# Notice of meeting and agenda

# **Finance and Resources Committee**

# 10.00 am, Thursday, 27th August, 2020

Virtual Meeting - via Microsoft Teams

This is a public meeting and members of the public are welcome to watch the live webcast.

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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

## Contacts

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Tel: 0131 529 4107 / 0131 529 4237



# 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	Finance and Resources Committee Work Programme	7 - 10
5.2	Finance and Resources Committee Rolling Actions Log	11 - 26

# 6. Business Bulletin

6.1 None.

## 7. Executive decisions

7.1	Revenue Monitoring 2019/20 - Outturn Report – Report by the Executive Director of Resources	27 - 40
7.2	Treasury Management: Annual Report 2019/20 – Report by the Executive Director of Resources	41 - 60
7.3	Finance Policies - Assurance Statement – Report by the Executive Director of Resources	61 - 70

7.4	Revenue Budget 2020/21 - Month Three Position – Report by the Executive Director of Resources	71 - 88
7.5	Edinburgh Integration Joint Board – Contract Living Wage Uplift – Report by the Executive Director of Resources	89 - 94
7.6	Resources Directorate - Revenue Budget Monitoring 2020/21 - Month Three Position – Report by the Executive Director of Resources	95 - 102
7.7	Chief Executive's Services - Revenue Budget Monitoring 2020/21 - Month Three Position – Report by the Chief Executive	103 - 108
7.8	2020-30 Capital Budget Strategy – 2020-21 Period 3 Monitoring and Revised Budget Update – Report by the Executive Director of Resources	109 - 120
7.9	Workforce Insight and Controls - Annual Report – Report by the Executive Director of Resources	121 - 140
7.10	Workforce Dashboard - June 2020 – Report by the Executive Director of Resources	141 - 152
7.11	Contract Extension for Stair Cleaning Services to Domestic Properties 2016-2020 – Report by the Executive Director of Place	153 - 156
7.12	Home Energy Efficiency Programme – Enabling Support – Report by the Executive Director of Place	157 - 162
7.13	Contract Extensions for Domestic Abuse Contracts – Report by the Executive Director for Communities and Families	163 - 168
7.14	Appointments to Working Groups 2020/21 – Report by the Chief Executive	169 - 174
8. Ro	utine decisions	
8.1	21 Cockburn Street, Edinburgh – Proposed Lease Extension – Report by the Executive Director of Resources	175 - 178

### 9. Motions

**9.1** None.

## **10. Resolution to consider in private**

10.1 The Committee is requested, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 8 and 9 of Part 1 of Schedule 7A of the Act.

### **11. Private reports**

**11.1**City of Edinburgh Council and CGI IT UK Limited - Contract183 - 192Proposals – Report by the Executive Director of Resources

### 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 meeting will be held by Teams and will be webcast live for viewing by members of the public.

### Further information

If you have any questions about the agenda or meeting arrangements, please contact Rachel Gentleman, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel: 0131 529 4107, email rachel.gentleman@edinburgh.gov.uk.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to <u>https://democracy.edinburgh.gov.uk</u>.

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**CITY OF EDINBURGH COUNCIL** 

# **Finance and Resources Committee**

# 27 August 2020

ltem	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
1.	Light Fleet	September 2020		Executive Director of Place Lead Officer: Scott Millar 0131 347 1902 scott.millar@edinburgh.gov.uk		
2.	Western Harbour	September 2020		Executive Director of Place Lead Officer: Hazel Ferguson 0131 529 7968 hazel.ferguson@edinburgh.gov.uk		
3.	Dry Mix Recycling Procurement Report	September 2020		Executive Director of Place Lead Officer: Andy Williams 0131 469 5660 andy.williams@edinburgh.gov.uk		
4.	Deferral of Licensing Fees	September 2020		Executive Director of Place Lead Officer: Andrew Mitchell 0131 469 5660		

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ltem	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
				andrew.mitchell@edinburgh.gov.uk		
5.	Domestic Abuse Contrast	September 2020		Executive Director for Communities and Families Lead Officer: Nicky Brown 0131 529 7589 <u>nicky.brown@edinburgh.gov.uk</u>		
6.	Workforce Dashboard	September 2020		Executive Director of Resources Lead Officer: Katy Miller 0131 469 5522 <u>katy.miller@edinburgh.gov.uk</u>		
7.	Council Fire Safety Policy	October 2020		Executive Director of Resources Lead Officer: Robert Allan 0131 469 3761 <u>robert.allan@edinburgh.gov.uk</u>		
8.	Council Asbestos Policy	October 2020		Executive Director of Resources Lead Officer: Robert Allan 0131 469 3761 <u>robert.allan@edinburgh.gov.uk</u>		
9.	Council Health & Safety Policy	October 2020		Executive Director of Resources Lead Officer: Robert Allan 0131 469 3761 <u>robert.allan@edinburgh.gov.uk</u>		

ltem	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
10.	Council Water Safety Policy	October 2020		Executive Director of Resources Lead Officer: Robert Allan 0131 469 3761 robert.allan@edinburgh.gov.uk		
11.	Council Smoke Free Policy	October 2020		Executive Director of Resources Lead Officer: Robert Allan 0131 469 3761 <u>robert.allan@edinburgh.gov.uk</u>		
12.	Policies Assurance Statement - Legal and Risk	October 2020		Executive Director of Resources Lead Officer: Nick Smith 0131 529 4377 <u>nick.smith@edinburgh.gov.uk</u>		
13.	Enterprise Risk Management Policy	October 2020		Executive Director of Resources Lead Officer: Nick Smith 0131 529 4377 <u>nick.smith@edinburgh.gov.uk</u>		
14.	Risk Appetite Statement	October 2020		Executive Director of Resources Lead Officer: Nick Smith 0131 529 4377 <u>nick.smith@edinburgh.gov.uk</u>		

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# **Finance and Resources Committee**

# 27 August 2020

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
1	12.06.18	<u>Provisions of</u> <u>Registrar Services</u>	To agree a report would be brought back to Committee reporting on registrar provision across the city.	Executive Director of Place	March 2020		Recommended for closure – Report considered March 2020
2	01.02.19	Asset Management Strategy Transformation Programme	To agree to explore the options and opportunities available for sponsorship of Council buildings and feedback to Committee as appropriate.	Executive Director of Resources	March 2020		Recommended for closure – Report considered March 2020 Update – January 2020 Due to the January 2020 meeting focusing on budget this report will be submitted to the next (March) meeting of this Committee. Update – November 2019

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No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
							The current Asset
							Management Strategy is
							to be superseded
							through the
							development of a
							Council wide Corporate
							Asset Strategy as
							recommended through
							the recent audit of the
							implementation of the
							asset management
							strategy and CAFM
							system. The framework
							of the Corporate Asset
							Strategy is in
							development and
							internal approval of the
							approach is planned for
							early 2020. Given the
							importance of these two
							items, it is considered
							more appropriate, for an
							update on the Asset
							Management Strategy
							to reported to Finance &
							Resources committee in
							Spring 2020, which will

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
							allow for a more detailed paper to be presented.
							<u>Update September</u> 2019
							The next Asset Management Strategy Update Report is due to Committee in January 2020 and these actions will be covered within this report.
							UpdateThe proposed policywas considered andapproved by the Policyand SustainabilityCommittee on 6thAugust 2019. Theimplications arising fromthis will be included inthe next quarterly AssetManagement Strategyupdate to Committee.
							<u>Update</u>

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
							An update report on the draft Council Advertising and Sponsorship Policy was submitted to the Corporate Policy and Strategy Committee in May 2019. The opportunities for sponsorship of Council Buildings will need to be aligned to this policy, when it is approved. A revised closure date will be advised to the Committee accordingly.
3	01.02.19	Feedback on the Change Strategy and Budget Proposals 2018	To request that details of best practice and the methodology which sat behind the respondents to the engagement document be provided in future reports.	Chief Executive	August 2019		Update Jan 2020 Following the decision on the budget by Council, a paper will be produced which outlines how the Council intends engage with citizens on the further development and implementation of year two and three

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
							budget proposals. This paper will cover why the Council is adopting this engagement approach with good practice comparators.
							Additional information about the process behind each engagement method was included in the report on engagement which was considered at Full Council on 21 February 2019. A report will also be going to the Corporate, Policy and Strategy Committee seeking approval for proposals for ongoing engagement on the Council's change and budget processes. This report will provide

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
							information on best practice in this area.
4.	30.01.19 (action remitted from the North West Locality Committee March 2019)	Business Bulletin – Review of Janitorial Services in Community Centres and Schools	To request that training for management committees, as a result of taking on any additional duties, be picked up as part of the six-monthly review of the Service Level Agreement for janitorial services.	Executive Director of Resources	March 2020		Recommended for closure – Report considered March 2020 Update – January 2019 Due to the January 2020 meeting focusing on budget this report will be submitted to the next (March) meeting of this Committee. Update – December 2019 Will be included as part of the Asset Management Strategy update reports to Committee. Update September 2019 The next Asset Management Strategy Update Report is due to

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
							Committee in January 2020 and these actions will be covered within this report.
5	15.08.19	Revenue Monitoring 2019/20 Period Three Report	1) To agree that the Executive Director of Place would provide further information regarding Place Management Savings.	Executive Director of Place	January 2020		Recommended for closure Update January 2020 – This information will be issued in advance of Committee on 23 January 2020.
			2) To agree that the Head of Finance would provide a briefing note containing a list of savings that were rejected by the Council's Administration to Committee members.	Executive Director of Resources			Closed
6	10.10.19	Revenue Maximisation Project Report	To agree that the Executive Director of Resources would provide a further update	Executive Director of Resources	March 2020		Recommended for closure – Report considered March 2020

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
			report to the Committee in March 2020.				
7	10.10.19	Contract Award and Procurement Programme (Period 1 January to 30 June 2019)	To note the contents of the report and the contract awards made by officers under delegated authority. A further report would be submitted to the Committee in approximately six months' time.	Executive Director of Resources	March 2020		Recommended for closure – Report considered March 2020
8	06.12.19	Corstorphine Community Centre	1) To instruct Communities and Families officers to consult with the Corstorphine community on a hub model for the Community Centre for inclusion in a wider review of the Community Centre Asset Management	Executive Director for Communities and Families	March 2020		Recommended for closure – Report considered March 2020

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No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
			Strategy to come forward to Finance and Resources Committee in March 2020.				
			2) To issue a letter of comfort to the Community Centre on the Council's commitment to exploring solutions to the Corstorphine Community Centre project following the consultation.	Executive Director of Place		January 2020	<b>Closed</b> . The letter was sent on 14 January 2020
9	23.01.20	Capital Monitoring 2019/20 – Month Eight Position	1) To clarify the percentage of homes expected to meet Energy Efficiency Standard for Social Housing by the end of the year.	Executive Director of Resources			Recommended for closure – Finance colleagues advise that we are aiming for 75% of homes to meet EESH by 31 March and up to 90% meeting this target by 1 December 2020.

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
			2) To agree that officers would investigate whether a different accounting approach could be used other than the current approach of showing slippage on house building projects as a reduction in capital.				Recommended for closure – Subsequent discussion with the Council's external auditor has confirmed the appropriateness of the current accounting treatment.
10	23.01.20	Accounts Commission: Local Government in Scotland – Financial Overview 2018/19	To agree that officers would liaise with Audit Scotland regarding the information contained in Exhibit 4 of the Audit Scotland report to request that sources of income for local authorities was presented in different format that indicated the extent to which the City of Edinburgh Council was underfunded in relation	Chief Executive and Executive Director of Resources			Recommended for closure – Officers have contacted Audit Scotland asking that consideration be given to alternative presentation of similar data in future years' publications.

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
			to other local authorities.				
11	23.01.20	Annual Report – Debt Write-off	To agree to liaise with policy officers about their engagement with Scottish Government regarding amending policy to allow the Council to more effectively recover parking charge debt.	Executive Director of Resources			Recommended for closure – Council colleagues continue to engage with Scottish Government and DVLA regarding national initiatives to support parking enforcement and collection activities
12	23.01.20	Mixed Tenure Improvement Service Pilot	To agree that the Convener of the Finance and Resources Committee would write to the Scottish Government to request that consideration was given to the provision of low interest finance to private sector landlords to make energy efficiency	Convener		February 2020	Recommended for closure – Letter sent February 2020

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
			improvements in mixed tenure blocks from the Scottish Investment Bank that otherwise would not be able to fund these improvements.				
13	05.03.20	Community Centres - Condition Review and Corstorphine Community Centre	Committee notes that the UK government's budget statement will be on 11 <sup>th</sup> March. This may give rise to additional capital funding through Barnett consequentials. Council consideration of the use of any additional capital funding will include the content of this report.	Executive Director of Resources Executive Director for Communities and Families			Recommended for closure – There was no announcement of capital-related Barnett Consequentials arising from the UK Budget.
14	05.03.20	Asset Management Strategy Transformation Programme - Update	To note the strategic direction of travel for the future associated with a Land/Asset Commission and approach and service	Executive Director of Resources	May 2020		Recommended for closure - The Asset Management Strategy has been aligned with the Adaption and Renewal programme

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
			design led programme, with a report to be submitted to Committee on this revised approach in May 2020.				and will be reported as part of that workstream.
15	05.03.20	<u>Asset</u> <u>Management</u> <u>Works Programme</u> <u>– 2019/20 Update</u>	1) To agree to provide clearer before and after photos once the works have been completed.	Executive Director of Resources			Recommended for closure - The request relates to future reports on Asset Management Works and will be implemented when reports are due for Committee.
			2) To agree to circulate to members further information on the projects that had been done to date and on the approach to future energy efficiency projects.	Executive Director of Resources			Recommended for closure – Briefing note circulated June 2020

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
16	05.03.20	<u>Health and Safety</u> <u>Performance in</u> 2019	To agree to check if the incident of the death in the care home occurred during the reporting period or if it had been omitted from the report.	Executive Director of Resources			Recommended for Closure – Information circulated March 2020
17	05.03.20	Fleet Renewal Programme	To agree to circulate a briefing note to members on the impact of vehicle reduction on the mobile library service and to give assurances that changes to the service would be brought back as a report to committee.	Executive Director of Place	End September 2020		
18	05.03.20	<u>Waiver for</u> Extension of <u>Managed Print</u> <u>Service</u>	To agree to circulate a briefing note on the paperless strategy.	Executive Director of Resources			Recommend for closure – a briefing has been circulated in advance of August Committee.

No	Date	Report Title	Action	Action Owner	Expected completio n date	Actual completio n date	Comments
19	05.03.20	Contract Award and Procurement Programme (Period 1 July to 31 December 2019)	A further report will be submitted to the Committee in approximately six months' time.	Executive Director of Resources	September 2020		Update August 2020 – Report to be submitted to Committee in September 2020
21	05.03.20	Marketing Edinburgh – report by the Chief Executive	1) To come back with the figure of outstanding income.	Executive Director of Place			Further reports on the financial arrangements for Marketing Edinburgh have subsequently been submitted to Council Committees, superseding this action.
			2) To agree to circulate to members the business plan subject to agreement from the Board of Marketing Edinburgh.	Executive Director of Place			Since Committee considered this item, COVID-19 has had a significant impact on the proposed Marketing Edinburgh Business Plan. Subsequent reports to Council Committees have explained these impacts

No	Date	Report Title	Action	Action Owner	Expected completio n date	Comments
						and therefore this action has been superseded.

# Agenda Item 7.1

# **Finance and Resources Committee**

# 10.00am, Thursday, 27 August 2020

# **Revenue Monitoring 2019/20 – outturn report**

Executive/routine Executive Wards Council Commitments

## 1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note that the provisional outturn position shows an overall overspend of £5.231m, the first such overspend in thirteen years, and that this sum will therefore require to be met by means of a corresponding drawdown from reserves;
  - 1.1.2 note the contributions to and from the General Fund in 2019/20 as detailed in the report;
  - 1.1.3 note that the Housing Revenue Account was balanced after making a contribution of £7.477m towards in-year capital investment;
  - 1.1.4 note that the Common Good Annual Performance Report will be considered at a future meeting of the Finance and Resources Committee, alongside further details of projects currently supported through the Spend to Save Fund and opportunities for further investment; and
  - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

#### 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



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Report

# **Revenue Monitoring 2019/20 – outturn report**

## 2. Executive Summary

2.1 The report sets out the provisional 2019/20 revenue outturn position for the Council based on the unaudited annual accounts. This position shows an overall overspend of £5.231m, the first such overspend in thirteen years, and this sum will therefore require to be met by means of a corresponding drawdown from reserves.

### 3. Background

- 3.1 The Council's statement of accounts for 2019/20 was passed to the external auditor by the statutory deadline of 30 June. This report sets out the provisional outturn position for the revenue budget as detailed therein.
- 3.2 The unaudited annual accounts were published on the Council website by 30 June 2020 and made available for public inspection from 1 July 2020 for a period of 15 working days, in accordance with relevant regulations. Due to the on-going pandemic, however, this year's inspection process was undertaken largely by electronic means.
- 3.3 Correspondence was received from four individuals on three different subjects during this period, resulting in the lodging of one objection, the outcome of which will be reported at the conclusion of the audit process.
- 3.4 As in previous years, the audited annual accounts and the auditor's report will be submitted initially to the Governance, Risk and Best Value Committee and be presented for approval thereafter by the Finance and Resources Committee.
- 3.5 The supplementary provisions contained within the Coronavirus (Scotland) Act 2020 allow local authorities, in consultation with their external auditors, to defer reporting to those charged with governance (in the Council's case, members of the Governance, Risk and Best Value Committee) by up to two months i.e. from the end of September until the end of November, reflecting the additional logistical challenges of obtaining appropriate audit assurance within a remote working environment, particularly where access to supporting physical records may not be available. While discussions are continuing, it is likely that there will be some consequent delay to the reporting of the audit outcome and members will be kept apprised of relevant timescales.

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# 4. Main report

### **Overall position**

4.1 The unaudited outturn position for 2019/20 shows an overall overspend of £5.231m, equating to 0.51% of the Council's total net expenditure. Table 1 below summarises the outturn, with further details provided in Appendix 1. This outturn position reflects the Council's first overall overspend since 2006/07.

	Revised Budget	Outturn	Outturn Variance (favourable)/ unfavourable
	£000	£000	£000
Directorate-specific	865,630	875,594	9,964
Non-directorate specific budgets	155,029	150,347	(4,682)
Movements in reserves	(1,406)	247	1,653
Sources of funding	(1,019,254)	(1,020,957)	(1,703)
In-year (surplus) / deficit		5,231	5,231

 Table 1 – Summarised Unaudited Outturn Statement, 2019/20

- 4.2 As reported to members of the Finance and Resources Committee on 23 January 2020, a net overspend across Directorates and a number of Council-wide savings targets of £13.8m had been forecast as of that time. These overspends and shortfalls were, however, offset by anticipated savings across a range of corporately-held budgets including loan charges, inflationary provisions and Council Tax and these, alongside unplanned drawdowns of reserves, had allowed a balanced position to be forecast.
- 4.3 Compared on a like-for-like basis, Directorate outturns subsequently improved by some £2.2m by the year-end, representing the net impact of significant favourable movements within both Communities and Families and Resources. Savings across non-service budgets also showed a slight improvement of £0.4m in the final three months of the year.

### Impact of COVID-19

4.4 While the primary income and expenditure impacts of the COVID-19 pandemic are expected to affect the Council in 2020/21, the favourable movement in service outturns and non-service budgets between January 2020 and the year-end was, however, outweighed by some £8.442m of COVID-related impacts as set out in Appendix 2, most materially the loss of the budgeted Lothian Buses dividend (£6m) and reductions in parking income. Of this total, £0.572m of additional expenditure was assumed to be met from the Scottish Government's Hardship and Food Funds, resulting in a net COVID-related pressure of £7.870m. Of this, £1.870m

(representing the loss of income across Council services) is therefore reflected in the service outturns in Appendix 1 and summarised in Table 1.

### Directorate variances

- 4.5 As noted in Table 1, the Council's main Directorates showed an overall overspend of £9.964m (1.2%) during the year. Commentaries on the main factors comprising these variances are included in Appendix 3. Additional detail will be reported to relevant Executive Committees.
- 4.6 The outturn narratives include reference, where relevant, to the recurring impacts of in-year savings shortfalls and residual pressures. Further commentary on this aspect will be included in both subsequent in-year monitoring reports and those relating to the reset of the Council's three-year revenue budget framework.

### Edinburgh Integration Joint Board (EIJB)

- 4.7 For 2019/20, the EIJB's financial plan was presented to the Board in March 2019, with assumed funding from its partners totalling £660m and estimated costs of £684m, giving an initial gap of £24m. To mitigate this shortfall, a savings and recovery programme of £12m was agreed and the Board resolved to work further with its partners to identify means to achieve financial balance. Updates on this position were provided to each board meeting and, by June 2019, the deficit was reduced to £7m through a combination of agreed additional funding from the Council and use of EIJB reserves.
- 4.8 Recognising the need to balance the EIJB's existing commitments, its ambitions for supporting transformational change and the requirement to address the in-year financial shortfall, it was agreed to use further slippage and use of reserves to offset the remaining gap. This, alongside outperformance of the savings and recovery programme, supported the achievement of in-year balance against the agreed budget, being the first year in which the EIJB had not relied on one-off contributions from its partners.

#### Other areas

4.9 In view of the significant pressures experienced within service areas, net savings across non-service specific areas totalling £4.733m played a key role in mitigating the Council-wide level of overspend. The main elements comprising this outturn position were:

### (i) Loans charge expenditure (£1.370m underspend)

The favourable outturn primarily reflected savings linked to the Inverse LOBO restructuring undertaken during the year.

### (ii) Council Tax (£1.316m additional income)

Increased property numbers and slightly lower-than-budgeted levels of exemptions and discounts, linked to an on-going focused programme of Single Person Discount entitlement review, contributed to a small overall favourable variance. While latterly affected by the impacts of the pandemic, the overall in-year collection rate of 97% was comparable to the best-ever such rate achieved in 2018/19.

# (iii) Council Tax Reduction Scheme (£2.249m underspend but offset by a corresponding transfer to the welfare reform earmarked reserve)

While the entirely demand-led nature of the scheme exposes the Council to risk<sup>1</sup>, sums paid out in 2019/29 were lower than the level of budgetary provision. As in 2018/19, this underspend has been set aside within the Council's allocated reserves to address potential welfare reform-related pressures in subsequent years and, to this end, has been identified as a mitigation to the level of projected in-year overspend in 2020/21.

### (iv) Other non-directorate specific costs (£5.619m underspend)

The overall variance reflects a number of elements, including a reduction in the Council's overall energy-related cost liabilities following the ending of the Carbon Reduction Commitment energy efficiency scheme in April 2019, reductions in past service pension costs and a number of inflation-linked contingencies not ultimately required either in part or in full following confirmation of applicable contractual uplifts and employee pay awards and associated Scottish Government funding.

#### (v) Interest and investment income (£4.706m income shortfall)

As noted above, the Council did not receive the planned £6m dividend payment from Lothian Buses. This shortfall was, however, offset in part by the receipt of additional income linked to the Treasury cash fund's continuing outperformance against benchmark during the year.

# (vi) Business Rates Incentivisation Scheme (BRIS) (£0.387m additional income)

Payment was received in respect of the 2017/18 financial year following the completion of the Scotland-wide Non-Domestic Rates audit process. Following subsequent confirmation from the Scottish Government, it is anticipated that the Council will also receive payment in respect of 2018/19 and this sum will therefore be reflected within the audited accounts.

4.10 Despite these savings, the overall overspend for the year of £5.231m has required to be offset by a corresponding drawdown from the Council's earmarked reserves.

#### Approved budget savings delivery

4.11 In total, the approved budget was predicated on the delivery of some £38.7m of directorate-specific and corporate savings. As shown in Exhibit 1 below, the final outturn position for 2019/20 indicates that 77% of approved savings by value were delivered. This marks a significant improvement on the equivalent figure for

<sup>&</sup>lt;sup>1</sup> Given the impacts of the coronavirus pandemic on wider employment levels, the anticipated level of CTRS take-up in 2020/21 exceeds the level of budgetary provision. The Scottish Government has, however, made available further funding such that any year-end overspend should be fully mitigated by the provision of additional grant support.

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2018/19 of 60% and reflected, in part, the provision of additional project management resource.



Exhibit 1 – Delivery of approved budget savings, 2019/20

- 4.12 As of period eight, 85% of service-specific and Council-wide savings were forecast to be delivered. The subsequent deterioration, particularly in the case of incomerelated savings, was attributable in part to COVID-related disruption.
- 4.13 The principal areas of shortfall were:
  - various savings across the Place Directorate totalling £4.4m, comprising a combination of delays in delivery and/or development of implementation plans and income shortfalls, an element of which was attributable to the knock-on impacts of the pandemic (particularly for parking);
  - (ii) a number of savings across the **Resources Directorate**, most materially those in respect of additional advertising income and investment portfolio rationalisation within Property and Facilities Management. These shortfalls were, however, fully mitigated by alternative actions, such that a balanced overall outturn position was achieved; and
  - (iii) **Council-wide savings** of £2.75m across the areas of lean business process review, income generation and intelligent automation.
- 4.14 In the majority of cases, the substitute measures identified were of a non-recurring nature, emphasising the on-going need for robust planning at the savings inception, development and implementation stages. Given the importance to the integrity of the budget framework of sustainable mitigating measures, Executive Directors have therefore in 2020/21 been asked to bring forward actions to mitigate, in full, residual pressures or anticipated shortfalls in savings delivery. As noted in the revenue budget update report included elsewhere on today's agenda, an overall unmitigated pressure of £3m remains in 2020/21 at this stage.

### Spend to Save Fund

- 4.15 As part of the 2018/19 revenue outturn report, members of the Committee considered a short summary of progress in taking forward projects supported through the Spend to Save Fund. In 2019/20, use of the fund was more limited, with £0.028m spent on lighting upgrades and £0.298m received from repayments for previously-supported projects, resulting in a year-end fund balance of £2.736m.
- 4.16 On 28 July, Council approved a motion requesting that details be brought forward on funds, including spend to save, available to support a green recovery. A more detailed overview of the fund's activity, including both expenditure commitments and sums to be repaid, will therefore be brought to the Committee's next meeting.

### Housing Revenue Account (HRA)

4.17 The HRA outturn position was largely consistent with the in-year forecast reported at period eight in that that HRA was balanced after making a contribution of £7.477m towards in-year capital investment. This contribution was materially more positive than the approved Business Plan budget of £2.647m. This arose, in turn, from treasury management savings (including those related to Inverse LOBO restructuring) and reductions in the operating costs of maintaining and managing the housing estate. This meant that a lower level of reserves required to be drawn down from the Strategic Housing Investment Fund (SHIF)<sup>2</sup> during the year to meet the cost of approved projects. The funds held in the SHIF are earmarked for investment in existing housing stock and future capital investment in new homes through the Council's own housing development programme.

#### Reserves

- 4.18 As at 31 March 2020, General Fund reserves stood at £119.787m, a reduction of £25.058m relative to the preceding year. Details of the opening and closing amounts in the General Fund, including earmarked balances, are shown in Appendix 4. The overall decrease in the level of earmarked reserves during the year mainly represents the effect of three main factors:
  - net reduction in sums held within the Council Tax Discount Fund (£14.327m), in turn reflecting a drawdown of £18m to support planned development of affordable housing in line with the Housing Revenue Account (HRA) Business Plan. This was offset, in part, by an in-year addition to the fund of £3.673m from Council Tax second home discount income earmarked under statute;
  - (ii) **unplanned drawdowns from the Council Priorities Fund and Welfare Reform reserves** totalling £7.872m reported to and approved by members during the year; and
  - (iii) a further necessary drawdown of earmarked reserves of £5.231m to address the remaining year-end deficit on the General Fund.

<sup>&</sup>lt;sup>2</sup> The SHIF comprises sums from the Council Tax Discount and Renewal and Repairs Funds.

Finance and Resources Committee – 27 August 2020

- 4.19 These sums were offset by net contributions to reserves of £2.372m across a range of other areas, including an increase in the amount of unspent grants as of the yearend (partly due to COVID-related disruption) and a £0.902m increase in the level of the unallocated general reserve, representing the transfer of the unallocated element of the City Strategic Investment Fund.
- 4.20 While the adequacy and appropriateness of the overall level of reserves held is reviewed annually by Council as part of the revenue budget-setting process, an ongoing re-assessment of the level and nature of these reserves and wider financial planning assumptions is being undertaken as part of the Adaptation and Renewal Programme.

### Common Good

4.21 During 2019/20, the Common Good Fund generated an overall surplus of £3.343m, primarily due to the receipt of sums linked to the granting of a lease at 329 High Street. It is anticipated that recommendations on the application of these funds will be brought to the Finance and Resources Committee, alongside more detailed commentary on the outturn and related current financial and other issues, as part of the Common Good Annual Performance Report.

# 5. Next Steps

5.1 The Unaudited Accounts are currently the subject of consideration by the Council's external auditor. The supplementary provisions contained within the Coronavirus (Scotland) Act 2020 allow local authorities, in consultation with their external auditors, to defer reporting to those charged with governance (in the Council's case, members of the Governance, Risk and Best Value Committee) by up to two months. While discussions are continuing, it is likely that there will be some consequent delay to the reporting of the audit outcome and members will be kept apprised of relevant timescales.

## 6. Financial impact

6.1 The report identifies a provisional deficit of £5.231m in the year to 31 March 2020 and the corresponding need to draw down offsetting funds from reserves.

## 7. Stakeholder/Community Impact

7.1 There is no direct relevance of the report's contents, although the Council's wider approach to community engagement and empowerment will be specifically considered as part of both the wider scope aspects of this year's external audit process and the Council's Best Value Assurance Review.

