

Notice of meeting and agenda

The City of Edinburgh Council

10.00 am, Thursday, 21 February 2019

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 North Edinburgh Save Our Services
- 3.2 Edinburgh Tenants Federation

4. Revenue and Capital Budgets

- 4.1 Council Revenue Budget Framework (2019-2020) - Integrated Impact Assessments – report by the Chief Executive (circulated)
- 4.2 Revenue Budget 2018/23– reports (circulated)
 - (a) (i) Council Change Strategy: Planning for Change and Delivering Services 2019-2023 – referral from the Finance and Resources Committee
 - (ii) Local Government Finance Settlement 2019/20 – Further Update – report by the Executive Director of Resources
 - (iii) Feedback on the Change Strategy and Budget Proposals 2018 and 2019 - report by the Chief Executive
 - (b) Council Change Strategy: Risks and Reserves 2019-2023 – referral from the Finance and Resources Committee
 - (c) Housing Revenue Account Budget Strategy 2019-2024 - referral from the Finance and Resources Committee
- 4.3 Capital Investment Programme 2019/20 to 2023/24 – referral from the Finance and Resources Committee (circulated)

5. Other Business

5.1 If any

6. Motions

6.1 If any

Lawrence Rockey

Head of Strategy and Communications

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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.

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The City of Edinburgh Council

10.00am, Thursday, 21 February 2019

Council Revenue Budget Framework (2019-2020) – Integrated Impact Assessments

Item number	4.1
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

This report presents a summary of the main equality, rights, environmental and economic impacts of the 2019/2020 budget proposals and identifies recommendations for mitigating potential negative impacts alongside an assessment of cumulative impacts.

Council Revenue Budget Framework (2019-2020) – Integrated Impact Assessments

1. Recommendations

- 1.1 It is recommended that members of the Council:
- 1.1.1 pay due regard to the potential equality, rights, sustainability, environmental and economic impacts associated with the revenue budget 2019-2023 proposals for 2019/2020, and the recommendations to mitigate potential negative impacts; and consider the cumulative equality, rights, sustainability, environmental and economic impacts across all revenue budget options.

2. Background

- 2.1 As well as meeting the requirements of the Equality Act 2010, human and children's rights conventions and the Climate Change (Scotland) Act 2009, Integrated Impact Assessments enable the Council to assess the potential impact of budget proposals and service redesign on people who share protected characteristics in the City. They also enable the development of mitigating actions where necessary.
- 2.2 In order to manage the financial and non-financial challenges over the next four years the council has developed the Change Strategy. This change strategy was considered along with the Draft Revenue Budget Framework 2019/2023 by Finance and Resources Committee on 1 February. This report presents a summary of equality, diversity, human rights, carbon, climate change, sustainable development, health inequality, poverty and economic impacts of the proposals with associated savings for 2019/2020 and of associated mitigating actions where necessary. These findings should inform the budget decision at full Council on 21-February 2019.
- 2.3 The Council's approach to the integrated impact assessment process is aligned to the wider Equality Diversity and Rights Framework 2017 – 2021. In addition to equality, diversity and rights assessment, it includes an assessment of poverty, health inequality and environmental impacts. (Environmental impact is an all-encompassing term referring to carbon emissions, climate change adaptation and sustainable development).
- 2.4 An integrated impact assessment of the anticipated or potential impact of each individual proposal has been undertaken by relevant lead officers and signed off by

- relevant Heads of Service. The Council's policy and change teams have supported officers across departments to complete integrated impact assessments with
- 2.4.1 2 IIA training sessions in November open to any Council and NHS staff,
 - 2.4.2 a bespoke briefing session offered to identified proposal sponsors on 5 September 2018,
 - 2.4.3 a follow up session on 23 January 2019, and
 - 2.4.4 written guidance, examples, and supporting information all available on the Orb.
- 2.5 An Equality, Diversity and Rights (EDR) Advisors Network has also been established and is being trained to support relevant service areas on equality, diversity and rights issues in relation to impact assessments.
 - 2.6 Stakeholder engagement activities have been conducted in partnership with EaRN (Equality and Rights Network) who work with people who share protected characteristics and those with an interest or expertise in equalities. Any relevant feedback from the engagement activity is provided to proposal sponsors for consideration in the impact assessment process and in further development of the proposal
 - 2.7 The findings are summarised below and are published on the [Council website](#). Due regard of such assessments should be given by elected members when making budget decisions.

3. Main report

- 3.1 The incorporation of equality, rights, economic and carbon impact assessments as an integral part of the budget development process reflects both good practice and compliance with relevant legal duties. This activity enables the Council to identify and address any unintended consequences of specific proposals on specific groups of service users including those most vulnerable, climate change and partnership and prevention activity, increasing the effectiveness of the mitigating actions.
- 3.2 It is inevitable that a £33m reduction in Council spending will have an impact on the organisation and its services. This saving whilst significant, should be considered in the broader context which is that the Council has an overall budget of £960M that can also continue to make significant impact on and improvement to equality, rights, economic and carbon.
- 3.3 There are 58 budget proposals being considered for approval by Council on 21 February 2019. To comply with statutory obligations due regard was given to the equality, environmental and economic impact assessment of budget proposals with savings assigned to 2019/2020.
- 3.4 27 Integrated impact statements have been completed where the budget proposals for 2019-2020 were considered as having no potential relevant impact on equality,

economy and the environment or it is not possible to assess impact at this early stage in the development of the proposal and an IIA is planned at a later date. 31 integrated impact assessments have been completed and these can be directly accessed on the Council website

http://www.edinburgh.gov.uk/directory_record/1074392/ia_budget_proposals_2019-2020

3.5 Where change proposals are in early stages of development, there may be a requirement to do further iterations of the integrated impact assessment. The impact assessments are listed for ease below:

- 3.5.1 Improved Approach to Street and Environmental Enforcement
- 3.5.2 Edinburgh Leisure
- 3.5.3 Localities Phase Two
- 3.5.4 Asset Management Strategy and Service Re-provisioning
- 3.5.5 Parking Action Plan Phase Two
- 3.5.6 Enabling Educational Efficiencies - Third Party Grants
- 3.5.7 Early Years - teachers allocated to local authority early years settings
- 3.5.8 Early Years – management of Nursery Schools and Primary Schools
- 3.5.9 Commercialism and Income Maximisation - Full Cost Recovery
- 3.5.10 Commercialism and Income Maximisation - Statutory Consents
- 3.5.11 Commercialism and Income Maximisation - Pre-Planning Applications
- 3.5.12 Print and Mail Strategy
- 3.5.13 Invest in Revenue Collection Officers
- 3.5.14 Invest to reduce temporary accommodation void rates
- 3.5.15 Adoption of Scottish Government Framework for Electricity and Gas
- 3.5.16 Re-provision of Public Conveniences
- 3.5.17 Third Party commissioned services
- 3.5.18 Efficiencies in the delivery of accommodated children’s services
- 3.5.19 Library Service – reduce book fund
- 3.5.20 Communities and Families – Management Savings
- 3.5.21 Heritage Language
- 3.5.22 Review small grants and awards
- 3.5.23 Police Funding
- 3.5.24 ASN Adaptations to mainstream schools
- 3.5.25 Support for Learning - Management
- 3.5.26 ICT Partnership Contract Optimisation

3.5.27 Tourism and Marketing Reform

3.5.28 New Ways of Working – Public Safety and Business Continuity

3.5.29 ICT Solutions Organisational Review

3.5.30 Business Support Services Review

3.5.31 Economic Development Review

Cumulative Impacts

- 3.6 Key findings suggest that the cumulative impact was limited across all proposals. Where a particular group was identified it usually applied to only one or two proposals in total. The cumulative impact analysis provides further detail but in the round key findings suggest that the greatest impact of these proposals will be felt on older people, children and young people and those from black and minority ethnic communities in addition to vulnerable groups generally such as those experiencing poverty or from disadvantaged communities. The negative impacts identified were generally concerned with potentially being unable to access services and the consequences of this e.g. greater isolation or poorer wellbeing.
- 3.7 In carrying out IIAs, Proposal Sponsors are also obliged to consider mitigating actions to reduce any negative impact from proposals which is provided in the specific assessments. However, there are also national or strategic factors that could mitigate against some of the impacts, including significant and sustained national investment in both supporting early learning and childcare expansion and targeting a reduction of the education-related attainment gap in schools.
- 3.8 Several proposals in this year's budget concerned a review of Council structures and/or processes. Impact Assessment is undertaken for each significant restructuring of service involving employee reduction including engagement and consultation with trade unions about these proposals as they develop. Staff are the main group affected by these changes. Human Resources is responsible for monitoring the cumulative effect of those affected by staffing reductions and, if appropriate, identifying action to mitigate impacts.
- 3.9 If any other impacts on equality and rights are identified as part of the consultation process, Proposal Sponsors should take account of these in their Interim IIAs and the Cumulative IIA will be updated accordingly and if appropriate shared with a relevant committee.

4. Measures of success

- 4.1 Due regard to the equality, rights, environment and economic impacts has been given to each of the budget proposals.

- 4.2 The potential equality and rights impacts are taken into account when budget decisions are being made, and recommendations for mitigating negative impacts are implemented and reported on.
- 4.3 The potential carbon emissions, climate change adaptation and sustainable development impacts are taken into account when budget decisions are being made.
- 4.4 The potential cumulative (both annual and incremental) impacts are taken in to account, and mitigating actions are identified when each year's budget decisions are being made.
- 4.5 Senior managers across all Service Areas take responsibility and ownership for compliance with Council systems put in place to ensure that statutory duties are met.

5. Financial impact

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

6. Risk, policy, compliance and governance impact

- 6.1 The incorporation of equality, rights, economic and carbon impact assessments as an integral part of the budget development process reflects both good practice and compliance with relevant legal duties. This activity enables the Council to identify and address any unintended consequences of specific proposals on specific groups of service users including those most vulnerable, climate change and partnership and prevention activity, increasing the effectiveness of the mitigating actions.
- 6.2 The process has been aligned with the Council's long-term Change Strategy and also with the wider Council and Edinburgh Partnership strategies and plans, enabling more effective prioritising of available resources in a way that best supports the needs of vulnerable service users and groups.

7. Equalities impact

- 7.1 Undertaking Integrated Impact Assessments that include assessment of impact on equality is intended to ensure that any negative impacts, including cumulative impacts, for protected characteristic groups set by the Equality Act 2010 are reduced.

- 7.2 It also ensures that the Equality Act 2010 public sector equality duty is met with regard to (i) eliminating unlawful discrimination, victimisation and harassment; (ii) advancing equality of opportunity and (iii) fostering good relations, and that any infringements on human and children’s rights are minimised.

8. Sustainability impact

- 8.1 Carbon impact assessments have enabled consideration of the public body duties under the Climate Change (Scotland) Act 2009. The findings of these assessments will also help to achieve a sustainable Edinburgh with regard to progressing climate change, social justice and community wellbeing objectives.

9. Consultation and engagement

- 9.1 Budget sponsors are required to have utilised a range of evidence gathering, including public involvement where appropriate to draw up proposals and consider their impact.
- 9.2 A Council-wide budget engagement process has also taken place. This has included members of the Equality and Rights Network (EaRN) Feedback was then gathered as part of the budget engagement process.
- 9.3 The cumulative impact assessment is based on the information provided in the proposal templates and from the budget engagement feedback.
- 9.4 Further engagement is being undertaken on the detail of the proposals and any relevant feedback will be passed on to Budget Sponsors in order for IIAs to be updated and proposals amended accordingly.

10. Background reading/external references

- 10.1 [City of Edinburgh Council Equality, Diversity and Rights Framework 2017 – 2021](#)
- 10.2 [Public Bodies Climate Change Duties Reporting](#)
- 10.3 [Council Change Strategy: Planning for Change and Delivering Services 2019/23](#), Finance and Resources Committee, 1 February 2019

Andrew Kerr

Chief Executive

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11. Appendices

11.1 Appendix 1 – Integrated Impact Assessment on Cumulative Impact of 2019/2020 Budget Proposals

Section 4 Integrated Impact Assessment

Summary Report Template

Each of the numbered sections below must be completed

Interim report	√	Final report	
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(Tick as appropriate)

1. Title of plan, policy or strategy being assessed

Cumulative Integrated Impact Assessment on Budget Proposals 2019 - 2020

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

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

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

In order to ensure our engagement process was representative and accessible to all, several engagement sessions were conducted in all areas of the city. This involved recruiting participants both online and out on the street and included individuals of all age ranges. One of the engagement sessions was held with Equalities and Rights Network (EaRN) whose members have an interest in Equalities or lived experience sharing a protected characteristic and three were held with groups of individuals with learning disabilities.

Two phases of public consultation have been held: 01 October – 07 December 2018 and 18th January – 11th Feb 2019, in addition to specific engagements undertaken by service areas on individual budget proposals.

4. Date of IIA

06.02.19

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

Name	Job Title	Date of IIA training	Email
Fiona MacLeod	Senior Policy and Insight Officer	Sept 5th 2018 and Jan 23rd 2019	Fiona.macleod@edinburgh.gov.uk
Ruth Baxendale	Senior Policy and Insight Officer	IIA trainer	Ruth.baxendale@edinburgh.gov.uk
Fraser Rowson	Principal Accountant – Corporate Accounts, Resources	Sept 5th 2018 and Jan 23rd 2019	Fraser.rowson@edinburgh.gov.uk
Julia Sproul	Senior Policy and Insight Officer	IIA trainer	Julia.Sproul@edinburgh.gov.uk

6. Evidence available at the time of the IIA

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

Evidence	Available?	Comments: what does the evidence tell you?
Public/patient/client experience information		N/A for cumulative IIA
Evidence of inclusive engagement of service users and involvement findings	Yes – The Budget Engagement process	<p>Respondents expressed concern regarding the consequences of further cuts to services for the city as a whole, but especially for vulnerable groups – in particular children and young people, individuals with disabilities, and the elderly.</p> <p>Respondents highlighted the problems many would encounter if public toilets were closed, especially those with a disability and the elderly.</p> <p>Edinburgh Leisure was viewed as important in maintaining wellbeing both physically and mentally. Budget cuts to this service were viewed as harmful to those with a physical or mental disability and it was felt that this would only create further cost issues elsewhere.</p> <p>Marketing Edinburgh was identified as supporting economic growth and jobs in the city and specifically within tourism</p>
Evidence of unmet need		N/A for cumulative IIA
Good practice guidelines		N/A for cumulative IIA
Environmental data		N/A for cumulative IIA
Risk from cumulative impacts	Yes	Information on impacts for each proposal provided by respective Lead Officers have been used to undertake this cumulative impact assessment.
Other (please specify)		N/A for cumulative IIA

Evidence	Available?	Comments: what does the evidence tell you?
Additional evidence required		N/A for cumulative IIA

All evidence and data relevant to specific proposals were listed in corresponding IIAs. All Budget Proposal IIAs received were used as the basis for the Cumulative Integrated Impact Assessment. The team received:

- 27 statements justifying why an IIA was not necessary for the respective proposal
- 31 IIAs

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

<u>Equality, Health and Wellbeing and Human Rights</u>		<u>Affected populations</u>
Positive	<p>The Council proposals seek to ensure as far as possible that all citizens can positively benefit from change proposals for example from proposals for redesign that result in better and more accessible facilities and services.</p> <p>This is done from the premise that change can mean different provision rather than less provision and that reconfiguring services and service hubs is one way in which the council can seek to protect front line capacity.</p> <p>In particular, there is an emphasis across proposals on providing greater opportunities for local communities to contribute to improving their local areas by increasing focus on community empowerment, engagement & planning including making informed choices on service groupings in community buildings such as public conveniences, library services and museums.</p> <p>For staff, equality compliance will ensure staff are treated fairly and not discriminated against. Opportunities will continue to allow flexible working</p>	All groups (including staff)

	<p>& part-time working in line with Council policies. Some proposals will result in more motivated and upskilled staff with opportunities for career progression, improved wellbeing and reduced heavy lifting.</p>	
	<p>Specific groups where a positive impact was identified included homeless people (accessing better cooking facilities and food storage), People experiencing poverty (receiving income maximisation support), Children and Young People (greater access to degree qualified staff in the early years, more integrated child and family services, equity achieved across residential services).</p>	<p>Homeless People</p> <p>People experiencing poverty</p> <p>Children and Young People</p>
Negative	<p>Given the scale of spending reductions there were a number of proposals where IIAs have identified negative impacts on people with protected characteristics.</p> <p>These tend to be related to specific instances of change although overall, those with mobility challenges and those who may have communication difficulties for a number of reasons may be at a general disadvantage in terms of understanding and responding to proposals for change and in accessing new or different service locations.</p>	<p>People with mobility issues</p> <p>Non-English Speakers</p>

	<p>There are proposals which may have a potential negative impact from a change or reduction of service, where services are targeted toward a particular group such as support for mental health issues, acquisition of a heritage language, or adjustment in accommodated children's services. These may impact different groups of children and young people but with intersectionality across the groups there may be a cumulative impact.</p>	<p>Children with mental health issues</p> <p>Children from families whose first language is not English</p> <p>Looked After Children</p>
	<p>In the round, savings proposals which increase the costs associated with accessing services (through travel) or those proposals seeking to increase council income (through increased charges) may have a cumulative impact on those in poverty or with low levels of family income.</p> <p>Greater isolation and reduced community activity and access to technology is a risk – particularly for those with no personal internet access or online skills.</p> <p>The council will need to take individual actions to mitigate this but will also look to address this more broadly across the council with the support of the poverty commission.</p>	<p>Older People</p> <p>People experiencing poverty</p>

Environment and Sustainability		Affected populations
Positive	<p>There are many proposals where IIAs have identified positive impacts on reducing greenhouse gas emissions, encouraging modal shift to active and public transport modes, waste and resource use reductions and improvements to the public realm. This is often a key objective of change proposals</p>	All Groups

<p>Negative</p>	<p>There is a cumulative risk associated with the number of proposals relating to the capital assets of the council given that there may be limited options available to repurpose certain Council owned buildings.</p> <p>Increased parking charges and Sunday parking restrictions could lead to displacement of parking into nearby unrestricted streets rather than a reduction in car use or increased income.</p> <p>Charging for pre-planning application advice could lead to reduced use of this service with potential reductions in development environmental standards or opportunities for environmental improvements missed by missing out on this pre-planning stage.</p>	<p>All Groups</p>
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<p>Economic</p>	<p>Affected populations</p>	
<p>Positive</p>	<p>The cumulative impact of a number of the proposals would be revenue gain to Council from increased collection of fines to offset savings requirements and to reinvest in services</p> <p>All citizens can expect to benefit from an increase in the quality and access to identified services, and proposed enhancement to public areas which should encourage greater use and footfall.</p> <p>Proposals that seek to protect service accessibility and availability such as the library sources aim to enhance literacy, skills potential and support for those without digital access. This supports income maximisation, educational attainment and those seeking employment.</p>	<p>All groups</p> <p>Young people</p>
<p>Negative</p>	<p>Uncertainty over the Council's Economic Development Service and Marketing Edinburgh activity could have a negative impact on the business community as could uncertainty over Council run or contracted out employability services and services that support local businesses</p>	<p>All groups</p>

	Inclusive growth could be negatively impacted and poverty and inequality increased if more fines and charges fall on low income communities.	Low income
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8. Is any part of this policy/ service to be carried out wholly or partly by contractors and how will equality, human rights including children’s rights , environmental and sustainability issues be addressed?

Implementation of a number of proposals will involve close working with partners. Relevant plans will be taken forward either within existing frameworks taking due account of equality, human rights, environmental and sustainability issues or be jointly scoped with the organisations concerned. A specific engagement plan will be agreed to take forward the building location and functions aspects of the Asset Management Strategy, with the tendering process placing particular emphasis on contractors’ ability to access hard-to-reach groups.

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

Changes will be communicated by the service affected using methods that are considered appropriate to the range of audiences, as well as being proportionate. The Edinburgh (City of Edinburgh Council and Health and Social Care Partnership) BSL plan demonstrates commitment to improve services for BSL users with actions planned across a range of themes and services. The Council’s Interpretation and Translation services also continue to be used by those who need this service.

10. Does the policy concern agriculture, forestry, fisheries, energy, industry, transport, waste management, water management, telecommunications, tourism, town and country planning or land use? If yes, an SEA should be completed, and the impacts identified in the IIA should be included in this.

Some of the proposals may require an SEA e.g. proposals on transport and waste.

11. Additional Information and Evidence Required

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

IAs for proposals that may be at a formative stage at this point will need to be reviewed in due course on an ongoing basis. Ongoing efficiency work across the council will also have to be cognisant of impact on equalities, sustainability and economy.

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

Those proposals still in early development phase should continue to update their IAs after public consultations as appropriate.

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

Specific actions (as a result of the IIA which may include financial implications, mitigating actions and risks of cumulative impacts)	Who will take them forward (name and contact details)	Deadline for progressing	Review date
Consideration should be given as to how these proposals, their impact and the cumulative impact relate to proposals presented by the Integration Joint Board	Elected Members	Ongoing	
Elected members should consider the results of the Budget Proposal IAs including this cumulative IIA. The £8m reduction in savings requirement in Year 1 as a result of the revised Scottish Government Settlement may allow some of the proposals not to be taken forward and/or additional investment in mitigating actions to be undertaken.	Elected Members	February 2019	
Implementation of the Poverty Commission Proposals will	Elected Members and Corporate	Dec 2018 – Dec 2019	Dec 2019

Specific actions (as a result of the IIA which may include financial implications, mitigating actions and risks of cumulative impacts)	Who will take them forward (name and contact details)	Deadline for progressing	Review date
mitigate against some negative impact on people who are experiencing poverty and positively contribute to addressing poverty in the city	Leadership Team		
The Change Strategy has 'reducing inequality' as one of its key pillars in addition to 'prevention'. Implementation of this strategy will ensure mitigations actions are taken against any negative impacts arising from implementation of the budget proposals. The Change Team should ensure equalities is mainstreamed throughout the strategy and during implementation of this strategy in order to mitigate against any negative impacts identified in this IIA.	The Change Team	2019 - 2023	On-going
There are specific actions in individual proposals to mitigate against negative impacts. For example Parking Action Plan, Localities Phase 2. Many IIAs mention further consultation and the development of communications plans as proposals progress.	Relevant lead officers for budget proposals.	March 2020	March 2020

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

All relevant service areas will put in place appropriate monitoring for implementation of relevant proposals. This should include how the proposals are affecting different groups who share protected characteristics.

15. Sign off by Head of Service/ Project Lead

Name

Date

16. Publication

Send completed IIA for publication on the relevant website for your organisation.

- The City of Edinburgh Council

Completed impact assessments should be forwarded to Strategyandbusinessplanning@edinburgh.gov.uk to be published on the Council website.

The City of Edinburgh Council

10.00am, Thursday 21 February 2019

Council Change Strategy: Planning for Change and Delivering Services 2019-2023 – referral from the Finance and Resources Committee

Item number	4.2(a)(i)
Report number	
Wards	All
Council Commitments	

Executive summary

On 1 February 2019, the Finance and Resources Committee considered a report which provided an update the financial assumptions underpinning *Planning for Change* following the announcement of the provisional Local Government Finance Settlement for 2019/20. The report has been referred to the City of Edinburgh Council as part of the setting of the revenue and capital budgets on 21 February 2019.

Terms of Referral

Council Change Strategy: Planning for Change and Delivering Services 2019-2023 – referral from the Finance and Resources Committee

Terms of referral

- 1.1 On 27 September 2018, members of the Finance and Resources Committee considered an update on the key financial assumptions underpinning the Council's revenue budget framework over the next four years. In noting the requirement to identify and deliver estimated recurring savings of at least £28m in 2019/20 and £106m by 2022/23, members approved Planning for Change and Delivering Services 2019 – 2023 as the basis of public engagement. This period of engagement then ran from 1 October to 7 December 2018, inviting the public to respond to a series of high-level proposals for change.
- 1.2 The financial assumptions underpinning Planning for Change had been reviewed and updated following the announcement of the provisional Local Government Finance Settlement for 2019/20. Alongside changes in a number of other expenditure factors, they had increased the incremental savings requirement in 2019/20 to £41.0m.
- 1.3 As part of the Stage One Parliamentary Debate on 31 January 2019, the Cabinet Secretary confirmed a number of changes to the provisional Local Government Settlement. Updated figures for the Council were presented to members of the Finance and Resources Committee at the meeting on 1 February 2019 and these are detailed in full in the supplementary report also on the agenda for the Council meeting.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 to note the impact of the provisional 2019/20 Local Government Finance Settlement and changes in other expenditure assumptions on the 2019/23 revenue budget framework.
 - 1.4.2 to agree further public and stakeholder engagement on the contents of the Change Strategy which set out a four-year strategic narrative for the organisation (Appendix 1 of the report).

- 1.4.3 to note that proposals were issued for the next phase of public feedback on 18 January 2019 to inform Council’s budget-setting meeting on 21 February 2019 (Appendix 2 of the report).
- 1.4.4 to note the draft funding offer for 2019/20 made to the Edinburgh Integration Joint Board (EIJB).
- 1.4.5 to agree to the establishment of a carbon budgeting pilot.
- 1.4.6 to note the update provided to members at the meeting on the material changes to grant funding and the affect this had on the setting of the 2019/20 revenue budget.
- 1.4.7 to refer the report to Council as part of the setting of the revenue and capital budgets on 21 February 2019.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to consider the report as part of the setting of the revenue and capital budgets on 21 February 2019.

Background reading / external references

Finance and Resources Committee 1 February 2019

Laurence Rockey

Head of Strategy and Communications

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Links

Appendices

Appendix 1 – joint report by the Chief Executive and the Executive Director of Resources

Finance and Resources Committee

10am, Friday, 1 February 2019

Council Change Strategy: Planning for Change and Delivering Services 2019-2023

Item number

Report number

Executive/routine

Wards

Council Commitments

Executive Summary

On 27 September 2018, members of the Finance and Resources Committee considered an update on the key financial assumptions underpinning the Council's revenue budget framework over the next four years. In noting the requirement to identify and deliver estimated recurring savings of at least £28m in 2019/20 and £106m by 2022/23, members approved *Planning for Change and Delivering Services 2019 – 2023* as the basis of public engagement. This period of engagement then ran from 1 October to 7 December 2018, inviting the public to respond to a series of high-level proposals for change.

The financial assumptions underpinning *Planning for Change* have been reviewed and updated following the announcement of the provisional Local Government Finance Settlement for 2019/20. Alongside changes in a number of other expenditure factors, these have increased the incremental savings requirement in 2019/20 to £41.0m.

This report responds to this change in the financial assumptions with a plan for the next year and beyond and should be read alongside the report detailing the results of engagement undertaken to date.

Council Change Strategy: Planning for Change and Delivering Services 2019-2023

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the impact of the provisional 2019/20 Local Government Finance Settlement and changes in other expenditure assumptions on the 2019/23 revenue budget framework;
 - 1.1.2 agree further public and stakeholder engagement on the contents of the Change Strategy which sets out a four-year strategic narrative for the organisation (Appendix 1);
 - 1.1.3 note that proposals were issued for the next phase of public feedback on 18 January to inform Council's budget-setting meeting on 21 February (Appendix 2);
 - 1.1.4 note the draft funding offer for 2019/20 made to the Edinburgh Integration Joint Board (EIJB);
 - 1.1.5 agree to the establishment of a carbon budgeting pilot;
 - 1.1.6 note that any further material changes to grant funding or other assumptions affecting the setting of the 2019/20 revenue budget will be advised to members; and
 - 1.1.7 refer the report to Council as part of the setting of the revenue and capital budgets on 21 February.

2. Background

- 2.1 On 27 September 2018, members of the Finance and Resources Committee considered an update of the key financial assumptions underpinning the Council's revenue budget framework over the next four years, resulting in publication of *Planning for Change and Delivering Services* and ten weeks of public engagement.
- 2.2 *Planning for Change* set out the need to identify and deliver recurring estimated savings of at least £28m in 2019/20, and £106m by 2022/23, to maintain expenditure in line with anticipated income levels. These requirements were, however, subject to confirmation of grant funding allocations by the Scottish

Government which followed in December 2018. The estimated savings requirements reported to the Committee at the time also assumed management of all other residual pressures within Directorates and Council-delivered services falling within the locus of the EIJB.

- 2.3 *Planning for Change* launched the start of the Council's public engagement, as part of a four-year Change Strategy in advance of setting the budget for 2019/20. The engagement document highlighted some initial opportunities for service reform and financial savings. It also signalled an intention for a broader debate with the public on their views to help guide the Council's resource allocation decisions next year and beyond.
- 2.4 Members of the Committee also approved a Green Group addendum requesting that specific proposals for 2019/20 be issued for public feedback in a way, and within a timescale, in which that feedback could influence the final budget decisions. Members additionally agreed that a draft carbon budget would be provided to a future meeting of the Committee and feed into the budget-setting meeting of Council. This report delivers both of these actions.

3. Main report

Change Strategy

- 3.1 Since the publication of *Planning for Change*, elected members and officers have continued to develop the underlying detail of the Council's long-term Change Strategy, centred around three key principles of:
- (i) driving improvements to deliver the high-quality services that citizens both expect and deserve;
 - (ii) targeting investment on prevention and early intervention to reduce long-term reliance on our services and enable citizens to lead active, independent lives; and
 - (iii) delivering growth within the city that is sustainable and inclusive.
- 3.2 The strategy is an evolving document, with the current draft included as Appendix 1. It sets out an ambitious programme of change which has the potential to deliver improved services to citizens. Subject to the Committee's agreement, the content will continue to evolve in light of public and member feedback and will be presented for approval to the budget-setting meeting of the full Council on 21 February.

Financial challenge: what has changed?

- 3.3 The financial context has developed since the assumptions which were reported to the Finance and Resources Committee on 27 September 2018. The Cabinet Secretary for Finance, Economy and Fair Work presented a one-year Draft Scottish Budget for 2019/20 to the Scottish Parliament on 12 December. In contrast to recent years, the announcement included headline detail of the Local Government

Finance Settlement, with provisional authority-specific figures then provided on 17 December.

- 3.4 The draft Settlement was subject to five weeks' consultation, with comments invited on the accuracy of the calculations underpinning the accompanying Finance Circular. The Council has not been informed of any changes resulting from this consultation period and, as such, the allocations provided on 17 December 2018 form the basis of the analysis contained within this report.
- 3.5 The total level of funding provided to local government may, however, change as part of the Draft Bill's Parliamentary consideration, given the likelihood of needing to secure the support of at least one other political party represented within the Scottish Parliament to be passed. In this regard, members' attention is drawn in particular to the Stage 1 Parliamentary debate, scheduled to take place on 31 January, which, based on previous years, is the most likely point at which any additional funding may be introduced. Should the level of grant funding change at this point, a verbal update on the impact on the budget framework will be provided at the Committee's meeting.

Local Government Finance Settlement, 2019/20

- 3.6 The Settlement reflects baselining of the £170m of additional revenue resources initially provided on a one-off basis as part of the revised Local Government Finance Settlement in February 2018. In addition, it includes:
- (i) total additional revenue (£210m) and capital (£25m) investment to support further expansion of early learning and childcare provision;
 - (ii) combined additional revenue funding of £148m to facilitate expansion of Free Personal and Nursing Care for under 65s, continuing implementation of the Carers' Act and increased investment in health and social care integration, allowing on-going payment of the Living Wage Foundation-recommended rate by all adult care providers. A further £12m has been provided for expanded school counselling services. Local authorities are required to pass on to Integration Joint Boards and/or relevant services a net increase in overall recurring funding at least equal to their share of this £160m;
 - (iii) an indicative £3.3m of additional revenue resources for valuation authorities to support implementation of the recommendations of the Barclay Review of Non-Domestic Rates; and
 - (iv) a new £50m Town Centre capital fund to enable local authorities to stimulate and support place-based economic improvements and inclusive growth.
- 3.7 As newly-introduced funding streams, a number of the above sums remain to be distributed amongst Scotland's thirty-two authorities. Allocation decisions will be taken forward by the joint Scottish Government/COSLA Settlement and Distribution Group (SDG) and presented to COSLA Leaders for approval in accordance with established practice.

- 3.8 Receipt of each council's full funding allocation is dependent upon increasing Council Tax levels by no more than 3% in 2019/20 and continuing adherence to national commitments around maintaining current pupil:teacher ratios and guaranteeing a place for every probationary teacher who requires one under the Teacher Induction Scheme.

Scotland-wide and Edinburgh-specific Settlement, 2019/20 – changes in funding allocations

- 3.9 The headline provisional Local Government Finance Settlement reflects a year-on-year increase of £173m (1.7%) in revenue and £208m (23.7%) in capital funding. These sums, however, reflect both funding for a number of new or expanded commitments (with corresponding expenditure obligations) and other presentational changes, the net effect of which requires to be taken into account in discerning the underlying impact on the Council's budget framework. The capital allocation additionally reflects £150m of realigned funding, having previously been subtracted from the 2016/17 Settlement in view of wider Scottish Government priorities at that time.
- 3.10 Once account is taken of the additional priorities noted above, underlying Scotland-wide core revenue funding has decreased by about £230m (2.3%). The specific impact on individual authorities' financial planning will however depend upon the level of funding already assumed to be provided to integration authorities. Edinburgh's level of core grant funding reduction, at 2.4%, is slightly higher than this average, reflecting the net effect of:
- (i) an increase of about £2.8m in its share of the needs-based distribution formulae, primarily those funding allocations calculated with reference to overall population numbers;
 - (ii) receipt of a £1.7m contribution (where none was received previously) under the Scottish Government policy whereby no authority receives less than 85% of the average Scotland-wide per capita level of revenue funding;
 - (iii) offset by a £5.3m reduced contribution from the stability funding floor. Due to a significant reduction in support for historic borrowing costs in recent years, however, the Council will still receive £13.3m of funding through this source in 2019/20.

