

Notice of meeting and agenda

Finance and Resources Committee

10.00 am Friday, 14th February, 2020

Dean of Guild Court Room - City Chambers

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

The law allows the Council to consider some issues in private. Any items under “Private Business” will not be published, although the decisions will be recorded in the minute.

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1. Order of business

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

2. Declaration of interests

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

3. Deputations

- 3.1 If any

4. Minutes

- 4.1 None.

5. Forward Planning

- 5.1 None.

6. Business Bulletin

- 6.1 None.

7. Executive decisions

- | | | |
|-----|---|---------|
| 7.1 | Council's Change Strategy – Planning for Change and Delivering Services 2020/23 - Progress Update – Report by the Chief Executive and the Executive Director of Resources | 7 - 62 |
| 7.2 | Council Change Strategy 2020/23: Risks and Reserves – Report by the Executive Director of Resources | 63 - 72 |
| 7.3 | Capital Budget Strategy 2020 - 2030 – Report by the Executive Director of Resources | 73 - 88 |

7.4	Housing Revenue Account (HRA) Budget Strategy (2020-2030) – Report by the Executive Director of Place	89 - 104
7.5	Loans Fund Review – Report by the Executive Director of Resources	105 - 114
7.6	Council Revenue Budget Framework 2020/21 – Integrated Impact Assessments – Report by the Chief Executive	115 - 132

8. Routine decisions

8.1 None.

9. Motions

9.1 None.

Laurence Rockey

Head of Strategy and Communications

Committee Members

Councillor Alasdair Rankin (Convener), Councillor Joan Griffiths (Vice-Convener), Councillor Chas Booth, Councillor Graeme Bruce, Councillor Gavin Corbett, Councillor George Gordon, Councillor Graham Hutchison, Councillor Andrew Johnston, Councillor Rob Munn, Councillor Neil Ross and Councillor Mandy Watt

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 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 Veronica Macmillan, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4283 /

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Finance and Resources Committee

10.00am, Friday, 14 February 2020

Council’s Change Strategy – Planning for Change and Delivering Services 2020/23 - progress update

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the progress updates on development of the Council’s Change Strategy, savings implementation plans and management of service pressures;
 - 1.1.2 note the proposals, based on the provisional 2020/21 Local Government Finance Settlement and later years’ current planning assumptions, to deliver a balanced budget over the three-year period from 2020/21 to 2022/23;
 - 1.1.3 note the draft funding offer assumed for the Edinburgh Integration Joint Board;
 - 1.1.4 note the update on the Council’s carbon budgeting pilot;
 - 1.1.5 note that a further update will be reported to members of the Committee once the final outcome of the Local Government Finance Settlement, including any associated impacts of the 2020/21 UK Budget, is known; and
 - 1.1.6 refer the report to Council as part of setting the revenue budget on 20 February 2020.

Andrew Kerr
Chief Executive

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Council's Change Strategy – Planning for Change and Delivering Services 2020/23 - progress update

2. Executive Summary

- 2.1 On 10 October 2019, members of the Finance and Resources Committee considered a progress update on the development of an evolving four-year change strategy, with a specific focus on the budget-setting approach for 2020/21. The report also advised members of the outcome of a review of the principal expenditure and income assumptions and other relevant factors contained within the revenue budget framework. This review pointed to an estimated requirement to deliver at least £86.7m of recurring annual savings (beyond the £17m previously approved) over the period to 2022/23, with £36m of these required in 2020/21. This requirement also incorporated a risk contingency of £11m over this period.
- 2.2 A one-year provisional Local Government Finance Settlement (LGFS) for 2020/21 was announced by the Minister for Public Finance and Digital Economy on 6 February 2020. Given the necessarily condensed timetable for officer and Parliamentary scrutiny, as of the time of writing, analysis of the accompanying detail is on-going. Provisional indications are, however, that the level of core revenue grant funding is some £5.1m more than assumed within the budget framework, albeit essentially unchanged from 2019/20 in cash terms. In the absence of provisional grant funding allocations for future years, these and wider assumptions remain largely unchanged at this time, resulting in a need to identify £71.3m of additional savings beyond those previously approved, excluding the contingency noted above.
- 2.3 In view of this savings requirement, members have worked closely with officers to develop an integrated set of themed medium-term proposals that, if all approved, would address in full the anticipated savings gap over each of the next three financial years whilst allowing increased investment to support the delivery of the priority outcomes, and six underpinning workstreams, underpinning the Change Strategy. These outcomes, in turn, speak to the city's priorities as expressed through a range of stakeholder engagement, with a particular emphasis on tackling poverty, promoting sustainability and enhancing citizens' well-being.
- 2.4 Achievement of a balanced budget would also allow release of the provision contained within the revenue budget framework to support the Council's £78m funding contribution to the Wave Four schools programme.
- 2.5 Subject to the Committee's approval, these proposals will now be referred to Council on 20 February for decision.

3. Background

Financial context

- 3.1 On 10 October 2019, members of the Finance and Resources Committee considered a progress update on the development of an evolving four-year change strategy, with a specific focus on the budget-setting approach for 2020/21. The report also advised members of the outcome of a review of the principal expenditure and income assumptions and other relevant factors contained within the revenue budget framework. This review pointed to an estimated requirement to deliver at least £86.7m of recurring annual savings beyond those previously approved over the period to 2022/23, with £36m of these required in 2020/21.
- 3.2 The financial reality of the cumulative effect of increasing demand and reducing resource availability will require increasingly difficult decisions to be taken by councils across Scotland, with a heightened focus on prioritisation, prevention and radical reconsideration of service delivery required to secure financial sustainability. This will inevitably lead to a cut in some services currently provided by the Council, along with reductions in associated staffing. Displaced staff will, however, be fully supported through any resulting transition. In addition, demographic growth and funded national initiatives will offset a significant element of this reduction, with the proposals set out later in this report therefore expected to result in overall employee numbers remaining largely unchanged over the three-year period.

Development of the Change Strategy

- 3.3 Since the Committee's meeting in October, extensive work and engagement with elected members has been undertaken, focusing on developing necessary savings proposals to bridge the gap between expenditure and available funding over the next three years as part of a wider, longer-term programme of change aligned to the three underpinning themes of the Change Strategy, namely:
- driving improvements to deliver the high-quality services that our citizens expect and deserve;
 - targeting investment on prevention and early intervention to reduce long-term reliance on our services and allow citizens to lead active, independent lives; and
 - growing the city in a way that is sustainable and inclusive.
- 3.4 The content of the Change Strategy has been informed by in-depth insight on priorities for investment gathered through consultation with Council staff and representative focus groups, with a particular emphasis on hard-to-reach groups whose voices might not normally be heard. Members considered a detailed report on the main themes emerging from this engagement at the Committee's meeting on 6 December 2019. This, in turn, builds upon feedback received as part of consultation on the 2050 City Vision and more regular insight from the Edinburgh People Survey. This feedback has resulted in a more explicit focus within the

Change Strategy on addressing poverty, improving the well-being of the city's residents and supporting ambitious plans to become a carbon-neutral city by 2030.

3.5 Appendix 1 provides an overview of the significant work undertaken in recent months to develop the detail of the strategy as the foundation from which longer-term, priority-based change will be delivered. Members' attention is drawn, in particular, to the six interlinked and interdependent work programmes set out on pages 7 to 16 that will support delivery of the Change Strategy's three overarching aims, namely:

- Poverty and Well-Being;
- 2030 Net-Zero Carbon;
- A 21st Century Estate;
- Being an Efficient and Modern Council;
- Building an Inclusive City; and
- Empowered Citizens, Empowered Colleagues.

3.6 Recognising the crucial importance of financial sustainability to the integrity of the budget framework, work has also continued both to track the implementation of approved saving measures and manage underlying service pressures within Directorates. While the continuing balanced current-year revenue monitoring position set out in a report to the Committee's previous meeting on 23 January is to be welcomed, the co-ordinated, longer-term programme of transformation the Change Strategy seeks to achieve will only be successfully delivered from robust foundations.

4. Main report

Draft Scottish Budget 2020/21

4.1 It had been anticipated that the report to the Committee's January meeting would advise members of the impact on the overall savings requirement of the provisional LGFS to be announced in mid-December. Following the calling of the UK General Election, however, the Chancellor of the Exchequer wrote to the Treasury Select Committee to advise that the UK Budget announcement would no longer take place on the previously-indicated date of 6 November 2019 but with no revised date confirmed.

4.2 There is no specific legal requirement for the Scottish Budget, and by extension the LGFS, to be set after the announcement of the UK Budget. Given the impact of the Treasury block grant and other UK-determined tax-related assumptions on the overall level of funding available, however, recent years' practice has seen the Draft Scottish Budget presented to the Scottish Parliament some three weeks after the UK equivalent, with the LGFS then following two or three working days later.

4.3 The UK Government subsequently confirmed in early January that it would issue its Budget on 11 March. Following the conveying of significant concerns around the practical impact upon financial planning (and, in particular, the requirement for councils to set Council Tax levels for the following financial year by 11 March) of announcing the Scottish Budget after this date, the then Cabinet Secretary for

Finance, Economy and Fair Work confirmed that a one-year Draft Scottish Budget would be announced on 6 February, with the provisional LGFS issued on the same day.

Local Government Finance Settlement 2020/21

- 4.4 Given its later-than-usual date of publication, the Draft Budget will now enter a condensed period of officer and Parliamentary scrutiny. The draft LGFS is initially subject to one week's consultation, with comments invited on the accuracy of the calculations underpinning the accompanying Finance Circular. This period remains on-going as of the time of writing. Members should note that any agreed discrepancies or changes will require to be addressed within the overall quantum of funding contained within the LGFS and, as such, there is the potential for the provisional figures for the Council to change either favourably or unfavourably.
- 4.5 The total level of funding provided to local government may, however, change as part of the Draft Bill's Parliamentary consideration, given the likelihood of needing to secure the support of at least one other political party represented within the Scottish Parliament to be passed. In this regard, members' attention is drawn in particular to the Stage 1 Parliamentary debate, scheduled to take place on 27 February, which, based on previous years, is the most likely point at which any additional funding may be introduced.
- 4.6 Members will note that this debate takes place after the Council has agreed its budget but before the UK Budget is presented on 11 March. In view of the potential for changes to result from one or both of these events, a further report will be brought back to the Committee once the overall impact is known. Due to a combination of (i) the potential for additional funding to be introduced at Stage 1, (ii) the acknowledged cautious approach adopted by the Scottish Government in estimating the likely outcomes of the UK Budget and (iii) additional agreed flexibilities in the operation of the fiscal framework between the UK and Scottish Governments given these exceptional circumstances, however, it is not anticipated that this process will result in a reduction in overall funding.

Scotland-wide position

- 4.7 The provisional Settlement reflects baselining of the £90m of additional revenue resources initially provided on a one-off basis as part of the revised Local Government Finance Settlement in January 2019. In addition, it includes:
- (i) additional revenue (£201m) and capital (£121m) investment to support further expansion of early learning and childcare provision;
 - (ii) additional funding of £100m to support investment in health and social care services delegated to Integration Authorities under the Public Bodies (Joint Working) (Scotland) Act 2014. The £100m includes £25m to support on-going payment of the Living Wage Foundation-recommended rate by all adult care providers, £11.6m for implementation of the provisions contained within the Carers' Act and smaller sums for Free Personal and Nursing Care uplifts (£2.2m) and the full-year effect of school counselling funding first provided in 2019/20. Local authorities are required to pass on to Integration

Joint Boards and/or relevant services a net increase in overall recurring funding at least equal to their share of this £100m. *As such, there is not, at this time, any ability to apply an additional savings target to the IJB baseline prior to passing on in full the additional sums concerned;*

- (iii) full provision for the agreed Scottish Government contribution to the teachers' three-year pay award and a share of the costs of meeting increased superannuation contributions for teachers, consistent with the level provided in 2019/20; and
- (iv) £5.3m of additional revenue resources for valuation authorities to support implementation of the recommendations of the Barclay Review of Non-Domestic Rates.

4.8 The announcement also confirmed that local authorities will again have the flexibility in 2020/21 to increase Council Tax rates by 3% in real terms which, when adjusted for the relevant GDP deflator used in this calculation, permits increases of up to 4.84%. The provisional Settlement also includes sums in respect of national commitments around (i) maintaining current pupil:teacher ratios and (ii) guaranteeing a place for every probationary teacher who requires one under the Teacher Induction Scheme.

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

4.9 The headline provisional Local Government Finance Settlement shows a year-on-year cash-terms increase of £495m (4.9%) in revenue funding. This sum, however, reflects both funding for a number of new or expanded commitments (with corresponding expenditure obligations) and other presentational changes, the net effect of which requires to be incorporated in discerning the underlying impact on the Council's budget framework.

4.10 Once account is taken of the additional priorities noted in the preceding sections, the underlying level of Scotland-wide core revenue funding has decreased by about £95m (0.95%). Relative to this Scotland-wide position, Edinburgh's more favourable (essentially "flat cash") position reflects the net effect of:

- (i) a slight increase in its share of needs-based distribution formulae, primarily those funding allocations calculated with reference to overall population numbers, offset by a corresponding reduction in the contribution from the stability funding floor which smoothes out *year-on-year* changes in grant funding; and
- (ii) receipt of a significantly increased £8.4m contribution (compared to £1.7m in 2019/20) under the Scottish Government policy whereby no authority receives less than 85% of the average Scotland-wide *absolute* per capita level of revenue funding. This funding is provided after calculation of the core settlement.

Implications of the provisional 2020/21 Settlement for the Council's budget framework

- 4.11 As planning assumptions were based on a 0.7% like-for-like funding reduction, the provisional settlement represents a £5.1m improvement relative to the level of core funding assumed within the budget framework, in turn linked to the influence of the 85% funding floor. Given that the overall level of funding is reducing in real terms, however, difficult decisions will still be required.
- 4.12 As noted above, the draft Budget Bill now enters a process of further Parliamentary consideration. This consideration has, in the last three years, resulted in the provision of significant additional resources for Local Government, with £7.0m of further funding provided to the Council in 2019/20. While there is no similar guarantee for 2020/21, there is nonetheless the potential for new funding to be introduced either as a result of this process or confirmation of the UK Budget in March and members will therefore be kept apprised of any resulting changes.

Delivery of previously-approved savings and management of residual pressures

- 4.13 Since the Committee's meeting in October, an on-going assessment of the impact on overall planning assumptions of (i) management of residual cost pressures and (ii) delivery profiles associated with previously-approved savings has been made as summarised in Appendix 2. The combined effect of these changes is broadly net-neutral across the period of the framework but will, assuming subsequent approval, result in additional baselined investment in a number of priority areas such as temporary accommodation, home-to-school transport for young people with additional support needs and waste and cleansing services as shown in Appendix 3.
- 4.14 Taking into account the net impact of (i) the provisional Local Government Finance Settlement and (ii) updated assessments of required investment to address underlying service pressures, the revised three-year savings requirement, including savings approved as part of previous years' budgets but falling due for implementation in future years, is as follows:

	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m
Estimated incremental savings requirement, March 2019	29.600	26.200	28.500	84.300
Additional sustainable savings required to offset service pressures	10.370	(1.320)	(1.000)	8.050
Additional core funding contained within provisional Local Government Finance Settlement, 2020/21 relative to current assumptions	(5.100)	-	-	(5.100)
Revised incremental in-year savings requirement	34.870	24.880	27.500	87.250

4.15 This requirement may be reconciled to the equivalent sum detailed in the report to the Committee's meeting of 10 October 2019 as follows:

	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m
Estimated incremental savings requirement, October 2019	36.000	23.500	27.200	86.700
Change in budget framework provision to offset service pressures	(1.030)	(1.320)	(1.000)	(3.350)
Change in contingency for risks and pressures	(3.000)	(3.000)	(5.000)	(11.000)
Add back previously-approved savings to be delivered in future years	7.000	4.700	5.300	17.000
Add back assumed RPI+2% increase in discretionary fees and charges	1.000	1.000	1.000	3.000
Additional core funding contained within provisional Local Government Finance Settlement, 2020/21 relative to current assumptions	(5.100)	-	-	(5.100)
Revised incremental in-year savings requirement	34.870	24.880	27.500	87.250

Savings proposals for 2020/23

- 4.16 Previously-approved and newly-presented proposals, developed with officers, to a total value of £87.975m are set out in Appendix 4. Based on existing planning assumptions (summarised in Appendix 5), these proposals, if all approved, would allow the Council to set a balanced three-year budget, with an unallocated sum of £0.300m in 2020/21 and a further £0.425m in 2022/23. Approval would additionally allow release of the provision contained within the framework to support the loans charge consequences of £78m of planned capital investment in the Council's Wave Four schools programme.
- 4.17 The report to the Committee's meeting on 10 October 2019 noted the inclusion within the framework at that time of a specific contingency (totalling £11m over the three-year period) to provide both an element of protection against the emergence of future unfunded expenditure pressures and delivery shortfalls in elements of the savings programme. The revised framework does not explicitly include this contingency, primarily reflecting the difficulty, given wider pressures and service demands, to identify corresponding deliverable savings from which to create this financial headroom.
- 4.18 In order to retain an element of protection against partial savings delivery in some areas, however, corporate budgets (particularly required non-staffing inflationary provisions and Council Tax income) will continue to be examined in the remainder of the financial year and 2020/21 to identify any further potential savings. In addition, given the potential for additional funding for Local Government to emerge from the Draft Budget Bill's Parliamentary consideration, while this position may not be repeated in the two subsequent years, an element of any additional funding

could be left uncommitted as a contribution towards future years' incremental requirements.

- 4.19 Setting a three-year balanced revenue budget, rooted in a wider Change Strategy, would complement the ten-year capital plan approved by the Finance and Resources Committee on 6 December 2019 (and on which a further update is provided elsewhere on today's agenda) and addresses, at least in part, the recommendation in the Council's Annual Audit Report that a more strategic, long-term approach be adopted. As this year's process vividly illustrates, however, projections of available revenue funding, even over the short- to medium-term, are subject to considerable uncertainty and, as such, opportunities to develop a longer-term revenue budget plan will be kept under regular review.
- 4.20 Following approval of the Council's budget on 20 February, a progress update on required actions to support implementation will be brought to the Committee's meeting on 5 March.

Edinburgh Integration Joint Board (EIJB)

- 4.21 Prior to the announcement of the provisional LGFS, the budget framework for 2020/21 assumed a gross uplifts of £10.1m (including £1m in respect of the Carers' Act) in the Council's offer to the EIJB based on the level of additional earmarked funding received from the Scottish Government for health and social care in 2019/20. The framework also reflects the agreed baselining of the £2.5m additional contribution approved as part of the Council's 2019/20 budget in support of sustained performance improvement.
- 4.22 The Scottish Government introduced flexibility in 2019/20 to allow local authorities to offset their adult social care allocations to Integration Authorities by up to 2.2% relative to recurring spend baselines, based on an assessment of local needs. Financial planning within the Council and the EIJB had been proceeding on the basis that this target (some £4.8m in 2020/21) would also be applied in each of the next three years. In light of the terms of the provisional Settlement, however, the assumed savings target in 2020/21 has now been removed.
- 4.23 Based on the provisional Settlement for 2020/21, the Council's provisional offer to the EIJB will therefore increase by £8.3m (3.7%) over the 2019/20 baseline to £225.9m. While this pass-through of resources is some £1.8m lower than the initial planning assumption, the removal of flexibility in the Settlement (and thus not applying the £4.8m savings target) results in a net increase in the Council's provisional offer relative to current EIJB planning assumptions of £3m, inclusive of £1.0m of Carers' Act implementation costs support already assumed by the EIJB.
- 4.24 In addition, as a condition of receipt of full funding by territorial health boards, payments to Integration Authorities for delegated health functions must be increased by at least 3% over 2019/20 agreed recurring budgets. As part of the 2020/21 funding settlement, NHS Lothian has also been allocated an additional 0.9% uplift (taking its overall uplift to 3.9%) as part of application of the NRAC funding parity policy. If a corresponding additional uplift were passed through to the EIJB, this could be used to offset further pressures.

- 4.25 Following the initiation of a series of workshops and onward consideration by the Board of a proposed savings and recovery programme for 2020 and beyond, it is the intention to present a 2020/21 financial plan, incorporating a savings and recovery programme, to a special meeting of the EIJB in April. Taken together, improved offers from both partners based on their respective funding settlements have the potential to go some way towards addressing the residual 2020/21 funding shortfall highlighted by the EIJB Chief Finance Officer and discussions with partners are continuing as current expenditure and funding assumptions are refined.
- 4.26 Engagement is continuing with the EIJB on a range of issues including contribution-based charging and application of inflationary uplifts on Resource Transfer sums provided by NHS Lothian. Given both this and wider uncertainty about future funding levels, the proposals in Appendix 4 continue to assume that the Council will apply an annual savings target of up to £4.8m based on current service expenditure, prior to passing on relevant additional monies included within the LGFS, in each of 2021/22 and 2022/23.

Carbon budgeting pilot

- 4.27 In considering a report on the Change Strategy on 1 February 2019, members of the Committee agreed to establish a carbon budgeting pilot incorporating the school estate, streetlighting, traffic signals and waste functions which together currently account for almost 70% of the Council's emissions. Indicative targets for reductions were set for 2018/19, the results against which are summarised in the table below.

Emissions source	2017/18 (tCO₂e)	2018/19 (tCO₂e)	2018/19 (tCO₂e)	Year-on-year reduction
	Actual	Target	Actual	Actual
Streetlighting	10,447	7,489	8,203	21.5%
Schools - electricity	9,800	7,596	7,669	21.7%
Schools – gas	16,040	15,542	15,029	6.3%
Traffic signals	878	823	677	22.9%
Total	37,165	31,450	31,578	15.0%

- 4.28 While no formal target was set for 2018/19, waste-related emissions also reduced by some 29% from 67,842 to 48,050 tonnes following the opening of the Millerhill recycling and reprocessing plant.
- 4.29 Across all areas of the pilot (including waste), actual in-year emissions reduced by some 24%, allowing the overall school- and traffic signals-related targets to be met. Streetlighting-related emissions were, however, slightly higher than anticipated due to delays in roll-out of the LED replacement programme.
- 4.30 The report to the Committee's meeting in February 2019 included indicative targets for later years. Given that carbon budgeting forms an integral part of wider carbon management activity geared towards the city's becoming carbon-neutral by 2030, any relevant changes and supporting initiatives will be set out as part of this wider strategy and reported to the Policy and Sustainability Committee.

5. Next Steps

- 5.1 Following consideration by the Committee, the proposals set out in Appendix 4 will be referred to Council for decision as part of the budget-setting process.

6. Financial impact

- 6.1 If all approved, the proposals set out in Appendix 4 provide the potential to set a balanced three-year budget, allowing provision for associated borrowing costs of the Council's contribution to the Wave Four schools programme to be released.

7. Stakeholder/Community Impact

- 7.1 As set out in the engagement-related report to the October Finance and Resources Committee paper, there are no plans for a further formal consultation on the budget. Budget proposals which are anticipated to have a substantive impact on citizens and have not been previously subject to discussion will, however, require consultation prior to implementation. This is likely to take place following the budget decision to provide sufficient time for informed consideration.
- 7.2 This said, the proposals set out in Appendix 4 to this report are based on feedback on priorities gathered both as part of the dedicated staff and citizen focus groups and related initiatives, including the City Vision 2050 and on-going insight from the Edinburgh People Survey.

8. Background reading/external references

- 8.1 [Revenue Monitoring Month Eight Position](#), Finance and Resources Committee, 23 January 2020
- 8.2 [2020/21 Finance Plan Update](#), Edinburgh Integration Joint Board, 4 February 2020
- 8.3 [Finance Update](#), Edinburgh Integration Joint Board, 10 December 2019
- 8.4 [Revenue Monitoring 2019/20 – half-year report](#), Finance and Resources Committee, 6 December 2019
- 8.5 [Change and Budget Citizen Focus Groups Report](#), Finance and Resources Committee, 6 December 2019
- 8.6 [Council Change Strategy: Planning for Change and Delivering Services 2019-23](#), Finance and Resources Committee, 10 October 2019
- 8.7 [Capital Budget Strategy 2020-2030](#), Finance and Resources Committee, 10 October 2019

9. Appendices

Appendix 1 - Change Strategy progress update

Appendix 2 - Delivery of previously-approved savings and management of residual service pressures – updated assessment

Appendix 3 - Detailed pressures and investment by Directorate

Appendix 4 – Budget proposals overview, 2020/23

Appendix 5 – Principal current financial planning assumptions, 2020/21 to 2022/23

Our Change Strategy Foreword



Adam McVey
Council Leader



Cammy Day
Depute Leader



Andrew Kerr
Chief Executive

A year ago, we set out the first stage of our Change Strategy, [Planning for Change and Delivering Services](#). We spoke of our ambitions, the opportunities available to us as a city, and the challenges we need to overcome in order to deliver the Council's [Programme for the Capital](#) and the Administration's 52 Commitments to the city.

