLOBAL
6000130	01/02/2008	01/02/2078	10,000,000.00	3.95	SERVICES
6000131	26/02/2010	26/02/2060	5,000,000.00	7.144	Royal Bank of Scotland plc
6000132	26/02/2010	26/02/2060	10,000,000.00	7.144	Royal Bank of Scotland plc
6000133	25/02/2011	25/02/2060	15,000,000.00	7.16	Royal Bank of Scotland plc
6000134	25/02/2011	25/02/2060	10,000,000.00	7.16	Royal Bank of Scotland plc
Total			<u>280,900,000.00</u>		

Outstanding Special Loan debt as at 31st March 2015

Loan Ref	Start Date	Maturity Date	Principal Outstanding	Interest Rate %	Counterparty
8000029	07/01/2015	01/09/2021	513,221.41	0	SALIX FINANCE LTD
8000030	31/03/2015	01/04/2023	<u>1,442,317.95</u>	0	SALIX FINANCE LTD
Total			<u>1,955,539.36</u>		

The City of Edinburgh Council

10.00am, Thursday 17 September 2015

Accelerating House Building - referral report from the Health, Social Care and Housing Committee

Item number	8.5
Report number	
Wards	All

Executive summary

The Health, Social Care and Housing Committee on 8 September 2015 considered an update report by the Acting Director of Services for Communities on the delivery of the National Housing Trust (NHT) programme and proposed further development of the model for the purpose of accelerating house-building in the city.

The report has been referred to The City of Edinburgh Council for approval to establish a Limited Liability Partnership (LLP) to acquire and manage housing for affordable rent and market rent.

Links

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

Terms of Referral

Accelerating House Building

Terms of referral

- 1.1 In April 2015, the Health, Social Care and Housing Committee noted the housing supply crisis in Edinburgh and the risk that house prices and private sector rents continue to rise, making it more difficult for people on moderate incomes to access suitable housing.
- 1.2 Housing costs continue to rise in Edinburgh due to a shortage of homes to rent and buy with the risk that the gap between supply and demand widens, as Edinburgh's population grows. Edinburgh is projected to need 4,000 additional homes every year, for 10 years.
- 1.3 The Council, working in partnership with Registered Social Landlords (RSLs), has accelerated house building in the affordable sector. Initiatives, such as the Council's 21st Century Homes house building programme and the National Housing Trust (NHT) programme, have contributed towards a trebling of the number of affordable homes built annually.
- 1.4 Under the NHT model, the Council has established nine Limited Liability Partnerships (LLPs) in partnership with the Scottish Futures Trust and with Scottish Government backing. These LLPs are delivering 931 new mid market rent homes on nine sites, making a significant contribution to brownfield regeneration.
- 1.5 Since December 2014, consultation has taken place with RSLs, housing developers, land agents, institutional investors, Scottish Government and the Scottish Futures Trust (SFT) on ways to accelerate house building. This included consultation on the potential for developing the NHT model and establishing a LLP to purchase homes from house builders for the purpose of renting.
- 1.6 The outcome of the consultation is that there is broad agreement that the development of a city wide LLP backed by the Council and SFT, for the purpose of acquiring housing for rent, will incentivise house builders to bring forward sites that are currently land banked.
- 1.7 By agreeing to establish an LLP, the Council will not be making any direct financial commitments. Where there were financial implications for the Council in acquiring new homes, business cases for such acquisitions would need to be approved by the Finance and Resources Committee and Council.
- 1.8 The Health, Social Care and Housing Committee agreed to:
 - 1.8.1 Note that partners had been consulted on a proposal to establish a Limited Liability Partnership (LLP) to accelerate the construction of quality, well managed rented homes.

- 1.8.2 Work with Scottish Futures Trust and Scottish Government to develop the National Housing Trust model further and to establish LLP to acquire and manage housing for rent.
- 1.8.3 Receive a progress report within three committee cycles on progress in developing the Edinburgh Homes initiative.
- 1.8.4 Refer the report to Council for approval to establish a Limited Liability Partnership.

For Decision/Action

- 2.1 The Health, Social Care and Housing Committee has referred the report by the Acting Director of Services for Communities to The City of Edinburgh Council for approval to establish a Limited Liability Partnership.

Background reading / external references

Accelerating House Building

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Blair Ritchie, Committee Services

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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

Health, Social Care and Housing Committee

10am, Tuesday, 8 September 2015

Accelerating Housebuilding

Item number

Report number

Executive/routine

Wards

Executive

All

Executive summary

This report updates Committee on progress on accelerating housebuilding in the city. It provides an update on the delivery of the National Housing Trust (NHT) programme and proposes further development of the model for the purpose of accelerating house-building in the city.

There is a shortage of housing for affordable and market rent in the city, with 4,000 new homes needed each year for 10 years. This report advises Committee of the outcome of consultation with partners to different approaches to accelerating house-building including house-building for rent.