# 8. Background reading/external references

- 8.1 <u>Unaudited Annual Accounts 2019/20</u>, The City of Edinburgh Council, 30 June 2020
- 8.2 <u>Revenue Monitoring 2019/20 month eight position</u>, Finance and Resources Committee, 23 January 2020

- 8.3 <u>Revenue Monitoring 2019/20 half-year report</u>, Finance and Resources Committee, 6 December 2019
- 8.4 <u>Revenue Monitoring 2019/20 period three report</u>, Finance and Resources Committee, 15 August 2019
- 8.5 <u>Revenue Budget Framework 2019/24 progress update</u>, Finance and Resources Committee, 23 May 2019
- 8.6 <u>Coalition Budget Motion</u>, The City of Edinburgh Council, 21 February 2019
- 8.7 <u>Council Change Strategy Risks and Reserves 2019-2023</u>, Finance and Resources Committee, 1 February 2019

# 9. Appendices

- Appendix 1 Unaudited Revenue Budget outturn statement, 2019/20
- Appendix 2 COVID-related losses of income and expenditure, 2019/20
- Appendix 3 Service outturn commentaries, 2019/20
- Appendix 4 Transfers to and from usable reserves, 2019/20

Unaudited Revenue Budget outturn statement, 2019/20

	Revised Budget	Outturn	Outturn Variance (favourable)/ unfavourable
Directorates	£000	£000	£000
Chief Executive's Service	9,187	9,050	(137)
Communities and Families	420,437	423,570	3,133
Health and Social Care	218,472	218,472	-
Place	46,273	53,269	6,996
Resources	167,583	167,555	(28)
Lothian Valuation Joint Board	3,678	3,678	-
Directorate totals	865,630	875,594	9,964
Non-directorate specific areas			
Loan Charges	106,080	104,710	(1,370)
Other non-service specific costs	30,667	25,048	(5,619)
Council Tax Reduction Scheme (Note 1)	26,319	24,070	(2,249)
Net Cost of Benefits	(127)	(277)	(150)
Interest and investment income	(7,910)	(3,204)	4,706
Non-directorate specific areas total	155,029	150,347	(4,682)
Movements in reserves			
Net contribution to / (from) earmarked funds (Note 1)	(1,072)	581	1,653
Contribution to / (from) Capital Fund	(334)	(334)	-
Movements in reserves total	(1,406)	247	1,653
Sources of funding			
General Revenue Grant	(360,206)	(360,206)	-
Non-Domestic Rates	(365,250)	(365,250)	-
Council Tax	(293,798)	(295,114)	(1,316)
Business Rates Incentivisation Scheme	-	(387)	(387)
Sources of funding total	(1,019,254)	(1,020,957)	(1,703)
In-year (surplus) / deficit	-	5,231	5,231

Note 1 – uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of  $\pounds 2.249m$  were transferred to an earmarked reserve and are included in the balance shown within the "Movement in reserves" section.

#### COVID-related losses of income and increases in expenditure, 2019/20

	£m
Lothian Buses dividend	6.000
Parking income	1.264
Adult education and other cancelled classes	0.134
Roads Services (loss of capitalised salary income	0.170
due to delayed site starts and/or work suspension)	
Community use of schools	0.085
Arts venues (Usher Hall, Assembly Rooms and	0.080
Churchill Theatre)	
Museums and galleries	0.074
Scientific, Registration and Bereavement Services	0.040
Regulatory	0.023
Total	7.870

	£m
Additional ICT expenditure to facilitate home	0.264
working/remote learning	
Continuing Free School Meal payments	0.122
Personal Protective Equipment and hand-washing	0.083
stations	
Food parcels for shielded groups and associated	0.046
staff overtime	
Other (various)	0.057
Total	0.572

#### Directorate outturn commentaries

Chief Executive's Service (£0.137m underspend, representing 1.5% of net service budget)

Overall expenditure was maintained within budgeted levels, despite reductions in income from rechargeable services, primarily through employee cost savings from vacancy management within the Strategy and Communications Division.

Communities and Families (£3.133m overspend, representing 0.7% of net service budget)

The Communities and Families unaudited outturn position for 2019/20 shows a net overspend of £3.133m.

The main areas of pressure included:

- Homelessness and housing support demand for temporary accommodation continued to grow due to a shortage of suitable move-on accommodation, causing the average length of stay to increase. While a falling number of properties in the Private Sector Leasing (PSL) scheme has increased the reliance on more expensive and less suitable types of temporary accommodation, improved terms in the new PSL contract effective from April 2020 seek to address this. Additional funding of £2m has also been provided within the budget in 2020/21 to address the underlying pressures, although this has subsequently been impacted by the COVID-19 situation.
- Home-to-school transport action was taken to reduce use of individual transport which reduced annual costs by £0.8m but still resulted in a significant pressure of £1.8m. Additional funding of £1.5m has been added to the budget in 2020/21 to address the underlying pressure. The adequacy of this provision may, however, be affected by the schools re-opening in August and is therefore being kept under review.
- **Looked-After Children accommodation** including secure services, residential care and the impact of Unaccompanied Asylum Seeking Children (UASC). There was higher-than-budgeted use of secure care and residential schools, the latter being impacted by the need to accommodate UASC within our own residential units.
- **Community access to schools** ongoing pressure relating to an approved saving on secondary school lets. Year-on-year improvements are being made but there was a remaining pressure of £0.9m. Additional funding of £0.320m has been added to the budget in 2020/21 partially to address the underlying pressure. Further proposed actions to address the residual pressure have been impacted by the COVID-19 situation and the position will be kept under review.

The main areas of mitigation were in Children's Services, including one-off income contributions, and service-wide management action in relation to vacancy control.

**Place** (£6.996m overspend including COVID-19 related costs, representing 15.1% of net budget overspend. Excluding COVID-19 related costs, the equivalent figures are £5.345m and 11.6%)

The Directorate's activities continued to be subject to significant pressures during the year and the reported outturn position (after exclusion of COVID-19 related costs) is largely consistent with that reported at month eight. These pressures were addressed, in part, by a budget management strategy including a material realignment of budgets across the Directorate in line with operational requirements. Whilst this increased accountability and transparency in developing and implementing remedial actions, the Directorate was unable to deliver fully the approved 2019/20 savings totalling £11.785m (some 25.5% of 2019/20 net budget) which included efficiency savings of £2.765m, in addition to full mitigation of other service pressures.

Around 63% of 2019/20 approved savings were delivered in year, with undelivered previousyear savings such as charging for garden waste being delivered in full. The organisational review of the Economic Development service approved for delivery in 2018/19 was also completed in 2019/20. Budget savings from strategic reforms relating to Localities and Transport companies were not delivered in 2019/20 but are progressing. A £0.700m pressure in respect of the temporary suspension of environmental testing services within Place also contributed to the overall overspend.

The 2020/21 budget management strategy which was agreed and is currently being implemented by the Place Senior Management Team has given full consideration to legacy and new budget pressures as well as the in-year savings requirement. Over the short- to medium-term, concerted action is required to address underlying budgetary issues in a sustainable way.

Resources (£0.028m underspend, representing 0.02% of net budget)

The outturn position reflects a favourable movement of £0.659m from the position reported to Finance and Resources Committee on 23rd January 2020. This reflects additional savings achieved through successful Non-Domestic Rates appeals, application of further workforce controls and controls on discretionary expenditure during 2019/20, the effect of which was to offset in full underlying pressures within the Property and Facilities Management Division.

#### **REVENUE BALANCES**

REVENUE BALANCES				
	Balance at 31-Mar-19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31-Mar-20 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv. Workforce management Council Priorities Fund IFRS9 Gains Dilapidations fund Insurance funds	42,296 18,194 6,625 0 5,721 19,585	(12,110) (7,160) (9,154) 0 (2,493) 0	13,270 2,000 3,286 230 0 512	43,456 13,034 757 230 3,228 20,097
	92,421	(30,917)	19,298	80,802
Balances Set Aside from Income Received in Advance				
Licensing and Registration income Lothian Buses Other minor funds Pre-paid PPP monies Council Tax Discount Fund Unspent grants City Strategic Investment Fund	2,584 504 203 2,953 18,631 1,937 3,552	(118) (196) 0 (18,000) (1,484) (902)	516 0 1 364 3,673 2,723 145	2,982 308 204 3,317 4,304 3,176 2,795
	30,364	(20,700)	7,422	17,086
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings			,	
Energy efficiency Salix / CEEF Spend to save	244 252 2,466	0 (217) (28)	51 235 298	295 270 2,736
	2,962	(245)	584	3,301
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Devolved School Management	6,073	(6,034)	4,632	4,671
				40.007
Unallocated General Reserve	13,025	0	902	13,927
Total General Reserve	144,845	(57,896)	32,838	119,787

# Agenda Item 7.2

# **Finance and Resources Committee**

# 10:00am, Thursday, 27th August 2020

# **Treasury Management: Annual Report 2019/20**

Executive/routine Executive Wards Council Commitments

## 1. Recommendations

- 1.1 It is recommended that the Committee:
  - Notes the Annual Report on Treasury Management for 2019/20; and,
  - Refers the report to the Governance, Risk and Best Value Committee for their scrutiny.

#### Stephen S. Moir

#### Executive Director of Resources

Contact: Innes Edwards, Principal Treasury and Banking Manager,

Finance Division, Resources Directorate

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Report

# **Treasury Management: Annual Report 2019/20**

### 2. Executive Summary

2.1 The purpose of this report is to give an update on Treasury Management activity in 2019/20.

#### 3. Background

3.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management must be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year.

#### 4. Main report

#### **Prudential Indicators**

 4.1 Treasury Management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and CIPFA's Prudential Code.
 Appendix 1 contains Prudential Indicators showing the actual out-turn for 2019/20.

#### **Borrowing Out-turn**

- 4.2 Appendix 2 gives a short economic review of the year, including a commentary from the Council's Treasury Advisors.
- 4.3 Appendix 3 gives an overview of the Council's borrowing for 2019/20. For the first time since 2012, the Council has borrowed a significant level of funds from the Public Works Loans Board (PWLB). Borrowing rates were at a historic low and the Council borrowed £236m from the PWLB during the financial year.
- 4.4 The Council's debt outstanding increased during the year due to the new borrowing, but the interest cost for the year was significantly lower than in 2018/19. At year end, the Council's debt was £37m below its Capital Financing Requirement (its

underlying need to borrow). A list of the Council's borrowing at 31 March 2020 is included in Appendix 5.

#### Investment Out-turn

- 4.5 Appendix 4 shows the Investment Out-turn for 2019/20.
- 4.6 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which is 7-day LIBID.
- 4.7 The average interest rate on the fund for the year was 0.78%. This continued to show significant outperformance against the benchmark which was 0.53% for the year. The longer duration of deposits which was added to the investment portfolio in November / December 2019 added significantly to the relative performance of the portfolio.

#### Conclusions

- 4.8 For the first time in a number of years, the Council undertook a significant borrowing from the PWLB. However, the cost of the Council's borrowing has continued to fall.
- 4.9 The investment return for 2019/20 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

## 5. Next Steps

5.1 The Treasury team will continue to operate its Treasury Cash Fund with the aim of out-performing its benchmark of 7-day London Interbank Bid Rate (LIBID) and manage the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

#### 6. Financial impact

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

## 7. Stakeholder/Community Impact

7.1 There are no adverse stakeholder/community impacts arising from this report.

# 8. Background reading/external references

8.1 None

# 9. Appendices

- Appendix 1: Prudential Indicators Out-turn
- Appendix 2: Economic Review of the 2019/20
- Appendix 3: Borrowing Out-turn 2019/20
- Appendix 4: Investment Out-turn 2019/20
- Appendix 5: Outstanding Borrowing at 31<sup>st</sup> March 2020

#### Appendix 1

#### **Prudential Indicators**

#### (a) Prudential Indicator 1 - Estimate of Capital Expenditure

This gives a breakdown of the actual capital expenditure incurred during 2019/20.

	2018/19 Actual £'000	2019/20 Original £'000	2019/20 Revised £'000	2019/20 Actual £'000
General Fund				
Communities and Families	28,431	116,193	86,268	64,321
Edinburgh IJB	138	239	117	-110
Place	109,572	141,766	113,917	109,606
Place - Tram York Place to Newhaven	0	0	20,806	25,187
Place - Lending	23,152	18,118	40,674	28,138
Resources - Asset Management Works	21,770	31,498	27,039	48,547
Resources - Other	2,678	11,706	8,386	2,873
Total General Services Capital Expenditure	185,741	319,520	297,207	278,562
Housing Revenue Account	80,962	108,954	108,954	111,854
Total	266,703	428,474	406,161	390,416

#### Table A1.1 – Capital Expenditure 2019/20

The capital programme is re-phased annually once the unaudited out-turn of the previous year is known. The original estimates above reflect the budget position as reported in the Treasury Strategy in March 2019, with the revised figures representing the projected position reported to the Finance and Resources Committee in August 2019 following the re-phasing of the programme. The 2019/20 Actual is the provisional capital outturn reported to the Policy and Sustainability Committee in June 2020.

The following table shows how the £390.4m of capital expenditure incurred in 2019/20 was funded and the movement in the Net Capital Advances outstanding:

	General Fund £'000	HRA £'000	CEC Total £'000	Police £'000	Total £'000
Net Cap Adv (01/04/19)	967,262	377,455	1,344,717	11,184	1,355,901
Gross Cap Ex	278,562	111,854	390,416	0	390,416
Cap Income	-207,331	-73,451	-280,782	0	-280,782
Net Cap Ex	71,231	38,403	109,634	0	109,634
Capital Repaid	-70,957	-20,695	-91,652	-517	-92,169
Net Cap Adv (01/04/20)	967,536	395,163	1,362,699	10,667	1,373,366

Table A1.2 – Source of Funding for Capital Expenditure 2019/20

The CEC Total column shows expenditure of £390.4m being partly funded by capital grants and capital receipts, leaving £109.6m to be funded by borrowing. However, the Council repaid principal of £91.7m for previous capital advances, giving a net increase in the need to borrow of £18m. In addition, previous capital advances of £0.5m were repaid on behalf of the former Police Joint Board, giving a total increase in the need to borrow of £17.5m.

#### (b) Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

This gives an indication of the cost of the Council's debt relative to its income.

	2018/19	2019/20	2019/20	2019/20
	Actual	Estimate	Revised	Actual
	%	%	%	%
General Services	11.38	10.58	10.44	10.50
Housing Revenue Account	39.98	41.64	32.08	37.65

Table A1.3 – Ratio of Financing Costs to Net Revenue Stream

#### (c) Indicator 3 - Capital Financing Requirement (CFR)

This shows the Council underlying need to borrow / take on other forms of Capital funding.

	2018/19	2019/20	2019/20	2019/20
	Actual	Original	Revised	Actual
	£'000	£'000	£'000	£'000
General Services (incl. finance leases)	1,100,034	1,204,762	1,195,057	1,140,739
Edinburgh Living LLP	2,734	26,862	26,741	19,023
NHT LLPs	87,143	103,651	103,651	94,264
Housing Revenue Account	377,454	415,351	415,678	395,163
<b>Total</b>	<b>1,567,366</b>	<b>1,750,626</b>	<b>1,740,800</b>	<b>1,649,189</b>

Table A1.4 – Capital Financing Requirement

In preparing Tables A1.4 and A1.5, all finance lease liabilities have been included for both current and prior year figures as required by the new Borrowing Regulations in Scotland, rather than other long term liabilities as defined by CIPFA's Prudential Code.

	2018/19 Actual £'000	2019/20 Actual £'000
General Services Capital Advances	967,261	967,535
HRA Capital Advances	377,454	395,163
Total CEC Borrowing CFR	1,344,716	1,362,698
Other Finance Lease Liabilities	222,650	286,491
Total CEC Debt CFR	1,567,366	1,649,189

#### Table A1.5 – Split of CEC Capital Financing Requirement

The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.

## Appendix 2

#### **Economic Review of the Year**

The Council's treasury advisor, Arlingclose, has provided the following economic review of the year:

The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29<sup>th</sup> March 2019 Brexit deadline was extended to 12<sup>th</sup> April, then to 31<sup>st</sup> October and finally to 31<sup>st</sup> January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% year-on-year in February, below the Bank of England's target of 2%. Labour market data remained positive. The UK unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

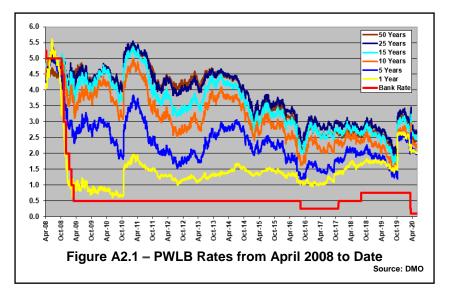
In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the

largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

Figure A2.1 below shows PWLB borrowing rates since 2008. This clearly shows a decrease in borrowing rates mainly due to the economic impact of COVID-19.



## Appendix 3

#### Debt Management Out-turn 2019/20

### Background to 2019/20 Borrowing

The strategy for 2019/20 approved in March 2019 was, subject to appropriate rates being available, to:

- Fund the 2019/20 requirement by reducing cash deposits further;
- Borrow for each tranche of LLP housing subject to with meeting the viability test for the tranche;
- Seek to mitigate risk on major projects as the requirement becomes more certain.

There were three key events that had a major impact on the Council's borrowing during the year.

Firstly, on the9<sup>th</sup> October, the UK Treasury increased the margin applied to all PWLB loans by 100 basis points with immediate effect. The PWLB's statement included the following point:

Some local authorities have substantially increased their use of the PWLB in recent months, as the cost of borrowing has fallen to record lows. HM Treasury is therefore restoring interest rates to levels available in 2019, by increasing the margin that applies to new loans from the PWLB by 100bps (one percentage point) on top of usual lending terms.

This change, aimed at stopping local authorities south of the border borrowing to invest in commercial property solely to generate yield on the investment shows the inherent risk in being under-borrowed relative to the Council's underlying need to borrow and validated the strategy of taking pockets of that risk off the table as the capital expenditure became certain.

Secondly, also on the 9<sup>th</sup> October, the Notice to Proceed was issued for the Tram to Newhaven project.

Thirdly, in the budget in March a new borrowing rate for social housing was introduced. This made the pre-October certainty rate available again to fund social housing capital advances, effectively reversing the 1% rate increase but only for the Housing Revenue Account. At the same time, a consultation was announced on the PWLB and local authority commercial property investment.

#### Borrowing Undertaken in 2019/20

The following borrowing was undertaken during 2019/20:

## (a) Edinburgh Living

In line with the strategy outlined above, £16.3m in 40-year annuity loans were taken out during the year to match the capital advances and loans made to the Edinburgh Living Mid-Market Rent LLP for the acquisition of affordable housing.

### (b) LOBO Loan Re-financing

As reported to the Finance & Resources Committee in advance and following the execution of the transaction, the Council's Inverse LOBO loans with Nat West Markets were repaid prematurely and re-financed with a loan from the PWLB. A £40m 40.5 year maturity loan was taken out in October to re-finance the Inverse LOBO loans. The timing of the RBS LOBO restructuring is considered opportune. Any earlier and it is unlikely that we would have got the deal we did out of Nat West Markets. Any later and the change in PWLB margin would have rendered the restructuring unviable. The deal we agreed couldn't be bettered by the Advisor even on a gain share basis and other Councils have paid Advisors six figure sums to negotiate less advantageous deals than the Council was able to achieve.

#### (c) Trams to Newhaven

The borrowing strategy for this project evolved as interest rates came down. We had considered a forward starting structure to mitigate the funding risk once the notice to proceed had been issued. Then as interest rates came down further, consideration was given to pre-borrowing for the project once the expenditure was certain. Finally, interest rates were so low that the model assumptions at that time showed that whole funding requirement became affordable without a contribution from the Council. A £40m 40-year annuity loan was taken out in September. This has been used to mitigate the financing risk on the Trams to Newhaven project. With the significant volatility which there had been in in Gilt Yields and significant upside risk in interest rates if the issues around the UK leaving the EU were seen as being resolved, the decision was taken to lock out the interest rate risk on the remaining base funding requirement for the project and a further £110m 33.5 year annuity loan was taken out in October once the Notice to Proceed was issued.

#### (d) Housing Revenue Account

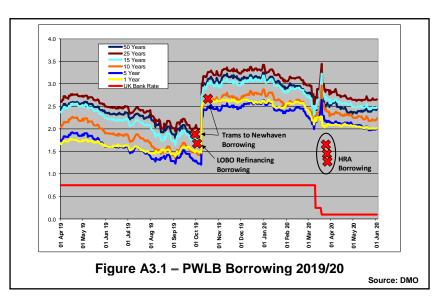
As noted above, an HRA Certainty rate was announced in the budget. There was no guidance on how this could be applied other than it was solely for social (and not affordable) housing. The two key points to make use of the rate were that the HRA had a demonstrable need to borrow and that the whole of the interest rate benefit was passed on to the HRA. £30m in loans were taken out in March for the HRA at the new HRA certainty rate. Significant accounting work has been carried out to facilitate this, essentially taking a "Three Pool" approach to the Loans Fund. The existing Loans Pool was frozen at 31 March 2019 and 2 new Loans Pools – a HRA one and a General Fund one created for 2019/20. As a result, the Loans Fund Pooled Interest Rate for the HRA was 4.49% and for the General Fund was 4.28%.

Table A3.1 below summarises the movements in the Council's borrowing during the year.

Type of Loan	Balance 01.04.2019	Borrowing Raised	Borrowing Repaid	Balance 31.03.2020
	£m	£m	£m	£m
PWLB - fixed	922.192	236.348	-58.327	1,100.213
Salix Finance Ltd	1.368		-0.310	1.058
Market	274.900		-40.000	234.900
	1,198.460	236.348	-98.627	1,336.171
Capital Advances	1,355.901	_		1,373.366
Under-borrowed	157.441	Unde	er-borrowed	37.295

Table A3.1 – Outstanding Debt Portfolio 2019/20

Figure A3.1 below shows the timing of the main PWLB borrowing undertaken during the year



The rates showing in the figure are the Certainty Rates available to the Council for maturity type loans.

This gives the following sources of the Council's borrowing at the end of the financial year:

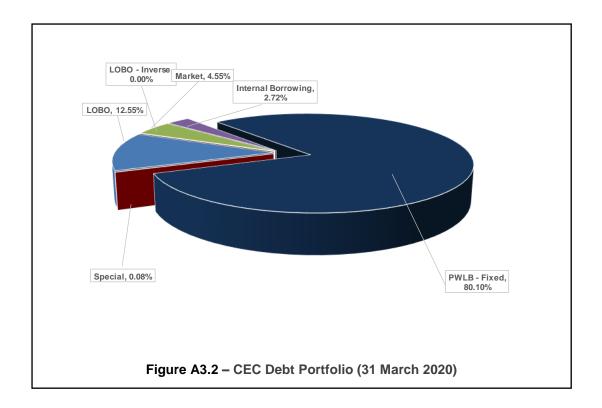
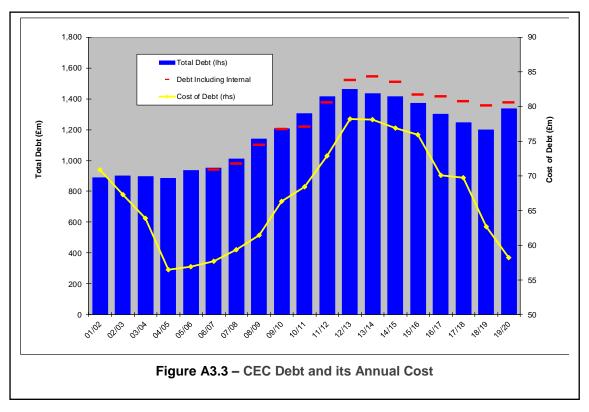


Figure A3.3 below shows the Council's borrowing and the annual interest cost of that borrowing. While the total value of debt is almost at a historical high, the cost has come down even further. This is unlikely to continue in 2020/21 as the full year cost of the 2019/20 borrowing will be included and there was a one-off revenue saving in 2019/20 relating to the LOBO restructuring.



## Appendix 4

### Investment Out-turn 2019/20

The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which is 7-day LIBID.

In response to the inevitable economic impact of COVID-19 the Bank of England's Monetary Policy Committee (MPC) reduced UK Bank Rate by 0.50% to 0.25% on the 11<sup>th</sup> March then again by 0.15% to 0.10% on the 19<sup>th</sup> March announcing a further £200bn of QE. The annual CPI rate of inflation was 1.7% in February 2020.

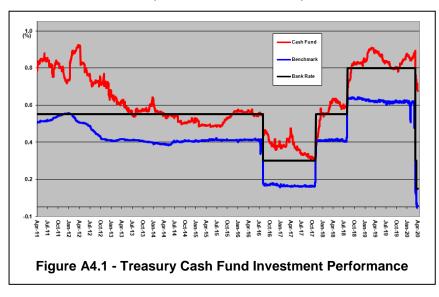
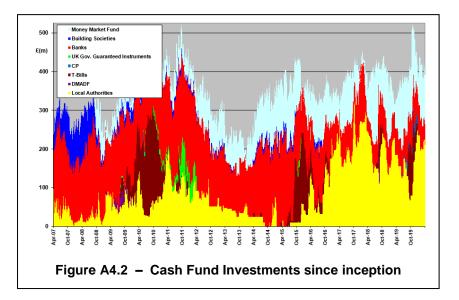


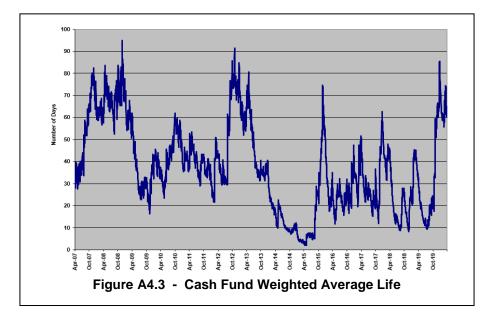
Figure A4.1 below shows investment performance since April 2011.

The average interest rate on the Cash Fund for the year was 0.78%, which continued to outperform the benchmark, which was 0.53%. The fund generated income of just over  $\pounds$ 1.8m for the financial year to CEC.

The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the investments, Cash Fund money has been invested in UK Treasury Bills, with banking institutions which was held on instant access call and a 31 day notice account with a highly credit rated institution and a large percentage of the fund was held with other Local Authorities on short term fixed deposits and notice accounts. Figure A4.2 below shows the distribution of the Cash Fund investments since April 2007.



After the borrowing was completed in the latter part of 2019, a strategic decision was made to add duration to the investment portfolio using loans to other local authorities. This took the weighted average life (WAL) of the portfolio to nearly 90 days – the longest it has been since 2012. Further duration was added in February and March before the cuts in UK Bank Rate. Most of the longer duration loans were to other Scottish local authorities and were at interest rates between 0.95% and 1.05%.an attractive rate of interest enabling the performance to remain significantly above benchmark which has fallen substantially.



Members will recall that we took the WAL of the Cash Fund down to 7 days before the last increase in UK Bank Rate, allowing a nimble response to the increase. We have shown relative outperformance recently in both an increasing and a decreasing interest rate environment.

# Appendix 5

# Outstanding Debt 31<sup>st</sup> March 2020

PWLB PROFILE	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING	INTEREST RATE	ANNUAL INTEREST
	BATE	DATE	£	%	£
М	21/04/2009	21/04/2020	10,000,000.00	3.54	354,000.00
M	12/05/2009	12/05/2020	10,000,000.00	3.96	396,000.00
М	21/10/1994	15/05/2020	5,000,000.00	8.625	431,250.00
М	07/12/1994	15/05/2020	5,000,000.00	8.625	431,250.00
М	21/11/2011	21/05/2020	15,000,000.00	2.94	441,000.00
М	16/08/1995	03/08/2020	2,997,451.21	8.375	251,036.54
М	09/12/1994	15/11/2020	5,000,000.00	8.625	431,250.00
А	10/05/2010	10/05/2021	785,066.07	3.09	28,179.23
Μ	21/10/1994	15/05/2021	10,000,000.00	8.625	862,500.00
Μ	10/03/1995	15/05/2021	11,900,000.00	8.75	1,041,250.00
Μ	12/06/1995	15/05/2021	10,000,000.00	8.00	800,000.00
М	02/06/2010	02/06/2021	5,000,000.00	3.89	194,500.00
Μ	16/08/1994	03/08/2021	2,997,451.21	8.50	254,783.35
Μ	28/04/1994	25/09/2021	5,000,000.00	8.125	406,250.00
Μ	23/04/2009	23/04/2022	5,000,000.00	3.76	188,000.00
Μ	12/06/1995	15/05/2022	10,200,000.00	8.00	816,000.00
Μ	14/06/2010	14/06/2022	10,000,000.00	3.95	395,000.00
Μ	31/03/1995	25/09/2022	6,206,000.00	8.625	535,267.50
Μ	16/02/1995	03/02/2023	2,997,451.21	8.625	258,530.17
Μ	24/04/1995	25/03/2023	10,000,000.00	8.50	850,000.00
Μ	05/12/1995	15/05/2023	5,200,000.00	8.00	416,000.00
М	20/09/1993	14/09/2023	2,997,451.21	7.875	236,049.28
М	20/09/1993	14/09/2023	584,502.98	7.875	46,029.61
Μ	08/05/1996	25/09/2023	10,000,000.00	8.375	837,500.00
Μ	13/10/2009	13/10/2023	5,000,000.00	3.87	193,500.00
Μ	05/12/1995	15/11/2023	10,000,000.00	8.00	800,000.00
Μ	10/05/2010	10/05/2024	10,000,000.00	4.32	432,000.00
Μ	28/09/1995	28/09/2024	2,895,506.10	8.25	238,879.25
Μ	14/05/2012	14/11/2024	10,000,000.00	3.36	336,000.00
Α	14/12/2009	14/12/2024	3,952,650.35	3.66	164,163.02
Μ	17/10/1996	25/03/2025	10,000,000.00	7.875	787,500.00
Μ	10/05/2010	10/05/2025	5,000,000.00	4.37	218,500.00
Μ	16/11/2012	16/05/2025	20,000,000.00	2.88	576,000.00
М	13/02/1997	18/05/2025	10,000,000.00	7.375	737,500.00
М	20/02/1997	15/11/2025	20,000,000.00	7.375	1,475,000.00
A	01/12/2009	01/12/2025	6,657,167.44	3.64	269,047.82
M	21/12/1995	21/12/2025	2,397,960.97	7.875	188,839.43
M	21/05/1997	15/05/2026	10,000,000.00	7.125	712,500.00
M	28/05/1997	15/05/2026	10,000,000.00	7.25	725,000.00
Μ	29/08/1997	15/11/2026	5,000,000.00	7.00	350,000.00