Implications of the provisional 2019/20 Settlement for Council's budget framework

- 3.11 The provisional settlement as set out above will result in an increase of £8.9m in the Council's incremental savings requirement for 2019/20 relative to previous assumptions. This represents the net effect of a £17.9m like-for-like reduction in grant, less (i) the framework's pre-existing assumption of the provision of £6.0m of additional demographic-related investment for health and social care services (offset against the Council's share of the additional Health and Social care monies included within the Local Government Finance Settlement of £9.0m) and (ii) the

further pre-existing assumption of a 0.4% (£3.0m) reduction in revenue grant in 2019/20.

- 3.12 As noted above, the draft Budget Bill now enters a process of further Parliamentary consideration. This consideration has, in the last two years, resulted in the provision of significant additional resources for Local Government, with £12.4m of further funding provided to the Council in 2018/19. While, due to the tightness of the wider Scottish Government budgetary position following the UK Government's budget announcement last year, there is no similar guarantee for 2019/20, there is nonetheless the potential for new funding to be introduced and members will be kept apprised of any changes.

Local government employees pay award, 2018/19

- 3.13 Members may be aware of the decision reached at a Special COSLA Leaders' Meeting on Friday 14 December to increase by a further 0.5% (to 3.5%) the employer's pay award for most non-teaching staff in 2018/19. At this stage, in the absence of any indication of corresponding external funding, it is proposed that a provision of £1.8m be incorporated within the framework in respect of this additional liability. Assuming settlement at this level, this will also hasten a similar additional commitment in the current year, re-emphasising the need for urgent corrective action, such that a balanced overall position can be achieved by the year-end. For 2019/20, this pressure is mitigated, in part, by £0.3m of reductions in other areas relative to framework inflationary assumptions.
- 3.14 Members will also be aware that, as of the time of writing, the teaching trade unions have intimated rejection of the proposed three-year offer and approved plans to ballot their members on industrial action. As is set out in the Risks and Reserves report elsewhere on today's agenda, it is being assumed that, in light of the tripartite nature of teachers' pay negotiations, any additional funding necessary to achieve settlement will be provided by the Scottish Government. In view of COSLA's professed principle of pay parity, however, there is a risk that any improved offer would result in upward pressure on the award for non-teaching staff for which corresponding funding would likely not be made available by the Scottish Government and instead fall to be met by councils, increasing further the 2019/20 incremental savings requirement.

Demographic provision

- 3.15 As indicated in the budget framework update report considered by the Finance and Resources Committee on 27 September 2018, the level of incremental demographic provision in respect of rising pupil numbers has been reviewed following the publication of updated pupil roll projections in December 2018. Based upon these updated projections and in accordance with the established practice of funding at 70% of current unit costs both to reflect the marginal costs of delivery and incentivise innovative ways of addressing increased demand, a further £0.3m has been included in the framework for 2019/20. No changes to existing levels of provision are proposed for future years, or for other relevant services, at this time.

Teachers' superannuation contributions

- 3.16 Following a review of discount rate assumptions by the UK Treasury in 2018, a 5.2% increase in the employer's superannuation contribution rate for teaching staff (estimated to increase the Council's liability in this area by £7.2m) will be introduced with effect from April 2019. The UK Government has confirmed that around two-thirds of the additional costs may be mitigated by Barnett Consequentials for the devolved Administrations. While the Scottish Government is not bound to allocate these sums in accordance with the changes that triggered them, it has nonetheless given an indication that it will look favourably upon such a case. As the provision of these sums will not be confirmed until after the UK Spring Statement (expected in March 2019), however, receipt of corresponding funding remains a risk at this time.
- 3.17 As the UK Treasury has indicated that the remaining costs would fall to be met by the devolved Administrations, the budget framework now reflects a corresponding pressure of £2.4m, effective from 2019/20. This position would change if the UK Treasury fully funds these contributions.

Rapid access accommodation

- 3.18 At the meeting of Council on 13 December 2018, members agreed in-principle support to match-fund a Scottish Government contribution of £0.156m to provide additional rapid access accommodation to reduce homelessness, and in particular rough-sleeping, within the city for a period of twelve months. While discussions are on-going, there is the potential to recover up to £0.056m of the attendant cost of the Council's contribution through Housing Benefit claims.
- 3.19 Members agreed to consider this proposal as part of 2019/20's budget development process and, as such, a net sum of £0.100m is reflected in the updated savings requirement for 2019/20 noted at 3.24 below.

Management of service pressures

- 3.20 Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership have identified a number of recurring pressures as part of both the current year's revenue monitoring and future service planning. Identification of corresponding actions to manage these pressures on a sustainable basis is vital to the longer-term stability of the budget framework. To this end, a series of roundtable discussions has been held by the Corporate Leadership Team, highlighting, in particular, any instances where these pressures are unlikely to be able to be contained by the Directorates concerned without a consequent detrimental impact on service quality, quantity or material changes in Council policy. This has been highlighted as a risk in previous update reports.
- 3.21 Progress has been made in all of the main Directorates, such that at this stage and taking account of completed or planned actions, residual pressures totalling £8.6m across Communities and Families, Place and Resources are expected to be fully

mitigated. A further progress update will be provided at the Committee's next meeting on 7 March on any additional required preparatory actions in respect of those savings approved as part of the budget motion.

Edinburgh Integration Joint Board (EIJB)

- 3.22 The Chief Officer of the Edinburgh Health and Social Care Partnership (EHSCP) has identified net residual pressures in 2019/20, after the assumed pass-on of the additional health and social care monies provided in the Local Government Finance Settlement, of £16.4m. The Council's budget framework assumes that the Chief Officer will develop savings proposals, or identify planned areas of saving, to mitigate these pressures in full and present these to the EIJB on 8 February for approval.
- 3.23 The proposed offer to the EIJB for 2019/20 reflects a further saving of £3m (thus requiring total savings of £19.4m to be identified), resulting in an overall year-on-year increase in funding of £6.9m (3.5%) at this stage. While this is a savings target applied before the Council has passed on the full allocation of funding contained within the Local Government Settlement to the EIJB, there is still a risk that this is viewed as a breach of the conditions for receipt of the full level of funding set out within it. If this position is adopted as the Council's final budget in February, it therefore carries a risk of financial sanctions.

Updated revenue position, 2019/20

- 3.24 Taking into account the above changes, the revised savings requirement for 2019/20 has increased by £13.2m to £41.0m as indicated below. The majority of this movement relates to factors outside the Council's control, reinforcing both the dynamic nature of the wider local government environment and need for regular review of all income and expenditure assumptions.

	£m
Incremental savings requirement per report to Finance and Resources Committee on 27 September 2018	27.8
Provisional impact of Scottish Government Draft Budget, based on underlying change in funding once account taken of (i) monies provided in respect of new or expanded commitments and (ii) existing H&SC demographic provision	8.9
Recurring implications of improved 3.5% pay offer for non-teaching staff in 2018/19 net of minor changes in other inflationary assumptions	1.5
Additional demographic provision – Communities and Families (based on updated pupil projections)	0.3
Teachers' superannuation contributions	2.4
Rapid access accommodation	0.1
Revised savings requirement	41.0

Capital funding settlement

- 3.25 Details of the provisional capital funding settlement are included in a separate report elsewhere on today's agenda. Committee members should, however, note that a key dependency for delivery of the Wave Four schools programme is achievement of a balanced overall revenue budget framework position across the four-year period as a whole to provide assurance as to the longer-term annual affordability of the related required borrowing. Release of the existing loans charge provision for the programme included within the revenue framework is also contingent upon confirmation of funding levels from the Scottish Government. Given that the savings identified thus far address only the first year's incremental requirement, no corresponding projects or associated funding have been included within the Capital Investment Programme at this time.

Budget savings proposals: 2019/2020

- 3.26 In response to this revised budget position, savings proposals totalling £41.0m are included as Appendix 2. These proposals have been developed in a process of co-production between the Corporate Leadership Team and members of the Administration over a number of months. They have been informed by both the underlying principles and themes of the Change Strategy and engagement feedback received and include proposals for improved joint working, service redesign, more effective investment in preventative services, income maximisation and service prioritisation. In view of the scale of the savings requirement, however, it is estimated that there may be a reduction in current post numbers of up to 300FTE in 2019/20, although this will be managed within a framework of workforce controls, including current vacancies, and mitigated by demographic-related growth in relevant services and wider early years and childcare expansion.
- 3.27 The Council is asking the public for their views on whether these are the correct savings proposals to progress next year and beyond, given the requirement to deliver significant savings to balance the budget. This will impact the final list of proposals taken to Full Council on 21 February. At this point, the Council will also have received confirmation of the final budget settlement from the Scottish Government which may influence final savings and investment choices. Given the stated tightness of the overall Scottish Budget position, however, it is likely that the majority of the savings proposals set out (or alternatives of an equivalent value) will require to be implemented.

Budget savings proposals: future years

- 3.28 Given the one-year nature of the Local Government Finance Settlement, the implications for future years' savings requirements remain less clear. If a similar level of core grant funding settlement were received in the following three years, the previous estimated four-year gap of £106m would increase not only by the £13.2m for 2019/20 above but by a further £26.7m, together amounting to a revised savings requirement of almost £150m. This re-emphasises the need for the 2019/20 budget

to be the first step of systematic service redesign and re-prioritisation of everything the Council does, and how it does it, if longer-term sustainability is to be secured. This requirement for further difficult spending decisions means that the next phase of planning will commence immediately following the budget-setting meeting on 21 February, whilst also focussing on the delivery of approved savings plans.

- 3.29 The financial reality of the cumulative effect of increasing demand and reducing resource availability will require difficult decisions by councils across Scotland, with an increased focus on prioritisation, prevention and radical reconsideration of service delivery required to secure financial sustainability. This will inevitably lead to a cut in some services currently provided by the Council and the total number of posts within the Council. As highlighted in recent Accounts Commission reports, the 2019/20-specific proposals should therefore be seen as providing the necessary financial breathing space to form the foundation of more fundamental longer-term change in the role and organisation of local government services.

Integrated Impact Assessments (IIAs)

- 3.30 Officers have conducted an initial high-level assessment of all the proposals planned for implementation in 2019/20. The intention is to identify those with potentially-material impacts on individuals or groups with protected characteristics, vulnerable to falling into poverty or belonging to particular communities of place or interest. On this basis, a number of proposals have been identified where completion of detailed IIAs will be required, with relevant preparatory work underway.
- 3.31 Due to an increase in the number and scale of proposals needed to address the revised savings requirement set out at 3.24, the results of these impact assessments will now accompany the reports referred to the Council's budget-setting meeting on 21 February. This revised timescale will also allow for impact assessments to take account of citizens' views on the budget proposals following their publication.

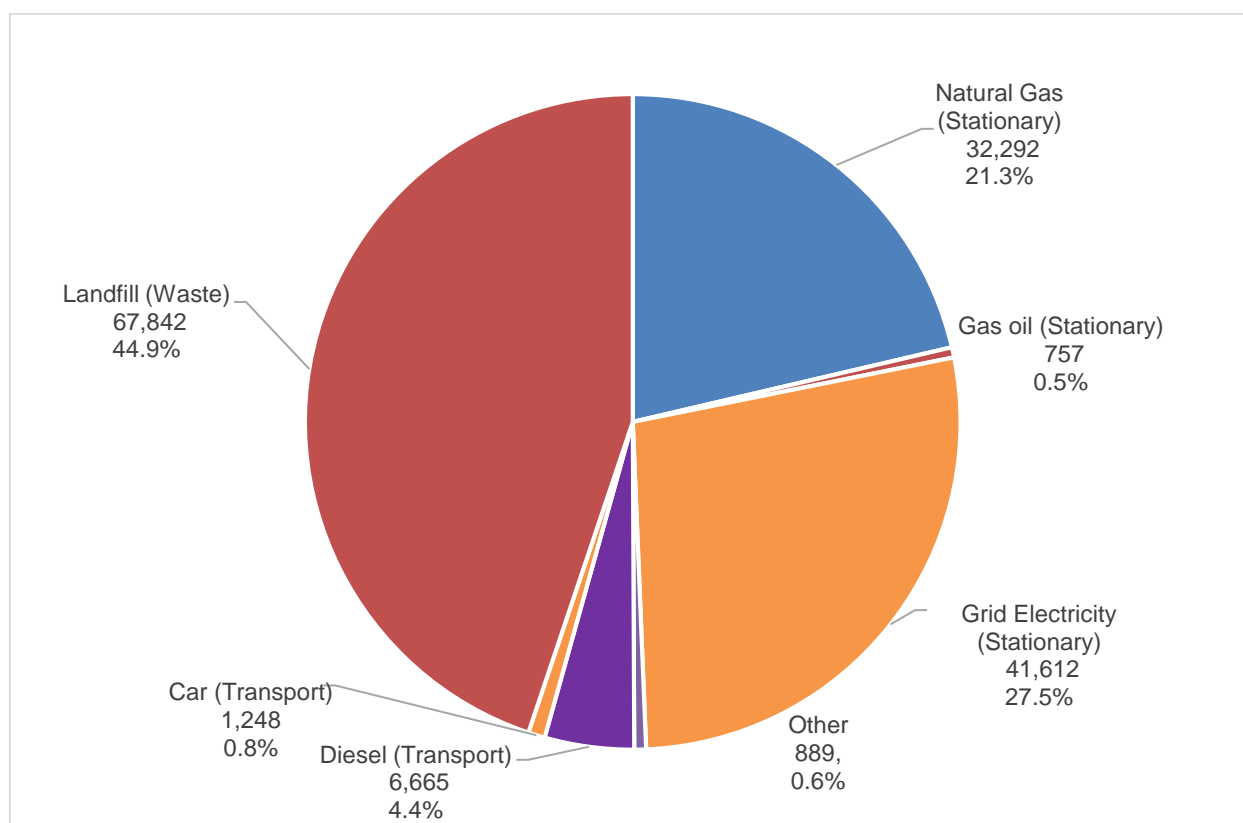
Carbon budgeting

- 3.32 At the Finance and Resources Committee's meeting on 27 September 2018, members agreed that a draft carbon budget would be brought back to a future meeting.
- 3.33 Following the example of other councils who are considering carbon budgeting, it is proposed this is undertaken on a pilot basis initially, focusing on the areas where data is most readily available. The feasibility of this approach going forward will be considered as part of the wider decisions being taken as part of the Council-wide audit of sustainability.
- 3.34 The Council has a legislative duty to submit an annual report on what it is doing to meet its statutory Public Bodies Climate Change Duties under the Climate Change

(Scotland) Act 2009. Carbon budgeting could be used as a mechanism for improving reporting under this duty.

- 3.35 The overall reduction in carbon emissions since 2005/06 is 22%. In order to achieve the 42% target¹ by 2020/21, total emissions reduction of 7% of tCO₂ are required, on average, each year for the next three years.
- 3.36 Stationary emissions, as outlined in the chart below, make up 49.3% of the Council's carbon emissions footprint. Emissions from landfill waste make up 44.9%, followed by 5% from transport and less than 1% for others, including water.

Composition of Council's carbon-related emissions, 2017/18 – total 151,305 carbon dioxide equivalent tonnes



- 3.37 It is proposed that a pilot carbon budget approach be trialled with energy-related emissions from the Council's school estate, streetlighting, traffic signals and waste. These assets and activities account for almost 70% of its total emissions and provide a clearly-defined group to which to apply targets. To begin this process, mapping of current and projected energy and carbon reductions in these areas for the next three years for projects being taken followed within the Council is included

¹ The target of 42% reduction in carbon emissions is in line with the 2020 target in the Climate Change (Scotland) Act 2009 and is the target the Council reports against in its annual Public Bodies Climate Change duties reports.

in Appendix 3; specific targets for waste are being developed, taking account as appropriate of anticipated changes in waste processing and recycling services. It should be noted that these are initial provisional estimates only and will require further work to test and refine going forward as, for example, actual energy performance of estates refurbishment and/or new-build become available. This will inform the development of further actions to reduce the Council's carbon footprint.

- 3.38 Detailed arrangements to take forward this initiative, including associated governance and development of underlying actions to achieve the 2020/21 target of a 42% reduction in emissions, will be considered as part of the wider decisions being taken as part of the Council-wide audit of sustainability.

4. Measures of success

- 4.1 Relevant measures in setting the revenue budget include:

- 4.1.1 Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2019/20 to be set as part of a sustainable longer-term framework;
- 4.1.2 Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
- 4.1.3 Subsequent delivery of the approved savings, particularly where these are linked to additional service investment, along with key service performance indicators.

5. Financial impact

- 5.1 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery, of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.
- 5.2 In 2016/17, following the introduction of enhanced senior officer and elected member scrutiny at the inception, development and implementation stages, some 88% of savings by value were subsequently delivered during the year. In 2017/18, however, this level of delivery reduced to 80%, with a further decrease to around 70% anticipated in the current year. In view of these reductions and the increasingly-challenging nature of savings delivery, particularly those approved measures concerned with more effective demand management, at the meeting of Council on 25 October 2018, members approved the use of up to £1m of previously-uncommitted monies to facilitate the engagement of dedicated fixed-term project managers to develop individual proposals comprising the broader Change Strategy.

- 5.3 The Council is required by legislation to set Council Tax rates for the following financial year by 11 March. Implicit within this requirement is agreement of specific expenditure and savings plans, such that combined grant funding, Council Tax and fees and charges income meet expected expenditure obligations. After successive years' expenditure reductions, this is likely to require approval of most, if not all, of the savings set out within this report, with increasingly-difficult decisions on service prioritisation and greater efficiencies required in subsequent years.

6. Risk, policy, compliance and governance impact

- 6.1 An annual report on the risks inherent in the budget process is considered by the Finance and Resources Committee and referred to Council as part of setting the revenue and capital budgets. This report is included elsewhere on today's agenda and sets out a number of risks including future funding and pay award levels and, in particular, effectiveness in the delivery of approved savings and management of service pressures.
- 6.2 A summary of progress in respect of savings delivery is reported to the Finance and Resources Committee on a quarterly basis, with additional detail and commentary on risks, mitigations and alternative measures (as appropriate) reported to Executive Committees. As noted above, however, due to a decrease since 2016/17 in the proportion of approved savings subsequently delivered, these controls will be strengthened through the provision of dedicated project management support of key change initiatives, with opportunities to enhance further senior officer and elected member scrutiny also examined.
- 6.3 Ongoing communications by the Council's statutory section 95 Chief Financial Officer, the Head of Finance, have reinforced the respective accountabilities and responsibilities of Executive Directors, the Chief Officer of the EIJB and Heads of Service to maintain expenditure within approved budgets, in accordance with the Financial Regulations. Executive Directors and the Chief Officer of the EIJB also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council.

7. Equalities impact

- 7.1 All budget proposals are subject to an initial relevance and proportionality assessment and, where appropriate, a formal Integrated Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed. Feedback received as part of the budget engagement also allows for any equalities-related impacts highlighted by service users to be taken on board in the implementation of the measures concerned.

- 7.2 A summary of the potential implications and identified mitigating actions for the proposals comprising the Change Strategy will be reported to the Council budget-setting meeting on 21 February to ensure members pay due regard to relevant considerations.

8. Sustainability impact

- 8.1 The Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.
- 8.2 This report additionally sets out proposals for the introduction of a carbon budgeting pilot across key areas of Council activity.

9. Consultation and engagement

- 9.1 An overview of feedback received over the three-month engagement period for *Planning for Change and Delivering Services* is provided in a separate item elsewhere on today's agenda.
- 9.2 Feedback on the specific proposals set out in Appendix 2 has also been sought through the Council's consultation hub. A summary of this feedback will be included in a briefing to all elected members and published on the Council's website on 15 February to allow this feedback to be taken into account in setting the 2019/20 revenue budget.

10. Background reading/external references

- 10.1 [Revenue Budget Framework 2018/23 Update](#), Finance and Resources Committee, 12 June 2018
- 10.2 [Proposed 2018/19 Citizen Engagement](#), Finance and Resources Committee, 16 August 2018
- 10.3 [Council Change Strategy: Planning for Change and Delivering Services 2019-2023](#), Finance and Resources Committee, 27 September 2018
- 10.4 [Scottish Government Funding Offer for Rapid Access Accommodation](#), City of Edinburgh Council, 13 December 2018

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11. Appendices

Appendix 1: Change Strategy

Appendix 2: Summary of specific proposals for public engagement, 2019/20

Appendix 3: Carbon budgeting – provisional targets, 2018/19 to 2020/21

Change strategy

2019 – 2023

Appendix 1



HAPPY TO TRANSLATE

Telephone 242 8181

Reference 18-4411



1. Introduction

In Autumn 2017, we launched a new Programme for the Capital setting out 52 commitments this Administration will deliver to ensure everyone in Edinburgh is able to benefit from the city's success. Over the last 18 months the Council and the city have made significant strides towards delivering these commitments. Despite this progress, however, much remains to be done if we are to respond to both the changing needs of the city and the increasing financial challenges we face.

The final budget settlement we will receive for 2019-20 is yet to be determined by Parliament. We already have a good indication that we will need to save up to £41 million next year and around £147 million over the next four years. These are higher figures than we originally anticipated and higher than those included in our Change Strategy consultation document, Planning for Change and Delivering Services, which we issued in October 2018.

Within this context it is important that over the next four years we, and the city, are clear and focused on delivering the priorities that are key to helping us meet our objectives. We need to:

- reinforce and restate the Council's continued focus on delivering all 52 of the commitments set out in the Programme for the Capital by 2022
- describe the steps we are taking to deliver a blueprint for how the Council needs to change over the coming years in response to the evolving needs of our city
- set out the key priorities the Council will focus on delivering during 2019/20 and beyond.

To do this we have been developing a long-term strategy focused on three key objectives for the next four years. This plan will focus on ensuring that:

- we drive improvements to deliver the high-quality services that our citizens expect and deserve
- investment is targeted on prevention and early intervention to reduce long-term reliance on our services and allow citizens to lead active, independent lives
- the growth of this city is sustainable and inclusive.

The steps we will take over the next four years represent an ambitious and necessary programme of work to make a real difference to the lives of people across Edinburgh. They speak not only to the challenges we face now, but also to our vision of the Edinburgh we want to see. Our aim throughout this is to ensure that Edinburgh remains a successful, welcoming and caring city in which every resident and every community can enjoy the great quality of life they expect from Scotland's capital.

2. The need for change

In 2021 it is forecast that the number of people aged 65 and over will overtake the number of people aged under 18. By 2023 there will be 4,000 more children in our schools than there were in 2018 and our total population will have increased by 23,000 people.

We need to be prepared to support more children in our schools¹ while at the same time look after an ageing population who will need support from the Council and NHS alike. We need to make sure that the city continues to be open, progressive and forward-thinking so that everyone can share in the benefits. To do this we need to be a modern organisation focused on efficient and effective delivery of our public services. We cannot continue to do things the same way we always have. We need to change and improve.

Why do we need to make budget savings over the next four years?

We have already saved over £240 million since 2012, but there are further demands, rising public expectations and rising pressures on our budget. In 2018/19 our revenue budget was almost £1 billion. This included spending of over £430 million on education and children's social services, £196 million on adult social care, older people's and disability services in partnership with NHS Lothian, through our role in the Edinburgh Integration Joint Board, £50 million on environmental and waste services and £35 million on culture, sports and lifelong learning.

In 2019/20 our revenue budget will increase slightly, reflecting significant funding for additional or expanded national commitments, including doubling the hours of early learning and childcare for eligible two, three and four-year-olds. However, overall resources for core services will reduce by about £18 million (2.4%).

The rising costs, inflationary pressures, increased demand for services due to a rising and changing demography and a projected reduction in grant funding mean that we need to save at least £147 million (15.2%) over the next four years, with a £41 million (4.2%) saving needed in 2019/20.

Meeting this challenge will require us to make hard choices. Rather than making small reductions each year across all our services, that impact the quality and performance of our delivery, we need to set out clear priorities and focus our resources on achieving them. By producing a clear, focused and longer-term plan for 2019/20 to 2022/23 we will continue to deliver our priority services, particularly those for the most vulnerable in society and achieve a sustainable and balanced budget position for taxpayers.

As a result, we will make the difficult decisions necessary to deliver the savings needed to protect spending in priority services and achieve a legally balanced

budget. Some of this will be achieved by changing how we deliver our services to make them more efficient and effective. In other cases, we will move to more targeted support to protect services for our most vulnerable citizens. These decisions are not made lightly and we are committed to ensure we understand the full implications of these decisions before they are implemented. You can read more about these changes in the draft 2019/20 Council budget reports which will be considered by the Finance and Resources Committee on 1 February, and by the Full Council on 21 February.

3. Priorities for change

The Council is changing

During 2019 we will begin to implement our Change Strategy as the first step towards creating the type of organisation we need to be in future. This strategy will be built around three key objectives we need to focus on over the next four years and will be designed to ensure that:

- we drive improvements to the **high-quality services** that our citizens expect and deserve
- investment is targeted on **prevention and early intervention** to reduce long-term reliance on our services and allow citizens to lead active, independent live
- that the growth of this city is **sustainable and inclusive**.

2019/20 will see the delivery of many projects that are critical to ensuring we meet our goals for the city and its residents. This section lays out the changes that we will deliver during the next 12 months. Above everything else, we are ambitious for Edinburgh and committed to making the important changes we need to improve and protect the city we live in.

4. Prevention and early intervention

We want to support people to live healthier, longer, more independent lives and ensure that help is centred around the needs of the individual at the earliest possible stage. We want citizens to be actively involved in designing how their needs are met and for us to be able to respond quickly to immediate and changing needs.

There are, however, enduring challenges. Over 200 people are waiting in hospital for a package of care allowing them to return home and close to 2,000 households are still in temporary accommodation. Our aim is not just to eliminate these delays but to actively improve the circumstances of the people behind the numbers and help others before the point of crisis.

In 2018/19 we have already spent:

- £45 million on providing support to those who have become, or are at risk of becoming homeless
- £114 million on children and families who need care or additional support
- £196 million on supporting adult social care
- over £2 million on supporting people dealing with drug and alcohol addiction.

Over the next four years we will:

- deliver a new approach to the Health and Social Care Partnership
- take a new action to further prevent homelessness in Edinburgh
- support people to live active, healthy lives in Edinburgh
- adapt new approaches to develop a more empowered education system
- make Edinburgh more child friendly
- ensure delivery of a new Edinburgh Poverty Commission.

A new approach to the Health and Social Care Partnership

The Edinburgh Health and Social Care Partnership (EHSCP) was established in 2016. It brought together the Council and NHS Lothian to co-manage a wide range of health and social care services. The Integration Joint Board (IJB) controls the overall budget for community health and social care and makes decisions on planning, resourcing and delivery by the EHSCP. Integration offers exciting opportunities to reshape, rebalance and improve the whole health and care system within Scotland, creating

sustainable and high-quality services which are fit for the future.

The EHSCP is developing an ambitious programme of change and transformation, with a focus on well-being and preventative approaches which keep people independent for as long as possible within their own homes. We are committed to more active participation of communities and our third and independent sector partners in the redesign and development of support and services, with a renewed emphasis on improving outcomes and experience for the people of Edinburgh.

Homelessness

With a strong Council-wide focus on prevention and early intervention the number of people experiencing homelessness that we are supporting has fallen from 6,000 to 3,000 over the last ten years. Despite this success, the pressure on our temporary accommodation services has never been greater. This is due to an acute shortage of affordable housing in the city and challenging private rental sector conditions.

To understand and tackle the causes of homelessness in Edinburgh we set up the Homelessness Task Force in 2017. This work has now concluded and in addition to ongoing service delivery improvements, a series of recommendations were approved in June 2018. This included the action to introduce new facilities for 500 temporary accommodation bed spaces, delivery of Housing First support services for those with multiple and complex needs, new staff training and additional support for temporary accommodation service users and private sector tenants.

These and many other activities will continue to support the delivery of homelessness services ensuring anyone at risk of homelessness is supported from the point of contact into secure and sustainable housing.

Culture and leisure services

Edinburgh residents enjoy a fantastic quality of life. This is reflected in residents' satisfaction with their city being extremely high. We can further increase the opportunities and improve the circumstances for all our citizens and reduce inequalities in the manner that we provide and deliver culture and leisure services in Edinburgh.

Focusing on prevention, early intervention and tackling inequalities is already central to the approach taken to the delivery of leisure services in Edinburgh. Supporting more people to be active and to lead active, healthy lives not only benefits their individual well-being and quality of life but also reduces the financial burden on the Council, health and social care services and the NHS in both the short and long term. We will apply this approach on both a city-wide basis or targeted in local communities where most appropriate to empower people to lead healthier lifestyles, remove barriers that prevent people from being active, use physical activity to tackle inequalities, and create opportunities for people to connect socially and reduce isolation.

Edinburgh Learns

As a city we are both ambitious and inclusive: we want all our 48,000 children and young people to reach their full potential. Edinburgh Learns is our strategy for raising attainment in schools, setting out what, why and how we will do this. Approved by Elected Members in December 2018, it covers every aspect of educational experience including teaching and learning, health and well-being and parental engagement. Each theme is based on research and has actions and targets for success. This co-produced guidance fully endorses contemporary thinking on empowerment and stakeholder engagement and will ensure that all of today's young learners are equipped and enabled to be tomorrow's future citizens.

Child-friendly city

We will implement a child-friendly city approach which aims to increase participation and engagement of children and young people, celebrate their success and to use restorative practice to build relationships, reduce conflict and repair harm where it has occurred. There have been many events throughout 2018 to celebrate the Year of Young People, including a range of measures to extend participation and engagement of children and young people with decision makers in the Council and the Children's Partnership.

This included the Looked after Children's Champions Board which involves Looked After Children in the development of our corporate

parenting approach and the What Kind of Edinburgh Initiative which has engaged with a wide range of children and young people to hear their views on developing the strategic priorities contained within the Children's Services Plan.

Edinburgh Poverty Commission

Despite our successful economy and high living standards, Edinburgh remains a city blighted by unacceptably high levels of poverty and inequality. More than one in five of all children in Edinburgh grow up in poverty with this rate rising to more than one in three in some parts of the city. These are rates of poverty as high as any other city in Scotland with, in many cases, the poorest families in Scotland living in areas just a street away from some of the most affluent.

Addressing poverty and its effects is a critical part of our shift to a new, more preventative way of working. Towards this, Edinburgh Poverty Commission was launched in late 2018 and will work throughout 2019 to understand the forces which result in one in five of all children in Edinburgh growing up in poverty and to define the actions the city needs to take to reduce and prevent poverty. In doing so the Commission will listen and learn from citizens across Edinburgh who are struggling to get by, build on the approaches we know work well and challenge the city (including ourselves, partner agencies, third sector providers, businesses and communities) to do better.

5. High quality services

Our strategy is not only about the long-term. The people of Edinburgh expect access to high-quality services today. In a world of increasing pressures and constraints this means difficult choices about the services we provide and how we provide them. We can do this by embracing the opportunities that technology brings, putting communities and residents at the heart of what we do and working closely with our partners within the public, private and voluntary sectors. This is already happening across a range of services.

Re-designing our services and rationalising our estate

Almost everyone needs to interact with the Council through one of the services we provide. Traditionally, this would have been by visiting one of the 760 buildings we own but technology is reducing this need. In some areas, services are being delivered from too many separate buildings which are expensive to maintain and run. We will re-design the way that services are provided and in doing so, make choices about which buildings we continue to use and what we build in the future. For example, we operate the Dumbrae Hub where several services are co-located and delivered.

Most importantly, we will engage directly with the community to ensure citizens and service users are involved from the start of the process and the results reflect their needs.

There are many catalysts for why this change is needed now:

- Our high school replacement programme presents the opportunity for schools to become community hubs. We will work with the community to

decide which services should be provided from each hub.

- The Early Years expansion programme, which will deliver 1,140 hours of early learning and childcare for eligible children under school age by 2020. Work is already well underway and we need to do more to ensure that new nursery provision is more accessible to the community.
- The growing city means we will need new community services, including schools and doctor's surgeries, in new areas of the city, with as many as five new primary schools to support new housing by 2022.

We also need to ensure these buildings fit for purpose. Our Asset Management Strategy will ensure all our buildings are safe and effectively used at an acceptable and efficient cost. In addition, our facilities management services are being modernised with the final element, the cleaning service due to be completed in 2019.

We also manage a property investment portfolio with than 1,500 leases which contribute over £15m in

income directly to our budget every year. Adopting a commercial approach, the portfolio is robustly managed to maximise the income achieved, by ensuring:

- that all assets are rented to their full market potential
- that all rent reviews and lease renewals are commercially negotiated
- that void rates are kept to a minimum
- that costs of repairs, maintenance and insurance are passed onto third parties
- that new opportunities are instigated such as the recent construction of 16 new industrial units in South Gyle.

Income maximisation and becoming a more commercial Council

We generate income from a range of services and assets to ensure that we can supplement our core budget. We have already achieved £150 million in savings through our Commercial Excellence Procurement Programme. Recognising the scale of financial challenge facing the authority however, the opportunity to generate new and additional income streams, along with maximising value and achieving full cost recovery for discretionary activities will be

¹ *Scottish Average 2016 – 36.4, Edinburgh 2016 - 34.6

<https://statistics.gov.scot/slice?dataset=http%3A%2F%2Fstatistics.gov.scot%2Fdata%2Froad-network-traffic&http%3A%2F%2Fstatistics.gov.scot%2Fdef%2Fdimension%2Findicator%28roadNetwo>

increasingly important. We will therefore undertake a full review of all existing revenue streams, consider options for additional income generation and will further assess the value delivered by and opportunities for greater cost reduction through intelligent use of our buying powers and procurement activities.

