# Notice of meeting and agenda

## Finance and Resources Committee

### 3.00pm, Tuesday 4 December 2018

Dean of Guild Court Room, City Chambers, High Street, Edinburgh

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

### Contact

E-mail: veronica.macmillan@edinburgh.gov.uk

Tel: 0131 529 4283

Email: stuart.johnston@edinburgh.gov.uk

Tel: 0131 529 7035

## 1. Order of business

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

## 2. Declaration of interests

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

## 3. Deputations

3.1 If any

## 4. Minutes

4.1 Minute of the Finance and Resources Committee of 11 October 2018 – submitted for approval as a correct record (circulated)

## 5. Forward planning

5.1 Finance and Resources Committee Work Programme (circulated)

5.2 Finance and Resources Committee Rolling Actions Log (circulated)

## 6 Business Bulletin

6.1 Business Bulletin (circulated)

## 7. Executive decisions

7.1 Implementing the Programme for the Capital: Coalition Commitments six monthly progress update – report by the Executive Director of Resources (circulated)

7.2 Depots Gateway Review – report by the Executive Director of Resources (circulated)

7.3 Revenue Budget Framework 2018/23 – Locality Expenditure – report by the Executive Director of Resources (circulated)

7.4 Revenue Monitoring 2018/19 – Month Six Position – report by the Executive Director of Resources (circulated)

7.5 Resources Directorate – Revenue Budget Monitoring 2018/19 – Month Six Position – report by the Executive Director of Resources (circulated)

7.6 Chief Executive – Revenue Budget Monitoring 2018/19 – Month Six Position – report by the Chief Executive (circulated)

7.7 Capital Monitoring 2018/19 – Half-Year Position – report by the Executive Director of Resources (circulated)

7.8 Treasury Management: Mid-Term Report 2018/19 – report by the Executive Director of Resources (circulated)

7.9 Workforce Dashboard – report by the Executive Director of Resources (circulated)

7.10 Disability Employment Gap – Motion Update – report by the Executive Director of Resources (circulated)

7.11 Bus Tracker - Provision During New System Implementation – report by the Executive Director of Place (circulated)

7.12 Edinburgh Targeted and Integrated Employability Service – report by the Executive Director of Place (circulated)

7.13 Edinburgh Shared Repairs Service (ESRS) – Progress Report – report by the Executive Director of Resources (circulated)

7.14 Edinburgh Living LLPs: Acquisition of Homes 2019/20 – report by the Executive Director of Place (circulated)

7.15 Extension of Service Level Agreement with Changeworks Resources for Life for Energy Advisory Services – Waiver Report – report by the Executive Director of Place (circulated)

7.16 a) Low Rise Housing Revenue Account Grounds Maintenance Works - Extension to Contract – report by the Executive Director of Place (circulated)

b) City Wide Security for Domestic Properties – Extension to Contract – report by the Executive Director of Place (circulated)

c) Award of Framework Agreement for: Garden Aid and Ad Hoc Grounds Maintenance Works for the period 1 March 2019 until 28 February 2023 – report by the Executive Director of Place (circulated)

7.17 Building Standards Improvement Team – Extension to Contracts – report by the Executive Director of Place (circulated)

7.18 Temporary Accommodation Off-Contract Waiver – report by the Executive Director for Communities and Families (circulated)

7.19 Equally Safe – Multi Agency Centre (ESMAC) for Gender Based Violence and Child Protection – report by the Executive Director for Communities and Families (circulated)

7.20 Edinburgh Schools Partnership Settlement – report by the Chief Executive (circulated)

## 8. Routine decisions

8.1 Proposed new leases at Hawes Pier, South Queensferry – report by the Executive Director of Resources (circulated)

8.2 Proposed Lease extension 18-20 High Street, Edinburgh – report by the Executive Director of Resources (circulated)

8.3 Proposed Lease extension at 5-11 Leith Street, Edinburgh, EH1 3AT – report by the Executive Director of Resources (circulated)

8.4 Driving for the Council Policy – report by the Executive Director of Resources (circulated)

8.5 Retirement Policy – report by the Executive Director of Resources (circulated)

8.6 Special Leave Policy – report by the Executive Director of Resources (circulated)

8.7 Award of Treasury Management Advisory Services Contract for the period 1 January 2019 until 31 December 2022 – report by the Executive Director of Resources (circulated)

8.8 King's Theatre Capital Project Update Report – referral from the Culture and Communities Committee (circulated)

## 9. Motions

9.1 None

**Laurence Rockey**

Head of Strategy and Communications

## Committee Members

Councillors Rankin (Convener), Donaldson (Vice-Convener), Kate Campbell, Corbett, Gordon, Hutchison, Johnston, Miller, Neil Ross, Watt and Whyte.

## Information about the Finance and Resources Committee

The Finance and Resources Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The Finance and Resources Committee usually meets every eight weeks.

The Finance and Resources Committee usually meets in the Dean of Guild Court Room in the City Chambers on the High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

## Further information

If you have any questions about the agenda or meeting arrangements, please contact Stuart Johnston, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Tel 0131 529 7035 or email stuart.johnston@edinburgh.gov.uk

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

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

For remaining item of business likely to be considered in private, see separate agenda.

## Webcasting of Council meetings

Please note this meeting may be filmed for live and subsequent broadcast via the Council's internet site – at the start of the meeting the Convener will confirm if all or part of the meeting is being filmed.

The Council is a Data Controller under the General Data Protection Regulation and Data Protection Act 2018. We broadcast Council meetings to fulfil our public task obligation to enable members of the public to observe the democratic process. Data collected during this webcast will be retained in accordance with the Council's published policy including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site.

Generally the public seating areas will not be filmed. However, by entering the Council Chamber and using the public seating area, individuals may be filmed and images and sound recordings captured of them will be used and stored for web casting and training purposes and for the purpose of keeping historical records and making those records available to the public.

Any information presented by individuals to the Council at a meeting, in a deputation or otherwise, in addition to forming part of a webcast that will be held as a historical record, will also be held and used by the Council in connection with the relevant matter until that matter is decided or otherwise resolved (including any potential appeals and other connected processes). Thereafter, that information will continue to be held as part of the historical record in accordance with the paragraphs above.

If you have any queries regarding this, and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact Committee Services (committee.services@edinburgh.gov.uk).

# Minutes

# Finance and Resources Committee

## 10.00am, Thursday 11 and Monday 22 October 2018 (reconvened on 22 October 2018)

**Present 11 October 2018**

Councillors Rankin (Convener), Donaldson (Vice-Convener), Kate Campbell, Corbett, Gordon, Hutchison, Johnston, Miller, Neil Ross, Watt, and Whyte.

**Present 22 October 2018**

Councillors Rankin (Convener), Donaldson (Vice-Convener), Jim Campbell (substituting for Councillor Johnston), Kate Campbell, Corbett, Gordon, Hutchison, Laidlaw (substituting for Councillor Whyte), Miller, Neil Ross and Watt.

## 1. New Meadowbank Sports Centre Construction Contract

### 1.1 Deputation

The Committee agreed to hear a deputation from Lloyd Quinan on behalf of the Save Meadowbank Group in relation to the report on the New Meadowbank Sports Centre Construction Contract.

The deputation highlighted the following:

- That the proposal as detailed in the report was flawed and contained inaccurate information.
- There was a risk of a financial shortfall and clarity on the funding gap should be provided before proceeding any further.
- Concerns were expressed about the consultation process and people in the community did not think they were being listened to. A city-wide consultation should be carried out as Meadowbank was a city-wide asset and an international sports stadium.
- Elected Members were encouraged to reject the report, and postpone a decision until the consultation was complete and a masterplan had been approved by the Planning Committee.

The Convener thanked the Deputation and invited them to remain for the Committee's consideration of the report by the Executive Director for Communities and Families (item 1.2).

## 1.2 Report by the Executive Director for Communities and Families

The Committee considered a report which set out the current position regarding the funding package for the new Meadowbank Stadium and sought the approval to award the contract for the construction of the new Meadowbank Sports Centre to Graham Construction Ltd for the contract sum of £39,294,291 following a competitive tender process utilising the Council's Contractor Works Framework to identify the most economically advantageous tenderer.

**Motion**

1) To approve the award of the contract for the construction of the new Meadowbank Sports Centre to Graham Construction Ltd for a contract sum of £39,294,291.

2) To note the position with regard to the future development of the remaining Meadowbank site.

3) To agree to withdraw the proposed sale of the Westbank site from the open market and to request the Executive Director of Place worked with the local community to establish a master plan that sought to deliver a balance between financial return and local community place-making aspirations.

4) To instruct officers to engage with joint owners of the site, Powerleague, to achieve the outcome in paragraph 1.1.3 of the report by the Executive Director for Communities and Families.

5) To agree a report was brought back to the Finance and Resources Committee on the conclusions of the actions in paragraphs 1.1.3 and 1.1.4 of the report by the Executive Director for Communities and Families with regard to the legal, financial and local community implications as soon as practicable.

6) To note the funding position for the project as described in paragraphs 3.12-3.17 of the report by the Executive Director for Communities and Families and to ensure that £7m of unallocated funding within the capital budget framework remained unallocated until there was greater certainty over the level of capital receipts generated.

- Moved by Councillor Rankin, seconded by Councillor Donaldson

**Amendment 1**

1) To approve the award of the contract for the construction of the new Meadowbank Sports Centre to Graham Construction Ltd for a contract sum of £39,294,291.

2) To note the position with regard to the future development of the remaining Meadowbank site.

3) To agree to withdraw the proposed sale of the Westbank site from the open market and to request the Executive Director of Place worked with the local community to establish a master plan that sought to deliver a balance between financial return and local community place-making aspirations.

4) To instruct officers to engage with joint owners of the site, Powerleague, to achieve the outcome in paragraph 1.1.3 of the report by the Executive Director for Communities and Families.

5) To agree a report was brought back to the Finance and Resources Committee on the conclusions of the actions in paragraphs 1.1.3 and 1.1.4 of the report by the Executive Director for Communities and Families with regard to the legal, financial and local community implications as soon as practicable.

6) To note the funding position for the project as described in paragraphs 3.12-3.17 of the report by the Executive Director for Communities and Families and to ensure that £7m of unallocated funding within the capital budget framework remained unallocated until there was greater certainty over the level of capital receipts generated.

7) To agree to amend one of the measures of success described in paragraph 4.1 of the report by the Executive Director for Communities and Families to state success would be measured on the successful completion of a mixed development on the remaining land taking account of community consultation, instead of the development of more than 300 new homes.

- Moved by Councillor Corbett, seconded by Councillor Miller

In terms of Standing Order 21(11), the amendment was accepted as an addendum to the motion.

**Amendment 2**

1) To refer the report to the City of Edinburgh Council on 25 October 2018 for approval.

2) To request the Executive Director of Place to work with the local community in Meadowbank to establish a master plan for remaining Meadowbank site that sought to deliver a balance between financial return and local community place-making aspirations.

3) To ask officers to provide full financial modelling within the report for the potential £7m gap in capital receipts.

**Voting**

The voting was as follows:

| | | |
|---|---|---|
| For the motion (as adjusted) | - | 8 votes |
| For amendment 2 | - | 3 votes |

(For the motion: Councillors Kate Campbell, Corbett, Donaldson, Gordon, Miller, Rankin, Neil Ross, and Watt.

For amendment 2: Councillors Hutchison, Johnston, and Whyte.)

In terms of standing order 29.2, the Convener ruled that a final decision had to be made before the next meeting of the City of Edinburgh Council. The Convener highlighted the risks associated with the contract and the Council's reputation as justification for his ruling.

**Decision**

1) To approve the award of the contract for the construction of the new Meadowbank Sports Centre to Graham Construction Ltd for a contract sum of £39,294,291.

2) To note the position with regard to the future development of the remaining Meadowbank site.

3) To agree to withdraw the proposed sale of the Westbank site from the open market and to request the Executive Director of Place worked with the local community to establish a master plan that sought to deliver a balance between financial return and local community place-making aspirations.

4) To instruct officers to engage with joint owners of the site, Powerleague, to achieve the outcome in paragraph 1.1.3 of the report by the Executive Director for Communities and Families.

5) To agree a report was brought back to the Finance and Resources Committee on the conclusions of the actions in paragraphs 1.1.3 and 1.1.4 of the report by the Executive Director for Communities and Families with regard to the legal, financial and local community implications as soon as practicable.

6) To note the funding position for the project as described in paragraphs 3.12-3.17 of the report by the Executive Director for Communities and Families and to ensure that £7m of unallocated funding within the capital budget framework remained unallocated until there was greater certainty over the level of capital receipts generated.

7) To agree to amend one of the measures of success described in paragraph 4.1 of the report by the Executive Director for Communities and Families to state success would be measured on the successful completion of a mixed development on the remaining land taking account of community consultation, instead of the development of more than 300 new homes.

(References – Act of Council (No. 2), 9 February 2017; report by Executive Director for Communities and Families, submitted.)

## 3. Minutes

**Decision**

To approve the minutes of the Finance and Resources Committee of 27 September 2018 as a correct record.

## 4. Gender Pay Gap

In accordance with duties arising as a result of the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, details were provided of the Council's gender pay gap data based on data from 31 March 2018.

**Motion**

1) To note the gender pay gap report to be published in October 2018.

2) To agree that the gender pay gap be published with a foreword from the Chief Executive and confirmed that the published gender pay gap information was accurate and attested to the accuracy of the calculations.

- Moved by Councillor Rankin, seconded by Councillor Donaldson

**Amendment**

1) To note the gender pay gap report to be published in October 2018.

2) To agree that the gender pay gap be published with a foreword from the Chief Executive and confirmed that the published gender pay gap information was accurate and attested to the accuracy of the calculations.

3) To note the further analysis and actions outlined in paragraphs 3.26 and 3.27 of the report by the Executive Director of Resources, and to call for an update on these activities in not more than 12 months.

- Moved by Councillor Miller, seconded by Councillor Corbett

In terms of Standing Order 21(11), the amendment was accepted as an addendum to the motion.

**Decision**

1) To note the gender pay gap report to be published in October 2018.

2) To agree that the gender pay gap be published with a foreword from the Chief Executive and confirmed that the published gender pay gap information was accurate and attested to the accuracy of the calculations.

3) To note the further analysis and actions outlined in paragraphs 3.26 and 3.27 of the report by the Executive Director of Resources, and to call for an update on these activities in not more than 12 months.

(Reference – report by Executive Director of Resources, submitted.)

## 5. Finance and Resources Committee Work Programme

The Finance and Resources Committee Work Programme was submitted.

**Decision**

To note the Work Programme.

(Reference – Finance and Resources Committee Work Programme, submitted.)

## 6. Rolling Actions Log

The Finance and Resources Committee Rolling Actions Log was submitted.

**Decision**

1) To agree to close actions 2, 7, 8, 9, 10, 11, 12, 13 and 16.

2) To agree to amend action 1 to reflect that the responsibility for this action now rested with the Executive Director for Communities and Families and not the Head of Safer and Stronger Communities.

3) To otherwise note the Rolling Actions Log.

(Reference – Rolling Actions Log, submitted.)

## 7. Revenue Monitoring 2018/19 – progress update

An update was provided on progress in addressing the projected in-year overspend and a proposed timeline for identifying measures, the full effect of which would provide greater stability across the framework going forward.

**Decision**

1) To agree to refer the report to the City of Edinburgh Council meeting on the 25 October 2018 for consideration and approval.

2) To agree that further information around the proposed £1m of how uncommitted monies would be spent be prepared to inform the Council's consideration on 25 October 2018.

**Declaration of Interests**

Councillor Donaldson declared a non-financial interest in the above item as a member of UNISON.

(References – Finance and Resources Committee, 16 August 2018 (Item 6); report by the Executive Director of Resources, submitted.)

## 8. Consultants Costs 2017/18

Details were provided of expenditure on consultants for provision of professional services during 2017/18.

**Decision**

1) To note the revenue and capital expenditure for provision of professional services in financial year 2017/18.

2) To note the overall reduction of £1.268m in Council expenditure on professional services between 2016/17 and 2017/18.

(References – Finance and Resources Committee, 5 September 2017 (Item 18); report by Executive Director of Resources, submitted.)

## 9. Wave 4 Infrastructure Investment Programme

The Committee considered a report which provided an update on the Wave 4 Infrastructure Investment Programme which focused on the replacement of seven secondary schools throughout the city which had not benefitted from any investment through the PPP1, PPP2 or Wave 3 investment programmes.

**Decision**

1) To remit the report to the City of Edinburgh Council on 25 October 2018 to approve reallocation of the existing £25m Wave 4 capital budget to Castlebrae High School and Bangholm sports facilities and to note that a further report would be considered by the Finance and Resources Committee prior to any contract award.

2) To note the revenue implications (included in the Business Case attached at Appendix 1 of the report) of proceeding with the Castlebrae High School replacement and Bangholm sports facility (Trinity Academy) projects as approved by the Education, Children and Families Committee on 21 June 2018.

3) To note the detailed business case for the full Wave 4 investment programme, including all capital and revenue financial implications and the proposed delivery timescales, detailed in Appendix 1 of the report.

4) To note that the anticipated capital funding gap for the Wave 4 Programme over the next 5 years would be considered as part of the Council's capital budget setting process in February 2019.

5) To approve that further work to provide more exact financial modelling on the long term capital and revenue implications of each specific project within the Wave 4 Programme (including the implications of adopting a Passivhaus or similar approach to design where possible) be progressed and provided where necessary as information to support the budget setting process in February 2019.

6) To approve that any opportunity to secure funding from the Scottish Government for infrastructure investment be progressed and that any funding secured was used to accelerate delivery of any projects based on the prioritisation for investment approved by the Education, Children and Families Committee on 21 June 2018.

**Declaration of Interests**

Councillor Neil Ross declared a non-financial interest in the above item as his wife was a teacher in Leith Academy.

(References – Education, Children and Families Committee, 21 June 2018 (Item 3); report by the Executive Director of Resources, submitted.)

## 10. Workforce Dashboard

The Committee considered a report which provided a summary of workforce metrics for FTE, basic salary, new starts and leavers, monthly costs (overtime, agency, casual/supply, working time payments), absence, transformation/redeployment, risk, and performance, as detailed on the Finance and Resources Committee Workforce Dashboard, for the period of July 2018.

**Decision**

To note the workforce information contained in the dashboard.

(References – Finance and Resources Committee, 16 August 2018 (Item 17); report by the Executive Director of Resources, submitted.)

## 11. Fraud Prevention and Detection – Annual Report

Details were provided on fraud prevention and detection activities undertaken in 2017/18.

**Decision**

To note the report.

(References – Finance and Resources Committee, 5 September 2017 (Item 14); report by Executive Director of Resources, submitted.)

## 12. Cost of Royal Activities

In response to the City of Edinburgh Council decision of 23 August 2018, an estimate of costs that arose from Royal activities was provided.

**Decision**

1) To welcome the report from the Office of the Lord Provost on the cost of Royal activities in relation to the ex officio role of Lord Lieutenant.

2) To note the estimated expenditure for the period May 2017 to May 2018.

(References – Act of Council (No. 7), 23 August 2018; report by the Chief Executive, submitted.)

## 13. Edinburgh Living: Management, Maintenance and Letting Services – Award of Contract Under Delegated Authority

Approval was sought to delegate authority to the Executive Director of Place to award a contract to the most economically advantageous organisation identified following conclusion of the competitive tendering process. This would mitigate the risk of completed homes remaining empty into the new calendar year.

**Decision**

1) To delegate authority to the Executive Director of Place, in consultation with the Convener and Vice Convener of the Finance and Resources Committee, to award the contract to the most economically advantageous organisation identified following a competitive tendering process.

2) To note that the contract value was estimated to be £3.2 million to £3.3 million over a maximum period of six years.

3) To approve the provision of a short-term facility for Edinburgh Living to manage their cash flow position up to a maximum of £0.25m.

4) To agree that an update report on this item be provided to a future meeting.

**Declaration of Interests**

Councillor Kate Campbell declared a non-financial interest in the above item as a board member of Edinburgh Living Corporate Body.

(References – Act of Council (No. 9), 15 March 2018; report by the Executive Director of Place, submitted.)

## 14. Removal of Charges for Child Burials and Cremations

The Committee considered a report which advised current Council policy was to waive charges for burial (interment) and cremation of a child under 16 and to apply discretionary charges for new lairs (burial plots). An agreement had been made between COSLA Leaders and the Scottish Government for the removal of all charges for burial or cremation of a child under 18.

Approval was sought to extend the waiving of burial and cremation charges for children under 16 to children under 18 and to stop discretionary charging for new lairs for children under 18 years of age.

**Decision**

1) To note the report and the agreement between COSLA and Scottish Government.

2) To approve a change to Council policy of not charging for burial (interment) and cremation of children under 16, by extending this to children under 18 years of age.

3) To approve the end to the provision of discretionary charging for new lairs (burial plots) for child interment.

4) To agree to waive Council burial and cremation charges for family arranged funerals of a still born child.

5) To agree to waive Council burial and cremation charges for “looked after children” under 26 years of age where the Council had a duty of after care.

(Reference – report by the Executive Director of Place, submitted.)

## 15. Resolution to Consider in Private

The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraphs 8 and 9 of Part 1 of Schedule 7(A) of the Act.

## 16. Variation to Care at Home Contract

Details were provided of the action taken to vary the care at home contract by the Council which allowed for the payment of increased hourly rates as an incentive to increase care at home capacity.

**Decision**

To note the action taken to vary the care at home contract under the urgency procedure of paragraph 4.1 of the Committee terms of reference and delegated functions.

(Reference – by the Chief Officer, Edinburgh Health and Social Care Partnership, submitted.)

## 17. Adjournment

**Decision**

To adjourn this meeting in terms of Standing Order 20 and continue the remaining business of the meeting to an adjourned meeting of the Finance and Resources Committee to take place on 22 October 2018.

## 18. Resumption

The Convener reconvened the meeting adjourned from 11 October on 22 October 2018.

## 19. Resources Directorate - Internal Audit Update

An update was provided on progress being made to address the High rated audit findings previously identified by the Councilwide Drivers Health and Safety Audit and the Phishing Resilience Internal Audit.

**Decision**

To note the update on the high rated Internal Audit findings and actions to address these by the Resources Directorate for the period 1 January to 31 July 2018.

(References – Finance and Resources Committee, 16 August 2018 (Item 10); report by Executive Director of Resources, submitted.)

## 20. Leith Meanwhile Uses

Details were provided on the Council's successful bid for £750k from the Scottish Government's Regeneration Capital Grant Fund to deliver 'meanwhile' uses at 165 and 165a Leith Walk prior to the site being redeveloped.

**Decision**

1) To note that the Council secured £750k of funding from the Scottish Government's Regeneration Capital Grant Fund to deliver a 'meanwhile' uses project. This comprised the refurbishment of 165a Leith Walk and the formation of creative workspaces and community space on part of the plot at the rear (formed by the demolition of the derelict former tram depot).

2) To note the progress with the project pilot's activities in the area.

3) To agree that an end of project report would come to Committee once the project was concluded, and would include lessons learned and would explore how the model could be extended further where appropriate.

(References – Economy Committee, 25 April 2017 (Item 5); report by Executive Director of Resources, submitted.)

## 21. Engineering Inspection Renewal

Approval was sought to extend the contract for engineering inspections with Zurich Municipal from 1 July 2018 for a period of 1 year to allow the Council to meet its mandatory statutory compliance obligations. The total value of the extension was £274,036 excluding VAT.

**Decision**

1) To approve the extension of the engineering inspection contract to Zurich Municipal for a period of 12 months.

2) To note that the contract expired on 30 June 2018 and the extension was therefore sought as a Waiver to the Council's Contract Standing Orders.

(References – Finance and Resources Committee, 16 August 2018 (Item 20); report by Executive Director of Resources, submitted.)

## 22. Framework Agreement for Unescorted Passenger Journeys

Approval was sought to establish a framework agreement for Unescorted Passenger Journeys, which would replace a similar framework agreement.

**Decision**

1) To approve the establishment of the framework agreement and the award onto the framework agreement of two providers, Central Radio Taxis (Tollcross) Ltd and Edinburgh City Private Hire Ltd, ranked first and second respectively. The framework agreement would commence on 15 December 2018 for a period of three years, with an option to extend for a further 12 months, and the estimated value was between £1,000,000 and £1,500,000 per annum, depending on usage.

2) To note that changes had been made to the service specification to reduce environmental impact, specifically by imposing restrictions on vehicle age and emissions.

(Reference – report by Executive Director of Place, submitted.)

## 23. Waiver report for Edinburgh and Midlothian Offender Recovery Service

Approval was sought for a waiver of Contract Standing Orders to allow the direct award of a contract to Change Grow Live (CGL) to deliver the Edinburgh and Midlothian Offender Recovery Service (EMORS).

**Decision**

To approve the direct award of the contract to Change Grow Live for the continued delivery of the Edinburgh and Midlothian Offender Recovery Service for the period 1 April 2019 to 31 March 2020.

(Reference – report by Executive Director for Communities and Families, submitted.)

## 24. Continuation of Community Transport Public Social Partnership

The Committee was invited to approve to continue a Public Social Partnership (PSP) for a number of Third Sector Community Transport (CT) organisations.

**Decision**

1) To approve the continuation of the Public Social Partnership between the City of Edinburgh Council and Community Transport providers.

2) To note the scalable examples already tested by the PSP and CT providers, leading to cost reductions and direct savings in from 2016-2019.

3) To approve funding for three years (from 1 April 2019 to 31 March 2022), on the basis that the CT sector, in partnership with the City of Edinburgh Council combine resources, expertise, knowledge and capability to tackle increases in demand across Communities and Families and the Edinburgh Health and Social Care Partnership.

4) To approve the inclusion of funds currently spent on additional journeys organised and delivered on behalf of the Council to the sum of £199,000 broken down as follows: • £42,000 – BeAble – Reablement Day Care - HcL Handicabs (Lothian); • £50,000 - Link Library – SEAG; • £75,000 – Health and Equalities – SEAG*; and • £32,000 - Capability Scotland and South Queensferry– Dove. *(subject to outcome of Edinburgh Integrated Joint Board grant review programme.)

5) To approve the additional funds associated with the transfer of provision currently planned and delivered by the Council to community based clubs and day services (set out in appendix 1 of the report by the Executive Director of Place).

6) To approve the allocation of "one off" allocation of £26,000 per CT provider (£130,000 in total) and no further vehicle allocation at a saving of £670,000 over four years. CT providers would have their vehicle replacement requirements assessed as part of the whole fleet evaluation in order to maximise available capacity and to share resources efficiently.

7) To note the delivery of community based transport within localities to meet local needs, improve resilience and responsiveness while reducing harmful emissions.

8) To note the intention to address the Compact Partnership Strategy 2015-2020 to find cooperative solutions to service and budget pressures, prevention and mitigation of poverty and inequality.

(Reference – report by Executive Director of Place, submitted.)

## 25. Disposal of Former Close Support Unit, 83 Pentland View

Approval was sought to appoint Buckley Building UK Limited as the preferred bidder on the terms and conditions outlined in the report.

**Decision**

1) To approve that Buckley Building UK Limited be selected as preferred bidder for the disposal of the Former Close Support Unit, 83 Pentland View on the terms and conditions as outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

2) To agree to incorporate to the forthcoming workshop on concessionary lets, a discussion about future sales of Council properties/assets and how a better balance could be achieved between what was acceptable to local communities and the financial aspirations of the Council.

(Reference – report by Executive Director of Resources, submitted.)

## 26. Award of One to Many Core Workshops Framework

Approval was sought to award a framework for the provision of Business Gateway core workshops.

**Decision**

1) To approve the establishment of the One to Many Core Workshops Framework and the award four providers over the four lots as listed at Appendix 2 of the report by the Executive Director of Place.

2) To note the framework agreement would commence on 1 November 2018 for a period of two years, with the option to extend for up to a further two years, at 12-month intervals.

3) To note that over the four-year duration the total estimated value of the contracts awarded under the framework agreement was £1,518,150. The net cost to the Council for delivery of the framework was £118,192.

(Reference – report by Executive Director of Place, submitted.)

## 27. Contract Awards and Procurement Programme (Period 1 January – 30 June 2018)

An update was provided on the scope of contracts awarded across the Council in the period 1 January to 30 June 2018. Details of the forthcoming procurement programme in relation to expected higher value contracts across the Council were also provided.

**Decision**

To note the report by the Executive Director of Resources and the authorisations made under delegated authority. A further report would be submitted to the Finance and Resources Committee in approximately six months' time.

(References – Finance and Resources Committee, 27 March 2018 (Item 23); report by Executive Director of Resources, submitted.)

## 28. Summary Report on Property Transactions concluded under Delegated Authority

Details were provided of all lease agreements, etc. concluded in terms of the Council's 'Scheme of Delegation to Officers'.

**Decision**

To note the 59 transactions detailed in the Appendix attached to the report by the Executive Director of Resources had been concluded in terms of the Council's 'Scheme of Delegation to Officers.'

**Declaration of Interests**

Councillor Whyte declared a non-financial interest in the above item as a member of the Leith Rules Golf Society.

(Reference – report by Executive Director of Resources, submitted.)

## 29. Resolution to Consider in Private

The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraphs 6, 8 and 9 of Part 1 of Schedule 7(A) of the Act.

## 30. Purchase of developer share in National Housing Trust Limited Liability Partnership

The Committee considered a report which advised that that in October 2011, the Council entered into a Limited Liability Partnership (LLP) with Miller Homes Limited (Miller) and the Scottish Future Trust (SFT), to own and manage 89 homes for mid-market rent at Telford North. Approval was sought to purchase Miller's share of the LLP and to refer the report to the City of Edinburgh Council for ratification for use of the Council Tax Discount Fund.

**Decision**

1) To agree to purchase Miller Homes Limited share in the Telford North LLP as recommended in the report by the Executive Director of Place using the Council Tax Discount Fund.

2) To agree to refer the report to City of Edinburgh Council on 25 October 2018 for ratification for use of the Council Tax Discount Fund.

3) To agree that a briefing note on the general principles of taxation policy be circulated to members of the Finance and Resources, and Housing and Economy Committees.

(References – Finance and Resources Committee, 30 August 2011 (Item 10); report by Executive Director of Place, submitted.)

# Work Programme

# Item No 5.1

## Finance and Resources Committee

| Item | Key decisions | Expected date of decision | Wards affected | Director and lead officer | Progress updates | Council Commitments |
|---|---|---|---|---|---|---|
| 1. | Operational Governance: Review of Contract Standing Orders | February 2019 | | Executive Director of Resources<br>Lead Officer: Lynette Robertson<br>0131 469 3810<br>lynette.robertson@edinburgh.gov.uk | | |
| 2. | Chief Executive Revenue Monitoring - Period 8 | February 2019 | | Executive Director of Resources<br>Lead Officer: Iain Shaw<br>0131 469 3117<br>iain.shaw@edinburgh.gov.uk | | |
| 3. | Asset Management strategy Update | February 2019 | | Executive Director of Resources<br>Lead Officer: Peter Watton<br>0131 529 5962<br>peter.watton@edinburgh.gov.uk | Quarterly | |
| 4. | Resources Revenue Monitoring - Period 8 | February 2019 | | Executive Director of Resources<br>Lead Officer: Iain Shaw<br>0131 469 3117<br>iain.shaw@edinburgh.gov.uk | | |

| Item | Key decisions | Expected date of decision | Wards affected | Director and lead officer | Progress updates | Council Commitments |
|---|---|---|---|---|---|---|
| 5. | Revenue Monitoring 2018/19 – Period 8 | February 2019 | | Executive Director of Resources<br>Lead Officer: Hugh Dunn<br>0131 469 3150<br>hugh.dunn@edinburgh.gov.uk | | |
| 6. | Capital Monitoring 2018/19 – Period 8 | February 2019 | | Executive Director of Resources<br>Lead Officer: Hugh Dunn<br>0131 469 3150<br>hugh.dunn@edinburgh.gov.uk | | |
| 7. | Council Change Strategy: Planning for Change and Delivering Services 2019-2023 | February 2019 | | Executive Director of Resources<br>Lead Officer: Hugh Dunn<br>0131 469 3150<br>hugh.dunn@edinburgh.gov.uk<br><br>Chief Executive<br>Lead Officer: Laurence Rockey<br>0131 469 3493<br>Laurence.Rockey@edinburgh.gov.uk | | |
| 8. | Risks and Reserves | February 2019 | | Executive Director of Resources<br>Lead Officer: Hugh Dunn<br>0131 469 3150<br>hugh.dunn@edinburgh.gov.uk | | |
| 9. | Capital Budget updates | February 2019 | | Executive Director of Resources<br>Lead Officer: Denise Pryde | | |

| Item | Key decisions | Expected date of decision | Wards affected | Director and lead officer | Progress updates | Council Commitments |
|---|---|---|---|---|---|---|
| | | | | 0131 469 3195<br>denise.pryde@edinburgh.gov.uk | | |
| 10. | Commercial Excellence Programme | February 2019 | | Executive Director of Resources<br>Lead Officer: Lynette Robertson<br>0131 469 3810<br>lynette.robertson@edinburgh.gov.uk | | |
| 11. | Managing Organisational Change Policy | February 2019 | | Executive Director of Resources<br>Lead Officer: Katy Miller<br>0131 469 5522<br>katy.miller@edinburgh.gov.uk | | |
| 12. | Workforce Dashboard | February 2019 | | Executive Director of Resources<br>Lead Officer: Katy Miller<br>0131 469 5522<br>katy.miller@edinburgh.gov.uk | All F&R Committee's | |
| 13. | Annual report – Debt Write off | February 2019 | | Executive Director of Resources<br>Lead Officer: Nicola Harvey<br>0131 469 5006<br>nicola.harvey2@edinburgh.gov.uk | Annual | |
| 14. | Proposed Lease – Morgans Playing Fields, Peffermill Road, Edinburgh | March 2019 | 15 | Executive Director of Resources<br>Lead Officer: Brian Paton<br>0131 469 5228<br>brian.paton@edinburgh.gov.uk | | |

| Item | Key decisions | Expected date of decision | Wards affected | Director and lead officer | Progress updates | Council Commitments |
|---|---|---|---|---|---|---|
| 15. | Summary Report on Property Transactions concluded under Delegated Authority | March 2019 - tbc | | Executive Director of Resources<br>Lead Officer: Peter Watton<br>0131 529 5962<br>peter.watton@edinburgh.gov.uk | Quarterly | |
| 16. | Health & Safety Performance Report 2018 | March 2019 | | Executive Director of Resources<br>Lead Officer: Susan Tannahill<br>0131 553 8336<br>susan.tannahill@edinburgh.gov.uk | Annual | |
| 17. | Contract Awards and Procurement Programme (6 monthly reports) | May 2019 – tbc | | Executive Director of Resources<br>Lead Officer: Lynette Robertson<br>0131 469 3810<br>lynette.robertson@edinburgh.gov.uk | Every 6 months | |
| 18. | Annual Workforce Controls | June 2019 | | Executive Director of Resources<br>Lead Officer: Katy Miller<br>0131 469 5522<br>katy.miller@edinburgh.gov.uk | Annual | |
| 19. | Finance Policies Assurance Statement | August 2019 | | Executive Director of Resources<br>Lead Officer: Hugh Dunn<br>0131 469 3150<br>hugh.dunn@edinburgh.gov.uk | Annual | |

| Item | Key decisions | Expected date of decision | Wards affected | Director and lead officer | Progress updates | Council Commitments |
|---|---|---|---|---|---|---|
| 20. | Treasury Management Annual report | August 2019 | | Executive Director of Resources<br>Lead Officer: Innes Edwards<br>0131 469 6291<br>innes.edwards@edinburgh.gov.uk | Annual | |
| 21. | Commercial and Procurement Annual report | August 2019 | | Executive Director of Resources<br>Lead Officer: Lynette Robertson<br>0131 469 3810<br>lynette.robertson@edinburgh.gov.uk | Annual | |
| 22. | Capital Monitoring Outturn Report | August 2019 | | Executive Director of Resources<br>Lead Officer: Hugh Dunn<br>0131 469 3150<br>hugh.dunn@edinburgh.gov.uk | Annual | |
| 23. | Revenue Monitoring Outturn report | August 2019 | | Executive Director of Resources<br>Lead Officer: Hugh Dunn<br>0131 469 3150<br>hugh.dunn@edinburgh.gov.uk | Annual | |
| 24. | Carbon Reduction Commitment (CRC annual report | September 2019 | | Executive Director of Resources<br>Lead Officer: Alison Henry<br>0131 469 3172<br>alison.henry@edinburgh.gov.uk | Annual | |
| 25. | Common Good Annual | September 2019 | | Executive Director of Resources<br>Lead Officer: Liam McDonald | Annual | |

| Item | Key decisions | Expected date of decision | Wards affected | Director and lead officer | Progress updates | Council Commitments |
|---|---|---|---|---|---|---|
| | Performance | | | 0131 469 3174<br>liam.macdonald@edinburgh.gov.uk | | |
| 26. | Consultants Costs | September 2019 | | Executive Director of Resources<br>Lead Officer: Iain Shaw<br>0131 469 3117<br>iain.shaw@edinburgh.gov.uk | Annual | |
| 27. | Fraud Prevention and Detection - Annual Report | October 2019 | | Executive Director of Resources<br>Lead Officer: Nicola Harvey<br>0131 469 5006<br>nicola.harvey2@edinburgh.gov.uk | Annual | |

# Rolling Actions Log    Item No 5.2

## Finance and Resources Committee

4 December 2018

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|---|---|---|---|---|---|---|---|
| 1. | 23 February 2017 | Strategic Direction for Tackling Homelessness | To agree that the Executive Director for Communities and Families would report back to a future Committee on the impact the implementation of the new Homelessness Strategy would have on shortening the period of contract extensions. | Executive Director for Communities and Families | 1 February 2019 | | An update will be provided early 2019 on the impact of implementation one year on. |
| 2. | 27 March 2018 | Sickness Absence Policy | To note that, in addition to the standard review process, a report would be brought to committee 12 months after implementation of | Executive Director of Resources | November 2019 | | This policy will be implemented in October 2018 and reviewed 12 months thereafter. |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|---|---|---|---|---|---|---|---|
| | | | this policy to review its impact and make any further recommendations for potential improvement. | | | | |
| 3. | 12 June 2018 | Provisions of Registrar Services | To agree a report would be brought back to Committee reporting on registrar provision across the city. | Executive Director of Place | On-going | | This activity will be picked up as part of the Council's wider Asset Management review and will be reported in due course. |
| 4. | 12 June 2018 | Expansion of Early Learning and Childcare from 600-1400 hours by 2020 – Current Progress and Next Steps | To agree to provide a briefing to Councillor Johnston on the model for delivery of 1140 hours of childcare. | Executive Director for Communities and Families | As soon as possible | | Arrangements are currently being made for officers to meet with Councillor Johnston. |
| 5. | 12 June 2018 | Award of Festival Attraction Contract for the Summer Period in Princes Street Gardens | 1) To agree to circulate a briefing note to members on the length of time that the grass in Princes Street Gardens | Executive Director of Place | | 23 October 2018 | Briefing Note was circulated to Councillors – closed. |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|---|---|---|---|---|---|---|---|
| | | | would be out of use as a result of the Festival Contract.<br>2) The Head of Place Management to investigate the policy on the use of greenspace for events and report back to Councillor Miller. | <br><br><br>Executive Director of Place | <br><br><br>31 December 2018 | | |
| 6. | 16 August 2018 | Construction Charter | To recognise that the Charter was a living document and agree that work with the Trade Unions and contractors would continue during the implementation phase, with a report reviewing the Charter to be brought back to Committee in 12 months. | Executive Director of Resources | 15 August 2019 | | |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|---|---|---|---|---|---|---|---|
| 7. | 27 September 2018 | Carbon Reduction Commitment (CRC) Annual Report | To agree to circulate a briefing note which summarised the outcomes from a recent exercise with Napier University on the mid to long term energy strategy for the council's operational buildings along with some recently published figures by Scottish Government. | Executive Director of Resources | 31 October 2018 | 5 November 2018 | Briefing Note was circulated to Councillors – closed. |
| 8. | 27 September 2018 | Asset Management Strategy Transformation Programme - Update | To note that, due to the complexity of preparing guidance on concessionary lets, the Head of Property and Facilities Management would make arrangements for a meeting to be held where live examples would be given, one from the operational | Executive Director of Resources | | 7 November 2018 | The workshop was held on 7 November 2018 – closed. |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|---|---|---|---|---|---|---|---|
| | | | and one from the investment estate to help officers understand how to be inclusive of the many issues members have encountered. | | | | |
| 9. | 11 October 2018 | Revenue Monitoring 2018/19 – progress update | To agree that a supplementary report, which provided further information around how the proposed £1m of uncommitted monies would be spent, also be prepared for the Full Council meeting being held on 25 October 2018. | Executive Director of Resources | | | Report considered at Council on 25 October 2018 – closed. |
| 10. | 11 October 2018 | Gender Pay Gap | Notes the further analysis and actions outlined in paragraphs 3.26 and 3.27 of the report, and calls for an update on these | Executive Director of Resources | October 2019 | | |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|---|---|---|---|---|---|---|---|
| | | | activities in not more than 12 months. | | | | |
| 11. | 11 October 2018 | Edinburgh Living: Management, Maintenance and Letting Services - Award of Contract Under Delegated Authority | 1) To agree that an update report on this item be provided to a future meeting.<br><br>2) To agree that detailed questions members would like to raise related to the contract would be followed up with officers after the meeting and shared with all elected members.<br><br>3) To agree that the Executive Director of Resources would reinforce to all Directorates the importance of ensuring reports were brought forward | Executive Director of Place<br><br>Executive Director of Place<br><br>Executive Director of Resources | | | An update report is included on the agenda for Committee on 4 December 2018 – closed.<br><br>No further questions were raised following Committee – closed.<br><br>Executive Director of Resources has discussed this at weekly CEO and Executive Director meetings – closed. |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|---|---|---|---|---|---|---|---|
| | | | in a timely manner to ensure full and proper scrutiny by elected members. | | | | |
| | | | 4) To agree to provide a briefing note on why the council had undertaken the tender of this contract and not the LLP. | Executive Director of Place | | | A briefing note has been circulated to members – closed. |
| 12. | 11 October 2018 | Variation to Care at Home Contract – B Agenda item | To agree that officers would meet with Councillor Miller to address a number of questions she had and a briefing note would be circulated to members of the Committee detailing the responses provided by officers. | Chief Officer, Health and Social Care Partnership | End of December | | |
| 13. | 22 October 2018 | Disposal of Former Close Support | To agree to incorporate to the forthcoming workshop on concessionary lets, a | Executive Director of Resources | | 7 November 2018. | The workshop was held on 7 November 2018 – closed. |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|---|---|---|---|---|---|---|---|
| | | Unit, 83 Pentland View | discussion about future sales of Council properties/assets and how a better balance could be achieved between what was acceptable to local communities and the financial aspirations of the Council. | | | | |
| 14. | 22 October 2018 | Purchase of developer share in National Housing Trust Limited Liability Partnership – B Agenda Item | To agree that a briefing note on the general principles of taxation policy be circulated to members of the Finance and Resources, and Housing and Economy Committees. | Executive Director of Resources | | 14 November 2018 | Briefing Note was circulated to Councillors – closed. |

# Item 6.1 - Business bulletin

## Finance and Resources Committee

### 3.00pm, Tuesday 4 December 2018

Dean of Guild Court Room, City Chambers, High Street, Edinburgh

# Finance and Resources Committee

## Convener:

Convener
Cllr Alasdair Rankin

Vice – Convener
Councillor Donaldson

## Members:

- Councillor Gordon
- Councillor Campbell
- Councillor Corbett
- Councillor Hutchison
- Councillor Johnston
- Councillor Miller
- Councillor Neil Ross
- Councillor Watt
- Councillor Whyte

## Contact:

Veronica MacMillan
Tel: 0131 529 4283

Liam MacDonald
Service Policy Advisor
Tel: 469 3174

## Recent news

**Spend to Save Fund – scheme progress**

At the Committee's meeting on 16 August, members asked that an update be provided on projects previously supported through the Spend to Save scheme. While, by extension, the projects concerned are at varying stages of completion, progress on recently-supported initiatives is as follows:

RE:FIT **(up to £0.975m approved in April 2016)**

The Council initiated a £2.654m energy retrofit programme in ten of its key buildings (eight schools, the City Chambers and the Usher Hall) under the London RE:FIT Framework. The RE:FIT scheme has been designed to help public sector organisations achieve substantial financial savings, improve the energy performance of their buildings and reduce their carbon footprint. Spend to Save funding of up to £0.975m was approved to supplement available investment from SALIX and the former Central Energy Efficiency Fund (CEEF).

The project is now delivering annual financial savings in excess of £0.300m and is anticipated to reduce $CO_2$ emissions by over 1,100

## Background

Hugh Dunn, Head of Finance

Tel: 469 3150

Email: hugh.dunn@edinburgh.gov.uk

tonnes a year. These savings will be used to repay the Spend to Save element (which, subject to confirmation of the final outturn, is around £0.6m) within the approved timescales, with opportunities to facilitate quicker repayment currently being considered.

Edinburgh International Climbing Arena – sewer connection **(£0.437m approved in November 2017)**

The sewerage connection was made in mid-July 2018. The construction took a little longer than planned, primarily due to issues with the part-closure of the road where the connection was made to the main sewer. Costs are, however, anticipated to come in a little below the estimate underpinning the level of approval.

The expected benefits have been realised, with savings coming from not having to pay for the effluent tank being emptied and disposed of multiple times a day.

Streetlight LED conversion **(£0.768m approved in February 2018)**

A contract has been awarded for the conversion of some 54,000 street lights across Edinburgh to energy-efficient lanterns, along with the associated fitting of telecells (wireless controls). The programme will deliver a sustained reduction in electricity consumption, energy costs and carbon use, as well as reducing lantern maintenance, replacement and waste disposal costs. Short-term Spend to Save funding of £0.768m is required to reflect timing differences between the incurring of capital expenditure and the delivery of resultant revenue savings.

Amey, the successful contractor, has begun fitting telecells and will shortly commence lantern installation. The overall scheme budget (£24.5m) and completion timescale (anticipated in 2021/22) remain as reported to the Committee on 23 January 2018. As the project is still in its early stages, there have been no associated material financial or other benefits realised as yet.

Craiglockhart Outdoor Tennis **(£0.285m approved in March 2018)**

The courts opened in early September and the finalised scheme outturn is anticipated to be in line with the level of expenditure underpinning the original approval.

Given the recent opening, it is too early to judge how well income is performing against the estimates as it takes time to build up a regular player base and with the opening coming at a time when tennis is less in the public consciousness, it may be that those player numbers take some months to materialise. Initial user feedback on the court surfaces is, however, excellent.

LED in public spaces **(£0.300m approved in June 2018)**

To date, just under £0.020m of projects have been commissioned, with cost estimates awaited for a number of further schemes. A range of other potential projects is under active consideration, with the full Spend to Save allocation expected to be utilised during 2019/20.

Given the state of scheme implementation, it is relatively early to assess resulting financial and environmental benefits. In view of the use of proven technology, however, subject to the appropriateness of detailed assumptions on lamp ratings and run times, savings are anticipated to be delivered in line with the business case.

Usher Hall Public Address System **(£0.080m approved in June 2018)**

The scheme is progressing as planned, having gone out to tender in October 2018, with no change to associated cost or timescales.

Usher Hall Marketing Poster Boards **(£0.120m approved in June 2018)**

The scheme requires planning approval, which is being sought, and this has delayed implementation somewhat. There is, however, no change to the anticipated cost or resulting benefits at this stage.

Lagganlia Snow Sports **(£0.040m approved in August 2018)**

Commissioning is now being progressed and original timescale and cost for completion is still expected.

## Forthcoming activities

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Implementing the Programme for the Capital: Coalition Commitments six monthly progress update

| | |
|---|---|
| **Item number** | 7.1 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary

The Council Business Plan (A Programme for the Capital: The City of Edinburgh Council's Business Plan 2017-22) was approved by the Council in August 2017. The plan has been built around 52 commitments the Council Administration have pledged to deliver over the next five years. This report sets out the progress against the three coalition commitments where Finance and Resources Committee has responsibility.

EDINBURGH
THE CITY OF EDINBURGH COUNCIL

# Report

# Implementing the Programme for the Capital: Coalition Commitments six monthly progress update

## 1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 note the progress against three coalition commitments; and

1.1.2 note that the coalition commitments form part of the wider Council Performance Framework, which includes corporate performance indicators covering corporate performance and council service delivery.

## 2. Background

2.1 The Council Business Plan (A Programme for the Capital: The City of Edinburgh Council's Business Plan 2017-22) was approved at City of Edinburgh Council in August 2017. The plan sets out the administration's priorities and what will be achieved over the five-year period.

2.2 Given the importance of holding ourselves to account on delivery of commitments, a Performance Framework has been developed to support their implementation. The framework was approved by City of Edinburgh Council on 23 November 2017 and referred to Corporate Policy & Strategy Committee for further scrutiny.

2.3 As described in the Performance Framework report, Executive Committees will scrutinise performance relevant to their remit on a six-monthly basis.

2.3 A refined set of all commitment measures and actions was presented to Corporate Policy and Strategy Committee on 27 February 2018. These were agreed, on the understanding that a final set of indicators would be submitted to the relevant Executive Committees for scrutiny and approval.

2.4 Finance and Resources Committee considered the final set of commitments actions and measures on 12 June 2018.

## 3. Main report

3.1 Since the Business Plan was agreed in August 2017, work has begun to ensure that plans are in place to deliver on the commitments, a number of which are longer term and are planned to be delivered over the course of the administration.

3.2 The first 6 monthly progress update will be presented to the relevant Executive Committees in December 2018 and January 2019.

3.3 Finance and Resources Committee has responsibility for three commitments:

- Commitment 47 - Become a leading Council in Scotland for community engagement - 1% of the Council's discretionary budget will be allocated through participatory budgeting.
- Commitment 49 - Limit Council Tax increases to 3% a year to 2021.
- Commitment 50 - Continue a policy of no compulsory redundancies and keep a presumption in favour of in-house service provision.

3.4 Appendix 1 of this report provides a detailed update on the 6 monthly progress against delivery of these three commitments. All commitments are 'on track' with relevant actions and measures in place to monitor progress.

## 4. Measures of success

4.1 A suite of performance measures and actions has been developed to assess progress towards commitments. The monitoring of commitment progress forms part of the Council's performance framework.

## 5. Financial impact

5.1 The financial impact is set out within the individual commitments and the Council Business Plan.

## 6. Risk, policy, compliance and governance impact

6.1 Risk, policy, compliance and governance impact is integrated within the commitments and the Council Business Plan.

## 7. Equalities impact

7.1 Equalities impact is integrated within the commitments and the Council Business Plan.

## 8. Sustainability impact

8.1 Sustainability impact is integrated within the commitments and the Council Business Plan.

## 9. Consultation and engagement

9.1 The commitments actions and measures have been developed and updated in collaboration with Elected Members, Senior and Service Managers.

## 10. Background reading/external references

10.1 Programme for the Capital: City of Edinburgh Council's Business Plan 2017-22

10.2 Implementing in Programme for the Capital – Council Performance Framework 2017-22

10.3 Implementing the Programme for the Capital: Council Performance Framework 2017-22 – referral from City of Edinburgh Council

10.4 Implementing the Programme for the Capital: Coalition Commitments, Finance and Resources Committee 12 June 2018


**Andrew Kerr**

Chief Executive

**Stephen S. Moir**

Executive Director of Resources

Contact: Laurence Rockey, Head of Strategy and Communications

E-mail: Laurence.Rockey@edinburgh.gov.uk | Tel: 0131 469 3493

Contact: Hugh Dunn, Head of Finance

E-mail: Hugh.Dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Contact: Katy Miller, Head of Human Resources

E-mail: Katy.Miller@edinburgh.gov.uk | Tel: 0131 469 5522


## 11. Appendices

1. Coalition Commitments progress update to December 2018

# Coalition Commitments Progress Update December 2018

The Council Business Plan (A Programme for the Capital: The City of Edinburgh Council's Business Plan 2017-22) was approved by the Council in August 2017. The plan has been built around 52 commitments the Council Administration have pledged to deliver over the next five years. The commitments have been made to ensure that we continue to provide services to a high standard and quality, while still responding to the wider environment in which we operate.

The commitments are structured around six themes:

- **Delivering an economy for all** – local jobs, growth, and affordable housing
- **Building for a future Edinburgh** – a planning system that works to protect and develop our city
- **Delivering a sustainable future** – a better environment and transport system that works for all
- **Delivering for our children and families** – improving lives and futures
- **Delivering a healthier city for all ages** – strong and vibrant communities
- **Delivering a Council that works for all** – more empowered, transparent, and improved public services

Council Performance Framework describes the reporting approach with commitments measures progress update presented to Executive Committees every six months and to Council and Corporate Policy and Strategy Committee annually. This report provides Finance and Resources Committee members with progress update to December 2018.

Three commitments out of 52 are within Finance and Resources Committee remit and these are ‘on track’.

# Commitments – Finance and Resources Committee

**Convener:**
**Councillor Alasdair Rankin**

**Vice-Convener:**
**Councillor Marion Donaldson**

The Finance and Resources Committee is responsible for: Council's revenue and capital budgets, Council's expenditure and budget policy, Council's Treasury Management policies and practices, Council's long term financial plan, Procurement and contracts, Council debt and debt recovery, Common Good Fund, Human Resources, ICT, Disposal and development of Council owned property and land transactions, All charitable and other trust funds vested by Council

Lead Committee for:

C47. Become a leading Council in Scotland for community engagement - 1% of the Council's discretionary budget will be allocated through participatory budgeting.

C49. Limit Council Tax increases to 3% a year to 2021.

C50. Continue a policy of no compulsory redundancies and keep a presumption in favour of in-house service provision.

# Commitment 47

## *Become a leading Council in Scotland for community engagement - 1% of the Council's discretionary budget will be allocated through participatory budgeting.*

Commitment Status **On track**

### *Summary*

The Council has agreed the definition of the discretionary budget and allocated the target £7.2m of its expenditure by means of participatory budgeting annually by 2020/21. In 2017/18 five projects, total funding of £0.232m has been allocated, equating to 0.03% of the Council's service revenue budget. Additionally, and as part of the ongoing development process, 38 PB Champions have been trained, comprising Council, Police Scotland, third sector staff and community members. This was funded from a grant from the Scottish Government's Community Choices Fund.

| Key actions | Achievements | Status |
|---|---|---|
| Agree definition of discretionary budget | The Council will adopt the national definition of the proportion of its budget that should be allocated according to PB principles. | Delivered |
| Allocate annual participatory budget | Work is underway to identify the elements of expenditure that could contribute towards the target of £7.2m by 2021. | Ongoing |
| Participatory budgeting set within budget process | The Council will mainstream PB in all appropriate areas of its expenditure by 2021. | Ongoing |

| Key measures | Current data | Target | Achievements |
|---|---|---|---|
| % of annual discretionary budget allocated through participatory budgeting | 0.03% | 1% | £0.232m has been allocated to five projects and these were 1. £eith Decides - allocation of Community Grants Fund<br>2. South Central Neighbourhood Partnership – Neighbourhood Environment Programme<br>3. Your Choice: Youth Projects (Activity Agreements), led by Economic Development service<br>4. Local Employability Initiative (including Scottish Government match funding), led by Economic Development service<br>5. Choose Youth Work, led by Communities and Families service |

# Commitment 49

### *Limit Council Tax increases to 3% a year to 2021.*

Commitment Status **On track**


### *Summary*

The approved budget for 2018/19 included a 3% increase in Council Tax to maximise the level of investment available to support delivery of the Council's priority outcomes. At this stage, the budget framework assumes further annual increases of 3% for the period from 2019/20 to 2022/23 inclusive. The on-going appropriateness of this assumption will be considered as part of the cycle of regular review of the main income and expenditure assumptions contained within the Council's medium-term financial plan.


| Key actions | Achievements | Status |
|---|---|---|
| Council Tax is set annually. The annual City of Edinburgh Council Budget meeting is the milestone for confirming the Council Tax for the following financial year. This meeting is usually in February. | The approved Council budget for 2018/19 included a 3% increase in Council Tax across all bands. | Delivered |

| Key measures | Current Data | Target | Achievements |
|---|---|---|---|
| % Council Tax increase approved by Council | 3% | up to 3% a year to 2021 | A 3% increase of Council Tax is assumed each year from 2019/20 to 2022/23. |

# *Commitment 50*

***Continue a policy of no compulsory redundancies and keep a presumption in favour of in-house service provision.***

Commitment Status **On track**

## *Summary*

The Council commitment of no compulsory redundancy remains in place with the current administration.

| Key actions and measures | Achievements | Status |
|---|---|---|
| Continue the provision of voluntary severance arrangements and redeployment support to mitigate the need for compulsory redundancies | To help achieve business efficiencies and savings the Council continues to offer voluntary severance arrangements and redeployment support. | Delivered |
| Directorates to keep a presumption in favour of in-house service provision | Policy continued and presumption in favour of in-house service provision kept. | Delivered |

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Depots Gateway Review

| | |
|---|---|
| **Item number** | 7.2 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | All |
| **Council Commitments** | 2, 10, 18 23, 25 |

## Executive Summary

The Council's Depot Strategy forms part of the Asset Management Strategy, which sits within the wider Council Change Portfolio.

The Depot Strategy was approved by the Finance and Resources Committee, on 2 February 2016, and this report provides an update on the implementation of agreed investment in the Council's depot estate, which is aimed at achieving more effective and efficient use of the depot assets and associated service provision.

The approach in constantly under review and there is now further scope to unlock opportunities to share support services such as fleet maintenance, storage and fuelling supply. Consequently, consideration is being given to go much farther than originally proposed and this has identified potential to reduce from 19 sites to 6 sites delivering capital receipts and associated revenue benefits in line with Council outcomes. This has been highlighted as part of the emerging Change Strategy.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Depots Gateway Review

### 1. Recommendations

1.1 It is recommended that Committee:

1.1.1 Welcomes progress made with implementing the investment strategy for the Council's depot estate;

1.1.2 Endorses the direction of travel, noting the potential opportunities for service improvement, benefits realisation, and savings that the Depots Strategy can deliver;

1.1.3 Notes the potential synergies across Council services and with partners and how best they might be facilitated;

1.1.4 Notes that the Depots Strategy is fully aligned with the future strategic direction of the Council's emerging Change Strategy; and that going forward it will be reported and monitored through the Change Board governance structure;

1.1.5 Notes that the strategy will be delivered within the financial envelope previously approved by Council with capital receipts and income generated by the rationalisation ringfenced to offset the costs of upgrading the estate, and that any future deviation or additional ring-fencing of capital receipts will require separate financial approval; and

1.1.6 Notes the proposed next steps at paragraph 3.29 and requests further reports as progress is made.

### 2. Background

2.1 On 2 February 2016, the Finance and Resources Committee approved a report setting out the investment strategy for the Council's depots estate. At that time, Committee requested that further reports on progress be provided at gateway intervals. This paper presents an overview on the status of the programme to date.

2.2 The depots estate delivers a wide range of operational services including Waste and Cleansing, Fleet, Edinburgh Roads Services, Parks and Greenspace, Scientific Services, Housing Property, Print Services, Passenger Operations, Taxi Inspection and Licensing, Information and Learning Resources (ILR), City Archives and the Council Records Centre.

2.3 The depots have previously suffered from a lack of planned preventative maintenance resulting in much of the building fabric being in a poor condition, out of date and not optimised for service delivery. The main over-arching objectives of the investment strategy were to:

- Create long term savings through the reduction of the number of depot sites;
- Re-provide, extend and upgrade the retained estate to provide modern, fit for purpose facilities; and
- Provide supporting infrastructure for the operation of the new Zero Waste facility at Millerhill.

2.4 The report outlined how the depots be rationalised thereby releasing a potential £26.7m of investment into the retained estate and identified the operational and property savings, and capital receipts, that would be applied to offset the cost of this investment. The intent was to reduce the number of operational depot sites from 19 to 12. To accommodate the relocating services at receiving sites, the following levels of investment were agreed:

- Seafield (Phase 1 and 2) – New eastern waste collection depot/ waste transfer station with an estimated capital cost of £9m;
- Bankhead – New western waste collection depot/ waste transfer station with an estimated capital cost of £10.6m; and
- Russell Road – Consolidated single depot for Fleet Services with an estimated capital cost of 7m.

2.5 The strategy is predicated on being a self-funding programme, based on the savings achieved delivering the necessary funding for new investment. This is achieved through the reduction in the number of depot sites delivering those property savings, and part of the service savings associated with the exit from Powderhall depot (where a significant service saving is anticipated once Millerhill is fully operational). The strategy has a ‘domino’ effect, in that, property exits are reliant on new investment being delivered at the receiving sites. Should new investment not be available, the rationalisation strategy cannot be delivered.

## 3. Main report

**Current Position**

3.1 Two years on, significant progress has been made towards a phased implementation programme. Seafield Phase 1 was completed in February 2017 on time and within budget of £5.8m. Overall the new development has been a success, providing operational staff with a real boost in morale. In addition to new canteen and locker facilities, there are purpose built briefing / training rooms which are also being used to host external organisations, such as the recent SWITCH seminar (the Scottish Health & Safety organisation for the Waste Industry).

3.2 Seafield Phase 2, which delivering the waste bulking/ transfer station along with separate public recycling facilities, is programmed to be completed this month. A building warrant has now been submitted for an additional maintenance shed allowing vehicles to be serviced on site bringing further service efficiencies.

3.3 Delivery of the new western waste collection depot at Bankhead is programmed to be completed in July 2019, facilitating waste services exit from the Russell Road site. Visuals from Seafield and Bankhead are attached as Appendix 1.

3.4 The central tenet of three major redevelopment sites (Seafield, Bankhead and Russell Road), primarily for Waste Services, Cleansing and Fleet, still holds for the two depots above. However, ongoing work to deliver service improvement plans means that some of the approved depots moves may now deviate from the original plan.

3.5 Since the original strategy was approved, the Council Change Strategy has continued to evolve. The creation of Place Management has brought together a range of services previously under different divisions, which has provided an opportunity to consider further service efficiencies and deliver a potentially much more radical view of the depots estate.

3.6 There is also impetus to further develop detailed proposals for some of the sites identifying potential synergies with other Council and public-sector services, rather than viewing the depot estate in isolation. While the overarching objectives of the Council Depots Strategy remain relevant (long term savings, fit for purpose facilities, value for money), there is a renewed emphasis on efficient and effective deployment of resources and delivery of strategic Council and public-sector partner priorities, including:

- Council's desire to expand and accelerate its mixed tenure housing programme by increasing housing supply;
- Forthcoming new infrastructure and any potential for joint working, from both the Council and partner side;
- Opportunities for service co-location within the existing estate; and
- Definition of services' demand strategies.

3.7 The Depots Strategy is fully aligned with the future strategic direction of Council's emerging Change Strategy. Going forward the strategy will be reported and monitored through the Change Board governance structure.

3.8 Within this revised approach, it is considered that the Depots Strategy can go much further and consolidate the remaining 16 depots into approximately 6 sites, where depots are multi service hubs with shared facilities, rather than single service silos as illustrated in Appendices 2 and 3. Some of the potential surplus sites may be disposed of and deliver a capital receipt, or alternatively, be leased out generating a revenue income stream to support delivery of the strategy.