Over this first year, residents of Edinburgh have been telling us about the kind of city they want Edinburgh to be now, and in the future. [The 2050 City Vision](#) may be looking decades into the future, but to make it happen, we need to start now.

We are committed to ensuring our actions contribute to making Edinburgh the kind of city residents are proud to live in, and that everyone can benefit from the success of the city. To achieve this, the first stage of our Change Strategy concentrated on three themes:

- to provide **high quality services**
- making sure that our growth is **sustainable and inclusive**
- to prioritise **early intervention** and preventative actions to support vulnerable people.

We are building on these themes and explicitly focusing on tackling poverty, improving the wellbeing of our residents and becoming a carbon neutral city by 2030.

With this in mind, we have developed six programmes highlighting the practical steps we are taking over the next three years and beyond.

- A **21st Century Estate**
- **Poverty and Wellbeing**
- 2030 Net **Zero Carbon**
- Building an **Inclusive City**
- Being an Efficient and **Modern Council**
- Empowered **Citizens**, Empowered **Colleagues**

Last year we showed the scale of the challenge; a potential budget gap of £106 million between 2019 and 2023. This year we will show how this gap can be closed and our budget balanced over the next three years. This will present challenges and changes, but we are committed to delivering the best possible services for the people of Edinburgh whilst maintaining a strong and sustainable financial position.

Our Change Strategy

The Story So Far

What have we achieved?

After the first year of our four-year Change Strategy we have made significant progress in redesigning services, improving efficiency and making savings in our Revenue Budget.

We have:

- delivered savings worth over £30m
- created an independent Poverty Commission which will shortly publish its final findings
- launched an innovative programme of intelligent automation, improving response times and access to services
- successfully lobbied the Scottish Government to grant powers to introduce levies on workplace parking and transient visitors.

Through our capital and investment budgets, we have achieved all of this whilst still making sustainable investments in infrastructure including:

- £67m for new or refurbished primary and secondary schools across the city
- £153m to upgrade our estate of nearly 600 operational buildings
- £11m to upgrade street lighting to energy efficient LED lights
- £7.4m on active travel and cycling around the city
- £15.7m of additional investment in health and social care
- funding a rapid access accommodation pilot and dedicated housing officers to reduce homelessness
- started construction on extending the Tram network.

So, What now?

Local authorities across Scotland are faced with rising demands for services at a time where the funding from Government is being increasingly stretched. Over the following pages we will look at our finances, the people and the city of Edinburgh, and the broader national context. This will show how our City Vision and the three themes of the Change Strategy have informed the six programmes we will use to ensure Edinburgh is a sustainable, inclusive city with access to efficient and modern Council services.

Our Change Strategy

Finances

Our **Revenue Budget** covers day-to-day spending on providing Council services, including staff salaries, utilities costs, and supplies.

The money to support our spending is set out at the start of the year through a combination of Government Grants, Non-Domestic Rates and Council Tax. We also collect some income from providing a range of Council services.

In 2019/20 roughly a quarter of our budget comes from **Council Tax**



Scottish Government Funding and **Business Rates** make up the rest



From every household in Edinburgh we collect, on average, **£1,175** of Council Tax.

The average cost of providing services to each household is over **£4,000**.

Capital spending relates to anything spent on buying, constructing or improving the assets we own where the benefits will extend beyond the current year. This could include construction of new buildings such as schools. Money for capital spending can come from Government grants or income from selling property. Most of the remainder comes from borrowing.

Broadly speaking, these two budgets are kept separate – capital funds cannot be used to fund services and revenue funds intended for delivery of services are not used to invest in longer-term capital projects.

We have already saved over £300 million since 2012, but there are further demands on our services, rising public expectations and other pressures on our budget. **In 2019/20 our revenue budget was £965 million.**

From our current budget of **£965million**, we need to make savings of roughly **10%** by 2023(£100m)



Our Change Strategy

People

In the coming years there will be an increased demand for all of our services, from **schools, roads and bin collections**, to **care homes, housing and mental health** services.

In 2021 it is forecast that the number of people aged 65 and over will overtake the number of people aged under 18. In comparison to 2018, by 2023 there will be 4,000 more children



in our schools and our **total population** will have increased by **23,000 people**.

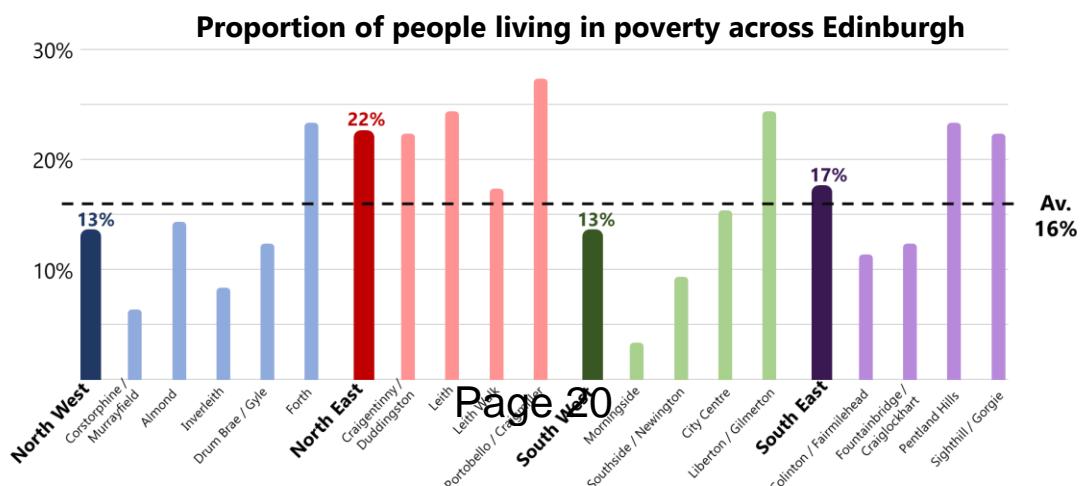
We need to make sure that the city continues to be open, progressive and forward-thinking so that everyone can share in the benefits. To do this we need to be a modern organisation focused on efficient and effective delivery of our public services. We cannot continue to do things the same way we always have.

We need to change and improve.

We all think that Edinburgh should be a city where everyone has a chance of a decent and secure life, no matter their start in life or where in the city they live.

That is not the case now. We know that over 80,000 of our citizens, including almost 1 in 4 of our children, live in poverty and an increasing number of our citizens, even some in work, rely on foodbanks. This cannot be allowed to continue.

Working together as a city, we have a responsibility to act and a legal duty to end Child Poverty by 2030. More than that we have an opportunity to improve this position. We believe that much lower rates of poverty in Edinburgh can be achieved.




Our Change Strategy

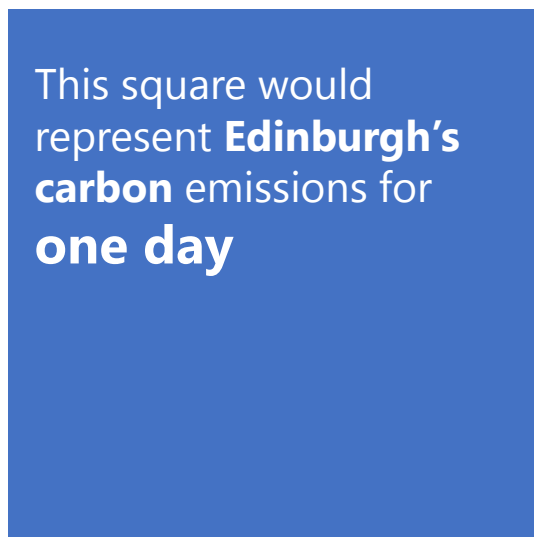
The City

Edinburgh has a rich **cultural history** and the Council is proud to play a significant role in supporting cultural life in the city, from our festivals to our 'here all year' organisations.

We welcome people from across the globe who come to see and experience our vibrant capital city. This needs to take into account the economic benefit to the city balanced with the **needs of those who live and work here**.

Responding to the **global climate crisis** is a fundamental part of the Council's planning for the future. We have committed to becoming a carbon neutral city by 2030. To achieve this ambitious target the Council has co-sponsored a City Climate Commission and will develop a 2030 City Sustainability Strategy. We have already significantly reduced our carbon footprint over the last decade but there is still a lot of work to do. Edinburgh, as a city, needs to step up and play its part and encourage involvement from every resident.

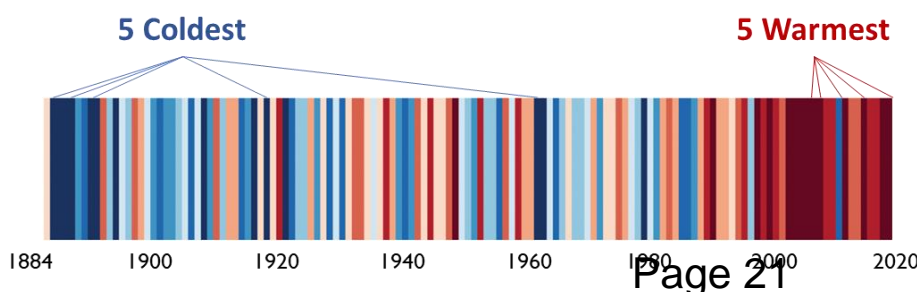
If this dot  represents **one tonne of carbon dioxide**.



This **whole page** would represent our emissions for **less than two weeks**

A full year would fill **30 pages**

The graph below shows the UK average temperature for every year since records began



The five **hottest years ever recorded** have **all** occurred since **2006**.

All of the **top ten** have occurred **since 2002**.

Our Change Strategy

National Context



The **Scottish Government** has developed a National Performance Framework which includes **11 strategic aims** aligned to the UN Sustainable Development Goals. They prioritise, health, wellbeing and sustainability.

Our City Vision

In 2016, we launched a major conversation about the future of our city and society.

During the first year, we spoke to thousands of people of all ages, and identified four important themes that resonated with the people of our city:

To be **connected, inspired, thriving, and fair**.

Our Change Strategy

Through our three themes, the City Vision and the Scottish Government Framework, we have developed six programmes:

- A **21st Century Estate**
- **Poverty and Wellbeing**
- 2030 Net **Zero Carbon**
- Building an **Inclusive City**
- Being an Efficient and **Modern Council**
- Empowered **Citizens**, Empowered **Colleagues**

These **Work Programmes** have been developed to illustrate how **our services are interlinked** and interdependent. By **focusing on our key aims**, all services can see how they **contribute to common goals** and share both the challenges and rewards.

Poverty and Wellbeing

Our main aim is that everyone should benefit from Edinburgh's success. In setting this three-year budget we will continue to deliver our plans to reduce poverty and improve residents' wellbeing. We are committing to this in the following three ways:

Developing a long-term Prevention Strategy

Prevention is all about providing the right support in the right way at the earliest opportunity to prevent the need for services developing for longer. The best way of improving long term outcomes for people is to ensure they can access help when they need it. For example, it is important to support people who have become homeless, but if we can work together and work differently to stop it happening in the first place, then we can make a more positive difference to people's lives in a sustainable way. This will not happen in a single, simple step and the challenge will increase as Edinburgh's population grows. We are changing how we work, moving from being reactive to being proactive. We will be more collaborative and empower citizens, communities and service providers to be heard and to be involved.

The Edinburgh Poverty Commission

We set up the independent Edinburgh Poverty Commission to investigate and define what we can do to end poverty in this city. The first findings have been published and final recommendations will be released in March. We will take these recommendations forward to improve the lives of people who are struggling to get by in this city.

A new approach to maximising wellbeing

Tackling poverty and inequality is also about improving the wellbeing of all citizens. Residents have access to some of the best parks, green spaces and leisure facilities in Scotland. We want to protect this for the enjoyment and physical health benefits they bring but also recognise the role of leisure facilities in improving mental health. We have an extensive library network and a wide selection of community-based learning that improves opportunities for citizens to socialise and develop new skills. We need to ensure that services such as these are designed around our residents' needs and can be sustainably funded to ensure they remain available for those who rely on them.

2030 Net Zero Carbon

Responding to the global climate crisis is a central part of our plan for the future. We want to be a carbon-neutral city by 2030. We have a lot of work to do and we need to start now.

Leading with Partnership: an Edinburgh Commission for Climate Action

55% of the City's carbon emissions could be reduced with current technology and behaviour choices that would pay for themselves within 10 years. Only around 12% of the city's emissions come from public bodies such as the Council, the NHS and our Universities. This means we must work as a city, with businesses and citizens, to find new and better ways of reducing our carbon footprint if we are to prevent the worst impacts of climate change. With the Edinburgh Centre for Carbon Innovation, we are co-sponsoring the establishment of the Edinburgh Commission for Climate Action. This will be an independent body that will advise and support the whole city to play its part in protecting our environment for future generations.

Short Term Improvement Plan

There are actions the Council has the power to take right now which would represent a meaningful step forward on our journey towards our 2030 target and we have already agreed a short-term improvement plan that will ensure we are maximising these wherever possible.

We will continue to look at energy generation, insulation and energy saving measures in some of our older buildings which present the greatest challenge in our historic city. We want as many of our building improvements and new builds to conform to the highest energy standards possible. We have already started to increase the number of charging points for electric vehicles across Edinburgh with plans under development to increase the number significantly to ensure that we are a city where people can easily make positive choices to move to electric and public transport. There is more to be done to realise our 2030 ambition, but it is vital we act now and build momentum for the long-term change that is needed.

Developing a 2030 City Sustainability Strategy

Building on the work already started and work underway with our partners and citizens we will publish an ambitious City Sustainability Strategy by the end of the year. The strategy will build on recent progress and the recently published City Centre Transformation, City Mobility Plan, Local Emission Zones and City Development Plan and will ensure we have a practical plan that responds to the agreed ambition for the city to be net zero by 2030.

21st Century Estate

Ours is a unique city. We have more greenspace than any other UK city and two UNESCO World Heritage Sites. We also have a fantastic network of community buildings which are a highly valued part of the social fabric of Edinburgh. Over the last few years we have reduced the number of buildings we use but still spend £100m a year running the ones we still own.

Land and Property Commission

Resources like offices and depots can be shared across the public sector. We'll be able to identify sites for new housing, release capital for investment, reduce costs and carbon emissions. This will be overseen by a Land and Property Commission and supported by the Scottish Government.

Managing, using, and investing in our estate

We are developing a new Estate Strategy examining all aspects of how we run and maintain our buildings and land. We have committed £153m of additional investment in our estate. This will hugely improve the condition, safety and accessibility of our buildings. We are investigating energy generation, insulation and energy saving measures in some of our older buildings which will be done in an ethical, sustainable way contributing to our carbon target and saving money in the long term.

Depots and Yards strategy

Three years ago we had 16 depots and yards spread all over the city. Today we have 10 and by 2023 we want this to reduce to three consolidated fit-for-purpose facilities. This will release land for housing and development and make our services more efficient and effective.

Cultural venues

We operate 13 museums and galleries across the city with staff curating a collection of over 200,000 items. We're reviewing how these collections are housed and how the public can make the most of them. Our commercial venues such as the Usher Hall can update the services they offer to be more accessible and generate more income, for example through cashless payment for food, drinks and merchandise.

Investment in the learning estate

We are developing our Learning Estate with 10 new or replacement primary schools and seven replacement secondary schools over the next 10 years. Queensferry High School will be opening this Easter. As a part of our environmental commitments, as many of our renewals and new builds as possible will conform to Passivhaus standards in line with the 2015 City Plan.

Our Change Strategy

Efficient and Modern Council

Our people are at the heart of delivering services. To deliver the right outcomes for citizens and the city, we'll need to continually reform and change as an organisation and continue to modernise our services. This can be done by making the most of digital technologies, improving access to services for citizens and, at the same time, streamlining our internal operations further.

A diverse and inclusive council

It is important that the Council's workforce becomes more inclusive, representative and reflective of the City and the communities that we serve. Our recently approved Diversity and Inclusion strategy, includes supporting our colleague networks for Women, BAME, LGBT+ and colleagues with disabilities or long-term conditions. We're committed to closing the Gender Pay gap and improving the diversity of our most senior managers.

Our employee health and wellbeing

Our Wellbeing strategy outlines our commitment to supporting the financial, physical and mental wellbeing of our employees, this includes programmes to break down the stigma associated with mental health conditions. It's critical that our workforce is fit and healthy to deliver services for our citizens.

What and how we pay our workforce

A review of what and how we pay our workforce is underway so that we can attract, retain and appropriately reward our workforce with a firm commitment to fully integrating the Scottish Local Government Living Wage. This is cognisant of our need to deliver services, the labour market, market comparators, living hours, gender pay, equal pay and our nationally agreed terms to ensure fairness, transparency and equality. Proposed changes will involve consultation and engagement with our employees and Trade Unions through our partnership agreement.

Continued review of our employee policies

Our employee policies set the tone for what we expect from our people. Set within a legal and regulatory framework, it's important that these set the right balance of expectation and support aligned to our values. To support our people and our change strategy, we have recently implemented a new change management policy with greater focus on engagement and a new absence management policy with a greater focus on prevention. We work closely with our Trade Union partners, colleagues and subject matter experts to help shape and develop the best policies for our people and organisation.

Our Change Strategy

How we develop our workforce

To ensure that we can support and equip our people properly, both now and in the future, we will continue to invest in learning and development. It's critical to grow the right skills and knowledge and to encourage a learning environment where our people are empowered to own their development. This includes key areas such as performance management, digital, mental wellbeing awareness and personal resilience. There is a need for strong leaders capable of supporting people through continuous change and improvement. We have recently implemented a new Leadership Framework, which includes managing change and performance. We have also launched a flexible self-directed digital development platform and a new Inspiring Talent programme recognising the need to develop both current and future leaders. Equally we continue to provide a wide range of essential learning to ensure core competence is maintained and professional standards achieved.

A new Smart City strategy

The increasing use of data and the advances in digital technology make it possible to oversee many aspects of city management through a single operations centre. It is also possible to bring teams together to reduce running costs, whilst improving outcomes for the city and citizens. We'll adopt a proactive approach to maximise the benefits of new technologies for areas such as: digital learning, digital health and smart housing. We'll do this in partnership with the City Region Deal Data Driven Innovation Programme and our IT partner, CGI.

Digital learning

Edinburgh schools have long led the way in world class digital learning. Three of our secondary schools are already recipients of the Digital Schools Awards and we are determined that every child in every school will have the same opportunities. One of the key strands of our revised education system, Edinburgh Learns, is the strategy for Digital Learning which sets out how we train staff, support school leaders, and how we provide the highest quality devices to enhance learning. Digital learning for life, with families using school devices at home to access the internet forms part of this ambitious, inclusive strategy.

Council Wide efficiency programme

We have made good use of automation and process improvement and our award-winning procurement team is working with service areas to see how we can buy supplies and services as efficiently as possible. As a Council we will spend responsibly ensuring public money delivers community benefits, carbon emissions reductions and a more sustainable supply chain.

Our Change Strategy

Management of corporate finance

We have an excellent track record in achieving positive outcomes from our approach to treasury management, including our arrangements for borrowing and loans. We will continue to make prudent, sustainable and affordable investment decisions to support and maximise the funding we have available to provide services.

Income generation

We already generate additional funding through a range of our discretionary services and the application of fees and charges. We also leverage significant additional funding through the careful management of our investment property portfolio. We will continue our work to maximise all our revenue streams for the future.

Building an Inclusive City

Edinburgh has the strongest economic growth in the UK outside of London and our population continues to grow. We want everyone who lives here to benefit when the city does well, so we are investing in housing, transportation, schools and roads. We have one of the highest housing construction rates in the country and work on the Tram to Newhaven has begun. Across Edinburgh we have significant opportunities to develop our city and the communities within them. We have a series of strong plans to make the most of the opportunities we have.

Tram to Newhaven

A £207m investment has been approved and the construction phase is now underway. The extension is projected to raise £7m of fare income through the additional passengers using the extended Tram network from 2023, meaning that the project will not affect the on-going level of resources available for other services.

Housing and regeneration

We are committed to delivering 10,000 new affordable homes by 2022 and 20,000 by 2027. We are on track to achieve this target. To get this done we are working with Housing Associations and the private sector.

City Plan 2030

The future shape of the city will be guided by our 2030 city plan which was published earlier this year. It focuses on four key themes – sustainability, affordability, mobility and that everyone benefits from economic success.

A new approach to learning and community infrastructure

The Scottish Government launched its new Learning Estate Strategy in September 2019 with a focus on Connecting People, Places and Learning. As part of building an inclusive net zero-carbon city we need to create community lifelong learning and sports hubs where public services can be co-located with links to active travel networks, green infrastructure and strategic public transport networks.

Edinburgh Learns

Every child in our schools should have the highest quality education to develop the skills and competencies they need. Edinburgh Learns describes how we are radically reforming our whole education system with research-informed practice, collaborative decision making and genuine participation. Like the City Vision, it's ambitious and inclusive, and is already showing impact with more children and young people achieving key measures, including the narrowing of the attainment gap at P4, P7 and S3.

Our Change Strategy

City Centre Transformation

We need to have a sustainable city centre which protects our heritage and works for residents, businesses and visitors. By encouraging public transport and active travel we can reduce congestion and pollution – making Edinburgh a vibrant and sustainable capital city.

Edinburgh BioQuarter

This four-way partnership between the University of Edinburgh, NHS Lothian, the Council and Scottish Enterprise is designed to create high quality jobs and services adjacent to some of the most deprived areas of Edinburgh.

West Edinburgh and Granton Waterfront

These represent two of the largest development and regeneration sites in Scotland, and work continues with partners to maximise these major opportunities for mixed-use, high-quality development.

City Mobility Plan

We recently published an ambitious ten-year plan to change the way that people move around the city, focused on public transport, cycling and walking.

Transient visitor and workplace parking levies

Legislation is either in place or due to be progressed in 2020 for both a Transient Visitor Levy and a Work Place Parking Levy. If implemented these could provide additional income we can keep to help us make Edinburgh a sustainable city that meets the needs of residents, businesses and tourists.

Empowered Citizens, Empowered Colleagues

Both residents and colleagues within the Council, will be at the heart of the Change Strategy. Citizens have much to offer when they collaborate, with services which have been co-designed often delivering better outcomes than traditional models. Empowering citizens has also been a growing theme across the UK. Several recent acts have been passed by the Scottish Government that strengthen the voice of citizens in service design and budget allocation. We will prioritise a collaborative way of working through our strategic partnerships, contracts, third sector collaborations, and with communities and citizens.

We know that people working in the Council are committed to public service and they want to improve the quality of life for the people that live in, work in, study in or visit Edinburgh. A new approach to service design and working can have a positive impact on citizens' lives but also on colleague satisfaction and productivity. People across the Council have been clear that whilst they understand the need for change they don't always feel properly engaged or consulted. We will work with colleagues to ensure the right support and engagement is in place to ensure our whole workforce feels the Council is an exciting and rewarding place to work.

Active engagement and consultation with our residents

We have more than tripled citizen engagement in Council consultations in the last three years as we consider major change in the city from City Centre Transformation to the budget and climate action. We will continue to innovate and use modern and accessible ways of consulting with all citizens, engaging earlier and more meaningfully. We will be introducing new standards for consultation across the Council that will ensure consistent good practice showing clearly how citizen views shape the work of the Council.

Citizen empowerment and a new way of working together

We will work with citizens to develop a new way of working across the Council that focuses first on the strengths that citizens and communities hold. We will focus on how the Council can support community and citizen capacity to grow; co-designing services around strengths and listening to citizens' experiences and needs. This will begin with our approach to prevention and build on good practice within children and family services that has enabled citizens and communities to work with us to design and deliver services that have improved lives.

Participatory budgeting

Work is underway on a series of key participatory budgeting opportunities that will enable the public to decide how resources are invested. This will ensure we fulfil our commitment that 1% of council budgets should be invested through participatory budgeting by 2021.

Partnership

The Edinburgh Partnership has been on a journey of reform. New governance is now in place and the 10-year Locality Outcome Improvement Plan has been agreed around the priorities of poverty and inequality. The focus now is on delivery and further collaboration across the public sector and wider partners to ensure we are taking action to collectively address the challenges and capitalise on the opportunities facing the city.

Conclusion

The Change Strategy is designed to ensure everyone can benefit from Edinburgh's success. We are building on progress made in the last 12 months, but this is just the beginning.

By 2023 we are committing to:

- **balancing our budget each year** and being a strong, sustainable Council
- providing **high quality services** that prioritise and **maximise all of our residents' wellbeing**
- **creating a sustainable, efficient estate** that meets the developing needs of residents
- making significant progress in **tackling poverty** in Edinburgh
- **involving citizens and staff** in the decisions that affect the city and its people
- developing a clear plan to **become carbon-neutral by 2030**
- completing construction of the extension of **trams to Newhaven** and **10,000 affordable homes**
- implementing a **Transient Visitor Levy**.

The Change Strategy is not just a document. It's a tool that will be used to set priorities across the Council. It will influence and drive the way we operate as an organisation and how we deliver services.

We have set up a change board to monitor the progress of major projects to ensure they are well-governed, resourced and run efficiently. The Council will receive regular reports and updates so there will be a full view of the work carried out to ensure honesty, accountability and transparency on behalf of the people and city of Edinburgh.

