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Notice of meeting and agenda

Finance and Resources Committee

2.00pm, Tuesday, 2nd February, 2021

Virtual Meeting - via Microsoft Teams

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THE CITY OF EDINBURGH COUNCIL

1. Order of business

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

2. Declaration of interests

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

3. Deputations

3.1 If any.

4. Minutes

4.1 None.

5. Forward Planning

5.1 None.

6. Business Bulletin

6.1 None.

7. Executive decisions

7.1	Council Business Plan and Budget 2021/26 – Report by the Chief Executive and the Executive Director of Resources	7 - 58
7.2	Council Business Plan and Budget 2021/26 - Risks and Reserves – Report by the Executive Director of Resources	59 - 72
7.3	Sustainable Capital Budget Strategy 2021-2031 – Report by the Executive Director of Resources	73 - 92
7.4	Housing Revenue Account (HRA) Budget Strategy (2021-2031) –	93 - 110

Report by the Executive Director of Place

7.5	Budget Insights 2020 – Report by the Chief Executive	111 - 122
7.6	Corporate Parenting Action Plan – referral from the Education, Children and Families Committee	123 - 130
7.7	Accounts Commission: Local Government in Scotland – Financial Overview 2019/20 – Report by the Executive Director of Resources	131 - 174

8. Routine decisions

8.1 None.

9. Motions

9.1 None.

Andrew Kerr

Chief Executive

Committee Members

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

This meeting of the Finance and Resources Committee is being held virtually by Microsoft Teams.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Rachel Gentleman or Sarah Stirling, Committee Services, City of Edinburgh Council,

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Finance and Resources Committee

2.00pm, Tuesday, 2 February 2021

Council Business Plan and Budget 2021/26

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 impact of the updated review of savings deliverability, management of pressures and other key financial planning assumptions on the in-year savings requirements over the period of the budget framework;

1.1.2 note the timescales for confirmation of the 2021/22 Local Government Finance Settlement;

1.1.3 note the proposed adoption of financial flexibilities as set out which, alongside approval of the new savings proposals outlined within the report, would allow the Council to set a balanced budget in 2021/22 based on current planning assumptions;

1.1.4 note, that the three-year Council Business Plan: *Our Future Council, Our Future City* brings together our strategic priorities into a single plan responding to the need for change and should be read alongside the draft budget;

1.1.5 note that a new planning and performance framework will be developed to provide a clear link between our business plan, key strategies, annual directorate plans and the underlying performance framework including benchmarking. The framework will be underpinned by a cycle of 'plan, do, check and review and act' at all levels and will drive a culture of continuous improvement;

1.1.6 note that a further update will be reported to members once the implications for the Council of the Local Government Finance Settlement (LGFS) are known;

1.1.7 note the potential areas, utilising Spend to Save funding, to inform the development of specific projects promoting a Green Recovery; and,

1.1.8 refer, subject to any revisions in light of the LGFS announcement, the report to Council as part of setting the revenue and capital budgets on 18 February 2021.

Andrew Kerr
Chief Executive

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Report

Council Business Plan and Budget 2021/26

2. Executive Summary

2.1 The Council continues to operate in a climate of unprecedented uncertainty, the enduring impacts of which remain unknown. These impacts have required a wholesale review of current revenue budget framework assumptions, including anticipated on-going increases in expenditure and reductions in income, as well as re-assessing the management of service pressures and delivery of savings assumed in setting an indicative three-year balanced budget in February 2020.

2.2 In acknowledging the COVID-related causes of the shortfalls now being projected, it is proposed that the Council utilise available financial flexibilities in rebalancing the position for 2021/22 whilst acknowledging the vital need for more fundamental service change, improvement and prioritisation over the following years, guided by the overarching priorities set out within the Business Plan: *Our Future Council, Our Future City* to maintain its financial sustainability once the scale of these impacts becomes clearer.

3. Background

3.1 On 20 February 2020, the Council set a balanced budget for 2020/21 and indicative balanced budgets for the following two years. While it is anticipated that the most severe impacts of the pandemic will be felt in 2020/21, in early October a review was undertaken of the Council's underlying planning assumptions and previously-approved savings for both 2021/22 and 2022/23 to determine where corresponding adjustments may now be required. The results of this review, summarised in Appendix 1, were considered by the Finance and Resources Committee on 29 October and pointed to a need to identify further savings of at least £16.1m in 2021/22, with an additional £5.6m of savings also now required in 2022/23.

4. Main report

Further changes to the budget framework

4.1 The changes incorporated within the budget framework as part of the October review may be broadly grouped in to four categories:

(i) anticipated recurring financial impacts of the pandemic on core budgets, both in terms of increases in expenditure and losses of income;

(ii) a re-assessment of the on-going impacts of shortfalls in savings approved to be delivered, and pressures previously assumed to have been managed, in 2020/21;

(iii) a re-assessment of the deliverability of those savings previously approved for implementation in 2021/22 and 2022/23; and

(iv) other savings and additional income, primarily in corporate budgets, potentially available to offset the pressures above.

Recurring expenditure and income impacts of the pandemic

4.2 At this stage, provision for the anticipated recurring financial impacts of the pandemic remains unchanged, totalling £23m in 2021/22 and reducing to £21m in 2022/23 and continuing at that level thereafter. There is a risk, however, that the net pressure on the Council's budget, after taking account of any additional COVID-related funding included within the Local Government Finance Settlement, is higher than that assumed. On that basis, in addition to continuing to seek to optimise the level of financial flexibilities available to local authorities to spread the pandemic's expenditure and income impacts over a longer period, the Council's earmarked reserves will be reprioritised to create a specific COVID mitigation reserve. Further detail in each of these areas is provided later in this report.

Recurring impacts of delivery of savings approved for implementation and management of in-year residual pressures in 2020/21

4.3 The report to the Committee's meeting on 29 October included provision for a total £10m carry-forward into 2021/22 of (i) savings originally planned for delivery in 2020/21 and (ii) underlying pressures anticipated to have been managed on a sustainable basis during the current year. Given the combined level of pressure identified across these two areas of £17m, implicit within this sum was development of sustainable offsetting measures of £7m.

4.4 To date, some £5m of mitigating actions have been identified, reducing the residual pressure to £12.023m as shown in Appendix 2. Of these actions, £2m relates to reprofiling of repairs and maintenance expenditure which may give rise to a further liability in 2022/23 if the overall five-year strategic programme to improve the property estate's quality, safety and future sustainability is not extended.

4.5 While work is continuing to identify further mitigations, in order to reduce the risk of non-delivery incorporated within the approved budget framework, the remaining £2.023m has been added to the incremental savings gap for 2021/22 at this stage.

Re-assessment of savings approved for delivery in 2021/22 and 2022/23

4.6 Extensive work has also been undertaken on the development of implementation plans for those savings approved in principle in February 2020 for delivery in 2021/22 and 2022/23. Appendix 3 lists those savings where independent assessment by Finance staff has attested to the broad robustness of the associated delivery plans, totalling £40.190m over the two years concerned. At this stage, however, there is insufficient assurance around the deliverability of a minority of these savings and reductions in investment (£5.588m and £9.347m in 2021/22 and 2022/23 respectively) as set out in Appendix 4.

4.7 The position reported to the Committee on 29 October included a risk contingency for non-delivery of savings of £5m in each year, based upon a preliminary assessment as of that time. Given the extended timeframes for likely service disruption, the updated assessment adds £0.588m and £4.347m respectively to each year's risk contingency (and thus the overall savings requirement). As with the management of in-year pressures, however, opportunities to develop corresponding implementation plans (or appropriate mitigations) for those savings where additional work is required will continue to be examined and a progress update will be reported to members of the Committee in the summer. Any further savings resulting from implementation of these measures will serve as a contingency against both (i) any shortfalls in delivery for those savings listed in Appendix 3 and (ii) further in-year COVID impacts, be it through additional costs or losses of income, and other risks within the budget framework, as well as contributing positively towards addressing subsequent years' savings requirements.

Other savings and additional income, primarily in corporate budgets, potentially available to offset the pressures above

4.8 Appendix 1 sets out a total of £27.0m of primarily-corporate or Council-wide mitigations assumed to be available to offset net cost pressures in 2021/22. At this time, the majority of these savings are still considered to be realistic and achievable. Council Tax collection levels and movements in the size of the underlying tax base will, however, continue to be closely monitored, taking into account additional available support through the Council Tax Reduction Scheme, planned recovery action and likely required levels of bad debt provision.

4.9 At the meeting of Council on 15 October 2020, members agreed to release funding of up to £14.8m from the Workforce Transformation reserve to facilitate a targeted programme of Voluntary Early Release Arrangements (VERA) for senior managers. An update on progress was included in the revenue monitoring report considered by the Committee on 21 January. Given the number of staff release approvals and modest associated recurring savings to date[1], it is considered prudent to revisit the assumed level of related savings for both 2021/22 and 2022/23 (together totalling £15.0m once account is taken of pre-existing targets in these areas).

4.10 The budget framework currently incorporates an assumed level of pay award of 3% for all staff in each of the years concerned, along with a £5m net in-year cost for consolidation of the Scottish Local Government Living Wage in 2021/22. Each 1% change in Council-wide employee costs equates to some £6m. In view of wider inflationary forecasts over this period, it is proposed to revise the assumed level of provision in both 2021/22 and 2022/23 to 2%, pending review of longer-term assumptions, with the resultant saving serving as a contingency against shortfalls in

[1] Estimated full-year savings of £0.8m are available to contribute to the Council-wide target as opposed to offsetting pressures within services.

the level of staff-related savings delivered and/or other assumptions within the budget framework. As such, there is no impact on the overall funding gap.

4.11 On 16 December 2020, the representative trade unions submitted the 2021/22 pay claim for employees covered by the Scottish Joint Council for Local Government (non-teaching) employees (SJC). This claim is for a £2,000 flat-rate increase to all spinal column points, or 6%, whichever is greater, along with a minimum rate of pay of £10.50 per hour, a separate additional payment towards pay restoration and no less than parity with other bargaining groups. As of the time of writing, no claim has been lodged in respect of teaching staff.

Overall impact of above changes

4.12 Taken together, the overall impact of the changes noted in the preceding paragraphs is as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Net additional savings requirement reported to Finance and Resources Committee on 29 October 2020	**16.050**	**5.550**	**25.800**	**28.000**	**29.000**
Increase in required provision for pressures	2.023	2.000	0.000	0.000	0.000
Increase in required provision for non-delivery of savings, including those implicit in investment reduction	0.588	4.347	0.000	0.000	0.000
Revised savings requirement prior to consideration of new savings/financial flexibilities	**18.661**	**11.897**	**25.800**	**28.000**	**29.000**

UK Spending Review and potential implications for Scottish Budget

4.13 On 25 November 2020, the Chancellor of the Exchequer published a one-year UK Spending Review for 2021/22, albeit against a backdrop of unprecedented fiscal uncertainty. Excluding additional COVID-related expenditure, Scotland's core resource (revenue) block grant will increase by some £1.3 billion in 2021/22 to £31.7 billion, a real-terms increase of around 3.5%.

4.14 In addition to the increase in core funding, the Scottish Budget is currently due to receive £1.3 billion of additional Barnett Consequentials as a result of the UK Government's COVID-related expenditure plans, compared to £8.6 billion of relevant funding in 2020/21. While this, at least at face value, implies a significant and rapid unwinding of current levels of support, following the re-imposition of lockdowns across all four nations of the UK with effect from 5 January and the knock-on impacts on subsequent recovery, this position is likely to be reviewed.

4.15 Given the fiscal framework underpinning the progressive devolution of taxation and spending powers between the UK and Scottish Governments, the above headline figures, while helpful in indicating broad trends, still leave the potential for variation, particularly with regard to the implications of UK taxation policy choices. More generally, the quantum of grant funding made available to Local Government in Scotland as a whole and the Council specifically reflects a complex array of factors, including Scottish Government priorities and commitments, its own taxation policy, the distribution of available funding in accordance with a complex series of needs-based formulae and the operation of the stability and 85% per capita funding floors. It is not, therefore, possible to extrapolate the above headline figures to the Council's likely level of grant settlement. It is likely, however, that the Council will continue to receive support from the stability funding floor and, by definition, receive a less favourable settlement than for Scottish councils as a whole, prior to any policy intervention through the 85% funding floor.

4.16 Following the postponement of the planned UK Autumn Budget to focus on the immediate pandemic response, a one-year Draft Scottish Budget and Local Government Finance Settlement (LGFS) will be announced on 28 January and thereafter be subject to a shortened process of Scottish Parliamentary consideration. A briefing on the provisional LGFS will be provided to elected members as soon as practicable after the announcement is made, with further updates provided as appropriate at Stages One and Two of its Parliamentary consideration.

4.17 Of particular importance in this context, however, will be clarity on whether current-year flexibilities around permitted Council Tax increases[2] (and where the budget framework correspondingly assumes increases of 4.79% in each of 2021/22 and 2022/23) and application of Integration Joint Board (IJB) savings targets (where application of a c2% savings target, prior to passing on in full relevant additional monies provided through the LGFS, is assumed) will continue. Officers continue to support efforts, through COSLA, to obtain early clarification in these areas. The budget framework assumption of a 0.7% cash-terms reduction in core grant funding, with no specific additional funding for COVID-related impacts, is however considered prudent and may thus provide a level of contingency should one or both of these options not be available.

Financial flexibilities

4.18 Members will be aware from previous in-year monitoring updates that Council officers, through COSLA, have been working closely with the Scottish Government to explore a range of potential financial "flexibilities", to be used as appropriate to individual authorities' own circumstances, that would have the effect of spreading the cost impacts of the pandemic over a longer period.

4.19 Following consultation with the UK Government, three specific measures are able to be applied at this stage to meet COVID-related expenditure:

(i) utilising capital receipts received in-year in either 2020/21 or 2021/22;

(ii) a Loans Fund principal repayment "holiday" which would permit a council to defer repayments in either 2020/21 or 2021/22, but with the amount of this repayment added to the term of the remaining loans fund advance; and,

[2] The 2020/21 Local Government Finance Settlement permitted authorities to increase Council Tax rates by up to 3% in real terms, with this inflation-based increase calculated with reference to the UK Treasury GDP deflator. Should the equivalent flexibility continue in 2021/22, current rates would permit an increase in line with that proposed.

(iii) repaying, in accounting terms, the debt element of service concession arrangements within PPP contracts over the life of the asset rather than the current mechanism based on the life of the contract[3].

4.20 Should it be permitted, it remains officers' preference to utilise the PPP-based flexibility, adopting an annuity basis of repayment, as this would both maximise the level of retrospective benefit (based on a comparison of sums previously paid and due, in accounting terms, under the revised calculation) and deliver significant savings to the revenue account from 2021/22 onwards, whilst deferring the additional liability relative to current arrangements fully beyond the period of the PPP1 and PPP2 contracts.

4.21 Based on the Council's understanding of relevant guidance, however, at this stage it is proposed to utilise the Loans Fund principal repayment flexibility in 2021/22, thereby creating a reserve equal to the amount of the previously-planned in-year repayment and using this to offset COVID-related pressures in each of the next three financial years.

4.22 A one-year deferral of the principal (debt) element of the Council's planned 2021/22 would allow for the creation of a reserve of some £34m. It is proposed to apply this sum against COVID-related pressures as follows:

Continuing COVID-related impacts "funded" by one-year repayment holiday	**2021/22**	**2022/23**	**2023/24**
	£m	**£m**	**£m**
Budget framework assumptions:			
Loss of Lothian Buses dividend	6.000	6.000	6.000
Increased required support for Arm's-Length External Organisations (ALEOs)	3.000	0.000	0.000
Net loss of income, including parking and commercial rentals	3.000	1.000	1.000
Personal Protective Equipment (PPE)	1.000	1.000	1.000
Aligned to available level of flexibility and assuming subsequent demand management/service transformation:			
Temporary accommodation	5.000	0.000	0.000
Total	**18.000**	**8.000**	**8.000**

4.23 Applying the flexibility in the way indicated reduces the 2021/22 savings requirement by £18m. It does, however, give rise to knock-on impacts in 2022/23 and subsequent years as follows:

(i) as the deferred amount of the repayment requires to be repaid over the remaining term of the loans fund advance, an additional annual liability of £2.5m is created over this period (estimated to be around fourteen years); and,

[3] This arrangement would, however, not affect the level of contractual payments made which would remain in line with original agreements.

(ii) the reduction in mitigating “funding” available between 2021/22 and 2022/23 of £10m adds to the corresponding incremental savings requirement from 2022/23.

4.24 Given these increases in subsequent years’ savings requirements and the underlying unaffordability of the current expenditure pressure within the temporary accommodation service, it is also being assumed that, through a combination of improved demand management and service transformation, £5m of the baselined £10m pressure in this area will be managed with effect from 2022/23.

4.25 In addition, as part of consideration of the approved savings comprising the budget framework, opportunities to accelerate into 2021/22 £0.528m of pre-approved savings within Communities and Families (primarily those related to reductions in funding to Police Scotland) have been identified.

4.26 Taking the measures outlined in the preceding sections as a whole results in a revised position as follows[4]:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Revised savings requirement per Paragraph 4.12	**18.661**	**11.897**	**25.800**	**28.000**	**29.000**
Application of financial flexibilities	(18.000)	10.000	0.000	0.000	0.000
Increase in subsequent years' loans charge liability resulting from deferral	0.000	2.500	0.000	0.000	0.000
Assumed management of temporary accommodation pressure	0.000	(5.000)	0.000	0.000	0.000
Acceleration of savings in Communities and Families	(0.528)	0.528	0.000	0.000	0.000
Updated savings requirement prior to consideration of new savings	**0.133**	**19.925**	**25.800**	**28.000**	**29.000**

4.27 While current pandemic-focused working arrangements and the uncertainty over timing of implementation have made the identification of additional savings correspondingly more difficult, three new proposals are indicated in Appendix 5, approval of which would allow the Council to meet the immediate priority of setting a balanced budget for 2021/22, with a small element of unallocated funding of £0.177m (as shown in Appendix 6).

4.28 It should be noted, however, that this budget framework provides no additional recurring funding relative to previous plans for tackling poverty, promoting sustainability and enhancing well-being and thus any such additional investment would need to be provided through reprioritising existing resources. The framework similarly does not include funding to meet, in full, current digital aspirations within schools. The Council’s 2021/31 Sustainable Capital Budget Strategy, a report on

[4] It is being assumed that, by 2024/25, loss of the funding flexibilities of £8m would be offset by increases in income, or reductions in expenditure, of the same amount, hence there is no overall impact of the loss of this time-limited funding.

which is included elsewhere on today's agenda, also currently shows a £172m funding shortfall.

Edinburgh Integration Joint Board (EIJB)

4.29 On 15 December 2020, members of the EIJB considered a report on the initial three-year financial outlook for the Board. This report indicated a projected in-year savings requirement for 2021/22 of £30.3m and £63.5m across the three-year period to 2023/24. These sums include the assumed application of the savings target noted in Paragraph 4.17.

4.30 It is envisaged that the Integration and Sustainability Framework, aligned to the EIJB's Strategic Plan and looking at how it best works with staff and the people of Edinburgh in shaping and re-imagining the delivery of community-based services within the level of funding available, will support delivery of longer-term sustainability. In the immediate term, however, work is underway to develop a savings and recovery programme in 2021/22, comprising four elements as follows:

(i) reviewing previously-approved proposals from 2019/20 and 2020/21;

(ii) progressing operational and "grip and control" projects that do not require explicit EIJB approval;

(iii) delivering efficiency-based projects under the Transformation Programme; and

(iv) developing new proposals that will be presented for approval by the EIJB as part of the financial plan in March 2021.

Future years of budget framework

Best Value Assurance Report recommendations

4.31 The Council's Best Value Assurance Report (BVAR) noted a number of observations concerning the setting and subsequent implementation and delivery of the Council's revenue budget. These included continuing shortfalls in savings delivery (and consequent reliance on savings in non-service budgets), a lack of robustness in the implementation plans for some proposals and the potential for the Council's use of reserves to become unsustainable without decisive action.

4.32 In seeking to address these concerns, a number of further enhancements have been introduced into this year's process, including updated, detailed and consistently-applied guidance for Finance professionals in assessing the rigour of accompanying savings implementation plans and more general earlier recognition, through discussion and agreement at Corporate Leadership Team, of the impact of underlying service pressures and savings shortfalls on the robustness of the budget framework. An indicative five-year planning timeframe has also been adopted.

4.33 In addition, the budget process has included detailed review of non-service budgets, reserves, the availability of financial flexibilities to spread the pandemic's financial impacts over a longer and more manageable timeframe and consideration of likely project management and other required support to aid subsequent savings delivery.

4.34 The BVAR also recommended that the Council adopt a longer-term financial planning horizon once the on-going impacts of the pandemic upon the Council and its ALEOs become clearer. Given, however, the announcement on 5 January 2021 that Edinburgh and all other mainland authorities in Scotland would be returning to arrangements akin to the March 2020 lockdown and the significant consequent increase in uncertainty and risk that any longer-term budget is based on incomplete information or flawed assumptions, the primary focus of activity has reflected the Council's statutory responsibility to set a balanced budget for the following year by 11 March. This shorter, one-year timeframe is consistent with both the UK and Scottish Governments and councils elsewhere in Scotland.

4.35 In view of the immediacy of the Council's pandemic response, the budget for 2021/22 will therefore be underpinned, in the main, by shorter-term tactical measures (including those related to the Information and Communications Technology contract extension, reducing our number of staff and taking full advantage of financial flexibilities provided by the Scottish Government) whilst preparing for broader reforms and major changes to services from 2022 onwards. This longer-term review will include the Council's ALEOs.

4.36 Over the next five years, due to a combination of rising demand, inflationary pressures, legislative reform and a level of funding that is not expected to keep pace, the Council will need to save more than £100 million whilst maintaining an appropriate level of reserves. This sum is in addition to over £350 million of savings delivered since 2012/13. This will inevitably mean taking difficult decisions about where it is going to invest to progress its priorities and what it will scale back, deliver differently or, in some cases, stop. Once the financial position is clearer, a strategic long-term financial plan, guided by the overarching vision, principles and priorities set out within the Business Plan: *Our Future Council, Our Future City* (included as Appendix 7), will therefore be developed to maintain its financial sustainability.

Business Plan: Our Future Council, Our Future City

4.37 The new Council business plan lists our key deliverables for the next three years. As recommended by the Best Value Assurance Report it is clear on both our collective strategic priorities and direction of travel. The tone of the business plan is optimistic about Edinburgh's future but sets this against the financial challenges detailed in this report. Indeed, these challenges only further evidence the need for significant change in how we work.

4.38 There are three priorities in 'Our Future Council, Our Future City':

(i) ending poverty and preventing adverse outcomes such as homelessness and unemployment;

(ii) becoming a net-zero city; and,

(iii) ensuring wellbeing and equalities are enhanced for all.

4.39 The plan is aimed at shaping Edinburgh's "fair and green" recovery from the pandemic in the years ahead and is intended to be considered hand in hand with the budget framework. Through the Business Plan and our on-going budget planning we'll also be driving forward the aims set out in Edinburgh's Community Plan. The priorities, shared by all members of the Edinburgh Partnership, are that all citizens have:

(i) enough money to live on;

(ii) opportunities to work, learning and training; and,

(iii) a good place to live.

4.40 While the business plan focuses on deliverables over the next three years, its actions go beyond this timeframe and speak to our 2050 City Vision for a thriving, welcoming, fair and pioneering city. Successful delivery of the business plan will also show progress towards our 2030 poverty target and ambition to be carbon-neutral by 2030.

4.41 While much of the work set out in the business plan is underway, formal reporting will begin when we finalise the 2020/21 annual performance report at Council in May. The new planning and performance framework will provide a clear link between our business plan, key strategies, annual directorate plans and the supporting performance framework including benchmarking. The framework will be underpinned by a cycle of 'plan, do, check and review and act' at all levels and will drive a culture of continuous improvement.

4.42 A more detailed report on our approach to integrated performance and planning, our SMART KPIs and monitoring/scrutiny cycles will be submitted to Council in May 2021. A strategy map is included in the business plan which sets out our outcomes, actions and initial areas of measurement. These will be further developed over the coming months in preparation for the commencement of the new planning and performance framework.

4.43 The business plan will be a live document and we will continue to update it in line with reporting cycles. We will develop a communications strategy to ensure it reaches citizens through our media outlets and through our frontline services, when it is safe to do so.

Realignment and reprioritisation of Council's reserves

4.44 The Risks and Reserves report included elsewhere on today's agenda sets out the basis of a proposed realignment and reprioritisation of the Council's reserves, consistent with the budget framework risks outlined elsewhere within this report. Given the improved, balanced in-year revenue monitoring position now being forecast, the Council's reserves as of 31 March 2021 are expected to comprise four main elements:

(i) an **increased unallocated General Fund balance** of £25m, equating to around 2.3% of the Council's net expenditure and being more in line with other authorities in Scotland;

(ii) a series of **ringfenced reserves maintained for statutory[5] or specific policy**[6] **reasons** or to reflect timing differences between the receipt of income and its subsequent application, together totalling £55m;

(iii) a **workforce transformation reserve** of £15m, less commitments incurred as part of the recent targeted staff release programme for senior managers, to facilitate organisational restructuring and deliver associated recurring efficiency savings; and

(iv) a **COVID contingency reserve** of £16m, acknowledging the continuing uncertainty of the recurring impacts of the pandemic on, in particular, income levels in key areas such as parking, commercial rentals and other fees and charges.

4.45 Creation of the last-mentioned reserve, alongside both what are considered to be prudent planning assumptions in respect of grant funding levels and the potential for further in-year pressures mitigations and savings implementation plans to be developed, provides a degree of assurance against potential downside risks within the framework, particularly the ability to apply the assumptions around Council Tax increases and IJB savings targets.

Spend to Save proposals for Green Recovery

4.46 In considering the Revenue Budget 2020/21 – Progress Update report at their meeting on 24 September 2020, members of the Committee requested that relevant costed proposals meeting Spend to Save criteria be brought forward within two cycles, taking into account suggestions put forward in February 2020 budget motions, the first report of the Edinburgh Climate Commission, the Sustainability Programme and the Adaptation and Renewal Programme Update report of 6 October.

4.47 Work continues on developing the Council's wider Sustainability Plan, including "Net-Zero" investment priorities, with an update presented to the Policy and Sustainability Committee on 1 December. After taking account of payback periods and other potential sources of funding, investment from the Council's Spend to Save fund could, subject to development of detailed business cases, contribute positively in two main areas.

Solar Photovoltaics (PV) Fund

4.48 There may be opportunities for the Council to use spend to save money to operate in a similar way to the existing Edinburgh Community Solar Co-Operative and install solar panels on roofs of suitable properties or land. Upfront investment would be

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[5] Including the Insurance Fund, Council Tax Discount Fund (ringfenced for the provision of affordable housing), licensing reserves and sums set aside under the Devolved School Management (DSM) scheme.

[6] Including the Spend to Save and City Strategic Investment Funds.

provided from the fund, with payment then received from the Council and/or its ALEOs for energy used (with each benefiting from reduced/fixed-cost green electricity).

4.49 Additional, or reprioritised, resources would be required to manage the scheme, with a number of technical and legal considerations also requiring to be addressed. The Council would furthermore need to assess potential take-up for this form of funding. Simple paybacks would be expected to be around twelve to fourteen years (thus requiring changes to current Spend to Save criteria). It may be possible, however, to consider more flexible methods of repayment to offer some short-term revenue savings to participating organisations.

Energy Efficiency/Renewables Fund for ALEOs

4.50 There may be opportunities to mirror the arrangements the Council has in place whereby former CEEF funding is combined with SALIX funding to operate a revolving loans fund. There may also be an opportunity for the Scottish Government to provide match funding for this. Projects operate on the basis of payback (i.e. 10 years for energy works or 12 years for renewables), with attention also given to CO_2 savings and repayment over the lifespan of the technology concerned. This may be an easier option to implement as SALIX would provide a lot of the support but this would again be dependent upon potential take-up amongst partner organisations. As with existing schemes, there would be some potential risks, such as disposal of buildings during payback period (and thus loss of the energy savings “funding” to repay the initial savings) so this would also need to be considered.

Green Growth Accelerator (GGA)

4.51 The Green Growth Accelerator (GGA) was announced as part of the 2019/20 Programme for Government with the intention of unlocking up to £200m of additional resources for investments which can reduce greenhouse gas emissions.

4.52 The GGA is built on the principles developed for the new Learning Estate and Investment Programme (LEIP) which itself builds on the existing Growth Accelerator Model (GAM) initiative, a revenue finance model in which a local authority commits to deliver defined, measurable outcomes that are enabled or underpinned by investment in infrastructure. Where these are met, the Scottish Government makes regular revenue payments for a set period (typically 25 years although the GGA could be shorter at 10 to 20 years) reflecting the value of the outcomes achieved. A similar arrangement is already in place for the St James Quarter development.

4.53 The implementation of the GGA was delayed as a result of the pandemic but is now proceeding with the intention that a small number of Local Government-led pathfinder projects should go ahead next financial year, with a report being considered by COSLA Leaders on 29 January. Members will be kept apprised as the scheme develops.

5. Next Steps

5.1 Following consideration by the Committee, the proposals set out in Appendix 5 will be referred to Council for decision as part of the budget-setting process. Given the timing of the provisional Local Government Finance Settlement, however, members will also be kept apprised of the impact of this and other announcements or clarifications insofar as they affect the budget framework.

6. Financial impact

6.1 If all approved, the proposals set out in Appendix 5 provide the potential to set a balanced budget for 2021/22, based on the key current assumptions set out within the framework. In addition, the report sets out the basis of a proposed re-alignment of the Council's reserves which, along with a number of other measures set out, provides a degree of contingency against the risks outlined in the Risks and Reserves report included elsewhere on this meeting's agenda.

7. Stakeholder/Community Impact

7.1 A detailed report elsewhere on today's agenda summarises the response to the Council's recent engagement on budget priorities for 2021/22 and beyond and includes relevant supporting material from other engagement activity on priorities and life experiences during the COVID-19 pandemic.

8. Background reading/external references

8.1 Revenue Budget 2020/21: progress update, Finance and Resources Committee, 3 December 2020

8.2 Financial Framework 2021-2024, Edinburgh Integration Joint Board, 15 December 2020

8.3 Revenue Budget 2020/23: 2020/21 month five position and framework assumptions update, Finance and Resources Committee, 29 October 2020

8.4 Finance Update, Edinburgh Integration Joint Board, 27 October 2020

9. Appendices

9.1 Appendix 1 - Revised baseline savings requirements, taking account of on-going COVID impacts, 2021/22 to 2025/26 - as reported to Finance and Resources Committee, 29 October 2020

9.2 Appendix 2 - Projected non-COVID recurring pressures, provision for which now included in budget framework

9.3 Appendix 3 - Previously-approved savings and investment reductions assessed as deliverable at this time (and thus included in budget framework)

9.4 Appendix 4 - Previously-approved savings and investment reductions not assumed in budget framework at this time

9.5 Appendix 5 – Additional savings proposals for consideration by elected members, 2021/22 to 2023/24

9.6 Appendix 6 - Revised budget framework position, 2021/22 to 2025/26

9.7 Appendix 7 – Council Business Plan: Our Future Council, Our Future City

Revised baseline savings requirements, taking account of on-going COVID impacts, 2021/22 to 2025/26 - as reported to Finance and Resources Committee, 29 October 2020

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Unfavourable changes to current planning assumptions:					
Continuing loss of Lothian Buses dividend	6.0	0.0	0.0	0.0	0.0
Continuing loss of other income (including parking and property rentals)	3.0	(2.0)	0.0	0.0	0.0
Recurring increase in homelessness costs	10.0	0.0	0.0	0.0	0.0
Recurring increase in Personal Protective Equipment (PPE) costs	1.0	0.0	0.0	0.0	0.0
Recurring increase in net provision for ALEOs	3.0	0.0	0.0	0.0	0.0
(i) total recurring financial impacts of pandemic on core budgets	**23.0**	**(2.0)**	**0.0**	**0.0**	**0.0**
(ii) carry-forward into 2021/22 of savings not delivered/on-going pressures	**10.0**	**0.0**	**0.0**	**0.0**	**0.0**
(iii) updated deliverability assessment of 2021/22 and 2022/23 savings	**5.0**	**5.0**	**0.0**	**0.0**	**0.0**
Consolidation of Scottish Local Government Living Wage	5.0	0.0	(1.0)	0.0	0.0
Reassessment of required inflation-linked uplift for non-pay costs	(1.0)	(0.5)	0.0	0.0	0.0
Council Tax - changes in base/assumed collection levels	(5.5)	0.0	0.0	0.0	0.0
Loans charges - additional savings based on net slippage in 2020/21 of £180m (in addition to £4m already within framework; 2021/22 only)	(6.0)	6.0	0.0	0.0	0.0
ICT contract extension savings	(1.0)	0.0	0.0	0.0	0.0
Unallocated funding within 2020/21 budget, net of corporate adjustments	(4.8)	0.0	0.0	0.0	0.0
Reduced short-term funding for asset life reprofiling (roads and infrastructure; 2021/22 only)	(1.0)	1.0	0.0	0.0	0.0
Past service pension costs - incremental reductions in liability	(0.5)	(0.3)	(0.2)	0.0	0.0
Savings from staff release (in addition to those already assumed in budget framework)	(7.2)	(3.7)	0.0	0.0	0.0
(iv) other savings and additional income, offsetting increased requirements in (i), (ii) and (iii) above	**(27.0)**	**2.6**	**(0.2)**	**0.0**	**0.0**
Estimated in-year savings requirement (for years beyond current period of budget framework			27.0	28.0	29.0
Net additional savings requirement	**16.1**	**5.6**	**25.8**	**28.0**	**29.0**

Key budget planning assumptions as of 29 October 2020:	2021/22	2022/23	2023/24	2024/25	2025/26
Pay awards	3%	3%	3%	3%	3%
EIJB savings target	c. 2.2%	c. 2.2%	TBC	TBC	TBC
General Revenue and NDR Funding year-on-year change	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%
Council Tax increase	4.79%	4.79%	3%	3%	3%
Fees and charges increase	5%	5%	5%	5%	5%

Projected non-COVID recurring pressures, provision for which is now included in budget framework

	Directorate	Description	£m
Schools Non-Devolved	Communities and Families	Recurring Pressure	0.500
Third Party Grants	Communities and Families	Recurring Pressure	0.440
Community Access to Schools	Communities and Families	Recurring Pressure	0.380
Library Books	Communities and Families	Non-delivered 20/21 saving	0.074
Total Communities and Families			1.394
Residual Budget Gap	Place	Recurring pressure	2.445
Waste and Cleansing	Place	Recurring pressure	2.380
Area-Based Regeneration/Place Development	Place	Recurring pressure	0.440
Parks and Greenspace	Place	Recurring pressure	0.308
Scientific, Bereavement and Registration	Place	Recurring pressure	0.320
Strategic Transport	Place	Recurring pressure	0.290
Fleet	Place	Recurring pressure	0.250
Auto-renewal of registrations and permits	Place	Non-delivered 20/21 saving	0.100
Various	Place	Recurring mitigation	(0.700)
Total Place			5.833
Property and Facilities Management (PFM) - Legacy Pressures incl. Asset Management Strategy	Resources	Recurring pressure	2.378
Less reprofiling of repairs and maintenance expenditure until later years	Resources		(2.000)
PFM - term-time holiday pay; Janitorial Review; Security Contract	Resources	New Pressure	0.300
Advertising Income	Resources	Non-delivered 20/21 saving	0.300
Total Resources			0.978
Total service pressures			8.205
Efficiencies Programme	Council-wide	Non-delivered 20/21 saving	2.000
Chief Officers and Senior/Middle Management Review	Council-wide	Non-delivered 20/21 saving	0.513
Income Maximisation	Council-wide	Non-delivered 20/21 saving	0.500
Workforce efficiency - agency/overtime	Council-wide	Non-delivered 20/21 saving	0.250
Pay-related allowances	Council-wide	Non-delivered 20/21 saving	0.200
Travel and mileage (review)	Council-wide	Non-delivered 20/21 saving	0.200
Standalone water coolers - remove	Council-wide	Non-delivered 20/21 saving	0.055
Review of car parking costs	Council-wide	Non-delivered 20/21 saving	0.050
Mobile phones - reduce specification and volume	Council-wide	Non-delivered 20/21 saving	0.050
Total Council-wide pressures			3.818
Total Pressures including Council-wide			12.023

Previously-approved savings and investment reductions assessed as deliverable at this time (and thus included in budget framework)

		2021/22	2022/23
	Directorate	£m	£m
Borrowing Costs	Corporate	4.000	4.000
Procurement	Corporate	0.100	0.100
Council Tax	Corporate	5.400	5.700
Council company dividends	Corporate	(0.250)	0.000
EIJB efficiency	Corporate	4.700	4.600
Total Corporate		13.950	14.400
Continuation of RPI+2%	Council-wide	1.500	1.500
Chief Officers and Senior/Middle Management Review	Council-wide	1.604	2.518
Total Council-wide		3.104	4.018
Early Years (restructure of staffing) (note 1)	Communities and Families	0.300	0.000
Quality Improvement Officers (note 2)	Communities and Families	0.120	0.000
School Efficiencies (DSM) (note 3)	Communities and Families	0.600	0.000
Police Funded Officers - acceleration from 2022/23	Communities and Families	0.478	0.000
Strategic Service Reviews: Libraries and Adult Learning (note 4)	Communities and Families	0.250	0.000
Library Opening Hours – acceleration from 2022/23 (note 4)	Communities and Families	0.050	0.000
Instrumental Music Service (note 5)	Communities and Families	0.150	0.000
Edinburgh Leisure (note 6)	Communities and Families	0.380	0.000
Total Communities and Families (including accelerated savings)		2.328	0.000
Statutory Consents	Place	0.040	0.025
Parks and Green Spaces	Place	0.100	0.000
Parking action plan phase 2	Place	0.520	0.000
Culture Services Review of Museums and Galleries	Place	0.150	0.000
Culture Service (Income Maximisation)	Place	0.038	0.000
Cashless Parking - remove cash for car parking across the city	Place	0.150	0.000
Development and Business Services Operating Model	Place	0.950	0.300
Scientific, Bereavement and Registration Services	Place	0.090	0.000
Depots and Yards	Place	0.210	0.000
Roads - Revenue to Capital (one-off)	Place	(0.500)	0.000
Total Place		1.748	0.325
Digital delivery	Resources	0.250	0.190
Property investment and additional investment	Resources	(0.850)	0.000
Edinburgh Shared Repairs - Management Resource and Income Generation	Resources	0.000	0.007
Resources Directorate Workforce Savings	Resources	0.110	0.110
Total Resources		(0.490)	0.307

Total pre-approved savings		20.640	19.050

Investment Reduction			
Home to School Transport	Communities and Families	0.500	0.000

Total (all savings and investment reduction)		21.140	19.050

Note 1 - The saving reflects the full-year effect of measures implemented in 2020/21.