3.9 The above approach does mean that there are significant service dependencies as new locations are found for a wide range of services currently located at Council depots. It is anticipated that these moves will be transformational as much as possible (rather than simply replacing like for like). The Depots Strategy is identified within the Council's current Place Change proposals and is predicated on a number of factors, including:

- Delivery of the Fleet Review;
- Outcomes of the Council's City Collections Storage Project (Museums and Galleries, Reserve Collections, City Archives and Record Centre);
- Consolidation of the Print, Mail and Scanning service, together with Sign workshop;
- Outcomes of the Plant Nursery business case;
- Detailed design work associated with Bankhead (Waste and ERS combined sites), as a potential enhanced North West depot location; and
- Identification of a new South East depot site.

3.10 The principles set out above have been translated into site specific strategies. Depots have been categorised under three headings: i) sites to be retained, ii) sites under review, and iii) sites to be released. Each site has its own prioritised major projects and workstreams and are described in appendix 4.

**Links to other Council Priorities**

3.11 This cross-Council, strategic approach to the depot sites facilitates the reduction in the size of the estate, whilst also accelerating economic development and affordable housing opportunities, placemaking and links to other Council priorities such as the Asset Management Strategy, Early Years, and Fleet and Culture Reviews. The following provides commentary on individual sites: -

**Bankhead and Seafield Depots**

3.12 There is further scope to unlock opportunities to share support services such as fleet maintenance and fuelling supply across the remaining depots estate. The Fleet service is currently undergoing a full review to reconsider at the way the Council fleet is financed, maintained, and operated to reduce the number of vehicles, reduce harmful emissions, maximise utilisation and make efficiency savings, whilst improving key services. This applies to not only the investment in the vehicles themselves but the facilities in which they are housed and maintained. By investing in the two core depots where the core HGV fleet are based, efficiency savings could be realised by undertaking essential maintenance outside core working hours, reducing dead mileage and associated staff time with transporting of vehicles to a single workshop facility.

3.13 The proposal being considered is to locate workshop facilities within the depots at Seafield and Bankhead where the majority of the HGV fleet are based. The facilities will be equipped to undertake all forms of planned and reactive vehicle maintenance.

3.14 The approach taken at the Bankhead site is to view the depot in its entirety rather than as two standalone facilities (Waste Transfer and Edinburgh Roads Services). Detailed design work is now required to assess the suitability of Bankhead as a potential core western depot location.

3.15 Refurbishment is being undertaken at the current Bankhead ERS offices to improve facilities, accommodate additional staff from Barnton Depot and other Place Management services located across the wider Council estate, and to facilitate Barnton's release from the depots estate. Full engagement and dialogue with staff and the trade unions have been both constructive and helpful.

3.16 By taking a more collegiate approach, it is anticipated that the consolidation of Bankhead will result in economies of scale, co-location opportunities and income generation from the closure of Barnton Depot. A review of salt stocks has been completed facilitating the closure of Tower Street and the proposed relocation of the Car Pound. This is dependent on NSL Limited (National State and Local) discussions and a potential capital receipt at Tower Street.

3.17 The 10-year projection table below demonstrates what can be achieved with joined up thinking, taking a corporate approach and a relatively modest amount of investment. It also shows the benefits of thinking longer term and not just in terms of savings that can be made in one financial year.

| **Revenue Savings**<br>**£2.1m** | **Capital Receipt**<br>**tbc** | **Capital Investment**<br>**£174k** |
|---|---|---|
| Barnton Depot closure | Tower Street | Bankhead ERS remodelling |
| Barnton Depot lease income | | |
| Salt transfer savings | | |
| Operational savings | | |

*NB: Revenue savings are calculated over a ten-year period. They are not expected to be used to support the prudential borrowing requirement.*

**Murrayburn and Longstone Depots, Woods Centre**

3.18 The original proposal to dispose of part of the Murrayburn site, retaining the Council's historic archives and Records Centre as part of any future housing redevelopment does not deliver the required benefits from either a placemaking or an estates strategy perspective. The condition of Murrayburn Depot is also much worse than previously thought.

3.19 The site is suitable for a mix of uses, including affordable housing and could form part of a wider placemaking exercise incorporating other Council and partner assets across Murrayburn and Longstone Depots. Existing feasibility studies suggest that the Murrayburn Depot site alone could provide land for between 150 - 200 mixed tenure homes.

3.20 The timescales for the closure of Murrayburn are currently uncertain as there are dependencies associated with relocating Archives and the Records Management service, and associated risks in relation to business continuity and service provision. The costs of this relocation will also need to be considered within the overall funding package.

3.21 The options for the City Archives and Records Centre are to be considered as part of a wider City Collections storage workstream. The scope of this proposal includes storage associated with nine Museum and Gallery venues, Reserve Collections, the City Archives store, and the Records Centre. The archives and artefacts are currently dispersed across several different locations, some of them poorly suited for this purpose and others earmarked for alternative uses or disposal such as Murrayburn. The status quo is considered inefficient and unsustainable.

3.22 In addition, there are opportunities to transform frontline service delivery for both the Museums and Galleries and the Archives and Records Management services. This includes exploring cross council and external partner collaboration, as well as potentially improving public access arrangements.

3.23 The Print, Mail and Scanning service are currently based across two different sites at the Woods Centre and Murrayburn. The fabric of the Woods Centre is not fit for purpose and it the proposal to bring these operations together in a single production floor (along with the Sign workshop, currently located at Bankhead Depot) and suitable locations are currently being assessed. Doing so will act as an enabler in realising further service efficiencies.

3.24 The site of the Woods Centre can be developed, in principle, for affordable housing. Housing has instructed a capacity study which suggests that the site could provide land for around 50 homes once the existing buildings have been demolished.

**Russell Road**

3.25 As part of the Asset Management Strategy, the approach to the retained estate is to identify income generation options where possible, and this is to be applied at the Russell Road Depot which has the potential to be redeveloped for light industrial/ business uses. This will provide the Council with a revenue stream, whilst also offering new space to the market from both this location and many of the smaller depot sites.

3.26 In addition, the Russell Road site is being considered as one option for the consolidated access and storage solution for Council services, including archives, museums reserve collections and records.

**Powderhall, Peffer Place, Inch Depots**

3.27 Where sites of strategic size are released from the depots estate, the Council will undertake a Placemaking exercise to identify service, partner, and community requirements in the area before developing their own plans. The redevelopment of the former waste transfer site at Powderhall Depot is an example of this approach. This site will form part of the Council's commitment to provide new affordable homes and new early learning and childcare provision in the city. A full Placemaking exercise is underway involving, in depth, community and stakeholder consultation. Grant funding is also being sought to renovate the listed former stable building into creative workshops and a community space.

3.28 At Inch Depot options are being explored such as an enhanced new South East depot location or whether to release it for alternative uses. These options need to be fully explored and discussed with communities, other services, and potential partners.

**Next Steps**

3.29 The next steps are to undertake further detailed options appraisals, planning, development, and engagement associated with:

- Requirements for the South East and North West depot sites, along with permutations for the Inch plant nursery;
- Proposals for the consolidation of the Council's storage estate; and
- Major projects and workstreams described in appendix 4.

## 4. Measures of success

4.1 Overall progress on the implementation of the Depots Strategy can be measured by a range of factors, including:

- Improved and enhanced depots estate;
- Facilitating increased housing supply by exiting depot sites;
- Increasing the supply of small industrial units at depot sites unsuitable for housing;
- Investment in the council depots estate brings improved reliability of frontline services supported by efficient depots;
- Delivering a saving whilst improving frontline services;
- Reducing the size of the estate and accelerating economic development opportunities in tandem; and
- Improving working conditions for staff.

## 5. Financial impact

5.1 The Depots Strategy continues to be self-funding. The total cost of the strategy is being met from within the capital receipts achieved and will continue to be contained within the previously approved prudential borrowing of £20.85m.

5.2 The overall loan charges associated with the expenditure to be funded by borrowing over a 20-year period would be a principal amount of £20.85m and interest of £13.59m, resulting in a total cost of £34.440m based on a loans fund interest rate of 5.1%. The annual loan charges would be £1.722m which can be accommodated by identified revenue savings.

5.3 The Depots Strategy continues to deliver enhanced service delivery and an improved estate at no net revenue cost. However, depending on the outcome of work in the west of the city, the strategy may deliver a further potential revenue saving.

## 6. Risk, policy, compliance, and governance impact

6.1 No adverse risks have been identified.

6.2 There is potential that proposals for the Depots Strategy are delayed and/ or re-shaped through the processes of stakeholder engagement. This is to be mitigated through full engagement and consultation.

## 7. Equalities impact

7.1 The contents and proposals of this report have been assessed with respect to the Equality Act 2010 public sector equality duty. In this regard, an integrated impact assessment (IIA) was completed. Initial findings have indicated that reducing property costs will enable greater savings to be realised, which in turn will enable more effective protection of frontline services to vulnerable citizens, and meeting demographic pressures.

7.2 The IIA identifies positive environment and sustainability impacts as investment is made in fit for purpose, accessible and more efficient buildings.

## 8. Sustainability impact

8.1 The proposals contained within the Depots Strategy align strategically with the key programme areas outlined in the Sustainable Energy Action Plan (SEAP), sustainability commitments outlined in the 2050 City Vision, the Air Quality Action Plan and Sustainable Edinburgh 2020.

8.2 The Council's depot estate can positively impact on sustainability, through actions specifically designed to lower carbon emissions – for example, energy efficiency, resource efficiency and by encouraging low and zero carbon energy generation.

8.3 As large operational facilities, the retained depot estate could provide potential for roof top solar PV generation.

8.4 The depot review takes cognisance of the impact of vehicle travel time on proposed new facilities with the ultimate aim of reducing fuel usage.

8.5 As the number of electric vehicles in the city continues to grow, the Council's depots are able to facilitate EV charging hubs providing charging facilities to residents, businesses, Council staff and the Council's own fleet vehicles.

## 9. Consultation and engagement

9.1 Consultation and engagement with staff is taking place in relation to the wider strategic context.

9.2 Communications have been established with the Trade Unions and regular meetings are held in relation to the Depots Strategy.

9.3 ERS staff have, and continue to be, consulted on the Depots Strategy, notably the remodelling of Bankhead Depot and closure of the Barnton site.

9.4 Placemaking exercises will be undertaken involving in depth community and stakeholder engagement in recognition of the potential sensitivity of individual sites.

9.5 Both the Depot's Strategy and the Museums and Galleries Consolidation workstreams form part of the Council Budget Consultation currently underway.

## 10. Background reading/external references

10.1 Review of Council Depots Estate – Investment Strategy at Finance and Resources, 2 February 2016. Referred to City of Edinburgh Council on 4 February 2016.

**Stephen S. Moir**

Executive Director of Resources

Contact: Peter Watton, Head of Property and Facilities Management

E-mail: peter.watton@edinburgh.gov.uk | Tel: 0131 529 5962

**Paul Lawrence**

Executive Director of Place

Contact: Gareth Barwell, Head of Place Management

E-mail: gareth.barwell@edinburgh.gov.uk | Tel: 0131 529 5844

## 11. Appendices

11.1 Appendix 1: Construction Photographs of Seafield and Bankhead Depots

11.2 Appendix 2: Existing Depots Map

11.3 Appendix 3: Proposed Depots Map

11.4 Appendix 4: Depots Programme Status

## Appendix 1

## Bankhead Depot (anticipated completion, 2019)

*Project Underway*

*Project During Construction*

*Project at Current Stage*

## Seafield Phase 1 (completed, 2017)

*1st Floor Office Area*

*Cafeteria Area*

*External View*

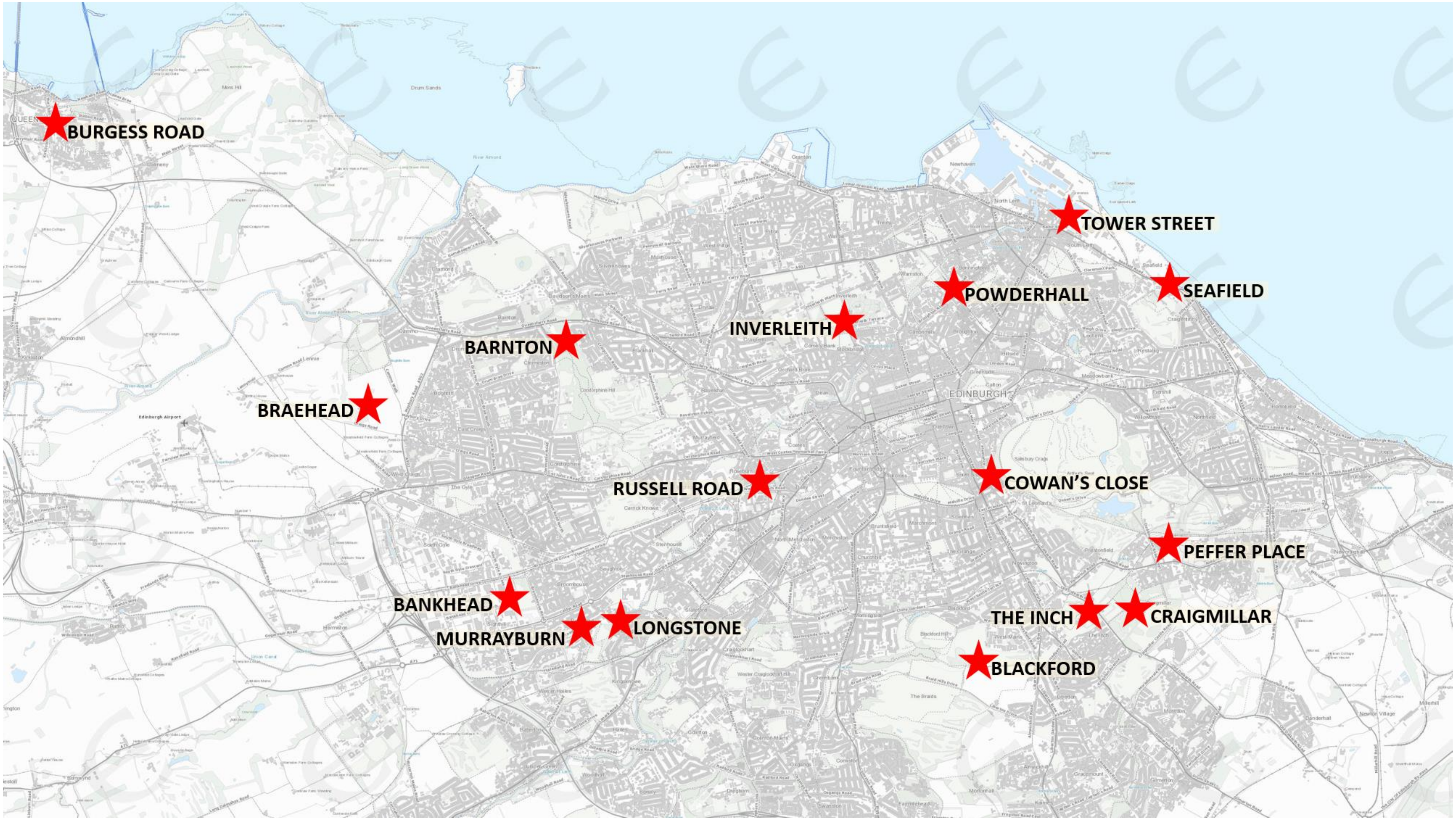
## Seafield Phase 2 (practical completion imminent, 2018)

*Internal View of Current Progress*

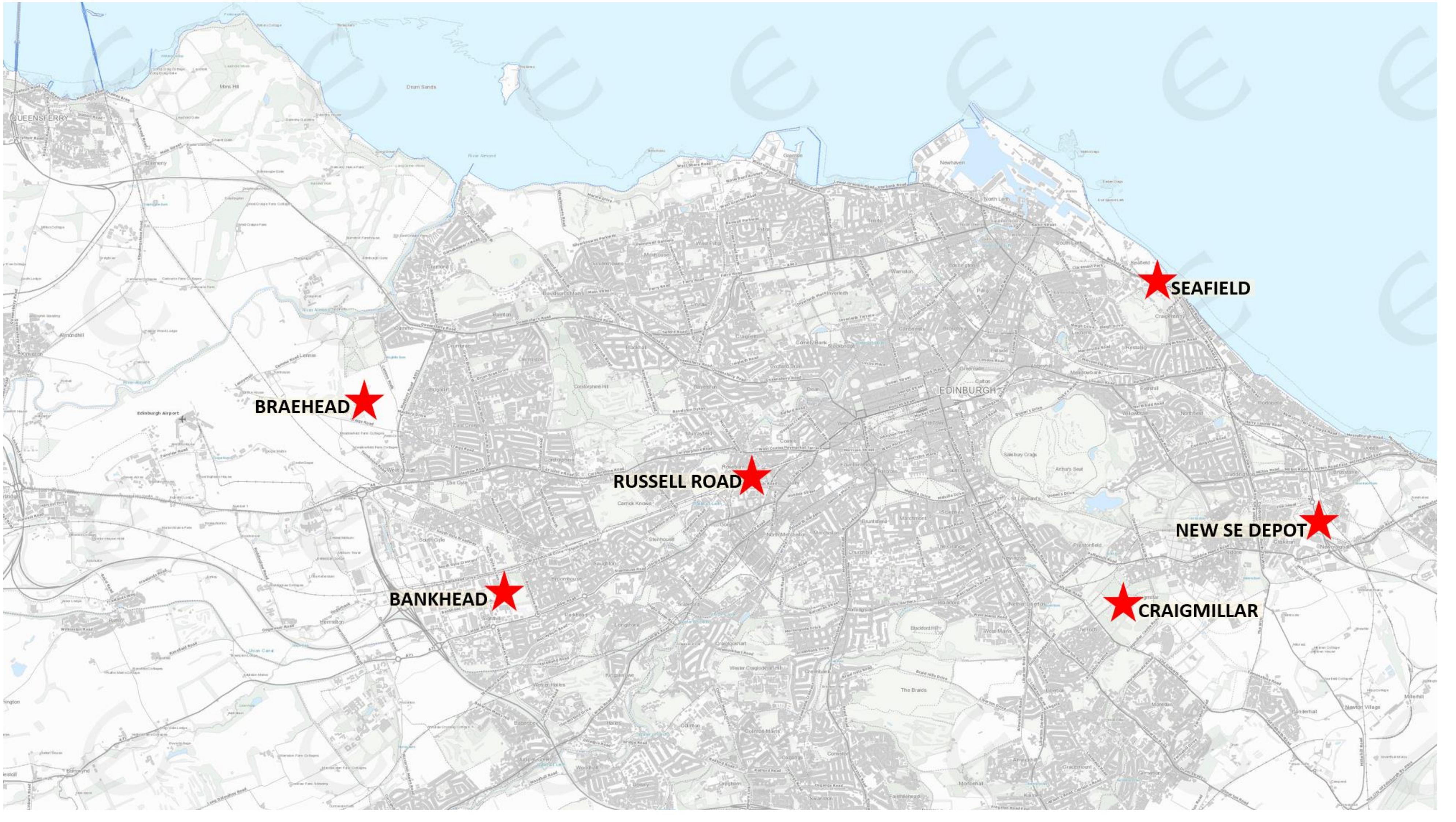

*Side View*

*Aerial View*

## Appendix 2: Existing Depots Map



## Appendix 3: Proposed Depots Map



## Appendix 4: Depots Programme Status

| Depot | Original Proposal 2016 | Current Proposal 2018 |
|---|---|---|
| Balcarres Street | Dispose: sold in 2015 | No change. Disposed |
| Bankhead | Retain: invest and enhance | Further develop and invest |
| Barnton | Retain: satellite depot | Close depot. Retain site and lease out for income |
| Blackford | Retain: satellite depot | Close depot. Retain site and lease out for income |
| Braehead | Retain: satellite depot | Retain as strategic salt store on temporary basis |
| Burgess Road | Retain: satellite depot | Close depot and sell site. |
| Cowan's Close | Dispose: transfer to HRA | No change. Dispose: transfer to HRA |
| Craigmillar | Retain: satellite depot | Retain: invest and enhance |
| The Inch | Retain: satellite depot | Dispose or develop: options appraisal, engagement, and consultation |
| Inverleith | Retain: satellite depot | Dispose or develop: options appraisal, engagement and consultation |
| Longstone | Dispose: transfer to HRA | No change. Dispose: suitable for affordable housing and site assembly |
| Murrayburn | Dispose part site (retaining Archives and Record Centre) | Dispose in full: suitable for affordable housing and site assembly |
| Peffer Place | Dispose: alternative uses to be evaluated | No change. Dispose: transfer to HRA |
| Powderhall | Dispose: transfer to HRA | Dispose: transfer to HRA and site assembly |
| Russell Road | Retain: invest and enhance | Close depot. Light industrial uses for income and potential Council storage facility for Museum Reserve Collections, Archives and Council Records |
| Seafield | Retain: invest and enhance | Further develop and invest |
| Stanley Street | Dispose: alternative uses to be evaluated | No change. Close depot. Site leased out |
| Tower Street | Retain: satellite depot | Close depot: sell for development |
| West Shore Road | Dispose: transfer to HRA | No change. Dispose: transfer to HRA |

# Finance and Resources Committee

## 3.00pm, Tuesday 4 December 2018

# Revenue Budget Framework 2018/23 – Locality Expenditure

| | |
|---|---|
| **Item number** | 7.3 |
| **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 of comparative expenditure across the city's four localities and potential opportunities to devolve further sums for decision-making at local level. Council agreed 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. Opportunities to reconsider current allocations and/or devolve additional budgets would then be considered at a subsequent meeting of the Committee.

The initial report considered by the Committee in August provided 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. This report seeks to address the remaining parts of the motion, suggesting that relevant actions are best taken forward within the broader context of the development of the Council's Change Strategy, Edinburgh Partnership Community Plan and the review of the operational effectiveness of Locality Committees.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## 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 further updates on the matters raised will be reported to Council and relevant Executive Committees in due course.

### 2. Background

2.1 At the meeting of Council on 3 May 2018, members approved a motion from Cllr Graczyk seeking further detail of comparative expenditure across the city's four localities and potential opportunities to devolve further sums for decision-making at 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 Locality 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 agreed 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 review current allocations and/or devolve additional budgets considered at a subsequent meeting of the Committee.

2.4 The initial report considered by the Committee in August provided 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 delivery of its priorities and relative levels of need across the city. This report seeks to address the remaining parts of the motion, although recommends that the issues concerned are most meaningfully addressed as part of on-going consideration of the Council's key priorities, organisational structure and related governance arrangements.

## 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 from this model used to deliver more locally-focused and responsive services and invest more effectively in early intervention and preventative activity. The recent development of Locality Improvement Plans (LIPs) for each area of the city furthermore aims to promote enhanced public sector integration and better outcomes for those individuals and communities, of both 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 entirely 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 Against this backdrop, while presenting an indicative allocation of existing revenue funding across the city's four localities, the analysis set out in the report considered by the Committee on 16 August was heavily caveated on the basis of such factors as:

(i) the extent of alignment, or otherwise, between the location of a facility and the benefits accruing from it. This factor is particularly relevant in the case of school catchment areas and patterns of use of early years facilities, where service users may live outside the locality concerned and, in some instances, even the city itself;

(ii) facilities that, by definition, are based within a particular locality but are designed to serve the city as a whole, such as the City Chambers;

(iii) demand, and by extension expenditure, that follows the individual rather than where that individual happens to live, such as children's social work services; and

(iv) most fundamentally, the underlying allocation of the Council's resources on the basis of need, rather than geography, as witnessed by marked differences in relative levels of deprivation *within* specific localities. By means of illustration, the North East locality contains, respectively, data zones within the most (Craigmillar) and least (Duddingston) 5% deprived in Scotland, less than a mile apart.

3.4 Cllr Graczyk's motion also requested clarification on the extent of services where the allocation of funds is currently determined locally. As outlined above, the subsequent report emphasised that the current allocation of resources is essentially already *needs-based* and, as such, relatively few funding streams are devolved explicitly for decision-making at local level. Those allocated on this basis are, however:

**Capital budgets**

(i) **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.

(ii) Over and above the NEPs allocation, capital 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).

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 budgets**

(iii) 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 updated relative shares of the city's population.

3.5 In formally establishing Locality Committees in November 2017, Council recommended that a review of their effectiveness be carried out at the beginning of 2019. This review will consider a range of matters relating to the committees' locus and governance, including aspects relating to their finance-related responsibilities. On this basis, rather than being included in this report, it is proposed that any changes be considered within a wider context and reported to Council and relevant Executive Committees accordingly.

**Edinburgh Partnership Local Outcome Improvement Plan and Locality Improvement Plans**

3.6 At its meeting on 25 October, Council approved the draft Edinburgh Partnership Local Outcome Improvement Plan which provides the framework for supporting the delivery of partnership working to improve outcomes for residents in the city. By aligning city-wide work across the contributing partners, the plan focuses on a limited number of shared priorities to tackle poverty and inequality, recognised as the single most critical challenge faced by community planning partners in the city.

3.7 The community plan forms part of a wider multi-agency and partner policy and strategy designed to deliver improved outcomes for Edinburgh's citizens and communities. The plan is therefore designed to complement and align with these existing strategies and plans, not duplicate or reiterate what is already happening, and will further develop over time in response to the needs of communities and the recommendations and actions proposed by the Edinburgh Poverty Commission during 2019.

3.8 The city-wide Local Outcome Improvement Plan is supported by area-specific Locality Improvement Plans. A key overriding objective of the Edinburgh Partnership is to map current expenditure contributing to the delivery of city-wide priority actions across all relevant partners to ensure that maximum benefit is derived from this *combined* investment. In addition, within the workstream focusing on ensuring citizens have enough money to live on, a number of actions have been identified to maximise the income available to lower-income households, thereby increasing the overall level of resource available within communities to address intractable issues of poverty and inequality.

3.9 At the heart of Locality Improvements Plans is a recognition that poverty and inequality can occur anywhere and thus need is not defined by, or restricted to, geography. On that basis, alignment of resources across the city's localities is arguably less important than how available resources are then applied within that locality.

3.10 While the allocation methodology concerned is determined by the Scottish Government rather than the Council, one such example of the latter is the Pupil Equity Fund. Distribution of available sums is school-specific and based on the respective numbers of pupils in receipt of free school meals, used as a proxy for targeting the poverty-related attainment gap. While allocation of sums across the city is thus closely correlated to the profile of the Scottish Index of Multiple Deprivation, in recognising that relative poverty and inequality can occur anywhere in the city, all local authority-operated schools are in receipt of funding allocations to be best employed in the context of their own local circumstances.

**Development of the locality model**

3.11 In recent years, many functions have moved into a "locality" model, enabling services to be more responsive to local needs and strengthening the way that public services work together and with local people. The Council's Change Strategy will initiate a review of this approach to ensure that the services that are delivered through the locality model are those that have the greatest impact on improving outcomes for local communities. This will, by extension, mean continuing to deliver (and perhaps enhancing) some services locally as well as considering which might be more efficiently managed and delivered on a city-wide basis.

**Next steps**

3.12 Given this on-going work and the need for budgetary arrangements to contribute positively to the delivery of the Council's priority outcomes, it is recommended that decisions on further devolving of budget-related decisions, and any changes to existing methodologies, are best taken as part of the on-going conversation with communities underpinning the Change Strategy, Locality Improvement Plans and review of the wider operation of locality committees. From a financial standpoint, it is also important to ensure that any changes are rooted in a wider, sustainable framework to ensure that investment is available on a continuing basis, given that many of the underlying causes of poverty and inequality are deep-rooted and require correspondingly sustained action. To this end, the impact of recent budgetary realignments within, in particular, Place and Health and Social Care, needs to be appropriately reflected.

3.13 The overarching challenge for the Council is to harness the benefits of co-terminosity (i.e. operating to the same boundaries) by appropriately aligning responsibility and accountability, both within the Council and with partners, to these structures. Mere devolving of budgets for local decision-making will not, of itself, improve outcomes. Should it be recommended, in due course, that additional areas of expenditure are devolved for local decision-making, however, it is essential that commensurate staffing resource is made available to support any revised operating model.

## 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 where consistent with the Council's wider objectives.

## 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 The Council's Change Strategy has initiated a wider review of the localities model. A review of the effectiveness of locality committees is also scheduled for consideration by Council early in 2019.

## 10. Background reading/external references

10.1 Motion by Cllr Graczyk (Item 9.22), The City of Edinburgh Council, 3 May 2018

10.2 Establishment of Locality Committees, The City of Edinburgh Council, 23 November 2017

10.3 Community Grants Fund Report, Culture and Communities Committee, 19 June 2018

10.4 Revenue Budget Framework 2018/23 – Locality Expenditure, Finance and Resources Committee, 16 August 2018

10.5 Edinburgh Partnership Community Plan 2018-28, The City of Edinburgh Council, 25 October 2018

**Stephen S. Moir**
Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

## 11. Appendices

None.

# Finance and Resources Committee

**3.00pm, Tuesday 4 December 2018**

# Revenue Monitoring 2018/19 – month six position

| | |
|---|---|
| **Item number** | 7.4 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | n/a |
| **Council Commitments** | n/a |

## Executive Summary


The report sets out the projected Council-wide revenue budget position for the year based on analysis of period five data, building on both the earlier period two forecast and the subsequent progress update considered by the Committee on 11 October.

Further expenditure pressures within the Health and Social Care Partnership / Edinburgh Integration Joint Board since the position reported to the Committee on 11 October have been offset by favourable movements in the Communities and Families and Place Directorates such that the overall position as of period six points to a reduced overall year-end overspend of £2.075m without the identification and implementation of further mitigating actions. Failure to mitigate these pressures by the year-end will result in a reduction of the Council's unallocated reserves and, without recurring means of addressing underlying structural pressures within Directorates/Divisions, threaten the integrity of the wider budget framework.


EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Revenue Monitoring 2018/19 – month six position

### 1. Recommendations

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

1.1.1 note that a number of significant pressures continue to be highlighted by Executive Directors, such that an overall year-end overspend of £2.075m, without the identification and implementation of further mitigating actions, is forecast as of month six;

1.1.2 note that in light of this projected position, relevant Executive Directors and the Chief Officer of the Health and Social Care Partnership / Edinburgh Integration Joint Board (EIJB) are identifying, as a matter of urgency, further proposed actions both to allow a balanced overall Council in-year position to be achieved and to address all recurring budget pressures on a sustainable basis, thereby enhancing the underlying robustness of the budget framework;

1.1.3 note the balanced projected position on the Housing Revenue Account (HRA) after making a £33.898m gross contribution towards housing investment; and

1.1.4 refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

### 2. Background

2.1 This report sets out the projected overall six-month position for the Council's 2018/19 revenue expenditure budget based on analysis of actual expenditure and income to the end of August 2018 supplemented by subsequent analysis of underlying pressures and progress in realising savings associated with both approved and mitigating budget measures.

### 3. Main report

3.1 This report represents the second quarterly revenue monitoring report for 2018/19. On-going analysis of the revenue position is undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required. In this vein, members received an interim progress update at the Committee's last meeting on 11 October.

3.2 A complementary schedule of meetings, aligned to the Council's revised Committee structure, has also been developed at which directorate-specific commentaries are considered.

**Overall position**

3.3 As of period six, an overall overspend of £2.075m is forecast as shown in the table below. This variance reflects £12.216m of projected service expenditure in excess of approved levels, partially offset by £10.141m of savings, or additional income, across a number of corporate budgets and reserves.

**Table 1 – 2018/19 Revenue Budget – Projected Expenditure**

| | Revised Budget (£000) | Period Budget (£000) | Period Actual (£000) | Period Variance (£000) | Projected Outturn (£000) | Outturn Variance (£000) |
|---|---|---|---|---|---|---|
| Directorates | 821,760 | 342,389 | 351,338 | 8,949 | 833,976 | 12,216 |
| Non-directorate specific areas | 167,156 | 774 | 775 | 1 | 162,305 | (4,850) |
| Movements in reserves | (4,454) | (4,454) | (4,454) | 0 | (8,745) | (4,291) |
| Sources of funding | (984,462) | (410,192) | (410,192) | 0 | (985,462) | (1,000) |
| | | | | | | |
| **In-year (surplus) / deficit** | | | | | **2,075** | **2,075** |

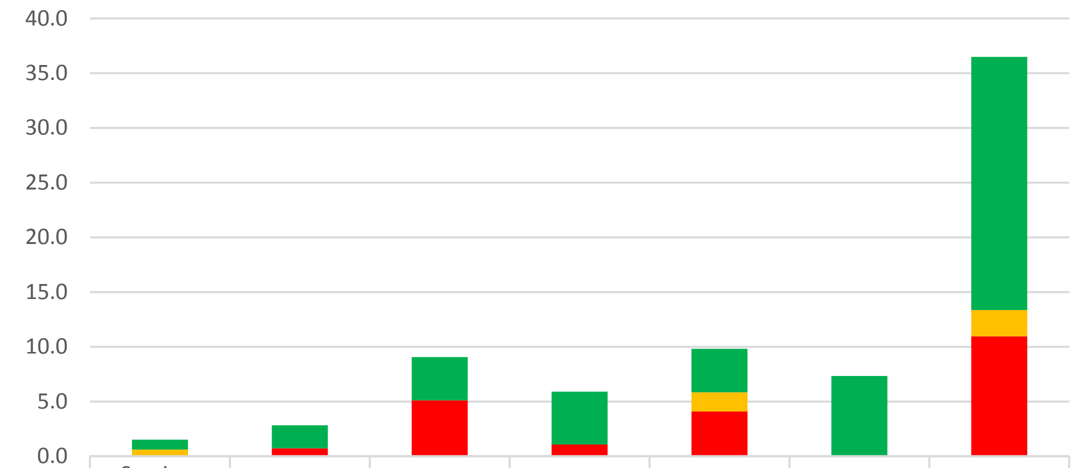
3.4 In light of this projected position, relevant Executive Directors and the Chief Officer of the EIJB are identifying, as a matter of urgency, further proposed actions to bring the Council's overall revenue budget for 2018/19 into balance by the year-end. In addition, sustainable means of addressing all recurring budget pressures require to be identified to align to the 2019/20 expenditure baseline reflected in the Change Strategy report approved by the Committee on 27 September 2018.

3.5 Failure to address these in-year pressures by the year-end will result in a reduction of the Council's unallocated reserves and, without recurring means of addressing underlying structural pressures within directorates and the EIJB, threaten the integrity of the wider budget framework, resulting in an increased financial budget gap in future years.

**Delivery of approved savings**

3.6 The approved budget for 2018/19 was predicated on the delivery of £36.5m of directorate-specific and corporate finance savings. As of the end of August, the overall RAG assessment of these savings indicates that, given actions planned or already undertaken, some 70% are on target to be delivered as shown in the chart below.

**Chart 1 - RAG assessment of approved budget savings (£m), 2018/19 – August 2018**




| | Services reporting to Chief Executive | Communities and Families | Health and Social Care | Place | Resources | Corporate savings | All savings |
|---|---|---|---|---|---|---|---|
| Green | 0.925 | 2.115 | 3.950 | 4.831 | 3.982 | 7.335 | 23.138 |
| Amber | 0.600 | 0.000 | 0.000 | 0.000 | 1.775 | 0.000 | 2.375 |
| Red | 0.000 | 0.725 | 5.100 | 1.072 | 4.073 | 0.000 | 10.970 |

3.7 Those savings assessed by the Finance Division as red at this stage are set out in the following sections. This list reflects a similar overall anticipated level of delivery as was intimated to the Committee in June, emphasising the need for enhanced robustness in the savings inception, development and implementation process going forward.

3.7.1 **Communities and Families**

***Home to School Transport*** – due to increases in the underlying volume and complexity of demand for children with special needs, the budgeted saving of £0.4m will not be delivered in the current year and alternative mitigating measures are being sought. A travel demand programme panel has, however, been established to examine means of stabilising this underlying demand through the development of a robust control framework. The panel is also proactively exploring opportunities to promote alternative arrangements, where appropriate, that increase young people's independence whilst delivering attendant savings through greater use of shared transport.

***Advice Services Review*** – the approved budget saving of £0.175m reflects planned savings in grant payments and staffing efficiencies. It is now intended, however, that relevant grants will be examined as part of the wider Health and Social Care Partnership grant review programme and therefore current agreements have been extended accordingly until 31

March 2019. The staffing review has also been rephased, with a consequent impact on the delivery of approved savings in 2018/19.

***Senior Management efficiencies*** - £0.150m of planned savings in this area will not be achieved in 2018/19. Opportunities for management restructuring will, however, be re-examined in the context of a Council-wide review in this area as part of the 2019/20 budget process.

3.7.2 **Health and Social Care Partnership / EIJB**

***Asset-based approach to demand management*** – "capacity-releasing" savings of £3m. There remains insufficient progress, at this stage, to attribute any specific savings to this initiative during the current year.

***Service transformation - Self-Directed Support (SDS)*** - £1m of approved savings predicated on offsetting disinvestment of in-house services as a result of expansion of SDS. As yet, there is no tangible progress towards delivery of this saving in the current year.

***Homecare re-ablement*** – no substantive progress has been made thus far in developing specific plans to deliver the £1m of assumed savings in this area.

***Planned savings in discretionary expenditure*** – while partial delivery is anticipated in this area, a residual in-year pressure of £0.1m is apparent.

3.7.3 **Place**

***Roundabouts and verge advertising*** – the associated tendering process has now been completed. While the timing of the contract award means that there is an in-year pressure of £0.2m, the full level of saving is expected to be delivered in 2019/20.

***Garden waste charging*** – following the end of the initial registration period and the first post-implementation sign-up "window", overall scheme take-up is above the levels assumed in the associated business case. While this level of participation, if sustained, will by extension result in delivery of the corresponding approved full-year saving, apportionment of relevant income in line with the revised implementation date results in a £0.5m in-year pressure.

***Parking income*** – while work is on-going to establish the underlying reasons for the shortfall, at this stage £0.372m of the approved additional income of £0.800m is not anticipated to be received.

3.7.4 **Resources**

***Asset Management Strategy and reviewing Property and Facilities Management (FM) –*** there is currently a forecast shortfall in Asset Management Strategy savings of £3.534m, comprising (i) lower-than-planned savings from changes to the FM model compared to business case assumptions, (ii) an increase in the overall floor area of the Council estate relative to the original FM operating model and (iii) estate rationalisation savings being lower than planned. A further £0.539m of assumed staff turnover-related savings will not be delivered during the year.

3.8 The above savings assessments have been reflected in the wider outturn commentaries included in the following sections.

**Directorate-specific budgets - Communities and Families**

3.9 As of period six, the Executive Director of Communities and Families is forecasting an in-year overspend of £4.1m, primarily linked to increasing costs in several demand-led areas of service. This represents a positive movement of £0.9m since the equivalent position reported to the Committee's previous meeting on 11 October.

3.10 To date, projected unfunded gross budget pressures of £12.6m have been assessed. The main areas affected include temporary accommodation, home-to-school transport, rising school rolls, community access to schools and increased use of out-of-Council area placements linked to accommodating a number of Unaccompanied Asylum-Seeking Children (UASC) within the city. Savings and management action of £8.5m have been identified, leaving a net residual budget pressure of £4.1m.

3.11 The report to the Committee's meeting on 11 October reiterated the Executive Director of Communities and Families' commitment to making all efforts to identify mitigations to reduce these pressures. A strategy has been developed to identify and implement management actions required to address these, comprising vacancy control measures, a review of reserves, identification of income generation opportunities, an examination of the scope to stop or reduce planned levels of expenditure and the identification of any spend-to-save opportunities. All material areas of spend will continue to be actively monitored and potential mitigating actions identified with a view to reducing further the level of overspend by the year-end.

**Health and Social Care Partnership / EIJB**

3.12 The update reported to the Committee's meeting on 11 October continued to reflect an in-year projected overspend of £6.1m, representing net slippage across a number of demand management- and workforce-related initiatives.

3.13 Based upon initial analysis of period six data, a further deterioration in the overall service position is now apparent. Additional pressures in transport, supplies and services, third party payments and income have increased the gross in-year pressure to £8.121m.

3.14 Subject to formal approval by the EIJB Savings Governance Board, non-recurring EIJB contributions of £1.080m have been identified, reducing the net level of overspend to £7.041m. Analysis of remaining uncommitted funds potentially available to mitigate further the overall level of overspend is continuing, along with in-depth modelling of anticipated purchasing expenditure based on commitments as recorded within the SWIFT system.

3.15 An agreement on funding to support additional service activity, receipt of which is predicated on the achievement of improvements in delayed discharge levels, is in the process of being finalised with NHS Lothian. The Health and Social Care Partnership will need to continue to monitor the position to ensure that the desired improvements targeted by this funding are achieved without impacting on the service's net budget.

3.16 As noted in the interim update considered by the Committee on 11 October, short-term actions led by the EIJB Head of Operations and EIJB Chief Finance Officer include:

(i) further strengthening of controls over recruitment and agency staffing;

(ii) implementation of a new agency staffing contract;

(iii) reviewing, with the potential to stop, discretionary expenditure;

(iv) reviewing savings programme delivery, considering requirements for support through a supportive but robust challenge process;

(v) working with Finance colleagues to develop greater accountability within locality teams, including realignment of purchasing budgets, regular engagement, improved management information and training; and

(vi) initiating a review of reserves and uncommitted funds.

3.17 In view of the scale of the underlying pressures within the service once account is taken of one-off savings measures, a financial recovery plan, geared towards mitigating the in-year shortfalls above as part of re-attaining wider financial sustainability during 2019/20, will be presented to the EIJB's meeting on 14 December. Due consideration will need to be taken of the associated financial implications upon the Council's budget framework.

**Place**

3.18 Within the 2018/19 budget year, the primary focus of the Place Senior Management Team and Finance business partners has been to foster increased stability within the budget management strategy of the Directorate by means of enhanced budget transparency and sustainability. This approach has involved a wholesale realignment of Place budgets and a comprehensive half-year review of budget management performance, with iterations made to the strategy as required.

3.19 The Place budget management strategy includes a suite of management actions in order to achieve budget sustainability. In view of the timescales required to deliver this objective fully, these actions include related substitutions, as appropriate, to deliver approved 2018/19 approved savings. The suite of management actions comprising the strategy is at varying stages of delivery; not all have been achieved as of month six. Overall improvement is, however, apparent since the month three position, such that the projected overall service overspend has reduced from £1.5m to £1.072m. The Senior Management Team will continue to identify potential measures, such that the overall position may be improved further by the year-end.

**Resources**

3.20 As outlined in the directorate-specific report contained elsewhere on today's agenda, the Resources Directorate is projecting a balanced overall position for the year following implementation of a range of financial control and management measures to contain a budget pressure of £4.073m in the Property and Facilities Management Division due to non-achievement of savings previously assumed from the Asset Management Strategy and to contribute towards wider in-year savings requirements across the Council.

3.21 The Resources Directorate will continue to progress identification of savings measures to offset any further budget pressures which may emerge, both to achieve outturn expenditure in line with the approved revenue budget for 2018/19 and mitigate underlying budget pressures on a sustainable basis.

**Services reporting to the Chief Executive**

3.22 While work is continuing to identify means of delivering the full income-related saving associated with the Strategy and Communications Division's Organisational Review, in view of existing vacancies within the service, at this stage a balanced position continues to be forecast.

**Non directorate-specific budgets**

3.23 The interim update report considered by the Committee on 11 October outlined a number of mitigating measures offsetting the service area pressures outlined in the preceding sections, together totalling £10.141m, as follows:

(i) savings in loan charges expenditure of £3m;

(ii) additional income, based on an updated assessment of the size and profile of the Council Tax base, of £1m;

(iii) application of the 2017/18 underspend of £2.455m in respect of the Council Tax Reduction Scheme against welfare reform-related pressures in the current year;

(iv) a £1.6m saving, based on an updated analysis of applicable rates and in-scope contracts, in the required level of inflationary provision for the year relative to the approved budget;

(v) a £0.25m in-year anticipated underspend in respect of the Council's participation in the Carbon Reduction Commitment (CRC) energy efficiency scheme; and

(vi) following approval by Council on 25 October 2018, application of the remaining £1.836m of the confirmed in-year underspend for 2017/18 against in-year pressures.

**Pensions auto-enrolment**

3.24 In considering the third quarter's revenue monitoring report for 2017/18, members of the Committee were advised that the financial impact of the end of the auto-enrolment transitional period in October 2017 would be subject to on-going review. While staff automatically opted in under these arrangements retained the right to opt out again, analysis of the 500 employees concerned indicates that the vast majority have remained in pension scheme membership.

3.25 The Council's budget framework includes provision for a consequent increase in membership following the ending of the transitional period. In view of the extent of the increase observed, this provision has now been released in full and is reflected accordingly in the overall outturn projections detailed above.

**Further actions**

3.26 In view of residual in-year pressures across the Council as a whole, analysis of all non-directorate budgets will continue for the remainder of the year, with any further update included in the third quarter's report in February 2019. Given the extent of in-year corporate finance savings that are either of a one-off nature or assumed in the budget framework going forward, however, these should not be seen to detract from the more fundamental need to address underlying pressures within service areas if longer-term sustainability is to be secured.

**Housing Revenue Account (HRA)**

3.27 As of month five, a balanced position is projected on the Housing Revenue Account (HRA) after making a £33.898m gross contribution towards housing investment, including £26.401m drawn down from the Renewal and Repairs and Council Tax Discount Fund earmarked reserves. Additional details are included in the Place Directorate's month five monitoring report considered by the Housing and Economy Committee on 1 November 2018.

## 4. Measures of success

4.1 Achieving a balanced overall budget outturn position for 2018/19 and successful delivery of approved savings and key service performance indicators.

## 5. Financial impact

5.1 The report's contents point to a potential in-year overspend, highlighting the importance of prompt action to bring expenditure back in line with approved levels.

5.2 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their directorate budgets.

## 6. Risk, policy, compliance and governance impact

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

6.2 Ongoing communications by the Council's 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. With this in mind, structured plans are in place for review and feedback on current and future years' savings proposals to identify at an early stage where corrective action is required. In view of reducing levels of savings delivery in 2018/19, however, this process will be re-examined and strengthened at the proposal inception, development and implementation stages as part of the wider Change Strategy.

## 7. Equalities impact

7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Integrated Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

## 8. Sustainability impact

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

## 9. Consultation and engagement

9.1 In view of the overall projected position set out within this report, the Chief Executive has tasked Executive Directors and the Chief Officer of the EIJB with identifying mitigating actions to address in-year pressures and to review opportunities for additional savings proposals.

9.2 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.

## 10. Background reading/external references

10.1 Revenue Monitoring 2017/18 – month eight position, Finance and Resources Committee, 23 January 2018

10.2 Capital Coalition Budget Motion, City of Edinburgh Council, 22 February 2018

10.3 Revenue Monitoring 2018/19 – month three position, Finance and Resources Committee, 16 August 2018

10.4 Revenue Monitoring 2018/19 – progress update, Finance and Resources Committee, 11 October 2018

10.5 Place Directorate – Financial Monitoring 2018/19 – month five position, Housing and Economy Committee, 1 November 2018

**Stephen S. Moir**
Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

## 11. Appendices

One – 2018/19 Revenue Budget – projected expenditure analysis

**2018/19 Revenue Budget - Projected Expenditure Analysis**
**Period 6**

**Appendix 1**

| | Revised Budget | Period Budget | Period Actual | Period Variance | Projected Outturn | Outturn Variance | Percentage Variance |
|---|---|---|---|---|---|---|---|
| **Service areas** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | |
| Services reporting to Chief Executive | 9,413 | 4,338 | 4,252 | (86) | 9,413 | 0 | 0.0 |
| Communities and Families | 383,767 | 159,667 | 162,250 | 2,583 | 387,869 | 4,102 | 1.1 |
| Health and Social Care | 198,895 | 82,873 | 88,498 | 5,625 | 205,936 | 7,041 | 3.5 |
| Place | 58,964 | 24,568 | 25,500 | 932 | 60,036 | 1,072 | 1.8 |
| Resources | 167,147 | 69,453 | 69,348 | (105) | 167,147 | 0 | 0.0 |
| Lothian Valuation Joint Board | 3,575 | 1,490 | 1,490 | 0 | 3,575 | 0 | 0.0 |
| **Service areas total** | **821,760** | **342,389** | **351,338** | **8,949** | **833,976** | **12,216** | **1.5** |
| **Non-service specific areas** | | | | | | | |
| Loan Charges | 112,596 | | | | 109,596 | (3,000) | (2.7) |
| Other non-service specific costs less sums to be disaggregated: | 28,305 | n/a | n/a | n/a | 26,704 | (1,600) | (5.7) |
| - Apprenticeship Levy | 1,857 | 774 | 775 | 1 | 1,857 | 0 | 0.0 |
| - Early Learning and Childcare | 1,176 | | | | 1,176 | 0 | 0.0 |
| - Carbon Tax | 1,159 | | | | 909 | (250) | (21.6) |
| - Non-Domestic Rates (poundage uplift) | 500 | | | | 500 | 0 | 0.0 |
| - Energy | 500 | | | | 500 | 0 | 0.0 |
| - Discretionary Rates | 500 | | | | 500 | 0 | 0.0 |
| | | | | | | | |
| Council Tax Reduction Scheme | 26,672 | n/a | n/a | n/a | 26,672 | 0 | 0.0 |
| Staff early release costs | 3,200 | n/a | n/a | n/a | 3,200 | 0 | 0.0 |
| Net Cost of Benefits | (127) | n/a | n/a | n/a | (127) | 0 | 0.0 |
| | | | | | | | |
| Interest and investment income | (9,183) | 0 | 0 | 0 | (9,183) | 0 | 0.0 |
| **Non-service specific areas total** | **167,156** | **774** | **775** | **1** | **162,305** | **(4,850)** | **(2.9)** |
| **Movements in reserves** | | | | | | | |
| Net contribution to / (from) earmarked funds | (4,454) | (4,454) | (4,454) | 0 | (8,745) | (4,291) | (96.3) |
| **Movements in reserves total** | **(4,454)** | **(4,454)** | **(4,454)** | **0** | **(8,745)** | **(4,291)** | **(96.3)** |
| **Sources of funding** | | | | | | | |
| General Revenue Grant | (360,928) | (150,387) | (150,387) | 0 | (360,928) | 0 | 0.0 |
| Non-Domestic Rates | (340,474) | (141,864) | (141,864) | 0 | (340,474) | 0 | 0.0 |
| Council Tax | (283,060) | (117,942) | (117,942) | 0 | (284,060) | (1,000) | (0.4) |
| **Sources of funding total** | **(984,462)** | **(410,192)** | **(410,192)** | **0** | **(985,462)** | **(1,000)** | **(0.1)** |
| | | | | | | | |
| **In-year (surplus) / deficit** | **0** | **(71,484)** | **(62,534)** | **8,951** | **2,075** | **2,075** | **0.2** |

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Six position

| | |
|---|---|
| **Item number** | 7.5 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | City-wide |
| **Council Commitments** | |

## Executive Summary

The report sets out the projected six-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of August 2018 and expenditure and income projections for the remainder of the financial year.

The Resources Directorate is projecting expenditure and income to be within budget for 2018/19, following implementation of a range of budget management measures to contain a budget pressure of £4.073m in the Property and Facilities Management Division for 2018/19 due to non-achievement of savings previously assumed from the Asset Management Strategy. The Resources Directorate will continue to progress identification of savings measures to offset any further budget pressures which may emerge, to achieve outturn expenditure in line with the approved revenue budget for 2018/19. The attainment of this position is subject to ongoing actions to deliver all other approved savings together with the active management of risks and pressures.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

# Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Six position

## 1. Recommendations

1.1 It is recommended that the Finance and Resources Committee notes:

1.1.1 The Resources Directorate is currently projecting expenditure and income to be within budget for 2018/19;

1.1.2 The Resources Management Team will continue to progress identification of savings measures to offset any further budget pressures which may emerge, to achieve outturn expenditure in line with the approved revenue budget for 2018/19;

1.1.3 the ongoing risks to the achievement of a balanced revenue budget projection for the Directorate.

## 2. Background

2.1 The Council's Financial Regulations require submission of quarterly monitoring reports on service financial performance to the Finance and Resources Committee.

2.2 This report advises on the currently projected outturn for the Resources Directorate revenue budget for 2018/19 based on the position after six months of the financial year.

## 3. Main report

**Month Six Position**

3.1 The Resources Directorate revenue budget for 2018/19 is £166.949m. This incorporates a series of Council wide costs, including service costs for PPP Schools, rates and utilities expenditure for the operational property estate, the Council's external audit fee and the ICT contract costs.

3.2 The additional Asset Management Strategy savings target for 2018/19 is £4.2m. £0.666m of this additional target is forecast to be achieved in 2018/19, with a further £1.600m contributing towards Asset Management Strategy savings targets approved in previous years.

3.3 The period six projection reflects management of a forecast residual budget pressure of £4.073m arising due to non-achievement of savings previously assumed through the Asset Management Strategy and staff turnover in the Property and Facilities Management service.

3.4 As reported to Finance and Resources Committee in the report Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Three position, this variance has arisen due to:

3.4.1 changes in the Facilities Management (FM) operating model, from the assumed FM Services model used to set savings targets;

3.4.2 an increase in the size of floor area of the Council estate supported by FM Services compared to the original FM Services assumed model;

3.4.3 Estate Rationalisation savings being less than planned.

A subsequent update - Asset Management Strategy Transformation Programme – Update was provided to Finance and Resources Committee on 27 September 2018.

3.5 Measures of £3.314m have been identified by the Property and Facilities Management Divisional Management Team to address the budget pressure for Asset Management Strategy savings (£3.534m) and staff turnover (£0.539m). These include favourable variances being forecast for utility expenditure, Investment Estate rental income and savings from a revised expenditure profile for ICT upgrades in the Edinburgh Shared Repairs Service. The Property and Facilities Management Divisional Management Team is progressing the identification of other savings measures to achieve outturn expenditure in line with the approved revenue budget for 2018/19.

3.6 In September 2018, the Executive Director of Resources instructed Heads of Service to identify additional in year savings across the Resources Directorate to mitigate forecast budget pressures.

3.7 Savings from a pause in recruitment and enhanced workforce controls were applied from 17 September 2018. The maximum saving from this in 2018/19 is estimated at £0.445m. Exceptions to this recruitment pause are essential posts in the Contact Centre and Transactions Team, including Welfare and Benefits administration and Cleaning, Janitorial, Catering and Facilities Management delivery posts and where organisational reviews have recently been completed and capacity and capability is required, such as the Human Resources Division.

3.8 A review of discretionary expenditure has also been implemented, with spending to be ceased or delayed, where there is currently no legal commitment.

3.9 Following these reviews, Resources Divisions, excluding Property and Facilities Management are forecasting outturns less than the approved revenue budget for 2018/19, as a result of implementating these robust controls and actions. An analysis of the projection by Division is provided in Appendix 1.

**Savings Implementation Plans**

3.10 The revenue budget approved by Council on 22 February 2018 requires the Resources Directorate to achieve incremental savings of £9.830m in 2017/18. These are detailed in Appendix 2.

3.11 Revenue budget monitoring reports are actively considered by the Resources Management Team on a monthly basis.

3.12 As noted at paragraph 3.3, there is currently a shortfall of £3.534m in savings forecast against the assumed Asset Management Strategy savings target of £4.2m for 2018/19. This shortfall and the shortfall from staff turnover savings of £0.539m is partially mitigated by £3.314m of measures, as identified at paragraph 3.5. Work is ongoing to fully mitigate this shortfall in 2018/19.

3.13 The incremental Customer and Digital Services savings targets of £1.944m are on course to be achieved. £1.2m of savings, previously planned to be achieved through Process Automation and a Review of Business Support and Shared Services are now forecast to be achieved through vacancy management in Customer and Business Support, with additional external funding for statutory burdens.

3.14 Savings implementation in Finance, Human Resources and Legal and Risk have been progressed, with the achievement of savings targets either fully achieved or being satisfactorily progressed.

**Risks**

3.15 Financial risks in the Resources Directorate revenue budget for 2018/19 are:

3.15.1 Asset Management Strategy savings not being fully achieved or mitigated by alternative savings measures. The Resources Management Team is progressing the achievement of all savings targets and continuing to identify mitigating measures where savings targets are not forecast to be fully achieved in 2018/19. Full realisation of savings targets will continue to be tracked and reported to Resources Management Team; and

3.15.2 Internal recoveries of employee costs by Legal Services is subject to a risk of under-recovery, if rechargeable work is not as high as anticipated. The achievement of the income target is tracked monthly.

**Contingency Planning**

3.16 Resources currently has a Directorate-wide contingency of £0.126m to mitigate residual service financial risks in 2018/19. It is currently planned to use £0.1m of the contingency to offset forecast budget pressure in Resources Directorate in 2018/19.

## 4. Measures of success

4.1 The Resources Directorate final outturn for 2018/19 is within the approved revenue budget.

## 5. Financial impact

5.1 The report forecasts Resources Directorate outturn expenditure and income to be within the approved budget for Resources Directorate for 2018/19. Attainment of a balanced position is the subject of continuing work to identify mitigating measures, active management of financial risks and taking timely remedial action, where any further adverse variances become apparent.

## 6. Risk, policy, compliance and governance impact

6.1 The delivery of expenditure within the approved revenue budget for 2018/19 is the key target. The risk of budget pressures arising throughout the course of the financial year will continue to be regularly monitored and reviewed and management action taken as appropriate.

## 7. Equalities impact

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

## 8. Sustainability impact

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

## 9. Consultation and engagement

9.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2018/19 revenue budget.

## 10. Background reading/external references

Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Three position: Finance and Resources Committee, 16 August 2018

Asset Management Strategy Transformation Programme – Update: Finance and Resources Committee, 27 September 2018

Revenue Budget Framework 2018/23: Progress Report - referral from the Finance and Resources Committee : City of Edinburgh Council, 22 February 2018

**Stephen S. Moir**

Executive Director of Resources

Contact: Iain Shaw, Principal Accountant, Finance, Resources Directorate

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

## 11. Appendices

Appendix 1 - Resources Directorate Revenue Budget Monitoring 2018/19 - Month Six position

Appendix 2 - Resources Directorate - Approved Revenue Budget Savings 2018/19.

# Appendix 1

## Resources Directorate

## Revenue Budget Monitoring 2018/19

## Month Six position

### Forecast Revenue Outturn by Service Area

| | Revised Budget £'000 | Projected Outturn £'000 | Projected Variance £'000 | Adverse / Favourable |
|---|---|---|---|---|
| Customer and Digital Services | 55,293 | 54,941 | (352) | FAV |
| Finance | 6,337 | 6,237 | (100) | FAV |
| Human Resources | 4,733 | 4,652 | (81) | FAV |
| Legal and Risk | 1,349 | 1,381 | 32 | ADV |
| Property and Facilities Management | 99,011 | 99,770 | 759 | ADV |
| Directorate and service-wide costs, including balance of forecast savings from recruitment pause and discretionary expenditure controls. | 226 | (32) | (258) | FAV |
| **Total Net Expenditure** | **166,949** | **166,949** | **0** | **-** |

# Appendix 2

## Resources Directorate: Approved Revenue Budget Savings 2018/19

| Service | Saving Description | 2018/19 £'000 | Red/Amber/Green assessment |
|---|---|---|---|
| Customer and Digital Services | Reviewing Customer Service structures | 444 | |
| Customer and Digital Services | Automating major processes and transactions for citizens | 300 | |
| Customer and Digital Services | Process Automation Phase 1 | 800 | |
| Customer and Digital Services | Reviewing Business Support and Shared Services | 400 | |
| Customer and Digital Services | Improving the costs of external ICT services | 443 | |
| Customer and Digital Services | Technology savings (ICT) | 600 | |
| Customer and Digital Services | Reducing interim management expenditure | 200 | |
| Finance | Managing major contracts and external spend | 250 | |
| Finance | Reviewing Finance and Procurement structures | 130 | |
| Human Resources | Managing Learning and Development expenditure | 150 | |
| Human Resources | Reviewing Human Resources | 137 | |
| Human Resources | Improving occupational health and wellbeing support for staff | 175 | |
| Legal and Risk | Reviewing Legal and Risk structures | 62 | |
| Legal and Risk | Reducing external legal spend | 200 | |
| Property and FM Services | Asset Management Strategy (total of £4.200m) | 491 | |
| | | 175 | |
| | | 3,534 | |
| Property and FM Services | Staff turnover | 539 | |
| Property and FM Services | Additional capital recharge and rental income | 500 | |
| Property and FM Services | Revised property insurance arrangements | 200 | |
| Property and FM Services | Edinburgh Shared Repair Services income | 100 | |
| | **TOTAL** | **9,830** | |

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Chief Executive - Revenue Budget Monitoring 2018/19 - Month Six position

| | |
|---|---|
| **Item number** | 7.6 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | City-wide |
| **Council Commitments** | |

## Executive Summary


The report sets out the projected six-month revenue budget monitoring position for services reporting directly to the Chief Executive, based on actual expenditure and income to the end of August 2018 and expenditure and income projections for the remainder of the financial year.

It is currently forecast outturn will be in line with the approved revenue budget for 2018/19. Savings of £1.525 million were approved by Act of Council in February 2018 for services reporting directly to the Chief Executive for 2018/19. The attainment of outturn in line with budget is subject to undertaking ongoing action to deliver approved savings together with active management of risks and pressures.


EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

# Chief Executive - Revenue Budget Monitoring 2018/19 - Month Six position

## 1. Recommendations

1.1 It is recommended that the Finance and Resources Committee notes:

1.1.1 services reporting directly to the Chief Executive are currently projecting expenditure and income to be in line with the approved revenue budget for 2018/19 and

1.1.2 the risks to the achievement of a balanced revenue budget projection.

## 2. Background

2.1 The Council's Financial Regulations require submission of quarterly monitoring reports on service financial performance to the Finance and Resources Committee.

2.2 This report advises of the projected outturn for the revenue budget for 2018/19 for services reporting directly to the Chief Executive, based on the position at the end of August 2018.

## 3. Main report

**Month Six Position**

3.1 The revenue budget for 2018/19 for services reporting directly to the Chief Executive is £9.414 million. The budget is stated after inclusion of approved savings of £1.525 million.

3.2 The period six projection is for expenditure and income to be in line with the approved revenue budget for 2018/19.

3.3 An analysis of the projection by service area is provided in Appendix 1.

**Savings Implementation Plans**

3.4 The revenue budget approved by Council on 22 February 2018 requires achievement of incremental savings of £1.525 million in 2018/19 for services reporting directly to the Chief Executive. These are detailed in Appendix 1.

3.5 Savings implementation plans and revenue budget monitoring reports are considered by service management teams on a regular basis.

3.6 Savings forecast to be fully achieved in 2018/19 are classified as ‘green’ in Appendix 1. A saving forecast to be achieved through use of mitigating measures is classified as ‘amber’.

**Risks**

3.7 The revenue budget includes provision for increased income recoveries in Strategy and Insight of £0.6m through supporting strategic change and delivery activity. As increased income recoveries are planned to be implemented on a phased basis, in the event chargeable activity is less than anticipated, this saving will be achieved through management of currently-vacant posts.

3.8 While there is evidence of significant progress towards the achievement of all savings targets, full realisation of targets will continue to be tracked and reported to service management teams. Alternative savings measures will be developed, where a risk emerges as to the achievement of existing savings proposals.

## 4. Measures of success

4.1 Service final outturn for 2018/19 is within the approved revenue budget.

## 5. Financial impact

5.1 The report projects expenditure and income will be within approved budget. Attainment of this position is subject to active management of financial risks and, where appropriate, the taking of timely remedial action.

## 6. Risk, policy, compliance and governance impact

6.1 The delivery of expenditure within the approved revenue budget for 2018/19 is the key target. The risk of budget pressures arising throughout the course of the financial year will continue to be regularly monitored and reviewed and management action taken, as appropriate.

## 7. Equalities impact

7.1 There are no direct equalities impact implications arising from this report. All budget proposals are subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

## 8. Sustainability impact

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

## 9. Consultation and engagement

9.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2018/19 revenue budget.

