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Notice of meeting and agenda

City of Edinburgh Council

10.00 am Thursday, 23rd February, 2023

Main Council Chamber, City Chambers

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 Any items under “Private Business” will not be published, although the decisions will be recorded in the minute.

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1. Order of business

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

2. Declaration of interests

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

3. Deputations

3.1 If any

4. Revenue and Capital Budgets

4.2	Housing Revenue Account (HRA) Budget Strategy 2023/2024 – 2032/2033 – referral from the Finance and Resources Committee	127 - 148

Nick Smith

Service Director, Legal and Assurance

Information about the City of Edinburgh Council

The City of Edinburgh Council consists of 63 Councillors and is elected under proportional representation. The City of Edinburgh Council usually meets once a month and the Lord Provost is the Convener when it meets.

The City of Edinburgh Council usually meets in the Council Chamber in the City Chambers on the High Street in Edinburgh. There is a seated public gallery and the Council meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Gavin King, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4239, email gavin.king@edinburgh.gov.uk.

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The City of Edinburgh Council

10.00am, Thursday, 23 February 2023

Revenue Budget Framework 2023/27 – progress update – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred a report on the Revenue Budget Framework 2023/27 – progress update to the City of Edinburgh Council as part of setting the revenue and capital budgets on 23 February 2023.

Richard Carr
Interim Executive Director of Corporate Services

Contact: Taylor Ward, Assistant Committee Officer
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Referral Report

Revenue Budget Framework 2023/27 – progress update

2. Terms of Referral

2.1 On 7 February 2023, the Finance and Resources Committee considered a report on the Revenue Budget Framework 2023/27 – progress update. The report advised members of the provisional outcome of the 2023/24 Local Government Finance Settlement and the impact of this announcement and other changes in planning assumptions on the Council's incremental savings gaps for 2023/24 and subsequent years. The report also included a number of further recommended savings which were presented for consideration, albeit leaving a residual gap of £3.7m in 2023/24.

2.2 The Finance and Resources Committee agreed:

2.2.1 To note the updates to financial planning assumptions set out within the report, including the provisional outcome of the Local Government Finance Settlement in 2023/24.

2.2.2 To note, nonetheless, that even if all officer recommendations were approved, a gap of £3.7m would remain in 2023/24, in addition to significant incremental gaps in subsequent years of the framework.

2.2.3 To note, in this context, the creation of a formal programme to oversee implementation of change and prioritisation on the scale required and agree, subject to ratification by Council, to provide up to £2m from the Council's Spend to Save Fund, with a further report on the programme's scope, content and governance to be brought to members in April 2023.

2.2.4 To note that further updates, including any changes resulting from the Scottish Budget's Parliamentary consideration, would be reported to members as appropriate.

2.2.5 To refer the report to Council as part of setting the revenue and capital budgets on 23 February 2023.

3. Background Reading

3.1 Finance and Resources Committee – 7 February 2023 - Webcast

3.2 Minute of the Finance and Resources Committee – 7 February 2023

4. Appendices

4.1 Appendix 1 – report by the Interim Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Tuesday, 7 February 2023

Revenue Budget Framework 2023/27 – progress update

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 updates to financial planning assumptions set out within the report, including the provisional outcome of the Local Government Finance Settlement in 2023/24;

1.1.2 note, nonetheless, that even if all officer recommendations are approved, a gap of £3.7m remains in 2023/24, in addition to significant incremental gaps in subsequent years of the framework;

1.1.3 note, in this context, the creation of a formal programme to oversee implementation of change and prioritisation on the scale required and agree, subject to ratification by Council, to provide up to £2m from the Council's Spend to Save Fund, with a further report on the programme's scope, content and governance to be brought to members in April 2023;

1.1.4 note that further updates, including any changes resulting from the Scottish Budget's Parliamentary consideration, will be reported to members as appropriate;

1.1.5 refer the report to Council as part of setting the revenue and capital budgets on 23 February 2023.

Richard Carr

Interim Executive Director of Corporate Services

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Report

Revenue Budget Framework 2023/27 – progress update

2. Executive Summary

2.1 The report advises members of the provisional outcome of the 2023/24 Local Government Finance Settlement and the impact of this announcement and other changes in planning assumptions on the Council's incremental savings gaps for 2023/24 and subsequent years. A number of further recommended savings are presented for consideration, albeit leaving a residual gap of £3.7m in 2023/24.

3. Background

3.1 Members of the Committee have previously considered a number of update reports on development of the Council's revenue budget for 2023/24 and subsequent years. The most recent of these reports was presented on 10 November 2022 and set out a remaining funding gap, assuming approval of all officer recommendations, of £21.2m in 2023/24 and increasing to £110.1m by 2026/27.

4. Main report

Local Government Finance Settlement, 2023/24

4.1 On 15 December 2022, the Deputy First Minster presented a draft one-year Scottish Budget and Local Government Finance Settlement (LGFS) to the Scottish Parliament. Following this announcement, the accompanying Finance Circular, providing details of revenue and capital grant funding allocations at local authority level, was then issued on 20 December.

4.2 At this stage and consistent with previous years, the figures contained within the Settlement remain provisional, pending the Draft Budget's Parliamentary passage during January and February. As of the time of writing, the Stage One debate, the point at which additional monies have been introduced in some previous years, is scheduled for 2 February, and a verbal update will be provided as appropriate at the Committee's meeting.

4.3 The contents of the Finance Circular are also the subject of a consultation process. Any resulting amendments to individual allocations will be contained within the overall quantum of funding within the LGFS and not addressed by the provision of additional funding and, as of the time of writing, a number of changes have already been advised. Should this process result in any further material change in funding allocation for the Council, an update will be reported to the budget-setting meeting on 23 February.

Impact of the provisional LGFS on the budget framework

4.4 Analysis of the Settlement is on-going as additional details are received, with a number of queries raised by the Council and other local authorities thus far. Based on work undertaken to date, however, the provisional level of core revenue funding is slightly more favourable than the "flat cash" position assumed in the report presented to the Finance and Resources Committee on 10 November 2022 as outlined in the following sections.

4.5 This comparison takes into account both the headline year-on-year increase in grant funding and a number of new or recurring commitments within this sum, most materially £140m towards the costs of the 2022/23 employee pay award, £100m for uprating hourly pay in commissioned adult social care services to the Living Wage Foundation-recommended rate of £10.90 and £105m for devolution of Non-Domestic Rates Empty Property Relief to councils with effect from April 2023.

Revenue grant funding

4.6 Expressed on a like-for-like cash basis, the overall Scotland-wide core revenue budget settlement has increased by some £71m (0.7%) relative to 2022/23. This assessment was revised in late January following confirmation of the reinstatement within the Settlement of funding to support the recurring impact of the 2021/22 teachers' pay award. The position for Edinburgh is slightly below this average[1], with a like-for-like level of core funding that has increased by £2.4m (0.3%).

4.7 This overall position is, in turn, due primarily to the distributional impacts of a decline in the city's population, as captured by the 2021 mid-year estimate, in both absolute and relative terms. This reduction in population, a position that was mirrored across all four city authorities, was almost entirely within the 16-24 age group and may be attributable to remote teaching within the city's higher and further education institutions. At this stage, it is not yet clear whether this will be a permanent phenomenon.

4.8 As a result both of these population changes and the introduction of a number of new funding streams (with associated funding commitments) where Edinburgh's share is higher than that for the Settlement as a whole, the Council will not receive any additional support in 2023/24 through the Scottish Government policy whereby each authority is guaranteed at least 85% of the Scotland-wide per capita average. The loss of funding through this mechanism was partly, but not fully, offset by an increased contribution from the first stability floor.

[1] While protected by the operation of the stability floor, internal analysis undertaken suggests that Edinburgh's provisional year-on-year change in core settlement, expressed in percentage terms, is amongst the least favourable in Scotland.

4.9 Assuming approval of all the officer recommendations set out within the report to the meeting of the Finance and Resources Committee on 10 November 2022, the provisional level of Settlement would reduce the incremental savings requirement in 2023/24 from £21.2m to £18.8m. In addition, based on the estimated cost of implementation of relevant commitments, the Council has benefited from some distributional funding gains in these areas, reducing the remaining gap by £2.2m to £16.6m.

Integration Joint Boards

4.10 As in recent years, the overall Settlement includes funding to be passed through to Integration Joint Boards (IJBs). The level of this additional funding is, however, much lower than in 2022/23, with no unhypothecated (i.e. general purpose) funding to address demand-led pressures. In total, an additional £95m of Scotland-wide funding is included, comprising £100m for an increase in the adult social care living wage in commissioned services as noted in Paragraph 4.5 and £15m for an inflation-related uplift for free personal and nursing care, offset by the removal of £20m of one-off funding for interim care provided as part of last year's Settlement.

4.11 Edinburgh's estimated share of these net sums is £8.9m[2] and, as in previous years, this funding will be passed on in full to the Edinburgh Integration Joint Board (EIJB). The implications of the proposed offers from the funding partners will be considered by the EIJB Chief Finance Officer and a further update provided to members in February.

Non-Domestic Rates

4.12 The Deputy First Minister has confirmed that the Non-Domestic Rate poundage for 2023/24 will be unchanged from that in 2022/23, resulting in a slight saving relative to current planning assumptions. This saving will, however, largely be offset by the bringing into scope of some local authority-owned playing fields and parks with effect from April 2023.

4.13 The Settlement also confirmed the full devolution of Empty Property Relief (EPR) to local authorities with effect from April 2023. Edinburgh will therefore receive some £16.0m of Scotland-wide funding of £105m, based on current categories and volumes of relief.

4.14 As has been noted in previous reports to the Committee, all non-domestic properties have been subject to a revaluation, effective from April 2023. Draft revaluations have now been published and detailed analysis is on-going to assess how these changes compare to the additional level of provision included within the revenue budget framework. At this stage, however, provision has been retained for an additional recurring liability of £4m based on estimates of the overall impact of the revaluation on the Council's property estate.

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[2] This total includes a small element for commissioned homelessness services.

4.15 Consistent with the scaling down of COVID-related support in 2022/23, no specific relief will be provided to hospitality and leisure-related premises in 2023/24.

Council Tax

4.16 The Deputy First Minister's announcement confirmed that councils will have full flexibility in setting Council Tax rates appropriate to their local area.

4.17 The budget framework currently assumes an increase of 3% across all bands in 2023/24, with each additional 1% generating a further £3.3m.

Funding flexibilities

4.18 The Deputy First Minister's budget statement noted the availability of the previously confirmed service concession financial flexibility. The budget framework assumes application of the retrospective benefit of adopting this flexibility over a period of five years from 2023/24, with a detailed report included elsewhere on today's agenda.

4.19 In recognition of the unfunded element of employee pay awards and wider financial pressures, the Deputy First Minister reiterated a commitment to examine ringfenced and other directed funding as part of a wider partnership agreement between Local and Scottish Government. Local authorities will therefore be invited, through COSLA, to examine potential means of aligning spending more closely to jointly agreed outcomes and removing barriers which hinder flexibility in funding.

Public Sector Pay Policy (PSPP)

4.20 While not directly applicable to local government, recent years' PSPPs have served as an initial yardstick in pay negotiations. The Scottish Government has, however, chosen not to announce pay uplifts, or publish a pay policy, for 2023/24. Further guidance on 2023/24 pay will be shared in the new year.

4.21 Members are reminded that the budget framework currently includes pay award provision equal to an average of 3% across the teaching and non-teaching workforces, with each additional 1% equating to expenditure of £6.7m[3] in 2023/24.

Other changes to budget framework assumptions

4.22 The report to the Committee's meeting on 10 November 2022 apprised members of a number of changes to financial planning assumptions, with the resulting current assumptions summarised in Appendix 1. In addition to incorporating the provisional outcome of the LGFS, a number of further adjustments to the budget framework, summarised in Appendix 2, are proposed at this time as outlined in the following sections.

Under 22s tram concession – unutilised funding, 2022/23

4.23 As noted in the current-year revenue monitoring report considered at the Committee's previous meeting on 26 January, it is anticipated that the remaining

[3] This sum reflects the compounding impact of the agreement (for non-teaching staff) and latest pay offer (for teachers) in 2022/23.

element of the £0.500m of investment to support the expansion of younger persons' free travel included in the 2021/22 budget motion will be sufficient to address, in full, the resulting loss of income in 2022/23. On this basis, the £2m contribution approved to support the policy as part of the agreed 2022/23 budget motion is available to contribute, on a one-off basis, towards addressing the 2023/24 budget gap.

Non-Domestic Rates revaluation – estimated transitional relief

4.24 As noted in Paragraph 4.14, it is anticipated that the revaluation of non-domestic properties with effect from April 2023 will result in an overall recurring annual increase in liability of around £4m, with this sum already assumed within the overall savings requirement. The Deputy First Minister's announcement also confirmed that Revaluation Transitional Relief would be available on a tiered basis to protect those, including public sector bodies, most affected by the revaluation, the effect of which is to phase in significant increases in liability over up to a four-year period. On this basis, while analysis of likely entitlement is continuing as relevant details are received, £1.0m of transitional relief is assumed in 2023/24, with the level of this relief reducing in accordance with the tapered nature of the scheme in subsequent years.

Devolution of Empty Property Relief (EPR)

4.25 The Council's provisional settlement for 2023/24 includes £16.0m of funding to reflect the full devolving of Non-Domestic Rates EPR to local authority control with effect from 1 April 2023 but with the current value of reliefs granted being around £15m. Given the freezing of the NDR poundage in 2023/24 and the officer recommendation not to make any changes to existing reliefs pending further work and consultation to review the position for 2024/25, a saving of £1.0m, reducing in future years in line with the increase in the NDR poundage, is being assumed.

4.26 It is important to emphasise that delivery of this saving is dependent upon the impact of the wider revaluation as it affects empty properties and updates will be provided to members as clarification is received in this area.

Millerhill Recycling and Energy Recovery Centre

4.27 The Council is entitled to a share of the net income generated by the facility under a heat off-take agreement. Following a reassessment of the likely level of this income in light of wider trends in energy prices, it is proposed to increase the assumption of the receipt of £2.0m of income to £2.5m over each of the four years of the framework.

Additional savings proposals

4.28 Even if the additional grant funding income relative to previous assumptions and all of the planning changes outlined in the preceding sections[4] are added to those

[4] The residual funding gap also reflects the rephasing of some of the savings included in the report to the Committee on 10 November 2022.

measures included in the report to the Committee's previous meeting on 10 November 2022, a gap of £12.6m remains in 2023/24. Given this position, officers have continued to consider opportunities to deliver further savings, such that a balanced position can be achieved as is required by statute. These savings proposals and measures from officers are summarised in Appendix 3. The appendix provides further details of a number of savings initially included in the previous 10 November 2022 report, as well as those newly included in this report, along with details on supporting Integrated Impact Assessments undertaken or proposed.

4.29 While the focus in the first instance needs to be on balancing the position for 2023/24, members have, in Executive Committee discussions, also previously requested consideration of a community bus-related investment proposal as part of the budget process. Relevant details of this investment are included in Appendix 4.

4.30 Following a motion proposed by Cllr Staniforth, members of Council also agreed on 22 September 2022 to consider roll-out of the provision of sanitary bins to all toilet cubicles across the Council estate. The estimated annual cost of this provision is around £30,000. Provision for these costs is not currently included in the budget framework.

4.31 Following a motion proposed by Cllr Parker, members of the Policy and Sustainability Committee also requested a briefing note on staffing capacity within the Council's Climate and Sustainability team. Additional time-limited funding was provided to supplement this team in the 2021/22 and 2022/23 revenue budget framework but is not included going forward. The associated cost of the additional capacity in 2023/24 set out in the briefing note is £0.279m.

HR and Payroll system

4.32 On 10 November 2022, members of the Committee noted the outcome of the Request for Proposal (RFP) for replacement of the Council's HR and Payroll system and approved mobilising the prerequisite work, insofar as is possible, prior to awarding the contract to the recommended vendor. Given both the level of investment required and the increasing budget gap in 2023/24 and subsequent years, a decision on this latter approval was deferred for consideration as part of the overall budget-setting process.

4.33 An update to be reported separately to members will provide further details of the related financial requirements of the preferred bid. While approval of this proposal would not result in any additional funding requirement in 2023/24, it would give rise to liabilities beyond those assumed in the budget framework in 2024/25 and subsequent years.

Overall position

4.34 Approval and full delivery of all of the proposed savings in this report and those outlined in the previous report to the Committee's meeting on 10 November 2022 would result in a residual funding gap of £3.7m in 2023/24, increasing to £39.5m in 2024/25 and £91.8m by 2026/27.

4.35 These sums do not include any additional financial liabilities resulting from the HR and Payroll system implementation with effect from 2024/25 pending approval by Council. In addition, no account is being taken of any additional costs arising from the granting of a one-off public holiday in May 2023 to mark the Coronation of King Charles III pending Council's decision on this matter on 9 February.

4.36 The Council has a statutory duty to set a balanced budget for the coming financial year by 11 March. Further proposals to increase income or reduce expenditure (or a combination of both) therefore require to be identified as a matter of urgency.

4.37 Given the removal of restrictions on the level of Council Tax increase that may be applied, one option would be to increase Council Tax by an additional 1.2% over the 3% baseline assumption which, assuming no impact on collection rates, would generate an additional £4.0m of income.

Medium-Term Financial Plan Change Programme

4.38 While the savings measures identified for 2023/24 would address most of the overall financial gap, it is acknowledged that the majority of these proposals are operational and tactical in nature. Given the extent of future years' savings requirements and wider environmental factors, it is imperative that planning of a longer period of strategic change be initiated immediately given the required lead-in times for detailed programme development and implementation.

4.39 Development of the Council's Medium-Term Financial Plan (MTFP) will place a greater emphasis on strategic and cross-cutting proposals, informed by the priorities included within the Business Plan, as a means of improving outcomes and ensuring continuing financial sustainability. The plan also highlights the importance of the Council's services becoming more technologically enabled and digitally delivered, with a reorientation of work to focus, where appropriate, on more preventative practices.

4.40 To support this process, the establishment of a formal change programme is underway, using existing staff wherever practicable. The precise content of this prioritised programme will be subject to annual review but with an indicative Year 1 focus on the Social Care Operating Model, Inclusion Services and HR/Pay Core System and other efficiency initiatives. Some of these will be jointly delivered with the EIJB.

4.41 Any additional costs incurred in 2022/23 will be contained within the forecast balanced position for the Council as a whole. It is proposed that relevant costs of up to £2m in 2023/24 be met in full, subject to ratification by Council, from the Spend to Save Fund, with subsequent repayment of these sums through savings generated. An update will be brought to members in April setting out further information about the scope, content and governance of the programme.

4.42 As part of the prioritised work programme, scoping work is underway to refresh fully the business case for replacement of the SWIFT social work case management system used by both Education and Children's Services and Health and Social Care. It is anticipated that this work will take several months, with a report to the Finance and Resources Committee on costs and associated savings then presented in the autumn. The Council will also need to consider the provision of adequate resources to ensure the necessary investment in technology takes place in core systems to allow these to remain up to date and reflect changing requirements.

Edinburgh Integration Joint Board (EIJB)

4.43 Parallel work on development of the EIJB's budget for 2023/24 is also underway, with one workshop held thus far with Board members. This meeting provided an update on the impact of the Scottish Budget on the Board's financial planning assumptions, as well as considering emerging savings opportunities. While the previous receipt of significant additional COVID-related funding has allowed the Chief Finance Officer to provide moderate assurance that a balanced position will be achieved in 2022/23, due to a combination of unfunded demographic growth, unfunded Living Wage contract uplifts and previous one-off funding from NHS Lothian, a significant structural deficit is being carried into 2023/24.

4.44 The Council will pass through Edinburgh's share of all of the funding streams highlighted in Paragraph 4.5. In contrast to 2022/23, the grant settlement for Council-delegated services in 2023/24 provides no uncommitted funding, exacerbating existing challenges and meaning that a structured and prioritised savings programme will be required to achieve financial balance on a sustainable basis going forward.

Risks

4.45 There remain a number of risks to the assumptions set out within this report, including, but not limited to, the following:

(i) further pressures may emerge in demand-led services, particularly homelessness services[5], with additional certainty also required concerning the on-going adequacy of funding available to support the Council's Ukraine response;

(ii) the allocations contained within the Scottish Budget and Finance Circular remain provisional, pending Parliamentary approval expected towards the end of February and thus may change;

[5] The Council's specific funding allocation for homelessness services fell by £1.6m due to changes in the distribution methodology for the Homelessness Prevention Fund in 2023/24.