Roads

We look after 1,511km (939 miles) of roads. The volume of traffic has increased in recent years, increasing pressure on the condition of our roads. Whilst Edinburgh's Road Condition Index (RCI) demonstrates that the standard of our roads is better than the Scottish average*¹, they are still in need of improvement. To deal with this pressure and improve our roads, the service has developed a Roads Improvement Plan, which is implementing changes to address issues affecting performance. Work is progressing on the city centre West to East link which will connect many cycle and walking routes in the city's western and northern suburbs to the city centre. As part of our commitment to improving cycling facilities and promoting active travel, we have allocated 10% of our transport budget for 2018/19 to making cycling in our city easier and safer.

rkTraffic%29=http%3A%2F%2Fstatistics.gov.scot%2Fdef%2Fconcept%2Findicator-road-network-traffic%2Fthe-percentage-of-roads-needing-repairs-red-and-amber-classification-in-scotland

Waste and cleansing

Between 2014 and 2017 residents' satisfaction with waste services and bin collections was amongst the lowest in Scotland. Over the same period, complaints about missed bin collections have fallen from 47,700 to 38,000 per year. Since then we have made a lot of longer term changes to our routes, depots and the introduction of new technology. In April 2017, we opened a new waste collection and street cleaning depot at Seafield. The new depot has significantly improved existing facilities and construction of a similar facility at Bankhead is underway. There are also short-term challenges which we are committed to addressing to ensure that our waste and cleansing service is fit for purpose. As part of developing a sustainable overall financial position we also need to make further savings and over the next year, we will look into joint procurement waste contracts with our local authority neighbours.

Improving processes

Technology alone will not be sufficient to deliver the changes we need to make. Like all large public-sector organisations, we need to challenge ourselves to be as efficient and effective as possible and to make sure the processes and procedures we follow are fit for purpose in the environment in which we currently operate.

Our teams have been challenged to deliver greater levels of operational efficiency in the way that they deliver their services. These will be taken forward through a number of routes

including new workforce controls (on agency expenditure, overtime and vacancy management), the application of 'lean systems' thinking to Council processes, process automation and reviewing our contracts and grants with other organisations and our supply chain management. Using these approaches, teams have been set an ambitious target to build on the £240 million of recurring savings already made since 2012 and deliver a further saving of up to 1.55% each year for the next four years.

Maximising new technology

Delivering these changes requires us to make use of all new technology available to us. In particular, we will continue to grow our use of Intelligent Automation, make use of new SMART technology and find new ways to manage our data.

Intelligent automation (IA)

We want to do more to ensure we are more customer focused and support citizens to access the services they rely on. The new Intelligent Automation (IA) team delivered the first major milestone in June 2018: a live automation of landlord registration applications. IA uses automation software to process repetitive, rules-based administrative tasks that means instead of manually inputting data, colleagues can focus on helping customers with complex issues, or on those in need of additional support. From planning applications to contact with schools, we will exploit the best available technologies to deliver new approaches which meet the best standards of customer design and

simplicity. The overall results of this programme will mean better quality, easier to navigate services at a reduced cost.

Smart technology

Smart Technology means we can turn our assets into internet enabled devices offering enormous potential to change the way the city operates and develops. From street lights and traffic flows, to air pollution and the use of our buildings, smart technology provides a way to improve our understanding of how the city works and to build new automated ways to address issues as they arise.

The approval of the Edinburgh and South-East Scotland City Region Deal provides a significant first step towards this vision for the future of the city, with its £1.3 billion programme including a commitment to an ambitious data driven innovation project aiming to build Edinburgh into the data capital of Europe.

Alongside this investment, this Change Strategy will develop our approach to creating a city operations centre for the Council, bringing together multiple data sources from a range of public sector partners one place to manage the city more effectively. At present, opportunities to integrate information across partners are limited. This new project will offer a significant opportunity to vastly increase the quality of our insight into how the city

operates and make our systems and services more efficient and effective as a result.

Managing our data

To deliver services we need to safely manage huge sums of data about our people and the city. All Councils are generating an ever-increasing volume and complexity of data in response to new technologies. This means that we need to be prepared to both manage the data and use it better to help us deliver services.

As a first step we are investing in Business Intelligence technology so that we can centralise, integrate and analyse our data better. The new technology will allow us to identify patterns, trends and behaviours so that services can better address emerging issues, identify the root cause of issues and opportunities to improve service delivery. The solution will have built-in functions to ensure that our data is secure and compliant with legislation and our policies (e.g. GDPR).

6. Sustainable and inclusive growth

Our population is growing and changing and we are ambitious for how the city needs to develop its infrastructure accordingly. We need to ensure that the benefits that investment brings are shared by everyone across the city.

Over the next four years we plan to deliver:

- over £600 million in new council homes or refurbishing and upgrading existing homes
- nearly £200 million on school construction and refurbishment
- at least £125 million in the city's roads, pavements and cycle paths
- new investment in sustainable communities in the Granton and Waterfront area
- a new plan for the transformation of the City Centre
- a new City Mobility Plan to make sure Edinburgh's transport networks support a more inclusive city for people of all ages
- a new City Plan, representing a significant new step in guiding the development of land for housing, employment, transport and other uses in the city over the next ten years.

Taken together, these actions represent an opportunity to significantly change the face of our city. They represent an opportunity to create new communities along the waterfront at Granton which could, pending approval, be connected to the city centre by the tram network. We want to maintain our city centre's status as a World Heritage Site but we must also innovate to ensure it is one of the healthiest, most vibrant and well-connected city centres in the UK. Achieving city wide transformation means delivering three key things: a new Local Development Plan; a new transport plan; and a low emission zone. At the same time, the West of Edinburgh represents further huge opportunities to work with our partners, such as the airport, to create new thriving communities.

The proposals we are developing are designed to support the wider growth of our city in a fair, sustainable and balanced way. It is important that we engage and work with local communities to make sure that everyone can benefit from the growth of our city.

With this change come huge challenges but the impact of a buoyant economy means that the city needs to grow to meet the demands of a changing population. This is of course not just about physical development, we want to deliver mixed sustainable communities which work for everyone. This means that alongside delivering housing, we need to work with communities about the infrastructure they will require that is specific to their area.

7. How will we deliver this change?

We exist to ensure we're anticipating and responding to the needs of our citizens and city. These are changing and evolving which means, now more than ever, we cannot afford to stand still – we need to be able to respond and adapt to the changing landscape around us. This requires all colleagues to be committed to shaping the organisation and culture we need to deliver on our ambitions.

Our People Strategy, approved in March 2017, sets out a three-year plan to build an agile and flexible workforce by developing skills and to create a great environment for our staff. The initial focus was on delivering the previous transformation programme without the need for any compulsory redundancies, developing our new approach to performance management, delivering essential learning and development, securing Occupational Health and Employee Assistance provision and developing a new induction approach.

In response to our short and medium-term challenges and opportunities, our focus will be on embedding the work we have done to date and delivering the following:

- Pay, reward and terms and conditions: the practices and approaches we have in place were implemented in 2010 and since then there have been no major steps taken to further modernise what we do. This has resulted in our organisation falling behind in introducing more progressive and modern practices and what we have in place is not sustainable. We will review our current practices and develop solutions which reflect where we should aspire to be as an organisation, whilst continuing to commit to paying the Scottish Local Government Living Wage.
- Managing change: in response to feedback from colleagues we will redesign how we manage and lead change within our organisation. We aspire to work harder at being clear with colleagues on the reasons for change and focusing on colleague involvement before formal consultation takes place.
- Colleague communication and engagement: we recognise that our current channels of communication and engagement don't always hit the mark and for some colleagues aren't accessible at all. We commit to working to getting all colleague access and to creating channels which enable two-way timely engagement for all our colleagues and look for ways to strengthen the ability for all colleagues to be heard.
- Employee Health and Wellbeing: there has already been an initial shift toward preventative action supported by a new policy and guidance. The mental, emotional, physical and financial wellbeing of our colleagues is an area where we want to make more positive impact. This includes supporting colleagues in times of organisational change and supporting their personal resilience and wellbeing.

- Organisation and individual performance: we will move to a way of tracking and measuring our organisational performance through a balanced scorecard looking at financial, service, people and risk metrics. We will continue to embed our approach to managing individual performance to make all our colleagues have clear performance goals which are aligned to achieving an improved organisational performance.
- Diversity and Inclusion: we are clear as an organisation that we expect a culture of respect, dignity and inclusion and expect colleagues to recognise and consider the impact their behaviours may have on others – consciously or unconsciously, how we might judge or treat others. Rightly, we will increase our focus on embedding this culture.
- Development for our leaders and aspiring leaders: we have been redesigning our leadership development offering which will be launched in early 2019. Coupled with this we will launch a talent programme through which we will identify and develop future leaders.

8. Close

Our overarching objective is to ensure everyone benefits from Edinburgh's success and despite significant progress in the first 18 months of the administration there is still more to do. This strategy is upfront about the difficult choices we face in addressing significant financial challenges. By taking difficult choices now we can be confident that we can carry on providing high quality services that our citizens rely on and continue to deliver an ambitious programme for Scotland's capital.

The City of Edinburgh Council

Draft budget proposals 2019/20

Change strategy 2019 – 2022

These draft proposals will be considered at the Finance and Resources Committee on Friday 1 February by councillors, before the Council's budget meeting on Thursday 21 February 2019.

You can tell us your views at edinburgh.gov.uk/change before 11 February 2019.



HAPPY TO TRANSLATE

Telephone 242 8181

Reference 18-4412

Chapter	Description	19/20 Saving	20/21 Saving	21/22 Saving	22/23 Saving
1. Income Maximisation	Looking at ways to increase our annual income	£2.595m	£0.535m	£0.440m	£0.425m
2. Workforce Modernisation and Change	Ensuring our workforce is effectively organised and able to better respond to the needs of our citizens	£2.350m	£0.050m	-	-
3. Service Reduction	Areas where we propose to stop or reduce services	£2.004m	£1.521m	-	-
4. Corporate & Capitalised Budgets	Internal changes to funding with no impact on services	£9.500m	£3.600m	£4.100m	£4.100m
5. Operational Redesign	Opportunities to do things better by redesigning services	£0.915m	£0.915m	£1.000m	-
6. Service Reform	Finding new ways to deliver services and improving them	£4.240m	£0.780m	-	-
7. Maintaining Service Investment	Looking again at additional money from last year	£1.600m	-	(£0.850m)	-
8. Digital Delivery	Making use of technology to deliver customer facing services in new ways	£0.090m	£0.250m	£0.250m	£0.190m
9. Place Making	Making changes to services in specific areas	£1.669m	£0.618m	£0.520m	£0.625m
10. Arm's Length Bodies	Assessing and evaluating our relationship with our Arm's Length Organisations	£2.464m	£0.176m	£1.000m	£1.000m
11. Operational Efficiencies	Challenging ourselves to be more efficient each year	£11.966m	£9.783m	£9.500m	£9.500m
12. Homelessness Investment	Doing more to prevent Homelessness	£0.295m	£0.060m	-	-
13. Partnership Working	Collaborating differently with our partners	£1.062m	£1.575m	£1.000m	-
14. Service Design & Our Assets	Making best use of our estate	£0.250m	£1.250m	£1.100m	£0.350m
Total		£41.000m	£21.113m	£18.060m	£16.190m

1. Income Maximisation

What is being proposed?

Increasing Council income is a priority for the Change Strategy and there are nine strands to this proposal which relate to increasing existing, or creating new, income streams. We are also looking at reducing the associated costs of collecting income due to us. The nine proposals are:

Full Cost Recovery

Ensuring the Council recovers all costs incurred as a result of supporting major events in the city delivered by third parties.

Statutory Consents

Increasing cost recovery through charges levied for licensing and regulatory services, road occupation licences and consents, where permitted by legislation.

Pre-Planning Applications

Introducing discretionary charges for advice on pre-planning applications for major and/or complex developments.

Culture

Increasing income from cultural venues through revising existing, or introducing new, charges for discretionary services.

Parks and Green Spaces

Ensuring that, where appropriate, new concessions are invited into our parks to offer refreshments. In addition, the Council will look to increase charges for the use of parks for one-off events and will review the contract and lease arrangements in place for regular events.

Increasing Advertising Revenue

Generating additional income from the Council's outdoor advertising contract, including advertising at tram stops. This could include installing digital boards at specific points in the city.

Leased Property Income

Generating additional rental income from leased properties through commercial renegotiation. This could include digital boards.

Energy Generation

Exploring a range of ways to increase income through energy generation, including rooftop solar panels on Council buildings, electric vehicle charging network expansion, further "greening" of the Council's fleet and use of Council land and property for micro-energy generation.

	<p><u>Upfront Payments</u></p> <p>Introducing a default upfront payment policy in appropriate circumstances to reduce costs of administration and debt recovery.</p>
What could change?	<ul style="list-style-type: none"> • Monies due are collected in a cost-efficient manner whilst continuing to support those who may need assistance • Council resources are redirected to priority services rather than subsidising non-core or commercial operations

<u>Current Income</u>					<u>Savings</u>
Full Cost Recovery	n/a				£0.200m
Statutory Consents	n/a				£0.825m
Pre-Planning	n/a				£0.100m
Culture	n/a				£0.150m
Parks	n/a				£0.150m
Advertising Income	n/a				£0.470m
Leased Property Income	£15.000m				£0.500m
Energy Generation	n/a				n/a
Upfront Payments	n/a				£0.200m
<u>Total:</u>	<u>£15.000m</u>	2019/20 Increased Income:			<u>£2.595m</u>
<u>Future Income</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Full Cost Recovery	-	-	-		£0.200m
Statutory Consents	£0.035m	£0.040m	£0.025m		£0.925m
Pre-Planning	-	-	-		£0.100m
Culture	-	-	-		£0.150m
Parks	-	£0.100m	-		£0.250m
Advertising Income	£0.300m	-	-		£0.770m
Leased Property Income	-	-	-		£0.500m
Energy Generation	£0.200m	£0.300m	£0.400m		£0.900m
Upfront Payments	-	-	-		£0.200m
<u>Total:</u>	<u>£0.535m</u>	<u>£0.440m</u>	<u>£0.425m</u>	Total Savings:	<u>£3.995m</u>

2. Workforce Modernisation and Change

<p>What is being proposed?</p>	<p>The Council is a major employer, providing a range of public services to the city. Ensuring that our workforce is effectively organised and able to better respond to the needs of citizens and service users means that we must continue to evolve our staffing structures. We must also ensure that we direct our human resources to those areas of the highest priority. This also means that our management costs need to be appropriate for the delivery of a productive and more effective organisation. We therefore propose that a number of organisational reviews will be undertaken so that we have the right balance between our frontline and support services. Underpinning these reviews, our approach to managing organisational change and the redeployment of staff will be reviewed to ensure these arrangements are more robust and ensure value for money.</p> <p>Ensuring our organisational structure is efficient needs to be complemented by modernised reward and recognition arrangements to create a more flexible workforce. Part of this is delivering our commitment to embed the Living Wage fully into our pay structures. We therefore propose to undertake a number of organisational reviews so that we have the right balance between our frontline and support services. We will also undertake a strategic review and revision of our reward and recognition arrangement.</p>
<p>What could change?</p>	<ul style="list-style-type: none"> • Services are adapted to suit the needs of the organisation. • Roles are fit for purpose and within budget • Some staff may have to change role/adapt to a new role • Some services may need to adapt/streamline operations • Full implementation of the Living Wage

<u>Current Spend</u>			<u>Savings</u>
Back Office Support	£49.838m		£1.450m
Support for Learning	£40.590m		£0.200m
Workforce Modernisation	} £304.7m*		£0.500m
C&F Management			£0.200m
Total:	£395.13m	Total Savings for 2019/20:	£2.350m

<u>Future savings</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Back Office Support	-	-	-		£1.450m
Support for Learning	-	-	-		£0.200m
Workforce Modernisation	-	-	-		£0.500m
C&F Management	£0.050m	-	-		£0.250m
<u>Total:</u>	<u>£0.050m</u>	<u>£0.000m</u>	<u>£0.000m</u>	Total Savings:	<u>£2.400m</u>

*This represents the total remaining spend on staffing from which the Workforce Modernisation and Management savings would seek to make savings.

3. Service Reduction

What is being proposed?

The Council currently spends £10 million on Economic Development, Heritage Language Lessons, the discretionary Book Fund and a series of Small Grants and Awards. These are not statutory obligations and it is proposed that we could reduce or stop these services. A reduction in strategy and communications capacity is also proposed.

Economic Development

The Council's Economy Strategy is focused on inclusion, innovation and collaboration which will lead to good growth. The Council's Economic Development Service actively contributes to all of these strands of activity, alongside all other Council services. This proposal is to reduce the service provision by creating a small multi-disciplinary team which will focus on strategic development, managing employability third party grants and supporting business creation and business growth. A review of the payments to third parties will be carried out over the next two years.

Heritage Language

Heritage Language provides some free language lessons for children born in the UK. The children are tutored in the language to which they have a historic familial connection. The Council proposes no longer to provide these classes, however other services will continue to be available across the city and the Council will still provide support for those who speak English as a second language.

Small Grants and Awards

Small grants and awards are payments made by the Council to support city-wide sports and learning activities. The Council will no longer provide funding which can be sourced elsewhere, such as the Talented Athletes Scheme. The holiday activity fund which provides free sports provision to those living in more deprived parts of the city will continue.

The Book Fund

The Book Fund pays for new publications to stock our libraries. It is estimated that a saving could be made in this area by reducing spend on newspaper and magazine subscriptions however stock relating to priority areas (literacy, numeracy, large print, audio and community languages) would be protected.

Strategy and Communications

A reduction in Strategy and Communications capacity is proposed which will result in reduced capacity to work on strategic priorities and corporate communications support. This will be achieved by reducing headcount and the frequency of some external survey activity.

What could change?	<ul style="list-style-type: none"> • An organisation review of the Economic Development Service would be required in year one and in year two there will be a reduction in the Council's funding to third parties. • More efficient use of the book fund would ensure investment is focused on priority publications/books • The number of newly-released books may be reduced and so waiting times may increase • The small grants and awards reductions would be focused on non-essential learning activities however services that promote social inclusion, wellbeing and adult literacy/numeracy would be prioritised. • Reduced capacity within Strategy and Communications to work on corporate policy priorities, the provision of communications support and the carrying out of surveys.
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<u>Current Spend:</u>					<u>Savings</u>
Econ Development	£9.000m				£1.500m
Heritage Language	£0.063m				£0.042m
Small Grants	£0.106m				£0.062m
Book Fund	£0.901m				£0.200m
Strategy and Communications	£7.960m				£0.200m
<u>Total:</u>	<u>£18.03m</u>	<u>Total Savings for 2019/20:</u>			<u>£2.004m</u>
<u>Future savings:</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Econ Development	£1.500m	-	-		£3.000m
Heritage Language	£0.021m	-	-		£0.063m
Small Grants	-	-	-		£0.062m
Book Fund	-	-	-		£0.200m
Strategy and Communications	-	-	-		£0.200m
<u>Total:</u>	<u>£1.521m</u>	<u>£0.000m</u>	<u>£0.000m</u>	Total Savings:	<u>£3.525m</u>

4. Corporate and Capitalised Budgets

What is being proposed?	<p>Some income and expenditure within the Council’s budget is not specific to any particular service. These budgets have been reviewed to identify where savings in revenue expenditure can be made or more income realised. There are five proposals in these areas:</p> <ol style="list-style-type: none"> 1. Additional income from Council Tax as a result of growth in the number of houses within the city being greater than originally estimated, alongside continuation of recent years’ improvements in collection rates; 2. Savings in borrowing costs arising from capital expenditure through planned repayment of loans, our anticipated spending profiles and continuing to use available cash balance instead of borrowing more funds; 3. Centralising and automating our procurement processes and managing our purchasing catalogues to increase efficiency; 4. Lodging business rating appeals, where appropriate; and 5. Reviewing the balance between revenue and capital expenditure, subject to complying with accounting rules. 		
What could change?	<ul style="list-style-type: none"> • These proposals are not expected to impact on service delivery • Proactive treasury management to manage debt management costs • Improved efficiency and reduced risk on our procurement processes • Maximisation of resources available for priority services, whilst continuing to promote take-up of Council Tax Reduction Scheme assistance and other income-related benefits • Capitalisation of current revenue expenditure depends upon confirmation of availability of capital funding 		
Current Spend:	<u>£132.0m</u>		<u>Savings</u>
Council Tax (income)	(£283m)		£3.000m
Borrowing Costs	£113m		£5.000m
Procurement	n/a		£0.100m
Business Rates	£19m		£0.800m
Revenue and Capital	n/a		£0.600m
<u>Total:</u>	<u>£132.0m</u>	<u>Total Savings for 2019/20:</u>	<u>£9.500m</u>

<u>Future savings</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Council Tax	-	-	-		£3.000m
Borrowing Costs	£4.000m	£4.000m	£4.000m		£17.000m
Procurement	£0.100m	£0.100m	£0.100m		£0.400m
Business Rates	-	-	-		£0.800m
Revenue and Capital	(£0.500m)	-	-		£0.100m
<u>Total:</u>	<u>£3.600m</u>	<u>£4.100m</u>	<u>£4.100m</u>	Total Savings:	<u>£21.300m</u>

5. Operational Redesign

<p>What is being proposed?</p>	<p><u>Property Investment Portfolio</u></p> <p>The Council owns a range of properties and land across the City from which it generates approximately £15m in income each year. Some of these assets, such as public houses, are not core to the Council's services or to the heritage of Edinburgh. Selling some of these assets, at best commercial value, will therefore enable the Council to reduce borrowing and the cost of servicing our borrowing.</p> <p><u>Depots and Yards</u></p> <p>The Council currently runs 19 depots across the city. It is proposed that these could be consolidated into six sites. Support services such as maintenance, storage and refuelling can be spread across each depot rather than being site-specific. Sites can then be sold to generate capital receipts and / or be made available for increased housing or commercial opportunities.</p> <p><u>Fleet Cost</u></p> <p>It is also proposed to move to a contract hire model for cars and vans. The use of a contract hire provider (whilst keeping maintenance in-house) for all our vehicles will deliver a reduction in cost to the Council as well as making it easier for services to access vehicles.</p>
<p>What could change?</p>	<ul style="list-style-type: none"> • Reducing cost of borrowing • Spending less on procurement and maintenance of vehicles will allow investment in new technology and more focus on delivering services • Improved procurement makes it easier to phase out less environmentally-friendly fleet vehicles • Reducing the size of our estate and accelerate economic development and reduce carbon emissions • Improving frontline services by spreading them across the city, placing them closer to the communities they serve.

Current Spend:					<u>Savings</u>
Property Investment	} £18.481m				£0.415m
Depots and Yards					-
Fleet Cost	£12.6m				£0.500m
Total:	£31.081m	Total Savings for 2019/20:			£0.915m
<u>Future savings:</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Property Investment	£0.415m	-	-		£0.830m
Depots and Yards	-	£0.500m	-		£0.500m
Fleet Cost	£0.500m	£0.500m	-		£1.500m
<u>Total:</u>	<u>£0.915m</u>	<u>£1.000m</u>	<u>£0.000m</u>	Total Savings:	<u>£2.830m</u>

6. Service Reform

What is being proposed?

School Management Design - Early Years

Many Council-run nurseries have individually-assigned head teachers and teachers. At the same time, there is a shortage of primary teachers. We can aid primary school recruitment by creating wider pools of locality-based head teachers, and teachers who are not attached to specific schools. This would mean an increase in Early Years Practitioners permanently attached to each nursery. Analysis of Care Inspectorate findings indicates no difference in quality between nurseries which have qualified teaching staff on site permanently and those that are supported in other ways.

Efficiencies in the delivery of accommodated children's services

The Council has capacity for 70 residential beds. This proposal is to reduce capacity by two beds, through reducing expenditure with third party providers. This is possible as a result of effective early intervention which has reduced the number of looked-after children in the system. More children in family-based placement leads to better outcomes. In addition, savings will continue to be made through our use of preventative services, such as outreach, multi-systemic therapy and family group conferencing to prioritise those that deliver the greatest effectiveness and efficiency.

New Ways of Working - Public Safety and Business Continuity

This proposal is to develop a new service which is focused on public safety and business continuity but which aligns the Council's resources to these key activities. We will start by looking for duplication and overlap between these services, and options to create a team responsible for all elements of public safety, from covering events to national emergencies.

Public toilets

We will review the current staffing arrangements for the daily maintenance of public toilets in the city. We also recognise that some of the current facilities are no longer fit for purpose and we will review the provision of facilities and improve the community toilet scheme (CTS) over the next four years.

Laboratory and Pest Control

We will look at how these services should be provided, with an aim to find savings and service efficiencies in future years.

Health and Social Care

An additional efficiency target has been set for the Integration Joint Board (IJB). The IJB has a separate budget process and will consider the settlement offer from the Council. This additional saving will need to be considered by the IJB as part of its wider budget process and reform programme which will require very significant savings and efficiencies to be delivered next year.

What could change?	<ul style="list-style-type: none"> • Qualified primary teachers could be redeployed to primary schools with staff shortages • Increased early intervention and prevention in children's services • Reduced duplication and overlap in Council activities • Improving public toilets in the city and increasing uptake of the Community Toilet Scheme would increase the availability of accessible public toilets in the city • Public toilets would be staffed part-time instead of full-time
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<u>Current Spend</u>					<u>Savings</u>
Public Toilets	£0.452m				£0.250m
Early Years	£4.290m				£0.350m
Residential Care	£18.481m				£0.510m
Public Safety and Business Continuity	£1.400m				£0.130m
Integration Joint Board	£199m*				£3.000m
<u>Total:</u>	<u>£223.623m</u>	<u>Total savings for 2019/20:</u>			<u>£4.240m</u>
<u>Future savings</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Public Toilets	-	-	-		£0.250m
Early Years	£0.650m	-	-		£1.000m
Residential Care	-	-	-		£0.510m
Public Safety and Business Continuity	£0.130m	-	-		£0.260m
Integration Joint Board	-	-	-		£3.000m
<u>Total:</u>	<u>£0.780m</u>	-	-	Total Savings:	<u>£5.020m</u>

*While the budget is £199m, current spend is £206m

7. Maintaining Service Investment

What is being proposed?	<p>Last year the Council received additional funding from the Scottish Government as part of the Budget settlement. This funding was used to develop new programmes in line with Council policy. As part of the 2019/20 budget-setting process we have reviewed this additional funding and four areas have been highlighted where there is either no on-going service requirement, or where the level of additional expenditure may be reduced without affecting delivery of associated outcomes:</p> <ul style="list-style-type: none"> • One-year only grant funding within Communities and Families • Efficiencies in service delivery within street cleansing • Efficiencies in service delivery within roads services • Funding to deliver property upgrades for the Council's operational estate <p>This funding is no longer treated as one-off, and therefore efficiencies can be made without impacting on service delivery.</p>				
What could change?	<ul style="list-style-type: none"> • Although full grants will no longer be available, the remaining funding will still be used to maintain outcomes. 				
<u>Current Spend:</u>					
C&F transitional grant funding	£0.250m				£0.250m
Street Cleaning one-year additional investment	£10.3m				£0.250m
Roads one-year additional investment	£5.4m				£0.250m
Property Maintenance	£16m				£0.850m
<u>Total:</u>	<u>£31.95m</u>	<u>Total Savings for 2019/20:</u>			<u>£1.600m</u>
<u>Future savings</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Grant Funding	-	-	-		£0.250m
Street Cleaning	-	-	-		£0.250m
Roads Funding	-	-	-		£0.250m
Property Maintenance	-	(£0.850m*)	-		-
<u>Total:</u>	<u>£0.000m</u>	<u>(£0.850m*)</u>	<u>£0.000m</u>	Total Savings:	<u>£0.750m</u>

*the saving can only be sustained for two years, and will therefore no longer be available in 2021/22.

8. Digital Delivery

What is being proposed?	<p><u>Digital Delivery</u></p> <p>The Council is committed to expanding and enhancing its digital systems and processes to enable a greater number of citizens and service users to conduct more of their interactions with the Council through online, self-service technology. Developing this approach will make services more accessible at times to better suit the needs of people across the city, thereby reducing demand on services. Through improvements to the Council's website and the exploitation of new technologies, such as voice recognition software, combined with greater automation of 'back office' processing, further savings will be achievable, whilst improving citizen and service user experience.</p> <p><u>Print and Mail</u></p> <p>The Council delivers services across an operational estate of hundreds of properties. The transfer of information, data and correspondence between these sites and with other organisations can be achieved more efficiently through a review of our Print and Mail strategy. By improving document scanning and electronic delivery of information, we will reduce unnecessary printing, postage and travel between sites, thereby reducing the environmental impact.</p>				
What could change?	<ul style="list-style-type: none"> • Increased customer satisfaction • Improved efficiency • More consistent delivery • Reallocation of staff to more customer-facing tasks • Would require working with IT partners and some systems upgrades. 				
<u>Current Spend:</u>					<u>Savings</u>
Digital Delivery	£n/a				-
Print and Mail	£n/a				£0.090m
Total:	£n/a			2019/20 Est. Savings:	<u>£0.090m</u>
<u>Future savings:</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Digital Delivery	£0.150m	£0.150m	£0.150m		£0.450m
Print and Mail	£0.100m	£0.100m	£0.040m		£0.330m
<u>Total:</u>	<u>£0.250m</u>	<u>£0.250m</u>	<u>£0.190m</u>	Total Savings:	<u>£0.780m</u>

9. Place Making

What is being proposed?

Area-based Regeneration

This proposal aims to support and co-ordinate development and strategic growth in the city by creating multi-disciplinary functions which will focus on opportunities for development and strategic growth. For example, when proposing a new housing development, the multi-disciplinary team would include roads infrastructure, schools, services and transport connections. Savings will be derived from staffing changes and from the progressive use of capital funding to replace Council revenue support.

Parking Action Phase 2

To review current parking arrangements across Edinburgh and consider an expansion of parking controls into areas where there are known parking pressures created by commuter and non-residential vehicles and/or there have been requests for parking controls from residents and community groups to improve parking opportunities.

Localities Phase 2

The Council proposes to review its approach to localised services and to strengthen the focus on community planning, community empowerment and citizen engagement. This will include looking at where services could be delivered more efficiently citywide. This is likely to lead to a rebalancing of locality staff teams and efficiencies.

Improved Approach to Street and Environmental Enforcement

Environmental enforcement is currently the responsibility of five separate teams (four Locality teams and the Waste and Cleansing service). This means there are currently five different approaches to environmental enforcement. This includes offences such as litter dropping, dog fouling and trade waste abuse.

The creation of a citywide enforcement team with additional resources will more proactively enforce the powers available to the Council and will lead to improved local environments.

What could change?

- Improved parking opportunities for residents, businesses and their visitors.
- Enhanced conditions for walking, cycling and public transport.
- May include the extension of residents' permit zones
- Some reorganisation of roles and responsibilities for staff in Locality and Central teams

	<ul style="list-style-type: none"> • Potential reduction of management posts • More capacity to report issues such as fly-tipping, leading to quicker resolution times • Increased capacity to deal with trade waste abuse of communal residential bins
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<u>Current Spend:</u>					<u>Savings</u>
Regeneration	n/a				£0.250m
Parking	n/a				£0.369m
Localities	£18.300m				£0.300m
Enforcement	£0.870m				£0.750m
<u>Total:</u>	<u>£19.170m</u>			<u>Total Savings for 2019/20:</u>	<u>£1.669m</u>
<u>Future savings:</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Regeneration	£0.500m	-	-		£0.750m
Parking	£0.118m	£0.520m	£0.625m		£1.632m
Localities	-	-	-		£0.300m
Enforcement	-	-	-		£0.750m
<u>Total:</u>	<u>£0.618m</u>	<u>£0.520m</u>	<u>£0.625m</u>	Total Savings:	<u>£3.432m</u>

10. Arm's Length Organisations

<p>What is being proposed?</p>	<p>The Council operates several “Arm’s Length” organisations (ALEOs). We would like to assess and evaluate our relationship with those organisations and make sure we are delivering the best value for public money. This will also involve making difficult choices in light of available resources which will result in reduction in the support given to some of our ALEOs.</p> <p>Marketing Edinburgh. A very significant grant reduction is proposed which will remove most of the grant from the Council over the next two financial years. This will have profound implications for the organisation and will need it to fundamentally review its future options.</p> <p>EDI. Saving through receiving a one-off dividend in 2019/20 as part of the wider Transition Strategy.</p> <p>Culture and Leisure. A review is currently underway across all our leisure and cultural estate to assess options as to how we might improve services and reduce Council subsidy. In 2019/20 a modest reduction in grant is proposed to Edinburgh Leisure which we expect them to absorb through internal efficiencies. There is the potential for more significant savings in future years through new partnership to deliver local services.</p> <p>Transport for Edinburgh. Savings achieved through re-negotiations of tram maintenance contracts.</p>
<p>What could change?</p>	<ul style="list-style-type: none"> • Far less dedicated capacity to market the city to investors, businesses and visitors. Film Edinburgh will be maintained and the Council will explore opportunities for promoting the city with key partners. • Edinburgh Leisure will need to find efficiencies in order to offset the impact of inflation and in the medium term be part of more significant change across the Council’s leisure and cultural services subject to future discussions and decision by Council.

<u>Current Grant:</u>					<u>Savings</u>
Marketing Edinburgh	£0.890m				£0.567m
EDI	N/A				£1.047m
Edinburgh Leisure	£8.155m				£0.350m
Transport for Edinburgh	N/A				£0.500m
<u>Total:</u>	<u>£9.045m</u>	Total Savings for 2019/20:			<u>£2.464m</u>
<u>Future savings:</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Marketing Edinburgh	£0.223m	-	-		£0.790m
EDI	(£1.047m)	-	-		-
Edinburgh Leisure	£1.000m	£1.000m	£1.000m		£3.350m
Transport for Edinburgh	-	-	-		£0.500m
<u>Total:</u>	<u>£0.176m</u>	<u>£1.000m</u>	<u>£1.000m</u>	Total Savings:	<u>£4.64m</u>

11. Operational Efficiencies

What is being proposed?

The Council like any organisation should aim to be more efficient year on year with public money. Like all businesses we pay business rates and energy costs and need to manage our borrowing and contracts carefully.