Note 2 - The saving reflects the full-year effect of measures implemented in 2020/21.

Note 3 - The saving reflects the full-year effect of measures implemented in 2020/21.

Note 4 - The savings will be delivered through reviewing management and central structures.

Note 5 - The savings will be delivered through vacancy management and re-designing the tuition timetable to deliver operational efficiencies.

Note 6 - The Council provides an annual pay-related uplift of £0.380m to Edinburgh Leisure. In 2021/22, this uplift will be offset against an assumed saving of the same amount, resulting in the provision of a management fee that is unchanged in overall terms. The budget framework also contains additional investment of £3m for support of the Council's ALEOs, including Edinburgh Leisure.

Previously-approved savings and investment reductions not assumed in budget framework at this time

	Directorate	2021/22 £m	2022/23 £m
Efficiencies Programme	Council-wide	2.000	2.000
Mobile phones - reduce specification and volume of devices	Council-wide	0.050	0.050
Approach to charging (Income maximisation)	Council-wide	0.500	0.500
Digital Strategy - Smart City	Council-wide	0.250	1.250
Redesign approach to our assets (including Letting and Catering Reviews)	Council-wide	0.500	1.500
Total Council-wide		3.300	5.300
Edinburgh Leisure Service Payment	Communities and Families	0.120	0.500
Review relationship with Edinburgh Leisure	Communities and Families	0.500	0.000
Police Funded Officers	Communities and Families	0.000	0.022
Instrumental Music Service	Communities and Families	0.000	0.350
Fee Paying Adult Education	Communities and Families	0.200	0.000
Strategic Service Reviews: Libraries and Adult Learning	Communities and Families	0.000	0.250
Library Opening Hours	Communities and Families	0.000	0.950
Library books - return to original library	Communities and Families/Resources	0.100	0.000
Night Noise team	Communities and Families	0.100	0.000
Total Communities and Families		1.020	2.072
Depots and Yards	Place	0.290	0.000
Parking action plan phase 2	Place	0.000	0.625
Culture Services Review of Museums and Galleries	Place	0.000	0.350
Culture Service (Income Maximisation)	Place	0.000	0.000
Cashless Parking - remove cash for car parking across the city	Place	0.050	0.000
Auto renewal of registration and permits (incl garden waste)	Place	0.100	0.000
Total Place		0.440	0.975
Edinburgh Shared Repairs - Management Resource and Income Generation	Resources	0.008	0.000
Total Resources		0.008	0.000
Total pre-approved savings		4.768	8.347
Investment Reduction			
Home to School Transport	Communities and Families	0.000	0.500
Community Access to Schools	Communities and Families	0.320	0.000
Property and Facilities Management	Resources	0.500	0.500
Total (all savings and pressures mitigations)		5.588	9.347

The above savings are not assumed within the budget framework at this time due to the associated high degree of confidence required for inclusion. Work will, however, continue over the coming months with a view to developing suitably-robust implementation plans to support their incorporation.

Proposal:	Renting of Assets for 5G nodes			Current Cost:	n/a	Saving by 2024: -	£100k income pa
Directorate:	Council-wide	Service Area:	n/a	Operational Lead:	Nicola Harvey	Finance Lead:	Iain Shaw
Change Area:	Tactical	IIA Required:	N				

Savings Profile:	2021/22	2022/23	2023/24
(Income)	£0.050m	£0.050m	-

Description:

- The Scottish Government released the 5G Strategy for Scotland in August 2019 - https://www.gov.scot/publications/forging-digital-future-5g-strategy-scotland/
- The strategy encourages local authorities to assist with the rollout of this technology and work with telecoms providers to assist the proliferation of 5G technology across Scotland.
- The introduction of the Electronic Communication Code (ECC - December 2017) changed the charging structure for the hosting of telecoms equipment. It is not prescriptive, but CEC will work with other Scottish Cities through the Smart Cities Alliance to form a standardised charging structure for telecoms providers.
- Our intention is to provide a simple process to enable 5G providers to site masts and cells across the city and leverage opportunities to use Council assets for these sites to gain an income stream from rental agreements, ensuring we receive full market value.
- Income would come from one-off payments of between £3k and £5k for rental of mast or small cell space and ongoing rental income from small cells deployed e.g. on street furniture or masts on roof tops. An example would be income of £20k pa from ten masts and £50k from 200 small cells deployed on street furniture as well as £30k pa one off rental agreements for 6-10 masts.
- Place colleagues from Planning and Roads as well as property colleagues within Resources will require to be involved, as nodes will be placed onto current assets.

Outcomes:

- Maximise the rollout of 5G across Edinburgh
- Support the 5G Strategy for Scotland
- Support the aspirations in the 2050 City Vision and our Digital and Smart City Strategy to enable Edinburgh to be a world-leading smart city
- Support the opportunities for world-class connectivity for our citizens, businesses and visitors.

IIA Consideration: N/A

Proposal:	Print, Mail and Scan Strategy Deployment			Current Cost:	Approx. £1.7m P/A	Saving by 2024: -	TBC - Once Audit of Our Estate is complete Q1 2021
Directorate:	Resources	Service Area:	Council-wide	Operational Lead:	Nicola Harvey	Finance Lead:	Iain Shaw
Change Area:	Printing, Mailing an Scanning processes.	IIA Required:	N				

Savings Profile:	2021/22	2022/23	2023/24
	£0.100m	£0.000m	£0.000m

Description:	Deployment of the CEC-wide print mail and scan strategy to commence as agreed by CLT on 4.11.2020. Next steps are to continue with the deployment and planning and secure a new Multi-functional Device (MFD) service provider. An audit of devices will begin in the first quarter of 2021 following approval to proceed from the Finance and Resources Committee. Savings have been estimated at a 10% reduction year-on-year on copier click volumes. These will be taken from service areas' budgets each year with a historical estimated split 70% Learning and Teaching and 30% other services.
Outcomes:	A detailed and costed savings plan will be produced and agreed as part of the Smart Cities Project Board as indicated in the strategy. So far across Customer £80k has been delivered during 2018/19 and £100k estimated in 2020/21 under the paperless strategy. Further savings for 2021/22 will be profiled once new supplier completes an audit of our estate Q1 2021.
IIA Consideration:	It is not anticipated that an Integrated Impact Assessment is required as this proposal is for the reduction of printing functionality internally in the organisation and in line with the Council's Print Mail and Scan Strategy.

Proposal:	Garden Waste Collection Service – Full Cost Recovery			Current Cost:	Cost - £2.48m Income - £1.85m	Saving by 2024: -	Cost recovery - £0.320m
Directorate:	Place	Service Area:	Waste and Cleansing	Operational Lead:	Gareth Barwell / Louise Wood	Finance Lead:	Susan Hamilton
Change Area:	Tactical	IIA Required:	Y				

Savings Profile:	2021/22	2022/23	2023/24
	£0.160m	£0.160m	£0.000m

Description:	Following its implementation in 2018, the annual charge for the garden waste service has remained at £25 per bin. This rate was proposed based on assumptions in the Business Case for the charge (including sign up levels, resourcing requirements and administration costs). It is recognised that this rate does not fully cover the costs of administering the subscriptions and undertaking collections (which are chargeable under legislation). The revised rate would be implemented from the 2021/22 collection year, for which the registration period will commence in summer 2021. This proposal recommends a revised rate of £35 per bin for approval. This is based on full-cost recovery for the chargeable elements of the garden waste service factoring in known costs and resourcing demands based on the initial two years of the subscription service. Benchmarking against other Scottish Local Authorities who charge for this service has shown that the charge of £35 is consistent with the services offered by them.
Outcomes:	• Full-cost recovery for the garden waste collections • Investment in administration support and system development to allow the mid-year sign up window to be greatly expanded addressing the high levels of complaints from residents and councillors on the restriction of the current window timescales and the inability to join if these are missed.
IIA Consideration:	By increasing the charging for the removal of garden waste, groups of individuals who are in need may be affected. However, the likelihood is that the impact is reduced as there are policies in place for free garden waste uplift, for example for Council Tax Reduction Scheme and those registered as severely mentally impaired. There have been relatively few complaints about the charge itself (after the first year). Most complaints relate to the systems used, in particular the system of fixed registration windows.

Revised budget framework position, 2021/22 to 2025/26

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Net additional savings requirement per Appendix 1	16.050	5.550	25.800	28.000	29.000
Changes relative to position considered by Finance and Resources Committee on 29 October:					
Increase in provision for pressures (revised composition as shown in Appendix 2)	2.023	2.000	0.000	0.000	0.000
Increase in provision for non-delivery of savings (per Appendix 4)	(0.232)	3.347	0.000	0.000	0.000
Increase in provision for non-delivery of savings implicit in investment reduction (per Appendix 4)	0.820	1.000	0.000	0.000	0.000
Application of financial flexibilities (see Paragraph 4.22 of main report)	(18.000)	10.000	0.000	0.000	0.000
Increase in on-going loans charge liability as a result of loans fund repayment deferral	0.000	2.500	0.000	0.000	0.000
Assumed management of temporary accommodation pressure	0.000	(5.000)	0.000	0.000	0.000
Less acceleration of savings in Communities and Families	(0.528)	0.528	0.000	0.000	0.000
New savings identified:					
Renting of assets for 5G nodes	(0.050)	(0.050)	0.000	0.000	0.000
Print, Mail and Scan Strategy Development	(0.100)	0.000	0.000	0.000	0.000
Increase in garden waste charge based on full-cost recovery	(0.160)	(0.160)	0.000	0.000	0.000
Revised position	**(0.177)**	**19.715**	**25.800**	**28.000**	**29.000**

Business Plan

Our Future Council, our Future City

•EDINBVRGH•
THE CITY OF EDINBURGH COUNCIL

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Introduction

We spent most of 2020 facing up to enormous challenges that none of us could ever have predicted. The global pandemic brought immense change and a great deal of uncertainty. It also shone a light on the health of our people and planet as well as underlining the need to protect and support the most vulnerable in society.

Our focus throughout has been on keeping essential public services running and delivering support to those who need it the most. As leaders of our Council, we have never been prouder of the resilience and dedication demonstrated by staff right across council services.

Now, even as we continue to deal with the pandemic and all its challenges, we need to plan for a fair and green recovery for our city. We want to hold onto the many positives to have come out of our collective response to this crisis: kindness and community spirit, collaboration, new ideas and smarter, more sustainable ways of working and living. We have also held onto our aspirations as a capital. We will continue to support our residents to get the most out of living in Edinburgh and meet our obligations to Edinburgh's young people by proving more equal and inclusive learning pathways. We will also fulfil The Promise to our care leavers so that each and every young person can meet their potential.

Our residents have told us that they want Edinburgh to become a sustainable, fair and thriving city. Now, more than ever, we must stay true to our commitments. We must build on our success as a capital city with such a high quality of life to end poverty, to become a net zero city by 2030 and to improve the wellbeing of our residents across the whole city.

These are ambitious aims and to meet them we need to do more than simply strive to return Edinburgh to where it was before the pandemic. We must take on board the lessons we have learned and build back better.

This means continuing to promote fairness and tackle inequality, to build affordable and sustainable homes and to create safe and welcoming communities. We will also develop and support a network of '20-minute neighbourhoods' where public transport and active travel are the best options for getting around and our streets are designed for people, supporting their local businesses. We will also invest in new, modern inclusive schools and early years facilities for our children and young people, better engage with our local communities and create a strong and positive culture for our colleagues to support them in delivering services for our residents.

This Business Plan sets out how we will achieve the Council's priorities and how we will drive forward the aims set out in Edinburgh's Community Plan. We want to make sure our residents have enough money to live on, opportunities to work, learning and training and that Edinburgh remains a good place to live for everyone.

This marks an exciting new opportunity for us, one that will make sure we are shaping the future and the responding positively to the challenges it will bring.

Executive summary

This plan has been developed to cover the next three years. It will act as a guide to make sure we focus on our priorities and deliver real improvements. It is also a guide for our partners, local businesses and communities who are all part of **Our Future Council; Our Future City.**

Continuing the fight against Covid-19

A lot has changed in Edinburgh since March 2020, but we have continued our work to support communities and businesses. In the first weeks of the initial lockdown, our Contact Centre team handled 12,000 calls, providing guidance and support to vulnerable and shielded residents. Council Resilience Centres meant appropriate face to face services could be continued, with almost 6,000 citizens making use of these essential services between April and September. We processed over 8,000 applications for crisis support which was a 76% increase on the same period in 2019 and there was a 100% increase in take up of free school meals, with direct payments made to families throughout lockdown and school holidays. We also processed over £110 million of Business Support Grants to support the city's businesses and the economy. No matter what new challenges the pandemic brings, this Council will continue to respond quickly to make sure our services are maintained, businesses are supported and the most vulnerable people in the city get the help they need.

This work can only be done in close partnership with the third sector, volunteers and our communities. With third sector partners we have set up Locality Operation Groups to provide practical and professional support to the children and families most in need of help and support. Barriers that have prevented collaboration in the past have been overcome in the face of a crisis. As we plan for recovery, we will embrace these changes, be that in working in new ways with the third and voluntary sector, or simply equipping and supporting residents and local businesses to play a more active role in maintaining their local environment and helping each other out.

Managing the ongoing budget challenge

Continuing to respond to an emergency of this scale does not come without additional risks and challenges. For our Council, the pandemic so far has brought around £85 million of additional financial pressures in either increased spend or lost income. We have a strong track record of successfully delivering balanced budgets, but the scale of this new challenge is acute. Closing the gaps in our budget for this year and future years will mean reprioritising our services and reforming how we operate. This means that for the 2021/2022 budget we will be taking forward a number of short-term measures to help us deliver our pandemic responses, while also balancing our financial position and preparing for broader reform and major changes to services from 2022 onwards.

Our priorities

Both Covid-19 and the financial pressures on our budget mean we need to look again at how we deliver services. Over the coming years we will continue to focus on our three priorities:

- ending poverty and preventing adverse outcomes such as homelessness and unemployment
- becoming sustainable and net zero city
- making sure wellbeing and equalities are enhanced for all.

These will be aligned with the priorities set out in the Edinburgh Partnership Community Plan which were developed based on feedback from communities. The priorities, shared by all members of the Edinburgh Partnership, are that all citizens have:

- enough money to live on
- opportunities to work, learning and training
- a good place to live.

Our Future Council

We need to work differently to deliver our priorities and those of the Edinburgh Partnership in a way that is financially sustainable. We need to be a Council that is more agile, more empowering of others and more connected to our citizens lives and communities. It means carrying on with the changes prompted through the city's response to the Covid-19 crisis and taking that learning into every aspect of the organisation.

It means structuring and delivering services differently, working with communities and using existing buildings within each community. In doing so we will work with equality groups to consider the needs of all our citizens.

It means having accessible technology to support digitally excluded citizens and the tools to allow our teams to deliver services digitally more effectively and efficiently.

It means building our resilience to a future crisis having learned first-hand from the experiences of Covid-19. We will build public health considerations into all our services and show how this approach can protect the city and economy from future shocks. By building an increased focus on public health into our future plans, we will look at everything from our use of our green spaces to how we use public transport in a crisis.

Most of all it means delivering a future organisation where we tailor support for everyone who needs help and where citizens feel their council is always on their side. This will be a new way of working for all parts of our organisation and it will need a new relationship between the Council and our colleagues, the people using our services and with our partners in the third and private sectors and across other public agencies.

This Future Council also requires a further evolution in the culture of the organisation. We must focus on empowering our colleagues and involving them in changes at a much earlier stage, as well as being honest about the impact of change on our teams and services. And it requires a culture that is more inclusive, where people feel safe and able to raise concerns and potential risks knowing that they will be responded to fairly and effectively.

This Business Plan marks an exciting new opportunity for us to make these changes and make sure that we can shape the future and respond positively to the challenges it will bring.

Business Plan structure

This Business Plan describes the approach we will take to deliver our priorities in the form of 15 outcomes with actions. This plan stands as one part of a golden thread linking and guiding our operations, through to the shared goals and commitments of the Edinburgh Partnership and towards our long term ambitions for Edinburgh to be a fair, welcoming, pioneering, and thriving city, as expressed by the 2050 Edinburgh City Vision. These priorities represent a core focus for all our teams over the next phase of the city's development and for the way we will reform our services.

How we work with partners

Shared outcomes and joint working

The ambitions we have for Edinburgh cannot be met by the Council, or any other organisation, working on its own. Through the Edinburgh Partnership we are committed to working with our community planning partners – including public, private, and third sector leaders and their organisations – across the city to deliver the outcomes and goals we all share, and which can only be achieved when we work together. The Edinburgh Partnership Community Plan 2018- 2028 describes the framework for that joint working where there is a focus on action to end poverty and three specific outcomes to which all partners are committed. We want to make sure that residents across all parts of Edinburgh have enough money to live on, access to work, training and learning opportunities, and a good place to live.

- **Enough money to live on.** All partners are committed to working together to deliver a more coordinated approach to income maximisation, support and advice services. The plan aims to make sure all residents have access to income maximisation support where and when they need it and receive the same high-quality support wherever they are in the city.
- **Access to work, training and learning opportunities.** Partners are committed to working together to provide new and additional targeted support to help people into work, training or learning. This includes planning of intensive integrated family support programmes, support for people on release from prison and support for care experienced young people.
- **A good place to live.** The places people live and work, their connections with others and the extent to which they can influence the decisions that affect them, all have a significant impact on their quality of life and wellbeing. Towards this, all partners are committed to working together to create good places to live in Edinburgh and accessible and open places, with good links to health, childcare, and other services. Partners are also committed to maximising the availability of land for affordable homes and the strategic value of Edinburgh's public sector estate.

We work locally with partners in Locality Partnerships within this framework to make sure the actions we take are focused on the things that matter most to citizens in every area of the city.

Ending poverty by 2030

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Outcome 1

On track to end poverty in Edinburgh by 2030 by meeting the targets set by the Edinburgh Poverty Commission

- As a first step of **The City of Edinburgh Council End Poverty Plan 2020-30,** during the next 12-18 months we will:
    - deliver people-centred income **maximisation, family and household support services** with Edinburgh Partnership on a single city-wide approach to commissioning advice services, and aim to extend into all city communities, holistic support to improve financial resilience, health and wellbeing for people who are already in or are at risk of being in poverty - this will support the delivery of the Community Plan 'Enough money to live on' priority
    - work with the new **End Poverty Edinburgh citizen group** and embed citizens' voices in the design of approaches to end poverty
    - work to '**poverty proof**' all our services by expanding the successful 1in5 programme and continue to tackle child poverty
    - continue to provide and co-ordinate immediate support for those in financial hardship and experiencing food insecurity by working with our partners to develop a long-term support and intervention strategy to prevent food poverty and food insecurity in all our communities.

Outcome 2

On track to deliver new prevention service models

- We will create a **new prevention service model** for people focused services aimed at preventing poverty and its outcomes. This is a long-term programme of organisational change that will make prevention of poverty a core function of all our services and teams. We will develop new preventative service models over the next 12 -18 months and then roll them out so that they become embedded across the whole organisation over the ten-year period for which we have a target to tackle poverty. This model will co-ordinate public sector services behind empowered, front line workers for whom the quality of relationship with our most vulnerable people is their key concern. With this new approach we will remove structural and organisational barriers that impede joined up services and embed them in communities across the city. It will be built upon collaboration with our community planning partners such as the Edinburgh Integration Joint Board (EIJB) and the NHS and will be based upon a new relationship with the Third Sector.

Outcome 3

More residents experience fair work and receive the living wage

- We will expand the **Edinburgh Guarantee** to support more citizens into positive destinations, with an enhanced focus on helping those with barriers to employment, such as young people and people with disabilities or from a minority ethnicity, into sustainable employment. Since February 2020 we have seen a concerning rise in unemployment rates as well as Universal Credit claimants and have agreed with our city partners that we need to take action to support citizens back into work. Working with the public, private, education and our third sector partners across Edinburgh we will launch an Edinburgh Guarantee for All. Businesses will be encouraged to offer a variety of support, training, education and employment opportunities for those who have had their life chances affected by the pandemic or suffer from barriers to employment. By offering routes into sustainable employment we aim to help to alleviate in-work poverty and reduce the unemployment rate as well as the amount of people claiming Universal Credit. This will support the delivery of the Community Plan 'Access to work, learning and training' priority.

- For many, the opportunity to work, while also gaining a qualification or a degree is crucial to their introduction to work life and for many people from deprived areas, this is the only way that they can afford to get a qualification or degree. We will continue to provide **apprenticeships** which combine paid employment and on-the-job training with an accredited qualification at industry recognised standards or degree. We will explore the possibility of offering further posts through the UK Government Kickstart funding and managers will be asked to include Modern and/or Graduate Apprenticeships as part of their workforce plan.
- We will encourage an expansion in the number of living wage accredited employers in the city. Together with Edinburgh employers, public sector, third sector and Trades Union partners we will work with the Living Wage Foundation Scotland, to achieve accreditation for Edinburgh as **a living wage city** and promote the use of living wage and fair work practices throughout the city economy.

Outcome 4

Intervene before the point of crisis to prevent homelessness

- We will focus on the unique **homelessness** challenges faced by our capital city with an ambitious programme to expand the supply of social rented and affordable housing, improve housing services, transform temporary accommodation and move away from the use of unsuitable accommodation. We will continue to invest in homelessness services focusing on the prevention of homelessness in the first place and early intervention. We want to help before the point of crisis through our second rapid rehousing transition plan and as part of our new approach to prevention across the organisation.

Outcome 5

Ongoing delivery of our 20,000 affordable homes programme

- We are continuing to build 20,000 affordable homes in partnership with registered social landlords and private developers to address the city's housing crisis. Between April 2017 and March 2020, over 5,000 new homes were approved for site start and over 3,500 completed. It is currently projected that 10,000 homes will be completed, under construction or approved for site start by the end of 2022. This will support the Community Plan 'a good place to live' priority.
- We will **transform our housing services** through investment that is fairer, more sustainable and tackles poverty. Over the next ten years, we will invest £2.8 billion through the Housing Revenue Account and create homes and places that people can afford, and where they feel safe, secure, healthy and connected. This funding will deliver new council houses and invest in improvements to existing homes and estates. Through this investment we will bring together new and existing homes to create resilient communities with strong local identities. We will also invest to create well-designed, green and open spaces that will encourage residents to be active, with strong connectivity to the wider community through sustainable, affordable travel with easy access to services and amenities. We aim to bring all our Council homes for our 20,000 tenants up to modern standards, highly energy efficient and low carbon emissions.

Outcome 6

Increasing attainment for all and reducing the poverty-related attainment gap

- We will end the stigma of poverty by promoting and valuing all learning pathways. The **Edinburgh Learns for Life strategy** builds on the successful Edinburgh Learns strategy to help every learner reach their potential in school and their local community. This means making better use of digital learning and partnerships with colleges, universities and local businesses across our **learning estate**. We will embed a cultural shift that includes and supports every learner, particularly those with protected characteristics. This will include schools reviewing their curriculum to remove outdated traces of bias, in other words: decolonising.
- We will support the **Edinburgh Slavery and Colonialism Legacy Review Group**. This group will consider the city's historical links to racism and make recommendations to review features such as our statues and street names which commemorate those with close links to slavery. This is part of the Council's drive for racial equality across the City, to help redress this history which has a lasting impact today.
- We will continue to tackle closing the attainment gap and embedding the **Edinburgh Learns Teaching Charter**. We will continue to work in partnership with families and wider services to poverty-proof the school day and Get it Right for Every Child. This will support our Community Plan 'Access to work, learning and training'.
- We will create a truly **inclusive education system** and reduce the number of special schools. We will do this through our programme of modernising our services for **children with additional support needs** and by designing our schools for the future to accommodate the needs of all children irrespective of disability or additional support requirements.
- We will continue to **invest in our schools** within our ten-year Capital Investment Programme, so our school's estate provides modern places for learning that contribute to the 20-minute neighbourhood model and are constructed to Passivhaus standards. Each new learning estate project will be influenced by a learner-led consultation. This will set out how and what pupils will learn and will form the basis of their Learning Charter.
- We will continue to plan for and deliver **expanded early years provision** for children aged three to four years across the city and make sure it is flexible enough to meet the needs of working families.
- We will continue to deliver a range of **Adult and Family learning opportunities** with the priority being Adult Literacy and Numeracy and English as a Second or other Language.

Outcome 7

Edinburgh's economy recovers from recession and supports businesses to thrive

- We will renew the **Edinburgh Economy Strategy** to support a new economy in the city. This will set out our response to the emerging economic challenges in the wake of the Covid-19 pandemic and align with our core priorities to tackle poverty, promote sustainability and wellbeing.
- We will use our Business Gateway service, which engages with over 3,000 entrepreneurs each year, to help more **businesses flourish in Edinburgh**. We want to support an environment where starting your own business is a choice rather than a necessity and where citizens have confidence that they will be supported as entrepreneurs at every stage of their business. Working with our partners, including the universities, enterprise agencies and business groups, such as Edinburgh Chamber of Commerce, Federation of Small Businesses and Social Enterprise Edinburgh, we will provide year-round start-up and growth focused workshops, and 1-2-1 growth and digital business advisors. These will be free to citizens and will focus on current priorities including Covid-19 recovery, digital skills, women in business, growth and digital skills.
- We will work in partnership to develop a new plan for the short term recovery in the **tourism and hospitality sector** and to deliver the city's adopted Tourism Strategy, with its focus on making sure that tourism

works for local people as well as visitors, whilst also remaining mindful of the climate emergency.

- We will continue to support the arts and cultural sector in the city and contribute to the stabilisation and retention of the city's **world class cultural offer.** We will work with partners to urgently deliver a plan for the future for the Festivals and the sector as a whole to support a sustainable recovery through 2021 and beyond. Issues of affordability and support for the individual artist, critical before the pandemic, remain of central importance.

Becoming a sustainable and net zero city

Outcome 8

On track to deliver our 2030 net zero target

- We will work with partners and citizens ahead of COP2026 to develop a **2030 City Sustainability Strategy**. The strategy will be supported by an implementation plan which will set out targeted actions to mitigate climate change and encourage businesses and city partners to adopt net zero strategies. It will set out a what it will take to reach our target and key areas of impact and investment.
- We will deliver a **City Heat and Energy Masterplan** tied to our Local Development Plan that lays out a strategic citywide approach to heat and energy production, distribution and efficiency that can inform and support local net zero energy plans.
- We will develop a **Council Emissions Reduction Plan** that focuses on our own organisational emissions and reflects our commitment as a signatory of the **City Climate Compact**.
- We will develop a costed plan to retrofit a reduced Council estate to become more energy efficient and maximise the use of clean energy and **switch to zero-emission vehicles across our commercial fleet**. We will bring all our homes up to modern standards, highly energy efficient and low carbon. We will also **build sustainability into our governance** by delivering carbon literacy training to staff and to support elected members' decision-making and scrutiny.
- We will assess the risks of **climate change and develop a plan to climate proof our infrastructure, communities, business and the natural and built environment**. This will include adapting our buildings to be resilient to climate change, delivering an Ecological Coherence Plan to identify the risks to our greenspaces and biodiversity from climate change and creating a Water Management Strategy for the city to deal with climate risks from river, surface water and coastal flooding. We will also learn more about how to protect areas around our coast by creating a climate ready coastal park in Granton.
- We will set a high bar for sustainable development in Edinburgh and hold ourselves to account as a major developer. Using our new Carbon Scenario Tool, we will be looking at all our new major infrastructure investments over the next ten years and challenging them to reduce their emissions to net zero. We will make sure that the economic benefits we deliver also contribute to the sustainability of our environment through infrastructure planning and providing services to develop our city and enhance our natural and built environments,
- We will develop Service Level Agreements or similar documents for our arm's length external organisations (ALEOs) that reflect our commitment to fair work and sustainability, incorporate the net zero target, and ask that ALEOs develop plans to reduce their emissions to net zero by 2030.

Outcome 9

Citizens are engaged and empowered to respond to the climate emergency

We will put **community engagement and empowerment** at the heart of our approach to sustainability, giving citizens and businesses the information, resources and motivation needed to make informed choices and act on issues which help to reduce the city's emissions to meet the net zero 2030 target. We will provide this support by:

- maintaining a long-term open dialogue with citizens, businesses and communities through a range of engagement approaches including online and, when possible, face-to-face activities
- engaging with children and young people through events and campaigns in primary and secondary schools, aimed at raising awareness and encouraging action on key issues, including clean air, active travel, healthy eating and wellbeing
- collaborating with third sector organisations and community groups to harness the assets that exist within communities and help enable communities to become more sustainable
- supporting citizens and businesses to reduce emissions from transport, energy and waste by:
    - working with citizens and communities to create and maintain safer walking and cycling routes which make on-foot, or by bike, the easiest choice for getting around the city
    - promoting and encouraging re-use, repair, recycling, and local food growing, to help citizens reduce waste and save money
    - exploring opportunities to further develop community-owned, low-cost, clean energy solutions
    - encouraging and supporting businesses from pre-start through to growth to adopt net carbon zero strategies and business models.

Outcome 10

Develop key strategic sites and project to meet the needs of a diverse and growing city

- Our **City Plan 2030** will inform all decisions on new development proposals and shape how the city grows and changes over the next ten years. The proposed plan will be published in 2021 and, as the spatial strategy for the city, it will set out the infrastructure required to support both change and growth and improve the city for existing communities and new residents. The key focus of the plan will be reusing existing 'brownfield' land where possible to deliver high quality, sustainable, mixed used developments. This will support our Community Plan 'A good place to live' priority.
- We will transform our city centre. The loss of income from both the festivals and commuter economy has impacted our city centre. While 2021 will see the opening of two new additions to Princes Street in the forms of the St James Quarter and the Johnnie Walker Visitor Centre, the changing retail landscape in recent years has had a significant impact. We will support the private sector by transforming the environment of the city centre. The **City Centre Transformation Plan** seeks to create an area for people and not cars, an exciting place to live and visit, that continues to be enriched by the legacy of our historic past. Over the next three years we will:
    - finalise the Waverley Valley Masterplan, including a revised design for Princes Street
    - complete the George Street improvement scheme, the city centre west to east cycle link, and other key connectivity schemes
    - work with partners to complete the Waverley station masterplan and move to phased delivery
    - create new, high quality urban environments on a permanent basis
    - help the city centre become again a residential destination of choice as a result of controlling the short term lets environment.
- We will begin the early phases of this regeneration programme starting with an outline business case and sustainable development blueprint to support the **Granton Waterfront** development. This development will have 3,500 new net zero homes (with at least 35% of these being affordable), ten hectares of new public accessible coastline, 20,000 square meters of new commercial and cultural space, a new primary school and mental health care facility. Through its vision to deliver net zero and low car ownership (75% of homes car free) Granton Waterfront regeneration is one of the largest projects of its kind and provides an opportunity to showcase how development can contribute to a greener

economy. A key feature will be reducing home energy costs which will saving around £12 million over thirty years[1]. Granton will also support the delivery of the 20,000 new affordable homes target across Edinburgh. The Development Framework which was approved in February 2020 included the vision and key principles for creating this new coastal community. We will use the opportunity of Granton to test innovative approaches to construction, energy generation and community wealth building. This will support our Community Plan 'A good place to live' priority.

- We will finalise our re-development strategy for **West Edinburgh**. This will finally see the development of well connected, mixed use sites at Edinburgh Park, the Gyle, parts of the A8 corridor and potentially elsewhere. It will also put in place an inclusive approach to growth in the area, helping our more deprived areas benefit from investment, innovation and job creation. We will continue to work with the Wester Hailes community who have recently produced a Local Place Plan setting out their ambition for regeneration in their area, with new housing, a new school, better public safe and new urban designs key factors. This will support our Community Plan 'A good place to live' priority.
- We will finalise the business case and procure a commercial partner for the new **Bio Quarter** health innovation district with our partners. Edinburgh is a global destination for pioneering health, innovation and enterprise and the Bio Quarter will be further transformed into mixed used destination where health innovation companies can come to grow, alongside a sustainable mix of other uses, creating job opportunities for surrounding communities.

Outcome 11

The city has a well-connected and sustainable transport and active travel network

- We will complete the **Trams to Newhaven** project, finally completing the **East-West high-volume low carbon light rail route**.
- We will publish a new transport plan for the city, the **City Mobility Plan**, which will:
    - set out our plans to 2030 for our sustainable and integrated transport system and confirm our intention to move forward with a Low Emission Zone for Edinburgh
    - outline the need to reform public transport in the city to maximise integration across all modes and reduce over concentration in key corridors
    - confirm our policy of active travel improvement for walking, wheeling and cycling, including infrastructure to support safe, dedicated active travel choices on our key road network
    - set out plans to encourage more people and companies to go about their business without needing a car
    - show how we will rise to the challenge of digitally led mobility as a service innovation.

[1] Anderson Bell Christie net zero strategy 2019

Wellbeing and equalities

Outcome 12

People can access the support they need in the place they live and work

- Through our principle of a '20-minute neighbourhood' we will consult citizens on the **location of hubs** where everyone can use services in a 20-minute round trip on foot, cycle or public transport. This will shorten local travel patterns and reduce citizen's carbon footprint. We want services in town centres, as set out in the City Plan 2030, but we also want to consider where our most vulnerable residents live and the needs of our more rural residents. This will support our Community Plan's 'a good place to live' priority.
- We will develop a **new model for libraries** that aligns with the '20-minute neighbourhood' concept, giving our citizens good local access to library services via public transport or active travel. Integrating libraries into our wider estate will allow us to manage them more efficiently and allow opening times to be broader than at present.
- Working with Edinburgh Leisure, we want to improve **affordable leisure services** that residents can use in some parts of the city. The response to Covid-19 will undoubtedly mean that Edinburgh Leisure will need to realign its core business due to financial pressures and changes in customer demand. However, we need to make sure that any changes assist those people in poverty and improve the well-being of the city's residents.

Outcome 13

Improved safety and wellbeing for vulnerable citizens

- Over the next three years we will continue to focus on **child and adult support and protection** for our most vulnerable citizens and improve mechanisms to manage public safety risks presented by high risk offenders. We will continue to develop and improve our responses to domestic abuse through staff training and more generally, by taking on board in all our services the lessons learned from trauma informed practice and the drug related deaths review group.
- We will further invest in **early help and support for our children** by shifting the balance of care which aims to reduce the need for children to go into care and to improve their outcomes. We know that intervening early helps people and is cost effective. Our investment in early intervention for looked after children since 2012 has already helped prevent 1,600 children from being taken into care and saved us £5 million per year. We will continue to provide **good quality of care and support for looked after children and young people** by making our residential estate fit for purpose, working with partners as corporate parents to improve how we collectively fulfil our statutory duties to our looked after children and unaccompanied minors, and delivering the recommendations from The Promise outlined by the Independent Care Review.
- We will strengthen our role as a **Corporate Parent** for children and young people in our care by a council-wide approach to the delivery of our Corporate Parenting Plan. This will include working across the Council and with partners to ensure all public agencies are aware of and undertaking their statutory duties as corporate parents to make Edinburgh

a city that celebrates, encourages, supports and demonstrably cares for its Looked After Children.

- All decisions made in the Council will follow the UNRC children's rights into Scottish Law. This means that **children and young people are involved in decisions that affect their life and their rights are respected.** We will develop a new model of governance for the Edinburgh Children's Partnership that builds on the work of the Good Governance Institute. The model will ensure the active involvement of children and young people in the governance structure and the delivery of outcomes, with children's rights being front and centre.

- The **Edinburgh Integration Joint Board** (EIJB) is an independent Public Body and a partnership between the City of Edinburgh Council and NHS Lothian. The EIJB agreed its Strategic Plan for 2019 -2022 and has launched an ambitious transformation plan for significant and sustainable change and to improve health and social care services in the city. As a statutory partner with NHS Lothian and working alongside the EIJB's wider partners (the third and independent sectors, citizens and carers) we will look to align with the principles set out in their plans and maximise the opportunities for new ways of working. We will support their key programmes of work.
    - Through the **3 Conversations model** we will work closely with individuals and their families in a strengths-based approach to connect them to the right people, communities and organisations quickly. This partnership currently has ten teams practising in this new way and is building on this learning to embed the 3 Conversations model across all of our services.
    - We will build on our **Home First Project** which was scaled up during the Covid-19 response to help individuals maintain as much independence as possible by remaining at home or in a homely setting, through a new model of assessment, rehabilitation and recovery.
    - We will develop The **Edinburgh Pact**, an informal agreement between the Edinburgh Health and Social Care Partnership and the people of Edinburgh, which will support thriving, healthy and informed communities. The Pact will be co-designed and created with citizens and the first phase of the project involved extensive public and stakeholder engagement to understand what really matters to people in relation to their health and social care needs.
    - The **Bed Base Care** project will make sure we have the right kind of bed based supports available, in the right place, at the right time. This considers demand and capacity for a range of bed base services including care homes, intermediate care, respite, hospital based complex clinical care and rehabilitation and will set out the optimum model for sustainable bed-based care services that are fit for the future.