М	24/06/1997	15/11/2026	5,328,077.00	7.125	379,625.49
Μ	07/08/1997	15/11/2026	15,000,000.00	6.875	1,031,250.00
М	13/10/1997	25/03/2027	10,000,000.00	6.375	637,500.00
М	22/10/1997	25/03/2027	5,000,000.00	6.50	325,000.00
М	13/11/1997	15/05/2027	3,649,966.00	6.50	237,247.79
М	17/11/1997	15/05/2027	5,000,000.00	6.50	325,000.00
М	13/12/2012	13/06/2027	20,000,000.00	3.18	636,000.00
М	12/03/1998	15/11/2027	8,677,693.00	5.875	509,814.46
М	06/09/2010	06/09/2028	10,000,000.00	3.85	385,000.00
М	14/07/2011	14/07/2029	10,000,000.00	4.90	490,000.00
Е	14/07/1950	03/03/2030	2,527.67	3.00	81.52
М	14/07/2011	14/07/2030	10,000,000.00	4.93	493,000.00
Е	15/06/1951	15/05/2031	2,695.07	3.00	86.12
М	06/09/2010	06/09/2031	20,000,000.00	3.95	790,000.00
М	15/12/2011	15/06/2032	10,000,000.00	3.98	398,000.00
М	15/09/2011	15/09/2036	10,000,000.00	4.47	447,000.00
М	22/09/2011	22/09/2036	10,000,000.00	4.49	449,000.00
М	10/12/2007	10/12/2037	10,000,000.00	4.49	449,000.00
М	08/09/2011	08/09/2038	10,000,000.00	4.67	467,000.00
М	15/09/2011	15/09/2039	10,000,000.00	4.52	452,000.00
М	06/10/2011	06/10/2043	20,000,000.00	4.35	870,000.00
М	09/08/2011	09/02/2046	20,000,000.00	4.80	960,000.00
М	23/01/2006	23/07/2046	10,000,000.00	3.70	370,000.00
Μ	23/01/2006	23/07/2046	10,000,000.00	3.70	370,000.00
Μ	19/05/2006	19/11/2046	10,000,000.00	4.25	425,000.00
Μ	07/01/2008	07/01/2048	5,000,000.00	4.40	220,000.00
А	24/03/2020	24/03/2050	15,000,000.00	1.64	244,404.89
Α	26/03/2020	26/03/2050	5,000,000.00	1.49	74,005.35
Μ	27/01/2006	27/07/2051	1,250,000.00	3.70	46,250.00
Μ	16/01/2007	16/07/2052	40,000,000.00	4.25	1,700,000.00
Μ	30/01/2007	30/07/2052	10,000,000.00	4.35	435,000.00
Μ	13/02/2007	13/08/2052	20,000,000.00	4.35	870,000.00
Μ	20/02/2007	20/08/2052	70,000,000.00	4.35	3,045,000.00
Μ	22/02/2007	22/08/2052	50,000,000.00	4.35	2,175,000.00
Μ	08/03/2007	08/09/2052	5,000,000.00	4.25	212,500.00
Μ	30/05/2007	30/11/2052	10,000,000.00	4.6	460,000.00
Μ	11/06/2007	11/12/2052	15,000,000.00	4.70	705,000.00
Μ	12/06/2007	12/12/2052	25,000,000.00	4.75	1,187,500.00
Μ	05/07/2007	05/01/2053	12,000,000.00	4.80	576,000.00
Μ	25/07/2007	25/01/2053	5,000,000.00	4.65	232,500.00
Μ	10/08/2007	10/02/2053	5,000,000.00	4.55	227,500.00
Μ	24/08/2007	24/02/2053	7,500,000.00	4.50	337,500.00
Μ	13/09/2007	13/03/2053	5,000,000.00	4.50	225,000.00
А	14/10/2019	10/04/2053	110,000,000.00	2.69	2,945,254.44
Μ	12/10/2007	12/04/2053	5,000,000.00	4.60	230,000.00
Μ	05/11/2007	05/05/2057	5,000,000.00	4.60	230,000.00

М	15/08/2008	15/02/2058	5,000,000.00	4.39	219,500.00
А	25/01/2019	25/01/2059	2,695,411.09	2.65	71,164.31
А	11/06/2019	11/06/2059	1,274,286.84	2.23	28,303.54
А	01/10/2019	01/10/2059	1,343,557.00	1.74	23,276.17
А	02/10/2019	02/10/2059	40,000,000.00	1.80	716,907.89
А	05/11/2019	05/11/2059	7,143,292.00	2.96	210,742.68
А	28/11/2019	28/11/2059	1,306,356.00	3.03	39,453.89
А	02/12/2019	02/12/2059	2,812,380.00	3.03	84,938.05
А	20/01/2020	20/01/2060	2,000,000.00	1.77	35,246.97
А	20/01/2020	20/01/2060	458,317.00	2.97	13,567.14
Μ	04/10/2019	04/04/2060	40,000,000.00	1.69	676,000.00
Μ	02/12/2011	02/12/2061	5,000,000.00	3.98	199,000.00
Μ	26/03/2020	26/03/2070	10,000,000.00	1.29	129,000.00
			1,100,213,217.42		

Non	<u>.</u>				
LOBO	Start	Maturity	Principal	Interest	Annual
Profile	Date	Date	Outstanding	Rate	Interest
			£	%	£
М	30/06/2005	30/06/2065	5,000,000.00	4.40	220,000.00
Μ	07/07/2005	07/07/2065	5,000,000.00	4.40	220,000.00
Μ	21/12/2005	21/12/2065	5,000,000.00	4.99	249,500.00
М	28/12/2005	24/12/2065	12,500,000.00	4.99	623,750.00
Μ	14/03/2006	15/03/2066	15,000,000.00	5.00	750,000.00
Μ	18/08/2006	18/08/2066	10,000,000.00	5.25	525,000.00
Μ	01/02/2008	01/02/2078	10,000,000.00	3.95	395,000.00
			62,500,000.00		

LOBO	Start	Maturity	Principal	Interest	Annual
Profile	Date	Date	Outstanding	Rate	Interest
			£	%	£
М	12/11/1998	13/11/2028	3,000,000.00	4.75	142,500.00
Μ	15/12/2003	15/12/2053	10,000,000.00	5.25	525,000.00
М	18/02/2004	18/02/2054	10,000,000.00	4.54	454,000.00
М	28/04/2005	28/04/2055	12,900,000.00	4.75	612,750.00
М	01/07/2005	01/07/2065	10,000,000.00	3.86	386,000.00
М	24/08/2005	24/08/2065	5,000,000.00	4.40	220,000.00
М	07/09/2005	07/09/2065	10,000,000.00	4.99	499,000.00
М	13/09/2005	14/09/2065	5,000,000.00	3.95	197,500.00
М	03/10/2005	05/10/2065	5,000,000.00	4.375	218,750.00
Μ	23/12/2005	23/12/2065	10,000,000.00	4.75	475,000.00
М	06/03/2006	04/03/2066	5,000,000.00	4.625	231,250.00
М	17/03/2006	17/03/2066	10,000,000.00	5.25	525,000.00
М	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
М	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
М	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
М	07/04/2006	07/04/2066	10,000,000.00	4.75	475,000.00
М	05/06/2006	07/06/2066	20,000,000.00	5.25	1,050,000.00
М	05/06/2006	07/06/2066	16,500,000.00	5.25	866,250.00
			172,400,000.00		

SPECIAL	START	MATURITY	PRINCIPAL	INTEREST	ANNUAL
FIXED/	DATE	DATE	OUTSTANDING	RATE	INTEREST
VAR			£	%	£
F	07/01/2015	01/09/2021	118,435.71	0	0
F	31/03/2015	01/04/2023	631,014.09	0	0
F	22/09/2015	01/10/2023	175,839.76	0	0
F	29/03/2019	01/04/2029	132,979.67	0	0
			1,058,269.23		

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# Agenda Item 7.3

# **Finance and Resources Committee**

# 10.00am, Thursday, 27 August 2020

# **Finance Policies – Assurance Statement**

Executive/routine Executive Wards Council Commitments

## 1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked:
  - 1.1.1 to note and be assured that the Finance policies detailed in this report have been reviewed and are considered to remain current, relevant and fit-for-purpose.

#### 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



Report

# **Finance Policies – Assurance Statement**

## 2. Executive Summary

2.1 In accordance with the Council's policy review framework, the Head of Finance has undertaken an annual review of the suite of policies falling within his remit. This review has attested to their on-going currency, relevance and appropriateness.

### 3. Background

- 3.1 Council policies are key governance tools. They help to realise the Council's vision, values, commitments and outcomes and are critical to its operations, ensuring that statutory and regulatory obligations are met in an efficient and accountable manner.
- 3.2 To strengthen arrangements in this area, a corporate policy framework was approved in September 2013 to ensure that all current policies are easily accessible and created, revised and renewed in a consistent manner and to an agreed standard.
- 3.3 In order that Council policies remain current and relevant, all Directorates and Heads of Service are required to review those policies falling within their respective remits on an annual basis. This report sets out the conclusions of the most recent year's review of policies falling within the remit of the Head of Finance in his capacity as the Council's designated statutory Chief Financial Officer, in accordance with Section 95 of the Local Government (Scotland) Act 1973.

#### 4. Main report

- 4.1 A critical element of the policy framework is to ensure that all Council policies remain fit-for-purpose. This requires each Directorate and Heads of Service to review, on an annual basis, all policies within their respective remits and to provide the necessary level of assurance that these remain current and relevant.
- 4.2 Six distinct polices fall within the remit of the Head of Finance. A short update on the past year's review activity in respect of each is set out below, with a summary provided in the appendix. It should be noted that an element of developmental work

Finance and Resources Committee – 27 August 2020

associated with these policies has, as with all Directorates, required to be deferred whilst resources are focused on addressing the immediacy of the impacts of the coronavirus pandemic. It is hoped, at this stage, that this work will resume in early 2021, subject to continued suppression of the virus.

#### **Financial Regulations**

- 4.3 The City of Edinburgh Council operates under a set of documents that governs and guides the decisions made by the Council and its officers and ensures that robust, clear and accountable organisational frameworks are in place. The Council's Financial Regulations form an integral part of these key documents, with their content reviewed on an at-least six-monthly basis.
- 4.4 The <u>Regulations</u> outline, at a summarised level, the arrangements the Council has put in place to discharge its responsibilities under section 95 of the Local Government (Scotland) Act 1973. Section 95 states that every local authority shall make arrangements for the proper administration of its financial affairs and shall secure that the proper officer of the authority (termed the Section 95 Officer) has responsibility for the administration of those affairs.
- 4.5 A number of minor amendments to the Regulations' content, primarily to ensure continuing alignment to the Council's organisational structures and responsibilities, were approved by Council on 27 June 2019. Minor stylistic changes and updated hyperlinks have subsequently been incorporated in 2020 but the basic principles set out within the Regulations remain unchanged and are, in fact, more important than ever in securing the Council's on-going financial sustainability.
- 4.6 The Financial Regulations are supplemented by a more detailed set of Finance Rules outlining the procedures to be adopted across a wide range of finance-related activity including budget monitoring, income collection, supplier payment, treasury management and insurance. Having previously been fully updated in early 2018, a further parallel review was undertaken in 2019, with the refreshed version published on the Council's intranet. Internal hyperlinks have also been incorporated within the Finance Rules to improve accessibility and more quickly locate relevant guidance.

#### **Contract Standing Orders**

- 4.7 As with the Financial Regulations above, the Council's <u>Contract Standing Orders</u> (CSOs) form part of the Council's core set of governance-related documents. The contents are subject to regular scrutiny and review, with briefing sessions held as appropriate for both staff and elected members. The CSOs also now incorporate the previously-separate Guidance on the Appointment of Consultants.
- 4.8 The CSOs apply (with certain exceptions) to all contracts made by or on behalf of the Council for the procurement of the execution of works, the supply of goods and materials and/or the provision of services. The overarching aim of the CSOs is to improve purchasing controls such that Best Value is delivered and the Council's statutory obligations are observed.
- 4.9 Following the coming into force of The Procurement Reform (Scotland) Act 2014, Public Contracts (Scotland) Regulations 2015 and Procurement (Scotland)

Regulations 2016, the CSOs were fully updated and approved by Council in June 2016 to ensure continuing compliance with legislative requirements. The opportunity was also taken at that time to provide greater clarity on the appropriate use of waivers and improved guidance on the role of co-production in the purchasing and delivery of community services. A number of minor changes clarifying managers' responsibilities with regard to contract management and contract award notifications were then incorporated as part of the June 2018 review.

- 4.10 Following consideration of both feedback from Directorates and wider opportunities to adopt procurement best practice, additional changes were then approved by Council as part of the review of the suite of operational governance documentation in June 2019.
- 4.11 In recognising the unprecedented impact of the COVID-19 outbreak on all service areas, a request for temporary amendments to the CSOs was approved by the Leadership Advisory Panel on 31 March 2020. The approved changes aimed to provide an appropriate balance between improved controls and scrutiny of higher-value and more strategic projects at this challenging time, whilst enabling lower-value purchases to be subject to a more proportionate purchasing and approval regime. These temporary amendments have, however, now been revoked.

#### Anti Money-Laundering Policy

- 4.12 While less formal arrangements were already in operation, the Corporate Policy and Strategy Committee approved the Council's <u>Anti Money-Laundering Policy</u> on 13 May 2014. The policy sets out procedures for mitigating the risk that money-laundering affects the Council's activities and monitoring their effectiveness. Where relevant activity is suspected, however, the policy also clarifies reporting routes and the resulting investigative action that will be undertaken.
- 4.13 The contents of the policy have previously been communicated to staff in those areas most susceptible to money-laundering activity and on-going requirements in this area, taking into account changes in staffing and responsibilities, continue to be considered. Review of the policy's content in July 2020 has confirmed its on-going relevance and that no substantive changes are required at this time.

#### **Fraud Prevention Policy**

- 4.14 The Council's <u>Policy on Fraud Prevention</u> was approved by the Finance and Resources Committee on 31 October 2013. This policy is supplemented on an annual basis by a review of external fraud prevention and detection activity, with the <u>2018/19 Annual Report</u> presented to the Finance and Resources Committee on 15 August 2019 and the 2019/20 report to be considered in the autumn. An update to the complementary <u>Anti-Bribery Policy</u> was approved by the Corporate Policy and Strategy Committee on 28 March 2017.
- 4.15 The Fraud Prevention policy forms part of a core set of employee policies and, as such, was included in recent years' mandatory policy refresh exercises, with all staff required to confirm that they had read and understood its contents. This assurance has been strengthened by continuing targeted training in areas more susceptible to

fraud-related activity. Working closely with Internal Audit colleagues, specific consideration has also been given, since the onset of the pandemic, to developing appropriate systems controls and procedures for both continuing home-working and a number of quickly-introduced new grant funding streams.

4.16 Awareness of the anti-bribery policy, in addition, forms part of staff induction procedures, with a corresponding e-learning module also available. As with the anti-money laundering policy, its contents primarily comprise guiding principles and reporting procedures and, as such, following review and updating for revised organisational structures, these remain relevant to all staff, with no substantive changes required at this time.

#### **Corporate Debt Policy**

- 4.17 The Council's <u>Corporate Debt Policy</u> was approved by the Corporate Policy and Strategy Committee on 3 September 2013. The policy covers the principal income streams of Council Tax, Non-Domestic Rates, house rents and sundry (miscellaneous) debt and outlines how the Council will seek to strike an appropriate balance between its financial needs and the social needs of its customers.
- 4.18 The policy's content was the subject of in-depth elected member consideration as part of a cross-party member-officer working group, with <u>the principal</u> recommendations of the group approved by elected members on 9 June 2015. This review resulted in a number of primarily-stylistic changes to the policy's contents, with the underlying principles having been assessed to remain sound.
- 4.19 Further minor changes have been made in the intervening period to ensure the policy's continuing relevance to the Council's activities and organisational structures. A working group comprising representation from across the Council is currently reviewing the policy's content, with the results of this update to be reported to an upcoming meeting of the Policy and Sustainability Committee. The update will incorporate the Council's newly-approved <u>Pay Policy</u>.

#### **Corporate Charging Policy**

- 4.20 In recognising the need for greater consistency and transparency in the setting of charges for Council services, the Council's <u>Corporate Charging Policy Framework</u> was approved by the Finance and Resources Committee on 5 June 2014. One change effected by approval of the policy was the application of an inflation-linked uplift to charges for all services unless prevented by the existence of pre-existing plans, legal requirements or other compelling service considerations. This change was once again reflected in the February 2020 budget motion and a comprehensive register of fees and charges levied by the Council has subsequently been published on the Council's website.
- 4.21 In common with most of the other policies falling within the Finance remit, the Corporate Charging Policy primarily sets out broad principles and these remain valid, with no substantive changes required at this time. The role of charging and income generation more generally remains a key aspect of the Change Strategy.

# Annual Treasury Strategy and review of risks and reserves as part of budget process

4.22 While not considered policies in the sense of the others included within this document, the <u>Annual Treasury Strategy</u> was approved by Council on 12 March 2020 and the <u>Council's Risks and Reserves Strategy</u> approved as part of setting the Council's 2020/23 budget on 14 February 2020. Review of the existing policies to ensure their on-going applicability was implicit in these reports, albeit the Council's wider application of reserves has subsequently required to be reassessed in light of the pandemic.

## 5. Next Steps

5.1 The policies set out within this report will continue to be subject to a process of ongoing review, with corresponding reporting to the Finance and Resources and/or other relevant Committees in the case of any material, policy-related proposed changes.

## 6. Financial impact

6.1 There are no direct financial impacts as a result of this report, although maintenance and active promotion of policies contributes to effective financial management.

## 7. Stakeholder/Community Impact

7.1 The process of review outlined above will continue to seek to strike an appropriate balance across transparency, accessibility, fairness and equity of the Council's activities.

## 8. Background reading/external references

8.1 Relevant reading and references are hyperlinked within the main body of the report.

## 9. Appendices

One – Assured Policies

# Appendix 1 – Assured Policies

Policy title:	Financial Regulations
Approval date:	25 October 2012 (date of original approval)
Approval body:	Council
Review process:	Content fully reviewed by Head of Finance, liaising as appropriate with section contacts as part of parallel updating of Finance Rules.
Change details:	The most recent amendments reflect stylistic changes, updating of hyperlinks and continuing alignment to organisational structures and responsibilities.
	Substantive revisions were approved by Council on 27 June 2019. An updated set of Finance Rules was also published on the Council's intranet in June 2019.

Policy title:	Contract Standing Orders
Approval date:	25 October 2012 (date of original approval)
Approval body:	Council
Review process:	Content reviewed by Chief Procurement Officer, liaising as appropriate with senior service contacts and the Head of Legal and Risk.
Change details:	Following approval by Council of a range of changes and updates on 27 June 2019, interim amendments to respond to the COVID-19 pandemic were then approved by the Leadership Advisory Panel on 31 March 2020.

Policy title:	Anti-Money-Laundering Policy
Approval date:	13 May 2014
Approval body:	Corporate Policy and Strategy Committee
Review process:	Content reviewed by policy authors, liaising as appropriate with affected service areas and Human Resources
Change details:	No substantive changes are required at this time.

Policy title:	Fraud Prevention Policy
Approval date:	31 October 2013
Approval body:	Finance and Resources Committee
Review process:	Content reviewed by policy authors, liaising as appropriate with affected service areas and Human Resources
Change details:	No substantive changes are required at this time.

Policy title:	Corporate Debt Policy
Approval date:	3 September 2013 (with a number of subsequent amendments)
Approval body:	Corporate Policy and Strategy Committee
Review process:	Content reviewed by policy authors
Change details:	No changes were recommended as part of the annual review of the policy reported to the Policy and Sustainability Committee on 6 August 2019. The 2020 review is currently in progress, with the outcome to be reported to a forthcoming meeting of the Policy and Sustainability Committee. This update will incorporate the Council's newly-approved <u>Pay</u> <u>Policy</u> .

Policy title:	Corporate Charging Policy Framework
Approval date:	5 June 2014
Approval body:	Finance and Resources Committee
Review process:	Content fully reviewed in light of Council policy, legislative requirements and wider policy environment
Change details:	No substantive changes at this time, although actioning its underlying principles is being considered more widely as part of the Change Strategy.

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# Agenda Item 7.4

# **Finance and Resources Committee**

# 10.00am, Thursday, 27 August 2020

# Revenue Budget 2020/21 – month three position

Executive/routine	Executive
Wards	All
Council Commitments	

#### 1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the further update of the estimated expenditure and income impacts of the COVID-19 pandemic on the Council and its ALEOs' activities and the potential sources of funding identified to address them;
  - 1.1.2 note the significant remaining projected in-year shortfall and associated risks linked to further service disruption and/or slower-than-assumed recovery;
  - 1.1.3 note that updates on expenditure and income impacts, and the confirmed and potential means to address them, will continue to be reported to elected members on a regular basis, with a further update to be considered by the Finance and Resources Committee on 29 October;
  - 1.1.4 note that further representations will be made through COSLA regarding the need for both pass-through of Barnett Consequentials resulting from the provision of relevant additional funding in England and consideration by the UK and Scottish Governments of appropriate financial flexibilities; and
  - 1.1.5 note, nonetheless, that there remains a significant risk around receiving additional funding or flexibilities sufficient to address the remaining deficit, particularly in the event of any further lockdown, and thus further actions on service prioritisation are urgently required.

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

Contact: Hugh Dunn, Head of Finance, Finance Division, Resources Directorate E-mail: <u>hugh.dunn@edinburgh.gov.uk</u> | Tel: 0131 469 3150



Report

# Revenue Budget 2020/21 - month three position

## 2. Executive Summary

- 2.1 Following earlier assessments considered by the Leadership Advisory Panel and Policy and Sustainability Committee on 23 April, 28 May, 25 June and 23 July, the report updates members on the estimated cost and income implications of the coronavirus pandemic on the Council and its Arm's-Length External Organisations' (ALEOs') activities.
- 2.2 The overall projected shortfall reflects a slight improvement from that reported to the Policy and Sustainability Committee on 23 July, reducing by £2.4m to £17.2m. This position, however, remains dependent upon confirmation of the implications for local government in Scotland, and in turn the Council, of a number of recently-announced funding streams by the UK Government. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action remains urgently required, with the enduring impacts also requiring a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.

Additional net expenditure pressures:	£m	£m
Estimated COVID-19 specific expenditure and		86.6
income		
Net residual pressures/anticipated shortfalls in		3.0
savings delivery		
		89.6
Available funding:		
Confirmed COVID-19 related funding	(19.9)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(19.6)	
Further timing-related and corporate savings	(17.2)	
Potential further funding	(11.0)	
	(72.4)	
Remaining shortfall		17.2

### 3. Background

- 3.1 On 20 February 2020, Council approved a balanced revenue budget for 2020/21 and indicative balanced budgets for the following two years, based on assumptions around future grant funding levels. The approved 2020/21 budget is underpinned by the assumed delivery of £34.9m of savings, as well as the management of around £15m of residual pressures once account is taken of the additional investment included within the budget framework.
- 3.2 Since the Council approved its budget, however, its activities have been subject to massive disruption and/or modification given the continuing impacts of the COVID-19 pandemic. Given the scale of these impacts, members have already considered a series of revenue budget monitoring forecasts early in the financial year, with the most recent of these reported to the Policy and Sustainability Committee on 23 July. That report indicated in-year net expenditure pressures of some £90.9m, with offsetting confirmed or anticipated funding, non-service savings and uses of earmarked reserves totalling £71.2m, leaving a remaining shortfall of £19.7m.
- 3.3 This report provides an update on the overall position, including potential sources of funding and available financial flexibilities, but points to a continuing need for prioritisation in the resumption of services as part of the city's emergence from lockdown.

### 4. Main report

### Estimated COVID-19-specific expenditure and income impacts – Council

- 4.1 Since the Policy and Sustainability Committee's meeting on 23 July, modelling of the anticipated expenditure and income impacts of the pandemic within service areas has continued, with the results of this updated analysis shown in Appendix 1. This modelling is now fully based on a six-month disruption scenario, although in some cases behavioural and other changes are assessed to result in longer-lasting likely impacts. Compared on a like-for-like basis, the net estimated cost has decreased by £1.3m to £55.6m, with comments on the main areas of movement noted within the accompanying narratives.
- 4.2 The sums presented above continue to exclude costs associated with either Health and Social Care or schools re-opening, commentary on which is provided later in the report.

### Estimated COVID-19-specific expenditure and income impacts – ALEOs

- 4.3 As with the Council's direct services, detailed modelling work has continued within its arm's-length bodies where, given their reliance on income, the impacts of the pandemic have been particularly acutely felt.
- 4.4 At this time, the anticipated impacts (as they affect the Council's revenue budget) of £31m remain as set out in the report considered at the Policy and Sustainability Committee on 23 July. Given commercial sensitivity considerations, the constituent elements of this overall sum were included in a confidential briefing note provided to members of that Committee. A copy of the briefing has also been made

available to all members of the Finance and Resources Committee in advance of this meeting.

## Directorate forecasts - net residual pressures/anticipated shortfalls in savings delivery

- 4.5 Executive Directors continue to develop relevant implementation plans to deliver the savings measures required to mitigate residual pressures and savings shortfalls within their respective service areas. While measures sufficient to address the majority of the £15.5m required have been identified, a shortfall of £3.020m remains and the Executive Director of Place and his Senior Management Team therefore continue to consider potential options and will bring these, as appropriate, to elected members for consideration.
- 4.6 In line with the phased resumption of Executive Committee business, more detailed Directorate-specific reports on the projected full-year position, based on analysis of month three expenditure and income, will also be presented for consideration, starting with the reports for the Resources Directorate and Chief Executive's Service included elsewhere on today's agenda.
- 4.7 Following an Internal Audit review of the Council's budget-setting and monitoring processes, a revised classification for assessing progress in savings delivery, based on standardised definitions and considerations, has been introduced for the 2020/21 financial year. This approach results in an assessment against four possible opinion types. Individual savings projects may, however, be assessed across two or more opinion types e.g. an element of a savings project may be assessed as effective (with a high degree of confidence in its delivery) whilst a separate element may be assessed as requiring improvement.
- 4.8 Of the £34.9m of approved savings, some 78% are currently anticipated to be delivered (i.e. rated as green or amber) as shown in **Appendix 2**. In cases of projected non-delivery, around 33% (£2.5m) of the overall shortfall is attributable to the impacts of the pandemic, particularly those savings linked to the generation of additional income for services that remain, or have been, suspended. This overall projected shortfall in delivery is included within the £15.5m requirement noted at 4.5 and thus does not add to the overall in-year savings requirement.

### Confirmed funding and projected corporate savings

- 4.9 Previous reports have identified a range of confirmed external and proposed internal funding sources. With the exception of the changes noted below, these remain unchanged from the position reported to the Policy and Sustainability Committee on 23 July and are summarised, for ease of reference, in **Appendix 3** (external) and **Appendix 4** (internal funding).
- 4.10 Following further analysis of the brought-forward Council Tax base and taking account of projected changes in discounts and exemptions by the year-end, an additional £1m of Council Tax income is now being forecast. Members should note, however, that despite this increase, overall projections continue to provide for a reduction in both the in-year collection rate and levels of buoyancy over the remainder of the year.

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- 4.11 Whilst any decision to apply for funding will be presented to elected members for consideration, clarification received on the terms of the Coronavirus Job Retention Scheme (CJRS) "bonus" suggests that fewer staff than initially anticipated will meet the required monthly earnings threshold. When offset against an additional £0.050m now anticipated through the core scheme, the estimate of potential overall CJRS funding has therefore been revised downwards by £0.200m to £0.200m.
- 4.12 Work is also continuing to investigate the potential for further savings in energy costs arising from the extended closure of most Council buildings, particularly within the non-schools estate, based on indicative timescales for re-opening. It has additionally been provisionally confirmed that a number of the Council's properties are eligible for full-year hospitality, retail and leisure-based rates relief, resulting in a further reduction in NDR-related expenditure of £1.875m in 2020/21.

### Potential further funding

- 4.13 The report to the Policy and Sustainability Committee's meeting on 23 July included reference to a number of UK Government announcements across the areas of homelessness, cultural venues, income loss compensation and more general support for local government giving rise to favourable Barnett Consequentials.
- 4.14 As of early August, total COVID-related Barnett Consequential support of £6.516 billion has been made available to the Scottish Government, of which £785m has not yet been linked to any specific UK-level announcements. While the details require to be confirmed, it is understood, however, that this unallocated sum includes some £90m of Barnett Consequentials resulting from the income loss scheme in England, whereby councils will be compensated for 75% of most reductions in sales, fees and charges income. The Scottish Government has, in addition, confirmed that it will pass on to local government in full £49m of funding resulting from previous UK-level announcements.
- 4.15 While there has been no specific announcement as yet in respect of any homelessness-related funding arising from additional equivalent spend at UK level (and thus no allocation has been assumed in determining the remaining shortfall), if the £139m of funding above were to be distributed based on the most general proxy for service need i.e. councils' respective shares of Scotland-wide Grant Aided Expenditure (GAE) plus Special Islands Needs Allowance (SINA), Edinburgh's anticipated allocation would be £10.9m.
- 4.16 Although the English income loss compensation scheme specifically excludes ALEOs and commercial rentals, it has been suggested by the Scottish Government that, subject to approval by the UK Government, the above-mentioned sums be combined and used to support a broader scheme (i.e. one totalling £139m) incorporating these income streams. To inform both this consideration and the more general design of such a scheme in Scotland, a template has been developed by COSLA to capture details of income losses in 2020/21 on a consistent basis.
- 4.17 In view of the significance of income to the Council's overall budget, such an initiative, assuming distribution of funding is based on demonstrated income losses, would likely result in a higher allocation from the above-noted £139m and thus

serve to reduce the overall funding gap, other existing assumptions notwithstanding.

### Updated overall position

4.18 The overall projected shortfall reflects a slight improvement from that reported to the Policy and Sustainability Committee on 23 July, reducing by £2.4m to £17.2m. This sum does not, however, include any net cost associated with schools re-opening or the Edinburgh Integration Joint Board.

Additional net expenditure pressures:	£m	£m
Estimated COVID-19-specific expenditure and		86.6
income		
Net residual pressures/anticipated shortfalls in		3.0
savings delivery		
		89.6
Available funding:		
Confirmed COVID-19 related funding	(19.9)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(19.6)	
Further timing-related and corporate savings	(17.2)	
Potential further funding	(11.0)	
	(72.4)	
Remaining shortfall		17.2

4.19 Initial modelling suggest each month's further lockdown would cost of the order of £10m per month. Greater insight into the precise cost impacts of service resumption will also continue to be obtained as the detail of the Council's recovery plan and, in particular, the Service Operations work programme, becomes available. More generally, while the expenditure and income impacts in the preceding sections are best-estimates, there are clearly downside risks should the city's recovery be slower than assumed and a number of variant scenarios are therefore also being considered.

### Schools re-opening

- 4.20 Both Council and the Policy and Sustainability Committee have considered a series of updates on the re-opening of schools, with all pupils returning on a full-time basis by 17 August, thereby allowing implementation of the Local Delivery Phasing Plan's 100% return model.
- 4.21 While the subsequent need to implement a 50% "blended learning" model can clearly not be ruled out, the estimated additional cost of implementing the 100% model is £14.5m, primarily comprising some £8.1m of required backfilling for teaching and learning staff and £4.5m for additional cleaning, PPE, school meals provision and other required health and safety measures.

4.22 In addition to permitted flexibilities in the application of funding previously provided for the expansion of early learning and childcare provision from August 2020, the Scottish Government has subsequently confirmed additional Scotland-wide funding for the re-opening programme as follows:

	Scotland-wide funding	Edinburgh's allocation
	£m	£m
Additional teaching and support - initial funding	50	3.369 (confirmed)
Additional teaching and support - further funding	30	2.0 (anticipated <sup>1</sup> )
Logistical support for safe re-opening (including cleaning, PPE and additional transport) – initial funding	20	1.3 (anticipated <sup>1</sup> )
Logistical support for safe re-opening - further funding	30	Sums will be provided on a ringfenced basis, subject to demonstrated additional need
	130	

4.23 While the teaching-related sums will have corresponding expenditure obligations, the majority of which are not reflected in the cost of £14.5m noted at paragraph 4.21, it is now anticipated, based on the confirmed and provisional sums included above and redirected early years expansion monies, that the additional costs of reopening will be met in full. This position is subject to review should the logistical measures noted require to be in place beyond December 2020. The Scottish Government has, however, indicated a willingness to consider additional costs subject to evidencing need.