(iii) provision for employee pay awards[6] and contract uplifts (where 3% is assumed for each across period of budget framework), as well as wider inflationary pressures[7], may be insufficient;

(iv) the impact of construction inflation and increasing interest rates may affect the affordability of the revised capital programme, with a consequent need to reassess and reprioritise its composition;

(v) the EIJB may not be able to set and deliver a balanced budget; and

(vi) further savings options necessary to address remaining funding gaps in 2023/24 and subsequent years may not be identified and/or delivered within required timescales.

4.46 Further commentary on these and other risks is included in the Risks and Reserves report elsewhere on today's agenda.

5. Next Steps

5.1 Following consideration by the Committee, the report will be referred to Council for decision as part of the budget-setting process. Given that the Council's grant funding allocation for 2023/24 remains provisional until approval of the Local Government Finance Order in late February, members will be kept apprised of changes to this or any of the other key assumptions underpinning the analysis presented, as well as any further savings options identified to address the remaining funding gap.

6. Financial impact

6.1 The Council continues to face significant financial pressures resulting from increased demand for services, inflation and legislative reform, as well as the continuing financial impacts of the pandemic. These factors are set against a backdrop of core grant funding (accounting for around three quarters of the Council's overall income) that is not increasing.

6.2 While the report sets out a number of further potential measures towards achieving a balanced budget in 2023/24, significant funding gaps remain in future years, emphasising the need for the urgent initiation of a programme of change, aligned to the priorities set out within the Council's business plan.

6.3 The position set out in the report also assumes robust management of all service pressures and full delivery of approved savings. Given the increased emphasis on service-specific savings relative to previous years, this process will require to be closely monitored, with a focus on taking swift remedial action where required. Relevant Directors have also been asked to develop detailed plans for full mitigation

[6] The SJC (non-teaching) claim for 2023/24 has recently been submitted by the representative trade unions and is for an increase of 12% or £4,000, whichever is greater

[7] A general additional inflationary provision of £5m has also been incorporated within the budget framework, with an indicative allocation of this sum provided to relevant services.

of pressures for consideration by the Council Leadership Team before the beginning of the financial year.

7. Stakeholder/Community Impact

7.1 Given the extent of activity undertaken in recent years to inform the Council's priorities, no direct additional consultation or engagement has been undertaken as part of the 2023/24 budget development process. The Council will, however, set out – based on integrated impact assessments – what consultation will be necessary and when this will take place following the financial decisions taken by Council on 23 February 2023.

7.2 In addition to the publication of all relevant Integrated Impact Assessments (IIAs), a cumulative assessment will be presented to the budget-setting meeting of Council on 23 February 2023 to ensure members pay due regard to their duties in this area.

8. Background reading/external references

8.1 Finance Update, Edinburgh Integration Joint Board, 13 December 2022

8.2 Revenue Budget Update 2023/27: Progress Update, Finance and Resources Committee, 10 November 2022

8.3 Revenue Budget Update 2023/27: Progress Update, Finance and Resources Committee, 8 September 2022

8.4 Revenue Budget Framework 2022/27: progress update, Finance and Resources Committee, 16 June 2022

8.5 Revenue Budget Update 2022/23 – Update, Finance and Resources Committee, 3 March 2022

8.6 Coalition Budget Motion 2022/23, The City of Edinburgh Council, 24 February 2022

9. Appendices

9.1 Appendix 1 - Key assumptions within the budget framework, 2023/24 to 2026/27

9.1 Appendix 2 - Changes to Revenue Budget Framework, 2023/24 to 2026/27

9.2 Appendix 3 - Templates for 2023/24 officer savings proposals assumed in budget framework

9.3 Appendix 4 - Template for 2023/24 investment proposal requested by elected members

Key assumptions within the budget framework, 2023/24 to 2026/27

	Note	2023/24	2024/25	2025/26	2026/27
Staff pay award (all staff; average provision)		3%	3%	3%	3%
Contract inflation (general)	1	3%	3%	3%	3%
Contract inflation (PPP contracts)	2	5-8%	3%	3%	3%
Electricity (tariff increase)	3	53%	17%	3%	3%
Gas (tariff increase)	3	8%	7%	3%	3%
Non-Domestic Rates poundage	4	0%	2.5%	2.5%	2.5%
COVID-related service impacts - total provision	5	£11m	£9m	£9m	£9m
Demographic provision	6	£3.9m	£3.9m	£3.9m	£3.9m
Additional gross homelessness provision relative to approved 2020/21 budget before mitigations		£33.7m	£33.7m	£33.7m	£33.7m
Council Tax (rate)		3%	3%	3%	3%
Council Tax (buoyancy)		0.75%	0.75%	0.75%	0.75%
Government grant core funding year-on-year change	7	0.30%	0%	0%	0%
Discretionary fees and charges (average)		5%	5%	5%	5%

Note 1 - in recognition of the exceptional impact of successive years' inflation on the Council's revenue budget, the framework includes an additional £5m provision, baselined from 2023/24. This sum is notionally allocated to (i) anticipated pressures in costs of fuel, (ii) additional sums payable in respect of the Millerhill gate fee and the Council's NSL parking enforcement contract and (iii) a range of uplifts due on Education and Children's Services fees and contracts.

Note 2 - the level of uplift applicable to the Council's PPP contracts is the Retail Price Index (RPI) rate in February of the preceding financial year. The actual level of uplift applied, however, is tempered by application of the relevant "constraining factor".

Note 3 - level of provision is based on Scottish Procurement Utilities Guidance, taking into account wholesale prices and pre-purchased volumes. While there is a risk, in particular, around the level of uplift applicable to the gas contract in 2023/24, this is anticipated to be offset by continuation of savings relative to previous estimates in the current year.

Note 4 - the provisional poundage for 2023/24 has been frozen at 2022/23 levels.

Note 5 - the sum for 2023/24 comprises £6m for loss of the Lothian Buses dividend, up to £3m for loss of parking income and up to £2m for additional support for Edinburgh Leisure. These sums are £6m, £2m and £1m respectively in subsequent years of the framework.

Note 6 - the sum shown comprises £3.6m for Education and Children's Services, of which some £2.3m is assumed to be directed to schools to reflect changes in pupil numbers, and £0.3m to Place to reflect the impact of increasing household numbers on waste collection and recycling costs.

Note 7 - the level of change shown for 2023/24 is based on Edinburgh's allocation as part of the provisional Local Government Finance Settlement. Subsequent years' allocations are based on Local Government-wide planning allocations included within the Scottish Government's Resource Spending Review published in May 2022.

Changes to Revenue Budget Framework, 2023/24 to 2026/27	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Updated gap as reported to Finance and Resources Committee on 10 November, 2022 assuming approval of all officer proposals	**21.2**	**56.9**	**86.1**	**110.1**
Changes in profiling/quantity of savings assumed in above report:				
Learning Support/ASL and Special Schools	0.5	0.5	0.5	0.5
Education Welfare Officers	0.0	(0.2)	(0.2)	(0.2)
Review of contracted spend to ensure efficiency with partners to remove areas of duplication	0.0	(0.2)	(0.2)	(0.2)
Provisional additional core grant funding per Local Government Finance Settlement, 2023/24	(2.4)	(2.4)	(2.4)	(2.4)
Other Settlement distributional gains	(2.2)	(2.2)	(2.2)	(2.2)
Changes to budget framework assumptions:				
Under 22s tram concessions - application of unused 2022/23 funding	(2.0)	0.0	0.0	0.0
NDR revaluation - estimated transitional relief	(1.0)	(0.7)	(0.3)	0.0
Devolution of Empty Property Relief - initial excess of funding over liabilities	(1.0)	(0.5)	0.0	0.0
Millerhill - additional income	(0.5)	(0.5)	(0.5)	(0.5)
Updated position, including updates to framework assumptions	**12.6**	**50.8**	**80.8**	**105.1**
Additional savings proposals recommended by officers:				
Reduction in requirement for temporary accommodation	(2.3)	(3.5)	(3.5)	(3.5)
Review of Devolved School Management (DSM) allocations	(5.6)	(5.3)	(5.3)	(5.3)
Review of Alignment of Inclusion and Support	0.0	(1.5)	(2.5)	(3.5)
Income Recovery in Regulatory Services and Planning and Building Standards	(0.5)	(0.5)	(0.5)	(0.5)
Organisational Reviews - Place	(0.5)	(0.5)	(0.5)	(0.5)
Updated gap if all officer recommendations accepted, 7 February 2023	**3.7**	**39.5**	**68.5**	**91.8**

Appendix 3 - Templates for 2023/24 savings proposals assumed in budget framework	2023/24	2024/25	2025/26	2026/27	Template reference	Interim IIA or statement
	£000	£000	£000	£000		
Updated gap prior to application of mitigations reported to Finance and Resources Committee, 10 November 2022	76,500	105,200	131,600	158,600		
Corporate mitigations	(34,400)	(27,400)	(25,400)	(25,400)	n/a	n/a
Revised gap after corporate mitigations	**42,100**	**77,800**	**106,200**	**133,200**		
Factors reflecting decisions previously approved by members:						
Roads Construction Consent Inspections (approved at Transport and Environment Committee, 18 August 2022)	(400)	(400)	(400)	(400)	n/a; decision previously taken	n/a
Strategic Review of Parking (approved at Transport and Environment Committee, 18 August 2022)	(2,000)	(3,000)	(3,000)	(3,000)	n/a; decision previously taken	n/a
Homelessness - No Recourse to Public Funds (approved at Housing, Homelessness and Fair Work Committee, 29 September 2022)	(3,000)	(3,000)	(3,000)	(3,000)	n/a; decision previously taken	n/a
Factors reflecting officer recommendations to members:						
Tram Concessionary Travel	(3,000)	(3,500)	(3,500)	(3,500)	PL1	Interim IIA
Edinburgh Cycle Hire Scheme	(500)	(500)	(210)	0	PL2	Statement
Education Recovery funding - application of one-off residual balance	(2,500)	0	0	0	n/a	n/a
Instrumental Music Service - unallocated Scottish Government funding	(200)	(200)	(200)	(200)	n/a	n/a
Education additional funding	(1,600)	(1,600)	(1,600)	(1,600)	Part of ECS6	IIA (as part of wider review)
Schools Digital Learning - anticipated Scottish Government funding	0	0	0	(2,000)	n/a	n/a
Property rationalisation and income	(500)	(1,000)	(1,000)	(1,000)	PL3	Statement
Garden waste income - consolidation	(400)	(400)	(400)	(400)	n/a	Statement
Bus lane camera income - consolidation	(600)	(600)	(600)	(600)	n/a	Statement
Other adjustments	(500)	(800)	(350)	(1,550)	n/a	n/a
Revised gap after factors reflecting decisions previously approved by, or recommended to, members:	**26,900**	**62,800**	**91,940**	**115,950**		

Savings included in report to Finance and Resources Committee, 10 November 2022						
Corporate Services Directorate						
Customer - Promotion of Online Services and Automation	(165)	(165)	(165)	(165)	CS1	Statement
Corporate Services - Vacancy and Turnover Management	(1,173)	(1,173)	(1,173)	(1,173)	CS2	Statement
Corporate Services - Senior Manager Savings	(223)	(223)	(223)	(223)	CS3	Statement
Salary Sacrifice Income	(225)	(225)	(225)	(225)	CS4	Statement
Education and Children's Services Directorate						
Learning Support/ASL and Special Schools:	(500)	(500)	(500)	(500)	n/a (see note below)	n/a
- Education Welfare Officers	(400)	(600)	(600)	(600)	ECS1; full-year effect included in 2024/25	IIA to be prepared
Speech and Language Therapy	(850)	(850)	(850)	(850)	ECS2	IIA to be prepared
Multi Systemic Therapy Service	(500)	(500)	(500)	(500)	ECS3	Statement
Wellington Monies	(340)	(500)	(500)	(500)	ECS4	Wider Inclusion IIA to be prepared
Review of contracted spend to ensure efficiency with partners and to remove areas of duplication	(904)	(1,110)	(1,110)	(1,110)	ECS5	Overarching Interim IIA prepared, with IIA to be considered for each proposal
Place Directorate						
Taxicard	(120)	(150)	(150)	(150)	PL4	Interim IIA
One-off increase in income and reduction in funding for events and cultural grants	(250)	(250)	(250)	(250)	PL5	Interim IIA
Total savings considered by Committee on 10 November, including any revised profiling	**(5,650)**	**(6,246)**	**(6,246)**	**(6,246)**		
Reversal of Learning Support/ASL and Special Schools	500	500	500	500	Learning Support/ASL and Special Schools element reprofiled	n/a
Remaining gap assuming approval of all officer recommendations, 10 November 2022	21,750	57,054	86,194	110,204		
Provisional impact of Local Government Finance Settlement and other distributional gains	(4,600)	(4,600)	(4,600)	(4,600)		
Changes to other framework assumptions (see Appendix 2)	(4,500)	(1,700)	(800)	(500)		

Additional savings proposals per report to Finance and Resources Committee, 7 February 2023:						
Homelessness - Reduction in demand for temporary accommodation	(2,325)	(3,450)	(3,450)	(3,450)	PL6	Interim IIA
Review of Devolved School Management (DSM) allocations	(5,550)	(5,300)	(5,300)	(5,300)	ECS6	IIA to be prepared
Review and Alignment of Inclusion and Support	0	(1,500)	(2,500)	(3,500)	ECS7	Statement pending IIA for proposal development
Income Recovery in Regulatory Services and Planning and Building Standards	(500)	(500)	(500)	(500)	PL7	Statement
Organisational Reviews - Place	(530)	(530)	(530)	(530)	PL8	Statement (IIAs for each review)
Remaining gap assuming approval of all officer recommendations	**3,745**	**39,474**	**68,514**	**91,824**		

NB Yellow-highlighted cells indicate full-year effect of, or other change from, November savings.

Revenue Savings Proposals 2023/24

Proposal reference number	PL1
Proposal description	Tram Concessionary Travel
Service Director	Paul Lawrence
Service Manager with responsibility for proposal development and delivery	Hannah Ross
Division	n/a

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	3.000	0.500	0.000	0.000	0.000
Cumulative Savings	3.000	3.500	3.500	3.500	3.500

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)

On 6 October 2022, Transport and Environment Committee considered a report on the Scottish Government's scheme for free bus travel for older people and young people (under 22) and noted that this scheme does not include concessionary travel on trams. At present the Council is supporting free travel for older people on Edinburgh Trams and has agreed to meet the cost of concessionary travel for young people (under 22) on Edinburgh Trams until 31 March 2023.

Transport and Environment Committee did not approve the proposal to cease the scheme of free travel for young people on Edinburgh Trams after 31 March 2023 but to consider this as part of the budget-setting process.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.

The Scottish Government is currently preparing a Fair Fares Review, which will look at concessionary travel on public transport across Scotland. The current concessionary schemes for older people and young people only apply to bus travel, with the City of Edinburgh Council meeting the cost of a similar scheme on Edinburgh Trams. The cost of a similar scheme for young people up to 31 March 2023 (subject to approval of the use of Council reserves) is expected to cost £0.3m. Council officers will work closely with the Scottish Government on the Fair Fares Review. Officers will also work closely with Edinburgh Trams to develop a communications plan to begin immediately after the budget decision to ensure that residents are aware of any approved changes to the scheme.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.

The proposed Revenue Budget Framework for 2022/23 which was considered by the Finance and Resources Committee on 3 February 2022 and the Council on 24 February 2022 noted that an increase of £1.0m in 2023/24 and thereafter £1.5m was expected to be required for concessionary fares for young people on the opening of the tram line to Newhaven.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)

An Integrated Impact Assessment has been completed for this proposal.

Current Budget (£m)	0.500	Proposed Budget Saving (£m)	0.500
Current FTE	0.0	Proposed FTE Reduction	N/A

Revenue Savings Proposals 2023/24

Proposal reference number	PL2
Proposal description	Edinburgh Cycle Hire Scheme
Service Director	Peter Watton
Service Manager with responsibility for proposal development and delivery	Daisy Narayanan
Division	Sustainable Development

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.500	0.000	-0.290	-0.210	0.000
Cumulative Savings	0.500	0.500	0.210	0.000	0.000

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
On 27 May 2021, the Council approved investment of £2.3m over the course of four years from 2021/22 to meet the cost of an Edinburgh Bike Hire Scheme. However, in September 2021, the previous scheme ended and therefore Transport and Environment Committee agreed to investigate options for future delivery and to support local community initiatives in the short term (a report on the options is due to be considered by Transport and Environment Committee on 2 February 2023). However, recognising the current financial challenges facing the Council, it is proposed not to proceed with implementing any future options for a cycle hire scheme for the city and to release the funding set aside for this purpose.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
There are no confirmed plans for implementing a cycle hire scheme in the future and there are no agreements in place for future funding of community schemes.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
Transport and Environment Committee agreed objectives for a future cycle hire scheme which supported the delivery of the Council's City Mobility Plan, particularly in integrating active travel plans with wider public transport provision and seeking to increase cycling participation amongst low participation groups.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
At this stage, there are considered to be no detrimental impacts arising from this proposal as there is no currently a scheme in place.

Current Budget (£m)	0.500	Proposed Budget Saving (£m)	0.500
Current FTE	0.0	Proposed FTE Reduction	N/A

Revenue Savings Proposals 2023/24

Proposal reference number	PL3
Proposal description	Property rationalisation and income
Service Director	Peter Watton
Service Manager with responsibility for proposal development and delivery	Crawford McGhie, Graeme McGartland
Division	Sustainable Development

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.500	0.500	0.000	0.000	0.000
Cumulative Savings	0.500	1.000	1.000	1.000	1.000

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
The proposal seeks to release property costs from a number of surplus properties through either their disposal, community asset transfer and/or entering into leasing arrangements whereby additional income will be created. For example, Westfield House and Portlee Resource Centre are already vacated and Portobello Town Hall transferred to the local community. Lease proposals at the former Drumbrae Care Home and the future lease of parts of Waverley Court are expected to generate additional income and cut costs.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
All proposals will be delivered through Business as Usual activity via Strategic Asset Management and Estates Services.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
None

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
Any reduction in the size of the estates will contribute to the Council's carbon reduction targets for 2030.

Current Budget (£m)	107.308	Proposed Budget Saving (£m)	0.500
Current FTE	N/A	Proposed FTE Reduction	N/A

Revenue Savings Proposals 2023/24

Proposal reference number	CS1
Proposal description	Customer - Promotion of Online Services and Automation
Service Director	Nicola Harvey
Service Manager with responsibility for proposal development and delivery	Neil Jamieson
Division	Customer

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.165	0.000	0.000	0.000	0.000
Cumulative Savings	0.165	0.165	0.165	0.165	0.165

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)

Customer activities continue to be influenced by ongoing channel shift, self-service and automation. Saving initiatives include:

- Promoting Council Tax and Benefit online services and e-billing to reduce print and processing costs;
- Channel shift agenda and self-service e.g. online-only payment channels;
- Organisational review in support function to streamline service function - headcount reduction;
- Progressing webchat and chatbot capability and rationalising contact numbers, underpinned by knowledge base, better to flex resource capacity;
- Progressing online form capacity (driving benefit in service budgets);
- Reducing cost of translation services; and
- Utilising two-tier Sheriff Officer contract to drive Council Tax collection.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.

Recognition that some service changes may reduce customer choice. Initiatives will be designed/promoted to provide an accessible service model and align with service transformation plans (e.g. Smart City and 20-minute Neighbourhood) and wider strategic goals (e.g. ending poverty, addressing digital exclusion and promoting service inclusion).

Potential equalities and human rights and carbon, climate change adaptation and sustainable development

Council Tax online accounts/automation/online forms - to deliver significant savings may have to consider online by default/service accessibility considerations.

Minor organisation changes and team alignment - consideration of existing spans of control and welfare of team.

Current Budget (£m)	20.065	Proposed Budget Saving (£m)	0.165
Current FTE	541.5	Proposed FTE Reduction	6.0

Initial focus will be on maximisation of online services to reduce postage and printing costs. It is envisaged that any FTE savings will be delivered through vacancy management and reduction in agency expenditure.