An overall efficiency target has been proposed for the organisation of 1.55%. Areas of focus for the efficiency target are:

- Reduction in sickness absence and agency staffing, recognising we currently lose the equivalent of 762 full-time staff a year to sickness and spend around £2m a month on flexible staffing through agency staffing and overtime
- Streamlining our end-to-end processes and greater automation of transactions, building on the progress made this year using process automation. For example, we have cleared the backlog of landlord registrations in five hours rather than four weeks it would have taken using the traditional approach.
- Maximising savings through procurement and reviewing contracts recognising the Council spends over £200m on its top 20 contracts.
- Additional income generation
- Reviewing senior management structures to reduce costs.

A number of specific operational efficiencies have also been identified for 2019/20 and 2020/21 budget setting including:

- Renegotiating the Council’s ICT-related contracts to generate greater savings
- Reducing discretionary budgets and spend in discretionary areas, such as external legal advice.
- Reducing staff learning and development budgets but prioritising essential and statutory training needs to manage spend.
- Streamlining of Emergency Service Provision for Edinburgh Shared Repairs Service

What could change?

- Increasing efficiency with public money
- Shifting staff time from process-heavy tasks to focus on higher priority tasks improving service delivery.
- Further automating transactions, increasing the ease and speed of the Council’s delivery of vital services
- Improving end-to-end process for a broader range of Council services
- Reducing expenditure on temporary staff and overtime
- Focussing even more on reducing sickness absence

<u>Current Spend:</u>					<u>Savings</u>
Efficiency Target 1.55%	-				£9.500m
Other Efficiencies	-				£2.466m
<u>Total</u>	<u>N/A</u>	<u>Total Savings for 2019/20:</u>			<u>£11.966m</u>
<u>Future savings:</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Efficiency Target 1.55%	£9.500m	£9.500m	£9.500m		£38.000m
Other Efficiencies	£0.283m	-	-		£2.749m
<u>Total:</u>	<u>£9.783m</u>	<u>£9.500m</u>	<u>£9.500m</u>	Total Savings:	<u>£40.749m</u>

12. Homelessness Investment

What is being proposed?	<p>The Council has an obligation to support anyone who presents themselves as homeless and in need of support. While there are wider social efforts to reduce the need for this, there are also ways in which temporary accommodation can be made more cost-effective.</p> <p><u>Void Rates</u> Invest in extra staff to help prepare accommodation between occupations and reduce the amount of time that accommodation is sitting empty (known as “void rates”).</p> <p><u>Revenue Officers</u> Invest in additional officers to increase financial support and inclusion for temporary accommodation service users which will widen housing options and promote financial stability</p> <p><u>Scottish Government Framework for Electricity and Gas</u> The Council would adopt the Scottish Government framework for the supply of energy for temporary accommodation which will benefit from nationally negotiated rates.</p>
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What could change?	<ul style="list-style-type: none"> • Reducing void rates and increasing revenue would assist in supporting more homeless people into accommodation as soon as possible • This would reduce reliance on more expensive B&B accommodation and improve outcomes for people • Additional staff could come from the Council’s internal redeployment pool and therefore be cost-neutral • Gas and electricity provision may require tendering process to establish a single supplier
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<u>Current Spend</u>			<u>Savings</u>
Void Rates	-		£0.090m
Revenue Officers	-		£0.175m
Electricity and Gas	-		£0.030m
<u>Total:</u>	-	Total Savings for 2019/20:	<u>£0.295m</u>

<u>Future savings</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Void Rates	-	-	-		£0.090m
Revenue Officers	-	-	-		£0.175m
Electricity and Gas	£0.060m	-	-		£0.090m
<u>Total:</u>	<u>£0.060m</u>	-	-	Total Savings:	<u>£0.355m</u>

13. Partnership Working

<p>What is being proposed?</p>	<p>To deliver services, the Council works with a wide array of partners, from Police Scotland and the NHS, to voluntary/third-sector organisations and our IT partner. We will collaborate differently in order to seek efficiencies, improved outcomes and to better share responsibilities where appropriate.</p> <p><u>Funding the Edinburgh Partnership</u></p> <p>The Council will look to review how we use grant funding to support multi-agency projects across the city and in keeping with the new legislative framework, we will look to share responsibility for funding the Edinburgh Partnership and its infrastructure with our statutory partners.</p> <p><u>Third Party Contractual Arrangements</u></p> <p>The Council works closely with 3rd party providers, including the NHS to support children and families. We will work in partnership with them to ensure services take account of a changed profile of need, legislative requirements and deliver best value for money.</p> <p><u>Police Joint Working/Police Funding</u></p> <p>Services jointly run by the Council and Police Scotland (such as CCTV, community policing and environmental teams) could be run from a joint facility and co-locating staff from both agencies.</p> <p>The City of Edinburgh is one of only three Scottish councils to give a significant funding contribution to Police Scotland. Savings could be made by bringing ourselves further in line with other authorities and reducing additional contributions to Police Scotland’s budget.</p> <p><u>Joint Waste</u></p> <p>We will look to develop a joint framework for procurement in waste collection and disposal. By combining with other Authorities, we can unlock savings by working together. It would also be possible to increase the level of recycling by lining-up materials recycled by each Local Authority (LA).</p>
<p>What could change?</p>	<ul style="list-style-type: none"> • The Council contribution to Police Scotland’s funding would reduce • By combining the volume of waste generated by each LA it is possible to reduce the per-tonne cost of waste disposal • Increase the level of waste going being recycled • Increased efficiency of back office functions could lead to improved customer service by allowing staff to focus on priority areas • Improved collaboration on public safety

<u>Current Spend:</u>					<u>Savings</u>
Ed Partnership	} £9.00m				£0.040m
Third Party Grants					-
3 rd Party Contracts					£0.175m
Police Funding	£2.600m				£0.522m
Joint Waste	-				£0.325m
<u>Total:</u>	<u>£11.600m</u>	<u>Total savings for 2019/20:</u>			<u>£1.062m</u>
<u>Future savings:</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Ed Partnership	-	-	-		£0.040m
Third Party Grants	£1.250m	-	-		£1.250m
3 rd Party Contracts	-	-	-		£0.175m
Police Funding	-	-	-		£0.522m
Police Joint Working*	-	£1.000m	-		£1.000m
Joint Waste	£0.325m	-	-		£0.650m
<u>Total:</u>	<u>£1.575m</u>	<u>£1.000m</u>	<u>£0.000m</u>	Total Savings:	<u>£3.637m</u>

14. Service Design and Our Assets

What is being proposed?	<p><u>Asset Management Strategy and Service Re-provisioning</u> The Council delivers its services through an extensive operational property portfolio, which incorporates 760 buildings across the City. By adopting a service-led approach to the future design and re-provisioning of Council services, rather than simply an asset or buildings-based approach, we will engage with citizens, service users and communities to plan for the co-location of our services into multiple use “hubs”. This would enable the Council to reduce the number of buildings it currently operates and all the associated running costs that these have. This approach to service design also creates the opportunity for the Council to have a more flexible, sustainable estate that reduces our environmental impact.</p> <p><u>Culture Services Review</u> To investigate the feasibility of the potential to create a new museum and gallery for Edinburgh. Consolidating existing Council-run cultural venues (People’s Story, Museum of Edinburgh, City Art Centre, Trinity Apse, Writer’s Museum, Museum of Childhood, City Archives and reserve collections housed across the city) would allow much-needed additional physical, educational and digital access to nationally-significant collections.</p>				
What could change?	<ul style="list-style-type: none"> • Fewer buildings will result in lower running costs • Services can be grouped together making it easier for citizens to access locally • Income generated by leasing out surplus buildings • Creation of a refocused, sustainable and cost-effective and international standard service for Museums and Galleries, Archives and Records in the city 				
Current Spend:					
Asset Management	£65m				£0.250m
Museums	£1.40m				-
Total:	£66.4m	Total Savings for 2019/20:			£0.250m
Future savings:	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>		<u>Overall</u>
Asset Management	£1.100m	£1.100m	-		£2.450m
Museums	£0.150m	-	£0.350m		£0.500m
Total:	£1.250m	£1.100m	£0.350m	Total Savings:	£2.950m

Proposed targets for carbon emission reductions, 2018/19 to 2020/21

Project	2017/18		2018/19		2019/20		2020/21		Additional Information
	Energy Consumption (kWh)	Emissions (tCO2E)	Estimated Energy Consumption (kWh)	Estimated Emissions (tCO2E)	Estimated Energy Consumption (kWh)	Estimated Emissions (tCO2E)	Estimated Energy Consumption (kWh)	Estimated Emissions (tCO2E)	
Street Lighting upgrade to LED	27,176,046	10,447	24,378,431	7,489	16,190,997	4,795	8,632,970	2,456	<p>These figures are based on:</p> <ul style="list-style-type: none"> The Contractor's Current Programme for the Energy Efficient Street Lighting Programme; and The detailed street lighting designs using the lanterns outlined in the Contractor's Tender. <p>These are subject to change so the figures should be considered provisional at this stage.</p>
Schools Electricity Use	25,492,000	9,800	24,727,000	7,596	23,985,000	7,104	23,265,860	6,620	Future figures are outline figures and require further analysis to confirm feasibility.
Schools Gas Use	87,098,000	16,040	84,485,000	15,542	81,950,000	15,076	79,492,000	14,623	Gas use will be subject to weather and therefore may be more appropriate to normalise.
Electric Consumption for traffic lights	2,282,959	878	2,141,313	823	2,056,141	790	1,970,969	758	Reductions are dependent on the capital refurbishment project
Total for street lighting, schools electricity and gas and traffic lights	142,049,005	37,165	135,731,744	31,450	124,182,138	27,765	113,361,799	24,457	

Project	2017/18		2018/19		2019/20		2020/21		Additional Information
	Energy Consumption (kWh)	Emissions (tCO2E)	Estimated Energy Consumption (kWh)	Estimated Emissions (tCO2E)	Estimated Energy Consumption (kWh)	Estimated Emissions (tCO2E)	Estimated Energy Consumption (kWh)	Estimated Emissions (tCO2E)	
Waste	n/a	67,842	n/a	TBC	n/a	TBC	n/a	TBC	<p>The amount of Council municipal waste going to landfill will significantly reduce following the opening of the Millerhill waste processing facility. From 2017 onwards, reprocessing of Council food waste into renewable energy and fertiliser will lead to an estimated annual reduction in emissions of 14,635 tCO₂. The thermal treatment facility for residual waste at Millerhill will also be operational by summer 2019, substantially reducing the Council's municipal waste sent to landfill. This would lead to an estimated reduction in emissions of 65,592 tCO₂e per annum.</p> <p>Enhanced recycling services are planned for high-density housing areas from 2018-2021. Continued development of recycling services would also contribute to reductions in waste emissions, however the majority of gains in this area are now levelling off. In view of this, specific targets for waste-related emissions remain under consideration at this stage.</p>
Total emissions (including waste) within scope of pilot		105,007 (69.4%)							
Council's total carbon emissions, 2017/18		151,305							

10am, Thursday, 21 February 2019

Local Government Finance Settlement 2019/20 – further update

Item number	4.2(a)(ii)
Report number	
Executive/routine	Routine
Wards	n/a

Executive Summary

An update on the revenue and capital budget frameworks was considered by the Finance and Resources Committee on 1 February 2019, with these reports referred to Council to inform the budget-setting meeting. The reports reflected provisional grant funding allocations contained within the Local Government Finance Settlement (LGFS) for 2019/20 announced on 17 December 2018.

On 31 January 2019, as part of the Stage One Parliamentary Debate on the 2019/20 Scottish Draft Budget, the Cabinet Secretary for Finance, Economy and Fair Work announced a number of changes to the provisional LGFS and other relevant expenditure assumptions, resulting in a reduction in the Council's overall incremental savings requirement for 2019/20 from £41.0m to £33.1m. The full amount of this additional revenue funding of £7.9m is available for allocation within Groups' or Independent members' respective budget motions.

Local Government Finance Settlement 2019/20 – further update

1. Recommendations

- 1.1 Following the announcement of a revised Local Government Finance Settlement on 31 January 2019, members are asked to note the update to the Council's financial planning assumptions as part of setting the revenue and capital budget frameworks.

2. Background

- 2.1 An initial update on the revenue and capital budget frameworks was considered by the Finance and Resources Committee on 1 February 2019, with these reports referred to Council to inform the budget-setting meeting. The reports reflected provisional grant funding allocations contained within the LGFS announced on 17 December 2018. Given the timing of the Cabinet Secretary's announcement, these reports were necessarily supplemented by a further members' briefing on the day of the Committee's meeting.

3. Main report

Stage One Parliamentary Debate

- 3.1 Since the Cabinet Secretary's initial announcement, discussions have been continuing with Opposition Groups represented within the Scottish Parliament, given the likely need to secure the support of at least one other party to allow the Scottish Draft Budget to be passed. As part of the Stage One Parliamentary Debate on 31 January, the Cabinet Secretary confirmed a number of changes to the provisional Settlement as follows:
- (i) **increasing the core local government revenue settlement by £90 million** (of which the Council's share is £7.038m);
 - (ii) **allowing local authorities additional flexibility with regard to setting Council Tax levels**, raising the maximum permitted increase to 3% in *real terms* i.e. 4.79% in cash terms (were this option exercised in Edinburgh, based on current collection rates, some £4.9m of additional income would be raised); and
 - (iii) while continuing to provide an earmarked additional £160 million of health and social care investment, **allowing local authorities the flexibility to apply savings targets of up to 2.2% against their baseline IJB**

allocations (i.e. by up to £50 million across all local authorities) to help them manage their own budgets. This change would allow the Council to apply, without any risk of sanction, the £3m upfront savings target contained within the draft proposals for 2019/20.

- 3.2 In addition to these changes directly affecting the 2019/20 budget, a number of longer-term policy changes were announced as follows:
- (i) consulting, in 2019, on the **principles of a locally-determined tourist tax**, prior to introducing legislation to permit local authorities to introduce a transient visitor levy, if appropriate for local circumstances;
 - (ii) supporting an agreed amendment from the Scottish Green Party to the Transport (Scotland) Bill that would enable those local authorities who wish to use such a power, to introduce a **workplace parking levy**. Scottish Government support will be contingent upon the exclusion of hospitals and NHS properties;
 - (iii) **devolving Non-Domestic Rates Empty Property Relief to local authorities** in time for the next revaluation;
 - (iv) **convening cross-party talks on a replacement for the current system of Council Tax** with a view to publishing legislation, should cross-party agreement on a replacement be reached, by the end of the current Parliamentary term, with that legislation then taken forward during the following Parliament;
 - (v) bringing forward a **three-year funding settlement for local government** from the 2020/21 budget onwards;
 - (vi) developing a **rules-based framework for local government funding** in partnership with COSLA to be introduced for the next Parliament; and
 - (vii) enacting changes to relevant legislation **allowing variations to be made to pre-2016 loans fund advance repayment periods**, subject to demonstrating the prudence and affordability of such rescheduling.
- 3.3 The Cabinet Secretary's announcement also confirmed the Scottish Government's funding of the teachers' pay award at a level consistent with budget framework assumptions. Modelling work undertaken by the Scottish Government suggests, however, that the unfunded element of the teachers' superannuation contribution increase is lower than previously estimated and, alongside a commitment to pass on all resulting Barnett Consequentials received from the UK Government, that the residual pressure across Scottish councils as a whole will reduce by some £15m (a reduction of £0.9m for Edinburgh).

Impact on the incremental savings requirement, 2019/20

- 3.4 A number of the above changes either do not affect the savings requirement directly, or are subject to the specific decisions taken by the respective Political Groups or Independent members. Those that do, however, affect the baseline are included in the table below:

	£m
Incremental savings requirement per report to Finance and Resources Committee on 1 February 2019	41.0
Provisional impact of Scottish Government Draft Budget – Stage 1 amendment additional revenue grant funding	(7.0)
Reduction in estimated pressure in employers' superannuation contributions for teaching staff	(0.9)
Revised savings requirement	33.1

- 3.5 The budget framework currently assumes an increase in Council Tax across all bands of 3%. Should any Group or Independent member wish to revise this assumption, each 1% change would result in a change in income of £2.75m; the full permitted additional increase would therefore raise some £4.9m, resulting in a revised net savings requirement, without any offsetting related investment, of £28.2m.
- 3.6 The implications of the actual 2019/20 level of Settlement for future years' savings requirements will be reviewed as part of a wider update of budget framework assumptions later in the year. Funding settlements in line with the actual level received for 2019/20 would, however, reduce the four-year gap from £147m to £117m.
- 3.7 Members are asked to note the contents of this report in considering the list of proposed savings in Appendix 2 of the referred-on Change Strategy report elsewhere on today's agenda.

4. Measures of success

- 4.1 Relevant measures in setting the revenue budget include:
- 4.1.1 Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2019/20 to be set as part of a sustainable longer-term framework;
- 4.1.2 Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and

4.1.3 Subsequent delivery of the approved savings, particularly where these are linked to additional service investment, along with key service performance indicators.

5. Financial impact

- 5.1 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery, of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.
- 5.2 In 2016/17, following the introduction of enhanced senior officer and elected member scrutiny at the inception, development and implementation stages, some 88% of savings by value were subsequently delivered during the year. In 2017/18, however, this level of delivery reduced to 80%, with a further decrease to around 70% anticipated in the current year. In view of these reductions and the increasingly-challenging nature of savings delivery, particularly those approved measures concerned with more effective demand management, at the meeting of Council on 25 October 2018, members approved the use of up to £1m of previously-uncommitted monies to facilitate the engagement of dedicated fixed-term project managers to develop individual proposals comprising the broader Change Strategy.
- 5.3 The Council is required by legislation to set Council Tax rates for the following financial year by 11 March. Implicit within this requirement is agreement of specific expenditure and savings plans, such that combined grant funding, Council Tax and fees and charges income meet expected expenditure obligations. After successive years' expenditure reductions, this is likely to require approval of most of the savings set out within the Change Strategy, with increasingly-difficult decisions on service prioritisation and greater efficiencies required in subsequent years.

6. Risk, policy, compliance and governance impact

- 6.1 An annual report on the risks inherent in the budget process is considered by the Finance and Resources Committee and referred to Council as part of setting the revenue and capital budgets. This report is included elsewhere on today's agenda and sets out a number of risks including future funding and pay award levels and, in particular, effectiveness in the delivery of approved savings and management of service pressures.
- 6.2 A summary of progress in respect of savings delivery is reported to the Finance and Resources Committee on a quarterly basis, with additional detail and commentary on risks, mitigations and alternative measures (as appropriate) reported to Executive Committees. As noted above, however, due to a decrease since 2016/17 in the proportion of approved savings subsequently delivered, these controls will be strengthened through the provision of dedicated project management support of key change initiatives and robust implementation plans,

with opportunities to enhance further senior officer and elected member scrutiny also examined.

- 6.3 Ongoing communications by the Council's statutory section 95 Chief Financial Officer, the Head of Finance, have reinforced the respective accountabilities and responsibilities of Executive Directors, the Chief Officer of the Edinburgh Integration Joint Board (EIJB) and Heads of Service to maintain expenditure within approved budgets, in accordance with the Financial Regulations. Executive Directors and the Chief Officer of the EIJB also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council.

7. Equalities impact

- 7.1 All budget proposals are subject to an initial relevance and proportionality assessment and, where appropriate, a formal Integrated Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed. Feedback received as part of the budget engagement also allows for any equalities-related impacts highlighted by service users to be taken on board in the implementation of the measures concerned.
- 7.2 A summary of the potential implications and identified mitigating actions for the proposals comprising the Change Strategy is included elsewhere on today's agenda to ensure members pay due regard to relevant considerations.

8. Sustainability impact

- 8.1 The Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.
- 8.2 The report considered by the Finance and Resources Committee on 1 February 2019 and referred to this meeting additionally sets out proposals for the introduction of a carbon budgeting pilot across key areas of Council activity.

9. Consultation and engagement

- 9.1 An overview of feedback received over the three-month engagement period for *Planning for Change and Delivering Services* is provided in a separate item elsewhere on today's agenda.

- 9.2 Feedback on the specific proposals set out in Appendix 2 of the report has also been sought through the Council’s consultation hub. A summary of this feedback is similarly included in a report elsewhere on today’s agenda.

10. Background reading/external references

- 10.1 [Revenue Budget Framework 2018/23 Update](#), Finance and Resources Committee, 12 June 2018
- 10.2 [Proposed 2018/19 Citizen Engagement](#), Finance and Resources Committee, 16 August 2018
- 10.3 [Council Change Strategy: Planning for Change and Delivering Services 2019-2023](#), Finance and Resources Committee, 27 September 2018
- 10.4 [Scottish Government Funding Offer for Rapid Access Accommodation](#), City of Edinburgh Council, 13 December 2018
- 10.5 [Council Change Strategy: Planning for Change and Delivering Services 2019-23](#), Finance and Resources Committee, 1 February 2019

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11. Appendices

None

The City of Edinburgh Council

10am, Thursday, 21 February 2019

Feedback on the change strategy and budget proposals 2018 and 2019

Item number 4.2(a)(iii)

Report number

Executive/routine

Wards

Council Commitments

Executive Summary

In total the Council received more than 2,700 participations in its budget engagement, following two distinct phases of activity starting in October and finishing in February. The purpose of this engagement activity is to inform final decisions on the Council's budget.

Feedback on the change strategy and budget proposals 2018 and 2019

1. Recommendations

- 1.1 Council notes the feedback received and summarised in the report included as an appendix.

2. Background

- 2.1 The Council's engagement on its budget and proposals for change took place in two distinct phases – before and after Scottish Government's announcement of its draft budget.
- 2.2 The appendix to this report details the findings from the online budget planner and the budget group exercise as well as feedback received after the Council's publication of a its change strategy and budget proposals for 19/20.
- 2.3 A summary of submissions received during phase one were reported to the Finance and Resources Committee on 1 February 2019 and have also been referred to Full Council for information.

3. Measures of success

- 3.1 The report on the proposed engagement methods presented to the August Finance and Resources Committee set a target of 1,400 responses using the budget simulation tool and the open feedback. The proposed engagement report also set a target of 24 groups completing the budget engagement group activity with an estimated total attendance of around 200 individuals.
- 3.2 In total the Council exceeded both of these targets with more than 2,700 responses in both phases, and more than 50 groups involving around 390 participants.

4. Financial impact

- 4.1 The Council set a budget of £35,000+VAT for engagement activity.
- 4.2 It is estimated that the Council will underspend on this budget by around £7,000.

5. Risk, policy, compliance and governance impact

- 5.1 A separate integrated impact assessment report on the change and budget proposals has been provided.

6. Equalities impact

- 6.1 A separate integrated impact assessment report on the change and budget proposals has been provided.

7. Sustainability impact

- 7.1 A separate integrated impact assessment report on the change and budget proposals has been provided.

8. Consultation and engagement

- 8.1 As part of its continuous development processes, Strategy and Communications intends to seek external evaluation of its engagement process. Future engagement plans will take account of any feedback received. Any proposal for ongoing budget engagement connected to the Change Strategy will be brought to committee for consideration

9. Background reading/external references

- 9.1 Report to the Finance and Resources Committee – 10am, Thursday, 16 August 2018 – [Proposed 2018/19 Citizen Engagement](#)
- 9.2 Report to the Finance and Resources Committee – 10am, Friday, 1 February 2019 – [Feedback on the change strategy and budget proposals 2018](#)

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10. Appendices

Appendix 1: Summary of budget engagement - reporting on the budget engagement activity conducted by the City of Edinburgh Council from October 2018 to February 2019

Appendix One – Budget Simulator

Summary of Budget Engagement

REPORTING ON THE BUDGET ENGAGEMENT ACTIVITY
CONDUCTED BY THE CITY OF EDINBURGH COUNCIL
FROM OCTOBER 2018 TO FEBRUARY 2019

Executive summary

This report provides a summary of the participation in the Council's budget engagement conducted in two phases between October 2018 and February 2019. The Council received more than 2,700 participations as part of this engagement, including:

- 1,826 surveys, letters, emails, phone calls and social media responses;
- 547 submitted budgets using our online budget planner; and
- Around 390 resident and colleague attendees at facilitated group sessions.

Key points raised by these engagement activities were:

- Strong opposition to the reduction in spending on Edinburgh Leisure due to the importance of this service in meeting many of the Council's goals for physical activity, health and wellbeing. 255 participants contacted the Council during phase two to oppose this change;
- Strong opposition to the reduction in spending on Marketing Edinburgh, who were felt to provide important and necessary support for Edinburgh's vital tourism, hospitality and film sectors. 153 participants contacted the Council during phase two to oppose this change;
- Broad consensus that it was possible and necessary for education and care services to make efficiency savings in the context of the Council's overall financial challenge and the reductions other services had faced in previous years. Though the changes to nursery teacher numbers were opposed by 26 participants in phase two;
- Participants who completed a budget using the online planner recognised the difficulty the Council faces in balancing its budget against its pressures and priorities. In this context they made cuts to all services, but made the smallest average cuts to mental health services (-3.8%), care at home for older people (-4.8%), and roads (-5.0%). The largest cuts were made to libraries (-9.1%), community safety and CCTV (-8.9%) and community learning and development (-8.9%);
- When asked to consider the same services as part of a group exercise, participants identified the same three priorities (mental health services, care at home, and roads), but made the largest spending reductions from economic development, community safety and CCTV, and culture;
- In both the individual budget planner and the group exercise, on average, all the proposed areas for change were accepted. While these areas were only presented in outline, this would seem to indicate the Council can build broad support for these initiatives, and other complex issues, in future;
- In general, the feedback from participants indicated only an outline understanding of the position of local government finances. When presented with more detail about the nature of choices being faced, participants were often surprised and sometimes distressed by the decisions which elected members were being asked to make.

Format of the budget engagement

The City of Edinburgh Council's engagement process on its 2019/20 budget setting included two distinct phases of activity intended to raise awareness of the general budget position, encourage discussion on potential areas of change, seek insight into citizen and colleague opinions on relative budget priorities, and provide a platform for stakeholders to make elected members aware of their views.

Prior to Scottish Government's announcement of its draft budget, the Council published draft proposals and engaged on them between 1 October 2018 to 7 December 2018. This engagement activity included:

- A high-level prospectus explaining the Council's financial position and the pressures of growth, an aging population, and constrained public sector spending;
- An online and offline open submission process allowing stakeholders to express any views in relation to the Council's budget;
- An original group activity designed to assist stakeholders in having engaging face-to-face discussions about their budget priorities;
- An online budget setting tool (Budget Simulator) that allowed individuals to set their own spending priorities for the Council; and
- A social media and outdoor advertising campaign to raise awareness of engagement opportunities.

In addition to these exercises, residents and Council colleagues could also submit their views by email, post and telephone.

Following the Scottish Government's initial announcement of its planned budget settlement for local government, the Council published an amended prospectus with proposals for change which would form the basis of the 2019/20 Council budget. The Council engaged on this prospectus between 18 January 2019 and 11 February 2019. During this time the Council continued its group activity, and this was supported by a social media campaign and submissions could be received through the Consultation Hub, email, post and telephone as before.

During political negotiations, the Scottish Government amended its settlement for local government, providing additional funding and revenue-raising powers for local government above what had been stated in December. No further revisions to engagement material were made following this announcement.

Overall response to the budget engagement activity

The Council communicated and invited responses through a range of channels. Responses in 2018 were up by 23% when compared with responses to the 2017 budget activity. The Council has not previously extended budget engagement into the following year, and as a result there is no direct comparison with previous performance. The following table summarises participation by different engagement activities.

Fig 1. Number of participations by type of engagement

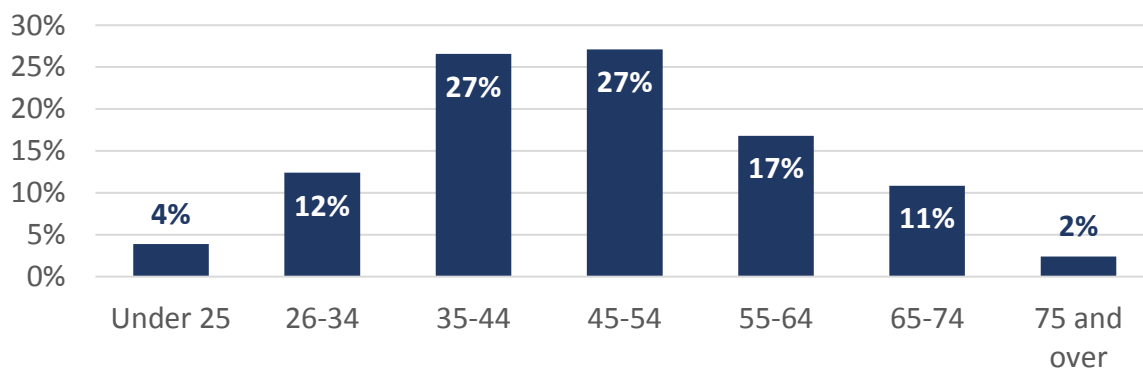
Engagement type	Number
<i>Phase one</i> – completed Budget Simulator sessions	547
<i>Phase one</i> – submissions through the Consultation Hub and other formats	1,050
<i>Phase one</i> – estimated attendance at group events	140
<i>Phase two</i> – submissions through the Consultation Hub and other formats	776
<i>Phase two</i> – estimated attendance at group events	250

The budget engagement was open to any interested party. Though the Council makes specific efforts to raise awareness and reach out to individuals and organisations who may be interested in or impacted by budget proposals, those who responded were predominantly self-selecting. As a result, participants should not be considered representative of the population as a whole and open engagement activity should not be judged on its overall representativeness. Instead, engagement activity should be assessed on the extent to which a broad diversity of relevant individuals have been able to express themselves in the process.

In total, 12% of all participants who provided demographic information were Council colleagues. In previous years this has been around a third of participants. Extra group events were held in phase two with colleagues to ensure colleagues had more opportunities to engage with the budget discussion.

50% of all participants were female, while 43% were male and 8% identified as other or preferred not to say. 13% of participants described themselves as having a long-term illness or disability. And 39% of participants were parents of school-age children – which is around double the actual rate in Edinburgh.

In total 1,671 participants provided their age. The following graph shows the proportion of participants in each age group.



As in previous years, engagement has been lower amongst those at the extremes of the age bands, with only 4% being under 25 and only 2% being over 75.

The online budget simulator

Process

The online budget planner presented information on how the Council currently allocates its resources. This tool allows stakeholders to view this information, make changes to the levels of spending in each service area, and understand some of the consequences that might result from making that level of change in each service area's budget. Participants had discretion to increase or decrease funding to all services in 5% increments from -20% to +10%, or to leave funding at current levels.

To encourage meaningful feedback and for ease of use, not all Council services were included in the online planner. It is estimated that Scottish Local Authorities provide in the region of 600 to 700 distinct services, and the complexity of this level of financial information would discourage public engagement and inclusive engagement.

Services with large budgets were included automatically – such as schools and care. Smaller services were grouped together if they were closely related and their combined revenue budgets exceeded £3m. Purely internal services such as Human Resources and Finance had their budgets proportionately allocated to the services they support. This last decision was taken to provide insight into how participants would make meaningful choices between services they receive, rather than reduce funding in areas where they believed there would be no consequences for service delivery.

Initially, participants needed to balance the budget over four years before they could submit (around 11% savings were needed), but this was relaxed after six weeks to allow respondents to submit a one-year budget.

Insights

The following table shows the average change in all service areas included in the online planner.

Fig 2. Average change for all services, for all submitted budgets using the online planner

Services	Average change
Mental health services	-3.8%
Care at home for older people	-4.8%
Roads, transport and infrastructure	-5.0%
Secondary schools	-5.3%
Primary schools	-5.4%
Services for people with disabilities	-5.4%
Residential care for older people	-5.4%
Waste, cleansing and environmental wardens	-6.3%
Residential care for children, child protection services and additional support for learning	-6.6%
Parks, greenspace and local environment	-7.1%
Culture	-7.1%
Nursery schools, nursery classes and early years centres	-7.2%
Economic development	-8.2%
Planning, building & trading standards and environmental health	-8.5%
Sport and leisure	-8.6%
Community learning and development	-8.9%
Community safety and CCTV	-8.9%
Libraries	-9.1%

The amount of spending on **mental health services** was reduced by less than any other service area and had the largest proportion of participants (13%) who balanced their budgets and increased spending in this area. There was strong agreement about the importance of mental health services across all demographic groups, with Council colleagues making the largest overall reduction to this service area (-5%). Amongst those who submitted only a one-year budget, there was no net reduction in spending in this area.

Care at home for older people had an overall reduction of 4.8%. There were obvious demographic and age differences in relation to participant budgets for this service; men reduced this service area by twice as much (-5%) as women (-2%); and younger participants made larger reductions (-5%, those aged under 25) compared to older participants (-3%, those aged 45 and over).

Roads, transport and infrastructure spending was reduced by 5% overall, and showed no large differences by demographic group. However, 12% of participants wanted to see spending in this area increase – this was the second highest proportion of participants whose budgets included an increase after mental health services.

Spending on **primary schools** and **secondary schools** was very similar, with both having an overall reduction of just over 5%. Parents of school-age children made only a 4% reduction in both services; perhaps unsurprisingly, parents of school-age children prioritised primary and secondary schools over all other service areas – including nursery schools and child protection services. Spending on schools tended to be reduced by more by older participants (-6% to -8%, those aged 45 and over) and by Council colleagues (-8%).

Services for people with disabilities had a 5.4% overall reduction and was reduced by men (-6%) more than women (-3%). The same pattern was observed for **residential care for older people**, with an overall 5.4% reduction and larger reductions from men (-6%) than women (-4%). However, unlike care at home, there was no strong pattern in submitted budgets based on the age of participants, with younger and older participants making similar choices.

Waste, cleansing and environmental wardens had a net budget reduction of 6.3%. Council colleagues made the largest reductions (-8%) of any group, with the smallest reductions (-4%) made by those aged 65 and over.