### Edinburgh Integration Joint Board (EIJB)

- 4.24 On 21 July, the EIJB considered a further update of its 2020/21 financial plan. At that time, the EIJB's mobilisation plan, outlining its response to the pandemic (reflecting a particular focus on reducing delayed discharges, thereby increasing hospital capacity to deal with COVID-19) indicated anticipated full-year expenditure of some £58.8m, although the majority of this sum related to other community care costs.
- 4.25 This estimate has continued to be refined as the immediate and medium-term impacts of the pandemic have become clearer and, as with the equivalent cost estimate collation exercise for other Council services co-ordinated through COSLA, the contents of the cost template have also been the subject of peer review to promote enhanced robustness and consistency across authorities. The latest iteration of the plan, reflecting actual expenditure incurred to date and taking into

<sup>&</sup>lt;sup>1</sup> A report on the proposed distribution of these sums will be considered at the COSLA Leaders' Meeting on 28 August.

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account updated public health advice, is expected to show a significant reduction in overall expenditure.

- 4.26 For the purposes of monitoring, it is being assumed that all additional COVID-related costs incurred to date in the delivery of services "directed" to the Council will be reimbursed from monies received to support the EIJB's mobilisation plan. Following the provision in May 2020 of initial Scotland-wide funding of £50m (of which the Edinburgh Health and Social Care Partnership's allocation was £4.056m), the Cabinet Secretary for Health and Sport confirmed on 3 August that a further £50m would be made available across Scotland to support additional and on-going costs.
- 4.27 The mobilisation plan also reflected the anticipated additional implementation cost of the 3.3% uplift to contract hourly rates to allow voluntary and independent social care providers to ensure that all social care support workers will have their pay increased to at least the Living Wage Foundation hourly rate of £9.30 from April 2020. Despite extensive engagement with the Scottish Government on the shortfall between the EIJB's estimate of the implementation cost and the amount of funding provided thus far, a gap of £3.4m remains. In recognising the work undertaken by all health and social care staff during the pandemic, however, a report elsewhere on today's agenda recommends that the Council approve application of this uplift, noting that the EIJB Chief Officer and Chief Finance Officer will continue to work with partners to identify how this shortfall will be addressed, with an update to be reported to the EIJB and partners in October.
- 4.28 The Chief Officer and her team also continue to develop the EIJB plan and associated savings and recovery programme necessary to deliver a balanced budget position for 2020/21, with a further update considered by the EIJB on 24 August. While initial projections point to a potential funding shortfall across the partners of £10.9m (including £3.8m in respect of Council-directed services), in-year monitoring remains at a relatively early stage and further work is needed to differentiate the costs of "core" provision from those of the one-off or recurring aspects of the pandemic response. By applying one-off or non-recurring savings, there remains the potential for in-year balance to be achieved but, based on current indications of available resources, longer-term sustainability will only be secured through major redesign and transformation, radical thinking and close working with stakeholders.

### Other actions

4.29 Work is also continuing, through COSLA, to impress upon both the Scottish and UK Governments the magnitude of the financial impacts facing local authorities in Scotland. The initial full-year cost and income impacts captured through the template completed by all authorities for this purpose pointed to an unfunded shortfall between estimated impacts and confirmed additional funding of some £504m<sup>2</sup>. When expressed on a like-for-like basis, Edinburgh's estimated shortfall

<sup>&</sup>lt;sup>2</sup> This shortfall does not include the anticipated funding of £139m referenced at 4.14 above pending confirmation of the receipt and distribution of this sum.

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was (and remains) around £68m, emphasising its disproportionate exposure to losses of service (particularly parking and property rentals) and ALEO income.

- 4.30 Following earlier correspondence on the particular pressures facing the Council's ALEOs, the Council Leader has also now written to the Cabinet Secretary for Finance highlighting the acute income-related pressures faced by the Council and seeking active engagement, through COSLA, with the Scottish Government on the design of a corresponding income compensation scheme, alongside pass-through of Barnett Consequentials with a specific relevance to local government.
- 4.31 Recognising that the provision of the additional funding noted above is, of itself, unlikely to address in full the significant gaps outlined in the preceding sections, COSLA and Directors of Finance continue to develop a list of potential financial flexibilities which, while not addressing the underlying shortfall, would at least mitigate its in-year impact by spreading it over a number of years. While initial indications from the Treasury are that the UK Government is not willing to pursue such flexibilities at this time, joint lobbying on this issue with the Scottish Government continues to be actively explored. At the same time, other potential flexibilities falling within the Scottish Government's more direct gift (and that do not give rise to an overall increase in costs) are also being developed for consideration.
- 4.32 In view of the earlier agreement at the Policy and Sustainability Committee meeting on 23 July 2020 of the <u>motion</u> by Councillor Watt on Public Works Loans Board interest, the Council Leader has furthermore written to the COSLA President with a view to jointly approaching the UK Treasury to seek a two-year waiver on the interest element of councils' existing PWLB loans where these have demonstrably been used to invest in essential infrastructure.
- 4.33 It has also been suggested that any underspend on the Business Grants scheme, rather than being returned to the Scottish Government, instead be made available to local authorities to support flexible, place-based local economic recovery, a role they are ideally placed to lead on. It is understood, at this stage, that there is an underspend of £100m against the sums earmarked within the Scottish Government budget for business grants.
- 4.34 While, if successful, these measures may contribute favourably to the Council's stability in the immediate term, they only reinforce the need for more difficult decisions to be taken going forward. In addition, increased reliance on contributions from earmarked reserves for reasons other than they were established is clearly not a sustainable approach over the medium to longer term and restricts the Council's subsequent ability to support economic recovery.
- 4.35 By means of illustration, the unbudgeted use of £13m of reserves in 2019/20 formed part of an in-year reduction of £25m from £145m to £120m. Mitigating actions identified thus far in the current year would see these reduce by around £20m in 2020/21. Should the currently-projected shortfall of £17.2m require to be addressed in full through application of reserves, these would reduce further to around £83m, with the remainder essentially comprising ringfenced sums of £45m, the workforce management reserve (to facilitate service transformation) of £15m, £10m of other earmarked reserves and unallocated general reserves of £13m.

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There is a risk that this sum increases further due to additional costs and/or losses of income being incurred. This approach is clearly not sustainable and emphasises the need for more fundamental and radical service transformation and prioritisation going forward, including as part of the on-going emergence from lockdown.

4.36 In acknowledging both pressures in the current-year and risks to the delivery of previously-approved savings in 2021/22 and 2022/23 (as well as savings being mitigated on a one-off basis in 2020/21), the five Adaptation and Renewal working groups will need to identify areas for disinvestment, service reduction or reform in order to restore financial balance, maintain reserves at an appropriate level and provide for potential investment in key areas, although these are of necessity likely to be fewer in number.

### 5. Next Steps

- 5.1 The cost and income impacts of the coronavirus pandemic will continue to be actively tracked and refined as additional clarity is received on the timing and nature of relaxation of current lockdown restrictions. These estimates will be shared with COSLA and form part of liaison and negotiation with the Scottish and UK Governments around the provision of corresponding funding.
- 5.2 As noted in the main report, Executive Directors have brought forward additional measures to offset savings delivery shortfalls and residual service pressures. The impact of these measures, alongside any further available non-service savings, will continue to be regularly reported to elected members. Measures to close the gap further will be brought to the Finance and Resources Committee on 29 October.
- 5.3 While a broad routemap for the recovery phase has been set out by the Scottish Government, the speed and nature of this process (including the potential for further lockdowns) remains, by its nature, unclear. A slower recovery is, however, likely to add further to the funding gap due to continuing income losses for a range of Council services and, in particular, its ALEOs.

### 6. Financial impact

- 6.1 The report sets out a range of significant expenditure pressures, both in respect of Council services and impacts on the activities of the Council's ALEOs. While a number of potential funding sources and other measures have been identified to address, at least in part, these shortfalls, it is likely that the affordability of the wider budget framework will require to be re-assessed, including the impacts of COVID-19 on the Council's capital investment programme. A report on this latter aspect is included elsewhere on this meeting's agenda.
- 6.2 Initial analysis of the underpinning assumptions and savings approved for delivery as part of the 2021/22 and 2022/23 revenue budget indicates a number of measures, delivery of which may now require to be reassessed. These include the assumed on-going receipt of the Lothian Buses dividend and future increases in Council Tax and other fees and charges levels.

6.3 These sums have the potential to increase further should in-year pressures (including greater demand in such areas as homelessness) and shortfalls in savings delivery not be managed on a sustainable basis in future years. In addition, due to the wider economic outlook and consequent increase in public expenditure and reduction in taxation revenues, there may be implications for future years' revenue funding settlements.

### 7. Stakeholder/Community Impact

7.1 The scale and coverage of the impacts linked to the pandemic will require extensive and continuing engagement with key stakeholders as the city enters the recovery phase.

### 8. Background reading/external references

- 8.1 <u>Finance Update</u>, Edinburgh Integration Joint Board, 24 August 2020
- 8.2 <u>Fair Work and the Living Wage in Adult Social Care</u>, Edinburgh Integration Joint Board, 24 August 2020
- 8.3 <u>Revenue Budget 2020/21 Update</u>, Policy and Sustainability Committee, 23 July 2020
- 8.4 <u>Revenue Budget 2020/21 Update</u>, Policy and Sustainability Committee, 25 June 2020
- 8.5 <u>Revenue Budget 2020/21 Update</u>, Policy and Sustainability Committee, 28 May 2020
- 8.6 <u>2020/21 Financial Plan</u>, Edinburgh Integration Joint Board, 28 April 2020
- 8.7 <u>Revenue Budget 2020/21 Update</u>, Policy and Sustainability Committee, 23 April 2020
- 8.8 <u>Council's Change Strategy: Planning for Change and Delivering Services 2020/23</u> Progress Update, Finance and Resources Committee, 14 February 2020
- 8.9 <u>Council Change Strategy 2020/23: Risks and Reserves</u>, Finance and Resources Committee, 14 February 2020
- 8.10 <u>Coalition Budget Motion</u>, City of Edinburgh Council, 20 February 2020

### 9. Appendices

Appendix 1 – Principal additional expenditure and reduced income impacts of COVID-19 pandemic – Council

- Appendix 2 Month three assessment of approved savings delivery
- Appendix 3 External funding confirmed to date for non-Health and Social Care services
- Appendix 4 Revenue Budget Update, 2020/21 Estimated Position

Principal additional expenditure and reduced income impacts of COVID-19 pandemic - Council Appendix 1
The sums below are based on a broad period of three months' shutdown from April to June, with a gradual reinstatement of operations over the following three months to the end of September. In a
number of cases, however, further expenditure pressures and/or income losses are expected and these are noted below. The figures do not include costs associated with the Health and Social Care
Mobilisation Plan, nor those directly linked to schools re-opening which are considered within the main report.

Mobilisation Plan, nor those directly lin	ked to schools re-opening which are considered within the main report.	Estimate	Increase/	Revised estimate
		P&S 23 July	(decrease)	F&R 27 Aug
Service Area	Potential Impact	£m	£m	£m
Increases in expenditure		EIII	Liii	Em
Homelessness Services	Additional temporary accommodation costs required to observe social distancing. Impact of existing placements is now expected to continue, with a lack of move-on accommodation and anticipated increase in presentations.	5.715	0.000	5.715
School meals/community food advice and distribution	Net cost represents continuing payment for children eligible for free school meals which, following the receipt of additional ringfenced Scottish Government funding, will now be in place until mid-August (with spend to date of £1.534m). Remaining sum includes provision for income support measures and food distribution to vulnerable and/or at-risk groups (including those self-isolating as part of the Test and Protect scheme), ringfenced funding for which has now also been confirmed until the end of September.	3.240	0.000	3.240
Waste and Cleansing	Additional refuse collection vehicles, fuel, external contractors, PPE, etc. Updated projection reflects increased agency staffing expenditure linked to the reopening of Community Recycling Centres, as well as reduction in income from sale of recyclates, based on depressed state of market.	0.388	1.060	1.448
Children's Services	Including additional agency, locum and overtime to cover internal staff absences; additional costs from external providers and/or need to identify alternative accommodation if children need to isolate; costs of additional placements due to illness and self-isolation; and emergency respite for children with disabilities. Projections are based on actual additional costs in Young People's Centres and Secure Units.	1.195	0.000	1.195
Resources - Customer	Represents additional staffing (including overtime) for benefit claim and business grants processing and	0.593	0.051	0.644
Street lighting	vulnerable/shielding support customer contact. Increased energy and prudential borrowing costs due to delay in roll-out of LED programme. Updated	0.395	(0.164)	0.231
Additional security costs	figures reflect actual (earlier) date of resumption of installation work. Council Resilience Centres, Homelessness Accommodation and Temporary Mortuary	0.150	0.000	0.150
Public conveniences	Limited, phased reopening in areas of high footfall, especially in parks and at the seafront, as approved by the Policy and Sustainability Committee on 9 July. Costs are based on period until end of October.	0.144	0.000	0.144
Temporary mortuary hire	Including provision for additional direct staffing	0.110	0.000	0.110
Other incident-related costs	Including ICT, PPE, additional supply teacher and Registrar's Service staffing, payment to Volunteer Edinburgh and food packages until the end of June for shielded groups not eligible for support through the Food Fund. Latest update reflects revised assessment of costs linked to distribution of food parcels for shielded groups.	2.560	(0.161)	2.399
Total increases in expenditure - Counc	il (excluding Health and Social Care)	14.490	0.786	15.276
Reductions in income Parking Income - on-street	Loss of income from on-street car parking due to the suspension of city-wide parking charges, based on	11.674	0.000	11.674
	parking charge and enforcement reinstatement wef 22 June but with continuing shortfalls in income for most of the rest of the year due to reduced space availability and/or demand. While recent weeks' figures have generally shown steady improvement in income levels, the projection remains unchanged at this time pending confirmation of demand over the medium term.			
Rental income - Council-owned properties	Increased risk of non-recovery of rental income due to economic downturn, partly linked to reduced tourism. Due to likelihood of subsequent tenant insolvency and delays in re-letting, an 80% rental loss is assumed in each of the first three quarters. All opportunities will be examined, however, to utilise rental deferral rather than abatement wherever appropriate.	9.000	0.000	9.000
Housing Property Services	Estimated reduction in sums chargeable to the Housing Revenue Account	2.945	0.290	3.235
Council Tax (collection rate)	Reduced income due to ability to pay and consequent increase in bad debts, with overall full-year 2020/21 collection rate assumed to fall by 1% (actual in-year collection to the end of July was, by means of illustration, down some 1.5% on the equivalent position for 2019/20). An increase in uptake of CTRS is also apparent, additional funding for which will be made available by the Scottish Government. Impacts on collection rates will also be the subject of detailed national modelling.	3.100	0.000	3.100
Place (various)	Net loss of income - including pest control and scientific services, tables and chairs income, cruise liner berthing fees and museum and galleries donations, admissions and rents. Updated projection reflects agreed management actions in respect of asbestos service, net of increased potential shortfall in tables and chairs income following decision of Policy and Sustainability Committee on 6 August.	2.738	(0.445)	2.293
Parking Income - enforcement Roads	Enforcement and bus lane cameras Penalty Charge Notice reductions Reduction in staff salaries chargeable to the Capital Programme.	2.013 1.820	0.000 0.000	2.013
Parking - residents' and other permits		1.675	0.000	1.675
Cultural venues	Loss of income - sales, rentals, admissions and rents. Increased projection reflects one month's further	1.342	0.210	1.552
Council Tax (base)	assumed shutdown in October. Reduction in Council Tax buoyancy due to temporary cessation of construction activities and subsequent economic slowdown.	1.550	0.000	1.550
Outdoor Centres	Loss of fees and charges income (assumes not recoverable from insurance)	1.361	0.000	1.361
Parks and Greenspace	Losses of income including for events, trading stances, park leases, rechargeable tree works, nursery sales, timber sales and Edinburgh Leisure recharge. Increase reflects full assumed cancellation of events through to September.	0.996	0.000	0.996
Building Standards Communities and Families (other)	Loss of warrant income as construction industry shuts down	0.858 0.533	0.000 0.100	0.858
communities and rainines (other)	Loss of income from adult education classes, libraries fees and charges, sports clubs and external funding	0.533	0.100	0.033
Planning Other Catering	Reduction in planning applications submitted due to construction shutdown Loss of income from closure of staff restaurants and coffee shops and cancellation of external events and internal catering, net of savings in food and drink, other supplies and services and agency and overtime costs.	0.625 0.529	0.000 (0.008)	0.625 0.521
Licensing	Refunds/extensions for all licences, including cab, liquor and HMO (NB these costs are now expressed net after any potential contributions from earmarked reserves).	0.442	0.000	0.442
Public transport	Loss of bus station income due to reduced departures, etc. While the figure shown reflects a revised (lower) assessment of income lost, enforced delays to the replacement of the Bus Station Information System and Real Time Passenger Information signage may give rise to additional costs in the current year.	0.700	(0.280)	0.420

		Estimate	Increase/	Revised estimate
		P&S 23 July	(decrease)	F&R 27 Aug
Service Area	Potential Impact			
		£m	£m	£m
Community Access to Schools	The pressure has been assessed on the assumption that there will be no lets until October, resulting in no income. There are no staff costs as all relevant EL staff are furloughed and pay reduced to 80%. Figures are based on estimates provided by EL. The impact of furloughing staff for three months is likely to mean no bookings administration in place to process August onwards lets; when lets could start again is unknown at this stage.	0.335	0.000	0.335
Refunds/discounts for cancelled	Costs of extending current-year permits by further five weeks	0.113	(0.038)	0.075
services - garden waste				
Total reductions in income - Council (e	excluding Health and Social Care)	44.349	(0.171)	44.178
Savings in expenditure				
Energy	Savings in gas, electricity and water costs across corporate building estate based on indicative analysis by Energy Management Unit. This analysis is currently being updated and is expected to show additional savings within the next forecast.	(1.220)	(0.063)	(1.283)
Non-Domestic Rates	Savings relative to budget framework provision following effective freezing of NDR poundage for 2020/21 and entitlement to full relief for hospitality, retail and leisure properties	(0.500)	(1.875)	(2.375)
Libraries	Reductions in agency and overtime expenditure	(0.200)	0.000	(0.200)
Total savings in expenditure (excludin	g Health and Social Care)	(1.920)	(1.938)	(3.858)
Total net additional costs		56.919	(1.323)	55.596
Notes				

1. Potential Early Years pressures of £3.5m (primarily representing compensation for lost fee income for partner providers) is assumed to be funded from redirected 1,140 hours expansion monies and/or provider staff costs met through the Coronavirus Job Retention Scheme.

#### Revenue budget, 2020/21 - month three assessment of approved savings delivery

#### PD Project design problem MC Material change in circumstance

		0.	_					waterial change in circumstance
Change Proposal Name	Approved Department	£m	1.Green £m	2.Amber £m	3.Red £m	4.Black £m	PD/MC	Notes
Heritage Language	C&F	0.021	0.021					
Scottish Government Framework for Electricity and Gas	C&F	0.060		0.060				Work is on-going between with Commercial and Procurement Services to ensure the saving can be delivered as initially intended.
Early Years (restructure of staffing)	C&F	0.600	0.600					Anticipated delays due to COVID have not transpired and full delivery is now anticipated.
Edinburgh Leisure Service Payment	C&F	0.500	0.500					
Police Funded Officers	C&F	1.600	1.600					
Quality Improvement Officers	C&F	0.120	0.120					
School Efficiencies (DSM)	C&F	1.200		1.200				DSM budgets have been reduced; schools' ability to manage the DSM reduction to be assessed as the year progresses.
5% average increase in discretionary fees and charges	C&F	0.246	* 0.123			0.123	MC	COVID impact on income generation
Library books - return to original library	C&F	0.100	0.026			0.074	PD	Finance assessment is that £0.026m is deliverable with a pressure of £0.074m in 2020/21. This will increase by a further £0.1m in 2021/22 when the balance is applied. The ability to re-design the service as initially intended has not materialised following further detailed analysis.
Night Noise team	C&F	0.100				0.100	PD/MC	This saving was part of wider organisational change between the Communities and Families and Place directorates which has been unable to conclude due to the impact of COVID-19 on staffing. It is intended that this will be considered as part of wider changes within the Council however its unlikely this saving will be achieved in 2020/21.
Strategy and Communications Workforce Savings	Chief Executive's Service	0.100	0.100					
Borrowing Costs	Corporate	4.000	4.000					
Procurement	Corporate	0.100	0.100					Planned reduction in gainshare payments
Council Tax (4.79% increase)	Corporate	5.100	5.100					
LOBO Efficiency	Corporate	0.600	0.600					
Loans Fund Review	Corporate	10.000	10.000					
Council Company Dividends	Corporate	0.250	0.250					
EDI Dividend (net)	Corporate	-1.047 0.100	-1.047					
Improving management of Procurement and Contracts 5% average increase in discretionary fees and charges	Corporate Council-wide	0.100	0.100					ł
5% average increase in discretionary rees and charges Efficiencies Programme	Council-wide	2.000	*			2.000	PD/MC	
Optimal workforce efficiency - agency/overtime	Council-wide	0.250	*			0.250	PD/MC	
Pay-related allowances	Council-wide	0.200	*			0.200	PD/MC	
Water Coolers - remove stand-alone coolers	Council-wide	0.055	*			0.055	PD/MC	
Review of car parking costs - WC, West End, Old Town Travel Lodge	Council-wide	0.050	*				PD/MC	would have been at risk without the impact of COVID. There has been no development of savings
Travel and Mileage (review) Mobile phones - reduce spec and volume of devices	Council-wide Council-wide	0.200				0.200	PD/MC PD/MC	implementation plans during the COVID period.
Income Maximisation	Council-wide	0.500	*				PD/MC	
Auto renewal of registrations and permits (including garden waste)	Council-wide	0.100	*				PD/MC	
Chief Officers and Senior/Middle Management Review	Council-wide	0.513	*			0.513	PD/MC	
Place - Income Generation (including Statutory Consents, Parking Action Plan Phase 2, Culture Services and Business and Development Services)	Place	0.665	0.050			0.615	MC	COVID-19 and its wider impacts are currently affecting the Council's ability to realise the income which was anticipated when this budget was set.
Place - Workforce Savings (including New Ways of Working, Business and Development Services and Scientific Services)	Place	0.670	0.400	0.013	0.052	0.205	MC	The changes proposed have been impacted by COVID- 19. The Council now intends to take time to consider its future structure and these changes will feed in to this process and/or will be progressed as part of organisational change activities.
Place - Third Party Reductions (including Economic Development and Joint Waste)	Place	0.825		0.250		0.575	PD/MC	The Economic Development (now Business Growth and Inclusion) service will deliver £250k (50%) of the saving in 2020/21 with the remaining £250k planned for delivery in 2021/22. For the joint waste saving, the impact of COVID-19 has led to changing market conditions in the sale of recyclates which are expected to impact on the achievement of the saving in 2020/21.
Area-Based Regeneration	Place	0.500				0.500	PD/MC	Delivery of the saving is predicated on maximising capitalisation and contributions from partners, grants and new income streams. The scope to do this has been affected by COVID.
Marketing Edinburgh	Place	0.490	0.490					This full saving has been achieved, with a reduction in grant funding for Marketing and Film.
Transport Reform	Place	0.400			0.400		MC	As reported to the Policy and Sustainability Committee on 9 July 2020 a preferred approach to Transport Arm's- Length company reform has been identified and engagement with key stakeholders is underway. The options for realising this saving in 2020/21 are currently being assessed.
5% average increase in discretionary fees and charges	Place	0.958	* 0.415			0.543	MC	COVID-19 and its wider impacts are currently impacting on the Council's ability to realise the income.
CGI - further contract efficiencies	Resources	0.600	0.600					
Advertising Income	Resources	0.300				0.300	MC	Dependency on approval of change in Council policy
Other efficiencies - ICT/CGI Partnership	Resources	0.150	0.150					
Digital delivery Edinburgh Shared Repairs - Management Resource & Income Generation	Resources Resources	0.250 0.190	0.250	0.047		0.095	MC	COVID impact on income generation
5% average increase in discretionary fees and charges	Resources	0.246	* 0.058	0.188				COVID impact on income generation
Facilities Management	Resources	0.500		0.500				
Resources Directorate Workforce Savings	Resources	0.408	0.408					
		34.870	25.112	2.258	0.452	7.048		

\* offset by reductions in loan charges arising from slippage on the Capital Investment Programme.

#### External funding confirmed to date for non-Health and Social Care services and schools re-opening

	Purpose and uses of fund	Scotland-wide funding allocation £m	Edinburgh's allocation £m	
Confirmed funding sources - Council-spe	cific			
Hardship Fund	Barnett Consequentials of initial UK announcement to contribute to local authorities' own local resilience, support and hardship plans; non-ringfenced, no associated reporting and to be deployed as councils see fit.	50	3.910	This initial sum of funding was allocated with reference to councils respective shares of Grant Aided Expenditure (GAE) plus Specia Islands Needs Allowance (SINA), the most widely-used composit indicator of relative need, with Edinburgh's share being 7.82%
Scottish Welfare Fund	Top-up of existing 2020/21 allocation to allow payment of additional Community Grants and Crisis Grants to those in immediate need, more than doubling the current level of the fund across Scotland; also includes sums to reflect relaxation of existing criteria to support those in "gig economy".	45	1.531	Only £22m of the Scotland-wide funding has been allocated to date based on the current SIMD-related methodology; the remaining £23r will be targeted to areas of greatest need, with distributio arrangements to be agreed
Further assistance (May)	£155m of Barnett Consequentials resulting from further UK announcement to contribute to local authorities' own local resilience, support and hardship plans; non-ringfenced, no associated reporting and to be deployed as councils see fit. £0.6m has also been made available to meet the costs of additional registration service staffing over weekends.	156	12.179	As with the Hardship Fund above, this sum was allocated based on respective shares of GAE plus SINA. Funding for the registration service has been allocated on the basis of shares of the (population derived) Registration of Births, Deaths and Marriages GAE distribution with Edinburgh's share being 9.5%
Further assistance (July)	£49m of further Barnett Consequentials to be passed on in full to local government following the announcement of £785m of as-yet unallocated funding for the Scottish Government's COVID response. It is the Scottish Government's understanding that £90m of the £785m relates to Consequentials arising from the UK Government's council income loss compensation scheme.	139	TBC	Discussions concerning the potential allocation of these sums ar continuing. As the income compensation scheme in Englan specifically excludes Arm's-Length External Organisations (ALEOs reducing the level of Consequentials, it has been suggested that th sums might be combined to provide a larger fund from which t compensate income losses
Total		390	17.620	
Confirmed funding sources to which cou	ncils will have part access	1		
Increased eligibility for Social Security Benefits and Council Tax Reduction Scheme	Supplementary funding to meet an anticipated increase in applications for the existing Council Tax Reduction Scheme (CTRS) and Scottish Social Security Benefits	50	TBC	The element of the Fund provided in respect of CTRS remains to b confirmed and will be based on actual expenditure relative to existin funding provisior
Discretionary Housing Payments	Additional support provided for tenants financially affected by COVID to sustain their tenancies	5	0.960	The Council's allocation was confirmed in June 2020
Food Fund	Support to organisations in the public, private and voluntary sectors to address issues of food insecurity, especially for older people, and families who may not be able to rely on free school meals.	98	3.240	Initial allocations to local authorities for £30m of the fund (£15m for continuity in each of (i) FSM payments and (ii) food for vulnerabl groups) were announced in April, with Edinburgh's share bein £1.651m. It has now been confirmed that additional Scotland-wid funding of £12.6m will be provided to allow continuing free schoo meal payments until 10 August, along with a further £15m to suppo food distribution for more vulnerable groups, including those sel isolating as part of the Test and Protect scheme, until the end of September. Edinburgh's allocation from this £27.6m of combine funding is £1.589n

Appendix 3

Coronavirus Job Retention Scheme (CJRS)	The CJRS is a furlough scheme introduced in response to the coronavirus pandemic. It provides grants to employers to pay 80% of a staff wage each month, up to a total of £2,500 per person per month. Subsequent to its launch, the scheme has been extended but with reducing levels of support from August and will close on 31 October 2020.	n/a	0.550	On 10 June, the Council applied to HMRC to furlough some 43 roles in areas meeting the principal requirements of the CJR: staff for whom furloughing support has been sought are emp across the areas of outdoor education, corporate catering a Council's cultural venues. The employees' participation is sub on-going review. Accessing the scheme provides access to por furlough income of £550,000 between June and, at the latest, On
Total Welfare and Well-Being Fund, addit	ional Barnett Consequentials and other sums	542	22.370	NB Scottish Welfare Fund and DHP allocations predicated or provision to claimants of additional support of similar an
Funds primarily benefiting other sectors b	out administered by councils			
Business Grants, Bed and Breakfast Hardship Fund and Newly Self-Employed Hardship Fund	Targeted grants intended to help protect jobs, prevent business closure and promote economic recovery. These complement other measures in place to support business, including the CJRS.	1,010	103.0	The sums shown now reflect actual take-up, with some £1.156 of the overall Business Support budget of £1.256 billion underst have been
NDR relief	100% relief in 2020/21 for retail, hospitality and tourism-based businesses	1,047	1.9	It is anticipated that a number of Council properties will be eligi relief and a saving of £1.875m is therefore now being assumed
Freezing of effective NDR poundage	Relief provided such that poundage maintained at 2019/20 levels	50	0.5	Freezing of the effective poundage rate delivers a £0.5m saving Council relative to budget framework assum

#### Revenue Budget Update, 2020/21 - Estimated Position

#### Appendix 4

	Full-year	
Additional net expenditure pressures	£m	
Estimated COVID-19-specific expenditure and income (per Appendix 1)	55.596	
Approved savings/management of residual pressures - anticipated shortfall in delivery Residual pressures	3.020	Position essentially unchanged from that reported to Policy and Sustainability Committee on 23 July
ALEO support	31.000	Position unchanged from that reported to Policy and Sustainability Committee on 23 July
	89.616	
<b>Confirmed funding and savings:</b> Confirmed COVID-19 related funding (per Appendix 3)	(19.879)	NB Funding for Scottish Welfare Fund, Council Tax Reduction Scheme and Discretionary Housing Payments is assumed to be offset by corresponding expenditure.
2020/21 budget - unallocated additional monies	(4.830)	Of the £7.43m provided, a £2m contribution to the EIJB was approved by Council on 30 June, up to £0.422m approved for Marketing Edinburgh in March and £0.178m part-year funding agreed for Communities and Families grant recipients at the Policy and Sustainability Committee on 28 May.
Use of earmarked reserves	(19.562)	Comprising funds for specific investment (£5.9m), risk management contingency (£4m), Council Tax Reduction Scheme (£3m), dilapidations (£2.5m), Workforce Management (£1.5m), Transformation Fund (£1.35m), Unallocated General Fund (former- CSIF element) (£0.9m) and Council Priorities Fund (£0.4m).
Further timing-related and corporate savings	(17.150)	Comprising Q4 2019/20 improvement in service outturns (£3m), slippage in backlog R&M programme (£3m), Council Tax - increases in base (£3m), VERA/VR in-year provision - assumption that liabilities met fully from reserves (£2.5m), treasury management-related loans charge savings (£2.5m), LDP revenue budget (£1.5m), Loans Fund Review - slippage in first year's additional related roads/infrastructure expenditure (£1m) and past service pension costs - reductions in expected required in-year level of provision (£0.65m).
	(61.421)	
Potential further funding: UK Government announcements of additional investment in England, 2 July and 23 July - general unhypothecated Barnett Consequentials (£49m) and income compensation scheme elements (estimated at £90m) - combined funding c.£139m	(10.870)	Based on an allocation of these sums in line with that applied to previous unringfenced funding, the Council's share would be £10.870m. Given the potential for the full quantum to be used to compensate income losses, however, on the basis of Edinburgh's disproportionate reliance on income, a higher allocation would be expected, particularly if ALEOs are included.
UK Government Budget Statement, 8 July - Coronavirus Job Retention Scheme "bonus"	(0.150)	Further details received on eligibility criteria (linked to qualifying earnings per month) suggest that the level of potential support to the Council is somewhat lower than previously anticipated. Submission of any claim will be subject to consideration by elected members.
	(11.020)	
Remaining shortfall	17.175	

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## Agenda Item 7.5

### **Finance and Resources Committee**

### 10.00am, Thursday, 27 August 2020

# Edinburgh Integration Joint Board – Contract Living Wage Uplift

Executive/routine Executive Wards Council Commitments

### 1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the Direction from the Edinburgh Integration Joint Board (EIJB) to uplift contracts by 3.3% with effect from April 2020;
  - 1.1.2 approve the uplift of contracts in accordance with the Direction from the EIJB;
  - 1.1.3 note that the EIJB will reflect the estimated £3.4m cost pressure in 2020/21 in the Health and Social Care mobilisation plan financial returns to the Scottish Government and that the EIJB Chief Officer and Chief Finance Officer will continue to work with partners to identify how this will be addressed with an update to be reported to the EIJB and partners in October; and
  - 1.1.4 refer this report to Council as any shortfall in funding could result in a call on Council resources of up to the £3.4m estimated cost.