Outcome 14

Core services are maintained or improved

- We will continue to improve our **core services for communities**. Investing in our waste collection depots has improved the reliability of our kerbside collections and the Communal Redesign project will improve services for residents living in flats and tenements whilst increasing opportunities for them to recycle more of their household waste. Alongside this, we will continue to improve the cleanliness of the city through effective street cleansing, increased enforcement and working with community groups who want to play a more active role in keeping Edinburgh clean. We will maintain a focus on roads and street lighting through our Roads and Transport Improvement Plan, alongside capital investment in footpath and road improvements and upgrading the remaining 20,000 streetlights to more reliable and energy efficient ones. Covid-19 has reinforced the importance of accessible and welcoming parks and greenspaces and it is important that we continue to maintain these to the high standards which our citizens expect. We will continue to improve in play areas and develop park management plans that will allow us to seek external funding to improve parks, such as the wonderful transformation of Saughton Park.

Outcome 15

Make better use of the Council estate and resources to meet our strategic priorities

- We will learn from the five **Council Resilience Centres** which we set up at the start of the pandemic to provide essential services to vulnerable people across the city. This included emergency homelessness assessments, cash payments and a safe place for people experiencing harassment and domestic violence. By the end of 2020, around 20,000 vulnerable citizens had sought support from the Resilience Centres, and we had gained valuable insight into the importance of a local point of coordination.
- We will look at where we can **better use the facilities** in local communities, such as schools, libraries community centres and sports centres. Working in this more strategic way will allow us to rationalise our assets and push forward our priority for a net zero organising for both out public and office-based buildings. Where possible we will upgrade buildings to meet our net zero target.
- We will introduce a single point of contact for all booking services, from swimming lessons and tennis courts, to cooking lessons and literacy classes.
- We will take the next steps to deliver the **Digital and Smart City Strategy** and begin the implementation of the City Operations Centre by investing in Internet of Things (IoT) sensors to monitor communal waste and recycling and litter bins and a new CCTV system to help us to manage the city on a more proactive basis. We will use this data to improvement our services.
- **We will commission, source and sustain** a broad range of supplies and services to meet our organisation’s diverse needs in a way that meets our three priorities. We will continue to embed our new procurement strategy which places sustainability at the heart of our procurement programme. This will allow our considerable spending power to support fair and green growth, and simultaneously help us address the challenges that the city is facing. This will include seeking to make it easier for local small businesses and third sector to use our Council contracts which will increase the community benefits delivered by Council suppliers. Our Commercial and Procurement Services team will also consider Fair Trade, Fair Work and other sustainable procurement commitments when tendering for new contracts.

Listening to citizens and empowering communities in all we do

To meet the priorities set out in this plan, we need a real increase in the say people and communities have over services and how they are provided by the Council and other partners. This will build more empowered and resilient communities across the city, drive accountability within services and encourage democratic participation and engagement by citizens.

We have seen throughout the crisis that communities and citizens can achieve great progress together. We will seek to increase the control local communities have over the design of services and local resources through increased assets transfer and greater participatory budgeting.

We recognise that our communities engage with many different public and wider service providers and so we will work through our community planning partnership to increase the visibility and impact of joined up decision making and service delivery.

Working with our local partners - public, private and third sectors, we will:

- work with our community planning partners (the Edinburgh Partnership) to deliver the 2050 City Vision, eliminating poverty from the city by 2030 and responding to the threat posed by Climate Change to meet our 2030 emissions target
- work with the Edinburgh Partnership on a new operating model for all Council services that is focused on preventing poverty, and is built around '20-minute neighbourhoods' in all parts of the city, utilising local plans to enable change where appropriate
- work with the third sector to move away from a procured services model and into a relationship-based approach to commissioned services as advocated by the Edinburgh Poverty Commission
- agree a new role for voluntary sector hubs to develop our city's social capital and set out what resources will be required for this role to be optimised.

Working to empower our communities and listen to citizens, we will:

- build our community empowerment expertise and resources
- offer more support to Community Councils, work with EVOC and with our wider third sector partners to redesign and strengthen Neighbourhood Networks
- maintain new relationships and groups built up as a response to Covid-19 and support communities with Community Asset Transfers and Participatory Budgeting
- support Community Asset Transfers and the use Participatory Budgeting to allocate resources wherever possible
- make sure that the diverse people and communities of Edinburgh, including those protected by the law, feel their voice is effectively heard and listened to in decision making processes
- put in place a best practice consultation and engagement guide to support officers to deliver high quality consultation and report on how citizens' views have shaped the policies and services we deliver
- continue to benchmark our progress with an annual Capital Consultation developed with NHS Lothian.

Our finances

We spend over £1 billion in revenue and around £400 million of capital each year. While we have a strong track record of balancing the budget, the income we receive is not enough to meet the increased demand in services, such as homelessness and social care costs. While we cannot fully predict the financial impact of the pandemic, we know that over the next three years we will need to save around another £50 million. This is in addition to the £350 million we have already saved since 2012/2013. The nature of this financial pressure is very different to previous crises and presents new challenges, which this plan aims to address.

For 2021/2022, we have balanced the budget by making savings in areas such as our IT contract, reducing staff numbers and taking advantages of financial flexibilities provided by the Scottish Government to spread the costs of the pandemic over a longer period. We will also continue to use our Spend to Save fund to target investment in key areas and work with all layers of government so that the right conditions exist to help us achieve our goals.

While we can deliver a lot of the change using existing budgets, we will also need to identify further resources and investment if we are to deliver this ambitious Business Plan alongside the recommendations from the Edinburgh Poverty Commission and the Climate Commission.

This Plan will also be supported by our ten-year sustainable capital budget strategy which will direct capital investment into appropriate projects. You can learn more about our finances at Appendix 1.

Balance of controls and risk management

Through the continued support from our Governance, Internal Audit and Risk teams we will apply proportionate and balanced controls, effective risk management and assurance processes across the Council to support the management of our finances, delivery of services and the implementation of change. You can read more in our Annual Governance Statement and Internal Audit Annual Opinion 2019/20.

Best Value

Responding to our 2020 Best Value report

In November 2020, Audit Scotland published our Best Value report. It concluded that over the last four years many of our services have improved and our finances have been well-managed with ambitious strategies in place to improve the lives of local people and the economy. In some areas, the report felt that there was more we could do to fulfil our potential and further improve the lives of citizens.

A key recommendation was the need for us to align our strategic priorities within the framework of long-term financial planning, underpinned by a detailed workforce plan. This recommendation is addressed by this Council Business Plan, along with the 2021/22 Council Budget and new Council People Strategy and Workforce Plan. This plan also sets the strategic framework for meeting other key recommendations that we should:

- have a strategic approach to self-evaluation and continuous improvement (see page 20)
- further improve our performance reporting by making better use of performance measures and targets, particularly to demonstrate the impact of improvement work and reporting by publishing easily accessible, up-to-date performance information on our website (see page 20)
- putting communities at the heart of improving services, learning from community engagement and clearly communicating the results of community consultation (see page 16)
- support community groups to complete asset transfers, (see page 16) work with the Edinburgh Partnership Board on its new governance arrangements with community representatives and improve outcomes for communities (see page 6)
- work with the Edinburgh Partnership Board to produce progress reports with clear targets, accountable leads and links between the actions taken and the impact on performance (see page 6).

The full Best Value Report Improvement Plan will be considered by the Policy and Sustainability Committee on 23 February 2021. The plan will provide a response to each recommendation, consider specific findings, set out proposals for each recommendation and propose an approach to monitor the improvement actions.

Improvement actions will be specific, measurable and reported through the new performance management framework, aligned with the Business Plan.

Ensuring a governance framework that supports effective decision making and scrutiny

As we start to look beyond the immediacy of the global pandemic, like all organisations, we are considering what lessons we can learn from this period of adjustments to our democratic decision making. We want to make sure that our Governance Framework is agile, transparent and supports robust internal controls and scrutiny, as well as being clear and easy to navigate for the citizens as much as for councillors, and colleagues. We will do this by reviewing how we take decisions at all levels in the organisation and check that we are making them in a transparent and clear way. We will review our internal controls, so our governance and assurance arrangements support decisions being taken at the right time, in the right way and with proper consideration of our risk appetite.

We will also respond positively to the findings of the 2020 Best Value Assurance Review by completing and putting in place our refreshed Member / Officer Protocol. This will support councillors and council officers to work well together to deliver the Council's priorities and support political leaders to make strategy and policy decisions, whilst operational matters are led by Council managers.

Our people

A new People Strategy and Workforce Plan

We know that successful organisations have a clear purpose and a strong, positive culture. We aspire to be a progressive organisation that works flexibly and seeks to always do the right thing for our colleagues and the citizens we serve. Responding to Covid-19 has been a lesson in how we can work differently, and, over the next three years, we want to build on this to become a fairer and more inclusive place to work. There have been positives and negatives from the way we have had to work since March 2020. We will hear the voices of staff on this experience, which will inform future working practices.

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Removing organisational and cultural barriers allows our colleagues to feel a greater sense of trust, empowerment and ownership of their roles that is positive for the services we offer and the people we employ. We want to build a culture across all services which focuses on the importance of strong relationships between colleagues, citizens, businesses and communities. These strong relationships will be critical as we build resilience to future public health, environmental and economic shocks into our structures, partnerships and skills.

You can read more about the changes we are making in our new People Strategy (2021-2024) and underpinning Workforce Plan. These include more detail on:

- our organisational purpose and behaviours
- physical, mental and emotional wellbeing
- the expectations we have of our colleagues and the expectations they should have of the Council as their employer

- our approach to organisational change so everyone feels engaged and heard
- our Diversity and Inclusion Strategy and Action Plan will promote a more positive culture where we can all be authentic and true to ourselves
- investing in the learning, development and capability of our colleagues
- work with the Trade Unions to consolidating the Scottish Local Government Living Wage into our pay framework
- and plans to reform aspects of our terms and conditions to help improve our organisational culture and performance.

Our performance

A new framework which integrates planning and performance

This new framework will provide a clear link between our business plan, key strategies, annual service plans and the underlying performance framework including benchmarking. The framework will be underpinned by a cycle of 'plan, do, check and review and act' at all levels of service and will drive a culture of continuous improvement.

The business plan outcomes will be aligned to SMART performance indicators and milestones which will allow for open discussion and scrutiny of performance at organisational and service team levels, as well as with Elected Members on a regular basis. We will publish public reports and online tools on our website to make sure our performance is easy to access for citizens. Appendix 2 provides a high-level view of our outcomes, key actions/plans and initial areas of measurement. These measures will be further developed into SMART performance indictors and used to monitor progress.

We will submit a more detailed report on our approach to integrated performance and planning, our SMART key performance indicators (KPIs) and monitoring/scrutiny cycles to Council in May 2021.

Appendix 1: Council finances

Revenue or capital?

The **Revenue Budget** covers day-to-day spending on providing Council services, including staff salaries, utilities costs, third party payments and general supplies.

The money to support this is determined at the start of the year through a combination of Government Grants, Non-Domestic Rates and Council Tax.

Capital spending relates to anything spent on buying, constructing or improving the assets we own where the benefits will extend beyond the current year. This could include new buildings such as schools or investment in the tram network.

Money for this can come from Government grants or capital receipts (such as income from selling property), with some coming from borrowing.

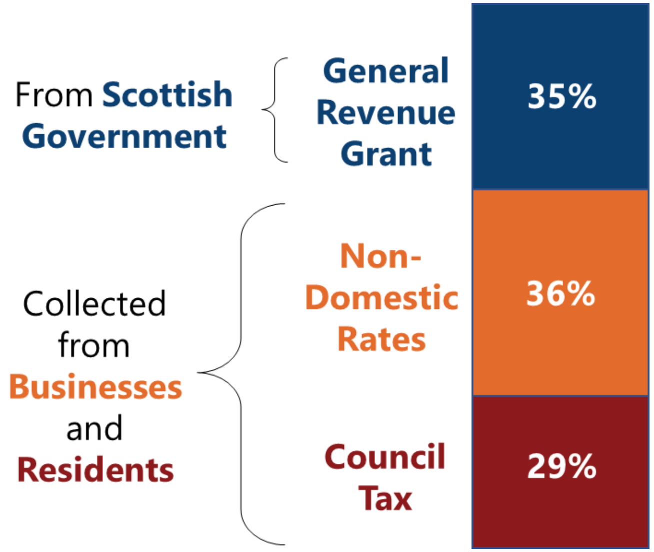
Reserves represent monies put aside in anticipation of meeting known (earmarked) or unknown (unallocated) future liabilities. Some of these reserves are required by law, whereas others are linked to the Council's own priorities

Where does the money come from?

Broadly speaking, capital and revenue are kept separate – **capital funds cannot be used to fund services** and revenue funds intended for delivery of services are not used to invest in capital projects.

Revenue comes from:

- Scottish Government through General Revenue Funding (35%)
- residents and businesses of Edinburgh through Council Tax (29%) and Non-Domestic Rates (36%).



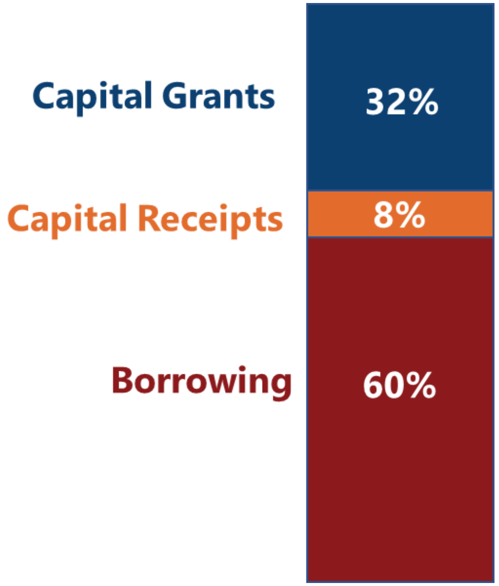
The General Revenue Funding comes as a lump sum from The Scottish Government. Non-Domestic Rates are collected from businesses and public bodies within Edinburgh and Council Tax is collected by the Council from residents.

Capital comes from:

- Scottish Government through Capital Grants (32%)
- through Capital Receipts (8%)
- from borrowing (60%).

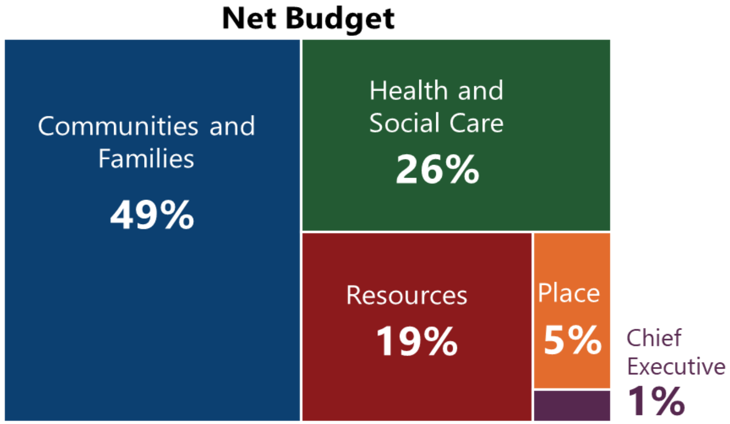
The Capital Grants come mainly from Scottish Government. Capital Receipts are income from, or linked to, capital projects (such as the sale of assets). The Council has a requirement to show that all borrowing is sustainable and affordable without detrimental impact on services.

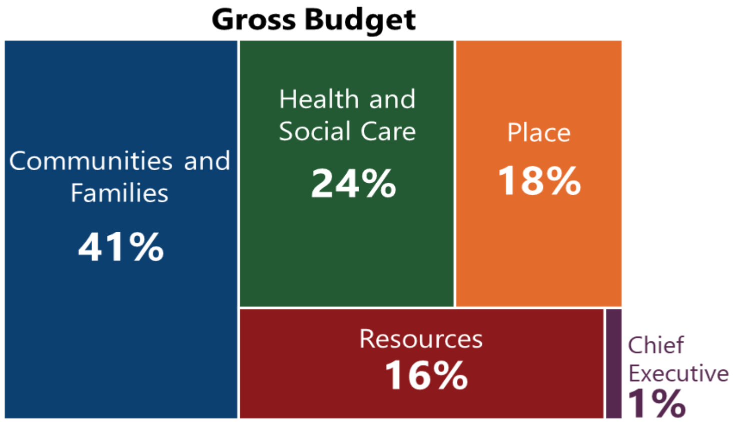
In total, £1 billion of revenue and £470m of capital spending was approved in 2020/21.



Where does it get spent?

The Council has four main Directorates; Communities and Families, Place, Resources, and Health and Social Care* as well as a division of services reporting to the **Chief Executive**. The net budget takes account of service income received. The gross budget represents all of the money that the Council spends irrespective of how it is funded.





Directorate	Gross Budget (£m)	% of total Gross	Income (£m)	Net Budget (Gross minus Income) (£m)	% of total Net
Communities and Families	547.5	41%	108.9	428.6	49%
Place	247.7	18%	201.4	46.3	5%
Resources	222.6	16%	54.3	168.3	19%
Health and Social Care	323.5	24%	95.7	227.8	26%
Chief Executive	11.2	1%	1.9	9.3	1%
Total	**1,352.5**		**462.2**	**890.3**	

As well as this **£890m of direct service spend,** the Council incurs other corporate costs that support delivery of these services – these are shown below.

We also incur expenditure to support the delivery of all services across the Council and through partner organisations. The main elements are:

- **loans charges** (borrowing costs i.e. repayments of debt principal and interest) - £103.5m
- **insurance premiums**, the Council's **Apprenticeship Levy** liability**, non-service-specific payments to Lothian Pension Fund** and **inflation and demand related uplifts** - £25.8m
- **Lothian Valuation Joint Board** (Council's share of the Board's operating costs) - £3.8m.

*Some Health and Social Care spending is done through the Edinburgh Integration Joint Board (EIJB) which is made up of councillors, non-executive members of NHS Lothian and professional advisors.

NHS Lothian and the Council both contribute to the overall budget, but it is controlled and allocated by the EIJB.

Appendix 2: Performance Strategy Map

The strategy map shows the three strategic priorities, and outcomes with underlying actions and initial measures.

Ending poverty by 2030

We are on track to end poverty in Edinburgh by 2030 by meeting the targets set by the Edinburgh Poverty Commission.

We are on track to deliver new prevention service models

More residents experience fair work and receive the living wage.

Intervene before the point of crisis to prevent homelessness

Ongoing building of our 20,000 affordable homes programme

Increased attainment for all and reducing the poverty-related attainment gap.

Edinburgh's economy recovers from recession and supports businesses to thrive.

Delivery of the Council End poverty plan

Deliver people-centred income maximisation, family and household support services

Work with the End Poverty Edinburgh citizen group, to embed citizens' voices in the design of approaches to end poverty

Develop a long-term support and intervention strategy to prevent food poverty and food insecurity

Create a new prevention service model for people focused services aimed at preventing poverty

Expand the Edinburgh Guarantee to support more citizens into positive destinations

Continue to provide apprenticeships

Work with the living wage foundation to establish Edinburgh as a living wage city

Develop new and innovative approaches for homelessness

Continue delivery of 20,000 new affordable homes in partnership with registered social landlords and private developers

Develop and deliver the learning for life programme providing inclusive and equitable learning opportunities

Close the attainment gap

Support the Edinburgh Slavery and Colonialism Legacy Review Group

Continue to invest in our schools with our learning estate investment programme

Expand and deliver flexible early years provision

Deliver a truly inclusive education system with schools designed to accommodate the needs of all children

Renew the Edinburgh Economy Strategy

Help more businesses to flourish in Edinburgh through our Business Gateway service

Continue ongoing initiatives to support the tourism and hospitality sector

Contribute to the stabilisation and retention of the city's world class cultural offer

- People lifted out of poverty
- Rates of poverty in Edinburgh (children, households, persistent)
- Numbers and outcomes for people supported by employability programmes/services
- Edinburgh Guarantee measures
- Apprenticeship programmes
- Number of Living wage employers
- Numbers and outcomes of people supported by homelessness services
- Affordable homes (approvals, completions)
- Home completions (all tenures)
- Attainment levels
- Reduce the attainment gap
- Positive destination/Participation measure
- Lifelong learning measures
- Provision of early years hours
- Delivery of school estate investment programmes (eg spend, new schools)
- Updated Economy Strategy measures (Employment rates, unemployment statistics, GDP)
- Business measures (eg new starts, numbers of businesses, survival rates)
- Business Gateway service measures
- Visitor measures
- Festival measures

Becoming a sustainable and net zero city

We are on track to deliver our 2030 net zero target.

Citizens are engaged and empowered to respond to the climate emergency.

Develop key strategic sites and projects to meet the needs of a diverse and growing city.

The city has a well-connected and sustainable transport and active travel network.

Work with partners and citizens to deliver a 2030 City Sustainability Strategy

Deliver a City Heat and Energy Masterplan

Develop a Council Emissions Reduction Plan that focuses on our own organisational emissions

Develop a costed plan to retrofit a reduced Council estate to become more energy efficient

Develop a plan to climate proof our infrastructure, communities, business and the natural and built environment

Deliver a climate ready coastal park in Granton

Review and challenge our major infrastructure investments over the next 10 years to reduce their emissions

Develop Service Level Agreements for our ALEOs that reflect our commitment to sustainability

Put community engagement and empowerment at the heart of our approach to sustainability

Create and maintain safer walking and cycling routes which make on-foot, or by bike, the easiest choice for getting around the city

Promote and encourage re-use, repair, recycling, and local food growing, to help citizens reduce waste and save money

Explore opportunities to further develop community-owned, low-cost, clean energy solutions

Collaborate with third sector organisations and community groups to harness the assets that exist to help communities become more sustainable

Deliver the City Plan 2030

Transform the city centre through the City Centre Transformation plan and regenerate Granton and West Edinburgh

Finalise the business case and procure a commercial partner for the new Bio Quarter district health innovation

Move to early implementation of the City Mobility Plan, including delivering the Tram extension

- Cut emissions to net zero by 2030
- Council annual consumption (gas, electricity, LCG)
- Council emission measures
- Total heat consumption in the city
- Total heat-related emissions in the city
- Total power consumption in the city
- Total power-related emissions in the city
- Recycling rates/landfill usage
- Electric vehicles measures
- Energy efficiency standards for social housing
- Major infrastructure investments emissions
- Community engagement measures (to be defined)
- Active travel measures
- Programme delivery milestones/measures (to be defined)

Wellbeing and Equalities

People can access the support they need in the place they live and work.

Improved safety and wellbeing for vulnerable citizens

Core services are maintained or improved.

W will make better use of the Council estate and resources to meet our strategic priorities.

Develop the 20 minute neighbourhood model and identify the location of hubs through consultation with citizens

Develop a new model of library provision

Work with Edinburgh Leisure to provide accessible and affordable leisure services

Continue to focus on child and adult support and protection

Develop our response to Domestic Abuse

Continue to invest in early help and support for our children and young people

Continue to provide good quality care for looked after children

Embed the 3 Conversations model across all Health and Social care services

Build on our Home First Project to help individuals to remain independent at home or in a homely setting

Develop The 'Edinburgh Pact'

Transform and redesign bed-based services across the City

Provide high quality services in local communities

Build on the learning from the five Council Resilience Centres to provide essential services to vulnerable people

Utilise the facilities in local communities to support delivery of the new service delivery models

Introduce a single point of contact for all booking services

Deliver a number of smart city projects which use data to drive service improvement

Begin implementation of the City Operations Centre concept through investment in IoT sensors and a new CCTV system

Embed our new procurement strategy which places sustainability at the heart of our procurement programme

- 20 minute neighbourhood measures
- Library service measures
- Adult and child protection measures
- Domestic abuse measures
- Looked After children measures
- Health and Social Care Partnership Core 23 indicators (selection)
- Assessment waiting time
- Bed days lost due to delayed discharge
- Service delivery measures for services delivered through the hubs (eg waste, street cleansing, roads, parks)
- Service user satisfaction measures
- Customer contact measures
- Volume, value and processing times for claims (Crisis grant, Scottish Welfare fund, Discretionary housing payments)
- Booking system measures
- Online transactions measures
- Sustainable Procurement Strategy measures

Organisational Performance measures, which include a range of our enabling functions and services:

- Financial Management (Revenue and Capital Budgets)
- Property/Building Condition
- Health and Safety (reported incidents)
- Workforce Planning and Management (Absence levels, Diversity, Headcount)
- Digital (Service Incidents, System Availability and Security)
- Local Government Benchmarking Framework (LGBF) Indicators

Finance and Resources Committee

2.00pm, Tuesday, 2 February 2021

Council Business Plan and Budget 2021/26 - Risks and Reserves

Executive/routine	**Executive**
Wards	**All**
Council Commitments	

1. Recommendations

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

1.1.1 note the content of this report and the proposed realignment and reprioritisation of the Council's usable reserves in light of the potential additional impacts of the COVID-19 pandemic and wider risk factors; and

1.1.2 remit the report to The City of Edinburgh Council for approval on 18 February 2021 as part of the budget-setting process.

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

Council Business Plan and Budget 2021/26 – Risks and Reserves

2. Executive Summary

2.1 The report advises members of the risks inherent in the revenue and capital budget framework and the range of measures and provisions established to mitigate these.

2.2 The report outlines the level of reserves held and the purposes for which they are maintained, including consideration of the adequacy of the balances held to mitigate against known risks. In this regard, it also sets out a proposed realignment and reprioritisation of the Council's usable reserves in light of the potential additional impacts of the COVID-19 pandemic and wider risk factors.

3. Background

3.1 This report advises members of significant risks identified within the budget process and sets out the range of measures and provisions in place to mitigate these.

3.2 Unallocated reserves are held against the risk of unanticipated expenditure and/or reduced income arising in any particular year. In addition, there are specific earmarked reserves set aside to manage timing differences between the receipt of income and incurring related expenditure, in accordance with accounting rules.

3.3 The reserves held by the Council are reviewed annually as part of the revenue budget-setting process. The review considers the level of balances, the risks inherent in the budget process and the adequacy of arrangements in place to manage these known risks.

4. Main report

Risks

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

COVID–19 specific impacts on service expenditure/income loss and savings delivery

4.2 The on-going impact of the COVID-19 pandemic poses significant risks, both in terms of the immediate ability to set a balanced budget for 2021/22 and undertaking longer-term financial planning. The increases in service expenditure and losses of income for both the Council and its Arm's-Length External Organisations (ALEOs) may be higher than assumed in the budget framework. The effects of the pandemic have also affected management's ability to deliver the level of pre-approved savings and manage on-going pressures to the extent assumed.

4.3 Financial "flexibilities" announced by the Scottish Government will allow the Council to mitigate some of these uncertainties by enabling relevant additional expenditure, and losses of income, to be spread across a longer timeframe. Further details of these flexibilities are included in the Council Business Plan and Budget 2021/26 report elsewhere on today's agenda.

4.4 The Council's Best Value Assurance Report (BVAR) also noted a number of observations concerning the setting and subsequent implementation of the Council's revenue budget. These included continuing shortfalls in savings delivery (and consequent reliance on savings in non-service budgets), an underlying lack of robustness in the implementation plans for some proposals and the potential for the Council's use of reserves to become unsustainable without decisive action.

4.5 In seeking to address these concerns whilst acknowledging the continuing short- and longer-term uncertainty resulting from the pandemic, a number of further enhancements have been introduced into this year's process as summarised in Appendix 1, with additional detail included within the Council Business Plan and Budget 2021/26 report elsewhere on this meeting's agenda. A proposed realignment and reprioritisation of the Council's reserves, consistent with the risks within the budget framework, is also set out later in this report.

Future funding settlements

4.6 Uncertainty around future funding settlements poses a significant risk to the Council's ability to set a balanced budget, given its impact on the overall level of savings required. The 2021/22 Local Government Financial Settlement (LGFS) is due to be confirmed on 28 January 2021, with the announcement covering only one year as opposed to the multi-year settlement originally envisaged. It is also possible that, as in previous years, changes to the Draft Scottish Budget (and by extension the LGFS) will be introduced as part of the Bill's Parliamentary consideration.

4.7 As of the time of writing, however, a detailed timetable of scrutiny and debate had not been finalised, meaning that changes could be intimated after the Council's budget-setting meeting on 18 February. As this Parliamentary consideration is unlikely to reduce the overall level of funding provided or extent of associated flexibilities, however, the provisional LGFS announcement should provide a baseline from which to develop the Council's detailed plans.

4.8 Future years' funding allocations could also vary for a number of other reasons, including the use of updated population and other needs-based data and the complexities of funding distribution formulae, as well as wider Scottish and UK Government fiscal policy. The Council's actual funding allocations are additionally affected by the influence of the stability and 85% per capita funding floors, from each of which it currently benefits.

Delivery of approved savings and management of underlying service pressures

4.9 Shortfalls in the delivery of approved savings and management of underlying service pressures are an on-going risk to the budget. In 2019/20, only 77% of approved savings by value were delivered, although this headline figure comprised 83% for service-specific savings and 56% for Council-wide savings, including efficiencies. In light of this recurring trend, subsequent years' efficiency and Council-wide savings targets have been significantly reduced. The preparedness assessment of accompanying implementation plans undertaken by Finance staff has in addition informed the level of contingency included within the framework for delayed implementation or non-delivery, reducing the potential influence of optimism bias.

4.10 Corresponding measures are also required to offset significant pressures within a number of demand-led areas of service, with many of the mitigations applied in 2020/21 being of a non-recurring nature. The Council Business Plan and Budget 2021/26 report elsewhere on the agenda proposes the inclusion of some £12m of additional investment within the budget framework in 2021/22 (in addition to £10m specifically for homelessness services given likely recurring increases in demand) in recognition of these pressures. As with savings delivery above, work will continue to identify further mitigations to serve as a contingency against adverse movements in other budget assumptions during the year.

Demographic changes leading to rising service demands

4.11 Demographic changes continue to increase the overall level of demand for the Council's services and the ability to provide for this within available resources.

Levels of provision were reviewed in late 2019 in light of updated population and pupil roll projections, resulting in the inclusion of total demographic-related investment of £4.2m in the 2020/21 budget framework plus full pass-through of additional health and social care funding provided within the LGFS, with similar incremental increases assumed in subsequent years. More effective demand management, greater use of preventative approaches to service delivery and service prioritisation will, however, likely be required in order for this level of funding to prove sustainable over the medium to longer term.

Income

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

4.13 These areas have all been reviewed in light of the pandemic, with detailed monthly monitoring being undertaken and adjustments reflected in future years' budgets for the anticipated on-going loss of the Lothian Buses dividend and parking and commercial rental income. These assumptions will continue to be regularly reviewed.

Legislative changes

4.14 Legislative changes present on-going risks to the budget framework, and while provision has been made for the projected impact of known factors, there is a risk that further changes are made, resulting in direct or indirect impacts on the Council's budget. It is additionally assumed that all of the savings measures included in the budget framework are fully within the Council's gift. This remains to be confirmed in the case of both the proposed level of Council Tax increases and application of a savings target to the Integration Joint Board, each of which is based on the equivalent treatment in the 2020/21 LGFS.

4.15 The ending of the transition period following the United Kingdom's withdrawal from the European Union may result in short-term economic uncertainty with a knock-on impact on the availability of staff in key service areas, increased demand for the Council's services and higher prices for some goods and services (particularly food), as well as wider levels of public expenditure. The Council has, however, on-going risk assessment arrangements in place (including an EU exit-specific risk register) and staff within Commercial and Procurement Services have engaged extensively with current suppliers.

Legal claims and inquiries

4.16 There is a risk that the Council is exposed to reputational and financial consequences of legal claims and inquiries in relation to uninsured and insured incidents. The on-going Scottish Child Abuse Inquiry has potentially significant financial implications with effect from 2022/23 but, at this stage, the precise impact on the Council (and any associated financial liability) remains to be confirmed. There is a risk, nonetheless, that substantial additional funding to meet liabilities will require to be identified either directly or top-sliced from the level of funding provided within the LGFS.

Major infrastructure projects

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

Reserves

4.18 Members are aware that the Council holds a number of earmarked reserves within the General Fund. As of 31 March 2020, the General Fund balance stood at £120.111m, of which £106.184m was earmarked for specific purposes. The unallocated General Fund stood at £13.927m, in line with the medium-term strategy of the Council.

4.19 As shown in Appendix 2, there are significant projected net movements in earmarked reserves during 2020/21 (some £9.181m). These represent a combination of planned transfers and the unbudgeted £7m contribution from reserves (after taking account of the £5m year-end contribution in 2019/20) required to deliver a balanced overall in-year position, with a projected balance of £110.930m at 31 March 2021. Appendix 2 also shows the planned use of these balances in financial year 2021/22, insofar far as they are known at this stage.

4.20 In light of the risks outlined in the preceding sections of this report, it is proposed to realign and reprioritise the Council's reserves with effect from 31 March 2021 as follows:

(i) an **increased unallocated General Fund balance** of £25m, equating to around 2.3% of the Council's net expenditure and being more in line with other authorities in Scotland;

(ii) a series of **ringfenced reserves maintained for statutory**[1] **or specific policy**[2] **reasons** or to reflect timing differences between the receipt of income and its subsequent application, together totalling £55m;

(iii) a **workforce transformation reserve** of £15m, less commitments incurred as part of the recent targeted staff release programme for senior managers, to facilitate organisational restructuring and deliver associated recurring efficiency savings; and

(iv) a **COVID contingency reserve** of £16m, acknowledging the continuing uncertainty of the recurring impacts of the pandemic on, in particular, income levels in key areas such as parking, commercial rentals and other fees and charges.

4.21 The £28m used to increase the level of the Council's unallocated General Fund balance and to create a COVID-specific contingency has been identified through a rigorous re-assessment of the overall available level of reserves and need to maintain non-statutory balances previously, or newly proposed to be, set aside for specific investment.

4.22 The overall level of available reserves has been influenced, in particular, by two factors: an assumed reduction in the in-year call on reserves given the balanced overall position now being projected (totalling £14.8m, comprising the £8.0m reduction reflected in the period eight monitoring report considered by the Committee on 21 January and, additionally, the need not to draw upon further reserves to address the previously-projected £6.8m overspend) and timing-related in-year transfers to reserves that have now been redirected (totalling £7.0m). The process has also reflected the transfer of non-essential service reserves to address Council-wide pressures, the principle of which was indicated in the month five position report considered by the Committee on 29 October 2020.

4.23 The increase of £12m in the level of the Council's unallocated General Fund balance has been enabled by reprioritising a number of discrete sums, including the uncommitted element of the current risk management contingency, funding for LDP-related expenditure (provision for which will not now be required until later years of the framework), reserves currently earmarked to support transformational initiatives and a number of uncommitted reserves previously held within specific service areas.

4.24 Creation of a COVID contingency reserve, alongside both what are considered to be prudent planning assumptions in respect of grant funding levels and the potential for further pressures mitigations and savings implementation plans to be developed following the setting of the 2021/22 budget, provides a degree of assurance against potential downside risks within the budget framework,

[1] Including the Insurance Fund, Council Tax Discount Fund (ringfenced for the provision of affordable housing), licensing reserves and sums set aside under the Devolved School Management (DSM) scheme.

[2] Including the Spend to Save and City Strategic Investment Funds.

particularly the ability to apply the assumptions around Council Tax increases and IJB savings targets.

5. Next Steps

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

6. Financial impact

6.1 The report identifies where funding has been made available for the risks set out. The Council holds unallocated General Fund reserves against the likelihood of unfunded risks occurring. In light of wider risks inherent within the budget framework, it is proposed to increase the level of these unallocated reserves to £25m, as well as creating a COVID-specific contingency reserve.

7. Stakeholder/Community Impact

7.1 There are no direct impacts arising from this report.

8. Background reading/external references

8.1 Revenue Budget 2020/21: month eight position, Finance and Resources Committee, 21 January 2021

9. Appendices

9.1 Appendix 1 – Risk Matrix

9.2 Appendix 2 – Projected Movement in General Fund

Appendix 1

Risk Matrix

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

Risk	**Provisions and other actions to manage**
COVID–19 specific impacts on service expenditure/ income loss and savings delivery	Regular CLT and elected member scrutiny of the impacts of COVID-19 on budget framework assumptions Examination of all non-service budgets, reserves and available financial “flexibilities” to spread the cost impacts of the pandemic over a longer timeframe Creation of dedicated COVID-19 mitigation reserve, alongside wider re-alignment of existing reserves, including increasing level of unallocated General Fund balance On-going mitigating actions which also relate to wider risk management actions detailed below
Future funding settlements	Provisions included in the Long-Term Financial Plan (LTFP) Regular monitoring of public expenditure projections and active membership of relevant professional forums, promptly recognising potential or actual grant variations in LTFP Development, in due course, of a longer five-year planning timeframe to recognise the potential for variation from baseline assumptions in any given year and, by extension, an ability for additional savings measures to be accelerated
Delivery of approved savings and management of underlying pressures	Updated, detailed and consistently-applied guidance for Finance staff in assessing the rigour of accompanying savings implementation plans Earlier recognition, through discussion and agreement at Corporate Leadership Team, of the impact of underlying service pressures and savings shortfalls on the robustness of the budget framework Early consideration of likely required project management and other support Regular CLT and elected member scrutiny of proposed savings at the inception, development and delivery stages Regular SMT consideration of overall service budgetary position, including known or emerging risks and pressures, with a view to taking prompt corrective action Budget re-alignment, where required, to facilitate enhanced ownership, accountability and transparency of reporting

Demographic changes leading to rising service demands	Provisions made in LTFP and regular reviews of the adequacy thereof, resulting in increased provision in 2020/21 and subsequent years of the framework
Income	Service Level Agreements with external users, application of appropriate debt policies (including, where appropriate, upfront payment for services delivered) and regular monitoring of income levels as a prompt to remedial action Detailed monthly monitoring of actual income losses during pandemic, additionally informing preparation of income compensation scheme submissions
Legislative changes	Provisions made in LTFP and regular reviews of the adequacy thereof On-going monitoring of impacts of welfare reform and other relevant legislation on expenditure and income Active membership of relevant professional forums
Legal claims and inquiries	The Council explicitly provides for a number of known risks and liabilities. Funding could, however, be drawn down from the unallocated General Fund balance to meet unanticipated or additional costs.
Major infrastructure projects	Regular progress monitoring through Change Boards, particularly at key milestones, with documented escalation procedures Senior Finance representation on all Project Boards

Projected Movement in General Fund

Appendix 2

NB The precise make-up of the drawdown from reserves currently projected to be required in 2020/21 will be determined as part of the year-end closure process. As such, the projected balances for non-statutory reserves shown below should be seen as indicative at this stage.