## 10. Background reading/external references

Chief Executive - Revenue Budget Monitoring 2018/19 - Month Three position: Finance and Resources Committee 16 August 2018

Revenue Budget Framework 2018/23: Progress Report - referral from the Finance and Resources Committee : City of Edinburgh Council, 22 February 2018

**Andrew Kerr**

Chief Executive

Contact: Iain Shaw, Principal Accountant

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

## 11. Appendices

Appendix 1 – Chief Executive Revenue Budget Monitoring 2018/19 - Month Six position;
Chief Executive - Approved Revenue Budget Savings 2018/19.

# Appendix 1

## 1. Chief Executive Revenue Budget 2018/19 - Month Six position

### Forecast Revenue Outturn by Service Area

| | Revised Budget £'000 | Projected Outturn £'000 | Projected Variance £'000 | Adverse / Favourable £'000 |
|---|---|---|---|---|
| Chief Executive | 246 | 246 | 0 | - |
| Strategy and Communications | 9,168 | 9,168 | 0 | - |
| **Total Net Expenditure** | **9,414** | **9,414** | **0** | **-** |

## 2. Chief Executive: Approved Revenue Budget Savings 2018/19

| Service | Saving Description | 2018/19 £'000 | Red/Amber/Green assessment |
|---|---|---|---|
| Strategy | Reviewing Strategy and Insight structures | 440 | |
| Strategy | Reviewing Strategy and Insight structures – increased recovery of income | 600 | To be achieved through vacancy management, in the event of under-recovery. |
| Strategy | Reviewing grants and contract management | 300 | |
| Communications | Reviewing Communications structures | 185 | |
| | **TOTAL** | **1,525** | |

# Finance and Resources Committee

## 3.00pm, Tuesday 4 December 2018

# Capital Monitoring 2018/19 – Half-Year Position

| | |
|---|---|
| **Item number** | 7.7 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary


The month five position shows that the Council is projected to require loans fund advances of £73.766m and will be in receipt of grants and capital income amounting to £129.182m. Together this will fund projected capital investment of £202.948m. Loans fund advances are projected to be lower than the revised budget as a result of an anticipation of general slippage in the programme.

The HRA capital investment programme is projecting to require loans fund advances of £20.742m and will be in receipt of grants and capital income amounting to £60.192m. Together this will fund projected capital investment of £80.934m. As reported at period three, loans fund advances are projected to be £1.672m lower than the revised budget as a result of changes to timescales for new homes developed through the Council's housebuilding programme being purchased by Edinburgh Living LLP.

# Report

## Capital Monitoring 2018/19 – Half-Year Position

### 1. Recommendations

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

1.1.1 Note the projected capital outturn position on the General Fund and HRA at month five;

1.1.2 Note the prudential indicators at month five;

1.1.3 Note that the Head of Finance is closely monitoring the capital receipts position, and

1.1.4 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

### 2. Background

2.1 This report sets out the overall position of the Council's capital budget at the half year position (based on month five data) and the projected outturn for the year.

### 3. Main report

**Existing Capital Plans**

3.1 The position at month five is summarised in the table below.

| | Outturn Variance at Month Five £000 | Outturn Variance at Month Three £000 | Movement from Month Three £000 |
|---|---|---|---|
| Net (slippage) / acceleration in gross expenditure | (23,558) | (25,638) | 2,080 |
| Net (surplus) / deficit in capital receipts and grant income | (13,949) | (13,949) | 0 |
| **Net increase / (decrease) in loans fund advances** | (9,609) | (11,689) | 2,080 |

3.2 The position at month five can be seen in Appendix 1, which shows the Capital Investment Programme gross expenditure budget of £226.506m funded by grants and other capital income of £143.131m and loans fund advances of £83.375m.

3.3 The revised budget reflects gross expenditure movements of £19.776m, which reflects the rephasing of £20.229m of budgets to better reflect the delivery of major projects yet to commence. Details are set out in Appendix 2.

3.4 The projected slippage in gross expenditure has decreased by £2.080m. This relates mainly to acceleration in depot rationalisation projects (£3.439m) and Saughton Park (£4.430m) partially offset by slippage identified in highways, street lighting and transportation projects (£9.470m). Projected general slippage against the programme has reduced by £5.476m, reflecting the budget rephrasing referred to in paragraph 3.3 above.

3.5 Slippage of £14.025m of expenditure on the delivery of infrastructure projects under the Early Years Initiative is still projected. The associated specific capital grant received to date will be matched to actual expenditure and any grant unapplied in 2018/19 will be transferred to the Capital Grants Unapplied Account and drawn down in future years. Further work is being undertaken in conjunction with Communities and Families to develop delivery and expenditure profiles for each project within in the Early Years Initiative which will be incorporated in the revised Capital Investment programme which will be reported to this committee in January 2019.

3.6 Explanations for significant slippage and acceleration for General Fund projects projected at month five are presented in Appendix 3.

3.7 Members should note that in any given year, variance against budget will occur due to delays or unforeseen circumstances out with the control of the Council. An assumption of further slippage in the Programme of 5% of the revised budget excluding lending and the Management Development Funding which is specifically grant supported. This slippage assumption amounts to £6.137m has been made at this stage in the financial year. This general provision and specific project variances will be kept under review throughout the remainder of the year and amended as appropriate.

**Capital receipts / grant income**

3.8 Projected capital receipts from the sale of surplus assets, including those ringfenced for specific projects, are anticipated to be achieved at the budgeted level of £18.237m.

3.9 Members should also be aware that the value and timing of capital receipts can be impacted by a number of factors including abnormal costs arising from survey results and offers contingent on planning approvals. Any further revisions to the receipts programme will be reported within future capital monitoring reports.

**Housing Revenue Account (HRA)**

3.10 The Housing Revenue Account is not forecasting any slippage in gross expenditure at month five.

3.11 As reported to Finance and Resources on 16 August 2018, the HRA will receive capital receipts from Edinburgh Living LLP for the sale of completed homes of £15.18m in 2018/19, which exceeds the revised budget by £1.672m. This represents a change of profile of the pipeline of delivery and the total receipts achieved across the programme remain the same.

3.12 The full HRA capital investment budget position is shown in Appendix 4. At month five, the forecast is gross expenditure of £80.934m, capital receipts and grant income of £60.192m and loans fund advances of £20.742m.

**Prudential Indicators**

3.13 The Prudential Indicator monitoring at month five is shown in Appendix 5.

## 4. Measures of success

4.1 Completion of capital projects as budgeted for in the revised 2018/19 capital programme.

4.2 Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

## 5. Financial impact

5.1 The projected 2018/19 general fund outturn outlines loans fund advances of £73.766m. The overall loan charges associated with this over a 20-year period would be a principal amount of £73.766m, interest of £46.977m, resulting in a total cost of £120.743m based on a loans fund interest rate of 5.0%. The loan charges will be interest only in the first year, at a cost of £1.863m, followed by an annual cost of £5.944m for 20 years.

5.2 The projected 2018/19 HRA outturn outlines loans fund advances of £20.742m. The overall loans charges associated with this over a 20-year period would be a principal amount of £20.742m, interest of £13.209m, resulting in a total cost of £33.951m based on a loans fund rate of 5.0%. The loan charges will be interest only in the first year, at a cost of £0.531m followed by an annual cost of £1.671m for 20 years.

5.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

5.4 The loan charge costs outlined above will be met from this year's general fund and HRA revenue budgets for loan charges.

## 6. Risk, policy, compliance and governance impact

6.1 Significant budget virements have been undertaken and these 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. The nature of capital projects means that there is an inherent risk of delays or unforeseen circumstances out with the control of the Council.

## 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 Capital_Monitoring_2018-19_-_month_three_position – Finance and Resources Committee, 16 August 2018


**Stephen S. Moir**

Executive Director of Resources

Contact: Denise Pryde, Senior Accountant

E-mail: denise.pryde@edinburgh.gov.uk | Tel: 0131 469 3195


## 11. Appendices

Appendix 1 - Capital Monitoring 2018/19 – General Fund

Appendix 2 – Movements in Revised Budget 2018/19 – General Fund

Appendix 3 - Slippage and Acceleration on Projects – General Fund

Appendix 4 - Capital Monitoring 2018/19 – HRA

Appendix 5 - Prudential Indicators 2018/19

## Capital Monitoring 2018/19

## General Fund Summary

## Period 5

| Expenditure | Approved Budget £000 | Adjusts £000 | Revised Budget £000 | Actual to Date £000 | Projected Outturn £000 | Projected Variance £000 | Projected Variance % |
|---|---|---|---|---|---|---|---|
| Communities and Families | 54,597 | (3,589) | 51,008 | 23,216 | 36,081 | (14,927) | 0.00% |
| Edinburgh IJB | 2,727 | (2,711) | 16 | 160 | 16 | - | 0.00% |
| Place | 110,084 | (5,277) | 104,807 | 39,927 | 103,811 | (996) | 0.00% |
| Resources - Asset Management Works | 17,575 | 4 | 17,579 | 5,454 | 16,081 | (1,498) | 0.00% |
| Resources - Other | 16,221 | (8,203) | 8,018 | 864 | 8,018 | - | 0.00% |
| Lending | 45,078 | - | 45,078 | 4,583 | 45,078 | - | 0.00% |
| General slippage in programme 5% (excluding lending and TMDF) | | | | | (6,137) | (6,137) | 0.00% |
| Council Wide Projects | | | - | - | - | - | 0.00% |
| **Total Gross Expenditure** | **246,282** | **(19,776)** | **226,506** | **74,204** | **202,948** | **(23,558)** | **-10.40%** |

| Income | | | | | | | |
|---|---|---|---|---|---|---|---|
| *Capital Receipts* | | | | | | | |
| General Services | 11,715 | | 11,715 | 814 | 11,715 | - | 0.00% |
| Ringfenced Asset Sales | 6,395 | 137 | 6,532 | 218 | 6,532 | - | 0.00% |
| Less Fees Relating to Receipts | - | (10) | (10) | (10) | (10) | - | 0.00% |
| *Total Capital Receipts from Asset Sales* | *18,110* | *127* | *18,237* | *1,022* | *18,237* | *-* | *0.00%* |
| Less additional receipt income to capital fund | (809) | - | (809) | - | (809) | - | 0.00% |
| Drawdown from Capital Fund | 14,782 | - | 14,782 | | 14,782 | - | 0.00% |
| Developer and other Contributions | 2,319 | 247 | 2,566 | 9,609 | 2,566 | - | 0.00% |
| Capital Grants Unapplied Account drawdown | 3,451 | 374 | 3,825 | 1,037 | 2,276 | (1,549) | -40.50% |
| *Total Capital Receipts* | *37,853* | *748* | *38,601* | *11,668* | *37,052* | *(1,549)* | *-4.01%* |
| *Grants* | | | | | | | |
| Scottish Government General Capital Grant | 49,405 | - | 49,405 | 24,702 | 49,405 | - | 0.00% |
| Cycling, Walking and Safer Streets | 691 | - | 691 | - | 691 | - | 0.00% |
| Management Development Funding | 41,269 | - | 41,269 | 13,134 | 41,269 | - | 0.00% |
| Early Years and Childcare - Expansion | 12,400 | - | 12,400 | 12,400 | 12,400 | - | 0.00% |
| Other Specific Government Grants | 765 | - | 765 | 106 | 765 | - | 0.00% |
| Less Early Years Carried Forward | | | | | (12,400) | (12,400) | |
| *Total Grants* | *104,530* | *-* | *104,530* | *50,342* | *92,130* | *(12,400)* | *-11.86%* |
| **Total Income** | **142,383** | **748** | **143,131** | **62,010** | **129,182** | **(13,949)** | **-9.75%** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Balance to be funded through Loans Fund Advance** | **103,899** | **(20,524)** | **83,375** | | **73,766** | **(9,609)** | **-11.52%** |

**CAPITAL MONITORING 2018/19 - Period 5**

Project budget reprofiled into future years

| | £000 | Comments |
|---|---|---|
| New Meadowbank Sport Centre | 1,395 | Revised expenditure profile based on tender award |
| CCTV | 1,125 | Awaiting business case |
| New South Edinburgh PS | 1,070 | Revised expenditure profile based on tender award |
| New Care Home | 2,711 | Awaiting EIJB strategic commissioning plans. |
| Burnshot Bridge reinstatement | 800 | Niddrieburn Provision underspend allocated to Burnshot to fund future years funding pressure |
| Parks - Cammo | 628 | Ringfenced funding for Cammo Estate, awaiting business case |
| Kings Theatre - Prudentially supported | 5,000 | Awaiting external funding decision |
| ICT | 7,500 | Reset of contract |
| | 20,229 | |

**CAPITAL MONITORING 2018/19 - Period 5**
**Slippage and Acceleration on Projects**
Slippage on projects is shown as a negative value, while acceleration or overspends are shown as positive values.

***Key to variance category***

| *Type* | *Explanation* |
|---|---|
| 1. Slippage due to unforeseen delays | Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are out with the Council's control. |
| 2. Slippage due to optimistic budget | Slippage that has occurred due to optimism bias when budget was set. Issues include projecting spend on block budgets when a programme of works has not been considered or designed, not applying a discount factor for adverse weather / risk issues, providing for too much contingency and predicting an optimistic works timetable. |
| 3. Slippage due to timing of payments | Slippage that has occurred where a project is on time and schedule but is as a result of the timing of cash flows. |
| 4. Acceleration on a project | Represents accelerated spend on a project i.e. due to better than anticipated progress. |
| 5. Projected Underspend on a project | Projects where the final outturn is expected to be below budget. |

Note that a project will exhibit an element of all of the above but the overriding reason has been considered when applying a variance category.

| | Period 5 £000 | Period 3 £000 | Movement between periods £000 | Explanations for Significant Slippage / Acceleration | Variance Category |
|---|---|---|---|---|---|
| **Communities and Families** | | | | | |
| Early Years 2020 | -14,025 | -14,025 | 0 | Delays resulting from the late announcement of complete funding package | 1 |
| St Crispins | -309 | 0 | -309 | | 2 |
| Queensferry PS | -304 | 0 | -304 | | 2 |
| Leith Victoria PS | -207 | 0 | -207 | | 2 |
| Oxgangs YPC | -82 | 0 | -82 | The contractor has now been appointed and the project is scheduled to complete in Summer 2019 | 2 |
| Net (slippage) / acceleration on various projects | 0 | | 0 | | 4 |
| **Total Communities and Families** | **-14,927** | **-14,025** | **-902** | | |
| **Edinburgh Integrated Joint Board** | | | | | |
| Net (slippage) / acceleration on various projects | 0 | 0 | 0 | | |
| **Total Edinburgh Integrated Joint Board** | **0** | **0** | **0** | | |
| **Place** | | | | | |
| North Bridge major refurbishment | -6,835 | 0 | -6,835 | The appointment of the contractor has allowed for a reprofiling of the budget to reflect the phasing of works | 3 |
| Street Lighting LED - rephasing | -119 | 0 | -119 | The appointment of the contractor has allowed for a reprofiling of the budget to reflect the phasing of works | 3 |
| St Andrews Square | -433 | 0 | -433 | Delays in the programme to align with the work being planned for George St | 2 |

| | Period 5 £000 | Period 3 £000 | Movement between periods £000 | Explanations for Significant Slippage / Acceleration | Variance Category |
|---|---|---|---|---|---|
| Walking Pojects | -583 | 0 | -583 | Projects on hold to a lack of internal staff | 2 |
| Seafield depot - Phase 2 | 500 | 0 | 500 | The project has accelerated due to better than expected progress by the contractor | 4 |
| Bankhead Waste Transfer Station depot | 2,939 | 0 | 2,939 | The project has accelerated due to better than expected progress by the contractor | 4 |
| Cycle projects | -449 | 0 | -449 | Some projects on hold due to a lack of internal staff. The successful application for Community Links funding grants has also deferred the requirement to utilise CIP budgets until future years. | 2 |
| Water of Leith - phase 2 | -1,051 | 0 | -1,051 | Final account of the project is being finalised and and may result in a further underspend which will be returned to the Roads block for use in 2019/20. | 5 |
| Saughton Park - HLF | 4,430 | 0 | 4,430 | Expenditure incurred in advance of receipt of grant income support | 4 |
| Net (slippage) / acceleration on various projects | 605 | 0 | 605 | | 4 |
| **Total Place** | **-996** | **0** | **-996** | | |
| **Resources - Asset Management Works** | | | | | |
| Slippage across the Asset Management Works programme | -1,498 | 0 | -1,498 | | 2 |
| **Total Resources - Asset Management Works** | **-1,498** | **0** | **-1,498** | | |
| **Resources - Other** | | | | | |
| Net (slippage) / acceleration on various projects | 0 | 0 | 0 | | 2 |
| **Total Resources - Other** | **0** | **0** | **0** | | |
| **Council Wide / Corporate Projects** | | | | | |
| Net (slippage) / acceleration on various projects | -6,137 | -11,613 | 5,476 | | 2 |
| **Total Council Wide / Corporate Projects** | **-6,137** | **-11,613** | **5,476** | | |
| **Total for all Services** | **-23,558** | **-25,638** | **2,080** | | |

**Summary of Variance Category**

| | | Period 5 £000 | Period 3 £000 | Movement between periods £000 |
|---|---|---|---|---|
| 1 | Slippage due to unforeseen delays | -14,025 | -14,025 | 0 |
| 2 | Slippage due to optimistic budget | -10,002 | -11,613 | 1,611 |
| 3 | Slippage due to timing of payments | -6,954 | 0 | -6,954 |
| 4 | Acceleration on a project | 8,474 | 0 | 8,474 |
| 5 | Projected final underspend | -1,051 | 0 | -1,051 |
| | | -23,558 | -25,638 | 2,080 |

Appendix 4

**CAPITAL MONITORING 2018/19**

**Housing Revenue Account Summary**

**Period 5**

| | Revised Budget £000 | Actual to Date £000 | Projected Outturn £000 | Projected Variance £000 | Projected Variance % |
|---|---|---|---|---|---|
| **Expenditure** | | | | | |
| Core Programme | 39,408 | 12,806 | 39,408 | 0 | 0.0% |
| House Building | 41,526 | 17,578 | 41,526 | 0 | 0.0% |
| Total Gross Expenditure | 80,934 | 30,384 | 80,934 | 0 | 0.0% |

| | | | | | |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Capital Receipts | -19,431 | -2,181 | -21,103 | -1,672 | 8.6% |
| Developers and Other Contributions | -27,740 | -130 | -27,740 | 0 | 0.0% |
| Specific Capital Grant | -11,349 | -1,946 | -11,349 | 0 | 0.0% |
| Total Income | -58,520 | -4,257 | -60,192 | -1,672 | 2.9% |

| | | | | | |
|---|---|---|---|---|---|
| **Loans Fund Advances** | | | | | |
| Loans Fund Advances | 22,414 | | 20,742 | -1,672 | -7.5% |
| Total | 22,414 | | 20,742 | -1,672 | -7.5% |

**PRUDENTIAL INDICATORS 2017/18 - Period 5**

**Indicator 1 - Estimate of Capital Expenditure**

| | 2017/18 Actual £000 | 2018/19 Estimate £000 | 2018/19 Forecast £000 | 2019/20 Estimate £000 | 2019/20 Forecast £000 | 2020/21 Estimate £000 | 2020/21 Forecast £000 | 2021/22 Estimate £000 | 2021/22 Forecast £000 | 2022/23 Estimate £000 | 2022/23 Forecast £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Council Wide / Corporate Projects | 364 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unallocated funding - LDP priorities | 0 | 0 | 0 | 12,525 | 12,525 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lending | 6,470 | 45,078 | 45,078 | 25,618 | 25,618 | 57,542 | 57,542 | 73,665 | 73,665 | 117,879 | 117,879 |
| Communities and Families | 35,989 | 51,008 | 36,081 | 61,297 | 76,224 | 31,167 | 31,167 | 14,207 | 14,207 | 165 | 165 |
| Edinburgh Integration Joint Board | 496 | 16 | 16 | 4,240 | 4,240 | 5,000 | 5,000 | 5,000 | 5,000 | 0 | 0 |
| Place | 85,267 | 104,807 | 103,811 | 104,796 | 105,792 | 96,235 | 96,235 | 29,535 | 29,535 | 31,785 | 31,785 |
| Resources | 3,503 | 8,018 | 8,018 | 7,500 | 7,500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Resources - Asset Management Works | 10,990 | 17,579 | 16,081 | 30,000 | 31,498 | 30,000 | 30,000 | 25,516 | 25,516 | 20,450 | 20,450 |
| Trams | 2,383 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General slippage / acceleration across programme (5%) | 0 | 0 | -6,137 | 0 | -7,030 | 0 | 2,173 | 0 | 3,601 | 0 | -1,118 |
| Total General Services | 145,462 | 226,506 | 202,948 | 245,976 | 256,367 | 219,944 | 222,117 | 147,923 | 151,524 | 170,279 | 169,161 |
| Housing Revenue Account | 72,816 | 80,934 | 80,934 | 165,278 | 165,278 | 144,967 | 144,967 | 150,617 | 150,617 | 167,179 | 167,179 |
| Total | 218,278 | 307,440 | 283,882 | 411,254 | 421,645 | 364,911 | 367,084 | 298,540 | 302,141 | 337,458 | 336,340 |

The 'Lending' figures relate to lending by the Council to National Housing Trust (NHT) bodies and Edinburgh LLP. The LLP figures are based on a pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council. The figures shown are indicative.

**Indicator 2 - Ratio of Financing Costs to Net Revenue Stream**

| | 2017/18 Actual % | 2018/19 Estimate % | 2018/19 Forecast % | 2019/20 Estimate % | 2020/21 Estimate % | 2021/22 Estimate % | 2022/23 Estimate % |
|---|---|---|---|---|---|---|---|
| General Services | 11.63 | 11.38 | 11.44 | 11.65 | 11.68 | N/A | N/A |
| Housing Revenue Account | 37.88 | 39.64 | 38.69 | 41.76 | 43.85 | 45.28 | 47.53 |

Figures for 2019/20 onwards are indicative as neither the Council nor HRA has set a budget for these years. The figures for General Services are based on the current long term financial plan that ends in 2022/23. HRA figures are based on the current business plan.

**Indicator 3 - Capital Financing Requirement**

| | 2017/18 Actual £000 | 2018/19 Estimate £000 | 2018/19 Forecast £000 | 2019/20 Estimate £000 | 2019/20 Forecast £000 | 2020/21 Estimate £000 | 2020/21 Forecast £000 | 2021/22 Estimate £000 | 2021/22 Forecast £000 | 2022/23 Estimate £000 | 2022/23 Forecast £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| General Services (including finance leases) | 1,128,069 | 1,102,395 | 1,092,985 | 1,217,070 | 1,206,060 | 1,259,143 | 1,252,665 | 1,214,896 | 1,217,155 | 1,148,003 | 1,152,566 |
| Edinburgh Living LLPs | 0 | 12,870 | 12,870 | 33,614 | 33,611 | 86,647 | 86,685 | 159,189 | 159,298 | 275,105 | 275,280 |
| NHT LLPs | 66,725 | 98,933 | 98,933 | 103,651 | 103,651 | 107,693 | 107,693 | 107,693 | 107,693 | 107,693 | 107,693 |
| Housing Revenue Account | 381,070 | 384,112 | 382,355 | 438,190 | 436,836 | 466,873 | 461,476 | 488,779 | 477,131 | 489,859 | 467,863 |
| Total | 1,575,864 | 1,598,310 | 1,587,143 | 1,792,525 | 1,780,158 | 1,920,356 | 1,908,519 | 1,970,557 | 1,961,277 | 2,020,660 | 2,003,402 |

Forecasts include the capital financing requirement relating to PPP assets and advances to NHT and Edinburgh Living LLPs

**Indicator 4 - Authorised Limit for External Debt**

| | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|---|
| Borrowing | 1,955 | 1,999 | 2,054 | 2,014 | 1,961 |
| Credit Arrangements | 196 | 229 | 220 | 210 | 201 |
| Total | 2,151 | 2,228 | 2,274 | 2,224 | 2,162 |

Other Long-Term Liabilities includes finance lease repayments for PPP assets

**Indicator 5 - Operational Boundary for External Debt**

| | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|---|
| Borrowing | 1,475 | 1,599 | 1,744 | 1,804 | 1,861 |
| Other Long-Term Liabilities | 196 | 229 | 220 | 210 | 201 |
| Total | 1,671 | 1,828 | 1,964 | 2,014 | 2,062 |

Other Long-Term Liabilities includes finance lease repayments for PPP assets

**Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans**

| | 2018/19 Forecast £000 | 2019/20 Forecast £000 | 2020/21 Forecast £000 | 2021/22 Forecast £000 | 2022/23 Forecast £000 |
|---|---|---|---|---|---|
| Loans Fund Pooled Interest Rate 5.0% | | | | | |
| General Fund Services (excluding Lending) | | | | | |
| Loans Fund Advances in year | 28,688 | 134,319 | 113,575 | 36,859 | 10,282 |
| Year 1 - interest only | 725 | 3,395 | 2,871 | 932 | 260 |
| Year 2 - principal and interest | 2,312 | 10,823 | 9,152 | 2,970 | 829 |
| Housing Revenue Account (HRA) | | | | | |
| Loans Fund Advances in year | 20,742 | 76,268 | 50,416 | 44,927 | 24,100 |
| Year 1 - interest only | 524 | 1,928 | 894 | 1,136 | 804 |
| Year 2 - Core Programme - principal and interest | 1,254 | 1,392 | 1,349 | 2,225 | 3,200 |
| Year 2 - House Building Programme - principal and interest | 338 | 3,858 | 2,202 | 1,491 | 0 |

The cost of servicing capital advances shown in this Indicator excludes those attributable to the advances to NHT and Edinburgh Livings LLPs as these are fully recoverable from those bodies.

# Finance and Resources Committee

**3.00pm, Tuesday, 4 December 2018**

# Treasury Management: Mid-Term Report 2018/19

| | |
|---|---|
| **Item number** | 7.8 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary

The purpose of this report is to give an update on Treasury Management activity undertaken in the first half of 2018/19.

In accordance with the Strategy set in March 2018 the Council drew down no borrowing during the first half of the financial year and continued to fund capital expenditure temporarily from cash deposits. However, the Council did agree a forward starting loan of £60m which the Council is committed to drawing down in October 2020 and which manages an element of the Council's future interest rate risk. The overall approach continues to generates significant short-term savings in Loans Charges for the Council.

The investment return for 2018/19 continues to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments as a priority.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

# Treasury Management: Mid-Term Report 2018/19

## 1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 notes the mid-term report on Treasury Management for 2018/19;

1.1.2 approve the changes to the Treasury Cash Fund Treasury Management Policy Statement;

1.1.3 notes the forward borrowing undertaken by the Council; and

1.1.4 refers the report to City of Edinburgh Council for approval and subsequent remit by the City of Edinburgh Council to the Governance Risk and Best Value Committee for scrutiny.

## 2. Background

2.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, the mid-term report has been prepared setting out activity undertaken.

## 3. Main report

3.1 **UK Interest Rates**

3.1.1 During the last six months, the Bank of England's (BoE) Monetary Policy Committee (MPC) made no change to monetary policy at its May and June meetings and then in a unanimous vote, increased UK Bank Rate from 0.50% to 0.75% in August. The Monetary Policy Committee made no change to Quantitative Easing (QE) which remains at £435bn. The MPC did note at the meeting of the 21st June that it now intends not to reduce its stock of purchased assets until the Bank Rate reaches around 1.5%. The previous guidance was around 2%, and the stock will be reduced at a gradual and predictable pace.

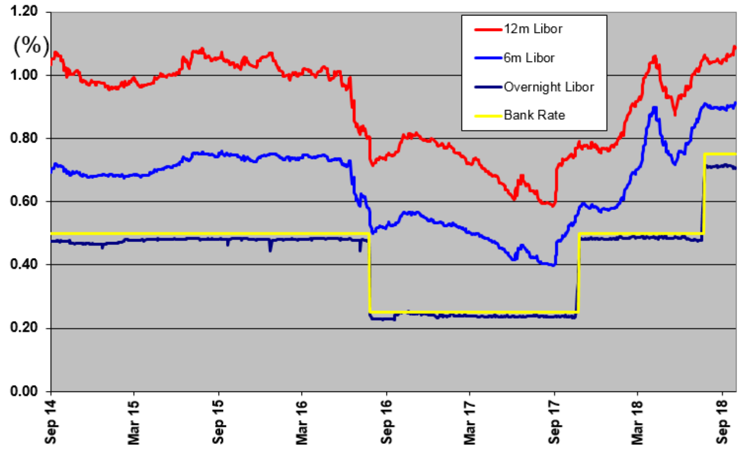



**Figure 1 – Libor rates since September 2014**

Source: Reuters

As can be seen in Figure 1 Libor rates increased anticipating the increase in UK Bank Rate in August. The shorter rates have since mainly levelled off with a slight increase in the 12-month rate anticipating a further increase in Bank Rate during the first quarter of 2019.

3.1.2 Table 1 gives a Reuters poll of up to 80 economists, taken 15th October, showing their forecasts for UK Bank Rate until Quarter 1 2020. This showed most economists polled believed that the UK Bank Rate will remain at 0.75% through Q1 2019 then increasing to 1% during Q2 2019 and to 1.25% in Q1 2020.

| | Q4/18 | Q1/19 | Q2/19 | Q3/19 | Q4/19 | Q1/20 |
|---|---|---|---|---|---|---|
| Median | 0.75 | 0.75 | 1 | 1 | 1 | 1.25 |
| Mean | 0.75 | 0.78 | 0.88 | 0.96 | 1.05 | 1.11 |
| Mode | 0.75 | 0.75 | 1 | 1 | 1 | 1.25 |
| Min | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Max | 0.75 | 1 | 1 | 1.25 | 1.25 | 1.5 |

**Table 1 – Economists' Forecasts for UK Bank Rate**

Source: REUTERS

3.1.3 The annual rate of inflation (CPI) was 2.4% in September 2018, a decrease from 2.7% in August and above the Bank of England's target rate of 2%. CPIH (Consumer Prices Index including owner occupiers' housing costs) decreased slightly from 2.4% in August to 2.2% in September. Food and non-alcoholic beverages were the largest downwards contributors to inflation with transport, recreation and culture, and clothing and contributing to the decrease.

## 3.2 Investment Out-turn

3.2.1 The Council's cash balances are pooled and invested via the Treasury Cash Fund subject to the limits set out in the Treasury Management Policy Statement. Figure 2 below shows the daily investment in the Cash Fund since April 2009 The Treasury Management strategy is to ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks. The Cash Fund's Investment Strategy continues to be based around the security of the investments.

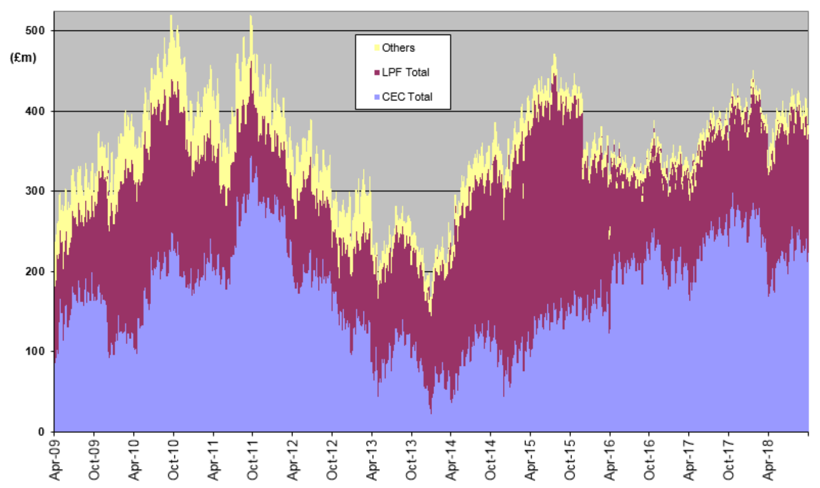



**Figure 2 - Source of Funds**

3.2.2 The rates achieved on the Council's call accounts have increased with the rise in UK Bank Rate. Although they are not all directly related so did not all change immediately. The rate on offer from the DMO's Debt Management Agency Deposit Facility (DMADF) was surprisingly high for deposits in excess of £25m and was used directly after the rise in Bank Rate for the first time since 2012. Figure 3 shows the rates achieved in the Friday auctions of UK Treasury Bills. Treasury Bill yields also increased with the increase in UK Bank Rate and proved useful in providing an uplift in rate while money market funds caught up. The amount of Treasury Bills was increased through to the end of the quarter with the holding reaching £90m at an average interest rate of 0.69% with the highest rate achieved being 0.719%.

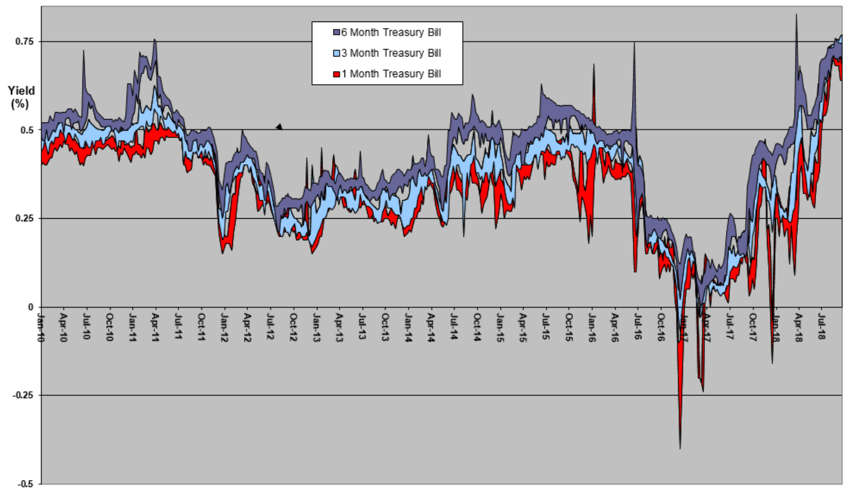



**Figure 3 – UK Treasury Bill Yields**

**Source: DMO**

3.2.3 Figure 4 shows in detail the distribution of Cash Fund investments since inception in 2007. This continues to show the fund retaining a large percentage of local authority deposits and also the investment into UK Treasury Bills.

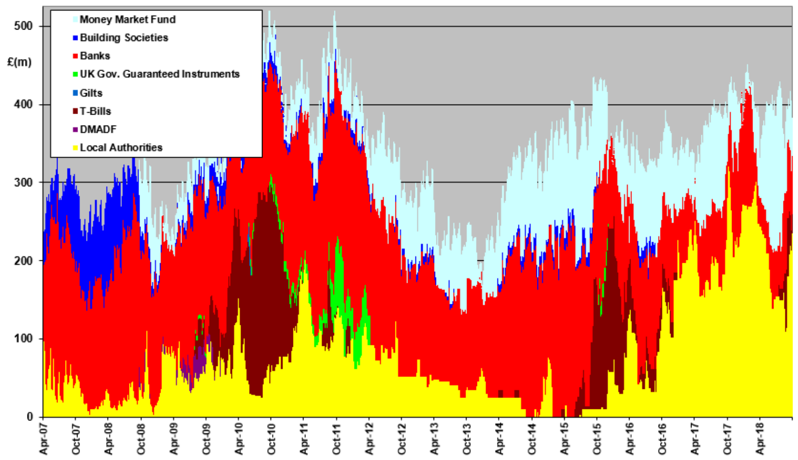



**Figure 4 – Cash Fund Investments since inception**

3.2.4 As can be seen in Figure 5, 65.4% of the fund was invested in Local Authority deposits between 23 different authorities, 6.5% invested in UK Treasury Bills, 19.5% was invested with Banks in call accounts split between instant access and 31 day notice with HSBC and 8.6% on deposit with Money Market Funds.

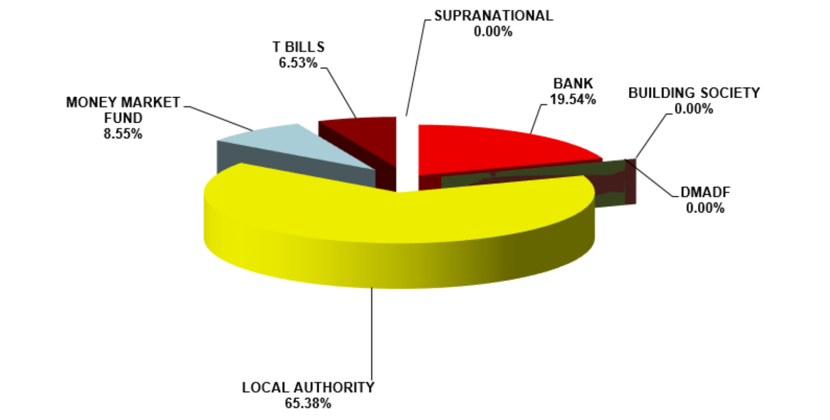



**Figure 5 – Investments by Counterparty 30 September 2018**

3.2.5 The investment strategy was based round the increase in UK Bank Rate in August. As anticipated the MPC increased rates at the start of August; as can be seen in Figure 6 the fund was perfectly profiled to take advantage of the rate increase. The low weighted average life of the fund allowed the cash fund to be able to react quickly to the hike in rates. Maturing deposits were placed on deposit at higher rates of interest and instant access money market funds allowed movement into bank call accounts that reacted instantly, UK Treasury Bills and Local Authority deposits. Notice was placed with Local Authority call accounts to increase interest rates which were agreed to and others increased the next working day with a clause that had been negotiated.

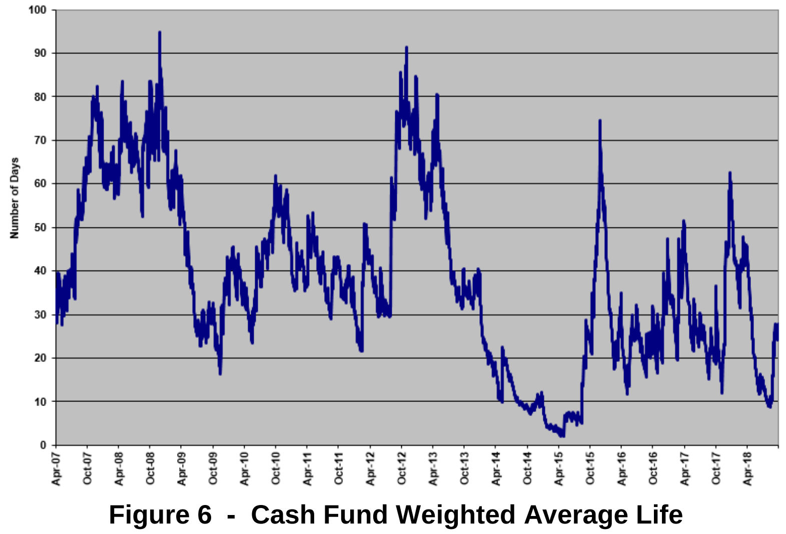



**Figure 6 - Cash Fund Weighted Average Life**

### 3.3 Cash Fund Performance

3.3.1 The annualised rate of return for the Cash Fund for the six months to September 2018 was 0.606% against a benchmark of 0.436%. Figure 7 below shows the daily investment performance of the Cash Fund against its benchmark since April 2011. As can be seen, Cash Fund performance picked up very quickly after the increase in UK Bank Rate. This was due to being able to move cash balances between accounts that had an instant uplift in rate from those that would take a while to catch up and also taking advantage of increased rates on fixed deposits with other Local Authorities, DMADF and UK Treasury Bills.

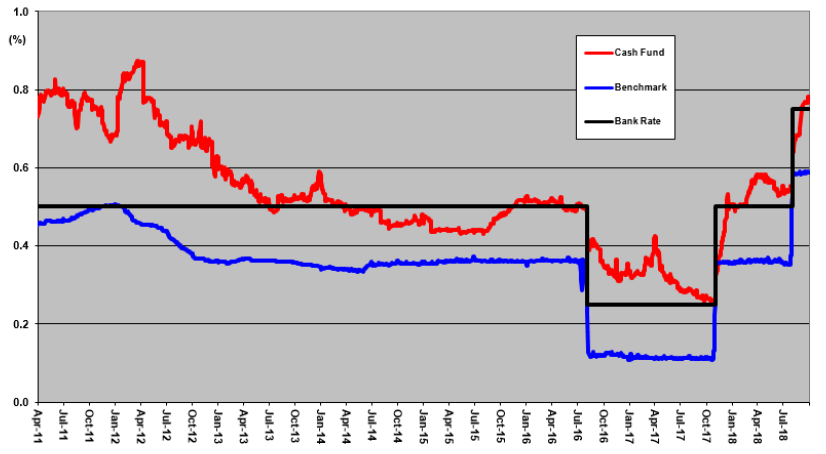



**Figure 7 - Treasury Cash Fund Investment Performance**

### 3.4 Debt Management Activity

3.4.1 Debt Management strategy for 2018/19 as outlined in the Strategy Report was to continue to use the Council's investment balances to fund capital expenditure. The Council has undertaken no PWLB borrowing since December 2012. Appendix 1 shows the current debt portfolio.

3.4.2 Figure 8 below shows the PWLB borrowing rates since April 2005. UK Gilt yields showed volatility in the first 6 months of the financial year – the 10 year gilt yield rising from 1.37% to 1.57% over the period. There was a sharp fall in yields in late May due to Italy's political crisis as the UK was viewed to be a safe haven.

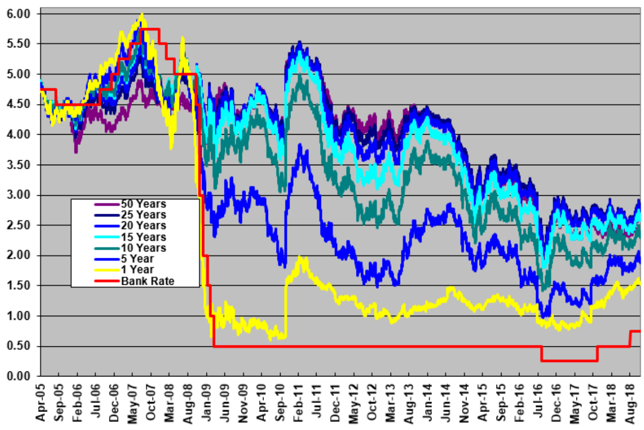



**Figure 8 – PWLB Rates 2005 to Date**

Source: DMO

3.4.3 Table 2 below shows a comparison of the projected cumulative capital expenditure to be funded by borrowing and the actual external debt. More detail on the Capital Advances, along with revised Prudential Indicators are contained in the Capital Monitoring – Period 5 report elsewhere on this agenda.

| **Capital Funding v. External Debt** | **2017/18 Outturn £000** | **2018/19 Estimate £000** | **2019/20 Estimate £000** | **2020/21 Estimate £000** | **2021/22 Estimate £000** | **2022/23 Estimate £000** |
|---|---|---|---|---|---|---|
| Debt b/fd | 1,299,901 | 1,245,546 | 1,203,456 | 1,329,875 | 1,474,308 | 1,527,070 |
| Cumulative Capital Expenditure b/fd | 1,413,522 | 1,384,534 | 1,402,260 | 1,561,620 | 1,719,428 | 1,782,363 |
| Over/underborrowed b/fd | -113,621 | -138,988 | -198,804 | -231,746 | -245,120 | -255,293 |
| GF Capital Financed by borrowing | 14,516 | 28,688 | 134,319 | 113,575 | 36,859 | 10,282 |
| HRA Capital Financed by borrowing | 35,078 | 20,742 | 76,268 | 50,416 | 44,927 | 24,100 |
| Lending to LLPs | | 45,078 | 25,618 | 77,603 | 73,665 | 117,879 |
| less scheduled repayments by GF | -57,810 | -55,750 | -54,540 | -57,466 | -62,688 | -65,893 |
| less scheduled repayments by HRA | -18,290 | -19,457 | -21,788 | -25,776 | -29,272 | -33,368 |
| less scheduled repayments by Joint Boards | -2,482 | -1,575 | -517 | -544 | -556 | -589 |
| less scheduled repayments by LLPs | | | -159 | -1,123 | -1,052 | -1,897 |
| **Underlying Need to Borrow** | **-28,988** | **17,726** | **159,360** | **157,808** | **62,935** | **52,412** |
| plus total maturing debt | 54,355 | 54,960 | 53,581 | 55,567 | 47,238 | 46,505 |
| **Total Borrowing Requirement** | **25,367** | **72,686** | **212,941** | **213,375** | **110,173** | **98,917** |
| **Cummulative Borrowing Requirement** | | **72,686** | **285,628** | **499,002** | **609,175** | **708,092** |
| Committed Market Borrowing | | | | **60,000** | | |
| Planned PWLB or short borrowing for year | 0 | 12,870 | 180,000 | 140,000 | 100,000 | 110,000 |
| **Debt at end of the year** | **1,245,546** | **1,203,456** | **1,329,875** | **1,474,308** | **1,527,070** | **1,590,565** |
| **Cumulative Capital Expenditure** | **1,384,534** | **1,402,260** | **1,561,620** | **1,719,428** | **1,782,363** | **1,834,775** |
| **Cumulative Over/Under Borrowed** | **-138,988** | **-198,804** | **-231,746** | **-245,120** | **-255,293** | **-244,210** |

**Table 2 - Summary of Capital Advances v. External Debt**

3.4.4 It is intended to continue the strategy of using investments to temporarily fund the Council's borrowing requirement giving a projected under borrowing of £199m at the end of the financial year. However, as set out in the 2018/19 Strategy, borrowing to mitigate the interest rate risk on the capital advances for the Edinburgh Living LLPs will be considered on a tranche by tranche basis. Some PWLB Borrowing in 2018/19 for this is therefore included in the above table.

3.4.5 As can be seen from Table 2 above, the Council's cumulative borrowing requirement is substantial over the next few years. Significant work has been undertaken to investigate ways in which the interest rate risk on this requirement can be managed and mitigated. As part of this, the Council has agreed a £60m forward starting loan with Deutsche Pfandbriefbank (PBB). The loan is to be drawn down in October 2020 and the fixed rate of 2.613% on the 25 year annuity loan is considered to represent excellent value to the Council in managing its interest rate risk without taking on a cost of interest rate carry.

## 3.5 Change to Cash Fund Treasury Management Policy Statement

3.5.1 The European Union has brought in some regulatory changes relating to Money Market Funds (MMFs) and existing funds are required to be compliant with them by 21 January 2019. The Council currently invests in Constant Net Asset Value (CNAV) MMFs. However, under the new regulations, after January this type of fund will only be permitted to invest in Government Debt. It is therefore thought likely that the funds which the Council currently uses will change to being Low Volatility Net Asset Value (LVNAV) funds. The Cash Fund's Treasury Policy Statements permits the use of MMFs. Although there was no reference to CNAV in the list of Permitted Investment in the Policy Statement, item e. in table outlining the risks associated with each investment type stated that the Council would only use CNAV funds. Item e. has therefore been amended to remove the reference to CNAV funds and reflect the Council's likely usage of the LVNAV funds. A revised Treasury Cash Fund Treasury Management Policy Statement is included in Appendix 2.

## 3.6 Edinburgh Living Facility

3.6.1 The Council has previously approved lending £13m to Edinburgh Living to fund its purchase of 105 homes. However, cash flow modelling for Edinburgh Living showed that as with most new enterprises, there is a timing mismatch in the early life of the enterprise between initial costs and when the income stream from rents is going to be fully received. Therefore, at its meeting on 11 October 2018 the Finance and Resources Committee approved providing a short-term cash flow facility of up to £0.25m to Edinburgh Living.

## 4. Measures of success

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

## 5. Financial impact

5.1 The Council continues to manage its debt portfolio so as to minimise the medium-term cost of funding its capital projects.

5.2 The Treasury Cash Fund has generated significant additional income for the Council.

## 6. Risk, policy, compliance and governance impact

6.1 The Council complies with the relevant CIPFA code of practice whilst undertaking Treasury Management activities. The significant financial risks associated with Treasury Management activities have been successfully managed during the first half of 2018/19.

## 7. Equalities impact

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

## 8. Sustainability impact

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

## 9. Consultation and engagement

9.1 None

## 10. Background reading/external references

10.1 None

**Stephen S. Moir**

Executive Director of Resources

Contact: Innes Edwards, Principal Treasury and Banking Manager

E-mail: innes.edwards@edinburgh.gov.uk | Tel: 0131 469 6291

## 11. Appendices

1: Outstanding Debt at 30 September 2018

2: Treasury Cash Fund Treasury Management Policy Statement

## Appendix 1: Outstanding Debt at 30 September 2018

**Market Debt (non LOBO)**

| Loan Type | Start Date | Maturity Date | Principal Outstanding (£) | Interest Rate (%) | Annual Interest (£) |
|---|---|---|---|---|---|
| M | 30/06/2005 | 30/06/2065 | 5,000,000.00 | 4.4 | 220,000.00 |
| M | 07/07/2005 | 07/07/2065 | 5,000,000.00 | 4.4 | 220,000.00 |
| M | 21/12/2005 | 21/12/2065 | 5,000,000.00 | 4.99 | 249,500.00 |
| M | 28/12/2005 | 24/12/2065 | 12,500,000.00 | 4.99 | 623,750.00 |
| M | 14/03/2006 | 15/03/2066 | 15,000,000.00 | 5 | 750,000.00 |
| M | 18/08/2006 | 18/08/2066 | 10,000,000.00 | 5.25 | 525,000.00 |
| M | 01/02/2008 | 01/02/2078 | 10,000,000.00 | 3.95 | 395,000.00 |
| | | | 62,500,000.00 | | |

**Market Debt (LOBO)**

| Loan Type | Start Date | Maturity Date | Principal Outstanding (£) | Interest Rate (%) | Annual Interest (£) |
|---|---|---|---|---|---|
| M | 12/11/1998 | 13/11/2028 | 3,000,000.00 | 4.75 | 142,500.00 |
| M | 15/12/2003 | 15/12/2053 | 10,000,000.00 | 5.25 | 525,000.00 |
| M | 18/02/2004 | 18/02/2054 | 10,000,000.00 | 4.54 | 454,000.00 |
| M | 28/04/2005 | 28/04/2055 | 12,900,000.00 | 4.75 | 612,750.00 |
| M | 25/02/2011 | 25/02/2060 | 15,000,000.00 | 7.411 | 1,111,650.00 |
| M | 25/02/2011 | 25/02/2060 | 10,000,000.00 | 7.411 | 741,100.00 |
| M | 26/02/2010 | 26/02/2060 | 5,000,000.00 | 7.381 | 369,050.00 |
| M | 26/02/2010 | 26/02/2060 | 10,000,000.00 | 7.381 | 738,100.00 |
| M | 01/07/2005 | 01/07/2065 | 10,000,000.00 | 3.86 | 386,000.00 |
| M | 24/08/2005 | 24/08/2065 | 5,000,000.00 | 4.4 | 220,000.00 |
| M | 07/09/2005 | 07/09/2065 | 10,000,000.00 | 4.99 | 499,000.00 |
| M | 13/09/2005 | 14/09/2065 | 5,000,000.00 | 3.95 | 197,500.00 |
| M | 03/10/2005 | 05/10/2065 | 5,000,000.00 | 4.375 | 218,750.00 |
| M | 23/12/2005 | 23/12/2065 | 10,000,000.00 | 4.75 | 475,000.00 |
| M | 06/03/2006 | 04/03/2066 | 5,000,000.00 | 4.625 | 231,250.00 |
| M | 17/03/2006 | 17/03/2066 | 10,000,000.00 | 5.25 | 525,000.00 |
| M | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | 487,500.00 |
| M | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | 487,500.00 |
| M | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | 487,500.00 |
| M | 07/04/2006 | 07/04/2066 | 10,000,000.00 | 4.75 | 475,000.00 |
| M | 05/06/2006 | 07/06/2066 | 20,000,000.00 | 5.25 | 1,050,000.00 |
| M | 05/06/2006 | 07/06/2066 | 16,500,000.00 | 5.25 | 866,250.00 |
| | | | 212,400,000.00 | | |

| PWLB Loan Type | Start Date | Maturity Date | Principal Outstanding (£) | Interest Rate (%) | Annual Interest (£) |
|---|---|---|---|---|---|
| M | 17/09/1993 | 15/11/2018 | 5,000,000.00 | 7.875 | 393,750.00 |
| M | 23/03/1994 | 15/11/2018 | 5,000,000.00 | 8 | 400,000.00 |
| M | 14/03/1994 | 11/03/2019 | 2,997,451.21 | 7.625 | 228,555.65 |
| M | 18/10/1993 | 25/03/2019 | 5,000,000.00 | 7.875 | 393,750.00 |
| M | 30/03/2009 | 30/03/2019 | 5,000,000.00 | 3.46 | 173,000.00 |
| M | 21/04/2009 | 21/04/2019 | 10,000,000.00 | 3.4 | 340,000.00 |
| M | 23/04/2009 | 23/04/2019 | 5,000,000.00 | 3.38 | 169,000.00 |
| A | 12/11/2008 | 12/11/2019 | 815,196.27 | 3.96 | 47,699.55 |
| M | 23/03/1994 | 15/11/2019 | 5,000,000.00 | 8 | 400,000.00 |
| M | 07/12/1994 | 15/11/2019 | 10,000,000.00 | 8.625 | 862,500.00 |
| A | 01/12/2008 | 01/12/2019 | 804,410.88 | 3.65 | 43,433.85 |
| M | 01/12/2009 | 01/12/2019 | 5,000,000.00 | 3.77 | 188,500.00 |
| M | 14/12/2009 | 14/12/2019 | 10,000,000.00 | 3.91 | 391,000.00 |
| M | 15/02/1995 | 25/03/2020 | 5,000,000.00 | 8.625 | 431,250.00 |
| M | 21/04/2009 | 21/04/2020 | 10,000,000.00 | 3.54 | 354,000.00 |
| M | 12/05/2009 | 12/05/2020 | 10,000,000.00 | 3.96 | 396,000.00 |
| M | 21/10/1994 | 15/05/2020 | 5,000,000.00 | 8.625 | 431,250.00 |
| M | 07/12/1994 | 15/05/2020 | 5,000,000.00 | 8.625 | 431,250.00 |
| M | 21/11/2011 | 21/05/2020 | 15,000,000.00 | 2.94 | 441,000.00 |
| M | 16/08/1995 | 03/08/2020 | 2,997,451.21 | 8.375 | 251,036.54 |
| M | 09/12/1994 | 15/11/2020 | 5,000,000.00 | 8.625 | 431,250.00 |
| A | 10/05/2010 | 10/05/2021 | 1,534,840.41 | 3.09 | 58,602.91 |
| M | 21/10/1994 | 15/05/2021 | 10,000,000.00 | 8.625 | 862,500.00 |
| M | 10/03/1995 | 15/05/2021 | 11,900,000.00 | 8.75 | 1,041,250.00 |
| M | 12/06/1995 | 15/05/2021 | 10,000,000.00 | 8 | 800,000.00 |
| M | 02/06/2010 | 02/06/2021 | 5,000,000.00 | 3.89 | 194,500.00 |
| M | 16/08/1994 | 03/08/2021 | 2,997,451.21 | 8.5 | 254,783.35 |
| M | 28/04/1994 | 25/09/2021 | 5,000,000.00 | 8.125 | 406,250.00 |
| M | 23/04/2009 | 23/04/2022 | 5,000,000.00 | 3.76 | 188,000.00 |
| M | 12/06/1995 | 15/05/2022 | 10,200,000.00 | 8 | 816,000.00 |
| M | 14/06/2010 | 14/06/2022 | 10,000,000.00 | 3.95 | 395,000.00 |
| M | 31/03/1995 | 25/09/2022 | 6,206,000.00 | 8.625 | 535,267.50 |
| M | 16/02/1995 | 03/02/2023 | 2,997,451.21 | 8.625 | 258,530.17 |
| M | 24/04/1995 | 25/03/2023 | 10,000,000.00 | 8.5 | 850,000.00 |
| M | 05/12/1995 | 15/05/2023 | 5,200,000.00 | 8 | 416,000.00 |
| M | 20/09/1993 | 14/09/2023 | 2,997,451.21 | 7.875 | 236,049.28 |
| M | 20/09/1993 | 14/09/2023 | 584,502.98 | 7.875 | 46,029.61 |
| M | 08/05/1996 | 25/09/2023 | 10,000,000.00 | 8.375 | 837,500.00 |
| M | 13/10/2009 | 13/10/2023 | 5,000,000.00 | 3.87 | 193,500.00 |
| M | 05/12/1995 | 15/11/2023 | 10,000,000.00 | 8 | 800,000.00 |
| M | 10/05/2010 | 10/05/2024 | 10,000,000.00 | 4.32 | 432,000.00 |
| M | 28/09/1995 | 28/09/2024 | 2,895,506.10 | 8.25 | 238,879.25 |
| M | 14/05/2012 | 14/11/2024 | 10,000,000.00 | 3.36 | 336,000.00 |

| | | | | | |
|---|---|---|---|---|---|
| A | 14/12/2009 | 14/12/2024 | 5,005,280.81 | 3.66 | 201,656.97 |
| M | 17/10/1996 | 25/03/2025 | 10,000,000.00 | 7.875 | 787,500.00 |
| M | 10/05/2010 | 10/05/2025 | 5,000,000.00 | 4.37 | 218,500.00 |
| M | 16/11/2012 | 16/05/2025 | 20,000,000.00 | 2.88 | 576,000.00 |
| M | 13/02/1997 | 18/05/2025 | 10,000,000.00 | 7.375 | 737,500.00 |
| M | 20/02/1997 | 15/11/2025 | 20,000,000.00 | 7.375 | 1,475,000.00 |
| A | 01/12/2009 | 01/12/2025 | 8,108,232.64 | 3.64 | 320,458.85 |
| M | 21/12/1995 | 21/12/2025 | 2,397,960.97 | 7.875 | 188,839.43 |
| M | 21/05/1997 | 15/05/2026 | 10,000,000.00 | 7.125 | 712,500.00 |
| M | 28/05/1997 | 15/05/2026 | 10,000,000.00 | 7.25 | 725,000.00 |
| M | 29/08/1997 | 15/11/2026 | 5,000,000.00 | 7 | 350,000.00 |
| M | 24/06/1997 | 15/11/2026 | 5,328,077.00 | 7.125 | 379,625.49 |
| M | 07/08/1997 | 15/11/2026 | 15,000,000.00 | 6.875 | 1,031,250.00 |
| M | 13/10/1997 | 25/03/2027 | 10,000,000.00 | 6.375 | 637,500.00 |
| M | 22/10/1997 | 25/03/2027 | 5,000,000.00 | 6.5 | 325,000.00 |
| M | 13/11/1997 | 15/05/2027 | 3,649,966.00 | 6.5 | 237,247.79 |
| M | 17/11/1997 | 15/05/2027 | 5,000,000.00 | 6.5 | 325,000.00 |
| M | 13/12/2012 | 13/06/2027 | 20,000,000.00 | 3.18 | 636,000.00 |
| M | 12/03/1998 | 15/11/2027 | 8,677,693.00 | 5.875 | 509,814.46 |
| M | 06/09/2010 | 06/09/2028 | 10,000,000.00 | 3.85 | 385,000.00 |
| M | 14/07/2011 | 14/07/2029 | 10,000,000.00 | 4.9 | 490,000.00 |
| E | 14/07/1950 | 03/03/2030 | 2,906.90 | 3 | 87.21 |
| M | 14/07/2011 | 14/07/2030 | 10,000,000.00 | 4.93 | 493,000.00 |
| E | 15/06/1951 | 15/05/2031 | 3,046.64 | 3 | 91.40 |
| M | 06/09/2010 | 06/09/2031 | 20,000,000.00 | 3.95 | 790,000.00 |
| M | 15/12/2011 | 15/06/2032 | 10,000,000.00 | 3.98 | 398,000.00 |
| M | 15/09/2011 | 15/09/2036 | 10,000,000.00 | 4.47 | 447,000.00 |
| M | 22/09/2011 | 22/09/2036 | 10,000,000.00 | 4.49 | 449,000.00 |
| M | 10/12/2007 | 10/12/2037 | 10,000,000.00 | 4.49 | 449,000.00 |
| M | 08/09/2011 | 08/09/2038 | 10,000,000.00 | 4.67 | 467,000.00 |
| M | 15/09/2011 | 15/09/2039 | 10,000,000.00 | 4.52 | 452,000.00 |
| M | 06/10/2011 | 06/10/2043 | 20,000,000.00 | 4.35 | 870,000.00 |
| M | 09/08/2011 | 09/02/2046 | 20,000,000.00 | 4.8 | 960,000.00 |
| M | 23/01/2006 | 23/07/2046 | 10,000,000.00 | 3.7 | 370,000.00 |
| M | 23/01/2006 | 23/07/2046 | 10,000,000.00 | 3.7 | 370,000.00 |
| M | 19/05/2006 | 19/11/2046 | 10,000,000.00 | 4.25 | 425,000.00 |
| M | 07/01/2008 | 07/01/2048 | 5,000,000.00 | 4.4 | 220,000.00 |
| M | 27/01/2006 | 27/07/2051 | 1,250,000.00 | 3.7 | 46,250.00 |
| M | 16/01/2007 | 16/07/2052 | 40,000,000.00 | 4.25 | 1,700,000.00 |
| M | 30/01/2007 | 30/07/2052 | 10,000,000.00 | 4.35 | 435,000.00 |
| M | 13/02/2007 | 13/08/2052 | 20,000,000.00 | 4.35 | 870,000.00 |
| M | 20/02/2007 | 20/08/2052 | 70,000,000.00 | 4.35 | 3,045,000.00 |
| M | 22/02/2007 | 22/08/2052 | 50,000,000.00 | 4.35 | 2,175,000.00 |
| M | 08/03/2007 | 08/09/2052 | 5,000,000.00 | 4.25 | 212,500.00 |
| M | 30/05/2007 | 30/11/2052 | 10,000,000.00 | 4.6 | 460,000.00 |
| M | 11/06/2007 | 11/12/2052 | 15,000,000.00 | 4.7 | 705,000.00 |
| M | 12/06/2007 | 12/12/2052 | 25,000,000.00 | 4.75 | 1,187,500.00 |

| | | | | | |
|---|---|---|---|---|---|
| M | 05/07/2007 | 05/01/2053 | 12,000,000.00 | 4.8 | 576,000.00 |
| M | 25/07/2007 | 25/01/2053 | 5,000,000.00 | 4.65 | 232,500.00 |
| M | 10/08/2007 | 10/02/2053 | 5,000,000.00 | 4.55 | 227,500.00 |
| M | 24/08/2007 | 24/02/2053 | 7,500,000.00 | 4.5 | 337,500.00 |
| M | 13/09/2007 | 13/03/2053 | 5,000,000.00 | 4.5 | 225,000.00 |
| M | 12/10/2007 | 12/04/2053 | 5,000,000.00 | 4.6 | 230,000.00 |
| M | 05/11/2007 | 05/05/2057 | 5,000,000.00 | 4.6 | 230,000.00 |
| M | 15/08/2008 | 15/02/2058 | 5,000,000.00 | 4.39 | 219,500.00 |
| M | 02/12/2011 | 02/12/2061 | 5,000,000.00 | 3.98 | 199,000.00 |
| | | | 939,050,876.65 | | |

**SALIX INTEREST FREE**

| Loan Type | Start Date | Maturity Date | Principal Outstanding (£) | Interest Rate (%) | Annual Interest (£) |
|---|---|---|---|---|---|
| E | 07/01/2015 | 01/09/2021 | 236,871.42 | 0 | 0.00 |
| E | 31/03/2015 | 01/04/2023 | 901,448.70 | 0 | 0.00 |
| E | 22/09/2015 | 01/10/2023 | 241,779.67 | 0 | 0.00 |
| | | | 1,380,099.79 | | |

## Appendix 2: Treasury Management Policy Statement

# The City of Edinburgh Council

# Treasury Cash Fund

# Treasury Management Policy Statement


### Summary

The Council operates the Treasury Cash Fund on a low risk low return basis for cash investments on behalf of itself, Lothian Pension Fund and other associated organisations. This Policy Statement covers the type of investments which are permitted for monies held with the Cash Fund and should be read in conjunction with the Treasury Policy Statement for the City of Edinburgh Council.