### Stephen S. Moir

**Executive Director of Resources** 

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Report

# Edinburgh Integration Joint Board - Contract Living Wage Uplift

### 2. Executive Summary

2.1 This report provides an update on the EIJB's proposed approach to implementation of contract uplifts for 2020/21 including proposals relating to the national agreement on Fair Work and the Living Wage in Adult Social Care.

### 3. Background

- 3.1 In a <u>letter</u> of 10 April 2020, the Cabinet Secretary for Health and Sport and the COSLA Health and Social Care Spokesperson wrote to Local Authority Chief Executives and IJB Chief Officers and Chief Finance Officers setting out the national agreement on the approach to Fair Work and the Living Wage in Adult Social Care.
- 3.2 The EIJB considered a <u>report</u> on this matter on 24 August and agreed to implement contract uplifts of 3.3% at a cost of £6.0m and issue a Direction to the Council to implement the approved uplifts.

### 4. Main report

#### Fair Work and the Living Wage in Adult Social Care – National Agreement

- 4.1 On 10 April 2020, the Cabinet Secretary for Health and Sport and the COSLA Health and Social Care Spokesperson wrote to Local Authority Chief Executives and IJB Chief Officers and Chief Finance Officers setting out the national agreement on the approach to Fair Work and the Living Wage in Adult Social Care with uplifts of 3.3% to contract hourly rates to be applied from April 2020. The national agreement reflects the shared commitment to ensuring that all people providing direct adult social care support are paid the Living Wage.
- 4.2 The COSLA <u>Guidance</u> for Commissioned Services has been updated to reflect this agreement. This guidance confirms that the national uplift applies to local contracts and frameworks where:

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- the provider is paying staff who are delivering direct care the Living Wage and includes care and support, day care and sleepovers in the third and independent commissioned services; and
- Direct Payments are being used to pay for staff who provide direct adult social care support, either in a social care provider organisation or someone employing a personal assistant, to ensure the Living Wage can be paid directly by the supported person.
- 4.3 The COSLA Guidance also lists some exclusions from the national agreement including previously agreed multiyear frameworks which already have an uplift factored in for living wage; residential care where the National Care Home Contract is agreed; and block contracts in full. While exclusions were allowed for block, residential and multi-year contracts these were not supported by the Edinburgh Health and Social Care Partnership.

### **EIJB Proposed Contractual Uplifts**

- 4.4 The EIJB considered a report by the EIJB Chief Finance Officer at a meeting on 24 August 2020. The report noted that the EIJB had already implemented a 3.54% (£0.7m) uplift for residential placements for over 65s under the National Care Home Contract and recommended a 3.3% (6.0m) uplift for all other contacts. On this basis the total estimated cost of all contract uplifts in 2020/21 is £6.7m. Details of proposed uplifts are set out in Appendix 1 to this report.
- 4.5 The Local Government Finance Settlement included an earmarked allocation of £25m across Scotland as a contribution to continued delivery of the Living Wage. Edinburgh's share of this initial allocation was £2.1m. In recognition of the National Agreement, additional funding of £8.8m was confirmed in June across Scotland with Edinburgh receiving an allocation of £1.2m taking total funding available to £3.3m.
- 4.6 The total cost associated with proposed contract uplifts including the National Care Home Contract is £6.7m with £3.3m of funding available through earmarked allocations. Taken together this creates an additional pressure in the EIJB budget of £3.4m.
- 4.7 When additional funding was announced in June 2020 the Scottish Government agreed to continue to engage with Integration Authorities and Local Government and NHS partners to address any immediate challenges. The EIJB Chief Officer initiated discussions with Scottish Government officers and several meetings have taken place over recent months. Despite these efforts, the EIJB Chief Officer and Chief Finance Officer have advised that no further funding will be provided by the Scottish Government.

### Implications for the EIJB

4.8 Implementing the proposed contract uplifts will create a £3.4m gap in the EIJB financial plan. The EIJB has agreed the recommendation to direct the Council to implement the contract uplifts. This decision will allow implementation of the national agreement and reflects the EIJB's strategic intent to build and maintain a high quality, skilled and sustainable health and social care workforce.

4.9 As this additional cost will lead directly to an increase in the EIJB savings target, in the first instance the financial impact will be recorded in the Health and Social Care mobilisation plan financial returns to the Scottish Government. In parallel, discussions with partners will continue to seek to identify a solution. Ultimately if these efforts are not successful then the Chief Officer will be required to bring forward a recovery plan for consideration by the EIJB. An update will be reported to the EIJB and partners in October.

### 5. Next Steps

- 5.1 The proposed contract uplifts will be implemented and backdated to April enabling providers to action pay uplifts.
- 5.2 The EIJB Chief Finance Officer will record the additional cost of £3.4m in the Health and Social Care mobilisation plan financial returns to the Scottish Government and discussions will continue with partners to seek a solution. If no solution is identified, the Chief Officer will develop a recovery plan for consideration by the EIJB.
- 5.3 An update will be reported to the EIJB and partners in October

### 6. Financial impact

6.1 The main report sets out the estimated financial implications of the proposed contract uplifts. The estimated funding gap will be considered alongside progress with delivery of the EIJB's approved savings programme and the EIJB Chief Finance Officer will provide regular updates to the EIJB and partners.

### 7. Stakeholder/Community Impact

7.1 The scale of the identified funding gap will require extensive and continuing engagement over the coming months as the EIJB and partners seek to identify a sustainable solution.

### 8. Background reading/external references

8.1 Relevant reading and references are hyperlinked within the main body of the report.

### 9. Appendices

Appendix 1 – Estimated Cost of Proposed Contract Uplifts

### Appendix 1 – Estimated Cost of Proposed Contract Uplifts

Description of Service	Baseline Spend	Uplift %	Uplift
Residential Care – National Care Home Contract (NCHC)	£21m	3.54%	£0.74m
Day Care	£8m	3.3%	£0.26m
Care at Home – Sustainable Community Support <sup>1</sup>	£23m	3.3%	£0.75m
Care at Home and Care and Support – Other	£56m	3.3%	£1.85m
Direct Payments and ISFs	£34m	3.3%	£1.12m
Block Contracts	£23m	3.3%	£0.76m
Residential Care (outwith NCHC)	£37m	3.3%	£1.22m
	£202m		£6.70m

<sup>&</sup>lt;sup>1</sup> Fixed rate contract extension to 30 September 2021 approved in December 2019

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## Agenda Item 7.6

### **Finance and Resources Committee**

### 10.00am, Thursday, 27 August 2020

# Resources Directorate - Revenue Budget Monitoring 2020/21 – Month Three position

Executive/routine	Executive
Wards	All
Council Commitments	

### 1. **Recommendations**

It is recommended that the Finance and Resources Committee notes:

- 1.1 Resources Directorate is forecasting a budget pressure of £0.151m for 2020/21;
- 1.2 the Executive Director and Heads of Service are continuing to progress identification of additional savings measures to offset this budget pressure to achieve outturn expenditure in line with the approved revenue budget for 2020/21;
- 1.3 the ongoing risks to the achievement of a balanced revenue budget projection for the Directorate.

#### Stephen S. Moir

Executive Director of Resources

Contact: Iain Shaw, Principal Accountant,

Finance Division, Resources Directorate

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### **Finance and Resources Committee**

# Resources Directorate - Revenue Budget Monitoring 2020/21 – Month Three position

### 2. Executive Summary

- 2.1 The report sets out the projected three-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of June 2020 and expenditure and income projections for the remainder of the financial year.
- 2.2 The Resources Directorate is projecting a budget pressure of £0.151m for 2020/21. The Directorate will continue to progress identification and implementation of savings to offset this budget pressure, to achieve outturn expenditure in line with the approved revenue budget for 2020/21. The attainment of this position is subject to ongoing actions to deliver all approved savings together with the active management of risks and pressures.

### 3. Background

- 3.1 The Council's Financial Regulations require submission of quarterly monitoring reports on Directorate financial performance to the Finance and Resources Committee.
- 3.2 This report advises on the projected outturn for the Resources Directorate revenue budget for 2020/21 based on the position after three months of the financial year.

### 4. Main report

#### Revenue Budget 2020/21

4.1 Resources Directorate revenue budget for 2020/21 is £168.631m. This includes Council wide budgets for PPP school services, non-domestic rates and utilities (energy) expenditure for the whole operational property estate, including schools, the Council's external audit fee and the Digital Services / ICT contract cost.

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- 4.2 As reported elsewhere on this agenda, the Council is forecast to incur significant additional costs to respond to the Coronavirus pandemic. The Resources Directorate is forecast to incur additional employee costs of £0.644m as a consequence of providing support to vulnerable and shielding groups and responding to increased Universal Credit and other Welfare support applications. Additional ICT costs of £0.254m have been incurred to support services working remotely.
- 4.3 An income loss of £9m is currently assumed from the Property Investment Estate rental income as a consequence of increased risk of non-recovery of rental income and deferrals to future years. The Facilities Management Catering service is forecasting a loss of income of £0.521m as a consequence of building closure during Lockdown.
- 4.4 The additional costs and loss of income identified at paragraphs 4.2 and 4.3 are forecast to be partially mitigated by slippage of £3m in the Property Repairs and Maintenance Programme, energy savings during Lockdown of £1.283m and a reduction of £0.5m in the funding required to meet non-domestic rate liabilities.
- 4.5 Excluding the costs of responding to the Coronavirus pandemic, the period three projection for Resources Directorate is a budget pressure of £0.151m. To address this pressure, the Executive Director of Resources has applied stringent financial controls across the Directorate, including a recruitment freeze on vacant posts and agency worker use, as well as ceasing all discretionary expenditure, where no legal or contractual commitment exists.
- 4.6 Excluding costs associated with responding the Coronavirus pandemic, the forecast for Customer and Digital Services Division is a budget pressure of £0.142m from achievement of employee and ICT savings targets. Savings from use of the service contingency and an earmarked balance are forecast to fully mitigate this pressure.
- 4.7 Excluding costs associated with responding the Coronavirus pandemic, a budget pressure of £2.251m is forecast for the Property and Facilities Management Division. The budget pressure includes:
  - 4.7.1 a shortfall of £1.178m against Asset Management Strategy and other legacy savings targets and after application of one-off previous year balances;
  - 4.7.2 anticipated income of £0.3m from additional digital advertising is not forecast as achievable;
  - 4.7.3 £0.481m from revised employee terms and conditions, £0.197m cost of security services contract and a forecast loss of Shared Repairs Service income of £0.095m during Lockdown.
- 4.8 The budget pressure is forecast to be partly mitigated by:

- 4.8.1 savings of £0.924m from posts vacant until the end of July 2020;
- 4.8.2 PPP contract costs £0.648m less than anticipated;
- 4.8.3 forecast reduction in Non-Domestic Rates liability of £0.195m;
- 4.8.4 a reduction in discretionary expenditure of £0.331m.
- 4.9 After application of these mitigation measures, the residual budget pressure for Property and Facilities Management Division is £0.153m.
- 4.10 Legal and Risk Division is forecasting an adverse variance of £0.103m due to:

4.10.1 a shortfall of £0.223m in the recovery of Legal Services recharges;

4.10.2 additional costs of £0.127m to deliver the 2020/21 Internal Audit Plan;

4.10.3 Monitoring Officer expenditure of £12,000.

- 4.11 These pressures are partially offset by employee turnover savings of £259,000.
- 4.12 An employee cost underspend due to vacancies of £0.100m is forecast for the Finance Division.
- 4.13 To mitigate the remaining Resources Directorate adverse variance of £0.151m, the Executive Director of Resources has applied a recruitment freeze on vacant posts and agency worker use, as well as ceasing discretionary expenditure, where no legal or contractual commitment exists.
- 4.14 An analysis of the projection by each Division is provided in Appendix 1.
- 4.15 The approved 2020/21 revenue budget requires Resources Directorate to achieve incremental savings of £2.644m in 2020/21. These are detailed in Appendix 2.
- 4.16 £1.514m (57%) of approved savings are forecast to be on track for full delivery and are assessed as 'Green'. Progress is being made across Resources Directorate towards delivery of a further £0.735m (28%) with these savings assessed as 'Amber'. Delivery of £0.395m (15%) of planned savings are assessed as having been impacted by other factors, including the Coronavirus pandemic and are assessed as 'Black. Of the 'Black' assessed savings, £0.242m is mitigated in 2020/21 by the Property and Facilities Management savings detailed at paragraph 4.8.
- 4.17 Financial risks in the Resources Directorate revenue budget for 2020/21 include:
  - 4.17.1 Additional costs incurred to respond to the Coronavirus pandemic;
  - 4.17.2 Savings from management of vacant posts being less than anticipated;
  - 4.17.3 A greater than anticipated under-recovery of Legal Services fee recharges.

### Resources Directorate Revenue Budget Outturn 2019/20

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4.18 Resources Directorate revenue budget outturn for 2019/20 was an underspend of £28,000 (0.02% of net revenue budget). This was a favourable movement of £0.659m from the £0.631m forecast overspend reported to Finance and Resources Committee on 23rd January 2020. The movement reflects additional savings achieved through successful Non-Domestic Rates appeals, the application of workforce controls and controls on discretionary expenditure. These savings fully offset underlying pressures within the Property and Facilities Management Division.

### 5. Next Steps

5.1 Continuing work to identify mitigating measures through workforce and discretionary expenditure controls to manage financial risks and take timely remedial action, where any further adverse variances become apparent.

### 6. Financial impact

6.1 The report forecasts a budget pressure of £0.151m for Resources Directorate for 2020/21. Attainment of a balanced position is the subject of continuing work to identify further mitigating measures, active management of financial risks and taking timely remedial action, where any further adverse variances become apparent.

### 7. Stakeholder/Community Impact

- 7.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2020/21 revenue budget.
- 7.2 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development. The Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

### 8. Background reading/external references

8.1 None

### 9. Appendices

- 9.1 Appendix 1 Resources Directorate Revenue Budget Monitoring 2020/21 Month Three position
- 9.2 Appendix 2 Resources Directorate: Approved Revenue Budget Savings 2020/21

### **Resources Directorate**

### **Revenue Budget Monitoring 2020/21**

### **Month Three position**

### Forecast Revenue Outturn by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	57,000	57,000	0	
Finance	6,899	6,799	(100)	FAV
Human Resources	5,308	5,304	(4)	FAV
Legal and Risk	1,330	1,432	102	ADV
Property and Facilities Management	97,911	98,064	153	ADV
Directorate and service-wide costs.	183	183	0	
Total Net Expenditure	168,631	168,782	151	ADV

## Appendix 2

### Resources Directorate: Approved Revenue Budget Savings 2020/21

Division	Saving Description	2020/21 £'000	Red/Amber/Green/Black* assessment
Customer and Digital Services	CGI - further contract efficiencies	600	
Customer and Digital Services	Digital Delivery	250	
Customer and Digital Services	ICT/CGI Partnership Arrangements	150	
Property and FM	Facilities Management	500	
Property and FM	Additional advertising income	300	
Property and	Edinburgh Shared Repairs - Management	48	
FM	Resource & Income Generation	47	
<b>.</b>		95	
Service- Wide	Resources Directorate Workforce Savings	408	
Service-	5% average increase in discretionary fees and	58	
Wide	charges	188	
	TOTAL	2,644	

SUMMARY	£'000	%
Green assessed	1,514	57
Amber assessed	735	28
Red assessed	0	0
Black Assessed	395	15
TOTAL	2,644	100

\* Black Assessment denotes other factors impacting on savings delivery e.g. Coronavirus pandemic.

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## Agenda Item 7.7

### **Finance and Resources Committee**

### 10.00am, Thursday, 27 August 2020

### Chief Executive's Services - Revenue Budget Monitoring 2020/21 - Month Three position

Executive/routine Wards Council Commitments	Routine City-wide
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### 1. Recommendations

1.1 It is recommended that the Finance and Resources Committee notes it is forecast outturn will be in line with the approved revenue budget for Chief Executive's services for 2020/21.

**Andrew Kerr** 

Chief Executive

Contact: Iain Shaw, Principal Accountant,

Finance Division, Resources Directorate

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### Report

# Chief Executive - Revenue Budget Monitoring 2020/21 - Month Three position

### 2. Executive Summary

- 2.1 The report sets out the projected three-month revenue budget monitoring position for the Chief Executive's Services, based on actual expenditure and income to the end of June 2020 and expenditure and income projections for the remainder of the financial year.
- 2.2 The Chief Executive's services is projecting a budget pressure of £0.115m for 2020/21. The budget pressure will be fully mitigated through reduced loans charges in 2020/21. The attainment of this position is subject to ongoing actions to deliver all approved savings together with the active management of risks and pressures.

### 3. Background

- 3.1 The Council's Financial Regulations require submission of quarterly monitoring reports on service financial performance to the Finance and Resources Committee.
- 3.2 This report advises on the current outturn projection for the Chief Executive's services for 2020/21, based on the position after three months of the financial year.

### 4. Main report

- 4.1 The Chief Executive's services revenue budget for 2020/21 is £9.439m. The budget includes the cost of the Chief Executive's office and the Strategy and Communications Division.
- 4.2 The period three projection is a forecast budget pressure of £0.115m, arising from a forecast shortfall in the achievement of savings from senior management savings. The budget pressure will be fully mitigated through reduced loans charges in 2020/21. An analysis of the projection by service is provided in Appendix 1.

- 4.3 The approved 2020/21 revenue budget required the Chief Executive's services to achieve savings of £0.100m in 2020/21. All planned savings for the Chief Executive's services are forecast to be achieved in 2020/21. An assessment of the achievement of savings targets is detailed in Appendix 2.
- 4.4 Council-wide Senior Management savings of £0.398m (77%) have been achieved to date and are classified as 'Green' with the remaining balance of £0.115m (23%) being progressed and therefore classified as 'Amber'. This savings target will be fully mitigated through reduced loans charges.

### Chief Executive's services Revenue Budget Outturn 2019/20

4.5 Chief Executive's services revenue budget outturn for 2019/20 was an underspend of £0.137m, representing 1.5% of net service budget. Expenditure was maintained within budgeted levels, with a favourable income recovery from rechargeable services contributing to the overall favourable variance.

### 5. Next Steps

5.1 Continuing work to manage financial risks and take timely remedial action, where any adverse variance become apparent.

### 6. Financial impact

6.1 The report forecasts a balanced position for Chief Executive's services for 2020/21. Attainment of a balanced position is the subject of continuing work to identify mitigating measures, active management of financial risks and taking timely remedial action, where any adverse variances become apparent.

### 7. Stakeholder/Community Impact

- 7.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2020/21 revenue budget.
- 7.2 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development. The Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

### 8. Background reading/external references

None

### 9. Appendices

- 1. Revenue Budget Monitoring 2020/21 Month Three position
- 2. Revenue Budget Savings and Pressures 2020/21.

### **Appendices**

### **Chief Executive's services**

### **Revenue Budget Monitoring 2020/21**

### **Month Three position**

### 1. Forecast Revenue Outturn by Service – Appendix 1

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Chief Executive	258	233	(25)	FAV
Strategy and Communications	9,309	9,321	12	ADV
Senior Management Council-wide savings target	(128)	(115)	13	ADV
Total Net Expenditure	9,439	9,439	0	

### 2. Revenue Budget Savings and Pressures 2020/21 – Appendix 2

Division	Saving Description	2020/21 £'000	Red/Amber/Green/Black assessment
Strategy and Communications	Strategy and Communications Workforce Savings	100	
	TOTAL	100	

Council-Wide Savings Target		
Senier Management (total of CO 512m)	398	
Senior Management (total of £0.513m)	115	
Council-Wide Savings Targets	513	

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# Agenda Item 7.8

# **Finance and Resources Committee**

### 10.00am, Thursday, 27 August 2020

## 2020-30 Capital Budget Strategy – 2020/21 Period 3 Monitoring and Revised Budget Update

Executive/routine	Executive
Wards	All
Council Commitments	

#### 1. Recommendations

- 1.1 To note the Capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month three 2020-21;
- 1.2 To note the proposed use of £4.242m contingency funding for North Bridge Refurbishment, subject to approval by Council; and
- 1.3 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

#### Stephen S. Moir

**Executive Director of Resources** 

Contact: Liam MacDonald, Senior Accountant,

Finance Division, Resources Directorate

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Report

## 2020-30 Capital Budget Strategy – 2020/21 Period 3 Monitoring and Revised Budget Update

### 2. Executive Summary

- 2.1 The report provides capital expenditure and funding forecasts for 2020/21, providing explanations for variances.
- 2.2 At month three, the General Fund is projected capital expenditure of £284.019m and capital income of £107.991m, resulting in a net requirement of £176.028m in loans fund advances.
- 2.3 At month three, the Housing Revenue Account (HRA) is projecting capital expenditure of £56.969m and capital income of £33.033m, resulting in a net requirement of £23.936m in loans fund advances.
- 2.4 The extent of the impact from COVID-19 is likely to differ between programmes and projects and it is still too early to understand the full cost to the Council.

#### 3. Background

- 3.1 The initial Capital Budget Strategy 2020-2030 was reported to Finance and Resources Committee on 10 October 2019 and approved on 20 February 2020 as part of the budget process.
- 3.2 It was subsequently consolidated with other key strategies into the Council's Capital Strategy which was approved by Council on 12 March 2020. This strategy set out for expenditure of £2,324.800m to 2029/30. While the programme was affordable in the short to medium term, there remained £154.600m which was unfunded and would require the Council to find additional revenue savings or additional funding in future years or lead to projects having to be removed from the capital investment programme or delayed.
- 3.3 Since the setting of the budget, COVID-19 and the measures put in place to protect citizens have created significant financial and logistical challenges and it will no longer be possible to deliver projects within the timescales and budgets previously envisaged. Following guidance from Scottish Ministers, all construction sites were closed and are now re-opening in accordance with the <u>Coronavirus (COVID 19)</u>: <u>construction sector guidance</u> six phase plan. This has required changes to working practices to protect both construction workers and the public at large.

- 3.4 A report was considered by Policy and Sustainability Committee on 25 June 2020 which addressed the potential impact COVID-19 would have on the 2020-30 Capital Budget. This report showed that it was difficult to estimate the full impact on the programme until market intelligence, such as tender returns, is available. The result of the modelling undertaken for the General Fund programme showed pressures of £56.207m in 2020/21, although slippage of £217.464m meant that a net slippage position of £161.257m was forecast. This meant that the Council may benefit from a reduced loans charge liability in the current year, but this had already been factored into corporate budgeting assumptions. In future years, however it would result in additional financing costs.
- 3.5 This report provides an update on the 25 June 2020 report and details capital spend to period three in 2020/21 and the interim budget position for 2020/21. A further report will be presented to Committee in the Autumn to set the revised budget for 2020/21 with indicative future budget figures in the 2020-30 Capital Strategy.

### 4. Main report

#### 2020/21 Capital Monitoring – Period Three

#### **General Fund**

- 4.1 The Period Three Monitoring shows general fund expenditure of £49.256m. A breakdown by directorate is provided in Appendix 1.
- 4.2 Within Communities and Families, there has been capital expenditure of £3.998m as at Period Three. Expenditure relates primarily to projects which were well underway prior to COVID-19 lockdown;
  - Meadowbank £2.168m;
  - Maybury Primary School £0.458m;
  - Properties for Home Share £0.253m;
  - Trinity Academy Phase One £0.250m; and
  - Castlebrae High School £0.240m.
- 4.3 Within Place, there has been capital expenditure of £40.980m as at Period Three. Expenditure relates primarily to;
  - Millerhill Recycling and Energy Recovery Centre (RERC) Capital Contribution £36.900m (including £7.380m share funded by Midlothian Council);
  - Energy Efficiency Street Lighting Programme £0.817m;
  - Carriageways and Footways Improvements £0.562m; and
  - North Bridge Refurbishment £0.502m.
- 4.4 Within Place Trams to Newhaven, there has been capital expenditure of £3.042m as at Period Three.

4.5 Within Resources- Asset Management Works, there has been capital expenditure of £1.212m as at Period Three across various projects which were underway before COVID-19 lockdown.

#### **Housing Revenue Account**

- 4.6 The Period Three Monitoring shows HRA capital expenditure of £3.404m for the year to date across various programmes and workstreams relating to new builds and improvements to existing homes. The budget for 2020/21 has been revised from the initial approved budget of £96.468m to £56.969m, an overall reduction in capital expenditure of £39.499m (40.9%), largely due to COVID-19 lockdown.
- 4.7 The Period Three Monitoring shows HRA capital income of £1.068m for the year to date, primarily from Scottish Government grant for the Craigmillar Town Centre development and disposals through the Acquisitions and Disposals Programme. The budget for 2020/21 has been revised from the initial approved budget of £73.122m to £33.033m, an overall reduction in capital income of £40.089m (54.8%). This is primarily due to the slippage of Edinburgh Living capital receipts which are referenced in paragraph 4.17 from a General Fund on-lending perspective.
- 4.8 This results in a projected net requirement of £23.936m in loans fund advance, increased from an originally approved £23.346m. A breakdown by programme is provided in Appendix 2.
- 4.9 At Policy and Sustainability Committee on 25 June 2020, Committee agreed that opportunities should be explored to reallocate capital slippage to strategic land acquisition to support key council aims.
- 4.10 It should be made clear that this is not possible within the General Fund as capital slippage is not a funding source and the programme is already unaffordable over the longer-term. However, additional land assembly is required to deliver the Council's affordable housing and regeneration objectives. Acquisition of public sector sites is being pursued to support the delivery of housing and health and social care outcomes. The HRA business plan contains funding for land acquisitions and officers will continue to review opportunities that support the Council's Sustainable Economy Recovery Plan. It is anticipated that the £12.000m land acquisition budget will be spent in full in 2020/21.

#### Capital Budget Strategy 2020-2030 – 2020/21 Revised Budget

#### **General Fund**

4.11 The 2020-30 Capital Budget Strategy for the general fund approved by Council in February 2020 was based on an interim budget which estimated slippage and acceleration as reported at Period Eight 2019/20. The revised 2020-30 Capital Budget Strategy has been adjusted to reflect actual provisional out-turn slippage and acceleration as reported to Policy and Sustainability Committee on 25 June and this is shown in Appendix 3.

- 4.12 The programme has also been realigned and re-phased to ensure that individual project cash flows reflect the most up to date projections. Project managers have considered risks such as COVID-19, adverse weather and other uncontrollable factors that can impact on delivery. This year has been more challenging than ever with the COVID-19 impacts difficult to forecast accurately until market tenders are completed.
- 4.13 As reported to this Committee on 25 June 2020, a COVID-19 assumption uplift of 25% was applied. The result of that modelling showed pressures of £56.207m in 2020/21, although slippage of £217.464m meant that a net slippage position of £161.257m was forecast. This meant that the Council may benefit from a reduced loans charge liability in the current year, but that had already been factored into corporate budgeting assumptions. In future years, however it would result in additional financing costs.
- 4.14 The Period Three Monitoring which can be seen in Appendix 1, shows the rephased interim 2020/21 budget position based on cash flows and slippage referred to in paragraphs 4.11 and 4.12. The latest net slippage position from the approved budget is £171.184m. However, due to continued uncertainty this doesn't reflect any COVID-19 uplift in-year.
- 4.15 There are various key variables that impact on a percentage uplift, such as contract value, works still to be completed compared to how much has already been completed and manner of works (i.e. internal against external). Having been able to access some data from a broad cross-section of contracts, the previous general 25% uplift appears excessive and is likely to be closer to the region of 5% across the programme. The original 25% was a prudent allowance provided by an independent advisor but will vary depending on specifics of the project and the Council is working with contractors to mitigate the additional costs. A further update on the COVID-19 assumptions and the impact it has on the 2020-30 Capital Budget Strategy will be provided in the Revised Budget set in Autumn 2020.
- 4.16 Members should note that where funding has not been approved or is uncertain, then projects are not included in the 2020-30 Capital Budget. This includes projects funded by capital receipts, grants or contributions which are yet to be secured.
- 4.17 General Fund lending for housing for mid-rent has also been revised to reflect the latest programme with £26.611m assumed on-lending for Edinburgh Living homes at North Sighthill and Craigmillar and the Shrubhill National Housing Trust (NHT) payment of £4.718m due in February 2020 is now forecast in 2020/21 financial year. The budget impact is neutral as borrowing is delayed to match the revised expenditure profiles.
- 4.18 The forecast for the Tram to Newhaven project has been updated to reflect the impact of COVID-19. Costs of site closure, delay, remobilisation and inefficiency due to social distancing are expected to be in the region of £5.000m. This amount can be contained within budget and the project is still anticipated to be delivered within the £207.300m investment approved by Council. The latest cash flow profile has been factored into Appendix 1. A separate report will be presented to this

committee detailing the wider impact of COVID-19 on the project, including impacts on the business case, and the mitigation measures currently being deployed.