General Fund	Opening Balance at 1.04.20 £000	Actual/planned use 2020/21 £000	Reprioritisation/ realignment £000	Projected Balance at 1.04.21 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.22 £000	
Balances Set Aside to Manage Financial Risks and for Specific Investment							
Balances set aside for specific investment	44,444	(1,766)	(28,148)	14,528	(3,830)	10,698	Funding set aside for specific projects, including monies for Enterprise Resource Planning and Tram Extension.
Contingency and Workforce restructuring	13,358	1,764	0	15,122	(7,500)	7,622	Monies held to cover costs of workforce management changes including staff severance costs, which may be utilised to support future change programmes.
Dilapidations Fund	3,227	(654)	0	2,573	0	2,573	Monies set aside to meet costs arising from the termination of property leases and other related contractual commitments to facilitate rationalisation of property.
Insurance Fund	20,097	(1,016)	0	19,082	0	19,082	Insurance Funds are held to defray any loss where the Council could have insured against a loss but has not done so and for paying premiums on an insurance policy. This includes the power to meet excesses on insurance policies and other claims arising from on-going legal inquiries.

General Fund	Opening Balance at 1.04.20 £000	Actual/planned use 2020/21 £000	Reprioritisation/ realignment £000	Projected Balance at 1.04.21 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.22 £000	
<u>Balances Set aside from Income Received in Advance</u>							
Licensing and Registration Income	2,981	(437)	0	2,544	0	2,544	Monies representing licensing income related to cabs, houses in multiple occupation, liquor and landlord registration. The Council is not permitted to use these monies on other services.
Lothian Buses	308	0	0	308	0	308	Holds dividend income received from Lothian Buses which is being drawn down to support the Tram Extension project.
Other Minor Funds	204	0	0	204	(14)	190	Minor funds for other specific projects.
Pre-paid PPP monies and lifecycle costs	3,318	289	0	3,607	272	3,879	Monies set aside in recognition of the phasing issues related to grant monies, for lifecycle costs of projects.
Council Tax Discount Fund	4,304	(2,500)	0	1,804	0	1,804	Monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to supporting the development of affordable housing. It forms part of the Strategic Housing Investment Fund (SHIF), alongside income from the Repairs and Renewals fund.
Unspent revenue grants	3,176	(3,002)	0	175	(122)	53	Monies set aside at the year end, in accordance with proper accounting practice, where income has been received prior to the relevant expenditure being incurred.
City Strategic Investment Fund	2,795	0	0	2,795	(1,400)	1,395	Primarily represents funds set aside for strategic regeneration priorities (£2.150m) and to provide match funding for new city development opportunities (£0.5m).

	Opening Balance at 1.04.20 £000	Actual/ planned use 2020/21 £000	Reprioritisation/ realignment £000	Projected Balance at 1.04.21 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.22 £000	
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings							
Spend to Save Fund, Energy Efficiency and Salix CEEF	3,301	(786)	0	2,515	(2,050)	465	Funds set aside to assist service areas deliver revenue savings in future years through provision of one-off upfront revenue investment. Scheme repayments will be used to support further new initiatives.
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund							
Balances held by schools under DSM / Pupil Equity Fund	4,671	(171)	0	4,500	0	4,500	Balances set aside for Devolved School Management Scheme and Pupil Equity Fund. There will always be a balance at March as the DSM scheme and PEF are based on an academic year.
Unallocated General Fund	13,927	(902)	12,000	25,025	0	25,025	Unallocated funds held against the risk of unanticipated expenditure and/or reduced income arising in any particular year, in line with Council reserves policy.
COVID-19 mitigation reserve	0	0	16,148	16,148	0	16,148	Newly-established reserve in recognition of the potential for the net costs of the pandemic to exceed the level of provision contained within the budget framework.
Total General Fund	**120,111**	**(9,181)**	**0**	**110,930**	**(14,644)**	**96,286**	

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Finance and Resources Committee

2.00pm, Tuesday, 2 February 2021

Sustainable Capital Budget Strategy 2021-2031

Executive/routine	**Executive**
Wards	**All**
Council Commitments	

1. Recommendations

1.1 To note the contents of this report and refer to Council's budget meeting on 18 February 2021;

1.2 To note the announcement of the provisional Local Government Finance Settlement is expected on 28 January 2021 and any subsequent changes to grant figures assumed in this report will be reported back to Council on 18 February 2021;

1.3 To note that delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget;

1.4 To note that capital expenditure priorities are being considered in line with the Council's priorities and approach proposed under the Adaptation and Renewal Programme outlined in the new Council Business Plan;

1.5 To note that budgets for lending to Edinburgh Living from 2021-22 onwards are based on the pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council;

1.6 To note the proposed ring-fencing status of capital receipts in Appendix 4, subject to approval by Council on 18 February 2021 as part of the budget setting; and,

1.7 To note the proposed use of £4.242m contingency funding for North Bridge Refurbishment, subject to approval by Council on 18 February 2021 as part of the budget setting.

Stephen S. Moir
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EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Sustainable Capital Budget Strategy 2021 - 2031

2. Executive Summary

2.1 The report details priorities for council capital investment, in alignment with the new Council Business Plan, over the medium to long-term and sets out a plan on how they could be funded.

2.2 While the plan is affordable in the short-term, thereafter a funding gap develops from 2024/25 onwards, which future budgets will need to address. This strategy should therefore be seen as setting out aspirations for future investment rather than making long-term commitments.

2.3 The Capital Budget Strategy is expected to come under significant financial pressure as a result of higher tender prices caused by social distancing requirements and associated construction industry changes arising from COVID-19 guidance. There is also renewed focus on embedding the ambitions of a net-zero carbon City contribution from the Council by 2030 into the restart of major capital investment projects, which has had further financial consequences on previous assumptions.

2.4 The capital budget strategy in this report can only be funded if the Council is able to balance its revenue budget over the medium to long-term to comply with the terms of the Prudential Code. Moreover, the strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will be funded from a combination of external funding and realignment of existing budgets.

3. Background

3.1 The initial Capital Budget Strategy 2020-2030 was reported to the 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 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 Capital Budget Strategy 2020-2030, 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 opened in accordance with the Coronavirus (COVID 19): construction sector guidance six phase plan. This has required changes to working practices to protect both construction workers and the public at large.

3.4 The impact of COVID-19 will have potentially significant implications for the Capital Budget Strategy 2021-2031, namely:

3.4.1 The Council's Adaptation and Renewal Programme is predicated on pausing, reflecting and changing the way the Council will deliver its services in the future. One of the principles expected to be embedded in the way forward is the ambition to be a net-zero carbon City and Council by 2030. This will affect the cost of the approved projects and may also change the priority of certain projects – such as active travel – that deliver this ambition.

3.4.2 Individual project costs are expected to increase due to heightened contractor requirements for ensuring a safe workplace in a COVID-19 environment. The immediate economic outlook is one of recession which is likely to have adverse impacts on the construction sector.

3.5 Poverty, Sustainability and Wellbeing as the Council's strategic priorities are reflected in much of the work of this Strategy.

3.6 The proposals contained in our End Poverty in Edinburgh Delivery Plan 2020-2030 report were approved on 1 December 2020 and outline a series of key actions that need to be taken by the Council and partners over the next decade to eradicate poverty in the city by 2030. The comprehensive plan has been drawn up in response to the final report of the Edinburgh Poverty Commission.

3.7 The climate emergency has led to the Council setting a new and ambitious target to be carbon neutral by 2030 within a legal context for Scotland being carbon neutral by 2045. This has already led to some significant strategic decisions in respect of the City Development Plan Choices document, the City Mobility Plan and specific investment programmes such as the plan to design and build Currie High School to Passivhaus certified standard.

3.8 The Council is being supported by the Edinburgh Centre for Carbon Innovation to develop a carbon scenario tool that will augment current business case analysis of major Council projects and capital investment. This strategy will continue to be reviewed based on this work and wider needs to deliver the 2030 net zero carbon target.

3.9 This report details capital investment priorities for the next 10 years and sets out proposed funding solutions. This report should be read in parallel with the revenue budget report elsewhere on this agenda as the revenue impact of additional capital expenditure needs to be contained within a balanced medium-term revenue budget. Within the wider policy context of sustainability, it is intended that this a Sustainable 2021-31 Capital Budget Strategy, both in terms of funding and priorities.

3.10 This report only covers the general fund capital investment programme. The capital expenditure requirements for the Housing Revenue Account are reported elsewhere on this agenda as part of the Housing Revenue Account business plan.

4. Main report

4.1 The Council is currently reviewing its approach to the use of its assets to focus on a Local Place for Local Communities approach, focusing on how to meet the Poverty and Prevention agenda, and how to move towards a Carbon Neutral City by 2030. As part of this review, the Council needs to consider how to invest in future projects and ensure they align with this approach.

4.2 The Council needs to ensure that it creates a sustainable capital budget strategy, from an environmental, financial and service delivery perspective. COVID-19 and the true costs of creating Carbon Neutral infrastructure will have an impact on what the Council can afford, and it needs to ensure that the projects taken forward are the right choices with more limited resources. It also needs to consider a total place approach where new buildings are not built in isolation but consider the full range of services offered, their role and accessibility within the local community.

4.3 Priorities for capital expenditure, identified by officers and considered through the operational Asset Management Board and Corporate Leadership Team / Change Board, are aligned to our statutory responsibilities to deliver services together with achieving our strategic objectives.

4.4 The Council's budget for 2021/22 will seek to improve the wellbeing of all citizens and ensure Edinburgh is a thriving, fair and sustainable city by prioritising decisions that have a positive impact on poverty, well-being and sustainability – particularly in delivering net zero carbon and eradicating poverty in the city by 2030.

4.5 The budget will also continue to protect and evolve services connected to these policy priorities, while focusing on delivery of high-quality core services in the most efficient way possible.

Latest 2020/21 Capital Monitoring Position and Future Updates

4.6 Projected slippage in the 2020/21 programme is included in the Capital Monitoring 2020/21 – Period Eight Position report, elsewhere on the agenda, and has been built into the revised programme in Appendix 1. This slippage will be further amended after the final outturn for the financial year and thereafter reported to Finance and Resources Committee in summer 2021.

Local Government Finance Settlement

4.7 The provisional Local Government Finance Settlement will be announced on 28 January 2021. Within Appendix 1, it is assumed:

- the Early Years grant for 1140 hours ended in 2020/21 but grant which has been unused has been carried forward and will be drawn down to match expenditure;
- Cycling, Walking and Safer Streets (CWSS) is expected but will only be recognised in the budget when received, as expenditure will be aligned to funding provided;
- Transfer of Management of Development Funding (TMDF) is expected but will only be recognised in the budget when received, as expenditure will be aligned to funding provided; and,
- While a commitment was made in September 2019 for substantial extra capital spending in years ahead, very little was outlined at the time of both the Spending Round 2019 and Spending Review 2020 announcements. As a result, we have revised the 2021-22 General Capital Grant assumption down from £43.500m to £38.225m to be consistent with 2020-21 funding level. Any further changes will be reported to Full Council on 18 February 2021 and any subsequent changes to Finance and Resources Committee along with the 2020/21 provisional outturn.

Proposed Capital Expenditure

4.8 Feedback from recent tender returns suggests an uplift of around 5% for the impact of COVID-19 on safe operating practices is likely. To deliver on the carbon neutral agenda, initial costs for Passivhaus buildings and improvements in the quality, digital, data and ventilation strategies now expected by the Scottish Government, have suggested that around a 12% uplift is required. The cost of retrofitting the existing estate is however, yet to be fully costed. When accounting cumulatively for COVID-19, Passivhaus standards and inflation, a 20% uplift for future building projects has been applied to the existing programme, where applicable.

4.9 To work towards the target of being carbon neutral by 2030 and building on the success of the capital funded state of the art waste treatment facility at Millerhill, there is funding to complete the Energy Efficiency Street Lighting Project, £17.830m as part of the 10% Cycling Commitment and significant further investment in Road Safety, Active Travel and public transport. This funding will be further augmented by the Cycling, Walking and Safer Street (CWSS) funding received from the Scottish Government and other external funding sources.

4.10 In order to continue to deliver high-quality services, the Council needs to continue to invest in the condition and suitability of its assets. The Sustainable Capital Budget Strategy 2021-31, as set out in Appendix 1, includes £204.911m for the existing operational estate and £155.197m for carriageways and footways as well as continuing investment in specific assets such as the completion of the North Bridge Refurbishment. Within the 2020-30 Capital Budget Strategy approved in February there was a remaining provision of £4.242m for pressures from the existing capital programme. It is proposed that this is reallocated to the North Bridge Refurbishment project to fund justified additional costs, largely following ongoing detailed discovery of the condition of the bridge's key elements such as the concrete decking, steelwork and cast-iron façade. If any additional funding pressures occur on the North Bridge Refurbishment, these will be managed using existing roads and pavements budget.

4.11 The most recent update on the Communities and Families Learning Estate went to Finance and Resources Committee on 3 December 2020. It approved the contract for Boroughmuir High School extension could be awarded and that the contracts for Darroch (James Gillespie's High School Annexe), Trinity Academy (Bangholm Sports Facility) and Wester Hailes Education Centre (WHEC) Phase 1 Improvements could be awarded under delegated authority when it was appropriate. These are factored into the Communities and Families capital budget figures in Appendix 1.

4.12 There is a further £161.189m for schools under the heading 'infrastructure for population growth' as part of the Local Development Plan requirements. This will be kept under review to ensure that the timing of investment is aligned with wider development. The Education Appraisal for City Plan 2030 started in early December, once the final spatial strategy is agreed, outputs will be included in the Proposed Plan and fully costed in the Proposed Action Programme.

4.13 In addition to these projects, further investment in schools is planned within the strategy, with £323.365m allocated to complete the Wave 4 school replacement and refurbishment programme, to deal with rising school rolls and modernise the learning estate whilst considering environmental factors. On the 18 December 2020 the Scottish Government announced that the Council's Liberton High School and WHEC Phase 2 Wave 4 projects would both be part of phase 2 of the Learning Estate Investment Programme. The financial implications of this announcement on our funding assumptions are summarised in paragraph 4.27.

4.14 Within the existing plan there is also £0.761m for Libraries in 2021/22. £0.350m of this is for the Open Libraries pilot and £0.350m for Library enhancement projects, including £0.200m for Pennywell Hub and £0.150m Ratho Library Nursery Community Hub. The remaining £0.061m is for other small projects.

4.15 Edinburgh is a growing city and capital investment is required both to promote inclusive growth and to address its impacts on citizens and the city. The capital programme provides investment of £61.400m in the St James Quarter Growth Accelerator Model (GAM) and a further £1.500m in public realm assets surrounding the new St James development as well as the extension of the tram line to Newhaven. The Tram to Newhaven will unlock a large swathe of the city for housing development and employment opportunities that would not be possible without high capacity public transport. It will also help to reduce air pollution by providing efficient, sustainable transport solutions while opening people-friendly transport links for individuals and communities from all walks of life.

4.16 Economic growth in Edinburgh has resulted in increased house prices and rent levels, making good quality housing unaffordable to many citizens. While additional social housing provision is financed by the Housing Revenue Account, the general fund capital programme provides £218.211m for lending to Edinburgh Living and National Housing Trust LLPs over the next three years. These projects are self-financing as a result of income from affordable rents. This is a change from the previous strategy which assumed on-lending beyond 2023/24. Further detail is provided in paragraph 4.34.

Proposed Expenditure Savings

4.17 The effect of applying uplifts to the 2020-30 Capital Budget Strategy for COVID-19 and the sustainability agenda resulted in significant additional funding pressure to the 2021-31 Capital Budget Strategy. Given the financial issues facing the Council, the programme is recommended to be reduced in scope to the present funding envelope. It is recommended that most projects tackling sufficiency issues continue as the Council would risk failing to meet its statutory responsibilities if not delivered. However, there is an opportunity to review education infrastructure aligned to the growth of the city in line with the emerging Adaptation and Renewal programme and further growth to be outlined in the City Plan 2030. Accordingly, efficiency targets for this programme are described below. The net-zero carbon agenda suggests that sustainability projects should proceed in their entirety.

4.18 The Communities and Families projects make up a significant part of the 2021-31 Capital Budget Strategy and through the Adaptation and Renewal programme it is the ambition that in the longer term through transformation to learning and teaching methods and practice (e.g. digital learning; outdoor learning; flexible learning; inclusion) and the development of community hubs it will be possible to reduce the overall requirement for new buildings.

4.19 It should also be possible to reduce the overall requirement for education infrastructure currently in the strategy associated with the growth of the city through a new review aligned to the production of the City Plan 2030. There is also an ambition from the Communities and Families Directorate to increase inclusion of all pupils in their local catchment schools and this could result in additional receipts from disposal of sites which can be reinvested in learning estate projects over the course of the 10-year capital budget strategy.

4.20 In order to progress these transformation opportunities detailed analysis, planning, consultation and engagement will be required. Catchment reviews, school extensions rather than establishing new schools and suitability analysis to improve the learning environments in existing schools will all be considered as part of this process.

4.21 It is considered essential to begin the analysis and planning stage with ambitious saving targets for the Communities and Families Directorate to reduce capital spend on floor space from the outset because this is one of the driving forces for the Adaptation and Renewal programme. A business plan will be developed and through receipts and savings a total of £63.160m is proposed to be removed from the strategy as a result of the review of the learning estate programme.

4.22 In addition to this saving, £13.340m has been removed from Rising School Rolls capital budget allocations as the Adaptation and Renewal programme combined with catchment reviews, where necessary, and new learning estate infrastructure associated with the growth of the city will address the expected accommodation pressures.

4.23 The 2020-30 Capital Budget Strategy, approved in February 2020, allocated £10.000m towards a new, 60 bed Integrated Care Facility (ICF), as well as ring-fencing a further £5.000m of capital receipt towards this facility. This allocation is now put forward as part of the savings target as a proposal for a smaller scale ICF has been developed. Given the benefits that could arise from the facility, it is proposed that a business case is developed, considering this smaller scale proposal, alongside changing patterns of bed based care, to identify a partially self-funding model to deliver this new facility, requiring a balance of £2.000m to be retained from the £5.000m receipt to fund the balance. Details of this partial ring-fencing are included in Appendix 4 on ring-fencing of capital receipts.

4.24 Within the Place Directorate, a saving of £1.500m is proposed from Street Lighting, which will leave it with an annual budget of £0.867m from 2023/24 onwards. The work of the linked energy efficiency street lighting project should result in street lighting lifecycle costs reducing in future and this reduced budget allowance will still enable the Council to carry out structural testing and replace street lighting columns, cables, supply cabinets and pillars, lit bollards, lit signs and wall boxes that have reached the end of their useful lives. A further saving has also been proposed of £6.000m across the wider Carriageways and Footways budget. The consequence of this saving could be a deterioration of the carriageway network and the potential for an increase in revenue funding requirements to repair defects on the network.

4.25 Year-on-year there is also slippage in the capital programme and this has been factored into this Strategy. A slippage assumption has been applied over the latest cashflows and that has moved £5.579m out of the 10-year programme into financial year 2031/32.

4.26 These savings and funding assumptions are summarised in Appendix 2, along with summarised details of the other proposed movements from the 2020-30 Capital Budget Strategy approved in February 2020.

Proposed Capital Funding

4.27 The Sustainable Capital Budget Strategy 2021-31 funding remains largely unchanged from the Capital Budget Strategy 2020-30 which was approved in February 2020, except for the following changes:

- the 2021-22 General Capital Grant assumption has been revised down from £43.500m to £38.225m to be consistent with 2020-21 funding level (per para 4.5), creating a further pressure of £5.275m. This has been extended for the two following years based on the latest information, creating a total funding pressure of £17.325m. If this trend continues, there will be further pressure within the strategy;
- Phase 2 of the Learning Estate Investment Programme was announced on 18 December 2020 which included Liberton High School and WHEC Phase Two, as a result, changes have been made to the assumed revenue funding available and net additional funding of £7.700m has been included within the strategy; and,
- there was an assumption of £19.997m of funding from asset sales to support the Wave 4 schools in the original business case, however, given the uncertainty surrounding these receipts while the design options are developed, they have been removed from the funding model. A movement of £4.569m in other contributions has offset this pressure to £15.428m. We will continue to monitor the likelihood and timing of these receipts and contributions.

4.28 It is worth noting the changes made to the capital programme as a result of Liberton High School being included in the Scottish Government Learning Estate Investment Programme will also address rising rolls issues at this school. There is also an intention that the project at Liberton will include a dedicated Gaelic Medium Education (GME) secondary provision and further discussions with the Scottish Government will be ongoing in relation to funding this element through the GME capital grant should the project progress through statutory consultation to delivery.

Funding Pressure and Risks

4.29 The overall funding position of the additional funding opportunities and expenditure is summarised in Appendix 3. It shows that the programme is funded in the short-term, but pressures require action from 2023/24 which would require further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs to deliver the Capital Budget Strategy.

4.30 This is an aspirational Capital Budget Strategy but due to the funding pressure will require an annual gateway review before commitment to fund projects is made to ensure the Council does not commit to projects which become unaffordable in the medium- to long-term as several projects span a number of financial years.

4.31 As detailed in paragraph 4.7 (bullet point 4) and paragraph 4.27 (bullet point 1) above, the General Capital Grant has been reduced for the next three financial years to reflect anticipated capital grant funding levels from the Scottish Government. There is a risk that this lower than anticipated level of capital grant continues for the longer-term, which would increase the overall funding gap of the strategy.

4.32 There is an assumption that 10% of the annual revenue Council Tax increase can be used to support borrowing costs but this assumption is dependent upon Scottish Government flexibility on Council Tax levels and continued growth in the Edinburgh housing sector increasing the Council Tax base.

4.33 Discussions are ongoing regarding the planned £25m redevelopment of the King's Theatre. The Theatre Development Fund (TDF), a designated fund built up over many years for the capital project has had to be partly used to cover day to day expenditure although Scottish Government support has partially mitigated this position. The uncertainty over the return of the Trust's programme (and audiences) will reduce the TDF earnings further and this uncertainty is likely to be the position for some months yet. An updated business case addressing the funding of the project will be required before the project can progress.

4.34 Following on from paragraph 4.16, at present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLP up to 2023-24 for a total of £248.000m. The Housing Revenue Account (HRA) Business Plan assumes continuation of the consent beyond this point, in the form of capital receipts in the HRA. Options are being reviewed to address the requirement for consent for future years on-lending.

4.35 The Capital Budget Strategy assumes Capital Receipts of £3m per year which may be difficult to achieve following the COVID-19 economic slowdown. As referenced in Appendix 4, there is also a risk that if capital receipts are not received, or not received in the same financial year as the expenditure is incurred, additional funding pressures will occur which would increase the revenue pressures with higher than anticipated revenue loan charges.

4.36 Finally, there is still a potential risk of expenditure exceeding budget on projects and these will be reviewed as part of the quarterly monitoring and included in the Council's 2021 budget planning process, as appropriate.

Unfunded Capital Priorities and Pressures

4.37 In addition to the existing programme and additional priorities, we are developing a funding strategy to deliver City Centre Transformation and the wider City Mobility Plan. This will be reported at a later date to Committee.

4.38 The wider financial implications of City Plan 2030 may also have a further impact on the 2021-31 Capital Budget Strategy which have yet to be fully understood and reflected in the assumptions.

4.39 Council is aware that community centres are greatly valued by their local communities. A report detailing the condition of the existing estate was considered by the Finance and Resources Committee on 5 March 2020 with an indicative cost of £13.625m (pre-Covid) attached but this remains unfunded. Any strategy for investing in community centres requires to align with the Council business plan and emerging themes under the Adaptation and Renewal programme, which will be developed through the local place making plans later in 2021.

4.40 It should be noted that while the proposed Capital Budget Strategy now shows accelerated funding for Liberton High School and WHEC Phase Two in order to meet the delivery requirements of the Scottish Government's delivery programme, this adds additional pressures in certain years of the programme. Options to address these pressures will be considered as part of the ongoing review of the capital programme and include exploration of increased borrowing potential, analysis of expected developer contributions aligned to housing sites in the forthcoming City Plan 2030 and new receipts generated through reorganisation of the learning estate for pupils with additional needs which will focus on the strategic objective of including as many pupils as possible in their catchment school.

4.41 In a similar vein, several unfunded pressures have been put forward by the Place Directorate, which cannot be funded from existing budgets. Appendix 5 sets out unfunded capital pressures.

Prudential Indicators

4.42 The Sustainable Capital Budget Strategy 2021-31 will be reflected in the Council's prudential indicators, which accompany the Budget Motion.

5. Next Steps

5.1 The Capital Budget Strategy 2021-31 will be referred to Council as part of the Council's budget setting process on 18 February 2021.

6. Financial impact

6.1 This report sets out capital expenditure of £1,455.344m, offset by capital funding of £1,283.565m, resulting in an additional funding requirement of £171.779m in loans fund advances above that already assumed in the strategy. The remaining £171.779m is currently unfunded and will require the Council to find additional revenue savings. A profile of this additional funding pressure and revenue savings is set out in Appendix 3. If the Council is unable to make the revenue savings at that time, then capital expenditure will need to be reduced, potentially meaning that later phases of the Wave 4 Schools programme could not be delivered. Any additional capital resources received will be used to reduce this funding deficit.

6.2 Revenue budget planning assumptions mean that that costs associated with £78.000m of the loans fund advances will be met from savings initiatives and £43.000m can be met from Council Tax. This is contingent on the Council approving a balanced medium-term revenue budget in February 2021. It is also assumed that £48.700m will be supported by revenue for investment in the learning estate. A further £100.024m will be funded through prudential borrowing supported by revenue income and savings.

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

7. Stakeholder/Community Impact

7.1 Consultation on the capital budget was undertaken as part of the wider engagement on the Council's budget.

7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Background reading/external references

8.1 Wave 4 Infrastructure Investment Programme, Finance and Resources Committee, 11 October 2018

8.2 Edinburgh Tram – York Place to Newhaven Final Business Case, The City of Edinburgh Council, 14 March 2019

8.3 Capital Budget Strategy 2020-30, Finance and Resources Committee, 10 October 2019

8.4 Communities and Families Learning Estate, Finance and Resources Committee, 10 October 2019

8.5 Capital Budget Strategy 2020-30, The City of Edinburgh Council, 20 February 2020

8.6 Capital Strategy 2020-30 – Annual Report, The City of Edinburgh Council, 12 March 2020

8.7 Capital Budget Update - 2019/20 Provisional Outturn and 2020/21 COVID-19 Forecast, Policy and Sustainability Committee, 25 June 2020

8.8 2020-30 Capital Budget Strategy – 2020/21 Period 3 Monitoring and Revised Budget Update, Finance and Resources Committee, 27 August 2020

8.9 2020-30 Capital Budget Strategy – 2020/21 Period Five Monitoring and Revised Budget Update, Finance and Resources Committee, 29 October 2020

8.10 Communities and Families Learning Estate – Project Contract Awards, B Agenda, Finance and Resources Committee, 3 December 2020

8.11 2020-30 Capital Budget Strategy – 2020/21 Period Eight Monitoring, Finance and Resources Committee, 21 January 2021

9. Appendices

9.1 Appendix 1 – Sustainable Capital Budget Strategy 2021-31 (incorporating out-turn slippage from 2020/21)

9.2 Appendix 2 – Changes from Capital Budget Strategy 2020-2030 - Pressures and (Savings)

9.3 Appendix 3 – Sustainable Capital Budget Strategy 2021-31 – Funding Pressure

9.4 Appendix 4 – Sustainable Capital Budget Strategy 2021-31 - Capital Receipts

9.5 Appendix 5 - Sustainable Capital Budget Strategy 2021-31 - Unfunded Capital Pressures

9.6 Appendix 6 - Sustainable Capital Budget Strategy 2021-31 - Unfunded Capital Pressures – Prioritisation Criteria

A Sustainable Capital Budget Strategy 2021-2031 **Appendix 1**

A Sustainable Capital Budget Strategy 2021-2031 (incorporating out-turn slippage from 2020/21)

Expenditure		**Total**	**Projected Slippage from 2020/21**	**Indicative Budget 2021/22**	**Revised Budget 2021/22**	**Indicative Budget 2022/23**	**Indicative Budget 2023/24**	**Indicative Budget 2024/25**	**Indicative Budget 2025/26**	**Indicative Budget 2026/27**	**Indicative Budget 2027/28**	**Indicative Budget 2028/29**	**Indicative Budget 2029/30**	**Indicative Budget 2030/31**
Expenditure			**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Communities and Families	Early Years	**23.704**	4.947	15.164	20.111	3.593	-	-	-	-	-	-	-	-
Communities and Families	Primary Schools	**25.440**	3.052	22.388	25.440	-	-	-	-	-	-	-	-	-
Communities and Families	Wave 3 Schools	**14.007**	2.348	11.659	14.007	-	-	-	-	-	-	-	-	-
Communities and Families	Wave 4 Schools	**323.365**	0.149	31.021	31.170	38.358	56.505	68.218	36.320	10.489	43.932	25.888	12.485	-
Communities and Families	Libraries	**0.761**	-	0.761	0.761	-	-	-	-	-	-	-	-	-
Communities and Families	Sports Facilities	**9.519**	0.009	8.025	8.034	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Communities and Families	Safer and Stronger Communities CCTV	**0.979**	0.979	-	0.979	-	-	-	-	-	-	-	-	-
Communities and Families	Other Communities and Families	- **0.919**	(0.919)	-	(0.919)	-	-	-	-	-	-	-	-	-
Communities and Families	Infrastructure for Population Growth	**161.189**	3.459	19.220	22.679	14.430	7.863	12.568	28.014	33.514	28.335	3.174	0.612	10.000
Place	Depot Review	**7.311**	(0.232)	7.543	7.311	-	-	-	-	-	-	-	-	-
Place	Parks and Greenspace and Other Environment	**3.776**	0.178	1.598	1.776	0.400	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Place	Fleet Replacement	**7.622**	0.145	7.477	7.622	-	-	-	-	-	-	-	-	-
Place	Home Owners Adaptation Grants and Other Housing and Regeneratioı	**10.236**	(0.000)	1.236	1.236	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Place	Town Centre Fund	**2.593**	2.593	-	2.593	-	-	-	-	-	-	-	-	-
Place	Roads and Transport Infrastructure (including North Bridge)	**155.197**	1.691	27.477	29.168	23.246	13.125	11.094	13.094	13.094	13.094	13.094	13.094	13.094
Place	Energy Efficiency Street Lighting Project	**8.416**	3.422	4.994	8.416	-	-	-	-	-	-	-	-	-
Place	Road Safety and Active Travel (including CWSS)	**47.915**	1.182	16.345	17.526	9.599	2.599	2.599	2.599	2.599	2.599	2.599	2.599	2.599
Place	10% Cycling Commitment	**19.613**	-	3.566	3.566	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783
Place	St James GAM/Picardy Place	**62.900**	-	62.900	62.900	-	-	-	-	-	-	-	-	-
Place	Tram Life Cycle Replacement	**11.129**	1.129	1.000	2.129	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Place	IMPACT	**5.000**	-	-	-	-	-	5.000	-	-	-	-	-	-
Place	King's Theatre (£4m Capital Contribution)	**4.000**	-	-	-	-	4.000	-	-	-	-	-	-	-
Place	King's Theatre (£5m Prudential Borrowing)	**5.000**	-	-	-	-	5.000	-	-	-	-	-	-	-
Place	Leith Theatre	**0.501**	(0.255)	0.756	0.501	-	-	-	-	-	-	-	-	-
Place	Other Culture	**0.182**	0.182	-	0.182	-	-	-	-	-	-	-	-	-
Place - Lending	Lending - Edinburgh Living LLPs	**209.451**	7.042	13.260	20.302	4.856	184.293	-	-	-	-	-	-	-
Place - Lending	Lending - National Housing Trust (NHT)	**8.760**	4.718	4.042	8.760	-	-	-	-	-	-	-	-	-
Place - Trams	Tram to Newhaven	**126.739**	6.509	71.005	77.514	37.710	11.515	-	-	-	-	-	-	-
Resources	ICT	**8.775**	(0.125)	2.213	2.088	0.807	1.091	1.597	0.669	0.678	0.615	0.615	0.615	-
Resources	Asset Management Works	**204.911**	(5.055)	25.916	20.861	25.650	19.800	19.800	19.800	19.800	19.800	19.800	19.800	19.800
Slippage Assumption	Slipped from Previous Year	**112.841**	-	-	-	-	16.260	32.620	15.764	12.041	9.636	12.216	8.153	6.151
Slippage Assumption	In-Year	- **118.420**	-	-	-	(16.260)	(32.620)	(15.764)	(12.041)	(9.636)	(12.216)	(8.153)	(6.151)	(5.579)
Unallocated		**30.000**	-	-	-	-	-	-	5.000	5.000	5.000	5.000	5.000	5.000
Total Expenditure		**1,492.494**	**37.149**	**359.566**	**396.715**	**146.337**	**293.578**	**141.879**	**113.367**	**91.726**	**114.943**	**78.380**	**60.356**	**55.212**
Funding Opportunities														
Income														
Existing Programme - Funding	Asset Sales (Unringfenced)	**30.000**	-	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Existing Programme - Funding	Income	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Existing Programme - Funding	Capital Grants Unapplied Account	**17.864**	-	14.442	14.442	3.422	-	-	-	-	-	-	-	-
Existing Programme - Funding	General Capital Grant	**440.175**	-	38.225	38.225	38.225	38.225	45.000	45.500	46.000	46.500	47.000	47.500	48.000
Existing Programme - Funding	Developers Contributions - Tram	**3.420**	-	0.380	0.380	0.380	0.380	0.760	0.760	0.760	-	-	-	-
Existing Programme - Funding	Loans Fund Advances - Prudential	**100.024**	3.210	85.127	88.337	0.807	6.091	1.597	0.669	0.678	0.615	0.615	0.615	-
Existing Programme - Funding	Loans Fund Advances - On-Lending	**218.211**	11.760	17.302	29.062	4.856	184.293	-	-	-	-	-	-	-
Existing Programme - Funding	Loans Fund Advances - Trams to Newhaven	**123.319**	6.509	70.625	77.134	37.330	11.135	- 0.760	- 0.760	- 0.760	-	-	-	-
Existing Programme - Funding	Loans Fund Advances - General	**120.091**	15.670	92.323	107.993	13.554	- 0.273	- 0.304	- 0.304	- 0.304	- 0.304	- 0.304	- 0.304	0.641
Borrowing supported by	Scottish Government Schools Funding	**48.700**	-	-	-	-	-	18.700	30.000	-	-	-	-	-
Borrowing supported by	Revenue Budget Framework	**78.000**	-	22.500	22.500	25.500	30.000	-	-	-	-	-	-	-
Borrowing supported by	10% of Increased Council Tax take	**43.000**	-	8.600	8.600	4.300	4.300	4.300	4.300	4.300	4.300	4.300	4.300	-
External Funding	Developers contributions (Wave 4)	**12.511**	-	0.056	0.056	5.612	1.158	3.743	0.436	1.506	-	-	-	-
External Funding	Developers contributions (LDP)	**58.400**	-	-	-	0.165	-	6.150	1.619	3.382	12.794	19.237	15.053	-
External Funding	Asset Sales (Wave 4)	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	Capital Fund Drawdown	**27.000**	-	6.986	6.986	9.186	-	10.828	-	-	-	-	-	-
Total Funding Opportunities		**1,320.715**	**37.149**	**359.566**	**396.715**	**146.337**	**278.309**	**93.014**	**85.220**	**58.562**	**66.905**	**73.848**	**70.164**	**51.641**

A Sustainable Capital Budget Strategy 2021-2031 **Appendix 2**

Changes from Capital Budget Strategy 2020-2030 - Pressures and (Savings)

Pressures and Uplifts

Type of Movement	**Directorate**	**Division/Project**	**Amount**
Uplift	Communities and Families	Early Years	**0.893**
Uplift	Communities and Families	Primary Schools	**1.066**
Uplift	Communities and Families	Wave 3 Schools	**0.555**
Uplift	Communities and Families	Wave 4 Schools	**49.022**
Uplift	Communities and Families	Infrastructure for Growth	**29.040**
Uplift	Place	Road Safety and Active Travel	**1.238**
Pressure	Place	North Bridge Major Refurbishment	**9.889**
Pressure	External Funding	Net Asset Sales (Wave 4) + Contributions	**15.428**
Pressure	External Funding	General Capital Grant	**17.325**
		Pressures and Uplifts	**124.456**

Savings and Funding

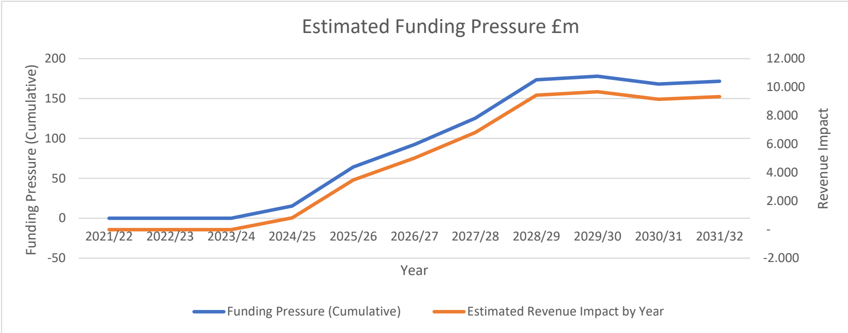
Partial Saving	Communities and Families	Wave 4 Schools and Infrastructure for Growth	**(63.160)**
Partial Saving	Communities and Families	Rising School Rolls	**(13.340)**
Full Saving	IJB	Intermediate Care Facility	**(10.000)**
Partial Saving	Place	Transport Savings	**(6.000)**
Partial Saving	Place	Street Lighting	**(1.500)**
Funding	External Funding	Wave 4 Schools Funding	**(7.700)**
Slippage Assumption	Slippage Assumption	Slippage Assumption	**(5.579)**
		Savings	**(107.279)**
		Net Movement	**17.177**

A Sustainable Capital Budget Strategy 2021-2031 **Appendix 3**

Capital Budget Strategy 2021-31 – Funding Pressure

	Total	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**	**2030/31 £m**
Total Capital Expenditure	**1,455.345**	359.566	146.337	293.578	141.879	113.367	91.726	114.943	78.380	60.356	55.212
Total Capital Funding	**1,283.566**	359.566	146.337	278.309	93.014	85.220	58.562	66.905	73.848	70.164	51.641
Funding Pressure (Incremental)	**171.779**	**-**	**-**	**15.270**	**48.864**	**28.148**	**33.164**	**48.039**	**4.532**	**- 9.809**	**3.571**

Estimated Funding Pressure Loan Charges	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Funding Pressure (Cumulative)	- 0.000	- 0.000	- 0.000	15.269	64.134	92.281	125.446	173.484	178.016	168.207	171.779
Estimated Revenue Impact by Year	- 0.000	- 0.000	- 0.000	0.830	3.487	5.017	6.821	9.433	9.679	9.146	9.340



A Sustainable Capital Budget Strategy 2021-2031 **Appendix 4**

Capital Budget Strategy 2021-31 – Capital Receipts

Property Address	Ringfenced for Project Status	Project to be funded
132 West Mains Glasgow Road	No	Corporate Capital Receipt
144 Pitt Street	No	Corporate Capital Receipt
167/1 Balgreen Road Pansy Walk	No	Corporate Capital Receipt
32 West Mill Road	No	Corporate Capital Receipt
53 Prince Regent Street	No	Corporate Capital Receipt
5-6 Marshall's Court	No	Corporate Capital Receipt
5-7 Regent Road (former Royal High School)	No	Corporate Capital Receipt
Balgreen Bowling Green	No	Corporate Capital Receipt
Craigleith Crescent, Edinburgh Plot 212	No	Corporate Capital Receipt
Ferry Road, Edinburgh Plot 1	No	Corporate Capital Receipt
Springfield Road, Penicuik land	No	Corporate Capital Receipt
Wellington Primary School, Penicuik	No	Corporate Capital Receipt
Whitehill Roads	No	Corporate Capital Receipt
26 Viewforth - Boroughmuir High School	No	Corporate Capital Receipt
26 Viewforth - Boroughmuir High School	£2m from total	Intermediate Care Facility
Castlebrae High School	Yes	Castlebrae High School Refurbishment
Longstone Depot	Yes	Depot Review
Tower Street Industrial Estate, Leith	Yes	Depot Review
St Katherines Secure Unit Bamwell Terrace	Yes	Ferniehill YPC (£60k) and remainder to St Crispin's Special School Replacement
15(a) Pennywell Court	Yes	Pennywell/Macmillan Hub
83 Pentland View	Yes	Oxgangs New YPC
St Crispins School	Yes	St Crispin's Special School Replacement
Old Victoria Primary School buildings	Yes	Victoria Primary School

Please note, these receipts and the corresponding expenditure has not been reflected in Appendix 1. If they are not received, or not received in the same financial year as the expenditure, this will create additional pressures to those shown in Appendix 3. For example, the Oxgangs YPC capital project is complete but the receipt is needed to fund the construction.