Appendix 2 – Delivery of previously-approved savings and management of residual service pressures – updated assessment

Previous reports to the Finance and Resources Committee have consistently highlighted the importance of sustainable foundations to the integrity of the budget framework. In this context, both delivery of previously-approved savings and active management and mitigation of residual service pressures are vital.

Delivery of previously-approved savings

Based on an assessment of their deliverability, the savings requirement set out in the report considered by the Committee on 10 October 2019 assumed a total of £17.0m of measures approved as part of the 2019/23 budget would be available to contribute towards future years' savings requirements. This assessment recognised that, in some cases, these savings represented the full-year effect of actions to be implemented in 2019/20.

The assessment has been reviewed on an on-going basis since that time and currently indicates that, in view of the status of associated implementation plans and experience of actual delivery in 2019/20, this figure has reduced slightly to £15.932m. The main change from the earlier assessment is a decreased level of saving relating to the review of the Economic Development function based on the impact of changes to date.

Management of residual service pressures

Executive Directors and their Heads of Service have also continued to examine service pressures with a view to mitigating, as far as is practicable, their impact. This assessment has, however, recognised that some pressures are, by their nature, complex, with corresponding mitigating actions only therefore deliverable over a longer timescale. Through targeted action to avoid direct frontline service impacts, however, this residual sum has been mitigated to £10.370m, anticipated to reduce by a further £1.320m in 2021/22 and then £1.000m (i.e. cumulatively £8.050m by 2022/23).

While adding to the overall savings requirement, much of this investment is focused in priority areas within the broader Change Strategy, including home-to-school transport for young people with additional needs and temporary accommodation. Other elements will bolster the foundations from which to deliver planned service improvements in core services such as waste collection and disposal. The full make-up of this investment is set out in Appendix 3.

Appendix 3 - Detailed pressures and investment by Directorate

Pressures	Month 6 Net Pressure	One-Off Mitigation and Other Factors	Estimated Residual Pressure 2020/21	Residual pressure requiring action by 2020/21	Investment 2020/21	Reduction in Investment 2021/22	Reduction in Investment 2022/23	Investment by 2022/23
	£m	£m	£m	£m	£m	£m	£m	£m
Home-to-School Transport	1.800	-0.200	1.600	-0.100	1.500	-0.500	-0.500	0.500
Temporary Accommodation	0.800	1.400	2.200	-0.200	2.000	0.000	0.000	2.000
Efficiencies - Management Savings and Workforce Management	0.900	0.100	1.000	-0.600	0.400	0.000	0.000	0.400
Schools Non-Devolved Costs	0.600	0.000	0.600	-0.600	0.000	0.000	0.000	0.000
Community Access to Secondary Schools	0.800	0.000	0.800	-0.480	0.320	-0.320	0.000	0.000
Schools Demographic Pressures	0.000	0.400	0.400	-0.240	0.160	0.000	0.000	0.160
Community Justice	0.200	0.700	0.900	-0.900	0.000	0.000	0.000	0.000
Libraries Income	0.300	-0.100	0.200	-0.200	0.000	0.000	0.000	0.000
Primary School Lets	0.150	0.000	0.150	-0.150	0.000	0.000	0.000	0.000
Adult Education	0.100		0.100	-0.100	0.000			0.000
Safer and Stronger Communities - Family and Household Support	-0.200	0.200	0.000	0.000	0.000			0.000
Communities and Families	5.450	2.500	7.950	-3.570	4.380	-0.820	-0.500	3.060
Property and Facilities Management	0.572	3.416	3.988	-1.988	2.000	-0.500	-0.500	1.000
ICT Partnership - Contract Optimisation		0.900	0.900	-0.900	0.000			0.000
Customer and Digital Services - Efficiency Savings	0.000	0.437	0.437	-0.262	0.175			0.175
DWP Grant Reduction	0.352		0.352	-0.152	0.200			0.200
Print and Mail Strategy		0.100	0.100	-0.100	0.000			0.000
Legal and Risk	0.273		0.273	-0.273	0.000			0.000
Workforce Management	-0.527	0.527	0.000	0.000	0.000			0.000
Resources	0.670	5.380	6.050	-3.675	2.375	-0.500	-0.500	1.375
Waste	0.649	1.151	1.800	-0.550	1.250			1.250
Parks and Greenspace	1.009		1.009	-0.605	0.404			0.404
Network (Transport Reform)	0.625		0.625	-0.625	0.000			0.000

Pressures	Month 6 Net Pressure	One-Off Mitigation and Other Factors	Estimated Residual Pressure 2020/21	Residual pressure requiring action by 2020/21	Investment 2020/21	Reduction in Investment 2021/22	Reduction in Investment 2022/23	Investment by 2022/23
	£m	£m	£m	£m	£m	£m	£m	£m
Place - Residual Budget Gap	1.255		1.255	-1.255	0.000			0.000
Place - currently red-assessed savings which require a new plan	1.000	-0.150	0.850	-0.850	0.000			0.000
Fleet	0.219	0.400	0.619	-0.372	0.247			0.247
Roads	0.104		0.104	-0.104	0.000			0.000
Cleansing	0.535		0.535	-0.535	0.000			0.000
Scientific Services	0.458		0.458	-0.458	0.000			0.000
Infrastructure	0.107		0.107	-0.107	0.000			0.000
Environmental Localities	0.360		0.360	-0.360	0.000			0.000
Planning and Building Standards	0.457		0.457	-0.457	0.000			0.000
Place	6.778	1.401	8.179	-6.278	1.901	0.000	0.000	1.901
Lean / Automation	1.750		1.750	-0.250	1.500			1.500
Income Generation	1.000		1.000	0.000	1.000			1.000
Workforce Modernisation and Change Management	0.500		0.500	0.000	0.500			0.500
Reduction in Senior Management	0.243	-0.107	0.136	-0.136	0.000			0.000
Council-Wide Savings	3.493	-0.107	3.386	-0.386	3.000	0.000	0.000	3.000
Total - Service Budgets and Council-Wide Savings	16.391	9.174	25.565	-13.909	11.656	-1.320	-1.000	9.336
Carbon Reduction Commitment/Climate Change Levy - net savings	-0.500		-0.500	0.000	-0.500			-0.500
Efficiencies - enabling funding	-0.786		-0.786	0.000	-0.786			-0.786
Corporate Budgets: Recurring	-1.286		-1.286	0.000	-1.286	0.000	0.000	-1.286
Final Position	15.105	9.174	24.279	-13.909	10.370	-1.320	-1.000	8.050

The City of Edinburgh Council

Budget Proposals Overview

Change Strategy 2020/21 – 2022/23

Financial Summary

Theme	Description	2020/21 Saving (£m)	2021/22 Saving (£m)	2022/23 Saving (£m)	Total Saving (£m)
1. Income Generation	Looking at ways to increase our income.	1.255	1.406	1.157	3.818
2. Workforce	Ensuring our workforce is effectively organised.	1.021	1.714	2.628	5.363
3. Service Reduction	Stopping or reducing some services.	0.921	0.100	1.000	2.021
4. Council-Wide Budgets	Looking at ways to maximise the level of funding available for priority services.	21.200	14.250	15.800	51.250
5. Service Reform	Improving services through changing how they are delivered.	4.315	1.710	1.150	7.175
6. Digital Delivery	Making better use of technology to deliver customer facing services.	1.100	0.800	1.440	3.340
7. Arm's Length Organisations	Assessing and maximising the value delivered through our relationship with our ALEO's.	0.593	0.250	0.500	1.343
8. Operational Efficiencies	Challenging ourselves to be more efficient each year.	4.265	2.750	2.150	9.165
9. Our Assets	Making best use of our estate and being more sustainable.	0.500	1.150	1.850	3.500
10. Well-being Services	Redesigning services to promote well-being.	-	0.750	0.250	1.000
TOTAL SAVINGS		35.170	24.880	27.925	87.975

1. Income Generation

What is being proposed?

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

Income generation(£1.500m)

Reviewing potential opportunities to increase income for the Council and creating a structured approach to taking forward identified options.

Fee-Paying Adult Education (£0.200m)

Adult Education is an important service that contributes towards our longer-term health and wellbeing goals. It is important that we assess all the classes we provide by subject, attendance, frequency, accessibility and location to make sure we are doing it in a way that supports those that need it most while aiming to remain cost neutral to the Council.

Culture Services – Increasing Income (£0.150m)

We are responsible for a wide range of cultural venues, from museums and galleries to live venues. We want to focus on providing improved or additional services to contribute towards generating income, such as cashless payments at the Usher Hall and Assembly Rooms and seeking to repurpose cultural venues which are not currently used. These will not compromise any existing services being offered.

Edinburgh Shared Repairs Service (ESRS) (£0.205m)

An administration fee would be charged to conveyancing solicitors for the provision of debt information during the process of selling or buying property in Edinburgh. The sharing of a manager position across two service areas will also be piloted.

Pre-Approved Savings from 2019/20

Parks and Greenspace (£0.100m)

It is intended that this will be achieved by increasing income generation through sales to the public or production of plants and flowers for neighbouring local authorities. An assessment of the potential to increase concessions and licences granted in parks will also be undertaken, in line with existing parks and greenspace policies.

Statutory Consents (£0.100m)

Approved last year, we are working to ensure that the charges we make for Statutory Consents cover the cost of providing the service.

	<p>Advertising Income (£0.300m)</p> <p>We will look to generate additional income from the Council’s outdoor advertising contract, including advertising on Tram stops. This could include installing digital boards at specific points in the city.</p> <p>Parking Action Phase 2 (£1.263m)</p> <p>We are reviewing current parking arrangements across Edinburgh and considering an expansion of parking controls into areas where there are known parking pressures created by commuter and non-residential vehicles and/or there have been requests for parking controls from residents and community groups to improve parking opportunities.</p>
What could change?	<ul style="list-style-type: none"> • Monies due are collected in a cost-efficient manner whilst continuing to support those who may need assistance • Improved parking opportunities for residents, businesses and their visitors. • Enhanced conditions for walking, cycling and public transport. • May include the extension of residents’ permit zones.

Income Generation			Breakdown		
Proposal	Current Spend (£m)	Total Saving £m	2020/21 £m	2021/22 £m	2022/23 £m
Income Generation	N/A	1.500	0.500	0.500	0.500
Fee-Paying Adult Education	0.078 (net)	0.200	-	0.200	-
Culture Services	9.014	0.150	0.112	0.038	-
Edinburgh Shared Repairs Service	0.768	0.205	0.190	0.008	0.007
Pre-Approved:					
Parks and Greenspace	1.661	0.100	-	0.100	-
Statutory Consents	N/A	0.100	0.035	0.040	0.025
Advertising Income	N/A	0.300	0.300	-	-
Parking Action Plan	N/A	1.263	0.118	0.520	0.625
	Total (£m):	3.818	1.255	1.406	1.157

2. Workforce

What is being proposed?	<p>The Council is a major employer, providing a range of public services to the city. Ensuring that our workforce is effectively organised and able to better respond to the needs of citizens and service users means that we must continue to evolve our staffing structures. This also means that our management costs need to be appropriate for a productive and effective organisation.</p> <p>Ensuring our organisational structure is efficient needs to be complemented by modernised reward and recognition arrangements to create a more flexible workforce. Part of this is delivering our commitment to embed the Living Wage fully into our pay structures. We therefore may need to undertake organisational reviews, so that we have the right balance between our frontline and support services.</p> <p><u>Central Services Workforce Savings (£0.728m)</u></p> <p>Savings will be achieved through a combination of staffing reviews and increased vacancy/turnover controls applied across Resources and Chief Executive Directorates.</p> <p><u>Organisational design including Chief Officers and Senior/Middle Management (£4.635m)</u></p> <p>The Council will look at how it is organised to ensure it is set up to deliver high quality services and Council priorities for the best possible value. This multi-year project will consider all senior and middle management posts staff across all services.</p> <p>This work would focus on the application of the Council’s organisational design guidance in staff structures. It would include looking at management spans of control and further layering of management tiers. Any process would be in full alignment with the Council’s Managing Change Policy and consultation with Trade Unions.</p>
What could change?	<ul style="list-style-type: none"> • Services are adapted to suit the needs of the organisation. • Roles are fit for purpose and within budget • Some staff may have to change role/adapt to a new role • Some services may need to adapt/streamline operations • Full consolidation of the Living Wage • Reduced capacity within Strategy and Communications to work on corporate policy priorities, the provision of communications support and the carrying out of surveys.

Workforce

Workforce			Breakdown		
Proposal	Current Spend (£m)	Total Saving (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Central Services Workforce Savings	£45m approx.	0.728	0.508	0.110	0.110
Organisational Design	N/A	4.635	0.513	1.604	2.518
Total (£m):		5.363	1.021	1.714	2.628

3. Service Reduction

What is being proposed?	<p>The overall position facing the Council requires the need for some service reduction. Efforts have been made to minimise the impact on citizens in line with the priorities set out in the Change Strategy.</p> <p><u>Night Noise Team (£0.200m)</u></p> <p>This proposal would see the current Night Noise service move towards a more efficient callout-based service. This would mean that citizen concerns would be addressed, but costs would not be incurred for nights when there are no noise complaints.</p> <p><u>Library Opening Hours (£0.300m in 2020/21)</u></p> <p>Ensuring residents have access to a high-quality library service remains a priority. At this time all opening days will be maintained. However, it is proposed we reduce library hours on Saturday afternoons where analysis demonstrates footfall is low.</p> <p><u>Libraries - Open Plus delivery model (£1.000m in 2022/23)</u></p> <p>In the medium term, options around the implementation of the Open Plus service delivery model from 2022/23 will be developed, with the aim of delivering a modern and high-quality service while recognising the need for funding efficiencies. In doing so there remains a commitment to maintain equal access to library services across the city.</p> <p>Pre-Approved Savings from 2019/20</p> <p><u>Economic Development (£0.500m)</u></p> <p>Continuing from work approved last year, we will make savings in Business Growth and Inclusion, this time from payments to third parties. However, it is intended that there will be no impact on the Business Gateway Contractual payments to West, East and Mid Lothian Councils, and limited changes to funding for Business Gateway services in Edinburgh, employability grants and support for development.</p> <p><u>Heritage Language (£0.021m)</u></p> <p>Heritage Language provided some free language lessons for children born in the UK with a historic familial connection to a language other than English. In 2019/20 the Council approved a reduction in these classes with the saving applied across two financial years, reflecting the academic year. This is the 2020/21 element of the saving. Other services will continue to be available across the city to provide support for those who speak English as a second language.</p>
What could change?	<ul style="list-style-type: none"> • A review of the Economic Development Service will continue and there will be a reduction in the Council’s funding to third parties. • Library hours will reduce slightly but with all current days of opening maintained

Service Reduction

Service Reduction			Breakdown		
Proposal	Current Spend (£m)	Total Saving (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Night Noise Team	0.275	0.200	0.100	0.100	-
Library Opening Hours/ Open Plus Service model	7.531	1.300	0.300	-	1.000
Pre-Approved:					
Economic Development	7.071	0.500	0.500	-	-
Heritage Language	0.021	0.021	0.021	-	-
Total (£m):		2.021	0.921	0.100	1.000

4. Council-Wide Budgets

What is being proposed?

Some income and expenditure within the Council's budget is not specific to any service or affects a range of different service areas. Other areas of service delivery may involve a combination of revenue and capital expenditure. These budgets have been reviewed to identify where savings in revenue expenditure can be made or more income realised.

Fees and charges uplift (£4.500m)

This corresponds to an annual average increase of 5% across a range of discretionary fees and charges but with all concessions and exemptions retained. Some areas, such as school meals, will be specifically excluded. Parking charges, property rentals and social care charges are subject to separate arrangements.

Council Tax (£16.200m)

As part of the 2019/20 funding settlement, Scottish councils were given powers to increase Council Tax levels by up to 4.79%. Assuming this option remains available, setting Council Tax at the maximum level allowed would generate about £5.1m of extra funding for services in 2020/21, increasing to £16.2m if applied for each of the next three years.

Debt Restructuring (LOBO) (£0.600m)

Following the successful restructuring of the Council's Inverse LOBO loans in October 2019, on-going annual interest savings of £0.6m are available to contribute to broader savings targets.

Loans Fund Review (£10.000m)

As with other local authorities in Scotland, the Council has undertaken a review of the useful lives of its main asset categories. This has identified an opportunity to increase these average lives, consistent with the benefits from their use and existing depreciation policies, whilst maintaining the overarching requirement of repayment of the associated borrowing being prudent, affordable and sustainable. The proposed changes would result in an annual £12m saving to the Council's revenue budget, of which it is proposed to earmark £2m to increase the repairs and maintenance budget for those infrastructure assets (such as roads and bridges) not currently included within the strategic planned maintenance programme.

Edinburgh Integration Joint Board (£9.3m)

Given wider budgetary pressures, the Scottish Government introduced flexibility in 2019/20 to allow councils to offset their adult social care allocations to Integration Authorities by up to 2.2% relative to expenditure baselines, based on an assessment of local needs. While this flexibility is not currently available in 2020/21, at this stage, the budget framework assumes application of corresponding targets in each of 2021/22 and 2022/23.

	<p>Roads Capital (£0.500m saving available in 2020/21 only)</p> <p>Opportunities have been identified to review the balance between revenue and capital expenditure, subject to complying with accounting rules, thereby generating a saving to the revenue budget for a further year.</p> <p>Pre-Approved Savings from 2019/20</p> <p>Borrowing Costs (£12.000m)</p> <p>Savings in borrowing costs arising from capital expenditure are anticipated through planned repayment of loans, projected spending profiles and continuing to use available cash balances instead of borrowing more funds to meet core capital funding requirements.</p> <p>Estate Investment Reprofile (£0.850m in 2020/21 only)</p> <p>Following the approval in 2018 of investment in the Council’s operational estate, a structured programme of property upgrades is being undertaken, replacing the previous reactive programme of property repairs. Based on the continued additional capital investment in property upgrades, this will allow for a reduction in the revenue budget for property repairs for a further year in 2020/21.</p>
<p>What could change?</p>	<ul style="list-style-type: none"> • Many discretionary fees and charges will increase by an average of 5% per year • Council Tax would increase annually by 4.79% over the next three years • These proposals are not expected to impact on service delivery • Continuing proactive treasury management to manage debt management costs

Council-Wide Budgets

Proposal	Current Spend (£m)	Total Saving (£m)	Breakdown		
			2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Fees and Charges uplift	92.000 (income)	4.500	1.500	1.500	1.500
Council Tax	293.000 (income)	16.200	5.100	5.400	5.700
Debt Restructuring (LOBO)	N/A	0.600	0.600	0.000	0.000
Loans Fund Review	N/A	10.000	10.000	0.000	0.000
EIJB	216.000	9.300	-	4.700	4.600
Roads - Revenue to Capital (continuing for a further year)	N/A	0.000	0.500	(0.500)	0.000

Pre-Approved:					
Borrowing Costs	113.000	12.000	4.000	4.000	4.000
Roads - Revenue to Capital	N/A	(0.500)	(0.500)	0.000	0.000
Property Investment and Additional Investment	N/A	(0.850)	0.000	(0.850)	0.000
Total (£m):		51.250	21.200	14.250	15.800

5. Service Reform

What is being proposed?

How services are delivered to achieve maximum benefits is constantly changing with lessons to be learned from other local authorities and public bodies. These reforms are required to deliver the best services possible within available funding levels. Detailed engagement with service users and residents will be a key element of a number of these proposals.

Early Years – Service Management and Delivery (£0.900m)

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

Instrumental Music Service (£0.500m)

In 2020/21 a full consultation on the future delivery of the Instrumental Music Service (IMS) will be carried out with all stakeholders including schools and parents. This will inform the design of the service model which best meets customer requirements while recognising the need to make savings of £0.150m in 2021/22 and £0.350m in 2022/23.

Scientific and Bereavement Services (£0.180m)

We want to consider the Council's approach to the delivery of these services and to ensure that they are clearly aligned to the appropriate areas of our organisation. This alignment is likely to lead to some changes in how some service activities are managed and to bring together others to improve service delivery.

Alongside this, investment in modern equipment within our Scientific Services Laboratory will deliver a combination of efficiency savings and increased income.

Libraries - Book Returns (£0.200m)

As part of a review of library processes, one of the aims will be to cease transporting library books across the city back to their home library and introduce a modest charge for reserving books.

Quality Improvement Officers (£0.240m)

Reviewing the service to map remit, purpose and function with a view to rationalising the number of overall officers. The current spend on seconded posts will be reviewed to ensure the policy of maintaining experienced practitioners to support pedagogical development is efficient in terms of cost and outputs.

Development of Business Services Operating Model (£2.100m)

The Council's planning, building standards and regulatory services currently incur costs of £16.1m with an income of £14m. We can reduce the cost to the Council by adopting a new approach that aligns income from fees and charging to the cost of regulating economic activities.

Police Funding (£1.600m in 2020/21 and a further £0.500m in 2022/23)

We are one of the only local authorities in Scotland still supporting the provision of additional Community Police Officers. The Council also contributes funding for eight dedicated Family and Household Support Officers.

The proposal applies a phased approach to the removal of this total funding of £2.1m. The Community Policing element will be withdrawn with effect from 2020/21 given an increase in Police Scotland's overall funding. To ensure a smooth transition, the Council will continue to provide funding for the current Family and Household Support Officers until 2022/23. Discussions are ongoing with Police Scotland to ensure the protection of policing services in Edinburgh while removing the subsidised funding support.

Pre-Approved Savings from 2019/20

Public Safety and Business Continuity (£0.130m)

A review of current service activities is looking at how these services, particularly Public Safety, could be delivered more efficiently.

Area-Based Regeneration (£0.500m)

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

Joint Waste (£0.325m)

We will continue to develop proposals for a joint procurement framework in waste disposal with other Local Authorities. This would mean we can unlock additional savings from contracts, and potentially secure economies of scale if we can bring together materials for recycling from all the local authorities involved before disposal.

What could change?	<ul style="list-style-type: none"> • Operating models in some Council services will change but with outcomes maintained or improved • A modest charge introduced to reserve books in libraries • By combining the volume of waste generated by each LA it is possible to reduce the per-tonne cost of waste disposal • Increase the level of waste going being recycled
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Service Reform			Breakdown		
Proposal	Current Spend (£m)	Total Saving (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Early Years – Service Management and Delivery	4.400	0.900	0.600	0.300	-
Instrumental Music Service	2.592	0.500	-	0.150	0.350
Scientific and Bereavement Services	(1.494) net income	0.180	0.090	0.090	-
Libraries – Book Returns	7.531	0.200	0.100	0.100	-
Quality Improvement Officers	0.905	0.240	0.120	0.120	-
Development of Business Services Operating Model	2.100 (net)	2.100	0.850	0.950	0.300
Police Funding	2.100	2.100	1.600	-	0.500
Pre-Approved:					
Public Safety and Business Continuity	1.270	0.130	0.130	-	-
Area-Based Regeneration	N/A	0.500	0.500	-	-
Joint Waste	N/A	0.325	0.325	-	-
Total (£m):		7.175	4.315	1.710	1.150

6. Digital Delivery

What is being proposed?

The Council is committed to expanding and enhancing its digital systems and processes to enable a greater number of citizens and service users to conduct more of their interactions with the Council through online, self-service technology. Developing this approach will make services more accessible at times to better suit the needs of people across the city, thereby reducing demand on services. Through improvements to the Council's website and the exploitation of new technologies, such as voice recognition software, combined with greater automation of 'back office' processing, further savings will be achievable, whilst improving citizen and service user experience.

CGI Contract Efficiencies (£0.600m)

By working more closely with our IT partner (CGI), we can save money and be more efficient about how and where we spend money on our IT requirements.

Cashless Parking (£0.200m)

The Council currently offers a cashless parking transaction service through the use of the Ringo system. It is proposed that parking in the core city centre area would move to a fully cashless system, with the removal of all pay and display machines.

Automatic renewal of permits (£0.200m)

We are aiming to make the purchasing and renewal of permits simpler and easier for customers. This would include automatic renewal to reduce the burden on customers and lower the cost of administering permit authorisations.

Digital Smart City Planning (£1.500m)

All our services are engaged in the planning of a City Operations Centre to bring a wide array of services together. By using data, utilising the latest technology and linking that to maturing technology in sensors and other innovations, we can more proactively manage the city and reduce service failure. This will improve our ability to respond to issues as they arise and increase our efficiency in delivering services.

Pre-Approved Savings from 2019/20

Digital Delivery/ Print and Mail (£0.690m)

The Council delivers services across an operational estate of hundreds of properties. The transfer of information, data and correspondence between these sites and with other organisations can be achieved more efficiently through a review of our Print and Mail strategy. By improving document scanning and electronic delivery of information, we will reduce unnecessary printing, postage and travel between sites, thereby reducing the environmental impact.

	<p>ICT Partnership Efficiencies (£0.150m)</p> <p>These savings will be delivered from the implementation of a series of additional ICT technical improvements.</p>
What could change?	<ul style="list-style-type: none"> • Increased customer satisfaction • Improved efficiency • More consistent delivery • Reallocation of staff to more customer-facing tasks • Closer working with IT partners and some systems upgrades.