Spending on **residential care for children, child protection services and additional support for learning** had an average reduction of 6.6%. Participants aged over 65 made much larger cuts (-9%), as did men (-8%), while parents made a reduction only slightly better than the average (-6%).

Parks, greenspace and the local environment had a net 7.1% reduction, with the largest reduction being made by those aged under 25 (-9%), compared to only a 6% amongst those aged 65 and over.

Spending on **culture** was reduced by 7.1% on average, with Council colleagues making a 10% reduction overall and the smallest reductions being made by participants under 25 (-6%) and women (-6%).

The 7.2% reduction in the budget for **nursery schools, nursery classes and early years centres** was the largest of any of the education services. While Council colleagues cut this budget by 7%, this was less than they reduced primary and secondary budgets (-8%). Those aged 65 and over made an overall reduction of 10% for this budget – the joint-highest reduction this age group made for any service area.

The 8.2% reduction in spending on **economic development** includes the most divergent views amongst participants. Those aged under 25 made an average reduction of only 4%, and by contrast those in other age groups made reductions of 9%. Council colleagues and parents both targeted the service with larger cuts, each group submitting average 11% reductions – this was the highest reduction parents made to any service area.

Planning, building & trading standards and environmental health had an average 8.5% reduction in spending. This was consistent across most age groups, with only those aged 65 and over cutting the service by 6%. This service grouping showed the smallest change in overall budget change based on the total saving submitted by participants – those who submitted only a one-year budget reduced spending on this area by 7%, compared to those who submitted a four-year budget reducing spending by 13% – a gap of only 6%. By contrast, the gap between one-year and four-year budgets were 18% for primary schools, 13% for mental health services, and 10% for culture.

Participants reduced spending on **sport and leisure** by 8.6%. The group making the smallest reduction overall were those aged 65 and over (-6%), while Council colleagues made the largest reduction (-11%) and most other groups were similar.

The 8.9% reduction in **community learning and development** included the largest reduction made by Council colleagues (-12%) and reductions tended to increase as participant age increased. Those aged under 25 made average 7% reductions, increasing to 10% reductions amongst those aged 65 and over.

Community safety and CCTV was reduced by an average of 8.9% and showed little variation amongst demographic groups.

Libraries had their budgets reduced by, on average, 9.1%. This service had one of the largest reductions in one-year budgets (7%, joint equal with economic development), but also had one of the largest reductions in four-year budgets (17%, joint fourth overall). There were no significant differences by demographic group.

Group activity sessions

Process

As part of the group activity, the Council presented 18 service areas which it was felt residents would generally recognise as delivering services to them, their family or their community – which they would therefore have some understanding of – and where the Council currently spends more than £3m of its budget each year. In order to ensure some highly visible services were displayed, and to keep the number of services involved in the group activity to a manageable number, some services were grouped together.

Each service had a potential maximum spend participants could allocate which was slightly larger than the current level of spending. The group could not access enough funding as part of the group activity to fully fund all services shown, requiring prioritisation of reductions based on whatever criteria the group itself considered most important. The intention of the group exercise was to provide a means of having a shared discussion on priorities – not to perfectly replicate current or future Council budgets.

In total, the Council conducted more than 50 groups to discuss the budget, with around 390 participants.

Insights

This section summarises how much of the service's potential maximum spending was allocated by groups on average, and the minimum level of spending allocated by any group. Resident and Council colleague groups are reported together.

Fig 3. Average and minimum funding for each service area in group activity

Service title	Average	Min.
Mental health services	99%	67%
Care at home for older people	94%	70%
Roads, transport and infrastructure	92%	33%
Community learning and development	91%	50%
Parks and green space and local environment	91%	50%
Primary schools	89%	56%
Nursery schools, nursery classes and early years centres	89%	50%
Residential care for older people	85%	60%
Waste, cleansing and environmental wardens	84%	57%
Secondary schools	83%	50%
Residential care for children, child protection services and additional support for learning	82%	50%
Services for people with disabilities	82%	58%
Sport and leisure	81%	0%
Libraries	81%	33%
Planning, building and trading standards, and environmental health	76%	0%
Culture	72%	0%
Community safety and CCTV	65%	33%
Economic development	60%	0%

The services and groups of services presented can be seen as falling into three groups – those where the clear consensus of groups was to protect or increase spending (green); those where there was strong support for maintaining current levels of spending, though some groups were more negative (amber); and where a number of groups felt spending should be radically reduced or defunded (red).

A brief summary of the discussion around each service area is included below.

Mental health services

There was a strong belief amongst participants that this was a historically under-funded area and that targeting resources to mental health services would prevent greater costs arising in other areas of Council activity. Those participants who were personally dealing with mental health issues, or who had done so in the past, were vocal in their support of this service.

Roads, transport and infrastructure

Participants were often surprised about the low level of revenue spending on roads and infrastructure maintenance, and transport, compared to other areas of the Council's budget. While groups usually felt this was a core Council service important to all residents, it was observed that this was also a key service for making the city accessible to all residents, either by ensuring the city remained physically accessible or by providing free or subsidised public transport for disabled or more remote communities that would otherwise be less able to visit the city.

Community learning and development

This service performed significantly differently in group sessions than it did with individual online budgets. This may, in part be due to the number of colleagues from community learning and development who participated in group sessions, and it may also be because awareness of the function and responsibilities of this service are higher amongst colleagues than amongst residents.

It was observed that this service has a key role in creating opportunities for more innovative modes of service delivery by upskilling community members and creating and maintaining social networks that residents can access for other purposes. It was felt that if the Council were serious about taking forward Scottish Government's community empowerment agenda, this necessarily meant more work for this service.

Parks and green space and local environment

This service was felt to play an important role in maintaining wellbeing for residents, whether this was through the providing of spaces where people of all ages could engage in a range of exercises for free, or because being able to engage with greenspace was felt to provide physical and mental health benefits. Engaging with wildlife was considered a valuable and meaningful experience for participants, and there were recognised as being very limited opportunities for this in a city. Participants highlighted that the Council's ambitions for the city – which they shared – have often included the word 'green', emphasising the importance parks play in the unique character of the city.

'Primary Schools' and 'Nursery Schools, nursery classes and early years centres'

Because of the relatively high level of spending on education, primary and nursery schools were often substantially under-funding during the first phase of the group exercise – where individuals placed their own tokens to determine their priorities – but were augmented during phase two – where groups made decisions collectively and had more complete understanding over the balance of budget priorities.

Participants were more concerned about teacher numbers than the total spending on education, and were prepared to tolerate some reductions to education services in the context of the Council's wider budget, and provided these did not result in significant staff reductions or impact quality of education. This reflected a view that there were efficiencies within education services and schools that related to ways of working, infrastructure and costs such as heating and lighting.

Amongst the groups of parent council members who participated, there was a belief that money spent on education was more effective at early years. Council colleagues who were themselves teachers, or who had been teachers in the past, expressed the view that less could be done for struggling pupils later in their educational career than was possible at more formative ages and as such early years and nurseries should be protected. There were similar considerations for both primary and nursery service groups, however both residents and colleagues noted that other Council services had already faced large budget reductions and that it was 'time' for education services to seek efficiencies.

Secondary Schools

Discussions about spending on secondary schools usually involved discussions about the level of spending on education at earlier years and, overall, groups tended to spend more on primary, nursery and early years education than on secondary. As with other areas of education, teacher numbers were of greatest concern to all participants, with the same belief that given overall changes in Council budgets over a number of years, it was appropriate for secondary schools to also make savings.

Residential care for children, child protection services and additional support for learning

Lower levels of spending in this service area may reflect higher spending in other areas of education – especially schools. Participants recognised that there were other essential priorities outside of education and made some sacrifices in order to meet them – these tended to come from this area rather than primary or secondary schools.

Participants did not connect as readily with these services, compared to what was assumed to be a high level of understanding around what happened in ordinary education. It was easier for participants to advocate for core education services which benefitted all children, over services which were important but only benefitted a few. Additional support for learning – felt to be delivered by teaching assistants – was often considered to be less important than overall teacher numbers, which participants were keen to protect.

Services for people with disabilities

This group was generally considered vulnerable by participants and there was often discussion around making sure this service was prioritised – however the value of this service was less obvious than the provision of care for elderly people. In part, this may be because participants were more likely to have elderly relatives than disabled relatives.

There was a strong belief amongst participants that residents receiving this service received funding directly 'from government' to cover accessibility, adaptations, and support needs. Some participants knew that individuals could 'self-direct' their support and felt most of these support services were provided by third-sector organisations. In this context it was not clear to a minority of participants why the Council was providing services in this area and questioned whether the easiest way of reducing costs would be step away from this role.

Care at home for older people

While the limitations of care at home to manage very frail users or those with critical needs were acknowledged, participants understood that individuals often wanted to be at home for as long as possible. This desire was something many participants could identify with, and wanted to protect this service both because it felt morally right to them, and because they could imagine themselves in the same circumstances in future. It was also assumed that a system which allowed people to live safely at home for as long as possible would be cheaper than providing care in a residential care facility.

Residential care for older people

For some participants the lower level of spending in this service area was excused by the relatively high level of funding for care at home. Participants felt that being able to keep more people at home would mean less spending on care facilities. Participants recognised the importance of this service in providing for the very frail and those who could no longer live at home, but Council colleagues in particular noted that care services routinely overspent their budgets and this needed to stop if the Council was to effectively meet its other priorities. Participants questioned the extent to which the Council was reclaiming everything it could for care that it was allowed to charge for, and felt this could also be a revenue route for a service where demographic shifts would only create more demand in the long term.

Waste, cleansing and environmental wardens

Participants did not express satisfaction with this group of services, and this may have resulted in lower funding in some cases, with participants being unwilling to spend money on services they did not see as performing well. For other groups, where spending was higher, cleanliness was an important factor for the tourist market and waste collection was a core service they personally relied on that they felt was not performing well and therefore needed more investment. The introduction of charging for garden waste collection was often mentioned, though there was widespread awareness that the Council did not have a statutory responsibility for collecting garden waste and a belief that the Council was right to explore charging options for non-statutory services where this was possible. Participants were supportive of charging in the context of constrained budgets, though they did not necessarily expect this charging to lead to better outcomes.

Sport and leisure

The interconnectedness of this service with many other services was discussed extensively by groups. They recognised that physical health and mental health were closely related, and many participants made this argument to persuade groups to fully fund the service. It was felt that more could be done to encourage participation in sport and general activity amongst school-age children, however this funding was as likely to result in increased spending in schools as it was to result in increases in direct sport and leisure spending.

However, it was also observed that Edinburgh has extensive private gym options, some of which were felt to be cheaper than those provided by Edinburgh Leisure. Participants also used private gym and fitness facilities which they considered to be of a higher standard than those provided by Edinburgh Leisure. Council colleagues also felt more could be done to improve access to school sports facilities for their communities.

Libraries

Opinion about libraries was sharply divided between those who personally used the service extensively and those who had not visited 'in years' and were not aware of the services they provide, with the former being strong advocates. Other participants, who were also not regular library users themselves, were likely to view libraries as a social good, providing services that other people would need and want.

How any one group decided to allocate its resources to libraries often depended on how much importance they placed on libraries as being hubs of community activity, rather than how much value they placed on access to books and the internet. Those who believed libraries were effective in coordinating and facilitating broader programmes of activity were more likely to fund the service, whereas reductions were often made by participants who felt there were other ways and places where library services could be provided, such as through schools and community centres.

Planning, building and trading standards, and environmental health

This service grouping felt remote and difficult to understand for many participants, and in this context was considered less important than those service areas where the Council was felt to be dealing with urgent need. Amongst groups that reduced funding for these services, the decision was not controversial.

Culture

Some participants believed the Edinburgh Festivals generated significant income and that if it was possible for private organisations to make profits in this area, the cultural estate should be self-sustaining, if not profit-making. The results of the group exercise are, somewhat, at odds with feedback received elsewhere in the budget engagement process. Only 59% of groups were willing to accept reductions in the cultural estate to deliver efficiencies, and when reductions in the culture budget are expressed in terms of direct closure of the cultural estate, this tends to be viewed more negatively.

Community safety and CCTV

Participants felt this area was relatively over-funded. They were sceptical of the efficacy of CCTV in tackling crime and antisocial behaviour and believed that targeting these resources into other areas – such as schools – would result in less need for enforcement and detection. This spending decision seems to indicate participants assume that young people are disproportionately the cause of antisocial behaviour.

Participants noted that this service grouping also included public safety, which covers special measures taken to protect attendees at public events. Participants felt that commercial events should pay for their own public safety.

Economic development

Participants were often not persuaded that Economic Development was a spending priority for local budgets and were not convinced by the links between encouraging and facilitating investment into Edinburgh and that translating into local jobs or improved quality of life for residents. However, some groups were strongly motivated to fund the service for exactly these reasons; believing that this was an investment in the long-term future of the city, though there were discussions about the most appropriate way to fund this.

Change proposals within the group activity

Process

The group activity took ten areas for change covered in the Council's prospectus (the same ten areas presented in the Council's budget simulator) and asked participants whether they would accept these changes as a group in order to unlock additional funding which could be invested anywhere. This level of extra funding unlocked from all proposed areas for change was stated as equal for the purposes of the game, though it was explained to participants that this was a simplification, and some changes would in reality generate greater or lesser savings or income than others.

Insights

This section summarises those ten areas, providing the proportion of groups who decided to accept these – and explains some additional discussions that groups had in reaching their decision. It should be noted that the majority of groups accepted the majority of areas for change presented, but also made a range of challenges to the Council.

Participants believed that the Council needed to do more to explore the possibility of charging, means-testing and removing charging exemptions where appropriate. The introduction of garden waste charging was not popular amongst those impacted by it, but there was strong support for the Council pursuing those ideas to enable it to concentrate on funding and delivering core services.

All groups sought additional detail and assurances around the options presented to them. The following sections serve to illustrate how, and to what extent, there could be public support for more detailed proposals in these areas. The overall proportion of groups who accepted each outline proposal should not be interpreted as the same level of support a detailed proposal would have.

Depots

“Reduce the number of depots from 19 to 6, improving the retained sites and selling the unused sites to invest in service delivery.”

75% of groups accepted this change proposals. The proposal contained a number of uncertainties for participants based on the assumption that the Council was currently maintaining nineteen depots that served a purpose and delivered some value. Participants did not have information about the location and size of depots, services delivered from individual depots, and how those services would be changed, positively or negatively. However it was made clear that these sites were used for vehicle and supply storage for a number of necessary activities from gritting to waste collection.

Participants could generally understand there would be benefits of mergers – for some this was obvious and something the Council should pursue automatically, while for others the contextual information was important and their support could be better characterised as conditional based on reasonable disposal of old sites and satisfactory assurances about levels of continuing service.

Without detailed information, participants sought reassurances about the number of jobs being impacted by this change. Concerns were expressed for a workforce that might be forced to travel further to work and the resulting impact on congestion in the city.

Participants were also concerned about the future status of sites. It was made clear that the Council's plan would be to dispose of any assets for the best value it could obtain, this made residents questions whether some depots could be given over to alternative community uses, or whether every site would automatically become private housing or hotels. On a site-by-site basis, it is likely the Council will face varying levels of interest and challenge from local residents, based on resident feedback on this issue.

CCTV

“Work with the Police and Lothian Buses to have all CCTV, traffic management and other sensors monitored by one service for the whole city. Savings would come from reducing duplication and making all services more effective.”

75% of groups were in favour of this proposals. While it made sense for these closely related systems and services to co-locate, this should use existing facilities within either the Council or partner estate, rather than create a new building. It was questioned whether this was a long-term saving which would result in budget pressure in the current year due to set-up costs – though this did not necessarily result in opposition from participants given the long-term budget pressures the Council faces.

Participants wanted to know how savings would be shared between partner organisations, whether staff would transfer between organisations, and, where changes resulted in job losses, how these would be dealt with between partners who might have different policies regarding redundancy. Council colleagues were dubious about the ability of the Council to deliver a shared services approach across partners and were concerned that once this process began, the Council might be on a path to shared services many found unpalatable. Residents were less concerned about these issues than Council colleagues.

Shared services

“Where the Council does not have to deliver a service directly, deliver this jointly with other local authorities. This would save on buildings, equipment and staff costs – though Edinburgh retains a policy of no compulsory redundancies.”

69% of groups made this choice. Amongst all groups the definition of statutory compared to non-statutory was a point of discussion. In general, a reduction in duplication across the public sector was welcomed by both colleagues and residents. Whether any specific proposal would have support would depend on the nature of the service being impacted.

Entirely administrative or remote processing services would likely have broad support – such as contact centres, human resources, benefits processing, and finance. Support would likely be less for front-line services which residents see regularly and where they are quickly aware of any service failures that occur, for example, refuse collection. And the Council would need to make strong arguments around maintaining control of service quality if shared services were to include the delivery of personal care or other sensitive services where residents want to be assured of appropriate standards being met, but lack immediate personal experience to judge this.

Council colleagues were concerned that combining non-statutory services would require a change of normal work location which they might not be able to manage and that consent to processing or administrative shared services could be a ‘slippery slope’ to merging other services. As a result, some staff groups were unwilling to support any shared services.

Community hubs

“Review the number of Council buildings to deliver more services from one location, such as Council offices, libraries and museums. Where possible other partners, such as the NHS and Police would share these facilities. As a result, some buildings would be closed as services relocated.”

69% of groups made this decision. Experience of existing hubs were strongly influential in shaping views of both colleagues and residents. While both groups recognised the benefits of combining facilities, Council colleagues were more critical of what had been achieved by current initiatives.

Residents were positive about the facilities which had been created by moves to co-locate Council offices and libraries – giving improved access to community space and overall improvement in the quality of the facilities accessible to the public. The North East Locality Office in particular was recognised as a significant improvement over the buildings it replaced. However, residents felt that opening hours of different services operating from the same location needed to be better aligned to maximise the potential of any one visit.

Council colleagues observed that the rhetoric around these proposals had failed to result in real change. For example, it was observed that the space allocated for Police Scotland in the North East Locality Office was often under-used. And while office-based co-location of health colleagues at the North West Locality Office was considered successful, there were no examples of primary health services being co-located – such as GP surgeries. Similarly, success in making the school estate more accessible to communities has been limited and even relatively new schools were seen as single purpose buildings.

Without discussing any specific facilities that might be impacted by co-location, residents expressed concerns about accessibility and the future role of libraries. Moving to one central hub for the delivery of a range of local services could make those services less accessible for some residents. Participants highlighted the role of libraries as a hub for communities and questioned whether this would still be the case if libraries were relocated and subsumed into larger multi-purpose buildings. By contrast, other residents cited examples of facilities they felt should be merged for ease and accessibility, and commented that having two Council buildings very close to each other was both a waste of resources and a missed opportunity for the communities they serve.

Parking charges

“Introduce restrictions on non-residents parking in residential streets and charge for parking in more areas of the city.”

63% of groups accepted this change proposal. The issue of extending parking permits to other residential streets was controversial and emotive for a minority of participants. The Council’s proposed action was recognised as targeting a real problem – residents in some parts of the city recognise the problem of non-residents parking in their street as part of regular commutes and school pick-up and drop-off. This was cited as being a significant inconvenience to residents who rely on on-street parking, and action to reduce this was welcomed. However, residents also noted that in areas where the Council had introduced resident-only parking, the Council sold more permits than there were available spaces, which led to frustration when those who had paid for the right to park in their street were still unable to do so.

Environmental aspects of the move were clear to participants – it was obviously of benefit to the city and residents to reduce the amount of traffic on the street and the number of journeys undertaken by car. Some participants expressed their willingness to pay the fee because they felt the overall environmental impact of the parking restriction was worth it. However, others felt that this approach was simply displacing a problem rather than solving it, and that public transport interchanges and park-and-ride facilities needed to be improved before commuters would choose to leave their cars outside of Edinburgh.

Workplace parking

“Charge a fee per parking space to all businesses with a large number of spaces for staff parking (for example, 10 parking spaces or more).”

56% of groups accepted this change proposal, though for most the specific details of the implementation were important. There was concern for the impact a workplace parking levy would have on critical services, key workers and low-paid workers, especially where there were limited public transport alternatives for their route. Groups were generally supportive of the need to reduce the number of people driving to work and agreed that this measure could address air quality.

Cultural estate

“Review existing Council museums and galleries provision and look to create new facilities which would better display the Council’s collection of 750,000 objects.”

59% of groups supported this change proposal, but feedback and conversations around this decision indicate that even amongst those who took the decision to reduce the estate, support is reluctant. The attachment to the cultural estate appears to be in part emotional and in part pragmatic. For some, the idea of closing locations that celebrate the life and history of the city was troubling and undermined Edinburgh’s identity. For other participants, the reduction in the number of tourist attractions seemed like a bad idea for a city that relies heavily on tourist income. These participants calculated that more locations were more likely to translate into higher visitor numbers.

Participants were not convinced that there were significant benefits in areas of curation, and did not tend to discuss how locations such as the National Museum of Scotland and the National Galleries had improved their offer in recent years. Deeper public support for this decision can certainly be secured, but this may require an ambitious plan that puts the city’s offering on equal footing with the national collections also on display in Edinburgh and increases overall visitor numbers and income. Any plan which feels like a reduction in the quality or prominence of Edinburgh’s collections is likely to be very negatively regarded, especially amongst older residents.

The Council’s position on providing free access to these museums was challenged in discussions. Participants felt that a small charge would make a significant contribution given the total number of visitors across the estate. There was some interest in exploring charges only for non-residents based on a proof of address system. It was also felt that a similar result could be achieved, without excluding lower-income visitors, by placing donation boxes in more prominent locations and asking for larger suggested donations.

There was concern about what might happen to buildings in the cultural estate, though awareness of the number and location of these buildings was low.

Commercial use of parks

“Increase fees for commercial use of parks and look to increase the number of commercial opportunities for parks - this could include renting sites for food vans.”

69% of groups made this choice. Participants made a distinction between commercial and non-commercial use of parks, in particular citing community and charity events as being different from profit-making events; however they believed the Council understood this distinction and were specifically targeting profit-making activity. Residents did not want to see charges result in exclusion from parks on a regular or sustained basis, but accepted that short-term activities such as concerts were already taking place with limited impact.

It was felt to be important to preserve the balance of use of parks, with parks being actively used as green spaces for almost all of the time, while also acknowledging that these were significant assets that could deliver direct benefits to communities as well as a financial contribution to Council services. In this context, participants believed there were commercial activities taking place in parks at the moment where the Council was either receiving no compensation, or the level of compensation did not reflect the value of the site or maintenance costs. While some participants felt that charges for the current level of activity should increase there should be no additional activity.

Food vans were generally welcomed, provided these were located in ways that did not interfere with normal use of the park and associated litter issues were managed. St Andrew's Square was recognised as a good example of how a business location in a park can support better use of the park – though it was also acknowledged that few locations in Edinburgh had the same potential.

Advertising revenue

“Increase the number of real and digital adverts on Council assets. Type, size and placement of adverts would be carefully considered, especially in historic areas.”

78% of groups accepted this proposal. The phrase most commonly used by opponents to this proposition was ‘Time Square’ – the area of New York City famously lit by large advertisements both night and day. In the view of these participants the risk of the city centre becoming something similar was high, and this situation was undesirable due to the historic nature of Edinburgh's centre and their low opinion of public advertising in general.

Distribution of adverts across the city was thought to be important by some supporters of this initiative – a little advertising in all areas of the city was preferable to a lot of advertising concentrated in one place. Others believed that advertising was already so prevalent in Edinburgh and elsewhere that more made little difference.

The ethics of the advertising were a concern to participants. Council control the nature of adverts placed on its assets was crucial, with some participants questioning whether types of product or individual companies would be allowed. By contrast, it was observed that events in Edinburgh and elsewhere are often sponsored, which result in a proliferation of branding, but no real impact on the way the city is perceived.

Energy production

“The Council would generate energy from sustainable sources, such as by installing solar panels on Council buildings, and increase the number of hybrid and electric vehicles in the Council fleet.”

91% of groups accepted this change proposal. Participants did not question the environmental benefits of this change, but instead felt the set-up costs of both a hybrid fleet and the roll-out of a charging infrastructure were so high that the Council would never see a return on its investment. While this did not mean the proposal was opposed, not all those who supported it believed it would result in a positive contribution to the Council's financial position.

It was unclear to some participants why this proposal was being put to them. Where residents, in particular, feel there is an easy way for the Council to increase revenue or cut costs which has no obvious impact on Council services or quality of life in the city, they often prefer the Council to act on this quickly. In general, the most pertinent argument for participants on this issue was whether it would be profitable, when it would be profitable, and how much return would the Council see on its investment.

The Council's budget proposals for 2019/20

Method

All substantive feedback received as part of the budget process was coded to summarise participant views on key issues. While the Council produced a prospectus on the changes it proposed to make to balance its budget and deliver services differently in future, comments do not necessarily relate to the content of this prospectus and are not necessarily informed by it.

The feedback summarised below only relates to phase two – feedback on those updated proposals which were published after Scottish Government's draft budget settlement in December 2018. Feedback on the previous proposals (phase one) was [reported to the Council's Finance and Resources Committee on 1 February 2019](#).

Insights

Feedback was dominated by two issues – funding for Edinburgh Leisure and Funding for Marketing Edinburgh. All other issues received significantly lower responses. In part, these higher levels of feedback are driven by these organisations raising awareness of the Council's budget process amongst their own stakeholders and encouraging their participation. The number of responses against each issue received is summarised in the table below.

Fig 4. Number of responses to phase two of engagement, by theme

Theme	Number
Don't cut funding for Edinburgh Leisure	255
Don't cut funding for Marketing Edinburgh	153
General concern for vulnerable people	34
Prioritise education	28
Don't cut nursery staff / teachers	26
Opposed to Tram	25
Don't cut police budget	24
Introduce transient visitor levy	20
Protect libraries	17
Prioritise Roads	17
Raise income, don't cut services	16
Prioritise waste services	15

Edinburgh Leisure

255 comments were in opposition to reducing funding to Edinburgh Leisure. The proposed reduction in funding to Edinburgh Leisure was felt to be at odds with the Council's stated aim of ensuring residents could live healthy active lives. There was concern about levels of obesity in Scotland, which were felt to be rising. Edinburgh Leisure was felt to make a positive contribution to the physical and mental health of users in a diverse range of ways, including through exercise, socialisation, fun and the management of chronic pain. Many participants wrote in support of the services they receive from their local sport or leisure facilities, emphasising the importance these have in their daily lives, and urging the Council to reconsider this decision.

The proposed reduction was felt to be 'short-sighted'. It was stated that public spending on physical activity reduces costs elsewhere in the public sector, and that this change would result in greater costs of care and medical treatment for the Council and the NHS at a later date. Participants said the

reduction of the Council's subsidy would increase their costs of accessing services, and increase costs for those least able to afford them, who would be unable to access private facilities.

Participants felt this was the latest in a series of cuts to the Edinburgh Leisure budget, which was already pressured. This particular budget proposal was considered too drastic and too quick for the organisation to manage effectively.

Marketing Edinburgh

153 comments were received in opposition to reducing funding for Marketing Edinburgh, while one was received in support. As part of this feedback, the Council received a number of form letters from partners of Marketing Edinburgh and from the Edinburgh Ambassador Programme.

Respondents felt that the proposed reduction to Marketing Edinburgh's budget was concerning and indicative of a lack of ambition for the city. It was observed that Edinburgh is a destination which must compete with a number of high profile European cities for both domestic and international tourism. The reduction in Council support for Marketing Edinburgh was felt to be a decision that would leave Edinburgh as the only major city in the developed world without a destination marketing management organisation. The Council was urged not to assume that Edinburgh's success was guaranteed, and reminded of the important role Edinburgh plays in shaping the economic success of Scotland's tourism, film, hospitality and food industries.

Feedback from tourism and film professionals indicated the city was on the cusp of being able to benefit from major expansion in media production driven by the creation of a national film studio, and that defunding Film Edinburgh at this point was a threat to the effectiveness of that investment. It was stated that large projects, such as 'The Avengers', would not take place in Edinburgh without the support of Film Edinburgh and that media production in Edinburgh was a multimillion pound industry underpinned by the ability to secure these major projects.

The scale and speed of the proposed reduction in Marketing Edinburgh's budget were also concerning to many participants. This change was felt to be compounded by the reduction in funding for the Council's Economic Development Service which was assumed to support external and internal investment in the city in a similar way.

Other issues identified

As in previous budget engagement exercises, participants used the opportunity to express their views on specific budget proposals as well as other areas they felt were within the Council's ability to influence. Of these other areas, education was most prominent, with participants reminding the Council of the importance of education for the wellbeing and future prosperity of the city as well the impact it has on individual lives. There were 26 participants who specifically opposed the use of other nursery staff to replace some teachers in nursery schools, citing the high workload of teaching staff in these areas and concerns about the overall quality of education for young children.

Participants wanted the Council to prioritise additional spending in roads and waste – which were felt to be underperforming – while protecting library spending, opening hours and locations. There was a strong, but general, concern for vulnerable people of all ages and participants urged the Council to ensure any impacts on these groups were minimised, emphasising how many Council services being considered for spending reductions and transformation are life-lines for some residents.

In terms of broader spending, a minority of participants expressed opposition to the Council's cut to its contribution to policing, and participants who mentioned tram were generally strongly opposed on

the grounds of affordability, inconvenience to residents and businesses, disputed necessity of the line given Edinburgh's bus service, and the perception that the tram is a 'vanity' project.

The City of Edinburgh Council

10.00am, Thursday 21 February 2019

Council Change Strategy: Risks and Reserves 2019-2023 – referral from the Finance and Resources Committee

Item number	4.2(b)
Report number	
Wards	All
Council Commitments	

Executive summary

On 1 February 2019, the Finance and Resources Committee considered a report which outlined the risks inherent in the revenue and capital budget framework and the range of measures and provisions established to mitigate these. The level of reserves held and the purpose for which they were maintained, including consideration of the adequacy of balances held to mitigate against known risks, was also detailed. The report has been referred to the City of Edinburgh Council on 21 February 2019 as part of the budget-setting process.

Terms of Referral

Council Change Strategy: Risks and Reserves 2019-2023 – referral from the Finance and Resources Committee

Terms of referral

- 1.1 Unallocated reserves were held against the risks of unanticipated expenditure and/or reduced income arising in any particular year. In addition, there were specific earmarked reserves set aside to manage timing differences between the receipt of income and the incurring of related expenditure, in accordance with accounting rules.
- 1.2 The reserves held by the Council were reviewed annually as part of the revenue budget-setting process. This review considered the level of balances, the risks inherent in the budget process and the adequacy of arrangements in place to manage these known risks.
- 1.3 The external auditor's 2017/18 annual report noted that overall reserve levels, taking into account both sums earmarked for specific purposes and the unallocated General Fund balance, were assessed to be adequate based upon the risks the Council faced.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 to note the report.
 - 1.4.2 to remit the report to the City of Edinburgh Council for approval on 21 February 2019 as part of the budget-setting process.

For Decision/Action

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

Background reading / external references

Finance and Resources Committee 1 February 2019

Laurence Rockey

Head of Strategy and Communications

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Links

Appendices

Appendix 1 – report by the Executive Director of Resources

Finance and Resources Committee

10am, Friday, 1 February 2019

Council Change Strategy: Risks and Reserves 2019-2023

Item number

Report number

Executive/routine

Wards n/a

Council Commitments n/a

Executive Summary

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

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

Council Change Strategy: Risks and Reserves 2019-2023

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the content of this report; and
 - 1.1.2 remit the report to The City of Edinburgh Council for approval on 21 February 2019 as part of the budget-setting process.

2. Background

- 2.1 This report advises members of significant risks identified in the budget process, quantifying them wherever possible, and sets out the range of measures and provisions in place to mitigate these.
- 2.2 Unallocated reserves are held against the risks of unanticipated expenditure and/or reduced income arising in any particular year. In addition, there are specific earmarked reserves set aside to manage timing differences between the receipt of income and the incurring of related expenditure, in accordance with accounting rules.
- 2.3 The reserves held by the Council are reviewed annually as part of the revenue budget-setting process. This review considers the level of balances, the risks inherent in the budget process and the adequacy of arrangements in place to manage these known risks.
- 2.4 The external auditor's 2017/18 annual report noted that overall reserve levels, taking into account both sums earmarked for specific purposes and the unallocated General Fund balance, were assessed to be adequate based upon the risks the Council faces.

3. Main report

Risks

- 3.1 There are always risks inherent in the budget process. What is important, however, is that they are identified and, wherever possible, mitigated/managed effectively. Appendix 1 shows a risk matrix, setting out how it is planned that the known risks identified in this report will be managed. The list is, however, not exhaustive, due

both to the complexity of the changing environment within which the Council operates and the diversity of its activity.

Funding Settlements

- 3.2 Financial settlements and wider fiscal policy changes and, more specifically, their impact on the level of savings required to set a balanced budget, pose a significant risk to the financial stability of the Council. The overall quantum of funding contained within the 2019/20 Local Government Financial Settlement was announced on 12 December 2018, with provisional authority-specific grant allocations then intimated on 17 December. While the process of the Draft Budget Bill's Scottish Parliamentary consideration may result in changes in the level of external grant funding received, the provisional settlement provided a lower level of income than had been assumed within the budget framework, reflecting the underlying year-on-year Scotland-wide decrease in core revenue funding of about 2.3%. A more detailed update on the implications for the budget framework of this provisional level of grant funding is included elsewhere on today's agenda.
- 3.3 The level of funding for future years could vary for a number of reasons, including the use of updated population data and the complexities of the funding distribution formula, as well as Scottish and UK Government fiscal policy, relative national priorities and wider economic performance. The succession of one-year budget settlements has, in addition, made longer-term financial planning more difficult and underlying savings requirements more susceptible to change. Current expectations, however, are for continuing real-terms reductions in funding, at least into the medium-term, reinforcing the need for significant and sustainable savings rooted in process redesign, prevention and, ultimately, service prioritisation.
- 3.4 In this context, the Council has modelled a range of potential grant funding outcomes and is developing a four-year change strategy, with a view to allowing acceleration of later years' proposals should confirmed savings requirements in any given year exceed baseline projections. In addition, officers continue to engage actively in discussions through representative professional bodies, particularly the Scottish Directors of Finance Section, to ensure grant funding projections and other key expenditure and income factors contained within the framework are based on the best-available information, adjusted where appropriate to reflect the Council's particular circumstances.