A Sustainable Capital Budget Strategy 2021-2031 **Appendix 5**

Capital Budget Strategy 2021-31 – Unfunded Capital Pressures

Projects	Total Cost (including Third Party) £m	Total Funding Gap £m	Priority Score
Bridge Structure	9.000	7.050	35
Parks and Greenspace Infrastructure Upgrade	2.100	1.900	33
Hostile Vehicle Mitigation	3.000	3.000	30
West Princes Street Gardens (including Ross Theatre)	30.000	5.000	28
Parking Pay and Display Ticket Machines	2.300	2.300	23
Craigmillar Cemetery Extension	0.850	0.850	22
Cramond Chain Ferry / Promenade	1.100	1.100	21
Allotments	0.400	0.400	19
Pentland Paths	3.130	0.400	17
Community Centres	13.625	13.625	TBA
Parks and Cemeteries Walls and Infrastructure	10.000	8.000	TBA
Provision of modern and accessible public toilet facilities in premier parks	2.500	2.500	TBA
	78.005	**46.125**	

Capital Budget Strategy 2021-31 – Unfunded Capital Pressures - Prioritisation Criteria

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

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

1. Health and Safety – poor condition buildings or equipment score highly as they pose a risk to health and safety (max points 3x5 = 15);

2. Statutory Requirement – where the Council is obliged to make provision under statute – for example having sufficient school places (max points 3x5 = 15);

3. Risk of operational failure – where an existing asset is at risk of failing, requiring the closure of the asset and stopping the delivery of the service (max points 3x5 = 15);

4. High reputational risk – where national media coverage is a risk, this scores 5; local coverage (Evening News) scores 3 (max points =5);

5. Fulfils Council commitment – contributes to delivering one the of the 52 Council commitments from the Business Plan (max points =5);

6. Significant income implication – projects may generate higher income (e.g. increased footfall in commercial venues), or may expose the Council to increased revenue costs if the project is not delivered – in either case they would score highly on this criterion (max points =5);

7. Sustainability benefits – may deliver benefits such as increased recycling, improved public transport use or building fabric upgrade, all scoring high points. New buildings which increase the Council's estate size and carbon footprint score 0. Buildings which replace existing buildings score some points for allowing a more sustainable design to be achieved (max points =5).

A total score of 65 is achievable.

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

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

Finance and Resources Committee

2.00pm, Tuesday, 2 February 2021

Housing Revenue Account (HRA) Budget Strategy (2021-2031)

Executive/routine	**Executive**
Wards	**All**
Council Commitments	1, 2, 6, 10, 39 and 40

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 agrees to refer the 2021/22 budget, draft five-year capital investment programme, and the rent levels for 2021/22 set out in Appendices 2, 3 and 4 to the Council budget meeting for approval;

1.1.2 notes the outcome of the annual budget consultation;

1.1.3 notes the proposed £2.8 billion ten-year investment programme to deliver Council commitments, including the delivery of new homes, the modernisation of existing homes and the commitment to deliver zero carbon emissions by 2030; and

1.1.4 notes the risks to the delivery of the HRA budget strategy set out at 4.29 and the mitigating actions.

Paul Lawrence

Executive Director of Place

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

Report

Housing Revenue Account (HRA) Budget Strategy (2021-2031)

2. Executive Summary

2.1 Following consultation with tenants, this report sets out the HRA budget for 2021/22 and recommends that the report is referred to the Council budget meeting for approval on 18 February 2021.

2.2 The 30-year HRA Business Plan 2021/22-2050/51 is the financial framework that underpins the Housing Service. The Plan is reviewed annually in consultation with tenants and a five-year Capital Programme and one-year Capital Investment Budget is approved by Council.

2.3 The HRA Budget Strategy presented in this report, and noted by Housing, Homelessness and Fair Work Committee in November 2020, sets out an holistic area-based approach to investment that will focus on buildings and the wider neighbourhood, to create places where people want to live that keep them safe, secure, healthy and connected. The £2.8 billion investment, an increase of around £320 million on the previous year's plan, will act as a catalyst for wider area improvements and support the delivery of a brownfield first strategy as set out in Choices for City Plan. It will also support delivery of Council commitments on affordable housing and net zero carbon by 2030.

2.4 Capital investment will be accompanied by improvements in how we deliver housing services to increase customer satisfaction. The Strategy is aimed at reducing tenants cost of living, holding rent increases at 2% and delivering financial efficiencies of 12% by 2026. Service charges remain frozen for the sixth year in a row.

2.5 The major risks to the delivery of the strategy and mitigating actions are set out at section 4.29 of the report. The Business Plan projects that the HRA remains in balance or a small surplus to 2028/29. Thereafter a small annual deficit is projected with a return to surplus in year 22 (2042/43). There are sufficient reserves to offset the in-year deficits accrued.

3. Background

3.1 On 11 June 2020, Policy and Sustainability Committee received a report from the Edinburgh Poverty Commission on Poverty and Coronavirus in Edinburgh. The report provided initial findings on the impact of the outbreak on poverty in Edinburgh and reflections on responses needed to mitigate that impact.

3.2 On 27 August 2020, Finance and Resources Committee approved a revised 2020/21 HRA capital budget in light of the impacts of Covid-19. The HRA presented a 41% expected reduction in expenditure and committed to exploring opportunities to reallocate capital slippage to strategic land acquisition to support the new build programme.

3.3 On 5 November 2020, Housing, Homelessness and Fair Work Committee considered a report on the HRA Budget Strategy 2021/22, which set out the initial findings of consultation with tenants, a significant increase capital investment over the next ten years to support the delivery of new affordable homes, achieve zero carbon emissions in Council owned homes and improve the neighbourhoods where Council tenants live. It also provided a progress update on the delivery of service improvements and efficiencies.

3.4 On 14 January 2021, Housing Homelessness and Fair Work Committee approved the Strategic Housing Investment Plan (SHIP) 2021/26. It identified a pipeline of 10,036 affordable homes that could be approved for site start and 11,370 potential completions over the next five years. It also set out the key risks and challenges to delivering affordable housing at scale, including construction industry capacity, availability of grant funding and control of sites. A separate report on land strategy to support delivery of affordable housing and brownfield regeneration was also considered by committee.

4. Main report

4.1 The HRA manages the income and expenditure for the Housing Service. The Housing Service provides affordable homes and other services to nearly 20,000 tenants and 500 home owners in the city. The Housing Service is entirely self-financing and receives no funding from the General Fund. The annual revenue budget of c.£100 million is almost exclusively funded from tenants' rents (95%), with the remaining 5% coming from service charges. The annual capital investment programme is funded through a combination of prudential borrowing, Scottish Government grant funding, capital receipts and reserves.

4.2 The budget is prepared annually following consultation with tenants and the review of the 30-year HRA Business Plan and the Capital Investment Programme. Appendix 1 sets out the HRA Business Plan and budget setting process.

Tenant Priorities

4.3 The Budget Strategy is informed through an extensive programme of consultation and engagement with tenants. This includes regular surveys to assess customer satisfaction with the service, focus groups to enable in-depth exploration of key issues, tenant panels, tenant led service inspections and scrutiny, resident and community meetings and an annual budget consultation.

4.4 Over the last five years the majority (over 80%) of tenants who responded to previous consultations told us that they supported the investment plan, funded by a 2% rent increase, identifying the following priorities to be delivered:

4.4.1 building new affordable homes;

4.4.2 investing in making existing homes easier and cheaper to heat;

4.4.3 improving core housing services, such as day to day housing management, and repairs and maintenance of Council homes, as well as wider estate management; and

4.4.4 reducing the cost of living through the delivery of a variety of different services, including an energy advice service, a tenant discount scheme, low cost broadband service and community food growing.

4.5 This year's consultation also sought tenants' views on the changing focus of the investment strategy from investing in the interiors of homes, to buildings and neighbourhoods. It is recognised that there are many factors which contribute to resident satisfaction with their local area and overall quality of life. The budget strategy asked tenants what is important to them and where investment should be focused.

4.6 All tenants received a paper copy of the 2021/22 budget consultation as part of the Tenants' Courier newsletter. This was further supported via an online form and social media campaign. The consultation was also promoted to tenant organisations and tenant panel members via email and text to ensure all tenants were given an opportunity to participate. In addition to this, the consultation questions were included in the annual tenants' survey of 1,000 tenants. This year's tenant survey was conducted in July and August, adapted from a face-to-face survey to a telephone survey in response to Covid-19. The survey is procured and delivered by an independent third-party organisation and seeks to provide a representative mix of views from tenants across the city.

4.7 This year's consultation has generated a similar profile of responses, with 76% of tenants confirming support for the investment plan funded by a 2% rent increase, with a further 22% supporting increasing rents beyond 2%, if priorities could be delivered more quickly.

4.8 While improvement inside tenants' homes and external fabric of buildings remain as priority areas for investment, over half of the surveyed tenants said more investment should be made to improve common areas including safe, modern stairwells, improved waste management and recycling facilities, as well as, access to green open spaces and local shops. One in three respondents also cited improved transport links, sports facilities, community meeting spaces and access to community growing spaces as priority areas.

Delivering the strategy

4.9 The 2021/22 HRA Budget strategy seeks to support the health and wellbeing of tenants and support the transition towards a ‘net zero’ carbon city in which all forms of deprivation and inequality are reduced. The £2.8 billion investment programme set out in this report will deliver a holistic area-based approach to creating places where people want to live that keep them safe, secure, healthy and connected, through:

4.9.1 energy efficient, low carbon homes that minimise carbon emissions and reduce energy demand in secure, modern, well-maintained stairwells;

4.9.2 new and existing homes blended together to create a local identity and a sense of pride in communities;

4.9.3 well-designed, green, open spaces that encourage residents to be active, with strong connectivity to the wider community through sustainable, affordable travel; and

4.9.4 Accessible, responsive and efficient services building on existing links with partner organisations to drive forward individual and community resilience and wellbeing.

4.10 Work is well underway to accelerate the delivery of affordable housing in the city and achieve this Council’s commitment to develop a programme to build at least 20,000 social and affordable homes by 2027. The first three years of the commitment saw a record number of homes approved for site start to be delivered by the Council and housing associations (5,031 homes) for social rent, mid-market rent and low-cost home ownership. It is anticipated that over 2,000 new affordable homes will be approved for site start this financial year (2020/21) and based on current delivery programmes an additional 1,300 homes are expected to be completed. Including this year’s projections and the first year of the SHIP, that would mean 9,200 new affordable homes would be approved by 31 March 2022; with the 10,000 target achieved later in 2022.

4.11 The draft five-year capital investment programme set out in Appendix 4, includes more than £1.9 billion investment in new Council homes over ten years. This will fund the delivery of around 4,500 Council homes for social rent, as well as supporting the development of mixed-use sites and large-scale regeneration of Granton; one of Europe’s biggest Waterfront regeneration projects. Around £2m Council Tax Discount Fund (part of the Strategic Housing Investment Fund) will be used to support the delivery of the Granton Waterfront Early Action projects managed through the General Fund Capital Investment Programme. This will be further supplemented by other grant funding in 2021/22 to deliver these projects. The strategic purchase of land by the Council, as set out in the Land Strategy report presented to Housing Homelessness and Fair Work Committee on 14 January 2021 alongside new partnerships and joint ventures is expected to further increase the Council led development programme.

4.12 Over the last five years £165m has been invested in improving existing homes and neighbourhoods, delivering more than 28,000 individual improvements, with an emphasis on making homes easier and more affordable to heat. This includes:

4.12.1 7,100 homes with new kitchens and bathrooms;

4.12.2 7,100 homes with new modern heating systems;

4.12.3 1,600 homes with new doors and window upgrades;

4.12.4 5,200 homes with electrical upgrades;

4.12.5 4,000 homes with health and safety improvements;

4.12.6 2,900 homes with external fabric upgrades; and

4.12.7 280 neighbourhood improvement projects.

4.13 Making homes easier and cheaper to heat remains a key priority for tenants and reduces poverty. Delivery of the Scottish Government's Energy Efficiency Standards for Social Housing (EESSH) has been the key driver for improving existing homes over the past four years. Pre Covid-19, 86% of homes were expected to achieve EESSH by December 2020, with the remaining homes being held as a temporary exemption. Meeting EESSH2 and achieving net zero carbon by 2030, will be more challenging and requires a different approach. As set out in the Housing Sustainability Update report to Housing Homelessness and Fair Work Committee on 5 November 2020 a new evidence-led holistic approach will be taken, focusing on whole house deep retrofit which balances energy efficiency with building improvement and tenant comfort, health and affordability. A design brief has been produced that will ensure all new build homes are designed to achieve net zero carbon. The cost of achieving net zero carbon has been factored into the 2021/22 Business Plan.

4.14 The total proposed investment per home has nearly doubled from c.£24,000 to c.£43,000 over the first ten years of the business plan period; this includes known costs for whole house retrofit to meet sustainability objectives, mixed tenure investment in buildings and common areas. Consultation with tenants shows a strong desire for investment in wider neighbourhood improvement. This year's strategy also proposes the inclusion of an additional budget equating to £5,000 per home to invest in improving the areas outside of homes to create well-designed open spaces, working alongside planning and transport colleagues to promote active transport and access to local amenities. This will enable existing estates to benefit from similar levels of placemaking investment as in new housing developments. Similar to the approach for new build developments, individual design briefs will be developed for consultation and engagement with residents.

4.15 The holistic area-based approach to regeneration will be taken forward as part of the Mixed Tenure Improvement Service (MTIS) pilot. The 36-month MTIS pilot approved by Finance and Resources Committee on January 2020, seeks to deliver a mix of repairs and improvements to around 180 mixed tenure blocks in which the Council is a landlord. An enhanced Scheme of Assistance has been approved to encourage owners to invest in the repairs and maintenance of their homes and common areas of the block.

4.16 The MTIS will operate initially in the Murrayburn, Dumbryden and Hailesland areas where the Council will be upgrading Council homes through the HRA Capital programme and new build Council housing is under construction. Council officers are already engaging with local organisations to take forward a wider place-based approach to the regeneration of Wester Hailes.

4.17 There is potential for the funding that is currently allocated through the NEPs budget to be better aligned to wider neighbourhood regeneration and capital investment programmes. A review and discussion with key stakeholders will be taken forward to develop an approach that ensures local communities can continue to exercise a strong influence over how this funding is prioritised.

4.18 With this scale of investment in homes and neighbourhoods, it is essential that the Housing Service is working as efficiently as possible to maximise the benefits to tenants and the wider city, whilst ensuring rents remain affordable. The Housing Service Improvement Plan (HSIP) was introduced in 2019/20 with the aim of significantly increasing customer satisfaction, improving operating performance and reducing costs, with a specific focus on developing more effective and responsive services for customers.

4.19 The Housing Service has undergone an unprecedented level of change over the last six months in response to Covid-19. This has accelerated modernisation and efficiencies in service provision through digital and remote working. Ensuring that the frontline housing service is visible, responsive and effective has never been more critical. The service is continuing to adapt to the challenges and opportunities of the new operating environment and wider core services are now resuming in a controlled manner.

4.20 The Covid-19 operating environment has reinforced the objectives of the HSIP and has highlighted some emerging priorities which will shape the way the programme is taken forward. The HSIP is driving improvements across a number of workstreams, centred around digital improvements, enhancements to customer communication, service resilience and efficiencies.

4.21 Work in progress prioritises the tenant experience of finding and moving into a home, as well as improvements to rents processes and systems. Informed by the Covid-19 operating environment, policies and procedures are being refreshed and training and wellbeing plans are being developed in consultation with officers. Over the next six to twelve months, estates management and continued digital improvements will be key areas of focus. A more detailed update on the work of the HSIP was included in the Housing Revenue Account (HRA) Budget Strategy 2021/22 report approved at Housing Homelessness and Fair work Committee on 5 November 2020. Progress with delivering the HSIP will be reported to Housing Homelessness and Fair Work committee on a six-monthly basis.

4.22 In addition to the HSIP, new services have been introduced that tenants felt would help reduce their living costs and improve the overall quality of the Housing Service.

This includes a dedicated energy advice service, tenant discount scheme and a housing apprenticeship programme targeted at tenants and their families. The expansion of community gardens and food growing is currently being explored, including bringing in a partner organisation to support delivery and management existing and new gardens. A pilot project in the Hutchison area is currently underway. The scope of the Community Grants funding agreement has also been expanded to support community garden projects. A broadband programme is also in development, with phase one focusing on securing super-fast, reliable fibre infrastructure to Council homes, at no cost to the Council or tenants. There is also an annual campaign to recognise and reward tenants and residents who support their neighbours and look after their communities.

Funding the Strategy

4.23 The HRA Business Plan sets out planned investment of £2.8 billion over the next ten years. This investment is funded from capital receipts, prudential borrowing, capital funding from current revenue and Scottish Government subsidy for new social rented homes. Appendix 4 sets out the draft five and ten-year capital investment programme.

4.24 In response to the recent period of disruption as a result of covid-19 and the financial pressures the HRA faces to meet its ambitious commitments, the HSIP now seeks to deliver greater savings over an extended period. In addition to the savings target of £11m to be achieved by 2023/24, a further £3m is now factored in by 2025/26. The investment required to make these necessary improvements has been factored into the Business Plan and progress is reported to Housing, Homelessness and Fair Work Committee every six months.

4.25 For the last four years, rents have increased by 2% which is below average inflation of 2.3%. Private rents have increased by an average of 3.3% a year, while the average rent for local authority landlords has increased by 2.9% a year and average housing associations' rent has increased by 2.5% a year over the same period. Between 70-80% of households each year receive some help with their rents through Housing Benefit and the housing element of Universal Credit (UC). Almost all of these tenants would be entitled to an increase in their benefits to cover any increase in rent charges, subject to there being no other changes in their household circumstances that would alter their overall entitlements.

4.26 Over three quarter of tenants who responded to the budget consultation supported the 2% rent increase, a further 22% said they would be willing to pay more if improvements could be delivered more quickly. The proposed rent increase of 2% for 2020/21 would mean an average increase of between £1.76 for a one bedroom flat and £2.58 for a four-bedroomed house per week in 2021/22. Any increase in rent should be offset by a reduction in the cost of living through investment in new services and investment in existing homes, for example, reducing energy costs. Support is available to tenants who face difficulty paying rent. No home will be repossessed, as long as, the tenant engages with the Housing Service and a reasonable repayment plan is agreed and maintained to manage arrears and late payments of rent.

4.27 For the sixth year running the Business Plan assumes no increase in fees and charges to tenants. These include charges for stair cleaning, furnishing and heating where included as a service charge. Not all of these charges are covered by housing benefit. Freezing these costs has a direct benefit to the majority of tenants.

4.28 A ring-fenced contingency was established in 2017/18 to mitigate the impact of further decreases in income and/or unexpected increases in expenditure. The Business Plan assumes a £11.5m contingency fund will be built up by the end of this financial year, rising to £25m by 2027 to ensure the continuation of the investment programme, even with an unexpected reduction in income or increase in unplanned expenditure. This is an increase from the £15m planned contingency set out in last year's budget.

Risks to the Business Plan

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

Risk	Mitigation
Reduction in rental income: Rental income collection falls below the assumed level in the Business Plan due to ongoing migration of tenants on to UC and financial hardship being experienced following Covid-19.	A total of 10,500 tenants are expected to migrate to UC by December 2023. 3,220 tenants were known to claiming UC by March 2020. The assumption on number of tenants migrating to UC in 2020/21 has been increased to take account of the impact of Covid-19 on tenants' income. Rent free fortnights have been removed from the start of 2020/21 to align charging periods more closely with monthly UC payments and salaries for tenants in employment, helping tenants to budget better and avoid getting into debt. Rent processes have been improved to monitor and track landlord payment from the DWP and early intervention continues to be sought for all tenants moving onto UC.
Increasing capital investment costs: The increase in new build construction and development costs (workforce, materials etc.) could be higher than anticipated due to the impact of Covid-19 and the need to implement safe working practices. As well as, additional cost implications associated with sustainability targets. Land costs for housing development is also increasing due to competition in the open market. With investment increasingly focused on buildings and wider neighbourhood, more improvement work will take place outdoor and progress will become more weather dependent.	Build cost inflation assumptions are reviewed annually based on market intelligence. In year projections take account of known costs uplifts as a result of Covid-19, but these are not expected to have a sustained long-term impact. The known costs for achieving net zero carbon (including trial innovative technologies, retrofit approaches and carbon offsetting) have been factored into the Business Plan. Weather dependency will be taken into account in the development of programmes and when awarding and managing contracts.

Mixed tenure and external improvement: Over half of Council homes are in mixed tenure blocks where the Council shares responsibility for the repair and maintenance of common areas with homeowners and private landlords. Owners may not have the funds to invest at scale in their homes, delaying or limiting investment to Council homes in these blocks.	The new MTIS is now in the implementation stage. Enhanced Scheme of Assistance measures are now in place following Finance and Resources Committee approval on 23 January 2020 for extended payment terms. The delivery of strategic acquisition and disposal of homes continues to achieve block consolidation.
Reduction in costs efficiencies: The financial efficiency savings assumed in the latest Business Plan are not delivered, thus deepening the deficit.	The HSIP aims to reduce operating expenditure by c.12% to mitigate the deficit and return the Business Plan to a positive balance. A detailed review of efficiency opportunities is continuing in response to the current operating environment. A HSIP Board and programme manager are in place. Progress is reported to Housing, Homelessness and Fair Work Committee on a six-monthly basis.
Securing land for affordable housing: One of the key risks to the delivery of 20,000 affordable housing is failure to secure suitable land for development. The Council and RSL delivery partners have significantly less influence over the type of housing that will be brought forward for development and development timescales on private sector sites.	27 surplus Council sites have already been purchased through the HRA for affordable housebuilding. Officers are working with public sector partners to secure the delivery of public sector outcomes, including affordable housing on public sector land. The HRA Business Plan includes c.£120m for land acquisitions over the next ten years. The availability and control of land continues to be a key focus of the partners working together on the City Region Deal.

4.30 All risks are kept under review and significant changes will be highlighted to the Housing, Homelessness and Fair Work Committee, Finance and Resources Committee and Governance, Risk and Best Value Committee.

5. Next Steps

5.1 Consultation on the detail of the 2021/22 HRA Capital Programme will be carried out with members in early 2021. This will inform the 2021/22 HRA Capital Investment Programme report which will be presented to Housing, Homelessness and Fair Work Committee for approval in March 2021.

5.2 A six-monthly update of the HSIP will be provided to Housing, Homelessness and Fair Work Committee in June 2021.

6. Financial impact

6.1 The 2020/21 Business Plan projected a £22.7m deficit between 2034/35 and 2047/48. The Business Plan is reviewed annually and is rolled forward based on the previous year's outturn and approved rent levels. Key assumptions were updated prior to consultation and noted in the HRA Budget Strategy 2021/22 report to Housing, Homeless and Fair Work Committee in November 2020.

6.2 A summary of the key changes is set out below:

6.2.1 **Net Zero Carbon** – Additional capital costs to ensure all new homes are built to net zero carbon standards and all existing homes, where possible, have a full house retrofit. A carbon offsetting fund from year 10, once all fabric upgrade options have been exhausted;

6.2.2 **Construction costs** – An increase in baseline new build assumptions to reflect recent tender costs and the impact of Covid-19 in the first few years of the Business Plan;

6.2.3 **Estate Improvement** – An additional £5,000 per home has been included in the Business Plan to invest in well-designed open spaces that enhance local communities;

6.2.4 **Operating efficiencies** – The business plan assumes efficiencies in operating and financing costs of £11m by 2023/24, and a further £3m to be achieved by 2025/26;

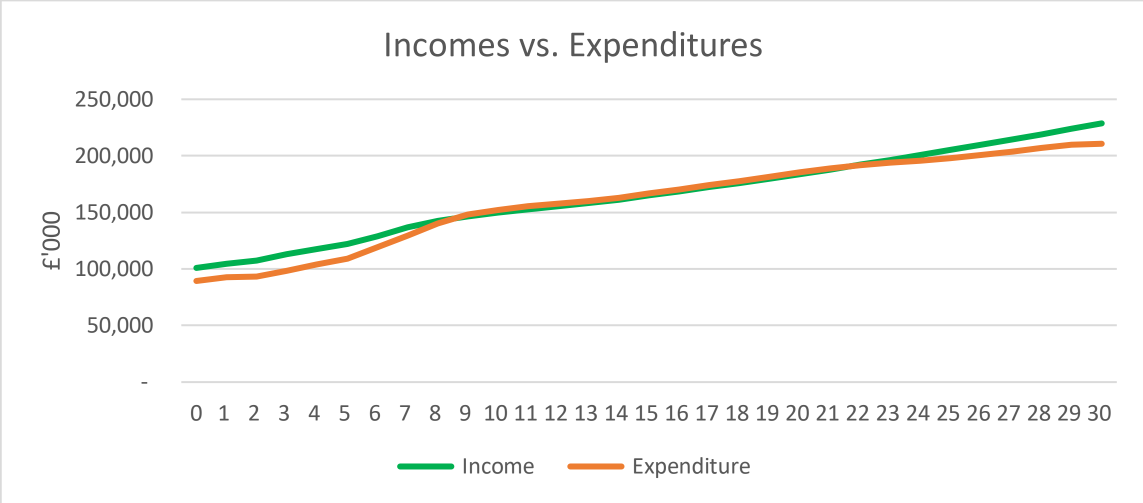
6.2.5 **Further reduction in pool rate** – The Council's pool rate was reduced from 4.5% to 3.8% in last year's plan.

6.2.6 **Increased contingency -** This year's Business Plan also includes a £25m contingency (an additional £10m increase on last year's plan), built up over the next six years, to ensure the continuation of the investment programme. This is a separate account to manage any unexpected reduction in income or increase in unplanned expenditure.

6.3 Further work to check and refine key assumptions has been undertaken since the report to Housing, Homelessness and Fair Work Committee as well as, the alignment of investment priorities identified through budget consultation with tenants and members. This includes changes in employee costs inflation and void rent loss in 2021/22 to take into account of the Covid-19 impacts on local government pay offer and time to re-let homes. A summary of the high-level assumptions is set out in Appendix 2.

6.4 Planned capital investment has increased in the first 10 years by nearly £320m (c.16%) compared to last year's Business Plan. The Business Plan assumes this will be funded by an annual 2% rent increase.

6.5 Following the changes set out above, the Business Plan is projecting a £25.3m deficit between years 9 and 21 (2029/30 and 2041/42); with an average annual deficit of £1.9m over these 13 years. However, it is important to note that the deficit only relates to in year expenditure exceeding income, there is enough fund in reserves to completely offset it. The HRA has a net surplus of £84.3m over 10 years and £137.0m over 30 years.



6.6 A ring-fenced contingency was established in 2017/18 to mitigate the impact of further decreases in income and/or unexpected increases in expenditure. The contingency reserve is projected to be £11.5 million at the beginning of 2021/22, rising to £25 million by 2027, c.19% of the annual income of the year concerned.

7. Stakeholder/Community Impact

7.1 Each year the views of tenants are sought on the HRA budget strategy, investment plan, service improvements and associated rent levels.

7.2 All tenants received a paper copy of the budget consultation as part of the Tenants' Courier newsletter during the consultation period. There was an online form and social media campaign. The consultation was promoted to tenant organisations and tenant panel members via email and text. A virtual meeting with ETF members was held on 11 November 2020. Since Covid-19, Housing Officers have been engaging in regular welfare checks, these contacts were used as opportunity to encourage tenants to take part in the consultation.

7.3 In addition to the annual rent consultation and tenant survey the Housing Service is in regular contact with tenants and has a wealth of information on tenant satisfaction and priorities from a variety of sources. Focus groups are carried out to look at specific topics and various short life working tackle particular issues.

7.4 Tenant engagement is being further expanded and enhanced through the HSIP to ensure the programme is based on sound research, benchmarking and tenant feedback. In response to Covid-19, arrangements are being put in place to ensure tenant engagement can continue in a safe and accessible way. This will include setting up a new virtual tenant group to focus on service improvement. Consultation with existing tenant groups is taking place to help shape this.

8. Background reading/external references

8.1 Mixed Tenure Improvement Service Pilot, Finance and Resources Committee, 23 January 2020

8.2 Housing Revenue Account (HRA) Budget Strategy 2020/30, City of Edinburgh Council, 20 February 2020

8.3 Edinburgh Poverty Commission – Poverty and Coronavirus in Edinburgh, Policy and Sustainability Committee, 11 June 2020

8.4 Housing Sustainability Update, Housing, Homelessness and Fair Work Committee, 5 November 2020

8.5 HRA Budget Strategy 2021/22, Housing Homelessness and Fair Work, 5 November 2020

8.6 Land Strategy to Support Delivery of Affordable Housing and Brownfield Regeneration, Housing Homelessness and Fair Work, 14 January 2021

9. Appendices

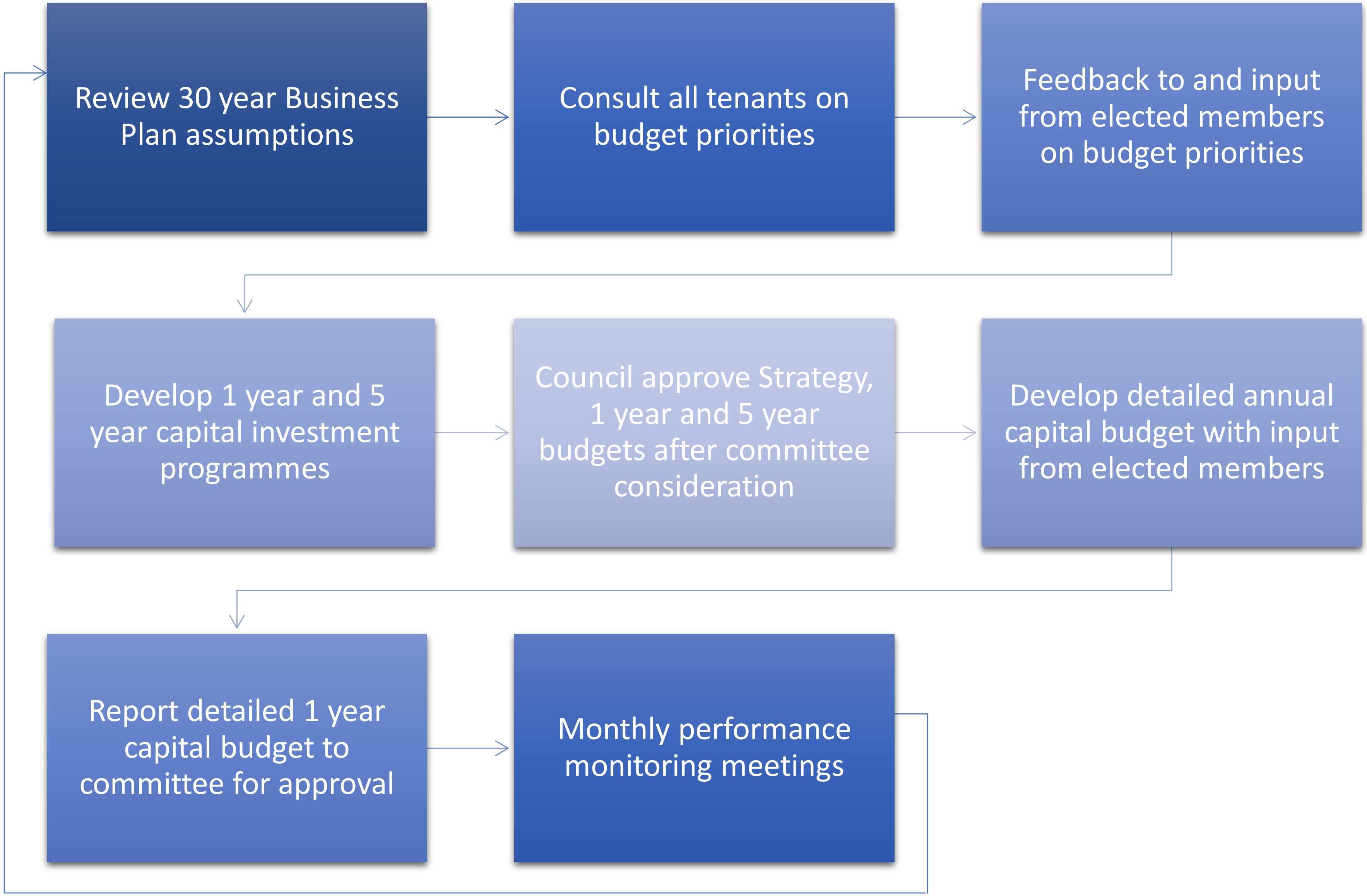
9.1 Appendix 1 - Annual Business Planning Process

9.2 Appendix 2 - Business Planning – High Level Assumptions

9.3 Appendix 3 – Housing Revenue Account Budget 2021/22 (Draft)

9.4 Appendix 4 – Draft 5 Yr & 10 Yr HRA Capital Investment Programme

Appendix 1 – Annual Business Planning Process



Appendix 2 – Business Planning High Level Assumptions

Input	2021/22	Note
Inflation **(Operating Costs)**	**2%**	This is in line with the Bank of England inflation target.
Inflation **(Employee Costs)**	**2.0%**	The business plan assumes 2% employee costs increase in 2021/22 to align with the Operation Costs inflation above and Council General Fund assumption.
Rent Increase	**2%**	This assumption is in line with long term market inflation projection. The budget strategy aims to keep rents stable and affordable, while delivering one of the most ambitious investment programmes in Scotland.
Net Rental income	**97.57%**	Total projected rental income, minus written off former tenant arrears and rent loss due to empty homes.
Former tenant arrears write off	**1.78%**	Any rental debt outstanding for over three months, where there have been no payments received or there is no agreed repayment arrangement, is written off annually. The projected write off at the end of 2020/21 is estimated to be at a similar level to 2019/20.
Rent lost on empty homes	**0.65%**	This assumption is based on previous performance levels and is applied over the 30-year business plan period. A slightly higher percentage of 0.71% is assumed in 2021/22 only, to account for the longer re-let time as result of the new letting practice under Covid-19 restrictions.
Fees and charges increase	**0%**	Fees and charges for additional services provided with tenancies (e.g. stair cleaning, communal heating, furnished tenancies, etc) is frozen for the sixth year in a row.
Debt level (projected for March 2021)	**£395m**	The debt level is projected to remain the same as at 31 March 2020. £14m of new borrowing is forecasted to support the capital investment programme in 2020/21; which will be offset by treasury management controls and the repayment of a similar level of historic debt.
Interest on debt (pool rate)	**3.80%**	The Council does not borrow for specific projects, borrowing is pooled in a consolidated loans fund and the interest rate pooled across all projects. It has now included an assumption of the favourable rate for new HRA borrowing announced in Spring Budget 2020. The 2021/22 pool rate assumption is 0.7% lower than that assumed in 2020/21.