Digital Delivery			Breakdown		
Proposal	Current Spend (£m)	Total Saving (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
CGI Contract Efficiencies	27.100	0.600	0.600	-	-
Cashless Parking	N/A	0.200	-	0.200	-
Automatic renewal of Permits	N/A	0.200	0.100	0.100	-
Digital Smart City Planning	N/A	1.500	-	0.250	1.250
Pre-Approved:					
Digital Delivery / Print and Mail	N/A	0.690	0.250	0.250	0.190
ICT Partnership Efficiencies	N/A	0.150	0.150	-	-
	Total (£m):	3.340	1.100	0.800	1.440

7. Arm's Length Organisations

<p>What is being proposed?</p>	<p>The Council operates several “Arm’s Length” organisations (ALEOs). We will continue to work with these organisations and make sure we are delivering the best value for public money and are achieving the right outcomes. This will also involve making difficult choices in light of available resources which will result in a reduction in the level of financial support given to some of our ALEOs.</p> <p><u>Edinburgh Leisure (£1.500m)</u></p> <p>The Council provides Edinburgh Leisure with around £0.380m each year in support of additional annual pay-related costs. In 2020/21, after providing this payment, a reduction in service payment of £0.500m is proposed which we expect will be managed through internal efficiencies and a slight increase in pricing. A similar proposal will be made for 2021/22 and 2022/23.</p> <p><u>Council Company Dividends (£0.250m in 2020/21 only)</u></p> <p>In maximising the overall level of tax relief received across the wider CEC tax group, losses in the EDI Group of companies in 2018 are available for offset against profits generated in the other entities comprising the group, including Lothian Buses and the Edinburgh International Conference Centre. Subject to relevant Board approval, a distribution of £0.250m is therefore expected to be available to contribute towards the Council’s overall savings requirement in 2020/21.</p> <p>Pre-Approved Savings from 2019/20</p> <p><u>Marketing Edinburgh (£0.490m)</u></p> <p>A further significant reduction in funding for Marketing Edinburgh is proposed. The Board of Marketing Edinburgh is currently considering the implications of this on the future operations of the company.</p> <p><u>Transport for Edinburgh Group (£0.400m)</u></p> <p>A reduction is proposed in the overall operating costs of Transport for the Edinburgh Group.</p>
<p>What could change?</p>	<ul style="list-style-type: none"> • Less dedicated capacity to market the city to investors, businesses and visitors. Film Edinburgh will be maintained, and the Council will continue to explore opportunities for promoting the city with key partners. • Edinburgh Leisure will need to find efficiencies in order to offset the impact of inflation and in the medium term be part of more significant change across the Council’s leisure and cultural services subject to future discussions and decision by Council.

Arm's Length Organisations

Arm's Length Organisations			Breakdown		
Proposal	Current Spend (£m)	Total Saving (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Edinburgh Leisure	8.155	1.500	0.500	0.500	0.500
Council Company Dividends	7.047	0.000	0.250	(0.250)	-
Pre-Approved:					
Marketing Edinburgh	0.590	0.490	0.490	-	-
Transport for Edinburgh Group	N/A	0.400	0.400	-	-
EDI Dividend	7.047	(1.047)	(1.047)	-	-
Total (£m):		1.343	0.593	0.250	0.500

8. Operational Efficiencies

What is being proposed?

The Council will continue to identify opportunities to be more efficient year on year.

Efficiencies Programme (£7.005m)

An efficiency target of in excess of £2m per year has been proposed for the organisation. Areas of focus for the efficiency target include:

- Reducing further sickness absence and agency staffing, recognising we currently lose the equivalent of 762 full-time staff a year to sickness and spend around £2m a month on flexible staffing through agency staffing and overtime.
- Streamlining our end-to-end processes and making greater use of automation of transactions, building on the progress made this year using process automation. For example, we have cleared a backlog of landlord registrations in five hours rather than four weeks it would have taken using the traditional approach.
- Maximising savings through procurement and reviewing contracts, recognising the Council spends over £200m on its top 20 contracts.
- Reviewing travel and mileage to reduce spend and carbon through enabling staff to access more sustainable forms of transport or through better utilisation of virtual meetings.
- Looking to ensure pay related allowances are aligned with national agreements.
- Ensuring minimum expenditure necessary on mobile devices.

School Efficiencies (DSM) (£1.800m)

Applying an efficiency target of around 1% against additional monies, including £9.1m over the next three years for demographic factors, passed to schools under the Devolved School Management (DSM) scheme, while also recognising that school carry-forward levels reached £5m in 2018/19. The mechanism for considering how this will be applied will take appropriate account of poverty and deprivation,

Pre-Approved Savings from 2019/20

Procurement (£0.300m)

Incremental reductions in payments due under the Council's Commercial Excellence partnership are available to contribute towards future years' savings requirements.

Scottish Government Framework for Electricity and Gas (£0.060m)

The Council has adopted the Scottish Government framework for the supply of energy for temporary accommodation which will benefit from nationally negotiated rates.

What could change?	<ul style="list-style-type: none"> • Increasing efficiency with public money • Shifting staff time from process-heavy tasks to focus on higher priority tasks improving service delivery. • Further automating transactions, increasing the ease and speed of the Council's delivery of vital services • Improving end-to-end processes for a broader range of Council services • Reducing expenditure on temporary staff and overtime • Focusing even more on reducing sickness absence
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Operational Efficiencies

Operational Efficiencies			Breakdown		
Proposal	Current Spend (£m)	Total Saving (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Efficiencies Programme	N/A	7.005	2.905	2.050	2.050
School Efficiencies (DSM)	195.900	1.800	1.200	0.600	-
Pre-Approved:					
Procurement	N/A	0.300	0.100	0.100	0.100
Scottish Government Framework – Electricity and Gas	N/A	0.060	0.060	-	-
Total (£m):		9.165	4.265	2.750	2.150

9. Our Assets

<p>What is being proposed?</p>	<p><u>Redesigning the Approach to Our Assets</u> The Council delivers its services through an extensive operational property portfolio, which incorporates 760 buildings across the City. By adopting a service-led approach to the future design and reprovisioning of Council services rather than simply an asset or buildings-based approach, we will engage with citizens, service users and communities to plan for the co-location of our services into multiple use “hubs” where possible.</p> <p><u>Letting Review</u> The Council operates a substantial amount of property across the city, this proposal would seek to review the buildings which are available for letting to the public and partners. Currently most of the Council’s buildings are available for letting in some form however there is no one consistent approach or process and the pricing structure is not consistent across our assets. The review would seek to look at the sustainability and suitability of the buildings which are currently available for letting, focussing on those which are predominately on accessible transport routes, have fit-for-purpose facilities and are staffed appropriately.</p> <p><u>Catering Provision</u> Continued sustainable meal production as the number of meals continues to rise across the school population but with partnership working creating efficiencies for both the Council and EIJB. Valuable school estate would be freed up for classroom space while meals are still cooked locally. (ALL three proposals to generate £2.000m)</p> <p><u>Facilities Management (£0.500m)</u> The proposal outlines an option to reduce the current level of spend on reactive repairs and maintenance for the operational estates. By moving to a planned approach, the level of spend on reactive repairs can be reduced because the condition of the estate overall has been enhanced.</p> <p>Pre-Approved Savings from 2019/20</p> <p><u>Depots and Yards (£0.500m)</u> The Council is reviewing its depot provision across the city. It is proposed to consolidate into six sites. Support services such as maintenance, storage and refuelling can be centralised rather than being site-specific. Surplus sites can then be sold to generate capital receipts and/or be made available for increased housing or commercial opportunities.</p> <p><u>Culture Services Review (Museums) (£0.500m)</u> Work continues on the feasibility of creating a new museum and gallery for Edinburgh. Consolidating existing Council-run cultural venues (People’s Story, Museum of Edinburgh, City Art Centre, Trinity Apse, Writer’s Museum, Museum of Childhood, City Archives and reserve collections</p>
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	housed across the city) would allow much-needed additional physical, educational and digital access to nationally-significant collections.
What could change?	<ul style="list-style-type: none"> • Fewer buildings will result in lower running costs • Services can be grouped together making it easier for citizens to access locally • Income generated by leasing out surplus buildings • Creation of a refocused, sustainable and cost-effective and international standard service for Museums and Galleries, Archives and Records in the city

Our Assets

Our Assets			Breakdown		
Proposal	Current Spend (£m)	Total Saving (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Redesign of Our Assets	N/A	2.000	-	0.500	1.500
Facilities Management	12.000	0.500	0.500	-	-
Pre-Approved:					
Depots and Yards	N/A	0.500	-	0.500	-
Culture Services Review	N/A	0.500	-	0.150	0.350
Total (£m):		3.500	0.500	1.150	1.850

10. Well-being Services

What is being proposed?

A number of Council services support the overall well being of citizens in Edinburgh. With a need to continue to tackle the inequality in the city and the challenge on budgets, a review will be undertaken to shape these services to provide a more outcome focused approach to spend.

Review Relationship with Edinburgh Leisure (£0.500m)

Recognising the importance of Edinburgh Leisure's services to the city's residents, we will undertake a strategic review of current operating arrangements to ensure there is a sustainable model going forward. The review will work closely with Edinburgh Leisure and partners including the EIJB, aligned to the Council's holistic approach to Health and Wellbeing. The review will aim to maximise benefits to citizens while recognising the need to secure best value.

Strategic Review of Libraries

The review would analyse different delivery models from across the country and previous work undertaken within Edinburgh to develop a comprehensive business case for assessing potential options to maximise public benefit and wellbeing, as well as securing best value to the Council. Potential options assessed would be co-location of current libraries within existing or new Council buildings, transfer of ownership in part or full to the community and/or third sector and developing different ways to access library services digitally, reducing the need for physical buildings.

Strategic Review of Adult Education

This service delivers a varied range of learning options some of which are vital for our vulnerable citizens through to those which are designed for the education and enjoyment of the wider population. There are currently over 1,000 courses delivered across the city, we need to understand the levels of charging, frequency, relevance to strategic outcomes and access to minority and underrepresented citizens (including SIMD areas). We need to analyse the true cost to the Council of delivering all of these courses in their current format and location. A more targeted and refined offering may allow the organisation to achieve specific outcomes better while also looking to reduce the cost of service delivery, achieving an offering which is appropriate and proportionate for the city.

(Jointly proposals to generate £0.500m in total)

What could change?	<ul style="list-style-type: none"> • Development of new options for the delivery of the Adult Education Service, which is matched better to specific outcomes and budget constraints. • The delivery model for public focussed leisure services across the city could be revised • Maintaining equal access to a library service across the city whilst adapting to modern requirements and expectations. • Ensuring best value is created from the budget spent on wellbeing services, ensuring access for all.
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Well-being Services

Well-being Services			Breakdown		
Proposal	Current Spend (£m)	Total Saving (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Edinburgh Leisure Review	8.155	0.500	-	0.500	-
Strategic Review of Libraries and Adult Education	7.609	0.500	-	0.250	0.250
Total (£m):		1.000	-	0.750	0.250

Key assumptions as reflected in budget framework baseline

Factor	Assumed percentage change		
	2020/21	2021/22	2022/23
Pay awards (all staff groups)	3%	3%	3%
Contract and other inflation	3%	3%	3%
Council Tax¹	3%	3%	3%
Government Grant funding	Flat-cash, based on provisional settlement	0.7% year-on-year reduction in core funding	0.7% year-on-year reduction in core funding
Discretionary fees and charges²	RPI+2%	RPI+2%	RPI+2%

¹ The savings requirement baseline is underpinned by an assumed 3% increase in annual Council Tax levels. The proposals set out in Appendix 4, however, propose modifying the actual increase to 4.79% in each year of the framework.

² The savings requirement baseline assumes continuation of the existing RPI+2% policy. The proposals set out in Appendix 4, however, propose modifying this, where permissible, to RPI+3%. Based on applicable inflation rates this would, however, result in the continuation of a baseline 5% increase in each year for those charges in scope. Parking charges, property rentals and all social care charges are subject to separate arrangements.

Finance and Resources Committee

10.00am, Friday, 14 February 2020

Council Change Strategy 2020/23: Risks and Reserves

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the content of this report; and
 - 1.1.2 remit the report to The City of Edinburgh Council for approval on 20 February 2020 as part of the budget-setting process.

Stephen S. Moir

Executive Director of Resources

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Council Change Strategy 2020/23: Risks and Reserves

2. Executive Summary

- 2.1 The report advises members of the risks inherent in the revenue and capital budget framework and the range of measures and provisions established to mitigate these.
- 2.2 The report outlines the level of reserves held and the purpose for which they are maintained, including consideration of the adequacy of balances held to mitigate against known risks.

3. Background

- 3.1 This report advises members of significant risks identified in the budget process and sets out the range of measures and provisions in place to mitigate these.
- 3.2 Unallocated reserves are held against the risk of unanticipated expenditure and/or reduced income arising in any particular year. In addition, there are specific earmarked reserves set aside to manage timing differences between the receipt of income and incurring related expenditure, in accordance with accounting rules.
- 3.3 The reserves held by the Council are reviewed annually as part of the revenue budget-setting process. The review considers the level of balances, the risks inherent in the budget process and the adequacy of arrangements in place to manage these known risks.

4. Main report

Risks

- 4.1 Risks form an integral part of the budget process. What is important, however, is that these risks are identified, actively managed and, where appropriate, mitigated. Appendix 1 shows a matrix, setting out how it is planned that the known risks identified in this report will be managed. This list is, however, not exhaustive due to both the complexity and diversity of the changing environment within which the Council operates.

Future funding settlements

- 4.2 Uncertainty around future funding settlements poses a significant risk to the Council's ability to set a balanced budget, given its impact on the overall level of savings required. While the provisional 2020/21 Local Government Financial Settlement (LGFS) was announced on 6 February, this only covered one year as opposed to the multi-year settlement originally envisaged. A more detailed commentary on the implications of the announcement is included in the Change Strategy report elsewhere on today's agenda.
- 4.3 Future years' funding allocations could also vary for a number of other reasons, including the use of updated population data and complexities of the funding distribution formulae, as well as wider Scottish and UK Government fiscal policy. In addition to the impact of methodological changes to be applied as part of the 2020/21 Settlement, in the medium-term a more fundamental Scotland-wide review of funding distribution has been initiated, with the potential for material changes in allocations to occur. The Council's actual funding allocations are additionally affected by the influence of the stability and 85% per capita funding floors, from each of which it currently benefits.

Delivery of approved savings and management of underlying service pressures

- 4.4 Shortfalls in the delivery of approved savings and management of underlying service pressures are an on-going risk to the budget. In 2019/20, while 92% of service-specific savings are currently anticipated to be delivered by the year-end, the equivalent figure for Council-wide efficiencies is assessed at a much lower 62%. In light of these difficulties in delivery, subsequent years' efficiency targets within the budget framework have been considerably reduced.
- 4.5 Corresponding measures are also required to offset significant pressures within a number of demand-led areas of service, with many of the measures applied in 2019/20 being of a non-recurring nature. Given their magnitude, it is unlikely that structural pressures within services can be fully mitigated on a sustainable basis and the budget framework therefore incorporates a corresponding contingency of £10.4m in 2020/21, reducing slightly in subsequent years. This service investment can, however, only be afforded through the delivery of corresponding savings elsewhere within the budget. While consideration will be given to including an appropriate risk contingency within the framework to provide a safeguard against subsequent partial or non-delivery of some approved savings, there is a risk that this sum is insufficient to address any shortfall, particularly in the case of more complex or difficult savings measures.

Demographic changes leading to rising service demands

- 4.6 Demographic changes continue to increase the overall level of demand for the Council's services and the ability to provide for this within available resources. Current levels of provision have been reviewed in light of updated population and pupil roll projections, resulting in the inclusion of total demographic-related

investment of £4.2m in the 2020/21 budget framework plus full pass-through of additional health and social care funding provided within the LGFS, with similar incremental increases assumed in subsequent years. More effective demand management, greater use of preventative approaches to service delivery and service prioritisation will, however, likely be required in order for this level of funding to prove sustainable.

Income

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

Legislative changes

- 4.8 Legislative changes present on-going risks to the budget framework, and while provision has been made for the projected impact of known factors, such as superannuation increases for teaching and non-teaching staff, there is a risk that further changes are made, resulting in direct or indirect impacts on the Council's budget. It is additionally assumed that all of the savings measures set out in the Change Strategy report elsewhere on today's agenda are fully within the Council's gift. This remains to be confirmed in the case of both the proposed level of Council Tax rises and application of a savings target to the Integration Joint Board, each of which is based on the equivalent treatment in the 2019/20 Settlement.
- 4.9 The United Kingdom's exit from the European Union in January 2020 may result in economic uncertainty with a knock-on impact on the availability of staff in key service areas, increased demand for the Council's services and higher prices for some goods and services (particularly food), as well as wider levels of public expenditure. The Council has on-going risk assessment arrangements in place (including a Brexit-specific risk register), with contingency planning actively discussed at relevant working groups, and its level of preparedness was favourably assessed in the 2018/19 Annual Audit Report. Any specific financial implications will, however, be kept under review as the precise impacts become clearer.

Legal claims and inquiries

- 4.10 There is a risk that the Council is exposed to reputational and financial consequences of legal claims and inquiries in relation uninsured and insured incidents. The on-going Scottish Child Abuse Inquiry has potentially significant financial implications but, at this stage, the precise impact on the Council (and any associated external funding) remains to be confirmed. There is a risk, nonetheless, that substantial additional funding to meet liabilities will require to be identified.

Major infrastructure projects

- 4.11 The long-term financial implications of some major infrastructure projects, particularly the Local Development Plan, are still emerging. While the revenue and capital budget frameworks incorporate some provision in these areas based on current projections, there is a risk that the Council will require to support additional borrowing and/or revenue running costs associated with these projects. On-going review of the projects and potential timing and value of funding requirements will therefore continue to be undertaken through relevant project boards and risks escalated as appropriate.

Reserves

- 4.12 Members are aware that the Council holds a number of earmarked reserves within the General Fund. As of 31 March 2019, the General Fund balance stood at £144.845m, of which £131.820m was earmarked for specific purposes. The unallocated General Fund balance remained at £13.025m, in line with the medium-term strategy of the Council.
- 4.13 There are significant planned applications of earmarked reserves during 2019/20 (some £37.3m), in line with the Council's wider financial strategy, with a projected balance of £107.564m at 31 March 2020. The plans include use of £18m from the Council Tax Discount Fund to support expansion of affordable housing provision within the city and drawdown from the Council Priorities Fund to manage in-year service pressures. Appendix 2 shows the planned use of these balances in the financial year 2020/21, insofar as they are known at this stage.
- 4.14 On 21 November 2019, the Council approved the allocation of £0.902m of available funds from the City Strategic Investment Fund (CSIF) to be transferred to the unallocated General Fund, increasing this fund from £13.025m to £14.072m as at 31 March 2020, inclusive of the in-year repayments due to the CSIF. Further increases linked to these repayments will increase the unallocated General Fund reserve by £0.145m annually.

5. Next Steps

- 5.1 Following Committee's consideration, the report will be referred to The City of Edinburgh Council for approval as part of the budget-setting process.

6. Financial impact

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

7. Stakeholder/Community Impact

7.1 There are no direct impacts arising from this report.

8. Background reading/external references

8.1 [City Strategic Investment Fund](#) – City of Edinburgh Council, 21 November 2019.

9. Appendices

Appendix 1 – Risk Matrix

Appendix 2 – Projected Movement in General Fund

Risk Matrix

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

Risk	Provisions and other actions to manage
Future funding settlements	<p>Provisions made in the Long-Term Financial Plan (LTFFP)</p> <p>Regular monitoring of public expenditure projections and active membership of relevant professional forums, promptly recognising potential or actual grant variations in LTFFP</p> <p>Development of longer-term Change Strategy to recognise the potential for variation from baseline assumptions in any given year and, by extension, an ability for additional savings measures to be accelerated</p>
Delivery of approved savings and management of underlying pressures	<p>Regular CLT and elected member scrutiny of proposed savings at the inception, development and delivery stages</p> <p>Regular SMT consideration of overall service budgetary position, including known or emerging risks and pressures, with a view to taking prompt corrective action</p> <p>Baseline level of additional investment included in 2020/21 budget framework, aligned to key areas of pressure</p> <p>Budget re-alignment, where required, to facilitate enhanced ownership, accountability and transparency of reporting</p>
Demographic changes leading to rising service demands	<p>Provisions made in LTFFP and regular reviews of the adequacy thereof, resulting in increased provision in 2020/21 and subsequent years of the framework</p>
Income	<p>Service Level Agreements with external users, application of appropriate debt policies (including, where appropriate, upfront payment for services delivered) and regular monitoring of income levels as a prompt to remedial action</p>
Legislative changes	<p>Provisions made in LTFFP and regular reviews of the adequacy thereof</p> <p>Ongoing monitoring of impacts of welfare reform on expenditure and income</p> <p>Active membership of relevant professional forums</p>
Legal claims and inquiries	<p>The Council explicitly provides for a number of known risks and liabilities. Funding could, however, be drawn down from the unallocated General Fund balance to meet unanticipated or additional costs</p>
Major infrastructure projects	<p>Regular progress monitoring through Change Boards, particularly at key milestones, with documented escalation procedures</p> <p>Senior Finance representation on all Project Boards</p>

Projected Movement in General Fund

Appendix 2

	Projected Balance at 1.04.20 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.21 £000	
General Fund				
<u>Balances Set Aside to Manage Financial Risks and for Specific Investment</u>				
Balances set aside for specific investment	32,854	(1,222)	31,632	Funding set aside for specific projects. Including monies for Enterprise Resource Planning, Local Development Plan and Tram Extension.
Contingency and Workforce restructuring	14,694	(2,000)	12,694	Monies held to cover costs of workforce management changes including staff severance costs, which may be utilised to support future change programmes.
Council Priorities Fund	571	(571)	0	Monies set aside from previous years' underspends which will be utilised to fund emerging Council priorities or expenditure pressures.
Dilapidations Fund	5,541	(175)	5,366	Monies set aside to meet costs arising from the termination of property leases and other related contractual commitments.
Insurance Fund	18,110	(1,000)	17,110	Insurance Funds are held to defray any loss where the Council could have insured against a loss but has not done so, and for paying premiums on an insurance policy. This includes the power to meet excesses on insurance policies and other claims arising from ongoing legal inquiries.

General Fund	Projected Balance at 1.04.20 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.21 £000	
<u>Balances Set aside from Income Received in Advance</u>				
Licensing and Registration Income	3,016	(500)	2,516	Monies representing licensing income related to cabs, houses in multiple occupation, liquor and landlord registration. Council is not permitted to use these monies on other services.
Lothian Buses	504	0	504	Holds dividend income received from Lothian Buses which is being drawn down to support the Tram Extension project.
Other Minor Funds	143	0	143	Minor funds for other specific projects..
Pre-paid PPP monies and lifecycle costs	3,320	367	3,687	Monies set aside in recognition of the phasing issues related to grant monies, for lifecycle costs of projects.
Council Tax Discount Fund	3,131	500	3,631	Monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to supporting the development of affordable housing. It forms part of the Strategic Housing Investment Fund (SHIF), alongside income from the Repairs and Renewals fund. The SHIF is fully committed to the delivery of new affordable homes by the Council and housing association partners over the next ten years and investment in services to reduce tenants' living costs. £12m was drawn down for this purpose in 2018/19 with a further £18m planned in 2019/20, with an estimated annual addition to the fund of £3m from Council Tax discounts.
Unspent revenue grants	461	0	461	Monies set aside at the year end, in accordance with proper accounting practice, where income has been received prior to the relevant expenditure being incurred. Funds will be drawn down in accordance with the grant conditions to match planned expenditure. The majority of funds will be drawn down in year and then new grant funding will be carried forward.

General Fund	Projected Balance at 1.04.20 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.21 £000	
City Strategic Investment Fund	2,650	(1,300)	1,350	Funds set aside for strategic regeneration priorities £2.150m and £0.5m to provide match funding for new city development opportunities.
<u>Balances Set Aside for Investment in Specific Projects which will Generate Future Savings</u>				
Spend to Save Fund, Energy Efficiency and Salix CEEF	2,997	0	2,997	Funds set aside to assist service areas deliver revenue savings in future years through provision of one-off upfront revenue investment. Scheme repayments will be used to support further new initiatives.
<u>Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund</u>				
Balances held by schools under DSM / Pupil Equity Fund	5,500	0	5,500	Balances set aside for Devolved School Management Scheme and Pupil Equity Fund. There will always be a balance at March as the DSM scheme and PEF are based on an academic year.
<u>Unallocated General Fund</u>	14,072	145	14,217	Unallocated funds held against the risk of unanticipated expenditure and / or reduced income arising in any particular year, in line with Council reserves policy.
Total General Fund	107,564	(5,756)	101,808	

Finance and Resources Committee

10am, Friday, 14 February 2020

Capital Budget Strategy 2020 - 2030

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 To note the contents of this report and refer to Council's budget meeting on 20 February 2020;
- 1.2 To note the announcement of the provisional Local Government Finance Settlement on 6 February 2020 has been reflected in Appendices 1 to 3;
- 1.3 To note that delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget;
- 1.4 To note the Council is governed by the Local Government in Scotland Act 2003 including the requirement to have regard to the Prudential Code and that capital plans are affordable, prudent and sustainable;
- 1.5 To note the prudential borrowing requirement of up to £12.600m for Fleet Replacement vehicles;
- 1.6 To note that budgets for lending to Edinburgh Living from 2020-21 onwards are based on the pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council; and
- 1.7 To note the proposed use of contingency funding for Meadowbank and Boroughmuir High School extension, subject to approval by Council.