### Approved Activities

The activity undertaken in the management of cash balances and their investment in cash and near cash instruments. In undertaking this activity, the key objective is the security of the monies invested. Accordingly, the investment types and counterparty limits below represent a prudent attitude towards the instruments with which and the institutions with whom investment will be undertaken.

### Treasury Management Strategy

The treasury management strategy for the cash fund is to ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks

### Permitted Instruments

The Chief Financial Officer may invest monies in accordance with the Council's requirements only by using the following instruments:

(a) Temporary deposit, Certificate of Deposit, collaterised deposit, structured deposit, commercial paper, floating rate note or Bonds with an approved institution of the Bank of England or with any other approved organisation for investment (see below)

(b) UK Treasury Bills

(c) Gilt-edged securities

(d) Reverse Repurchase Agreements

(e) Money Market Funds and Bond Funds

(f) Debt Management Office's Debt Management Agency Deposit Facility

### Limits on Investment

The approved limits on counterparties and investment types are as follows (where money limits and percentages are stated, the greater of the two should be applied):

(a) DMO's DMADF, UK Treasury Bills and UK Gilts with no limit

(b) UK local authorities with no limit.

(c) other public bodies up to a maximum of £20 million per organisation.

(d) The Council's bankers, where not otherwise permitted under (k) below, up to a limit of £20m on an overnight only basis other than when funds are received into the Council's bank account without pre-notification.

(e) Money Market Funds with no limit in total but with no more than £30 million or 15% of the funds under management with any one Fund.

(f) Bond Funds with no more than £20 million or 10% of the funds under management.

(g) Supranational Bonds with a limit of £60 million or 20% of the fund in total.

(h) financial institutions where the relevant deposits, CDs or Bonds are guaranteed by a sovereign government of AA or above up to a maximum of £60 million or 20 percent of the fund per institution for the duration of the guarantee in addition to the appropriate counterparty limit for the institution.

(i) Local Authority Collateralised deposits up to a maximum of £30 million or 15 percent of the fund per institution up to a maximum of 5 years in addition to the appropriate counterparty limit for the institution.

(j) Structured deposits up to a maximum of £20 million or 10 percent of the fund, subject to the appropriate counterparty limits for the institution also being applied.

(k) financial institutions included on the Bank of England's authorised list under the following criteria:

| Credit Rating | Banks Unsecured | Banks Secured | B. Socs. Unsecured | B. Socs. Secured |
|---|---|---|---|---|
| AAA | 20% or £60m | 20% or £60m | 20% or £60m | 20% or £60m |
| AA+ | 15% or £30m | 20% or £60m | 15% or £30m | 20% or £60m |
| AA | 15% or £30m | 20% or £60m | 15% or £30m | 15% or £30m |
| AA- | 15% or £30m | 20% or £60m | 10% or £20m | 15% or £30m |
| A+ | 10% or £20m | 15% or £30m | 10% or £20m | 10% or £20m |
| A | 10% or £20m | 15% or £30m | 10% or £20m | 10% or £20m |
| A- | 10% or £20m | 15% or £30m | 5% or £10m | 10% or £20m |
| BBB+ | 5% or £10m | 5% or £10m | n/a | n/a |
| None | n/a | n/a | n/a | n/a |

The credit ratings quoted in the above table are for the financial institution, instrument or security provided and are the lowest of the relevant long term ratings from the three main Credit ratings agencies, S&P, Moodys and Fitch.

**Time Limits**

In addition to the monetary limits above, the following maximum time limits will be placed on investments:

| Category | Max. Time Limit |
|---|---|
| 20% of Assets Under Management / £60m | 5 Years |
| 15% of Assets Under Management / £30m | 1 Years |
| 10% of Assets Under Management / £20m | 6 months |
| 5% of Assets Under Management / £10m | 3 months |

In addition to the above limits, no more than 25% of assets under management will have a maturity greater than 1 year.

In considering an investment, consideration is given to a wide range of information, not simply the credit ratings of the institution being considered. This will include financial information on the institution, relevant Credit Default Swaps and equity pricing data, and the general macro-economic, market and sector background. The investment risks and controls to mitigate those risks are outlined to the end of this document.

**Policy on Delegation**

The Treasury Cash Fund is operated under the Council's Treasury Policy Statement and the delegations are defined in that document.

**Reporting Arrangements**

This will include, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Head of Finance will report to the Council as follows:

(a) A Treasury Strategy prior to the commencement of the financial year.

(b) A mid-term report during the financial year.

(c) A Treasury Annual Report as soon as practicable after the end of the financial year.

(d) Ad hoc reports according to need.

| Type of Investment | Treasury Risks | Mitigating Controls |
|---|---|---|
| a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)** | This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months. | As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments. |
| **b.** UK Treasury Bills **(Very Low Risk)** | These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless held to maturity. Maturity at issue is only 1, 3 or 6 months so will be used mainly in the 1 to 3 month period to provide a high level of security but a better return than the DMADF in (a). | As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments. |
| c. UK Gilts **(Very Low Risk)** | These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless held to maturity. There is a risk to capital if the Gilt needed to be sold, so should only be used on a hold to maturity basis as a proxy for a slightly longer maturity Treasury Bill | As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments. Would only be used on a hold to maturity basis at the very short end of the yield curve. |
| d. Deposits with other local authorities or public bodies **(Very low risk)** | These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. | Little mitigating controls required for local authority deposits, as this is a quasi UK Sovereign Government investment. |
| e. Money Market Funds (MMFs) **(low/medium risk)** | Pooled cash investment vehicle which provides short term liquidity. | Funds will generally be used to provide liquidity for the Cash Fund. |
| f. Bond Funds **(low/medium risk)** | AAA Rated Pooled cash investment vehicle investing in a range of Government, Financial Institutions and Government Bonds. | Fairly liquid vehicle investing in Bonds with a high average credit rating, will only be used for a relatively small proportion of the fund. |
| g. Call account deposit accounts with financial institutions (banks and building societies) **(Risk is dependent on credit rating)** | These tend to be moderately low risk investments, but will exhibit higher risks than the categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.<br><br>These will be used to provide the primary liquidity source for Cash Management | The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors.<br><br>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence. |
| h. Term deposits with financial institutions (banks and building societies) **(Low to medium risk** | The risk on these is determined, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of | The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured |

| | | |
|---|---|---|
| **depending on period & credit rating)** | investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply. | primarily by credit ratings from Fitch, Moody's and Standard and Poors<br>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence. |
| i. Certificates of deposits with financial institutions **(risk dependent on credit rating)** | These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a) to (d) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low. | The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors.<br>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence. |
| j. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)** | These tend to be medium to low risk investments, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply). | The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors.<br>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence. |
| k. Bonds **(Low to medium risk depending on period & credit rating)** | This entails a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held. | The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. Bonds may also carry an explicit Government Guarantee. |
| l. Floating Rate Notes **(Low to medium risk depending on credit rating)** | These are Bonds on which the rate of interest is established periodically with reference to short term interest rates. | The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors.<br>Will be used in an increasing interest rate environment but only for a limited proportion of the portfolio. |
| m. Commercial Paper **(Low to medium risk depending on credit rating)** | These are short term promissory notes issued at a discount par. They entail a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held. | The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. They are relatively short maturity. |

| | | |
|---|---|---|
| n. Secured Investments **(relatively low risk due to dual recourse)** | These include Reverse Purchase Agreements (Repo) and Covered Bonds issued by banks and building societies. | Both Repo and Covered Bonds provide opportunities to lower credit risk by having any exposure supported by an enhanced level of high quality collateral such as Gilts in the case of Repo. The lower credit risk is reflected in the Cash Fund being able to invest larger % or value amounts as shown in the criteria for financial institutions in (k). |

# Finance and Resources Committee

## 3,00pm, Tuesday 4 December 2018

# Workforce Dashboard

| | |
|---|---|
| **Item number** | 7.9 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary

This report provides a summary of workforce metrics for the core and flexible workforce, absence, transformation/redeployment, risk, and performance, as detailed on the Finance and Resources Committee Workforce Dashboard, for the period of **September 2018.**

As part of our commitment to ongoing improvement we're reviewing and developing the workforce dashboard suite and reporting, with a view to simplifying and improving the content and format for users.  This workforce dashboard report introduces a slightly different format where the narrative comprises the main component of the report and all figures (tables and graphs) referred to are now presented together in **Appendix 3**.

# Report

## Workforce Dashboard

### 1. Recommendations

1.1 To review and note the workforce information contained in the dashboard.

### 2. Background

2.1 The dashboard reporting period is September 2018.

### 3. Main report

3.1 The attached dashboard (Appendix 1) provides workforce information on:

- the number of Full Time Equivalent (FTE) staff employed by the Council, the type of contract they are employed through and the turnover of new starts and leavers;
- trends on absence rates, including the top five reasons for short and long-term absence;
- the cost of the pay bill, including the cost associated with new starters and leavers;
- insight relating to our performance framework (launched April 2017) including the percentage of annual conversations carried out and the number of Conversation Spotlight workshops carried out;
- the number of VERA/VR leavers and associated cumulative budget savings; and
- the number of redeployees and associated costs.

**Core Workforce**

3.2 All Figures referred to are contained in Appendix 3.

3.3 Between July and September, our core workforce increased by 332 FTE to 14,581 FTE, and the basic salary pay bill increased by £7.0m to £403.1m. Workforce FTE and pay bill trends are shown in **Figures 1 and 2**.

3.4 Fixed Term Contracts (FTCs) increased by 283 FTE and apprentice/trainee contracts increased by 11 FTE. There was an increase in acting up and secondment arrangements (up 66 FTE). The majority of the workforce change is attributable to new contractual arrangements in the Communities and Families

Directorate at the start of the new school term (**Figure 3**). In the period the Teaching FTE increased by 259 FTE and the LGE FTE increased by 73 FTE (**Figure 4**).

3.5 Of the increased cost in this period, £6.5m relates to FTCs, £0.53m relates to permanent contracts and £0.14M relates to apprentice/trainee contracts. Despite the increased FTE for employees acting up and on secondment the cost of these arrangements reduced by £0.2m in the period as teaching acting ups/secondments are paid one month in lieu (i.e. these costs should be reflected in the next period's costs).

3.6 The cost of organisation new starts was £1.6m and the cost of leavers was £3.8m, yielding a net reduction in payroll expenditure of £2.2m.

3.7 The spend on Working Time Payments (WTPs) reduced by £15K, with £11K of the reduction seen in the Resources Directorate. Much of the reduction is linked to the review of Janitorial Services in the Corporate Property and Facilities Management Division; further WTP cost reductions were also observed in the period for sessional cleaners in schools.

3.8 **Figure 5** shows longer term Local Government Employee workforce change, between June 2015 and September 2018 (i.e. before and after Transformation).

**Flexible Workforce**

3.9 In the period, the costs for the flexible workforce increased this period and were in the region of £3.3m, with an equivalent FTE of approximately 1,224 FTE (**Figure 6**).

3.10 The agency workforce cost the organisation £2.2m in the period (up £0.5m since July 2018). Of the total spend, 96% is attributable to the primary and secondary agency suppliers, whilst 4% relates to off-contract spend. The agency workforce last period was the equivalent of 771 FTE, with an average monthly workforce of 609 FTE (12-month average). The agency cost trend is shown in **Figure 7**.

3.11 Analysis of our 2017/18 and 2018/19 agency costs (April to September) is shown in **Figure 8;** this shows that our agency spend in the first 6 months of the 2018/19 financial year is 23% higher than the spend for the same period in 2017/18. Note that month on month agency cost fluctuation can be linked to the nature of the billing process.

3.12 The casual/supply workforce spend decreased by £122K to £338K this period. This trend is expected and reflects casual/supply hours worked in the August period (payments one month in lieu) when there is a reduced requirement for casual/supply school based roles during the holiday period. The casual/supply workforce last period was the equivalent of 162 FTE, with an average monthly workforce of 186 FTE (12-month average). The casual/supply cost trend is shown in **Figure 9**.

3.13 The spend on overtime/additional hours increased by £36K to £736K this period. A breakdown of the spend by overtime "type" is detailed in **Figure 10**. Around three-quarters of the spend was made at the enhanced overtime rate (74%), 17% was paid at plain time, and 9% related to call-out hours. The overtime/additional hours worked last period was the equivalent of 290 FTE, with an average monthly workforce of 267 FTE (12-month average, callout hours excluded from FTE reporting). The overtime/additional hours cost trend is shown in **Figure 11**.

**Surplus Workforce**

3.14 The total number of employees on the redeployment register decreased by 3 since the August 2018.

Of the 29 employees currently surplus; none are currently planned leavers, 20 have been temporarily redeployed and 9 are not currently redeployed into a temporary solution but are carrying out meaningful work in their old directorate/division. The funding arrangements for the total surplus FTE is as follows; 16.8 FTE are corporately funded, 6.9 FTE are funded by their directorate/division and 2 FTE are funded externally.

3.15 Of those corporately funded; 9.2 FTE are currently redeployed and 7.6 FTE are not currently redeployed. 14.8 FTE of the corporately funded FTE have been on the redeployment register for longer than 12 months, 1.0 FTE for a period of 6-12 months, and 1.0 FTE for less than 6 months.

3.16 As at the end of October 2018, 1,011 FTE have left, or agreed to leave, the organisation under VERA/VR arrangements, achieving recurring savings of £38.5m since September 2015.

3.17 Employees who are part-funded corporately and by the directorate/division, and employer on-costs for NI and Pension, are included within the figures as appropriate.

3.18 Consideration is being given to the sustainability of employees being on the redeployment register for an indefinite period and a review of Council policies in respect of organisational change is underway.

**Performance Framework**

3.19 Looking Ahead 2018/19 conversations for GR1-GR12s on the standard April-March cycle were due at the end of April 2018. At the mid-point of the performance year (October), the final completion rate for this group was 47%. Looking Back conversations for this group are due to take place by the end of April 2019.

3.20 The completion rate for Looking Back 2017/18 for GR1-GR4 colleagues on rolling cycles is currently 24%, see **Figure 15**. Groups in scope include Primary and Secondary schools and Health and Social Care Localities, covering approximately 3,000 employees. These conversations were due to take place by 30 September 2018 and the on-time completion rate for this group was 23%. Due to the low completion rate it is recommended that line managers are further encouraged not only to have their conversations but also to record them in the HR system. Looking Ahead 2018/19 conversations for this group are due to take place by the end of October 2018; this completion rate will be included in our next workforce dashboard report.

**Absence**

3.21 The rolling absence rate reduced for the third month in a row, from 5.59% to 5.45% (**Figure 14**) which was driven by an overall reduction in the total working days lost to absence over the 12-month period (1 Oct 17 to 30 Sept 18). All Directorates saw a reduction in their 12-month absence rate (**Figure 15**). The decrease can be attributed to a decrease in both short-term absence and long-term absence. In the same period, the monthly absence rate (reflecting days lost to absence in September 2018) increased from 3.94% (July 2018) to 4.64%.

3.22 The rolling absence rate reduction will be monitored to establish whether it is an emerging trend linked to absence prevention and intervention activities.

3.23 The total working days lost to absence over the 12-month period (October 17 – September 18) was the equivalent of 775 FTE. Over this period the Council lost on average 11.97 working days to absence per FTE (14.1 days for Local Government Employees and 5.9 days for Teaching employees). For comparison, the average days lost to absence over the 17/18 financial year was 10.72 days per employee (12.34 days for LGEs and 5.67 days for Teaching employees).

3.24 Whilst the total number of employees with an open ended long-term absence decreased to 398 in July, this had increased to 468 by September. The greatest increase was seen in the Communities and Families Directorate where there were 71 employees with a new open ended long-term absence. Resources Directorate total also increased by 11 employees. The total number of open ended long-term absences reduced in the Edinburgh Health and Social Care Partnership (11), Place (4) and the Chief Executive (1) Directorates.

3.25 As part of ongoing review and improvement for workforce reporting we are refining our existing reporting approach in respect of how we analyse and present Absence data and MI to ensure that this is consistent with the Local Government Benchmarking Framework definitions. This will involve engagement with key stakeholders to achieve reporting that is insightful, adds value and allows us to make year on year comparison.

## 4. Measures of success

4.1 That, where possible, the Council achieves the necessary employee reductions by voluntary means.

4.2 The costs of unfunded individuals are managed as best as possible (within the no compulsory redundancy commitment).

4.3 That the monitoring of appropriate workforce data will evidence that the Council is on track to achieve targeted budget savings.

4.4 Absence rates are within our Council target of 4.0%.

4.5 All employees have a ‘looking forward’ conversation to set their performance objectives and development priorities for this performance year.

4.6 All employees gave a ‘looking back’ conversation to review their performance over the year and to agree their performance rating.

## 5. Financial impact

5.1 The achievement of agreed £38.5m savings through voluntary redundancy.

5.2 Salary costs for employees on redeployment (particularly those not redeployed).

5.3 Opportunity cost of lost working time due to sickness absence.

5.4 Agency, Overtime/Additional Hours expenditure.

## 6. Risk, policy, compliance and governance impact

6.1 The voluntary severance releases are essential to ensure that the Council can manage and plan the people impact of achieving the planned business change and associated savings, whilst supporting the Political Commitment of the Administration to no compulsory redundancies

## 7. Equalities impact

7.1 There are no significant equalities impacts arising directly from this report.

## 8. Sustainability impact

8.1 There is no sustainability impact of this report.

## 9. Consultation and engagement

9.1 Consultation and engagement with key stakeholders, including senior management teams, Trade Unions and elected members is ongoing.

## 10. Background reading/external references

10.1 Workforce Control Report and Dashboard to Finance and Resources Committee on 11 October 2018.

**Stephen S. Moir**

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

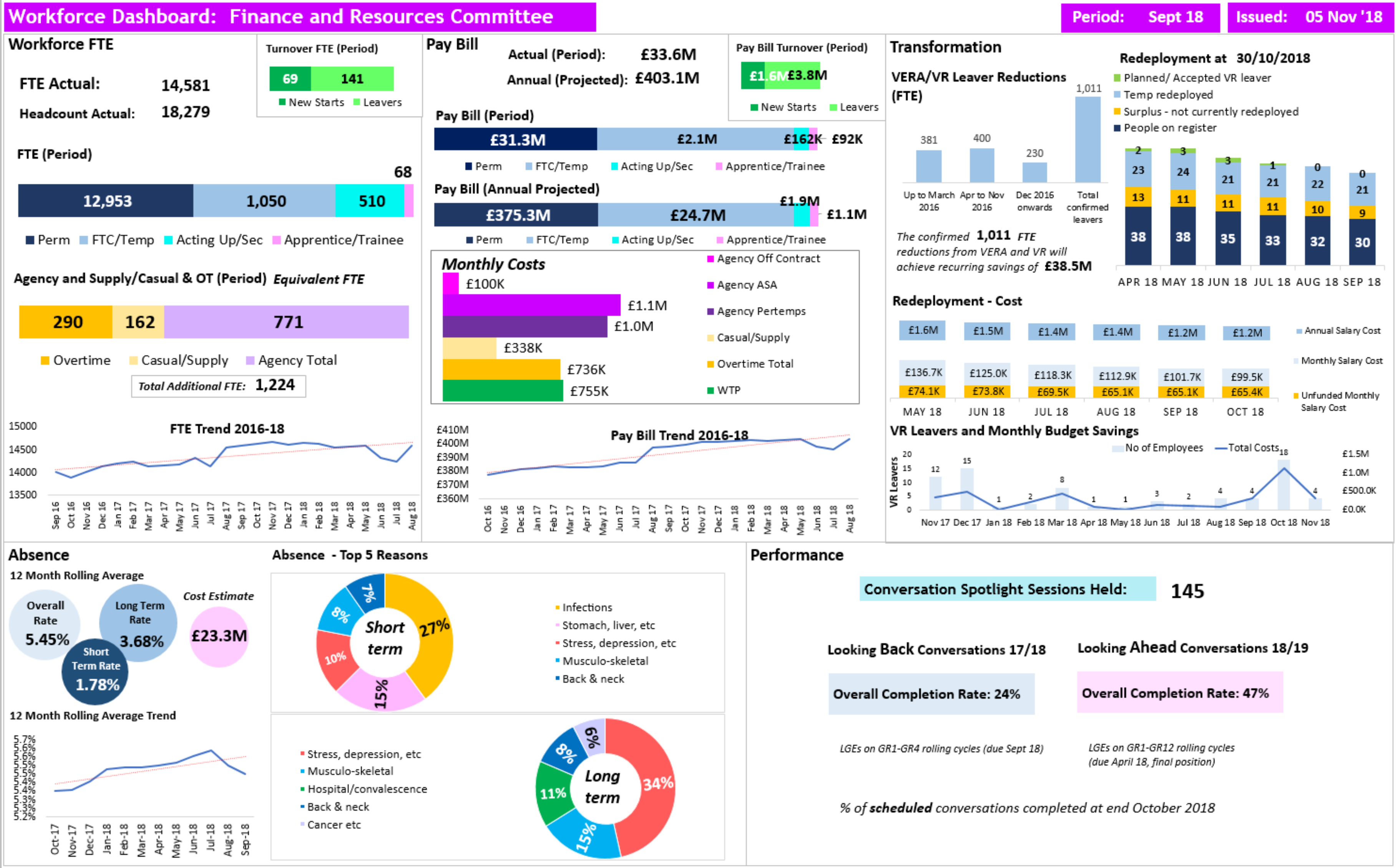
## 11. Appendices

Appendix 1 – Corporate Leadership Team Workforce Dashboard

Appendix 2 – Corporate Leadership Team Workforce Dashboard Glossary

Appendix 3 - Workforce Management information and Trends

# APPENDIX 1 - Finance and Resources Committee Workforce Dashboard



# APPENDIX 2 – Finance and Resources Committee Workforce Dashboard Glossary

## Workforce Dashboard Glossary: Finance and Resources Committee

### Workforce FTE

**FTE Actual:** *Sum of FTE for all staff on CEC payroll*
*Count of total contracts/positions is not reported here*

**Headcount Actual:** *Total number of individual employees on CEC payroll*

#### FTE (Period)

*Breakdown of FTE by contract type for all staff on CEC payroll. A snapshot taken on 25th of each month (post 2nd payroll calc to capture all contractual changes, leavers etc). New starts after 1st of month are removed and included in the next month's FTE analysis. This methodology enables better syncing of workforce FTE data and new start/leaver data.*

#### Additional FTE* (Period)

*Breakdown of additional working hours utilisation for overtime and casual/supply represented as equivalent FTE. Agency cost converted to notional FTE value using average annual salary cost of £35k per FTE.*
*Overtime - actual units of time paid at last transaction date. Data extracted at week 1 to capture late payments.*
*Agency - cost of weekly invoicing from Pertemps, ASA and off-contract agencies. Data extracted after last weekly payroll in preceding month.*
*Casual/supply - actual units of time paid at last transaction date. Data extracted at week 1 to capture late payments.*

*FTE calculated on the basis that a full-time Local Government Employee works 36 hours per week over 52.18 weeks (1878 hours). This calculation will be developed for the next dashboard to take into account a 35 hours working week for Teacher T&C contracts and any other conditions identified at*

#### FTE Trend

*Archive data from previous S&I dashboard process.*

#### Turnover FTE (Period)

*Organisation new starts and leavers in the month. Does not report on internal new appointments (e.g. additional contracts, promotion) or ended contracts for multi-position holders (where other positions are still live).*

### Pay Bill

**Actual (Period):** *Sum of pro-rated basic salary for all staff on CEC payroll*

**Annual (Projected):** *Sum of pro-rated basic salary for all staff on CEC payroll*12*

#### Pay Bill (Period)

*Breakdown of basic pay by contract type for all staff on CEC payroll.*
*Same reporting conditions as for FTE.*

#### Pay Bill (Annual Projected)

*Breakdown of basic pay by contract type for all staff on CEC payroll*12.*
*Same reporting conditions as for FTE.*
*For trends analysis it should be noted that workforce FTE/cost vs new start/leaver FTE/cost will never match exactly due to the "internal churn" of the existing staff population, e.g. changes to working hours, additional contracts.*

#### Monthly Costs

*Actual cost of hours claimed for overtime, agency and casual/supply and payments made in period. Actual cost of transactions for all working time payments (variable, shifts, weekend, nights, disruption) at the last transaction date.*

#### Pay Bill Turnover (Period)

*As FTE. Costings report on the annual basic salaries (pro-rated) for new start and leaver populations.*

#### Pay Bill Trend

*Archive data from previous S&I dashboard process.*

### Transformation

#### VERA/VR Leaver Reductions (FTE)

*Data from Finance*

#### Redeployment - People

*Headcount of staff on redeployment register with status surplus, temp redeployed, future dated VERA/VR leaver. Data extracted at 27th of month.*

#### Redeployment - Cost

*Figures reflect the **gross** cost of employees on redeployment register and include on-costs for NI and pensions.*

#### VR Leavers and Cumulative Budget Savings

*Data from Finance*

### Absence

*All tables and graphs based on preceding 12 months absence data for all staff on CEC payroll.*

*Data extracted at week 1 to capture late data input.*

*Trend data - archive data from previous S&I dashboard process.*

### Performance

#### Looking Ahead Conversations

*Total number of conversations where target date for completion has been reached (last day of preceding month). Data extracted at week 1 to capture late input. Different service areas have varying rolling dates for completion of GR1-4. Staff do not fall into scope for completion analysis until the last day of their target month for completion has passed.*

#### Looking Back Conversations

*Total number of conversations where target date for completion has been reached (last day of preceding month). Data extracted at week 1 to capture late input. For the standard cycle, all looking back meetings should have taken place by 31/03/18. Different service areas have varying rolling dates for completion of GR1-4. Staff do not fall into scope for completion analysis until the last day of their target month for completion has passed.*

#### Conversation Spotlight

*- Data from L&D.*

## APPENDIX 3 - Workforce Management Information and Trends

Figure 1: Workforce FTE Trend

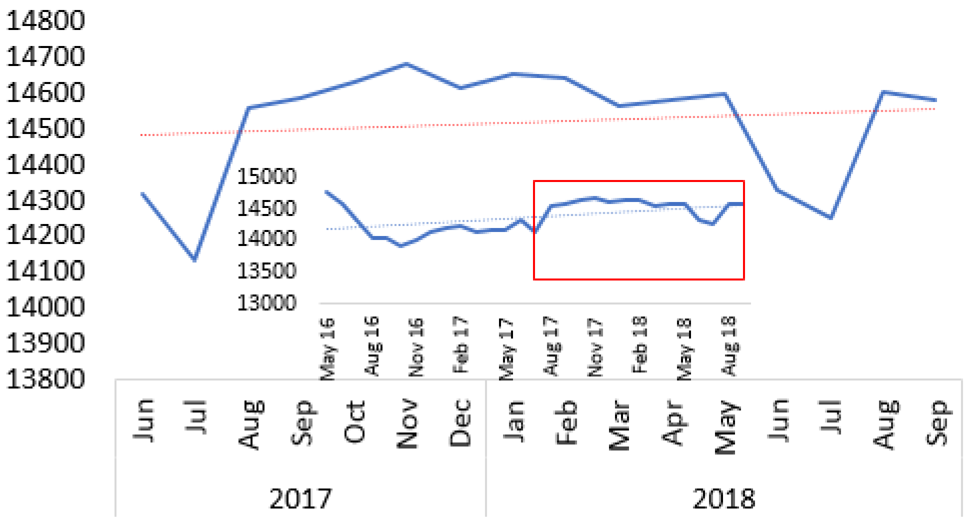



Figure 2: Workforce Pay Bill Trend

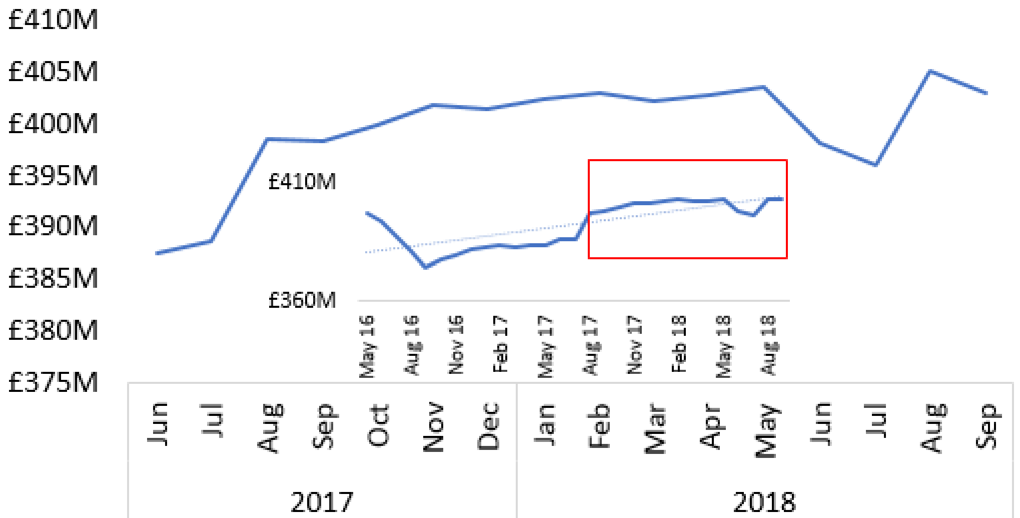


Figure 3: Core Workforce FTE by Directorate

| | July 2018 | | Sept 2018 | | Change in FTE | Change in Headcount |
|---|---|---|---|---|---|---|
| **Directorate** | **FTE** | **Headcount** | **FTE** | **Headcount** | | |
| Chief Executive | 146 | 160 | 145 | 158 | **-1.6** | **-2** |
| C&F | 7147 | 9331 | 7505 | 9708 | **358** | **377** |
| EH&SCP | 2285 | 2623 | 2263 | 2607 | **-22** | **-16** |
| Place | 2389 | 2825 | 2397 | 2823 | **8** | **-2** |
| Resources | 2242 | 2892 | 2232 | 2881 | **-10** | **-11** |
| Surplus | 40 | 42 | 40 | 44 | **0** | **2** |
| **Council Total** | **14249** | **17873** | **14581** | **18221** | **332** | **348** |

Figure 4: Core Workforce Groups

| | July 2018 | | Sept 2018 | | Change in FTE | Change in Headcount |
|---|---|---|---|---|---|---|
| **Category/ Group** | **FTE** | **Headcount** | **FTE** | **Headcount** | | |
| Local Government Employee GR1-GR12 including Craft | 10719 | 13491 | 10792 | 13564 | -22 | 113 |
| Chief Official | 20 | 20 | 18 | 18 | 0 | 0 |
| Craft Apprentice | 20 | 20 | 22 | 22 | 0 | 0 |
| Teaching Total | 3490 | 4342 | 3749 | 4617 | -1 | 2 |
| **Council Total** | **14249** | **17873** | **14581** | **18221** | **-23** | **115** |

Figure 5: Local Government Employee Workforce Change June 2015 to September 2018

| | | June 2015 | | June 2017 | | July 2018 | | Sept 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Category/ Group** | **Grade** | **FTE June 2015** | **Basic Salary Cost June** | **June 2017** | **Basic Pay** | **FTE July 2018** | **Basic Salary Cost June** | **FTE Sept 2018** | **Basic Salary Cost Sept** | **Change in LGE FTE** | **Change in LGE Basic Salary Cost** |
| ***Front Line Staff*** | **GR1** | 624 | £8.1M | 638 | £8.4M | 595 | £8.1M | 587 | £8.0M | -38 | -£0.1M |
| | **GR2** | 244 | £3.4M | 198 | £2.9M | 167 | £2.5M | 164 | £2.4M | -81 | -£1.0M |
| | **GR3** | 2374 | £38.2M | 2124 | £34.9M | 1930 | £32.2M | 1999 | £33.2M | -375 | -£4.9M |
| | **GR4** | 2479 | £45.8M | 2567 | £48.1M | 2567 | £49.0M | 2570 | £48.9M | 91 | £3.0M |
| ***Front Line Manager/ Specialist*** | **GR5** | 1808 | £40.6M | 1563 | £35.2M | 1580 | £35.8M | 1593 | £36.0M | -215 | -£4.6M |
| | **GR6** | 1421 | £37.1M | 1337 | £35.9M | 1414 | £38.1M | 1409 | £37.9M | -12 | £0.8M |
| | **GR7** | 1520 | £48.0M | 1296 | £42.1M | 1299 | £42.4M | 1320 | £42.8M | -200 | -£5.2M |
| | **GR8** | 776 | £29.2M | 652 | £25.1M | 692 | £26.5M | 675 | £25.8M | -101 | -£3.4M |
| ***Managers*** | **GR9** | 359 | £15.9M | 280 | £12.9M | 283 | £13.0M | 282 | £12.9M | -77 | -£3.0M |
| | **GR10** | 118 | £6.3M | 123 | £6.5M | 117 | £6.3M | 116 | £6.2M | -2 | -£0.1M |
| | **GR11** | 47 | £3.0M | 36 | £2.3M | 37 | £2.4M | 37 | £2.4M | -9 | -£0.5M |
| | **GR12** | 31 | £2.2M | 33 | £2.4M | 38 | £2.7M | 40 | £2.9M | 9 | £0.7M |
| | **Total** | **11801** | **£277.8M** | **10849** | **£256.8M** | **10719** | **£259.0M** | **10792** | **£259.4M** | **-1009** | **-£18.4M** |

**Context for Changes in FTE**

Between 2015 and 2017 various factors have affected the FTE/roles of senior grades including the further deletion of roles and creation of new roles (transformation and organisational review); grade review of existing roles following change (e.g. where a Chief Official vacancy and no FTE assigned to backfill senior vacancies. For example, there are a number of instances whereby a chief official vacancy has been covered on an ongoing temporary basis through job re-design at the GR12 level. At the time of June 2017 reporting there were still a number of vacancies at the GR9-GR12 level. Key GR12 roles in the Place and Communities and Families Directorates that existed in the organisation structure but which were vacant at June 2017 have now been filled on a permanent/temporary basis.

F

Figure 6:  Flexible Workforce

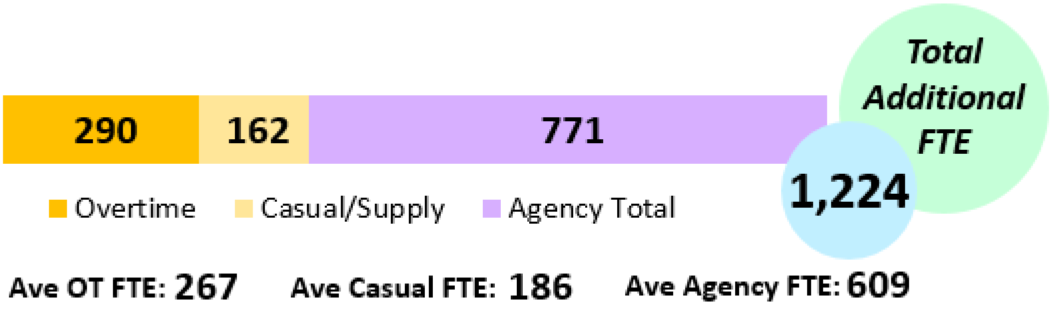



Figure 7:  Flexible Workforce - Agency Trend

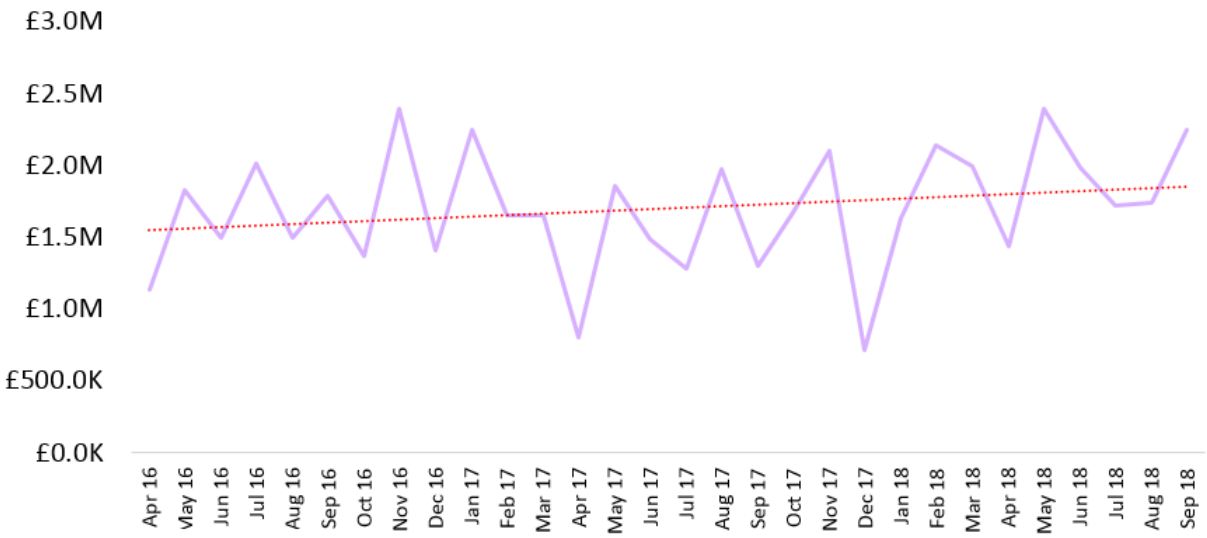



Figure 8:  Agency Costs 2017/18 and 2018/19

| | Financial Year | | Comparison | |
|---|---|---|---|---|
| **Month** | **17/18** | **18/19** | **£ Increase/ Decrease** | **% Increase/ Decrease** |
| April | £820,105 | £1,427,561 | £607,456 | 74% |
| May | £1,986,567 | £2,370,676 | £384,109 | 19% |
| June | £1,620,911 | £1,982,426 | £361,515 | 22% |
| July | £1,397,057 | £1,720,523 | £323,466 | 23% |
| August | £2,139,046 | £1,741,737 | -£397,309 | -19% |
| September | £1,362,910 | £2,248,186 | £885,276 | 65% |
| **Total** | **£9,326,596** | **£11,491,109** | **£2,164,513** | **23%** |

Figure 9:  Flexible Workforce - Casual/Supply Trend

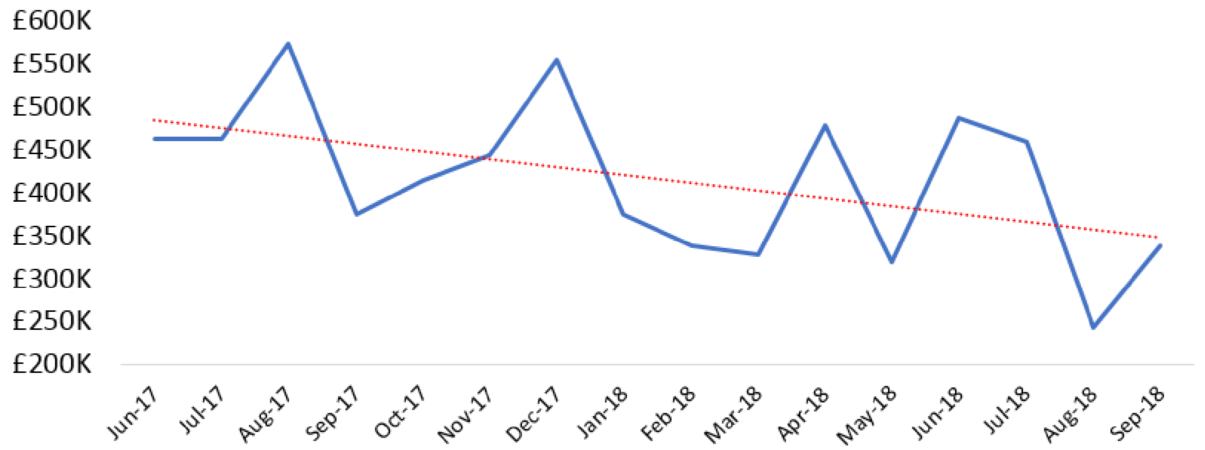
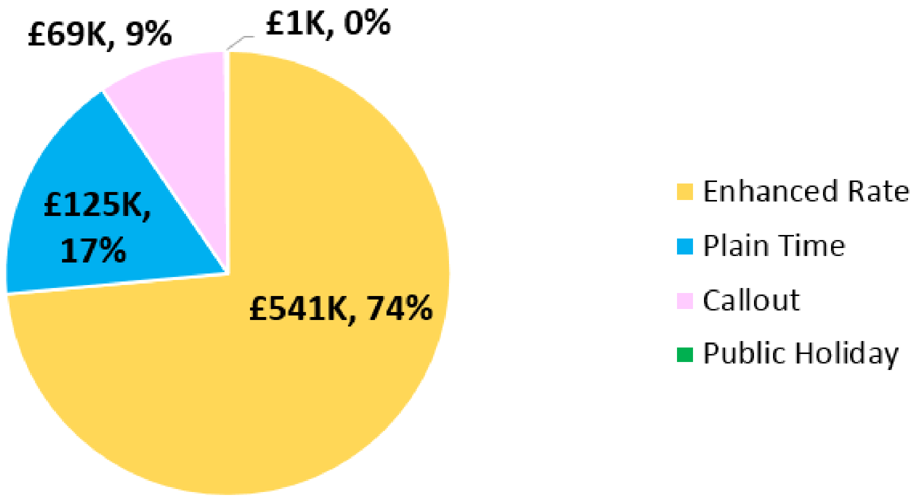



Figure 10:  Breakdown of Overtime by Type



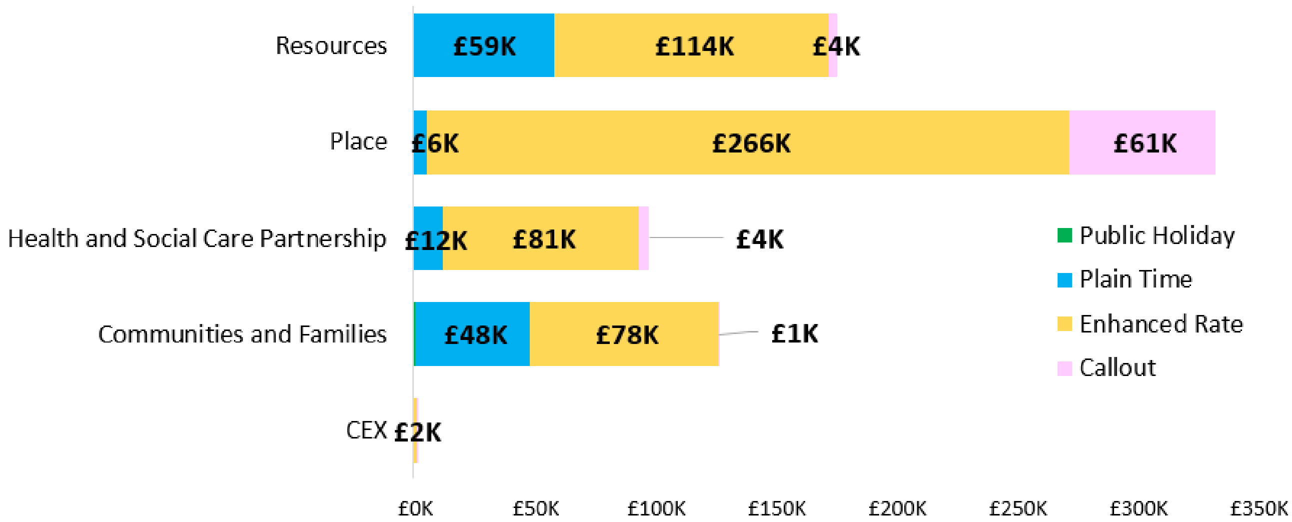
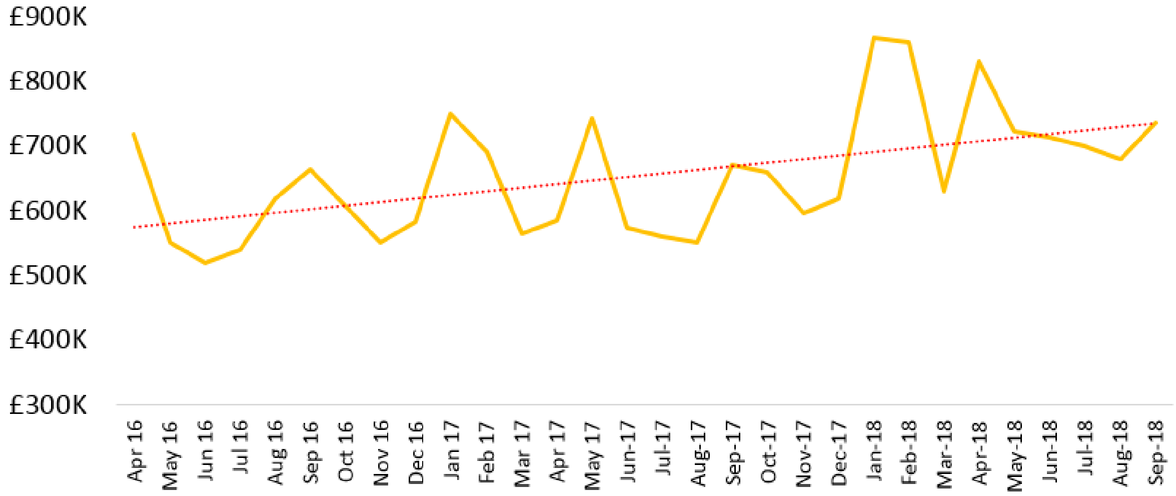
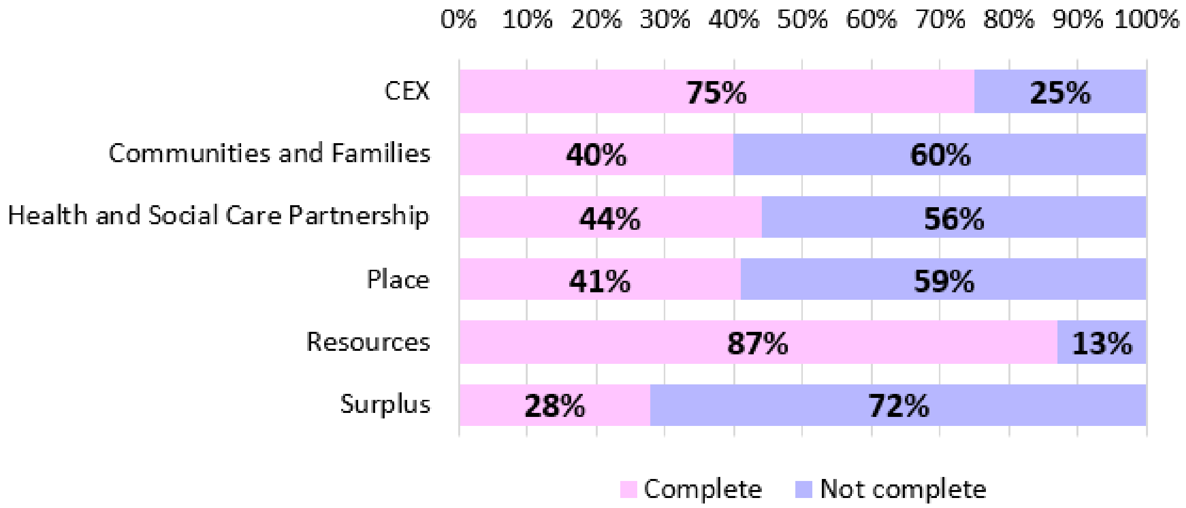




Figure 11:  Flexible Workforce - Overtime Trend




<u>Figure 12: Performance – Looking Back 2017/18 Completion (GR5-GR12 standard cycle)</u>




<u>Figure 13: Performance – Looking Back 2017/18 Completion (GR1-GR4 rolling cycles)</u>

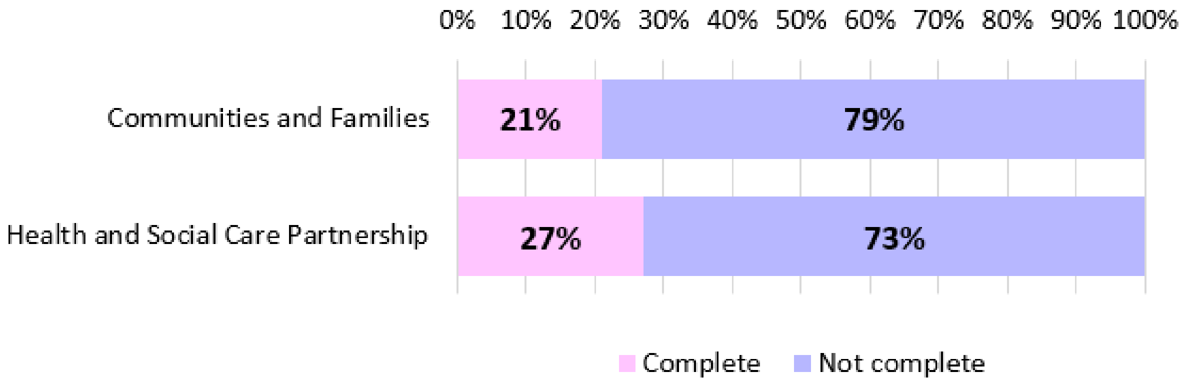
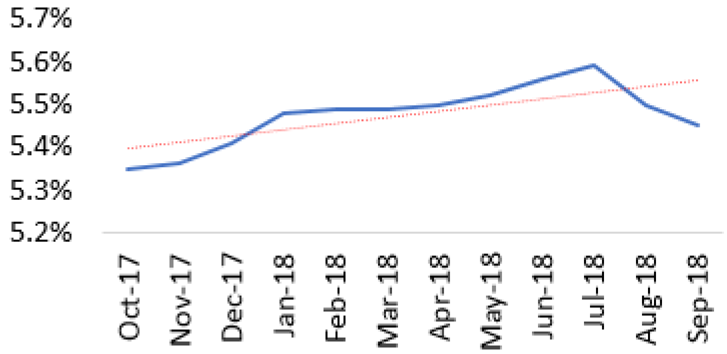


Figure 14:  12 Month Rolling Absence Trend - Council



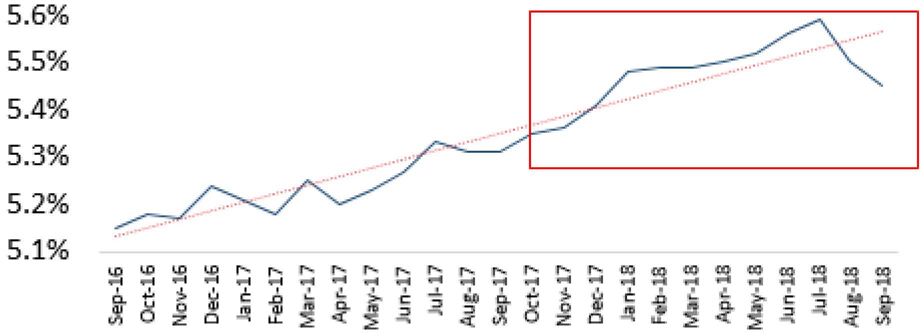
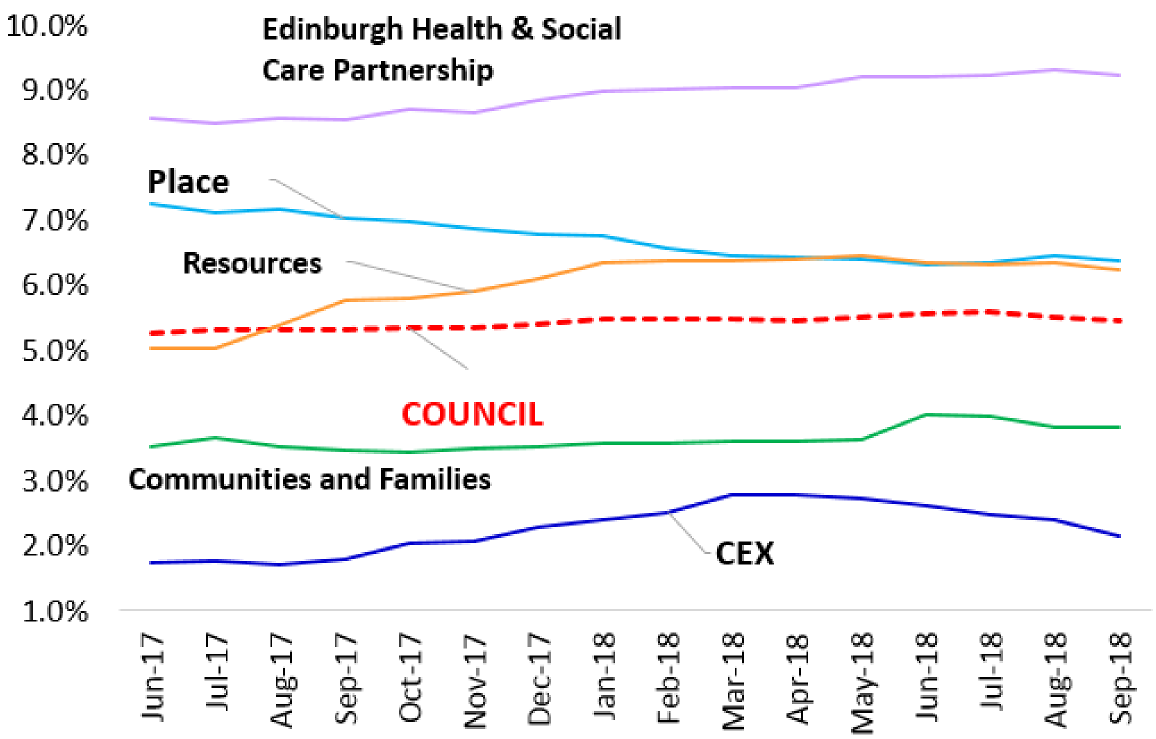



Figure 15:  12 Month Rolling Absence Trend – Directorates

The rolling 12-month absence rate (graph and table data) captures the total working days lost to absence over the previous 12-month period.  The rolling rate does not reflect the seasonal variation as observed in the monthly absence rate, which reports the total working days lost to absence over the previous month.  Note that the workforce dashboard absence reporting is currently being reviewed to provide a monthly picture of absence across the organisation.




| Period | Council | Communities and Families | Chief Executive | Health and Social Care Partnership | Place | Resources |
|---|---|---|---|---|---|---|
| Jun-17 | 5.27% | 3.51% | 1.73% | 8.58% | 7.26% | 5.04% |
| Jul-17 | 5.33% | 3.67% | 1.76% | 8.49% | 7.12% | 5.04% |
| Aug-17 | 5.31% | 3.51% | 1.71% | 8.56% | 7.17% | 5.39% |
| Sep-17 | 5.31% | 3.48% | 1.79% | 8.55% | 7.03% | 5.77% |
| Oct-17 | 5.35% | 3.45% | 2.05% | 8.70% | 6.97% | 5.81% |
| Nov-17 | 5.36% | 3.50% | 2.07% | 8.65% | 6.88% | 5.90% |
| Dec-17 | 5.41% | 3.53% | 2.29% | 8.84% | 6.78% | 6.09% |
| Jan-18 | 5.48% | 3.57% | 2.41% | 8.98% | 6.75% | 6.35% |
| Feb-18 | 5.49% | 3.59% | 2.51% | 9.00% | 6.56% | 6.39% |
| Mar-18 | 5.49% | 3.61% | 2.78% | 9.05% | 6.47% | 6.38% |
| Apr-18 | 5.47% | 3.60% | 2.79% | 9.04% | 6.44% | 6.41% |
| May-18 | 5.52% | 3.64% | 2.74% | 9.21% | 6.40% | 6.47% |
| Jun-18 | 5.56% | 4.01% | 2.61% | 9.20% | 6.31% | 6.35% |
| Jul-18 | 5.59% | 4.00% | 2.49% | 9.22% | 6.35% | 6.33% |
| Aug-18 | 5.50% | 3.83% | 2.40% | 9.31% | 6.45% | 6.34% |
| Sep-18 | 5.45% | 3.83% | 2.16% | 9.23% | 6.38% | 6.23% |

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Disability Employment Gap – Motion update

| | |
|---|---|
| **Item number** | 7.10 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary

At its meeting on 28 June 2018, Council approved a motion to bring a report to this Committee exploring the best way of closing the disability employment gap, and maximising inclusive promotion opportunities across the organisation. This report provides an update on the motion.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Disability Employment Gap – Motion update

### 1. Recommendations

1.1 Committee notes the motion approved by Council in June 2018.

1.2 Committee notes that a Diversity and Inclusion Strategy and Policy encompassing all aspects employability will be presented to a future Committee meeting in the first half of next year for approval.

1.3 In order to make informed decisions on the actions required, Committee is asked to note that a year long campaign will commence in the spring of 2019 asking all colleagues to review and update their personal details including self-disclosed diversity data.

### 2. Background

2.1 At its meeting on 28 June 2018, Council approved a motion on the Disability Employment Gap. The motion called for a report to this Committee which:

- Reviewed the clear factors for improving the disability employment gap going forward;
- Designed strategies to overcome barriers to work and come up with tangible actions to tackle the disability employment gap;
- Set goals with regards to helping increase and retain the number of disabled people in the City of Edinburgh Council employment;
- Explored the development of a communication strategy with the aim to improve the declaration rates to enable better analysation of relevant data;
- Determined a list of indicators to evaluate the success of each of the relevant performance measurements as part of the commitment to increase the number of disabled people in the City of Edinburgh Council employment; and
- To sign up, and partner with, the Disability Confident Scheme Scotland as a City of Edinburgh Council employer.

### 3. Main report

3.1 The current Equalities and Diversity policy was approved at Corporate Policy and Strategy committee on 4 August 2017.

3.2 A newly developed Diversity and Inclusion strategy and supporting Policy will be brought to Committee for approval during the first quarter of 2019. This strategy will build on the progress we have already made and ensure that diversity, inclusion, and equality considerations are further built into everything that we do. Additionally, the Council has contributed to a consultation paper from the Scottish Government on disability within the Public Sector and once the outcomes are published any recommendations will be reviewed and incorporated into the development of our new strategy.

3.3 As stated in the motion, it is essential that the correct employee (and candidate) data is available to make informed decisions and a key action underpinning the strategy is a year-long campaign to increase self-reporting of all diversity data. This campaign will commence in the spring of 2019 and will initially be linked to the upgrade of the current HR system.

3.4 The request for the Council to partner with Disability Confident has already taken place as the Council has been a level 2, Disability Confident employer, since March 2017. This recognition is reviewed every two years and the Council is committed to undertaking a re-assessment in March 2019.

3.5 Committee is also asked to note that since the motion was approved in June, the Human Resources Division has completed an organisational review and there is a phased implementation from October 22nd onwards of a new operating model.

3.6 The new HR operating model provides the opportunity to start addressing a number of the further points highlighted in the motion. For example, a small resourcing team has been created to support recruiting line managers and candidates through the initial steps of the recruitment process, including; supporting managers to build inclusive recruitment campaigns; giving guidance on reasonable adjustments for interviews; and, analysing data and trends of applications through a suite of management information.

3.7 Additionally, a number of further HR Policies are being reviewed and redeveloped for Committee consideration, including our Recruitment and Selection Policy. This will further reinforce our approach to Equality, Diversity and Inclusion in respect of how we approach resourcing our organisation.

## 4. Measures of success

4.1 The measures of success linked to the current Equalities and Diversity policy are:

- Fewer complaints about discrimination on any basis;
- Earlier resolution of complaints about resolutions;
- Fewer grievances relating to reasonable adjustments; and
- Increased productivity due to all employees feeling they are treated equally, fairly and respectfully at work.

4.2 Revised measures will be developed linked to the new Strategy and Policy and will be reported to Committee as part of the overall paper.

## 5. Financial impact

5.1 There are no financial impacts to this report.

## 6. Risk, policy, compliance and governance impact

6.1 The current Equality and Diversity policy was written in line with guidance from ACAS and set out what we need to do in line with the Public Sector Equality Duty. It is therefore in line with current legislation and it is not expected that there will be any risk in relation to non-compliance.

## 7. Equalities impact

7.1 The current Equality and Diversity policy applies to all employees and service users. Its purpose is to set out how we as a public body deal with equality, diversity and inclusion.

## 8. Sustainability impact

8.1 There are no sustainability impacts to this report.

## 9. Consultation and engagement

9.1 The Trades Unions were consulted and support the current Equality and Diversity policy.

9.2 The Council has recently contributed to a Scottish Government consultation on Disability within Public Sector and will reflect the output of this consultation within its new Diversity and inclusion strategy.

## 10. Background reading/external references

10.1 Corporate policy and Strategy committee report approved on 8 August 2007, this includes the current Equalities and Diversity policy.

10.2 Minute from Council meeting, 28 June 2018

**Stephen S. Moir**

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

## 11. Appendices

None.

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Bustracker – Provision During New System Implementation

| | |
|---|---|
| **Item number** | 7.11 |
| **Report number** | |
| **Executive/routine** | Executive |
| **Wards** | All |
| **Council Commitments** | 7, 18, 19 |

## Executive Summary

Edinburgh's Real Time Passenger Information (RTPI) system, Bustracker, is currently provided by French based company Cofely Ineo. Real time prediction is provided for all bus stops served by Lothian Buses and is integrated with SEStran Bustracker to provide for stops served by First Bus and Stagecoach. RTPI is available via website, smartphone applications and 400 on-street signs. The system has worked reliably for over 13 years and has made a significant contribution to the city's high quality public transport provision.

The purpose of this report is to recommend that Committee approves extension of this contract, via waiver, to the end of 2019, at a value of approximately £400,000. This extension will operate under the terms of the existing contract and has the option of a further one-year extension should this be necessary during the implementation of the new bustracker system. In parallel, to continue full operation of the system, contract extensions, via waiver, will be required with supporting providers relating to radio coverage etc (Bridge Radio, OFCOM and Arqiva) the value of which is approximately £125,000. This will ensure the system continues to operate until the tender process associated with a new system, subsequent implementation and testing is complete.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Bustracker – Provision During New System Implementation

### 1. Recommendations

1.1 It is recommended that Committee authorises one-year contract extension, via waiver, with optional one-year extension to, Ineo, Bridge Radio, OFCOM and Arqiva to permit ongoing Bustracker system operation and maintenance.

### 2. Background

2.1 The existing contract with Cofely Ineo has expired however system operation and maintenance has continued under the terms of the original contract. Under these existing terms a one-year contract with the option of a further one-year extension, will be used to cover the period of tendering and for the cross over period during implementation of a new system. This proposed interim arrangement provides for continuing operation and maintenance under existing terms, which were developed through the initial OJEU competitive procedure.

2.2 As the development of technology in this area progresses quickly and the system is complex, with many parts and dependencies shared with our operating partner, Lothian Buses, a full scoping exercise has been completed to fully meet the needs of the city for the next 10 years and beyond. Until the replacement contract is in place, ongoing information provision and system maintenance can only be met by the existing supplier without significant change to existing infrastructure and any change carries significant risk of reduced service reliability.

2.3 This report seeks Committee authorisation for a further extension to existing contract terms, via waiver until the tendering process and the implementation of a new system is complete.

2.4 The system's success is largely due to close partnership working with Lothian Buses. It is investigating newer tracking equipment for installation on its bus fleet and the new arrangement for provision of RTPI will accommodate this.

2.5 To reduce the cost to the Council, Cofely Ineo has agreed to freeze the FR/UK indexes and EUR/GBP exchange rate based on 1 January 2017 values. For example, if the Council can raise an order to cover all four quarters of 2019, the amounts payable would be based on 1 January 2017 indexes/rates.