- 4.19 In addition, as reported on 25 June 2020, the project budget for North Bridge has been increased by £14.131m to account for COVID-19 impacts and wider emerging cost pressures. It is proposed that the £4.242m contingency in 2020/21 is realigned to fund part of this. The remaining £9.889m will need to be funded through reprofiling of existing capital budgets. Similarly, any overspends in the Energy Efficiency Street Lighting Project will be funded from re-profiling of the existing Street Lighting capital budget.
- 4.20 A further report will be brought to Committee detailing the Revised 2020-30 Capital Budget Strategy in Autumn 2020. This report will provide an update following a wider review of the COVID-19 pressures, accounting for the sustainability agenda and reviewing prioritisation of projects within the programme to fund pressures.

#### **Housing Revenue Account**

- 4.21 The HRA Business Plan is reviewed annually; including the 10-year investment strategy and five-year capital programme. This year's review is considering the impacts of COVID-19 on the cost and delivery of investment in existing and new homes. A breakdown of the Revised 2020/21 HRA Capital Budget by project and workstream is included in Appendix 4.
- 4.22 COVID-19 has had an impact on the programmed delivery of new housing which was under construction at the start of the pandemic. The biggest impact has been on Pennywell due to the scale of the project with construction taking place concurrently on a number of sites.
- 4.23 The programme for investment in Council homes and estates has been reviewed with contractors and external groundworks and works to external and common areas of blocks are re-commencing. This year's budget has been reduced accordingly and profiled into future years.
- 4.24 A detailed update on the Revised HRA Capital Investment Programme will also be brought to relevant Committees in Autumn 2020.

### 5. Next Steps

- 5.1 This report will be referred to Governance, Risk and Best Value committee to consider as part of its programme of work.
- 5.2 The 2020-30 Capital Budget Strategy will be updated and a revised budget will be set in Autumn 2020 along with the Revised Revenue Budget for 2020-21.
- 5.3 Finance staff will continue work with project and programme managers to monitor capital budgets. A further capital monitoring report will be provided to Committee showing the half year position.
- 5.4 Further reports will be presented to Finance and Resource Committee at period eight and period 12 showing the out-turn position against the revised 2020-21 capital budget.

### 6. Financial impact

- 6.1 The 2020/21 general fund period three forecast outlines loans fund advances of £176.028m. The overall loan charges associated with this over a 30-year period would be a principal amount of £176.028m, interest and expenses of £149.556m, resulting in a total cost of £325.584m based on a loans fund interest rate of 4.39%. The average annual cost would be £10.853m for 30 years.
- 6.2 The 2020/21 HRA period three forecast outlines loans fund advances of £23.936m. The overall loans charges associated with this over a 30-year period would be a principal amount of £23.936m, interest of £20.336m, resulting in a total cost of £44.272m based on a loans fund rate of 4.39%. The average annual cost would be £1.476m for 30 years.
- 6.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 6.4 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.

#### 7. Stakeholder/Community Impact

- 7.1 Consultation on the capital budget was undertaken as part of the Council's budget setting process.
- 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 <u>Edinburgh Tram York Place to Newhaven Final Business Case</u>, The City of Edinburgh Council, 14 March 2019
- 8.2 <u>Capital Budget Strategy 2020-30</u>, Finance and Resources Committee, 10 October 2019
- 8.3 Capital Budget Strategy 2020-30, The City of Edinburgh Council, 20 February 2020
- 8.4 <u>Housing Revenue Account Budget Strategy (2020-2030)</u>, The City of Edinburgh Council, 20 February 2020
- 8.5 <u>Capital Strategy 2020-30 Annual Report</u>, The City of Edinburgh Council, 12 March 2020
- 8.6 <u>Capital Budget Update 2019/20 Provisional Outturn and 2020/21 COVID-19</u> <u>Forecast</u>, Policy and Sustainability Committee, 25 June 2020

### 9. Appendices

Appendix 1 – 2020/21 Capital Monitoring Period Three – General Fund

Appendix 2 – 2020/21 Capital Monitoring Period Three – HRA

Appendix 3 –2020/21 Interim Capital Budget (Incorporating provisional out-turn slippage from 2019/20)

Appendix 4 – 2020/21 Revised Capital Budget – HRA

#### Appendix 1 - 2020/21 Capital Monitoring

#### **General Fund Summary**

#### Period 3

Expenditure	Approved Budget	Adjustments	Interim Budget	Actual to Date	Projected Outturn	Provis Varia	
•	£000	£000	£000	£000	£000	£000	%
Communities and Families	99,246	(34,327)	64,919	3,998	64,919	-	0.00%
Edinburgh Integration Joint Board	-	284	284	- ,	284	-	0.00%
Place	192,495	(84,657)	107,838	40,980	107,838	-	0.00%
Place - Lending	43,913	(12,584)	31,329	-	31,329	-	0.00%
Place - Tram York Place to Newhaven	74,939	(15,291)	59,648	3,042	59,648	-	0.00%
Contingency	4,242	(10,201)	4,242	0,012	4,242	-	0.00%
Resources - Asset Management Works	30,000	(21,242)	8,758	1,212	14,126	5,368	61.29%
Resources - Other	5,000	(3,367)	1,633	24	1,633	0,000	0.00%
Total Gross Expenditure	449,835	(171,184)	278,651	49,256	284,019	5,368	1.93%
	,	(,	,	.0,200	20.,0.0	0,000	
	Approved		Revised	Actual to	Projected	Provis	ional
Funding	Budget	Adjustments	Budget	Date	Outturn	Varia	ince
	£000	£000	£000	£000	£000	£000	%
Capital Receipts							
General Asset Sales	3,000	-	3,000	2	3,000	-	0.00%
Total Capital Receipts from Asset Sales	3,000	-	3,000	2	3,000	-	0.00%
Drawdown from Capital Fund	14,195	-	14,195	-	14,195	-	0.00%
Developer Contributions	754	3,390	4,144	587	4,144	-	0.00%
Developers Contributions Transferred to Investments	-	-,	-	859	-	-	#DIV/0!
Total Developer Contributions	754	3,390	4,144	1,446	4,144		0.00%
		-,	.,	.,	.,		
Total Capital Receipts and Contributions	17,949	3,390	21,339	1,448	21,339	-	0.00%
Grants							
Scottish Government General Capital Grant	38,225	-	38,225	9,532	38,225	-	0.00%
Other Grants and Contributions	-	8,196	8,196	8,185	8,196	-	0.00%
Cycling, Walking and Safer Streets	2,281	-,	2,281	-,	2,281	-	0.00%
Transfer of Management of Development Funding (TMDF)	27,950	-	27,950	-	27,950	-	0.00%
Early Years and Childcare - Expansion	10,000	-	10,000	-	10,000	-	0.00%
Capital Grants Unapplied Account Drawdown	2,002	(2,002)	-	-	-	-	0.00%
Total Grants	80,458	6,194	86,652	17,717	86,652	-	0.00%
Total Funding	98,407	9,584	107,991	19,165	107,991	-	0.00%
Borrowing							
New Prudential Borrowing in Year	121,388	(77,367)	44,021	29,520	44,021	-	0.00%
New On-Lending in Year	43,913	(12,584)	31,329	- 20,020	31,329	-	0.00%
New Capital Advance - Trams to Newhaven	74,939	(12,304)	55,508	3,042	55,508	-	0.00%
New Capital Advance - General Fund	111,188	(71,386)	39,802	(2,471)	45,170	5,368	13.49%
Balance to be funded through Loans Fund Advance	351,428	(180,768)	170,660	30,091	176,028	5,368	3.15%
Balance to be funded through Loans I and Auvance	551,420	(100,100)	170,000	30,031	170,020	3,300	5.1570

### Appendix 2 - 2020/21 Capital Monitoring

### Housing Revenue Account

### Period 3

	Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Provisi Varia	
		£000	£000	£000	£000	£000	£000	%
	New Homes Development	35,890	(15,124)	20,766	788	20,766	-	0.0%
	New Homes Land Costs	12,000	-	12,000	-	12,000	-	0.0%
	Improvement to Council Homes and Estates	48,578	(24,375)	24,203	2,616	24,203	-	0.0%
	Total Gross Expenditure	96,468	(39,499)	56,969	3,404	56,969	-	0.0%
Pag	Income	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Provisi Varia	nce
e		£000	£000	£000	£000	£000	£000	%
<b>→</b>	Capital Receipts and Other Contributions	50,524	(24,424)	26,100	320	26,100	-	0.0%
18	Capital Funded from Current Revenue	3,656	(3,656)	-	-	-	-	0.0%
ω	Specific Capital Grant	18,942	(12,009)	6,933	748	6,933	-	0.0%
	Total Income	73,122	(40,089)	33,033	1,068	33,033	-	0.0%
	Balance to be funded through Loans Fund Advance	23,346	590	23,936	2,336	23,936	-	0.0%

### Appendix 3 – 2020/21 Interim Capital Budget (Incorporating provisional out-turn slippage from 2019/20)

### **General Fund**

<u>SUMMARY</u>	Planned Budget 2020-21	2019-20 Expenditure Slippage	2019-20 Income Slippage	Planned Budget (inc. slippage) 2020-21	Re-profiled to Later Years 2020-21	Additional Funding 2020-21	Interim Budget 2020-21
	£000	£000	£000	£000	£000	£000	£000
Communities and Families	99,246	21,945	10,120	131,311	(66,401)	9	64,919
Edinburgh Integration Joint Board	-	227	57	284	-	-	284
Place	192,495	4,188	3,669	200,352	(101,199)	8,685	107,838
Place - Lending	43,913	12,536	-	56,449	(25,120)	-	31,329
Place - Tram York Place to Newhaven	74,939	(3,634)	-	71,305	(11,657)	-	59,648
Contingency	4,242	-	-	4,242	-	-	4,242
Resources - Asset Management Works	30,000	(21,507)	265	8,758	-	-	8,758
Resources - Other	5,000	5,513	2	10,515	(8,900)	18	1,633
Total Expenditure	449,835	19,268	14,113	483,216	(213,277)	8,712	278,651

### Appendix 4 – 2020/21 Revised Capital Budget

### Housing Revenue Account

Category	Programme/Workstream	Approved Budget 2020/21	Adjustments	Revised Budget 2020/21
		£000	£000	£000
	Pennywell	13,470	(6,974)	6,496
	North Sighthill	707	160	867
	Dumbryden	3,364	(2,464)	900
	Craigmillar Town Centre	3,105	(1,576)	1,529
	Coatfield Lane, Leith	565	(81)	484
	Silverlea Bingham Avenue and	104	242	346
	Parkview	4,657	(157)	4,500
New Homes Development	Fountainbridge	1,449	238	1,687
	Meadowbank	1,553	(1,383)	170
	Western Villages, Granton	3,105	(2,080)	1,025
	Powderhall Post-construction work/ early design development/Staff	1,035	(700)	335
	Costs	2,776	(349)	2,427
	Land Acquisitions	12,000	-	12,000
	Total	47,890	(15,124)	32,766
	Improvement to Tenants Homes	14,739	(10,479)	4,260
	External Fabric	17,298	(8,540)	8,758
Improvement to Council Homes and Estates	Health and Safety Improvement to Communal	4,590	(1,877)	2,713
	Areas Environmental, Place Making	4,080	(726)	3,354
	and Staff Costs	7,871	(2,753)	5,118
	Total	48,578	(24,375)	24,203
IRA	Total	96,468	(39,499)	56,969

# Agenda Item 7.9

# **Finance and Resources Committee**

## 10.00am, 27<sup>th</sup> August 2020

## **Workforce Insight and Controls - Annual Report**

Item number Executive/routine Executive Wards Council Commitments

#### 1. **Recommendations**

The Committee is recommended to:

- 1.1 To scrutinise the progress made to date and note the workforce trends over the period April 2019 to March 2020;
- 1.2 To refer this report to Governance, Risk and Best Value Committee as part of its work programme.

#### Stephen S. Moir

**Executive Director of Resources** 

Contact: Katy Miller, Head of Human Resources,

Human Resources Division, Resources Directorate

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Finance and Resources Committee - 27 August 2020

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## Workforce Dashboard

### 2. Executive Summary

- 2.1 This report provides a summary of workforce insights for the core and flexible (agency and overtime) workforce, absence, and transformation/redeployment for the 2019/20 financial year.
- 2.2 Core workforce full time equivalent (FTE) and basic salary costs continued to be significantly more stable in 2019/20, as they were in 2018/19 and, particularly when compared with 2017/18. In the 12-month period the cost of base salaries decreased by £1.5m, since the cost of new starters to the organisation was £4.9m less than the cost of organisational leavers.
- 2.3 Organisational reviews continued in 2019/20, with the impact of these on the overall workforce and costs in line with those in 2018/19 but were less pronounced than those in 2017/18.
- 2.4 The cost of the agency workforce decreased by £2.7m, and the cost of overtime increased by £0.5m when compared with the previous reporting period. Flexible workforce costs should be considered in the context of the overall reduction in the Local Government Employee workforce of 894 FTE since 2015 and an increasing trend of total days lost due to absence.
- 2.5 A newly created Wellbeing focus group developed a comprehensive Wellbeing Strategy and plan which was approved by Committee, focusing on physical, mental and financial wellbeing of colleagues. Additionally, a new Managing Absence policy, with accompanying guidance and training, was implemented in November 2019.
- 2.6 The organisation's monthly absence rates were marginally higher in 2019/20 when compared with the 2018/19 trend, with an ongoing trend of long-term absences related to mental health issues. The total working days lost to absence increased by around 2k days in 2019/20, and the 12-month rolling absence rate increased from 5.18% at 18/19 to 5.28% at 2019/20.

### 3. Background

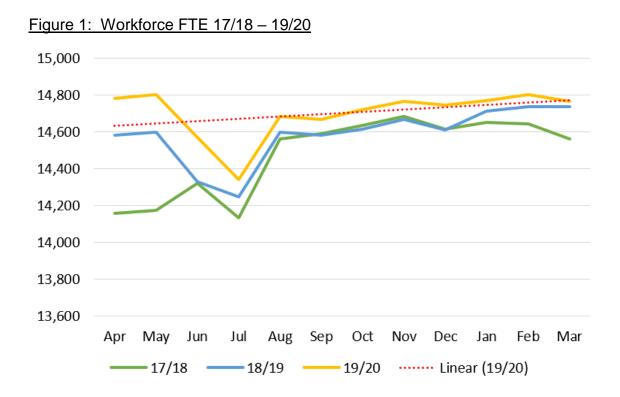
- 3.1 Workforce costs form the largest single element of the Council's revenue budget. The application of robust and effective workforce controls remains critical to achieving the savings set out in the Council's Change Strategy and as approved within the Council's Budget.
- 3.2 Since the last annual report to Committee, the Council has continued to provide enhanced visibility and insights via our regular Workforce Dashboard reports and expanded management information (MI).
- 3.3 A report on the development of a Workforce Controls framework was first reported to the Finance and Resources Committee on 19 March 2015, with subsequent annual reporting provided on 14 January 2016, 23 February 2017, 12 June 2018 and 23 May 2019.
- 3.4 To enable alignment with the financial year reporting, the annual cycle for this report has moved to cover the period April 2019 to March 2020.

#### 4. Main report

- 4.1 This report provides MI and analysis to show the current position and trends across five core areas of workforce controls. The reporting provides analysis at both the whole Council and individual Directorate levels. The analysis provides insight into:
  - Full Time Equivalent employee population (FTE) and trends;
  - Basic salary costs for the FTE employee population and trends;
  - FTE and basic salary costs of new starts and leavers;
  - Agency costs for primary, other, and off-contract suppliers and trends;
  - Overtime costs and trends;
  - Sickness absence rates, the reasons and costs of absence, and the impact of open ended long-term absence cases on organisation FTE.

#### **Core Workforce**

- 4.2 The organisation's FTE fluctuated during 2019/20, but the period April 2019 to March 2020 ended with a consistent FTE, with a small reduction of 18 FTE.
- 4.3 The normal seasonal variation in organisation FTE was observed (Figure 1), reflecting the reduced FTE requirement in the Schools and Lifelong Learning service over the summer recess (July/August) and new contractual arrangements in place at the start of the new school term (mid-August).
- 4.4 The decrease in organisational FTE is linked to the Local Government Employee population, where there was a decrease of 66 FTE. In the same period the Teaching population grew by 52 FTE. The balance of 2 FTE is made of other employee groups e.g. Craft Apprentice.



- 4.5 Directorate FTE trends for the 19/20 period are contained in Appendix 1. The change in Directorate FTE between April 2019 and March 2020 is shown in Figure 2.
- 4.6 The Communities and Families Directorate was the only one to experience a net increase in workforce FTE over the year. Whilst some services in the Communities and Families Directorate experienced a reduction in FTE (Children's Services reduced by 75 FTE), these reductions were offset by an increase of 227 FTE, in the Schools and Lifelong Learning service, giving a net increase of 150 FTE.
- 4.7 Reductions in FTE took place in the Edinburgh Health and Social Care Partnership, Place, Resources and Chief Executive's Directorates. Notable reductions in FTE were observed in the Health and Social Care Localities teams (down 41 FTE), this is normal turnover and also due to an ageing workforce with many leavers being retirals, and Customer and Digital Services in Resources (down 90 FTE) as a result of streamlining and digitalisation of services.
- 4.8 FTE change by employee group is captured in Figure 3 which shows that the LGE population reduced by 66 FTE and the Teaching population increased by 52 FTE over the 12-month period as a result of additional funding provided due to the government's requirement to increase early learning and childcare from 600 hours to 1140 hours per year for each child. Appendix 3 details the change in Local Government Employee FTE and basic salary costs between April 2019 and March 2020, including 2015, 2017 and 2018 figures for comparison.

4.9 In 2019/20 our basic salary costs decreased by £1.5m, from £444.3m to £442.5m (Figure 4). This compares with an increase of £10.1m in 18/19 from £402.8 to £412.9m. The £31.4m increase between Mar 19 and Apr 19 is due to two pay awards being applied to Local Government employees, Chief Officers and teachers, and the costs associated with contribution-based pay. A reduction in costs was observed over the summer months and is linked to reduced FTE in the Schools and Lifelong Learning Service during the summer recess.

Directorate	April 2019	March 2020	FTE Change
Chief Executive's including Strategy and Communications	154	144	-10
Communities and Families (C&F)	7823	7981	158
EH&SCP	2197	2117	-80
Place	2327	2322	-5
Resources	2254	2178	-76
Displaced	27	23	-4
Council Total	14782	14764	-18

Figure 2: Directorate FTE – April 2019 to March 2020

Figure 3 <sup>.</sup>	Workforce (	Groups FTF	- April 2019 to	March 2020
i igui o o.	110100			111011 2020

Category/ Group	April 2019	March 2020	FTE Change
Local Government Employee GR1-GR12 <i>including Craft</i>	10974	10908	-66
Chief Official	19	19	0
Craft Apprentice	21	19	-2
Teaching Total	3768	3820	52
Council Total	14782	14764	-18

- 4.10 Directorate base salary cost trends for the 2019/20 period are contained in Appendix 2. Base salary cost trends are in line with the FTE changes observed in Directorates over the same period.
- 4.11 Change in Directorate base salary costs between April 2019 and March 2020 is shown in Figure 5. There were cost reductions in the Edinburgh Health and Social Care, Place, Resources and Chief Executive's Directorates (total reduction of

 $\pounds$ 4.3m). The Communities and Families Directorate experienced an increase in basic salary costs in the same 12-month period (total increase of  $\pounds$ 3m). Basic salary cost variation is linked to increasing/decreasing Directorate FTE.

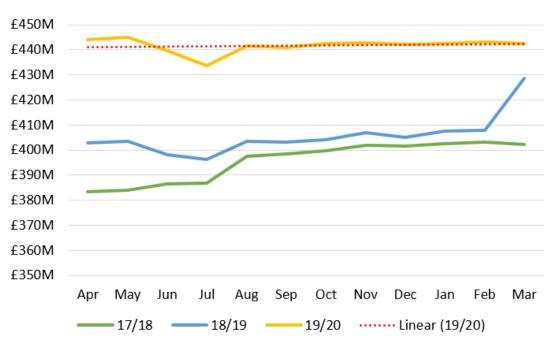


Figure 4: Workforce Basic Salary Cost 17/18 – 19/20

Figure 5: Directorate Basic Salary Costs - April 2019 to March 2020

Directorate	April 2019	March 2020	Cost Change
Chief Executive's including Strategy and Communications	£6.3M	£6.2M	- £0.1M
C&F	£260.4M	£263.4M	£3M
EH&SCP	£53.8M	£52.6M	- £1.2M
Place	£65.2M	£64.2M	-£1M
Resources	£57.2M	£55.2M	- £2M
Council Total	£444M	£442.5M	-£1.5M

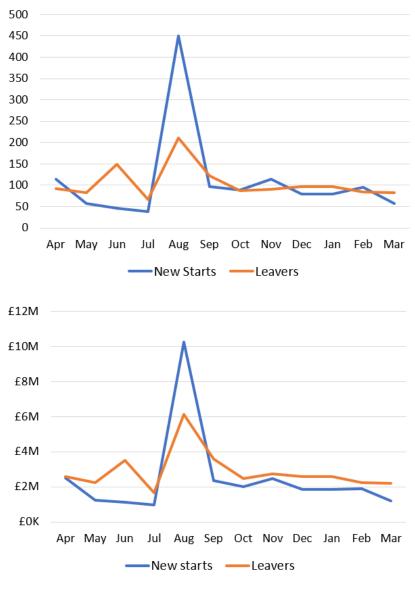


Figure 6: Workforce New Starts and Leavers 19/20

Directorate	New Starts	Leavers
Communities and Families	859	657
Health and Social Care Partnership	112	192
Place	172	176
Resources	160	213
Chief Executive's including Strategy		
and Communications	8	11
Council Total	1311	1249

- 4.12 A breakdown of new starts and leavers (FTE and basic salary costs) in each month and in total for the year by Directorate is shown in Figure 6. Over the year, there were 1311 new starts to the organisation and 1249 leavers, giving a net increase of 62 FTE from new starts.
- 4.13 Over the 12 months the total cost of organisation new starts was £29.7m and leavers was £34.5m, giving a net saving of £4.8m in this area. This means that the

cost of new employees joining the organisation was lower than the cost of those employees that left in 19/20.

- 4.14 In 2019/20, 73 employees left the Council (with total basic salary cost of £3.4m) as a result of VERA/VR arrangements linked to organisational reviews. This compares with 49 VERA/VR leavers (£2.4m) in 2018/19 and 102 (£3.3m) VERA/VR leavers in 17/18. VERA/VR leavers in the 19/20 period are included in the organisation leaver data referred to in this report (FTE and costs).
- 4.15 Figure 7 shows the total VERA/VR leavers over the year and the associated salary costs. The peak in VERA/VR leavers at September 2019 relates to an organisation review within Business Support services which was implemented in July 2019, thus allowing for notice periods the leaving date was September 2019.

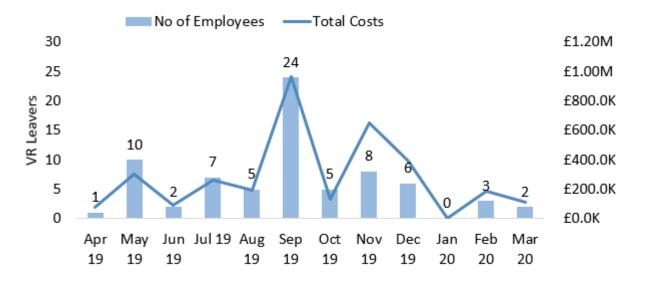


Figure 7: Organisation VERA/VR Leavers and Basic Salary Cost 19/20

#### Flexible Workforce (Agency and Overtime)

- 4.16 Our total agency spend for the year was £19.4m, with an average monthly cost of approx. £1.62m. This compares with a total spend of £22.1m in 18/19. Agency cost trends are shown in Figure 8.
- 4.17 Note that month on month agency cost fluctuation can be linked to the nature of the billing process and seasonable variations e.g. the festive period.
- 4.18 The average agency monthly workforce in 2019/20 was the equivalent of 556 fulltime employees. The primary and other contracted suppliers (£18m) accounted for 89% of all agency spend, with 8% (£1.5m) of the total spend attributable to offcontract suppliers.
- 4.19 The top 5 agency roles (by total spend) provided by the primary supplier (Pertemps) in 2019/20 are detailed in Figure 9. The top roles supplied by Pertemps relate to the delivery of the Waste and Cleansing service (Place Directorate), Customer and

Digital Services (Resources Directorate) and Social Care (Health and Social Care Partnership)

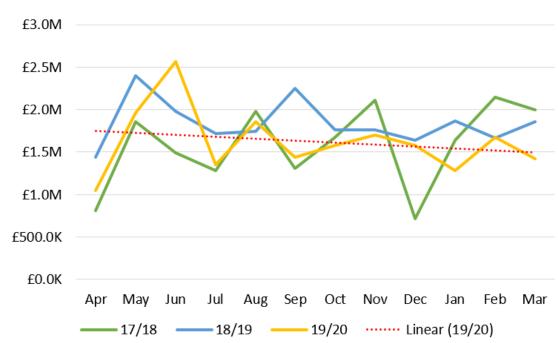
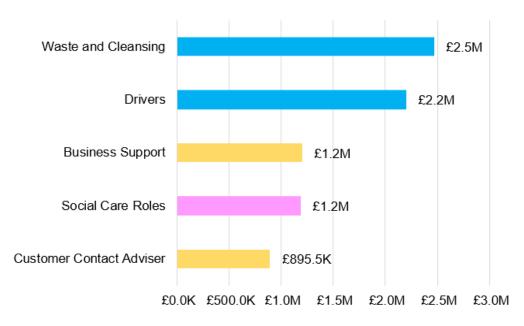


Figure 8: Agency Pay Bill 17/18 – 19/20

#### Figure 9: Top 5 Agency Roles 19/20 (Primary Contractor)



4.20 The total cost of overtime between April 2019 and March 2020 was £9.5m, compared with a spend of £9m in 2018/19. The average overtime monthly workforce in 2019/20 was the equivalent of 236 full-time employees.

4.21 Overtime cost trends are detailed in Figure 10 which shows similar seasonal variation in 2017/18, 2018/19 and 2019/20, related to the need for additional temporary workforce to provide services at key times during the year. A breakdown of Directorate overtime costs in 2019/20 is contained in Figure 11 which demonstrates that around 47% of the total overtime spend was in the Place Directorate.

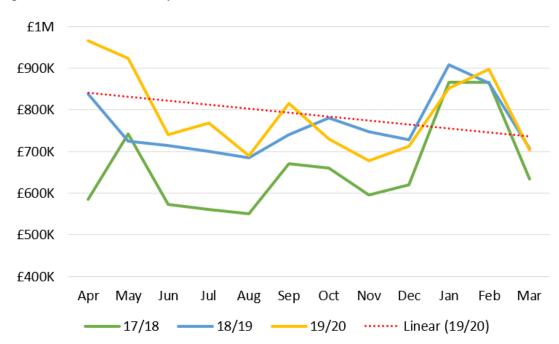
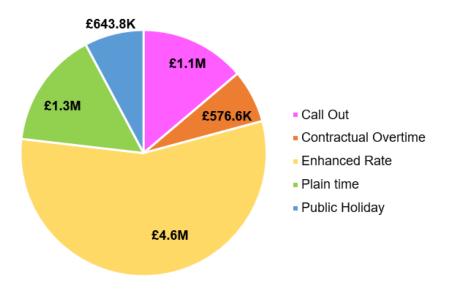


Figure 10: Overtime Pay Bill 17/18 – 19/20

Directorate	18/19	19/20	Change in overtime cost
Chief Executive's including Strategy and Communications	£18K	£15K	- £3K
Communities and Families	£1.5M	£1.9M	£400K
Health and Social Care Partnership	£1.3M	£1.2M	- £100K
Place	£4.3M	£4.5M	£200K
Resources	£1.8M	£1.8M	£0K

4.22 A breakdown of overtime cost by overtime type for 2019/20 is detailed in Figure 12. This shows that 56% of the spend was linked to payment of overtime hours worked at the enhanced rate, 15% related to hours worked at plain time, 14% related to "call-out" overtime hours, 8% of the total cost was linked to public holiday working, and 7% was attributable to contractual overtime.

#### Figure 12: Breakdown of Overtime Costs by Type 2019/20



4.23 Effective strategic workforce planning and review is ongoing to establish approaches that allow the organisation to deliver services using the core workforce/establishment, with a reduced dependency on overtime and agency working to achieve the delivery of key services. This is even more so given the current Covid-19 pandemic. The organisation has put in place an Adaptation and Renewal programme with several workstreams, one of them incorporating effective workforce planning.

#### 12-Month Rolling Absence

- 4.24 Over the 12-month period the organisation lost a total of 170k working days to absence, the equivalent of 756 FTE, with a notional cost of approx. £22.7m. The rolling absence rate for the 12-month period was 5.28%. This compares with 168k working days lost to absence in 2018/19 and a rolling absence rate of 5.18% (Figure 13).
- 4.25 An update to the Managing Absence policy was put in place September 2019 with more focus on wellbeing conversations and the removal of a link between pay steps and absence. There will be regular evaluation and monitoring of the new policy and any new trends emerging.

18/19		19	/20	Change in	Change in	
Rolling Absence Rate	Absence Working		Rolling Total Absence Working Rate Days Lost		Total Working Days Lost	
5.18%	168K	5.28%	170.0K	0.1%	2K	

4.26 Directorate 12-month rolling absence rates and total working days lost to absence in 2018/19 and 2019/20 are shown in Figure 14. There were no reductions in the annual rolling absence rate observed in any Directorates between 1208/19 and 2019/20.

Figure 14: Directorate 12-Month Rolling Absence 2018/19 and 2019/20

	18/	/19	19	/20	Change in	Change in Total Working Days Lost	
	Rolling Absence Rate	Total Working Days Lost	Rolling Absence Rate	Total Working Days Lost	Rolling Absence Rate		
Chief Executive's including Strategy and Communications	1.33%	0.44K	2.08%	0.67K	0.23%	0.23K	
C&F	3.76%	64.5K	4.01%	71.5K	0.25%	7K	
EH&SCP	8.51%	41.6K	8.92%	42.6K	0.41%	1K	
Place	6.37%	32.6K	6.47%	33.7K	0.1%	1.1K	
Resources	5.72%	28.3K	6.01%	29.2K	0.29%	0.9K	

#### Monthly Absence

4.27 The organisation's monthly absence trend for 2019/20 is almost identical to that observed in 2018/19, although the month on month absence rate and total working days lost to absence has been marginally higher in 2019/20. The normal annual trend was experienced, with a reduction in the absence rate over the summer months (Figure 15).