Stephen S. Moir

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Capital Budget Strategy 2020 - 2030

2. Executive Summary

- 2.1 The report details priorities for council capital investment over the medium to long-term and sets out a plan on how they could be funded. Priorities put forward for proposed additional funding include the Wave 4 schools programme, additional infrastructure required due to population growth and demography as well as increased investment in the Council's existing estate.
- 2.2 It is recognised that the Council's capital resources are limited. Borrowing carried out for investment must be repaid from increasingly limited revenue budgets. The budget strategy in this report can only be funded if the Council is able to balance its revenue budget over the medium to long term to comply with the terms of the Prudential Code. Moreover, the strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will be funded from a combination of external funding and realignment of existing budgets.

3. Background

- 3.1 The Council set its capital investment programme for the period 2019-24 at its budget meeting of 21 February 2019. This budget has subsequently been revised to reflect slippage from 2018/19 and up-to-date project cashflows, as reported to this committee on 15 August 2019.
- 3.2 Beyond this 5-year planning horizon, allocation of capital resources is based on a 10-year indicative programme approved by the former Policy and Strategy Committee in 2008, which has subsequently been rolled forward and adjusted to reflect new commitments. These include the allocation of 10% of transport budgets for cycling initiatives and the requirement to fund tram asset renewals on the current line. A summary of the current programme for the period 2020-2030 is included at Appendix 1.
- 3.3 The first iteration of the Capital Budget Strategy 2020-2030 was reported to Finance and Resources Committee on 10 October 2019.
- 3.4 This report details capital investment priorities for the next 10 years and sets out potential funding solutions. This report should be read in parallel with the revenue budget report elsewhere on this agenda as the revenue impact of additional capital expenditure needs to be contained within a balanced medium-term revenue budget.

- 3.5 The Council Change Strategy: Planning for Change and Delivering Services 2019-23 reported to Finance and Resources Committee on 10 October 2019 set out the intention to set a policy-based budget through the lenses of poverty, well-being and sustainability with key messages for the Council's three year revenue budget approach linked to these important issues.
- 3.6 Poverty and sustainability are also core themes of the 52 Council Commitments and are reflected in much of the work of this organisation. The climate emergency has led to the Council setting a new and ambitious target to be carbon neutral by 2030 within a legal context for Scotland being carbon neutral by 2045. This has already led to some significant strategic decisions in respect of the City Development Plan Choices document, the City Mobility Plan and specific investment programmes such as the plan to design and build Currie High School to Passivhaus certified standard.
- 3.7 The Council is being supported by the Edinburgh Centre for Carbon Innovation to develop a carbon scenario tool that will augment current business case analysis of major Council projects and capital investment. This strategy will continue to be review on the basis of this work and wider needs to deliver the 2030 zero carbon target.
- 3.8 Explicitly adopting these policy priorities as a focus for the development of the Council's capital budget is a helpful development of the Council's wider Change Strategy.
- 3.9 This report only covers the general fund capital investment programme. The capital expenditure requirements for the Housing Revenue Account is reported elsewhere on this agenda as part of the Housing Revenue Account business plan.

4. Main report

- 4.1 Priorities for capital expenditure, identified by officers and discussed through the operational Asset Management Board, are aligned to our statutory responsibilities to deliver services together with achieving our strategic objectives.
- 4.2 The Council's budget for 2020/21 will seek to improve the well-being of all citizens and ensure Edinburgh is a thriving, fair and sustainable city by prioritising decisions that have a positive impact on poverty, well-being and sustainability – particularly in delivering net zero carbon by 2030.
- 4.3 The budget will also continue to protect and evolve services connected to these policy priorities, while focusing on delivery of high-quality core services in the most efficient way possible.

Latest 2019/20 Capital Monitoring Position and Future Updates

- 4.4 Projected slippage in the 2019/20 programme is included in the Capital Monitoring 2019/20 – Period Eight Position report, elsewhere on the agenda, and has been built into the revised programme in Appendix 1. This slippage will be further amended after the final outturn for the financial year and thereafter reported to Finance and Resources Committee.

Local Government Finance Settlement

- 4.5 Appendices 1 to 3 have been updated to reflect the provisional Local Government Finance Settlement announced on 6 February 2020;
- the Early Years grant is included at £10.000m in 2020/21 in Appendix 1;
 - Cycling, Walking and Safer Streets (CWSS) is included in Appendix 2 at £0.851m;
 - Transfer of Management of Development Funding (TMDF) is included in Appendix 2 at £27.950m, however, it is understood this will be topped up from the Scottish Government More Homes (AHSP) budget to £48.209m at a later stage; and
 - the general capital grant has been decreased from an assumed £5.000m increase to a £0.225m increase in Appendix 2 to reflect the grant of £38.225m rather than £43.000m.
- 4.6 While a commitment was made in September for substantial extra capital spending in years ahead, very little was outlined at the time of the Spending Round announcement. Therefore, it is expected that some of this funding will be announced in March and so further Scottish Barnett consequentials can be expected. Any further changes will be reported to Finance and Resources Committee along with the 2019/20 final outturn.

Existing Capital Investment Programme

- 4.7 To work towards the target of being carbon neutral by 2030, there is a £29.520m capital contribution for the Zero Waste treatment site at Millerhill, £10.736m to complete the Energy Efficiency Street Lighting Project, £17.830m as part of the 10% Cycling Commitment and significant further investment in Active Travel and public transport.
- 4.8 In order to continue to deliver high-quality services, the Council needs to continue to invest in the condition and suitability of its assets. The existing capital plan, as set out in Appendix 1, includes £160.670m for the existing operational estate and £122.631m for roads and pavements as well as continuing investment in specific assets such as North Bridge at £12.602m.
- 4.9 Work has also continued on the development of masterplan for Wave 4 learning estate investment at Wester Hailes Education Centre (WHEC). As part of the masterplan, within the £160.670m for the existing operational estate, there is £1.500m allocated in 2020/21 and £2.500m in 2021/22 to support Phase 1 investment at Wester Hailes Education Centre. Opportunities to finalise the full funding package for Phase 1 are currently being explored.
- 4.10 In addition to this investment, there is significant investment in schools, including the Scottish Government funded requirement to complete its programme of new and extended early years facilities so that all 3- and 4- year olds receive 1140 hours per annum of free childcare. There is a further £113.506m within the existing

programme to complete existing plans to upgrade schools to deal with rising school rolls and modernise the learning estate whilst considering environmental factors.

- 4.11 Within the existing plan there is also £0.777m for Libraries in 2020/21. £0.350m of this is for the Open Libraries pilot and £0.365m for George IV Bridge Library enhancement works. The remaining £0.062m is for other small projects.
- 4.12 Edinburgh is a growing city and capital investment is required both to promote inclusive growth and to address its impacts on citizens and the city. The capital programme provides investment of £62.900m in public realm assets surrounding the new St James development as well as the extension of the tram line to Newhaven. The Tram to Newhaven will unlock a large swathe of the city for housing development and employment opportunities that would not be possible without high capacity public transport. It will also help to reduce air pollution by providing efficient, sustainable transport solutions while opening up people-friendly transport links for individuals and communities from all walks of life.
- 4.13 In response to the growth in the older age groups of the population, the Health and Social Care Partnership is following a transformative programme of people centred, community-based care. This requires alternative delivery models in addition to the traditional care home provision. The delivery of new intermediate care facilities is currently being scoped to meet this requirement, with the first phase utilising the £10.000m in the existing capital plan. Further requirements will emerge over forthcoming years.
- 4.14 Economic growth in Edinburgh has resulted in increased house prices and rent levels, making good quality housing unaffordable to many citizens. While additional social housing provision is financed by the Housing Revenue Account, the general fund capital programme provides £906.311m for lending to Edinburgh Living and National Housing Trust LLPs. These projects are self-financing as a result of income from affordable rents. However, it should be noted that at present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLP up to 2023-24 for a total of £248.000m.

Additional Priorities – Funding Opportunities and Expenditure

- 4.15 The Capital Budget Strategy 2020-30 report from Finance and Resources Committee on 10 October 2019 set out the new funding pressures.
- 4.16 These included Wave 4 schools at a projected cost of £259.380m and additional detail on the Council's learning estate was included elsewhere on the Finance and Resources Committee agenda on 10 October 2019. This has increased from the October 2019 report as the Currie High School costs have been updated to reflect the latest cost estimate which factor in attaining Passivhaus certified standards. There is a further £166.000m for schools under the heading 'infrastructure for population growth' as part of the Local Development Plan requirements. This will be kept under review to ensure that the timing of investment is aligned with wider development.
- 4.17 Current roll projections show that Liberton High School will be over capacity by August 2022 and will require new accommodation for catchment pupils. Based on

the time required to design, secure planning consent for and construct a new school, £1.684m of the Liberton High School budget has been brought forward to allow the design and planning process to proceed. Further work will need to be done by officers as part of a submission to the Scottish Government to develop a funding package that will ensure the necessary infrastructure can be delivered immediately following achievement of planning permission within the overall level of resources identified.

- 4.18 A further £30.859m has been included in the additional priorities for Rising School Rolls, to match the current projected requirement across the existing school estate.
- 4.19 The strategy allocates £48.000m for investment in assets with this split across investment in the Council's parks outdoor assets, additional investment in accessibility and investment of £42.600m in the existing operational estate above that within the existing programme.
- 4.20 Within the Capital Strategy in October there was a provision of £10m for pressures from the existing capital programme. £3.258m of that provision is recommended to be allocated to the Meadowbank Sports Centre to offset a shortfall in capital receipts and additional costs relating to asbestos work. This is in addition to the £7m contingency funding held for this project. A further £2.5m is recommended to be allocated to the Boroughmuir High School extension to match the revised cost estimate.
- 4.21 The Place Directorate require additional investment in roads, structures and street lighting infrastructure. A separate report on this agenda includes a proposal for £2m per annum for such investment, based on revised loan repayment periods.

Fleet Replacement

- 4.22 The Capital Budget Strategy also includes a proposal for capital investment for 213 vehicles, financed over a 5 to 10-year period at an overall estimated value of £12.564m. This will ensure the Council's vehicle fleet is fit for purpose and reduces emissions as much as possible. This replacement strategy will meet key service requirements delivering a modern fleet which complies with the impending low emission zone (LEZ) strategy.
- 4.23 This investment is to be funded through savings made through the fleet review, particularly a significant reduction in existing payments to external companies for hire of many of the vehicles which will be replaced, supplemented by third party grants towards electric vehicles and infrastructure.
- 4.24 A further report on Fleet Replacement will be presented to Finance and Resources Committee on 5 March 2020 with additional information.

Funding Pressure

- 4.25 The overall funding position of the additional funding opportunities and expenditure is summarised in Appendix 3.

Unfunded Capital Priorities and Pressures

- 4.26 In addition to the existing programme and additional priorities, we are developing a funding strategy to deliver City Centre Transformation and the wider City Mobility Plan. This will be reported at a later date to Committee.
- 4.27 Council is aware that community centres are greatly valued by their local communities. A report detailing the condition of the existing estate will be considered by the Finance and Resources Committee on 5 March 2020 with an indicative cost of £13.625m attached.
- 4.28 It should be noted that the proposed Capital Budget Strategy does not include the aspiration to accelerate a first phase of the redevelopment of Wester Hailes Education Centre (paragraph 4.9), to accelerate funding to replace and expand Liberton High School (paragraph 4.17), other than initial design funding, or to provide a dedicated Gaelic Medium Education Secondary provision by 2024. Should the Council wish to invest in these projects, the provision for additional financing and running costs will need to be met from revenue budgets, or as part of a successful submission to the Scottish Government for funding.
- 4.29 In a similar vein, a number of unfunded pressures have been put forward by the Place directorate, which cannot be funded from existing budgets. Appendix 4 sets out unfunded capital pressures.
- 4.30 Finally, there are a number of major projects in the current programme where there is a potential risk of expenditure exceeding budget and these will be reviewed as part of the Council's 2020 budget planning process. Further reports will be prepared, as required, for Council approval to allocate the remaining contingency of £4.242m.

Prudential Indicators

- 4.31 The Capital Budget Strategy 2020-30 will be reflected in the Council's prudential indicators, which accompany the Budget Motion.

5. Next Steps

- 5.1 The Capital Budget Strategy 2020-30 will be referred to Council as part of the Council's budget setting process in February 2020.

6. Financial impact

- 6.1 This report sets out additional capital expenditure of £556.748m, offset by additional income of £226.437m, resulting in a requirement of £330.311m in loans fund advances. The loans charges associated with this over a 30-year period would be a principal amount of £330.311m and interest of £288.985m, resulting in a total cost of £619.296m based on an assumed loans fund interest rate of 4.5%. This represents an annual cost of £20.643m.
- 6.2 Revenue budget planning assumptions mean that that costs associated with £78m of the loans fund advances will be met from savings initiatives and £43m can be met from Council Tax. This is contingent on the Council approving a balanced

medium-term revenue budget in February 2020. It is also assumed that £41m will be supported by the Scottish Government for investment in schools. A further £12.564m will be funded through the fleet review and third-party grants and £1.145m from temporary accommodation savings for the house share scheme. The remaining £154.602m is currently unfunded and will require the Council to find additional revenue savings. A profile of this additional funding pressure and revenue savings is set out in Appendix 3. In the event that the Council is unable to make the savings at that time, then capital expenditure will need to be reduced, potentially meaning that later phases of the Wave 4 Schools programme could not be delivered. Any additional capital resources received will be used to reduce this funding deficit.

- 6.3 Investment in additional assets is likely to result in increased running costs. A report on the associated cost implications of changes in the size and profile of the Council's operational property estate was considered by the Finance and Resources Committee on 23 May 2019. The report noted the need to provide for the additional revenue costs of a number of demand- and condition-led school replacements and new-builds. Based on the cost projections intimated in that report and sums provided within the budget framework in respect of known rising school rolls projects, the Wave Four schools programme (as set out in the original 2018 business case) and additional, or expanded, facilities linked to the Local Development Plan, this level of provision was anticipated to be sufficient to meet, in full, these additional costs at that time. There is, however, a continuing need to assess, based on best-available expenditure and income projections for the projects concerned, the adequacy of sums provided within the budget framework in respect of known and emerging potential commitments. As a result, all projects will be required to produce a detailed business case, setting out both capital and revenue costs and demonstrating how they will be funded prior to project commencement.

7. Stakeholder/Community Impact

- 7.1 Consultation on the capital budget was undertaken as part of the wider engagement on the Council's budget.
- 7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Background reading/external references

- 8.1 [Wave 4 Infrastructure Investment Programme](#), Finance and Resources Committee, 11 October 2018
- 8.2 [Capital Investment Programme 2019-20 to 2023-24](#), The City of Edinburgh Council, 21 February 2019
- 8.3 [Housing Revenue Account Budget Strategy 2019-24](#), The City of Edinburgh Council, 21 February 2019, Item 4.3
- 8.4 [Coalition Budget Motion, The City of Edinburgh Council, 21 February 2019](#)

- 8.5 [Edinburgh Tram – York Place to Newhaven Final Business Case](#), The City of Edinburgh Council, 14 March 2019
- 8.6 [Capital Monitoring 2019/20 – Month Three Position](#), Finance and Resources Committee, 15 August 2019
- 8.7 [Capital Budget Strategy 2020-30](#), Finance and Resources Committee, 10 October 2019
- 8.8 [Communities and Families Learning Estate](#), Finance and Resources Committee, 10 October 2019
- 8.9 [Council Change Strategy: Planning for Change and Delivering Services 2019-23](#), Finance and Resources Committee, 10 October 2019
- 8.10 [Update on Short Window Improvement Plan](#), Policy and Sustainability Committee, 25 October 2019
- 8.11 [Half Year Capital Monitoring 2019/20 Position](#), Finance and Resources Committee, 6 December 2019

9. Appendices

Appendix 1 – Capital Budget Strategy 2020-30 – Existing Capital Investment Programme

Appendix 2 – Capital Budget Strategy 2020-30 – Additional Investment Proposals

Appendix 3 – Capital Budget Strategy 2020-30 – Funding Pressure

Appendix 4 – Unfunded Capital Priorities and Pressures

Appendix 5 - Capital Budget Strategy Unfunded Priorities – Prioritisation Criteria

CAPITAL BUDGET STRATEGY 2020-2030

Existing Capital Investment Programme Summary (incorporating projected slippage from 2019/20)

	Total	Projected Slippage from 2019/20 £m	Indicative Budget 2020/21 £m	Revised Budget 2020/21 £m	Indicative Budget 2021/22 £m	Indicative Budget 2022/23 £m	Indicative Budget 2023/24 £m	Indicative Budget 2024/25 £m	Indicative Budget 2025/26 £m	Indicative Budget 2026/27 £m	Indicative Budget 2027/28 £m	Indicative Budget 2028/29 £m	Indicative Budget 2029/30 £m
Existing Programme - Expenditure													
Communities and Families													
Early Years	26.409	1.409	12.002	13.411	9.576	3.422	-	-	-	-	-	-	-
Primary Schools	36.507	7.325	27.640	34.965	1.542	-	-	-	-	-	-	-	-
Wave 3 Schools	13.783	0.717	14.500	13.783	-	-	-	-	-	-	-	-	-
Wave 4 Schools	21.454	2.454	19.000	21.454	-	-	-	-	-	-	-	-	-
Rising School Rolls	15.353	7.591	7.762	15.353	-	-	-	-	-	-	-	-	-
Libraries	0.777	0.127	0.650	0.777	-	-	-	-	-	-	-	-	-
Sports Facilities	6.301	3.249	1.065	2.184	0.165	0.165	7.165	0.165	0.165	0.165	0.165	0.165	0.165
Safer and Stronger Communities CCTV	1.145	0.145	1.000	1.145	-	-	-	-	-	-	-	-	-
Place													
Zero Waste : Millerhill	29.520	-	29.520	29.520	-	-	-	-	-	-	-	-	-
Depot Review	7.769	0.150	7.619	7.769	-	-	-	-	-	-	-	-	-
Parks and Greenspace	1.980	0.161	1.419	1.580	0.200	0.200	-	-	-	-	-	-	-
Home Owners Adaptation Grants	10.000	-	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Carriageway and Footways	122.631	1.861	10.727	12.588	12.227	12.227	12.227	12.227	12.227	12.227	12.227	12.227	12.227
10% Cycling Commitment	17.830	-	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783
North Bridge Major Refurbishment	12.602	1.670	5.830	7.500	5.102	-	-	-	-	-	-	-	-
Energy Efficiency Street Lighting Project	10.736	1.168	9.140	10.308	0.428	-	-	-	-	-	-	-	-
Street Lighting	13.415	0.184	1.449	1.265	1.350	1.350	1.350	1.350	1.350	1.350	1.350	1.350	1.350
Road Safety, Network, Cycling and Public Transport	59.278	2.440	15.313	17.753	10.975	13.225	2.475	2.475	2.475	2.475	2.475	2.475	2.475
Tram Life Cycle Replacement	10.000	-	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
IMPACT	5.000	0.500	-	0.500	4.500	-	-	-	-	-	-	-	-
Kings Theatre	9.000	-	2.000	2.000	1.000	6.000	-	-	-	-	-	-	-
Leith Theatre	0.648	0.648	-	0.648	-	-	-	-	-	-	-	-	-
Town Centre Fund	2.132	2.132	-	2.132	-	-	-	-	-	-	-	-	-
St James GAM/Picardy Place	62.900	-	62.900	62.900	-	-	-	-	-	-	-	-	-
Lending - Edinburgh Living LLPs	897.546	7.503	39.871	47.374	28.413	52.040	40.575	148.029	132.216	116.231	116.231	116.231	100.206
Lending - National Housing Trust (NHT)	8.765	4.723	4.042	8.765	-	-	-	-	-	-	-	-	-
Tram to Newhaven	157.836	4.217	74.318	70.101	58.004	29.731	-	-	-	-	-	-	-
Resources													
ICT	6.051	1.051	5.000	6.051	-	-	-	-	-	-	-	-	-
Asset Management Works	160.670	13.296	30.000	16.704	25.516	20.450	14.000	14.000	14.000	14.000	14.000	14.000	14.000
IJB													
New Care Home	10.000	-	-	-	5.000	5.000	-	-	-	-	-	-	-
Unallocated													
	30.000	-	-	-	-	-	-	5.000	5.000	5.000	5.000	5.000	5.000
Existing Programme - Expenditure Budget	1,768.038	21.395	386.550	407.945	167.781	147.593	81.575	187.029	171.216	155.231	155.231	155.231	139.206

CAPITAL BUDGET STRATEGY 2020-2030

Appendix 1

Existing Capital Investment Programme Summary (incorporating projected slippage from 2019/20)

	Total	Projected Slippage from 2019/20 £m	Indicative Budget 2020/21 £m	Revised Budget 2020/21 £m	Indicative Budget 2021/22 £m	Indicative Budget 2022/23 £m	Indicative Budget 2023/24 £m	Indicative Budget 2024/25 £m	Indicative Budget 2025/26 £m	Indicative Budget 2026/27 £m	Indicative Budget 2027/28 £m	Indicative Budget 2028/29 £m	Indicative Budget 2029/30 £m
Existing Programme - Funding													
Asset Sales (Unringfenced)	18.000	-	3.000	3.000	3.000	3.000	3.000	1.000	1.000	1.000	1.000	1.000	1.000
Developers contributions	1.890	-	0.750	0.750	0.380	0.380	0.380	-	-	-	-	-	-
Capital Grants Unapplied Account	14.894	1.409	2.002	3.411	9.576	1.907	-	-	-	-	-	-	-
General Capital Grant	380.000	-	38.000	38.000	38.000	38.000	38.000	38.000	38.000	38.000	38.000	38.000	38.000
Specific Capital Grant - Town Centre	2.132	2.132	-	2.132	-	-	-	-	-	-	-	-	-
Specific Capital Grant - Early Years	10.000	-	10.000	10.000	-	-	-	-	-	-	-	-	-
Loans Fund Advances	1,341.122	17.854	332.798	350.652	116.825	104.306	40.195	148.029	132.216	116.231	116.231	116.231	100.206
Existing Programme - Funding Budget	1,768.038	21.395	386.550	407.945	167.781	147.593	81.575	187.029	171.216	155.231	155.231	155.231	139.206

CAPITAL BUDGET STRATEGY 2020-2030
Additional Investment Proposals

Appendix 2

	Total	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Additional Priorities - Expenditure											
Existing programme - Contingency	4.242	4.242	-	-	-	-	-	-	-	-	-
Meadowbank Sports Centre	3.258	3.258	-	-	-	-	-	-	-	-	-
Boroughmuir High School Extension	2.500	2.500	-	-	-	-	-	-	-	-	-
Wave 4 Schools											
Currie High School	50.927	1.421	1.502	22.994	24.090	0.919	-	-	-	-	-
Trinity Academy Phase 2	42.065	-	1.688	1.784	22.304	14.106	1.092	1.092	-	-	-
Wester Hailes Education Centre	36.001	-	-	-	-	-	1.233	1.283	19.247	13.468	0.770
Liberton High School	49.140	1.684	-	-	-	-	-	1.751	26.271	18.383	1.050
Balerno High School	57.667	-	-	-	-	-	1.976	2.055	30.830	21.573	1.233
Wave 4 Contingency	23.580	0.310	0.319	2.478	4.639	1.503	0.430	0.618	7.635	5.342	0.305
Infrastructure for Population Growth											
Builyeon Road Primary School (S Queensferry)	16.000	-	0.865	6.299	8.835	-	-	-	-	-	-
New Brunstane/Newcraighall Primary School	16.000	-	-	0.900	6.551	8.549	-	-	-	-	-
Maybury Primary School	16.000	0.800	5.600	6.400	3.200	-	-	-	-	-	-
Kirkliston/West Edinburgh Secondary Provision	50.000	-	-	2.812	20.473	24.333	2.382	-	-	-	-
Gilmerton Station Road Primary School	16.000	-	-	0.900	6.551	7.787	0.762	-	-	-	-
Granton Waterfront Primary School	16.000	-	-	-	0.936	6.813	8.098	0.153	-	-	-
East of Milburn Tower Primary School	16.000	-	-	-	-	0.973	7.086	7.941	-	-	-
Unallocated	20.000	-	-	-	-	-	-	-	-	10.000	10.000
Rising School Rolls	30.859	4.509	8.950	3.400	2.000	2.000	2.000	2.000	2.000	2.000	2.000
Transfer of Management of Development Funding (TMDF)	27.950	27.950	-	-	-	-	-	-	-	-	-
Cycling, Walking and Safer Streets (CWSS)	0.851	0.851	-	-	-	-	-	-	-	-	-
Parks - Outdoor Assets Programme	1.800	-	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Fleet Replacement	12.564	12.564	-	-	-	-	-	-	-	-	-
Properties for House Share	1.145	1.145	-	-	-	-	-	-	-	-	-
Increased Investment in Council Buildings											
Investment in accessibility	3.600	-	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.400
Asset Management Works	42.600	-	-	4.800	5.400	5.400	5.400	5.400	5.400	5.400	5.400
Additional Priorities - Expenditure	556.748	61.234	19.524	53.367	105.580	72.983	31.060	22.892	91.983	76.767	21.358