## 3. Main report

3.1 Bustracker has operated accurately and reliably since 2004. Numerous expansions and developments have resulted in today's system tracking all of Lothian Buses' fleet of 700 vehicles and providing RTPI via 400 on-street signs and various web based applications. Requests for information from the web server exceed 600,000 daily, representing bus users' trust and confidence in the RTPI and journey time data delivered.

3.2 Although the system is open to all bus operators, only Lothian Buses invested in the tracking equipment. They installed all necessary Automatic Vehicle Location (AVL) equipment on their entire fleet and this provides a comprehensive fleet management system. The Council operates the RTPI side of the project, using data fed from the AVL system.

3.3 The AVL/RTPI system is a specialist product which has been maintained and developed by the system supplier since commissioning. Market testing showed that maintenance by a third party would be possible but as an interim arrangement would be impractical, costly and would introduce significant risks.

3.4 The system supplier owns the system software. Transition from the existing supplier to a new supplier will be managed in such a way as to cause little or no disruption to the end user. The current system will continue to operate during the tendering process and during the new system implementation. Elements of the current system will be phased out gradually as the new system is introduced in stages. This will reduce the maintenance cost of the current system in stages until the new system is fully installed and operational.

3.5 Bustracker is based on a combination of complex hardware, software, communications systems and transport databases. It is important to note that it is a "live" system which is used to manage the bus network 24/7. It requires the ongoing, day-to-day commitment of the project partners to deliver a high quality effective service.

3.6 Bustracker is integrated with SEStran Bustracker. Both systems are provided by Cofely Ineo. The SEStran system has covered much of the First and Stagecoach fleet in its area and our integration work allows RTPI predictions for relevant services to be added to on-street signs in Edinburgh. However, First and Stagecoach have changed their AVL kit and withdrawn funding for the ongoing provision on Bustracker SEStran. A new Council RTPI system will incorporate an ability to receive a direct feed from both operators.

3.7 It should be noted that the Council must retain ownership and control of a new RTPI system to receive, configure and display multiple feeds from various sources, including bus operators. Although the existing system is predominantly focussed on delivery of Lothian Buses data, there is now an increasing availability of RTPI from other operators, particularly on services operating from the bus station, where Lothian Buses has no presence.

3.8 The original Bustracker tender process was subject to the EU OJEU “restricted” procedure. The process was administered by the Council Commercial and Procurement Services with the support of the Bustracker Project Team. The original tender included both maintenance and the option of system expansion from the outset.

3.9 This recognised the complexity and specialist nature of the system and the fact that AVL/RTPI systems are not manufactured to a rigid EU or UK standard or specification. They are compliant with electrical and safety standards but the component parts, system software and overall system functionality is defined by the supplier and the needs of their customers.

3.10 The approach taken also satisfied the business needs of bus operator partners (both Lothian Buses and First Bus were involved in the procurement process). They were investing in the project with the aim of making Bustracker one of their key business systems. They therefore needed assurance that the system would be reliably maintained and supported from the outset.

3.11 The current system is based on two contractual agreements between:

3.11.1 The City of Edinburgh Council and Cofely Ineo - covering the supply and maintenance of the Bustracker system; and

3.11.2 The City of Edinburgh Council and Lothian Buses - covering the responsibilities of each partner regarding financial contributions, system administration operation and ongoing maintenance.

3.12 The Bustracker system continues to be successfully delivered under the terms of the original contract. The project will continue to follow those principles in the new contract and the separate Agreement between the City of Edinburgh Council and Lothian Buses.

3.13 This approach has produced a successful AVL/RTPI system. Lothian Buses has made a significant contribution and have been and will continue to be consulted on any proposed changes to the maintenance regime.

3.14 Cofely Ineo continue to perform well, actively monitoring the system with a dedicated team. They frequently identify problems and resolve issues without the travelling public being aware. Any issues reported by Council officers are dealt with swiftly and professionally.

3.15 Indicative costs collected from soft market testing exercises of suppliers able to supply the same or similar products showed that Cofely Ineo remain good value with competitive pricing within the market.

3.16 Bustracker operates with radio communication. In addition to system operation and maintenance costs associated with Cofely Ineo; costs associated with radio site rental and licence fees must also be covered until a new arrangement is in place. These costs are payable to Bridge Radio, OFCOM and Arqiva.

**Future Arrangements**

3.17 A new Bus Station/RTPI system specification and procurement plan has been completed. These will form the basis of tender documentation for a new bus tracker system.

3.18 Tender documentation will be completed and suppliers invited to tender for the new system in early 2019.

3.19 It is expected the tender process will be complete and a new system supplier appointed by Spring 2019. There will be no commitment to RTPI on-street sign replacement at this stage. The winning supplier will be best placed to detail available options, communication protocols and future development opportunities.

3.20 To minimise disruption to the end user, the existing system must continue to operate under the terms of the new contract until a new system is fully operational. The timescale for this is not fully defined at this stage.

## 4. Measures of success

4.1 Continued accurate and reliable operation of the Bustracker system.

## 5. Financial impact

5.1 Quarterly payments to Cofely Ineo totalling approximately £400,000 will secure maintenance to the end 2019. The costs detailed cover a cross over period between migrating from the INEO system to a new system. A reduction in hardware and software because of migrating to a new system will result in reduced maintenance payments over time but a timescale for this is unknown at this stage.

5.2 Payments of approximately £125,000 must be paid to Bridge Radio, OFCOM and Arqiva to continue full operation of the current system until the end of 2019.

5.3 An optional one-year extension has been included in the contract document. If this is required, progress will have been made with implementation of the new system and an associated reduction in the maintenance cost of the existing system will be forthcoming e.g. reduced number of radio dependent on-street signs. Approval to implement the one-year extension at maximum additional cost of £475,000 is also sought.

5.4 The total value of these extensions, via waiver is £1 million.

5.5 Costs can be met from the Public Transport budget.

## 6. Risk, policy, compliance and governance impact

6.1 The recommendation in this report is consistent with existing policies and aspirations of the Council.

6.2 Objective PubTrans5 of the current Local Transport Strategy applies to the issues addressed in this report.

6.2.1 PubTrans5: The Council will seek to ensure a good waiting environment at bus stops, including shelter and seating wherever necessary and possible. Relevant and up to date information will be provided.

6.3 The contract was originally tendered through OJEU procedure, and the risk of challenge in continuing with existing arrangements is deemed to be low (though this cannot be excluded) due to the existing operating software belonging to Cofely Ineo. This software is commercially sensitive and not transferable to a new system operator. It is important that the procurement exercise is developed to ensure the industry is not excluded in any future tender.

6.4 Contract Standing Order 9 provides an option to waive standing orders where the requirement is in the Council's best interest having regard for best value, risk, principles of procurement and the impact upon service users. The publication of the award of business along with the other factors reported will help to satisfy these requirements.

6.5 The Council has a statutory duty to report 'non-compliance' of procurement regulation in line with the changes brought in by the Procurement Reform Act 2014.

6.6 Any disruption in service is a significant risk to Council reputation and partnership working with Lothian Buses.

## 7. Equalities impact

7.1 Continued provision or enhancement of the quality of life of users through the enhancement of access to employment, educational, leisure and shopping opportunities.

7.2 Withdrawing the service would particularly affect vulnerable users who rely on the reassurance provided by accurate RTPI.

## 8. Sustainability impact

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

8.1.1 The proposals in this report will reduce carbon emissions by reducing dependence on transport by private car and encourage public transport use.

8.1.2 The proposals in this report will lessen the threat of climate change by making the customer journey more enjoyable on more sustainable public transport.

8.1.3 The proposals in this report will help achieve a sustainable Edinburgh because the system is open to all and promotes the use of sustainable transport.

8.1.4 The proposals in this report will help achieve a sustainable Edinburgh because of enhancing the quality of life of users through the enhancement of access to employment, educational, leisure and shopping opportunities.

8.2 Environmental good stewardship is not considered to impact on the proposals in this report because no natural resources will be used as part of the proposals.

## 9. Consultation and engagement

9.1 Further consultation with other partners and users will be undertaken where appropriate.

## 10. Background reading/external references

10.1 None.

**Paul Lawrence**

Executive Director of Place

Contact: Ewan Kennedy, Service Manager – Roads Network

E-mail: ewan.kennedy@edinburgh.gov.uk | Tel: 0131 469 3575

## 11. Appendices

None.

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Edinburgh Targeted and Integrated Employability Service

| | |
|---|---|
| **Item number** | 7.12 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | All |
| **Council Commitments** | 2, 3, 7, 31 |

## Executive Summary

On 7 June 2018, the Housing and Economy Committee, approved the development of a service specification and procurement for provision of a new service to replace the Integrated Employability Service (IES).

A procurement process has since been completed for the new service; Edinburgh targeted and Integrated Employability Serves (ETIES). This report seeks approval by the Finance and Resources Committee to award a contract to a consortium led by Community Renewal Trust.

The contract will commence in April 2019 for a period of two years, with options to extend for a further two periods of 12 months each.

The estimated maximum contract value is £3,600,000. The actual contract value will depend on performance-related payments.

It is intended that the contract will be partly funded by the European Social Fund (ESF). Should ESF funding not be confirmed, the contract value and targets will be amended accordingly.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Edinburgh Targeted and Integrated Employability Service

### 1. Recommendations

1.1 Finance and Resources Committee

1.1.1 approves the award of a contract to a consortium of providers led by Community Renewal Trust, a Scottish Charitable Incorporated Organisation (SCIO), for provision of the Edinburgh Targeted and Integrated Employability Service. The contract will commence in April 2019 for a period of two years, with options to extend by two additional periods of 12 months each. The estimated maximum contract value is £3,600,000. The actual contract value per annum will depend on performance-related payments; and

1.1.2 notes that it is intended that the contract will be partly funded by the ESF. If ESF funding is not confirmed, the contract value and targets will be amended accordingly.

### 2. Background

2.1 The Council works with internal and external partners to promote inclusive economic development through the Edinburgh and South East Scotland City Region Deal, Joined-up for Jobs network, Edinburgh Guarantee (DYW) Partnership and Locality Partnerships.

2.2 The Council's IES annually supports over 2,000 unemployed and workless individuals into learning or work, with a focus on the most disadvantaged communities.

2.3 The IES is partly funded through ESF funding and is currently provided under contract by Edinburgh College, supported by Community Renewal Trust. The current contract expires 31 March 2019.

2.4 The Council's Housing and Economy Committee considered a report on reviews of employability services on 7 June 2018. The Committee noted the co-production exercise that had been undertaken to update, develop and realign the service specification for the IES; considered the findings; and endorsed progression to specification development and procurement of a replacement service.

## 3. Main report

3.1 Over the course of the first six months of 2018, a review and co-production was undertaken, producing a revised specification for a service to replace the IES. The new service will provide a more focused and targeted approach to employability services and will be known as the Edinburgh Targeted and Integrated Employability Service (ETIES).

3.2 A series of consultations and co-production events with stakeholders, including service users, took place between February and May 2018. In June, the Housing and Economy considered the outcome, and authorised the development of a new service specification and procurement process.

3.3 The Council published a Contract Notice and Invitation to Tender (ITT) on 18 July 2018 and arranged a provider briefing for interested parties on 6 August 2018.

3.4 Six bids were received by the tender deadline on 5 September 2018.

3.5 Tenders were assessed on qualification criteria, including financial probity, then technical and commercial content, with a weighting of 70% quality and 30% cost, to determine the most economically advantageous offers.

3.6 Bids were scored as follows:

| | Quality | Cost | TOTAL |
|---|---|---|---|
| **ETIES Consortium led by Community Renewal Trust** | 58.63 | 28.07 | 86.70 |
| **Provider A** | 54.25 | 28.79 | 83.04 |
| **Provider B** | 53.38 | 29.04 | 82.42 |
| **Provider C** | 41.13 | 29.65 | 70.78 |
| **Provider D** | 38.50 | 30.00 | 68.50 |
| **Provider E** | 29.75 | 28.07 | 57.82 |

3.7 Members of the ETIES Consortium are:

3.7.1 Community Renewal Trust Ltd;

3.7.2 Start Scotland Ltd - End to end delivery partner across all SW and SE localities. Consortium Board Member;

3.7.3 Cre8te - Specialist provider for digital skills and self-employment. Consortium Board Member;

3.7.4 Citizens Advice Edinburgh - Specialist provider for employment retention, employment rights advice, and benefits advice co-location. Consortium Board Member;

3.7.5 Bingham & District 50+ Project - Specialist partner engaging and supporting people over 50;

3.7.6 One Parent Families Scotland - Specialist partner engaging and supporting lone parents;

3.7.7 Bruce Robertson Training Ltd - Specialist partner offering vocational training; and

3.7.8 CEL Trading Ltd (part of Community Enterprise), trading as BOLD - Marketing.

3.8 A summary of tendering and tender evaluation processes is provided in Appendix 1.

## 4. Measures of success

4.1 The main aim is to establish an integrated employability service that makes better use of resources and increases positive and sustainable employment outcomes for Edinburgh's citizens.

4.2 The focus of activity will be on areas of multiple deprivation in the city with targeted support which will support the Economy Strategy aims of inclusive economic development, resulting in:

4.2.1 More effective targeting of those needing intensive employability support

4.2.2 A focus on reducing inequality

4.2.3 Reduced in-work poverty

4.2.4 Improved integration with other services (including childcare)

4.2.5 Improved local services and integration with Locality Improvement Plans.

4.3 The success of the service will be measured against Key Performance Indicators (KPIs) contained in the new service specification. Payment will be related to performance and the achievement of specific outcomes. Annual targets are:

| | |
|---|---|
| **Full or part-time job entry** | 250 |
| **In-work progression or retained employment** | 180 |
| **Education (course leading to a group award)** | 150 |

## 5. Financial impact

5.1 The estimated maximum contract value is £900,000 per annum, with £3,600,000 the maximum expected cost of the whole contract. The actual contract value per annum will depend on performance-related payments that account for just over 50% of the total maximum value.

5.2 The Council elements of the contract cost can be contained within the allocated budget for this programme.

5.3 ESF currently contributes 40% matched funding towards the cost of the IES contract. In order to take account of the UK decision to leave the EU, commonly referred to as "Brexit", Council officers are in contact with the Scottish Government and are awaiting written confirmation that funding from the ESF or HM Treasury will be made available and will be applied to the ETIES contract until 2022. If ESF or HM Treasury funding is not forthcoming, the contract award will be reduced in terms of both monetary value and targets.

5.4 The costs associated with procuring this contract are estimated at between £10,001 and £20,000.

## 6. Risk, policy, compliance and governance impact

6.1 The use of a cross-council collaborative approach and significant co-production with stakeholders and service users has helped to minimise risk and ensure there is no service disruption, only enhancement.

6.2 Co-production has encouraged new stakeholder and provider relationships and co-operative working to support a partnership response to this requirement.

6.3 The contract will be entered into with the nominated lead organisation and all members of the consortium/partnership, who will each be required to execute the Contract together with all ancillary documentation, evidencing their joint and several liabilities in respect of the obligations and liabilities of the Contract.

6.4 The new contract supports the following Council commitments:

6.4.1 Create the conditions for businesses to thrive. Invest in supporting businesses, social enterprise, training in hi-tech, creative and other key sectors including co-operatives. Help link business with young people to ensure the workforce of the future is guaranteed work, training or education on leaving school.

6.4.2 Work with the business community to grow the number of Living Wage employers year on year.

6.4.3 Improve access to employment and training opportunities for people with disabilities.

6.4.4 Expand training opportunities for adults and young people linking with colleges and expanding vocational education.

6.5 The Capital City Partnership will be responsible for contract management and will monitor performance throughout the duration of the contract.

6.6 Open dialogue with the current contract provider (Edinburgh College) and the new supplier (subject to approval) will take place. This will ensure a smooth transition to the new service and reduce any risk of service disruption.

6.7 In regard to General Data Protection Regulations (GDPR), the terms and conditions of contract include schedules relating to processing, personal data and data subjects (schedule 11) and terms relating to data controllers (schedule 12). These schedules will be completed prior to the award of contract.

## 7. Equalities impact

7.1 An Integrated Impact Assessment (IIA) was completed under the supervision of the project board that also oversaw the review and co-production process.

## 8. Sustainability impact

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

8.2 The proposals in this report will neither reduce nor increase carbon emissions.

8.3 The need to build resilience to climate change impacts is not relevant to the proposals in this report because there are no related matters for consideration.

8.4 The proposals in this report will help achieve a sustainable Edinburgh, because service users will receive support to gain or maintain employment and to access targeted opportunities for advancement.

8.5 Environmental good stewardship is not considered to impact on the proposals in this report, because there are no related matters for consideration.

8.6 The preferred bidders have offered to provide a range of community benefits related to the contracts, including use of community venues and community services; staff volunteering within communities; targeted recruitment (young people); promotion of job opportunities through local agencies; training; and community engagement and education.

## 9. Consultation and engagement

9.1 The review and subsequent co-production of the service specification has been a fully consultative process that included and took account of input from key stakeholders, service providers and service users.

## 10. Background reading/external references

10.1 Report to the Housing and Economy Committee 7 June 2018

**Paul Lawrence**

Executive Director of Place

Contact: Jim Galloway, Service Manager, Enterprise and Innovation/Employability and Talent Development

E-mail: jjim.galloway@edinburgh.gov.uk | Tel: 0131 529 3211

## 11. Appendices

Appendix 1 Summary of Tendering and Tender Evaluation Processes

**Summary of Tendering and Tender Evaluation Processes**

| | | |
|---|---|---|
| Contract | Edinburgh Targeted and Integrated Employability Service CT2381 | |
| Contract Period | From April 2019 for two years, with options to extend for a further two periods of twelve months each. | |
| Estimated Contract Value | £3,600,000 (including extensions) | |
| Procurement Route Chosen | Open Procedure – any interested party can tender | |
| Tenders Returned | 6 | |
| Name of Recommended Supplier | ETIES Consortium led by Community Renewal Trust | |
| Cost / Quality Split | Cost 30% | Quality 70% |
| Evaluation Criteria and Weightings and reason for this approach | The project board considered quality to be of paramount importance for service provision and consequently attributed a weighting of 70% for evaluation of technical proposals (quality).<br>With a lower weighting attached to cost, Value for Money was protected by:<br>(a) linking payment to performance for just over 50% (up to £470,000 per annum) of the estimated maximum contract value; and<br>(b) setting a price ceiling of £430,000 for the annual fee component, which makes up the balance of the overall cost. Fee offers ranged from £371,950 to £430,000. | |
| Evaluation Team | Council Officers from Place and a representative from Capital City Partnership | |

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Edinburgh Shared Repairs Service (ESRS) – Progress Report

| | |
|---|---|
| **Item number** | 7.13 |
| **Report number** | |
| **Executive/routine** | **Executive** |
| **Wards** | **All** |
| **Council Commitments** | |

## Executive Summary

This report provides Committee with a progress update for the Edinburgh Shared Repairs Service (ESRS).

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

# Edinburgh Shared Repairs Service (ESRS) – Progress Report

## 1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 Notes the update on Edinburgh Shared Repairs Service (ESRS); and

1.1.2 Scrutinises and is assured by the management information dashboard report in Appendix 1; and

1.1.3 Notes the Update on the progress of the Parliamentary Working Group on Maintenance of Tenement Scheme Property in Appendix 2.

## 2. Background

2.1 The new ESRS was fully operational from 1 April 2017.

2.2 This report gives details of progress of the service as at 25 September 2018.

## 3. Main report

3.1 The total number of cases in ESRS has reached 154. All cases are tenement properties. Of the 154 cases, 42 cases are open and being progressed by case officers. 97 of the remaining 112 cases have been closed without enforcement. This represents an 87% success rate where owners have progressed works privately, to the value of £1.7m. At present, 15 of the 112 cases are proceeding through the enforcement stage or have been completed. This represents 13% of all cases.

**Panel Decisions**

3.2 The project panel has taken a total of 36 decisions. The panel is required to make decisions at several stages in the process as below:

- to consider approval of a case in intervention to enforcement;
- to consider an application for a missing share; and/or
- to consider additional works in enforced projects.

3.3 A summary of decisions made is included in the management information dashboard in Appendix 1.

### Advice and Information and Service Development

3.4 The Service offers advice on how customers can progress repairs through the process outlined in the Tenement (Scotland) Act 2004 using the Tenement Management Scheme (TMS). Case officers accept requests for assistance from private property owners on the process of arranging common repairs. A 'Tenement Toolkit' has been designed by ESRS to assist owners. Since June 2016, 722 toolkits have been sent following owners' requests. The toolkit is also available to download from the website along with the Missing Shares leaflet.

3.5 The communications plan for the Service is ongoing. The new awareness campaign commenced in May with a focus on the Missing Share Scheme. Targeted distribution of 44,000 tenement toolkit leaflets and the new Missing Shares postcard is in progress to areas of the city where unenforced statutory notices were cancelled in June 2016. A radio advert burst of one week for awareness of the Missing Share scheme was run in August. Digital advertising on Facebook and Twitter have increased the website traffic by 44% with click-throughs totalling 6,094 between June and August. Overall these items have had a positive effect on the website views which have increased by 34% since the last report to the Finance and Resources Committee in June.

3.6 The most positive result of this campaign is the number of downloads from the website of the Missing Shares information at 4,599 occasions between April and August. In addition to this the Tenement Toolkit has been downloaded 4,090 times in the same period. This could indicate that owners in Edinburgh want to make positive moves towards carrying out repairs and maintenance privately without Council involvement. It may also suggest that owners have difficulty in achieving 100% payment into the maintenance accounts in their stair and that the Missing Share Scheme provides a potential solution.

3.7 The ESRS manager has been attending meetings of the parliamentary working group on Maintenance of Tenement Scheme Property. The working group is considering any legislative changes, new initiatives, enhanced use of existing rules and/or further action by local authorities that could facilitate improved upkeep of Tenement Communal Property. The purpose of the working group is to consider and establish solutions to urge, assist and compel owners of tenement properties to maintain their property. The working group intend to issue draft recommendations before the end of 2018, with formal recommendations to be submitted to the Scottish Government in May 2019. A full update on the progress of the group is included in Appendix 2.

3.8 Work is ongoing, with the support of the Council's statutory Data Protection Officer, to review the possibility of the Council being able to share owner's details whilst still complying with the legal requirements of relevant legislation. Owners trying to organise shared repairs often have difficulty finding the current contact details of their fellow owners. In most cases, the Council has access to this information, but have historically been unable to share this.

3.9 The initial Data Protection Impact Assessment (DPIA) assessment report has been received by ESRS and has assessed the overall risk as Medium. Eleven recommendations have been received, nine of which are considered a RAG status of Red. ESRS will work with the Information Governance Unit (IGU) to progress these and arrangements are being made to consult with the Information Compliance Officer (ICO). The successful delivery of this project would be a beneficial improvement for all Scottish Local Authorities and a welcome interim measure prior to the Parliamentary working group potentially resolving this issue formally through legislation. Further details are also included in Appendix 2.

**Facilitation**

3.10 This is when a customer has approached the service for assistance with defects on a property but, for reasons of financial or reputational risk, the service cannot assist at an enforcement level. The service can however assist the property owner in other ways; for example, corresponding with other owners at the property or contacting other Council service areas to help progress matters. The service is facilitating in three cases at present.

3.11 One area of facilitation is the on-going consultation between ESRS, locality offices and colleagues within Housing Property Services in relation to the delivery of Mixed Tenure Improvements and the commencement of new TMS projects within the Housing Service. Housing colleagues wish to adopt parts of the ESRS intervention process, including Missing Shares, to enable TMS projects to be taken forward.

**Pre-intervention**

3.12 There are currently 29 cases in the pre-intervention stage. Two types of case are included, the first being where the service offers to act on behalf of the lead owner. The case officer will check liability, correspond with owners in relation to the reported defects, hold stair meetings and where required record votes for or against the repair. The second type is where there has been attendance to a dangerous building defect by the emergency service. The Case officers will follow up with owners after making safe actions have been carried out. There has been a notable rise in the number of pre-intervention cases in September, particularly during Storm Ali on 19 September where the service received eight reports of masonry falls or roof issues within a three-hour period.

**Intervention**

3.13 Intervention is actively undertaken following the identification of an essential repair, prior to taking a decision to enforce the repair. The objective is to support owners in taking responsibility for progressing the repair privately. Included in this area of work is verification of the defect reported, a site visit and tailored communication to owners including a mandate requesting confirmation from the owners in relation to their preference for the Councils involvement going forward. Two cases are on-going with mandates issued to owners at present.

3.14 In one mixed tenure case ESRS have undertaken a chargeable survey for owners, taken a vote on the proposed permanent repair at an owners’ meeting and gained a majority decision for the Council's Housing Property Service to undertake a TMS project. ESRS will work with Housing to assist with the ongoing engagement with the owners throughout the project.

**Survey Request**

3.15 Under ESRS procedures, building surveys are carried out by the Council's Chartered Building Surveyors. The costs of the surveys are recovered from owners if they progress the works privately. Since the last report, one Survey and report has been requested by tenement owners. The value of roof and stone repairs required to this tenement is estimated at £160k and the owners are now trying to progress the repairs privately.

**Missing Share Cases**

3.16 On 5 September 2017, the Finance and Resources Committee approved the Council's use of the legislative powers under Section 50 of the Housing (Scotland) Act 2006 to pay funds into owners' maintenance accounts. This approval followed completion of the pilot scheme run by ESRS in which three cases tested the Missing Shares procedure.

3.17 There have been 19 missing share cases considered by ESRS. Tenement repairs in these cases have benefitted 181 owners in total. Tenement projects undertaken by owners range from £150k to £3k in value. In eight missing share cases, the share was paid by the missing share owner prior to the Council paying the funds. This is a positive consequence of the scheme being in place. This scheme has proved to be invaluable to owners who wish to undertake works privately without enforcement by the Council.

3.18 A table is included in the management information dashboards to demonstrate the value of work enabled privately, which amounts to £807,596.

**Private work enabled by ESRS**

3.19 Case officers have gathered information from owners who have taken works on privately after requesting service from ESRS. The value of works confirmed by owners as having been completed privately, or in progress, amounts to £893,104. This is in addition to the value of works where the Council have considered an application to pay missing shares. The total value of works enabled by ESRS amounts to approximately £1.7m. The total financial commitment by the Council to date on these cases is approximately £56,900, which is recoverable from liable owners.

**The Enforcement Service**

3.20 The enforcement service is activated when all intervention options have failed to provide a platform for owners to procure the works privately.

3.21 Upon project panel approval, the project will be allocated to the surveying team for progression in accordance with standard operating procedures. The procedures include carrying out a full survey, preparation of cost estimates, preparation of risk registers, meeting owners, serving the Statutory Notices, tender preparation including design and specification, tender approvals, award and contract administration of the project, agreement of the final account and billing of owners.

3.22 Eighteen projects have been approved by the ESRS Panel to progress to the enforcement stage. These projects are being progressed at various stages. Three cases have been taken back by owners, with six projects complete and billed. Of the 9 open projects, two are complete on site, four are on site and three are in the S24 or S26 Statutory Notice waiting period.

**The Emergency Service**

3.23 The service will attend and instruct contractors to carry out works to immediately make safe dangerous and emergency situations. The service is the first port of call for the emergency services (Police Scotland and Scottish Fire and Rescue Service) when they are dealing with situations such as fire damaged buildings, which require specialist surveying or structural engineering intervention.

3.24 The majority of service requests are for drainage related works in private property where Scottish Water has no responsibility.

3.25 The number of monthly service requests (SR's) in September is 95. Of these, 59 are in relation to emergency drainage repairs.

3.26 In September, 36 SR's were in relation to dangerous masonry or roofs or fire. The number of masonry or roof incidents have steadily risen over the past 4 months, representing an increase of 37% from the same period in 2017.

3.27 In cases where the emergency service has made safe a dangerous situation due to building defects, these are handed over to Case officers to follow up and ensure actions required by building owners are progressed. The advice given sets out:

3.27.1 The building owner's legal obligations to repair and maintain his building under the Tenement (Scotland) Act 2004.

3.27.2 The building owner's responsibilities for injury to persons or damage to property caused by defects on a building.

3.27.3 The enforcement powers available to the Council under the City of Edinburgh District Council Order Confirmation Act 1991 to undertake works on behalf of building owners.

3.27.4 The powers conferred on the Council to recover costs incurred by the Council including project management fees and interest.

3.27.5 Due to the serious nature of the identified defect and make safe actions undertaken by the Council, ESRS will contact the owners again after four weeks for a progress update.

3.28 If the building owners have taken no action the case may progress through to intervention and a lead owner would be sought, ultimately ending in possible enforcement action by the Council.

**Finance Update**

3.29 The Finance part of the service processes payments to contractors, issues statutory notices, invoices owners and processes statutory notice enquires in relation to conveyancing.

3.30 The Management Information Dashboard includes charts to demonstrate overall billing and debt outstanding, and also speed of payment of invoices issued for enforced projects. This shows that 85% of all invoices issued for enforced works have been paid. Of the paid amounts, 85% was paid within 3 months of billing the owners.

3.31 There have been a number of registered inhibitions progressed to ensure debt recovery. ESRS are working with legal services to progress these as quickly as possible. The value of inhibitions secured have been deducted from the forecast provision for bad debt included in the ESRS budget.

## 4. Measures of success

4.1 To increase the numbers of owners carrying out common repair projects on their own property.

4.2 To continue to reduce the number of Council enforced projects to minimise both the financial and reputational risk to the Council.

## 5. Financial impact

5.1 The budget for the ESRS has been reduced to £0.99m for 2018/2019. The business plan approved by the ESRS and legacy Programme Board in December 2017 forecast a budget of £0.87m for 2019/20 and £0.85m for 2020/21.

5.2 The Management Information Dashboards include information on the Work in Progress (WIP), the level of debt recovery and bad debt provision for the service.

5.3 The bad debt provision for ESRS has been re-assessed at year end and amounts to £59,955. This assessment includes all debt for both the emergency and enforcement services from 2014-18.

## 6. Risk, policy, compliance, and governance impact

6.1 This area of work represents a financial and reputational risk for the Council.

## 7. Equalities impact

7.1 There is no equalities impact arising from this report.

## 8. Sustainability impact

8.1 There is no adverse environmental impact arising from this report

## 9. Consultation and engagement

9.1 Not applicable.

## 10. Background reading/external references

10.1 Report to City of Edinburgh Council, 12 February 2015, Shared_Repairs_Services_-Development_of_a_New_Service.

10.2 Report to City of Edinburgh Council 11 December 2014, Shared_Repairs_Services_-Development_of_a_New_Service

10.3 Edinburgh Shared Repairs Service – Missing Share – report to Finance and Resources Committee, 5 September 2017

**Stephen S. Moir**

Executive Director of Resources

Contact: Jackie Timmons, Edinburgh Shared Repairs Service Manager

E-mail: Jackie.timmons@edinburgh.gov.uk | Tel: 0131 529 4946

## 11. Appendices

11.1 Appendix 1 – Management information dashboard.

11.2 Appendix 2 – Update on the progress of the Parliamentary Working Group on Maintenance of Tenement Scheme Property.

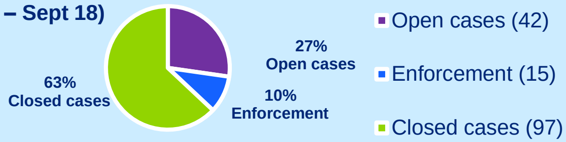
# Appendix 1 - Edinburgh Shared Repairs Service Dashboard - September 2018

**Monthly progress update (for reporting purposes month end is 25 September)**

## ESSENTIAL WORKS SERVICE

Total number of cases has reached **154**. The workload currently consists of 51 open cases with 97 closed with successful intervention or completed projects. **722** Tenement Toolkit packs have been issued to owners since June 2016. **11** tenements have requested toolkits in September. Projects where an S26 Statutory Notice has been issued = 12

**Case Status (Sep 15 – Sept 18)**




| CASE WORKLOAD PROGRESS | | NO. |
|---|---|---|
| Facilitation: | • Consultation only | 3 |
| Missing Share: | • Case open | 8 |
| | • Case closed | 11 |
| Surveys: | • Case open | 0 |
| | • Case closed | 5 |
| Intervention: | • Pre-Intervention | 29 |
| | • Intervention | 2 |
| | • Successful Intervention / Closed cases | 81 |
| Enforcement: | • Open | 9 |
| | • Projects complete | 6 |
| | **Total Number of Cases** | 154 |

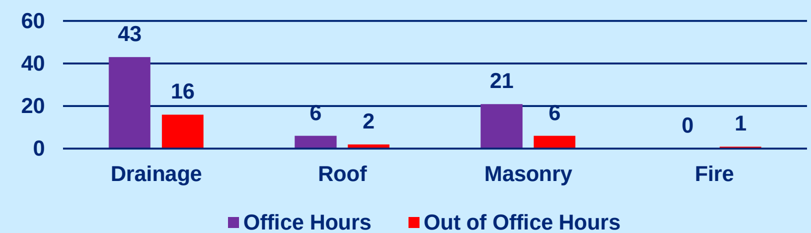
| ESRS PANEL DECISIONS RECORD | APPROVED | REJECTED | TOTAL |
|---|---|---|---|
| Missing Share | 12 | | 12 |
| Enforcement | 18 | 5 | 23 |
| Enforcement – Additional Works During Project | 1 | | 1 |
| TOTAL | 31 | 5 | 36 |

## EMERGENCY SERVICE

The emergency repairs service request levels remain high and show an increase from the same period last year. **95** requests for service recorded this month. **59** site visits were drainage related, **35** calls were reports of masonry or roof defects and **1** call was in relation to a fire. Advice and information was provided to customers who called to report defects which did not result in a contractor instruction.

| EMERGENCY SERVICE WORKLOAD | Jul 18 | Aug 18 | Sep 18 |
|---|---|---|---|
| No. of service requests (Site Visits) | 98 | 84 | 95 |
| No. of emergency repair inspections resulting in statutory notices issued 31(4) | 56 | 56 | 51 |
| No of drainage repairs resulting in statutory notices issued 31 (1) & (3) - (Complex) | 2 | 0 | 0 |

**Number of Service Requests**
**26 August to 25 September 2018**




## KEY PLANNED ACTIVITIES

The 2018 Summer Campaign has focussed on Missing Shares and will include digital ads, a radio campaign on Forth One and include a leaflet drop to 17,000 tenements in the City.

EDINBVRGH
YOUR COUNCIL – YOUR SERVICES

# ESRS Essential Works Dashboard

**Programme dashboard as at 25 September 2018**

| OVERVIEW OF PROGRESS |
|---|
| On 5 September 2017, the Finance and Resource committee approved the Council's use of legislative powers under Section 50 of the Housing (Scotland) Act 2006 to pay funds into owners' maintenance accounts. This approval follows completion of the pilot scheme run by ESRS in which three cases tested the Missing Shares procedure. The table below summarises those cases approved by the ESRS Project Panel. Three further cases have been submitted by owners in August. |

| MISSING SHARES OVERVIEW | | | | | |
|---|---|---|---|---|---|
| PROJECTS | TOTAL OWNERS | VALUE OF PROJECT | AMOUNT OF MISSING SHARED APPROVED / IN PROGRESS | TOTAL MISISNG SHARE OWNERS | PAID / DUE BY CEC |
| Previously Reported Projects | | | | | |
| 17 Projects | 169 | £720,004 | £85,439 | 22 | £46,499 |
| New Projects This Month | | | | | |
| Project 18 | 8 | £83,512 | £10,440 | 1 | £10,440 |
| Project 19 | 4 | £4,080 | £1,020 | 1 | £0 |
| TOTAL | | | | | |
| 19 | 181 | £807,596 | £96,899 | 24 | £56,939 |

| PRIVATE WORKS ENABLED BY THE ESRS | | |
|---|---|---|
| PROJECTS WORKLOAD | VALUE OF WORKS (Inc VAT) | CEC FINANCIAL COMMITMENT |
| Successful Intervention | £893,104 | £0 |
| Missing Shares | £807,596 | £56,939 |
| TOTAL | £1,700,700 | £56,939 |

# Customer Service Dashboard

**Programme dashboard as at 25 September 2018**

| CUSTOMER CONTACT PROGRESS | | NO. |
|---|---|---|
| Customer Contact: | • Sent Tenement Toolkit packs to owners | 722 |

| ALL CUSTOMER CONTACTS | Jul 18 | Aug 18 | Sep 18 |
|---|---|---|---|
| Solicitors Enquiries | 241 | 310 | 388 |
| Phone Calls | 412 | 525 | 566 |
| E-Mails | 266 | 310 | 331 |
| Total Customer Contacts | 919 | 1145 | 1285 |

| FORMAL CUSTOMER CONTACTS | Jul 18 | Aug 18 | Sep 18 |
|---|---|---|---|
| FOI's | 2 | 1 | 5 |
| SPSO Enquiries | 0 | 1 | 0 |
| Stage 1 complaints | 2 | 1 | 5 |
| Stage 2 complaints | 3 | 1 | 1 |

| ESRS WEBSITE VISITS | |
|---|---|
| Sept 2018 | 4780 |

# ESRS Risk Register

| TOP 5 RISKS | MITIGATION | RAG |
|---|---|---|
| 1. ICT - Uniform Upgrade Downtime | Risk - Projected downtime during the upgrade of the Uniform system in November 2018 is currently estimated to be 6 days.<br>Mitigation - Input of information in-house by service staff working extra hours. | |
| 2. CGI Finance System | Risk - Delay in changeover, lack of consultation with Finance & ESRS results in systems not meeting requirements.<br>Mitigation - Consult with CGI to ensure that they are aware of requirements. | |
| 3. Alignment with Property and Housing strategies | Risk - The SOP are drafted without due consideration for the policy and procedures in other areas of P& FM and Housing, leading to conflict with the Council's overall housing strategy.<br>Mitigation - Procedural documents have been shared with relevant directorate staff. ESRS Board includes Housing colleague. | |
| 4. Contractor Management of Framework KPI's etc | Risk - Lack of Contract Management of Framework Contractors leading to poor performance of contractors and reputational risk to CEC.<br>Mitigation - to be carried out by a staff member now recruited into ESRS structure. | |
| 5. Information Risks - Gap Analysis Action Plan (GDPR) | Risk - Failure to address information risks identified on the Gap Analysis Action Plan for ESRS may result in reputational or financial risk to the Council.<br>Mitigation - Staff Training complete. Maintain Action Plan and address risks within scheduled timescales. | |

# ESRS Finance Dashboard

**Programme dashboard as at 25 September 2018**

## Debt Recovery

| OVERVIEW OF PROGRESS |
|---|
| The overall collection rate for Enforcement works is at 85%. Of the outstanding balance, £12,631 is currently being collected through instalment plans. |

**BILLING AND PAYMENT INFORMATION**

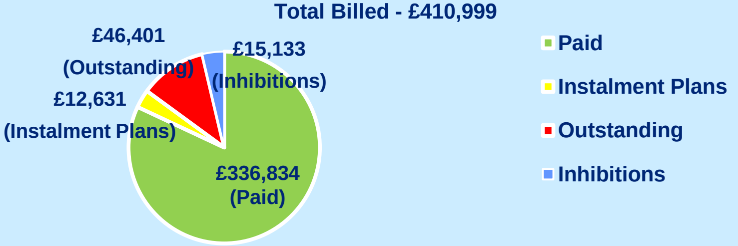
| | NO OF PROJECTS | BILLED | PAID | INSTALMENT PLANS | INHIBITIONS | BALANCE |
|---|---|---|---|---|---|---|
| Enforcement | 5 | £377,727 | £317,910 | £8,843 | £15,133 | £35,841 |
| Missing Share | 4 | £27,258 | £14,448 | £3,788 | £0.00 | £9,022 |
| Survey Charge | 4 | £6,014 | £4,476 | £0.00 | £0.00 | £1,538 |
| TOTAL | 13 | £410,999 | £336,834 | £12,631 | £15,133 | £46,401 |
| OVERALL BAD DEBT PROVISION FOR ESRS (2014-18) | | | | | | £59,955 |

**EMERGENCY WORKS**

| | |
|---|---|
| Total value of invoices issued for emergency repairs in 2017/18 | £311,272 (Current collection Rate is 90%) |
| Total value of invoices issued for emergency repairs and call out fees in 2018/19 (Apr 18 to Aug 18) | £255,447 |

| ENFORCEMENT PROJECTS (not yet billed) | MAJOR | MINOR | ESTIMATED VALUE |
|---|---|---|---|
| 1. Under £10,000 | | 1 | £10k |
| 2. Under £50,000 | | 3 | £80k |
| 3. Under £250,000 | 5 | | £530k |
| 4. Over £250,000 | | | |
| TOTAL (9 projects) | 5 | 4 | £620k |

**ESRS - All Projects Overview**
Total Billed - £410,999




## Work In Progress (WIP)

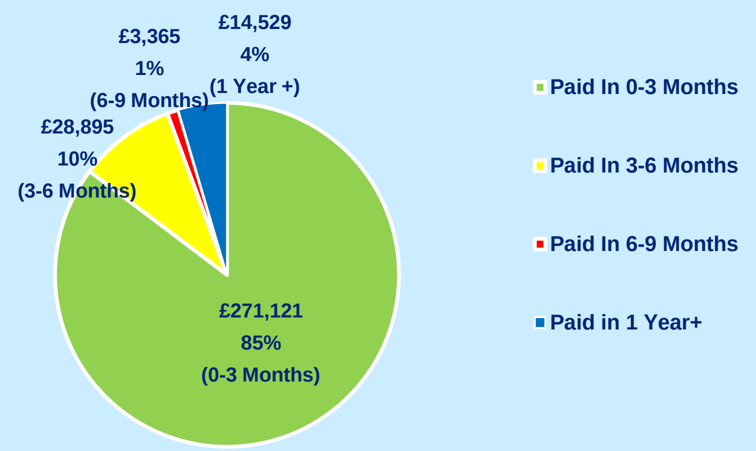
| OVERVIEW OF PROGRESS |
|---|
| The WIP this month includes costs for Essential works Projects and includes Consultant costs not yet billed. Invoices are issued within four months of Project completion. |

**ESSENTIAL WORKS WIP**

| Overall position | Jul 18 | Aug 18 | Sep 18 |
|---|---|---|---|
| Value of Payments to Contractors | £0k | £40k | £1k |
| Value of Invoices issued to Owners (excluding project management fee) | £0k | £0k | £0k |
| WIP | £38k | £78k | £79k |
| * Contractors retention cost still to be incurred | £2k | £3k | £3k |

## Debt Recovery (Speed of Payments)

**Speed of Payments for Enforced Projects**
Total Paid as at 25th September 2018 is £317,910



# Update on the progress of the Parliamentary Working Group on Maintenance of Tenement Scheme Property

## 1. Introduction

This report provides Committee with an update on the progress of the Parliamentary Working Group on Maintenance of Tenement Scheme Property. The Council's Shared Repairs Service Manager represents the Council on this group.

This report also provides an update on the action being progressed by the Edinburgh Shared Repairs Service for reporting to the working group in November 2018.

## 2. Background

The Scottish Housing Condition Survey 2015, published in December 2016, paints a very poor picture of the current condition of Scotland's housing stock, particularly the 'old' stock which was built pre-1919. The total number of tenement properties in Scotland amount to 579,000, this being the most common type of dwelling in Scotland. Figures show that 68% of pre-1919 dwellings are with Critical disrepair. Similarly 8% of pre-1919 dwellings are with Critical, Urgent & Extensive disrepair.

Edinburgh has a particular interest in this issue as sections of Central, South & North East Edinburgh have a high population density with the majority of residents in some areas living in tenement flats. The age of accommodation ranges from 200+ years old (Old Town) to early Edwardian period. These buildings are now between 100 & 150 years old and as a result of weathering require increased levels of maintenance. A significant proportion of more recently developed housing, including former social housing purchased under 'right to buy' legislation, is also reaching a similar stage of requiring major repairs. Building maintenance is key to sustaining and future proofing the fabric of our current housing stock, ensuring it provides adequate standards of quality now and for future generations.

The Royal Institution of Chartered Surveyors in Scotland (RICS) make the argument that with current Government policy aimed very much at new supply, if the condition of older stock is not given due consideration, these dwellings will deteriorate and become uninhabitable. This will essentially result in viable housing supply in Scotland remaining static. The RICS also state that at times of restricted national and local budgets, there has to be a shift in onus and responsibility for property maintenance. The only party left outwith national and local Government, is the property owner.

A Scottish Parliament members debate on 9 January 2018 highlighted the cross party support for a review of maintenance of tenement scheme property in Scotland.

In March 2018 Ben Macpherson MSP formally created the Parliamentary working group. The focus of this Working Group has been to consider and establish solutions to urge assist and compel owners of Tenement properties to maintain their Scheme Property. The Group will seek to formalise proposals in the following areas:

- Further action by local authorities under existing powers;
- Potential legislative change to encourage owners to better maintain properties; and

- Potential legislative change to compel owners to better maintain properties.

The group consists of 10 MSPs and 16 stakeholders. The City of Edinburgh Council is the only local authority represented.

The initial issues discussed included:

- Resourcing for local authorities to utilise powers;
- A standard entity for owners to organise works, e.g. a residents' association
- RICS 'Tenement Health Check' policy paper;
- Sinking funds;
- Compulsory factoring;
- VAT relief on repairs;
- Use of mediation; and
- A role for credit unions.

## 3. Current Position

There is consensus that current legislation is not consistently fulfilling its intentions to encourage owners to establish effective arrangements for managing communal repairs and undertaking maintenance. The group was tasked with providing the Scottish Government with recommended solutions to make a meaningful difference.

The working group Convenor was Ben Macpherson MSP and the Vice-Convenors are Graham Simpson MSP, Daniel Johnson MSP and Andy Wightman MSP. The working group also agreed secretariat is Built Environment Forum Scotland and the Royal Institute of Chartered Surveyors (RICS) in Scotland. Graham Simpson MSP later replaced Ben Macpherson MSP as Convenor.

At the first meeting discussions centred around three topics:

- Owners decision making and the requirement for property management arrangements;
- Maintenance versus major repairs and the requirement for regular building inspections possibly linked to the Home Report;
- Finance and the requirement for sinking funds.

The group agreed that in consideration of the above topics, the best fit solution would result in winners and losers and raised more issues:

- Owner's financial situations varied;
- There was an intersection between public and private interest;
- In some areas of Scotland, building condition did not fully reflect property valuation;
- The role of the Home Report;
- The compulsory nature of building inspections and the mechanism for introduction.

Sub-groups were formed to research and feedback to the group on the following topics:

- Resourcing for Local Authorities (L.A's) to utilise powers;
- Standard entity for owners to organise work and Sinking Funds;
- Building inspections.

The research findings for each topic are noted below:

**3a. Resourcing for local authorities to utilise powers**

Research undertaken by MSP's using Freedom Of Information requests to all local authorities provided the following findings:

50% of L.A's have never served a Work Notice on private owners under Section 30 of the Housing (Scotland) Act 2006. The reasons cited were that a potential 30 year repayment period was deemed too high a financial risk to bear.

In the last five years only four Maintenance Orders under section 42 of the 2006 Act have been served by L.A's. The reasons cited are that they are deemed onerous and difficult to implement.

In the last five years only 44% of L.A's have served a Closing Order under section 114 of the 2006 Act. Reasons cited as this makes residents homeless and that boarded up homes are unpopular to residents in the surrounding area.

The City of Edinburgh Council historically issued 300 statutory repair notices per year using the City of Edinburgh District Council Order Confirmation Act 1991. The new Edinburgh Shared Repairs Service have issued 10 statutory repair notices in the last 2 years to July 2018.

Missing Shares powers under the 2006 Act are currently used by 10 L.A's. Research showed that these powers are increasingly being used by L.A's with Glasgow and Aberdeen utilising these powers the most since 2012.

It was also noted that the City of Edinburgh Council deal with on average 15 stone falls or roof related building emergencies every month. Follow up research will be undertaken on the number of emergency building actions undertaken by L.A's in Scotland over the past 5 years.

**3b. Standard Entity for Owners to organise works**

Research by the sub-group found that the Title Condition (Scotland) Act 2003 already provides a very suitable standard entity for Owners Associations called the Development Management Scheme (DMS). The features of this scheme are:

- It is a body corporate, managed solely for the benefits of members but without undue company management bureaucracy;
- It provides a robust structure;
- It is flexible and customisable allowing some of its provisions to be varied and extra provisions added;

- It has provisions that can overcome the drag of apathy. If there is no quorum at the first meeting, a second can be called which will be empowered to make decisions without a quorum;
- It requires one vote per flat;
- 25% of members can call for an EGM;
- It has a budget with powers for a 25% increase in charges;
- The rules bind the owners.

The powers of a DMS are:

- It can set up a sinking fund;
- It provides a manager to provide leadership (could be an owner);
- It can insure the property;
- It can require owners to pay service charges (for maintenance and management);
- It can buy moveable property / property within the development boundary;
- It can open accounts, borrow and invest;
- It can employ staff and contractors;
- It can set management rules.

A DMS manager has greater powers than most Factors at present:

- The manager can exercises powers of Association as expressed at a General Meeting and can sign documents on behalf of Association;
- Their duties include inspections, arranging maintenance and keeping accounts;
- The manager can enforce obligations and regulations – (therefore individual owners would not need to act against their neighbours);
- The manager draws up a draft budget annually for owners to approve – one decision per annum rather than piece by piece approach to maintenance;
- The manager is notified of sales, so will be up to date on ownership.

The sub-group found that there was evidence from Registers of Scotland that this scheme is being increasingly used by Developers over the past 7 years.

The main concern is that, as the law stands, conveyancing is needed to apply the DMS. Lenders would need to be consulted and there would be a legal cost. The widespread introduction of DMS may be onerous on lenders. Lenders have been consulted informally on this. It appears that Law reform which could impose the DMS without conveyancing might not be a major issue for them.

The sub-group suggested a DMS be introduced for developments (or tenements) above a minimum size, suggesting above 6-8 flats.

The sub-group also suggested the DMS could be introduced by majority scheme decision under TMS rather than 100% decision. Owners who don’t agree could have an appeal to sheriff process as is the case in the Tenement (Scotland) Act 2004 at present.

The sub-group also suggested setting up costs may be the barrier to the DMS and therefore introducing statutory sinking funds is possibly a priority.

**3c. Sinking Funds**

The sub-group discussed that sinking funds and DMS go hand in hand. The establishment of these funds should be required even at a minimum compulsory level of contribution. They should be regarded in the same way as workplace pensions. UK Finance was consulted during the research. UK Finance is the trade association for the finance and banking industry operating in the UK.

The benefits include:

- The spreading of costs over a period of time and generations of owners;
- Reducing the occasions on which owners will not proceed with repairs due to lack of finance;
- Develop a culture of maintenance and financial planning for repairs.

On initial consultation with lenders, discussion suggested that sinking funds could be regarded as an asset and even if it were insufficient to cover the full cost of repairs, owners could borrow against future income due to it, using it to secure a loan which would cover the full cost of the repair. However lenders were clear that the decision from valuers on whether Sinking Funds were an asset or a liability was required and further consultation was required from the RICS to establish the position.

Dis-benefits discussed included the affordability and impacts on the individual's ability to meet mortgage repayments. Contribution levels would also be taken into account in assessing affordability of a mortgage.

It was recognised that it could take years for funds to build to a level where they will hold sufficient reserves to deal completely with major repairs so there would still need to be provision for other forms of intervention in the repair process for example through L.A powers.

The mechanism for introducing funds was discussed. The funds could be phased in perhaps by building age, the introduction of low contributions increasing over time or by L.A order.

The default in contributions could be made up as part of the conveyancing process when a flat is sold. Defaulting in payments may not be penalty free and an interest rate could be applied.

The sub-group discussed that the means of enforcement could be similar to the registration of landlord's process, managed by L.A's.

Edinburgh Council asked the sub-group to consider the implications on local authorities and registered social landlords in relation to contributing to sinking funds.

Fund management was discussed and compared to a Financial Trust operating in a similar way to a Pension Fund with the fund being run for the benefit of members, securely invested. Credit Unions provide a governance model. The Tenancy Deposit Scheme model also provides options for collection of funds. One dis-benefit may be in relation to data protection as the fund would hold data in relation to owners and data privacy implications would have to be thought through however this information could be valuable to building owners and policy makers.

**3d. Building Inspections**

In general discussions the working group considered that shifting attitudes of owners towards repair and maintenance responsibilities is likely to require compulsion and the law around seatbelts, smoking and vehicle MOT's was referenced.

The proposals around building inspections have been considered with reference to the RICS Tenement Health Check Policy, summarised below and available to view on the RICS website.

The RICS paper proposes a policy framework comprising three parts, initially a voluntary scheme which should become mandatory of time:

- A building condition survey;
- 'Gold Standard' assessment; and
- Costs and Funding Streams.

The first part would be a comprehensive building survey which provides an assessment of the shared parts, including approximate costs and a traffic light system for prioritising repairs, categorised as immediate, urgent, necessary or desirable. The 'Gold Standard' would be achieved if a property has additional measures in place such as residents committee, maintenance account and a maintenance plan. The third part of the framework proposes that the cost of a survey split between tenement owners may amount to approximately £60/owner per annum which should be affordable to homeowners.

Within the policy paper the RICS go on to say that there is a political will for a maintenance scheme, or at least awareness-raising. The Scottish Green Party, for example, pledged the removal of VAT for building repairs, Scottish Labour pledged using the planning system to ensure maintenance of domestic building, and the Scottish National Party pledged to encourage improved tenant participation in management of their homes.

The sub-group proposals suggest a five yearly inspection as an industry standard, referencing the British Standard Survey BS 7913 B.5 Inspection Reports. The proposals include:

- Which industry specialists should carry out inspections;
- How these are carried out; and
- What building elements should be included in the survey.

As well as categorising the priority level of defects to be attended, the inspection report could also include timescales for repair. The depth of the report was discussed and the option to include costings may be optional. The risks around liability for accuracy of costings was also discussed.

The use and storage of the report was discussed. Consideration was given to who should receive the report and the method of engagement with owners. Suggestions included that the storage of the report could be in a central location freely available to the general public.

The submission to the central storage location should be the responsibility of the property manager or professional with agreement of the owners

The format of the inspection report could be in the form of a log book and be updated with additional or subsequent building checks or repair works undertaken.

The relationship with the Home Report was discussed, consideration is required around whether these two reports should be linked. The two reports are for two distinctly separate purposes. Linking the two reports may cause unnecessary conflict or misunderstanding. Although it may be argued that the content of a Building Condition Survey Report may affect the content of the Home report.

One significant issue in relation to what building elements are inspected is with the roof of tenements. Access and inspection of the roof is inhibited during home report inspections. Under these new proposals the roof must be inspected.

The approach to the introduction of the requirement for a Building Inspection report was discussed and options for phasing or immediate introduction are being considered following legislation. Registers of Scotland may see opportunities for the linking of reports within the new ScotLIS system provided by them.

Examples of other practices across the world have been touched on within this research including five-yearly surveys in states in the U.S.A. The system across America is very transparent, the name of the report, the author, content and recommendations all being publicly available in some states.

## 4. Common Repair Provisions Report

Professor Douglas Robertson has prepared a draft report on the current arrangements for ensuring common repairs are undertaken within flatted property in Scotland. This 35 page report explores the history of the legislation introduced to tackle the issue and the enforcement by L.A's. Edinburgh's previous history in relation to Statutory Notice repairs features within this report. The group agreed that the report was valuable to policy makers to ensure recommendations didn't repeat previous work done.

## 5. Timescale of Group recommendations

The Common Repairs Provisions report and the sub-group recommendations are to be published in December 2018 with final recommendations to be published in May 2019.

## 6. Action for City of Edinburgh Council

The working group have requested progress be reported at the next meeting on the proposal being driven by the Council's Shared Repairs Service to share owners details with other owners in a tenement where there is evidence of a common repair being progressed privately.

The proposed privacy impact assessment report submitted by ESRS has been assessed by the Information Governance Unit and the Council's Data Protection Officer. The overall risk has been determined as Medium and there are a number of recommendations to progress.

Shared Repairs must show that the proposals are considered part of the Council's public task and this is a lawful condition of processing.

The Council are progressing this for the benefit of property owners in tenements under the Power to advance well-being under Section 20 of the Local Government in Scotland Act 2003. The Council is empowered to take measures which it considers likely to promote or improve the well-being of its area and persons within that area or either of those.

"Well-being" is not defined in the 2003 Act, however the Guidance issued by the Scottish Ministers under Section 21 of the 2003 Act states that key factors which contribute to the promotion or improvement of well-being may include environmental factors such as the quality of the built environment. Section 20(2) (f) of the 2003 Act also provides that the power to advance well-being includes the power to provide a service to any person (e.g. property owners) and includes the power to facilitate or co-ordinate the activities of any person.

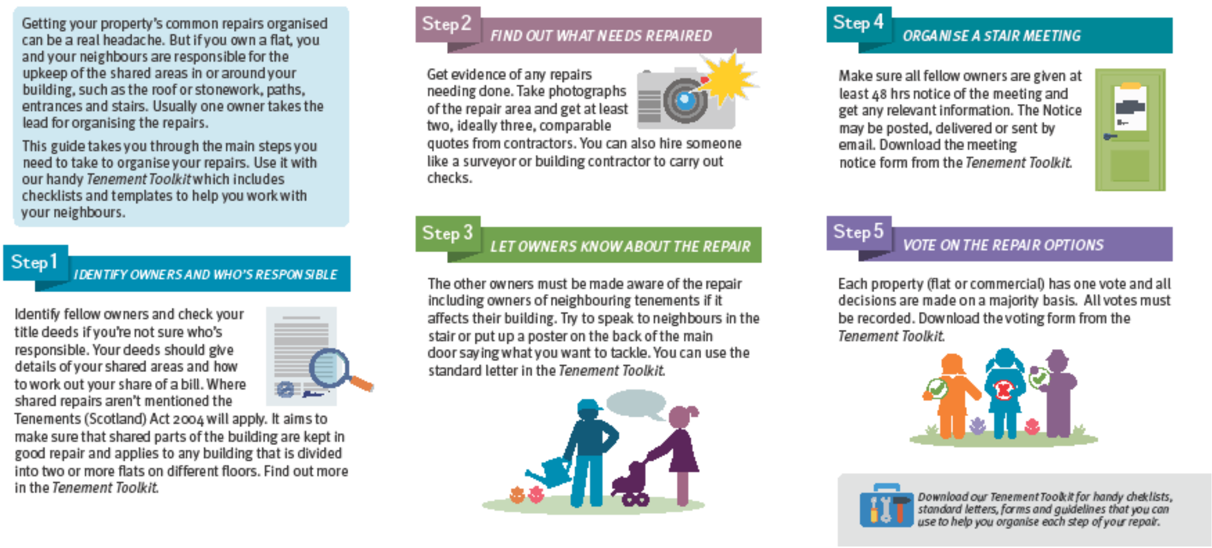
The Council considers that the exercise of these functions is necessary in order to protect the built environment and to maintain the amenity of the City of Edinburgh area. This new proposal may be reasonably said to contribute to or promote the well-being of CEC's area. This may also be said to contribute to or to promote the well-being of residents in the CEC area who will benefit from a well-maintained built environment.

The Council wishes to provide a process whereby using its powers it can ensure that repairs works are progressed and co-ordinated with all owners in the stair. As far as we are aware there is no specific statutory authority for the provision of this kind of service by a local authority. However it is likely that the end product of the service is that the well-being of the CEC area or that of any of its residents is improved, then we believe that the provision of this service may be deemed to come under the umbrella of the power to advance well-being.

The recommendations also include the requirement to consult data subjects and review feedback on this proposal. The intention is to meet with and discuss proposals with the Information Commissioner's Officer. The service proposes to prepare a survey to be sent to all owners with whom the Shared Repairs Service has had engagement through the Missing Shares Scheme and owners in cases where enforcement of repairs has been necessary. The survey will ask for feedback from property owners, the main question being do owners feel this proposal is fair, for the purpose intended?

## 7. Current ESRS Process

The Tenement (Scotland) Act 2004 provides a structure, known as the tenement management scheme, for the maintenance and management of tenements. The Council have no powers under this legislation however the Council's new service Edinburgh Shared Repairs Service (ESRS) has the objective of supporting, encouraging and enabling owners to proactively take responsibility for planning and organising repairs. ESRS have designed the 'Tenement Toolkit', a screenshot of the leaflet is shown below:




The first step in the process for owners is to find out who is liable for the proposed repairs. If the lead owners can't find their fellow owners contact details the process can't be started, this is tremendously frustrating for owners. ESRS have recorded the number of customers who have come to the Council for ownership information and been refused this under the current process.

The table below shows the number of requests made in March, April and May:

| March 2018 | April 2018 | May 2018 | Average Requests per Month |
|---|---|---|---|
| 7 | 4 | 6 | 5.7 |

## 8. Case Examples

ESRS have encountered numerous examples of cases where owners have become frustrated with the difficulties of finding fellow owners details. The following case examples demonstrate this:

### Case 1

Owners of a tenement property in Edinburgh approached the Council in 2017 having tried to progress roof work repairs to fix a leaking roof. One of the owners of a flat in the tenement was elderly and in a care home. The other owners, although sympathetic, found it impossible to engage with this owner and collect the funds into the communal maintenance account. The lack of funds prevented the owners from being able to arrange and instruct a contractor. Meanwhile the owner of the top floor flat suffered water ingress. They came to the Council to ask for information to find out if the owner had a family member who could progress this on behalf of the elderly owner. The Council were able to track down, through the liability checking process, a family member of the elderly owner who was acting on the owner's behalf and lived in Australia. The Council contacted them and requested that they engage with the other owners. After some time they did engage and the missing share of the cost was paid. As a consequence the Council did not require to use public funds to provide the missing share in this case.

Had the owners known the contact details of the missing owner’s representative when the initial Tenement Management Scheme (TMS) decision and voting was underway this would have resolved the issue more quickly and the roof would have been fixed sooner. This would also have allowed the missing owner’s representative to engage in tenement scheme discussions regarding the nature and extent of repairs. Delays in repairs can cause further deterioration and subsequently result in a larger repair required.

Delays in repairs due to lack of maintenance being undertaken in a timely manner was illustrated by the RICS at a Parliamentary Reception, see an extract in table 2:

| Area | Ownership | Defect | Impact | Total cost of remedial work | Illustrated cost of preventative maintenance |
|---|---|---|---|---|---|
| New Town, Edinburgh | Common | Defective pointing to chimney cope | Chimney reconstruction | £8,000 | £400 |
| City Centre, Perth | Common | Defective pointing to chimney cope | Demolition of structural unstable chimney | £12,000 | £1,100 |
| Marchmont, Edinburgh | Common | Roof Gutter and chimney re-pointing | Extensive stonework repairs & chimney reconstruct | £160,000 | £8,000 |

**Case 2**

Owners of a traditional tenement property in Edinburgh approached the Council in 2016 for assistance with a non-engaging owner who didn’t appear to live in the property he owned. This group of professional and extremely organised owners had brought together 20 of the 21 owners to take the TMS decision and collect the funds into the communal bank account. The share value per owner was significant at approximately £7k each. The owners could not progress the works due to lack of engagement with the missing owner who was not living at the property. Through the Missing Share Scheme with the Council and the Council’s subsequent contact with his legal representative, the Council received full payment of his share of the costs. Had the Council been able to pass this owner’s information to his co-owners initially the works may have been progressed more quickly and without the use of public funds. This may also have resulted in a materially lower share for the missing owner, as missing shares recovered by the Council are subject to an administration charge and interest.