Revenue Savings Proposals 2023/24

Proposal reference number	CS2
Proposal description	Corporate Services - Vacancy and Turnover Management
Service Director	Richard Carr
Service Manager with responsibility for proposal development and delivery	Hugh Dunn, Nicola Harvey, Nick Smith, Gillie Severin, Mike Pinkerton
Division	All Divisions within Corporate Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	1.173	0.000	0.000	0.000	0.000
Cumulative Savings	1.173	1.173	1.173	1.173	1.173

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)

Corporate Services' employee budget is £51.9m, after taking account of employee budgets which are fully recovered from non-General Fund and other external income sources. A 3% employee turnover target is £1.557m. Taking account of existing employee budget turnover targets of £0.386m, the Directorate will increase the turnover factor in its staffing budget to 3% to deliver an additional annual saving of £1.173m from employee turnover. As vacancies occur, managers will need to review whether posts need to be filled and if so, whether this needs to happen immediately, or if the functions can be discharged in another more cost-effective way, if indeed they are still required. If the conclusion is that a vacancy does need to be filled, then the full range of options for doing this will need to be considered, including converting full-time roles to part-time, the recruitment of apprentices and any other options. Where a role is likely to be impacted by the planned implementation of technology, it may be appropriate to recruit on a temporary of fixed-term basis.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.

There are two main implementation requirements. The first is the delivery of a programme to explain to managers what is required and why. This will be delivered during the current year given the approach is being rolled out across the Directorate during 2022/23. The second is a system of budget monitoring which enables spend against the Directorate's staffing budget to be reviewed by CSMT each month. In parallel it will be important to monitor spend on agency and overtime to ensure the delivery of the vacancy factor does not impact adversely on these two areas of expenditure. The savings target will be tracked against implementation plans, with monthly updates to Service Management Teams and with exceptions being reported to CSMT.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.

Failing to appoint into vacant posts may adversely impact various projects across the Council, which service staff currently support.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)

The proposals are not envisaged to lead to any negative impacts.

Current Budget (£m) (net of recoveries)	51.889	Proposed Budget Saving (£m)	1.173
Current FTE	1,410.5	Proposed FTE Reduction	40.0

This proposal will increase the vacancy factor to 3% across the Directorate. This proposal has been initiated in the current financial year and broadly reflects the current level of vacancy performance.

Revenue Savings Proposals 2023/24

Proposal reference number	CS3
Proposal description	Corporate Services - Senior Manager savings
Service Director	Richard Carr
Service Manager with responsibility for proposal development and delivery	Richard Carr and Nicola Harvey
Division	Customer/Strategy and Communications

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.223	0.000	0.000	0.000	0.000
Cumulative Savings	0.223	0.223	0.223	0.223	0.223

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
Customer - a review of the Business Support model has taken place annually since 2016, with £11.5m of savings realised. A revised structure has allowed a senior management post to be deleted and a voluntary redundancy application accepted by the Council. Strategy and Communications - a senior manager has left the Council and the post will not be recruited to.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
Both senior managers left the Council during 2022/23 and neither post will be recruited to. The savings proposal has been fully implemented and the savings achieved.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
The loss of skills and experience has been managed by transfer of knowledge within each service.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
Non-filling of these two posts has not led to any negative outcomes for equalities, human rights, carbon, climate change adaptation and sustainable development impacts.

Current Budget (£m)	0.223	Proposed Budget Saving (£m)	0.223
Current FTE	2.0	Proposed FTE Reduction	2.0
These roles are already vacated.			

Revenue Savings Proposals 2023/24

Proposal reference number	CS4
Proposal description	Salary Sacrifice income
Service Director	TBC
Service Manager with responsibility for proposal development and delivery	Steven Wright
Division	Human Resources

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.225	0.000	0.000	0.000	0.000
Cumulative Savings	0.225	0.225	0.225	0.225	0.225

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
To reflect income levels achieved from Salary Sacrifice schemes introduced in 2020/21 for employees for Backshore Electronics, gym membership and the new car leasing scheme. The Council generates a saving, depending on the terms of the scheme - generally on reduced employer's National Insurance and Superannuation costs.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
Finance and Resources Committee approved award of contract for Salary Sacrifice schemes on 3rd December 2020 Award of Contract for an Employee Benefits Platform report refers. This proposal reflects the current forecast of income recovery.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
Service outcomes were assessed as part of the award of contract for the Employee Benefit Platform on 3 December 2020.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts were assessed as part of the award of contract for the Employee Benefit Platform on 3 December 2020.

Current Budget (£m)	2.337	Proposed Budget Saving (£m)	0.225
Current FTE	156.0	Proposed FTE Reduction	0.0

Revenue Savings Proposals 2023/24

Proposal reference number	ECS1
Proposal description	Education Welfare Officers (EWOs)
Service Director	Amanda Hatton
Service Manager with responsibility for proposal development and delivery	Lorna French/Sharon Mcghee
Division	Learning and Teaching

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.400	0.200	0.000	0.000	0.000
Cumulative Savings	0.400	0.600	0.600	0.600	0.600

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
Following a Thematic Review of Attendance it is proposed to rationalise the various posts that are in place across the system to align with national and local policy (Included, Engaged and Involved) and to provide a consistent, targeted and/or intensive support model which also makes better use of Finance for Equity (PEF and SEF). Currently schools use a variety of methods to improve attendance. These range from clearer policies, improved management systems, improved curricula and effective inclusion. Many schools often use Pupil Equity Fund to employ a Pupil Support Officer to build relationships and support families to improve attendance. Some schools also make use of an Education Welfare Officer whose remit is to enforce the policy and refer to the Children's Reporter where no improvement has been made. This methodology is intrinsically punitive and does not support the child-centred vision for improving attendance or inclusion.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
This will be subject to an integrated impact assessment and Organisational Review. It will be aligned to the review of Inclusion as it will rely on schools working more closely within their learning communities to improve service, as well as pooling PEF to employ Pupil Support Officers to work directly with families. Consultation will be required at all stages, including with parent groups.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
Improving attendance is a priority so the review of the services currently contributing to this need is being carefully considered. A full Integrated Impact Assessment will be prepared. Reviews of work taken place in other local authorities suggests that this type of service was largely remodelled in almost all cases. Research confirms that building relationships and improving the school offer are more likely to improve attendance than using an 'Attendance Officer' type of approach.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
We cannot reduce support for our most vulnerable families so this project would need to be seen as part of an overall improvement in service delivery. An Organisational Review as part of the wider improvements for inclusion would include IIA to ensure all Equalities duties were met. There would be no net zero impacts.

Current Budget (£m)	0.650	Proposed Budget Saving (£m)	0.600
Current FTE	12.0	Proposed FTE Reduction	TBC
An organisational review will be implemented in accordance with the Council's Managing Change procedure. It is anticipated that opportunities will be available to redeploy relevant staff into similar roles.			

Revenue Savings Proposals 2023/24

Proposal reference number	ECS2
Proposal description	Speech and Language Therapy
Service Director	Amanda Hatton
Service Manager with responsibility for proposal development and delivery	Lorna French/Sharon McGhee
Division	Learning and Teaching

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.850	0.000	0.000	0.000	0.000
Cumulative Savings	0.850	0.850	0.850	0.850	0.850

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
There is currently a significant overlap between services purchased through the Speech and Language Therapy Service Level Agreement and core services provided by the NHS. It is therefore proposed that a review of delivery of SLA is progressed and alternative options are identified to ensure that required level of service delivery can continue to be provided from within existing resource in the most efficient way. We propose a shift towards more focus on complex needs in the provision of the Speech and Language Therapy additionally funded by the City of Edinburgh Council through a service level agreement with the NHS. The aim of the suggested change to the service delivery is to target the most vulnerable children in our society and ensure that they have every opportunity to improve their communication skills and continue to reduce any inequalities in line with the Local Authority's Education statutory requirement.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
The following steps are planned for implementation of this saving: A) Review of the current referral system / scope of practice and criteria, including eating, drinking and swallowing (EDS) for children and young people to ensure clinical and educational needs are not overlapped and ensure the correct statutory boundaries / duties are being met. B) Review potential for crossover into PEF funding duplication leading to: double accounting and, potentially, double invoicing for same work. C) Increase the number of training hours to educational staff to then deliver internally with all direct Speech and Language Therapy work referred to NHS pathways. D) Work with the NHS to ensure a smooth transition E) Explore chargeback for clinical assessments / support being undertaken in educational establishments.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
There is a need to be more effective and targeted in the referral process and the data reporting and monitoring needs to be interrogated more to identify actual / potential efficiency savings. This targets our limited budget to where the need is greatest. Children, young people and their families will continue to access support provided universally through the NHS clinics. Individual schools in areas of material deprivation, or upon evidence of a specific need, may continue to purchase Speech and Language therapy in addition to the support provided in NHS clinics. This aligns with the Learning communities approach, allows robust monitoring of outcomes, purposeful identification of measures of success and more effective quality assurance processes.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
Families most in need will be prioritised for targeted support, shifting the balance of resources to benefit the most vulnerable. Current NHS allocation of 15 Speech and Language Therapists in post would reduce which may create waiting list for SLT support - however service delivery will be reviewed on an ongoing basis and there would be potential to increase internal provision to address this issue if required, although this would reduce the level of the saving delivered.

Current Budget (£m)	0.850	Proposed Budget Saving (£m)	0.850
Current FTE	0.0	Proposed FTE Reduction	0.0

Revenue Savings Proposals 2023/24

Proposal reference number	ECS3
Proposal description	Multi Systemic Therapy Service
Service Director	Amanda Hatton
Service Manager with responsibility for proposal development and delivery	Steve Harte
Division	Children's Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.500	0.000	0.000	0.000	0.000
Cumulative Savings	0.500	0.500	0.500	0.500	0.500

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
Removal of the Multi Systemic Therapy Team with service to be delivered through other existing teams.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
This service has already ceased and while some staff are in the process of being redeployed, this process will be completed by March 2023.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
None - due to the changing nature of the service and how the needs of service users are addressed the requirement for this team had come to a natural end with the activities being picked up by other existing teams.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
None

Current Budget (£m)	0.500	Proposed Budget Saving (£m)	0.500
Current FTE	12.0	Proposed FTE Reduction	12.0
An organisational review has been implemented.			

Revenue Savings Proposals 2023/24

Proposal reference number	ECS4
Proposal description	Wellington Monies
Service Director	Amanda Hatton
Service Manager with responsibility for proposal development and delivery	Lorna French/Sharon McGhee
Division	Children's Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.340	0.160	0.000	0.000	0.000
Cumulative Savings	0.340	0.500	0.500	0.500	0.500

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
This funding stream was designed to ensure support at school level for those young people who would previously have accessed Wellington School. All schools now have a Wellbeing Hub, following a Council investment in excess of £2.5 million per annum, so this money can be removed over time. The money is currently used for staffing so redeployments may be required.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
Timeline would require sufficient communication to Headteachers, alternative planning and redeployment. An organisational review will not be required as each school may have used the money differently and post holders should not be permanent.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
Although schools have Wellbeing Hubs the ASN rates have increased since that proposal was initiated. Successful implementation of this project will require schools to be working effectively across their Learning Communities and pooling resources to ensure best value. It will also require improvements to the curriculum offer in some schools to ensure learners are motivated to attend and have their needs met.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
The proposal will be assessed within the IIA undertaken as part of the wider review of Inclusion.

Current Budget (£m)	0.500	Proposed Budget Saving (£m)	0.500
Current FTE	0.0	Proposed FTE Reduction	0.0

Revenue Savings Proposals 2023/24

Proposal reference number	ECS5
Proposal description	Review of Contracted Spend to Ensure Efficiency with Partners and to Remove Areas of Duplication
Service Director	Amanda Hatton
Service Manager with responsibility for proposal development and delivery	Lorna French Laura Zanotti
Division	Education and Children's Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.904	0.206	0.000	0.000	0.000
Cumulative Savings	0.904	1.110	1.110	1.110	1.110

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)

This proposal will examine services purchased from partners along with grants paid to third sector organisations to ensure that Best Value is achieved and that areas of duplication are minimised.

Review of delivery of contracts and SLAs to identify alternative options and ensure that required level of service can continue to be provided from within existing resources.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.

The following steps will be undertaken in implementation of the saving:
A) Undertake all IIAs and work across the Directorate to better understand where any overlaps, synergies and efficiencies can be made.
B) Review of the current referral system / scope of practice and criteria to ensure clinical and educational needs are not overlapped and ensure the correct statutory duties are being met.
C) Review potential for crossover into PEF funding duplication leading to fragmentation and possible double accounting.
D) Communicate the change to organisations, staff and service users as required.
E) Explore chargeback for clinical assessments / support being undertaken in educational establishments.

There may be an initial requirement in both the third sector and within schools and practice teams to ensure children, young people and families have a safety net and are appropriately signposted to relevant organisations.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.

There is a need to be more effective and targeted in the referral process and the data reporting and monitoring needs to be interrogated more to identify actual / potential efficiency savings.

Statutory Partner Agencies and Third Sector organisations and their staff; children, young people and families living in communities across Edinburgh who benefit from accessing these services;

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)

Details will be considered for each proposal.

Current Budget (£m)	22.100	Proposed Budget Saving (£m)	1.110
Current FTE	0.0	Proposed FTE Reduction	0.0

Revenue Savings Proposals 2023/24

Proposal reference number	PL4
Proposal description	Taxicard
Service Director	Place
Service Manager with responsibility for proposal development and delivery	Gareth Barwell
Division	Operational Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.120	0.030	0.000	0.000	0.000
Cumulative Savings	0.120	0.150	0.150	0.150	0.150

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
Beginning in 2023/24, there is a proposal to cease funding the Taxicard service on a phased basis to 2024/25. Taxicard enables people with a disability which makes it difficult to use ordinary buses to get around the city by taxi. The journey is charged at a nominal cost. Cards are issued for a three-year period. The Council currently contracts with a single taxi operator in the city for this service. Demand for the service has reduced in recent years. Benchmarking suggests that there are few local authorities providing this service and that taxi companies are providing this service without subsidy from the Council (e.g. City Cabs operate a scheme called Cab Assist).

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
The contract for Taxicard is currently awarded via waiver to the Council's contract standing orders. It is proposed to phase out the scheme in order to maintain provision for current recipients in the short term. If approved, officers will write to all scheme recipients to let them know that their card will not be renewed when it expires. The Council will also engage with the taxi provider commissioned for this service to advise that the scheme will be phased out.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
There are no anticipated service impacts arising from this proposal as the service is provided by a third party directly to customers. As noted above, benchmarking suggests that few local authorities continue to provide a Taxi Card service and, in Edinburgh, there is at least one example of a similar scheme operated privately by a taxi company.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
An Integrated Impact Assessment has been completed for this proposal.

Current Budget (£m)	0.150	Proposed Budget Saving (£m)	0.150
Current FTE	n/a	Proposed FTE Reduction	n/a

Revenue Savings Proposals 2023/24

Proposal reference number	PL5
Proposal description	One-off Increase in Income and Reduction in Funding for Events and Cultural Grants
Service Director	Joan Parr
Service Manager with responsibility for proposal development and delivery	Joan Parr
Division	Culture and Wellbeing

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.250	0.000	0.000	0.000	0.000
Cumulative Savings	0.250	0.250	0.250	0.250	0.250

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
This is a one-off proposal in 2023/24 to increase income from recovery of costs for events and filming in the city together with a one-off reduction in funding for the city's Events programme 2023/24 and Third Party Cultural Grants programme 2023/24. A sustainable approach to achieving this saving on an on-going basis will be developed during financial year 2023/24. In 2023/24, it is anticipated that the proposal will be delivered as follows: Cost recovery: £0.025m; Events programme: £0.140m; and Cultural Grants: £0.085m.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
Officers will continue to implement full cost recovery for events and filming in the city and will implement a reduction in the funding available for the city's Events programme and the Third Party Cultural Grants programme 2023/24. These awards are made on an annual basis, with recommendations approved by the Culture and Communities Committee.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
While this reduction is proposed on a one-off basis, there will be a reduction in the number of events supported by the Council in 2023/24. The reduction in funding for cultural grants may also result in a reduced programme of activities in 2023/24 but officers will work closely with affected funded organisations to minimise the impact (including supporting applications for alternative or match funding for activities if necessary).

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
An integrated impact assessment has been carried out as part of the development of this proposal.

Current Budget (£m)	5.956	Proposed Budget Saving (£m)	0.250
Current FTE	n/a	Proposed FTE Reduction	n/a

Revenue Savings Proposals 2023/24

Proposal reference number	PL6
Proposal description	Homelessness - Reduction in demand for temporary accommodation
Service Director	Nicky Brown
Service Manager with responsibility for proposal development and delivery	Jill Thomson / Sarah Burns / Elaine Scott
Division	Housing and Homelessness

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	2.325	1.125	0.000	0.000	0.000
Cumulative Savings	2.325	3.450	3.450	3.450	3.450

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
This proposal has two core elements: a) to increase the number of Council properties available to people in temporary accommodation (by making approximately 600 properties which are currently empty available for use. Circa 70% of these properties will be made available for homeless households); and b) to increase prevention activities to support people at risk of homelessness to access support and advice.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
The empty properties will begin to become available from May 2023 and resources to support prevention activities will be maintained and enhanced, leading to further reductions in the number of households requiring temporary accommodation.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
This would have a positive impact on outcomes, as the Council would be able reduce the number of households in temporary accommodation, the Council will have fewer empty properties and the cost of temporary accommodation will be further reduced as more households will be supported in order to prevent them becoming homeless.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
An integrated impact assessment has been completed for this proposal.

Current Budget (£m)	62.000	Proposed Budget Saving (£m)	3.450
Current FTE	182.0	Proposed FTE *Increase*	45.0

Revenue Savings Proposals 2023/24

Proposal reference number	ECS6
Proposal description	Review of Devolved School Management Allocations
Service Director	Amanda Hatton / Lorna French
Service Manager with responsibility for proposal development and delivery	Lorna French
Division	Education and Children's Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	7.150	-0.250	0.000	0.000	0.000
Cumulative Savings	7.150	6.900	6.900	6.900	6.900

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
Review allocations made under Scheme of Devolved School Management along with centrally managed resources including consideration of - recurring unallocated funding of £1.6m; - a one off contribution from school carry forward balances of £2m in 2023/24. School carry forward balances increased by £2m in 2022/23 due to difficulties recruiting along with lack of requirement to fill some posts over the course of the pandemic. This one off contribution will reduce balances to pre covid levels; - DSM per capita allocations of £1.95m in 2023/24, increasing to £2.9m in 2024/25 to reflect full academic year. This additional funding was made available to schools to provide for additional support during the pandemic and consultation with Head Teachers indicates that it is not required to support core activities on an ongoing basis; and - staffing allocations of £1.6m increasing to £2.4m in 2024/25 focussing on a review of Transition Teacher posts and additional specific Pupil Support allocations made to support P1-P3. These posts were allocated to provide additional support during the pandemic and can now be removed without impacting on core teaching activities or core support activities. This proposal has been subject to consultation with Head Teachers and they have advised that these are areas that they would prefer to target over other core activities. While the proposal also includes removal of additional COVID-related pupil support allocations, this can be managed through normal staff turnover and vacancy management.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
Budget savings will be implemented from Summer 2023 within the DSM framework. Headteachers have been consulted and will have the ability to manage savings in a way that best needs the needs of their individual schools while maintaining core pre Covid Pupil Teacher ratios

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
This measure will not impact on core Pupil Teacher ratios and the statutory requirement to provide an education that meets the individual needs of all pupils will remain. In delivering this requirement schools will continue to meet any needs arising from protected characteristics. There is no evidence that the proposed budget reduction will impact disproportionately on any group with protected characteristics. The Council has also invested heavily in the implementation of its Empowered Learning digital strategy to support changes in how Education and support can be delivered more effectively, taking advantage of improved connectivity and the allocation of 1:1 digital devices across the learning estate. It should also be noted that while this proposal does propose a reduction in transition teacher numbers it is anticipated that the number of teachers required by City of Edinburgh Council will continue to increase as a result of rising rolls. Scottish Government published statistics evidence an increase in teacher numbers of 6.4% across the city over the last three years, compared with a national average of 3.7%. So while there may be a need for a small number of teachers to be redeployed no staff will be under threat of redundancy as a result of this measure. Budgetary provision for this ongoing growth of £2.296 million per annum is built in to the Council's budget framework assumptions.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
The element relating of the saving relating to the removal of £1.6m unallocated reserve will not have any impact as it was not allocated to any recurring activity. The one-off contribution of £2m carry-forward balances is also effectively a centrally held reserve which accrued due to restricted activity during the pandemic. This funding is also not allocated to any recurring activity and can therefore be given up with no adverse impact. The £1.95m DSM allocation reduction in 2023/24, rising to £2.9m in 2024/25, was additional funding provided over the last 18 months and does not support core activity, schools were able to use this funding based on decisions made at a local level and the removal of the funding will not impact on specific groups or core teaching activities. Given the nature of Devolved School Management Headteachers will have the ability to divert resources locally if they feel that there in an ongoing need. The proposed staffing reduction of £1.6m in 2023/24, rising to £2.4m in 2024/25 will remove two specific staffing groups. Again this additional resource was put in to schools over the last 18 months to support transition from Primary to Secondary and to provide some additional support in P1-3 during the pandemic. These additional posts served an important purpose at the time, but it is felt that this role can now be removed without any adverse impact. Again as with the DSM reduction noted above, the scheme of Devolved School Management will allow for Headteachers to continue to divert resources in to this area if they feel that there is still a need locally.