Appendix 3 – Housing Revenue Account Budget 2021/22 (Draft)

	Projected Outturn 2020/21 £m	Proposed Budget 2021/22 £m	Movement £m	Movement %	Note
Net Income	**103.138**	**104.638**	**1.500**	**1.45%**	1
Expenditure					
Housing Services	33.219	33.933	0.714	2.15%	2
Property Maintenance	20.666	21.009	0.343	1.66%	3
Debt Charges	36.337	37.556	1.219	3.35%	4
Strategic Housing Investment	12.926	12.140	-0.776	-6.01%	5
Total Expenditure	**103.138**	**104.638**	**1.500**	**1.45%**	

Note 1.

"Net Income" is the total rent due to be collected, less written off former tenant arrears and rent loss due to empty homes. It also includes service charges and costs recovered in relation to communal heating schemes and owner occupiers. The net income is expected to be increased by less than the 2% rent increase proposed. This is mainly due to the freeze on service charges and a higher void rent loss as a result of longer re-let time under the new letting practice after the Covid-19 outbreak. The average weekly rent will increase by £2.04.

Note 2.

“Housing Services” includes core housing management services, new tenant and community services like energy advice and tenant discount scheme. It includes employee costs, central support costs and recharges, premises and other expenditure. The draft budget also includes £2.0 million for the continued development of the Housing Service Improvement Plan (HSIP) and £1.0 million for the enabling work associated with large-scale regeneration projects. An accumulated saving of £1.05 million has been included in the draft budget during the third year of HSIP in order to reduce the total expenditure by 12% (£14.3 million) by 2025/26, to ensure the HRA remains financially stable, which has been partly offset by the inflationary increase.

Note 3.

“Property Maintenance” includes responsive repairs, estates maintenance, routine gas servicing and the costs associated with bringing empty homes back into use. As in “Housing Services”, an accumulated saving of £4.0 million has now been incorporated in the draft budget during the third year of the HSIP, which is partly offset by the “additional” repairs and maintenance for new homes and inflationary increase on estate management/maintenance expenditure.

Note 4.

The HRA borrows to finance the planned housing investment and house building capital programmes. “Debt Charges” are capital financing costs (principal repayments and interest). The 3.35% increase is in line with the capital investment plan set out in the report. As a result of prudent treasury management, net debt levels are expected to have increased by only £27 million over the last five years, whilst delivering nearly £345 million of capital investment over the same period.

Note 5.

“Strategic Housing Investment” relates to income in excess of annual operating expenditure. It can be used within the same year to fund new capital investment (CFCR), repay old HRA debt or mitigate unforeseen risks. It can also be transferred to the Repairs and Renewals fund to support the new build programme in future years. The main reason for the reduction is the result of a higher rate of increase in expenditures than incomes. The Strategic Housing Investment Fund is an amalgam of the Repairs and Renewals Fund and the Council Tax Discount Fund.

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

The 2021/22 Draft Budget and business plan are based on the assumptions set out in Appendix 2. Below is the outline draft five-year Capital Investment Programme and summary 10-year investment strategy, which is based on tenant priorities, service performance and statutory investment requirements. Inflation has been included in the figures where appropriate.

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

Programme Heading	1 2021/22* £m	2 2022/23 £m	3 2023/24 £m	4 2024/25 £m	5 2025/26 £m	***5 Year*** ***Total***	6 to 10 2026/27 to 2030/31 £m	***10 Year*** ***Total***
Programme Expenditure								
New Homes Development**	33.223	95.718	142.628	110.806	328.326	***710.701***	1094.736	***1805.437***
New Home Land Costs	20.000	19.000	19.533	15.933	15.933	***90.399***	33.466	***123.865***
Tenant's Homes & Services	8.586	21.758	27.935	27.473	24.362	***110.114***	116.120	***226.234***
External Fabric and Estates	20.917	56.395	71.386	74.136	66.325	***289.159***	330.149	***619.308***
Total Expenditure	82.726	192.871	261.482	228.348	434.946	***1200.373***	1574.471	***2774.844***
Programme Resources								
Prudential Borrowing	28.424	156.397	120.778	97.870	138.309	**541.778**	728.812	***1270.590***
Strategic Housing Investment Fund	18.300	23.300	28.300	10.800	10.800	***91.500***	31.500	***123.000***
Capital Receipts and Contributions	4.560	3.880	7.700	25.590	16.644	***58.374***	89.754	***148.128***
Receipts from LLPs**	19.583	5.282	72.018	70.606	232.259	***399.748***	569.825	***969.573***
Scottish Government Subsidy (Social)	11.859	4.012	32.686	23.482	36.934	***108.973***	154.580	***263.553***
Total Funding	82.726	192.871	261.482	228.348	434.946	***1200.373***	1574.471	***2774.844***

**The planned programme for 2021/22 has been revised down to take account of the Level 4 Covid restrictions announced in December 2020 and rephased over the following three years. Opportunities to accelerate the programme will be pursued, should restrictions ease off during 2021/22.*

***The budget for new build housing includes the upfront capital costs for the Council led development of all 10,000 affordable homes, including homes for mid market and affordable market that will be purchased by the Council's new LLPs. This has no impact on the HRA as interest payments are deferred until the homes are purchased. £25 million of the £970 million anticipated receipts from LLPs by year ten is for homes already under construction and due to complete in the next two years. Please note these receipts go beyond current approved levels of on-lending, approval will be sought to expand the programme in future years.*

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Finance and Resources Committee

2pm, Tuesday, 2 February 2021

Budget Insights 2020

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 Committee is recommended to note the contents of this report.

1.2 Committee is recommended to refer this report with associated budget papers to Council.

Andrew Kerr

Chief Executive

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Report

Budget Insights 2020

2. Executive Summary

2.1 This report summarises the response to the Council's engagement on budget priorities for 2021/22 and beyond, and includes relevant supporting material from other engagement activity on priorities and life experiences during the covid-19 pandemic.

2.2 The Council received 2,267 responses to the budget engagement. All responses have been published on the Council's Consultation Hub.

2.3 Edinburgh residents experienced a large decline in overall wellbeing due to the pandemic and associated restrictions. However, there is evidence to suggest that anxiety and happiness levels had, by December, returned to around pre-pandemic levels.

2.4 Levels of physical activity, active travel, social contact, visiting parks and reading for pleasure were different from pre-pandemic levels for most residents. A higher percentage of residents felt they were doing more of those things during the pandemic than felt they were doing less.

2.5 64% of residents who were working during the pandemic had been working from home "all the time", and 55% of all those had worked from home at any point during the pandemic would prefer to work "mostly" or "always" at home in future. This suggests there will be a long-term structural change in the working environment in Edinburgh in future.

2.6 Residents praised the continued delivery of essential services by the Council during the pandemic as well as the swift return of schools and nurseries when that was possible. Praise was also given for the quality of communication from Council services during a period of great uncertainty.

2.7 Residents had been badly impacted by the reduction of social opportunities provided by gyms, community centres and libraries. Children with additional support needs and adults with dementia (and their families) were felt to have been especially badly impacted by suspension of services for them.

2.8 Residents were supportive of measures to help meet the Council's 2030 Net Zero target, including more microgeneration and a reduction of vehicles in the city.

2.9 Residents continue to recognise the benefits provided by collocation of services into local hubs, but felt that there were no opportunities to further reduce core services which had already been reduced due to austerity measures. It was suggested that residents could take more active roles in the maintenance and management of their street through, for example, volunteer parks maintenance and litter picking.

3. Background

3.1 The City of Edinburgh Council continues to face difficult financial decisions in delivering services the people of Edinburgh need and want while meeting its financial challenges. The Council seeks input from residents to inform its decision-making processes prior to setting its budget.

3.2 The Council set out its proposed approach in its report 'Engaging Through Adaptation and Renewal' to Policy and Sustainability Committee on 23 July 2020.. The intention of this was to:

3.2.1 Ensure the Adaptation and Renewal Programme makes City Vision real by continuing a conversation about how we deliver the Edinburgh residents want;

3.2.2 Better understand the attitudes and experiences of residents that will inform Adaptation and Renewal delivery;

3.2.3 Ensure people have a voice in any major change programme proposals; and

3.2.4 Gathers local information for Edinburgh which may not be supplied by national sources due to disruption caused by Covid-19.

3.3 Due to the essential restrictions to limit the spread of Covid-19, the Council's options for engaging with residents on the budget during 2020 were severely limited. Unlike in previous years, there was no potential for face-to-face engagement or the distribution of written material, therefore all engagement was online.

3.4 This approach creates clear problems that a minority of Edinburgh residents who are not on online (generally older people and generally on lower incomes) would be less likely to be able to participate in this engagement. In order to mitigate this impact, this report includes findings and insights from other areas of work including:

3.4.1 The Capital Residents Survey – a telephone survey of a representative sample of 1,005 Edinburgh residents performed between October and December 2020. The survey was themed around experiences during the pandemic and views on public services. This survey was jointly-funded by the Council and NHS Lothian. Only partial results are available at this point; final results will be reported to the Policy and Sustainability Committee in April 2021.

3.4.2 The Edinburgh Poverty Commission – the Commission conducted workshops, interviews and visits involving individuals with personal experience of living in poverty in Edinburgh. While these activities did not take place during the pandemic, where relevant the Commission's findings have been included in this report.

3.4.3 The 2019 Budget Engagement – last year the Council conducted workshops using its group engagement activity with a sample of Edinburgh residents who are proportionately similar to the demographic, geographic and income characteristics of Edinburgh residents. The feedback from these workshops is still valid and where relevant has also been referenced.

4. Main report

Response to budget engagement

4.1 The online survey was promoted through Council social media channels and was sent to community councils, tenants and residents associations, Council partners, members of the Equalities and Rights Network, and to parents (through School newsletters).

4.2 2,267 residents responded to the online survey. Because of Covid-19 restrictions there are no entirely comparable engagement responses, however in 2018 and early 2019 there were 1,826 online and paper responses to the Council's 2019/20 budget engagement process.

4.3 Engagement respondents included proportionately more people aged 45-64, more women, and fewer people aged 16-24 than the Edinburgh population. Those who were selected to take part in the telephone survey were more closely matched to the demographics of the city as a whole. More information on demographics is included in appendix one.

4.4 The engagement response had a good geographic spread across the city, with an average of 120 responses per ward. Response by ward is also shown in appendix one.

Experiences during Covid-19

4.5 Edinburgh residents likely experienced much lower levels of overall happiness and much higher levels of anxiety during the first pandemic lockdown, compared to the period before the lockdown, but that these levels have likely improved since.

4.6 The Office of National Statistics' Annual Population Survey identified that for the year ending March 2020, Edinburgh residents on average rated their happiness 7.4 out of 10 (where 10 is the best) and rated their anxiety 3.6 out of 10 (where 10 is the worst).

4.7 A study conducted by YouGov and referenced by Scottish Government identified that by the beginning of April Scottish residents' ratings for these two questions were significantly worse, but have improved over time. (No Edinburgh figure is available from these results).

4.8 The Capital Residents Survey identified that Edinburgh residents' rating of happiness was 7.2 out of 10, while anxiety was 3.3 out of 10. This suggests that by the autumn Edinburgh residents may have overall returned to around pre-pandemic levels of wellbeing.

4.9 Respondents to the budget engagement reported that they had experienced social isolation during the pandemic and the two main reasons mentioned for this were working from home and the suspension or reduction of Council services that enable social interaction (e.g. community centres, libraries, sports facilities).

4.10 However, while working from home has caused anxiety for some, it has been beneficial for others. According to the Capital Residents Survey, of those who had been employed during the pandemic, 64% had been working from home ‘all the time’. Of those who had been working from home at any point, 55% would prefer to work always or mostly at home in future.

4.11 The Capital Residents Survey also identified that 37% of Edinburgh residents have been talking to their neighbours more than before the pandemic (14% less) and 45% have been talking to their family more (17% less).

4.12 Overall, this suggests that issues influencing wellbeing and social isolation are impacting individuals differently, with both positive and negative outcomes, and more work is needed to understand this.

4.13 861 respondents to the budget engagement reported that closing gyms, pools and leisure centres meant they had to find alternative ways to exercise in their local areas.

4.14 In the Capital Residents Survey, 33% said they took more exercise during the pandemic than before, but 26% said less. The results suggest that people were doing more walking (53%), cycling (18%), and visiting parks (36%) than they were before, but the pandemic has also prevented some from engaging in these activities.

Feedback on Council services during pandemic

4.15 As part of the budget engagement, Edinburgh residents were asked what Council services they most appreciated and what services they missed during the pandemic. Figures 1 and 2 below show the top five most frequently mentioned items. These are from 2,267 responses in total, and respondents could mention more than one item.

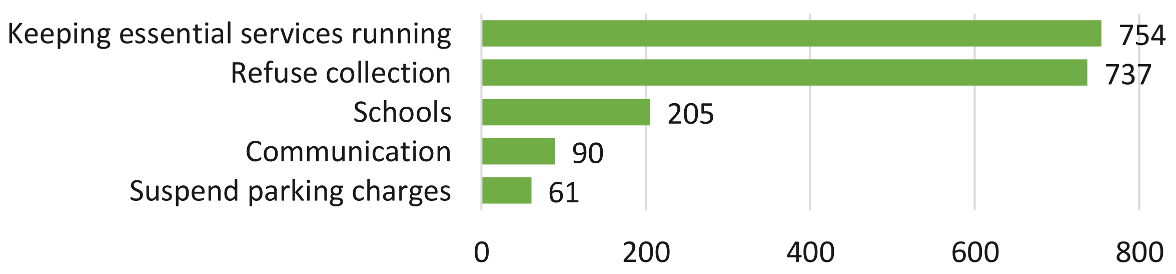

Figure 1 – Services praised by residents during the pandemic

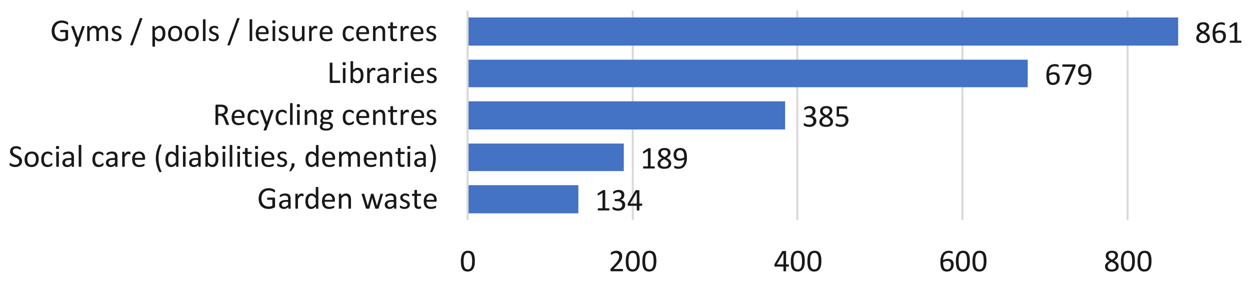

Figure 2 – Services missed by residents during the pandemic

4.16 **Schools and nurseries** – Much of the pressure parents felt because of the pandemic came from interrupted childcare (school, paid and family care), so the return of schools on schedule in August was especially appreciated by parents as this allowed many aspects of life to be close to normal. Parents also praised schools for going above and beyond the norm to support them, however the essential closure of schools in the spring has left parents with concerns about the long-term impacts on education, social skills and wellbeing especially for very young children.

4.17 **Social care** – The suspension of a range of services in this area was felt to have significant implications for users of those services. Parents of children with additional support needs were critical that this support has been withdrawn. Family members of those with dementia highlighted the disproportionate impact on them and service users through the suspension of social contact and wider support. By contrast, the extra resources and efforts made to house homeless people during the pandemic were recognised and praised.

4.18 **Libraries and community centres** – The social aspects of libraries and community centres were most frequently mentioned, with residents citing regular activities and visits as the time they saw many of their friends.

4.19 The Capital Residents Survey identified that since the pandemic 48% of Edinburgh residents feel they have been reading books and listening to audiobooks more, while 10% feel they have done these less than they normally would.

4.20 **Spaces for people** – Residents were divided in their views on the spaces for people changes. There was praise for the general direction of the policy – increasing the space and priority for pedestrians and cyclists – and support for increased pedestrianisation. However, residents were critical of the introduction of the scheme in some areas without consultation, they felt there was no guidance given on how to use it, and it was noted that some temporary measures were replaced with others which seemed to waste resources. There was also opposition to measures in principal, with some residents concerned about the impact of lost parking spaces on local businesses and others opposed to 20mph zones.

4.21 **Transport** – In addition to the comments on Spaces for People changes, 389 residents mentioned public transport and the importance of this for keeping the city running. Those who had needed to visit areas of the city where metered parking was in place valued the suspension of this charge. There were 212 comments opposing the tram.

4.22 All feedback received as part of the budget engagement has been published to the Council's Consultation Hub.

Meeting our 2030 Net-Zero commitments

4.23 As part of the budget engagement, residents were asked for suggestions on how the city could continue to work to meet its 2030 sustainability target. In addition to the spaces for people comments mentioned earlier, congestion charging was suggested 91 times as a component of reducing overall car use and encouraging public transport use and active travel. 115 residents opposed green belt construction, in part because it was seen as encouraging private transport use.

4.24 Residents wanted to see more advice and support for homeowners on microgeneration and insulation options, and wanted to see conservation rules reviewed to make these easier. Resident also expressed their support in principal for larger schemes such as district heating.

4.25 Residents expressed uncertainty about what could be recycled and what could not and requested more information about this, and for a general push from the Council to help people make more sustainable purchasing decisions. Some suggested an expansion of options to share items for free in designated spaces, supported by free collections of unwanted items by the Council.

Priorities

4.26 Residents were clear that the highest impact on them during the pandemic had been the closure of schools and nurseries. Keeping those facilities open and consistent enabled families to function more normally. Attempting to combine childcare and homeworking had been extremely difficult for many.

4.27 While everyone had been impacted by the pandemic there was particular appreciation that people in poverty, those living in areas of deprivation, those experiencing homelessness and those who did not have working-from-home options were especially badly affected. The provision of support and services to those individuals and communities was felt to be another top priority, especially making sure people were able to find employment as quickly as possible after the pandemic.

4.28 Residents recognised local businesses has struggled due to radical changes in shopping and leisure habits as well as the absence of tourists in 2020. Helping businesses to recover and helping new businesses to thrive was seen as essential for the city's recovery.

4.29 More positively for some was the recognition of the importance of community in recovering from a crisis. Residents wanted to do more to strengthen and build their community and encourage social mixing once it was safe to do so.

4.30 The Poverty Commission's recommendations included more restrictions on short-term lets to improve housing options, as well as establishing Edinburgh as a Living Wage City. Residents recognised that the profound change forced on Edinburgh in 2020 could also be an opportunity to resolve long-standing issues.

Changes to Council services

4.31 In 2019, Edinburgh residents taking part in that year's budget engagement saw significant opportunity for collocation of Council services. Collocation would help to ensure we were making best use of assets, making services accessible and convenient to the largest number of people, and helping services to better work together.

4.32 The recommendations of the Poverty Commission included making use of all important points of contact to help deliver income and employability services, including schools and GPs. Respondents to the Capital Residents Survey were also supportive of collocation:

- 61% felt it would be more convenient for them if libraries, community centres and advice services were all available at the same location. 17% disagreed;
- 70% would be comfortable using sports facilities at schools. 20% would not;
- 58% felt it made sense for all public services to be available at the same location. 30% disagreed.

4.33 The Capital Residents Survey identified that since March 32% of residents had needed to contact the Council for any reason, with most using the web (48%, base 321) and others using telephone (36%) and email (35%). Only 2% had visited a Council building in person. The Contact Centre's performance report for the pandemic period highlights that changes to MyGovScot registration have made using online services easier for individuals and businesses and that despite offices being closed, July to September call volumes in 2020 were lower than the same period in 2019 – 122,214 compared to 178,640, with 95% of calls received being answered. Year-to-year comparisons also show a 5% increase in Twitter contacts, further highlighting changes in preference for digital contact methods.

4.34 Feedback from residents on the impact of the pandemic make it clear that what they have lost is not any single narrow function, but welcoming and multipurpose social spaces where information and services are accessible. This is the key offering Council and its partners should pursue in designing future services.

4.35 Residents responding to the budget engagement suggested that Council managers should be reduced in number and take pay reductions, but believed that services had already been "cut to the bone" and there was no room for savings in core services.

4.36 However residents also suggested that communities should take increased responsibility for some tasks such parks maintenance, street cleaning, and litter picking with people being encouraged to volunteer to take control of their street and local assets such as community centres.

5. Next Steps

5.1 Budget proposals have been submitted to Committee and, following approval, will be sent to Council for consideration.

5.2 Where appropriate, including where identified by Impact Assessments, the Council will engage or consult on specific changes following the budget setting process.

6. Financial impact

6.1 All staff resources were met from existing budgets. No additional resources were spent on the budget engagement in 2020.

7. Stakeholder/Community Impact

7.1 Although access to engagement with significantly restricted in 2020, through partner outreach and reference to other engagements conducted prior to the pandemic this report makes use of existing intelligence to reflect broader stakeholder views.

8. Background reading/external references

8.1 Budget citizens focus group report

8.2 Edinburgh Poverty in Edinburgh Delivery Plan 2020-30

8.3 Engaging through adaptation and renewal

8.4 Annual Population Survey, results April 2019 to March 2020

8.5 Full comments on 2020 budget engagement

8.6 Contact Centre Performance: January – September 2020

9. Appendices

Demographics of online engagement and telephone survey participants

Appendix One – Demographics of online engagement and telephone survey participants

Response to Budget Engagement and participants in Capital Residents Survey by electoral ward

Electoral Ward	Budget Engagement		Capital Residents Survey	
	Number	*Percent*	*Number*	*Percent*
Almond	103	5%	100	10%
City Centre	100	5%	21	2%
Colinton/Fairmilehead	142	7%	69	7%
Corstorphine/Murrayfield	98	5%	53	5%
Craigentinny/Duddingston	116	6%	72	7%
Drum Brae/Gyle	160	8%	67	7%
Forth	100	5%	66	7%
Fountainbridge/Craiglockhart	110	5%	49	5%
Inverleith	123	6%	60	6%
Leith	78	4%	35	3%
Leith Walk	103	5%	30	3%
Liberton/Gilmerton	124	6%	71	7%
Morningside	213	10%	44	4%
Pentland Hills	97	5%	92	9%
Portobello/Craigmillar	134	7%	79	8%
Sighthill/Gorgie	68	3%	60	6%
Southside/Newington	168	8%	38	4%
Invalid Postcode	25			
No Postcode	170			
Not Edinburgh	35			

Response to Budget Engagement and participants in Capital Residents Survey by age group

Age Group	Budget Engagement		Capital Residents Survey	
	Number	*Percent*	*Number*	*Percent*
Under 16	2	0%		
16-24	39	2%	149	15%
25-44	700	32%	398	40%
45-64	1047	48%	279	28%
65+	400	18%	180	18%
Not answered	80			

Response to Budget Engagement and participants in Capital Residents Survey by gender

Gender	**Budget Engagement**		**Capital Residents Survey**	
	Number	***Percent***	***Number***	***Percent***
Male	816	37%	486	48%
Female	1340	61%	516	51%
Other	26	1%	3	0%
Not answered	86			

Response to Budget Engagement and participants in Capital Residents Survey by ethnic group

Ethnic Group	**Budget Engagement**		**Capital Residents Survey**	
	Number	***Percent***	***Number***	***Percent***
All white groups	*2067*	*95.4%*	*885*	*90.3%*
Scottish	1446	66.8%	588	60.0%
Other British group	417	19.3%	227	23.2%
Irish	36	1.7%	5	0.5%
Gypsy/Traveller	1	0.0%	0	0.0%
Polish	22	1.0%	22	2.2%
Any other white ethnic group (please specify)	145	6.7%	43	4.4%
All Asian groups	*36*	*1.7%*	*50*	*5.1%*
Pakistani, Pakistani Scottish or Pakistani British	3	0.1%	11	1.1%
Indian, Indian Scottish or Indian British	14	0.6%	19	1.9%
Bangladeshi, Bangladeshi Scottish or Bangladeshi British	0	0.0%	11	1.1%
Chinese, Chinese Scottish or Chinese British	8	0.4%	5	0.5%
Asian Other (please specify)	11	0.5%	4	0.4%
All black, African and Caribbean groups	*15*	*0.7%*	*9*	*0.9%*
African, African Scottish or African British	4	0.2%	6	0.6%
Caribbean, Caribbean Scottish or Caribbean British	1	0.0%	1	0.1%
Black, Black Scottish or Black British	2	0.1%	0	0.0%
African, Caribbean or Black Other (please specify)	8	0.4%	2	0.2%
All other groups	*48*	*2.2%*	*36*	*3.7%*
Arab	3	0.1%	2	0.2%
Other Ethnic Group and Mixed (please specify)	45	2.1%	34	3.5%
TOTAL RESPONSES	2166		980	

Response to Budget Engagement and participants in Capital Residents Survey by disability / long-term illness

Disability / Long-Term Illness	**Budget Engagement**		**Capital Residents Survey**	
	Number	***Percent***	***Number***	***Percent***
Yes	317	15%	291	30%
No	1837	84%	684	70%
Not answered	114		30	

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Finance and Resources Committee

2.00pm, Tuesday 2 February 2021

Corporate Parenting Action Plan 2020-2022– referral from the Education, Children and Families Committee

Item number	
Executive/routine	
Wards	
Council Commitments	

1. For Decision/Action

1.1 The Finance and Resources Committee is requested to consider the 2020-2022 Corporate Parenting Action Plan as part of the 2021-2022 budget process.

Andrew Kerr

Chief Executive

Contact: Matthew Brass, Assistant Committee Officer, Committee Services

E-mail: matthew.brass@edinburgh.gov.uk

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Referral Report

Corporate Parenting Action Plan 2020-2022

2. Terms of Referral

2.1 On 15 December 2020, the Education, Children & Families Committee considered a report setting out the high-level objectives of the City of Edinburgh Council Corporate Parenting Plan for 2020-2022.

2.2 In order to progress the plan, and to support the corporate parenting work, annual funding of £145,000 was required. This would cover the costs of a Corporate Parenting Co-ordinator, two care experienced Participation Officers and an annual residential event for care experienced young people.

2.3 The service was currently delivered using external funding and had £35,000 available within existing budgets to go towards the annual cost. With the end of external funding arrangements, additional funding of £110,000 would need to be identified to enable the existing service to continue and progress.

2.4 The Education, Children and Families Committee agreed:

- 2.4.1 To approve the high level 2020-2022 Corporate Parenting Action Plan.
- 2.4.2 To refer the report to the Council's Corporate Parenting Member/Officer Group.
- 2.4.3 To refer the report to the Finance and Resources Committee on 21 January 2021 for consideration as part of the 2021-2022 budget process.

3. Background Reading/ External References

3.1 [Webcast of Education, Children & Families Committee 15 December 2020]

3.2 [Children and Young People (Scotland) Act 2014]

4. Appendices

4.1 Appendix 1 – Report by the Chief Executive

Appendix 1

Education, Children and Families Committee

10am, Tuesday, 15 December 2020

Corporate Parenting Action Plan

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 The Education, Children and Families Committee is asked to:

1.1.1 approve the high level 2020-2022 Corporate Parenting Plan for referral to the Council's Corporate Parenting Member Officer Group and to Finance & Resources Committee in January in order that it can be considered with the other 2021/22 budget reports.

Andrew Kerr

Chief Executive

Contact: Bernadette Oxley, Head of Children's Services

E-mail: bernadette.oxley@edinburgh.gov.uk | Tel: 0131 469 6119

Report

Corporate Parenting Action Plan

2. Executive Summary

2.1 The Children and Young People (Scotland) Act 2014 confers duties upon the local authority and other corporate parents to publish a corporate parenting plan, setting out our vision for Looked After children and young people, the outcomes we are trying to achieve, the actions needed to do this and the governance arrangements for monitoring progress.

The council has had a Corporate Parenting plan in place since 2012 and now needs to publish an updated version which reflects the Children's Plan and the recommendations from the Care Review, which is now being taken forward as 'The Promise'.

The revised high-level plan has been discussed with partners and reflects consultation with children and young people, particularly members of the Looked After Children's Champions Board, which has been meeting monthly for over two years.

Elected members are asked to approve the plan for submission to the Council's Member Officer Group for Corporate Parenting and submission to Full Council in March 2021.

3. Background

3.1 Part 9 (Corporate Parenting) of the Children and Young People (Scotland) Act 2014 outlines a range of duties for corporate parents across Scotland. Schedule 4 of the Act lists 24 individuals, organisations and groups who are corporate parents, which includes Local Authorities. These duties require corporate parents to uphold the rights and promote the wellbeing of Scotland's looked after children and care leavers.

4. Main Report

4.1 The council has had a corporate parenting plan in place since 2012.

4.2 The plan that is attached (Appendix 1) provides high level objectives that are consistent with the Children's Services Partnership's Children's Plan, reflect the key intentions of The Promise, and incorporate the views of children and young people.

Our intention is to make the plan meaningful to children and young people, with a small, yet crucial, number of measurable and deliverable outcomes.

4.3 The plan has been produced following discussion with elected members and partners at the October 2020 Corporate Parenting Members and Officers Group.

4.4 The plan is high level at this stage and reflects our ambitions as Corporate Parents. Detailed work will be undertaken on the multi-agency actions required to deliver the three outcomes and measures developed that are consistent with those used in the Children's Plan.

4.5 In order to progress the plan, and to support the corporate parenting work, annual funding of £145,000 is required. This will cover the costs of a Corporate Parenting Co-ordinator, two care experienced Participation Officers and an annual residential event for our care experienced young people. The service currently has £35,000 available within existing budgets to go towards the annual cost. Additional funding will need to be identified to enable this important work to be undertaken.

5. Next Steps

5.1 Progress on actions will be reviewed in the Council's Corporate Parenting Member Officer Group and the Children's Partnership.

6. Financial impact

6.1 The annual cost of this plan is £145,000. The service is currently delivered using external funding and the Council contributes £35,000. The end of external funding arrangements necessitates the need to identify additional funding of £110,000 to enable the existing service to continue and progress.

7. Stakeholder/Community Impact

7.1 The council must publish the plan in order to comply with its duty under the Children and Young People (Scotland) Act 2014

7.2 The plan is designed to promote the interests of Looked After Children, to respect their rights and to encourage their full participation in the development of our corporate parenting approach through the Looked After Children's Champions Board.

7.3 There no impact on sustainability arising from the plan.

7.4 The plan reflects consultation since 2012 with children and young people through our Young People in Care Council and, more recently, the Looked After Children Champions Board and the work of our care experienced Participation Officers.

8. Background reading/external references

8.1 N/A

9. Appendices

9.1 Appendix 1 – High level Corporate Parenting Plan

City of Edinburgh Council Corporate Parenting Plan

Upholding our responsibility to safeguard and promote the wellbeing of looked after children and care leavers

This plan is aligned to Edinburgh Children's Partnership Children's Service's Plan and echoes the vision of *Edinburgh's children and young people enjoy their childhood and achieve their potential.*

BEST START IN LIFE

- A considered communication plan, including training on attachment and trauma, to ensure all partners are aware of and understand their corporate parenting responsibilities so that all children are loved, safe and respected

- Clear defined structures are in place between Social Work and Education to ensure strong partnership working thrives and has as its core, clear and defined points of contact

- A broad range of care placements are available to provide a loving, stable and caring experience for children and young people who cannot live within their own family networks

BRIDGING THE GAP

- Review the work of and develop a sustainable model for the Champion's Board including the coordination and participation capacity.

- Clear monitoring and understanding of the progress and achievement of all looked after children including robust attendance processes and procedures which are monitored to increase the number of children engaging in learning

- Partners work together to guarantee that education needs are identified and met through the CYP Planning process and young people have access to safe affordable housing options

BE EVERYTHING YOU CAN BE

- Praise and recognition is celebrated. Corporate Parenting week publicises and highlights achievements, successes and outcomes

- Extend and expand opportunities, pathways and transition programmes to achieve positive destinations for those in S4 and above including further commitment to Edinburgh being a Family Firm Employer

- Develop a comprehensive data set to gather and analyse information on the profile and wellbeing of Edinburgh's looked after children. Children and young people receive support to understand and make sense of their own life story and their treasured memories are stored safely and in way they can access.

Underpinning Principles

- We recognise that each service makes a valuable contribution to ensuring better outcomes, and that close and effective working relationships are crucial
- We are committed to placing children and young people at the centre of our practice through consultation, involvement in decision making and advocacy
- The actions in the Corporate Parenting Plan are monitored by the Council's Corporate Parenting Member/Officer Group

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Finance and Resources Committee

2.00pm, Tuesday, 2 February 2021

Accounts Commission: Local Government in Scotland – Financial Overview 2019/20

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 contents of the report; and,

1.1.2 refer the report to the Governance, Risk and Best Value Committee for its scrutiny.

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

Accounts Commission: Local Government in Scotland – Financial Overview 2019/20

2. Executive Summary

2.1 The report provides a summary of the main issues and themes identified within the Accounts Commission's recently published *Financial Overview 2019/20* and how these relate to the local context within Edinburgh.

3. Background

3.1 On 26 January 2021, the Accounts Commission published its annual *Financial Overview* report, an independent high-level analysis of the financial performance of councils during the preceding year (2019/20), their financial standing entering the current year and associated longer-term financial outlook. As in previous years, the overview will be complemented by the publication of the *Performance Overview* report in May 2021. Both reports are, however, specifically couched within the context of the pandemic, with the Financial Overview including initial high-level consideration of its impacts and the subsequent Performance Overview expected to examine councils' responses in greater detail.

3.2 The report's contents and main conclusions are primarily drawn from councils' unaudited accounts and associated external audit reports (where available, given the extended timescales for this year's audit process), supplemented by data submitted to COSLA as part of the earlier cost collection exercise and to the Scottish Government in the case of mobilisation plan summaries for Integration Joint Boards.

4. Main report

Overview of report and key messages

4.1 While there are, as anticipated, frequent references to the pandemic, the report's format largely follows that adopted for the 2018/19 reporting year, with respective sections on income, financial standing, financial outlook and an Integration Joint Board (IJB) overview. A series of key messages is also set out on pages 5 and 6 of the report, drawing specific attention to the following:

(i.) greater real-terms reductions in councils' overall grant funding levels over the past seven years than for other areas of the Scottish Government budget;

(ii.) nearly half of the increase in Scottish Government financial support for councils in 2019/20, and all of the initial additional support for 2020/21, representing funding for the expansion of early learning and childcare;

(iii.) significant variations by council in levels of savings delivery;

(iv.) an overall increase in usable reserve levels of £65m in 2019/20, albeit this position was heavily influenced by the impact of Glasgow City Council's equal pay funding strategy (which also affected debt and capital expenditure levels);

(v.) an estimated Scotland-wide cost impact of COVID-19 in 2020/21 of £767m, just over half of which relates to lost income, with an estimated 60% to 70% of these total cost pressures being offset by the provision of additional Scottish Government funding;

(vi.) wider medium-term financial implications of the pandemic; and,

(vii.) in-year deficits incurred in the majority of IJBs in 2019/20 but with an expectation that the majority, if not all, of COVID-19 related mobilisation costs incurred will be offset by the provision of additional Scottish Government funding.

4.2 Given the report's Scotland-wide coverage, not all of its recommendations are of direct relevance but much of the content nonetheless resonates with the Council's own circumstances. The report also highlights a guide for audit and risk committees to support effective scrutiny of how public bodies have responded to the pandemic, including coverage of internal controls and assurance, financial management and reporting, governance and risk management.

Specific references or areas of particular relevance to Edinburgh

4.3 **Paragraph 13** sets out the extent to which approved savings were delivered in 2019/20, identifying an average of 84% across a sample of fourteen councils but with this figure varying between 31% and 100%. Edinburgh's achieved level of savings was 77% but this headline figure masked a significant difference between directorate-specific (83%) and Council-wide (56%) efficiency savings. Given this recurring trend, subsequent years' efficiency and Council-wide savings targets have been significantly reduced. The preparedness assessment of accompanying implementation plans undertaken by Finance professionals has also informed the level of contingency included within the framework for delayed implementation or non-delivery, reducing the potential influence of optimism bias.

4.4 **Paragraphs 14 and 15** summarise the impact of the pandemic on councils' 2019/20 outturns. While the Scotland-wide impact was assessed to be comparatively modest at between £20m and £25m, Edinburgh's total COVID-related impact was proportionately much higher at £8.4m, including the loss of the Lothian Buses dividend (£6m) and parking income (£1.3m). This significant adverse movement in March 2020 resulted in the Council failing to break even for the first time since 2006/07, with an overall audited overspend of £4.9m. This disproportionate impact, reflecting the importance of income to the Council's budget, has continued in 2020/21, comments on which are provided in subsequent sections. A number of the other impacts affecting councils listed in Paragraph 15, including the ability to deliver pre-approved savings, considerable capital programme slippage due to a three-month construction industry shutdown, intentional delays in debt recovery and going concern audit considerations within councils' Arms-Length External Organisations (ALEOs) could equally be applied to Edinburgh.