**Case 3**

A lead owner of a tenement in Edinburgh has been in touch with the Council recently as they cannot find the contact details of their fellow owner. The Council have written to the agent acting on behalf of the missing owner, using details found through our liability checking process. The Council have requested that the missing owner get in touch with the lead owner to engage in the process to progress the common repairs. This case is still on-going however the current procedure, demonstrated here, highlights the lengthy process currently in use which causes frustration to owners who in most cases have an urgent common repair required to be arranged.

The Council are keen that the difficulties faced by property owners when arranging repairs are resolved. As seen from the issues highlighted in this report these are many and complex. If the ICO can assist the Council to allow this new proposal to be adopted, this would allow the Tenement Act process to be more workable in at least one of the areas currently seen as an obstacle for property owners.

The result of discussion with the ICO will be reported at the next meeting of the working group in November 2018.

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Edinburgh Living LLPs: Acquisition of Homes 2019/20

| | |
|---|---|
| **Item number** | 7.14 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | All |
| **Council Commitments** | 1, 6, 10 |

## Executive Summary


In February 2018, the City of Edinburgh Council agreed to enter into agreements with Scottish Futures Trust (SFT) to establish two Limited Liability Partnerships (LLPs) to deliver 1,500 homes for market and mid-market rent to be let to households on low to moderate incomes. Governance is now in place and following a procurement exercise, Wheatley Group have been appointed to manage the homes for Edinburgh Living.

As part of the governance arrangements, the Finance and Resources Committee will be asked to approve the transfer of mid-market and market rent homes being constructed through the Housing Revenue Account (HRA) as part of the Council's mixed tenure housebuilding programme to Edinburgh Living on an annual basis.

In June 2018, this committee approved the transfer of 105 mid-market rent homes to be completed in 2018/19. Twenty-two of these homes were purchased by Edinburgh Living November 2018, the remainder of the homes in the first tranche will be completed and transferred in the next four months. The homes due to be transferred on completion in 2019/20 are currently under construction and will be transferred from April 2019 onwards at a price based on total development costs; including construction cost, land value and related short-term funding costs. Committee is asked to note the lending and capital advances required for Edinburgh Living to complete the purchase and refer the report to City of Edinburgh Council in February 2019 for approval. The purchase will be funded through a mix of borrowing and Scottish Government grant. The HRA will receive a capital receipt for expenditure it has already incurred in delivering the homes.


EDINBVRGH THE CITY OF EDINBURGH COUNCIL

# Report

## Edinburgh Living LLPs: Acquisition of Homes 2019/20

### 1. Recommendations

1.1 It is recommended that the Finance and Resources Committee:

1.1.1 Agrees the transfer of 222 homes constructed as part the Council's housebuilding programme, from the Housing Revenue Account (HRA), to Edinburgh Living in 2019/20;

1.1.2 Note the requirement for the Council

1.1.2.1 to lend up to £25.901m to the mid-market rent LLP to purchase 222 homes; and

1.1.2.2 to provide a corresponding capital advance from the Loans Fund based on a repayment profile using the funding / income method, as set out in paragraph 3.19;

1.1.3 Refers this report to Full Council on 07 February 2019 for approval of the above; and

1.1.4 Notes that a contract was awarded to Wheatley Group to provide Management and Maintenance services to the Edinburgh Living LLPs, under delegated authority, as agreed by this Committee in October 2018.

### 2. Background

2.1 On 17 September 2015, the City of Edinburgh Council agreed to enter into a partnership with SFT to accelerate housebuilding through acquisition of homes for market rent and mid-market rent.

2.2 This proposal formed part of the housing programme in the Edinburgh and South East Scotland City Region Deal in 2017. This included Scottish Government consent for the City of Edinburgh Council to on-lend up to £248 million to two LLPs, one for market rent and one for mid-market rent, for the purpose of delivering a minimum of 1,500 homes in Edinburgh.

2.3 On 18 January 2018, the Housing and Economy Committee agreed that the Council could enter into agreements with SFT to establish the LLPs.

2.4 The same Committee agreed, in principle, that homes developed by the Council within mixed tenure developments for market rent and mid-market rent could be transferred to the LLPs on vacant possession, subject to agreement by the Finance and Resources Committee.

2.5 This report was referred to the City of Edinburgh Council on 01 February 2018 to confirm the appointment of elected members and an Executive Director to represent the Council on the LLPs' Corporate Body, alongside a Director from SFT.

2.6 The Council entered into agreements with SFT on 28 March 2018 and the first meeting of the LLP's Corporate Body took place on 04 June 2018.

2.7 In June 2018 the Finance and Resources Committee agreed that 105 homes constructed as part of the Council's mixed tenure housebuilding programme would be transferred on completion to the Edinburgh Living mid-market rent LLP in the financial year 2018/19.

2.8 The report was referred to Council to agree a facility allowing the Council to lend money to the LLP to purchase the homes.

2.9 Wheatley Group was appointed as the management and maintenance supplier for Edinburgh Living in October 2018 following this Committee's decision to delegate the award of contract to the Executive Director of Place, in consultation with the Convenor and Vice Convenor of the Finance and Resources Committee.

## 3. Main report

3.1 The Edinburgh Living LLPs are now operational and following the decision taken by this Committee in June 2018 allowing the Council to transfer 105 homes to the LLPs in 2018/19, Edinburgh Living MMR LLP purchased its first 22 homes at Clermiston on x November 2018. The remaining 83 homes from the first tranche, at Greendykes, North Sighthill and Hailesland, are nearing completion and are due for transfer and let in 2019.

3.2 It was agreed as part of the Edinburgh Living governance structure that on an annual basis, the Finance and Resources Committee would approve the transfer of mid-market rent and market rent homes being constructed by the Council from the HRA to Edinburgh Living.

3.3 The purpose of this report is to seek Committee approval to continue the growth of Edinburgh Living by approving the transfer of mid-market rent homes scheduled for completion in 2019/20, from the HRA to the mid-market rent LLP. The homes will be transferred on completion and let to tenants on low to moderate incomes.

3.4 The Council currently has 899 homes under construction as part of the mixed tenure council house building programme. In total, 222 of the homes to be delivered by the programme in 2019/20 have been earmarked for mid-market rent. These are detailed within Appendix 1. The homes will be delivered on five sites across the city at North Sighthill, Dumbryden, Royston, Pennywell phase 3 and Pennywell Town Centre. The homes are located within mixed tenure developments which include housing for social rent to be held on the HRA and managed by the Council.

3.5 Once transferred, the homes will be owned by the LLP and let and managed by the newly appointed lettings, management and maintenance service provider, Wheatley

Group. The Council has a 99.9% share in the mid-market rent LLP with the remaining 0.01% held by SFT.

3.6 It is anticipated that a report on the transfer of the third tranche of homes to Edinburgh Living will be brought to this committee at the end of 2019.

**Management and Maintenance of the homes**

3.7 The operational model for the day to day management of Edinburgh Living is based on the successful approach in use under the National Housing Trust (NHT) initiative. Edinburgh Living has no staff and in order to provide a consistent level of service, the Council will supply the services that allow the LLPs to operate. Where the Council cannot supply a required service, it will procure them on the LLPs behalf.

3.8 The Council does not currently have the requisite experience in delivering management and maintenance services to mid-market and market rent homes let under a Private Rented Tenancy agreement. As a result, a service provider experienced in this field was required.

3.9 A procurement exercise took place between June and October 2018 to select an organisation with suitable experience to manage and maintain the homes on behalf of Edinburgh Living. On 5 November 2018, Wheatley Group, an organisation experienced in managing homes across a number of tenures throughout Scotland, was appointed as the lettings, management and maintenance service provider for Edinburgh Living. Wheatley Group will provide services to the LLPs over the next three to six years.

3.10 The Council will manage the contract, which includes monthly progress meetings, and ensure that the tenants and Edinburgh Living receive a high level of customer service from the procured supplier. Wheatley will attend the Edinburgh Living Senior Management Team meeting on a quarterly basis.

3.11 In addition to meeting the cost of the day to day management and maintenance, a proportion of the rents collected will be held by Edinburgh Living as a lifecycle reserve. This will ensure that funds are in place to enable Edinburgh Living to maintain the homes in future years and carry out large lifecycle maintenance programmes; including the replacement of kitchens, bathrooms and door entry systems, for example, at the appropriate times.

**Lending and corresponding capital advances**

3.12 In the case of the mid-market rent LLP, it is intended that the acquisition of each tranche of housing units is funded by a combination of grant from the Scottish Government and a loan from the Council. In the case of the market rent LLP, the acquisition of each tranche of housing will be funded purely by loan from the Council.

3.13 The loans to the LLPs will be a 40-year annuity repayment structure, similar to a mortgage. For the mid-market rent LLP, the rate of interest on the loan will be based on the Public Works Loan Board (PWLB) 40-year annuity rate available to the Council on the day each loan is advanced. For the market rent LLP, the rate of interest will be slightly higher than PWLB 40-year annuity rate to take account of the higher rent that will be charged through this initiative and the funding risk (100% loans).

**Ministerial Consent and funding by capital advance**

3.14 Scottish Government Ministers have the power to allow Councils to borrow for purposes other than the strict criteria outlined in the Local Authority (Capital Financing and Accounting Scotland) Regulations 2016, including giving consent to lend to third parties. The Council has been given consent by the Scottish Government to borrow for the loans to both LLPs, which in turn permits capitalisation of this lending. This means that the loans will be funded by a capital advance from the Council's Loans Fund in the same way that any other capital expenditure made by the Council (and funded by borrowing) would be.

3.15 The loans will increase the Capital Financing Requirement (CFR) of the Council and hence the Council's underlying need to borrow. The anticipated loans have been included as a separate line in the borrowing CFR approved as part of the budget process and 2019/20 Treasury Strategy. The loans have also been included in the Authorised Limit and Operational Boundary Prudential Indicators.

3.16 The Council does not need to borrow externally specifically to make the loans to the LLPs but the consent allows it to borrow if it chooses to do so. However, while the Council may wish to make the advantageous PWLB interest rates available to the LLPs to assist them in delivering the provision of affordable housing for rent, the Council will wish to mitigate the interest rate risk in doing so. As set out in the 2019/20 Treasury Strategy, it is likely that matching back to back arrangements for external borrowing will be considered when each loan to the LLPs is made.

**New Borrowing Regulations**

3.17 In 2016, the Scottish Government introduced a new set of regulations governing local authority borrowing in Scotland. Some the changes brought in by the regulations were required to support the City Deal structures in Scotland, and one of these key changes was the introduction of a range of options available to repay the principal on capital advances.

3.18 Until now, the Council has continued to apply the statutory repayment profile to advances from the loans fund which is the same method used before the introduction of the new Regulations. However, the funding / income method gives the Council the ability to sculpt capital advance repayments to the income that will be generated by the expenditure or other future funding. In granting their consent to borrow on behalf of the LLPs, the Scottish Government have provided formal consent on the basis that the funding / income repayment method be used.

3.19 It is therefore intended that the repayment profile for the capital advance is a 40-year annuity to match the loan to the LLP, based on the life cycle maintenance provision proposed. It should be noted, however, that should the LLPs fail to make their loan principal or interest repayments, the Council's General Fund will need to fund the shortfall from elsewhere in its own budget.

## 4. Measures of success

4.1 The establishment of two LLPs to deliver 1,500 homes for households on low to moderate incomes.

4.2 The LLPs have a key role to play in delivering the Council's housing strategy and the coalition commitment to deliver 20,000 homes over ten years. The development of the LLPs will also have a positive impact on the local economy, through creating opportunities for local businesses as well as jobs in construction.

4.3 Support the delivery of more affordable homes by operating at scale.

4.4 Support the delivery of mixed tenure housing led regeneration of brownfield sites.

4.5 High quality, well managed homes and outstanding customer service for tenants.

4.6 Positive impact on the local economy through creation of jobs and regeneration opportunities.

## 5. Financial impact

**Housing Revenue Account**

5.1 The mid-market rent LLP will purchase 222 completed homes from the HRA for a Capital Receipt of £30.785m. The transfer price is based on total development costs; including construction cost, land value and related short-term funding costs. The financial impact of this mechanism on the HRA will be cost neutral and the capital expenditure associated with funding the construction forms part of the approved Housing Revenue Account Budget Strategy for 2017/18 to 2021/22. This approach will also be applied to future transfers as it ensures that the HRA is not impacted financially as a result of front-funding these developments.

**LLPs**

5.2 The mid-market rent LLP will fund the purchase of these homes from £25.901m in borrowing received through Council lending and £4.884m of Scottish Government grant funding. Approval is required from the City of Edinburgh Council to lend funds to the LLP in order to fund the purchase of these homes. The costs associated with the lending will be recharged to the LLP, who will meet these costs from net rental income generated from letting the properties.

5.3 A viability test has been carried out to ensure that the 222 homes purchased by the mid-market rent LLP are capable of generating a sustainable income stream that can cover running costs and repayment of principal and interest on the lending provided by the Council's General Fund. A prudent allowance is also required to be earmarked to cover future life-cycle maintenance.

5.4 The test uses Debt Service Cover Ratio (DSCR) as a measure of financial viability. DSCR is a measure of the cash flow available to pay debt servicing and is calculated as:

$$\frac{\text{Net Income (excluding lifecycle provision)}}{\text{Debt Servicing costs}} = \text{DSCR}$$

5.5 A minimum DSCR of 1.02 times is used to measure financial viability to the LLPs. This is defined as the net cash flow available after all running costs have been met (excluding lifecycle provision) being at least 2% higher than debt servicing costs. If the DSCR is 1.02 times or greater, the acquisition is considered to have met the minimum financial viability criteria. The test will be run for every acquisition made by the LLPs.

5.6 The viability test requirements for this tranche of acquisitions were met, with projected net rental income (excluding lifecycle reserve provision) against loan repayments representing a debt service cover ratio of 1.10 times. On a total portfolio basis, including the 105 homes acquired in 2018/19, the projected DSCR is 1.12 times. Furthermore, the proposed rent levels for these homes have been compared to local housing market rents and considered to be appropriate and affordable. Rent levels will be within local housing allowance levels. Detail of the output of the financial viability test is included within Appendix 2.

5.7 The lending to the mid-market LLP in order to acquire 222 homes for mid-market rent will be £25.901m, supplemented with £4.884m of grant funding from the Scottish Government (£0.022m per mid-market unit has been provided through City Region Deal). The overall indicative loan charges associated with this capital advance over a 40-year period will be a principal amount of £25.901m and interest of £22.579m, resulting in a total cost to the LLPs of £48.48m based on an average facility interest rate of 3.6%. The annual loan charges will be £1.212m and will be fixed for the 40-year borrowing period. The annual loan charges will be repaid through the net rental income generated from letting the homes. This is projected to be £1.329m per annum in the first full year of operation and will be subject to annual inflationary increases.

**General Fund**

5.8 The viability test results project that the LLPs will generate sufficient net rental income to repay the Loans Fund capital advances relating to borrowing provided for the acquisition of homes and meet life-cycle maintenance requirements. The LLPs will monitor the actual operating position and adapt their business plan on an ongoing basis to ensure that this remains the case. It should be noted, however, that should the LLPs fail to make their loan principal or interest repayments, the Council's General Fund will need to fund the shortfall from elsewhere in its own budget.

5.9 Financial risk to the General Fund in the event of LLP default is mitigated by the Council having first ranking security on the homes after repayment of Scottish Government Grant provided for the mid-market rent LLP.

## 6. Risk, policy, compliance and governance impact

6.1 The LLP is made up of two partners, the City of Edinburgh Council and SFT.

6.2 The day to day management of the LLPs is delivered by a Senior Management Team made up of Senior Officers of the Council and a Senior Officer from SFT. The LLPs are governed by the two Members, the Council and SFT, and meet as a Corporate Body represented by four elected members, the Executive Director of Place and a Director from SFT.

6.3 Reports will be delivered to both the Housing and Economy Committee and the Governance, Risk and Best Value Committee providing updates on the operations of the LLPs.

6.4 Scottish Government consent is required to allow the Council to transfer land out of the HRA. In 2016, the Scottish Government published guidance setting out the procedures that the Council should follow when disposing of land on the HRA.

6.5 The majority of disposals are now dealt with through a General Consent rather than needing to apply to the Scottish Government for consent on an individual basis.

6.6 This disposal will fall under the General Consent, ensuring that best consideration has been achieved for the HRA.

6.7 Financial risk to the Council in the event of LLP default is mitigated by the Council having first ranking security on the homes after repayment of Scottish Government Grant provided for the mid-market rent LLP. For example, if demand for rented homes was to diminish in the future and demand for homes for ownership increased, the homes could be sold.

## 7. Equalities impact

7.1 An integrated impact assessment has been carried out for this project. A range of positive impacts have been identified. These include:

7.1.1 More accessible homes that are suitable for people who have mobility difficulties;

7.1.2 More affordable homes to enable people to have a good standard of living;

7.1.3 More people able to access housing which enhances rights in relation to privacy and family life; and

7.1.4 Community benefits secured through housing contracts can enhance rights to education and learning through development of links with schools.

## 8. Sustainability impact

8.1 The partnership will support the delivery of new homes on brownfield sites, reducing pressure on Edinburgh’s green belt.

8.2 New build homes are built to high standards in terms of energy efficiency and sustainability. There will be a strong emphasis on providing homes that are cheap to heat and affordable to manage for tenants.

8.3 Community benefits secured through housing contracts can enhance the local environment.

## 9. Consultation and engagement

9.1 Consultation has taken place on accelerating house building and establishing housing LLPs with a range of partners including; RSLs, housing developers, land agents, institutional investors, Scottish Government and the SFT.

9.2 There is strong support from Council tenants for delivery of more affordable homes and strong demand for housing at mid-market rent levels.

## 10. Background reading/external references

10.1 Accelerating House Building – referral from the Health, Social Care and Housing Committee, City of Edinburgh Council, Thursday 17 September 2015

10.2 21st Century Homes – Housing Development at Fountainbridge and Meadowbank, Health Social Care and Housing Committee, Tuesday 19 April 2016

10.3 City Housing Strategy Update, Health, Social Care and Housing Committee, Tuesday 13 September 2016

10.4 City Deal – Proposal for New Housing Partnership with Scottish Futures Trust, Housing and Economy Committee, Thursday 02 November 2017

10.5 City Deal – New Housing Delivery Partnership Implementation, Housing and Economy Committee, Thursday 18 January 2018

10.6 City Deal – New Housing Delivery Partnership Implementation – Referral from the Housing and Economy Committee, City of Edinburgh Council, 01 February 2018

10.7 Annual Treasury Strategy 2017-18 - referral from the Finance and Resources Committee, City of Edinburgh Council, Thursday 16 March 2017

10.8 Annual Treasury Strategy 2018-19, City of Edinburgh Council, Thursday 15 March 2018

10.9 Edinburgh Living: Management, Maintenance and Letting Services – Award of Contract Under Delegated Authority, Finance and Resources Committee, Thursday 11 October 2018

**Paul Lawrence**

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: elaine.scott@edinburgh.gov.uk | Tel: 0131 529 2277

Contact: Sat Patel, Senior Accountant

E-mail: satyam.patel@edinburgh.gov.uk | Tel: 0131 529 2277

## 11. Appendices

| | |
|---|---|
| Appendix 1 | List of homes to be transferred on completion |
| Appendix 2 | Output of financial viability test |

Appendix 1

**Mid-market rent homes to be delivered in 2019/20**

| Site | Number of homes for mid-market rent | Approximate date of first phase handovers |
|---|---|---|
| North Sighthill | 72 | April 2019 |
| Pennywell Town Centre | 11 | April 2019 |
| Dumbryden Phase 1 | 19 | May 2019 |
| Royston | 22 | September 2019 |
| Pennywell Phase 3 | 97 | January 2020 |
| **Total** | **222** | |

**Output of Financial Viability Test**

| Site | Total acquisition price<br>£m | Scottish Government grant<br>£m | Projected Net Income (per annum – first full year of operation)<br>£m | Debt Servicing costs (per annum)<br>£m | DSCR |
|---|---|---|---|---|---|
| North Sighthill Phase 2 | 9.873 | 1.584 | 0.422 | 0.385 | 1.10 |
| Dumbryden | 2.767 | 0.418 | 0.120 | 0.111 | 1.08 |
| Royston | 2.504 | 0.484 | 0.110 | 0.095 | 1.16 |
| Pennywell Town Centre | 1.551 | 0.264 | 0.065 | 0.057 | 1.14 |
| Pennywell Phase 3 | 14.090 | 2.134 | 0.612 | 0.564 | 1.09 |
| **Total** | **30.785** | **4.884** | **1.329** | **1.212** | **1.10** |

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Extension of Service Level Agreement with Changeworks Resources for Life for Energy Advisory Services – Waiver Report

| | |
|---|---|
| **Item number** | 7.15 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | All |
| **Council Commitments** | 18 |

## Executive Summary


Changeworks Resources for Life (Changeworks), a registered charity, currently provides consultancy services to the Council for housing energy projects under a Service Level Agreement (SLA), which is due to expire in March 2019.

The purpose of this report is to recommend that the SLA is extended until the end of March 2020. This extension will allow ongoing projects to complete, such as the development of a delivery plan to ensure the Council's existing homes meet the Energy Efficiency Standard for Social Housing by 2020, and will also provide support and advice in the development of individual energy strategies for the Council's new build developments. This extension will also allow the necessary time required to fully scope the Housing Service's medium to long term service requirements and competitively tender for the provision of services through a framework arrangement.



EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Extension of Service Level Agreement with Changeworks Resources for Life for Energy Advisory Services - Waiver Report

### 1. Recommendations

1.1 It is recommended that the Finance and Resources Committee:

1.1.1 Approves the extension of the SLA with Changeworks for housing energy consultancy services until 31 March 2020 to allow the completion of ongoing projects (as detailed in section 3.2);

1.1.2 Notes procurement options for an alternative service provision to the SLA are currently being appraised with a view to appointing a framework of suppliers; and

1.1.3 Notes that a report will be produced on replacing the SLA once procurement options have been explored.

### 2. Background

2.1 Changeworks is an environmental charity and social enterprise that works in collaboration with public and third sector organisations, schools, communities and businesses.

2.2 Changeworks provides a range of services which contribute to sustainability outcomes. These include services relating to renewable energy, energy efficiency, fuel poverty, waste and recycling and transport.

2.3 Since 2010, Changeworks has provided housing energy consultancy services to the Council under an SLA with the Housing Service, funded through the Housing Revenue Account (HRA). The SLA was approved by the Finance and Resources Committee 26 November 2015 for the period 2016-2019 and will end on 31 March 2019.

2.4 The SLA supports the City Housing Strategy aims and objectives which include improving energy efficiency and reducing fuel poverty as approved by the Housing and Economy Committee in November 2017.

2.5 The HRA Budget Strategy 2018-2023 was approved by Council in February 2018. It set out the long-term investment priorities underpinning the Council's strategy to reduce the cost of living for tenants and to provide good quality, well managed, affordable and low-cost housing for people on low to middle incomes. These priorities are:

2.5.1 expand and accelerate the development of affordable and low-cost housing;

2.5.2 continue to modernise existing Council homes and neighbourhoods; and

2.5.3 transformation of front line services to tenants to tackle inequality and reduce their cost of living, including a new energy advice service.

2.6 The cost of the services provided by Changeworks to the Housing Service under the SLA during 2018/19 will total £93,529.

## 3. Main report

3.1 The work carried out by Changeworks informs strategy development, driving continuous service improvements and enabling the identification of new opportunities to ensure residents live in energy efficient, warm and easy to heat homes.

3.2 The work carried out under the SLA is agreed annually to address service needs and priorities. The services supported by Changeworks through the SLA in 2018/19 fall into the following categories:

**New Technology, Innovation and District Heating**

3.2.1 Providing support and advice relating to new technological innovation and district heating to maximise tenant affordability and ease of use, whilst minimising co2 emissions and ensuring optimum cost effectiveness for the Housing Service. This includes support in the development of individual energy strategies for new build developments;

**Investment, Tenant Well-being and Fuel Poverty**

3.2.2 Providing support that includes securing investment and improving tenant well-being, through advice and information to help reduce fuel poverty. This includes supporting the Council to upgrade and future proof their existing stock in order to meet Energy Efficiency Standard for Social Housing (EESSH) by 2020; resulting in estimated fuel and energy savings of up to 20% for tenants, once homes are brought up to standard. Other projects include a condensation and ventilation monitoring project, and a Quantum storage heater monitoring project, both of which, monitor tenant behaviour in relation to energy to improve both effectiveness of use and broader tenant communications going forward; and

**Strategy Management**

3.2.3 Assisting the Housing Service in taking a strategic approach to improving energy efficiency of existing homes, building new energy efficient homes and assisting Edinburgh to become a low energy and carbon city and a recognised centre for best practice. Ongoing support includes the delivery of energy forums with housing associations and other stakeholders and advise on strategy development.

3.3 A one-year extension to the SLA will prevent disruption to these ongoing projects. A failure to extend the SLA could result in a delay in compliance with EESSH which could have a negative impact on tenant well-being and a reputational impact on the Housing Service. Ending the SLA would cut short the monitoring and evaluation of existing heating and ventilation projects, leading to limited or inconclusive results.

3.4 In a rapidly changing policy environment it is vital that the Housing Service has access to the right technical expertise and advice in relation to energy use, technologies, efficiency and sustainability.

3.5 The Housing Service is significantly expanding, with the delivery of 10,000 new affordable homes over the next 10 years. It also has an ambitious investment programme focused on improving existing homes and neighbourhoods over the next 15 years. This will include a review of historical heating billing systems with a view to ensuring tenants can benefit from smart meter technology and flexible billing arrangements to assist with managing household costs.

3.6 Procurement options for an alternative approach, to deliver the scale and diversity of the energy advice and support required, are currently being appraised with a view to appointing a framework of suppliers which will:

3.6.1 Provide access to an increased range of suppliers, with varying expertise to meet the Housing Service and the Council's wider requirement for advice services in relation to energy and fuel poverty support; and

3.6.2 Provide the increased flexibility and capacity required to quickly respond to emerging priorities and meet the evolving needs of the Housing Service as the scale and pace of delivery is accelerated.

## 4. Measures of success

4.1 Continued reduction of fuel poverty and improved energy efficiency of homes through the delivery of the Homes and Energy Strategy during 2019/20.

4.2 Projects completed and supported through the SLA are expected to continue to result in financial and carbon emissions savings for tenants.

## 5. Financial impact

5.1 The current cost of the SLA totals £93,529 for 2018/19, funded through the HRA. The one-year extension will similarly cost £93,529 and would be contained within existing budgets.

## 6. Risk, policy, compliance and governance impact

6.1 Termination of the existing links with Changeworks in March 2019 would result in some projects not being completed.

6.2 The contract will continue to be managed through existing processes. Monthly progress meetings are held with Changeworks to ensure that the SLA is being delivered and priorities are recognised. Quarterly progress meetings, with an accompanying formal quarterly report, are also held.

## 7. Equalities impact

7.1 The positive equality impacts previously identified will continue during the SLA extension period. These include:

7.1.1 Reducing the costs of energy for residents;

7.1.2 Contributing to fuel poverty reduction targets;

7.1.3 Ensuring that residents live in warmer, easier to heat homes; and

7.1.4 Residents benefits from better welling, improved health and social attainment.

## 8. Sustainability impact

8.1 Carbon emissions reductions are expected to be achieved as a result of continued housing energy consultancy services provided to the Council.

## 9. Consultation and engagement

9.1 Tenants are consulted annually through the Housing Budget Consultation and through on-going engagement by the Council. Energy costs and the efficiency of homes is a central concern for tenants and feedback has demonstrated a demand for support and investment to make homes more efficient and easy to heat.

9.2 The Homes and Energy Board, were consulted and supported the ongoing provision of essential expert energy support and technical guidance and the development of a framework with a wider scope.

## 10. Background reading/external references

10.1 Energy Advice and Support for Housing Services, referral from the Health, Social Care and Housing Committee, City of Edinburgh Council, Thursday 26 November 2015

10.2 Edinburgh Homes and Energy Strategy, Health, Social Care and Housing Committee, City of Edinburgh Council, Thursday 17 June 2014

**Paul Lawrence**

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: elaine.scott@edinburgh.gov.uk | Tel: 0131 529 2277

## 11. Appendices

None

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Low Rise Housing Revenue Account Grounds Maintenance Works – Extension to Contract

| | |
|---|---|
| **Item number** | 7.16(a) |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | All |
| **Council Commitments** | |

## Executive Summary

The existing contract with Glendale Grounds Management Ltd provides Low Rise Housing Revenue Account (HRA) Grounds Maintenance works on Council Housing land funded through the HRA. The contract includes grass cutting and garden clearance in empty homes, ground works, hedge & tree cutting/clearance, 'dirty works' services and removal of items that may present a safety risk for residents.

The purpose of this report is to advise Committee of the actions taken to extend this contract, by waiver, under the Urgency Procedure (section 4.1 of the Committee Terms of Reference and Delegated Functions). This will ensure continuity of service, to allow these requirements to be tendered with other services 'similar' in nature under a combined framework, with a common commencement date of 1 April 2020.  It is expected this future alignment of services will offer efficiency in provision.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Low Rise Housing Revenue Account Grounds Maintenance Works – Extension to Contract

### 1. Recommendations

1.1 It is recommended that the Finance and Resources Committee:

1.1.1 Notes the decision taken under urgency provisions, (as described in section 4.1 of the Committee Terms of Reference and Delegated Functions by the Executive Director of Place, in consultation with the Convener and Vice-Convener of the Finance and Resources Committee), to extend the contract the Low Rise HRA Grounds Maintenance works up to 4 December 2018.

1.1.2 Agrees to further extend the contract for Low Rise HRA Grounds Maintenance works via waiver up to 31 March 2020. This will allow the service to be aligned and tendered in parallel with similar services undertaken by the Council.

1.1.3 Note that the procurement options for an alternative service provision are currently being appraised, with a view to undertaking a procurement exercise for services of similar nature and appointing suppliers under a combined framework that will improve efficiency and meet changing service requirements.

### 2. Background

2.1 This contract was awarded in January 2013 as part of a four-year Framework Agreement which was divided in to three lots.

2.1.1 Lot 1 - Garden Aid and Reactive Grounds Maintenance Works.

2.1.2 Lot 2 - HRA Low Rise Grounds Maintenance Works.

2.1.3 Lot 3 - Forestry and Arboriculture Works.

2.2 The contract was extended via waiver in January 2018 for ten months (to 31 October 2018) to allow time for a thorough review of the future requirements for the services.

2.3 As a result of this review, the services provided under the previous Lots 1 and 3 have been retendered. A Framework Agreement for the Garden Aid and Grounds Maintenance Works (Lot 1) has been retendered and a separate report to this Committee is seeking approval of a contract up until 28 February 2023.

2.4 However, to reflect future service requirements and to allow future efficiencies in provision, a more consolidated strategic approach is being applied to contracts related to maintenance and clearance (including dirty works to homes/local estates) and the works under previous Lot 2 have been extended to align with other existing contracts coming to an end in 2019/20. Current value of works to date (end of September 2018) for the financial year 2018/19 is £298,918.73.

## 3. Main report

3.1 The initial contract was put in place to cover reactive work on Council Housing land including grass cutting and garden clearances in empty homes, ground works, small scale fencing, hedge and tree cutting/clearance, litter picks and 'dirty works' services. However, due to changing requirements, the contract has increasingly been used to provide responsive grounds maintenance and removal of rubbish to maintain the standard and safety of the local environment for residents.

3.2 Council service provision was reviewed and other current contracts that include provision of similar elements of clearance and 'dirty works' were identified. These contracts are:

3.2.1 Citywide security for Domestic Properties; and

3.2.2 Specialist Cleaning-covering clearance of empty homes and trauma cleans.

3.3 Potential efficiencies and improved contract management is expected to be achieved through the alignment of these existing frameworks/contracts covering similar service requirements into a single framework with a common commencement date of 1 April 2020.

3.4 An extension to the current contract for Lot 2 via waiver was necessary to ensure continuity of service provision during the period that future service operational requirements are finalised and retendered to a common date.

3.5 The estimated value for the period of the extension for this contract is £850,000, (based on current spend for 2018/19).

## 4. Measures of success

4.1 The Council can continue to provide this service, ensuring tenant satisfaction with their homes and local neighbourhoods are maintained and improved.

4.2 There continues to be high performance in the time taken to let Council homes, with the removal/clearance of garden areas a key element in this process.

4.3 The Council can successfully align similar services to ensure efficient use of resources.

## 5. Financial impact

5.1 The demand for this service is dependent on the levels of empty homes and the requirements for wider estates works as covered in the contract but the estimated value of the contract extension is £850k. This will be funded through the HRA.

## 6. Risk, policy, compliance and governance impact

6.1 The works carried out under this contract provide services that ensure large items and rubbish that may present a potential safety risk can be removed promptly. The risk of failure to provide these necessary safety related services to tenants and localities is mitigated through extension of the contract.

6.2 Risk of challenge has been assessed as being low as the contract period is short-term to align service requirements under a new framework, which suppliers will be eligible to apply for when published in 2019.

6.3 TUPE regulations would apply thus it is expected this would deter any potential new suppliers bidding for short term interim contracts until a new framework is tendered. Risk of challenge cannot however be excluded.

6.4 Contract Standing order 9 provides an option to waive standing orders where the requirement is in the Council best interest having regard for best value, risk, principles of procurement and the impact upon service users. The publication of the award of business along with the other factors reported will help to satisfy these requirements.

6.5 The Council has a statutory duty to report ‘non-compliance’ of procurement regulation in line with the changes brought in by the Procurement Reform Act 2014.

## 7. Equalities impact

7.1 Maintaining the standards of neighbourhoods will have a positive impact on resident’s well-being and safety.

## 8. Sustainability impact

8.1 There are no sustainability impacts arising from this report

## 9. Consultation and engagement

None

## 10. Background reading/external references

None

**Paul Lawrence**

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: elaine.scott@edinburgh.gov.uk | Tel: 0131 529 2277

## 11. Appendices

None

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Citywide Security for Domestic Properties – Extension to Contract

| | |
|---|---|
| **Item number** | 7.16(b) |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | All |
| **Council Commitments** | |

## Executive Summary

The contract with Orbis protect Ltd covers the supply and installation of security measures for Council homes. This citywide contract is used to protect homes from vandalism, flood and fire or incidents of anti-social behaviour, the Council secures its empty homes by installing long and short-term security doors; shutters and alarms; and carrying out some 'dirty works' services. The contract has also been used by other Council services in relation to shuttering and other security works such as schools and nurseries.

The purpose of this report is to recommend that Committee approves an extension of this contract, via waiver, to the end of March 2020, at a value of approximately £750,000. This extension will operate under the terms of the existing contract.

This extension forms part of a strategic alignment of, services 'similar' in nature, under a combined framework, to ensure efficient future use of resources to meet changing needs of the Council.

The extension will ensure continuity of service and, importantly, will allow these requirements to be tendered with other similar services, with a common commencement date of 1 April 2020. It is expected this future alignment of services will offer efficiency in provision and seek to improve outcomes.

# Report

## Citywide Security for Domestic Properties – Extension to Contract

### 1. Recommendations

1.1 It is recommended that the Finance and Resources Committee:

1.1.1 Approves the extension, via waiver, of the contract awarded to Orbis Protect Ltd for the Citywide Security for Domestic Properties until 31 March 2020; and

1.1.2 Notes that this will allow the service requirements to be tendered in parallel with similar services undertaken across the Council, with a view to appointing suppliers under a combined framework from 1 April 2020.

### 2. Background

2.1 The current contract was awarded in January 2015 as part of a four-year LHC Framework Agreement. LHC Scotland is a central purchasing body. It is a not-for-profit consortium set up to provide procurement solutions for local authorities, housing associations, schools and other public-sector bodies. LHC Scotland framework arrangements are established in strict accordance with EU Directives and are fully compliant with UK procurement legislation.

2.2 The extension period in the contract has been utilised and the current contract is due to end on 11 January 2019.

2.3 To reflect future service requirements and to allow future efficiencies in provision, a more consolidated strategic approach is being applied to contracts related to maintenance, clearance and security to a common commencement date in April 2020. A separate report to this Committee for Low Rise Grounds Maintenance Works is similarly seeking extension to the contract term, as part of this strategic alignment, with a view to inclusion in this future combined framework.

### 3. Main report

3.1 The Citywide Domestic Security Contract was put in place to cover the provision of steel security doors, security window shutters, monitored alarm systems, and 24-hour emergency cover for empty Council homes. These security measures prevent empty homes being damaged due to vandalism and anti-social behaviour as well as reducing the potential risks of fire and flood damage due to unauthorised access being obtained to properties.

3.2 The contract has increasingly been used by the housing service to provide other security related services in the localities. Over time, and as a result of the changing needs of the Council, other service areas have also utilised this contract for security related work such as shuttering, gates and repairs to security fencing in buildings such as schools and nurseries.

3.3 As part of the strategic planning of service provision, a review of current Council contracts identified that similar elements of clearance and ‘dirty works’ are included within other contracts, with contractors also providing similar related services. These contracts are:

3.3.1 Low Rise Grounds Maintenance Works; and

3.3.2 Specialist Cleaning-covering clearance of empty homes and trauma cleans.

3.4 Potential efficiencies, enhanced contract management and improved outcomes are expected to be achieved through the alignment of these existing frameworks/contracts covering similar service requirements into a single framework with a common commencement date of 1 April 2020.

3.5 The estimated value for the period of the extension for this contract across all Council service areas is £750,000, (based on current spend for 2018/19).

## 4. Measures of success

4.1 Continuing security of Council property and assets as well as maintaining safety of residents.

4.2 Successfully alignment with similar services to ensure efficient future use of resources.

## 5. Financial impact

5.1 The demand for this service is dependent on the levels of empty homes and the requirements for wider security works covered in the contract but the estimated value of the contract extension is £750,000. This will be contained within the Place Directorate budget and other Directorates where applicable.

## 6. Risk, policy, compliance and governance impact

6.1 The Council has a duty of care for its residents and consideration has been given to the Health and Safety impact that may arise following unauthorised access to vacant homes and Council properties. By having this security contract in place, the Council minimises the potential for personal injury or consequential damage to adjacent Council or privately-owned property.

6.2 The extension of the contract with Orbis Protect Ltd ensures there is a means of providing essential security services through agreed terms and conditions which provide a way of controlling cost increases and finalising future specification requirements.

6.3 Risk of challenge has been assessed as being low as the contract period is short-term to align service requirements under a new framework, which suppliers will be eligible to apply for when published in 2019.

6.4 TUPE regulations would apply thus it is expected this would deter any potential new suppliers bidding for short term interim contracts until a new framework is tendered. Risk of challenge cannot however be excluded.

6.5 Contract Standing order 9 provides an option to waive standing orders where the requirement is in the Council best interest having regard for best value, risk, principles of procurement and the impact upon service users. The publication of the award of business along with the other factors reported will help to satisfy these requirements.

6.6 The Council has a statutory duty to report ‘non-compliance’ of procurement regulation in line with the changes brought in by the Procurement Reform Act 2014.

## 7. Equalities impact

7.1 Maintaining the security of domestic properties will have a positive impact on resident’s well-being and safety.

7.2 Improved security measures ensure the continued provision of affordable homes, as well as acting as a deterrent to anti-social behaviour.

## 8. Sustainability impact

8.1 There is a positive impact on sustainable development arising from this report. Improved security measures minimise the works required on empty homes and permits the quicker return of property to the overall council estate.

8.2 Products utilised under this contract can be re-used and recycled.

## 9. Consultation and engagement

Not applicable.

## 10. Background reading/external references

None

**Paul Lawrence**

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: elaine.scott@edinburgh.gov.uk | Tel: 0131 529 2277

## 11. Appendices

None

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Award of Framework Agreement for:

# Garden Aid and Ad Hoc Grounds Maintenance Works for the period 1 March 2019 until 28 February 2023

| | |
|---|---|
| **Item number** | 7.16(c) |
| **Report number** | |
| **Executive/routine** | |
| **Wards: All** | |
| **Council Commitments** | 38, 41, 43 |

## Executive Summary


This report seeks the approval of the Finance and Resources Committee to award a single contractor Framework Agreement for the provision of gardening support (Garden Aid) to elderly and/or disabled residents, who are not able to undertake gardening work, and who have no other adult in their home able to maintain their garden.

On a request basis small scale path, fencing, landscaping, grounds maintenance and tidy-up works may be required in areas covered by the Garden Aid Service and within the Council's wider estate for Parks, Greenspace & Cemeteries.

The duration of the contract shall be for a period of four years, with no extension options.

Over the four-year period, the total estimated value of the contract is £2.5m. The Garden Aid element of this work is financed partially by charging for the service.

# Report

## Award of Framework Agreement for:

## Garden Aid and Ad Hoc Grounds Maintenance Works for the period 1 March 2019 until 28 February 2023

### 1. Recommendations

1.1 The Finance and Resources Committee is asked to:

1.1.1 Approve the award of the Framework Agreement to Glendale Grounds Maintenance;

1.1.2 Note that the Framework Agreement is for a period of four years; and

1.1.3 Note that the maximum Framework Agreement value is up to £2.5m over four years.

### 2. Background

2.1 The City of Edinburgh Council (the Council) provides Garden Aid to elderly and disabled residents who are not able to undertake gardening work and who have no other adult in their home able to maintain their garden. Eligibility is determined by the Council and the scheme administered by the Council's Parks, Greenspace and Cemeteries Service.

2.2 The successful contractor must provide a regular frequency based grass cutting and hedge trimming service to all active Garden Aid customers. An active customer listing will be provided to the contractor prior to the commencement of grass cutting (early March each year) by the Council's Authorising Officer. Additions and deletions to the customer list will be made at the Council's discretion and monthly contract payments will be varied by the Council in direct proportion to the active customer list.

2.3 On a request basis, small scale path, fencing, landscaping, grounds maintenance and tidy-up works may be required in areas covered by the Garden Aid Service and within the Council's wider estate.

2.4 On average, 3,000 people use the service and the criteria to obtain Garden Aid is as follows:

2.4.1 Over 60 or a disability and in receipt of either Housing or Council Tax Benefit and no able-bodied person in household; or

2.4.2 Over 80 and no able-bodied person in household.

2.5 Glendale Grounds Maintenance Ltd. currently undertake the service.

## 3. Main report

3.1 The Council undertook an Open Procedure in accordance with the Public Contracts (Scotland) 2015 Regulations. The contract duration has been set out for a period of four years.

3.2 As part of the tender, bidders must have met minimum standards in relation to:

3.2.1 Basic Disclosure certification of staff;

3.2.2 Financial criteria;

3.2.3 Insurance criteria; and

3.2.4 Health and Safety criteria.

3.3 After passing these minimum standards the following areas were assessed:

3.3.1 Implementation;

3.3.2 Service Provision – Grass;

3.3.3 Service Provision – Hedges;

3.3.4 Management Information and Reporting;

3.3.5 Programme and Structure;

3.3.6 Complaints Handling;

3.3.7 Community Benefits;

3.3.8 Contact with Vulnerable Customers;

3.3.9 Service Continuity;

3.3.10 Environmental Impact; and

3.3.11 Fair Works Practices.

3.4 A cost quality ratio of 40:60 was applied, as this was considered the optimal weighting to reflect the quality of service required for vulnerable individuals.

3.5 The tender opportunity was advertised on Public Contracts Scotland website in August 2018 with a closing date of 26 September 2018.

3.6 Six compliant bids were received.

3.7 Tenders were evaluated for cost and quality by separate panels from Procurement and Council Officers from Parks and Greenspaces and a summary of the Tendering and Tender Evaluation Processes is included in Appendix 1.

3.8 Combining the price and quality scores resulted in the following scores:

| Tenderer | Price Score | Quality Score | Overall Tender |
|---|---|---|---|
| Glendale Grounds Maintenance | 32.98 | 55.50 | 88.48 |
| Tenderer 2 | 40.00 | 40.50 | 80.50 |
| Tenderer 3 | 34.23 | 38.25 | 72.48 |
| Tenderer 4 | 24.38 | 47.25 | 71.63 |
| Tenderer 5 | 37.36 | 31.95 | 69.31 |
| Tenderer 6 | 22.84 | 33.00 | 55.84 |

## 4. Measures of success

4.1 The contract award is based on the principle of most economically advantageous tender and success will be measured by:

4.1.1 Continued service to Garden Aid customers at an appropriate level;

4.1.2 Pricing linked to CPI with open book costing for the lifetime of the contract; and

4.1.3 A community benefit commitment to provide community garden access for residents, additional assistance to partially sighted residents in relation to dog fouling and a paid apprenticeship.

## 5. Financial impact

5.1 The total contract value is estimated to be £2.5m over the four-year period, with an annual cost in the region of £622,000. The cost of the service for Council tenants is funded through the Housing Revenue Account. The recharge is based on the number of tenants who received the service.

5.2 The garden aid costs have increased due to inflationary increases in landfill, fuel, depot, and machinery costs since the last contract was let in 2011. The adoption by the contractor of the Scottish Living Wage in 2018 has had a significant effect on labour costs. An enhancement in the hedge trimming service has also contributed to the higher price after customer consultation proved that there was a need for a more comprehensive service to meet requirements.

5.3 The cost of regular grass and hedge maintenance and other works for expected 2,100 qualifying Housing tenants will increase from current £353,000 to £385,000 for 2019/20. The Housing Revenue Account fully fund this service for Council tenants.

5.4 The balance of cost £127,000 allows for anticipated low-level grounds maintenance and tidy up works on general parks estate.

5.5 Currently, 750 privately owned households receive Garden Aid and are directly charged for the service. Provided demand remains at current levels up to £110,000 in charges are anticipated for 2019/20, an increase of 9% on last year.

5.6 Service charges vary depending on the customer requirement for example Grass Cutting for a small area is currently £65 per year, next year the cost will rise to £71 per year for 15 cuttings over the year. There is a gap in between current proposed charge and price for the service of under £20,000. Proposal to changes to the overall charging structure will require further consultation and consideration by the Transport and Environment Committee.

5.7 The costs associated with procuring this contract are estimated as less than £10,000.

## 6. Risk, policy, compliance and governance impact

6.1 The contract to be awarded is compliant with procurement regulations and the Council's Contract Standing Orders. The risk of legal challenge to contractual arrangements for the provision of this service is thereby considered to be low.

6.2 Should this recommendation not be approved, service delivery for the 2019/20 season will be delayed affecting the vulnerable individuals who benefit from the service.

## 7. Equalities impact

7.1 The Garden Aid Service supports elderly residents of the City of Edinburgh, as well as disabled residents.

## 8. Sustainability impact

8.1 The preferred contractor has indicated the use of low emission vehicles and a phased increase in the use of battery powered equipment.

## 9. Consultation and engagement

9.1 Garden Aid customers are consulted annually on their satisfaction with the service and have reported no significant concerns in the last two surveys other than a request to increase hedge maintenance to prevent access problems. This change has been accommodated in the new service.

## 10. Background reading/external references

None.

**Paul Lawrence**

Executive Director of Place

Contact: Bob McAllister

E-mail: Bob.McAllister@edinburgh.gov.uk | Tel: 0131 529 7849

## 11. Appendices

Appendix 1 Summary of Tendering and Tender Evaluation Processes

APPENDIX 1

**Summary of Tendering and Tender Evaluation Processes**

| | | |
|---|---|---|
| Contract | **Framework Agreement for Garden Aid and Ad hoc Grounds Maintenance** | |
| Contract Period | 1 March 2019 to 28 February 2023 | |
| Estimated Contract Value *(including extensions)* | £2.5M | |
| Procurement Route Chosen | Open procedure | |
| Tenders returned | 6 | |
| Recommended Contractor | Glendale Grounds Maintenance | |
| Price / Quality Split | Price 40% | Quality 60% |
| | **Criteria** | **Weighting (%)** |
| Evaluation Criterion and Weightings | Implementation | 10 |
| | Service Provision – Grass | 12.5 |
| | Service Provision – Hedges | 12.5 |
| | Management Information and Reporting | 20 |
| | Programme and Structure | 5 |
| | Complaints Handling | 10 |
| | Community Benefits | 5 |
| | Contact with Vulnerable Customers | 5 |
| | Service Continuity | 5 |
| | Environmental Impact | 5 |
| | Fair Works Practices | 10 |
| Evaluation Team | Council Officers | |

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Building Standards Improvement Team – Extension to Contracts

| | |
|---|---|
| **Item number** | 7.17 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | All |
| **Council Commitments** | |

## Executive Summary

The Scottish Government appointed the Council as Verifier of Building Standards within this Council's geographic area, for a period of one year from 1 May 2018 to 30 April 2019.

A condition of the appointment (of Verifier) was the support of an Improvement Team to provide advice, guidance and assistance to improve the performance of the Building Standards Service.

In agreement with the Scottish Government, the Council appointed an Improvement Team of three external advisers under delegated authority in May 2018. This report advises Committee of the actions taken to extend these contracts, by waiver, under the Urgency Procedure (section 4.1 of the Committee Terms of Reference and Delegated Functions) to ensure continuity of support, guidance and execution of the Service Improvement Plan through to 30 April 2019.

The maximum total estimated value of the contract extension is £220,000.

# Report

## Building Standards Improvement Team – Extension to Contracts

### 1. Recommendations

1.1 To note the decision taken under urgency provisions, as described in section 4.1 of the Committee Terms of Reference and Delegated Functions by the Executive Director of Place, in consultation with the Convener of the Finance and Resources Committee, to extend contracts, via waiver, with the external advisers (Building Standards Improvement Team) to ensure continuity of support, guidance and execution of the Service Improvement Plan through to completion to 30 April 2019.

### 2. Background

2.1 The Scottish Government appointed the Council as Verifier of Building Standards within this Council's geographic area for a period of one year from 1 May 2018 to 30 April 2019. A condition of this appointment (as Verifier) was that the Council appoint an improvement team to provide advice, guidance and support to improve the performance of the Building Standards Service.

2.2 In agreement with the Scottish Government, on 1 May 2018, the Council appointed an Improvement Team of three external advisers under delegated authority to undertake the initial phase of this improvement journey. This initial phase formed a 'fact finding' evaluation and review of the service, its management structure and operational characteristics. It also included the development of the Building Standards Improvement Plan 2018-2021. This was submitted to Scottish Government and agreed. Subsequent to conclusion of this initial phase, it was deemed in the best interests of the Council, as a result of its knowledge of how the plan was formulated and the considerable experience of the team that it continued to support execution of plan implementation.

2.3 It was acknowledged by the Council and the Improvement Team, that the level of support associated with plan implementation could not be ascertained at the outset and would be established on completion and agreement of the initial phase over a number of months.

## 3. Main report

**Building Standards Improvement Team**

3.1 The Building Standards Improvement Team were appointed under delegated powers by the Executive Director of Place on 1 May 2018 for an initial phase of work. The team is made up of three individuals:

3.2 Russell Cartwright managed the Building Standards Service in Falkirk Council before going on to become director of its environment department. Falkirk Council are regarded as a high performing building standards verifier.

3.3 Len Murray managed the Building Standards service in Angus Council. During his tenure, the Angus became the leading building standards service in Scotland in Customer Service Excellence.

3.4 Steve Quinn is an expert in change management and has worked with organisations across the UK, helping to ensure they deliver their change programmes.

3.5 The cost for the initial phase of work was £63,342.87.

3.6 On completion of the initial phase of its work, agreement of contractual arrangements and understanding of the full scope of works, it was necessary to extend the contracts, via waiver. This was done under the Urgency Procedure (section 4.1 of the Committee Terms of Reference and Delegated Functions).

3.7 The decision was undertaken by the Executive Director of Place in consultation with the Convener of the Finance and Resources Committee subject to the matter being reported to the next meeting of the Committee.

3.8 The contract extension decision was made on the basis of a maximum additional sum of £220,000 to complete this work by 30 April 2019 to ensure continuity of support, and continued guidance on the delivery of the Service Improvement Plan until the end of this verification period.

3.9 The fees outlined in sections 3.5 and 3.8 above, will be contained within Place existing revenue budget for Financial Year 2018/19.

3.10 It is noted that since the Improvement Team has been engaged, there has been a marked improvement in both the performance of the service and the rate at which improvements have been delivered. This is a result of the development of, and support on implementation of, the Building Standards Improvement Plan 2018-2021.

**Service Improvements**

3.11 In relation to performance, between 1 July and 30 September 2018, the backlog of applications awaiting a first report was reduced from 320 to 50. At the same time, 97% of new applications received since 1 July have received first reports within 20 working days. This exceeds the Scottish Government's target of 95%. To ensure this is sustained, new methods for monitoring performance and workload have been developed and used by the management team. Team structures have also been adjusted to ensure staff resources are deployed appropriately to address workload pressures. These structures will be kept under review.

3.12 A new approach to recruitment has been implemented, which is addressing the lack of availability of experienced surveyors nationally. It is focussed on a "grow your own" strategy of developing the skills, knowledge and experience of new members of staff rapidly. As part of this, three apprentice building standards surveyors have been appointed. To support the approach, a campaign was piloted which used social media, to attract candidates to the Council.

3.13 Supporting the cultural changes that are needed within the service, there has been considerable training and development on leadership and management. The management team are being developed to broaden their skills and methods in effecting change within the service. In addition, a continuous improvement team has been created. This is ensuring that change projects are being delivered and will continue to be implemented.

3.14 It is essential that the service's relationship with its customers is transformed. The improvements in performance outlined above underpin this change, however up to 30 April 2019, a major strand of activity of the improvement team will be on support and provide guidance on developing a customer focussed approach to service delivery.

## 4. Measures of success

4.1 The Council can continue to provide its statutory duty in acting as building standards Verifier within its geographic area.

4.2 The Council successfully executes implementation of the Building Standards Improvement Plan 2018-2021;

4.3 The Building Standards Service realises improvement in meeting the needs of residents within the City including improvements to timescales, quality assurance guidance and processes, customer engagement and staff development.

## 5. Financial impact

5.1 The cost of the extended contract arrangements is estimated to be £22,000. This is contained within the overall revenue budget for the Place directorate and will be funded from income received and realignment of budgets.

## 6. Risk, policy, compliance and governance impact

6.1 The risk of ongoing service performance difficulties is lessened as a result of assistance in executing delivery of the Service Improvement Plan;

6.2 The risk of failure to deliver the Service Improvement Plan will be mitigated by the actions taken in section 3 of this report.

6.3 The risk of the Council losing its appointment as Verifier of Building Standards within this Council's geographic area will be mitigated by the actions taken in section 3 of this report.

6.4 The risk of successful procurement challenge is low as the Council has sought to seek solutions to improve service delivery in a methodology agreed with the Scottish Government and in the best interests of the Council, however, it cannot be excluded.

6.5 Contract Standing order 9 provides an option to waive standing orders where the requirement is in the Council best interest having regard for best value, risk, principles of procurement and the impact upon service users. The publication of the award of business along with the other factors reported will help to satisfy these requirements.

6.6 The Council has a statutory duty to report 'non-compliance' of procurement regulation in line with the changes brought in by the Procurement Reform Act 2014.

## 7. Equalities impact

7.1 There are no equalities impacts arising from these appointments.

## 8. Sustainability impact

8.1 There are no sustainability impacts arising from these appointments.

## 9. Consultation and engagement

None

## 10. Background reading/external references

None

**Paul Lawrence**

Executive Director of Place

Contact: David Givan – Service Manager – Building Standards

E-mail: david.givan@edinburgh.gov.uk | Tel: 0131 529 3679

## 11. Appendices

None

# Finance and Resources Committee

## 3pm, Tuesday, 4 December 2018

# Temporary Accommodation Off-Contract Waiver

| | |
|---|---|
| **Item number** | 7.18 |
| **Report number** | |
| **Executive/routine** | |
| **Wards All** | |
| **Council Commitments** | |

## Executive Summary

Currently, using off-contract accommodation is critical to the Council's delivery of temporary accommodation to homeless individuals and families.

This report seeks approval for one waiver to cover the anticipated spend for the remainder of 2018-19 and 2019-20 to allow the Council to meet its statutory obligations to homeless families.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

# Temporary Accommodation Off-Contract Waiver

## 1. Recommendations

1.1 It is recommended that the Finance and Resources Committee approves a combined waiver for all spot purchases of temporary accommodation in flats, bed and breakfasts and tourist hotels until alternative contracted provision is in place.

## 2. Background

2.1 The Homelessness and Housing Support Service discharges the Council's statutory duty towards people who are homeless within the terms of part 2 of the Housing (Scotland) Act and amended by Section 5 of the Housing (Scotland) Act 2001.

2.2 This includes the provision of temporary accommodation for anyone who is homeless and requires it, until a permanent or settled offer of housing can be made.

2.3 There is currently an acute shortage of affordable housing in Edinburgh, this means that although homeless presentations are falling year on year, homeless case lengths and lengths of stay are increasing as it takes longer to secure settled accommodation for homeless households.

2.4 Currently the Council needs to use off-contract properties to meet statutory duties and to comply with the Homeless Person (Unsuitable Accommodation) (Scotland) Order 2004.

2.5 If additional properties are not used as temporary accommodation there is significant risk to the Council being brought into disrepute by breaching the Unsuitable Accommodation Order or by being unable to fulfil its statutory duty to provide temporary accommodation to qualifying households.

2.6 The council could face legal challenges if statutory duties are not met and risk incurring legal costs and compensation payments to service users.

## 3. Main report

3.1 The Council currently delivers its temporary accommodation services via several accommodation types.  A number of these services are delivered in house and the remainder are delivered by partners on behalf of the Council.

3.2 Where accommodation services are delivered by partner organisations, the Council will seek to contract for these services. Given the current demands on the service and the requirement for the Council to fulfil its statutory duties to provide accommodation to anyone who is homeless and requires it there are times where accommodation is purchased off-contract.

3.3 The Council currently has contracts in place for a range of services, which includes the Private Sector Leasing Scheme, Interim Accommodation, Shared Houses, Bed and Breakfasts and a range of supported accommodation.

3.4 The Private Sector Leasing Scheme (PSL) is managed and delivered on behalf of the Council by Link Housing. This contract has capacity to secure up to 1750 properties from the private rented sector in Edinburgh to accommodate people who have been assessed as homeless.

3.5 Due to the competitive nature of the private rented sector in Edinburgh, the numbers of properties in the PSL scheme has dropped over the last few years as landlords have found other ways to let their properties more advantageous.

3.6 To tackle the reduction in properties, in February 2018 the Council agreed to provide extra funding, beginning in April 2018, to the scheme with the goal of retaining expiring leases and attracting new properties. Once the numbers in the scheme begin to build up this will increase the Council's contracted temporary accommodation provision.

3.7 The Council also contracts with a PRS managing agent, Easylet, to deliver up to 200 flats to be used as temporary accommodation. This contract began in March 2017 and currently delivers 163 properties. These properties are essential to ensure that the Council delivers its statutory duties to homeless people and work is ongoing with the provider to establish what the barriers to increasing the number of properties are.

3.8 The Council has an ambition to move away from using bed and breakfast accommodation to accommodate homeless households. In April 2018, the Finance and Resources Committee approved the procurement of around 500 shared house bed spaces, as an alternative to traditional bed and breakfast accommodation.

3.9 The shared house model of accommodation provides cooking, food storage and laundry facilities for residents and the new contract delivers around 100 more contracted bed spaces than the previous bed and breakfast contract, which was replaced on 3 August 2018.

3.10 The Council currently delivers 720 contracted supported accommodation spaces directly accessed for homeless people. A recent tender exercise, which is still in the evaluation stage, sought to increase this contracted provision further. New services will be in place for 1 April 2019, subject to committee approval, and this may result in additional capacity.

3.11 In addition to the work detailed above the Council has also began the process of creating an additional framework that providers can use to add properties for use as temporary accommodation. A market testing exercise began in September 2018 with briefings for potential providers, with an anticipated start date of 1 April 2019.

3.12 To further ensure that appropriate temporary and settled accommodation is available for homeless people, the Homelessness and Housing Support Service is working with a range of internal and external partners to consider ways to increase housing options.

3.13 This includes the provision of an additional 30 Council homes to use as temporary accommodation, a commitment by RSL partners to provide an additional 275 homes to homeless people over an 18-month period and a greater access to Mid-Market Rent properties.

3.14 The Council has recently concluded a procurement exercise to secure a Rent Deposit Guarantee Scheme, the introduction of this scheme should ensure that homeless people can have greater access to the private rented sector which will assist in reducing case lengths and freeing up Council and contracted accommodation provision, which will result in a reduction in spend on non-contracted temporary accommodation.

3.15 The actions detailed above are now and will in the future contribute to mitigating the requirement for the Council to use non-contracted accommodation provision. However, in order to discharge our statutory duties annual off-contract expenditure is projected to be £4.516m based on the September 2018 spend. This equates to around 25.8% of the 2018-19 total forecast gross spend of £17.492m on commissioned temporary accommodation services.

3.16 Officers from Homelessness and Housing Support are working closely with colleagues in Commercial and Procurement Services to create a simple process that will ensure that whenever there is spend out with current contracted providers, this waiver, and the Council completes due diligence checks on the supplier. This will include police checks, financial probity, and relevant checks regarding their landlord status.

## 4. Measures of success

4.1 During the waiver period the Council significantly reduces off-contract spend for temporary accommodation.

4.2 An increase in the number of contracted temporary accommodation bed spaces to assist in the Council meeting its statutory duties to homeless people.

## 5. Financial impact

5.1 Demand for bed and breakfast/shared house and interim accommodation continues to increase due to increasing average length of stay and a shortage of available ‘move-on’ accommodation.

5.2 Annual off-contract temporary accommodation expenditure is projected to be £4.516m based on the September 2018 spend.

5.3 Bed and breakfast/shared house usage for the first six months of 2018/19 was 119,497 bed-nights, compared with 105,157 in 2017-18 (14% increase). Interim accommodation usage in the first six months of 2018-19 was 43,007 bed-nights, compared with 33,897 in 2017-18 (27% increase).

5.4 Although the bulk of these bed nights are contracted, most of the growth has been off-contract, however two previously off-contract providers were contracted in August 2018, which resulted in a significant reduction in the overall off-contract spend.

5.5 Officers monitor off-contract spend through monthly spend performance reporting. From April to July 2018, the average monthly spend was £0.584m. Due to mitigation actions detailed above, the average off contract spend for August and September 2018 was £0.358m.

5.6 Annual off-contract temporary accommodation expenditure is projected to be £4.516m based on the September 2018 spend. However actual expenditure will depend on demand and the success of the mitigating actions identified above.

5.7 A waiver is required to cover this spend for the remainder of this year and for 2019/20 to ensure that the Council complies with contract standing orders as mitigation actions are taken to reduce off-contract spend.

5.8 The use of off-contract providers varies, and a list of the off-contract temporary accommodation that has been used between April and September 2018 is included in Appendix 1.

## 6. Risk, policy, compliance, and governance impact

6.1 There is a risk that the Council will be unable to fulfil its statutory duty to provide temporary accommodation to qualifying households.

6.2 The council may face legal challenges if statutory duties are not met and risk incurring legal costs and compensation payments to service users.

6.3 There is a risk of failing to abide by the Council’s Standing Orders regarding procurement. This risk however is mitigated by the capacity in the market.

6.4 The Council has a statutory duty to ensure value for money. There is a risk that any placement out with the contracted services will not achieve this due to the emergency nature of the provision.

## 7. Equalities impact

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

## 8. Sustainability impact

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

## 9. Consultation and engagement

9.1 Consultation with colleagues in Temporary Accommodation, Partnership and Planning, Finance and Procurement has taken place to ensure compliance with Council Standing orders and ensure compliance with statutory duties.

