

Finance and Resources Committee

10.00am, Thursday 16 August 2018

Revenue Budget Framework 2018/23 – Locality Expenditure

Item number	7.7
Report number	
Executive/routine	
Wards	All
Council Commitments	n/a

Executive Summary

At the meeting of Council on 3 May 2018, members approved a motion from Cllr Graczyk seeking further detail on current relative expenditure across the city's four localities and potential opportunities to devolve further sums for decision-making at a local level.

Council approved a two-stage approach to addressing the motion, with details of current spend by locality and clarification of existing locally-devolved budgets to be brought to the Finance and Resources Committee meeting on 16 August 2018 and opportunities to reconsider current allocations and/or devolve additional budgets to be considered at the Committee's meeting on 11 October.

The report provides a contextual, but heavily caveated, analysis of current spend across the city's localities to serve as a starting point for further discussion in considering how the Council's expenditure is best aligned to its priorities and relative levels of need across the city.

Revenue Budget Framework 2018/23 – Locality Expenditure

1. Recommendations

- 1.1 It is recommended that members of the Finance and Resources Committee:
- 1.1.1 Note the contents of this report and that a further, complementary report outlining potential changes to existing arrangements will be brought to the Committee's meeting on 11 October.

2. Background

- 2.1 At the meeting of Council on 3 May 2018, members approved a motion from Cllr Graczyk seeking further detail on current relative expenditure across the city's four localities and consideration of potential opportunities to devolve further sums for decision-making at a local level.
- 2.2 Specifically, in approving Cllr Graczyk's motion, Council agreed to:
- a) note that under the newly-formed four localities structure, the total devolved budget represents less than 1% of the total Council budget, including the Neighbourhood Environmental Programme and Community Grant Fund;
 - b) recognise that it has been over ten years since there has been a funding methodology review to address this historical imbalance;
 - c) further recognise that funding allocations should be fair and equitable while providing value for money for taxpayers in Edinburgh;
 - d) call for a report in one cycle to the Finance and Resources Committee on exploring the clear factors influencing the budget allocations and its context;
 - e) requests that said report includes, but is not limited, to:
 1. the current spend on Council services in each locality broken down by service area;
 2. clarification of current funding allocation methodology being used and what budget is currently devolved to Localities;
 3. consideration of best methodology and compatibility of allocation of funding between the four Localities;

4. consideration on what further budgets could be devolved to support the key purpose of the four Local Improvement Plans, including reduction of poverty and inequality;
 5. consideration on whether resources should be balanced geographically and allocated according to need or as equality of funding between the Localities; and
 6. consideration for revised allocation methodology to be based on the Scottish Index of Multiple Deprivation (SIMD) data.
- 2.3 In acknowledging the level of accompanying analysis required, Council approved a two-stage approach to addressing the motion, with details of current spend by locality and clarification of existing locally-devolved budgets to be brought to the Finance and Resources Committee meeting on 16 August 2018 and opportunities to reconsider current allocations and/or devolve additional budgets to be considered at the Committee's meeting on 11 October.

3. Main report

- 3.1 A key element of the Council's Transformation Programme was an enhanced emphasis on locality-based working, with the insight gained used to deliver more locally-focused and responsive services and invest more effectively in early intervention and preventative activity. The recent development of Local Improvement Plans (LIPs) for each area of the city furthermore facilitates improved public sector integration and better outcomes for those individuals and communities, both of place and interest, experiencing the greatest inequality, founded upon an understanding of their needs, circumstances and aspirations.
- 3.2 As the Council's service delivery model evolves, it is appropriate to review its budgetary approaches to ensure that these are suitably aligned and serve to maximise investment in those areas best contributing to the delivery of its priority outcomes. While, in some cases, budgetary responsibility is already aligned to specific localities, in general terms, the Council's budget currently operates on a *functional* basis.
- 3.3 Given this, the following analysis necessarily makes a number of assumptions on how expenditure allocations analysed by locality are best calculated. As such, it is most appropriately seen as providing a contextual, but heavily caveated, analysis of current spend across the city's localities, based in part on facilities' physical location within the city. It is better seen, therefore, as a starting point for further discussion in considering how the Council's expenditure is best aligned to its priorities and relative levels of need across the city.
- 3.4 The analysis takes as its baseline the 2017/18 outturn and seeks to align expenditure, wherever possible, to the locality in which it is incurred. In interpreting the analysis, however, it is important to bear in mind a number of important caveats, including but not limited to those noted below:

- (i) **the location of a facility may not correspond to where the benefits accrue.** School catchment areas, for example, may and do cross locality boundaries, particularly in the case of the city's denominational and Gaelic Medium schools. Those attending early learning and childcare facilities may similarly live outside the locality concerned or even the city itself, particularly for facilities located within the city centre;
- (ii) **a number of facilities are intended to serve the city as a whole but are, by definition, located within an individual locality.** Larger office and civic buildings, such as the City Chambers and Waverley Court, have not been allocated to a locality on this basis. Similarly, some elements of expenditure, such as the Council's investment in the city's annual festivals and events programme, do not afford benefits on a location-specific basis and, arguably, provide greater benefit to those living outside the city altogether;
- (iii) **funding allocations reflect differing relative levels of need within the city.** The North West locality, for example, has by some margin the largest road length within the city. It also has the largest population, with 28.7% of the city-wide total as opposed to only 22.5% residing in North East. Based on the Scottish Index of Multiple Deprivation (SIMD), however, there are proportionately more than three times as many income-deprived individuals living within North East as South East. This emphasises the paramount importance of allocating available resources in accordance with underlying need;
- (iv) **while the demand, and by extension the associated expenditure, for some services follows a regular pattern, for others, particularly those of an individual-specific nature, expenditure trends are not as easily predicted and follow the individual.** Expenditure associated with fostering and temporary accommodation reflects this pattern. Out-of-Council care placements also present challenges in terms of geographical classification and have been included in the "unallocated" category on this basis.

3.5 While allocation of revenue costs to specific localities requires a number of underlying assumptions to be made, in general terms it exhibits less variation than capital expenditure which can reflect considerable year-on-year fluctuations depending on the location of large building and infrastructural projects such as schools, flood prevention and transport schemes. On this basis, the locality spend analysis below focuses on revenue expenditure but with some existing examples of locally-devolved capital budgets noted in the subsequent sections.

Net revenue expenditure by locality, 2017/18

- 3.6 Subject to the caveats noted in the preceding sections, Finance officers have undertaken an analysis of actual revenue spend incurred in 2017/18 and, wherever possible and appropriate to the nature of the service, allocated this to one of the city's localities. Total spend allocated in this way amounts to 72.2% of overall service expenditure and is summarised by service area in the table below.

	NW	NE	SW	SE	Support	Unallocated	Total
Service area	£000	£000	£000	£000	£000	£000	£000
Communities and Families	79,403	54,749	60,124	53,582	15,657	109,895	373,410
Health and Social Care	49,618	38,680	48,585	38,866	17,524	0	193,273
Place	19,341	18,218	16,518	13,411	0	2,959	70,447
Resources	25,536	26,084	27,456	20,704	70,524	0	170,304
Chief Executive	0	0	0	0	11,019	0	11,019
	173,898	137,731	152,683	126,563	114,724	112,854	818,453

Population	141,718	114,061	109,990	133,041
Per capita spend	£1,227	£1,208	£1,388	£951

- 3.7 Expenditure facilitating the wider delivery of the Council's services, including most head office functions, is not allocated and has instead been classified as "support" within the analysis. Similarly, expenditure incurred in the discharging of the Council's statutory duties but where its geographical incidence cannot be predicted with accuracy (particularly social care placements, which may be outside the relevant locality of the benefiting individual or even outside the city) has been classified as "unallocated". Expenditure relating to the provision of city-wide services by third parties, such as the Council's service payment to Edinburgh Leisure, is also included within this heading.
- 3.8 Members will note that, based on the assumptions set out within previous sections, relative expenditure in South West is higher than in the other three localities, with the South East locality showing the lowest relative expenditure. Based on proxies of relative deprivation as measured by the SIMD, this latter finding is not unexpected, as it will reflect both lower relative need and, in some cases, monetary contributions from service users. The relatively higher spend in South West is attributable in part to the location of some large school and social care facilities and not felt to be indicative of underlying disparities in the application of needs-based formulae. Given that this is the first such assessment undertaken, however, the approach will be refined for subsequent years' analyses.