4.5 **Paragraphs 16 to 24** examine, in some detail, the position in respect of councils' usable reserves. While the majority of councils increased their usable reserves in 2019/20, Edinburgh's level decreased from £144.8m to £120.1m, although around half of this movement represented the planned drawdown of Council Tax Discount Fund (CTDF) reserves to invest in the Council's 21st Century Homes programme.

4.6 **Exhibit 5 on page 17** shows the annual average rate of use of General Fund reserves over the past three years. While Edinburgh's profile over this period was somewhat uneven, reflecting a combination of planned contributions to and from reserves and the unbudgeted drawdown of £12.8m in 2019/20 necessary to achieve a balanced position, its average annual reduction over this period was 6.4%.

4.7 In recognition that the level of use in 2019/20, when considered against the risks the Council faces, is unlikely to be sustainable over the longer term, the Risks and Reserves report elsewhere on today's agenda sets out the basis of a realignment and reprioritisation of the Council's reserves, with this strategy comprising four key elements:

(i.) an **increased unallocated General Fund balance** of £25m, equating to around 2.3% of the Council's net expenditure and being more in line with other authorities in Scotland;

(ii.) a series of **ringfenced reserves maintained for statutory[1] or specific policy[2] reasons** or to reflect timing differences between the receipt of income and its subsequent application, together totalling £55m;

(iii.) a **workforce transformation reserve** of £15m, less commitments incurred as part of the recent targeted staff release programme for senior managers, to

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[1] Including the Insurance Fund, Council Tax Discount Fund (ringfenced for the provision of affordable housing), licensing reserves and sums set aside under the Devolved School Management (DSM) scheme.

[2] Including the Spend to Save and City Strategic Investment Funds.

facilitate organisational restructuring and deliver associated recurring efficiency savings; and

(iv.) a **COVID contingency reserve** of £16m, acknowledging the continuing uncertainty of the recurring impacts of the pandemic on, in particular, income levels in key areas such as parking, commercial rentals and other fees and charges.

4.8 **Paragraphs 25 to 26** provide a brief overview of capital expenditure during the year, noting Edinburgh's significant year-on-year increase due to spend associated with, amongst others, the Trams to Newhaven project, the creation and expansion of a number of schools, on-lending to Edinburgh Living and housing-related construction through the 21st Century Homes programme.

4.9 **Paragraph 27** briefly examines councils' relative debt levels, with Edinburgh's year-on-year level of external debt increasing by some 13.6%. The primary increases are attributable to the projects listed at 4.8 above. Recurring provision for the associated loans charges has been included within the revenue budget framework. External debt levels are lower than the capital financing requirement as the Council has adopted a position of underborrowing as set out in the Treasury Strategy.

4.10 **Paragraph 30** notes the inclusion within most councils' audited accounts (including those of Edinburgh) of an emphasis of matter paragraph in respect of material uncertainty in property valuations linked to the pandemic. **Paragraphs 31 to 34** then contain an overview of in-year investment returns for Scotland's eleven main Local Government Pension Funds. Lothian Pension Fund's 2019/20 return, while negative in absolute terms due to the impacts of the pandemic on global markets, was more favourable than the average for Scotland as a whole. At this stage, following the triennial valuation, no material change to the employer's effective contribution rate is anticipated for the next three years.

4.11 **Paragraphs 35 to 37** set out the background to, and subsequent setting of, the 2020/21 revenue budget. The Council set an indicative three-year balanced budget on 18 February 2020, albeit in very different circumstances, underpinned by 4.79% annual increases in Council Tax for the period from 2020/21 to 2022/23 inclusive. Following the introduction of additional funding as part of the Draft Scottish Budget's Parliamentary consideration, the Council's level of core grant funding increased by 1% in 2020/21 but with the majority of this increase subsequently earmarked to contribute towards the city's pandemic response.

4.12 **Paragraphs 40 to 44** summarise the overall estimated cost impacts of the pandemic, in terms of both additional expenditure and reductions in income, albeit based on submissions to COSLA in July 2020 which, by necessity, made assumptions about the timing and nature of future service disruption. The broad categories of expenditure and income identified within these submissions are summarised in Exhibit 10 on page 25 of the Accounts Commission report. Given the subsequent tightening of restrictions, however, it is likely that these costs and income losses will have increased further.

4.13 Members received a further update on the revenue budget position at the Committee's last meeting on 21 January, the ninth such monitoring report during 2020/21. This highlighted estimated total expenditure and cost impacts for the Council of £84.5m, of which some 82% relates to lost income or additional required support for the Council's ALEOs. Expressed on a proportionate basis, these impacts exceed the Council's share of Scotland-wide net expenditure, emphasising its greater relative dependence on income.

4.14 **Paragraphs 49 to 55** summarise the range of financial support made available to councils as of the time of the report's preparation, estimating that the sums provided address between 60% and 70% of the cost pressures identified by councils. Based on the most recent report considered by the Finance and Resources Committee, however, the funded element for Edinburgh, even after taking account of costs incurred in 2019/20, is slightly lower than this at some 56%, again likely to be linked to the magnitude of unfunded income losses. There is a risk, however, that this shortfall increases in the remainder of 2020/21 if tight restrictions continue and no additional funding is provided.

4.15 **Paragraphs 56 to 58** provide an overview of the financial flexibilities made available in 2020/21 and 2021/22, a more detailed explanation of which is included in the Council Business Plan and Revenue Budget 2021/26 report elsewhere on today's agenda. **Paragraph 59** emphasises the need for pre-COVID financial planning and savings assumptions to be reviewed, with the results of the Council's own review included in the Revenue Budget report. This re-assessment has encompassed consideration of on-going expenditure and income aspects of the pandemic, as well as knock-on impacts on the ability to manage service pressures and deliver previously-approved savings in future years of the budget framework.

4.16 The remainder of the report looks specifically at **Integration Joint Boards**. In relation to the key messages set out, the position in Edinburgh was as follows:

(i.) the EIJB recorded a deficit of £6.5m in 2019/20 (some 0.9% of gross expenditure) that was met through reserves. Remaining reserves are largely earmarked for committed purposes including staffing to deliver the EIJB transformation programme;

(ii.) the Chief Financial Officer's report to today's Board meeting advises that, based on recent returns to the Scottish Government, it is anticipated that all additional costs of the pandemic, including non-delivery of planned savings (together estimated, as of mid-January, at £26m for CEC-delegated services), will be met by the Scottish Government in 2020/21;

(iii.) the EIJB has not yet developed a medium-term financial strategy. Work was impacted as a result of COVID-19 and the need for partners to rework their own medium-term financial plans in response; and

(iv.) there has been no change at Chief Officer level since May 2018.

4.17 The EIJB had not agreed its 2020/21 budget by 1 April, being approved on 21 July 2020. While the EIJB had committed to reviewing the Integration Scheme in 2019/20, this was delayed due to COVID-19 and will now be undertaken in 2020/21.

5. Next Steps

5.1 Publication of the Financial Overview will be complemented by the issuing of the *Performance Overview* report in May 2021 and a subsequent report will be brought forward to both the Finance and Resources and Governance, Risk and Best Value Committees at that time.

6. Financial impact

6.1 There is no direct impact arising from the report's contents but the report reminds officers and members of the importance of a number of aspects of sound financial management in underpinning longer-term sustainability.

7. Stakeholder/Community Impact

7.1 There is no direct impact arising from the report's contents.

8. Background reading/external references

8.1 Revenue Budget 2020/21: month eight position, Finance and Resources Committee, 21 January 2021

8.2 City of Edinburgh Council – 2019/20 Annual Audit Report to the Council and the Controller of Audit, Governance, Risk and Best Value Committee, 3 November 2020

9. Appendices

9.1 One – Local Government in Scotland – Financial Overview 2019/20

Local government in Scotland

Financial overview 2019/20

ACCOUNTS COMMISSION

Prepared by Audit Scotland
January 2021

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Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Audit team

The core audit team consisted of: Blyth Deans, Lisa Duthie, Chris Lewis and Lucy Ross, under the direction of Brian Howarth.

Chair's introduction

Councils and Integration Joint Boards (IJBs) play a vital role in supporting Scotland's communities. This has been amplified by the Covid-19 global pandemic. Covid-19 has fundamentally affected local government services and increased the uncertainty of how those services will be provided in the future. The financial impact of the pandemic on our public services is extreme. At the same time, we have seen the strength and resilience of many communities highlighted as they have worked with public service partners to provide invaluable support to those who need it most.

In 2019/20, before the pandemic really took hold in Scotland, the financial impact of Covid-19 was limited. This report notes that more councils added to their usable revenue reserves than in previous years. Reserves play an important role in effective financial management and provide a cushion for future unexpected events. I think that the emergence of the global pandemic and resultant UK lockdown from 23 March 2020 could be described as a once-in-a-lifetime event and Council reserves can be a key tool to manage the medium-term financial impacts of Covid-19.

Scottish Government funding accounts for the majority of council income. After several years of reductions in funding, there has been a real terms increase in 2019/20. It is important to note though that around 40 per cent of the increase was intended to meet the Scottish Government's policy of expanding early learning and childcare provision. As we have reported before, councils have limited flexibility over how they use this type of additional funding. It is also important to recognise that although funding in 2019/20 improved, reductions in local government funding over the past six years are still larger than in other areas of the Scottish Government budget.

Capital funding had experienced significant increases in the past three years by 33 per cent between 2017/18 to 2019/20. But Scottish Government capital funding in 2020/21 is now decreasing by 30 per cent in real terms. This will have an impact on councils' future investment plans.

In IJBs, the bodies set-up to deliver local health and social care services, the financial pressures are significant, with many needing additional funding from councils and health board partners to break-even in 2019/20. We also continue to see a high turnover in leadership in many IJBs, at a time when they are tackling both the impact of Covid-19 along with the ongoing and longer-term pressures of increased demand.

2020 presented significant challenges to the preparation and audit of councils', pension funds' and IJBs' annual accounts. However, 92 per cent of annual accounts were signed off by the revised audit deadlines due to the dedication of local government finance staff and of our auditors in these challenging circumstances. I am grateful for everyone's hard work and diligence to achieve this outcome.

During 2020/21, the pandemic and associated lockdown has affected many aspects of Councils' and IJB's finances and created significant financial uncertainty. Councils face the challenge of meeting additional mobilisation and recovery costs as well as the lost income resulting from closures of leisure facilities and reductions in income from fees and charges. Councils are also administering support schemes on behalf of the Scottish Government. Substantial additional funding for councils has been announced by the Scottish Government together with some further financial flexibilities, but it is currently unclear whether this will cover all cost pressures faced by councils in 2020/21 and beyond.

2020/21 also saw a large shift in the way that public services and communities worked together to support those most in need. Many communities and individuals stepped in to provide much needed local services and were empowered and encouraged to do so by councils, IJBs and their partners. We have heard of much good practice and hope that this continues.

The Accounts Commission's future reporting, together with the Auditor General for Scotland, will be refocused on the significant impact of Covid-19 across all public services. This report highlights the emerging and developing financial challenges due to Covid-19, but future financial overview reports will be better able to assess the full year impact in 2020/21, based on financial reporting to 31 March 2021. Our Local Government Overview 2021 report, due to publish in May, will consider the initial response phase of the pandemic.

Audit Scotland has published a *Guide for audit and risk committees* to support effective scrutiny of how public bodies have responded to Covid-19. This covers key areas, including internal controls and assurance, financial management and reporting, governance and risk management. Good governance, strong financial management and transparency of decision making will be critical for local government bodies in dealing with the implications and fallout from the pandemic.

Elma Murray
Interim Chair of the Accounts Commission

Key messages

Councils and pension funds

1 Councils' funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget

2 Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare

3 Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings

4 More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20

5 Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20)

6 The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income. We estimate that funding announced by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain

7 Councils' auditors reported wider medium-term financial implications of Covid-19

Integration Joint Boards (IJBs)

8 A majority of IJBs (22) struggled to achieve break-even in 2019/20 and many received year-end funding from partners

9 Total mobilisation costs for Health and Social Care Partnerships for 2020/21 due to Covid-19 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all of these costs

10 Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20

About this report

1. This report provides a high-level independent analysis of the financial performance of councils and IJBs during 2019/20 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils and IJBs. It is one of two overview reports that the Accounts Commission publishes each year. The second report, commenting on councils' initial response to the Covid-19 pandemic, will be published in May 2021.

2. Our primary sources of information for the financial overview are councils' and IJBs' 2019/20 unaudited accounts, including management commentaries and the 2019/20 external annual audit reports, where available. We have supplemented this with data submitted by councils to COSLA as part of their Covid-19 cost collection exercise, and mobilisation plan financial summaries submitted to the Scottish Government by IJBs. COSLA returns were requested and obtained from auditors. We received 29 returns, with 3 outstanding. The COSLA returns are not subject to audit review.

3. The Covid-19 pandemic has created new challenges which have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts for all councils were not available for analysis and, as a result, judgements are based on data from unaudited accounts, except where significant audit adjustments have been identified. We are comfortable with this approach, and our analysis of available audited information tells us that the level of change between unaudited and audited accounts has not significantly affected our key judgements. We have reviewed external annual audit reports for 2019/20 that were available at 30 November 2020.

4. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2019/20 prices, adjusted for inflation so that they are comparable. Similarly, where 2020/21 comparisons are made, we have adjusted for inflation to 2019/20 prices. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

Key facts

		2019/20 £ billion	2018/19 £ billion	Movement
	Councils' funding and income	£18.5	£17.7	4.5%
	Scottish Government revenue funding	£10.3	£9.8	5.4%
	Councils' capital spending	£3.6	£2.8	29.0%
	Councils' usable revenue reserves	£2.0	£1.9	3.4%
	IJBs' spending	£9.2	£8.6	7.0%

	Additional estimated cost in councils and IJBs due to Covid-19 in 2020/21	£1.2 billion

Councils’ income in 2019/20

Key messages

1 Councils’ funding and income increased by £0.8 billion in 2019/20

2 The cash increase in Scottish Government funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget

3 Nearly half of the increase in Scottish Government funding in 2019/20 was to fund the expansion in early learning and childcare

Total revenue funding and income

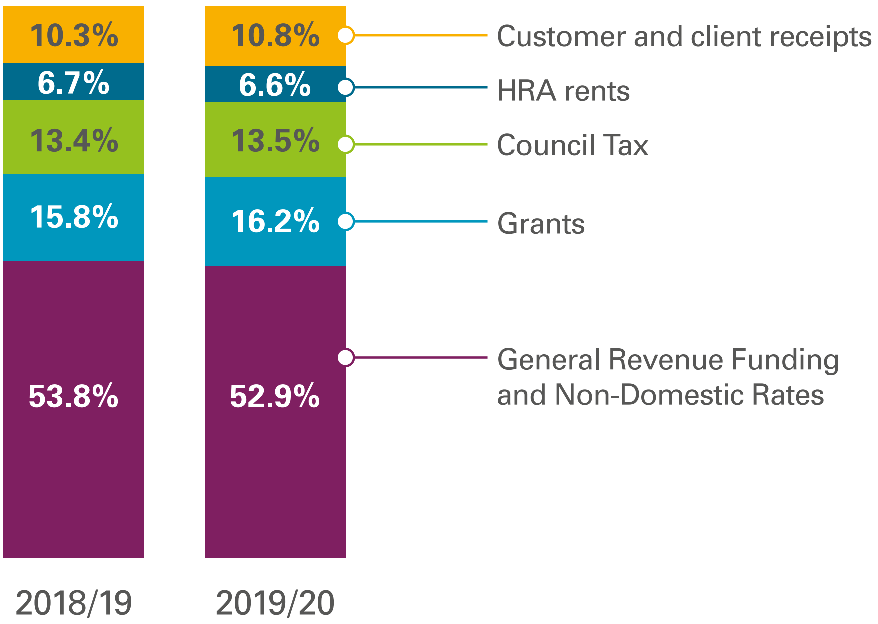
Councils' funding and income increased by £0.8 billion in 2019/20

5. Total revenue funding and income received by councils was £18.5 billion in 2019/20, representing an increase of £0.8 billion (or five per cent) on the previous year. A comparison between years (Exhibit 1) shows that most of the funding comes from the Scottish Government and the relative value of specific grant income to councils has increased.

Exhibit 1

Sources of funding and income, 2018/19 and 2019/20

The majority of funding for councils comes from the Scottish Government.



Source: Unaudited financial statements 2019/20 (audited financial statements 2018/19)

6. Grant income includes housing benefit and Scottish Government specific grants (eg Early Learning and Childcare and Criminal Justice Social Work), which are treated as service income by councils generally. Scottish Government direct grants increased by £0.2 billion in 2019/20. There were also increases in grants from other sources. For example, Aberdeen City Council received £0.1 billion from Transport Scotland for the Aberdeen Western Peripheral Route.

7. Council tax income has increased by £0.1 billion (or 5 per cent) mainly as the Scottish Government raised the cap on council tax rate increases to 4.8 per cent. Twelve councils took the decision to increase the council tax rate by the full amount.

Councils' funding and income increased by £0.8 billion in 2019/20.

Scottish Government funding

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20

8. In 2019/20, the total revenue funding from the Scottish Government increased by 5.4 per cent in cash terms and increased by 3.4 per cent in real terms (Exhibit 2). Total revenue funding of £10.3 billion consists of the general revenue grant funding of £7.0 billion; Non-Domestic Rates distribution (NDR) £2.8 billion and specific grants of £0.5 billion.

Exhibit 2

Changes in Scottish Government revenue funding in 2019/20

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20.

	2018/19	2019/20	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,521	9,811	3.0%	1.1%
Specific Revenue Grants	274	508	85.5%	82.0%
Total revenue funding	**9,795**	**10,319**	**5.4%**	**3.4%**
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	10,150	**10,674**	**5.2%**	**3.2%**

Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

Funding in 2019/20 improved relative to others, but an historic difference still exists

9. Funding from the Scottish Government to local government between 2013/14 and 2019/20 decreased by 4.7 per cent, in real terms (Exhibit 3, page 12). The increased funding in 2019/20 improved the position that existed last year (2018/19), when the total reduction was 7.6 per cent. Scottish Government funding to other areas of the total Scottish budget decreased by 0.8 per cent between 2013/14 and 2019/20, demonstrating that local government funding has still undergone a larger reduction than the rest of the Scottish Government budget over this period.

Nearly half of the increased funding in 2019/20 was to fund the expansion in Early Learning and Childcare

10. There is an element of the revenue settlement for funding that is linked to specific ongoing policy initiatives and expectations.

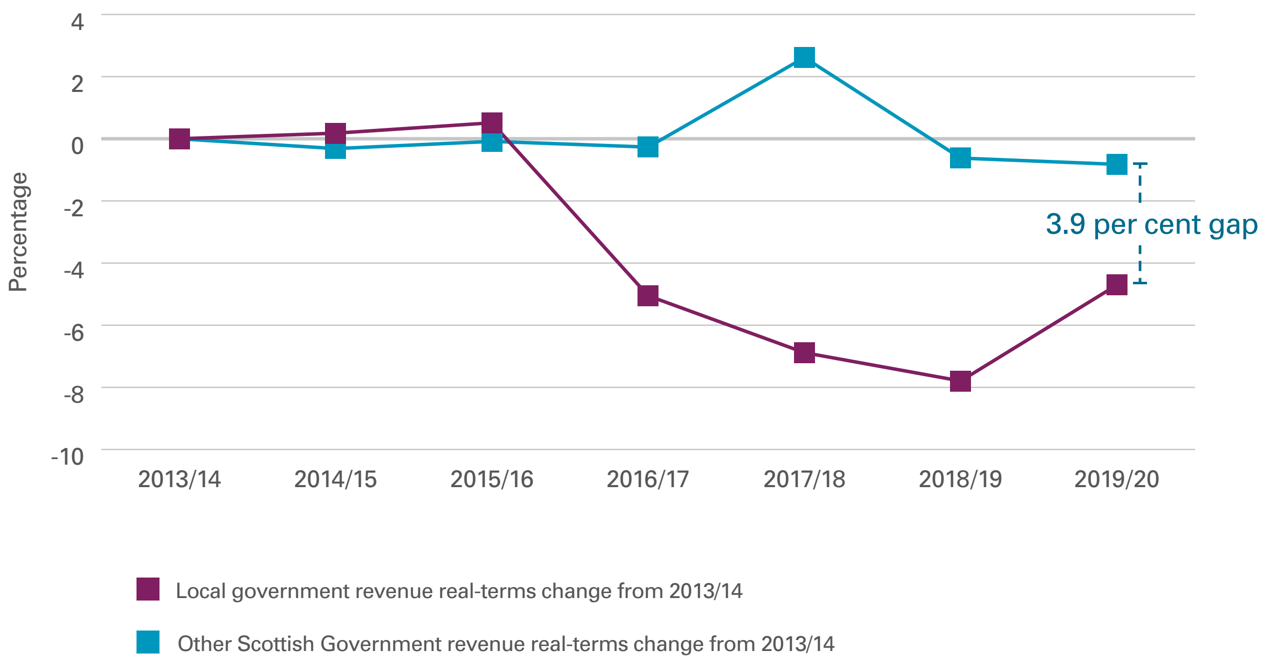
11. Specific revenue grants increased in cash terms by £234 million in 2019/20, growing from 2.8 per cent of total revenue funding to 4.9 per cent. This represented 45 per cent of the increase in revenue funding in cash terms between 2018/19 and 2019/20. The majority of this increase could be attributed to an additional £210 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 from 600 hours by 2020 for all three- and four-year-olds and eligible two-year-olds.

Scottish Government revenue funding increased by 3.4% in real terms in 2019/20. Nearly half of this was to support the expansion in Early Learning and Childcare.

Exhibit 3

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas

Over the last six years local government revenue funding from the Scottish Government fell by 4.7 per cent, while other Scottish Government revenue funding fell by 0.8 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

Councils' financial position in 2019/20

Key messages

1. On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils
2. In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19
3. More councils added to their usable revenue reserves in the year totalling £65 million (net)
4. Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue
5. Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year
6. Councils had the highest level of capital expenditure of the last five years
7. Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19
8. Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks

Council budgets and outturn 2019/20

In 2019/20 budget gaps were to be addressed by planned savings

12. In 2019/20, councils identified budgeted net expenditure of £12.6 billion. The initial budget gap in 2019/20 was £0.5 billion (three per cent). In 2018/19, the initial budget gap was similar at £0.4 billion. Planned savings were the most common way of addressing funding gaps in 2019/20.

Councils appear to have delivered 2019/20 savings plans, but with significant variation

13. A sample analysis of 14 councils identified that 84 per cent of the planned savings were delivered. However, there was significant variation in how individual councils performed against their savings targets:

- East Lothian Council, which planned savings of £5.2 million, and Stirling Council, which planned savings of £7.3 million, reported achieving 100 per cent of their targets.

- Comhairle nan Eilean Siar planned to deliver savings of £2.6 million but achieved savings of £0.8 million or just 31 per cent of its target.

Impact of Covid-19

The effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets

14. Covid-19 restrictions began in March 2020 and the financial effect on councils (excluding social care – see paragraph 70) in 2019/20 was limited to between £20 million and £25 million.[1] Councils reported that lost income and unachieved savings accounted for two-thirds of identified financial impacts. The remaining costs were mainly associated with mobilising support services for vulnerable groups and the wider community.

15. There were no additional Covid-19-related funding allocations from the Scottish Government in 2019/20. Our review of available annual audit reports confirms that Covid-19 did not have a significant impact on councils' outturn, and costs were mostly managed within existing available budgets. Additional Covid-19-related funding allocations to councils were not received until 2020/21.

In 2019/20, councils' auditors reported wider financial consequences of Covid-19 in their annual reports

- **Delays in growth deals:** Dumfries and Galloway Council. The impact of Covid-19 has delayed some of the progress in establishing governance structures and formal sign off of the Borderlands' Collaboration Agreement as part of the Borderlands growth deal.

- **Additional borrowing:** East Lothian Council and Inverclyde Council both took out additional loans towards the end of March 2020 to ensure sufficient liquid funds to address the expected consequences of Covid-19.

- **Planned savings proposals:** East Lothian Council identified that many of the plans related to savings have effectively been placed on hold to enable the council to focus its attention and support on responding to Covid-19. East Dunbartonshire Council anticipated that transformation programme savings for 2020/21 were unachievable due to the impact of the pandemic.

The financial effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets.

- **Medium term financial planning:** West Lothian Council reported that early planning arrangements for its next medium-term financial plan have been deferred to 2021/22 as management focuses on the more immediate impact and actions arising from the impact of Covid-19.

- **Capital programmes:** Aberdeenshire Council identified that the capital programme was suspended for around three months with a phased restart thereafter. In Inverclyde Council officers have reviewed the phasing of the 2020–23 Capital Programme in light of Covid-19 and have estimated the slippage for 2020/21 as 47 per cent. An initial additional budget of £2.7 million has been agreed to cover the potential cost pressures resulting from the site working requirements, increases in the price of materials and general cost increases generated by Covid-19.

- **Delays in bad debt collection:** Aberdeenshire Council reported that elements of the debt recovery processes had been suspended for several months owing to Covid-19 and recognised the potential for bad debts to increase.

- **Expected capital receipts:** West Dunbartonshire Council identified that expected capital receipts of £9 million from the sale of sites were subject to greater uncertainty due to Covid-19 effects on asset values.

- **Going concern issues in subsidiary/joint venture partners:** Some auditors of group component bodies, including those arms-length external organisations (ALEOs) and partners that provide housing repair and leisure services, drew attention to the additional going concern uncertainty due to the financial impact of the Covid-19 pandemic.

Reserves

More councils (22) added to their usable revenue reserves, but most of the total relates to Glasgow City Council

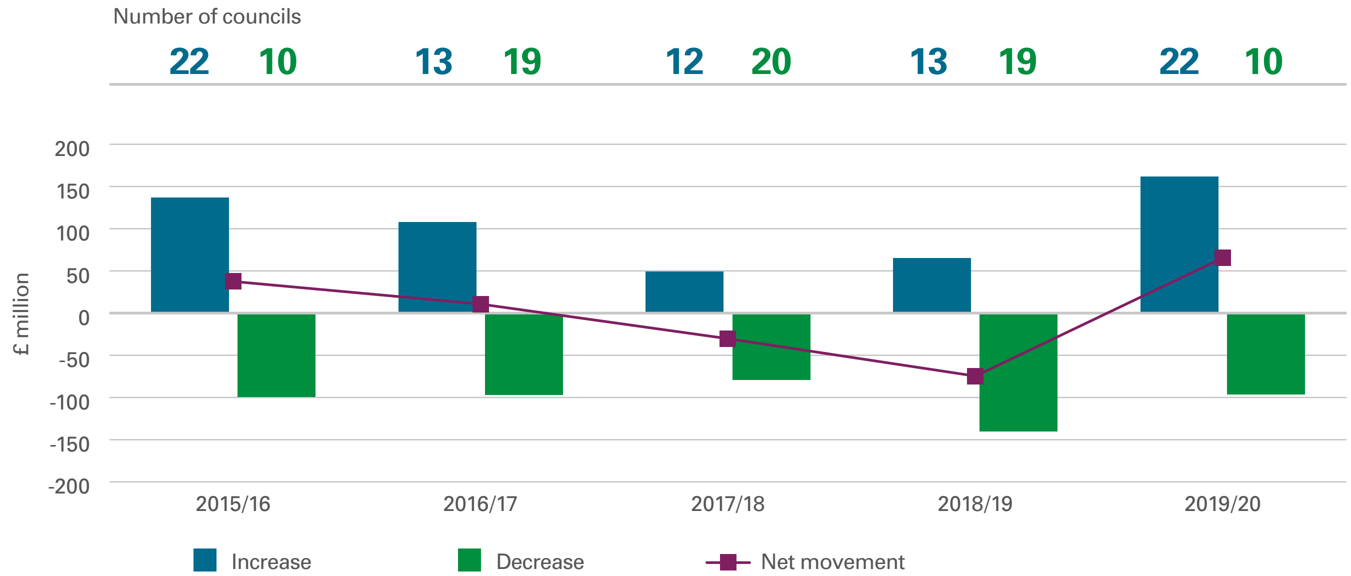
16. Last year we reported that councils were increasingly using up revenue reserves to balance their budgets. This trend did not continue into 2019/20 (Exhibit 4, page 16). Twenty-two councils reported increases in their revenue reserves balance (13 last year) with a net increase of £65 million (or 3 per cent) across all councils.

17. The most significant increase was Glasgow City Council, where usable revenue reserves went up by £87 million (or 80 per cent) mainly due to the equal pay funding strategy that was implemented in the year (paragraph 28).

18. Highland Council also experienced a significant increase in its usable revenue reserves of £15 million (or 47 per cent). Contributing factors include spending constraints on recruitment and discretionary spend and £22 million of delivered savings and additional income.

More councils added to their usable revenue reserves in 2019/20, with a net increase of £65 million across all councils.

Exhibit 4
Movement in usable revenue reserves over the past five years
More councils added to their usable revenue reserves in 2019/20.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2015/16 to 2018/19

There is variation in whether councils have been adding to or using up general fund reserves

19. Councils have different strategies for managing their financial position and reserves position over time, so we would expect to see variation in the movements and balances held. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, as well as enabling funds to be built up for known future commitments.

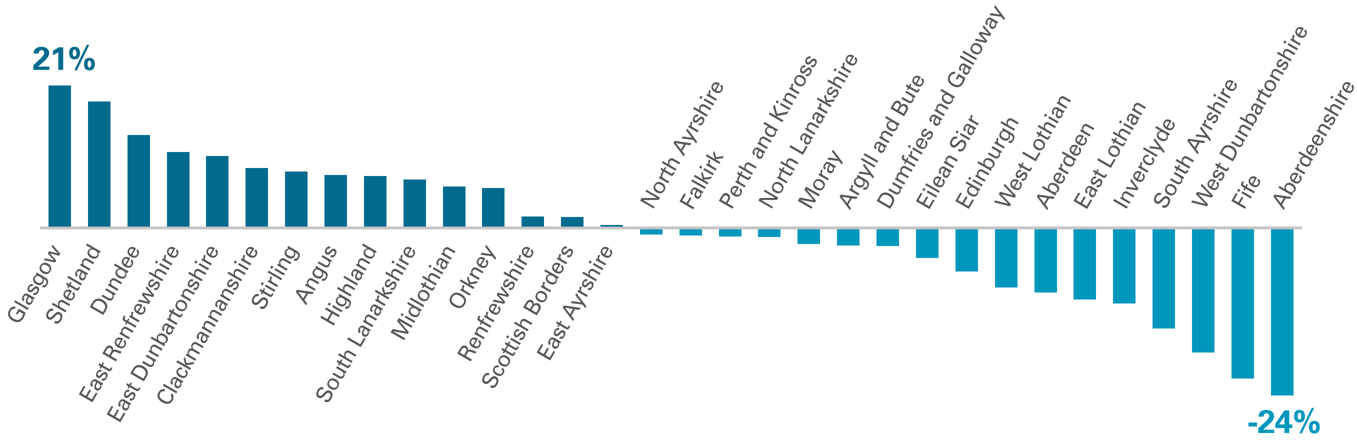
20. Exhibit 5 (page 17) shows the annual average rate of general fund use at 31 March 2020, based on the last three years. It indicates how long it would take for a council to run out of its general fund reserve if the pattern of use (over the last three years) were to continue. An amount less than minus 25 per cent would indicate reserves would be depleted in less than four years.

Moray Council sustainability has improved with a significant surplus in 2019/20

21. In our 2018/19 report, we highlighted Moray Council as being at risk of depleting its reserves within five years. In 2019/20, the council's financial position improved, with the general fund increasing by £7 million. This was in contrast to a budgeted reduction of £5 million in the general fund. The turnaround was largely due to better than expected funding and income, including council tax income, Business Rates Incentivisation Scheme (BRIS) retention, a one-off VAT refund and insurance settlement and additional general revenue grant funding. The council also exceeded its savings target and delivered £13 million of savings in year.

Exhibit 5
Average annual movement in the general fund (including HRA) over the last three years

The movement on councils' general fund reserves varies significantly.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2018/19 and 2017/18

Two councils are now at risk of running out of general fund reserves in the medium term if current trends continue

22. Fife and Aberdeenshire Council are now at risk of running down their general fund balance within four to five years if their current trend of using these continues (Exhibit 5). Neither council planned to use general fund balances as part of their 2020/21 initial budget, but the unusual circumstances of Covid-19 may now affect this.

23. Local auditors report that Aberdeenshire Council regularly reviews reserves as part of its medium-term financial strategy. The recent *Best Value Assurance Report* (October 2020) identified that reserves have largely decreased due to planned use. However, this also includes some unplanned use, including additional contributions of £5.5 million to the Aberdeenshire Integration Joint Board (IJB), to meet the council's share of IJB revenue budget overspends. The Report notes that the remaining balance is low relative to other councils.

24. Fife Council has been drawing on its reserves over the last few years, particularly the planned use of committed balances. However, the council's medium-term financial strategy forecasts the level of general fund will continue to deteriorate over the next three years and will be insufficient to fully mitigate against the financial impact of Covid-19.

Capital

Councils recorded the highest level of capital expenditure over the last five years

25. Capital expenditure increased by £0.8 billion (or 29 per cent) to £3.6 billion in 2019/20. Glasgow City Council's sale and leaseback transactions, as part of the equal pay funding strategy, make up £0.5 billion of the increase (paragraph 28). Excluding this, capital expenditure is still the highest level recorded by councils

Best Value Assurance Report: Aberdeenshire Council

October 2020

over the last five years. This is aligned with a peak in Scottish Government capital funding (Exhibit 12, page 29).

Some councils had significant increases in their capital investment:

- City of Edinburgh Council: £0.15 billion (or 49 per cent) increase. New or additional investment across several areas including the Trams to Newhaven Project, creation and expansion of educational properties, investment in council houses, sports facilities and road infrastructure.

- Moray Council: £0.04 billion (or 87 per cent) increase. Investment in schools and early learning and childcare facilities, council houses and waste management facilities. This includes a joint venture with Aberdeen City and Aberdeenshire Councils to build an energy from waste plant.

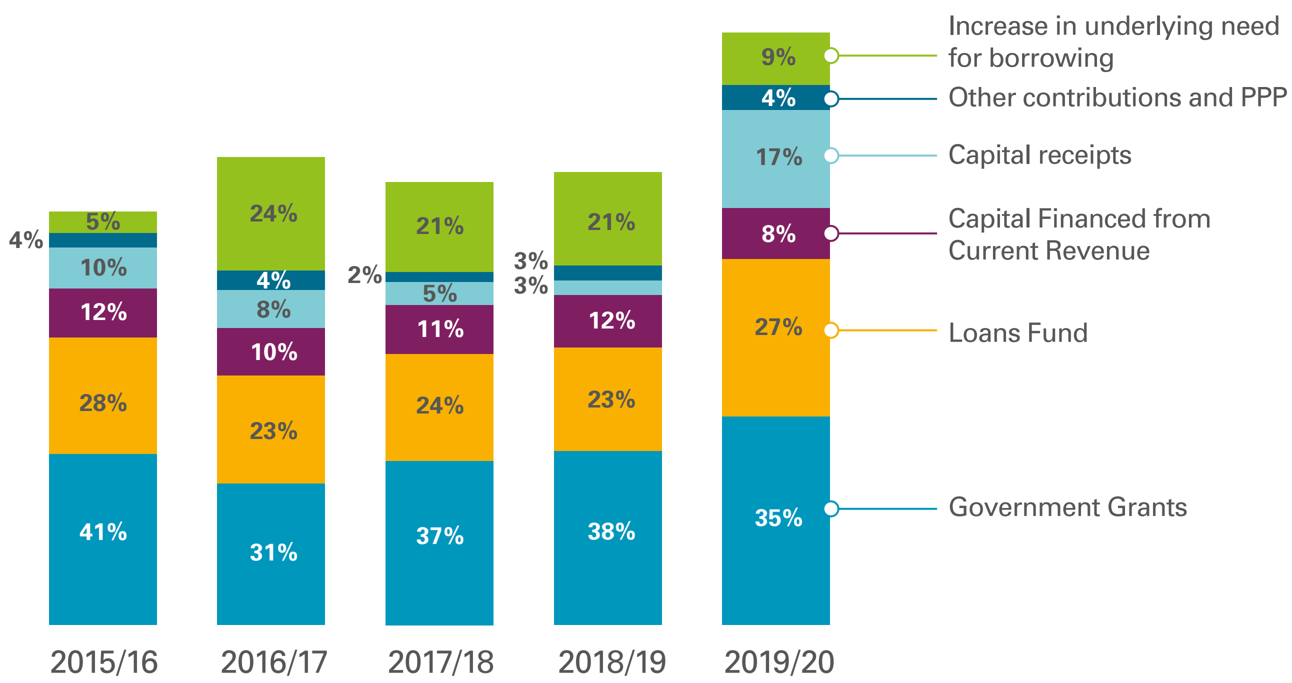
The main sources of capital financing are still government grants and internal loans fund repayments from council services

26. Government grants continued to provide the main source of capital finance. The effect of the sale and leaseback arrangements at Glasgow City Council significantly increased the element of funding generated from capital receipts in 2019/20 (Exhibit 6).

Exhibit 6

Capital expenditure analysed by source of finance 2015/16 to 2019/20

Sixty-two per cent of capital expenditure was financed by government grants or internal loans fund repayments.