## 10. Background reading/external references

10.1 None.


**Alistair Gaw**

Executive Director, Communities, and Families

Contact: Nicky Brown, Homelessness, and Housing Support Senior Manager

E-mail: nicky.brown@edinburgh.gov.uk | Tel: 0131 529 7589


## 11. Appendices

11.1 Off-contract temporary accommodation commissioned Apr-Sep 2018

**Appendix 1**

## Off-contract temporary accommodation commissioned Apr-Sep 2018

| **Bed & Breakfast** | |
|---|---|
| Aaron Lodge | Premier Inn (Livingston) |
| Abbey Lodge | Premier Inn (Motherwell) |
| Britannia Hotel | Premier Inn (Musselburgh) |
| Culane House Hotel | Premier Inn (Princes Street) |
| Dunedin Guest House | Premier Inn (Royal Mile) |
| Edinburgh City Holiday Apartments | Premier Inn (South Queensferry) |
| Edinburgh Regency Guest House | Premier Inn (Stirling South) |
| Glenallan | Premier Inn (York Place) |
| Heriott Park B&B | Ravensdown |
| Hotel Ibis (Edinburgh Park) | Shiloh |
| Links Apartments | Travelodge (Cameron Toll) |
| Menzies Villas | Travelodge (Central) |
| Newington Guest House | Travelodge (Dreghorn) |
| Ocean Inn | Travelodge (Dunfermline) |
| Parkview Hotel | Travelodge (Edinburgh Airport) |
| Premier Inn (Bathgate) | Ibis Budget Hotel (Edinburgh Park) |
| Premier Inn (Dalkeith) | Merith House Hotel |
| Premier Inn (Dunfermline) | Premier Inn (Hub East Market Street) |
| Premier Inn (Edinburgh Airport) | Travelodge (Musselburgh) |
| Premier Inn (Edinburgh East) | Travelodge Rose Street |
| Premier Inn (Falkirk East) | Travelodge (Haymarket) |
| Premier Inn (Gyle) | Travelodge (Learmonth) |
| Premier Inn (Haymarket) | Travel Lodge (Livingston) |
| Premier Inn (Hub) | Travelodge (Queen Street) |
| Premier Inn (Lauriston) | Travelodge (Princes Street) |
| Premier Inn (Leith) | Travelodge (Waterloo Place) |

| **Interim Accommodation** | |
|---|---|
| Akbar Properties | Nahid Akram |
| CGHG | S&S Properties |
| City Apts | Ul-Haq |
| Hardy | Zara Apartments |
| Josephs | |

# Finance and Resources Committee

## 3pm, Tuesday 4, December 2018

# Equally Safe – Multi Agency Centre (ESMAC) for Gender Based Violence and Child Protection

| | |
|---|---|
| **Item number** | 7.19 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | 34 |

## Executive Summary

This report sets out the case for the council to contribute to the delivery of a multi-agency centre which will deliver specialist services for child and adult victims of sexual assault and other forms of abuse. St Katharine's Centre, currently part of the City of Edinburgh's Secure Services, has been identified as the best location in Edinburgh for such a centre. It is therefore requested that the committee agrees to the sale of St Katharine's Centre to the NHS to progress this project. There is a very high level of support from the Scottish Government for this project and the capital costs of the project will be met through contributions from Scottish Government, Police Scotland and NHS. These funding sources are only available within this financial year. The proposals will also generate a capital receipt of £825,000 for the council.

While it is not the responsibility of the council to provide health care facilities, the council has a duty to investigate child protection concerns and to support children who have been harmed or who are at risk of harm. The council urgently requires to set up a fixed suite for interviewing children and, given the national direction of travel, the commitment of Scottish Ministers to provide funding for a multi-agency safe centre, and the financial and reputational benefits for the council, it makes best sense that we set up our interviewing suite as part of this proposed project.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

# Equally Safe – Multi Agency Centre (ESMAC) for Gender Based Violence and Child Protection

## 1. Recommendations

1.1 The Finance and Resources Committee is asked to:

1.1.1 Agree the sale of St Katharine's Centre to NHS in order to set up an Equally Safe Multi-Agency Centre (ESMAC) for child and adult victims of sexual assault and other abuse.

1.1.2 Note that this will generate a capital receipt of £825,000 for the council.

1.1.3 Note that ongoing revenue costs of approximately £69,000 per year for the ESMAC will be met by Children's Services.

1.1.4 Refer to the Education, Children and Families Committee to note the outcome of the Finance and Resources Committee and to endorse the proposal to set up an Equally Safe Multi-Agency Centre for child and adult victims of sexual assault and other abuse on the St Katharine's site.

## 2. Background

2.1 Within Scotland there are two distinct but linked pieces of work relating to the investigation of sexual and other crimes against children and adults and the need to minimise trauma for victims while gathering best evidence for prosecution of alleged offenders.

2.2 The Evidence and Procedure Review of the Scottish Courts and Tribunals Service considered opportunities to improve interviewing practice and the experience of children and vulnerable adults during the investigative process and onwards through the justice system. The review team made a number of recommendations to Scottish Ministers relating to capturing evidence as early as possible; making best use of audio/visual technology to record evidence and the ultimate use of such records as "evidence in chief" to court in order to prevent the most vulnerable witnesses from experiencing additional trauma in an open courtroom.

2.3 Her Majesties' Inspectorate of Constabulary (HMICS) Strategic Overview of Provision of Forensic Medical Services to Victims of Sexual Crime highlighted the need for immediate improvements needed in order to meet the minimum standards expected in relation to forensic medical examination and treatment of child and adult victims of sexual assault. The HMICS report recommends that "The Scottish

Government should engage with relevant agencies and stakeholders and bring forward proposals for establishing dedicated healthcare facilities across Scotland to meet both the healthcare needs of victims of sexual crime and the necessary forensic requirements. This should be informed by research and current best practice".

2.4 In addition, Healthcare Improvement Scotland (HIS) have published standards for forensic services for people who have experienced rape, sexual violence assault or child sexual abuse. To date, these standards have not been fully implemented across Scotland.

2.5 Scottish Ministers agreed to take forward these recommendations and there is government funding available for implementation of a pilot site within the current financial year.

2.6 The Chief Medical Officer (CMO) Taskforce for the improvement of services, including forensic provision for children young people and adults who have experienced rape and sexual assault, has undertaken an options appraisal for Scotland. The preferred model is a multiagency co-located approach which will address the trauma of victims and help recovery.

2.7 The council has a statutory responsibility to investigate child protection concerns. The core business of the council within the proposed ESMAC would be to provide social workers to conduct Joint Investigative Interviews (JII). In line with Scottish Government guidance these are always video recorded interviews (VRI).

2.8 There are two ways to record a JII, using either fixed or mobile equipment. It is best practice to used fixed equipment in a purpose-built location unless the assessed needs of the child indicate that use of mobile equipment would be more appropriate.

2.9 Edinburgh has had no fixed VRI suite since early 2017 when the previous site at the Royal Victoria Hospital was destroyed in a fire. We urgently need to replace the fixed VRI suite in order that our child protection VRIs are of the best quality.

2.10 The reputational benefits of providing a fixed VRI suite as part of an Equally Safe Multi-Agency Centre (as opposed to creating a stand-alone suite in partnership with Police Scotland) are very significant given the strong support for this potential project from the Scottish Government.

## 3. Main report

**3.1 <u>Strategic Case</u>**

<u>The Current Approach</u>:

3.1.1 Video recording joint investigative interviewing (VRI) is a central part of evidence gathering for children who are subject to child protection procedures. Joint investigative interviewing (JII) involves a police officer and social worker conducting an interview with the child to gather evidence of any harm that has occurred.

It is crucial for children that we work well together in these interviews as a badly conducted interview can; further distress the child and; lead to insufficient evidence for prosecution.

3.1.2 A competent investigation including a well conducted VRI improves the child or young person's experience by being more attuned to their needs, minimising any distress caused by questioning on a traumatic experience and results in the best quality of evidence to maximise the possibility of prosecution if it is established that criminality has occurred.

3.1.3 The City of Edinburgh's role in this practice is to provide well trained and experienced social workers to conduct joint interviews. This is a core child protection activity which the council must deliver well to improve outcomes for children and achieve best outcomes in relation to the justice process.

We do this by providing a cadre of around 20 social workers from across the city all of whom receive extensive training before conducting interviews and who then participate in a JII interviewers' rota on regular basis.

3.1.4 There are two types of VRI equipment, fixed and mobile. The minimum standard is to have access to both a fixed VRI site and mobile equipment. The former is much more reliable and use of a fixed site is the default position for VRI. The latter may be used when it is thought to be in the child's interests e.g. if the child may be distressed by travelling to an unfamiliar location or, if it is believed that they will more likely to disclose abuse if the interview is conducted in a more familiar location to them. It should be noted that the council and Police Scotland at present are conducting all JII using only mobile equipment and that this means that our practice is falling below the minimum standard.

3.1.5 When VRI was introduced, the council had dedicated premises (the Vega building at the Gyle) in which Police, Social work and NHS staff were based. The premises acted as staff base for all three agencies and had a fixed unit for conducting VRI's and a forensic medical suite for adult rape victims. The revenue cost to the council was £60k per annum and there were similar contributions from police and NHS.

3.1.6 In 2012/13 the Child Protection Committee agreed to take a saving on the cost of the Vega building as police staff were moving to Fettes and our own reorganisation had disbanded the Child Protection and Reviewing Team formerly based there. At that time, NHS had offered a building at the Royal Victoria Hospital as a short to medium term alternative site for conducting JIIs and forensic adult medicals.

This interim arrangement was done with the goodwill of NHS and there was no charge to the council. However, it was always known that this would not be sustainable in the longer term.

3.1.7 Since early 2017, all VRIs in Edinburgh have been conducted using mobile equipment. At present there is no other identified appropriate location than St Katharine's Centre for a fixed site.

This urgent need to replace our fixed VRI suite has coincided with the recommendations of the E&P review to improve standards of video recorded interviewing of both child and adult victims and the HMICS review of forensic provision. Both reviews highlight the need for immediate action to improve minimum standards of provision for both child and adult victims.

3.1.8 There is significant impetus from Scottish Ministers to support the implementation of a hub and spoke model in regional centres throughout Scotland. Their commitment is reflected in the amount of capital funding being made available for this project. The establishment of such a centre in Edinburgh not only helps us to bring our core child protection practice back up to the minimum standard but to lead the way in Scotland by putting in place best multi-agency practice for both child and adult victims with agencies co-located under one roof.

3.1.9 An investment by the council into the ESMAC project would help to improve our child protection VRI provision from the current position which is below minimum standard back up to the high standard with which we started in 2010, and has potential to deliver even further improvements. Evidence demonstrates that a timely, person-centred service following sexual assault can positively influence the long-term health status, recovery and engagement of an individual in any criminal justice process as well as the collection of high quality evidence to support cases.

3.1.10 The Crown Prosecution Service has expressed interest in the possibility of taking evidence on commission in the new premises once established. Evidence on commission involves a trained lawyer hearing evidence direct from the child and presenting this evidence to court on their behalf. This can prevent the need for the child witness to have to have to give evidence in court at all. Minimising or preventing distress caused to children in the court process can contribute significantly to improved wellbeing outcomes.

3.1.11 The council's corporate property plan includes an action to vacate St Katharine's which currently consists of the following residential units: Guthrie (6 bed secure unit), Chalmers (5 bed, to be re-located to Ferniehill) and Alison (3 bed throughcare and aftercare), creating alternative accommodation for the looked after and accommodated children (LAAC) who reside there, then disposing of the whole site to raise a capital receipt.

3.1.12 The Care Inspectorate registration of the former secure unit at St Katharine's (Guthrie building) is only temporarily registered as a residential unit for unaccompanied asylum-seeking children. This was done for continuity of care while we set up more appropriate residential facilities for those children.

3.1.13 The latter is being put in place in the new St Stephen's Court development. Once vacated, the Guthrie building will not be deemed by the Care Inspectorate to be a fit location in which to provide residential care, therefore the council has no use for this building in future.

## 3.2 Future Approach:

3.2.1 The ESMAC benefits for Children's Services will be that it offers a child-friendly, safe environment for children and young people, bringing together the following services/support under one roof, including;

- Forensic Medical Examinations*
- Paediatric Examinations to include assessment of general physical health and development
- Medical consultation that includes immediate health assessment including assessment of injuries; risk assessment for self-harm; adversity and situational vulnerability
- Sexual Health assessment that includes emergency contraception; Post-Exposure Prophylaxis after Sexual Exposure (PEPSE); testing for sexually transmitted infections with planned follow up
- Assessment of the protection needs of the child and/or siblings via Local Authority Social Work
- Assessment of need for psychological support and short and long term therapeutic services for trauma to the child and non-offending family members
- Access to psychological therapies
- Support within the pre-trial period, to ensure special measures are in place and communicate with family about dates etc and arrange visit to court/witness suite as required
- Assess to post-trial therapy / trauma recovery support from 3rd sector, CAMHS or community mental health services or acute services as required

3.2.2 From an initial review of the Icelandic model it was commented that its success was due to a number of factors. The premises were described as home-like, child friendly and non-threatening and the ability to undertake all the meetings required with a child, including police interview, medical examination, and assessment/planning around future safety and need for trauma recovery, ensured that the child and their family were supported throughout, within a safe and non-threatening environment, which was seen as providing a positive basis for the recovery of the child, and minimising the potential for the process of interview and examination being one that itself is distressing and confusing for the child and their family.

3.2.3* It is not anticipated that the ESMAC will change the existing arrangements for examinations in the majority of children as these will usually take place in the new Royal Hospital for Sick Children. It is important, however, that it provides a person-centred resource for older children (13-16 years of age and in some cases, up to 18 years of age) where, as a result of the IRD (Inter Agency Referral Decision) process, it is judged that it would be appropriate for the child/young person to be seen in the ESMAC rather than in a paediatric facility. St Katharine's is ideally situated for paediatricians at the RHSC.

**3.3 Strategic Objectives**:

3.3.1 The Council is committed to improving and enhancing its partnership working arrangements with all partners across the public, private, independent, and voluntary sectors alike and as such ESMAC is well aligned to this strategy and fits with A Forward-Looking Council, A City of Opportunity and a Resilient City.

3.3.2 The strategic commitment to supporting victims/survivors, is a golden thread running through all agencies involved in the project. The following bodies all demonstrate this in their strategic priorities.

Scottish Government: Equally Safe and Safer and Stronger Outcomes

NHS: A fairer Healthier Scotland

Police: Protecting People at Risk of Harm

CEC: focused towards the delivery of improved outcomes for our citizens

**3.4 Economic case**

- Option one: Status quo (retained as a baseline comparator)
- Option two: Gold – 24 hours a day, 7 days a week.
- Option three: Silver –24 hours aday,7 days a week but staffed from 0800 – 2400 7 days a week.
- Option four: Bronze – 24 Hours and 7 days a week, however, staff would be on site between 0900 – 1700Monday to Friday. (Preferred)

3.4.1 Available services and specification for the above options are in Appendix 1.

3.4.2 Option 2, the Gold Standard is currently the preferred model and it is acknowledged that future implementation may have cost and resource implications for all key agencies. However, in terms of staffing the facility, existing arrangements within CEC (a daytime rota of social workers drawn from Children's Practice Teams plus core Out of Hours social work staffing) will remain fit for purpose and will incur no additional cost.

3.4.3 The preferred site has been identified as St. Katharine's. This is based on a) there being no available NHS site b) the stipulation that the ESMAC cannot be based within a police station and c) the council's existing commitment to dispose of the site. The location of the building has close transport links and situated adjacent to a main carriageway for persons travelling to the building and is deemed as the most suitable option. The building is open, friendly and unimposing. It meets the requirements of being both accessible and not obviously visible to the public (this is necessary given the sensitivity of dealing with victims of sexual assault).

3.4.4 The decision to sell St Katharine’s for £825K and subsequently invest up to £60K in reconfiguring Ferniehill (Chalmers Unit to Ferniehill) as a close support unit and moving the other units occupying St Katharine’s (Guthrie and Alison) to St Stephen’s Court is fundamental in determining whether the council can enter into a multi-agency agreement. The revenue implications of this decision can be found in the Financial case, together with the financial implications of going ahead with the ESMAC.

## 3.5 Commercial case

3.5.1 The following has been agreed as the method to progress and manage the governance and finance of the project for ESMAC:

- The Scottish Government provides funding to the NHS to purchase the St Katharine’s site from the Council
- The Council will receive a capital receipt of £825k in respect of the St Katharine’s Site from the NHS

3.5.2 NHS Lothian has indicated they are willing to take on the ownership of St Katharine’s subject to a Memorandum of Understand and a Shared Cost agreement between partners.

3.5.3 This will create a capital receipt for the council of £825K which is not currently designated for any specific purpose in the capital investment plan and therefore allows some additional flexibility in the planning of the future council estate.

3.5.4 This project will have significant impact over the many agencies involved with the main dependencies and stakeholders similar across all organisations. ICT, Estates, Procurement and Finance will clearly be impacted by identifying, purchasing and conversion of suitable premises along with the installation of all relevant amenities, equipment and IT facilities along with the re-deployment of staff.

## 3.6 Financial Case

### 3.6.1 Sale of St. Katharine’s

**Capital**

| | |
|---|---|
| £825K | Capital receipt from the sale to the NHS. Legal costs to be deducted from this. |
| £60K | Estimated maximum costs to re-configure Ferniehill |
| £765K | Estimated net capital receipt |

Notes:

- An independent valuation of the site occupied by St Katharines stated its value as £575K. Corporate property colleagues assessed this to be on the low side and after discussions with the Scottish Government they subsequently increased its offer to £825K.
- The Sale of St. Katharine's will require re-provision of the close support unit to Ferniehill (5 beds), Guthrie to St Stephen's Court (6 beds) and the Alison Unit to St Stephen's Court (3 beds). In addition, there is a 10th unit required as a staff base so 10 units at St Stephen's Court.
- If the decision is to not sell St Katherines then plans are already in place to move Guthrie and Alison as they are not fit for purpose.

**Revenue**

| Facility | Current budget £K | Future costs £K | Net Cost / (Saving) £K | Notes |
|---|---|---|---|---|
| St Katharine's | 130 | 0 | -130 | Savings from the property costs of St Katherine's |
| Ferniehill | 14 | 30 | 16 | Net additional costs to existing property budget. |
| St Stephen's Court | 0 | 90 | 90 | Costs for 10 units at approximately £9K per unit |
| | **144** | **120** | **-24** | |

Notes:

- Figures are supplied by property services colleagues for the current running costs of the 3 St Katharine's buildings and the likely running costs of Ferniehill and St Stephen's Court
- Costs associated with removals and all logistics associated with a move are not included.
- No anticipated additional costs associated with the transfer of facilities in terms of staff as these services are transferring and not being re-designed.
- The costs for St Stephen's Court will begin to be incurred once the Guthrie and Alison units re-locate in late 2018. The revenue savings from St Katharine's will not be fully realised until the close support unit re-locates to Ferniehill in late 2019. Therefore, for a period of approximately 12 months there will be additional revenue costs of operating both St Katharine's and St Stephen's Court. These additional costs will be met by Communities and Families from budgets held by the service for empty property holding costs relating to Wellington School. These budgets will become available following the demolition of Wellington School

### 3.6.2 Multi-agency facility

**Capital**

£1.044m Estimated upgrade capital costs to make St Katharine's fit for purpose as a multi-agency facility

There is no capital cost for the council.

Notes:

- The NHS have applied for a grant from the Chief Medical Officer to meet the remaining capital costs of the refurbishment. They have advised that this is will be provided if the council agrees to proceed with the project.
- Police Scotland are applying for £500k toward the refurbishment. The CMO bid is the remaining capital and some revenue expenditure

**Revenue**

£69K CEC's contribution to the annual running costs.

Notes:

- The financial model of total revenue costs is £275k annually of which the CEC contribution is 25% (£69k) subject to agreement of respective contributions from other agencies which will be clarified with the MOU. Therefore, dependent on all parties agreeing to proceed.
- C&F has identified funding for the £69K annual running costs from budgets held by the service to fund empty property holding costs relating to Wellington School. These budgets will become available following the demolition of Wellington School.
- CEC formerly provided £60K per annum towards the running costs of a co-located child protection service at the Vega building at the Gyle. The interim arrangement at the Royal Victoria Hospital was at no cost to the council but this was done only with the goodwill of NHS and was never a sustainable longer-term solution.
- If not used for the revenue funding required for ESMAC these savings (Wellington School) would be available to address Council savings targets for 2019/20 onwards

### 3.6.3 New Alternative Fixed VRI Site

3.6.3.1 Colleagues in Property Services have identified a range of possible locations in which a stand alone VRI suite might be located. The viability of any of these sites and the overall costs would have to be subject to a further assessment. However, the view of the service is that the options identified would be unsuitable for a range of reasons. These include being located in the grounds of a school; being highly visible from a main transport route; not being easily accessible from the city bypass; being close to dereliction. A table showing possible locations can be found in Appendix 3.

#### 3.6.4 Project Management

3.6.4.1 If this investment proposal receives formal approved, a project will be established to deliver the required services. The NHS will appoint a 0.5 FTE project manager responsible for the overall management of the multi-agency project. The management board of the project will set up a children's services sub-group, chaired by the senior manager for children's practice teams and with a council project manager to oversee the corporate property aspects of the work.

## 4. Measures of success

4.1 Successful delivery of project.

4.2 Victims report a better experience of the multiagency approach to trauma and recover.

## 5. Financial impact

5.1 Financial impact will be clarified once governance and respective contributions of partner agencies are agreed. The financial model of revenue costs is £275k annually of which the CEC contribution would be 25% (£68.759) subject to agreement of respective contributions from other agencies which will be clarified with the MOU. There are initial capital costs associated with refurbishment and agencies are exploring options to generate funding.

## 6. Risk, policy, compliance and governance impact

6.1 The project will provide effective multi agency arrangements for the investigation of harm and provision of support to child and adult victims.

## 7. Equalities impact

7.1 The city's most vulnerable children and adults will receive an effective multi agency response through this project.

## 8. Sustainability impact

8.1 N/A

## 9. Consultation and engagement

9.1 The evidence and Procedure Review and the CMO Taskforce for Sexual Assault consulted widely with partner agencies before making its recommendations.

## 10. Background reading/external references

N/A

**Alistair Gaw**

Executive Director for Communities and Families

Contact: Andy Jeffries, Senior Manager, Children's Practice Teams

E-mail: andrew.jeffries@edinburgh.gov.uk | Tel: 0131 469 3857

## 11. Appendices

None.

# Finance and Resources Committee

## 3pm Tuesday, 4 December 2018

# Edinburgh Schools Partnership - Settlement

| | |
|---|---|
| **Item number** | 7.20 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary

This report seeks the authority of the Finance and Resources Committee to enter into a settlement agreement with the Edinburgh Schools Partnership ("ESP") on the material terms set out in this report. Some further legal and financial detail is provided in the confidential appendix to this report on the B Agenda for this Committee.

This report also provides an update on progress with regard to rectification of defects within the PPP1 estate by ESP and their sub-contractors.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Edinburgh Schools Partnership – Settlement

### 1. Recommendations

1.1 The Finance and Resources Committee is asked to:

1.1.1. authorise the Chief Executive to enter into a settlement agreement with ESP on the material terms set out in this report and the confidential appendix to this report on the B Agenda for this Committee;

1.1.2. note the progress made in relation to the rectification works carried out at the PPP1 schools; and

1.1.3. approve the terms of the new inspection and monitoring regime in place throughout the PPP1 estate.

### 2. Background

2.1 The Council entered into a Project Agreement with ESP in November 2001 in terms of which ESP undertook to design, construct, refurbish and provide facilities management services to the Council in respect of certain Edinburgh schools (the "PPP1 Schools").

2.2 In January 2016 the external gable wall of Oxgangs Primary School collapsed following high winds. The investigations following this collapse identified a number of underlying structural defects at Oxgangs Primary School. Further checks revealed that similar building defects existed across the PPP1 estate.

2.3 The Council required ESP and its subcontractors to rectify the defects in the schools. These works required the PPP1 Schools to be closed in order to enable the remedial works to be carried out.

2.4 A full independent review into this matter was carried out by Professor John Cole, who reported his findings to Council in February 2017. During this review, further issues were identified, including concerns related to fire protection and the lack of building warrant certificates for two of the schools.

2.5 In April 2018, further issues with the roof were discovered at Oxgangs which resulted in further inspections being required across the PPP1 estate.

## 3. Main report

**Dispute**

3.1 The issues noted above led to a formal dispute between ESP and the Council in relation to ESP's contractual liability in respect of these matters.

3.2 Discussions and negotiations have continued with ESP following the school closures in 2016 in respect of responsibility and liability for the various rectification costs and losses arising.

**Progress of works and building certification**

3.3 ESP completed certain remedial works to the structural elements of the schools in 2016 in order that children could safely return to these schools.

3.4 It was agreed that the other defects (fire protection works and the obtaining of building control certificates (or equivalent)) would be remedied as soon as possible.

3.5 The fire protection works have taken longer than expected due, in part, to the need to limit disruption to ongoing school activities. In addition, demand for fire protection related expertise has increased dramatically following the Grenfell tragedy.

3.6 The Council has retained its own fire protection experts to provide additional independent assurance in relation to the processes being followed by ESP and its contractors in remedying the defects.

3.7 Positive progress has now been made and ESP have confirmed that the fire protection remediation works identified as being required at all the PPP1 schools has been completed. This is being confirmed by final checks by the Council's own fire protection experts.

3.8 In relation to Royal High and Craigmount High schools, Council Building Standards staff are working with ESP to arrange for appropriate certification to be granted following final inspection.

**Costs incurred**

3.9 To date the Council has incurred significant costs. This includes cost of the decants, buses, temporary classrooms, extra staff costs and advisers' fees.

**Financial disputed matters**

3.10 In 2016 the Council made significant deductions to the monthly charges due under the contract. A dispute arose with ESP as to whether these deductions were either contractually valid and/or correctly calculated. Further detail is provided in the confidential appendix to this report on the B Agenda report to this Committee.

3.11 As is common with many long-term contracts, there have been changes in the contractual position since 2001, with additional building works undertaken and new arrangements agreed between staff at the time in relation to matters such as lifecycle costs and catering.

3.12 In recognition of the fact that the contract with ESP still has a significant period (15 years) to run and that there is a complex contractual position, the Council and ESP entered into detailed discussions to see whether settlement terms could be agreed to avoid formal litigation.

3.13 From the Council's perspective, settlement could in no way cut across the requirement for the buildings to be fully rectified and maintained as safe for occupation. This has remained the case throughout.

3.14 In turn, ESP have had to have commercial discussions with those of their partners and subcontractors who would be affected by any such proposed settlement.

3.15 Following lengthy and complex discussions, which has required the Chief Executive and other senior officers to correspond directly with ESP's sub-contractors, settlement terms have been proposed. The key proposed terms are as follows:

3.15.1 all structural and other defect rectification works will have been carried out at the sole expense of ESP or their subcontractors. It is understood that the cost of this is very significant.

3.15.2 in respect of the structural building defects and fire related works, the Council will be entitled to retain an agreed sum.

3.15.3 the Council and ESP agree to split the catering bill for the school closures period to reflect the fact that all affected children were fed during the decant, not just those entitled to the free school meals.

3.15.4 ESP will agree to open the PPP1 buildings for longer hours at no cost to the Council on an ad-hoc basis to allow the PPP1 buildings to be used for sports and other activities (approx. an extra 8-9 hours per week).

3.15.5 Previous un-invoiced charges for lifecycle costs since the contract commenced will be settled.

3.15.6 The parties have agreed further contractual requirements for Amey (ESP's facilities management subcontractor) to report performance or service failures to the helpdesk and agree that they will discuss and agree any proposed changes to that performance reporting requirement moving forward (subject to the Council being satisfied with any such changes).

3.15.7 The parties have agreed an additional independent inspection and reporting system to provide both ESP and the Council with further assurance as to the performance of Amey. This addresses the Council motion approved in May 2018 and further detail is provided below.

3.15.8 The parties have agreed to work together to simplify the current catering payment mechanism.

3.16 Accordingly, the overall sum retained by the Council exceeds the associated closure related costs and this is in addition to the significant benefits of clarified reporting obligations, additional inspections, continuing good relationships, additional opening hours for the facilities and the avoidance of costly litigation for both parties. Further detail is provided in the confidential appendix to this report on B agenda for this Committee.

3.17 To keep the Scottish Government informed, Scottish Futures Trust have been updated as to progress.

**Ongoing inspection regime**

3.18 Concerns were again raised about the confidence which the Council could have in the PPP1 inspection and maintenance regime when a roof flashing came loose at Oxgangs earlier in 2018. A Council Motion was approved on 3 May 2018 which, in summary, set out the following requirements:

3.18.1 ensure that ESP deliver their contractual obligations and require regular inspection of all PPP1 schools by an independent surveyor in addition to checking any remedial works which are carried out; and

3.18.2 Finance and Resources Committee are to approve the new inspection regime as set in this report and for the outcome of said inspection reports to be publicly available.

3.19 In addition to Amey's requirements to inspect and report any issues, the Settlement Agreement incorporates various negotiated amendments, the effect of which is to materially tighten ESP and Amey's inspection, maintenance and reporting obligations throughout the PPP1 school estate. This includes an independent technical party auditing, monitoring, and reporting on both the performance and reporting of the operational services being provided by the facilities management contractor (Amey) in relation to the PPP1 estate. Importantly, it also significantly improves the Council's oversight and monitoring capabilities.

3.20 This new regime includes quarterly checks on Amey's monitoring of, and compliance with, the contract, coupled with random or targeted sampling of the works and services undertaken by Amey. This will all be at ESP's expense. The Council will be a joint client, entitled to access to the reports at the same time as ESP. The first such inspections will be by 31 December 2018.

3.21 In order to comply with the Council Motion requirements set out above, it is proposed that an annual report by AECOM summarising the relevant quarterly report's findings and any associated actions will be available to be made public as required.

3.22 This checking regime will give both ESP and the Council further comfort that Amey's contractual obligations are being properly complied with.

**Other matters**

3.23 The May Council motion also requested:

3.23.1 an outline of what contact there has been with ESP shareholders and their role in ensuring that ESP meets the expectations of the council and school communities. Council officers can confirm that they have had regular ongoing contact with the ESP shareholders, both directly and through their delivery managers, Infrastructure Managers Limited.

3.23.2 arrangements in future years for rigorous contract performance monitoring. Ongoing monitoring through the PPP Contract Management team in Corporate Property and Facilities Management, together with the quarterly inspections by AECOM, will ensure rigorous contract performance monitoring. Any other issues identified and reported will be swiftly dealt with.

3.23.3 the extent to which arrangements for new school procurement now take account of lessons emerging from these PPP1 contracts. Details of the response to the recommendations of the Cole report are reported to Corporate Policy and Strategy Committee and these reports contain further details of these arrangements.

## 4. Measures of success

4.1 The Council has a PPP1 school estate which has been remedied in respect of both the original defects and those subsequently identified. It will be inspected and maintained more effectively and efficiently moving forward.

4.2 The Council obtains the benefit of further opening hours and clarity on other important rights under the contract.

4.3 The Council receives appropriate financial recompense for the direct and indirect impacts of the disruption caused.

## 5. Financial impact

5.1 The settlement sum exceeds the costs incurred by the Council. Any residual sums have been earmarked to take forward any necessary remedial works in buildings across the Council estate of similar construction to the PPP1 schools.

## 6. Risk, policy, compliance and governance impact

6.1 Not accepting the settlement terms creates a risk for the Council of a lengthy and costly litigation with the current contractor. Whilst the Council has robust legal advice on its position, litigation has no certainty of outcome.

## 7. Equalities impact

7.1 There are no equalities impacts arising directly as a result of this report.

## 8. Sustainability impact

8.1 There is no anticipated sustainability impact arising directly as a result of this report.

## 9. Consultation and engagement

9.1 None.

## 10. Background reading/external references

10.1 City of Edinburgh Council 3 May 2018 - Motion Item 9.18 - Schools Inspection and Maintenance Regime

10.2 City of Edinburgh Council 9 February 2018 - Edinburgh Schools Report

10.3 Report of the Independent Inquiry into the Construction of Edinburgh Schools

10.4 Corporate Policy and Strategy Committee 5 December 2017 - Edinburgh Schools Inquiry Report

10.5 Corporate Policy and Strategy Committee 14 June 2016 - Edinburgh Schools Independent Inquiry

10.6 Corporate Policy and Strategy Committee 17 May 2016 - Edinburgh Schools Report

**Andrew Kerr**

Chief Executive

Contact: Nick Smith, Head of Legal and Risk

E-mail: nick.smith@edinburgh.gov.uk | Tel: 0131 529 4377

## 11. Appendices

Confidential Appendix on the B Agenda for this Committee on 4 December 2018

# Finance and Resources Committee

**3.00pm, Tuesday 4 December 2018**

# Proposed new Leases at Hawes Pier, South Queensferry

| | |
|---|---|
| **Item number** | 8.1 |
| **Report number** | |
| **Executive/routine** | Routine |
| **Wards** | 1 |
| **Council Commitments** | 15 |

## Executive Summary

Maid of the Forth Ltd and Forth Boat Tours Ltd operate commercial boat tours around the Forth Estuary from Hawes Pier. Both operators' previous leases are now running on Tacit Relocation and Heads of Terms have been provisionally agreed which provide consistent lease terms to both operators.

The report seeks approval to grant leases to both operators on similar terms, outlined in the report.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

# Proposed new Leases at Hawes Pier, South Queensferry

## 1. Recommendations

1.1 That Committee:

1.1.1 Approves the new leases to Maid of the Forth and Forth Boat Tours Ltd on the terms outlined within this report and other terms and conditions to be agreed by the Executive Director of Resources.

## 2. Background

2.1 The leases under consideration are for berthing on the west side of the pier only, shown outlined in red on the attached plan.

2.2 The east side of the pier is let to Eneos Oil UK Limited. The proposed leases will stipulate that sailing should only take place from the west side of the pier unless there are extreme weather conditions preventing landing on that side.

2.3 The Maid of the Forth was previously on a 25-year lease, which did not take into consideration the increase in cruise ships, or provide a market rent for the Council. The lease to the Forth Belle (run by Forth Boat Tours ltd) was seasonal from April to October and provided a market rent.

2.4 Neither boat is permitted to operate on Cruise Liners days; however, both operators are occasionally used to tender to Cruise Liners.

## 3. Main report

3.1 The following terms have been provisionally agreed with both parties. Where the terms differ between each party/lease, this will be highlighted below:

- Subject: Berthing on the west side of Hawes Pier;
- Lease Term: 25 years;
- Rent Review: 5 yearly, upwards only. Market Rent is based on a per metre berthing rate (£355/m) and applied to the length of the boat;
- Use: The tenant shall use the premises for the operation of a single commercial passenger vessel;
- Repairs: Any damage caused to the pier by the tenant will be repaired solely at the tenant's expense;

- Insurance: The tenant will have Public Liability Insurance that provides cover from the gangplank onwards;
- Sailing Schedule: Tenants shall adhere to the Sailing Schedule which sets out the allotted slots for the boats at all times;
- Cruise liner Days: Tenants will not be permitted to use the pier on Cruise Liner days;
- Other issue: In the event of total destruction of the pier, or the pier is damaged beyond economic viability, in the opinion of the Council, the Council will be under no obligation to reinstate the pier.

3.2 There is a substantial increase in the proposed rent for the Maid of the Forth. It is set to approximately double from £3,400 per annum to £7,400 per annum. In order to assist the tenant, provisionally agreement has been reached on a stepped rent with increases year on year as follows: Year 1: £4,500 pa, Year 2: £5,500, Year 3: £7,400.

3.3 Both tenants have a tenant only break option on the tenth anniversary of the lease.

## 4. Measures of success

4.1 Granting the new leases will secure a higher income for the Council than previously agreed. The approval will also help secure ongoing tourist boat services from the pier.

## 5. Financial impact

5.1 The rent for the Maid of the Forth would increase from £3,400 per annum to £7,400 per annum. Given the increase, it has been provisionally agreed to increase the rent via a stepped rent to £7,400 in year 3.

5.2 The rent of The Forth Belle (Trading as Forth Boat Tours) will be £10,000 per annum. The rent is higher than the Maid of the Forth as it is calculated on the size of the boat.

5.3 The new leases combined will provide an annual income of £17,400; an increase of £5,000 per annum.

## 6. Risk, policy, compliance and governance impact

6.1 Two new leases to Forth Boat Tours Ltd and The Maid of The Forth are being agreed with the existing tenants who have been in occupation of the pier for 10 and 25 years respectively. It is considered there is little impact on Risk, Policy, Compliance or Governance issues although, as with any proposed tenancy, there is a risk that the deal falls through and the tenant does not sign the lease.

## 7. Equalities impact

7.1 The proposal in this report is to grant two new leases for existing boat tours currently operating from the property. It is not considered that this will have a significant additional impact on people, equalities, the economy, and the environment.

## 8. Sustainability impact

8.1 There are no sustainability issues arising from this report.

## 9. Consultation and engagement

9.1 Ward elected members have been made aware of the recommendations of this report. The two operators have been consulted on the proposed terms of the leases and the sailing schedule.

## 10. Background reading/external references

10.1 Not applicable.

**Stephen S. Moir**

Executive Director of Resources

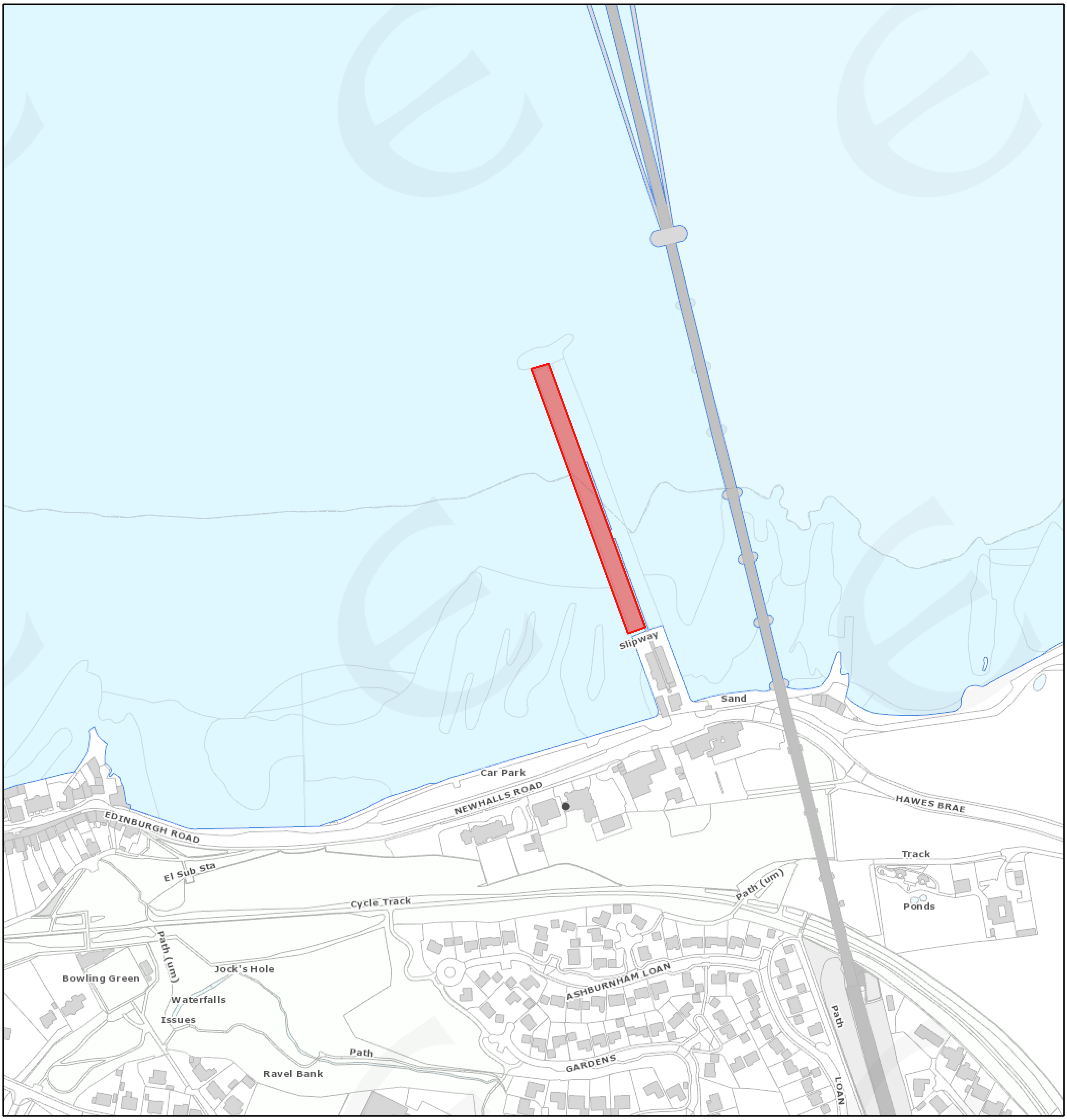
Contact: Lesley Dryden, Estates Surveyor, Property and Facilities Management Division, Resources Directorate

E-mail: lesley.dryden@edinburgh.gov.uk | Tel: 0131 529 4600

## 11. Appendices

11.1 Appendix 1 – Plan of Hawes Pier, South Queensferry

# Hawes Pier - West Side




24/10/2018, 11:50:35

Override 1

1:3,000

0 0.03 0.07 0.13 mi

0 0.05 0.1 0.2 km

# Finance and Resources Committee

## 3.00p.m., Tuesday, 4 December 2018

# Proposed Lease Extension at 18 – 20 High Street, Edinburgh, EH1 1TB

| | |
|---|---|
| **Item number** | 8.2 |
| **Report number** | |
| **Executive/routine** | Routine |
| **Wards** | 11 – City Centre |
| **Council Commitments** | C2, C3 |

## Executive Summary


The retail unit at 18 – 20 High Street is let to Surinder Singh and trades as Heritage Clearance Store.

The lease expires on 30 April 2021 and the tenant has requested a 25 year lease extension effective from this date.

The report seeks approval to grant a 25 year lease extension to Surinder Singh on the terms and conditions outlined in the report.


EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Proposed Lease Extension at 18 – 20 High Street, Edinburgh, EH1 1TB

### 1. Recommendations

1.1 That Committee:

1.1.1 Approves a 25 year lease extension to Surinder Singh of retail premises at 18 – 20 High Street, Edinburgh, on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

### 2. Background

2.1 The shop premises at 18 – 20 High Street extends to 55.91 sq m (602 sq ft) or thereby and is shown outlined in red on the attached plan.

2.2 Since April 1998, Surinder Singh has been the tenant at the property operating a clothing and gift shop business. The current rent is £33,600 per annum and is due to be reviewed on 1 April 2020 to market levels.

2.3 The existing lease expires on 30 April 2021 and the tenant has requested the Council grant a 25 year lease extension until 30 April 2046.

### 3. Main report

3.1 The following terms have been provisionally agreed:

- Subjects — Retail shop at 18 – 20 High Street, Edinburgh;
- Lease Extension: — 25 years from 1 May 2021 until 30 April 2046;
- Rent: — £33,600 per annum (current rent);

  Rent Reviews: — 1 April 2020 (the remaining review on the existing term) and 5 yearly thereafter to Market Rental Value;
- Use: — Class 1 Retail Use;
- Repairs: — Full repairing and maintaining obligation;
- Other terms: — Condition relating to the prohibition of external displays;
- Costs: — Tenant responsible for all Council and Legal costs.

3.2 The tenant has fulfilled all their legal and financial obligations in terms of the existing lease.

## 4. Measures of success

4.1 Granting a 25 year lease extension will allow the tenant to continue their long term financial planning of the business and in turn sustain employment for their workers.

## 5. Financial impact

5.1 The rent will be reviewed on the 1 April 2020 and 5 yearly thereafter to the Market Rental Value and any uplift will go to the General Property Account which will also benefit from the continued income stream for a further 25 years.

## 6. Risk, policy, compliance and governance impact

6.1 This is a 25 year lease extension to the existing tenant who has been trading from the property since April 1998. It is considered there is little or no impact on Risk, Policy, Compliance or Governance issues.

## 7. Equalities impact

7.1 The proposal in this report to grant an extension of the lease which currently exists on the property does not have a significant additional impact on people, equalities, the economy and the environment.

## 8. Sustainability impact

8.1 There are no sustainability issues arising from this report as it is a lease extension being proposed for a property that has been in retail use for many years and is to continue to be in retail use.

## 9. Consultation and engagement

9.1 Ward elected members have been made aware of the recommendations of this report.

## 10. Background reading/external references

10.1 Not applicable.

**Stephen S. Moir**

Executive Director of Resources

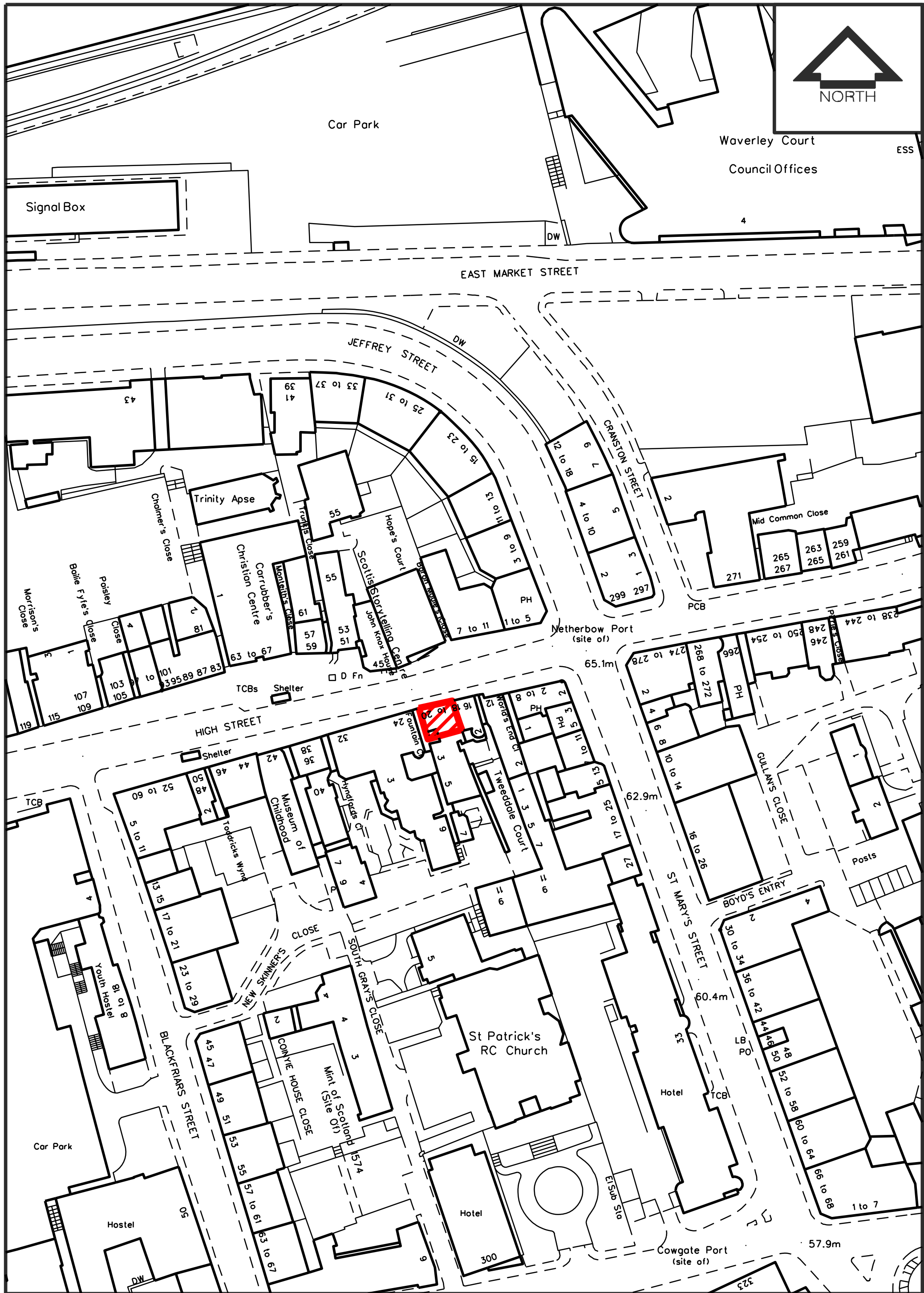
Contact: Iain Lamont, Investment Portfolio Officer

Property and Facilities Management Division, Resources Directorate

E-mail: iain.lamont@edinburgh.gov.uk | Tel: 0131 529 7610

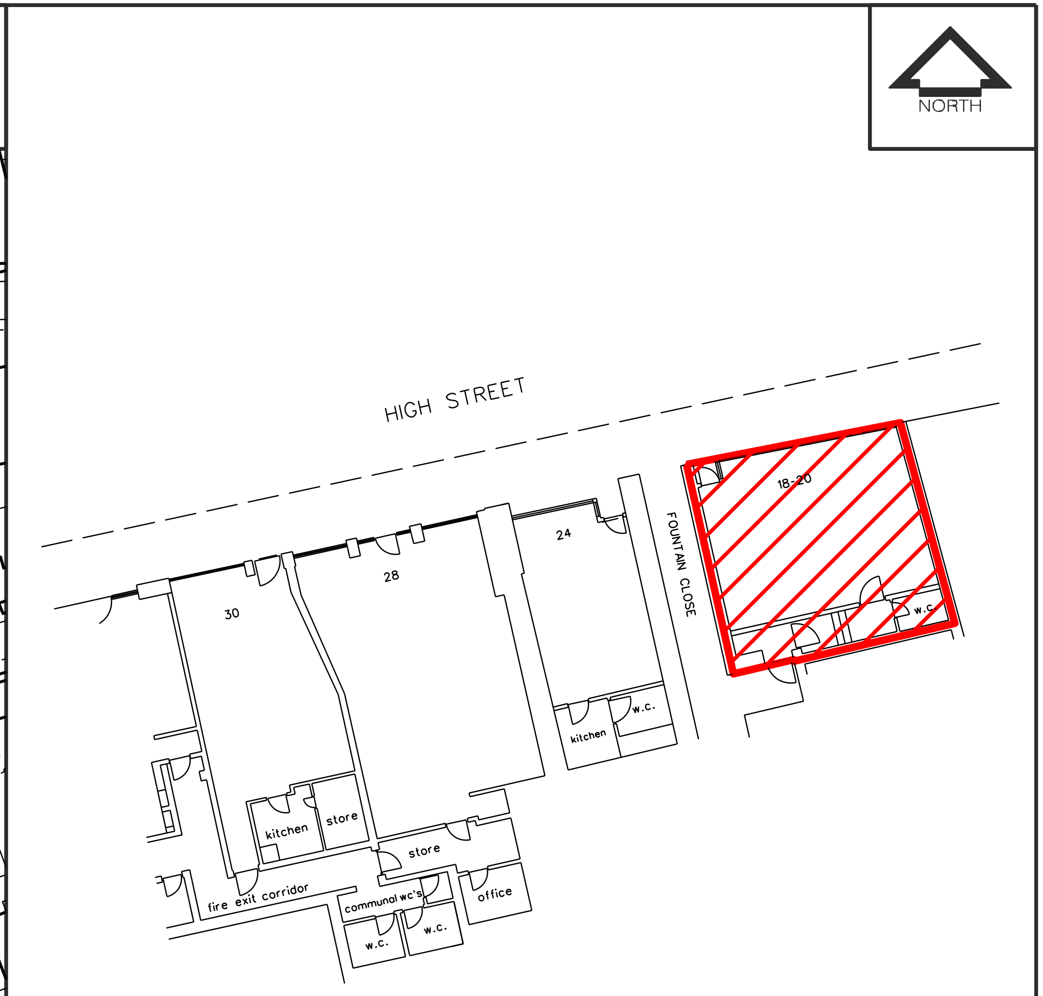
## 11. Appendices

11.1 Appendix 1 – Location Plan



LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE



SITE PLAN

**EDINBVRGH**
THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMENT
RESOURCES

SHOP AT
18-20 HIGH STREET
EDINBURGH

| | |
|---|---|
| DATE | 16/7/18 |
| SURVEYED BY | |
| DRAWN BY | Mark Ballantyne |
| SCALE | N.T.S. |
| NEG. NO. | A3/1988 |

# Finance and Resources Committee

**3.00pm, Tuesday, 4 December 2018**

# Proposed Lease Extension at 5-11 Leith Street, Edinburgh, EH1 3AT

| | |
|---|---|
| **Item number** | 8.3 |
| **Report number** | |
| **Executive/routine** | Routine |
| **Wards** | 11 – City Centre |
| **Council Commitments** | C2, C3 |

## Executive Summary


The public house at 5-11 Leith Street is currently let to Domemajor Limited and trades as The Newsroom.

The lease is due to expire on 3 July 2025 and the tenant has requested a new 25 year lease.

This report seeks approval to grant a new 25 year lease extension to Domemajor Limited on the terms and conditions outlined in the report.



•EDINBVRGH•
THE CITY OF EDINBURGH COUNCIL

# Report

# Proposed Lease Extension at 5-11 Leith Street, Edinburgh, EH1 3AT

## 1. Recommendations

1.1 That Committee:

1.1.1 Approves a new 25 year lease to Domemajor Limited trades as The Newsroom of 5-11 Leith Street on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

## 2. Background

2.1 The premises at 5-11 Leith Street extends to 435 sq m (4,680 sq ft) or thereby and is shown outlined in red on the attached plan.

2.2 Since 4 July 2000, Domemajor Limited has been the tenant at the property which has operated as a public house. The current rent is £29,560 per annum and in addition the tenant pays a top up rent based on a percentage of turnover. Last year the Council received a total rent of £34,052.

2.3 The existing lease expires on 3 July 2025 and the tenant has requested the Council grant a new 25 year lease over the property to replace the existing agreement.

## 3. Main report

3.1 The following terms have been provisionally agreed:

- Subject: 5-11 Leith Street;
- Lease extension: 25 years from January 2019;
- Rent: £45,000 per annum;
- Rent Reviews: Reviewed on each 5th anniversary to open market rental value;
- Use: Public house;
- Repairs Full repairing and maintaining obligation;
- Other terms: As contained in a standard commercial lease;
- Costs Tenant responsible for all Council costs.

3.2 The tenant has fulfilled all their legal and financial obligations in terms of the existing lease.

## 4. Measures of success

4.1 Granting a new 25 year lease will allow the tenant to continue their long term financial planning of the business and in turn sustain employment for their workers.

## 5. Financial impact

5.1 A rent of £45,000 per annum will continue to the General Property Account. This represents an increase of over £10,000 per annum. In addition the turnover element of the rental calculation has been removed providing a greater certainty of income.

## 6. Risk, policy, compliance and governance impact

6.1 This is a new 25 year lease to the existing tenant who has been trading from the property since July 2000. It is considered there is little or no impact on Risk, Policy, Compliance or Governance issues.

## 7. Equalities impact

7.1 The proposal in this report to grant an extension of the lease which currently exists on the property does not have a significant additional impact on people, equalities, the economy and the environment.

## 8. Sustainability impact

8.1 There are no sustainability issues arising from this report as it is a new lease being proposed for a property that has been in retail use for many years and is to continue to be in retail use.

## 9. Consultation and engagement

9.1 Ward elected members have been made aware of the recommendations of this report.

## 10. Background reading/external references

10.1 Not applicable.

**Stephen S. Moir**

Executive Director of Resources

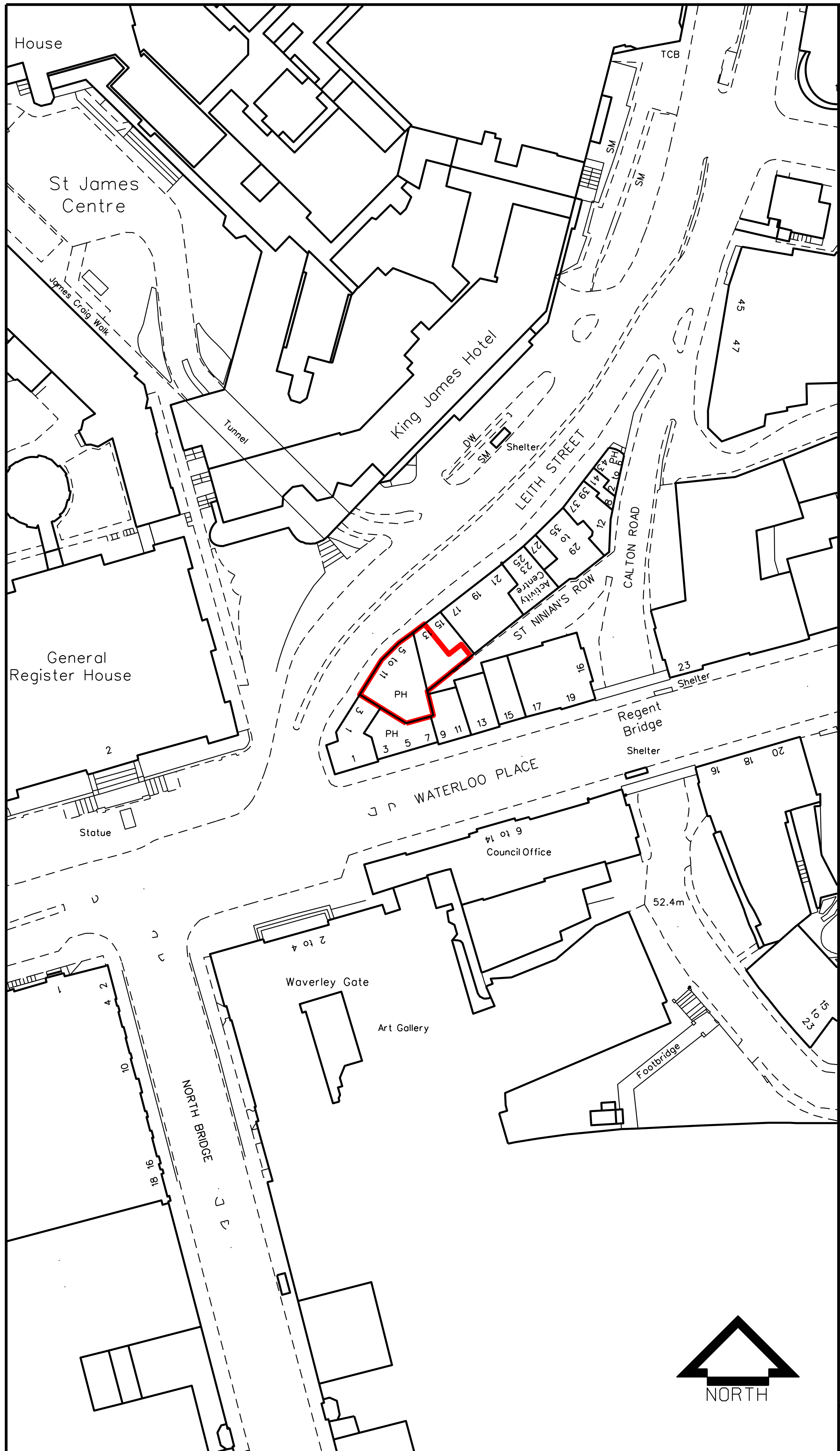
Contact: Deborah Bruce, Portfolio Officer

Property and Facilities Management Division, Resources Directorate

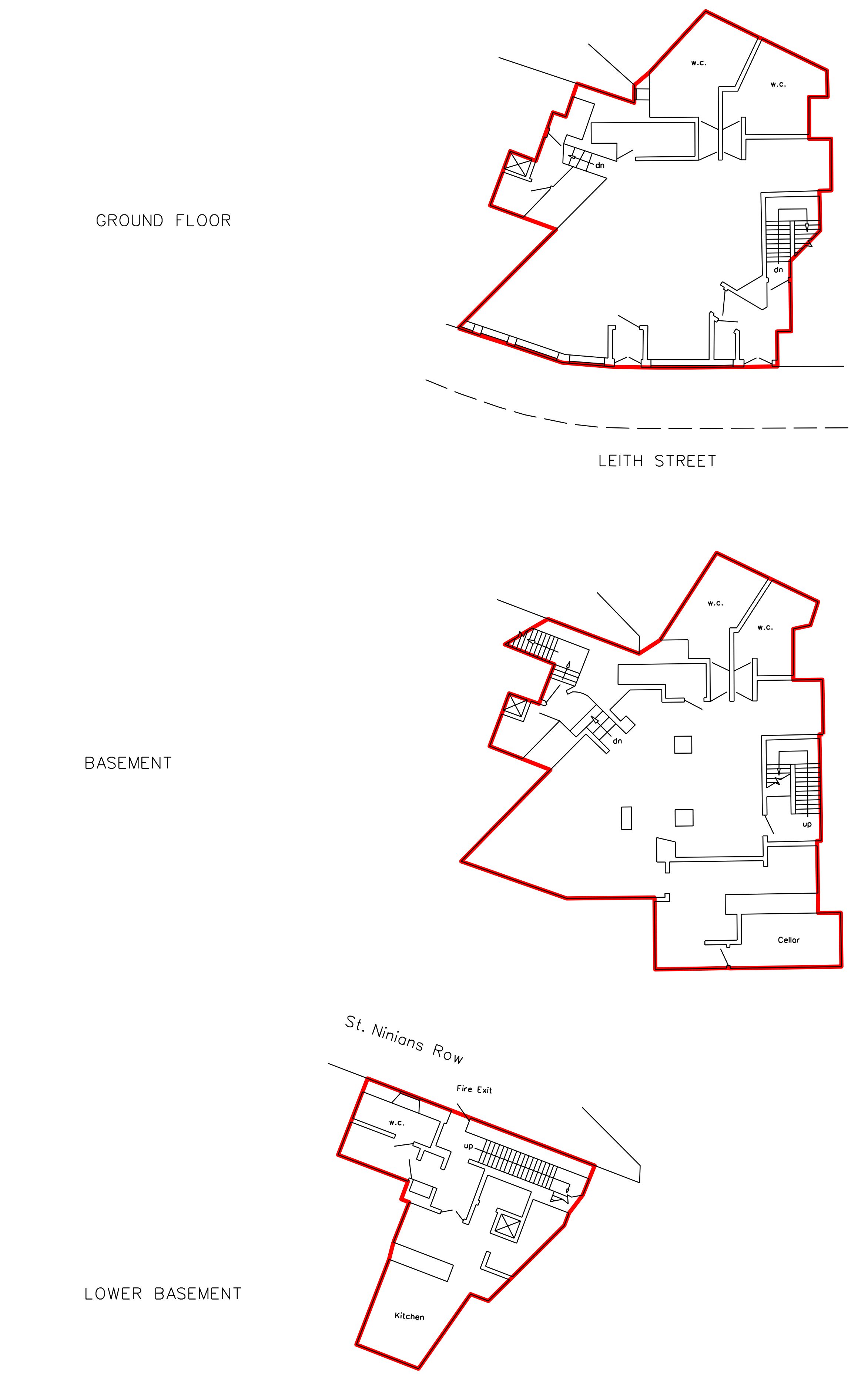
E-mail: deborah.bruce@edinburgh.gov.uk | Tel: 0131 469 3931

## 11. Appendices

11.1 Appendix 1 - Location Plan.




LOCATION PLAN SCALE 1:1250




TOTAL AREA OF LEASE SHOWN DELINEATED RED - 435.24 sq.m.

FLOOR PLAN SCALE 1:250

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMENT
RESOURCES

Public House
5-11 Leith Street
Edinburgh

| | |
|---|---|
| DATE | 04/07/2018 |
| SURVEYED BY | F McDonald original A3/571 |
| DRAWN BY | MB - Scanned & Traced |
| FILE NO. | |
| NEG. NO. | NT2574/A3/1498 |

# Finance and Resources Committee

## 3.00pm, Tuesday 4 December 2018

# Driving for the Council Policy

| | |
|---|---|
| **Item number** | 8.4 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | 18 |

## Executive Summary

Following the Glasgow bin lorry crash in December 2014 a Fatal Accident Inquiry (FAI) was undertaken by Sheriff John Beckett QC who produced 19 recommendations, these have all been considered when drafting this new policy.