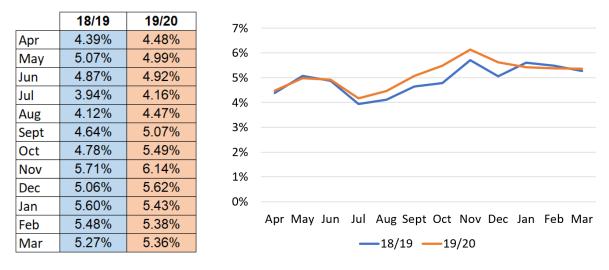


Figure 15: Council Monthly Absence 2018/19 and 2019/20

4.28 Directorate/Divisional monthly absence rates between April 2019 and March 2020 are detailed in Figure 16.

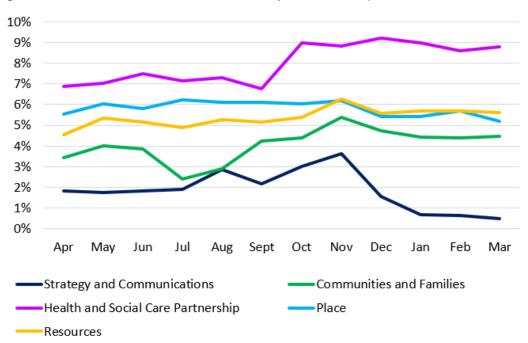


Figure 16: Directorate/Divisional Monthly Absence April 2019 and March 2020

#### **Absence Reasons**

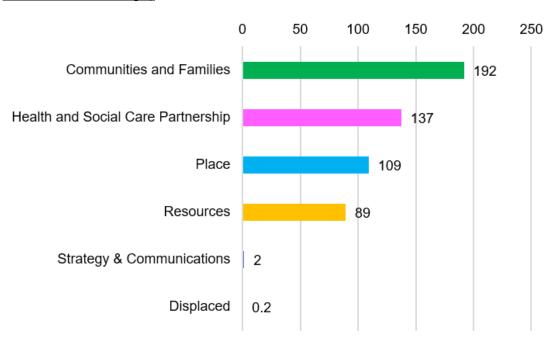
4.29 Around 67% of all working days lost to absence related to long-term absence and the remaining 33% were linked to short-term absence. The top 5 reasons for absence are shown in Figure 17.

- 4.30 The top 5 reasons for long term absence were stress, depression, and mental ill-health (44%), musculo-skeletal issues (25%), Stomach, liver, kidney and digestion (6%), cancer/associated issues (5%) and neurological (4%).
- 4.31 The top 5 reasons for short-term absence were infections (27%), stomach/liver/digestion issues (17%), stress, depression, and mental ill-health (16%), musculo-skeletal issues (15%) and allergies (6%).
- 4.32 Long term and short-term absence top 5 reasons are broadly the same as in 18/19 period.
- 4.33 Additional workforce costs for agency and overtime should be considered in the context of current absence levels and the level of permanent workforce FTE impacted by ongoing long-term absence. On average for 2019/20 there were 465 employees (380 FTE) with ongoing long-term absence. 2019/20 Directorate FTE lost to ongoing long-term absence cases is highlighted in Figure 18.

#### Neurological, 4% Cancer etc. 5% Allergies, 6% Stomach, liver etc, 6% Musculo-Infections, 27% skeletal, 15% Long Short Term Mental Health, Term Absence 44% Absence Musculoskeletal, 25% Mental Health 16% Stomach, liver etc, 17%

#### Figure 17: Top 5 Absence Reasons 2019/20 (Long-Term and Short-Term Absence)

#### Figure 18: Directorate/Division FTE Lost to Ongoing Long-Term Absence (April 2019 – March 2020 average)



### 5. Next Steps

5.1 To continue to monitor appropriate workforce data to evidence that the Council is on track to achieve targeted workforce controls and budget savings and to focus further actions for improvement.

#### 6. Financial impact

- 6.1 The achievement of agreed £42.3m savings through voluntary redundancy.
- 6.2 Salary costs for employees on redeployment (particularly those not redeployed).
- 6.3 Opportunity cost of lost working time due to sickness absence.
- 6.4 Agency, Overtime/Additional Hours expenditure.

#### 7. Stakeholder/Community Impact

7.1 Stakeholder consultation and engagement, including senior management teams, Trade Unions and elected members, is ongoing.

### 8. Background reading/external references

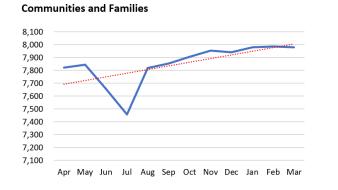
8.1 Annual Workforce Controls Report to Finance and Resources Committee on 23 May 2019.

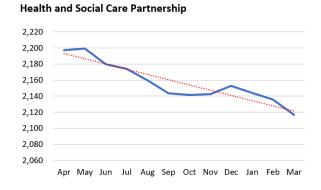
### 9. Appendices

Appendix 1: Directorate FTE Trends 2019/20

- Appendix 2: Directorate Salary Pay Bill Trends 2019/20
- Appendix 3: Local Government Employee FTE and Basic Salary Costs, 2015 2020

#### Appendix 1: Directorate FTE Trends 19/20



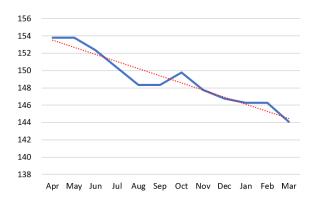




Resources

#### 2,280 2,260 2,240 2,220 2,180 2,160 2,140 2,120 2,100 Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

#### **Strategy and Communications**



#### Appendix 2: Directorate Salary Pay Bill Trends 19/20

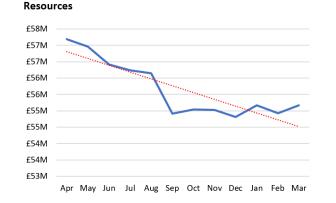
#### **Communities and Families**



#### Health and Social Care Partnership







#### **Strategy and Communications**



												April 19 to	March 20
Category/ Group	Grade	June 2015		June 2017		June	June 2018		Apr 2019		March 2020		Change in
		FTE	Basic Salary Cost	FTE	Basic Salary Cost	FTE	Basic Salary Cost	FTE	Basic Salary Cost	FTE	Basic Salary Cost	Change in LGE FTE	LGE Basic Salary Cost
Front Line Staff	GR1	624	£8.1M	638	£8.4M	595	£8.1M	580	£8.4M	245	£3.5M	-336	-£4.9M
	GR2	244	£3.4M	198	£2.9M	170	£2.5M	171	£2.7M	493	£7.4M	322	£4.7N
	GR3	2374	£38.2M	2124	£34.9M	2089	£35.1M	2056	£36.5M	2118	£37.2M	62	£0.7N
	GR4	2479	£45.8M	2567	£48.1M	2444	£46.8M	2586	£52.8M	2474	£50.4M	-112	-£2.4N
Front Line Manager/ Specialist	GR5	1808	£40.6M	1563	£35.2M	1545	£35.3M	1638	£39.8M	1684	£40.4M	46	£0.7N
	GR6	1421	£37.1M	1337	£35.9M	1397	£38.0M	1453	£42.1M	1431	£41.3M	-22	-£0.8N
	GR7	1520	£48.0M	1296	£42.1M	1294	£42.4M	1306	£45.7M	1275	£44.3M	-31	-£1.4N
•	GR8	776	£29.2M	652	£25.1M	689	£26.7M	697	£28.9M	708	£29.1M	11	£0.2N
Managers	GR9	359	£15.9M	280	£12.9M	281	£13.0M	286	£14.2M	283	£13.9M	-3	-£0.3N
	GR10	118	£6.3M	123	£6.5M	117	£6.4M	120	£7.0M	127	£7.4M	7	£0.3N
	GR11	47	£3.0M	36	£2.3M	36	£2.4M	39	£2.8M	31	£2.2M	-8	-£0.6N
	GR12	31	£2.2M	33	£2.4M	38	£2.8M	41	£3.3M	39	£3.1M	-2	-£0.1N
	Total	11801	£277.8M	10849	£256.8M	10694	£259.4M	10974	£284.1M	10908	£280.2M	-66	-£3.9N

### Appendix 3: Local Government Employee FTE and Basic Salary Costs, 2015 - 2020

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# Agenda Item 7.10

# **Finance and Resources Committee**

## 10.00am, Thursday 27 August 2020

### Workforce Dashboard – June 2020

Item number Executive/Routine Executive Wards Council Commitments

#### 1. Recommendations

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

#### Stephen S. Moir

#### **Executive Director of Resources**

Contact: Katy Miller, Head of Human Resources, Human Resources Division, Resources Directorate E-mail: <u>katy.miller@edinburgh.gov.uk</u> | Tel: 0131 469 5522



Report

### Workforce Dashboard

#### 2. Executive Summary

2.1 This report provides a summary of workforce metrics for the core and flexible workforce, absence, transformation/redeployment, risk, and performance, as detailed on the Finance and Resources Committee Workforce Dashboard, for the period of June 2020.

#### 3. Background

3.1 The dashboard reporting period is June 2020. Comparison is made to the previous dashboard reporting period, February 2020.

#### 4. Main report

- 4.1 The attached dashboard (Appendix 1) provides workforce information on:
  - the number of Full Time Equivalent (FTE) staff employed by the Council, the type of contract they are employed through and the turnover of new starts and leavers;
  - trends on absence rates, including the top five reasons for short and long-term absence;
  - the cost of the pay bill, including the cost associated with new starters and leavers;
  - insight relating to our performance framework (launched April 2017) including the percentage of annual conversations carried out.
  - the number of VERA/VR leavers and associated cumulative budget savings; and
  - the number of redeployees and associated costs.
  - Learning and Development digital and face to face satisfaction rates and event numbers.

#### **Core Workforce**

- 4.2 All Figures referred to are contained in Appendix 3.
- 4.3 Our core workforce decreased this period by 224 FTE to 14,579 FTE, and the basic salary pay bill increased by £11m to £454m. Workforce FTE and pay bill trends are shown in **Figures 1 and 2**. This notable increase is due to the April pay award and Contribution Based Pay progression.
- 4.4 **Figure 3** shows the change in FTE for the Local Government Employee (LGE), Teaching, Chief Official and Craft Apprentice groups between February 2020 and June 2020. The LGE group decreased by 158 FTE and the Teaching group increased by 66 FTE in the period.
- 4.5 **Figure 4** shows the change in Directorate FTE between February 2020 and June 2020. There was a notable decrease in FTE (down 182 FTE) in the Communities and Families Directorate.
- 4.6 Permanent contracts decreased by 52 FTE, Fixed Term Contracts (FTCs) decreased by 136 FTE, acting up and secondment decreased by 33 FTE and apprentice/trainee contracts decreased by 3 FTE.
- 4.7 The annual cost of permanent contracts increased by £13.4m and FTCs decreased by £2.3m. The cost of acting up and secondment arrangements decreased by £100K, and the cost of apprentices/trainees decreased by £22K. The notable increase of permanent contracts is due to the April pay award and Contribution Based Pay progression.
- 4.8 The cost of organisation new starts was £756k and the cost of leavers was £2m.
- 4.9 The spend on Working Time Payments (WTPs) increased by £15K to £740K.
- 4.10 **Figure 5** shows longer term Local Government Employee workforce change, between June 2015 and June 2020 (i.e. before and after Transformation).

#### **Flexible Workforce**

- 4.11 In the period, this workforce was equivalent to approximately 1,095 FTE. The associated costs for this period remained the same at £3m. (**Figure 6**).
- 4.12 The spend on the agency workforce decreased by £0.2m and cost the organisation £1.5m in the period. Of the total spend, 88% is attributable to the primary and secondary agency suppliers, whilst 12% relates to off-contract spend. The agency workforce this period was the equivalent of 505 FTE, with an average monthly workforce of 529 FTE (12-month average).
- 4.13 The agency cost trend is shown in **Figure 7**. Note that month on month agency cost fluctuation can be linked to the nature of the billing process.
- 4.14 The casual/supply workforce spend increased by £457K this period to £850K, due to the implementation of the Cosla agreement in relation to these workers. The casual/supply workforce this period was the equivalent of 408 FTE, with an average

monthly workforce of 242 FTE (12-month average). The casual/supply cost trend is shown in **Figure 8**.

4.15 The total cost of overtime this period was £635K, down £262K since the previous period. A breakdown of the spend by overtime "type" is detailed in Figures 9 and 10. Around 48% of the spend was made at the enhanced overtime rate, 16% was paid at the public holiday rate, 10% was paid at plain time, and 16% related to call-out hours. The overtime/additional hours worked this period was the equivalent of 182 FTE, with an average monthly workforce of 225 FTE (12-month average, callout hours excluded from FTE reporting). The overtime cost trend is shown in Figure 11.

#### **Displaced Workforce**

- 4.16 The total number of employees on the redeployment register remains the same as last period.
- 4.17 Of the 29 employees currently displaced; 20 have been temporarily redeployed and 9 are not currently redeployed into a temporary solution but are carrying out meaningful work in their former service area.
- 4.18 12.6 FTE of the corporately funded FTE have been on the redeployment register for longer than 12 months, 3.0 for between 6 and 12 months and 3.0 FTE for less than 6 months.
- 4.19 As at July 2020, £583,164 of salary costs have been saved from redeployment costs as a result of colleagues securing alternative employment within or outwith the organisation.

#### Absence

- 4.20 In the period the monthly absence rate (reflecting days lost to absence in June 2020) decreased from 5.38% (February 2020) to 2.72% (see Figures 12, 13 and 14). These figures exclude COVID related absence.
- 4.21 The rolling absence rate for the organisation for the 18/19 year was 5.18%, reflecting 168K working days lost to absence in the period (approx. 748 FTE) (see Figures 15 and 16). The rolling absence rate for the organisation for the 19/20 year was 5.28%, reflecting 170K working days lost to absence in the period (approx. 756 FTE). Comparison of the 18/19 and 19/20 rolling rate demonstrates an overall increase in organisation absence in the last 12 months.

#### Learning and Development

#### Utilisation

4.22 With the suspension of most face-to-face learning events during the COVID-19 period, the utilisation rate this month reflects the relatively small number of training sessions run at Waverley Court for front line care workers in medications, manual handling and hoisting and the Child Protection training sessions facilitated virtually over Microsoft Teams. (**Appendix 1**)

#### **Digital Learning**

- 4.23 Engagement with digital learning has increased significantly during this period. It's encouraging that satisfaction rates for our most recent digital modules are positive. There were 11,486 unique launches of digital learning modules in the period. 80% of these were on CECiL and 20% on LearnPro. 23% of modules evaluated were rated as excellent and 57% as good (Appendix 1). This is a 7% increase in the excellent rating compared with the previous period.
- 4.24 New digital modules have been designed and curated to support essential learning topics for employees working in care roles. A suite of digital learning resources for Probationer Teachers has also been designed, working in partnership with colleagues from Schools and Lifelong Learning.
- 4.25 We have the ongoing challenge that not all front line colleagues have ease of access to IT equipment to undertake digital learning.

#### 5. Next Steps

5.1 To continue to monitor appropriate workforce data to evidence that the Council is on track to achieve targeted workforce controls and budget savings.

#### 6. Financial impact

- 6.1 The achievement of agreed £38.9m savings through voluntary redundancy.
- 6.2 Salary costs for employees on redeployment (particularly those not redeployed).
- 6.3 Opportunity cost of lost working time due to sickness absence.
- 6.4 Agency, Overtime/Additional Hours expenditure.

#### 7. Stakeholder/Community Impact

7.1 Stakeholder consultation and engagement, including senior management teams, Trade Unions and elected members, is ongoing.

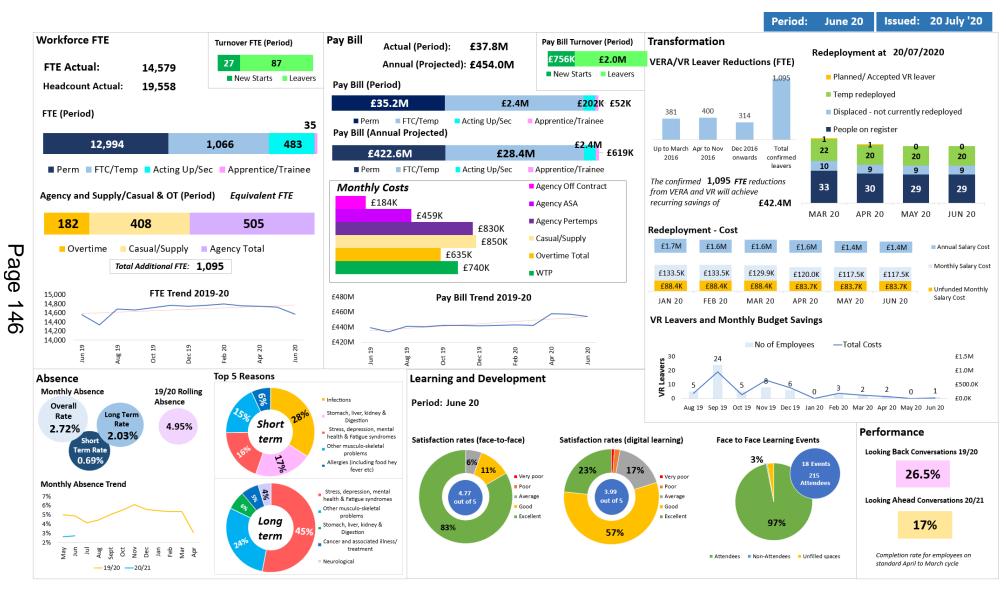
#### 8. Background reading/external references

8.1 Workforce Control Report and Dashboard to Finance and Resources Committee on 21 May 2020.

#### 9. Appendices

- Appendix 1: Finance and Resources Committee Workforce Dashboard
- Appendix 2: Finance and Resources Committee Workforce Dashboard Glossary
- Appendix 3: Workforce Management Information and Trends
- Appendix 4: Case Management statistics

#### Appendix 1: Finance and Resources Committee Workforce Dashboard





#### Appendix 2: Finance and Resources Committee Workforce Dashboard

#### Workforce FTE

Sum of FTE for all staff on CEC payroll FTE Actual:

Count of total contracts/positions is not reported here

Headcount Total number of individual employees on CEC payroll

#### FTE (Period)

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

#### Additional FTE\* (Period)

Actual:

Breakdown of additional working hours utilisation for overtime represented as equivalent FTE. Agency cost and supply/casual cost converted to notional FTE value using average annual salary cost of £35/£25K per FTF

Overtime - actual units of time claimed/paid for additional hours (excludes call-out OT hours) at last transaction date. Data extracted at week 1 to capture late payments.

Agency - cost of weekly invoicing from Pertemps, ASA and off-contract agencies for the last month. Data extracted after last weekly payroll in preceding month.

Casual/supply - cost of hours claimed at last transaction date. Data extracted at week 1 to capture late payments.

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

#### Turnover FTE (Period)

S&I dashboard process.

Archive data from previous S&I dashboard process.

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

Trend data - archive data from previous

#### Absence

FTE Trend

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

Data extracted at week 1 to capture late

#### Pay Bill

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

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

#### Pay Bill (Period)

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

#### Pay Bill (Annual Projected)

Breakdown of basic pay by contract type for all staff on CEC payroll\*12. Same reporting conditions as for FTE.

For trends analysis it should be noted that workforce FTE/cost vs new start/leaver FTE/cost will never match exactly due to the "internal churn" of the existing staff population, e.g. changes to working hours, additional contracts).

#### Monthly Costs

Performance

#### Pay Bill Turnover (Period)

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

#### Pav Bill Trend

Archive data from previous S&I dashboard process.

#### **Looking Back Conversations**

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

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

Looking Ahead Conversations

target month for completion has passed.

Total number of conversations where target date for completion

has been reached (last day of preceding month). Data extracted

at week 1 to capture late input. Different service areas have

into scope for completion analysis until the last day of their

varying rolling dates for completion of GR1-4. Staff do not fall

VERA/VR Leaver Reductions (FTE)

Transformation

Data from Finance at week 4 of month.

#### **Redeployment - People**

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

#### **Redeployment - Cost**

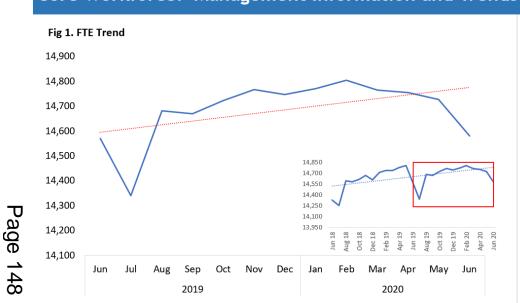
Pro-rated basic salary data for staff on redeployment register.

#### VR Leavers and Cumulative Budget Savings

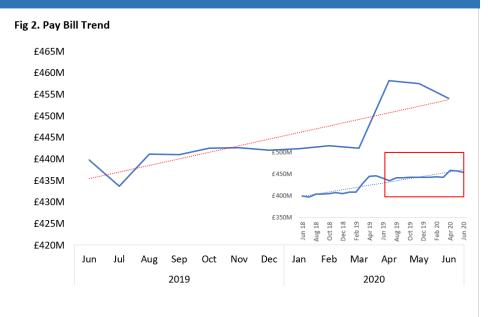
Data from Finance at week 4 of month.



υ



#### Appendix 3: Workforce Management Information and Trends



## Core Workforce: Management Information and Trends

#### Fig. 3 Core Workforce Groups

hange in	Change in	June 2020		ry 2020	Februa	
eadcount	FTE	Headcount	FTE	Headcount	FTE	Category/ Group
-125	-158	13636	10783	13761	10941	Local Government Employee GR1- GR12 including Craft
0	0	19	19	19	19	Chief Official
0	0	19	19	19	19	Craft Apprentice
-24	-66	4767	3759	4791	3825	Teaching Total
-	-66 -224					

#### Fig. 4 Core Workforce FTE by Directorate

	Februa	ry 2020	June 2020		Change in	Change in
Directorate	FTE	Headcount	FTE	Headcount	FTE	Headcount
Strategy & Comms	147	159	142	155	-5	-4
C&F	7988	10391	7807	10290	-182	-101
EH&SCP	2136	2443	2129	2434	-7	-9
Place	2331	2761	2315	2737	-16	-24
Resources	2176	2810	2162	2800	-14	-10
Displaced	24	25	23	23	-1	-2
Council Total	14804	18590	14579	18439	-226	-151

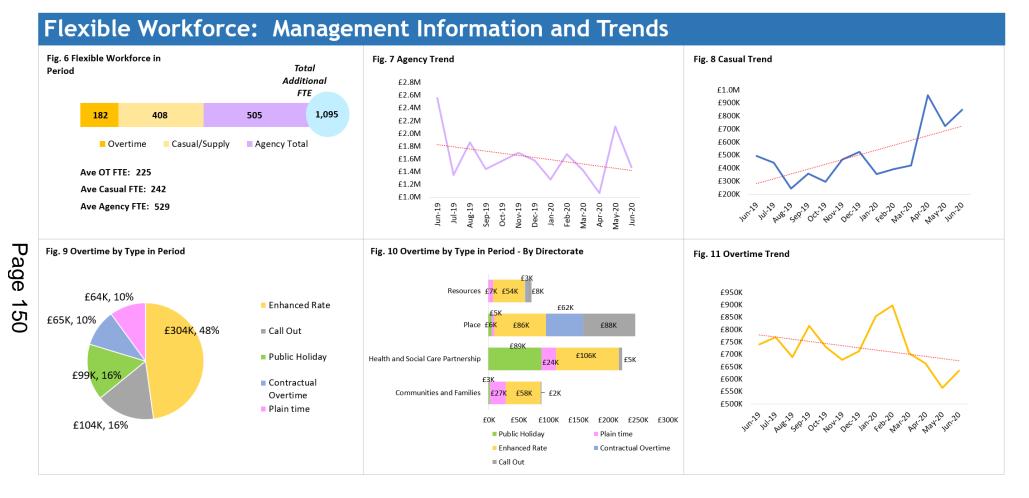
#### Appendix 3: Workforce Management Information and Trends (continued)

## Core Workforce: Management Information and Trends

#### Fig 5. Local Government Employee Workforce Change June 2015 to Current Period

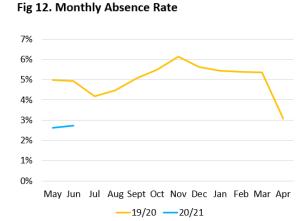
												June 15	to June 20
	June	June	2015 June 2		2017	June 2018		June 2019		June 2020			Change in
Category/ Group	Grade	FTE	Basic Salary Cost	FTE	Basic Salary Cost	FTE	Basic Salary Cost	FTE	Basic Salary Cost	FTE	Basic Salary Cost	Change in LGE FTE	LGE Basic Salary Cost
	GR1	624	£8.1M	638	£8.4M	595	£8.1M	576	£8.3M	240	£3.6M	-384	-£4.5M
Front Line	GR2	244	£3.4M	198	£2.9M	170	£2.5M	167	£2.6M	496	£7.8M	251	£4.4M
Staff	GR3	2374	£38.2M	2124	£34.9M	2089	£35.1M	1965	£34.9M	2038	£37.3M	-336	-£0.9M
	GR4	2479	£45.8M	2567	£48.1M	2444	£46.8M	2549	£52.0M	2445	£51.8M	-33	£5.9M
	GR5	1808	£40.6M	1563	£35.2M	1545	£35.3M	1634	£39.6M	1674	£41.9M	-135	£1.3M
Front Line Manager/	GR6	1421	£37.1M	1337	£35.9M	1397	£38.0M	1444	£41.8M	1402	£42.2M	-19	£5.0M
Specialist	GR7	1520	£48.0M	1296	£42.1M	1294	£42.4M	1294	£45.2M	1300	£46.8M	-220	-£1.2M
•	GR8	776	£29.2M	652	£25.1M	<mark>689</mark>	£26.7M	700	£29.0M	711	£30.3M	-66	£1.1M
	GR9	359	£15.9M	280	£12.9M	281	£13.0M	279	£13.9M	276	£14.2M	-82	-£1.7M
Managara	GR10	118	£6.3M	123	£6.5M	117	£6.4M	120	£7.0M	127	£7.7M	9	£1.3M
Managers	GR11	47	£3.0M	36	£2.3M	36	£2.4M	38	£2.7M	33	£2.4M	-13	-£0.5M
	GR12	31	£2.2M	33	£2.4M	38	£2.8M	42	£3.3M	40	£3.3M	9	£1.1M
	Total	11801	£277.8M	10849	£256.8M	10694	£259.4M	10808	£280.5M	10782	£289.2M	-1019	£11.4M

#### Appendix 3: Workforce Management Information and Trends (continued)



#### Appendix 3: Workforce Management Information and Trends (continued)

## Core Workforce: Management Information and Trends



0	,					
	Working Days Lost					
	19/20	20/21				
May	13,862	7,236				
Jun	13,139	7,222				
Jul	11,395					
Aug	12,275					
Sept	13,821					
Oct	15,101					
Nov	16,373					
Dec	15,524					
Jan	15,008					
Feb	13,938					
Mar	14,854					
Apr	8,570					

Days Lost

18/19

0.4K

65K

42K

33K

28K

Rate 19/20

1.92%

4.05%

8.48%

6.10%

5.55%

Days Lost

19/20

0.6K

66K

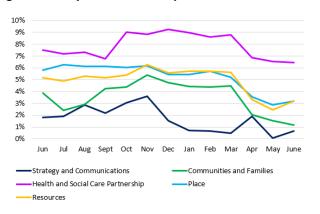
42K

32K

28K

Fig 13. Monthly Days Lost

Fig 14. Monthly Absence Rate 19/20 - Directorates



#### Fig 15. Rolling Absence Rate

Fig 16. Rolling Absence - Directorates

Rate 18/19

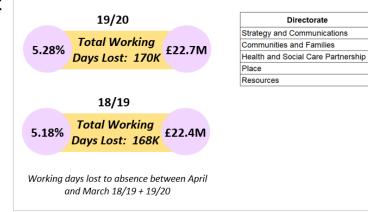
1.33%

3.76%

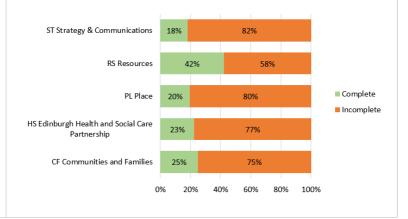
8.51%

6.37%

5.72%



#### Fig 17. Looking Back 19/20 Conversation Completion July 20



#### Appendix 4: Case Management statistics

#### CASES

Case type/Directorate	No. of open cases
Communities and Families	104
Case: Absence	41
Case: Avoidance of Bullying & Harassment	2
Case: Disciplinary	48
Case: Grievance (LGE)	4
Case: Grievance (Teaching)	4
Case: Performance improvement	5
Edinburgh Health & Social Care Partnership	73
Case: Absence	31
Case: Avoidance of Bullying & Harassment	2
Case: Disciplinary	40
Place	45
Case: Absence	25
Case: Disciplinary	17
Case: Grievance (LGE)	2
Case: Performance improvement	1
Resources	84
Case: Absence	33
Case: Avoidance of Bullying & Harassment	1
Case: Disciplinary	30
Case: Grievance (LGE)	18
Case: Performance improvement	2
Strategy & Communications	1
Case: Absence	1
Grand Total	307

Directorate	No. of open cases
Communities and Families	104
Edinburgh Health & Social Care Partnership	73
Place	45
Resources	84
Strategy & Communications	1
Total	307

#### SUSPENSIONS

Directorate	No. of open suspensions
Communities and Families	7
Edinburgh Health and Social Care Partnership	8
Place	7
Resources	1
Total	23

#### Alternative Duties (Instead of Suspension)

Directorate	No.
Communities and Families	2
Edinburgh Health and Social Care Partnership	6
Total	8

# Agenda Item 7.11

# **Finance and Resources Committee**

## 10.00am, Thursday, 27 August 2020

# Contract Extension for Stair Cleaning services to Domestic Properties 2016-2020

Executive/routine	Routine
Wards	All
Council Commitments	

#### 1. Recommendations

1.1 Committee is asked to approve an extension to the ISS Facility Services Limited contract for provision of stair cleaning services, via a waiver of Contract Standing Orders (CSOs). This extension would be for a period of six months, until 30 April 2021, allowing time for the procurement process to be finalised and a new contract put in place.

**Paul Lawrence** 

**Executive Director of Place** 

Contact: Elaine Scott, Housing Services Manager

E-mail: Elaine.scott@edinburgh.gov.uk | Tel: 0131 529 2277



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Report

# Contract Extension for Stair Cleaning services to Domestic Properties 2016-2020

#### 2. Executive Summary

2.1 This report provides an update on the procurement process relating to a new stair cleaning contract and seeks approval to extend the current contract, via a waiver of CSOs, with ISS Facility Services Limited for a six month period from 1 November 2020 to 30 April 2021. The value of this waiver would be in the region of £500,000.