Current Budget (£m)	284.300	Proposed Budget Saving (£m)	7.150
Current FTE	3,812.0	Proposed FTE Reduction	65.0

Revenue Savings Proposals 2023/24

Proposal reference number	ECS7
Proposal description	Review and Alignment of Inclusion and Support
Service Director	Lorna French
Service Manager with responsibility for proposal development and delivery	Sharon McGhee
Division	Education

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.000	1.500	1.000	1.000	0.900
Cumulative Savings	0.000	1.500	2.500	3.500	4.400

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where
Inclusion in Edinburgh is being reviewed in light of the recommendations from the National ASL Review and to ensure alignment with the objectives of the City Plan. This will result in more needs being met locally and specialist services being aligned across Learning Communities. It will specifically improve opportunities for community empowerment and will build capacity within the schools themselves, reducing the reliance on central teams of specialists and therefore providing a more skilled, responsive service overall. It fully coheres with the 20-minute neighbourhood and Team around the Learning Community approach. It also underlines national policy that inclusion is delivered as close to the child or young person as possible. This methodology often results in longer staying-on rates and greater independent work habits, therefore higher life chances. As this is such a large area of work, an overarching project board has been set up to oversee the organisational review of the services which support inclusion, as well as to agree the vision and strategy. This work was begun pre-pandemic and is now being taken forward with peer support from the ADES ASN Network and will involve an independent collaborative review of Inclusion by Education Scotland and ADES on how inclusion is delivered. Initial baseline measures indicate that of the four workstreams, Pupil Support Assistants should be prioritised. This will also satisfy trade unions which have been critical of low pay and poor career progression for PSAs. Recruitment and retention of PSAs has been increasingly difficult and absence rates are higher than for other groups. Taken together this indicates a need to review the overall provision, including training, remuneration and career progression. Comparator authorities have concluded reviews for PSAs to 'professionalise' the workforce, which with fewer, better paid employees, has released significant efficiency savings. Finally, significant research shows that untrained low paid staff can stifle independence rather than support inclusion and raise attainment. It is anticipated that the ASL Service would be decentralised, with inclusion being managed at learning community level. It is also anticipated that some external funding to 3rd sector partners is reviewed to ensure better, strategic use is made of Pupil Equity and Strategic Equity funding. The special school estate is in scope due to the significant changes in ASN delivered in our schools and could see increases in learners attending mainstream schools, as well as clearer ASN profiles for our special schools. This should result in a smaller physical footprint.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial
Headteachers have been calling for a review of Inclusion for several years and as mentioned above, the Project Board was initiated pre-pandemic and has just been reconvened. Due to the complexity and scale of the change involved, an overall impact assessment is being prepared, as well as individual ones for each workstream. These will be done with full involvement from teaching and ancillary unions and appropriate stakeholder reference groups. The indicative timeline is that actions could be implemented by 2024/25, however the review of special schools will be particularly sensitive and will require Statutory Consultations.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where
Edinburgh has invested heavily in ASL to a greater extent than almost all other local authorities, with the exception of the Challenge Authorities (which received approximately 10 times the funding pro rata), but has not reviewed provision or completed service level internal scrutiny for several years. The allocation of Inclusion Support 'audit hours for PSAs' was adjusted to be directed to those children and young people recorded on SEEMIS with ASN. This resulted in a significant rise in the numbers assessed as having ASN, accounting for 60% of the national increase in the past 3 years. In addition our profile of ASN is completely at odds with the national picture in which most ASN are in SIMD deciles 1 and 2, whereas ASN in Edinburgh occurs mostly in deciles 7,8,9 and 10. This suggests a perverse incentive has arisen which requires further analysis. There is no ambition to remove support overall, but we should be realigning the support and reducing the management costs. In parallel, Teams around the Learning Community models are being developed which ensure that headteachers make best use of the significant resources for Finance for Equity, which they can pool and plan together across schools. The greatest risk will be in continuing with the current model. As the population changes and empowerment gains momentum, our schools need to be supporting children and young people to become increasingly active and empowered. Failing to meet needs appropriately could result in lower attainment, children's medical needs not being sufficiently met, an increase in risk-taking behaviour/crime from young people who are at risk of not engaging in full-time education and ultimately legal action against the Council for not fulfilling statutory requirements. If there is not adequate funding to enable the inclusion agenda and requirements under key legislation, there is a risk of legal and reputational impact to the Council. Part of the new model for school/locality-based inclusion is the investment of recurring budget in excess of £2.5m to establish Wellbeing Hubs in every secondary school to support the presumption of mainstream and to provide additional capacity for young people to take part in a range of curricular and learning experiences and supports.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts,
Full Impact Assessments and Organisational Reviews will be required to ensure compliance with relevant legislation and policy - Children Young People Scotland Act - Equality Act 2010 - Scottish Government ASL Action Plan - UNCRC - The Promise, Care Experienced Children and Young People

Current Budget (£m)	55.800	Proposed Budget Saving (£m)	4.400
Current FTE	1,288.0	Proposed FTE Reduction	80.0
This review has recently been reconvened and will be progressed with full involvement from teaching and ancillary unions and appropriate stakeholder reference groups. No financial / FTE savings are assumed in 2023/24 pending development of detailed proposals.			

Revenue Savings Proposals 2023/24

Proposal reference number	PL7
Proposal description	Income Recovery in Regulatory Services and Planning and Building Standards
Service Director	Peter Watton
Service Manager with responsibility for proposal development and delivery	Andrew Mitchell/David Givan
Division	Place

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.500	0.000	0.000	0.000	0.000
Cumulative Savings	0.500	0.500	0.500	0.500	0.500

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
This proposal is to increase the income recovery in Planning and Building Standards and in Regulatory Services (non ring-fenced accounts) through the fees charged for services. There is also a small reduction in costs anticipated in Regulatory Services.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
The charges for these services have already been agreed. However, in Regulatory Services, it is intended to update the relevant Committee on the status of these activities in advance of these increases being delivered.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
There are no impacts on service outcomes anticipated with the increase in income recovery proposed. The small reduction in funding in Regulatory Services may have an impact on service delivery, which the Head of Regulatory Services will seek to mitigate as far as possible.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
As these charges are already in place, no integrated impacts are anticipated.

Current Budget (£m)	n/a	Proposed Budget Saving (£m)	0.500
Current FTE	n/a	Proposed FTE Reduction	n/a

Revenue Savings Proposals 2023/24

Proposal reference number	PL8
Proposal description	Organisational Reviews - Place
Service Director	Paul Lawrence
Service Manager with responsibility for proposal development and delivery	Joan Parr, Gareth Barwell, Peter Watton
Division	Place

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.530	0.000	0.000	0.000	0.000
Cumulative Savings	0.530	0.530	0.530	0.530	0.530

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where
This proposal seeks to reduce the overall staff cost within the Place Directorate through the implementation of a small number of organisational reviews which are either currently in progress or are planned.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing,
These organisational reviews are or will be implemented in accordance with the Council's Managing Change procedure.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account,
Each organisational review will identify any potential impact on service outcomes and associated mitigations (where it is possible to do so) as part of the engagement and consultation carried out.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development
Integrated Impact Assessments will be carried out as part of the preparation for each organisational review and will be updated throughout the review period.

Current Budget (£m)	183.452	Proposed Budget Saving (£m)	0.530
Current FTE	4,878.0	Proposed FTE Reduction	7.000

This is an indicative estimate of the FTE reductions associated with this proposal. A small number of organisational reviews will be implemented in accordance with the Council's Managing Change procedure.

Revenue Investment Proposals 2023/24

Proposal reference number	INV1
Proposal description	Restoring Bus Services for Willowbrae/Lady Nairne and Dumbiedykes
Service Director	Peter Watton
Service Manager with responsibility for proposal development and delivery	Daisy Narayanan
Division	Sustainable Development

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.200	0.000	0.000	0.000	0.000
Cumulative Savings	0.200	0.200	0.200	0.200	0.200

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
In June 2022, the Council approved a combined motion by Councillors Whyte and Mowat seeking to address the issues raised by local residents in the Willowbrae/Lady Nairne and Dumbiedykes areas of the city where local bus services have been withdrawn. The action agreed was to investigate options for an improved level of public transport in these areas. In December 2022, Transport and Environment Committee received an update on the challenges and options for supported services and requested that the option to introduce an accessible minibus for Willowbrae/Lady Nairne and Dumbiedykes be considered as part of the Council's budget process. This proposal is therefore to introduce a registered local (mini)bus service which would operate to a set timetable and which could accept concessionary bus passes. The cost of operating this service 5 or 6 days per week (including the cost of the vehicle and driver) is estimated to be approximately £0.1m per location. It is unlikely that this cost could be fully recovered from fare revenue.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
If this proposal is approved, Council officers would seek to engage with local bus service providers and to invite tenders to operate such a service. This would become part of the Council's Supported Bus Programme and would be administered accordingly. If this proposal is approved, the contract will increase in value annually by inflation and therefore will need to be considered as part of the Council's future approach to inflationary increases.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
It is important to note that there may be other areas of the city which are (or will soon be) experiencing reduced bus services as the operating environment for public transport is extremely challenging and patronage is falling meaning that it is increasingly difficult to sustain all existing commercial services.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
An Integrated Impact Assessment has been completed for this proposal.

Current Budget (£m)	1.500	Proposed Budget Increase (£m)	0.200
Current FTE	0.000	Proposed FTE Reduction	0.000

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The City of Edinburgh Council

10.00am, Thursday, 23 February 2023

Revenue Budget Framework 2023/24 – further update

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 It is recommended that members of Council note the updates and changes set out in the report as part of setting the Council's Revenue Budget for 2023/24.

Andrew Kerr

Chief Executive

Contact: Hugh Dunn, Service Director: Finance and Procurement,

Finance and Procurement Division, Corporate Services Directorate

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Report

Revenue Budget Framework 2023/24 – further update

2. Executive Summary

2.1 An update on the revenue budget framework was considered by the Finance and Resources Committee on 7 February 2023, with this report referred on to Council to inform today's budget-setting meeting. Given the remaining 2023/24 revenue funding gap of £3.7m detailed within that report, however, officers have continued to explore opportunities for additional income and/or reductions in expenditure, such that a balanced overall position, subject to acceptance of all officer recommendations, can be presented for consideration. This report therefore sets out a number of further updates which would reduce the gap, expressed on an equivalent basis, to £1.185m, assuming a 3% increase in Council Tax rates in 2023/24.

2.2 Following the announcement of the 2023/24 Local Government Finance Settlement (LGFS) on 20 December 2022, the reports considered on 7 February 2023 incorporated Council-specific grant funding allocations, albeit these sums remained provisional subject to both the Settlement consultation process and the Budget Bill's Parliamentary consideration. As of the time of writing, no further changes to the overall quantum of core funding to be provided to Local Government as a whole, or to the Council specifically, in 2023/24 had been confirmed as a result of either process.

2.3 Political groups should therefore prepare their respective motions on the basis of the Council's provisional 2023/24 grant funding allocation. Should the Bill's Stage Three consideration, anticipated to begin on 21 February, result in the provision of any additional unallocated sums, these will be the subject of separate consideration at a subsequent meeting of Council.

3. Background

3.1 At the meeting of the Finance and Resources Committee on 7 February 2023, members considered an update report on the Council's 2023/27 revenue budget framework, taking into account the provisional outcome of the 2023/24 LGFS and other changes in planning assumptions on the Council's incremental savings gaps for 2023/24 and subsequent years.

3.2 Alongside a number of further savings proposals presented for consideration, acceptance of all officer recommendations contained within that report would result in a residual gap in 2023/24 of £3.7m. In view of this remaining gap, however, officers have continued to explore opportunities for additional income and/or reductions in expenditure, such that a balanced overall position, assuming acceptance of all officer recommendations, can be presented for consideration.

3.3 Recognising the requirement for the Council to set a balanced budget for 2023/24, it was noted that based on the report's contents, a Council Tax increase of 4.2%, alongside acceptance of all officer recommendations, would align projected income and expenditure for the year.

4. Main report

4.1 A number of changes relative to the position reported to the Committee's last meeting have now been reflected within the budget framework as outlined in the following sections.

Millerhill Recyling and Energy Recovery Centre

4.2 Updated estimates have now been received on the Council's share of projected income from the heat off-take agreement for the Millerhill facility. These projections suggest additional income receivable in 2023/24 of some £0.950m. Given longer-term uncertainty around energy prices and other relevant factors, no change has been reflected in respect of subsequent years' income at this time.

Increase in Scottish Water agency collection fee

4.3 The 2023 Water Order, setting out the basis on which local authorities will continue to collect water and sewerage charges on Scottish Water's behalf during 2023/24, has now been approved by the Scottish Parliament. On this basis, £0.090m of additional income, after offsetting of relevant costs, is available as a contribution towards the savings gap in 2023/24 and subsequent years.

Increase in income from parking charges and parking permits

4.4 In accordance with the policy agreed at the Transport and Environment Committee on 17 May 2018, proposed increases in parking permit prices are linked to changes in RPI over the preceding twelve-month period. To maintain parity with these prices, it is officers' recommendation that parking charges increase by a similar amount, although the precise level of increase varies by location within the city.

4.5 As a result of application of this policy, relevant charges are proposed to increase by between 12% and 15% in 2023/24. Based on existing income levels and incorporating an element of price resistance, it is estimated that these increases will generate some £0.700m of additional income relative to current budget framework assumptions.

Contract for collection, haulage and recycling of mixed glass

4.6 The Council has recently awarded, for an initial period of two years, a contract for the collection, haulage and recycling of mixed glass. This contract provides for an enhanced price paid per tonne in 2023/24 which, based on anticipated volumes, will result in the one-off receipt of £0.550m of additional income before reverting to lower rates thereafter.

Energy tariffs

4.7 As indicated at the meeting of the Finance and Resources Committee on 7 February, subsequent years' projections for energy costs are regularly reviewed in the light of usage levels, relevant prevailing wholesale rates and, in particular, the extent of confirmed forward-purchasing for utilities contracts. While the most recent forecasts continue to indicate year-on-year increases in electricity costs for 2023/24 of around 60%, gas prices appear to have stabilised, with the potential for an overall element of reduction subject to the outcome of the national reconciliation position (whereby the actual cost of energy bought on the day is added to pre-purchased volumes, with any differential then applied against the following year's rates). On this basis and factoring in measures to reduce consumption being introduced, the additional provision for gas, relative to the approved budget for 2022/23, has been reduced by £1.0m and is assumed to be baselined at that level thereafter.

Coronation of King Charles III

4.8 At the meeting of Council on 9 February, members agreed to grant an additional day's leave for all staff to mark the Coronation of King Charles III. While, in the majority of cases, this will not result in additional costs, some extra expenditure will be incurred as a result of necessary service cover. Based on the associated additional cost of equivalent events in 2022/23, the budget framework therefore now includes £0.250m, on a one-off basis, in 2023/24.

Savings profiles for proposals recommended by officers

4.9 Officers have continued preparatory work on the development of proposals comprising the budget framework in order that, subject to member approval, these are then able to be delivered in the manner intended in 2023/24. As part of this process, the level of saving and associated phasing of proposal ECS2 (Speech and Language Therapy) has been revised, with a lower sum of £0.370m assumed in 2023/24, increasing to £0.500m from 2024/25.

4.10 Following feedback from elected members, additional detail and/or clarification has also been provided on a number of proposals, with these amended templates included in Appendix 1.

4.11 It is furthermore officers' understanding that approval of the proposals contained within the budget framework would not breach any of the funding conditions on teacher numbers, pupil assistant numbers and teaching hours set out in the letter from the Cabinet Secretary for Education and Skills on 9 February 2023.

Overall impact of changes

4.12 The combined effect of the changes outlined in the preceding paragraphs is summarised below. The remaining gap in 2023/24 of £1.185m could, subject to acceptance of all officer recommendations, be met by a revision of the proposed Council Tax increase to 3.4%. This does not, however, detract from the more fundamental need to develop the Medium-Term Financial Plan as a means of addressing subsequent years' savings requirements.

	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000
Remaining gap assuming acceptance of all officer recommendations per report considered by Finance and Resources Committee, 7 February 2023	3,745	39,474	68,514	91,824
Increases in savings/income:				
Millerhill Recycling and Energy Recovery Centre - additional income	(950)	0	0	0
Scottish Water agency collection fee – increased income net of associated costs	(90)	(90)	(90)	(90)
Increase in income from parking charges and parking permits	(700)	(700)	(700)	(700)
Contract for collection, haulage and recycling of mixed glass - additional Year 1 income	(550)	0	0	0
Energy tariffs/usage - updated forecasts	(1,000)	(1,000)	(1,000)	(1,000)
Reductions in savings/additional costs:				
Coronation of King Charles III - additional staffing costs	250	0	0	0
Speech and Language Therapy proposal (ECS2) - revised profile	480	350	350	350
Updated gap assuming approval of all officer recommendations	**1,185**	**38,034**	**67,074**	**90,384**
Revision of 2023/24 Council Tax increase to 3.4%	(1,315)	(1,354)	(1,395)	(1,437)
	(130)	**36,680**	**65,679**	**88,947**

Scottish Budget Bill Parliamentary progress

4.13 As of the time of writing, the Scottish Budget Bill is making its way through the Scottish Parliament, with the Stage One debate having taken place on 2 February, Stage Two consideration the following week and the Stage Three debate anticipated to take place on 21 February. No further changes to the overall quantum of funding to be provided to Local Government as a whole, or to the Council specifically, in 2023/24 have yet been confirmed as part of either process.

4.14 Political groups should therefore present their respective motions on the basis of the Council's provisional 2023/24 funding allocation. Should the Bill's Stage Three consideration result in the provision of any additional unallocated sums, these will be subject to separate consideration at a subsequent meeting of Council.

Human Resource and Payroll System

4.15 On 10 November 2022, members of the Finance and Resources Committee noted the outcome of the Request for Proposal (RFP) for replacement of the Council's HR and Payroll system and approved mobilising the prerequisite work, insofar as was possible, prior to awarding the contract to the recommended vendor.

4.16 While approval of this proposal would not result in any additional funding requirement in 2023/24, it would give rise to liabilities of £0.590m beyond those assumed in the budget framework in 2024/25, increasing to £1.389m between 2025/26 and 2028/29. A further report seeking formalisation of the contract award will be considered by the Finance and Resources Committee on 10 March 2023 for onward ratification by Council.

Teachers' pay negotiations, 2022/23

4.17 On 14 February, a revised two-year pay offer was made to the representative teaching unions, comprising a 6% increase across all spinal points for 2022/23 and a further 5.5% rise in 2023/24, with a cap applied in each case at £80,000. As part of this improved offer, the Scottish Government had identified £156m of additional funding towards the cost of the two years' proposed teaching pay awards.

4.18 This revised offer has, however, been unanimously rejected by the EIS, the largest representative union and, as such, there remains a risk that any agreed teaching settlement for 2022/23 gives rise to recurring unfunded costs. Members are reminded that the budget framework assumes a 3% average increase across all staffing groups in 2023/24 and there is likewise a risk that the pay settlement, once agreed, also gives rise to recurring pressures.

Edinburgh Integration Joint Board (EIJB)

4.19 Parallel work on development of the EIJB's budget for 2023/24 is underway, with one workshop held thus far with Board members and further workshops planned for February and March. Due to a combination of unfunded demographic growth, unfunded Living Wage contract uplifts and previous one-off funding from NHS Lothian, however, a significant structural deficit has been identified for 2023/24.

4.20 The budget framework assumes full pass-through of all relevant monies included within the LGFS, including sums provided for the 2022/23 employee pay award. Given the extent of the remaining funding gap, however, it is anticipated that measures sufficient to address this deficit will continue to be the subject of discussion among the partners as the new financial year begins.

5. Next Steps

5.1 The revised level of resources outlined in this report forms the starting point for the respective budget motions brought forward for consideration at today's meeting.

6. Financial impact

6.1 Even on the assumption that all officer recommendations are accepted, the report sets out a revised estimated gap in 2023/24 of £1.185m, rising significantly in subsequent years.

6.2 In view of the Council's immediate statutory requirement to set a balanced budget for the coming year by 11 March 2023, additional savings and/or income-generating proposals therefore require to be identified to address this gap.