Delivery of approved savings and management of underlying service pressures

- 3.5 The budget process makes assumptions on the level of savings that can be delivered in respect of individual proposals and those linked to wider projects and initiatives. There are risks around the ability to deliver both (i) the savings already approved for delivery by Council (although, for 2019/20, these are relatively few in number), and (ii) the additional proposals that will be brought forward in the revenue budget framework for decision on 21 February 2019 within the timescales stated and on a sustainable basis.

- 3.6 In 2016/17, following the introduction of enhanced senior officer and elected member scrutiny at the inception, development and implementation stages, some 88% of savings by value were subsequently delivered during the year. In 2017/18, however, this level of delivery reduced to 80%, with a further decrease to around 70% anticipated in the current year. In view of these reductions and the increasingly-challenging nature of savings delivery, particularly those approved measures concerned with more effective demand management, at the meeting of Council on 25 October 2018, members approved the use of up to £1m of previously-uncommitted monies to facilitate the engagement of dedicated internal project management resource to develop individual proposals comprising the broader Change Strategy.
- 3.7 Active management of service pressures forms an integral part of effective financial management. Services have, in the current year, identified a number of significant, primarily demand-led pressures in such areas as temporary accommodation, home-to-school transport, children's services and purchased adult social care. Other than where specifically provided for, the budget framework assumes that all such pressures are managed within approved resource allocations and on a sustainable basis. In this context, a number of recent service-wide budget re-alignments, consistent with this underlying aim, have been undertaken such that the integrity of the wider framework is not at risk of being compromised.

Demographic changes

- 3.8 Demographic changes continue to increase the overall level of demand for the Council's services and the ability to provide for this within available resources. Following a review of the appropriateness of current levels of provision in light of updated population and pupil roll projections, the budget framework now contains total additional demographic-related investment (including equivalent provision for health and social care) in 2019/20 of £9.3m, with similar incremental increases assumed in subsequent years. In order for this level of additional funding to be sustainable across the framework as a whole, however, more effective demand management, greater use of preventative approaches to service delivery and service prioritisation will be required.

Welfare reform and other legislative changes

- 3.9 The Council's revenue budget framework incorporates provision for anticipated additional expenditure demands, and where relevant, reduced income, of known welfare reform changes on its activities. Due to the evolving nature of some of these reforms, however, there is a risk that additional pressures become apparent, particularly following the full roll-out of Universal Credit in the city from November 2018. Alongside consideration of any required changes to budget framework assumptions as the impact of these changes becomes clearer, efforts will continue to provide debt-related advice and maximise take-up of all eligible income-based benefits.

- 3.10 The budget framework reflects provision for confirmed increases in employer's non-teaching staff superannuation contributions, linked to the most recent actuarial valuation, in both 2019/20 and 2020/21. Sums have also been set aside to meet the assumed unfunded element of the first year of equivalent contribution rate increases for the teachers' scheme resulting from the recent UK Treasury actuarial review. There is a risk, however, that further changes are made to devolved or non-devolved aspects of the UK taxation system, resulting in direct or indirect impacts on the Council's budget.

Income

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

Other risks

Local Development Plan (LDP) and other major infrastructure-related projects

- 3.12 The detailed long-term revenue and capital implications of the Local Development Plan and other major infrastructure-related projects and facilities are still emerging, with updates on the LDP and Wave Four Schools Programmes to be presented to elected members later this year. While the revenue and capital budget frameworks incorporate some provision in these areas, there is a significant risk that the Council will require to support additional borrowing and/or running costs. The Council will therefore continue to review the adequacy of the level of provision made within the budget framework as funding requirements and their associated timing become clearer. Approval of additional capital expenditure, including Wave Four schools investment, is however dependent upon greater certainty concerning Scottish Government funding intentions and, more fundamentally, delivery of a balanced medium-term budget framework.

Pay awards

- 3.13 Following some relaxation of public pay policy at both UK and Scottish Government levels, there is a risk that the agreed pay award for 2019/20 and subsequent years exceeds the corresponding level of provision included within the budget framework. While the proposed level of settlement for 2018/19 gives rise to a pressure in the current year and a revised incremental savings requirement for 2019/20, the three-year deal for non-teaching staff that is currently the subject of trade union member consideration would, however, provide a degree of certainty for non-teaching staff for both 2019/20 and 2020/21. The proposed level of settlement in both of these years, at 3% for all staff, is additionally consistent with budget framework assumptions. It is assumed that any additional teachers' pay award beyond these

levels, as a departure from wider public sector pay policy, will be met by the Scottish Government. In view of COSLA's commitment to the principle of pay parity across all bargaining groups, however, there is nonetheless a risk that any additional teachers' pay award leads to a corresponding increase for other groups beyond the level of provision included within the budget framework.

- 3.14 As with all known expenditure and income factors, while these assumptions will be regularly reviewed, this risk reinforces the need for on-going tightening of workforce controls and prioritisation of the Council's activities to ensure that employee costs are maintained within affordable and sustainable levels.

Other external events

- 3.15 External events, particularly the United Kingdom's anticipated exit from the European Union in late March 2019, may result in economic uncertainty with a knock-on impact on availability of staff in key service areas, demand for the Council's services and wider levels of public expenditure. The Council has, however, sought to be proactive with regard both to providing support and advice to colleagues affected and, working with partners, maintaining Edinburgh's position as a successful economy and welcoming international city, with its level of preparedness favourably assessed in the 2017/18 Annual Audit Report.

Legal claims and inquiries

- 3.16 There is a further risk that the Council is exposed to reputational and financial consequences of legal claims and inquiries in relation to insured and uninsured losses or incidents. In the case of the Scottish Child Abuse Inquiry, the Scottish Government has confirmed the setting up of a financial compensation scheme but with, at this stage, the accompanying detail still to be determined.

Reserves

- 3.17 Members are aware that the Council holds a number of earmarked reserves within the General Fund. As of 31 March 2018, the General Fund balance stood at £151.285m, of which £138.260m was earmarked for specific purposes. The unallocated General Fund balance remained at £13.025m, in line with the medium-term strategy of the Council.
- 3.18 There are significant applications of earmarked reserves (in the region of £32m) planned during 2018/19, consistent with the assessment of the risks and commitments underpinning the Council's wider financial strategy, with a projected balance at 31 March 2019 of £106.5m. Over the longer-term, the Council plans to support a number of targeted service initiatives through use of reserves, particularly use of the Council Tax Discount Fund to support expanded provision of affordable housing within the city.
- 3.19 The current Council Change Strategy does not provide for any increase in the unallocated General Fund, which will remain at £13.025m. As part of the 2017/18 annual audit, the external auditor assessed the overall level of reserves, taking into

account sums earmarked for specific purposes, as adequate based upon the risks the Council faces.

4. Measures of success

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

5. Financial impact

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

6. Risk, policy, compliance and governance impact

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

7. Equalities impact

- 7.1 There is no direct impact of the report's content on equalities and rights.

8. Sustainability impact

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

9. Consultation and engagement

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

10. Background reading/external references

- 10.1 [City of Edinburgh Council 2017/18 Annual Audit Report to the Council and the Controller of Audit](#) – Governance, Risk and Best Value Committee, 25 September 2018.

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11. Appendices

Appendix 1 – Risk Matrix

Appendix 2 – Projected Movement in General Fund

Risk Matrix

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

Risk	Provisions and other actions to manage
Financial settlements	<p>Provisions made in the Long-Term Financial Plan (LTFP)</p> <p>Regular monitoring of public expenditure projections and active membership of relevant professional forums, recognising potential or actual grant variations in LTFP</p> <p>Development of longer-term Change Strategy to recognise the potential for variation from baseline assumptions in any given year and, by extension, the need for additional savings measures</p>
Delivery of approved savings and management of underlying pressures	<p>Regular CLT and elected member scrutiny of proposed savings at the inception, development and delivery stages</p> <p>Approval of up to £1m of additional project management support to facilitate development of proposals comprising the Change Strategy</p> <p>Regular SMT consideration of overall service budgetary position, including known or emerging risks and pressures, with a view to taking prompt corrective action</p> <p>Budget re-alignment, where required, to facilitate enhanced ownership, accountability and transparency of reporting</p>
Demographic changes leading to rising service demands	<p>Provisions made in LTFP and regular reviews of the adequacy thereof</p>
Welfare reform and other legislative changes	<p>Provisions made in LTFP and regular reviews of the adequacy thereof</p> <p>Ongoing monitoring of impacts of welfare reform on expenditure and income</p>
Income	<p>Service Level Agreements with external users, application of appropriate debt policies (including, where appropriate, upfront payment for services delivered) and regular monitoring of income levels as a prompt to remedial action</p>
Legal claims and inquiries	<p>The Council provides for a number of known risks and liabilities. Funding could, however, be drawn down from the unallocated General Fund balance to meet unanticipated or additional costs.</p>

Projected Movement in General Fund

Appendix 2

General Fund	Projected Balance at 1.04.19 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.20 £000	
<u>Balances Set Aside to Manage Financial Risks and for Specific Investment</u>				
Balances set aside for specific investment	27,067	(6,972)	20,095	Funding set aside for specific projects, including monies for Enterprise Resource Planning, Welfare Reform and Asset Management Strategy.
Contingency and workforce restructuring	18,143	0	18,143	Monies held to cover costs of workforce management changes including staff severance costs, which may be utilised to support future change programmes.
Council Priorities Fund	3,749	0	3,749	Monies set aside from previous years' underspends which will be utilised to fund emerging Council priorities or expenditure pressures.
Dilapidations Fund	6,054	0	6,054	Monies set aside to meet costs arising from the termination of property leases and other related contractual commitments.
Insurance Fund	14,974	103	15,077	Insurance Funds are held to defray any loss where the Council could have insured against a loss but has not done so, and for paying premiums on an insurance policy. This includes the power to meet excesses on insurance policies and other claims arising from ongoing legal inquiries.

General Fund	Projected Balance at 1.04.19 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.20 £000	
<u>Balances Set aside from Income Received in Advance</u>				
Licensing and Registration Income	2,690	(500)	2,190	Monies representing licensing income related to cabs, houses in multiple occupation, liquor and landlord registration. The Council is not permitted to use these monies for other services.
Lothian Buses	1,000	2,000	3,000	Holds dividend income received from Lothian Buses which is being drawn down to support the Tram Extension project.
Other Minor Funds	208	(10)	198	Minor funds for other specific projects
Pre-paid PPP monies and lifecycle costs	2,951	306	3,257	Monies set aside in recognition of the phasing issues related to grant monies, for lifecycle costs of projects.
Council Tax Discount Fund	17,284	(15,800)	1,484	Monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to supporting the development of affordable housing. It forms part of the Strategic Housing Investment Fund (SHIF), alongside income from the Repair and Renewals fund. The SHIF is fully committed to the delivery of new affordable homes by the Council and housing association partners over the next ten years and investment in services to reduce tenants' living costs.
Unspent revenue grants	2,500	(2,500)	0	Monies set aside at the year end, in accordance with proper accounting practice, where income has been received prior to the relevant expenditure being incurred. Funds will be drawn down in accordance with the grant conditions to match planned expenditure. The majority of funds will be drawn down in year and then new unspent grant funding will be carried forward.

General Fund	Projected Balance at 1.04.19 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.20 £000	
City Strategic Investment Fund	3,552	(1,205)	2,347	Funds set aside to sit alongside private sector finance to create new city development opportunities. Confirmed or approved uses include drawdown for Powderhall Stables and monies to support, if required, EDI transition.
<u>Balances Set Aside for Investment in Specific Projects which will Generate Future Savings</u>				
Spend to Save Fund and Salix CEEF	1,377	544	1,921	Funds set aside to assist service areas deliver revenue savings in future years through provision of one-off upfront revenue investment.
<u>Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund</u>				
Balances held by schools under DSM / Pupil Equity Fund	5,000	(1,000)	4,000	Balances set aside for Devolved School Management Scheme and Pupil Equity Fund. There will always be a balance at 31 March as the DSM scheme and PEF are based on an academic year.
<u>Unallocated General Fund</u>	13,025	0	13,025	Unallocated funds held against the risk of unanticipated expenditure and / or reduced income arising in any particular year, in line with Council reserves policy.
Total General Fund	119,574	(25,034)	94,540	

The City of Edinburgh Council

10.00am, Thursday 21 February 2019

Housing Revenue Account Budget Strategy 2019-2024 – referral from the Finance and Resources Committee

Item number	4.2(c)
Report number	
Wards	All
Council Commitments	

Executive summary

On 1 February 2019, the Finance and Resources Committee considered a report which set out the Housing Revenue Account (HRA) budget for 2019/20. The report has been referred to the City of Edinburgh Council for approval of the 2019/20 budget, draft five-year capital investment programme, and the rent levels for 2019/20.

Terms of Referral

Housing Revenue Account Budget Strategy 2019-2024 – referral from the Finance and Resources Committee

Terms of referral

- 1.1 The report set out planned capital investment of £874 million over the next five years, rising to £2,233 million over 10 years to deliver tenant priorities, including building new homes, modernising existing homes and help tenants reduce their cost of living. The report sets out the initial stages of a more comprehensive upgrade and redesign of common areas, external fabric and estates.
- 1.2 In the medium to long term there were significant financial and service pressures in the HRA business plan. To effectively address these pressures service costs needed to reduce and service quality improve. In addition to investment in tenants' homes, buildings and estates the report set out how services would be redesigned to be more efficient and be more responsive to customer needs, with a strong emphasis on digital accessibility and functionality.
- 1.3 The Council-led house building programme was one of the largest in the country, with the HRA supporting the delivery of a number of Council commitments; including delivery of 20,000 new affordable homes.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To agree to refer the 2019/20 budget, draft five-year capital investment programme, and the rent levels for 2019/20 set out in Appendices 2, 4 and 5 of the report to the Council budget meeting for approval.
 - 1.4.2 To note that the Housing Revenue Account remained financially stable with a service improvement programme established to manage emerging financial risks in years four to 14 (2022/23 to 2032/33) of the business plan, as investment in new and existing homes increased.
 - 1.4.3 To note the progress being made in delivering new and improved homes and services for tenants and the important role that the Housing Revenue Account played in delivering wider Council

commitments, including area regeneration and better health and social care outcomes.

- 1.4.4 To note that a progress update on the service improvement plan would be provided to Housing and Economy Committee within two committee cycles.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to approve the 2019/20 budget, draft five-year capital investment programme, and the rent levels for 2019/20 as set out in Appendices 2, 4 and 5 of the report.

Background reading / external references

Finance and Resources Committee 1 February 2019

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Links

Appendices

Appendix 1 – report by the Executive Director of Place

Finance and Resources Committee

10.00am, Friday, 1 February 2019

Housing Revenue Account Budget Strategy 2019-2024

Item number	
Report number	
Executive/routine	Executive
Wards	All
Council Commitments	1 , 10 , 41 , 44

Executive Summary

Following consultation with tenants, this report sets out the Housing Revenue Account (HRA) budget for 2019/20 and recommends that the report is referred to the Council budget meeting for approval on 21 February 2019.

The report sets out planned capital investment of £874 million over the next five years, rising to £2,233 million over 10 years to deliver tenant priorities, including building new homes, modernising existing homes and help tenants reduce their cost of living. The report sets out the initial stages of a more comprehensive upgrade and redesign of common areas, external fabric and estates.

In the medium to long term there are significant financial and service pressures in the HRA business plan. To effectively address these pressures service costs need to reduce and service quality improve. In addition to investment in tenants' homes, buildings and estates the report sets out how services will be redesigned to be more efficient and be more responsive to customer needs, with a strong emphasis on digital accessibility and functionality.

The Council led house building programme is one of the largest in the country, with the HRA supporting the delivery of a number of Council commitments; including delivery of 20,000 new affordable homes.

Housing Revenue Account Budget Strategy 2019-2024

1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee:
 - 1.1.1 Agrees to refer the 2019/20 budget, draft five-year capital investment programme, and the rent levels for 2019/20 set out in Appendices 2, 4 and 5 to the Council budget meeting for approval;
 - 1.1.2 Notes that the HRA remains financially stable with a service improvement programme established to manage emerging financial risks in years four to 14 (2022/23 to 2032/33) of the business plan, as investment in new and existing homes increases;
 - 1.1.3 Notes the progress being made in delivering new and improved homes and services for tenants and the important role that the HRA plays in delivering wider Council commitments, including area regeneration and better health and social care outcomes; and
 - 1.1.4 Notes that a progress update on the service improvement plan will be provided to Housing and Economy Committee within two committee cycles.

2. Background

- 2.1 On [24 August 2017](#), Council approved its five-year business plan. The plan sets out an objective to build 20,000 new affordable homes in the city over the next 10 years.
- 2.2 On [22 February 2018](#), Council approved the 2018/19 HRA revenue budget and five-year capital investment programme. The budget set out plans to build more affordable homes, improve tenants' homes and help tenants reduce their cost of living.
- 2.3 In June 2018, the Scottish Government accepted the recommendations of the Homeless and Rough Sleeping Action Group (HARSAG), which included a requirement for local authorities to develop a Rapid Rehousing Transition Plan (RRTP) to support rapid re-housing for homeless people. The officer's draft of the first RRTP was submitted to Scottish Government in December 2018. In future years, it is anticipated that RRTP will be reviewed annually as part of the [Strategic Housing Investment Plan \(SHIP\)](#).

- 2.4 On [7 June 2018](#), Housing and Economy Committee approved the Mixed Tenure Improvement Strategy, which set out next steps to tackle mixed tenure repairs in previously Council-owned estates. It agreed to receive a future report on any proposed changes to policy or practice and the resources required to support the delivery of improvements in mixed tenure areas.
- 2.5 On [30 August 2018](#), Housing and Economy Committee considered a report on the HRA budget strategy and agreed to seek tenants' views on the HRA budget plan for 2019/20. The report highlighted the increasing financial and operational pressures that the HRA faced, and a comprehensive review on the business plan was required to ensure its long-term viability to deliver the priorities identified.
- 2.6 On [1 November 2018](#), Housing and Economy Committee approved the SHIP 2019-2024. This SHIP outlines a programme over the next five years which would deliver nearly 10,500 homes. This is the largest SHIP ever put forward, which identifies an acceleration from both the Council and housing association partners in delivery since the 20,000 homes target was set. The committee also considered a report on the [delivery strategy on Granton Waterfront regeneration](#), which set out the framework to deliver around 4,000 new homes on the brownfield site as part of the wider regeneration.

3. Main report

- 3.1 The HRA sets out the income and expenditure for the Council's Housing Service. The Housing Service provides affordable homes and other services to around 19,000 tenants and 500 homeowners in the city. It is the sixth largest landlord in Scotland.
- 3.2 The Housing Service is entirely self-financing and receives no funding from the general Council budget.
- 3.3 The HRA budget is approved by Council each year following consultation with tenants. The budget is prepared following reviews of the 30-year HRA business plan, the ten-year investment strategy and the five-year capital investment programme.
- 3.4 The HRA Business Plan process (as set out in Appendix 1) allows for horizon scanning and the identification and mitigation of risks in the short, medium and long term. Appendix 2 sets out the key assumptions underpinning the business plan. The early identification of risks enables planning and implementation of mitigations to ensure the Housing Service can continue to remain financially secure and deliver on its commitments to:
 - 3.4.1 expand and accelerate the development of affordable and low-cost housing;
 - 3.4.2 continue to modernise existing Council homes and neighbourhoods; and
 - 3.4.3 transform front line services to tenants to tackle inequality and reduce their cost of living.

3.5 The Housing Service strategy and HRA budget is informed by an extensive programme of consultation and engagement with tenants including annual surveys, focus groups, tenant panels, tenant led service inspection and scrutiny, resident and community meetings. There is also a dedicated annual budget consultation exercise designed and delivered in partnership with the Tenant's Panel. We also regularly benchmark against other affordable housing providers and regularly engage with best practice networks, in a culture of scrutiny strongly connected to performance management.

More Homes

3.6 The Council led house building programme is one of the largest in the country. Jointly the Council and housing associations are working towards the delivery of the Council's plan to deliver 20,000 affordable homes over ten years. As set out in Appendix 3, there are around 2,200 affordable homes under construction by the Council and housing association partners on 39 sites in the city.

3.7 The Council's own HRA funded house building programme is growing annually, with around 1,300 homes completed or under construction this year. A further 3,000 homes are in design development stage, with new homes completing at Pennywell (Phase 2), Calder Gardens, West Pilton Grove and Clermiston in 2018/19.

3.8 The draft five-year capital investment programme set out in Appendix 5, includes £677 million of investment towards the Council's 10,000 homes target. This includes investment in new affordable homes within mixed use developments on strategic sites; such as Fountainbridge and investment for continuing the regeneration of Craigmillar and Muirhouse Pennywell.

3.9 The programme includes the regeneration of Granton Waterfront. This ambitious programme of regeneration aims to create a new, well connected vibrant city quarter with around 4,000 new homes, services, retail and high quality public realm. HRA capital funding will be used upfront to deliver new affordable homes and place making and, in so doing, will enable the Council to lever in private sector investment and funding from other partners; including Scottish Government.

3.10 The house building programme also plays an important role in delivering better health and social care outcomes for the Edinburgh population through the delivery of modern, energy efficient, affordable and accessible homes. The Council and partner housing associations have committed to working in partnership with NHS Lothian, through the Integrated Joint Board for Health and Social Care, to deliver 4,500 of the planned 20,000 homes for older people, people with complex health and social care needs. This includes amenity and supported housing, fully wheelchair accessible homes and housing for veterans.

3.11 By the end of 2018/19 it is estimated that over 600 homes for varying needs will have been completed through the Affordable Housing Supply Programme (23% of all AHSP completions). Over the SHIP period (2019-2024) an additional 1,500 homes have been identified, with delivery being strongest in the first few years. This is due to greater levels of certainty around delivery timescales in the earlier years. The SHIP is reviewed annually and will be increased to meet the 4,500 homes

target in consultation with partners. The partners continue to provide more permanent homes for homeless people; including families who might otherwise need to be accommodated in bed & breakfast accommodation. They are also piloting “Housing First” to meet the needs of the most vulnerable homeless people.

- 3.12 In 2018, the Council in partnership with Scottish Futures Trust established “Edinburgh Living” to provide housing for market and mid-market rent. This followed Scottish Government consent for the Council to on-lend up to £248 million to the new partnership.
- 3.13 Construction and development costs have increased and are forecast to increase further in the coming years; primarily due to the cost of labour and materials. The scale of the house building programme, however, creates opportunities to secure efficiencies and drive forward transformation in how buildings are designed, built and maintained.
- 3.14 Securing control of sites for development remains one of the biggest challenges to the programme’s delivery. The capital investment programme contains funding for strategic site acquisition and opportunities to purchase private sector sites will continue to be monitored and explored, whilst work continues with public sector partners to secure more land for development.

Better Homes

- 3.15 Over the last five years £130 million has been spent on improving existing homes and the wider estate. There has been a strong focus on the acceleration of energy efficiency works, with more than 8,000 new heating systems installed in tenants’ homes over the last five years. A quarter of surveyed tenants said that they had difficulties affording to heat their homes. By 2020, all homes will have benefited from internal modernisation programmes. The commitment to replace all kitchens and bathrooms over 20 years old by 2020 is on track to be delivered in 2019, a year ahead of schedule. By the end of 2018/19 the following improvements are expected to have taken place:
 - 3.15.1 1,000 homes with new kitchen and bathrooms;
 - 3.15.2 700 homes with new modern heating systems;
 - 3.15.3 500 homes with electrical upgrades;
 - 3.15.4 200 homes with new doors and window upgrades;
 - 3.15.5 100 homes with external fabric upgrades;
 - 3.15.6 25 blocks secure door entry and CCTV upgrades;
 - 3.15.7 95 homes with a major adaptation; and
 - 3.15.8 100 locality environment projects;
- 3.16 The draft 2019/20 programme will continue to invest in the internal modernisation of homes, with around 1,000 new heating replacements, 600 new kitchens and bathrooms, 600 new windows and doors, 500 electrical upgrades and 200 water tank replacements. The draft programme also includes a scaling up of investment in

external fabric, estates and secure door entry systems to meet statutory commitments.

- 3.17 Meeting Scottish Government targets in relation to quality and energy efficiency and the enhanced safety regulations following the Grenfell tragedy and Cole report, remains a challenge due to the age and tenure mix of our stock. All Council homes need to meet Energy Efficiency Standards for Social Housing (EESH) by December 2020. It is estimated that 70% of all Council homes will meet this standard at the end of 2018/19, increasing from 57% at the end of 2017/18. Over the next two years there is a planned investment programme of £35 million to deliver EESH and energy related improvement to ensure all homes, where practicable, are brought up to standard.
- 3.18 Currently 81% of Council homes fully comply with the Scottish Housing Quality Standards (SHQS). Of the remaining 19%, around 4% are exempt for technical, disproportionate cost or legal reasons. For example, a property may be unable to be brought up to standard due to structural or specific design issues, such as, limited cavity wall or block access issues. The remaining 15% are non-compliant because they do not have an operational door entry system and are located in mixed tenure blocks. In order to provide improved security for tenants, HRA funding will be used to provide door entry system infrastructure in these mixed tenure blocks over the next three years, with owners billed for the cost of connecting their individual home to the system.
- 3.19 The commitment to bring existing homes and neighbourhoods up to the same standard as new build can only be achieved with a robust mixed tenure strategy. Tenants express support for this approach, identifying maintenance, safety and security of common areas as key areas of concern. Almost half of the £197 million five-year capital investment programme, set out in Appendix 5, will rely on the successful implementation of the Mixed Tenure Improvement Strategy. The Strategy was considered by Housing and Economy Committee on 24 January 2019, including the development of a revised Scheme of Assistance and a dedicated Mixed Tenure Delivery Team to engage with residents, liaise with owners and manage mixed tenure projects.

Better services

- 3.20 In 2017, the Housing Service redesigned its delivery model it moved to a patch based model, with around 100 Housing Officers managing local patches of around 200 homes. The patch based model was put in place with the aim of supporting greater integration of housing management, property and regeneration services.
- 3.21 In addition to the move to generic patch housing officers, implementing a dedicated energy advice service and creating employment opportunities for tenants through the expansion of modern apprenticeships, further initiatives have been put in place in 2018/19. These include the expansion of the tenant discount scheme to include more outlets and promotion to tenants, the introduction of new and more secure methods of rent payments in preparation for Universal Credit Full Service roll out and a new online repair reporting system.

- 3.22 Work is also underway to develop a broadband and digital access pilot for tenants and to roll out a fully mobile working solution for the repairs service which will provide live updates to operatives to enable them to deliver a more effective and efficient service to tenants.
- 3.23 Funding has been made available to install Wi-Fi in three HRA-owned homeless hostels to help residents to access online services to find settled accommodation, and where applicable, to seek employment and training opportunities and apply welfare benefits.

Housing Service Redesign – second phase

- 3.24 The significant investment in frontline staff was designed to improve tenant communication and overall customer service relationships, with Housing Officers being the main point of contact in relation to housing management including, rent collection, lettings and estates management. Whilst income collection performance has improved since the implementation of the patch model, preventing tenants getting into debt they cannot afford, and the service continues to perform well when letting homes, the overall performance trend across core housing management is showing signs of flatlining. Tenants are finding it increasingly difficult to contact the right member of staff and to get a satisfactory resolution to their queries. Dissatisfaction is also increasing in relation to the quality of their wider neighbourhood, with messy stairwells, poor lighting, rubbish chutes and fly tipping being some of the primary issues. There has also been a decline in performance in some key areas; including complaint handling and the quality of home when moving in.
- 3.25 Repair reporting is the main interaction tenants have with the Housing Service, after rent payment. Tenant satisfaction with their most recent repair carried out in 2018/19 remains high (93%); however, there has been a reduction in overall satisfaction with the service. Key areas of dissatisfaction include repairs not being completed right first time, tenants and housing officers citing difficulties in reporting repairs, as well as, the overall quality and time taken to complete repairs. Around 15% of all jobs this year have required more than one visit to resolve. Jobs are considered to meet a 'first-time fix' when the correct operative with correct part attends and completes the job in one visit. Infrastructure improvements are already underway, including a real-time appointment system, text reminders and live van stock updates to improve efficiency and reduce costs.
- 3.26 Benchmarking data also shows the housing service has high comparative costs across key areas. In some of the key expenditure areas, our costs per property are significantly higher than the median of the benchmarking peer group. For example, overhead cost per property in 2017/18 was 48% higher than the median. The high overhead cost was primarily driven up by premises, IT and central support costs other than finance and HR. The responsive repairs and void work cost per property was 23% higher than the median, placing the Council in the most expensive quarter in the peer group.

- 3.27 As set out in Appendix 6 of the report, the HRA is financially stable for the next three years, but it will become increasingly difficult to sustain large scale investment in new and existing homes without delivering cost efficiencies in service delivery. The HRA is currently projecting an annual average deficit of £6.9 million between years four to 14 (2022/23 to 2032/33). This deficit could potentially be mitigated if operating expenditure was reduced by 10% by the beginning of 2022/23.
- 3.28 Social rents remain almost a third of the average private rent in the city but an increasing number of tenants do not consider their rent to be value for money, with a growing number citing a lack of investment in property maintenance and challenges in getting repairs carried out as the reason.
- 3.29 Investment to date in frontline staff resources and service development needs to be matched with investment in systems changes; including re-design of operational processes for core services, investment in suitable ICT and digital infrastructure and staff training and development. This investment is needed to reduce costs, increase productivity and improve customer satisfaction.
- 3.30 Investment in systems and processes is best done as part of a service improvement programme that involves customers in shaping how services are accessed and delivered. A number of improvements are already underway to address customer dissatisfaction:

Upgrade of ICT repairs systems:

- 3.30.1 A process review and planned system upgrade is already underway, including a real-time appointment system, text reminders for tenants and live van stock updates to improve operative efficiency and reduce costs.

Duty officers within locality offices

- 3.30.2 Housing Officers spend most of their time in their individual patches, but the duty rota enables tenants visiting the locality offices to speak to a housing officer if a request cannot be dealt with by generic customer service staff at reception.

Performance officer role in the contact centre

- 3.30.3 To assist with right first-time repairs standards. A Team Leader from Housing Property with multi-trade knowledge is co-located with Repairs Direct staff to ensure the correct trades are booked and suitable appointment lengths are provided to enable repairs to be completed, where possible, in one visit.

Small scale mixed tenure and estate improvements

- 3.30.4 Delivery of some of the larger scale mixed tenure investment projects will take some time as engagement with residents and agreement of scope of works is agreed. Interim improvements are being progressed through smaller scale investment in some of the common areas of blocks, facilities and external environments, such as, painting of stairs and doors, deep cleans, bin store areas and community spaces.

Revised best practice and performance management approach

3.30.5 Building on initial integration of roles and responsibilities across the housing service a structure of performance management and service improvement groups has been put in place to increase scrutiny and accountability for service performance and implementation of improvement action plans. These operate from Housing Officer up to Manager level and performance is reported through Senior Management Teams within Place Development.

3.31 The second phase of the improvement programme will be people focussed, based on sound research and benchmarking, be co-designed with tenants and other stakeholders and will be tested and evaluated on an ongoing basis. The improvement programme will be underpinned by the core principles of service redesign, ensuring it is people focused, research based, co-designed, iterative and participatory. It will review all aspects of the customer journey, as set out below.

Figure 1: Customer Journey



3.32 Delivery of key workstreams and performance against defined outcomes will be monitored through a Programme Board led by the Head of Place Development and including Senior Officers from key service areas and a stakeholder group will also be set up including elected member and tenant representation. The Housing and Economy Committee will have executive oversight for the programme and updates will be provided every six months.

Funding the strategy

3.33 The HRA Business Plan sets out planned investment of £874 million over the next five years. This investment is funded from capital receipts, prudential borrowing, capital funding from revenue and Scottish Government subsidy for new social rented homes. Over 10 years, planned investment rises to £2,234 million in new affordable homes, improvements to existing homes and estates and service improvements. Appendix 5 sets out the draft five and ten-year capital investment programme.

3.34 Projections for income and expenditure over the 30-year business plan period are set out in Appendix 6. The business plan is now projected a deficit totalling £75.6 million between year four and 14 (2022/23 to 2032/33), a significant increase of deficit from the previous plan. This is mainly due to changes in high level assumptions as set out in Appendix 2. A breakdown of the increase can be found in Appendix 6.

3.35 Over the past year, rent collection performance has improved significantly, with figures to the end November 2018 showing a 4% (£0.230m) reduction on current

arrears compared to the same point last year. The Council letting policy is based on housing need and takes account of the local context in terms of supply and demand of social housing. At any one time there are around 4,500 households on the register with a priority status based on their housing need. Social rented homes are let to those in the highest levels of housing need. This includes homeless people, people unable to manage in their existing homes or unable to return to their existing homes from hospital and people who are living in homes that do not meet their needs, such as overcrowded households. In 2017/18, 70% of Council homes were let to homeless households, compared to a Scottish Local Authority average of 41%. Our RSL partners also provide almost twice as many homes (42%) to homeless households than the national average (26%).