#### 3. Background

- 3.1 The stair cleaning contract with ISS UK Ltd provides regular cleaning of common stairs in around 2,500 wholly Council owned, mixed tenure tenement blocks, located across the four localities, and a further 496 wholly privately-owned stairs.
- 3.2 The service is paid for through the Housing Revenue Account (HRA) with tenants paying a service charge for this along with their rent. Owners are billed separately where they opt in to the service.
- 3.3 The contract contributes to the maintenance of standards within localities and provides a rapid response to emergency health and safety issues. This element of the service has been particularly important during the current Covid-19 pandemic, where the contractor continued to provide a response to emergency cleaning of hazardous/fire risk materials and bodily fluids. In addition, a revised cleaning service, including a focus on communal touch points in sheltered housing, was implemented as a priority during lockdown to help to ensure the safety of some of the city's most vulnerable residents.
- 3.4 The current contract ends on 31 October 2020. The procurement process which was underway is now being revised to take account of changes to the specification and related contract requirements due to the Covid-19 pandemic and to review the best route to market for the new contract, taking account of potential supplier capacity.

## 4. Main report

- 4.1 The <u>current contract</u> commenced on 1 November 2016 for an initial period of two years with the option to extend for up to a further 24 months. The extensions in the original contract terms end on 31 October 2020. Approval of a six-month extension, via waiver of CSOs, to the current contract with ISS Facility Services up to 30 April 2021 is sought from Committee to ensure the essential cleaning services are maintained.
- 4.2 The tender process is underway, and the extension is being sought to ensure the new stair cleaning contract meets all future requirements for the service. The extension to the existing contract is required to allow the additional time to:
  - 4.2.1 review and update the specification to take account of any Covid-19 requirements, and learning from delivery of the service during the pandemic;
  - 4.2.2 update analysis of current marketplace capacity and capability; and
  - 4.2.3 complete the tender process and manage the transition to the new contract.
- 4.3 If this extension is approved, the new contract would be implemented from 1 May 2021.
- 4.4 The feasibility of aligning stair cleaning within a future estate management model is also being taken forward through the agreed Housing Service Improvement Plan, to significantly improve customer satisfaction and operating performance, as well as reducing costs. The estates management work is at an early stage and a contracted stair cleaning service is still required in the interim to maintain the cleaning standard in stairs and ensure there is a responsive service for any potential health and safety concerns.

#### 5. Next Steps

- 5.1 If Committee approves this extension, the contract with ISS Facility Services Limited will be extended to 30 April 2021.
- 5.2 The tender process will be completed soonest practicable building in the additional Covid-19 related requirements and lessons learned as applicable, and, subject to Committee approval, the new contract will be in place from 1 May 2021.

#### 6. Financial impact

- 6.1 The contract is funded through the HRA but tenants pay a charge for the service as part of the overall rent charge for their home. The current annual charge to tenants and owners in mixed tenure stairs for a weekly clean is £105.12 per property.
- 6.2 The estimated value of extending the contract with ISS Facility Services Limited for a further six months is £0.5m.

6.3 Agreeing an extension will allow further time to ensure a continuing value for money approach for tenants and completing a further assessment of the current contract element that covers wholly owned private stairs.

#### 7. Stakeholder/Community Impact

- 7.1 Contract monitoring for the stair cleaning service is managed through a Stair Cleaning Management Board (SCMB). The SCMB, which includes representation from the Edinburgh Tenants Federation (ETF), has the overall responsibility for monitoring the delivery of the stair cleaning service to the standards set out in the contract. Performance standards set in the contract are also monitored through regular meetings with the contractor. The required performance standards have been met in the operation of the current contract.
- 7.2 The SCMB members have contributed to discussions on the future approach to the service. Some initial work on scoping a new specification was also carried out through a series of focus groups held with tenants and other service users. The extension would allow for emerging priorities due to the current Covid-19 pandemic to be taken into account in the contract specification.
- 7.3 Contract Standing Order 9 provides an option for the Council to waive the CSOs where the requirement is in the Council's best interest having regard to Best Value, risk, the general principles of procurement and the impact upon service users. It is assessed that the recommendation to extend the current contract will satisfy these requirements.
- 7.4 There is a risk of procurement challenge by suppliers who could undertake these works if competitively tendered, however, the risk is deemed to be low given the short timescales associated with this extension and the intention for these services to be fully tendered in the near future.

## 8. Background reading/external references

8.1 None.

## 9. Appendices

9.1 None.

# Agenda Item 7.12

# **Finance and Resources Committee**

## 10.00am, Thursday, 27 August 2020

# Home Energy Efficiency Programme – Enabling Support

Executive/Routine	Executive
Wards	All
Council Commitments	

#### 1. Recommendations

- 1.1. It is recommended that Finance and Resources Committee:
  - 1.1.1 Notes the funding allocation of £3,579,954 for the Home Energy Efficiency Programme Scotland: Area Based Scheme (HEEPS:ABS);
  - 1.1.2 Agrees to award £407,000 from this funding to Changeworks Resources for Life Ltd (Changeworks) through a waiver of the Council's Contract Standing Orders to enable delivery of the 2020/21 scheme in Edinburgh;
  - 1.1.3 Agrees that this award can be added to the existing Service Level Agreement (SLA) between the Council and Changeworks for supporting delivery of housing energy projects in the city; and
  - 1.1.4 notes that a full procurement exercise will shortly be commenced to appoint a new Energy Projects Delivery Partner in early 2021.

**Paul Lawrence** 

**Executive Director of Place** 

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# **Finance and Resources Committee**

# Home Energy Efficient Programme – Enabling Support

#### 2. Executive Summary

- 2.1 The Home Energy Efficiency Programme for Scotland: Area Based Scheme (HEEPS:ABS) is designed and delivered by Local Authorities annually, in conjunction with utility companies and local delivery partners, targeting fuel poor areas to deliver energy efficiency measures to help reduce fuel poverty for a large number of Scottish households. It is primarily an insulation programme delivering solid wall and hard-to-treat cavity wall insulation.
- 2.2 This report seeks approval to award £407,000 of HEEPS:ABS funding to Changeworks Resources for Life Ltd (Changeworks) to deliver this programme in Edinburgh. As Changeworks have an existing Service Level Agreement (SLA) with the Council to cover these responsibilities, approval is also sought to increase the financial value of this arrangement through a waiver of the Council's Contract Standing Orders.

#### 3. Background

#### Changeworks

- 3.1 Changeworks is an environmental charity and social enterprise that works in collaboration with public and third sector organisations, schools, communities and businesses. They provide a range of services which contribute to sustainability outcomes. These include services relating to renewable energy, energy efficiency, fuel poverty, waste and recycling and transport.
- 3.2 Changeworks a registered charity, currently provides project management support to the Council for housing energy projects under a SLA, and has historically delivered the Council's HEEPS:ABS programme.
- 3.3 This SLA covers three key areas of activity focused on improving energy efficiency and reducing fuel poverty:
  - 3.3.1 **New Technology, Innovation -** providing support and advice relating to new technological innovations and district heating to maximise tenant affordability and ease of use;

- 3.3.2 **Investment, Tenant Well-being and Fuel Poverty -** providing support that includes securing investment and improving tenant well-being, through advice and information to help reduce fuel poverty; and
- 3.3.3 **Strategy Management -** assisting the Housing Service in taking a strategic approach to improving energy efficiency of existing homes, building new energy efficient homes and assisting Edinburgh to become a low energy and carbon city.

#### **Energy Efficiency Priorities for Council Housing**

- 3.4 The Housing Revenue Account (HRA) Budget Strategy 2020/21, published February 2020, outlines how the Council will 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.
- 3.5 Making homes easier and cheaper to heat remains a key priority in the HRA Budget Strategy. 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).
- 3.6 All homes need to meet Scottish Government's Energy Efficiency Standards for Social Housing (EESSH) by December 2020. At the end of 2019/20, 71% of City of Edinburgh Council homes met this standard, with 86% expected to be compliant by the end of 2020.
- 3.7 The Council has a target of net zero carbon by 2030.

#### **HEEPS:ABS Grant Funding**

- 3.8 HEEPS:ABS is designed and delivered by Local Authorities annually, in conjunction with utility companies and local delivery partners, to target fuel poor areas by delivering energy efficiency measures to help reduce fuel poverty for a large number of Scottish households. It is primarily an insulation programme delivering solid wall and hard-to-treat cavity wall insulation.
- 3.9 HEEPS:ABS funding is provided for private sector properties only, the Council though ensures that this targets private sector properties in mixed tenure blocks to unlock larger mixed tenure schemes where a mix of social and private sector properties are involved.
- 3.10 Applications for grant funding for this programme are submitted annually.

## 4. Main report

4.1 In May 2020 Changeworks prepared a submission on behalf of City of Edinburgh Council for HEEPS:ABS funding. This funding is essential in helping the Council to meet the EESSH by December 2020, particularly where mixed tenure challenges would have presented significant barriers to progressing energy efficiency measures, such as external and cavity wall insultation, and also helps support the Council in achieving its net zero carbon target.

- 4.2 From this application, the Council has been awarded a HEEPS:ABS grant allocation of £3,579,954 in financial year 2020/21.
- 4.3 The core grant allocation will be used to fund private owners and will target external wall insultation across the following areas: Dumbiedykes; Westburn; Gilmerton; Gracemount and Drumbryden as well as city wide cavity wall and internal wall insultation projects targeting HEEPS:ABS eligible areas. As part of this programme the Council will leverage in an additional £1,579,000 to ensure complex mixed tenure blocks are targeted across the project areas.
- 4.4 The current SLA between the Council and Changeworks includes provision for them to deliver and project manage externally funded grant programmes such as HEEPS:ABS. It would not be practical in terms of timelines and ability to deliver to change the delivery partner for the HEPPS:ABS programme partway through this 20/21 grant award cycle.
- 4.5 Committee is therefore asked to approve, through a waiver of the Council's Contract Standing Orders, an increase in the value of this SLA to enable Changeworks to progress this programme on behalf of the Council to ensure compliance with EESSH.
- 4.6 Householder contributions and Energy Company Obligation (ECO) funding will also be leveraged into the overall HEEPS:ABS programme for 2020/21.
- 4.7 A full procurement exercise will shortly commence to appoint a new Energy Projects Delivery Partner by early 2021 to deliver future HEEPS:ABS programmes and other related energy efficiency/low carbon technology grant programmes.

## 5. Next Steps

- 5.1 If Committee approve this award of funding to Changeworks, the value of the current SLA will be increased by £407,000 to enable them to project manage the delivery of the HEEPS:ABS 2020/21 programme.
- 5.2 Council officers will monitor progress and will work with Changeworks to identify any on-going impacts arising from the current working restrictions in place due to Covid-19.
- 5.3 Tender documents will shortly be issued to the market to procure a new contract for a new Energy Projects Delivery partner to be in place by early 2021. Committee approval will be sought at the appropriate time for this contract award.

## 6. Financial impact

- 6.1 The Council has been awarded a HEEPS:ABS grant allocation of £3,579,954 in financial year 2020/21.
- 6.2 Within this award, funding of £407,000 has been set aside for project management to ensure successful delivery of the HEEPS:ABS programme.

#### 7. Stakeholder/Community Impact

- 7.1 The positive equality impacts previously identified will continue. These include:
  - 7.1.1 Reducing the costs of energy for residents;
  - 7.1.2 Contributing to fuel poverty reduction targets;
  - 7.1.3 Ensuring that residents live in warmer, easier to heat homes;
  - 7.1.4 Residents benefits from better welling, improved health and social attainment; and
  - 7.1.5 Carbon emissions reductions are expected to be achieved as a result of continued housing energy consultancy services provided to the Council.

## 8. Background reading/external references

8.1. None.

#### 9. Appendices

9.1. None.

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# Agenda Item 7.13

# **Finance and Resources Committee**

## 10:00am, Thursday, 27 August 2020

# **Contract Extensions for Domestic Abuse Contracts**

Executive/routine Wards Council Commitments

#### 1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee:
  - 1.1.1 Approves the request to extend current domestic abuse contracts due to the impact of Covid19, from 1 April 2021 to 31 March 2022

#### Alistair Gaw

Executive Director for Communities and Families

Contact: Nicky Brown, Homelessness and Housing Support Senior Manager

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Report

# **Contract Extensions for Domestic Abuse Contracts**

#### 2. Executive Summary

2.1 This report seeks approval to extend the Council's current domestic abuse contracts for 12 months from 1 April 2021 to 31 March 2022. These contracts have an annual value of £1,076,806.24 and are provided by three Service Providers – Edinburgh Women's Aid, Four Square Scotland and Shakti Women's Aid.

#### 3. Background

- 3.1 The Homelessness Prevention Commissioning Plan (the Plan), approved by the Policy and Strategy Committee on 6 September 2011, set out the need to prevent homelessness wherever possible and, where people do become homeless, for services to help people to resolve their homelessness as quickly and effectively as possible.
- 3.2 The Plan also set out the requirement to provide a range of services which are flexible and effective for people with a range of needs.
- 3.3 Therefore, the City of Edinburgh Council (the Council) requires services to assist women and children, who have experienced domestic abuse, to access accommodation and support services to overcome the trauma they have experienced and lead safe independent lives, free from abuse.
- 3.4 In January 2016, the Corporate Policy and Strategy Committee agreed the Domestic Abuse Re-design Project – to develop a co-ordinated community response to domestic abuse in Edinburgh, including a city-wide review of all statutory agencies, grant provision and commissioned services.
- 3.5 Coproduction from this project resulted in Edinburgh's Domestic Abuse Strategy and Improvement Plan, which was noted by the Corporate Policy and Strategy Committee in February 2017.
- 3.6 This identified key themes from service user and staff feedback in relation to Edinburgh's response to domestic abuse and reflected national and international research and best practice.

- 3.7 As part of this project, in September 2017, the Finance and Resources Committee agreed the award of contracts from November 2017 for two years plus a 12 month extension. A subsequent extension was granted in March 2020 to extend until 31 March 2021 to bring contracts in line with financial years.
- 3.8 The Covid19 global pandemic has placed significant pressures on these services initially to provide support remotely, but laterally how to safely return to face to face services in line with Scottish Government guidelines. Lockdown restrictions have also exacerbated abusive situations for women and children and the number of cases is expected to increase significantly once women have more freedom to access services more readily.

#### 4. Main report

- 4.1 In June 2020, a Prior Information Notice (PIN) was published on Public Contracts Scotland (PCS) to invite Service Providers with an interest in providing domestic abuse accommodation and/or support, to express their interest. Fifteen companies have responded, to date.
- 4.2 Due to Covid19 lockdown restrictions, co-production events have not been possible. In July 2020, two surveys were distributed;
  - 4.2.1 To all current service users via the service provider engaging with them,
  - 4.2.2 To over 200 stakeholders who directly or indirectly work with women and children who have experienced domestic abuse.
- 4.3 The purpose of these surveys was to receive feedback on current service provision and suggestions for future improvement. Initial feedback suggested that coproduction surveys at this time might be completed hastily and may not merit meaningful results due to;
  - 4.3.1 Service users experiencing heightened anxiety due to Covid19, and a reduction in the accessibility of services,
  - 4.3.2 Stakeholders being under significant pressure due to determining the logistics of returning to 'normal' service provision,
  - 4.3.3 This time of year, being holiday season and therefore less people being available to contribute. The deadline for completion has therefore been extended.
- 4.4 Current service providers expect an increase in cases after lockdown restrictions are eased due to the realisation of abuse suffered during these conditions, plus women having more freedom to access services again.
- 4.5 Granting a 12-month extension to all three current service providers would ensure;
  - 4.5.1 Stability for service users currently being supported, and those expected imminently,

- 4.5.2 Ample time to meaningfully coproduce new documentation for future contracts,
- 4.6 Additional time for interested parties to submit worthwhile tenders.

#### 5. Next Steps

- 5.1 Subject to approval, waivers will be granted, and contract extension documentation will be prepared and issued to all three current service providers to cover 1 April 2021 to 31 March 2022.
- 5.2 In line with the Procurement (Scotland) Regulations 2016, the Council will procure new contracts starting from 1 April 2022.
- 5.3 Current monitoring of all domestic abuse contracts will continue and be managed by a Commissioning Officer from Homelessness & Housing Support: Partnership & Planning Service, to ensure best value and accountability of public funds, including Community Benefits and achievement of key performance indicators.

## 6. Financial impact

6.1 The value of extending these contracts (as detailed in Appendix 1) is £1,076,806.24 over 12 months. This will be allocated from the Partnership & Planning Service block contracts budget.

## 7. Stakeholder/Community Impact

- 7.1 Consultation and engagement is being undertaken by way of two questionnaires to both Service Users of the existing contracts, and Stakeholders who directly or indirectly work with women and/or children who have experienced domestic abuse.
- 7.2 An Integrated Impact Assessment has been completed and all recommendations have been, and will continue to be, addressed throughout the process.
- 7.3 The outcome of awarding these contract extensions would be to ensure future contracts will be coproduced and procured during a timeframe that merits meaningful engagement.

#### 8. Background reading/external references

- 8.1 <u>Domestic Abuse Re-design Project Corporate Policy and Strategy Committee,</u> January 2016
- 8.2 <u>Edinburgh's Domestic Abuse Strategy and Improvement Plan Corporate Policy</u> and Strategy Committee, February 2017

8.3 <u>Award of original contracts – Finance & Resources Committee, September 2017 –</u> <u>Contract for the Provision of Domestic Abuse Services</u>

## 9. Appendices

9.1 Appendix 1: Financial Breakdown of Current Domestic Abuse Services

## Appendix 1: Financial Breakdown of Current Domestic Abuse Services

Service Provider	Services include;	Annual Value
Edinburgh Womens Aid	Accommodation, Childrens and Support	£480,667.46
Four Square Scotland	Accommodation and Community Support	£285,038.90
Shakti Womens Aid	Accommodation, Childrens and Support	£311,099.88
Total		£1,076,806.24

# Agenda Item 7.14

# **Finance and Resources Committee**

## 10am, Thursday 27 August 2020

# **Appointments to Working Groups 2020/21**

Executive/routine	Executive	
Wards	All	
Council Commitments		

#### 1. Recommendations

- 1.1 To appoint the membership of the Joint Consultative Group in Appendix 1.
- 1.2 To appoint the membership of the Elected Member ICT and Digital Sounding Board in Appendix 2.
- 1.3 To appoint the membership of the Council Health and Safety Consultation Forum in Appendix 3.
- 1.4 To postpone the re-appointment of the Property Sub-Committee until such time as a meeting of the Sub-Committee is deemed necessary.
- 1.5 To approve the remits of the Joint Consultative Group, Elected Member ICT and Digital Sounding Board, and the Council Health and Safety Consultation Forum 2019/20 as set out in appendices 1 to 3 of this report.

#### Andrew Kerr

#### **Chief Executive**

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Report

# **Appointments to Working Groups 2020/21**

#### 2. Executive Summary

- 2.1 The Finance and Resources Committee is invited to appoint the membership of the Joint Consultative Group, Elected Member ICT and Digital Sounding Board and the Council Health and Safety Consultation Forum.
- 2.2 The proposed membership structures and remits of each are detailed in appendices 1 to 3 of this report.

#### 3. Background

- 3.1 The appointment of committees, joint committees and joint boards is a reserved matter for full Council.
- 3.2 On 23 April 2020 the Leadership Advisory Panel agreed interim political management arrangements to carry out Council business for the period 1 May 2020 to 1 September 2020 and Interim Standing Orders to cover that period.
- 3.3 Part of the interim political management arrangements was to agree that the functions reserved to Council in the Committee Terms of Reference and Delegated Functions would be carried out by the Policy and Sustainability Committee.
- 3.4 At its meeting on 28 May 2020, in terms of Interim Standing Order 1.2, the Policy and Sustainability Committee agreed the political balance on the Council's committees.
- 3.5 Appointments to the Council's committees were also made at the Policy and Sustainability Committee meeting on 28 May 2020.

#### 4. Main report

- 4.1 The Committee is required to appoint the membership of its Working Groups for 2020/21.
- 4.2 While there is no requirement for the membership of working groups to be proportionate to that of the Council, it is suggested that this is good practice.

- 4.3 The proposed membership therefore reflects the overall political balance on the Council. It is, however, open to the Committee to alter the membership where it feels this is warranted.
- 4.4 The current membership structures and remits are set out in Appendices 1 to 3 of this report.

#### 5. Next Steps

5.1 Not applicable.

#### 6. Financial impact

6.1 Not applicable.

## 7. Stakeholder/Community Impact

7.1 Not applicable.

## 8. Background reading/external references

- 8.1 <u>Review of Appointments to Committees, Boards and Joint Boards for 2020/2021–</u> report by Chief Executive
- 8.2 <u>Minute of Policy and Sustainability Committee of 28 May 2020</u>

## 9. Appendices

- Appendix 1 Joint Consultative Group
- Appendix 2 Elected Member ICT and Digital Sounding Board
- Appendix 3 Council Health and Safety Consultation Forum

## Joint Consultative Group (JCG)

#### **Current Membership – 7 members**

(2 SNP, 2 Conservative, 1 Labour, 1 Green and 1 SLD)

Councillors Rankin (Convener), Bruce, Griffiths, Hutchison, Main, McVey and Neil Ross.

#### **Other Members**

15 representatives appointed by the recognised Trade Unions as follows:

- UNISON (5 representatives)
- UNITE (4 representatives)
- GMB (1 representative)
- Educational Institute of Scotland (3 representatives)
- Scottish Secondary Teachers' Association (1 representative)
- National Association of Schoolteachers/Union of Women Teachers (1 representative)

#### Remit

The Joint Consultative Group (JCG) is constituted with the purpose of providing a means of regular consultation between the City of Edinburgh Council and its employees and, where appropriate, submitting views to the Finance and Resources Committee of the Council for consideration.

The functions of the JCG are:

- To inform employee representatives on the activities, economic situation and development of the Council and to consult on the structure and development of employment within the Council
- To inform and consult employee representatives on any proposals made by the City of Edinburgh Council involving substantial changes in the organisation of work and their effects on employment relations
- To consider any matter relating to the employment of Council employees which may be referred to the JCG by the City of Edinburgh Council or by any of the Trade Unions, including matters referred for consideration by directorate Joint Consultative Committees; provided that no question of an individual's employment circumstances (e.g. pay, wage, grading, discipline, promotion, efficiency, etc) shall be within the scope of the JCG.

## **Elected Member ICT and Digital Sounding Board**

#### **Current Membership - 8 members**

(2 SNP, 2 Conservative, 2 Labour, 1 Green and 1 SLD)

Councillors Rankin, Booth, Cameron, Howie, Hutchison, Johnston, Neil Ross, and Watt.

#### Remit

The Sounding Board oversees and scrutinises the delivery of the Council's ICT and Digital Services Contract, with a specific focus on:

- The risks associated with the delivery of the ICT and Digital Services Contract;
- The financial resources required;
- The cost/value of the ICT and Digital Services Contract to the Council;
- The Council's need to demonstrate best value;
- An assurance that ICT and Digital services contract is meeting the needs of the Council's stakeholders, including citizens.

## **Council Health and Safety Consultation Forum**

#### Current Membership - 1 member

(Vice-Convener of the Finance and Resources Committee)

#### Remit

The remit of the Health and Safety Consultation Working Forum is to:

- To promote a low tolerance approach to health and safety risks.
- To consider, review and make recommendations to the Corporate Health and Safety Manager and/or Council Health and Safety Group on the following areas:
  - Health and safety performance;
  - Accident investigations and action taken;
  - Health and safety matters referred from the Council Health and Safety Group;
  - Reports from the Health and Safety Executive, where appropriate;
  - Reports submitted by the Corporate Health and Safety Team;
  - Requirements for health and safety training;
  - Health and safety communication in the workplace;
  - Health and safety reports that have been submitted by Safety
     Representatives and that have not been resolved at a local level.
- To assist in the development of Council policy, procedures and guidance on matters relating to health and safety at work.
- To raise awareness of Council Health and Safety initiatives.

# Agenda Item 8.1

# **Finance and Resources Committee**

## 10.00am, Thursday, 27 August 2020

# 21 Cockburn Street, Edinburgh – Proposed Lease Extension

Executive/routine	Routine
Wards	11 – City Centre
Council Commitments	2

#### 1. Recommendations

1.1 That Committee approves a 10-year lease extension to Lisardo's Ltd at 21 Cockburn Street, Edinburgh on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

#### Stephen S. Moir

**Executive Director of Resources** 

Contact: Mark Bulloch, Portfolio Manager – Investments

Property and Facilities Management Division, Resources Directorate

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Report

# 21 Cockburn Street, Edinburgh – Proposed Lease Extension

#### 2. Executive Summary

2.1 Lisardo's Ltd currently occupy 21 Cockburn Street, Edinburgh on a lease which expires on 19 April 2023. This report seeks approval to grant the tenant a 10-year lease extension on the terms and conditions outlined in the report.

#### 3. Background

- 3.1 The ground floor retail premises at 21 Cockburn Street, Edinburgh extends to 136.57 sq m (1,470 sq ft) as shown outlined in red on the attached plan.
- 3.2 Lisardo's Ltd occupy the premises on a lease from 20 April 2018 to 19 April 2023 at a passing rent of £32,126 per annum.
- 3.3 As a result of the economic downturn from the COVID-19 pandemic, Lisardo's Ltd is seeking to diversify their business to maintain financial sustainability and are seeking an extension of their lease to protect the substantial financial investment they have made in the property

#### 4. Main report

- 4.1 The following terms have been provisionally agreed:
  - Subjects 21 Cockburn Street, Edinburgh, EH1 1BP;
  - Lease: 10-year extension from 19 April 2023 to 19 April 2033;
  - Rent: £32,126 per annum;
  - Rent Review: 19 April 2023 and 2028
  - Use: Currently restricted to sale of ice cream / gelato -to be extended to include delicatessen use;
  - Repairs: Full repairing and maintaining obligation;

- Other Terms: As contained in the Council's standard full repairing and insuring lease;
- Costs: Tenant responsible for all Council's legal costs.

#### 5. Next Steps

5.1 Subject to Committee approval, the Legal Services will be instructed to progress the lease extension.

## 6. Financial impact

6.1 A rent of £32,126 per annum to the General Property Account will be maintained for an additional 10-year period with the prospect of further uplifts at rent review in 2023 and 2028.

#### 7. Stakeholder/Community Impact

7.1 Ward members have been made aware of the recommendations of the report.

#### 8. Background reading/external references

8.1 N/A.

#### 9. Appendices

9.1 Appendix 1 – Location Plan



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# Agenda Item 8.2

# **Finance and Resources Committee**

## 10.00am, Thursday 27 August 2020

# Voice Services (Mobile and Fixed Lines) 2017 Direct Award: 24 Month Extension

Executive/routine Executive Wards Council Commitments

#### 1. Recommendations

- 1.1 That the Finance and Resources Committee extend the Direct Award to Telefonica UK Ltd, under Crown Commercial Services Network Services Framework RM1045, Lot 10-O2-SSO12-LG, for the continued supply of Mobile Services: Voice and Data connection, (Sim), and Fixed Services: PSTN lines, ISDN2 and ISDN30
- 1.2 Approval is sought to exercise the optional 24-month extension, as stated in the original direct award to Telefonica UK Ltd, which was signed in October 2017 and awarded for an initial 36 months. For the following:
  - Network Services
    - Sim only mobile provision,
    - Fixed Line comprising PSTN, ISDN2 and ISDN30, with no commitment on volume or spend.

#### Stephen S. Moir

#### Executive Director of Resources

Contact: Jackie Galloway, Digital Services Senior Manager (Commercial)

Customer and Digital Services Division, Resources Directorate

E-mail: Jackie.galloway@edinburgh.gov.uk | Tel: 0131 529 7808





#### 2. Executive Summary

- 2.1 O2 were awarded a contract in 2017 for Voice Services (Mobile and Fixed Lines) with a volume of 5,700 Sims and a committed spend of £1.7m, excluding rebates. Fixed Line Services including landlines, SIP and ISDN were awarded with a committed spend of £706,000.
- 2.2 Over the duration of the contract fixed line services, where possible, have migrated to CGI as part of the ICT contract and Sim volumes has increased to circa 9,700 with 1,000 being added to support remote working as a response to the Covid-19 pandemic. It is envisaged that services provided by this contract will continue to evolve and the cost of change is deemed prohibitive when the Council has a legally compliant option to extend the current contract.

#### 3. Background

- 3.1 O2 were awarded a contract in October 2017 for Mobile Telecommunications providing Fixed Line Services including landlines, SIP and ISDN and Sims to enable Mobiles.
- 3.2 Fixed lines transitioned where possible to CGI as part of the ICT Contract LAN and Voice provision, however there are some instances where fixed lines cannot change due to network location. Spend on Fixed Line Services has decreased over the period of the contract by circa 50% per month.

#### 4. Main report

- 4.1 Our mobile landscape is likely to change over the next few years as technology and our Digital and Smart City Strategy is finalised and implemented.
- 4.2 The current pandemic has required staff to work remotely and therefore there is an increased requirement to provide mobile functionality and support staff.
- 4.3 Sim volumes have increased to a quantity of 9,682, (as at 13<sup>th</sup> July 2020), an increase of 1,000 since March as a direct result of supporting staff to work remotely.
- 4.4 The committed sim volumes are however far less than current usage. This provides the flexibility to reduce usage in line with IT Digital and Smart City Strategy such as Bring Your Own Device (BYOD)

- 4.5 A review of the current contract has been conducted and charges proposed by O2, have been market tested and deliver a value for money framework when measured against other similar services.
- 4.6 As part of the best value evaluation, the cost of change has been factored in with considerations taken into account with regard, for example, changes to individual sim and hardware in mobile phones and fixed situation sites e.g. traffic signals and lifts. This significant change would create an unbudgeted cost, logistical challenge and potentially compromise communication and resilience. This, at a time where we have substantial budget pressures and are physically constrained which can be avoided with utilising the legally compliant extension option open to the Council.
- 4.7 If we were to change the current provider of these services the Council may have to invest in new hardware, which could shortly become obsolete as we further roll-out Microsoft functionality which supports staff using personal devices and an expansion of our approach to Bring Your Own Device (BYOD).
- 4.8 We would have to supply new sims to everyone who has a Council supplied mobile phone and any iPads which contain sims for these to be swapped. This would create a logistical challenge and expense when we are physically constrained due to Digital Services and CGI working remotely and at a time when the Council has substantial budget pressures.

## 5. Next Steps

5.1 If approved, a contract extension letter will be issued to Telefonica UK Ltd advising that the 24-month extension option, as stated in the 2017 Direct Award, will be utilised.

## 6. Financial impact

6.1 The Council will receive a financial benefit of £440k credit from Telefonica UK Ltd, within the two-year extension period, £220k will be paid within 30 days of extension award and a further £220k in month 13 following award.

## 7. Stakeholder/Community Impact

7.1 Staff mobile working is critical and extending the current contract ensures continuity of services and communication.

## 8. Background reading/external references

8.1 Finance and Resources Committee Meeting 27 September 2017 <u>Item 76 -Contract for Telecom Services Mobile and Fixed Lines</u>

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# Agenda Item 11.1

by virtue of paragraph(s) 8, 9 of Part 1 of Schedule 7A of the Local Government(Scotland) Act 1973.

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