

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.

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

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11. Appendices

None.