- 3.36 The business plan assumes that rent arrears will increase as a result of financial pressures on tenants. The plan estimates a loss of £9 million income over the five years following Universal Credit roll out to mitigate the impact of welfare reform on tenants. A ring-fenced contingency was established last year to mitigate the impact of further decreases in income and/or unexpected increases in expenditure. The contingency reserve is projected to be £3 million at the beginning of 2019/20, rising to 10% of annual income by year eight.
- 3.37 The business plan assumes a 2% annual increase in rents. This assumption is in line with the Bank of England's inflation target. This increase is below current inflation projections of 2.2% for 2019 and is also one of the lowest local authority rent increases proposed nationally. Of the 17 known, rent increases ranging between 1.5% and 5% have been proposed, with the majority (65%) proposing a minimum increase of 2.5%. Our rent strategy seeks to strike the right balance between keeping rents affordable for tenants, ensuring homes are affordable to manage and building more affordable homes. Council rents remain on average almost a third of private sector rents in the city. Private rent has increased at twice the rate of the Council rent over the last five years.
- 3.38 Around 80% of tenants receive some help with their rents through Housing Benefit and the housing element of Universal Credit. Almost all of these tenants would receive a corresponding increase in their benefits. There are a small number of tenants (less than 1%) whose total benefits have been capped and would therefore not receive additional support. For most of those not receiving help, the proposed rent increase would mean an average increase of between £1.69 for a one bedroom flat and £2.48 for a four-bedroomed house per week in 2019/20. Any increase in rent should be offset by a reduction in the cost of living through investment in new services and investment in existing homes, for example, reducing energy costs.
- 3.39 Support is available to tenants who face difficulty paying rent. No tenant will be evicted as long as they engage with the Housing Service and develop realistic plans to manage arrears and late payments of rent.
- 3.40 The tenants survey showed that 75% of tenants who did not receive help with rent had no difficulty paying their rent. Previous consultation with tenants shows that four out of five tenants support the 2% rent increase required to deliver the

investment plan. Nearly one third of tenants were willing to pay more if improvement plans could be accelerated.

- 3.41 For the fourth year running the business plan assumes no increase in fees and charges to tenants. These include charges for stair cleaning, furnishing and heating. Not all of these charges are covered by housing benefit. Freezing these costs has a direct benefit to the majority of tenants.
- 3.42 Over the next five years, more than £870 million will be invested in new homes and existing homes to deliver Council commitments. This investment will be taken forward alongside a service improvement programme that will deliver improvements and cost efficiencies of around 10% of operating expenditure by the end of year three (2021/22). The investment required to make these necessary improvements has been factored into the business plan and progress will be reported to Housing & Economy Committee.

4. Measures of success

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

5. Financial impact

- 5.1 Appendix 4 sets out the Draft HRA Budget for 2019/20.
- 5.2 Projected expenditure on the HRA revenue account for 2019/20 is £121 million, including c.£20 million contribution from the Strategic Housing Investment Fund (SHIF) and c.£3 million in year surpluses. The SHIF is an amalgam of income from the HRA revenue and the Council Tax Discount Fund (CTDF). It is fully earmarked for the delivery of the business plan.

- 5.3 A high-level summary of the HRA's one and five-year budget and the impact on the housing investment fund is set out below.

Housing Revenue Account	1 Year £m (2019/20)	5 Year £m (2019/20 – 2023/24)
Revenue (See Appendix Four)		
Operating Income	£101	£542
Operating Expenditure and Debt Costs	£121	£589
Net Contribution from the Strategic Housing Investment Fund	£20	£47
Capital (See Appendix Five)		
Investment in homes, external fabric & estates and tenant services	£34	£185
Investment in New Homes (incl. Land)	£72	£668
Staff Costs	£3	£21
Prudential borrowing	£58	£431
Other income and capital funded from Strategic Housing Investment Fund	£51	£443
Strategic Housing Investment Fund (Repairs and Renewals and Council Tax Discount Fund)		
Opening Strategic Housing Investment Fund (SHIF) balance	£36	£36
Opening Contingency Reserve	£3	£3
SHIF additions (include income from HRA revenue and CTDF)	£4	£12
SHIF used	£23	£49
SHIF transferred to a ringfenced contingency reserve	£2	£8
Closing SHIF balance	£15	-£9
Closing Contingency Reserve	£5	£10

- 5.4 The business plan assumes a significant drop in income during the full roll-out of Universal Credit to all tenants. In addition, a separate contingency reserve has been established to mitigate risks. This contingency reserve is set at £4.5 million at the end of 2019/20, building up to 10% of annual income by year eight. This is considered prudent given the risks to income collection, expansion of the capital programme and the need to have funds in reserve to deal with unforeseen events.

6. Risk, policy, compliance and governance impact

- 6.1 The Housing Service faces significant risks which could impact on the delivery of the annual budget and 10-year investment plan.
- 6.2 The HRA is currently projecting an annual average deficit of £6.9 million between years four to 14 (2022/23 to 2032/33). The service improvement programme set out in paragraphs 3.24 to 3.32, seeks to deliver improvements and cost efficiencies of around 10% of operating expenditure by the end of year three (2021/22) to effectively address these pressures. Any shortfall would be mitigated through a combination of increases in income and/or a re-phasing/reduction in planned capital investment.
- 6.3 The top five risks are set out below:

Income

- 6.3.1 The HRA Business plan estimates and mitigates for a loss of £9 million in rental income due to the impact of welfare reform and the implementation of Universal Credit Full Service (UCFS) in Edinburgh from November 2018. UCFS will increase the risk to income collection due to the payment periods for Universal Credit and the complexity for a number of households moving onto a new system. In addition, a £3 million contingency fund will be built up by the end of this financial year, rising to £15 million by 2027 to ensure the continuation of the investment programme, even with an unexpected reduction in income or increase in unplanned expenditure.

Repairs and maintenance

- 6.3.2 The expenditure on repairs and maintenance has been going up year by year over the last three years despite increased capital investment in major programmes. There is a risk that the saving assumed in the latest business plan does not materialise, thus deepening the deficit. This is being addressed through a process review and series of system upgrades, taken forward as part of the housing service improvement programme set out in paragraphs 3.24 to 3.32 above.

Mixed Tenure

- 6.3.3 The scale of mixed tenure repairs required across the city is substantial. Delivery of this investment is dependent on getting the agreement of owners within blocks and using legislative framework to progress works to ensure robust processes are followed that allow owners share of costs to be recovered. This will impact on the timescales for delivery. A revised Scheme of Assistance for owners and proposals for a dedicated mixed tenure team are being put in place to support delivery of this essential investment.

Performance flatlining and tenants losing confidence in the service

- 6.3.4 The service has an improvement programme which is underway but without significant investment in the infrastructure and resources that are essential for staff to do their jobs in an efficient and effective way there will be a decline in tenant confidence in the service. This will have a wider impact on the reputation of the service against the Scottish Housing Regulator indicators.

Increasing capital investment costs

- 6.3.5 The increase in new build development costs could be higher than anticipated due to economic uncertainties associated with Britain leaving the European Union. Development of more complex sites with higher infrastructure costs could also cost more than anticipated. Development costs are monitored closely with approvals sought for individual business cases.

- 6.4 All risks are kept under review and significant changes will be highlighted to the Housing and Economy Committee, Finance and Resources Committee and Governance, Risk and Best Value Committee.
- 6.5 The Council has a statutory requirement to maintain homes to the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH).
- 6.6 The Council is required to set Council house rents annually. The Council is required to consult tenants on the rent strategy and inform them in advance of any rent increases prior to their implementation.
- 6.7 Housing and Economy Committee considered a report on the HRA budget strategy in August 2018 and approved it as a basis for consultation with tenants.

7. Equalities impact

- 7.1 Prioritising investment in services and improvements aimed at reducing the cost of living will have a significant financial benefit for tenants who are under financial pressure.
- 7.2 The expansion of the Housing Service's apprenticeship programme will help to increase job prospects for young people, some of whom may be Council tenants. This will help to address inequality in the city.
- 7.3 Patch based working will mean housing officers will get to know their tenants better. This should improve access to services for vulnerable tenants, as their needs will be more readily identified.
- 7.4 Investment in new homes and partnership working as part of Health and Social Care integration will help increase the supply of homes built specifically for older people or people with complex health needs.
- 7.5 The house-building programme ensures 10% of all new homes will be built to wheelchair accessible standards.

8. Sustainability impact

- 6.1 The Council led house-building programme seeks to maximise delivery of homes on brownfield sites, reducing pressure on Edinburgh's green belt. New homes are built to high standards in terms of energy efficiency and sustainability.
- 6.2 It is estimated the accelerated house-building programme will create 4,000 permanent new jobs.
- 6.3 Investing in improvements to Council homes will increase energy efficiency and lead to a reduction in carbon emissions.
- 6.4 Low cost energy provider, Our Power will help ensure stable and affordable energy prices for tenants.

- 6.5 Strategic acquisitions of homes in mixed tenure blocks will allow the Housing Service to carry out more improvements as the sole or majority owner of the block.

9. Consultation and engagement

- 9.1 The Council has an extensive programme of consultation and engagement with tenants including an annual survey, focus groups, tenant panels, tenant led service inspections and resident and community meetings.
- 9.2 Each year the views of tenants are sought on the HRA budget strategy, investment plan, service improvements and associated rent levels. The approach to engaging tenants on the budget is reviewed annually by a working group of tenants and officers, the Rent Matters Working Group (RMWG). The RMWG is supported by Edinburgh Tenants Federation (ETF). The number of tenants engaging in the budget consultation has significantly increased since the formation of the RMWG.
- 9.3 Consultation on the 2019/2020 budget took place in 2018. All tenants were sent information on the budget proposals, service improvements and rent levels. Individual responses were received from 1,187 tenants (out of around 19,000 tenants who were invited to provide views). This includes 1,001 tenants who took part in a detailed survey, commissioned by, but carried out independently of Council staff. Other responses were received on line and via social media, from postcards, cut outs from newsletters and local events.
- 9.4 Over 30 tenant organisations received information packs and 230 individual Tenant Panel members received information either by email, text or letter. Four large events were held in the localities, including one session of street-canvassing at Wester Hailes.
- 9.5 Tenants have consistently indicated strong support for building new homes, improving homes and services and stable and affordable rents.
- 9.6 In 2015 tenants indicated strong support for the budget strategy and identified building new affordable homes as their top priority for investment. Other significant priorities included reducing energy costs.
- 9.7 In 2016, 82% of tenants said they supported the 2% rent increase with one third of tenants supporting higher rent increases if delivery was accelerated.
- 9.8 In 2017, 80% of tenants expressed support for the investment proposals and rent strategy.
- 9.9 This year we asked tenants to comment on what has been achieved to date, what has worked well and not so well, and to establish priorities going forward to ensure the Housing Service is delivering an effective, quality service that is value for money to its tenants.
- 9.10 Whilst tenants continued to support the large-scale capital investment in new and existing homes, many also urged the Council to invest more time and resources to improve the core housing service, such as day to day housing management and

repairs and maintenance of Council homes, as well as the wider estate management.

- 9.11 In 2018 tenants expressed strong support for building more affordable homes and for modernising and improving existing homes. Tenants particularly supported moves to make homes more energy efficient and therefore, more affordable.
- 9.12 The budget plan was also discussed at a meeting with the ETF on 22 October 2018. Officers presented the approach, key messages, consultation questions and results to date. ETF provided a formal response to the consultation commending the work of the RMWG in the development of the consultation. They were broadly supportive of the investment plan. They welcomed the below inflation increase, but continue to have concerns regarding long term affordability of rents.

10. Background reading/external references

[Housing Avenue Account Budget Strategy 2018-23, The City of Edinburgh Council, 22 February 2018](#)

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

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

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

[Mixed Tenure Improvement Strategy, Housing and Economy Committee, 7 June 2018](#)

[Housing Investment Programme: Delivering the Budget Strategy in 2018/19, Housing and Economy Committee, 7 June 2018](#)

[Asset Management Transformation – Update, Finance & Resources Committee, 27 September 2018](#)

Paul Lawrence

Executive Director of Place

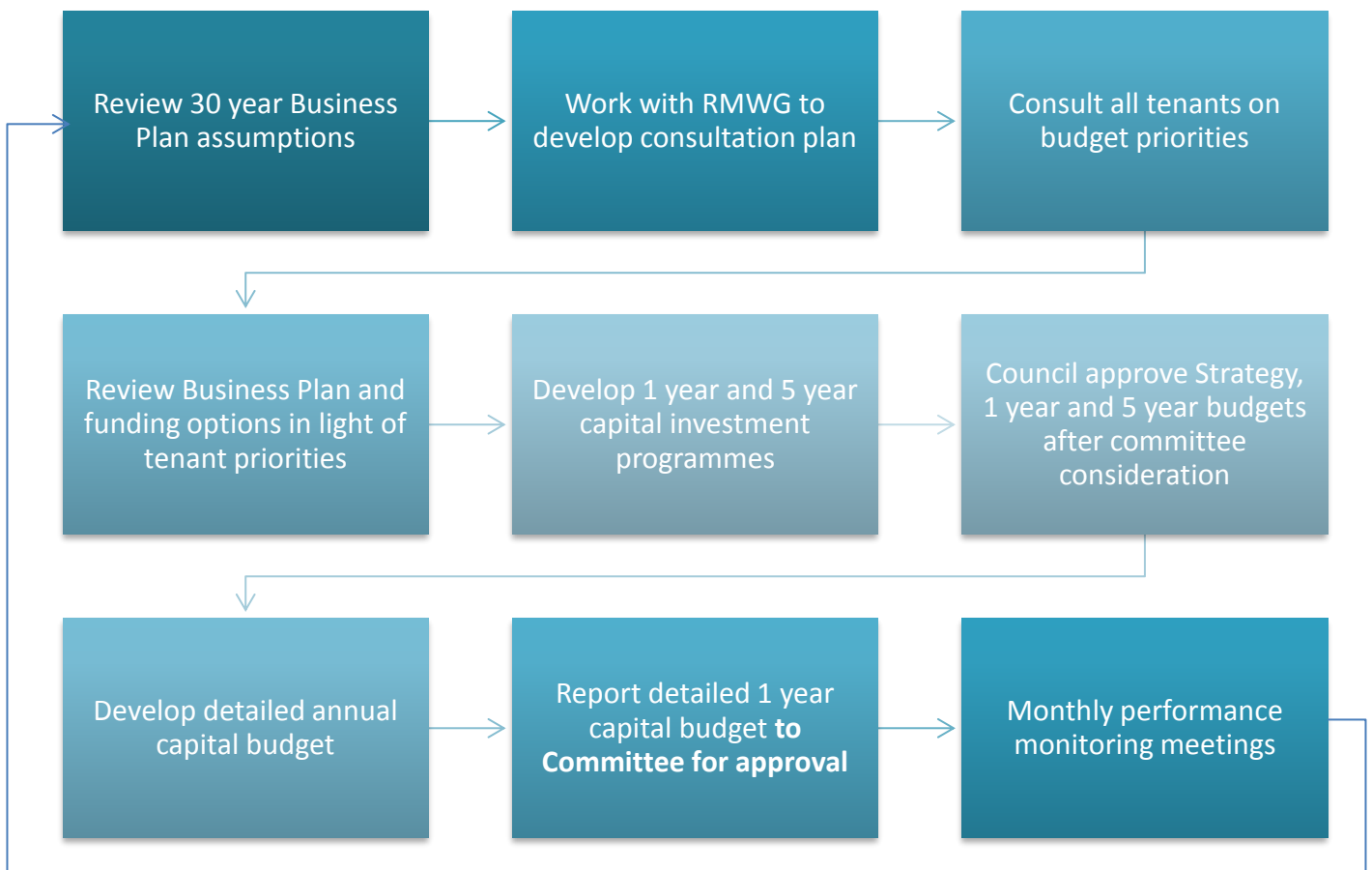
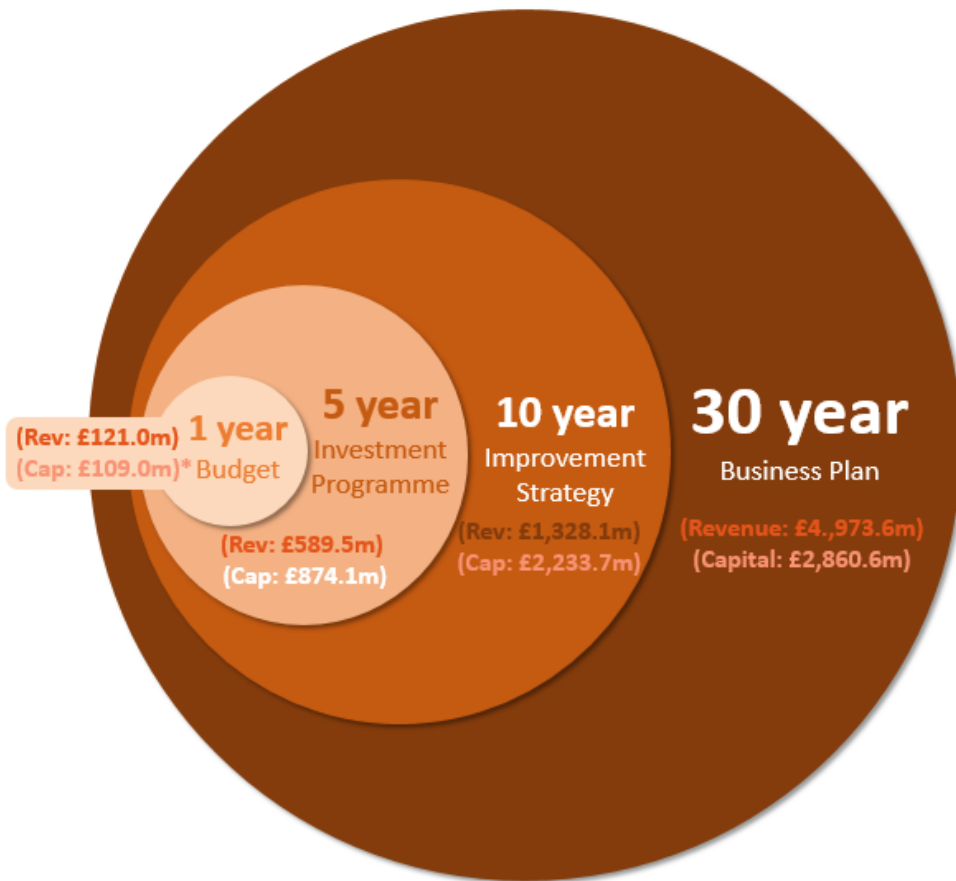
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11. Appendices

Appendix 1	HRA Business Planning Process
Appendix 2	Business Planning – High Level Assumptions
Appendix 3	Citywide House-building Programme
Appendix 4	Housing Revenue Account Budget 2019/20 (Draft)
Appendix 5	Draft 5 Yr HRA Capital Investment Programme & 10 Yr Investment Strategy
Appendix 6	30 Yr HRA Business Plan Financial Analysis

HRA Business Planning Process



Business Planning High Level Assumptions

Input	2019/20	Note
Inflation (Operating Costs)	2%	This assumption is in line with the Bank of England's inflation target.
Inflation (Employee Costs)	3%	This assumption is based on the latest local government pay offer.
Rent Increase	2%	This assumption is in line with current market inflation projections. The budget strategy aims to keep rents stable and affordable, while delivering one of the most ambitious investment programmes in Scotland.
Net Rental income	97.55%	Total projected rental income, minus written off former tenant arrears and rent loss due to empty homes.
Former tenant arrears write off	1.69%	Any rental debt outstanding for over 3 months where there have been no payments received or there is no agreed repayment arrangement is written off annually. The projected write off at the end of 2018/19 is estimated to be £1.6m, reduced from £1.8m in the year before.
Rent lost on empty homes	0.76%	The Council remains one of the top performing Local Authorities in this area. Slight increase from 0.58% in 2018/19, to accurately reflect expected performance, with continued high proportion of lets to households with high levels of need.
Fees and charges increase	0%	Fees and charges for additional services provided with tenancies (e.g. stair cleaning, communal heating, furnished tenancies, etc) is frozen for the fourth year in a row.
Debt level (projected for March 2019)	£390m	Increased from £381m at 31 March 2018. This was due to increased borrowing requirement to support the accelerated capital investment programme in 2018/19.
Interest on debt (pool rate)	5.00%	Reduction of 0.05% from 2018/19. The Council does not borrow for specific projects, borrowing is pooled in a consolidated loans fund and the interest rate pooled across all projects.

City-wide house-building Programme (December 2018)

2,149 homes currently under construction on 39 sites



Reducing inequality through affordable housing

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

Housing Revenue Account Budget 2019/20 (Draft)

	Projected	Proposed Budget			Note
	Outturn				
	2018/19	2019/20	Movement	Movement	
	£m	£m	£m	%	
Income					
Net Income	98.526	100.661	2.135	2.17%	1
Drawn Down from SHIF	27.816	20.354	-8.198	-26.83%	2
Total Income	126.342	121.015	-6.063	-4.22%	
Expenditure					
Housing Services	29.318	31.915	2.597	8.86%	3
Property Maintenance	23.980	23.742	-0.238	-0.99%	4
Debt Charges	39.882	42.358	2.476	6.21%	5
Strategic Housing Investment	33.162	23.000	-10.898	-30.64%	6
Total Expenditure	126.342	121.015	-6.063	-4.22%	

Note 1.

"Net Income" is the total rent due to be collected, less written off former tenant arrears and rent loss due to empty homes. It also includes service charges and costs recovered in relation to communal heating schemes and owner occupiers. The net income is expected to be increased by more than the 2% rent increase proposed. This is due to rental income from new homes completed in 2018/19 and expected to be completed in 2019/20 has been included in the budget. For the first time since Right to Buy was abolished and Council's new build programme commenced, more Council homes have been completed than lost in a year. The average weekly rent will increase by £1.96.

Note 2.

The Strategic Housing Investment Fund (SHIF) is an amalgamation of the Repairs and Renewals (R&R) Fund and the Council Tax Discount Fund (CTDF). The balance of the SHIF has been built up in previous years through in-year surplus transferred to R&R and income from CTDF. "Drawn Down from SHIF" is now required to reduce the borrowing needed to support the delivery of the capital investment programme, to reduce debt charges expenditure in future years.

Note 3.

"Housing Services" includes core housing management services, new tenant and community services like energy advice and modern apprenticeships. It includes employee costs, central support costs and recharges, premises and other expenditure. The rise in the Housing Services expenditure in 2019/20 is primarily due to Housing Service Redesign Phase 2 delivery costs (£1.5m), inflationary increase (£0.8m), and expansion of new tenant and community services like energy advice, modern apprenticeships and tenant discount scheme (£0.3m).

Note 4.

'Property Maintenance' includes responsive repairs, estates maintenance, routine gas servicing and the costs associated with bringing empty homes back into use. The 2018/19 budget includes a one-off accrual in repair and maintenance, due to an ICT issue which resulted in delays in payments in 2017/18 being processed. The draft budget includes "additional" repairs and maintenance for new homes and a 2% inflation on estate maintenance. It assumes the rest of the expenditures remained at the 2018/19 projected outturn levels.

Note 5.

The HRA borrows to finance the planned housing investment and house building capital programmes. 'Debt Charges' are capital financing costs (principal repayments and interest). As a result of prudent treasury management and in year surpluses being used to offset capital borrowing in previous years, net debt levels are expected to have increased by only £22 million over the last 5 years, whilst delivering over £267 million of capital investment over the same period. The 6.21% increase in 2019/20 is in line with the ambitious capital investment plan set out in the report.

Note 6.

'Strategic Housing Investment' is the sum of any in-year surplus and "Drawn Down from SHIF". It is used to fund new capital investment (CFCR), repay old HRA debt or mitigate unforeseen risks. The reduction is due to increased investment to deliver new services and expansion of existing services.

Draft 5 Year HRA Capital Investment Programme and 10 Year Investment Strategy

The 2019/20 Draft Budget and business plan are based on the assumptions set out in Appendix 2. Below is the outline draft five-year Capital Investment Programme and summary 10-year investment strategy, which is based on tenant priorities, service performance and statutory investment requirements. Inflation has been included in the figures where appropriate.

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

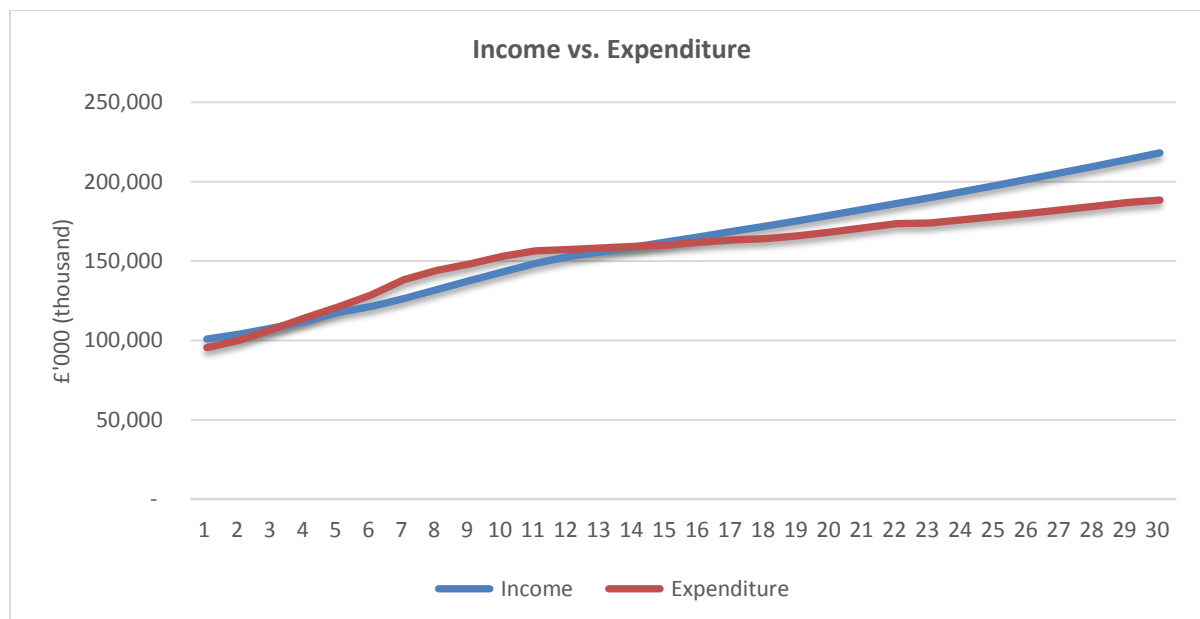
Programme Heading	1	2	3	4	5	5 Year	6 to 10	10 Year
	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total	2024/25 to 2028/29 £m	Total
<u>Programme Expenditure</u>								
New Homes Development*	45.122	90.023	129.586	111.251	206.054	582.036	1083.959	1665.995
New Home Land Costs	28.200	9.100	9.400	20.688	27.688	95.076	62.064	157.140
Tenant's Homes & Services	16.831	22.788	20.971	21.465	21.895	103.950	116.220	220.170
External Fabric and Estates	18.801	20.340	17.573	17.988	18.347	93.049	97.390	190.439
Total Expenditure	108.954	142.251	177.531	171.392	273.984	874.112	1,359.633	2233.744
<u>Programme Resources</u>								
Prudential Borrowing	57.795	23.562	90.311	76.711	182.883	431.262	428.093	859.355
Capital Funded From Revenue	23.000	7.200	2.200	2.200	2.200	36.800	11.000	47.800
Capital Receipts and Contributions	4.517	8.720	9.840	6.500	5.000	34.577	27.250	61.827
Receipts from LLPs*	13.400	71.382	55.104	76.692	44.150	260.728	763.259	1023.987
Scottish Government Subsidy (Mid-Market)	1.716	5.962	3.938	0.000	0.000	11.616	0.000	11.616
Scottish Government Subsidy (Social)	6.810	24.698	16.249	8.848	39.751	96.356	130.031	226.387
Total Funding	108.954	142.251	177.531	171.392	273.984	874.112	1,359.633	2233.744

*The budget for new build housing includes the upfront capital costs for the Council led development of all 10,000 affordable homes, including homes for mid market and affordable market that will be purchased by the Council's new LLPs. This has no impact on the HRA as interest payments are deferred until the homes are purchased. £95 million of the £1,038 million anticipated receipts from LLPs by year ten is for homes already under construction and due to complete in the next two years. Please note these receipts go beyond current approved levels of on-lending, approval will be sought to expand the programme in future years.

30 Year HRA Business Plan Financial Analysis

This appendix sets out the impact of delivering the investment strategy over the next 30 years. The plan seeks to deliver 10,000 new Council-led homes, as well as, investing in improving the quality of existing homes and estates and developing innovative services aimed at reducing tenants living costs.

It sets out an £121.0 million budget for 2019/20, as well as, a £874.1 million draft five-year capital investment plan and 10-year £2,234 million investment strategy, funded from below current inflationary rent increases of 2% a year. This 2% rent increase is in line with the current inflation estimates and significantly below the projected average local authority rent increases in 2019/20.



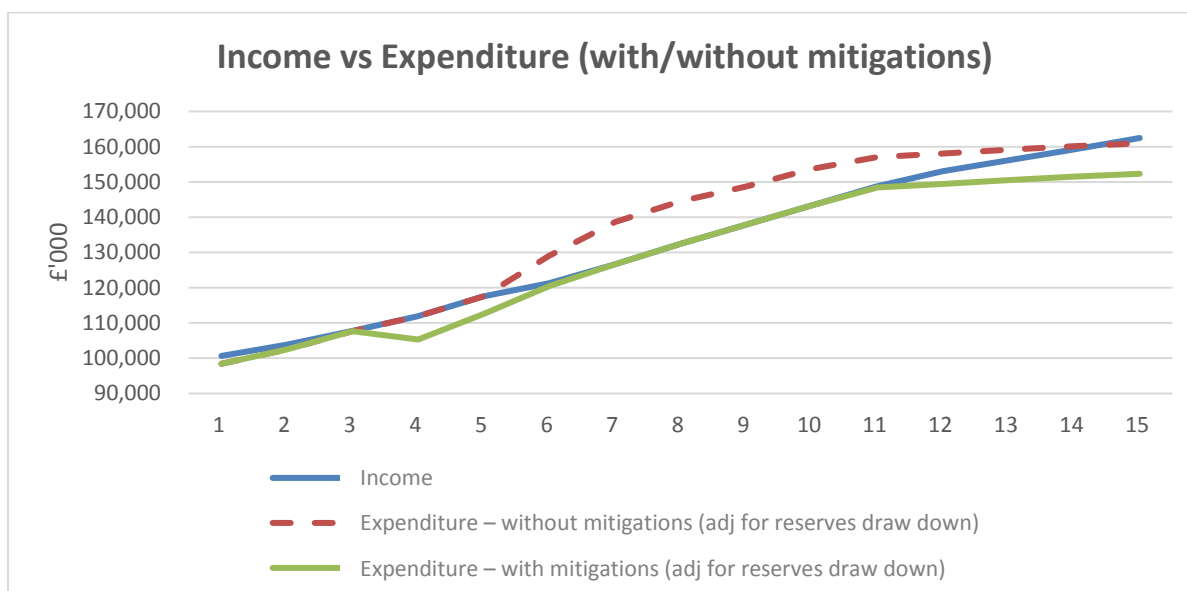
The HRA is under increasing pressure in balancing in-year income and expenditure. This pressure is most visible in years 4 to 14 (2022/23 to 2032/33) due to the significant investment in the new house building programme and in existing homes and estates to bring them up to new build standards, as well as an increase in debt repayment due to historic debt coming to term. Approximately £75.6 million (or an average of £6.9 million a year) is required to ensure the HRA does not go into deficit in these years. From year 15 onwards, once new homes are completed and the modernisation of existing homes and estates is delivered, the additional rental income does put the HRA back in a positive financial position and builds the Strategic Housing Investment Fund (SHIF) to 18% of annual operating costs by year 23.

The business plan assumes a 12% saving in repairs and maintenance over the next three years. The business plan also assumes a loss of income of around £9 million, over the five years following the full roll out of Universal Credit. In addition, a ringfenced contingency reserve has been established to ensure that the investment programme can continue even with an unexpected reduction in income or increase in unplanned expenditure. This contingency reserve is £3 million in year one, building up to 10% of the annual income in year eight.

Last year the business plan projected a total deficit of £9.3 million in years 8 to 11, the additional increase in deficit is due to:

Areas of increase	Increase over 10 years	Explanation
Change strategy	£4.5 million	£1.5 million over next 3 years
Increase in R&M baseline budget	£10 million	£1 million increase based on this years projected outturn
R&M Saving - reprofiled	£2.5 million	Moved from year one into year 2
Staffing increase – 3% p.a.	£11 million	Additional £0.2m per year
Land servicing costs	£4 million	£0.4 million per year
Mixed tenure – bad debt servicing costs	£3.1million	Assumes c.£0.5m from year 2 onwards
Increase in void rate	£2.5 million	Moved from 0.58% to 0.76%
Debt servicing due to an increase in capital borrowing	£28 million	Increasing land and construction costs
Total increase since 2018/19	£65.6 million	

The significant increases in expenditure means that the SHIF has insufficient funds to compensate any in-year deficit from year 6 onwards. In order to ensure the HRA does not go into deficit, the housing improvement plan would need to achieve a 10% reduction in total expenditure by the end of 2021/22. The graph below sets out projected expenditure both before and after savings have been applied.



Approximately a third of the savings are expected to come through the responsive repairs service. An end to end service review will be taken forward as part of the housing service improvement programme. Infrastructure improvements are already underway, including a real-time appointment system, text reminders and live van stock updates to improve efficiency and reduce costs.

The remaining savings will be delivered through a review of treasury management, housing management, estates management and overheads. Investment to date in frontline staff resources and service development now needs to be matched with investment in systems change to ensure staff can do their jobs more efficiently. This will include a re-design of operational processes for core services, investment in suitable ICT and digital infrastructure and staff training and development. Any shortfall in savings would be mitigated through a combination of increases in income and/or a re-phasing/reduction in planned capital investment.