7. Stakeholder/Community Impact

7.1 Given the extent of activity undertaken in recent years to inform the Council's priorities, no direct additional consultation or engagement has been carried out as part of the 2023/24 budget development process. The Council will, however, set out – based on integrated impact assessments – what consultation will be necessary and when this will take place following the financial decisions taken by Council on 23 February 2023.

7.2 In addition to the publication of all relevant Integrated Impact Assessments (IIAs), a cumulative assessment is included elsewhere on today's agenda to ensure members pay due regard to their duties in this area.

8. Background reading/external references

8.1 Revenue Budget Framework 2023/27 – progress update, Finance and Resources Committee, 7 February 2023

8.2 Revenue Budget 2023/24 – Risks and Reserves, Finance and Resources Committee, 7 February 2023

8.3 Sustainable Capital Budget Strategy 2023-2033, Finance and Resources Committee, 7 February 2023

8.4 Accounting for Service Concessions, Finance and Resources Committee, 7 February 2023

8.5 Housing Revenue Account (HRA) Budget Strategy 2023/2024 – 2032/2033, Finance and Resources Committee, 7 February 2023

8.6 Finance Update, Edinburgh Integration Joint Board, 13 December 2022

9. Appendices

Appendix 1 – Updated savings proposal templates

Revenue Savings Proposals 2023/24

Proposal reference number	ECS1
Proposal description	Education Welfare Officers (EWOs)
Service Director	Lorna French
Service Manager with responsibility for proposal development and delivery	Lynn Paterson
Division	Education

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.400	0.200	0.000	0.000	0.000
Cumulative Savings	0.400	0.600	0.600	0.600	0.600

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
Following a Thematic Review of Attendance reported to ECF 2022, it is proposed to rationalise the various posts that are in place across the system to align with national and local policy (Included, Engaged and Involved) and to provide a consistent, targeted and/or intensive support model which also makes better use of Finance for Equity (PEF and SEF). Currently schools use a variety of methods to improve attendance. These range from clearer policies, improved management systems, improved curricula and effective inclusion. Following a previous reduction of the EWO service, the service was restructured to support 12 clusters (no special schools) and give access to service where attendance had fallen below 85%, in other words when the problem had become significant. This was not perceived as equitable since almost all schools have increasing levels of low attendance. Many schools therefore began to use Pupil Equity Fund to employ a Pupil Support Officer to build relationships and support families to improve attendance. Prevention and Early Intervention are key principles to improve attendance, as well as building relationships. The scarcity of the service, coupled with the reactive rather than preventative methodology, and the emerging and successful use of PEF to fund other posts are the key reasons for the Review to Maximise Attendance, which will look at the viability of these and produce a single model for all schools with clearer Universal, Targeted and Intensive Supports.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
This Review will be subject to an integrated impact assessment and ultimately, an Organisational Review. It will be aligned to the review of Inclusion as it will rely on schools working more closely within their learning communities to improve service, as well as developing the good practice of pooling PEF to employ Pupil Support Officers to work directly with families. Consultation will be required at all stages, including with parent/carer groups.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
Improving attendance is a local and national priority, particularly post-Pandemic, and the services which support this work need to be research-based and available to all. Research confirms that building relationships and improving the school offer are more likely to improve attendance than using an 'Attendance Officer' type of approach. In common with other Local Authorities, ambitious Stretch Aims have been set to improve the poverty-related aspect of attendance statistics. A full Integrated Impact Assessment will be prepared. Reviews of work taken place in other local authorities suggest that this type of service was largely remodelled in almost all cases, so national benchmarking will also be undertaken. Headteachers can make referrals to the Children's Reporter, though other statutory elements of attendance will need to be captured within the IIA.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
We cannot reduce support for our most vulnerable families so this project would need to be seen as part of an overall improvement in service delivery. An Organisational Review as part of the wider improvements for inclusion would include IIA to ensure all Equalities duties were met. There would be no net zero impacts.

Current Budget (£m)	0.650	Proposed Budget Saving (£m)	0.600
Current FTE	12.0	Proposed FTE Reduction	TBC
An organisational review will be implemented in accordance with the Council's Managing Change procedure. It is anticipated that opportunities will be available to redeploy all staff into similar roles.			

Revenue Savings Proposals 2023/24

Proposal reference number	ECS2
Proposal description	Speech and Language Therapy
Service Director	Amanda Hatton
Service Manager with responsibility for proposal development and delivery	Lorna French/Sharon McGhee
Division	

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.370	0.130	0.000	0.000	0.000
Cumulative Savings	0.370	0.500	0.500	0.500	0.500

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
Legislation places a duty on the Education Authority to ensure speech and language services are provided with respect to specific groups of vulnerable children with additional support needs, where speech and language input is required or deemed beneficial. The Council will continue to commit additional funding to provide to the children in need of speech and language therapy however at this time the agreement does not provide a clear delineation between our two individual core statutory duties and we are concerned that there is a potential for overlaps to occur. It is therefore proposed that a review of delivery of SLA is progressed and alternative options are identified to ensure that required level of service delivery can continue to be provided from within existing resource in the most efficient way. We propose a shift towards more focus on complex needs in the provision of the Speech and Language Therapy additionally funded by the City of Edinburgh Council through a service level agreement with the NHS. The aim of the suggested change to the service delivery is to target the most vulnerable children in our society and ensure that they have every opportunity to improve their communication skills and continue to reduce any inequalities in line with the Education Authority statutory requirement.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
A) Review of the current referral system / scope of practice and criteria, including eating, drinking and swallowing (EDS) for children and young people to ensure clinical and educational needs are not overlapped and ensure the correct statutory boundaries / duties are being met. B) Increase the number of training hours to educational staff then to deliver internally with all direct Speech and Language Therapy work referred to NHS pathways. C) Work with the NHS to ensure a smooth transition

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
There is a need to be more effective and targeted in the referral process and the data reporting and monitoring needs to be interrogated more to identify actual / potential efficiency savings. This targets our limited budget to where the need is greatest. Over the last two years we have worked with the NHS to shift the focus towards more complex needs requesting enhanced support for children in Special Schools and Enhanced Support Base provisions. These vulnerable children will continue to receive the same level of additional support funded by the Education Authority. Children and young people in mainstream schools will continue to access support provided universally through the NHS clinics. Individual schools in areas of material deprivation, or upon evidence of a specific need, may continue to purchase Speech and Language therapy in addition to the support provided in NHS clinics. This aligns with the Learning communities approach, allows robust monitoring of outcomes, purposeful identification of measures of success and more effective quality assurance processes.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
Families most in need will be prioritised for targeted support, shifting the balance of resources to benefit the most vulnerable. Current NHS allocation of 15 Speech and Language Therapists in post would reduce which may create waiting list for SLT support - however service delivery will be reviewed on an ongoing basis and there would be potential to increase internal provision to address this issue if required, although this would reduce the level of the saving delivered.

Current Budget (£m)	0.850	Proposed Budget Saving (£m)	0.500
Current FTE	n/a	Proposed FTE Reduction	n/a

Revenue Savings Proposals 2023/24

Proposal reference number	ECS5
Proposal description	Review of Contracted Spend to Ensure Efficiency with Partners and to Remove Areas of Duplication
Service Director	Amanda Hatton
Service Manager with responsibility for proposal development and delivery	Lorna French Laura Zanotti
Division	Education and Children's Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.904	0.206	0.000	0.000	0.000
Cumulative Savings	0.904	1.110	1.110	1.110	1.110

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
This proposal will examine services purchased from partners to ensure that Best Value is achieved and that areas of duplication are minimised. Review of delivery of contracts and SLAs to identify alternative options and ensure that required level of service can continue to be provided from within existing resources.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
The following steps will be undertaken in implementation of the saving: A) Undertake all IIAs and work across the Directorate to better understand where any overlaps, synergies and efficiencies can be made. B) Review of the current referral system / scope of practice and criteria to ensure clinical and educational needs are not overlapped and ensure the correct statutory duties are being met. C) Review potential for crossover into PEF funding duplication leading to fragmentation and possible double accounting. D) Communicate the change to organisations, staff and service users as required. E) Explore chargeback for clinical assessments / support being undertaken in educational establishments. There may be an initial requirement within schools and practice teams to ensure children, young people and families have a safety net and are appropriately signposted to relevant organisations.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
There is a need to be more effective and targeted in the referral process and the data reporting and monitoring needs to be interrogated more to identify actual / potential efficiency savings. Statutory Partner Agencies and their staff; children, young people and families living in communities across Edinburgh who benefit from accessing these services.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
Details will be considered for each proposal.

Current Budget (£m)	22.100	Proposed Budget Saving (£m)	1.110
Current FTE	n/a	Proposed FTE Reduction	n/a

Revenue Savings Proposals 2023/24

Proposal reference number	PL4
Proposal description	Taxicard
Service Director	Place
Service Manager with responsibility for proposal development and delivery	Gareth Barwell
Division	Operational Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.120	0.030	0.000	0.000	0.000
Cumulative Savings	0.120	0.150	0.150	0.150	0.150

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)

Following a motion approved by the Council in March 2022, officers have been reviewing the options available in respect of the Council's Taxicard service. This service is available to people with a disability which makes it difficult to use ordinary buses, and enables them to get around the city by taxi with the cost of the journey being subsidised by the Council to the cost of £2.00 and provides free travel on Scotrail services within the Edinburgh and Lothians. While cards are issued for a three year period, demand for the service has reduced in recent years, with service data showing that the 2,017 taxicard users undertake circa 30,000 trips annually which equates to an average of 14 trips per annum, per user. Benchmarking suggests that there are few local authorities providing this service and that taxi companies are providing this service without subsidy from the Council (e.g. City Cabs operate a scheme called Cab Assist). In addition, the review of the options for this service has identified that there is likely to be a high likelihood of overlap with other third party services, and that accessibility on Lothian Bus services has improved significantly since Taxicard was initially introduced. Finally, a Fair Fares Review is being progressed by the Scottish Government which is likely to look at accessible services for people with a disability.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.

The contract for Taxicard is currently awarded via waiver to the Council's contract standing orders which expires in July 2023. If this proposal is approved, it is proposed to phase out the scheme by the time that the waiver expires. Officers will write to all scheme recipients to let them know that the scheme is being discontinued and provide them with information relating to other transport support schemes that exist within the city.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.

There are no anticipated service impacts arising from this proposal as the service is provided by a third party directly to customers. As noted above, benchmarking suggests that few local authorities continue to provide a Taxi Card service and, in Edinburgh, there is at least one example of a similar scheme operated privately by a taxi company. In addition to this, the Council also funds individual travel packages for those most in need as well as providing grant funding to voluntary sector transport providers for community transport groups. Furthermore, due to recent changes in government policy, the number of citizens who are entitled to free bus travel has increased.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)

An Integrated Impact Assessment has been completed for this proposal.

Current Budget (£m)	0.150	Proposed Budget Saving (£m)	0.150
Current FTE	n/a	Proposed FTE Reduction	n/a

Revenue Savings Proposals 2023/24

Proposal reference number	ECS6
Proposal description	Review of Devolved School Management Allocations
Service Director	Amanda Hatton / Lorna French
Service Manager with responsibility for proposal development and delivery	Lorna French
Division	Education and Children's Services

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	7.150	-0.250	0.000	0.000	0.000
Cumulative Savings	7.150	6.900	6.900	6.900	6.900

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where relevant)
Review allocations made under Scheme of Devolved School Management along with centrally managed resources including consideration of - **recurring unallocated funding** of £1.6m; - **a one off contribution from school carry forward balances** of £2m in 2023/24. School carry forward balances increased by £2m in 2022/23 due to difficulties recruiting along with lack of requirement to fill some posts over the course of the pandemic. This one off contribution will reduce balances to pre covid levels; - **DSM per capita allocations** of £1.95m in 2023/24, increasing to £2.9m in 2024/25 to reflect full academic year. This additional funding was made available to schools to provide additional support during the pandemic. Consultation with a reference group of officers and Headteachers confirmed that elements of this funding could be considered. - **staffing allocations** of £1.6m increasing to £2.4m in 2024/25 focussing on a review of - **Transition Teacher posts** - which were scoped to progress improved transitions between primary and secondary schools. Initially it was assumed that these could be permanent, however as these are non-core, unpromoted posts, the provision could be taken forward in a different way - additional specific **Pupil Support** allocations made to support P1-P3. These fixed term posts were allocated to provide additional support during the pandemic and can now be removed which will release more employees to apply for critical shortage posts. This can be managed through normal staff turnover and vacancy management.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial and any project management) required to support delivery. Please highlight any cases where consultation is either required or may otherwise be desirable.
Budget savings will be implemented from Summer 2023 within the DSM framework. Headteachers have been consulted and will have the ability to manage savings in a way that best needs the needs of their individual schools while maintaining core pre-Covid Pupil Teacher ratios.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, risks and dependencies, relevant strategic, service plan or community planning outcomes and any pertinent research of practice elsewhere.
This measure will not impact on core Pupil Teacher ratios and the statutory requirement to provide an education that meets the individual needs of all pupils will remain. In delivering this requirement schools will continue to meet any needs arising from protected characteristics. There is no evidence that the proposed budget reduction will impact disproportionately on any group with protected characteristics. The Council has also invested heavily in the implementation of its Empowered Learning digital strategy to support changes in how Education and support can be delivered more effectively, taking advantage of improved connectivity and the allocation of 1:1 digital devices across the learning estate. It should also be noted that while this proposal does propose a reduction in transition teacher numbers it is anticipated that the number of teachers required by City of Edinburgh Council will continue to increase as a result of rising rolls. Scottish Government published statistics evidence an increase in teacher numbers of 6.4% across the city over the last three years, compared with a national average of 3.7%. So while there may be a need for a small number of teachers to be redeployed no staff will be under threat of redundancy as a result of this measure. Budgetary provision for this ongoing growth of £2.296 million per annum is built in to the Council's budget framework assumptions.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts, including proposed mitigating actions (at this stage, only a high-level assessment is requested, highlighting where further work is required)
The element relating to the removal of £1.6m unallocated reserve will not have any impact as it was not allocated to any recurring activity. The one-off contribution of £2m carry-forward balances is also effectively a centrally held reserve which accrued due to restricted activity during the pandemic. This funding is also not allocated to any recurring activity and can therefore be given up with no adverse impact. The £1.95m DSM allocation reduction in 2023/24, rising to £2.9m in 2024/25, was additional funding provided over the last 18 months and does not support core activity, schools were able to use this funding based on decisions made at a local level and the removal of the funding will not impact on specific groups or core teaching activities. Given the nature of Devolved School Management Headteachers will have the ability to divert resources locally if they feel that there in an ongoing need. The proposed staffing reduction of £1.6m in 2023/24, rising to £2.4m in 2024/25 will remove two specific staffing groups. Again this additional resource was put in to schools over the last 18 months to support transition from Primary to Secondary and to provide some additional support in P1-3 during the pandemic. These additional posts served an important purpose at the time, but it is felt that this role can now be removed without any adverse impact. Again as with the DSM reduction noted above, the scheme of Devolved School Management will allow for Headteachers to continue to divert resources in to this area if they feel that there is still a need locally.

Current Budget (£m)	284.300	Proposed Budget Saving (£m)	7.150
Current FTE	3,812.0	Proposed FTE Reduction	65.0

Revenue Savings Proposals 2023/24

Proposal reference number	ECS7
Proposal description	Review and Alignment of Inclusion and Support
Service Director	Lorna French
Service Manager with responsibility for proposal development and delivery	Sharon McGhee
Division	Education

Forecast Savings (including later years where applicable)	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Incremental Savings	0.000	1.500	1.000	1.000	0.900
Cumulative Savings	0.000	1.500	2.500	3.500	4.400

Description of savings proposal, rationale for implementation and alignment to Business Plan priorities (where
Inclusion in Edinburgh is being reviewed in light of the recommendations from the National ASL Review and to ensure alignment with the objectives of the City Plan. This will result in more needs being met locally and specialist services being aligned across Learning Communities. It will specifically improve opportunities for community empowerment and will build capacity within the schools themselves, reducing the reliance on central teams of specialists and therefore providing a more skilled, responsive service overall. It fully coheres with the 20-minute neighbourhood and Team around the Learning Community approach. It also underlines national policy that inclusion is delivered as close to the child or young person as possible. This methodology often results in longer staying-on rates and greater independent work habits, therefore improved life chances. As this is such a large area of work, an overarching project board has been set up to oversee the organisational review of the services which support inclusion, as well as to agree the vision and strategy. This work was begun pre-pandemic and is now being taken forward with peer support from the ADES ASN Network and will involve an independent collaborative review of Inclusion by Education Scotland and ADES on how inclusion is delivered. Initial baseline measures indicate that of the four workstreams, Support for Pupils should be prioritised. This will also satisfy trade unions which have been critical of low pay and poor career progression for PSAs. Recruitment and retention of PSAs has been increasingly difficult and absence rates are higher than for other groups. Taken together this indicates a need to review the overall provision, including training, remuneration and career progression. Comparator authorities have concluded reviews for PSAs to 'professionalise' the workforce, which with fewer, better paid employees, has released significant efficiency savings. Finally, research shows that untrained low paid staff can inhibit independence rather than support inclusion and raise attainment. It is possible that the ASL Service would be decentralised, with inclusion being managed at learning community level. It is also anticipated that some external funding to 3rd sector partners is reviewed to ensure better, strategic use is made of Pupil Equity and Strategic Equity funding. The special school estate is in scope due to the significant changes in ASN delivered in our schools and could see some learners with less complex or severe needs attending mainstream schools, for example in Enhanced Support Bases, as well as clearer ASN profiles for our special schools. This should result in a smaller physical footprint.

Outline implementation plan for saving, including (i) key steps, (ii) timescales and (iii) resources (staffing, financial
Headteachers have been calling for a review of Inclusion for several years and as mentioned above, the Project Board was initiated pre-pandemic and has just been reconvened. Due to the complexity and scale of the change involved, an overall impact assessment is being prepared, as well as individual ones for each workstream. These will be done with full involvement from teaching and ancillary unions and appropriate stakeholder reference groups. The indicative timeline is that actions could be implemented by 2024/25, however the review of special schools will be particularly sensitive and will require Statutory Consultations.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where

Edinburgh has invested heavily in ASL to a greater extent than almost all other local authorities, with the exception of the Challenge Authorities (which received approximately 10 times the funding pro rata), but has not reviewed provision or completed service level internal scrutiny for several years. The allocation of Inclusion Support 'audit hours for PSAs' was adjusted to be directed to those children and young people recorded on SEEMIS with ASN. This resulted in a significant rise in the numbers assessed as having ASN, accounting for 60% of the national increase in the past 3 years. In addition our profile of ASN is at odds with the national picture in which most ASN are related to poverty, whereas ASN in Edinburgh occurs mostly in higher deciles. This suggests a perverse incentive has arisen which requires further analysis. There is a clear ambition to review current support and design a service which meets the needs of learners; there is no ambition to remove support overall.

In parallel, Teams around the Learning Community models are being developed which ensure that headteachers make best use of the significant resources for Finance for Equity, which they can pool and plan together across schools. The greatest risk will be in continuing with the current model. As the population changes and empowerment gains momentum, our schools need to be supporting children and young people to become increasingly active and empowered. Failing to meet needs appropriately could result in lower attainment, children’s medical needs not being sufficiently met, an increase in risk-taking behaviour/crime from young people who are at risk of not engaging in full-time education and ultimately legal action against the Council for not fulfilling statutory requirements. If there is not adequate funding to enable the inclusion agenda and requirements under key legislation, there is a risk of legal and reputational impact to the Council.

Part of the new model for school/locality-based inclusion is the investment of recurring budget in excess of £2.5m to establish Wellbeing Hubs in every secondary school to support the presumption of mainstream and to provide additional capacity for young people to take part in a range of curricular and learning experiences and supports. Over time, resources like these should reduce the numbers on part-time or flexi timetables.

Potential equalities and human rights and carbon, climate change adaptation and sustainable development impacts,

Full Impact Assessments and Organisational Reviews will be required to ensure compliance with relevant legislation and policy

- Children and Young People Scotland Act
- Standards in Scotland's Schools Act
- Equality Act 2010
- Scottish Government ASL Action Plan
- UNCRC
- GIRFEC
- The Promise, Care Experienced Children and Young People

Current Budget (£m)	55.800	Proposed Budget Saving (£m)	4.400
Current FTE	1,288.0	Proposed FTE Reduction	80.0

This review has recently been reconvened and will be progressed with full involvement from teaching and ancillary unions and appropriate stakeholder reference groups. No financial / FTE savings are assumed in 2023/24 pending development of detailed proposals.