Source: Unaudited financial statements 2019/20 and audited financial statements 2015/16–2018/19

Debt

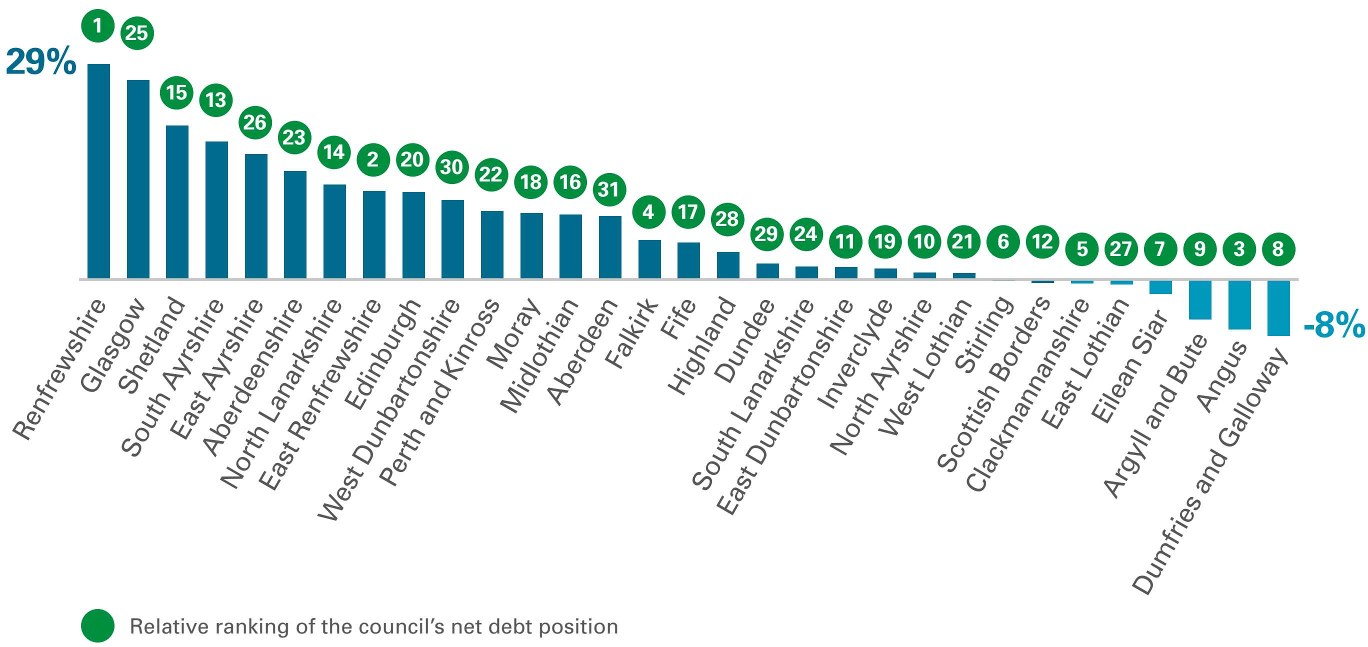
Most councils increased their net debt, typically by 4 per cent or more in 2019/20

27. Total net debt (total debt[2] less cash and investments) across councils has increased by £1.4 billion, or nine per cent, to £17 billion. Exhibit 7 shows the relative movement in net debt between 2018/19 and 2019/20 for each council. The median movement is 4.3 per cent. Renfrewshire Council incurred the most significant increase, but this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire Council still has the lowest level of net debt relative to its annual revenue. As noted earlier in this report, the Glasgow City Council sale and leaseback of council properties (paragraph 28) also contributed to a significant increase in its net debt position.

Exhibit 7

Percentage movement in net debt between 2018/19 and 2019/20 at council level with relative ranking of total net debt

Most councils increased their net debt by 4 per cent or more.



Note: Orkney has been excluded as it has net investments.
The rankings (1 to 31) indicate the net debt position of the council relative to others, with 1 being the lowest. Net debt is shown as a proportion of net annual revenue.

Source: Unaudited financial statements 2019/20.

Equal pay settlements at Glasgow City Council were financed through sale and leaseback

28. Glasgow City Council included a provision for equal pay costs in 2018/19 and during 2019/20 settled the majority of outstanding equal pay claims. The £500 million cost of settlement was met by a funding strategy that raised £549 million. This included the refinancing of a City Property loan arrangement (the Council's Arm's Length Organisation or ALEO) and the sale and leaseback of 11 council properties to City Property. As the income from the funding strategy exceeded the cost of settlement, the council has earmarked £70 million to support any future equal pay liability arising from the implementation of a new pay and grading system. This accounts for the majority of the net increase of £84 million in the general fund balance held by the council (paragraph 17).

29. The arrangement is represented in non-current assets and by a deferred liability. This contributed £453 million to the total Scottish debt. The total annual rent payable to City Property by the Council is now £20.4 million and is subject to annual inflation of 2.75 per cent.

Audit of 2019/20 annual accounts

Auditors drew attention to material uncertainty in property valuations relating to Covid-19

30. Most councils' auditors reported a material valuation uncertainty in council property valuations related to the potential impact of Covid-19. An 'emphasis of matter' paragraph was included in the independent auditor's reports to draw attention to this matter.

Local Government Pension Funds

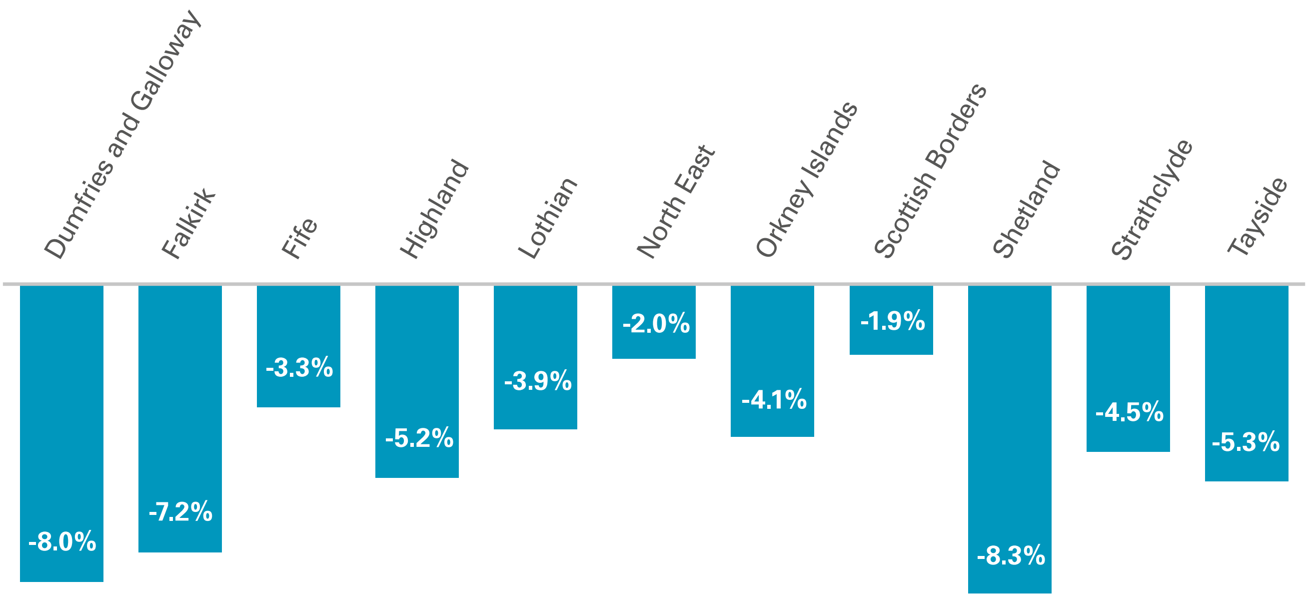
Pension Fund investment returns were negative in 2019/20 as a result of Covid-19

31. The eleven main Scottish Local Government Pension Funds experienced negative investment returns as a result of the impacts of Covid-19 on global markets in the last quarter of 2019/20. The annual return was between -1.9 per cent and -8.3 per cent in individual funds, based on the average assets position (Exhibit 8).

Exhibit 8

Investment returns based on average assets in Scottish Pension Funds 2019/20

2019/20 investment returns were adversely affected by Covid-19.



Source: Audited accounts of the Pension Funds 2019/20

Funds still tended to outperform their benchmarks

32. In the majority of funds, the overall investment returns still outperformed their individual annual benchmarks to 31 March 2020. Since then there has been a partial recovery in global markets. The auditors of Tayside Pension Fund report that net assets fell by 16 per cent due to Covid-19 in the last quarter of 2019/20 but had recovered over two-thirds of these losses by the end of June 2020.

Some elements of pension investments were more uncertain as result of Covid-19

33. A number of pension fund auditors drew attention to the levels of greater uncertainty attached to 'level 3' investments, by including an 'emphasis of matter' paragraph in their auditors' reports. In Fife Pension Fund, level 3 investments include investments in property, infrastructure and private equity. These make up around £270 million or 11 per cent of the fund's total investments at 31 March 2020. As there is no market data to support the valuation these are based on judgements by investment funds. These valuations included material valuation uncertainty disclosures this year due to Covid-19.

The next triennial valuation of Scottish Local Government Pension Funds is due to be completed in March 2021

34. Triennial valuations of Scottish Local Government Pension Funds are due to be completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19, but most funds still tended to outperform their benchmarks.

Councils' financial outlook

Key messages

1. 2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets
2. Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms, but this is to fund the expansion in Early Learning and Childcare
3. The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income
4. We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils through COSLA's cost-gathering exercise, although total costs and funding are still uncertain
5. Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms
6. Councils need to review and revise their medium-term financial plans due to Covid-19

Budget gap 2020/21

Initially councils identified a total budget gap of £0.5 billion in 2020/21 and again plan to address these through savings targets

35. Councils original 2020/21 budgets were set before the Covid-19 pandemic emerged in Scotland. Councils set net expenditure budgets after taking into account projections of local income from fees and charges. Councils approved net expenditure budgets of £13.5 billion for 2020/21 including a budget gap of £0.5 billion (or three per cent). The budget gap is shown before action such as savings, council tax rate increases and use of reserves. There is still some inconsistency in how councils present their own budget gaps. For example, whether it is stated before or after the council tax increase. The relative size of the budget gap was consistent with the two previous years. Savings plans were the main way councils planned to bridge the budget gap, contributing 55 per cent with council tax increases contributing a further 23 per cent.

36. Eighteen councils approved a council tax rate increase in line with the 4.84 per cent cap set by Scottish Government in 2020/21. Six councils increased their council tax rate by three per cent and the remaining eight councils approved an increase of between 3.95 per cent and 4.8 per cent.

More councils presented multi-year indicative budgets in 2020/21

37. A new development was for more councils to set multi-year indicative budgets, as part of the 2020/21 budget setting process. Fifteen councils presented multi-year indicative budgets. In four councils (Aberdeen, Aberdeenshire, Scottish Borders and Stirling) budgets covered the next five years, with the others covering three years.

2020/21 funding settlement

Prior to additional Covid-19 related funding, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms

38. The Local Government revenue settlement from the Scottish Government in 2020/21, before taking into account changes due to Covid-19, increased by 3.4 per cent (cash terms) from 2019/20 to £10.7 billion. This was a real terms increase of 1.4 per cent (Exhibit 9).

Exhibit 9

Changes in Scottish Government revenue funding in 2020/21 (excluding Covid-19 funding)

Scottish Government revenue funding increased by 1.4 per cent in real terms in 2020/21.

	2019/20	2020/21	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,811	9,958	1.5%	-0.5%
Specific Revenue Grants	508	710	39.8%	37.1%
Total revenue funding	**10,319**	**10,668**	**3.4%**	**1.4%**
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	10,674	**11,023**	**3.3%**	**1.3%**

Source: Finance Circulars 04/2020 and Scottish Government budget documents

Most of the increased funding in 2020/21 was to fund the expansion in Early Learning and Childcare

39. Specific revenue grants increased in cash terms by £202 million in 2020/21, growing from 4.9 per cent of total revenue funding to 6.7 per cent. This represented 1.4 per cent of the increase in revenue funding in cash terms between 2019/20 and 2020/21. Most of this increase was due to an additional £201 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 hours by 2021.

Financial impact of Covid-19 in 2020/21

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million[3]

40. As noted above, initial budgets and funding settlements did not reflect the changed environment and financial effects of Covid-19. During the early phases of Covid-19, the Convention of Scottish Local Authorities (COSLA) worked with councils to summarise the expected financial effects of Covid-19 on local government. This was summarised by COSLA in their *Cost Collection Exercise: Analysis and Narrative – 3rd Iteration (Full Year Figures), (July 2020)* and the financial impact of Covid-19 in 2020/21 is estimated to total £767 million (excluding Education and Early Learning and Childcare costs). The projected amount covers the full financial year and includes gross additional costs of £855 million, offset by savings of £88 million (from lower property costs and school meal costs). £86 million of the gross additional cost figure relates to projected capital costs.

41. This estimate does not include additional social care costs which are covered in paragraph 70 as part of Health and Social Care Partnership costs.

Lost income accounts for over half of Covid-19 costs in councils

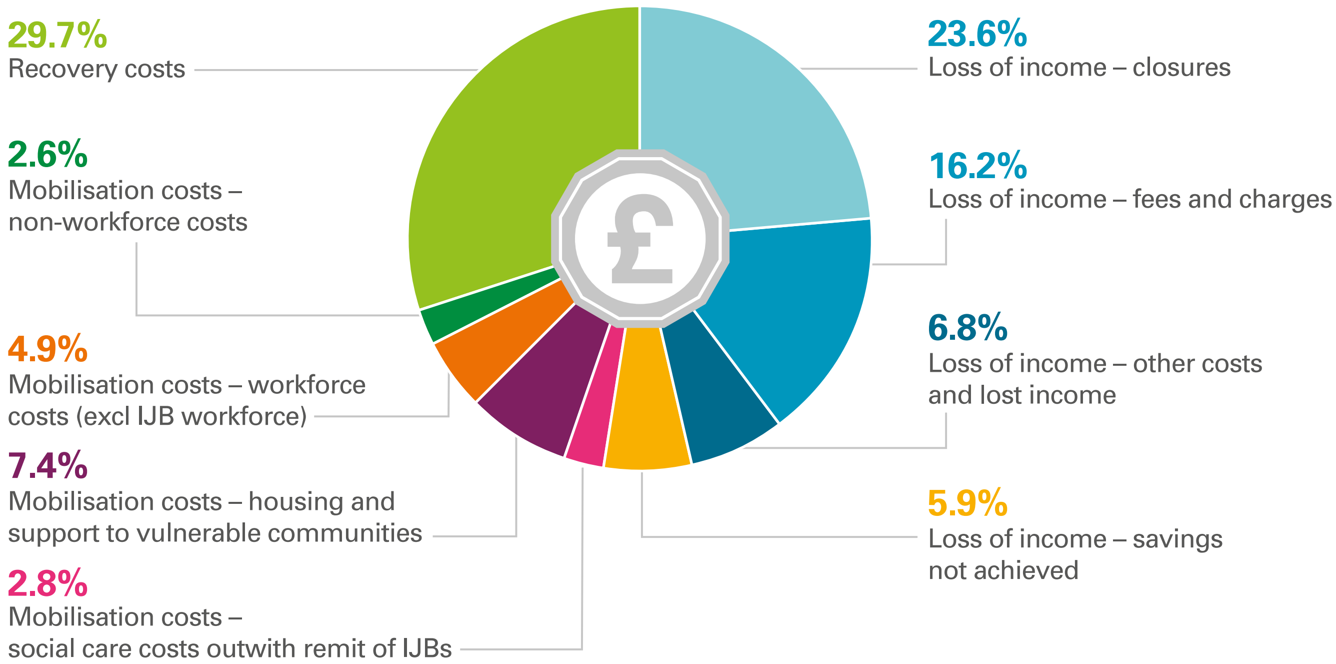
42. Loss of income accounts for over half of the forecast additional costs. Loss of income from fees and charges was projected to result in a loss of £161 million. The most significant proportion of these losses related to the anticipated reduction in parking fee income (Exhibit 10, page 25). All councils projected a loss of income from sports and leisure facilities at July 2020, totalling £75 million. Mobilisation costs and the costs arising from reconfiguring services (recovery costs) made up the remaining Covid-19 costs.

43. Several larger urban councils have ALEOs that were set up to manage commercial activities and provide income back to councils. This includes conference facilities and transportation services. The projected loss of income for councils from these was £39 million. This included Lothian Buses, Edinburgh Trams, Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

44. Loss of income from harbour and ferry activities is another area that has been projected to be significantly impacted. Four councils projected a loss of income totalling £11 million.

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million. Over half of this relates to lost income.

Exhibit 10
2020/21 Projected Covid-19 related expenditure/lost income
Loss of income accounts for over half of the forecast additional costs.



Source: COSLA summary (full year returns) (July 2020) and COSLA council returns. Proportions based on returns from 25 councils.

Scottish Government support for Covid-19 pressures

The proportion of NDR and General Revenue Grant funding was adjusted

45. In March 2020, the Scottish Government made a £972 million reduction to the distributable amount of Non-Domestic Rates (NDR) in 2020/21 together with a corresponding increase in the General Revenue Grant (GRG). This reflected measures arising from The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020 which included 1.6 per cent of Universal Relief, 100 per cent relief for Retail, Hospitality and Leisure and 100 per cent relief for Airports and Baggage Handlers.

46. The change reflected a recognition that NDR income collected by councils would be lower than anticipated due to Covid-19. As the Scottish Government guarantee each council's formula share of GRG plus NDR, the change resulted in no overall impact on council's total revenue funding.

Councils have administered funding of over £1 billion as part of the Covid-19 Business Support Fund Grant Scheme

47. In March 2020, the Scottish Government announced that businesses could apply for grants to help them deal with the impact of Covid-19.[4] These grants would be administered by councils on behalf of the Scottish Government, with funding made available to councils to finance the costs incurred. Councils received a grant of £950 million in 2020/21 providing an initial advance of the estimated costs projected by the Scottish Government, based on the number of businesses eligible for relief within each council area. The remaining amount will be disbursed as necessary up to a maximum collective limit of £1.2 billion.

48. Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by September 2020.

Further funding of £936 million has been announced by November 2020

49. As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced (Exhibit 11, page 27). This is made up of the following:

- £723 million of revenue support, including £90 million (estimated) from the loss of income compensation scheme
- £150 million of NHS funding to be passed on to Health and Social Care Partnerships
- £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, school transport support and digital inclusion funding

As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced.

We estimate that funding announced by November 2020 meets 60 to 70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain

50. In paragraph 40, we noted estimated council cost pressures of £767 million, split between revenue cost projections of £681 million and capital cost projections of £86 million. Not all the announced additional funding can be matched to these costs. Of the total £936 million announced, £234 million has been provided to benefit third parties or did not form part of the council's original cost submission.

51. The funding for the Scottish Welfare Fund (£45 million), council tax reduction scheme (£50 million) and discretionary housing payments (£5 million) are administered by the councils but will benefit individuals and businesses within the community.

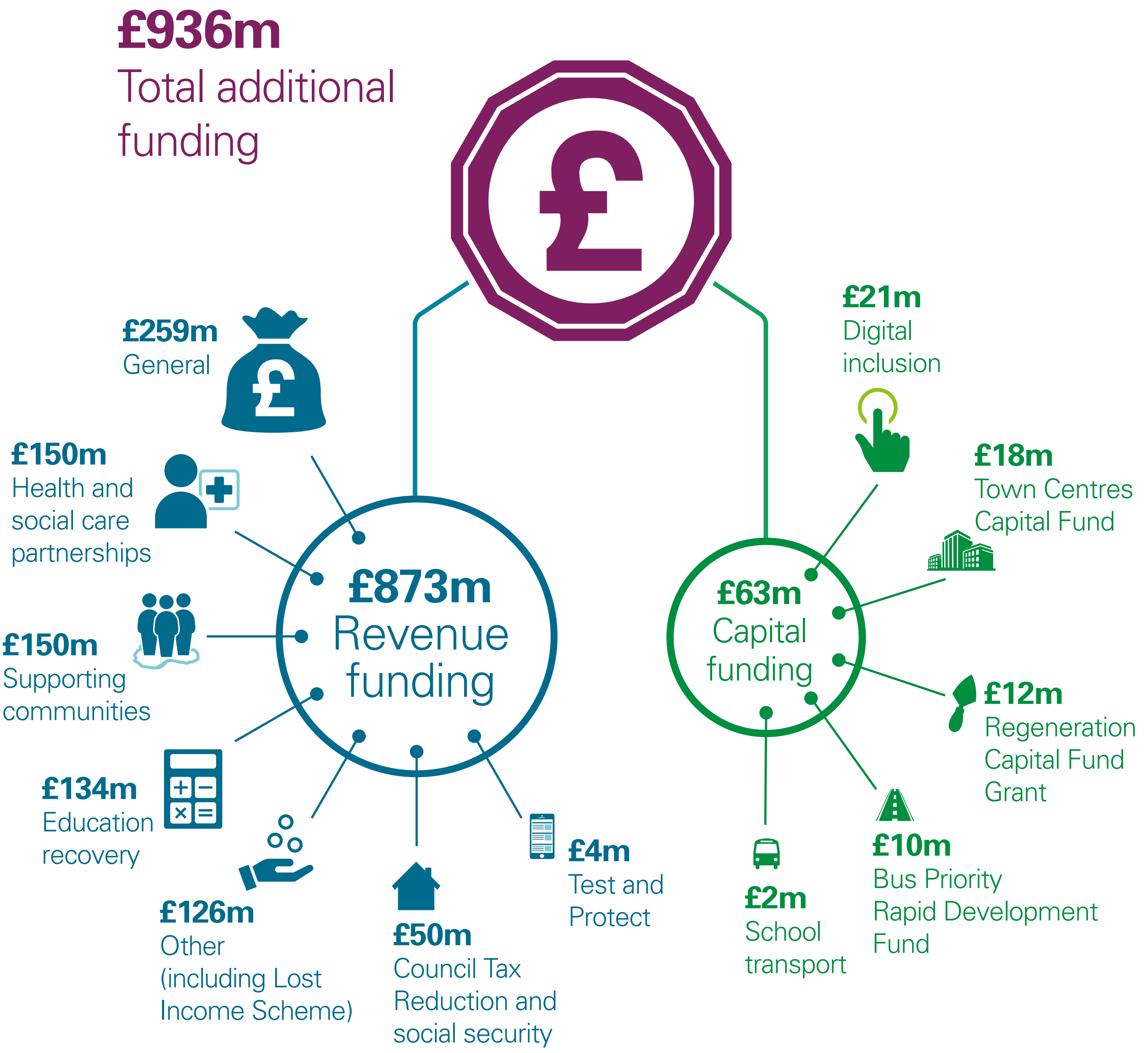
52. The additional educational recovery funding (£134 million) is a consequence of the decision to re-open schools and early years establishments full-time from 11 August 2020. The necessary social distancing and cleaning measures result in additional costs to councils to be met from this funding. These were not envisaged in the councils' initial cost collection exercise, which predated decisions to return to school on a full-time basis.

53. The funding of £150 million to be passed to Health and Social Care Partnerships did not form part of the councils' estimated costs as these form part of the IJB mobilisation costs. These are described at paragraph 70.

54. After taking into account the above issues, we estimate that the beneficial announcements of revenue funding to councils meet 60 to 70 per cent of the estimated revenue costs at July 2020. However, some of this funding is ringfenced, with £236 million being allocated for specific purposes. For example, £65 million for the food fund and for free school meals. Councils may have cost pressures in other separate areas, which may not be met by this specific funding.

55. The effects of the Covid-19 pandemic continue to develop, as do projections of associated costs and funding.

Exhibit 11
Scottish Government Covid-19 funding in 2020/21
Councils were allocated £936 million of additional Covid-19 funding in 2020/21 (November 2020).



Source: Scottish Government funding announcements and COSLA report

The Scottish Government has given councils additional financial flexibility to respond to the Covid-19 crisis

56. Councils have been given an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million.[5] This figure will apply if all councils are able to use all the new flexibilities, however COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the effects of Covid-19 may impact on some areas, for example expected capital receipts. The new funding levers open to councils apply to Covid-19-related pressures only and apply to this and the next financial year. Additional spending powers include the following:

- enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs
- extending debt repayment periods over the life of the asset rather than the contract period
- allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.

57. In addition to these measures, the Scottish Government has provided flexibility around the guidance for using the following specific funding:[6]

- Pupil Equity Funding
- Challenge Authority and Schools' Programme funding
- funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be repurposed to the Covid-19 response, and
- deploy early learning and childcare funding flexibly to deliver critical provision for children and families.

58. The extent of how these individual flexibilities may be used by each council, is yet unclear. Judgements will be required by each council and this may depend on the extent of unavoidable commitments already existing, for example in early learning contract commitments to parents.

Medium and long-term financial planning

The financial changes due to Covid-19 mean that councils need to review and revise their medium-term financial plans

59. Auditors have reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium term financial plans will now require revision at all councils to take into account additional financial pressures and updated funding arrangements, as well as consideration of updated savings requirements and financial assumptions.

Capital funding

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms

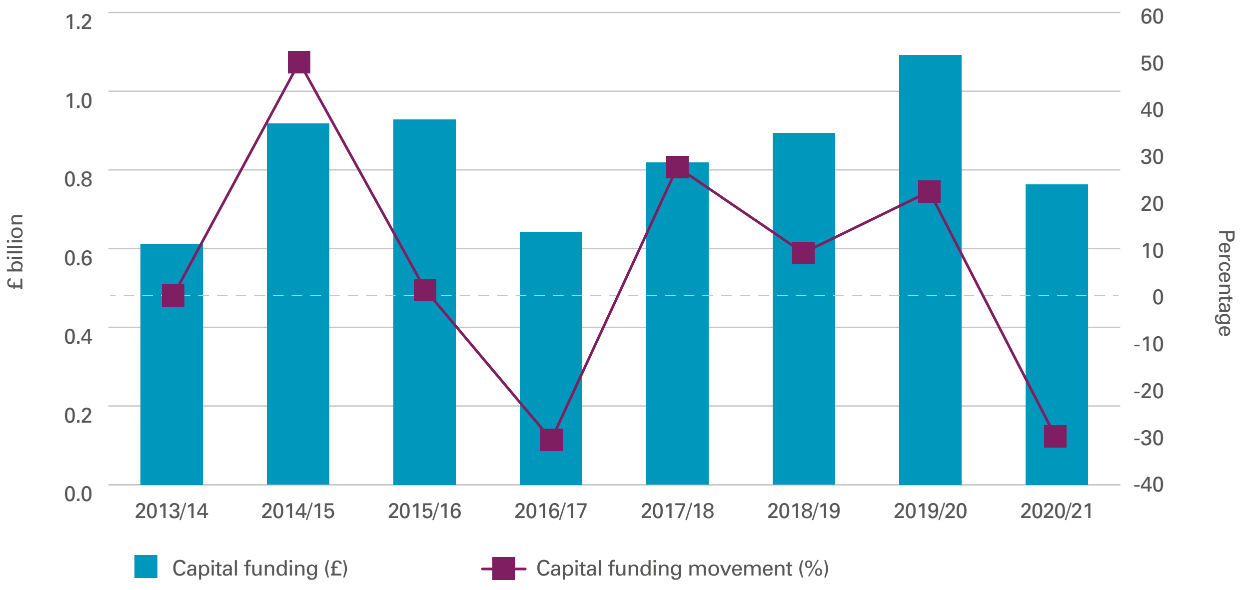
60. The Local Government capital settlement in 2020/21 decreased from £1.1 billion in 2019/20 to £0.8 billion. Capital funding had experienced significant increases in the past three years (33 per cent increase between 2017/18 to 2019/20). Total capital funding has now returned to levels more similar to those in 2017/18, in real terms (Exhibit 12, page 29). This could have a significant impact on councils' future investment plans.

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms.

Exhibit 12

Real terms capital funding between 2013/14 and 2020/21 (excluding Covid-19 funding)

Scottish Government capital funding in 2020/21 (excluding Covid-19 funding) is decreasing by 30 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents

Integration Joint Boards

Key messages

1. A majority of IJBs (22 of 30) struggled to achieve break-even in 2019/20 or recorded deficits
2. Total mobilisation costs for Health and Social Care Partnerships for 2020/21 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all these costs
3. Revisions will be required to medium-term financial plans to reflect the impact of Covid-19
4. There were changes in chief officer at 12 IJBs in 2019/20

Funding and expenditure

In 2019/20 overall funding to IJBs increased by six per cent

61. Overall funding to IJBs, in 2019/20, increased by £0.5 billion (or six per cent) to £9.1 billion. Most of this increase is in health board contributions to the IJB.

Sixteen IJBs recorded deficits

62. Sixteen of the thirty IJBs reported a total deficit of £32 million in 2019/20, compared with only eight IJBs reporting a deficit of £11 million in 2018/19. Of the remaining IJBs, 13 reported a total surplus of £17 million and one reported a breakeven position.

A further six IJBs needed additional funding to achieve surplus or breakeven

63. Six of the IJBs that reported a surplus or breakeven position would not have achieved this without additional funding from partners. A total of thirteen IJBs had extra financial support from partners of £50 million. Without this, 22 IJBs would have reported a total deficit of £77 million (19 IJBs with a deficit of £58 million in 2018/19).

IJBs reported mixed performance against the achievement of savings targets in 2019/20

64. We reported last year that of the £208 million projected budget gap for 2019/20, 59 per cent of this was anticipated to be met by identified savings and 30 per cent by unidentified savings plans. Comparing this to actual performance and based on a sample of 22 IJBs, only four delivered 100 per cent of planned savings in 2019/20. Generally, there was significant variation in how IJBs performed against savings targets, with savings achieved ranging from 37 per cent at Aberdeen City IJB to 100 per cent at Inverclyde IJB.

IJB reserves have decreased in 2019/20

65. The IJBs' total reserves decreased by £15 million (9 per cent), to £143 million. This contrasts with a £34 million increase in reserves in 2018/19. Last year we reported that some of the increase in reserves was a result of IJBs holding unspent earmarked funding from the NHS, including those associated with Primary Care Improvement Fund and the Mental Health Strategy. The Scottish Government has advised health boards and IJBs that it expects these earmarked balances to be used before further funds are drawn down. Part of the decrease in reserves this year relates to the use of these specific funds (Exhibit 13, page 32).

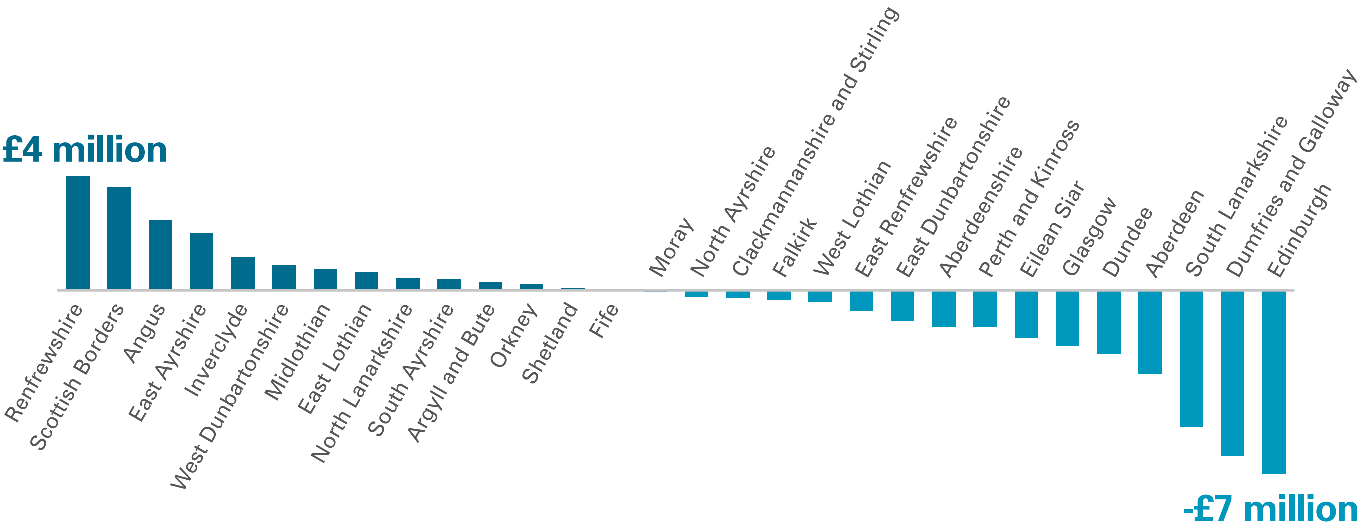
66. Some of the more significant reductions include:

- Edinburgh IJB used reserves of £7 million to address a budget gap, as outlined in the recent Edinburgh City Council *Best Value Assurance Report* (November 2020).
- Dumfries and Galloway and South Lanarkshire IJBs used up a significant element of specific reserves, including Primary Care Transformation and Mental Health programmes of work.

A majority of IJBs struggled to achieve break-even in 2019/20 or recorded deficits.

Best Value Assurance Report: City of Edinburgh Council
November 2020

Exhibit 13
Individual movements in general fund reserves between 2018/19 and 2019/20
Sixteen IJBs reported a decrease in the general fund balance.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified

Financial planning

More IJBs agreed budgets with partners before the start of the financial year

67. Previously we reported that eleven IJBs failed to agree a budget with their partners at the start of the 2019/20 financial year. This position improved for 2020/21, when only six IJBs had not agreed their budgets by 1 April. Auditors identified the main reasons for this as the impact of Covid-19 and the timing of partner bodies setting their budgets.

Prior to Covid-19 costs, the projected budget gap was £185 million for 2020/21

68. Auditors identified a total estimated budget gap of £185 million for 2020/21, representing 2 per cent of total projected net expenditure. This is an improvement in comparison to 2019/20 (£208 million). The 2020/21 budget gap as a proportion of total projected net expenditure varied between 0.6 and 5.7 per cent.

69. Of the £185 million budget gap, 62 per cent (59 per cent in 2019/20) was anticipated to be met by identified savings and 25 per cent (30 per cent in 2019/20) by unidentified savings plans. Five IJBs planned to cover part of the estimated funding gap from reserves.

Covid-19 related costs

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million

70. Financial data, provided to the Scottish Government by NHS Boards, shows estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships of £422 million for 2020/21. This projected total covers the full financial year and is based on returns submitted to NHS Boards by IJBs in the period June to September 2020. The main contributory factors to this are:

- additional costs for externally provided services, including PPE (£113 million)
- additional payments to Family Health Services contractors (£18 million) and prescribing (£15 million)
- additional temporary staff (£27 million)
- additional care home beds (£21 million)
- additional staff overtime and enhancements (£20 million)
- costs associated with Community Hubs (£27 million)
- homeless and criminal justice services (£10 million)
- mental health services (£10 million)
- expected underachievement of savings (£72 million), and
- loss of income (£24 million).

It is not yet clear if the Scottish Government will provide financial support to IJBs for the full impact of the pandemic

71. Several IJBs have included an assumption within budget papers and monitoring reports that the Scottish Government will provide financial support to cover all 'reasonable' expenditure included in cost submissions. However, there remains uncertainty around the extent to which the Scottish Government will fund these costs. Uncertainty of funding in care elements of the IJB has a significant impact on councils too, as the impact of costs and funding has been assumed to be neutral or excluded from council estimates.

72. At September 2020, the Scottish Government confirmed that £2.6 billion received in consequentials will be passed on for health and social care. This amount should be sufficient to cover the projected Covid-19-related revenue costs of £1.62 billion for health (£1.2 billion) and social care (£0.42 billion) for 2020/21.

73. In late September 2020, the Scottish Government announced additional funding of £1.1 billion to support the health and social care sector in dealing with Covid-19 related pressures. The funding will be allocated to NHS Boards and Health and Social Care Partnerships across Scotland to meet the costs of additional staffing or sickness expenditure, enhanced infection prevention and control measures, and the purchase of PPE. However, the basis for allocation to individual partnerships is not yet clear.[7]

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million.

Revisions will be required to medium-term financial plans

74. More IJBs developed medium-term financial plans in 2019/20. Auditors reported that 26 had a medium-term financial plan in place. The impacts of Covid-19 could be significant for individual IJBs and medium-term financial plans will need to be revised to reflect this.

Wider governance issues

There were changes in chief officer at 12 IJBs in 2019/20 and instability of leadership continues to be a challenge

75. Auditors continued to identify significant changes in senior officers of IJBs. In 2019/20 there were changes in the chief officer at 12 of the 30 IJBs. Two-thirds of the chief officers who resigned left for a new role, either at another IJB (three chief officers) or elsewhere (five chief officers). There were also changes in chief finance officer at two of the IJBs. At Western Isles IJB (Curam is Slainte nan Eilean Siar) the absence of a chief officer has contributed to delays in strategic planning and issues with workforce planning.

Instability of leadership continues to be a challenge for IJBs.

Some IJBs did not review their integration scheme due to Covid-19

76. The Public Bodies (Joint Working) (Scotland) Act 2014 sets out that IJBs have a statutory duty to review their integration scheme within a five-year period. Auditors reported that six IJBs had not reviewed their integration scheme within the required timeframe. In all cases, Covid-19 was noted as a reason for the delay.

Endnotes

1 COSLA returns (3 month and full year returns) – based on 29 councils. Cost projection ranges were derived for the missing councils. Please note that this also includes the loss of the £6 million dividend from Lothian Buses.

2 Debt is total outstanding borrowing and other liabilities, including assets acquired through Private Finance Initiative (PFI), Public Private Partnership (PPP) and Non-Profit Distributing (NPD) models.

3 Excludes additional costs due to the decision to re-open schools and early years establishments full-time from 11 August 2020, as the cost collection exercise was conducted prior to this.

4 Scottish Government announcement (https://www.gov.scot/news/gbp-1-billion-business-support-fund-opens/)

5 Scottish Government announcement (https://www.gov.scot/news/supporting-local-government-recovery)

6 Scottish Government announcement (https://www.gov.scot/publications/coronavirus-covid-19-letter-to-local-authorities-regarding-education-and-early-learning-and-childcare-funding-flexibility)

7 The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Health and Social Care Partnerships are the partnerships that deliver services based on decisions made by the IJB.

Local government in Scotland

Financial overview 2019/20

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