The City of Edinburgh Council

10.00am, Thursday 21 February 2019

Capital Investment Programme 2019/20 to 2023/24 – referral from the Finance and Resources Committee

Item number	4.3
Report number	
Wards	All
Council Commitments	

Executive summary

On 1 February 2019, the Finance and Resources Committee considered a report in relation to the roll forward Capital Investment Programme (CIP) which set out planned investment for the period 2019/20 to 2023/24. The forecast part year slippage in the current year's programme had been incorporated into the 2019/20 budget to inform the expected loans fund advances of the roll forward programme. Spending in latter years should be viewed as indicative, as details of the level of capital grant could only be estimated at this time. The report has been referred to the City of Edinburgh Council on 21 February 2019 as part of the budget-setting process.

Terms of Referral

Capital Investment Programme 2019/20 to 2023/24 – referral from the Finance and Resources Committee

Terms of referral

- 1.1 The provisional Finance Settlement announced on 17 December 2018 provided funding of £58.675m which was an increase of £10.411m over the level previously assumed. The roads and pavements block allocation had been increased by £1m for 2019-20 only and £9.411m remained unallocated in the CIP. The provisional Finance Settlement also announced specific capital grants for Management Development Funding of £33.877m and Cycling, Walking and Safer Streets of £0.834m.
- 1.2 The Revenue Budget Framework 2018/23 Progress update considered by Finance and Resources Committee on 12 June 2018 advised that, subject to the achievement of a balanced overall position across the 2019/24 revenue budget framework, resources of up to £78m could be made available to support additional capital investment for Wave 4 schools. Significant uncertainty remained within the revenue budget framework and no funding would be released nor projects incorporated into the Capital Investment Programme until a balanced revenue position for 2019/24 was achieved.
- 1.3 The CIP was based upon the capital plan which would be rolled forward to the period 2019/20 to 2023/24. Since rolling forward the capital plan in February 2018, £7m per annum of funding for 2023/24 had remained unallocated. Finance and Resource Committee on 11 October 2018 approved that this remained unallocated as contingency funding for the replacement of Meadowbank Stadium.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To note the report and to remit to the Council's budget meeting of 21 February 2019 the 2019-2024 Capital Investment Programme.
 - 1.4.2 To note that the announcement of the provisional Finance Settlement made in December 2018 indicated a general capital grant for 2019/20 of £58.675m which exceeded the Council's previous indicative plans by £10.411m and that £9.411m remained unallocated with £1m being allocated to roads asset upgrades.

- 1.4.3 To note that the announcement of the Finance Settlement made in December 2018 indicated specific capital grants for Development Management Funding of £33.877m and Cycling, Walking and Safer Streets of £0.834m.
- 1.4.4 To note that the Council was governed by the Local Government in Scotland Act 2003 including the requirement to have regard to the Prudential Code and that capital plans were affordable, prudent and sustainable.
- 1.4.5 To note that budgets for lending to Edinburgh Living from 2019-20 onwards were based on the pipeline of development and would be subject to annual approval from the Finance and Resources Committee and Council.
- 1.4.6 To note that the proposed update to the Capital Investment Programme did not include the funding for Wave 4 schools which was contingent on the achievement of a long term balanced revenue budget and significant uncertainty remained within the revenue budget framework.
- 1.4.7 To note that following the proposed update to the capital plan in Appendix 1 of the report, £7m remained unallocated but earmarked as contingency funding for the replacement Meadowbank Stadium project.
- 1.4.8 To note the up to date analysis of unfunded service priorities and pressures set out within the report.
- 1.4.9 To note the recommended reallocation within the existing approved programme and the use of the additional resources to address some of the Council's capital investment priorities and remit to Council for decision on 21 February 2019 in the context of infrastructure needs, priorities and existing Council commitments.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to:
 - 2.1.1 Approve the 2019-2024 Capital Investment Programme.
 - 2.1.2 Consider the recommended reallocation within the existing approved programme and the use of the additional resources to address some of the Council's capital investment priorities in the context of infrastructure needs, priorities and existing Council commitments.

Background reading / external references

Finance and Resources Committee 1 February 2019

Laurence Rockey

Head of Strategy and Communications

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Links

Appendices

Appendix 1 – report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Friday 1 February 2019

Capital Investment Programme 2019/20 to 2023/24

Item number

Report number

Executive/routine

Wards

Council Commitments

Executive Summary

The roll forward Capital Investment Programme (CIP) sets out planned investment for the period 2019/20 to 2023/24. The forecast part year slippage in the current year's programme has been incorporated into the 2019/20 budget to inform the expected loans fund advances of the roll forward programme. Spending in latter years should be viewed as indicative, as details of the level of capital grant can only be estimated at this time.

The provisional Finance Settlement announced on 17 December 2018 provided funding of £58.675m which is an increase of £10.411m over the level previously assumed. The roads and pavements block allocation has been increased by £1m for 2019-20 only and £9.411m remains unallocated in the CIP. The provisional Finance Settlement also announced specific capital grants for Management Development Funding of £33.877m and Cycling, Walking and Safer Streets of £0.834m.

The Revenue Budget Framework 2018/23 Progress update considered by Finance and Resources Committee on 12 June 2018 advised that, subject to the achievement of a balanced overall position across the 2019/24 revenue budget framework, resources of up to £78m could be made available to support additional capital investment for Wave 4 schools. Significant uncertainty remains within the revenue budget framework and no funding will be released nor projects incorporated into the Capital Investment Programme until a balanced revenue position for 2019/24 is achieved.

The CIP is based upon the capital plan which will be rolled forward to the period 2019/20 to 2023/24. Since rolling forward the capital plan in February 2018, £7m per annum of funding for 2023/24 has remained unallocated. Finance and Resource Committee on 11

October 2018 approved that this remains unallocated as contingency funding for the replacement of Meadowbank Stadium.

Capital Investment Programme 2019/20 to 2023/24

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are requested to:
 - 1.1.1 Note the contents of this report and remit to Council's budget meeting of 21 February 2019 the 2019-2024 Capital Investment Programme;
 - 1.1.2 Note that the announcement of the provisional Finance Settlement made in December 2018 indicated a general capital grant for 2019/20 of £58.675m which exceeds the Council's previous indicative plans by £10.411m and that £9.411m remains unallocated with £1m being allocated to roads asset upgrades;
 - 1.1.3 Note that the announcement of the Finance Settlement made in December 2018 indicated specific capital grants for Development Management Funding of £33.877m and Cycling, Walking and Safer Streets of £0.834m.
 - 1.1.4 Note that the Council is governed by the Local Government in Scotland Act 2003 including the requirement to have regard to the Prudential Code and that capital plans are affordable, prudent and sustainable;
 - 1.1.5 Note that budgets for lending to Edinburgh Living from 2019-20 onwards are based on the pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council;
 - 1.1.6 Note that the proposed update to the Capital Investment Programme does not include the funding for Wave 4 schools which is contingent on the achievement of a long term balanced revenue budget and significant uncertainty remains within the revenue budget framework;
 - 1.1.7 Note that following the proposed update to the capital plan in Appendix 1, £7m remains unallocated but earmarked as contingency funding for the replacement Meadowbank Stadium project:
 - 1.1.8 Note the up to date analysis of unfunded service priorities and pressures set out within this report, and
 - 1.1.9 Note the recommended reallocation within the existing approved programme and the use of the additional resources to address some of the Council's capital investment priorities and remit to Council for decision on 21 February 2019 in the context of infrastructure needs, priorities and existing Council commitments.

2. Background

- 2.1 Council approved the five-year capital programme for the period 2018-2023 in February 2018. A revised programme, incorporating both net slippage / acceleration from 2017/18 and the outcome of the rephrasing exercise, was reported to Finance and Resources Committee in August 2018. The capital programme is based on the ten-year capital plan originally set out in 2009, which has subsequently been rolled forward on an indicative basis on broadly similar terms.

3. Main report

- 3.1 The table below summarises the capital grant allocation the Council has assumed for 2018/19 from the Scottish Government. This is based on analysis of the Finance Settlement released on 17 December 2018. Details within the Finance Settlement are subject to approval of the Scottish Budget in March 2019.

	2019/20
	£m
Edinburgh's Allocation	
General Capital Grant	58.675
Specific Capital Grant	
<i>Of which:</i>	
<i>Management Development Funding</i>	33.877
<i>Cycling, Walking and Safer Streets</i>	0.834

- 3.2 As no firm allocations have been advised beyond this, an estimate of each year's General Capital Grant settlement has been factored in for the period 2020/21 to 2023/24 based on a prudent estimate of the possible Scotland-wide funding.
- 3.3 The programme includes the multi-year Scottish Government Grant award for the Early Learning and Childcare - 1140 hours Expansion announced in April 2018 previously reported to Committee.
- 3.4 The programme has also been adjusted for current projected capital receipts forecasts and other known sources of income secured from developers and other third-party contributions.
- 3.5 Projected slippage in the 2018/19 programme reported in the Capital Monitoring 2018/19 – Period 9 report, elsewhere on this agenda, has been built into the revised programme and separately identified in Appendix 1 attached. These carry

forward adjustments will be amended and reported after the final outturn for the year.

- 3.6 The roll forward capital investment programme, incorporating the above factors can be seen at Appendix 1.

Scottish Government Specific Grant Funding

- 3.7 The specific grant award for Transfer Management Development Funding (TMDF) is an annual award under the Housing (Scotland) Act 2001 as part of the General Capital Grant settlement. TMDF is used by the City of Edinburgh Council to provide grant funding to Registered Social Landlords for the construction of affordable homes and to the HRA for social rent homes.
- 3.8 The specific grant award for Cycling, Walking and Safer Streets (CWSS) is an annual award as part of the Capital Grant settlement. Projects funded from CWSS grant can be match-funded by Sustrans grants for community links and safer routes to schools.
- 3.9 The Scottish Government announced, in December 2018, a new £50m Town Centre Fund to assist with the regeneration and sustainability of town centres. Criteria for the distribution of the funds are yet to be announced and no allocations have been included in the Capital Investment Programme.

National Housing Trust (NHT) Update

- 3.10 On 12 February 2015, Council approved on-lending of up to £54.998m for entering into NHT phase 3. The report to Finance and Resources Committee 19 January 2017 advised that three of the four developments would progress at Fruitmarket, Shrubhill and Western Harbour providing 368 new affordable homes by the end of 2020.
- 3.11 The Fruitmarket development is now complete, Western Harbour is expected to be completed by 31 March 2019 and the Shrubhill project continues to progress.
- 3.12 The estimated overall requirement for on-lending for the three developments remains unchanged at £50.121m and the current Capital Investment Programme includes provision of £8.760m for the completion of the Shrubhill development.

Current Unfunded Priorities and Pressures

- 3.13 This section provides an overview of the capital investment programme bids from each service to establish a collegiate overview of capital priorities. Given the very limited additional capital funding available to the programme, realignment of existing priorities may be required to deliver statutory pressures.
- 3.14 While this report sets out the principal justification for capital investment, each proposal will be subject to service design principles in the scoping of the project. This means that while a school may require replacement, the capital project could

provide a facility from which services beyond learning and teaching can also be delivered. The costs in the table below refer to the principal element requiring funding. The wider scope of any project is yet to be determined through service design.

3.15 Funding sources available are:

3.15.1 The Scottish Government settlement in December 2018 allocated an additional £10.411m to the Council, which will see a net £9.411m being available to support projects in the CIP, after £1m has been set towards roads asset upgrade.

3.15.2 £12.525m is unallocated for LDP roads and education projects in the current Capital Investment Programme.

3.15.3 The Health and Social Care Partnership has £19.239m available from the currently approved CIP and the anticipated capital receipts of £5m, receivable in 2020/21, for a care home replacement programme. This programme is currently awaiting the outcome of the commissioning plan to determine the size and location of the first of these. It is proposed that £15.239m is ringfenced to fund the first requirement (using the cost of a 60-bed care home as a proxy). It is proposed that the remainder of the funding allocated to this programme amounting to £4m is reallocated for urgent pressures.

3.16 The combined total of these funding sources is £25.936m.

3.17 In addition, the Wave 4 programme currently has £25m approved in the CIP towards delivering the new Craigmillar High School (CIP allocation of £15m), and the first phase of the replacement Trinity Academy (£10m).

3.18 The Revenue Budget Framework 2018/23 Progress update considered by Finance and Resources Committee on 12 June 2018 advised that, subject to the achievement of a balanced overall position across the 2019/24 revenue budget framework, resources of up to £78m could be made available to support additional capital investment for Wave 4 schools. Significant uncertainty remains within the revenue budget framework and no funding will be released nor projects incorporated into the Capital Investment Programme until a balanced revenue position for 2019/24 is achieved.

3.19 A combined total funding of £103m towards Wave 4 would be expected to deliver replacements for Craigmillar, Trinity (complete replacement) and Currie High Schools. Anticipated funding from the Scottish Government could enable the replacement of Liberton and/or WHEC, depending on the level of funding available.

3.20 Until such a time as the Wave 4 funding has certainty through the setting of a balanced budget framework, Currie High School is included within the unfunded pressures list below. This is because, from a condition perspective, the school will require replacement within the timeframe of this capital investment programme.

- 3.21 A number of the projects are linked to Local Development Plan developer contribution funding. The funding gaps presented below are based on the Local Development Plan financial modelling for Education actions which assumes a forecast 60% collection rate of contributions against estimated costs. The actual level received will vary according to local circumstances (e.g. whether conditions have been discounted to make the development viable, or whether extant planning permission has been granted with a lower level, or no contribution applied). The funding gap is based on the level of contribution expected to be received by the time of the project completion. It is likely that income streams would continue well beyond the completion date, and these would be used to replenish the LDP funding allocation. However, there is a significant timing issue arising as the Council will be front funding five new LDP primary schools by 2022, should the three below in this year's round of bids be approved.
- 3.22 The current CIP includes provision of £16.0m for LDP transport actions for the West Edinburgh Transport Area and a further £6.5m for other areas of the city. Specific transport actions are being considered and further funding pressures are likely.
- 3.23 Each of the directorate Asset Investment Groups were asked to identify their priorities and develop business cases supporting those priorities. A summary of the business cases received is presented in Appendix 2. The priorities supported by the Asset Management Board which require a funding solution are shaded in grey. All projects are scored against a set series of prioritisation criteria, as previously agreed by the Asset Management Board, set out in the attached appendix 3.
- 3.24 The replacement of St Catherine's Primary School (£12.802m) is considered to be the top priority due to the condition of the current building.
- 3.25 The rising rolls pressures incorporate LDP pressures and £6m of the remaining £12.525m LDP funding should be allocated to this. This would fund the school extensions programme, excluding the refurbishment of Darroch which would remain unfunded.
- 3.26 This would leave £6.5m of LDP funding unallocated to meet investment priorities.
- 3.27 The active travel programme levers in £46.5m from the Scottish Government and Sustrans; it is considered that this is a high priority to allocate the remaining £4m funding gap or reprioritise existing plans.
- 3.28 Should the Council be able to achieve a balanced budget over the next four years, the £78m for the Wave 4 programme would become available and enable the funding of the schools set out in paragraph 3.19;
- 3.29 A total of £49.2m urgent pressures would remain, comprising:
- 3.29.1 £10m for refurbishment of Darroch to reflect rising rolls at James Gillespie's High School;
 - 3.29.2 £35.2m for the cost of the new LDP primary schools; and
 - 3.29.3 £4m active travel.

- 3.30 Further realignment of the existing programme or sustainable revenue savings of £3.5m would be required to fund these projects.
- 3.31 Officer recommendations for the realignment of the existing programme and allocation of available resources are summarised in Appendix 4.
- 3.32 The roll forward capital programme is for General Fund projects only. The Housing Revenue Account capital budget can be seen elsewhere on the agenda.

Business Case - Trams to Newhaven

- 3.33 In addition to the priorities outlined above, the Council is developing a business case setting out the justification for capital investment in a tram line from York Place to Newhaven. The Final Business Case (FBC) for this project will be presented to full Council for consideration of its strategic fit, costs (including opportunity costs), benefits, risks and affordability.

Prudential Indicators

- 3.34 The Council is governed by the Local Government in Scotland Act 2003 including the requirement to have regard to the Prudential Code and that capital plans are affordable, prudent and sustainable.
- 3.35 The revised Prudential Code for Capital Finance in Local Authorities was published by CIPFA in December 2017.
- 3.36 The revised indicators which will accompany the Budget Motion to the Council meeting on 21 February 2019 will reflect the changes.

4. Measures of success

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

5. Financial impact

- 5.1 The revenue funding required to support the borrowing costs associated with the five-year capital programme (2019-2024) is provided for in the long term financial plan.
- 5.2 The Council can only commit to further capital expenditure if revenue expenditure plans are affordable and sustainable. Inclusion of any revenue investment within the budget framework is contingent upon the development, and subsequent delivery, or corresponding savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

6. Risk, policy, compliance and governance impact

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

7. Equalities impact

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

8. Sustainability impact

- 8.1 The impacts of the projects set out within the appendices of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been considered.
- 8.2 The proposals in this report will help achieve a sustainable Edinburgh because they are ensuring funding for key strategic projects that will enhance facilities and infrastructure in the city. A carbon impact assessment shall be carried out on each new project to achieve the most sustainable outcome for the city in each case.
- 8.3 The proposals in this report will increase the city's resilience to climate change impacts because they are securing funding for flood prevention projects.

9. Consultation and engagement

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

10. Background reading/external references

10.1 None.

Stephen S. Moir

Executive Director of Resources

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11. Appendices

Appendix 1 - Revised Capital Investment Programme 2019-2024 – General Fund

Appendix 2 - Unfunded Capital Priorities and Pressures

Appendix 3 - Strategic Asset Management Capital Priority Weighting Methodology

Appendix 4 - Capital Investment Priorities – Officer Recommendations

**REVISED
CAPITAL INVESTMENT
PROGRAMME 2019-2024**
(Incorporating part-year slippage from 2018/19)

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

SUMMARY OF EXPENDITURE AND RESOURCES - GENERAL SERVICES

2019-2024	Assumed Slippage from 2018-19 £000	Indicative Budget 2019-20 £000	Revised Budget 2019-20 £000	Indicative Budget 2020-21 £000	Indicative Budget 2021-22 £000	Indicative Budget 2022-23 £000	Indicative Budget 2023-24 £000	Total Budget 2019-2024 £000
Expenditure	37,643	289,590	327,233	233,523	135,851	170,279	41,000	907,886
Capital Income								
Capital receipts								
General asset sales	-	6,318	6,318	3,000	3,000	3,000	3,000	18,318
Less additional receipt income transferred to capital fund								
Ring-fenced asset sales	-	10,000	10,000	-	-	-	-	10,000
Capital Fund drawdown	-	2,811	2,811	-	-	-	-	2,811
Developers and other contributions	-	585	585	-	-	-	-	585
Capital Grants Unapplied account	11,297	-	11,297	-	-	-	-	11,297
Total receipts	11,297	19,714	31,011	3,000	3,000	3,000	3,000	43,011
Capital Grants								
Government Grants								
General Capital Grant	-	48,264	48,264	38,000	38,000	38,000	38,000	200,264
Additional General Capital Grant - Settlement announcement Dec 2018	-	10,411	10,411	-	-	-	-	10,411
Specific Capital Grants	-	14,500	14,500	10,000	-	-	-	24,500
Additional Specific Capital Grants - Settlement announcement Dec 2018	-	34,711	34,711	-	-	-	-	34,711
Total Grants	-	107,886	107,886	48,000	38,000	38,000	38,000	269,886
Loans Fund Advances								
Support brought forward	-	-	-	-	-	-	-	-
Prudential framework								
- Through council tax	-	56,000	56,000	84,000	15,000	12,900	-	167,900
- Lending	3,713	25,618	29,331	57,542	73,665	117,879	-	278,417
- Departmentally supported	(6,431)	71,415	64,984	68,931	428	-	-	134,343
Total Loans Fund Advances	(2,718)	153,033	150,315	210,473	89,093	130,779	-	580,660
Over / (under)-programming	29,064	8,957	38,021	(27,950)	5,758	(1,500)	-	14,329
Total Capital Funding	37,643	289,590	327,233	233,523	135,851	170,279	41,000	907,886

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

<u>SUMMARY OF EXPENDITURE</u>	Assumed Slippage from 2018-19 £000	Indicative Budget 2019-20 £000	Revised Budget 2019-20 £000	Indicative Budget 2020-21 £000	Indicative Budget 2021-22 £000	Indicative Budget 2022-23 £000	Indicative Budget 2023-24 £000	Total Budget 2019-2024 £000
General Services								
Communities and Families	19,460	67,297	86,757	37,667	1,707	165	165	126,461
Edinburgh Integration Joint Board	-	4,239	4,239	5,000	5,000	-	-	14,239
Place	8,766	132,000	140,766	103,314	29,963	31,785	19,835	325,663
Resources - Other	4,206	7,500	11,706	-	-	-	-	11,706
Resources - Asset Management Works								
- Communities and Families	-	16,652	16,652	1,766	1,025	1,000	-	20,443
- Edinburgh Integration Joint Board	-	96	96	-	-	-	-	96
- Place	-	668	668	-	-	-	-	668
- Resources - Corporate Property	-	396	396	-	-	-	-	396
- Not yet allocated to services	1,498	12,188	13,686	28,234	24,491	19,450	14,000	99,861
Lending	3,713	25,618	29,331	57,542	73,665	117,879	-	278,417
City Deal	-	-	-	-	-	-	-	-
Local Development Plan - unallocated	-	12,525	12,525	-	-	-	-	12,525
Meadowbank Stadium Contingency	-	-	-	-	-	-	7,000	7,000
Unallocated - indicative 5 year plan	-	10,411	10,411	-	-	-	-	10,411
Total General Services	37,643	289,590	327,233	233,523	135,851	170,279	41,000	907,886

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

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

COMMUNITIES AND FAMILIES	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
Early years 1140 Hours - 2020 Projects								
Early years unallocated	11,297	14,500	25,797	10,000	-	-	-	35,797
Early years 1140 Hours total	11,297	14,500	25,797	10,000	-	-	-	35,797
Local Development Plan - New Schools								
Victoria PS Replacement	336	5,775	6,111	2,382	-	-	-	8,493
Broomhill PS	(320)	4,375	4,055	1,848	-	-	-	5,903
LDP - New schools	16	10,150	10,166	4,230	-	-	-	14,396
Wave three school projects								
St Crispin's Special School replacement	309	11,017	11,326	-	-	-	-	11,326
St John's Primary new wave 3 School	-	171	171	-	-	-	-	171
New park former Portobello HS	598	-	598	-	-	-	-	598
Wave three inflation contingency	2,913	-	2,913	-	-	-	-	2,913
Wave three school projects total	3,820	11,188	15,008	-	-	-	-	15,008
Wave four school projects								
New Craigmillar High School	323	5,000	5,323	10,000	-	-	-	15,323
Trinity High School - Phase 1	-	1,000	1,000	9,000	-	-	-	10,000

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

COMMUNITIES AND FAMILIES	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
Wave 4 Replacement High School	-	-	-	-	-	-	-	0
Wave four school projects total	323	6,000	6,323	19,000	-	-	-	25,323
Rising School Rolls								
Rising school rolls general	(1,206)	1,206	-	-	-	-	-	-
Boroughmuir High School - Additional Places	-	2,200	2,200	1,862	-	-	-	4,062
Rising School Rolls Phs 5 General	848	-	848	-	-	-	-	848
Rising School Rolls Total	(358)	3,406	3,048	1,862	-	-	-	4,910
Primary schools								
New South Edinburgh Primary	(282)	9,683	9,401	2,410	1,542	-	-	13,353
Primary schools total	(282)	9,683	9,401	2,410	1,542	-	-	13,353
Secondary schools								
Replacement Queensferry High School	1,848	7,157	9,005	-	-	-	-	9,005
Secondary schools total	1,848	7,157	9,005	-	-	-	-	9,005

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

COMMUNITIES AND FAMILIES	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
Children's services								
Oxgangs New YPC	86	-	86	-	-	-	-	86
Children's services total	86	-	86	-	-	-	-	86
Libraries								
Open Plus Library Self Service Kiosks	350	-	350	-	-	-	-	350
George IV Bridge Library-enhancement works	365	-	365	-	-	-	-	365
Libraries projects total	715	-	715	-	-	-	-	715
Sports								
Edinburgh Leisure	-	165	165	165	165	165	165	825
New Meadowbank Sports Centre	1,000	3,923	4,923	-	-	-	-	4,923
Hunter Hall cycle hub and pitch	995	-	995	-	-	-	-	995
Sports projects total	1,995	4,088	6,083	165	165	165	165	6,743
Safer and Stronger Communities								
CCTV Capital	-	1,125	1,125	-	-	-	-	1,125
Safer and Stronger Communities Projects Total	-	1,125	1,125	-	-	-	-	1,125

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

COMMUNITIES AND FAMILIES	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
Total Communities and Families	19,460	67,297	86,757	37,667	1,707	165	165	126,461

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

<u>EDINBURGH INTEGRATION JOINT BOARD</u>	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
<i>Care homes</i>								
New care home	-	4,239	4,239	5,000	5,000	-	-	14,239
Care homes total	-	4,239	4,239	5,000	5,000	-	-	14,239
Total Edinburgh Integration Joint Board	-	4,239	4,239	5,000	5,000	-	-	14,239

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

PLACE	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
Environment								
<i>Waste services</i>								
Zero Waste: Millerhill - Capital contribution	-	28,000	28,000	-	-	-	-	28,000
Waste Total	-	28,000	28,000	-	-	-	-	28,000
<i>Parks and green spaces</i>								
Cammo Settlement	-	628	628	-	-	-	-	628
Play Park Replacement Equipment	-	182	182	200	200	200	-	782
Salvesen Steps	512	-	512	-	-	-	-	512
Parks Total	512	810	1,322	200	200	200	-	1,922
<i>Depot Review</i>								
Bankhead depot	-3,135	10,600	7,465	-	-	-	-	7,465
Russell road depot	-	1,963	1,963	-	-	-	-	1,963
Seafield depot - Phase 2	-203	763	560	-	-	-	-	560
	-3,338	13,326	9,988	-	-	-	-	9,988
Environment Total	-2,826	42,136	39,310	200	200	200	-	39,910
Housing and Regeneration								
Home owners adaptation grants	229	1,000	1,229	1,000	1,000	1,000	1,000	5,229
Development Funding Grant	-	33,877	33,877	-	-	-	-	33,877
Housing and Regeneration Total	229	34,877	35,106	1,000	1,000	1,000	1,000	39,106
Transport and Planning								
<i>Roads, Structures & Flood Prevention</i>								
North Bridge Major Refurbishment	6,932	4,024	10,956	4,848	-	-	-	15,804

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

PLACE	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
Burnshot Bridge	467	2,197	2,664	-	-	-	-	2,664
Water of Leith - phase 2	1,044	-	1,044	-	-	-	-	1,044
Bridge strengthening	599	873	1,472	-	-	-	-	1,472
	9,042	7,094	16,136	4,848	-	-	-	20,984
<i>Roads Asset Management Plan</i>								
LDP Roads Obligations (exc WETA)	500	1,000	1,500	1,000	2,000	2,000	-	6,500
West Edinburgh Transport Appraisal (WETA)	-	-	-	4,000	5,000	7,000	-	16,000
Roads, Pavements and Public Realm	-	1,500	1,500	1,500	1,500	1,750	-	6,250
Carriageway / footway works [block]	-	20,488	20,488	12,085	13,585	13,585	13,585	73,328
	500	22,988	23,488	18,585	22,085	24,335	13,585	102,078
<i>Street Lighting & Traffic Signals</i>								
Street lighting	-	2,031	2,031	1,500	1,500	1,500	1,500	8,031
Street lighting - City wide LED replacement prog	660	9,630	10,290	7,531	428	-	-	18,249
	660	11,661	12,321	9,031	1,928	1,500	1,500	26,280
<i>Roads & Network</i>								
St Andrew Square public realm	435	-	435	-	-	-	-	435
Transport Asset Management	0	1,000	1,000	1,000	1,000	1,000	1,000	5,000
	435	1,000	1,435	1,000	1,000	1,000	1,000	5,435
<i>Policy & planning</i>								
Walking projects [block]	475	-	475	-	-	-	-	475
Bus priority schemes / bus shelters	251	-	251	-	-	-	-	251
Cycling, Walking and Safer Streets	-	834	834	-	-	-	-	834
Road safety, cycling and public transport	-	1,750	1,750	1,750	1,750	1,750	1,750	8,750
	726	2,584	3,310	1,750	1,750	1,750	1,750	10,310
<i>Transport - City Centre</i>								

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

PLACE	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
Leith Walk Constitution Street	-	160	160	-	-	-	-	160
	-	160	160	-	-	-	-	160
<i>Transport Other</i>								
Tram Lifecycle Replacement	-	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Transport and other infrastructure total	11,363	46,487	57,850	36,214	27,763	29,585	18,835	170,247
Museums and Arts								
Kings Theatre Contribution	-	500	500	1,000	1,000	1,000	-	3,500
Kings Theatre Contribution (PB)	-	5,000	5,000	-	-	-	-	5,000
Leith Theatre	-	500	500	-	-	-	-	500
IMPACT	-	2,500	2,500	2,000	-	-	-	4,500
Museums and Arts Total	-	8,500	8,500	3,000	1,000	1,000	-	13,500
Strategic support								
St James GAM - Public Realm	-	-	-	61,400	-	-	-	61,400
Picardy Place	-	-	-	1,500	-	-	-	1,500
Strategic support total	-	-	-	62,900	-	-	-	62,900
Total Place	8,766	132,000	140,766	103,314	29,963	31,785	19,835	325,663

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

RESOURCES - OTHER	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
ICT function								
ICT transformational change investment	4,206	7,500	11,706	-	-	-	-	11,706
ICT function total	4,206	7,500	11,706	-	-	-	-	11,706
Total Resources - Other	4,206	7,500	11,706	-	-	-	-	11,706

LENDING	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
National Housing Trust 3	-	4,718	4,718	4,042	-	-	-	8,760
Edinburgh Living LLP	3,713	20,900	24,613	53,500	73,665	117,879	-	269,657
	3,713	25,618	29,331	57,542	73,665	117,879	-	278,417

REVISED CAPITAL INVESTMENT PROGRAMME 2019-2024

RESOURCES - ASSET MANAGEMENT WORKS	Assumed Slippage from	Indicative Budget	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2018-19	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
	£000	£000	£000	£000	£000	£000	£000	£000
Communities and Families								
Boilers	-	58	58	-	-	-	-	58
Doors & Windows	-	1,480	1,480	10	-	-	-	1,490
Fabric Enhancement	-	10,541	10,541	691	25	-	-	11,257
Fabric upgrade	-	900	900	35	-	-	-	935
Fire Safety	-	927	927	610	600	600	-	2,737
M&E Upgrade	-	1,705	1,705	20	-	-	-	1,725
Roof & Rainwater	-	152	152	-	-	-	-	152
Stonework	-	189	189	-	-	-	-	189
Water Quality	-	700	700	400	400	400	-	1,900
Total for Communities and Families	-	16,652	16,652	1,766	1,025	1,000	-	20,443
Edinburgh Integration Joint Board								
Fire Safety	-	36	36	-	-	-	-	36
Boilers	-	60	60	-	-	-	-	60
Total for Edinburgh Integration Joint Board	-	96	96	-	-	-	-	96
Place								
Boilers	-	365	365	-	-	-	-	365
Fire Safety	-	182	182	-	-	-	-	182
Fabric Enhancement	-	116	116	-	-	-	-	116
Roof & Rainwater	-	3	3	-	-	-	-	3
Water Quality Improv	-	2	2	-	-	-	-	2
Total for Place	-	668	668	-	-	-	-	668
Resources - Corporate Property								
Boilers	-	18	18	-	-	-	-	18
Fire upgrade	-	96	96	-	-	-	-	96
M&E Upgrade	-	282	282	-	-	-	-	282

Total for Resources - Corp. Property	-	396	396	-	-	-	-	396
Funding not yet allocated to projects	1,498	12,188	13,686	28,234	24,491	19,450	14,000	99,861
Total Asset Management Works	1,498	30,000	31,498	30,000	25,516	20,450	14,000	121,464

UNFUNDED CAPITAL PRESSURES

Projects	Total Cost	Total Funding	Priority
	inc 3rd Party	Gap at time of build completion	
	£m	£m	Score
Replacement St Catherine's PS *	13.685	12.802	63
Wave 4 top priority - Currie High School *	42.927	37.627	63
Active Travel Programme	71.900	3.967	44
Rising School Rolls *	26.293	16.519	31
New Brunstane PS *	14.881	13.081	30
New Maybury PS *	15.000	10.000	28
New Builyeon Road PS *	12.080	12.080	28
West Princes Street Gardens inc Ross Theatre	30.000	5.000	28
Hunter's Hall park redevelopment	2.291	0.440	28
Parks Upgrade / Allotment creation *	4.000	4.000	27
Cramond Chain Ferry / Promenade	1.100	1.100	21
Hostile Vehicle Mitigation	3.000	3.000	17
Inverleith Park Upgrade	0.200	0.200	tbc
	<u>237.357</u>	<u>119.816</u>	

* fulfils statutory obligation

APPENDIX 3: CIP BIDS PRIORTISATION CRITERIA

All bids for the 2019 capital budget setting process have been assessed against a series of criteria to determine their priority for funding, as described below.

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

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

A total score of 65 is achievable.

The initial scores were undertaken by each service department, however these were moderated by Strategic Asset Management to ensure consistency across the application of the scoring methodology. It is recognised that the standardised scoring methodology can only provide an initial starting point and further information on the particular circumstances of a project may increase its priority.

OFFICER CAPITAL RECOMMENDATIONS 2019-2024

	Main Programme £m	LDP Allocation £m	Total £m
FUNDING:			
Additional General Capital Grant	9.411	-	9.411
Unallocated LDP allocation	-	12.525	12.525
Reallocation of Existing CIP budget			
From Care Home project	4.000	-	4.000
Total Funding Available	13.411	12.525	25.936
PROJECT RECOMMENDATIONS			
Replacement St Catherine's PS	12.802	-	12.802
Rising School Rolls pressures	0.609	6.000	6.609
	13.411	6.000	19.411
Unallocated	-	6.525	6.525