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The City of Edinburgh Council

10.00am, Thursday, 23 February 2023

Council Revenue Budget Framework (2023/24) – Integrated Impact Assessments

Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 It is recommended that members of Council:

1.1.1 pay due regard to the following, through consideration of this report:

1.1.1.1 potential equality, rights, sustainability, environmental and economic impacts associated with the revenue budget 2023/27 officer proposals for 2023/2024

1.1.1.2 the recommendations to mitigate potential negative impacts

1.1.1.3 the cumulative equality, rights, sustainability, environmental and economic impacts across all revenue budget options.

Richard Carr

Interim Executive Director of Corporate Services

Contact: Ruth Baxendale, Senior Policy and Insight Officer

Policy and Insight, Corporate Services Directorate

E-mail: ruth.baxendale@edinburgh.gov.uk

Report

Council Revenue Budget Framework (2023/24) – Integrated Impact Assessments

2. Executive Summary

2.1 This report presents a summary of the main equality, rights, environmental and economic impacts of the 2023/24 officer budget proposals and notes mitigating actions to reduce any potential negative impacts alongside an assessment of cumulative impacts.

3. Background

3.1 The updated Council Business Plan 2023/27 brings together our strategic priorities into a single plan responding to the need for change. This plan was considered at the Council meeting on 15 December 2022 and will be presented to Council following setting of the Council's 2023/24 budget for finalisation and approval. In parallel with the development of this plan, an update report on the Council's Revenue Budget Framework 2023/27 was considered by the Finance and Resources Committee on 7 February 2023 and has been referred on to today's meeting.

3.2 As well as meeting the requirements of the Equality Act 2010, human and children's rights conventions, Fairer Scotland Duty 2018 and the Climate Change (Scotland) Act 2009, Integrated Impact Assessments (IIA) enable the Council to assess the potential impact of budget proposals and service redesign on people who share protected characteristics in the City. They also enable the development of mitigating actions where necessary.

3.3 The Council's approach to the IIA process is aligned to the wider Equality and Diversity Framework 2021-2025. In addition to an equality, diversity and rights assessment, it includes an assessment of poverty, health inequality and environmental impacts. (Environmental impact is an all-encompassing term referring to carbon emissions, climate change adaptation and sustainable development).

3.4 This report presents a summary of potential equality, diversity, human rights, sustainable development, health, inequality, poverty and economic impacts of the officer proposals with associated savings for 2023/24 and the mitigating actions which have been proposed. These findings should inform the budget decision at Council on 23 February 2023.

3.5 An IIA of the potential impact of each budget proposal has been undertaken by relevant lead officers and signed off by relevant Service Directors. A separate process considered the potential cumulative impacts of the proposals, taken as a whole.

3.6 The Council's Policy and Insight teams have supported officers across departments to complete IIAs with:

3.6.1 five IIA training sessions delivered remotely in 2022, open to any Council, NHS and West and Midlothian Council staff.

3.5.2 a bespoke IIA budget training session offered to identified proposal sponsors on 5 January 2023.

3.5.3 written guidance, supporting information and examples made available on the Orb and the Council website.

3.6 Further, the Equality, Diversity and Rights (EDR) Advisors Network is in place and EDR advisors have been trained to support relevant service areas on equality, diversity and rights considerations, and to assist with carrying out IIAs.

3.7 Given the extent of activity undertaken in recent years to inform the Council's priorities, no direct additional consultation or engagement has been undertaken as part of the 2023/24 budget development process. The Council will, however, set out – based on integrated impact assessments – what consultation will be necessary and when this will take place following the financial decisions taken by Council on 23 February 2023.

4. Main report

4.1 The incorporation of equality, rights, economic and environmental impact assessments as an integral part of the budget development process reflects both good practice and compliance with relevant legal duties. This activity enables the Council to identify and address any unintended consequences of specific proposals on specific groups of service users including those most vulnerable, and on climate change and partnership and prevention activity, increasing the effectiveness of the mitigating actions.

4.2 There are 22 budget proposals being considered for approval by Council on 23 February 2023, five of which have been assessed as requiring an IIA. Of the remaining proposals, statements have been completed for those proposals considered as having no relevant impact on equality, economy and the environment, or where it is not possible to assess impact at this early stage in the development of the proposal and an IIA is planned at a later date. All IIAs and statements for 2023/24 can be accessed on the Council website at www.edinburgh.gov.uk/impactassessments .

4.3 Where change proposals are in early stages of development, there may be a requirement to do further iterations of the IIA. If there are any changes to the budget proposals further to decisions made at Council meeting on 23 February 2023, the IIA will be updated accordingly and if appropriate shared with a relevant Committee.

4.4 A cumulative integrated impact assessment has been carried out to identify any small impacts which, when taken together, could have a larger effect on a particular issue or population group. This assessment is based on the information provided in the individual budget proposal IIAs.

4.5 The proposals for which an IIA has been prepared, and which form the basis of the cumulative assessment, are listed below:

- **Taxicard** (service for disabled people who are unable to use bus services) - funding will cease on a phased basis to 2024/25; service users will have more flexibility in their choice of supplier and the restriction of a maximum of 104 journeys per year will be lifted.
- **Concessionary Travel on Trams for Under 22s** - the Council will not extend the temporary funding of free concessionary travel for under 22s on trams beyond 31 March 2023.
- **Third Party Spend** – examines non-statutory services purchased from partners along with grants paid to third sector organisations to ensure that Best Value is achieved and that areas of duplication are minimised.
- **One-off increase in Income and reduction for Events and Cultural Grants** - funding for events and cultural grants will be reduced in 2023/24 on a one-off basis, while a long-term saving is identified.
- **Reduce demand for temporary accommodation** by increasing the number of properties available and support for households at risk of homelessness.

4.6 Details of the cumulative assessment are provided in Appendix 1.

4.7 The assessment of the cumulative impacts (positive and negative) of the five proposals is that these would be minor (see appendix 1 for details) and would impact disabled people, older people and children and young people, in addition to other vulnerable groups, such as those from low incomes and experiencing poverty. Details are given below.

Negative impacts

4.8 The negative impacts identified were generally concerned with young people under 22 no longer having access to free concessionary travel on the trams; note though that concessionary bus travel remains in place thus offering an alternative to tram travel.

4.9 There is the risk that the identified mitigations for the phase-out of funding for Taxicard aren't understood or utilised by current users, however, engagement events will take place and a communication plan will be developed to action points raised.

4.10 The ending of some of the additional services provided by the Council through third party spend could impact negatively on children and young people and their families and NHS colleagues as there may be a requirement for universal provisions to be managed accordingly by NHS Lothian.

4.11 Negative environmental impacts identified were mainly associated with the reinstatement of charges for tram travel for young people under 22. This may have a negative impact on the modal shift to public transport from less sustainable options such as cars and potentially increase demand for bus use, leading to more crowded buses. Also, the current provider for Taxicard holders uses electric vehicles and replacement arrangements would involve using providers that are still transitioning to similar sustainable modes.

Positive impacts

4.12 The review of third party spend for non-statutory services for children and families is intended to lead to fairer and more equitable access to statutory agencies provision for all children, young people and their families.

4.13 A range of positive impacts were identified for vulnerable families by the proposal to reduce demand for temporary accommodation by making more permanent homes available and to provide additional support and advice to those that require it.

4.14 This is achieved through enabling vulnerable families to have access to fit-for-purpose permanent accommodation thus improving their ability to control their home environment, access family support networks, improve resilience and build community capacity. Increased information and support as part of this proposal is anticipated to have a positive impact by assisting with access to multi-disciplinary support services.

4.15 The Council intends to take forward investment in these properties to improve sustainability (ie more energy efficient) of the properties.

4.16 The phasing out of the Council's Taxicard scheme may offer more flexibility in choosing transport providers for Taxicard holders and an unlimited number of journeys, while the new joined-up approach of the Taxicard system may lead to lower emissions through more efficient journey planning resulting in fewer vehicles.

4.17 In carrying out IIAs, relevant lead officers for budget proposals are also obliged to consider mitigating actions to reduce any negative impact from proposals, details of these are provided in the individual IIAs, and include:

- **Taxicard** - engagements events will be held and a communications plan will be developed to action points raised.
- **Concessionary Travel on Trams for Under 22s** – concessionary bus travel remains in place thus offering an alternative to tram travel.

- **One-off increase in Income and reduction for Events and Cultural Grants** – training opportunities and access to alternative sources of funding will be promoted.
- **Third Party Grants** – to develop a communications plan for engagement with stakeholders to ensure any potential impacts are fully understand and mitigated where necessary.

4.18 If any other impacts on equality and rights are identified as part of further consultation processes, proposal sponsors will revise their IIAs as necessary, with these revised IIAs being made publicly available through publication on the Council's website.

5. Next Steps

5.2 Senior managers across all service areas will ensure that IIAs will be amended or updated as required following discussion at full Council and as proposals are more fully developed, to ensure that statutory duties are met.

6. Financial impact

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

7. Stakeholder/Community Impact

7.1 Undertaking Integrated Impact Assessments that include assessment of impact on equality is intended to ensure that any negative impacts, including cumulative impacts, for protected characteristic groups set by the Equality Act 2010, are reduced.

7.2 It also ensures that the Equality Act 2010 public sector equality duty is met with regard to (i) eliminating unlawful discrimination, victimisation and harassment; (ii) advancing equality of opportunity and (iii) fostering good relations, and that any infringements on human and children's rights are minimised.

7.3 Assessments of environmental impacts have enabled consideration of the public body duties under the Climate Change (Scotland) Act 2009. The findings of these assessments will also help to achieve a sustainable Edinburgh with regard to progressing climate change, social justice and community wellbeing objectives

7.4 Budget sponsors are required to have utilised a range of evidence gathering, including public involvement where appropriate to draw up proposals and consider their impact.

7.5 If an IIA determined that a consultation on a proposed budgetary change was required, then following that consultation, it would be a decision for elected members whether to proceed or not with the implementation of the proposal.

7.6 The cumulative impact assessment is based on the information provided in the individual budget proposal IIAs.

8. Background reading/external references

8.1 The City of Edinburgh Council Equality, Diversity and Rights Framework 2021 – 2025

8.2 Public Bodies Climate Change Duties report 2021/22

9. Appendices

9.1 Appendix 1 – Integrated Impact Assessment on Cumulative Impact of 2023/24 Budget Proposals

Appendix 1

Integrated Impact Assessment – Summary Report

Each of the numbered sections below must be completed

Please state if the IIA is interim or final – **Final**

1. Title of proposal

Cumulative Integrated Impact Assessment on Budget Proposals 2023/24.

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

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

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

Given the extent of activity undertaken in recent years to inform the Council's priorities, no direct additional consultation or engagement has been undertaken as part of the 2023/24 budget development process. The Council will, however, set out – based on integrated impact assessments – what consultation will be necessary and when this will take place following the financial decisions taken by Council on 23 February 2023.

4. Is the proposal considered strategic under the Fairer Scotland Duty?

The overall Revenue Budget Framework is considered strategic under the Fairer Scotland Duty, insofar as individual budget proposals may be found to have a cumulative socio-economic impact. Socio-economic impacts are considered in each IIA.

5. Date of IIA

1 February 2023

6. Who was present at the IIA? Identify facilitator, lead officer, report writer and any employee representative present and main stakeholder (e.g. Council, NHS)

Name	Job Title	Date of IIA training
Ruth Baxendale	Senior Policy and Insight Officer	IIA Trainer
Gareth Dixon	Senior Policy and Insight Officer	17 December 2019
Claire Marion	Senior Change and Delivery Officer (carbon management)	
Fraser Rowson	Principal Accountant	5 September 2018 and 23 January 2019
Ross Murray	Operations Manager	
Gillian Kennedy	Project Manager	

7. Evidence available at the time of the IIA

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
Data on populations in need		N/A for cumulative IIA. The purpose of the cumulative IIA is to consider whether any impacts arise as a result of the *cumulative effect* of smaller impacts identified within individual IIAs. These individual IIAs have considered the appropriate evidence in relation to the corresponding budget proposal.
Data on service uptake/access		As above - N/A for cumulative IIA
Data on socio-economic disadvantage e.g. low income, low wealth, material deprivation, area deprivation.		As above - N/A for cumulative IIA
Data on equality outcomes		As above - N/A for cumulative IIA
Research/literature evidence		As above - N/A for cumulative IIA
Public/patient/client experience information		As above - N/A for cumulative IIA

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
Evidence of inclusive engagement of people who use the service and involvement findings		Given the extent of activity undertaken in recent years to inform the Council's priorities, no direct additional consultation or engagement has been undertaken as part of the 2023/24 budget development process.
Evidence of unmet need		As above - N/A for cumulative IIA
Good practice guidelines		As above - N/A for cumulative IIA
Carbon emissions generated/reduced data		As above - N/A for cumulative IIA
Environmental data		As above - N/A for cumulative IIA
Risk from cumulative impacts		Information on the impacts identified for each proposal provided by respective budget proposal lead officers have been used to undertake this cumulative impact assessment.
Other (please specify)		As above - N/A for cumulative IIA
Additional evidence required		As above - N/A for cumulative IIA

All evidence and data relevant to specific budget proposals are listed in corresponding IIAs. All budget proposal IIAs received were used as the basis for this Cumulative Integrated Impact Assessment. All IIAs and statements for 2023/24 can be accessed on the Council website at www.edinburgh.gov.uk/impactassessments .

The team received 5 IIAs.

- **Taxicard** (service for disabled people who are unable to use bus services) - funding will cease on a phased basis to 2024/25; service users will have more flexibility in their choice of supplier and the restriction of a maximum of 104 journeys per year will be lifted
- **Concessionary Travel on Trams for Under 22s** - the Council will not extend the temporary funding of free concessionary travel for under 22s on trams beyond 31 March 2023
- **Third Party Spend** – examines non-statutory services purchased from partners along with grants paid to third sector organisations to ensure that Best Value is achieved and that areas of duplication are minimised.

- **One-off increase in Income and reduction for Events and Cultural Grants** - funding for events and cultural grants will be reduced in 2023/24 on a one-off basis, while a long-term saving is identified.
- **Reduce demand for temporary accommodation** - by increasing the number of properties available and support for households at risk of homelessness.

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

Equality, Health and Wellbeing and Human Rights	**Affected populations**
Positive	
The Council proposals seek to ensure as far as possible that all citizens can positively benefit from change proposals. This is based on the premise that change can mean different provision rather than less provision and that reconfiguring services is one way in which the Council can see to protect front line capacity.	All Disabled people, children and young people and their families; people experiencing poverty (homeless households).
Taxicard: this proposal will offer service users more flexibility in their choice of supplier and the restriction of a maximum of 104 journeys per year will be lifted	Specific groups where a positive impact was identified include: Disabled people (Taxicard holders)
Reduce demand for temporary accommodation: a range of positive wellbeing and economic impacts were identified for vulnerable families by the proposal to reduce demand for temporary accommodation by making more permanent homes available and to provide additional support and advice to those that require it. This is achieved through enabling vulnerable families to have access to fit-for-purpose permanent accommodation thus improving their ability to control their home environment, access family support networks, improve resilience and build community capacity. Increased information and support as part of this proposal is anticipated to have a positive impact by assisting with access to multi-disciplinary support services.	Vulnerable groups, such as those from low incomes and experiencing poverty (homeless households)
Third Party Spend: the review of non-statutory services for children and families is intended to lead to fairer and more equitable access to statutory agencies provision for all children, young people and their families.	Children and young people and their families

Equality, Health and Wellbeing and Human Rights	**Affected populations**
Negative	
Current **Taxicard** holders may feel isolated or unable to make essential journeys if unaware or unfamiliar with replacement arrangements.	Disabled people (Taxicard holders)
Concessionary Travel on Tram for under 22s - the Council will not extend the temporary funding of free concessionary travel for under 22s on trams beyond 31 March 2023. There would be a negative impact for under 22s, including those from lower socio-economic groups and disabled young people. This is partially mitigated by the continued concessionary fares on bus. Negative impacts include: • Young people facing financial barriers to accessing tram travel will no longer have free access to integrated travel (increase in transport poverty). • Reduced accessibility to services, eg employment, education and social opportunities. • Low-income households face cost barriers to travel/and or can't afford to travel with children. • Reduction in personal independence, engagement in leisure and social activities. • Bus users may also be negatively impacted due to potential overcrowding on services due to increase use by under 22s.	Children and young people under 22 years; Children and young people from lower socio-economic groups Low-income households Disabled people under 22 Bus users
Third Party Spend: Ending some of the additional services provided by the Council will require universal provisions to be managed accordingly by NHS Lothian.	Children and young people and families and NHS colleagues
One-off increase in Income and reduction for Events and Cultural Grants will result in a reduction in the number of events taking place in the city. For one year, this will reduce the opportunities for people to participate or observe events.	All

Environment and Sustainability including climate change emissions and impacts	**Affected populations**
Positive Positive impacts were identified to reduce carbon emissions and improve air quality:	

Environment and Sustainability including climate change emissions and impacts	**Affected populations**
The **Taxicard** proposal may lead to lower emissions through more efficient journey planning resulting in fewer vehicles. **Reduce demand for temporary accommodation:** The Council intends to take forward investment in these properties to improve sustainability (ie more energy efficient) of the properties	All (in particular, infants and young children and those suffering from respiratory illnesses) All
Negative The following negative impacts were identified:	
Taxicard: Current provider uses electric vehicles. Replacement providers have not yet fully transitioned to electric fleets. **Concessionary Travel on Tram for under 22s:** Data shows that the overall concessionary scheme for under 22s encourages modal shift to public transport from less sustainable options such as the use of private vehicles. Potential increase in congestion if reduction in tram use leads to additional use of private vehicles. This may be partially mitigated by the continued concessionary fares on bus. To continue to service the same number of travellers using bus only could lead to an increase in the number of vehicles on the road or reconsideration of existing routes.	All (in particular, infants and young children and those suffering from respiratory illnesses)

Economic	**Affected populations**
Positive	
Taxicard: Provides customer with choice and ability to seek out more economical journeys. **Concessionary Travel on Tram for under 22s**: benefit for bus operators as reduction in tram concessions may incentivise bus use. **Reduce demand for temporary accommodation**: Increasing support for households who may be at risk of becoming or currently are homeless will:	Disabled people (Taxicard holders) Bus providers Vulnerable groups, such as those from low incomes and experiencing poverty (homeless households)

<table>
<tr><th>Economic</th><th>Affected populations</th></tr>
<tr><td>Provide access to income maximisation services, providing support to access benefits and other funding available;
Enable households to access affordable housing options which will support more households during the on-going cost of living crisis and beyond.
Improve income from employment by providing information on employability support, increasing access to jobs and helping young people into positive destinations.</td><td></td></tr>
<tr><td>Negative</td><td></td></tr>
<tr><td>The following negative impacts were identified:

Taxicard: there is a risk that replacement arrangements are not understood or fully utilised which could lead to isolation and difficulty in making essential journeys, including accessing shops and services throughout the city.

Concessionary Travel on Tram for under 22s: Focusing concessionary travel on a single mode may have a knock-on financial impact for the tram operator.

One-off increase in Income and reduction for Events and Cultural Grants: There is a potential negative impact on the city's economy if the number of events taking place is reduced as a result of the one-off reduction in funding for events. This may include revenue for local event organisers and their associated supply chains.

In addition, the one off-reduction in funding in events may lead to fewer event organisers choosing Edinburgh in the future, although the proposals do not at this stage extend beyond one year or impact on the major festivals and events in the city. This one-off reduction will also mean that fewer applicants will be successful in receiving funding.</td><td>Disabled people (Taxicard holders)

Tram operator

All</td></tr>
</table>

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

As part of the Council's terms and conditions of contract, any external contractors will be required to comply with equal opportunities and the public sector equality duty; and must assist the Council in achieving its sustainability commitments by taking account of the Council's Sustainable Procurement Policy.

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

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

11. Is the plan, programme, strategy or policy likely to result in significant environmental effects, either positive or negative? If yes, it is likely that a Strategic Environmental Assessment **(SEA) will be required and the impacts identified in the IIA should be included in this. See section 2.10 in the Guidance for further information.**

No proposals were identified as requiring a SEA.