CAPITAL BUDGET STRATEGY 2020-2030
Additional Investment Proposals

Appendix 2

	Total	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Additional Priorities - Funding Opportunities											
<i>Income</i>											
Existing Programme - Unallocated Funding											
Asset Sales (Unringfenced)	12.000	-	-	-	-	2.000	2.000	2.000	2.000	2.000	2.000
External Funding											
Increased general capital grant	67.725	0.225	5.500	6.000	6.500	7.000	7.500	8.000	8.500	9.000	9.500
Developers contributions (Wave 4)	12.514	0.004	0.056	0.499	0.307	5.114	-	4.582	0.370	0.827	0.756
Developers contributions (LDP)	58.400	-	-	0.320	2.586	6.924	18.619	19.382	7.331	3.237	-
Asset Sales (Wave 4)	19.997	-	-	-	-	-	10.489	-	-	-	9.508
Transfer of Management of Development Funding (TMDF)	27.950	27.950	-	-	-	-	-	-	-	-	-
Cycling, Walking and Safer Streets (CWSS)	0.851	0.851	-	-	-	-	-	-	-	-	-
Reserves											
Capital Fund Drawdown	27.000	14.195	-	12.805	-	-	-	-	-	-	-
	226.437	43.225	5.556	19.624	9.393	21.038	38.608	33.964	18.201	15.065	21.764
<i>Supported Borrowing</i>											
Borrowing supported by											
Fleet Review and Third Party Grants	12.564	12.564	-	-	-	-	-	-	-	-	-
Properties for House Share	1.145	1.145	-	-	-	-	-	-	-	-	-
Scottish Government Schools Funding	41.000	-	-	-	-	21.000	-	-	-	-	20.000
Revenue Budget Framework	78.000	-	22.500	25.500	30.000	-	-	-	-	-	-
10% of Increased Council Tax take	43.000	4.300	4.300	4.300	4.300	4.300	4.300	4.300	4.300	4.300	4.300
	175.709	18.009	26.800	29.800	34.300	25.300	4.300	4.300	4.300	4.300	24.300
Additional Priorities - Funding Opportunities	402.146	61.234	32.356	49.424	43.693	46.338	42.908	38.264	22.501	19.365	46.064

CAPITAL BUDGET STRATEGY 2020-2030

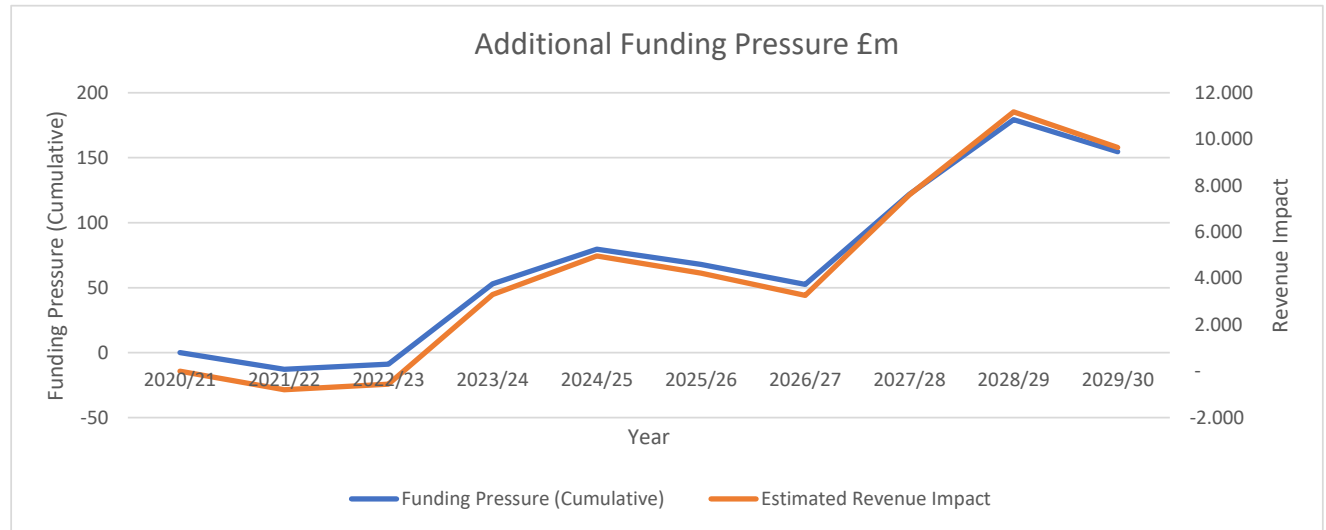
Additional Funding Pressure

Additional Expenditure Priorities
 Additional Funding Opportunities
Funding Pressure (Incremental)

Funding Pressure (Cumulative)
 Estimated Revenue Impact

Appendix 3

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	
Total	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Additional Expenditure Priorities	556.748	61.234	19.524	53.367	105.580	72.983	31.060	22.892	91.983	76.767	21.358
Additional Funding Opportunities	402.146	61.234	32.356	49.424	43.693	46.338	42.908	38.264	22.501	19.365	46.064
Funding Pressure (Incremental)	154.602	-	- 12.832	3.943	61.887	26.645	- 11.848	- 15.372	69.482	57.402	- 24.706
Funding Pressure (Cumulative)		-	- 12.832	- 8.888	52.999	79.644	67.796	52.424	121.906	179.308	154.602
Estimated Revenue Impact		-	- 0.800	- 0.554	3.304	4.964	4.226	3.268	7.599	11.177	9.637



UNFUNDED CAPITAL PRESSURES	Total Cost (including Third Party)	Total Funding Gap	Priority Score
Projects	£m	£m	
Bridge Structure	9.000	7.050	35
Parks and Greenspace Infrastructure Upgrade	2.100	1.900	33
Hostile Vehicle Mitigation	3.000	3.000	30
West Princes Street Gardens (including Ross Theatre)	30.000	5.000	28
Parking Pay and Display Ticket Machines	2.300	2.300	23
Craigmillar Cemetery Extension	0.850	0.850	22
Cramond Chain Ferry / Promenade	1.100	1.100	21
Allotments	0.400	0.400	19
Pentland Paths	3.130	0.400	17
Community Centres	13.625	13.625	TBA
	65.505	35.625	

Appendix 5: Capital Budget Strategy Unfunded Priorities – Prioritisation Criteria

All bids for the 2020 capital budget setting process have been assessed against a series of criteria to determine their priority for funding, as described below.

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

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

A total score of 65 is achievable.

The initial scores were undertaken by each service department however, these were moderated by Strategic Asset Management to ensure consistency across the application of the scoring methodology.

It is recognised that the standardised scoring methodology can only provide an initial starting point and further information on the circumstances of a project may increase its priority.

Finance and Resources Committee

10.00am, Friday, 14 February 2020

Housing Revenue Account (HRA) Budget Strategy (2020-2030)

Executive/routine Wards Council Commitments	Executive All 1 , 10 , 18 , 41 , 44
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1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee:
- 1.1.1 agrees to refer the 2020/21 budget, draft five-year capital investment programme, and the rent levels for 2020/21 set out in Appendices 2, 3 and 4 to the Council budget meeting for approval;
 - 1.1.2 notes the outcome of the annual budget consultation;
 - 1.1.3 notes the proposed £2.5 billion ten-year investment programme to deliver Council commitments, including 10,000 new affordable homes;
 - 1.1.4 notes that the cost of achieving net zero carbon in Council housing by 2030 has been built into the business plan; and
 - 1.1.5 notes the risks to the delivery of the HRA budget strategy set out at 4.31 and the mitigating actions.

Paul Lawrence

Executive Director of Place

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Housing Revenue Account (HRA) Budget Strategy (2020-2030)

2. Executive Summary

- 2.1 Following consultation with tenants, this report sets out the HRA budget for 2020/21 and recommends that the report is referred to the Council budget meeting for approval on 20 February 2020.
- 2.2 This report sets out an ambitious HRA Budget Strategy to deliver £2.5 billion investment over ten years in building and improving Council homes to deliver Council commitments on affordable housing and net zero carbon by 2030. Capital investment will be accompanied by improvements in how we deliver housing services to increase customer satisfaction. The Strategy is aimed at reducing tenants cost of living, with below inflation rent increases and service charges frozen for the fifth year in a row.
- 2.3 Capital investment has more than doubled over the last five years and is expected to more than quadruple over the next five years as we meet the 20,000 homes target and increase investment in existing homes. A fabric first approach for new build and existing homes that minimises the requirement for energy use will reduce costs for tenants. The Budget Strategy also includes funding to trial innovative technologies and pilot approaches to retrofit new build.
- 2.4 The HRA Budget Strategy presented in this report, and noted by Housing, Homelessness and Fair Work Committee will support the delivery of the Council commitment and enable the wider area improvements; including the regeneration of Granton Waterfront, Pennywell, Craigmillar, Meadowbank, Fountainbridge, Powderhall and Wester Hailes.
- 2.5 The major risks to the delivery of the strategy and mitigating actions are set out at section 4.31 of the report. The alignment of investment priorities identified through budget consultation, savings identified through the Housing Service Improvement Plan (HSIP) and a wider review of the debt portfolio has resulted in a further reduction in the deficit to £22.7 million, postponing it by a further 11 years (2034/35).

3. Background

- 3.1 On [21 March 2019](#), Housing and Economy Committee approved the 2019/20 HRA capital programme for investment of £108.954 million in new homes, existing homes (including external fabric and estates) and services. This was the largest annual capital investment programme to date in Council homes.
- 3.2 On [6 June 2019](#), Housing and Economy Committee received an update on the HSIP. The report set out the approach to redesigning the Housing Service with a specific focus on developing more effective and responsive services for customers. The approach to improvement complements the significant planned investment in tenants' homes and estates, whilst significantly improving customer satisfaction, operating performance and reducing costs. A further update was provided to Housing, Homelessness and Fair Work committee on [20 January 2020](#).
- 3.3 On the [14 May 2019](#), Corporate Policy and Strategy Committee approved the Council's Sustainability Approach, which included Edinburgh working towards a net zero carbon target by 2030, with a hard target of 2037. In response to this the Housing Service has commissioned two separate pieces of consultancy work on options to achieving net zero carbon across the Council's new build housing programme and the Council's existing stock. The Council's approach to achieving zero carbon in Council housing was approved at Housing, Homelessness and Fair Work committee on [20 January 2020](#).
- 3.4 On [29 August 2019](#), Housing, Homelessness and Fair Work Committee considered a report on the HRA budget strategy and agreed to seek tenants' views on the Budget Strategy, what has been achieved to date, priorities over the next five years and tenant experience of services and potential service improvements.

4. Main report

- 4.1 The HRA manages the income and expenditure for the Housing Service. The Housing Service is entirely self-financing and receives no funding from the General Fund (GF). The annual revenue budget of c.£100 million is almost exclusively funded from tenants' rents (95%), with the remaining 5% coming from service charges. The annual capital investment programme is funded through a combination of prudential borrowing, Scottish Government grant funding and reserves.
- 4.2 The HRA budget is prepared annually following the review of the 30-year HRA Business Plan and the Capital Investment Programme and is approved by Council following consultation with tenants. Appendix 1 sets out the HRA Business Plan and budget setting process.

Consultation and Engagement

- 4.3 The Budget Strategy is informed through an extensive programme of consultation and engagement with tenants. This includes regular surveys to assess customer satisfaction with the service, focus groups to enable in-depth exploration of key issues, tenant panels, tenant led service inspections and scrutiny, resident and community meetings and an annual budget consultation which is co-designed with tenants.
- 4.4 Over 80% of tenants who responded to previous consultations told us that they supported the investment plan, funded by a 2% rent increase, identifying the following priorities to be delivered over a five-year period:
- 4.4.1 building new affordable homes;
 - 4.4.2 investing in making existing homes easier and cheaper to heat; and
 - 4.4.3 reducing the cost of living through the delivery of a variety of different services, including an energy advice service, a tenant discount scheme, low cost broadband service and community food growing.
- 4.5 Subsequent budget consultations have confirmed support for the key priorities, including support to increase rents beyond 2%, if priorities could be delivered more quickly. In 2019/20 around 81% of tenants said they supported the key priorities but, alongside support for capital investment, tenants prioritised investing in improving core housing services, such as day to day housing management, and repairs and maintenance of Council homes, as well as the wider estate management. This resulted in a scaling up of investment in existing and new homes (35% increase on previous year), as well as responding to tenants' requests to prioritise improvements in core services through a three-year HSIP.
- 4.6 This year's consultation has generated a similar profile of responses with respondents supporting the need for more affordable homes and investment in existing homes and estates. When asked what area of the service needed improvement almost half of all comments were linked to the repairs service. The focus being on improving the ways to report repairs, appointment times, the speed and quality of repairs and how complaints are handled when an issue arises.
- 4.7 The majority of respondents (60%) were in favour of removing rent free fortnights to more closely align with monthly Universal Credit (UC) payments and salaries for tenants in employment. Scheduled rent payment dates for the annual rent charge will be spread over the full year (as of 1 April 2020) instead of 48 weeks to help tenants' budget better, avoid getting into debt, and manage the monthly UC payments.

Delivering the Strategy

- 4.8 The 2020/21 HRA Budget Strategy supports the delivery of £2.5 billion investment in homes and neighbourhoods over ten years that aims to build more homes,

modernise existing homes and neighbourhoods and transform frontline services to tackle inequality and reduce tenants cost of living. Capital investment has more than doubled over the last five years and is expected to more than quadruple over the next five years.

- 4.9 Work is well underway to accelerate the delivery of affordable housing in the city and to achieve this Council's commitment to build at least 10,000 social and affordable homes over five years (by 2022), with a plan to build 20,000 by 2028. This year's plan also assumes that house building will continue beyond the ten-year commitment, with an additional c.2,000 homes delivered over the Business Plan period. The first two years of the commitment saw a record number of homes approved (3,101 homes) for social rent, mid-market rent and low-cost home ownership; an almost 25% increase on the average approvals achieved over the last five years. Approvals this financial year (2019/20) are expected to reach 1,700 homes. The Strategic Housing Investment Plan 2020-25 has identified a pipeline of 6,766 affordable homes over the next five years with opportunities to accelerate and bring additional approvals through a 'Build to Rent' pipeline.
- 4.10 The draft five-year capital investment programme set out in Appendix 4, includes nearly £2 billion investment in new Council homes over ten years. This will fund the delivery of around 5,000 Council homes for social rent, as well as supporting the development of mixed-use sites and large-scale regeneration of Granton; one of Europe's biggest Waterfront regeneration projects.
- 4.11 In 2018 the Council established 'Edinburgh Living' Limited Liability Partnerships to own and manage homes for mid rent and market rent. The LLPs are a public sector partnership with the Council holding a 99% stake in the partnership. Our partner in Edinburgh Living is the Scottish Futures Trust. Over the past year, Edinburgh Living has purchased over 100 homes for mid rent from the Council. Over the next two years, it is anticipated that the Council will develop over 400 homes for Edinburgh Living.
- 4.12 The HRA Business Plan assumes investment in existing homes and neighbourhoods of around £20,000 per home over the next 15 years. Almost half of Council homes are in mixed tenure blocks, which means the cost of repairing and improving the externals and common areas of blocks is shared with owners. A detailed business case to establish a mixed tenure delivery team and revise the Scheme of Assistance to support owners to invest in their homes was approved at Finance and Resources Committee on [23 January 2020](#).
- 4.13 One of the key priorities for tenants coming through the consultation is improving the look and feel of homes beyond their own front doors. This includes both the common areas within stairs and out into their estates. Improving the standard of external environment around Council homes is one of the key workstreams within the HSIP. The external environment workstream will be broad in scope and will consider not only improvements to the housing element of the service but also look at opportunities for integration with other Council services such as waste and

- transport. The detailed scope of projects is currently being finalised, but it is likely to consider the future approach to capital investment in Neighbourhood Environmental Projects, delivery of services such as stair cleaning and estates clearance, community initiatives, use and maintenance of open areas.
- 4.14 A door entry installation programme is already underway, around 200 blocks will be upgraded in 2019/20. In addition to this, small scale upgrades, where owner consent is not required to take forward works, will also be undertaken in early 2020/21, including stair painting, upgrades to flooring and improved lighting in common stairs. The detail of this will be set out in the 2020/21 Capital Investment Programme report to Housing, Homelessness and Fair Work Committee in March 2020, following consultation with tenants and elected members.
- 4.15 Making homes easier and cheaper to heat remains a key priority for tenants. Over half of homes have benefited from energy efficiency measures over the last five years (including 4,400 new heating systems; 3,200 homes insulated; and 2,700 new windows and front doors). All Council homes need to meet Scottish Government's Energy Efficiency Standards for Social Housing (ESSH) by December 2020. At the end of 2018/19, 67% of Council homes met this standard; a 23% increase on 2017/18 levels.
- 4.16 Almost 70% of social housing in Edinburgh (both Council and housing association homes) has an energy efficiency rating of either EPC B or C; significantly higher than the private rented (51%) and owner occupier sectors (47%). In addition to this, Edinburgh also has the third lowest percentage (23%) in Scotland for social housing households in fuel poverty.
- 4.17 It is anticipated that almost 90% of homes will meet ESSH 1 by December 2020. Where possible, the remaining homes will be held in temporary exemptions. Investment to date, coupled with the decarbonisation of the grid, has resulted in a 65% reduction in carbon emission of Council homes since 2005.
- 4.18 The 2020/21 Budget Strategy factors in the cost of delivering the ambitious ESSH2 (EPC B) and the Council's net zero carbon commitment by 2030. Achieving ESSH 2 will be challenging especially for 'hard to treat' buildings and mixed tenure blocks with a need to pilot new and emerging technologies. The Business Plan includes a carbon innovation fund starting in 2021 to trial innovative technologies, approaches to retrofit and support carbon offsetting to ensure Council homes will be carbon neutral by 2030.
- 4.19 It is anticipated that the cost associated with delivering carbon neutral homes will reduce over time as technology develops and industry responds to increased market demand. Initiatives supporting energy efficiency and behaviour change are also important and can have a significant impact on how people use energy in the home, which can help lower fuel bills, tackle fuel poverty and reduce carbon.
- 4.20 With this scale of investment in homes and neighbourhoods, it is essential that the Housing Service is working as efficiently as possible to maximise the benefits to tenants and the wider city, whilst ensuring rents remain affordable. The three-

year HSIP sets out an approach to redesigning the Housing Service with a specific focus on developing more effective and responsive services for customers. Progress with delivering the HSIP will be reported to committee on a six-monthly basis. The latest progress update was provided to Housing, Homelessness and Fair Work Committee on [20 January 2020](#).

- 4.21 In addition to the HSIP, new services have been introduced that tenants felt would help reduce their living costs and improve the overall quality of the Housing Service. This includes a dedicated energy advice service, tenant discount scheme and a housing apprenticeship programme targeted at tenants and their families. A broadband programme is also in development, with phase one focusing on securing super-fast, reliable fibre infrastructure to Council homes, at no cost to the Council or tenants. There is also an annual campaign to recognise and reward tenants and residents who support their neighbours and look after their communities.

Funding the strategy

- 4.22 The HRA Business Plan sets out planned investment of £2.5 billion over the next ten years. This investment is funded from capital receipts, prudential borrowing, capital funding from revenue and Scottish Government subsidy for new social rented homes. Appendix 4 sets out the draft five and ten-year capital investment programme.
- 4.23 This investment will be taken forward alongside a service improvement programme that will deliver improvements and cost efficiencies of around 10% of operating expenditure by 2022/23. The investment required to make these necessary improvements has been factored into the Business Plan and progress is reported to Housing, Homelessness and Fair Work Committee every six months.
- 4.24 Rent collection performance improved significantly during the last financial year with year-end performance showing a 7% (c.£450,000) reduction on current arrears, when compared to 2017/18. This is even more positive, when compared to the national picture; where the overall trend was for landlords to be reporting an increase in arrears.
- 4.25 However, the overall context for income collection is one of financial challenge for tenants managing their household budgets, with changes in benefits such as UC and also the impact of low income and zero-hour contracts. The Business Plan therefore assumes that rent arrears will increase with an estimated loss of £9 million income over the five years following UC roll out to mitigate the impact of welfare reform on tenants.
- 4.26 It is expected that between 70-80% of households each year will receive some assistance with their rent charges through Housing Benefit or the housing element of UC. Almost all of these tenants would be entitled to an increase in their benefits to cover any increase in rent charges, subject to there being no other changes in their household circumstances that would alter their overall entitlements.

- 4.27 For the last four years, rents have increased by 2% which is below average inflation of 2.1%. Private rents have increased by an average of 4.9% a year, while local authority landlords' average rent has increased by 2.9% a year and average housing associations' rent has increased by 2.5% a year over the same period.
- 4.28 The proposed rent increase of 2% for 2020/21 would mean an average increase of between £1.73 for a one bedroom flat and £2.53 for a four-bedroomed house per week in 2020/21. Any increase in rent should be offset by a reduction in the cost of living through investment in new services and investment in existing homes, for example, reducing energy costs. Support is available to tenants who face difficulty paying rent. No home will be repossessed, as long as, the tenant engages with the Housing Service and a reasonable repayment plan is agreed and maintained to manage arrears and late payments of rent.
- 4.29 For the fifth year running the Business Plan assumes no increase in fees and charges to tenants. These include charges for stair cleaning, furnishing and heating where included as a service charge. Not all of these charges are covered by housing benefit. Freezing these costs has a direct benefit to the majority of tenants.
- 4.30 A ring-fenced contingency was established in 2017/18 to mitigate the impact of further decreases in income and/or unexpected increases in expenditure. The contingency reserve is projected to be £4.5 million at the beginning of 2020/21, rising to 10% of annual income by year eight.

Risks to the Business Plan

- 4.31 The top five risks to the Business Plan are set out in the table below:

Risk	Mitigation
<p>Mixed Tenure: Over half of Council homes are in mixed tenure blocks where the Council shares responsibility for the repair and maintenance of common areas with home-owners and private landlords. Owners may not have the funds to invest at scale in their homes, delaying or limiting investment to Council homes in these blocks.</p>	<p>The Mixed Tenure Improvement Strategy's workstreams are under development, including establishing a mixed tenure delivery team, revising the Scheme of Assistance to provide more practical and financial support options to owners and landlords. A business case was approved by Finance and Resources Committee on 23 January 2020.</p> <p>The delivery of strategic acquisition and disposal of homes continues to achieve block consolidation.</p>
<p>Reduction in rental income: Rental income collection falls below the assumed level in the Business Plan, due to welfare reform and the implementation of Universal Credit Full Service (UCFS).</p>	<p>Migration and direct payment processes for UCFS have been improved, which allows the Council to work with tenants at the earliest opportunity to arrange secured rental payment methods. Further work is continuing to promote Direct Debit as default pay method.</p> <p>Based on the outcome of the budget consultation, rent free fortnights will be removed to more closely align with monthly UC payments and salaries for tenants in employment. This should help tenants'</p>

	budget better, avoid getting into debt, and manage the monthly UC payments.
Reduction in costs efficiencies: The financial efficiency savings assumed in the latest Business Plan do not materialise, thus deepening the deficit.	<p>The HSIP aims to reduce operating expenditure by 10% to mitigate the deficit and return the Business Plan to a positive balance. The programme is projected to achieve more than double the in-year savings target.</p> <p>Any shortfall in efficiency saving would have to be mitigated through a combination of increases in income, a re-phasing or reduction in planned capital investment, and/ or reduced services to tenants.</p>
Increasing capital investment costs: The increase in new build construction and development costs (workforce, materials etc.) could be higher than anticipated due to wider economic uncertainties as the UK withdraws from the European Union. Land costs for housing development is also increasing due to competition in the open market for land acquisition. There are additional cost implications associated with meeting new sustainability targets.	<p>Build cost inflation assumptions are reviewed annually based on market intelligence. The Business Plan includes a prudent average annual increase of 4.4% over the next 5 years. Comprehensive review of Design Guide is ongoing to increase standardisation and efficiency of design approach. The known costs for achieving a 50% reduction in household emissions by 2030 have been factored into the 30-year Business Plan as well as the establishment of a carbon innovation fund by 2021 to trial innovative technologies, retrofit approaches and explore carbon offsetting to ensure Council homes are carbon neutral by 2030.</p>
Reduction in customer satisfaction and performance: Operational improvements and service efficiencies are not delivered/sustained, resulting in growing customer dissatisfaction, and loss of confidence and support from tenants and elected members.	<p>The HSIP was approved in February 2019 with an aim to improve customer satisfaction, operating performance and reduce costs over the next three years.</p> <p>Progress is monitored monthly to Corporate Leadership Team and bi-annually to Housing, Homelessness and Fair Work Committee.</p>

- 4.32 In addition to the mitigations set out above, the Business Plan assumes a £4.5 million contingency fund will be built up by the end of this financial year, rising to £15 million by 2027 to ensure the continuation of the investment programme, even with an unexpected reduction in income or increase in unplanned expenditure.
- 4.33 All risks are kept under review and significant changes will be highlighted to the Housing, Homelessness and Fair Work Committee, Finance and Resources Committee and Governance, Risk and Best Value Committee.