The report seeks Committee approval to work with the Scottish Futures Trust to develop a proposal to establish a Limited Liability Partnership (LLP) to acquire and manage housing for affordable rent and market rent.

Accelerating Housebuilding

Recommendations

It is recommended that the Health, Social Care and Housing Committee:

- 1.1 Notes that partners have been consulted on a proposal to establish a Limited Liability Partnership (LLP) to accelerate the construction of quality, well managed rented homes.
- 1.2 Agrees to work with Scottish Futures Trust and Scottish Government to develop the National Housing Trust model further and to establish LLP to acquire and manage housing for rent.
- 1.3 Agrees to receive a progress report within three committee cycles on progress in developing the Edinburgh Homes initiative.
- 1.4 Refers this report to Council for approval to establish an LLP.

Background

- 2.1 In April 2015, Committee noted the housing supply crisis in Edinburgh and the risk that house prices and private sector rents continue to rise, making it more difficult for people on moderate incomes to access suitable housing.
- 2.2 A separate report to this Committee provides information on housing costs in Edinburgh and the impact this has on households on low and moderate incomes. Housing costs continue to rise in Edinburgh due to a shortage of homes to rent and buy with the risk that the gap between supply and demand widens, as Edinburgh's population grows. Edinburgh is projected to need 4,000 additional homes every year, for 10 years.
- 2.3 In 2013/14, the private sector completed around 950 homes, however most homes were for affordable rent or low cost home ownership and benefitted from subsidy in the form of public sector grants, loans or support for buyers. Whilst there is interest from housing developers in building housing for the private rented sector, there is no evidence to suggest that housing for competitive market rents, affordable to those on low to moderate incomes, will be built at the required scale without the public sector taking a lead.
- 2.4 In order to respond to the pressures in the housing market, Committee agreed to consult partners on the scope, purpose and options for different

approaches, with the main objective of building good quality, well managed homes to rent in the city. This report advises Committee of the outcome of the consultation with partners and sets out the next steps for setting up Edinburgh Homes.

Main report

- 3.1 The Council, working in partnership with Registered Social Landlords (RSLs), has accelerated house building in the affordable sector. Initiatives, such as the Council's 21st Century Homes house building programme and the National Housing Trust (NHT) programme, have contributed towards a trebling of the number of affordable homes built annually.
- 3.2 Under the NHT model, the Council has established nine Limited Liability Partnerships (LLPs) in partnership with the Scottish Futures Trust and with Scottish Government backing. These LLPs are delivering 931 new mid market rent homes on nine sites, making a significant contribution to brownfield regeneration.
- 3.3 NHT homes are part funded through on-lending of £112 million from the Council. On-lending is paid for through rental income which is subject to a Government guarantee. The management of lettings, rent collection and repairs is contracted out to an operator manager.
- 3.4 Appendix One provides an update on progress of the NHT initiative in the city.
- 3.5 Since December 2014, consultation has taken place with RSLs, housing developers, land agents, institutional investors, Scottish Government and the Scottish Futures Trust (SFT) on ways to accelerate housebuilding. This included consultation on the potential for developing the NHT model and establishing a LLP to purchase homes from house builders for the purpose of renting.
- 3.6 The NHT provided an opportunity for developers to bring forward sites in their ownership for development. On completion the homes were purchased by a LLP in which the Council has a 70% stake and the developer has a 30% stake. The developer realises their investment in the company between years 5 and 10 when homes can be sold.
- 3.7 Discussions have taken place with partners regarding the opportunity to build upon the experience gained through the NHT.
- 3.8 A variant of the NHT model has been established in a number of local authority areas which has advantages over the current NHT model. Homes can be purchased across a number of sites and over a ten year period, with the developer role limited to building the homes. This means developer funds

are not tied up within completed developments and can be used to start construction on other sites.

- 3.9 The outcome of the consultation is that there is broad agreement that the development of a city wide LLP backed by the Council and SFT, for the purpose of acquiring housing for rent, will incentivise house builders to bring forward sites that are currently land banked.
- 3.10 The Council's role within the would be to identify development opportunities, procure finance and homes, procure a management and maintenance provider and run the LLP. SFT's role within the LLP is to facilitate the initiative and provide commercial advice to the LLP. It would assist with financial viability tests prior to acquisition of homes.
- 3.11 This variant would supplement the existing NHT model which has proven to be successful. Scottish Government consent would be required for the Council to on-lend to the LLP if Public Works Loan Board (PWLB) borrowing were to be utilised. It is assumed that a Scottish Government guarantee would not be available in relation to rental income. However, any surpluses arising from the LLP would be utilised as an additional income stream to the Council, supporting the funding of essential public services.
- 3.12 Initial discussions have taken place with officials from SFT and the Scottish Government. These discussions have been positive. Formal participation of the SFT in a LLP will be subject to the decision of the SFT Board.
- 3.13 By agreeing to establish an LLP, Committee will not be making any direct financial commitments. Where there were financial implications for the Council in acquiring new homes, business cases for such acquisitions would need to be approved by the Finance and Resources Committee and Council.