12. Additional Information and Evidence Required

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

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

13. Specific to this IIA only, what recommended actions have been, or will be, undertaken and by when? (these should be drawn from 7 – 11 above) Please complete:

Specific actions (as a result of the IIA which may include financial implications, mitigating actions and risks of cumulative impacts)	Who will take them forward (name and job title	Deadline for progressing	Review date
Consideration should be given as to how these proposals, their impact, and the cumulative impact, relate to proposals presented by the Integration Joint Board	Elected Members	Ongoing	In line with IJB strategic plan timelines
Elected members should consider the results of the budget proposal IIAs, including this cumulative IIA.	Elected Members	February 2023	Ongoing
Implementation of the Poverty Commission Proposals will mitigate against some negative impact on people who are experiencing poverty and positively contribute to addressing poverty in the city	Elected Members and Corporate Leadership Team	Ongoing	Ongoing
Implementation of the updated Business Plan will ensure mitigating actions are taken against any negative impacts arising from implementation of the budget proposals. The Change Team will endeavour to ensure equalities is mainstreamed throughout the plan's development, and during implementation, in order to mitigate against any negative impacts identified in this cumulative IIA.	The Change Team	2023-2025	Ongoing
Relevant lead officers for budget proposals should progress any specific actions in individual proposals to mitigate against negative impacts, continue to update their IIAs after further consultation and develop communications plans as appropriate	Relevant lead officers for budget proposals	ongoing	January 2023

14. Are there any negative impacts in section 8 for which there are no identified mitigating actions?

No; mitigating actions are detailed in the individual IIAs

15. How will you monitor how this proposal affects different groups, including people with protected characteristics?

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

16. Sign off by Head of Service

Name

Date

17. Publication

Completed and signed IIAs should be sent to:

integratedimpactassessments@edinburgh.gov.uk to be published on the Council website www.edinburgh.gov.uk/impactassessments

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The City of Edinburgh Council

10.00am, Thursday, 23 February 2023

Revenue Budget 2023/24 - Risks and Reserves – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred a report on the Revenue Budget 2023/24 - Risks and Reserves to the City of Edinburgh Council on 23 February 2023 as part of the budget-setting process.

Richard Carr
Interim Executive Director of Corporate Services

Contact: Taylor Ward, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: taylor.ward@edinburgh.gov.uk

Referral Report

Revenue Budget 2023/24 - Risks and Reserves

2. Terms of Referral

2.1 On 7 February 2023, the Finance and Resources Committee considered a report on the Revenue Budget 2023/24 - Risks and Reserves, which advised members on the risks inherent with the revenue and capital budget framework and the range of measures and provisions established to mitigate these.

2.2 The Finance and Resources Committee agreed:

2.2.1 To note the range and nature of the Council's unstable reserves in light of the continuing impacts of the pandemic and wider risk factors.

2.2.2 To remit the report to The City of Edinburgh Council for approval on 23 February 2023 as part of the budget-setting process.

3. Background Reading

3.1 Finance and Resources Committee – 7 February 2023 - Webcast

3.2 Minute of the Finance and Resources Committee – 7 February 2023

4. Appendices

4.1 Appendix 1 – report by the Interim Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Tuesday, 7 February 2023

Revenue Budget 2023/24 - Risks and Reserves

Executive/routine	**Executive**
Wards	**All**

1. Recommendations

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

1.1.1 note the range and nature of the Council's usable reserves in light of the continuing impacts of the pandemic and wider risk factors; and

1.1.2 remit the report to The City of Edinburgh Council for approval on 23 February 2023 as part of the budget-setting process.

Richard Carr

Interim Executive Director of Corporate Services

Contact: Hugh Dunn, Service Director: Finance and Procurement

Finance and Procurement Division, Corporate Services Directorate

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

Report

Revenue Budget 2023/24 – 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.

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 most important, however, is that they 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, including homelessness services

4.2 The continuing impacts of the COVID-19 pandemic pose significant risks, both in terms of the immediate ability to set a balanced budget for 2023/24 and undertaking longer-term financial planning. While relaxation of public health restrictions has allowed for greater certainty in service planning, changing work patterns have affected patronage for Lothian Buses and Edinburgh Trams, with passenger numbers for each at around 80% of pre-COVID levels. These working patterns have also affected usage of Edinburgh Leisure's facilities and the level of parking income received by the Council. There is therefore a risk that the actual increases in service expenditure and losses of income for both the Council and its ALEOs may be higher than assumed in the budget framework.

4.3 The revenue budget framework approved in February 2022 included specific provision for some £11m of continuing COVID-related impacts in 2023/24[1], with this sum reducing to £9m in 2024/25[2] and remaining at this level over the period to 2026/27. The framework also includes provision of up to £7m in 2023/24 for the part-year effect of operation of the tram extension to Newhaven, increasing to £9.25m in 2024/25. While it is anticipated that the level of provision of £25.3m included in the budget framework in the current year will be sufficient to meet all relevant liabilities, it is acknowledged that the adequacy of the significantly reduced sum set aside for COVID impacts in 2023/24 will require to be closely monitored during the year and regular updates will therefore be provided to elected members.

4.4 As outlined in the complementary revenue budget update report included elsewhere on the agenda, total gross additional provision of £19.1m relative to 2022/23 levels has been included within the framework in recognition of increased homelessness-related expenditure, meaning that in cumulative terms, the total service budget has more than doubled since 2019/20. This additional investment reflects a combination of actual and projected service growth, pass-through of inflationary pressures (particularly in energy costs), reduced levels of Housing Benefit recovery and additional accommodation required for Ukrainian households following the ending of initial hosting arrangements. While the level of provision includes an assumption of continuing growth in demand, there is a risk around the adequacy of this funding, particularly following the suspension of "local connection" with effect from 29 November 2022.

4.5 Given the extent of these pressures, a number of prevention-related initiatives have previously been developed. In evaluating the effectiveness of these initiatives, consideration is being given to whether expansion of existing activities, or additional targeted work, would improve outcomes and provide cost benefits to the Council.

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[1] Indicatively comprising £6m for the loss of the Lothian Buses dividend, £3m for reductions in parking income and an increased payment for service to Edinburgh Leisure of £2m.

[2] Indicatively comprising £6m for the loss of the Lothian Buses dividend, £2m for reductions in parking income and an increased payment for service to Edinburgh Leisure of £1m.

Further commentary in this area is included in the revenue budget update report elsewhere on today's agenda.

Inflation and pay awards

4.6 Inflation levels affect the Council's activities in a number of ways; directly through increasing prices of purchased goods and services and the level of uplifts applied to relevant contracts and indirectly through consumer spending and expectations for wage awards. The budget framework currently provides for inflation and pay awards at 3% in each of the four years of the budget framework.

4.7 The Council has been subject to a range of exceptional inflationary pressures in 2022/23, most materially energy cost increases but also including food, fuel, home-to-school transport and uplifts affecting a number of its contracts. In view of these increases, the 2023/24 framework baseline includes an additional £17.7m relative to the approved 2022/23 budget for energy costs and £5.5m for PPP contract-related liabilities. A general additional inflationary provision of £5m has also been incorporated, with an indicative allocation of this sum provided to relevant services. There is a risk, however, that further pressures may emerge.

4.8 The budget framework provides for the recurring cost of the agreed non-teaching pay award in 2022/23. Sums included in the framework for the teachers' pay award are aligned to the most recent (rejected) 5% offer. Any increase in the cash value of this offer without the provision of full Scottish Government funding would hasten a further pressure, with each 1% broadly equivalent to a recurring annual liability of £2.2m.

4.9 Negotiations around the 2023/24 pay award remain at an early stage but, given wider inflationary pressures, there is a significant risk that the level of settlement exceeds the 3% assumed within the budget framework[3]. Should this similarly not be accompanied by the provision of corresponding additional funding, this may require the identification of further savings proposals which would be the subject of future consideration. Across the teaching and non-teaching bargaining groups, each 1% increase would equate to an additional recurring annual liability of some £6.7m.

Delivery of approved savings and management of underlying service pressures

4.10 The effects of the COVID pandemic have also affected management's ability to deliver the level of pre-approved savings and manage on-going pressures to the extent assumed. In setting the 2021/22 budget, however, members approved some £12m of additional core service investment and this, alongside more robust scrutiny at the savings identification, development and implementation stages, has resulted in the continuation of the improving trend apparent in recent years, with 89% of

[3] The SJC (non-teaching) claim for 2023/24 has recently been submitted by the representative trade unions and is for an increase of 12% or £4,000, whichever is greater.

savings by value delivered and all main service areas maintaining core expenditure within budget in 2021/22.

4.11 There are, however, residual pressures apparent within the Education and Children's Services and Place Directorates in 2022/23 (or anticipated within 2023/24) that will require to be managed on a sustainable basis if the integrity of the budget framework is not to be compromised. Specific proposed actions to manage these pressures are being developed and will be reported to members once confirmed.

4.12 While projected savings delivery in 2022/23 has improved further to 97%, the majority of approved savings for the current year are in corporate budgets where delivery has traditionally been higher than in service-specific areas. Given the extent of the overall funding gap and previous reliance on these corporate savings, the 2023/24 revenue budget framework set out elsewhere on today's agenda of necessity includes a greater proportion of savings within Directorates, emphasising the importance of robust implementation plans with accountability clearly assigned and delivery closely monitored.

Future funding settlements

4.13 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. Following a number of years in which provisional grant settlements were only advised in January or February prior to the start of the financial year in April, the Scottish Government's Resource Spending Review (RSR), published in May 2022, provided sector-wide revenue funding planning allocations for the period to 2026/27. The detailed Scottish Budget was then published on 15 December and the provisional Local Government Finance Settlement (LGFS) the following week. The level of grant funding assumed within the revenue budget framework for 2023/24 is aligned to the LGFS announcement.

4.14 In previous years, these allocations were subject to change as part of the Draft Budget's Parliamentary passage. While the signing of a co-operation agreement between the Scottish National Party and Scottish Greens may make subsequent changes less likely, any changes that do occur are unlikely to reduce the overall level of funding provided and the provisional LGFS announcement should therefore serve as a baseline from which to develop the Council's detailed plans[4]. It is anticipated that the impact of any changes arising from this Parliamentary consideration will be known by early February and members will be kept apprised of any implications for the budget framework.

4.15 Future years' funding allocations could also vary for a number of reasons, including the use of updated population and other needs-based data and the complexities of

[4] This is subject to any other distributional issues identified during the consultation period which, while net-neutral in overall terms, could result in downward movement at council-specific level.

funding distribution formulae, as well as wider Scottish and UK Government fiscal policy and the required level of pass-through to the Integration Joint Board.

4.16 The sensitivity of the level of Edinburgh's grant settlement to relatively small changes in population has been vividly demonstrated in 2023/24 through the loss of £10.1m of support received in 2022/23 through application of the Scottish Government policy whereby no authority receives less than 85% of the per capita Scottish average. This loss has only partially been compensated through operation of the first "stability" floor, meaning that the year-on-year level of change in Edinburgh's core grant funding is amongst the lowest in Scotland.

4.17 There is also the potential for significant changes in future grant funding settlements to emerge once the full results of the 2021 census are incorporated, given that current allocations are based on population estimates. By means of illustration, Edinburgh's 2011 census figure was almost 19,000 lower than 2011 mid-year estimate that had underpinned its grant settlement, resulting in a substantial downward revision (and loss of funding) when corrected.

Demographic changes leading to rising service demands

4.18 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 2021 in light of updated population and pupil roll projections, resulting in the inclusion in the 2023/24 budget framework of total demographic-related investment of £3.9m (with similar incremental increases assumed in subsequent years).

4.19 The level of provision included in the framework is currently being reviewed in light of updated school roll projections. 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.

4.20 Current economic conditions are also placing additional demands on a number of service areas, including advice services, benefits processing and homelessness services. There is a risk that the resulting additional expenditure demands cannot be contained within existing resources, heightening the importance of proactive and preventative action.

Income

4.21 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.

4.22 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 reduced levels of parking income. These assumptions remain subject to regular review as the longer-term position becomes clearer.

4.23 Income from Council Tax finances around 26% of the Council's net expenditure. Changes in collection rates, the size and profile of the Council Tax base, required bad debt provisions and sums paid through the Council Tax Reduction Scheme therefore all affect the total level of available resourcing. Despite the impacts of the pandemic, collection rates have largely been maintained since 2019/20, with in-year collection levels of around 97%. Given the potential for this collection level to be affected by current economic conditions, however, the position will continue to be closely tracked in the coming months.

Legislative changes

4.24 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 implementation of all of the savings measures included in the budget framework is fully within the Council's gift.

4.25 The budget framework in 2023/24 incorporates an estimate of additional liabilities resulting from a Scotland-wide revaluation of properties subject to Non-Domestic Rates (NDR), effective from April 2023. The Council's revenue grant allocation also reflects the full devolving of NDR Empty Property Relief with effect from April 2023.

4.26 Over the longer term, account will require to be taken of a range of other proposed legislative changes, including the creation of a National Care Service (where there is a risk, amongst other factors, that the resulting loss of economies of scale will result in unbudgeted costs being borne by the Council) and reform of the current Council Tax system.

4.27 The Deputy First Minister's Scottish Budget announcement on 15 December 2022 confirmed that councils would have full flexibility to set Council Tax rates appropriate to their local area in 2023/24. The Council's budget framework assumes a baseline increase of 3% in 2023/24, with similar increases in each of the following four years.

Legal claims and inquiries

4.28 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 going forward but, at this stage, the precise impact on the Council (and any associated financial liability) remains to be confirmed. Local authority contributions to the redress scheme have, however, been agreed at national level, with the corresponding funding already deducted in arriving at the amount of distributable funding to local authorities.

4.29 Following an independent inquiry into allegations of abuse conducted by the late Sean Bell and the recommendations contained in the report that followed, the Council launched a redress scheme will which enable it to pay compensation to those who are eligible under the scheme rules. Provision has been made within the revenue budget framework for subsequent redress payments made under this scheme.

Major infrastructure projects

4.30 The long-term financial implications of some major infrastructure projects, particularly the City Plan and energy-efficient retrofitting of the Council's property estate, are still emerging. In addition, in view of cost increases on capital projects in 2022 varying between 15% and 30%, the Sustainable Capital Budget Strategy 2023/33 report included elsewhere on today's agenda proposes a reprioritisation of the existing ten-year programme, including cash-limiting budgets and delaying uncommitted learning estate projects pending development of fully funded business cases.

4.31 While the above proposals would, on current assumptions, allow the programme to absorb anticipated cost pressures and remain fully funded at this time, there is a risk that the Council will require to support additional borrowing and/or revenue running costs associated with these projects. There is additionally a risk that further increases in interest rates will result in unbudgeted loans charge expenditure, rendering the revised programme unaffordable. 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.

4.32 The Council secured £206m of required borrowing from the Public Works Loan Board in 2021/22, all at an interest rate below 2%. This, alongside temporarily using available cash balances to fund capital expenditure, has served to manage both borrowing-related risks and upward pressure on project costs due to pandemic-related delays, labour and materials shortages while providing on-going savings to the revenue budget. The ability to continue to do so going forward, however, is correspondingly reduced, with the proposed use of the financial concession flexibility also reducing the cash reserves available.

Reserves

4.33 Members are aware that the Council holds a number of earmarked reserves within the General Fund. As of 31 March 2022, the General Fund balance stood at £257.204m, of which £228.224m was earmarked for specific purposes.

4.34 The level of these reserves reflected the receipt, in 2020/21 and 2021/22, of significant COVID-related funding to be applied against relevant expenditure commitments in subsequent years. In line with the Council's 2022/23 Budget Framework, the unallocated General Fund was reduced from £28.981m to

£26.738m, representing the application of sums transferred to this reserve on a one-off basis in 2021/22.

4.35 The earmarked reserves held as of 31 March 2022 comprised four broad categories:

(i) **balances set aside to manage financial risks and for specific investment which are likely to arise in the medium-term future**, including maintenance of an insurance fund, dilapidations and workforce transformation. The Council held £170.981m against these future risks, including £71.179m of general COVID- and other pressures-related funding and £10.858m to cover workforce management costs of change management programmes;

(ii) **balances set aside from income received in advance**, including the Council Tax Discount Fund and City Strategic Investment Fund. The Council held £45.790m of such income, of which £15.159m related to service-specific COVID funding to be offset against relevant expenditure in future years;

(iii) **balances set aside to support investment in specific projects**, such as Spend to Save, which will deliver savings in future years. The Council held £4.206m for such projects; and

(iv) **balances held under the Devolved School Management Scheme and unallocated Pupil Equity Funding**. The Council held £7.246m of these funds.

4.36 As shown in Appendix 2, there are significant projected movements in the level of earmarked reserves during 2022/23 (an overall reduction of some £64.5m). In net terms, this movement is primarily attributable to the application of COVID-related funding received in 2020/21 and 2021/22 against in-year liabilities. While the overall level of the Council's usable reserves is expected to increase by £48.2m in 2023/24, this reflects the creation of a designated reserve linked to adoption of the service concession flexibility. When this is excluded, the level of reserves is anticipated to decrease by £27.5m.

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 also holds unallocated General Fund reserves against the likelihood of unfunded risks occurring. Subject to approval by members, the level of these unallocated reserves will be maintained at £26.7m in recognition of the wider risks to which the Council is exposed, which remains in line with other Scottish local authorities.

7. Stakeholder/Community Impact

7.1 There are no direct impacts arising from this report.

8. Background reading/external references

8.1 Revenue Budget Framework 2022/27 - progress update, Finance and Resources Committee, 3 February 2022

8.2 Revenue Budget Framework 2023/27 - progress update, Finance and Resources Committee, 10 November 2022

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, including homelessness services	Regular CLT, ALEO Governance Hub and elected member scrutiny of the impacts of COVID-19 on budget framework assumptions Creation of dedicated COVID-19 mitigation reserve, providing significant funding for relevant impacts from 2023/24 to 2026/27 inclusive, alongside wider re-alignment of existing reserves, including increasing level of unallocated General Fund balance Examination/consideration of all non-service budgets, reserves and available financial "flexibilities" to spread the cost impacts of the pandemic over a longer timeframe Adoption, where practicable, of preventative investment to mitigate demand increases On-going mitigating actions which also relate to wider risk management actions detailed below
Inflation and pay awards	Regular review of inflationary forecasts and, in particular, consideration of impact on Local Government at sector-specific forums Incorporation of known increased liabilities for utilities and contract uplifts Inclusion within budget framework of further additional £5m in 2023/24 for other inflation-linked liabilities Liaison with COSLA on pay award discussions, including affordability
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
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 (including population-related variation) Progress in development of a longer 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
Demographic changes leading to rising service demands	Provisions made in LTFP and regular reviews of the adequacy thereof
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
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 Review of tender prices Reprioritisation of Sustainable Capital Budget Strategy in view of wider cost pressures Opportunities considered to lock out borrowing rate risk

Projected Movement in General Fund

Appendix 2

General Fund	Opening Balance at 1.04.22 £000	Actual/planned use 2022/23 £000	Projected Balance at 1.04.23 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.24 £000	
Balances Set Aside to Manage Financial Risks and for Specific Investment						
Balances set aside for specific investment	60,101	4,121	64,222	(6,508)	57,714	Funding set aside for specific projects, including monies for Enterprise Resource Planning, the Tram Extension and St James GAM and future liabilities for large-scale infrastructure.
Council Priorities Fund	2,628	(2,628)	0	0	0	Monies set aside from previous years' underspends which will be utilised to fund emerging Council priorities or expenditure pressures. Use of the opening balance formed part of the Council's budget strategy for 2022/23.
Contingency and workforce restructuring	10,858	0	10,858	(4,043)	6,815	Monies held to cover costs of workforce management changes including staff severance costs, which may be utilised to support future change programmes. Additional sums may be required in respect of organisational reviews undertaken in the coming year.
Dilapidations Fund	3,957	0	3,957	(3,957)	0	Monies set aside to meet costs arising from the termination of property leases and other related contractual commitments to facilitate rationalisation of property. The planned use in 2023/24 forms part of the £5m in-year application of reserves assumed in the budget framework.
Insurance Fund	22,258	(585)	21,673	(500)	21,173	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 1.04.22 £000	Actual/planned use 2022/23 £000	Projected Balance at 1.04.23 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.24 £000	
COVID-19 mitigation reserve	71,179	(41,179)	30,000	(10,000)	20,000	Reserve created primarily in recognition of the continuing cost and income impacts of the pandemic. The opening balance reflects significant COVID-related funding provided by the Scottish Government in 2020/21 and 2021/22 but for use in subsequent years.
Service Concession - Financial Flexibilities	0	0	0	75,760	75,760	Financial flexibilities granted by the Scottish Government to recognise the liabilities for service concessions over the useful life of the asset rather than the contract life with effect from 1 April 2023.
Balances Set aside from Income Received in Advance						
Licensing and Registration Income	5,712	(237)	5,475	0	5,475	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.
Other Minor Funds	175	0	175	(64)	111	Minor funds for other specific projects.
Pre-paid PPP monies and lifecycle costs	3,998	305	4,303	236	4,539	Monies set aside in recognition of the phasing issues related to grant monies, for lifecycle costs of projects.
Council Tax Discount Fund	11,304	(6,936)	4,368	0	4,368	Monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to supporting the development of affordable housing. It forms part of the Strategic Housing Investment Fund (SHIF), alongside income from the Repairs and Renewals fund. The movement in any given year reflects the combined impact of Council Tax income set aside and investment funding drawn down.