5. Next Steps

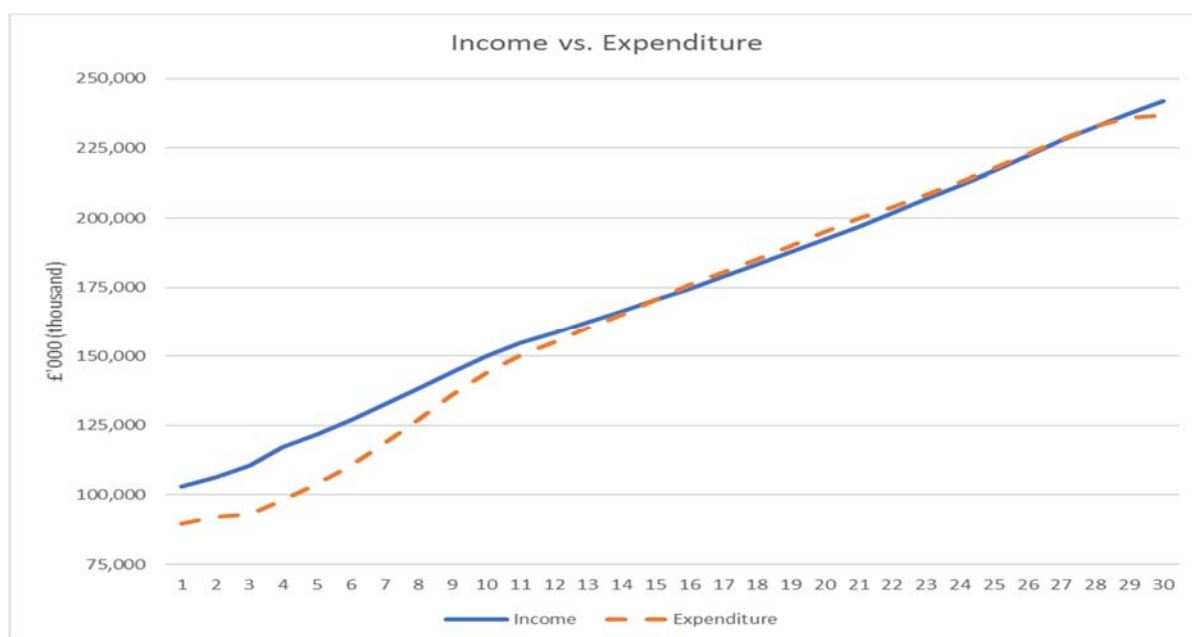
- 5.1 Consultation on the detail of the 2020/21 Capital Programme will be carried out with members in early 2020. This will inform the 2020/21 Capital Investment

Programme report which will be presented to Housing, Homelessness and Fair Work Committee for approval in March 2020.

- 5.2 A six-monthly update of the HSIP will be provided to Housing, Homelessness and Fair Work Committee in June 2020.

6. Financial Impact

- 6.1 The 2019/20 Business Plan projected a £75.6 million deficit between 2022/23 and 2032/33. The Business Plan is reviewed annually and is rolled forward based on the previous year's outturn and approved rent levels. The key assumptions were updated in the summer prior to the 2020/21 budget consultation. The net impact of the updates, reported to Committee in August 2019, was positive with the deficit reducing by 20% and starting one year later in 2023/24 instead of 2022/23.
- 6.2 The positive change was primarily the result of a reduction in borrowing costs and an increase in rental income due to the introduction of new rent payment methods. However, these positive changes were offset by an increase in build cost inflation. Build cost inflation assumptions are reviewed annually based on market intelligence. Latest projections estimate an average annual increase of 4.4% inflationary rate over the next five years.
- 6.3 Further work to check and refine key assumptions has been undertaken since August as well as, the alignment of investment priorities identified through budget consultation with tenants and members. Capital investment programmes have also been reviewed to reflect the Councils net zero carbon target by 2030. A summary of the high-level assumptions is set out in Appendix 2.
- 6.4 The HSIP aims to deliver a 10% reduction in expenditure (£11.2 million) by 2022/23. The investment required to make the necessary improvements has been factored into the HRA Business Plan and will be reviewed annually. A savings target of £1.2 million was identified for 2019/20. Actual savings are estimated to be more than double the target (£3.4 million) following a review of in-year debt management. This was part of a wider review of the debt portfolio, which has resulted in a positive material change in debt servicing costs going forward.
- 6.5 The overall impact of the changes has resulted in a further reduction in the deficit to £22.7 million, postponing it by a further 11 years (2034/35).



- 6.6 A ring-fenced contingency was established in 2017/18 to mitigate the impact of further decreases in income and/or unexpected increases in expenditure. The contingency reserve is projected to be £4.5 million at the beginning of 2020/21, rising to 10% of annual income by year eight.

7. Stakeholder/Community Impact

- 7.1 Each year the views of tenants are sought on the HRA budget strategy, investment plan, service improvements and associated rent levels. The approach to engaging tenants on the budget is reviewed annually by a working group of tenants and officers, the Rent Matters Working Group (RMWG).
- 7.2 Tenants have consistently indicated strong support for building new homes, improving homes and services and stable and affordable rents.
- 7.3 Consultation on the 2020/21 budget took place in 2019. Tenants were asked to comment on what has been achieved to date, what has worked well and not so well, and to establish priorities going forward to ensure the Housing Service is delivering an effective, quality service that is value for money to its tenants. The consultation also included a proposal to change to the current rent charging periods from 2020/21 to more closely align with monthly UC payments and salaries for tenants in employment.
- 7.4 All tenants were sent information on the budget proposals through the tenant newsletter. Over 30 tenant organisations received information packs and 230 individual Tenant Panel members received information either by email, text or letter. Events were held in the localities, including sessions of street-canvassing across the city. Responses were received on line and via email, social media, from postcards, cut outs from newsletters and local events

- 7.5 The budget plan was also discussed at a meeting with the Edinburgh Tenants Federation on 20 November 2019. Officers presented the approach, key messages, consultation questions and results to date.
- 7.6 In addition to the annual rent consultation the Housing Service is in regular contact with tenants and has a wealth of information on tenant satisfaction and priorities from a variety of sources. The Housing Service carries out an annual survey of over 1,000 tenants, as well as, regular focus groups looking at specific topics and various short life working tackling certain issues. Housing officers are now offering annual conversations with each tenant within their patch.
- 7.7 Tenant engagement is being further expanded and enhanced through the HSIP. Ongoing dialogue will help to keep tenants and staff onboard with the change programme and will ensure they are involved in all aspects of shaping improvements. To facilitate this, the focus group programme will be expanded, with groups to be held regularly with tenants and staff.

8. Background reading/external references

- 8.1 2019/20 HRA Capital Programme, Housing & Economy Committee, [21 March 2019](#)
- 8.2 Housing Service Improvement Plan, Housing & Economy Committee, [6 June 2019](#)
- 8.3 Mixed Tenure Improvement Strategy Update, Housing & Economy Committee, [6 June 2019](#)
- 8.4 2020/21 HRA Budget Strategy, Housing Homelessness & Fair Work Committee, [29 August 2019](#)
- 8.5 Housing Sustainability, Housing, Homelessness & Fair Work Committee, [20 January 2020](#)
- 8.6 Housing Service Improvement Update, Homelessness & Fair Work Committee, [20 January 2020](#)
- 8.7 Mixed Tenure Improvement Service Pilot, Finance and Resources Committee, [23 January 2020](#)

9. Appendices

- 9.1 Appendix 1 – Annual Business Planning Process
- 9.2 Appendix 2 - Business Planning – High Level Assumptions
- 9.3 Appendix 3 – Housing Revenue Account Budget 2020/21 (Draft)
- 9.4 Appendix 4 – Draft 5 Year HRA Capital Investment Programme & 10 Year Investment Strategy

Appendix 1 – Annual Business Planning Process



Appendix 2 – Business Planning High Level Assumptions

Input	2020/21	Note
Inflation (Operating Costs)	2%	In line with the Bank of England inflation target.
Inflation (Employee Costs)	3%	Based on the latest local government pay offer.
Rent Increase	2%	This assumption is in line with current market inflation projections. The budget strategy aims to keep rents stable and affordable, while delivering one of the most ambitious investment programmes in Scotland.
Net Rental income	97.63%	Total projected rental income, minus written off former tenant arrears and rent loss due to empty homes.
Former tenant arrears write off	1.69%	Any rental debt outstanding for over 3 months, where there have been no payments received or there is no agreed repayment arrangement, is written off annually. The projected write off at the end of 2019/20 is estimated to be at the similar level as 2018/19.
Rent lost on empty homes	0.68%	The Council remains one of the top performing Local Authorities in this area, with a continued high proportion of lets to households with high levels of need. There has been a slight improvement in 2019/20 compared to 2018/19 levels (0.76%).
Fees and charges increase	0%	Fees and charges for additional services provided with tenancies (e.g. stair cleaning, communal heating, furnished tenancies, etc) is frozen for the fifth year in a row.
Debt level (projected for March 2020)	£416m	Increased from £377 million at 31 March 2019. This was due to an increased borrowing requirement to support the capital investment programme in 2019/20.
Interest on debt (pool rate)	4.50%	The Council does not borrow for specific projects, borrowing is pooled in a consolidated loans fund and the interest rate pooled across all projects. The 2020/21 pool rate assumption is 0.5% lower than that used in 2019/20.

Appendix 3 – Housing Revenue Account Budget 2020/21 (Draft)

	Projected Outturn 2019/20 £m	Proposed Budget 2020/21 £m	Movement £m	Movement %	Note
Net Income	100.526	103.139	2.613	2.60%	1
Expenditure					
Housing Services	31.754	33.340	1.586	4.99%	2
Property Maintenance	23.952	22.478	-1.474	-6.15%	3
Debt Charges	38.887	36.723	-2.164	-5.56%	4
Strategic Housing Investment	5.933	10.598	4.665	78.63%	5
Total Expenditure	100.526	103.139	2.613	2.60%	

Note 1.

"Net Income" is the total rent due to be collected, less written off former tenant arrears and rent loss due to empty homes. It also includes service charges and costs recovered in relation to communal heating schemes and owner occupiers. The net income is expected to be increased by more than the 2% rent increase proposed. This is mainly due to additional rental income from new homes completed in 2019/20 and expected to be completed in 2020/21. The average weekly rent will increase by £2.00.

Note 2.

"Housing Services" includes core housing management services, new tenant and community services like energy advice and tenant discount scheme. It includes employee costs, central support costs and recharges, premises and other expenditure. The draft budget also includes £2m for the implementation of the Housing Service Improvement Plan (HSIP) and £1.7m for the enabling work of large-scale regeneration. The HSIP sets out the plan to reduce the total expenditure by 10% (£11.2) by 2022/23 to ensure the HRA remains financially stable. The interim saving targets for Housing Services have now been incorporated in the draft budget, which has been partly offset by the inflationary increase.

Note 3.

"Property Maintenance" includes responsive repairs, estates maintenance, routine gas servicing and the costs associated with bringing empty homes back into use. As in "Housing Services", HSIP saving targets have now been incorporated in the draft budget, which is partly offset by the "additional" repairs and maintenance for new homes and inflationary increase on estate management/maintenance expenditure.

Note 4.

The HRA borrows to finance the planned housing investment and house building capital programmes. "Debt Charges" are capital financing costs (principal repayments and interest). The 5.56% reduction is the result of a wider review of the debt portfolio, which has resulted in a positive material change in debt servicing costs going forward. As a result of prudent treasury management, net debt levels are expected to have increased by only £48 million over the last five years, whilst delivering nearly £335 million of capital investment over the same period.

Note 5.

"Strategic Housing Investment" relates to income in excess of annual operating expenditure. It can be used within the same year to fund new capital investment (CFCR), repay old HRA debt or mitigate unforeseen risks. It can also be transferred to the Repairs and Renewals fund to support the new build programme in future years. The increase is the result of reduced operating expenditure through HSIP savings and debt restructuring. The Strategic Housing Investment Fund is an amalgam of the Repairs and Renewals Fund and the Council Tax Discount Fund.

Appendix 4 – Draft HRA Five Year Capital Investment Programme & Ten Year Investment Strategy

The 2020/21 Draft Budget and business plan are based on the assumptions set out in Appendix 2. Below is the outline draft five-year Capital Investment Programme and summary 10-year investment strategy, which is based on tenant priorities, service performance and statutory investment requirements. Inflation has been included in the figures where appropriate.

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

Programme Heading	1	2	3	4	5	5 Year	6 to 10	10 Year
	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total	2025/26 to 2029/30 £m	Total
<u>Programme Expenditure</u>								
New Homes Development*	35.890	97.156	170.677	169.287	183.688	656.698	1190.595	1847.293
New Home Land Costs	12.000	8.200	6.500	0.000	0.000	26.700	106.220	132.920
Tenant's Homes & Services	19.030	16.457	10.693	10.836	11.059	68.074	58.794	126.868
External Fabric and Estates	29.548	28.169	29.501	35.414	36.140	158.773	192.143	350.916
Total Expenditure	96.468	149.982	217.371	215.537	230.887	910.245	1547.752	2457.997
<u>Programme Resources</u>								
Prudential Borrowing	23.346	94.916	116.650	136.322	53.807	425.041	789.542	1214.583
Capital Funded From Revenue	3.656	3.013	3.121	3.229	3.238	16.257	16.325	32.582
Capital Receipts and Contributions	3.150	6.722	11.340	9.805	6.638	37.655	11.500	49.155
Receipts from LLPs*	47.374	28.413	52.040	40.575	148.029	316.431	581.115	897.546
Scottish Government Subsidy (Mid-Market)	5.962	3.938	0.000	0.000	0.000	9.900	0.000	9.900
Scottish Government Subsidy (Social)	12.980	12.980	34.220	25.606	19.175	104.961	149.270	254.231
Total Funding	96.468	149.982	217.371	215.537	230.887	910.245	1547.752	2457.997

**The budget for new build housing includes the upfront capital costs for the Council led development of all 10,000 affordable homes, including homes for mid market and affordable market that will be purchased by the Council's new LLPs. This has no impact on the HRA as interest payments are deferred until the homes are purchased. £76 million of the £898 million anticipated receipts from LLPs by year ten is for homes already under construction and due to complete in the next two years. Please note these receipts go beyond current approved levels of on-lending, approval will be sought to expand the programme in future years.*

Finance and Resources Committee

10.00am, Friday, 14 February 2020

Loans Fund Review

Executive/routine Wards Council Commitments	Executive
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1. Recommendations

- 1.1 The Finance and Resources Committee is asked to:
 - 1.1.1 Note the proposal for an amendment to the methodology of calculating loans fund advance repayments for pre-March 2019 advances;
 - 1.1.2 Note the proposal for an investment of £2m per annum of Loans Fund savings in infrastructure maintenance;
 - 1.1.3 Refer the report to Council as part of the 2020-23 budget considerations.

Stephen S. Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

Finance Division, Resources Directorate

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

Loans Fund Review

2. Executive Summary

- 2.1 The purpose of this report is to seek Members' approval to revise the Loans Fund debt charge repayment periods, based on a prudent financial management strategy.

3. Background

- 3.1 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (*the 2016 Regulations*) came into force on 1 April 2016. These regulations replaced the statutory provisions for local authority borrowing, lending and loans fund, as set out in Schedule 3 of the Local Authority (Scotland) Act 1975.
- 3.2 From 1 April 2016, the statutory purpose of the loans fund was simplified, with details set out in Appendix 1.
- 3.3 Regulation 14 requires a local authority to determine for each loans fund advance the period over which the advance is to be repaid to the loans fund, and the amount of repayment to be made to the loans fund in each financial year in that period.
- 3.4 Regulation 14(2) allows a local authority to subsequently vary either the period or the amount of the repayment (or both) if it considers it prudent to do so.
- 3.5 The 2016 Regulations do not define prudent repayment, but the statutory guidance explains that it is a repayment which is reasonably commensurate with the period and pattern of benefits provided to the community from the capital expenditure. The statutory guidance also sets out a number of options that are considered to be prudent.
- 3.6 It has been confirmed by Audit Scotland that the existing Regulations permit pre-2016 advances to be reprofiled, if it is considered prudent to do so.
- 3.7 Paragraph 31 of the Guidance identifies that the broad aim of prudent repayment is to ensure that the repayment of a loans fund advance, in relation to the repayment period and each year's repayment amount, are reasonably commensurate with the period and pattern of the benefits provided to the community from capital

expenditure. It is for each Authority to manage this appropriately and to determine prudent repayments based on its own individual circumstances.

4. Main report

- 4.1 Following the introduction of the new regulations, and subsequent clarification on their application to pre-2016 advances, a review of the Council's Loans Fund repayment has been undertaken by Link Asset Services (LAS), with the objective to explore options which can re-profile loans fund repayments in order to assist with delivery of a prudent, sustainable and deliverable medium-term revenue budget strategy, whilst ensuring that the provision remains prudent and appropriate to the benefits that are provided to the community from the associated expenditure.
- 4.2 It is recommended that Members consider the proposed option, which incorporates officers' views for a preferred outcome that is specific to the Council's financial position and is consistent with the prudential framework.
- 4.3 The repayment of loans fund advances is based on two elements:
- The period set for which each advance is to be repaid to the loans fund; and
 - The annuity interest rate.
- 4.4 Statutory guidance identifies that the broad aim of a prudent repayment is to ensure that the repayments of a loans fund advance, in relation to the repayment period and each year's repayment amount are reasonably commensurate with the period and pattern of the benefits provided by the capital expenditure.
- 4.5 The method considered most appropriate for the Council is a simplified annuity method that uses an average repayment period for all loans fund advances. Following the general accounting principles of matching and consistency, it is considered appropriate that the asset life used in the repayment calculation reflects the useful economic life (UEL) used when calculating depreciation in the statutory annual accounts, unless it is considered imprudent to do so. Depreciation bases are set out in Appendix 2.
- 4.6 The depreciation policy of the Council has generally set a higher useful life period than the average loan repayment periods, which repaid the advances over a shorter period than the actual use of the asset. It is recommended to use an average life of 30 years for General Fund repayments which is more in line with the depreciation policy. For the Housing Revenue Account (HRA) it is recommended to use an average life of 30 years for non-component spend. Component spend will remain on an average 20-year life, due to the nature of the expenditure, e.g. replacement of kitchens, bathrooms, heating systems, etc.
- 4.7 The Council has set out a repairs and maintenance programme for operational buildings and in increasing the useful life of other infrastructure (roads, bridges, etc), it would be appropriate to increase the repairs budget for those assets. It is therefore recommended that £2m of the annual saving is accordingly earmarked.

Annuity Interest rate

- 4.8 The Council has applied the average loans pool rate each year to calculate loan repayments for historic debt based on interest incurred and loans fund advances made. This ranges from 10% in 1996/97 to 4.63% in 2018/19. Taking into account the level of expenditure in each year, the average loans fund borrowing rate over this period is 5.8% and it is recommended that this interest rate is used to calculate loans fund charges for advances made during this period. Going forward, for new advances, the pool rate for the year will be used.

Variation of prior year repayments

- 4.9 Section 14 of the 2016 Regulations stipulates that a local authority may subsequently vary either the period of the amount of repayment (or both), if it considers it prudent to do so. Given the outcome of the review, it is considered appropriate to amend the repayment period for previous loans fund advances to 30 years, based on the average historic loans fund interest rate of 5.8%.

5. Next Steps

- 5.1 If the report recommendations are approved, the revised methodology will be applied to loans fund advance repayments from the 2020/21 financial year.

6. Financial impact

- 6.1 Revised repayments have been calculated for the General Fund and HRA based on the repayment periods set out in 4.6 and annuity rate set out in 4.8 above.
- 6.2 The result of this calculation produces an excess provision up to 2018/19, based on the increase in asset life, which could be taken to reduce charges in future years.

Loans Fund Repayments	General Fund £m	HRA £m	Total £m
Actual charge to 31/03/2019	324	119	443
Revised charge to 31/03/2019	180	74	254
Excess to be adjusted for in future years	144	45	189

- 6.3 It is recommended that the recalculation adjustment is spread to reduce the impact upon loans fund repayments in later years and apply a prudent approach specific to the Council's financial position as follows, based on implementation from 2020/21.

6.3.1 General Fund

- Gross savings of £12m for the next five years

- Smoothing the remaining savings in order that it does not create a significant spike in charges in later years
- Ensuring the recalculation adjustment does not result in a cost in net present value (NPV) terms over the useful life of the asset.

6.3.2 Housing Revenue Account

- Smoothing the recalculation adjustment in order to give a reduced cost but remaining affordable in terms of the housing capital strategy.

6.4 The table below shows the whole life impact both in nominal and NPV terms in order to take into account the time value of money and assess the whole life impact of this proposal. The NPV uses a discount rate of 3.5% as suggested by the Treasury Green Book

	General Fund		HRA	
	Nominal £m	NPV £m	Nominal £m	NPV £m
2019/20	0.0	0.0	0.0	0.0
Years 2 – 5	(48.0)	(42.6)	(29.2)	(25.7)
Years 6 – 10	(47.0)	(36.2)	(47.2)	(36.2)
Years 11-25	72.0	36.2	62.4	28.8
Years 26 – 31	23.0	8.9	14.0	5.5
Total	0.0	(33.7)	0.0	(27.6)

6.5 The revised General Fund payment profile is set out in Appendix 3.

7. Stakeholder/Community Impact

7.1 There is no direct relevance to the report's contents.

8. Background reading/external references

8.1 Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016

8.2 Audit Scotland Technical Guidance Note 2018/10(LG)

9. Appendices

Appendix 1 – Additional background information

Appendix 2 – Depreciation bases

Appendix 3 – Revised General Fund charges

Additional Background Information

The repeal of the Schedule 3 provisions is set out in The Local Government etc. (Scotland) Act 1994 (Commencement No. 9) Order 2016. Finance Circular 29/1975 is only applicable to loans fund advances made before 1 April 2016.

The 2016 Regulations require the statutory loans fund to be administered in accordance with the Regulations, proper accounting practice and prudent financial management.

From 1 April 2016 the statutory purpose of the loans fund is simplified as follows:

- to recognise, by making advances from the loans fund, the expenditure incurred, or loans made to third parties, by the authority, which a local authority has determined are to be financed by borrowing;
- to record transactions – opening balances each year, new advances, repayments charged to revenue (statutory repayment of debt), and a closing position balance at each financial year end, being the value of the loans fund advances still to be repaid/ charged to revenue;
- for each loans fund advance made, to record the annual repayment to be made to revenue. This will provide an authority with a profile of annual charges representing the amount of statutory repayment of debt to be charged to the General Fund/Housing Revenue Account in any financial year.

Regulation 14 requires a local authority to determine for each loans fund advance:

- the period over which the advance is to be repaid to the loans fund;
- the amount of repayment to be made to the loans fund in each financial year in that period.

Technical bulletin 2019/1 was issued by Audit Scotland in December 2018 and stated that Authorities could not subsequently vary the loans fund advances once set, i.e. pre-2016 loans.

Following representations made to the Scottish Government by Finance Directors, the Scottish Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay MSP, issued a letter on 31st January 2019. This set out the Stage 1 agreement on the Local Government Settlement and also provided confirmation of the intention to bring forward changes to the guidance to clarify and confirm that Councils can vary loans fund repayments for advances made before 1st April 2016.

In May 2019 Audit Scotland received Counsel opinion that accords with legal advice ascertained by a number of some Scottish Councils which confirms:

“Local Authorities do have the power to vary repayments of pre-April 2016 advances under the 2016 regs.”

Audit Scotland has subsequently issued further clarification in Technical Guidance Note 2018/10(LG) published on 5 June 2019. Module 3 Financial Instruments confirms:

“...the 2016 Regulations can be applied to pre-April 2016 advances. Specifically, this includes Regulation 14(2) which permits a local government body to vary the period and amount of the repayment if it considers it prudent to do so.”

It also confirms that:

“While the ultimate judgement rests with each appointed auditor, in Professional Support's view, any local government body wishing to vary the amount and/or period of loans fund repayment of pre-April 2016 advances in 2018/19 has the statutory power to do so subject to the repayment being considered prudent. Similarly, the councils which varied repayment in 2017/18 had the power to do so and therefore no restatement in 2018/19 is necessary, again subject to the repayment being considered prudent.