Extent of currently-devolved budgets to localities

- 3.9 Cllr Graczyk's motion also requested clarification on the current extent of services and budgets managed on a locality basis, including those where the allocation of these funds is also determined locally. As is outlined in the preceding sections, the current allocation of funding is essentially *needs-based*. This said, implicit in this is an attentiveness to differing relative need for some non-universal services as

manifested across different areas of the city, particularly in Health and Social Care and Children's Services.

Capital expenditure

- 3.10 The only capital budgets which are devolved to localities for decision-making are those of the Neighbourhood Environmental Programme (NEP). The allocation to the localities NEPs is approved annually by the Transport and Environment Committee and, for 2018/19, this was reported on 1 March 2018. Each Neighbourhood Partnership is allocated an equal sum, which for 2018/19 is £0.050m.
- 3.11 Over and above the NEPs allocation, funds are earmarked for localities to identify the locations at which specific roads and transport works are required within their own areas. These are:
- Dropped kerb crossings (up to £0.020m per locality);
 - Drainage works (gully tails and frames - up to £0.045m per locality); and
 - Bus Stop refurbishment (up to £0.060m per locality).
- 3.12 The above funding is from the Roads and Pavements block allocation and localities can influence where the work is undertaken but cannot utilise the resources for any other purpose.
- 3.13 All other refurbishment or construction work within the Capital Investment Programme is on a city-wide condition and needs basis and not localities-based.

Revenue - Health and Social Care

- 3.14 The Health and Social Care management structure is split into (i) four Localities, (ii) Strategy and Planning and (iii) Central Services. All staffing, non-staffing and income budgets are devolved to cost centre level. While services provided are to a large extent demand-led, managers work with NHS Lothian colleagues to deploy overall resources effectively across and within localities.
- 3.15 The service's purchasing budget of circa £160m is currently sitting within service-defined sectors and requires to be re-aligned to the locality structure. This process is, however, well underway and forms part of a co-ordinated delivery approach with NHS Lothian partners, allowing budget management and control to be exercised at locality level. This involves significant changes to the SWIFT case information and management system but is expected to be completed later in the calendar year.

Place - Community Grants Fund

- 3.16 As in 2017/18, the approved budget for 2018/19 includes £0.406m to support operation of a Community Grants Fund across each locality, with the allocations to each calculated with reference to relative shares of the city's population.

Other services

- 3.17 While the underlying needs basis of existing budgetary allocations reflects localities' differing profiles and challenges, no other budgets are explicitly managed, or allocated, by locality at present.

Further work

- 3.18 Cllr Graczyk's motion asked that officers review the effectiveness of existing budgetary arrangements in addressing poverty and inequality across the city's localities. Building on this initial analysis, a further report will therefore be brought to the Committee's meeting on 16 October 2018, setting out any potential or recommended changes consistent with this objective.

4. Measures of success

- 4.1 The Council's budgetary arrangements contribute positively to wider priority outcomes of reducing relative levels of poverty and inequality within the city.

5. Financial impact

- 5.1 There are no direct financial impacts as a result of this report, although more focused investment in localities has the potential to contribute positively to the effectiveness of wider preventative and early intervention-based initiatives across the city.

6. Risk, policy, compliance and governance impact

- 6.1 The Terms of Reference for Locality Committees make explicit provision for the assumption of additional budget-related decision-making powers.

7. Equalities impact

- 7.1 There are no direct equalities impacts as a result of this report, although more effective and outcome-focused investment in localities has the potential to reduce inequality and poverty within the city.

8. Sustainability impact

- 8.1 There are no direct carbon, climate change adaptation or sustainable development impacts as a result of this report.

9. Consultation and engagement

- 9.1 At this stage, there is no direct relevance to the report's contents although changes to existing budgetary arrangements could form part of future years' consultation and engagement.

10. Background reading/external references

- 10.1 [Motion by Cllr Graczyk](#) (Item 9.22), City of Edinburgh Council, 3 May 2018

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11. Appendices

None