Internal Audit also undertook a review of the guidance that is currently in place and made several recommendations which were then reviewed and management actions were agreed by the relevant senior officers. These findings were submitted to the Governance Risk and Best Value committee on 25 September 2018 by Internal Audit. These have also been considered within this new policy.

The City of Edinburgh Council has always operated within strict guidelines in relation to the management of driving on behalf of the Council and this guidance has now been formalised within a Council policy.

# Report

## Driving for the Council Policy

### 1. Recommendations

1.1 This report recommends committee approve the new Driving for the Council Policy.

### 2. Background

2.1 The Council has always operated within strict guidelines in relation to the management of driving on behalf of the Council and this guidance has now been formalised within a Council Policy.

2.2 Along with the existing guidance, consideration has been given to the sheriff's recommendations following the FAI into the Glasgow bin lorry crash in 2014.

2.3 A review of the existing guidance was also undertaken by internal audit who proposed several recommendations, which were reviewed, with management actions being agreed by senior officers. These management actions have also been considered when drafting this policy.

2.4 The current guidance only applied to those colleagues who drove a Council vehicle and there was a separate process for colleagues who used their own vehicle for Council business. The new policy looks to set out requirements for all groups of drivers.

2.5 Pre-employment fitness checks are undertaken for all drivers, however the process for new HGV drivers has been reviewed and updated.

### 3. Main report

3.1 The guidance that existed in relation to the management of driving on behalf of the Council has been updated and formalised, with key responsibilities identified to clarify both individual and organisational responsibility for each action that relates to driving.

3.2 The purpose of this new policy is to enable the Council to meet its obligations to ensure compliance with the statutory legal requirements whilst protecting our colleagues as far as is reasonably practicable from all occupational road risks associated with work related driving.

3.3 The new policy will increase colleague awareness of both legal and safety issues associated with work-related driving risks.

3.4 It will ensure that risk in relation to work-related driving is assessed in a systematic and ongoing way, and that reasonable systems and methods of work are in place to reduce the risk as far as is reasonably practicable.

3.5 An element of the new policy is to ensure that appropriate training is available to colleagues, that equips them to operate the vehicles in a safe and compliant manner and recognise risks.

3.6 The policy will also ensure that appropriate support is available to colleagues involved in work-related driving incidents.

3.7 The driving licence checking process undertaken by Fleet Services before issuing a driver permit to allow authorisation to use Council vehicles will now apply to all drivers, regardless of whether they drive a Council vehicle or their own vehicle (Grey Fleet).

3.8 Grey fleet drivers will also be required to provide appropriate documentation relating to the Ministry of Transport (MOT) certificate and insurance cover for their vehicle.

3.9 Grey Fleet users will be reduced, as a driver permit will only be issued where the vehicle is being used on a consistent basis to meet the demands of the specific role. Colleagues who use their vehicle on a one off, rare or non-service demand occasions will be asked to consider other modes, e.g. public transport, pool or fleet car.

3.10 All new HGV drivers will require to provide written confirmation form their General practitioner (GP) regarding their fitness to drive with existing HGV driver's fitness checked in line with the Driver and Vehicle Licensing Agency (DVLA) standards.

## 4. Measures of success

4.1 A reduction in grey fleet users, which may result in in a reduction in our carbon footprint.

4.2 One process for all drivers ensuring a more stringent streamlined process.

4.3 Increased level of checks for new HGV drivers protecting both colleagues and the Council.

4.4 Greater compliance with statutory legal requirements by providing clarity of roles of responsibilities and accountability.

4.5 Increase in awareness of legal and safety issues related to driving.

## 5. Financial impact

5.1 There is no material impact resulting from this policy.

## 6. Risk, policy, compliance and governance impact

6.1 Increased scrutiny of pre-employment medical checks for HGV drivers by requesting they provide GP certification regarding their fitness to drive prior to any offer of employment being made.

6.2 Clarity around the responsibility for reporting of driving incidents.

6.3 Clear responsibilities outlined to ensure compliance with the legal and safety requirements for those associated with driving on behalf of the Council.

## 7. Equalities impact

7.1 Reasonable adjustments will be considered for all employees required to undertake driver duties and also agreed in accordance with the Equality Act 2010.

7.2 Medical redeployment will be sought in appropriate circumstances.

## 8. Sustainability impact

8.1 The proposals in this report may reduce carbon emissions with tighter controls over the use of grey fleet and the promotion of more sustainable modes of transport that will bring reduced carbon dioxide and nitrogen oxide emissions.

## 9. Consultation and engagement

9.1 The Trades Union feedback has been considered in line with our audit requirements when developing this policy.

9.2 The Policy was developed in partnership with Human Resources and Fleet Services. Feedback was also sought from the Council's Occupational Health provider and Health and Safety and Insurance.

## 10. Background reading/external references

10.1 A summary of the Determination by Sheriff John Beckett QC following the Glasgow Bin lorry Fatal Accident Inquiry (FAI).

10.2 Internal Audit report submitted to GRBV committee on 25 September 2018.

**Stephen S. Moir**

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

## 11. Appendices

Appendix 1 – Driving for the Council Policy

# Driving for the Council Policy

The Council (we) are committed to achieving continuous improvement in all standards connected with transport operations. The Council will seek to reduce the risks associated with employees driving on work related matters.

This policy has been designed to encourage safe driving practices and behaviour. In addition, Council vehicles due to their markings will attract scrutiny from other road users. It is important that our drivers recognise that it is essential that our vehicles are always driven courteously and within both current legislation and the Highway Code. Our vehicles provide a visible presence of the Authority across the City and as such provide opportunities to enhance the reputation of the Authority.

This policy sets out the Council's expectations of its drivers meeting the provisions required under the road traffic, and health and safety legislation: The Road Traffic Act 1988; The Road Vehicle (Construction and Use Regulations 1986 (as amended); the Health and Safety at Work etc. Act 1974; The Management of Health and Safety at Work Regulations 1999 (as amended).

## Author

Employee Relations, Human Resources, Resources Directorate. Fleet Services, Transport, Place Directorate

## Scope

This policy applies to all Council employees.

## Purpose

The purpose of this policy is to enable the City of Edinburgh Council to meet its obligations to ensure compliance with the statutory legal requirements whilst protecting our colleagues and third parties, so far as is reasonably practicable, from all occupational road risks associated with work related driving.

This policy aims to:

- clarify colleague and organisational responsibility;
- increase colleague awareness of both legal and safety issues associated with work-related driving risks;
- ensure that risk in relation to work-related driving is assessed in a systematic and ongoing way, and that reasonable systems and methods of work are in place to reduce the risk as far as is reasonably practicable;
- ensure that appropriate training is available to colleagues, that equips them to operate the vehicles in a safe and compliant manner and recognise risks.

ensure that appropriate support is available to colleagues involved in work-related driving incidents.

## Review

The policy will be reviewed as and when a change to the existing policy deems this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions of service or Government Policy; organisational change; or resulting from changes agreed through Trade Union Consultation.

# 1. Policy Content

We will carry out appropriate fitness to drive checks in partnership with our Occupational Health provider for both, current colleagues and prospective candidates prior to the issuing of a conditional offer of employment. Other mandatory checks include:

- New HGV drivers will be required to provide confirmation from their GP of their fitness to drive.
- Current HGV drivers over the age of 45 will require a medical check every 5 years to coincide with the renewal of their license, increasing to annually for those over the age of 65.

We will work in partnership with our agency worker provider to ensure that all relevant medical checks are undertaken by the agency prior to the offer of work.

We will ensure anyone driving on behalf of the council will have the appropriate license to carry out their roles and that this documentation is checked and recorded.

We will ensure that where drivers are operating within EU driving limits, e.g. using a Tachograph, their driving hours are recorded and regularly monitored to ensure compliance with relevant legislation.

We will undertake routine and pro-active work-related driving risk assessments for all driving activities.

We will provide colleagues with the knowledge and skills required to use the operational functions of specific Council owned or leased vehicles, to prevent and manage work-related driving risks.

Employees who are HGV passengers, will receive basic training on the operation of HGV vehicles, relating to the steering and braking mechanisms of the vehicles.

We will undertake driver assessor training as and when required before issuing a driving permit.

We will provide training to HGV drivers every 5 years to ensure they receive the appropriate Certificate of Professional Competence (CPC).

We will monitor driving performance through key performance indicators set by the services.

We will issue Council Vehicle Permits to colleagues accordingly as below:

- For Colleagues driving Council owned or leased vehicles, a permit will only be issued once a driver’s license has been validated as per that vehicle category.
- For Colleagues driving their own vehicles, (Grey Fleet), a permit will only be issued where the vehicle is being used on a consistent basis to meet the demands of their specific role. The colleague’s driver’s license, MOT certificate and correct insurance type (for each vehicle used) will be validated before a permit is issued.

We will perform relevant checks on all licenses, at set frequencies as outlined in the user guide.

We will reserve the right to withdraw an offer of employment to any new candidate who has endorsements totalling 9 points or more.

Gross misconduct under the Disciplinary Code includes ‘conviction for any criminal or road traffic offence, which makes an employee unsuitable for continued employment’ and any such conviction may result in dismissal under the disciplinary procedure.

We will undertake incident investigations following any reported driving related incident; this may lead to the colleagues driving capability being assessed and result in retraining. In addition, disciplinary action may be considered in line with the Council’s disciplinary procedure.

We will ensure all Council owned and leased vehicles are roadworthy and fit to drive in accordance with transport legislation.

We will source and purchase or lease HGV’s which have Advanced Emergency Breaking System (AEBS) fitted, whenever it is reasonably practicable to do so.

We will comply with requirements and obligations of our Operators Licence which is granted to the Council by the traffic commissioner.

Council owned and leased vehicles will only be used to carry goods and passengers on authorised journeys.

All drivers using vehicles for Council business (whether owned or leased by the Council or privately owned) will be driven in accordance with the Highway Code.

All drivers must recognise that they are most at risk when they are distracted or fatigued. It is essential that where you have a responsibility to drive that you make every effort not to be distracted by other tasks or persons. In addition, if your ability to drive is impaired through fatigue that this is reported to your manager at the earliest opportunity.

In accordance with relevant legislation, colleagues are prohibited from:

- Driving under the influence of alcohol or drugs. This includes prescription medication where the supporting medical information indicates that the medication may have an impact on ability to drive. Where drivers feel unwell they should consider their responsibility under this policy and assess whether they are fit to drive.
- Holding and/or using a hand-held mobile phone or similar device whilst driving. Drivers must also be aware of the distraction effect of ‘hands free’ devices.
- Smoking in a Council owned or leased vehicle or a private vehicle being used for Council purposes where others are passengers.

Colleagues who are in breach of the above risk a criminal prosecution and/or fined, and in addition, could be subject to disciplinary action taken in line with the Council’s disciplinary procedure.

# 2. Roles and Responsibilities

**Colleagues**:

- Must inform their line manager and DVLA of any new medical condition or disability that would affect their ability to drive immediately. This will also apply for existing conditions where there is deterioration.
- Will be expected to attend any appropriate fitness to drive checks by our Occupational Health Provider.

- Are responsible for ensuring they have the appropriate vehicle licence and comply with the licence conditions.
- Who are Grey fleet users must provide a valid MOT certificate and insurance document relevant to their vehicle type.
- Who are operating within EU driving limits, where required (e.g. tachograph), must record and download all driving hours in line with legislation.
- Must ensure that they are familiar with the contents of the driving risk assessment, and are responsible for carrying out a dynamic driving risk assessment when required.
- Are responsible for ensuring daily checks are completed on vehicles prior to use.
- Must ensure that the vehicle is secured when not in use and no keys are left in the vehicle.
- Must only carry goods and passengers on authorised journeys.
- Will be responsible for payment of any fines arising from contravention of traffic regulations incurred whilst driving on Council business.
- Must ensure they are aware of the maximum loads applicable to their vehicle and ensure that these are not exceeded.
- Must ensure that flammable substances do not exceed 5 litres. Where flammable substances are transported, the vehicle must carry an appropriate 2kg fire extinguisher.
- Must ensure that all loads are distributed evenly on their vehicle and ensure the safety and security of the load.
- Must ensure that when a Council owned or leased vehicle is left unattended it is properly secured.
- Must report any occurrence or issue which may have an effect on their legal right to drive or place in question their entitlement to drive i.e. criminal, or Traffic Commissioner ruling.
- Must report to their line manager, any incidents, near misses and incidents Immediately in accordance with this policy and relevant transport legislation.
- Will drive on Council business in an appropriate and lawful manner in accordance with the highway code, without unduly putting themselves, the public, or other road users at risk.
- Must attend training in accordance with this policy or the relevant transport legislation.
- Must ensure that they are not distracted by other tasks or persons whilst driving.
- Should ensure that if your ability to drive is impaired by fatigue that you take the appropriate rest breaks.

**Line Managers:**

- Must ensure that appropriate fitness to drive has been obtained from our Occupational Health Provider or via the agency provider prior to any offer of employment being made or agency staff starting with the Council.
- Prior to appointing them to a role, should ensure that all new HGV drivers have provided a letter from their GP regarding their fitness to drive. The prospective candidate must be advised in the conditional job offer the requirement to obtain a GP certificate before being provided with a start date.
- Will liaise with Fleet Services to ensure pre-employment licence checks for any new candidates have been obtained prior to offer of any employment.
- Must ensure that driving risk assessments are carried out for all driving activities.

- Must ensure incidents and near misses are fully investigated, recorded on the SHE Assure system and reported promptly to Fleet Services.
- Must ensure driving hours are monitored and reviewed to ensure they are not breached and that driving incidents should be investigated and appropriate action taken.
- Must ensure all drivers are aware of the guidelines and timescales with respect to licence renewal.
- Must prevent any driver from driving when informed by Fleet Service of an issue.
- Will monitor colleagues to ensure pre-use daily vehicle inspections are undertaken by drivers.
- Will monitor colleague’s fitness to drive. Where a condition is identified which would affect a colleague’s ability to drive, all relevant information relating to the condition should be passed to Occupational Health for appropriate recommendations.
- Must not allow any colleague to drive following a period of sickness absence where the condition could impact their colleague’s ability to drive until a and Return to Work Interview is completed.
- Will undertake routine and pro-active risks assessments related to work-related driving risks.
- Will take appropriate action in line with the Council’s disciplinary procedure (where appropriate) should a colleague be subject of a criminal investigation relating to driving, e.g. suspension from driving.
- Should eliminate the need for unnecessary journeys where possible by appropriate planning of routes and by ensuring that more sustainable forms of transport cannot be used to undertake the journey (e.g. walking/cycling/use of public transport).

**Fleet & Workshops Manager:**

- Will ensure, through internal control, that all Council owned and leased fleet vehicles are maintained to manufacturer/VOSA recommendations or above.
- Must ensure that the Council complies with the requirements and obligations of its Operators Licence which is granted to the Council by the traffic commissioner.
- Will manage a Driver permit and licence checking scheme for all colleagues who drive on council business.
- Will assess each new candidate’s licence endorsements to determine whether a driving permit can be issued.
- Must ensure vocational driving hours are monitored and reviewed to ensure they are not breached and that driving incidents should be investigated and appropriate action taken.
- Will work with service managers to support and promote responsible and safe driving.
- Will issue an annual communication to all drivers reminding them of the requirement to disclose any additional driving hours that are not recorded on Tachograph cards.
- When sourcing, and purchasing or leasing HGV’s, will ensure that these vehicles have AEBS fitted whenever it is reasonably practicable to do so.
- Will undertake driver assessor training for any new drivers before issuing a driving permit.
- Will provide basic training to non-HGV drivers in relation to the steering and braking mechanisms or arrange for this to be provided.
- Will provide training to HGV drivers every 5 years to ensure they receive the appropriate Certificate of Professional Competence (CPC).
- Will provide colleagues with the knowledge and skills required to use the operational functions of specific Council owned or leased vehicles, to prevent and manage work-related driving risks.

- Will provide quarterly analysis of driving incidents to service areas.

**Heads of Service:**

- Will take into account the potential for the presence of exceptional numbers of pedestrians at particular times of the year with regard to the use of HGV's.
- Will review all complaints recorded on the system monthly, to ensure timescales are being met and complaints are being responded to appropriately and timely.
- Will ensure the requirements of this policy are implemented across their area of responsibility.
- Will ensure that all colleagues are reminded to drive safely and poor driving behaviours are addressed.
- Will ensure, through performance indicators, that there is a system for monitoring driver performance and identifying any trends.
- Will ensure investigations are carried out for all driving related incidents.
- Will ensure all near misses and incidents are investigated fully and reports compiled and shared with Fleet Services and agreed recommendations for improvement developed.
- Will monitor quarterly driving incident reports to determine any recurring themes which will then be incorporated into driver training.
- Will contribute to biannual reports to Council Leadership Team (CLT) on driving incidents containing relevant actions taken.

**Chief Executive and Executive Directors**:

- Will promote a positive risk awareness culture throughout their Service.
- Will provide adequate resources for implementing this policy.
- Will monitor driver and fleet related incident rates and performance indicators as part of the Directorate's risk management monitoring programme.
- Will ensure driver and fleet compliance is given adequate attention by Service Managers.
- Will communicate expectations regarding the management of driver and fleet compliance to Service Managers.

# Appendix 1 – Definitions

| Term | Meaning |
|---|---|
| **AEBS** | Advanced Emergency Braking System |
| **Driving Licence** | A document permitting an individual to drive a motor vehicle on the highway or on public roads |
| **Driving Permit** | A document issued by Fleet Services specifying the types of vehicle that you can drive on behalf of the Council |
| **DVLA** | Driver and Vehicle Licencing Authority |
| **Endorsements** | A note on a driving licence recording the penalty points incurred for a driving offence |
| **Grey Fleet** | Any vehicles that do not belong to the Council, but which are used for business travel |
| **HGV** | Heavy Goods Vehicle |
| **Highway Code** | The Highway Code is a collection of guidance and mandatory rules for all road users in the United Kingdom. |
| **Non-professional Drivers** | Colleagues who drive Council vehicles that are not PSV/HGV accredited |
| **Operator's Licence** | A specific licence to operate vehicles above 3.5 tonnes gross vehicle weight that are used to carry goods on public roads for trade or business purposes. |
| **Professional Drivers** | Colleagues who require a PSV/HGV Licence |
| **PSV** | Public Service Vehicle |
| **SHE Assure System** | Council Health & Safety incident reporting system |
| **Tachograph** | A device fitted to a vehicle that automatically records its speed and distance, together with the driver's activity |
| **Traffic Commissioner** | The agency responsible for licensing and regulating operators of heavy goods vehicles ( HGVs ), public service vehicles ( PSVs ) and local bus services |
| **VOSA** | Vehicle and Operator Services Agency |

# Finance and Resources Committee

## 3.00pm, Thursday, 4 December 2018

# Retirement Policy

| | |
|---|---|
| **Item number** | 8.5 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive summary

The new Local Government Pension Scheme (Scotland)Regulations 2018 came into force on 1 June 2018. The main change for Lothian Pension Fund members is that they can now retire voluntarily from age 55 without the Council's permission.

This has resulted in a need to update the existing Managing Retirement Policy, which has been in place since 2 September 2014. The opportunity has been taken to simplify the language and adjust the terms to fully comply with the change in regulations.

# Report

## Retirement Policy

### 1. Recommendations

1.1 To agree the new policy.

### 2. Background

2.1 Prior to the Managing Retirement Policy being agreed at the Corporate Policy and Strategy Committee on 2 September 2014, the Council had various separate policies on retirement including policies on flexible retirement and early retirement. The Managing Retirement Policy brought all those policies together in one document that covered all aspects of retirement.

2.2 The Managing Retirement Policy required an update to reflect the change in regulations. At the same time, the opportunity was taken to review the language and to ensure that the policy was still fit for purpose, ensuring fairness, employee choice and best value, whilst remaining compliant with regulatory changes.

2.3 This includes the removal of 13 wind down days when an employee chooses retirement. However, should an employee wish to ease into retirement, they can still request flexible retirement allowing them to reduce their hours, receive benefit from the pension and still remain employed before opting for full retirement.

### 3. Main report

3.1 Lothian Pension Fund notified the Council in June 2018 that new regulations had come into force, consolidating the 2014 Regulations and subsequent amendments. The new regulations included some new provisions. The main change is that employees who are Lothian Pension Fund members can now retire from age 55 without the Council's consent. Previously, the earliest age members could retire was age 60. Employees choosing to leave at age 55 will have their benefits reduced for early payment and the reduction will depend on the member's age and the length of time left till their normal pension age. The Retirement Policy has been changed to reflect this change, along with the supporting approval documentation.

3.2 This change means that there is no longer a need for a policy around early retirement, as no pension fund member can retire with access to their pension before age 55 anyway. Therefore, this is all viewed as normal retirement and the section on early retirement has been removed.

3.3 In the section on flexible retirement, there is still a need for cases involving Heads of Service, Executive Directors and the Chief Executive to be approved by a formal committee process. This means that any request by a Head of Service, an Executive Director or the Chief Executive would need to go to an appropriate Committee to be considered. As individuals could be identified, it should be considered that this be dealt with confidentiality.

3.4 The previous Retirement Policy allows employees to take up to 13 days (pro-rata for part-time employees) during the last three months of their employment, provided they have had their retirement date agreed. As employees can now choose to retire at age 55, the new Policy now allows this right for all employees who are retiring (pro-rated for the hours worked during their period of flexible retirement and taken once the employee has agreed a retirement date following their period of flexible retirement).

3.5 The Full Council, in its capacity as the employing authority, is likely to have to make changes to the Employers' Discretion Policy, which sets out how the Council deals with the various discretions allowed by the Pension Regulations. This cannot be done currently as some of the discretions rely on amendments being made to the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014. Lothian Pension Fund will advise us when these amendments have been made and the Employers' Discretion Policy will be amended, as appropriate, at that point.

## 4. Measures of success

4.1 The policy is clearly understood with all queries around retirement being handled correctly.

4.2 Increased discussion around planned retirement allowing managers to ensure operational efficiency and for choice for colleagues.

## 5. Financial impact

5.1 There are no material changes. The Council is not required to pay pension strain costs where employees retire at age 55. Rather, employees' pensions will be actuarially reduced to address this in line with the regulations.

## 6. Risk, policy, compliance and governance impact

6.1 The changes to the Retirement Policy are in accordance with changes to updated Pension Regulations.

## 7. Equalities impact

7.1 The policy applies to all colleagues in the pension fund requesting retirement from age 55.

## 8. Sustainability impact

8.1 None.

## 9. Consultation and engagement

9.1 The Trade Unions were advised of the need to update the Retirement Policy in light of the changes to the Pension Regulations. As there were no other major changes to the Policy, they gave their agreement.

## 10. Background reading/external references

10.1 Managing retirement policy and Death in Service Benefit Scheme – report to Corporate, Policy and Strategy Committee – 2 September 2014

**Stephen S. Moir**

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

## 11. Appendices

11.1 Retirement Policy

# Retirement

The Council values a diverse workforce and we recognise the skills, knowledge and experience colleagues of all ages bring to our organisation.  We do not have a fixed retirement date because we believe that all colleagues should be allowed to work for as long as they wish, provided they meet the requirements of their job.

This policy enables colleagues to voluntarily retire at a time of their choosing and sets out the options when considering retirement and the roles and responsibilities of all those involved to make this happen.

| Author | Scope |
|---|---|
| Employee Relations, Human Resources, Resources Directorate | This policy applies to all Council employees apart from teaching employees, who have separate pension arrangements.  They should contact the Scottish Public Pensions Agency for more details. |

## Purpose

The aims of this policy are to:

a) list the retirement options that are available to employees;

b) set out what employees need to when they want to retire; and

c) provide information about the pre-retirement courses available to staff when they have agreed a retirement date.

## Review

The policy will be reviewed as and when a change to the existing policy deems this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions of service or Government Policy; organisational change; or resulting from changes agreed through Trade Union Consultation.



EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# 1. Policy Aims

- To provide information to employees who are considering retirement, so that they understand the options available to them and the actions they need to take when choosing their preferred option;
- To provide managers with information about retirement, so that they know what they need to do when one of their employees discusses their retirement with them;
- To provide a general understanding of flexible retirement and what that means for employees and the Council;
- To encourage employees to consider their work/life balance when they are approaching a stage in their career when they might consider retirement;
- To promote a culture and environment where we recognise the skills, knowledge and experience employees of all ages bring to the Council

# 2. Retirement

2.1 The Council does not have a compulsory retirement age and this means that our employees can voluntarily retire at a time that best suits them. It is likely that that employees will base their retirement decisions on their eligibility for a pension. Our pension schemes have different rules and there is more information about them on the Orb. We advise all employees to get independent financial advice before making any decision in relation to retirement.

2.2 Employees who want to retire should have a conversation about that with their manager. Annual conversations or one to one check-ins are good times to bring this up, as it is expected that future plans and development needs will form part of these conversations. Managers should not assume that employees are considering retirement just because they think the employee is of retirement age.

2.3 Members of Lothian Pension Fund can retire voluntarily from age 55 onwards. They do not need the Council's permission but their pension will be significantly reduced. Members can find out what their pension will be by going to Lothian Pension Fund's My Pension Online service.

2.4 Members of Lothian Pension Fund need to give more notice of employees' retirement dates than the notice period in their contract of employment. This is because the Local Government Pension Scheme needs at least 20 working days' notice to process your retirement so that you'll get all the benefits when you leave.

2.5 Once you have given written notice of your retirement you will be expected to retire on the date you have specified. In exceptional circumstances, you may be able to change the date after you have handed in your notice but only with your manager's agreement. Some examples of exceptional circumstances would the death of a partner or some other serious occurrence that has a significant impact on your future plans.

2.6 Once you retire, you will only be able to be re-employed by us if you apply for a post and are recruited through our normal recruitment process.

# 3. Retirement: Employee Responsibilities

3.1 Contact pension provider to find out what your pension will be at the time you want to retire;

3.2 Get independent financial advice before you make any decisions about your retirement;

3.3 Feel free to discuss your future plans about retirement with your manager as part of your normal performance discussions with them;

3.4 Give your manager as much notice as possible, confirmed in writing, that you want to retire: preferably at least three months but the notice period in your contract of employment as a minimum;

3.5 If you are a member of the Local Government Pension Scheme, you'll need to give more notice that that in your contract of employment, as they need at least 20 working days to process requests for retirement;

3.6 In your notice of retirement letter, say what you want your last working day to be;

3.7 Meet with your manager when they arrange your exit interview and be prepared to discuss: your handover; outstanding holidays; days; final payments; how you want to communicate your departure; and whether you want a leaving celebration;

3.8 If you haven't done so in any other way, raise any issues or concerns you have about work at your exit interview;

3.9 The date of retirement cannot be altered unless there are exceptional circumstances, which must be agreed by your line manager, e.g. a serious occurrence that has a significant impact on your future plans.

# 4. Retirement: Manager Responsibilities

4.1 Do not assume someone wants to retire just because you consider them to be of retirement age;

4.2 Ask all employees about future plans as part of one-to-one meetings;

4.3 When an employee is talking about their retirement, ask if they've contacted their pension provider to find out what their pension benefits will be. Advise them to get independent financial advice before they make any final decisions

4.4 When an employee gives notice to retire, make sure there is enough time before the date they want to leave for them to give their contractual notice;

4.5 After you get a notice to retire from an employee, set up a meeting with them to discuss: handover; outstanding holidays; final payments; how they want to communicate their departure; and whether they want a leaving celebration;

4.6 Process the employee's leaver form in the normal way, following the leaver process which is on the Orb.

# 5 Flexible Retirement

5.1 Members of the Local Government Pension Scheme aged 55 or over can apply for flexible retirement. This means that they get their pension while still working for the Council on reduced hours or at a lower grade – or both.

5.2 Flexible Retirement can also be considered in cases where a reduction in hours would be beneficial to an employee with medical issues and medical retirement is not an option.

5.3 If you are not a member of the Local Government Pension Scheme but you would like to reduce your hours, you can make an application to do so by using the Flexible Work Options Policy.

5.4 If you decide to ask for flexible retirement, you have to take it for at least 4 months before you retire. Reducing your hours, reducing your grade and getting your pension early are all permanent changes to your contract of employment and they cannot be reversed.

5.5 Once you start flexible retirement, you cannot increase your hours or move to a post at a higher grade at any point in the future. However, you can ask to reduce your hours again. If you want do that, you should discuss this with your manager and they will make a decision based on the on the needs of the service.

5.6 Your flexible retirement will have to result in reduction in the cost of your annual basic salary of at least 20%. You might have to reduce your hours or your grade by more than you thought to achieve this.

# 6 Flexible Retirement: Employee Responsibilities

6.1 If you want to request flexible retirement, use the form that's available on the Orb;

6.2 You should contact Lothian Pension fund to find out what your estimated benefits will be before you make any decision on Flexible Retirement, as your pension may be reduced if you take it before your normal retirement age. You can get information about this on their website.

6.3 Make sure you meet the criteria for flexible retirement i.e. you are a member of Lothian Pension Fund with at least 2 years' membership; you are 55 or over; and you have your managers' approval;

6.4 When you apply, make sure that you're asking for at least a 20% reduction in your working hours;

6.5 If you're applying for a job at a lower grade, you'll have to make sure that the difference in salary is at least 20%.

6.6 If your application for flexible retirement is successful, you will be automatically enrolled as a new member of Lothian Pension Fund on your new hours or in your new role. You can opt out of the pension fund if you wish;

6.7 As taking flexible retirement is voluntary, your pension will not get a pension protection certificate if use a salary reduction to meet the criteria for flexible retirement;

6.8 Be aware that consent for flexible retirement can be withdrawn if you become the subject to disciplinary action; dismissed for misconduct; or your employment ends before flexible retirement starts.

6.9 If your application is not successful, there is no right of appeal.

# 7 Flexible Retirement: Manager Responsibilities

7.1 When an employee makes a request for flexible retirement, remind them to speak to Lothian Pension Fund, to make sure they understand the impact flexible retirement will have on their pension;

7.2 Make sure the employee has completed the flexible retirement form correctly and is eligible;

7.3 Provide a business case for the request, covering the business benefit to the service, the impact on the service, the savings to the Council and whether there are any costs to the Council. Pension strain costs, the cost of replacing the employee and the cost of re-grading the post and reallocating the work also needs to be included.

7.4 Bring the request to the attention of the senior management team in your area for consideration.

7.5 If the application is successful, make the changes to the employee's hours or grade.

# 8 Flexible Retirement: Senior Management Team Responsibilities

8.1 Consider the business case provided by the manager;

8.2 If there is agreement that the case should be considered, ask your Finance team to do an assessment.

8.3 Once the financial assessment has been done, consider that alongside: if there is a business benefit to the Council; how it supports workforce planning and succession planning; the operational impact on the service; the impact on the work of rest of the team; how the employee will manage reduced duties; how the duties that the employee will no longer be doing will be distributed; and the employee's final retirement date, if known.

8.4 If the case can be supported, write back to the employee, confirming approval;

8.5 If the case cannot be supported, write back to the employed, confirming the reasons for not approving.

# 9 Flexible Retirement: Finance Responsibilities

9.1 Provide a financial assessment of requests for flexible retirement by considering: the business benefit to the service; a reduction in salary costs of at least 20% of the basic annual salary; how much the change will cost the Council (e.g. pension strain costs, replacement cost); and whether the costs are affordable and can be paid back in 2 years or less.

# 10 Preparing for retirement

10.1 We run pre-retirement courses for employees and their partners with employees getting paid time off to attend. Details about pre-retirement courses, including eligibility, are on the Orb.

10.2 We may also provide other methods of support to employees who are retiring, including money management seminars and pensions events. Details about this will be posted on the Orb and sent to all managers, so they can bring it to the attention of all their staff.

10.3 You can still attend the Council's pre-retirement courses when you are on flexible retirement, once you have agreed a final retirement date.

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Special Leave Policy

| | |
|---|---|
| **Item number** | 8.6 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary

The Special Leave Policy updates and replaces the current policy approved at Committee in October 2015. The policy has been updated and continues to outline the Council's provisions for Special Leave, covering both the Statutory entitlements and other forms of leave available to support colleagues when they require time off work to deal with issues in their life outside of work. In addition, a section explaining types of leave available for Religious/Cultural Observances has been added.

The Policy has been written in line with ACAS guidance and remains fit for purpose and compliant with the Employment Rights Act 1996.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Report

## Special Leave Policy

### 1. Recommendations

1.1 To approve the new Special Leave Policy.

### 2. Background

2.1 The Special Leave Policy was approved at Committee in October 2015. Whilst the provisions set out in the original Policy document are still compliant with the relevant legislation. The document has been refreshed in line with our new style.

### 3. Main report

3.1 This policy has been written in line with guidance from the Advisory, Conciliation and Arbitration Service (ACAS) and remains compliant with section 6 of the Employment Rights Act 1996 'Time off Work'.

3.2 Improvements have been made around clarity, format, increase in paid leave for Foster Carers, 3 to 5 days, and the inclusion of our position on Religious and Cultural observances.

3.3 This policy has been compiled using the employee policy template. This provides colleagues with a user-friendly document which provides making it easier for colleagues to follow.

3.4 To reflect broader care responsibilities for our colleagues, the policy adopts a consistent approach to any type of breakdown of required care for dependents, whether that be children or other. Formally separated into 5 days and 1 day paid leave, this has been combined allowing an enhanced 6 days paid leave for such situations (per annum).

### 4. Measures of success

4.1 Greater engagement and understanding amongst colleagues who are more informed about their rights to different leave types and about the council enhancements to those rights.

## 5. Financial impact

5.1 No material financial impact by increasing paid Foster Care time off.

## 6. Risk, policy, compliance and governance impact

6.1 This policy has been written in line with guidance from ACAS and sets out what we need to do in line with the Employment Rights Act 1996.

## 7. Equalities impact

7.1 The policy applies to all employees and is explicit in the consistency of its application.

## 8. Sustainability impact

8.1 None.

## 9. Consultation and engagement

9.1 There are no material changes to this policy and Trades Union partners have been engaged.

## 10. Background reading/external references

10.1 ACAS guidance on time off - http://www.acas.org.uk/index.aspx?articleid=1370

10.2 Section VI Employment Rights Act 1996 - https://www.legislation.gov.uk/ukpga/1996/18/part/VI

**Stephen S. Moir**

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

## 11. Appendices

11.1 Appendix 1 – Special Leave Policy

# Special Leave

We (the council) recognise that Colleagues need to be supported with balancing the demands of their work with their responsibilities outside work.  While each Colleague is responsible for making sure they have care arrangements in place, the Council can help with this and aims to assist in the event that these arrangements unavoidably break down, or where additional pressures, out with the norm, arise and for which time off work may be required.

This policy sets out the Council's provisions for special leave, covering both the statutory entitlements and other forms of leave to support colleagues when they need time off from work to deal with issues in their life outside work.

All requests from colleagues must be dealt with on a strictly confidential basis and managers will not exert any pressure onto colleagues to divulge details which might breach their personal privacy.

| **Author** | **Scope** |
|---|---|
| Employee Relations, Human Resources, Resources Directorate | This policy applies to all Council employees. |
| **Purpose** | **Review** |
| The purpose of this policy is to provide flexibility to allow colleagues special leave as required to meet specific commitments in line with employment legislation and good practice. Special leave is a request for time off work to cover personal requirements and can be either paid or unpaid. | The policy will be reviewed as and when a change to the existing policy deems this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions of service or Government Policy; organisational change; or resulting from changes agreed through Trade Union Consultation. |

**Contents**



EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

# Leave Provisions

**Leave for the Care of Dependants**

Colleagues have a right to take **reasonable unpaid leave** from work to deal with the following:

(a) some **unexpected emergencies** affecting the care of a dependant; or
(b) to make arrangements for the care of a dependant.

In addition to the statutory entitlement the Council has enhanced this and may grant up to 6 days **paid leave** to colleagues who need to care for dependants in the following circumstances in any rolling 12-month period, pro-rated for part time colleagues:

(a) you are providing short-term, emergency assistance to a dependant who is ill or injured and is unable to look after themselves and no healthcare professional or other adult is available to provide that care;
(b) you need to make arrangements for the provision of care for a dependant who is ill or injured; or
(c) the care arrangements you have in place for a dependant are unexpectedly disrupted or brought to an end.

Colleagues who have exhausted their entitlement to leave for the care of dependents may take **up to a year's unpaid leave.**

**Unpaid Parental Leave**

Unpaid Parental leave is a statutory entitlement that's available to all colleagues enabling them to take time off work to look after a child's welfare. Each employee is entitled to 18 weeks' leave for each child and adopted child, up to the child's 18th birthday, provided the following criteria are met:

(a) You are named on the child's birth certificate **or** you currently have, or will have responsibility for the care of a child and can evidence this.
(b) You have 1 year's continuous service with the council.
(c) The child is under the age of 18.

Up to four weeks' leave can be taken in any one year in respect of each child and leave must be taken in whole weeks rather than individual days in accordance with current legislation.

**Planned Healthcare for Children under 5**

Colleagues may be required to accompany Children to clinics or to doctors' appointments for developmental check-ups and inoculations in the first 5 years of the child's life. You are entitled to:

(a) up to 5 working days' **paid** leave before your child's $5^{th}$ birthday; and
(b) up to 5 working days' **unpaid** leave before your child's $5^{th}$ birthday.

## Foster Carer Leave

**As a prospective foster carer, you are entitled to:**

Up to 5 working days' **paid leave** can be granted to cover the preparation and assessment process to be registered as foster carers.

**For active foster carers, you are entitled to:**

Up to 1 working day's **paid leave** and up to 4 working days' **unpaid leave** in any 12-month period.

This time is to be used to attend urgent meetings about the placement of a child. Your line manager can agree to more unpaid leave to care for a placed child.

## Bereavement Leave

In the event on of your family members dies, your line manager can grant **up to 5 working days' paid** leave. Beyond that, colleagues are entitled to **reasonable unpaid leave** to cover normal working hours as a consequence of the death of a dependant.

## Jury Service

If you are called for jury service you will get **paid** leave to cover the time you are in court. You need to bring your court citation to work and then follow the advice on the Orb.

## Attending Court as a Witness

If you have been called as a witness by the Council, then your time away from work will be treated as part of your normal duties.

If you have been called as a witness by anyone other than the Council, whether for the defence or the prosecution, then you will be granted **paid** leave to attend court.

## Leave for Public Duties

Colleagues are entitled to up to **208 hours of paid** leave per year to carry out public duties.

Examples of positions we consider to be public duties are:

- a magistrate or justice of the peace;
- a member of a local authority other than the City of Edinburgh Council;
- a member of any statutory tribunal (e.g. Employment Tribunal, Children's Panel etc);
- a member of a health board;
- a member of a NHS trust;
- a member of a school or college council or body of a central institution or college of education;
- a member of a school board

Once they use this allowance up, colleagues are entitled to reasonable unpaid leave to cover the time they need to perform those duties, subject to service requirements.

## Leave for Medical Appointments

Colleagues requiring non-emergency medical treatment from opticians, dentists or GPs should make arrangements to obtain such treatment out with working hours. Where this is not possible, appointments must be made for the beginning or end of the working day.

Colleagues who have been referred to hospital for examination/treatment should, where feasible, try to arrange appointments out with normal working hours. If this is not possible, then **paid** leave, up to a maximum of contracted daily hours, will be granted for attendance at hospital.

A hospital appointment card or a letter from the hospital will require to be produced, and this will be checked by your line manager prior to authorisation of leave.

Where a colleague is required to attend hospital on more than 4 occasions in a rolling 12-month period, the ongoing availability of special leave for this purpose should be discussed with the line manager in the first instance.

## Leave for Reservists

Colleagues required to attend compulsory training events may be granted up to a maximum of two weeks **paid** leave to cover the time they attend the event.

If you get a call-out notice for full-time service, you will normally be granted **unpaid** leave for the duration of the call-out. Please see our policy for Reserve Forces for more information

## Leave for Voluntary Work

The Council acknowledges colleague involvement in public and voluntary bodies and recognises that they may require time off work in order to perform duties. Any leave agreed for this purpose will be **unpaid.**

Examples of voluntary activities are:

- retained fire-fighter (NB payment received for call-outs);
- special constable;
- a member of a consumer council (e.g. public utilities);
- a member of a community council;
- a member of a tenants or residents association;
- a member of a body recognised by the Council for the purposes of community consultation.

## Leave for Cultural/Religious Observances

The council has a diverse workforce and acknowledges that colleagues may make requests for time off to accommodate a cultural or religious observance that is significant to their beliefs.

For religious events not occurring within the framework of the normal public holidays, colleagues will be expected to use annual leave or seek to make other alternative arrangements, for example changing shift/rota times. Requests to take annual leave on religious holidays should not be unreasonably refused.

## Electoral Duties

Leave for Electoral Duties will be Subject to the demands of the service, and authorisation by the manager. Paid leave will be granted to allow colleagues to undertake official duties at elections or referenda of the City of Edinburgh council.

Subject to the requirements of the service, **unpaid leave for a period not exceeding up to 10 days** (or up to the equivalent of two of the employee's working weeks) will be granted at the time of the election to colleagues undertaking the duties of an Election Agent for a Local Authority/Parliamentary/Scottish Parliamentary/European Candidate.

Subject to the requirements of the service, **unpaid leave for a period not exceeding up to 10 days** (or up to the equivalent of two of the colleague's working weeks) will be granted to colleagues who stand for election to another Local Authority/as a Parliamentary candidate/as a Scottish Parliamentary candidate/as a European candidate.

### Leave to Take Part in Sporting Events

Colleagues are entitled to reasonable **paid** time off to participate in amateur sporting events if:

a) they are competing in an event; **or**
b) they are officiating at an event; **and**
c) the event is at national or international level

# Roles and Responsibilities

### Colleagues

Should read this policy and familiarise themselves with the provisions outlined.

Must engage with their line manager, with as much warning as possible, to formalise a request.

Must provide their line manager with the appropriate notification where required under the provisions of this policy.

Should remain flexible and must be prepared to change appointment times/dates where required to assist in meeting the demands of the service.

Must book the relevant leave on MyHR when a request has been accepted.

If you do not have access to MyHR, please request this through your manager to process.

Must provide documentation to evidence the requirement for leave when it is appropriate (for example, colleagues are asked to produce a letter or hospital card to confirm the appointment).

Should ensure that the relevant documentation is completed to avoid a loss of earnings where this is appropriate (for example, colleagues will complete a juror citation form and send this to payroll following their attendance at court when participating in Jury service).

### Line Managers

Must read this policy and familiarise themselves with the provisions outlined.

Will ensure that whilst each request for leave will be assessed on an individual basis, the application of this policy is consistently applied throughout the Council.

Will engage with employees who are looking to make requests for leave and discuss each individual case prior to accepting/rejecting the request on MyHR.

Must take into consideration the needs of the service in any decision to approve leave under this policy, notwithstanding any obligations we have, to allow time off.

Must be aware that holiday entitlement can be granted in place of any unpaid leave granted under this policy.

Are expected to be supportive of applications for annual leave, which are requested at short notice for urgent family care reasons.

Must enter leave where it is accepted for colleagues who do not have access to MyHR.

# Appendix 1: Definitions

| | |
|---|---|
| **Continuous Service** | Means continuous service with the City of Edinburgh Council (or its predecessors) or any local authority or employer to which the *Redundancy Payments (Continuity of Employment in Local Government etc.) (Modification) Order 1999 (as amended)* applies. |
| **Dependant** | Your spouse; partner; a child of yours who is under 18 and lives with you; a parent; an individual who lives with you as part of your family (excluding tenants, lodgers, flat-mates or boarders); an individual who depends on you for either: short-term assistance in the event of illness/injury or, to make arrangement for the provision of care in the event of illness/injury. |
| **Family Member** | To be determined by the service area director having regard to the nature of the relationship which the person has with the employee and the circumstances prevailing in each case. It is recognised that close friends may be covered by this definition, including former work colleagues of the City of Edinburgh Council (or its predecessors). |
| **Nominated Carer** | A person nominated by the mother or adopter to assist in the care of the child and to provide support to the mother or adopter at or around the time of the birth or adoption placement. |
| **Parent** | Is a child's mother, father, guardian, foster carer or some other person with parental responsibility. |
| **Partner** | Is a person (whether of a different sex or the same sex) who lives with the mother or adopter and the child in an enduring family relationship but is not a relative (e.g. parent, sister/brother, aunt/uncle etc). |
| **Serious illness of a Dependant** | Is defined as an illness or injury of a dependant which requires an employee to be absent from work for an extended period exceeding 10 working days in any 12-month period in order to provide care which is not available from either a health professional or another adult. |

# Finance and Resources Committee

## 3.00pm, Tuesday, 4 December 2018

# Award of Treasury Management Advisory Services Contract for the period 1 January 2019 until 31 December 2022

| | |
|---|---|
| **Item number** | 8.7 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary

This report seeks the approval of the Finance and Resources Committee to award a contract for the provision of Treasury Management Advisory Services to Arlingclose Limited.

The duration of the contract shall be for a period of two years, with the option to extend for up to a further two years, at 12-month intervals.

Over the four-year period, the total estimated value of the contract is £150,000.

# Report

## Award of Treasury Advisory Services Contract for the period 1 January 2019 until 31 December 2022

### 1. Recommendations

1.1 The Finance and Resources Committee is asked to:

1.1.1 Approve the award of contract to Arlingclose Limited;

1.1.2 Note that the contract is initially for a period of two years, from 1 January 2019 to 31 December 2020, with the option to extend for two further twelve-month periods; and

1.1.3 Note that the contract value is up to £150,000 over a four-year period.

### 2. Background

2.1 The Annual Treasury Strategy, approved by Council in March 2018 set out the following requirements:

2.1.1 The Council's total capital expenditure is forecast to be £1.361bn between 2018/19 and 2022/23;

The Council's underlying need to borrow at 31 March 2023 is forecast to be £1.828bn;

Between 1 April 2018 and 31 March 2023, £258m of the Council's external debt is due to mature; and

The opportunity to mitigate future interest rate risk with alternatives to the PWLB will continue to be sought and the risk locked out, where appropriate.

2.2 The City of Edinburgh Council requires Treasury Advisory Services to provide specialist skills, advice and resources to assist the Treasury Section on Treasury matters to meet the Council's current and future service needs, including:

2.2.1 Treasury Management Policy, debt management, investment and technical matters within prescribed regulatory and accounting frameworks; and

Ensuring the Council secures value for money.

2.3 The service was previously tendered in 2014 and was awarded to Arlingclose Limited. This contract expires on 31 December 2018 with no opportunity for further extension.

## 3. Main report

3.1 The Council undertook an Open Procedure in accordance with the Public Contracts (Scotland) 2015 Regulations. The contract duration has been set out for a period of two years, with the Council having the option to extend the contract for two further 12-month periods.

3.2 As part of the tender, bidders were invited to provide responses to twelve questions, covering areas such as:

- Economic forecasting;
- Local Authority statutory and regulatory framework;
- Risk and credit rating;
- Non Public Works Loan Board (PWLB) funding; and
- Investment portfolio management.

In addition, tenderers were invited to deliver a presentation.

3.3 A cost quality ratio of 20:80 was applied, as this was considered the optimal weighting to reflect the quality of service required for a highly specialised complex service which has significant impact on Council resources.

3.4 The tender opportunity was advertised on Public Contracts Scotland website on 10 September 2018 with a closing date of 8 October 2018.

3.5 Two compliant bids were received.

3.6 Tenders were evaluated for cost and quality by separate panels from Procurement and Council Officers from Corporate Finance and a summary of the Tendering and Tender Evaluation Processes is included in Appendix 1.

3.7 Combining the price and quality scores resulted in the following scores for the preferred supplier:

| Tenderer | Price Score | Quality Score | Overall Tender |
|---|---|---|---|
| Arlingclose Limited | 13.33 | 65.80 | 79.13 |
| Tenderer 2 | 20.00 | 53.20 | 73.20 |

## 4. Measures of success

4.1 The contract award is based on the principle of most economically advantageous tender and success will be measured by:

4.1.1 Retained access to high quality advice and market information to support decision making related to treasury management activities;

4.1.2 Access to training at regular intervals throughout the year including one days training per annum in Council offices;

4.1.3 Support for internal and external reporting and responding to consultations guiding treasury policy;

4.1.4 Fixed pricing for the lifetime of the contract;

4.1.5 Access to two days ad hoc support per annum for Council business; and

4.1.6 A community benefit commitment of 1% annual fee to Resilient Scotland to provide social investment enabling social enterprises, community organisations and charities to contribute the sustainable regeneration of areas and communities affected by long term economic decline.

## 5. Financial impact

5.1 The total contract value, based on the tender is estimated to be £150,000 over the four-year period, with an annual cost of £37,500.

5.2 The costs associated with this contract are met within the loan charges budgets held by the General Fund and Housing Revenue Account.

5.3 The costs associated with procuring this contract are estimated as less than £10,000.

## 6. Risk, policy, compliance and governance impact

6.1 The contract to be awarded is compliant with procurement regulations and the Council's Contract Standing Orders. The risk of legal challenge to contractual arrangements for the provision of this service is thereby considered to be low.

6.2 The Treasury Management Policy Statement and strategy are designed to manage and mitigate the risk to which the Council is exposed.

## 7. Equalities impact

7.1 There are no equality impacts arising from this procurement.

## 8. Sustainability impact

8.1 There are no sustainability impacts arising from this procurement.

## 9. Consultation and engagement

9.1 None.

## 10. Background reading/external references

10.1 Annual Treasury Strategy, approved by Council March 2018.

**Stephen S. Moir**

Executive Director of Resources

Contact: Innes Edwards, Principal Treasury and Banking Manager

E-mail: innes.edwards@edinburgh.gov.uk | Tel: 0131 469 6291

## 11. Appendices

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

## Appendix 1 – Summary of Tendering and Tender Evaluation Processes

| | | |
|---|---|---|
| Contract | **Treasury Management Advisory Services** | |
| Contract Period | 1 January 2019 to 31 December 2020, with the option to extend for two further twelve-month periods | |
| Estimated Contract Value *(including extensions)* | £150,000.00 | |
| Procurement Route Chosen | Open procedure | |
| Tenders returned | 2 | |
| Recommended Contractor | Arlingclose Limited | |
| Price / Quality Split | Price 20% | Quality 80% |
| | **Criteria** | **Weighting (%)** |
| Evaluation Criterion and Weightings | Organisational experience / relationship management | 7.5% |
| | Communication | 6.0% |
| | Economic forecasting | 6.0% |
| | Local Authority statutory and regulatory framework | 7.5% |
| | Compliance | 6.0% |
| | Risk | 7.5% |
| | Non Public Works Loan Board funding | 8.0% |
| | Investment portfolio management | 6.5% |
| | Credit rating | 6.5% |
| | Local authority credit risk | 11.0% |
| | Cash fund benchmarking | 7.5% |
| | Community benefits | 5.0% |
| | Presentation | 15.0% |
| Evaluation Team | Council officers | |

# Finance and Resources Committee

## 3pm, Tuesday 4 December 2018

# King's Theatre Capital Project Update Report – referral from the Culture and Communities Committee

| | |
|---|---|
| **Item number** | 8.8 |
| **Report number** | |
| **Wards** | All |
| **Council Commitments** | |

## Executive summary

On 13 November 2018 the Culture and Communities Committee considered a report by the Executive Director of Place that provided a first update on the King's Theatre Capital Redevelopment Project.

The report has been referred to the Finance and Resources Committee for information.

# Terms of Referral

## King's Theatre Capital Project Update Report – referral from the Culture and Communities Committee

### Terms of referral

1.1 On 13 November 2018 the Culture and Communities Committee considered a report by the Executive Director of Place that provided a first update on the King's Theatre Capital Redevelopment Project.

1.2 The Committee agreed:

1.2.1 To note the update.

1.2.2 To instruct the Executive Director of Place to prepare annual update reports.

1.2.3 To note that any interim updates would be included in the Business Bulletin.

1.2.4 To refer this report to the Finance and Resources Committee as agreed at the Finance and Resources Committee meeting on 12 June 2018.

### For Decision/Action

2.1 The Finance and Resources Committee is requested to consider the report.

### Background reading / external references

Culture and Communities Committee – 13 November 2018


**Laurence Rockey**

Head of Strategy and Communications

Contact: Jamie Macrae, Committee Officer
Sarah Stirling, Assistant Committee Officer

E-mail: jamie.macrae@edinburgh.gov.uk | Tel: 0131 553 8242
sarah.stirling@edinburgh.gov.uk | Tel : 0131 529 3009


### Links

| | |
|---|---|
| **Appendices** | Appendix 1 – Report by the Executive Director of Place |

# Culture and Communities Committee

## 10.00am, Tuesday, 13 November 2018

# King's Theatre Capital Redevelopment Update Report

| | |
|---|---|
| **Item number** | 8.2 |
| **Report number** | |
| **Executive/routine** | Executive |
| **Wards** | All |
| **Council Commitments** | C46 |

## Executive Summary

This report provides a first update on the King's Theatre Capital Redevelopment Project.

The Council has agreed to Theatre upgrade capital funding of £4m towards the refurbishment project, and up to £5m in Prudential borrowing.

It is recommended that Committee receive update reports twice per annum. Additional reports will be presented should core project parameters change substantially.

The report will be referred to the Finance and Resources Committee as agreed at the Finance and Resources Committee meeting on 12 June 2018.

# Report

## King's Theatre Capital Redevelopment Update Report

### 1. Recommendations

1.1 It is recommended the Committee:

1.1.1 notes the update;

1.1.2 instructs the Executive Director of Place to prepare two update reports per annum; and

1.1.3 refers the report to the Finance and Resources Committee as agreed at the Finance and Resources Committee meeting on 12 June 2018.

### 2. Background

2.1 Capital Theatres (CT) are currently engaged in progressing a capital re-development project of the King's Theatre. The original projected budget was £25m.

2.2 The Council has agreed £4m capital funding towards the redevelopment project and has also agreed up to £5m in Prudential Borrowing. Excerpts of the Council's decision to allocate this funding are listed in Appendix 1.

2.3 Prudential borrowing of up to £5m will be released if sufficient funds are raised to meet the overall costs of the project. Project cash flow projections will include milestones for borrowing, and expect to be required only after the balance of funding is realised or confirmed.

2.4 The project plans transform the historic venue, and programme a range of previously unavailable community and educational activities to ensure access to the widest possible audience and to guarantee the future social and cultural presence and heritage of the building. The delivery of the project would also provide improved income opportunities for re-investment into the theatre programme of activities.

## 3. Main report

3.1 A major capital funding application to the Heritage Lottery Fund (HLF) of £4.9m was unsuccessful. Capital Theatres were informed of this outcome at the end of September 2018. HLF are reviewing their funding framework for launch in early 2019, and at that time Capital Theatres will decide whether or not the renewed funding guidelines are appropriate and if they will re-apply, and for a revised level of funding.

3.2 Following the HLF decision, CT's Finance and Risk Committee looked in detail at the cashflow and risk analysis prepared on the basis of a minimum project budget of £20m rather than the previous £25m projected budget and have established a project cashflow which indicates that it is financially deliverable.

3.3 At the end of September 2018, CT had close to £2.6m of accrued revenue in their Theatre Development Fund (TDF) which would be more than sufficient to fund the projected spend in the Development Phase of the project to 2020. The balance of the £5m CT budget contribution (£2.4m) will be accumulated and funding cash flow requirements throughout the project period. The TDF was established a number of years ago specifically to resource the maintenance and development of the venues for which Capital Theatres are responsible. It is collected by a levy on each ticket sold.

3.4 To date, CT report that they have £14m in place towards the refurbishment project costs made up of their own £5m TDF funds, the Council's £4m capital commitment and the agreed Prudential Borrowing of £5m.

3.5 CT expect to meet the costs of the next stages of capital project development to 2020 final design stage from the TDF reserves. Therefore, they do not intend to request drawdown of Council funding until after that point in the project delivery schedule.

3.6 The Board have confirmed their confidence that at least £6m can be raised from trusts and foundations, individual donors and statutory bodies based on their extensive personal and professional experience.

3.7 CT are in discussion with Scottish Government regarding funding for the project, and with a major Trust with whom they have lodged a £1m application.

3.8 A rigorous procurement process has selected an experienced design team, in particular new architects, and CT will invest time in re-calibrating and reviewing design development ideas and establishing a more detailed cost plan.

3.9 Bennet's Associates are the new architects and will present initial renewed proposals and visuals in early November. They have worked on the Old Vic, Royal Shakespeare Theatre and The Citizens Theatre amongst others.

3.10 The four core strands to be delivered by the project:

3.10.1.1 **Welcome** to the King's - the street offer through to daytime activity and animating the building;

3.10.1.2 **Showtime** at the King's - the audience journey from street to seat;

3.10.1.3 **Performing** at the King's - get-in through to dressing rooms; and

3.10.1.4 **Revealing** the King's - spaces which members of the public may not have previously been aware of and heritage through to the rooftop pavilion.

3.11 The core strands of the project will be retained as part of the re-calibration of the project budget following the HLF decision.

3.12 CT have experienced Project and Campaign Boards in place to advise their Finance and Risk Committee and their Board of Trustees. The Project Board's firm view is that the majority of the project outputs can be achieved (with the exception of some of the heritage elements – further work will be undertaken to examine this in detail) and the Campaign Board's firm view is that the fundraising plan is robust and achievable.

3.13 There is a comprehensive risk register including likelihood assessments and mitigations for the project. Contractual arrangements are in place to ensure any on-going exposure is minimised if required. Project governance is in place with Project Board reporting to their Finance and Risk Committee and main Board regularly. Monthly cost and highlight reports will be generated and circulated. The risk register will of course be regularly updated following design team meetings and reported to Board with any recommendations for action or change.

3.14 End stage reports will be in place requiring sign-off before progressing the project or making further commitments:

3.14.1 Stage 1 – December 2018;

3.14.2 Stage 2 – April 2019; and

3.14.3 Stage 3 – February 2020.

3.15 CT's Finance and Risk Committee have therefore recommended to the Board that the further development of the project should proceed. The Board have agreed the instruction to proceed with the design of the project on the basis of a minimum cost of £20m. Final project costings will be following final design completion in 2020.

3.16 Officers are therefore satisfied that the Trust has undertaken sufficient due diligence in assessing both risk and project deliverability and that the core elements, as outlined at 3.9, of the redevelopment are achievable.

3.17 The redevelopment would still have the same previously reported major economic impact. The capital project would inject £24m one-off economic impact into the Scottish economy and £11m into Edinburgh's economy, and after project completion, the King's Theatre would create £15.7m economic impact per year into the Edinburgh and a further £10m into the wider Scottish economy.

## 4. Measures of success

4.1 The King's Theatre is redeveloped in accordance with renewed plans.

4.2 CT contributes effectively to the delivery of the Council's Business Plan.

4.3 The Services and Funding Agreement ensures performance reporting requirements are monitored and met.

4.4 Fundraising targets and milestones are met.

4.5 Success is also measured against the following objectives within the Culture Plan:

4.5.1 ensure that everyone has access to world class cultural provision;

4.5.2 encourage the highest standards of creativity and excellence in all aspects of cultural activity;

4.5.3 support greater partnership working in the cultural and creative sectors and maximise resources available to help them thrive all year round; and

4.5.4 articulate the positive impact of culture in Edinburgh and promote Edinburgh's cultural success locally, nationally and internationally.

## 5. Financial impact

5.1 The Council has agreed Prudential Borrowing of up to £5m towards the project and a Capital grant of £4m. The maximum overall loan charges associated with this borrowing over a 20-year period would be a principal amount of £9m, interest of £5.7m, resulting in a total cost of £14.7m based on the current loans charge rate for a 20-year loan of 5%. The loan charges will be interest only in the first year, at a cost of £0.2m, followed by an annual cost of £0.7m for 20 years.

5.2 As previously reported to Council the prudential borrowing will be met by CT from the annual income received by the Theatres Development Fund.

## 6. Risk, policy, compliance and governance impact

6.1 Release of any approved contribution is dependent on sufficient funds being raised to meet the remaining costs of the redevelopment programme.

6.2 The nature of this capital project means that there is an inherent risk of delays of unforeseen circumstances out with the control of CT.

6.3 There is a risk that CT will be unable to meet the annual repayment associated with borrowing from the Theatre Development Fund. This is mitigated by:

6.3.1 the current level of income exceeding the repayment by £0.2m; and

6.3.2 there is the potential to increase the levy if required.

## 7. Equalities impact

7.1 CT actively promotes access to services for different equalities groups; provides data on the level of use of services by equalities groups; provides evidence of quality analysis relating to equality groups.

## 8. Sustainability impact

8.1 While there is no direct additional impact of the report's contents, the planned project includes expenditure impacting upon carbon through the redevelopment of the King's Theatre.

## 9. Consultation and engagement

9.1 None.

## 10. Background reading/external references

10.1 None.

**Paul Lawrence**
Executive Director of Place

Contact: Lindsay Robertson, Culture Service Manager (Arts, Events and Festivals)

E-mail: lindsay.robertson@edinburgh.gov.uk | Tel: 0131 529 6719

## 11. Appendices

Appendix 1 Excerpts Summary of Council Agreement to support the King's Theatre refurbishment project

**APPENDIX 1**

# EXCERPTS SUMMARY OF COUNCIL AGREEMENT TO SUPPORT THE KING'S THEATRE REFURBISHMENT PROJECT

## FULL COUNCIL MEETING 22 FEB 2018 – MINUTE

Edinburgh is a world cultural capital, which the Council has supported in many ways including investment in our cultural venues. The Coalition will continue that support through the creation of a fund for theatre upgrades with £4M for the King's Theatre and £1M for Leith Theatre over the five-year CIP, with the aim of leveraging supplementary contributions from other partners.

## CULTURE AND SPORT COMMITTEE MEETING MINUTE 20 MARCH 2017

Details were provided on an overview of the then Festival City Theatres Trust's (FCTT) current capital project plans to develop the King's Theatre. An initial options appraisal commissioned by the Trust had costed the project at £25M.

Decision

1) To agree, in principle, to the extension of the King's Theatre lease to the Festival City Theatres Trust (FCTT) for a further 25 years from 2023.

2) To agree that a contribution of £5M towards the development project be considered as part of the next review of Council's Capital Investment Programme 2018-23 and that any capital contribution be subject to the achievement of the full project budget of £25M, presentation of a robust business case together with consideration of the Council's future budgetary position and priorities.

3) To refer the project to the Finance and Resources Committee for inclusion in the Council's Capital Investment Programme prioritisation process and to include any lease extension agreement process and principles.

## FINANCE AND RESOURCES COMMITTEE MEETING MINUTE 27 MARCH 2017

Decision

- To approve the inclusion of the King's Theatre Capital Development Project in the Council's Capital Investment Programme prioritisation process and the inclusion of any lease extension agreement process and principles.

**FULL COUNCIL MEETING JUNE 2018 – MINUTE**

Kings Theatre – Request for Additional Capital Funding By Capital Theatres

Details were provided of a request for up to £5m additional capital funding, supported prudentially by Capital Theatres, towards redevelopment of the King's Theatre, subject to funding being raised to meet the remaining costs.

Decision

1) To approve the additional funding for the Kings Theatre from Capital Theatres.

2) To refer the decision to Council for ratification for the prudentially supported funding, noting that this would only be released to Capital Theatres if sufficient funds were raised to meet the overall costs of the project.

3) To agree that regular update reports would be brought to the Finance and Resources Committee.