Depreciation bases and current repayment periods

The Council's statutory annual accounts depreciation policy calculates depreciation on the following bases:

Buildings (assets not subject to component accounting)	50 years
Buildings – structural	50 years
Buildings – non-traditional roofing	35 years
Buildings – finishes	25 years
Buildings – mechanical and electrical	20 years
Buildings – fittings and furnishings	15 years
Infrastructure assets	20 years
Vehicles, plant and equipment	5 – 30 years

Loans Fund

Loans fund advances are currently repaid over the following periods:

General Fund	Major infrastructure projects	30 years
	Vehicles, plant and equipment	5 – 20 years
	Other expenditure	20 years

Repayment profile for loans fund advances to the General Fund

	Original Repayment £m	Revised Repayment £m	Difference £m
2020/21	49.203	37.203	-12.000
2021/22	50.371	38.371	-12.000
2022/23	51.450	39.450	-12.000
2023/24	51.401	39.401	-12.000
2024/25	51.939	39.939	-12.000
2025/26	52.519	40.519	-12.000
2026/27	47.693	38.693	-9.000
2027/28	45.961	37.961	-8.000
2028/29	43.881	37.881	-6.000
2029/30	39.951	37.951	-2.000
2030/31	33.022	36.022	3.000
2031/32	31.758	34.758	3.000
2032/33	29.672	32.672	3.000
2033/34	29.061	32.061	3.000
2034/35	27.633	30.633	3.000
2035/36	28.133	30.133	2.000
2036/37	29.341	30.341	1.000
2037/38	20.859	29.891	9.032
2038/39	19.306	29.306	10.000
2039/40	17.180	26.180	9.000
2040/41	17.907	25.907	8.000
2041/42	18.386	24.386	6.000
2042/43	12.205	19.205	7.000
2043/44	3.867	10.867	7.000
2044/45	0.880	7.348	6.468
2045/46	0.597	6.097	5.500
2046/47	0.582	6.582	6.000
2047/48	0.592	3.592	3.000
2048/49	0.515	2.655	2.140
2049/20	0.140	0	-0.140
	<u>806.005</u>	<u>806.005</u>	<u>0.000</u>

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Finance and Resources Committee

10.00am, Friday, 14 February 2020

Council Revenue Budget Framework 2020/21 – Integrated Impact Assessments

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 It is recommended that members of the Finance and Resources Committee:
 - 1.1.1 pay due regard to the potential equality, rights, sustainability, environmental and economic impacts associated with the revenue budget 2020-2023 proposals for 2020/21, and the recommendations to mitigate potential negative impacts; and consider the cumulative equality, rights, sustainability, environmental and economic impacts across all revenue budget options.
 - 1.1.2 Refer this report for consideration at the Council budget-setting meeting on 20 February 2020.

Andrew Kerr

Chief Executive

Contact: Laurence Rockey, Head of Strategy and Communications

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

Council Revenue Budget Framework (2020/21) – Integrated Impact Assessments

2. Executive Summary

- 2.1 This report presents a summary of the main equality, rights, environmental and economic impacts of the 2020/21 budget proposals and identifies recommendations for mitigating potential negative impacts alongside an assessment of cumulative impacts.

3. Background

- 3.1 As well as meeting the requirements of the Equality Act 2010, human and children's rights conventions, Fairer Scotland Duty 2018 and the Climate Change (Scotland) Act 2009, Integrated Impact Assessments (IIA) enable the Council to assess the potential impact of budget proposals and service redesign on people who share protected characteristics in the City. They also enable the development of mitigating actions where necessary.
- 3.2 In order to manage the financial and non-financial challenges over the next three years the Council has developed the Change Strategy. A detailed report on progress in implementation of the strategy is included elsewhere on today's agenda. This report presents a summary of equality, diversity, human rights, carbon, climate change, sustainable development, health, inequality, poverty and economic impacts of the proposals with associated savings for 2020/21 and of associated mitigating actions where necessary. These findings should inform the budget decision at full Council on 20 February 2020.
- 3.3 The Council's approach to the integrated impact assessment process is aligned to the wider Equality Diversity and Rights Framework 2017 – 2021. In addition to equality, diversity and rights assessment, it includes an assessment of poverty, health inequality and environmental impacts. (Environmental impact is an all-encompassing term referring to carbon emissions, climate change adaptation and sustainable development).

- 3.4 An IIA of the anticipated or potential impact of each individual proposal has been undertaken by relevant lead officers and signed off by relevant Heads of Service. The Council's policy and change teams have supported officers across departments to complete IIAs with:
- 3.4.1 two IIA training sessions in November 2019 open to any Council and NHS staff;
 - 3.4.2 a bespoke IIA budget training session offered to identified proposal sponsors on 17 December 2019; and
 - 3.4.3 written guidance, examples and supporting information all available on the Orb.
- 3.5 An Equality, Diversity and Rights (EDR) Advisors Network has also been established and EDR advisors have been trained to support relevant service areas on equality, diversity and rights issues in relation to IIAs.
- 3.6 Stakeholder engagement activities have been conducted by Strategy and Communications with colleagues, and Edinburgh citizens who were recruited to ensure they were, collectively, representative of the population of the city. Any relevant feedback from the engagement activity is provided to proposal sponsors for consideration in the impact assessment process and in further development of the proposal. Citizen feedback from other consultation and engagement processes is also drawn on in consideration of the IIA.
- 3.7 The findings are summarised below and are published on the Council website. Due regard of such assessments should be given by elected members when making budget decisions. www.edinburgh.gov.uk/impactassessments.

4. Main Report

- 4.1 The incorporation of equality, rights, economic and carbon impact assessments as an integral part of the budget development process reflects both good practice and compliance with relevant legal duties. This activity enables the Council to identify and address any unintended consequences of specific proposals on specific groups of service users including those most vulnerable, climate change and partnership and prevention activity, increasing the effectiveness of the mitigating actions.
- 4.2 It is inevitable that the need to deliver total savings of £35m in 2020/21 will have some impact on the organisation and its services. This saving, whilst significant, should be considered in the broader context which is that the Council has an overall budget of around £1 billion that can also continue to make significant impact on and improvement to equality, rights, economic and carbon.
- 4.3 There are 46 new budget proposals being considered for approval by Council on 20 February 2020. To comply with statutory obligations due regard was given to the equality, environmental and economic impact assessment of budget proposals with savings assigned to 2020/2021.

- 4.4 Integrated impact statements have been completed where the budget proposals for 2020-2021 were considered as having no potential relevant impact on equality, economy and the environment or it is not possible to assess impact at this early stage in the development of the proposal and an IIA is planned at a later date. Eleven IIAs have been completed and these can be directly accessed on the Council website. www.edinburgh.gov.uk/impactassessments.
- 4.5 The cumulative impact assessment is based on the information provided in the budget proposal IIAs. If there are any changes to the budget proposals further to consideration at the Finance and Resources Committee meeting on 14 February 2020, the IIA will be updated accordingly and if appropriate shared with a relevant Committee and updated on the Council website.
- 4.6 Where change proposals are in early stages of development, there may be a requirement to do further iterations of the IIA. The IIAs are listed for ease below:
- 4.6.1 Early Years (restructuring of staffing)
 - 4.6.2 Merging Nursery Schools with Primary Schools
 - 4.6.3 Police Scotland Funding
 - 4.6.4 Night noise team
 - 4.6.5 Quality Improvement Officers
 - 4.6.6 Library Opening Hours
 - 4.6.7 Culture Service (Income Maximisation)
 - 4.6.8 Cashless Parking
 - 4.6.9 School Efficiencies (DSM)
 - 4.6.10 Optimal workforce efficiency - agency/overtime, pay-related allowances and review of travel and mileage
 - 4.6.11 Edinburgh Leisure Service payment

Cumulative Impacts

- 4.7 The cumulative impact analysis provides further detail but in the round key findings suggest that the greatest impact of these proposals will be felt on staff, children and young people and people with disabilities. The negative impacts identified were generally concerned with potentially being unable to access services and a reduction or redesign of services and a reduction of staff and funding for schools. Also, a cumulative impact, both positive and negative, was identified for staff in the proposals for review of Council allowances. Further discussions with staff will be held as these proposals progress and Human Resources is responsible for monitoring the cumulative effect on those affected. A positive economic effect was also identified for staff by improving working conditions, local employment opportunities and providing a clear career structure.

- 4.8 In carrying out IIAs, relevant lead officers for budget proposals are also obliged to consider mitigating actions to reduce any negative impact from proposals which is provided in the specific assessments.
- 4.9 Positive impacts were identified in some of the proposals that would
- 4.9.1 increased health and wellbeing for all populations; and
 - 4.9.2 reduce greenhouse gas emissions and the need to travel and promote sustainable forms of transport. This will assist the Council to meet its 2030 target to become carbon neutral.
- 4.10 If any other impacts on equality and rights are identified as part of the consultation process, Proposal Sponsors should take account of these in their Interim IIAs and the Cumulative IIA will be updated accordingly and if appropriate shared with a relevant committee.

5. Next Steps

- 5.1 Due regard to the equality, rights, environment and economic impacts has been given to each of the budget proposals.
- 5.2 The potential equality and rights impacts are taken into account when budget decisions are being made, and recommendations for mitigating negative impacts are implemented and reported on.
- 5.3 The potential carbon emissions, climate change adaptation and sustainable development impacts are taken into account when budget decisions are being made.
- 5.4 The potential cumulative (both annual and incremental) impacts are taken in to account, and mitigating actions are identified when each year's budget decisions are being made.
- 5.5 Senior managers across all Service Areas take responsibility and ownership for compliance with Council systems put in place to ensure that statutory duties are met.

6. Financial impact

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

7. Stakeholder/Community Impact

- 7.1 Undertaking Integrated Impact Assessments that include assessment of impact on equality is intended to ensure that any negative impacts, including cumulative impacts, for protected characteristic groups set by the Equality Act 2010 are reduced.
- 7.2 It also ensures that the Equality Act 2010 public sector equality duty is met with regard to (i) eliminating unlawful discrimination, victimisation and harassment; (ii) advancing equality of opportunity and (iii) fostering good relations, and that any infringements on human and children's rights are minimised.
- 7.3 Carbon impact assessments have enabled consideration of the public body duties under the Climate Change (Scotland) Act 2009. The findings of these assessments will also help to achieve a sustainable Edinburgh with regard to progressing climate change, social justice and community wellbeing objectives
- 7.4 Budget sponsors are required to have utilised a range of evidence gathering, including public involvement where appropriate to draw up proposals and consider their impact.
- 7.5 A Council-wide budget engagement process has also taken place.
- 7.6 The cumulative impact assessment is based on the information provided in the proposal templates and from the budget engagement feedback and other wider recent consultation and engagement activity.
- 7.7 Further engagement may be undertaken as appropriate on the detail of the proposals and any relevant feedback will be passed on to Budget Sponsors in order for IIAs to be updated and proposals amended accordingly.

8. Background reading/external references

- 8.1 The City of Edinburgh Council Equality, Diversity and Rights Framework 2017 – 2021 www.edinburgh.gov.uk/downloads/download/13224/equality-and-rights-documents
- 8.2 Public Bodies Climate Change Duties
<https://democracy.edinburgh.gov.uk/documents/s11230/Item%207.6%20-%20Public%20Bodies%20Climate%20Change%20Duties%20Report.pdf>

9. Appendices

- 9.1 Appendix 1 – Integrated Impact Assessment on Cumulative Impact of 2020/21 Budget Proposals

Integrated Impact Assessment

Summary Report Template

Each of the numbered sections below must be completed

Interim report		Final report	X	(Tick as appropriate)
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1. Title of plan, policy or strategy being assessed

Cumulative Integrated Impact Assessment on Budget Proposals 2020 - 2021

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

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

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

In order to ensure our engagement process was representative and accessible to all, Strategy and Communications held 10 focus groups with citizens in September and October 2019 to consider the financial and demographic pressures facing the Council, and the decisions that require to be taken within that context. Participants were recruited to ensure they were (collectively) a diverse and representative selection of the population of the city, and groups were evenly split between men and women. Participants came from a broad geographical spread across the city and included a range of ethnic and national backgrounds, and individuals of all age ranges. Twenty-five per cent of participants were recruited each from socio-economic groups (SEG) A+B, C1, C2 and D+E. This is similar to the overall population of Edinburgh.

In addition to this, Strategy and Communications conducted 50 workshop groups with Council colleagues and Edinburgh citizens between July and October 2019, 40 of these were with Council colleagues and seven public engagement sessions were held with older citizens (specifically sheltered housing residents), a further three workshops were held with secondary school-age children. This represents an improvement in the diversity of participants on previous years, both across the board and in terms of older and younger people in particular.

Each directorate also has a number of relevant and recently conducted service specific consultations to draw on and the Council has a robust managing change policy that is followed internally.

4. Date of IIA

22 and 28 January 2020

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

Name	Job Title	Date of IIA training	Email
Ruth Baxendale	Senior Policy and Insight Officer	IIA trainer	Ruth.baxendale@edinburgh.gov.uk
Sarah Bryson	Planning and Commissioning Officer	IIA trainer	Sarah.bryson@edinburgh.gov.uk
Fraser Rowson	Principal Accountant – Corporate Accounts, Resources	5 September 2018 and 23 January 2019	Fraser.rowson@edinburgh.gov.uk
Ciaran McDonald	Senior Policy and Insight Officer	17 December 2019	Ciaran.mcdonald@edinburgh.gov.uk
Gareth Dixon	Senior Policy and Insight Officer	17 December 2019	Gareth.dixon@edinburgh.gov.uk
Jane Brown	Principal Accountant, Finance		Jane.brown@edinburgh.gov.uk

6. Evidence available at the time of the IIA

Evidence	Available?	Comments: what does the evidence tell you?
Data on populations in need		N/A for cumulative IIA. The purpose of the cumulative IIA is to consider whether any impacts arise as a result of the <i>cumulative effect</i> of smaller impacts identified within individual IIAs. These individual IIAs have considered the appropriate evidence in relation to the corresponding budget proposal.
Data on service uptake/access		As above - N/A for cumulative IIA
Data on equality outcomes		As above - N/A for cumulative IIA
Research/literature evidence		As above - N/A for cumulative IIA
Public/patient/client experience information		As above - N/A for cumulative IIA
Evidence of inclusive engagement of service users and involvement findings	Yes – The Budget Engagement process and wider consultation evidence	<p><u>Feedback from Citizen Focus Groups on service change and budget prioritisation:</u></p> <p>Citizens felt the Council should spend more on mental health and homelessness, with a general belief that homelessness was a bigger problem in Edinburgh than previously.</p> <p>Citizens wanted the Council to prioritise: radical new house building; care for the elderly, and improved maintenance of parks and other public spaces.</p> <p>Citizens were divided on Council Tax increases, though most would be willing to pay more provided their priorities were addressed but opposed “paying</p>

Evidence	Available?	Comments: what does the evidence tell you?
		<p>more and getting less”.</p> <p>Citizens did not favour the disposal of any historic buildings unless specific criteria were met; assurance of maintenance; lease rather than sale; community use and access; and not to be used as a hotel or similar tourist accommodation.</p> <p>Most groups felt that mental health services and homelessness required additional funding. When asked where reductions should be made to secure the required savings and/or support additional funding to their chosen priority areas, most groups made significant budget reductions for community safety, libraries and culture.</p>
Evidence of unmet need		N/A for cumulative IIA
Good practice guidelines	Yes	Council’s group engagement tool for budget discussion, developed in 2018 and updated in 2019.
Environmental data		N/A for cumulative IIA
Risk from cumulative impacts	Yes	Information on impacts for each proposal provided by respective budget proposal lead officers have been used to undertake this cumulative impact assessment.
Other (please specify)		N/A for cumulative IIA
Additional evidence required		N/A for cumulative IIA

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

- A number of statements justifying why an IIA was not necessary for the respective proposal
- Eleven IIAs

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

<p>Equality, Health and Wellbeing and Human Rights</p> <p>Positive</p> <p>The Council’s proposals seek to ensure as far as possible that all citizens can positively benefit from change proposals, for example, proposals for redesign that result in better, more efficient and more accessible facilities and services.</p> <p>This is based on the premise that change can mean different provision rather than less provision and that reconfiguring services and service hubs is one way in which the Council can seek to protect front line capacity.</p> <p>For example, the overall proposal for the reshaping of the library service will ensure a clearly defined pattern of opening hours which would benefit all customers.</p> <p>The proposal to remove a dedicated Night Noise service on Thursday, Friday and Saturday evenings and replace this service by bringing together a number of Council out of hours services will mean the service can be more responsive to customer needs as these arise.</p> <p>There was a cumulative benefit of increased health and wellbeing identified for all populations and children and young people. For example, allocating an Early Years Officer within all early years setting would promote the welfare and wellbeing of children; the Police Scotland Funding proposal also identified a positive benefit to support specific concerns in local areas of deprivation, such as mental health and wellbeing, which was an area highlighted as a priority for additional funding in the feedback from public engagement sessions.</p>	<p>Affected populations</p> <p>All Groups (including staff)</p> <p>All staff, children and young people</p>
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<p>For proposals affecting staff, compliance with public sector equalities duties will ensure staff are treated fairly and not discriminated against. Opportunities for flexible working and part-time working in line with Council policies will continue. Some proposals will result in opportunities for career progression, improved wellbeing, improved family life and work/life balance. There is also a potential reduction in absence from work due to illness and stress. New travel and mileage policies could also improve route planning and have a positive impact on staff by providing the options to walk, cycle or use public transport.</p>	<p>Staff</p>
<p>Some redesign proposals which will deliver more accessible services identified positive impacts for people with disabilities, for example accessing information on mobile phones about parking charges.</p>	<p>People with disabilities</p>
<p>A number of proposals relating to schools have identified positive benefits to children and young people and staff for example, greater access to degree qualified staff, and more integrated nursery and primary school services.</p> <p>Proposals considering funding to schools identified positive impacts on children and young people vulnerable to poverty, through the use of the Pupil Equity Fund which is targeted towards children in receipt of free school meals.</p> <p>Proposals in relation to Quality Improvement Education Officer (QIEO) support to schools identified positive impacts for both staff and pupils arising from closer working between QIEOs as part of a strengthened network and partnership working across schools clusters.</p>	<p>Children and young people, staff in schools</p>
<p>Negative</p> <p>Given the scale of spending reductions there were a number of proposals where IIAs have identified negative impacts on people with protected characteristics.</p> <p>These tend to be related to specific instances of change although overall, those with mobility challenges and those</p>	

with communication difficulties may be at a general disadvantage in terms of understanding and responding to proposals for change and in accessing new or different +service locations.

For example, the proposal for the redesign of the library service identified that some protected groups may be affected negatively, however, mitigating measures will be put in place to minimise this through new mobile service provision, additional promotion of existing services e.g. Library Link bus-in and home delivery services; online services; promotion of all library services and the various ways in which people can access these.

The removal of the opportunity to pay cash for parking may reduce the ability of individuals to bring their car into the city centre and it may be difficult to find out about parking arrangements in the city centre following the removal of pay and display machines. However, information will be made available on the Council website and on street signs to help mitigate this.

The reduction of QIEO support could have a negative impact on some schools, however there is a clear approach to prioritisation of support and is planned to closely monitor the impact of changes.

Vulnerable groups reliant on care/looked after services have also been identified as possibly being negatively affected by the reduction in overtime/agency use and changes to staff travel.

Proposals to reduce the service payment to Edinburgh Leisure could have a negative impact on citizens' health and wellbeing if prices are increased and/or provision is reduced and participation rates fall. This will be mitigated by continued support for those least able to pay standard charges, alongside support programmes for those least able to access mainstream provision.

Reduction in police funding could result in a reduction in capacity to positively engage and interact with hard to reach sections of the community. However, actions have been identified to increase communication with these communities and to monitor any impact over time.

Older people, people with mobility challenges, people with disabilities, women, carers and children

All

Staff in schools and children and young people (looked after and additional support needs)

Older people, young people and children, people with disabilities and homeless people

ALL

<p>Environment and Sustainability</p> <p>Positive</p> <p>There are several proposals where IIAs have identified positive impacts on reducing greenhouse gas emissions and the need to travel, and opportunities to promote sustainable forms of transport and therefore positively assist the Council to meet its 2030 target to become carbon neutral. For example, the Night Noise proposal to create a single out of hours regulatory service, will reduce the number of journeys made by Council vehicles</p> <p>Other proposals encourage waste reduction, resource efficiency and improvements to the public realm. For example, the proposal for cashless parking to remove pay and display machines would enhance the usability of streets.</p> <p>Negative</p> <p>No negative impacts were identified.</p>	<p>Affected populations</p> <p>All</p> <p>People with disabilities</p>
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<p>Economic</p> <p>Positive</p> <p>The cumulative impact of a number of proposals would mean resources being targeted to areas of evidenced based need in localities. For example, Police Scotland Funding proposals could result in a greater focus on the most vulnerable in communities, and thereby support reducing inequality and poverty.</p> <p>School efficiencies applied to every school equally takes account of the fact that the Council continues to make additional payments to schools separately under the Positive Action Fund. This helps to mitigate the effects of poverty.</p> <p>The Culture service proposal may have a positive economic impact by maximising income through bringing</p>	<p>Affected populations</p> <p>All</p> <p>Parents/carers/pupils</p> <p>All</p>
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<p>a current vacant building (Trinity Apse) back into use.</p> <p>The cumulative impact of a number of proposals would have a positive impact on local employment opportunities and improve working conditions, including equal pay.. For example, existing teachers in early years settings could be redeployed within the primary school sector and a clear career structure would be available for Early Years Officers. Merging nursery schools with primary schools would allow nursery school headteachers to be relocated to senior leadership teams within primary schools where vacancies exist.</p> <p>Converting agency engagements to council employee status may also improve workings conditions for individuals in terms of job security and terms and conditions, as well as ensuring stable, reliable and efficient council services</p>	<p>All (in particular staff and children and young people)</p>
<p>Negative</p> <p>Changes to overtime payments may have a negative impact on a small number of colleagues, depending on individuals' financial planning and wider circumstances. Affected colleagues will be written to directly in advance of payments being ceased/reduced and the Council will continue to provide support through its Employee Assistance Programme to assist staff with financial wellbeing.</p>	<p>Parents/carers/pupils</p> <p>Staff</p>

8. Is any part of this policy/ service to be carried out wholly or partly by contractors and how will equality, human rights including children's rights, environmental and sustainability issues be addressed?

This is only applicable for cashless parking in the City Centre. The enforcement of parking regulations is undertaken by a private contractor who was appointed following a successful competitive tender process and was subject to an Equalities and Rights Impact Assessment. No negative equality, human rights including, children's rights, environmental or sustainability impacts have been identified as a result of any work being carried out by a contractor in regards to this proposal

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

Changes will be communicated by the service affected using methods that are considered appropriate to the range of audiences, as well as being proportionate. The Edinburgh (City of Edinburgh Council and Health and Social Care Partnership) British Sign Language (BSL) plan demonstrates commitment to improve services for BSL users with actions across a range of themes and services. The Council's Interpretation and Translation Service is also available for those who require materials in different languages.

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

No proposals were identified as requiring an SEA.

11. Additional Information and Evidence Required

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

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

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

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

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

Specific actions (as a result of the IIA which may include financial implications, mitigating actions and risks of cumulative impacts)	Who will take them forward (name and contact details)	Deadline for progressing	Review date
Consideration should be given as to how these proposals, their impact, and the cumulative impact, relate to proposals presented by the Integration Joint Board	Elected Members	Ongoing	In line with IJB strategic plan timelines
Elected members should consider the results of the budget proposal IIAs, including this cumulative IIA. The Scottish Government and UK Government figures will not be finally confirmed until into March/April of 2020, if the settlement changes from current expectation then this may alter the council budget proposals and any changes will need to be taken account of.	Elected Members	March/April 2020	March / April 2020
Implementation of the Poverty Commission Proposals will mitigate against some negative impact on people who are experiencing poverty and positively contribute to addressing poverty in the city	Elected Members and Corporate Leadership Team	March 2020	Ongoing
The Change Strategy has 'reducing inequality' as one of its key pillars in addition to 'prevention'. Implementation of this strategy will ensure mitigating actions are taken against any negative impacts arising from	The Change Team	2020 – 2023	Ongoing

<p>implementation of the budget proposals. The Change Team will endeavour to ensure equalities is mainstreamed throughout the strategy's development, and during implementation, in order to mitigate against any negative impacts identified in this cumulative IIA.</p>			
<p>There are specific actions in individual proposals to mitigate against negative impacts.</p> <p>Many IIAs mention further consultation and the development of communications plans as proposals progress.</p>	<p>Relevant lead officers for budget proposals</p>	<p>March 2021</p>	<p>March 2021</p>

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

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

15. Sign off by Head of Service

Name: Laurence Rockey

Date: 10/02/20

16. Publication

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

- The City of Edinburgh Council

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