Measures of success

- 4.1 Increase in the supply of new homes in the city, bringing supply more in line with demand.
- 4.2 Potentially, a new income stream for the Council through financing profit and operating profit of the market rent LLP.
- 4.3 Predictable and stable rents for affordable and market rent housing and tenancy security.
- 4.4 High quality, well managed, energy efficient homes and outstanding customer service for tenants.
- 4.5 Positive impact on the local economy, through creating opportunities for local businesses as well as jobs in construction

Financial impact

- 5.1 There are no direct financial impacts arising from this report. Where the acquisition of new homes had financial implications for the Council approval would be required from Finance and Resources and Council in line with the established process for NHT.
- 5.2 There is the potential to establish a new income stream for the Council. The income stream provided by the Edinburgh Homes initiative would come at a time of increasing pressure on the Council's finances.
- 5.3 Development of new homes provides additional Council Tax income. The development of 1,000 homes for NHT, for example, generates approximately £1.2 million additional revenue per year.

Risk, policy, compliance and governance impact

- 6.1 The LLP would be established in line with the arrangements for the nine other LLPs established under the NHT initiative. These LLPs, along with the 21st Century Homes Development Programme, report to members through the Affordable Housing Working Group and the Health, Social Care and Housing Committee.
- 6.2 Where there were financial implications for the Council, in the acquisition of homes, business cases would need to be approved by Finance and Resources Committee and Council.
- 6.3 Like the NHT LLP Boards, the Council would be represented on each of the LLP Boards by two senior Council officials and a representative from the Scottish Futures Trust (SFT) and subject to agreement from the SFT Board. The company providing management and maintenance services to the LLPs would have a non-executive position on the Board. In the event that the operator/manager also provided investment, to the LLP, they would be represented in an executive capacity.
- 6.4 The Director of Services for Communities/Executive Director of Place will fulfil the role of Senior Responsible Officer for the programme. Key officers supporting the proposal would include the Head of Finance and the Head of Housing and Regeneration. The Edinburgh Homes initiative would be a major programme, monitored by the Corporate Programme Office.

Equalities impact

- 7.1 An Equalities and Rights Impact Assessment has been carried out for this project. A range of positive impacts has been identified against the areas of rights and protected characteristics. These include:
- 7.2 More accessible homes that are suitable for people who have mobility difficulties
- 7.3 More affordable homes to enable people to have a good standard of living
- 7.4 More people able to access housing which enhances rights in relation to privacy and family life.
- 7.5 Community benefits secured through housing contracts can enhance rights to education and learning through development of links with schools.

Sustainability impact

- 8.1 The Edinburgh Homes initiative will deliver new homes on brownfield sites, reducing pressure on Edinburgh's green belt.
- 8.2 New build homes are built to high standards in terms of energy efficiency and sustainability. There will be a strong emphasis on providing homes that are cheap to heat and affordable to manage for tenants.

Consultation and engagement

- 9.1 Consultation has taken place on accelerating house building and establishing an arms length housing LLP with a range of partners including; RSLs, housing developers, land agents, institutional investors, Scottish Government and the Scottish Futures Trust.
- 9.2 Council tenants were consulted about priorities for investment as part of the "Your Rent, Your Priorities" consultation that took place between October 2013 and March 2014. Building new affordable homes was identified as a priority.

Background reading/external references

[Edinburgh Homes -Accelerating House Building. Report to Health, Social Care and Housing Committee, 16 April 2015](#)

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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.
Council outcomes	CO16 – Well-housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood.
Single Outcome Agreement Appendices	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric

APPENDIX ONE – National Housing Trust Update

Developer	Managing Agent	Development	Completion	Homes	On Lending
Places for People	Places for People	Cityscape	Completed	126	£13,323,240
Places for People	Places for People	Lighthouse Court	Completed	62	£6,492,045
Miller Homes	Places for People	Telford North	Completed	89	£10,298,550
Teague	Hillcrest / Northern Housing Ltd	Sailmaker Apartments - Leith Links	Completed	145	£15,550,920
FP Newhaven	Retties	Sandpiper Road	23/08/2016	96	£11,789,750
sser Developments Ltd	Places for People	Fruitmarket	By 31/12/2019	80	£9,153,123
FP Newhaven Two Ltd	Retties	Western Harbour	By 31/12/2019	138	£17,284,583
Edmonstone Ltd	Places for People	The Walled Garden	By 31/12/2019	28	£4,703,832
Places for People	Places for People	Shrubhill	By 31/12/2019	167	£23,856,089
Total				931	£112,452,132