	Opening Balance at 1.04.22 £000	Actual/ planned use 2022/23 £000	Projected Balance at 1.04.23 £000	Planned (Uses) / Contributions £000	Projected Balance at 31.03.24 £000	
Unspent revenue grants	8,386	195	8,581	(282)	8,299	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	1,056	(55)	1,001	0	1,001	Primarily represents funds set aside for strategic regeneration priorities (£2.150m originally approved) and to provide match funding for new city development opportunities (£0.5m).
COVID-19 advances	15,159	(14,322)	837	(155)	682	Reserve reflecting service-specific COVID funding received in 2020/21 and 2021/22 but permitted to be spent in future years.
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings						
Spend to Save Fund, Energy Efficiency and Salix CEEF	4,206	340	4,546	(279)	4,267	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	7,246	(1,246)	6,000	(2,000)	4,000	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	28,981	(2,243)	26,738	0	26,738	Unallocated funds held against the risk of unanticipated expenditure and/or reduced income arising in any particular year, in line with Council reserves policy. The movement in 2022/23 reflects the decisions of Council on 27 May 2021 to draw down unspent funding transferred to unallocated reserves in 2021/22.
Total General Fund	**257,204**	**(64,470)**	**192,734**	**48,208**	**240,942**	

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The City of Edinburgh Council

10.00am, Thursday, 23 February 2023

Sustainable Capital Budget Strategy 2023-2033 – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred a report on the Sustainable Capital Budget Strategy 2023-2033 to the City of Edinburgh Council as part of the budget meeting on 23 February 2023.

Richard Carr
Interim Executive Director of Place

Contact: Taylor Ward, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: taylor.ward@edinburgh.gov.uk

Referral Report

Sustainable Capital Budget Strategy 2023-2033

2. Terms of Referral

2.1 On 7 February 2023, the Finance and Resources Committee considered a report on the Sustainable Capital Budget Strategy 2023-2033, which set out priorities for £1.47bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

2.2 The Finance and Resources Committee agreed:

2.2.1 To note the priorities for capital expenditure outlined in the report which were aligned to the Council Business Plan.

2.2.2 To note the financial pressures arising from challenging market conditions, and the proposed measures required to bring the programme into a balanced position.

2.2.3 To delegate authority to the Chief Executive, in consultation with the Convener of the Committee, to award contracts for the construction of learning estate projects where it could be demonstrated the contract value was within approved budget limits.

2.2.4 To note the provisional Local Government Finance Settlement.

2.2.5 To note that delivery of funded capital expenditure priorities was dependant on the achievement of a balanced medium-term revenue budget.

2.2.6 To note that there was no capacity to fund additional projects that were not in the current programme.

2.2.7 To note the climate assessment of capital spending proposals.

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

2.2.9 To refer the report to the Council Budget meeting on 23 February 2023.

3. Background Reading

3.1 Finance and Resources Committee – 7 February 2023 - Webcast

3.2 Minute of the Finance and Resources Committee – 7 February 2023

4. Appendices

4.1 Appendix 1 – report by the Interim Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Tuesday, 7 February 2023

Sustainable Capital Budget Strategy 2023-2033

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

1. Recommendations

1.1 To note the priorities for capital expenditure outlined in this report which are aligned to the Council Business Plan;

1.2 To note the financial pressures arising from challenging market conditions, and the proposed measures required to bring the programme into a balanced position;

1.3 To delegate authority to the Chief Executive, in consultation with the Convenor of the Committee, to award contracts for the construction of learning estate projects where it can be demonstrated the contract value is within approved budget limits;

1.4 To note the provisional Local Government Finance Settlement;

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

1.6 To note that there is no capacity to fund additional projects that are not in the current programme;

1.7 To note the climate assessment of capital spending proposals;

1.8 To refer the report to the Governance Risk and Best Value Committee as part of its work programme; and

1.9 To refer this report to the Council Budget meeting on 23 February 2023.

Richard Carr
Interim Executive Director of Corporate Services

Contact: Rebecca Andrew, Principal Accountant,
Finance and Procurement, Corporate Services Directorate
E-mail: rebecca.andrew@edinburgh.gov.uk | Tel: 0131 469 3211

Report

Sustainable Capital Budget Strategy 2023-2033

2. Executive Summary

2.1 The Sustainable Capital Budget Strategy sets out priorities for £1.47bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

2.2 The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects.

2.3 Funding assumptions have been reviewed, but there are limited opportunities to increase the level of funding to address inflationary pressures.

2.4 It is therefore proposed that, where possible, budgets are cash limited, uncommitted learning estate projects are delayed pending the development of fully funded business plans and Balerno High School undergoes a retrofit, rather than a full replacement.

3. Background

3.1 The Sustainable Capital Budget Strategy 2022-2032 was reported to Finance and Resources Committee on 3 February 2022 and approved by full Council at its budget meeting of 24 February 2022. The report detailed priorities for Council capital investment of £1,459.874m, in alignment with the Council Business Plan, over the medium to long-term and set out a plan on how they could be funded.

3.2 However, it was recognised that the Strategy was expected to come under significant financial pressure as a result of higher tender prices caused by external factors including COVID-19 and Brexit. It was also noted that if a funding gap emerged, then further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs would be required. This could potentially mean that later phases of the programme could not be delivered within the ten-year strategy.

3.3 On 10 November 2022 Committee considered a report on the Sustainable Capital Budget Strategy 2023-33. The report highlighted the increased financial pressures resulting from adverse market conditions and proposed that, where possible, budgets should be cash limited, uncommitted learning estate projects should only be progressed following the development of fully funded business cases and that Balerno High School should undergo a retrofit, rather than a full replacement.

3.4 This report provides an update on the financial challenges facing the Council's capital budget as well as the resources available and sets out proposals for a balanced position to be considered at the Council budget meeting on 23 February 2023. This report should be read in parallel with the revenue budget report elsewhere on this agenda as the revenue impact of additional capital expenditure needs to be contained within a balanced medium-term revenue budget.

3.5 The Council Business Plan 2023-27 brings together the Council's strategic priorities into a single plan and should also be read alongside this strategy.

3.6 This report only covers the general fund capital investment programme. The capital expenditure requirements for the Housing Revenue Account are included in a report on the Housing Revenue Account Business Plan 2023-24 also on this agenda.

4. Main report

4.1 A summary of capital investment priorities and available funding is included at Appendix 1, with changes since the report to November Committee detailed in Appendix 2.

Latest Capital Monitoring Position

4.2 Projected slippage in the 2022/23 programme was included in the Capital Monitoring 2022/23 – Month Eight Position reported to Finance and Resources Committee on 26 January 2023 and has been built into the revised programme in Appendix 1. This slippage will be further amended to reflect the final outturn for the financial year and thereafter reported to Finance and Resources Committee in summer 2023.

Capital Expenditure Priorities and Pressures

4.3 Priorities for capital investment for the period 2023-2033 have been reviewed and continue to align with the three strategic priorities set out in the Council's Business Plan, namely:

- Create good places to live and work
- End poverty in Edinburgh
- Become a net zero city by 2030

4.4 The level of capital expenditure required takes account of updated expenditure forecasts and phasing for projects in the existing Sustainable Capital Budget Strategy.

4.5 The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions, as reported to Committee in November. Analysis of the impact of construction industry inflation on capital projects by Council Officers, supported by external consultants Faithful and Gould, shows uplifts of between 15% and 30% in 2022.

4.6 Expansion and improvements to the Council's Learning Estate continue to be the most significant cost for the programme. There is an opportunity for learning estate buildings across the city to become anchor facilities for wider joined up service delivery in local communities and to help address the net zero challenge, addressing all three of the strategic priorities. For all new learning estate projects currently in development, options for wider service delivery from the facility are being considered during the design phase and buildings are designed to the Passivhaus standard.

4.7 The cost to deliver the learning estate programme is estimated at £429m. This figure takes account of latest cost estimates. As reported in November, the programme now assumes Balerno High School undergoes a full retrofit rather than being replaced and uncommitted local development plan schools are not included, pending the development of fully funded business cases. A list of proposed savings has been included in Appendix 3.

4.8 Construction contracts for several of the large learning estate projects in the Capital Investment Programme are due to be finalised soon. Flexibility is required to minimise delay and reduce the risk of post-tender cost increases. To assist this process, it is recommended that the Committee delegates authority to the Chief Executive, in consultation with the Convenor of the Committee, to award contracts for the construction of learning estate projects where it can be demonstrated that the contract value is within approved budget limits.

4.9 £166m is allocated towards the Council's roads and transport infrastructure, including carriageways, footways and investment in specific assets such as North Bridge. The North Bridge refurbishment project is experiencing significant cost pressures due to construction market volatility and increases to the scope of the works. Forecast costs have increased by £24m compared with the previous budget provision. The condition of the bridge is now largely known and the project team is now confident that the revised budget will not be exceeded.

4.10 It is proposed that £12m of this pressure is funded from the carriageway and footways budget over an 8 year period as set out in Appendix 3, with the remaining £12m funded from additional borrowing described in paragraph 4.32 below.

4.11 The remaining budgets within the capital programme have been cash limited. This includes investment in active travel, improvements to existing Council buildings and the delivery of cultural projects. Inflationary pressures will be met by rephasing and reprioritisation (including reduction in scope of works) and external funding, where available.

4.12 To achieve net zero by 2030, the city will need to tackle its largest sources of carbon emissions. The transport sector is one such significant source and road transport accounts for 68% of total transport emissions. Investing in active travel infrastructure provides the city's residents, visitors and businesses with a means of transport that is low carbon and can efficiently move people and goods around the city. Investing in active travel also helps create better places to live and work and provides free or low-cost transport for residents and visitors. There is council capital funding of £90m to deliver Public Transport, Road Safety and Active Travel infrastructure which will be augmented by external funding.

4.13 The programme also includes £61m of investment in the Council's building retrofit programme, of which £10m will be supported by Scottish Government's Green Growth Accelerator initiative. This initiative is planned to retrofit 12 Council buildings in order to significantly reduce carbon emissions and improve building user comfort.

4.14 In order to continue to deliver high-quality services, the Council needs to continue to invest in the condition and suitability of its property assets. To address the climate emergency, works will be designed to reduce carbon emissions arising from Council buildings. There is also an opportunity for facilities to be adapted in order that wider services can be delivered from these locations, making the city a better place to live and work and improving outcomes for citizens. The Sustainable Capital Budget Strategy 2023-33, as set out in Appendix 1, includes £147m for the existing operational estate.

4.15 The programme includes £14m of investment in cultural facilities, with a £5m contribution to the Dunard Centre as part of the Edinburgh and South East Scotland City Deal and a £4m contribution and a £5m loan[1] for the refurbishment of the King's Theatre. The King's Theatre project is experiencing funding challenges due to current economic conditions, but no additional funding is included within the revised capital budget presented.

4.16 Funding of £3.9m is provided for improvements to sports facilities. This includes an annual capital grant of £0.165m for Edinburgh Leisure works and £0.867m towards a proposed BMX track at Hunter's Hall. The latter is likely to require external funding before the Council can take it forward. In addition, £1.4m is provided to meet the final cost of the new Meadowbank Stadium, which opened in July 2022. This is more than the original budget, but as the Council has secured borrowing at a lower rate than was assumed in the business case, there is no additional cost to the Council.

4.17 While additional social housing provision is financed by the Housing Revenue Account, the general fund capital programme distributes grant funding to social landlords on behalf of Scottish Government. It also provides £183m for lending to Edinburgh Living LLPs which is included within this Strategy. These projects are self-financing using income from affordable rents. Investment will therefore only take place based on a viable business case. Further information on the risks of this on-lending are included in paragraph 4.33 below.

[1] The £5m loan agreed with Festival City Theatres Trust is fully repayable, based on future operating surpluses.

Climate Assessment of Capital Budget Proposals

4.18 This year a new methodology developed by the Institute for Climate Economics (I4CE) has been trialled to better understand how spending plans are aligned with the Council's net zero ambition. The process adopts a simple taxonomy to analyse local authority expenditure identified as having impacts that are: very favourable; favourable under conditions; neutral or unfavourable with respect to potential greenhouse gas emissions. The methodology helps to ensure both consistency and objectivity in the assessments. More details about the assessment of construction projects based on the I4CE methodology can be found in Appendix 4.

4.19 This high-level and qualitative assessment provides a simple yet powerful insight into the budget and helps better understanding of the impact of expenditure on targets to inform budget decisions.

4.20 Key findings show that, for the expected expenditure for 2023-33 (a total of £1.5bn analysed):

- 58 % of the total investment (£ 875 m) is in line with the Council's climate ambition (labelled as either "favourable under conditions", or "very favourable")
- 33 % is considered as neutral
- 4 % is unfavourable
- 4 % is classified as "undefined" as the expenditure did not match with any item in the taxonomy

4.21 Most of the "favourable" spend corresponds to the maintenance and expansion of active travel routes, the construction of buildings to high energy standard, and the energy efficient retrofit of buildings. More details can be found in Appendix 5.

4.22 More than one third of the total budget is allocated to the construction of new buildings. Some new build schools have been assessed as "unfavourable" despite plans to build them to high energy efficient standards, because they will lead to land-use change. "Soil artificialisation" or "soil sealing" generates emissions and make the city more vulnerable to climate change.

4.23 Ways to improve this assessment going forwards include:

- Spending more on energy retrofit and energy efficiency projects rather than new builds. Even built to Passivhaus standard, a new building will still result in additional operational emissions (not to mention large embodied carbon emissions)
- Avoid 'soil sealing' – important to prioritise building on brownfield/ vacant/ derelict land
- Prioritise active travel / public realm spending over road improvement when possible
- Purchase electric vehicles rather than diesel/petrol.

Capital Funding Assumptions

4.24 The funding assumptions for Sustainable Capital Budget Strategy 2023-2033 have been thoroughly reviewed line by line, to provide an up-to-date estimate of funding available. Funding available is currently estimated at £1.475bn. Detailed analysis of funding is provided in Appendix 1 with the under-pinning assumptions set out in Appendix 6.

4.25 The provisional 2023-24 Local Government Finance Settlement was provided on 20 December 2022. This provided Edinburgh with £52.571m in general capital grant, comprising core grant of £37.945m, continued support for the 2022/23 local government pay award of £9.709m[2] and funding of £4.917m for the expansion of school kitchen and dining facilities for the roll out of free school meals. In addition, a further £0.811m for play park renewals is expected, taking the general capital grant to £53.382m for 2023-24.

4.26 For future years, it is assumed that the core grant will be unchanged and further play park funding will be provided in 2024-25 and 2025-26 as advised by Scottish Government.

4.27 The provisional settlement also set out specific grant funding for Affordable Housing and Cycling, Walking and Safer Routes for 2024-25 and it is assumed that this level of funding will also be available in future years.

4.28 In addition to the above, the Council receives funding from Scottish Government and other bodies for specific initiatives. While this funding is only formally recognised in the budget when the amount and timing of receipts are confirmed, all capital pressures in this report are presented net of any anticipated funding. There are likely to be further opportunities for the Council to secure additional grant funding towards its priorities, particularly in areas such as net zero, active travel and regeneration.

4.29 The Scottish Government is increasingly supporting capital investment with revenue-based funding models, linked to the achievement of agreed outcomes. New secondary schools in Currie, Liberton and Wester Hailes as well as the retrofit programme will receive this outcome-based funding via the Learning Estate Investment Programme and the Green Growth Accelerator Model respectively. It is currently assumed that all outcomes will be achieved and funding will be received in full, but there is a risk that the funding could be reduced in the event that outcomes are not fully achieved.

4.30 It is assumed that developers' contributions will partially offset some of the costs of supplying an increased learning estate and additional transport infrastructure to meet the needs of a growing city. This funding stream will be kept under review as

[2] The Scottish Government contribution to the local government pay deal is being paid via the general capital grant funding mechanism in 2022/23 and 2023/24. This is on the assumption that local authorities will transfer the monies to revenue via the Capital Fund reserve. From 2024/25 onwards, it is assumed that the pay award will be funded from the revenue budget settlement.

the Wave 4 schools, Local Development Plan and subsequently City Plan infrastructure progress.

4.31 The Capital Budget Strategy assumes capital receipts from sale of surplus assets. Receipts up to 2025 are based on the current disposal programme. Beyond this, the level of income will depend on the Council's asset management strategy, but a conservative forecast of £3m per annum is assumed based on previous years. A further £27.650m of funding is available from previous years' receipts which are held in the capital fund, based on previous Council budget decisions.

4.32 A significant proportion of the programme is funded from loans fund advances, with the associated borrowing costs met from the Council's loans charges revenue budget. The funding available for loans charges in the medium-term financial plan has been reviewed and, although interest rates have increased from the historic lows seen in recent years, the budget is still sufficient to support the level and profile of expenditure set out in this report, including an additional £12m for the North Bridge project. This is due, in part, to proactive treasury management, which has enabled the Council to benefit by borrowing at low rates, when they were available. The revenue budget framework provides funding to meet the anticipated loans charges associated with general loans fund advances of £494m. However, there is little headroom to absorb further inflationary pressures, grant reductions or increases in interest rates. Furthermore, it should be noted that the Council's ability to meet the costs of loans charges is dependent on the achievement of a balanced revenue budget. Any shortfall in revenue budget savings could result in a reduction in capital investment.

4.33 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 £248m. In addition, both the Housing Revenue Account (HRA) Business Plan and General Fund on-lending assume continuation of the consent beyond this point, in the form of capital receipts in the HRA and borrowing in the General Fund. Work is underway to understand future viable models for mid-market and market rent, taking into account development costs, availability of grant funding and consents. However external factors highlighted elsewhere in this report, together with proposed rent freezes create challenges for the affordability of future affordable housing acquisitions by Edinburgh Living.

Unfunded Capital Priorities and Pressures

4.34 There is no capacity to fund additional projects that are not included in the current capital programme. Previously reported unfunded projects, which include community centres, City Centre Transformation and hostile vehicle mitigation remain in that category. New projects, including ICT infrastructure, will require external funding or reprioritisation of the existing programme. The Council will continue to progress opportunities for grant funding, where it is available.

5. Next Steps

5.1 This report will be considered by Council at its budget meeting of 23 February 2023.

5.2 This report will be referred to Governance, Risk and Best Value Committee to consider as part of its programme of work.

5.3 Finance will continue work with project and programme managers to monitor capital budgets.

6. Financial impact

6.1 This report sets out capital expenditure and funding of £1.475bn based on the assumptions set out above, including the generation of savings and additional income in revenue budgets. These assumptions will be kept under review, and capital expenditure plans remain contingent on the strategy continuing to be affordable.

6.2 Investment in additional property assets is likely to result in increased running costs borne by the Council's service areas. A report on the associated cost implications of changes in the size and profile of the Council's operational property estate was considered by this 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.

6.3 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 will be undertaken as part of the Council's wider budget setting process.

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

7.3 Public sector climate change duties have been strengthened in 2022 with a new requirement to ensure alignment of spending plans and use of resources with sustainability ambitions. To this end, a new methodology developed by the Institute for Climate Economics (I4CE) has been trialled to better understand the climate impacts of the Council's capital budget strategy.

8. Background reading/external references

8.1 Sustainable Capital Budget Strategy 2022-2032, Finance and Resources Committee, 3 February 2022

8.2 Sustainable Capital Budget Strategy 2023-2033, Finance and Resources Committee, 10 November 2022

8.3 Council Business Plan 2023-27, The City of Edinburgh Council, 15 December 2022

8.4 [Link to Month 8 monitoring report when available]

8.5 Changes to the Operational Property Estate: Life Cycle Costs Forecast, Finance and Resources Committee, 23 May 2019

9. Appendices

9.1 Appendix 1 – Capital Expenditure Priorities and Available Funding

9.2 Appendix 2 – Changes from 10 November F and R Committee

9.3 Appendix 3 – Savings Proposals

9.4 Appendix 4 – Climate assessment of local authority budgets – I4CE methodology - Details on the methodology for the assessment of construction projects

9.5 Appendix 5 - Climate assessment of local authority budgets – I4CE methodology – Key findings

9.6 Appendix 6 – Funding Assumptions

A Sustainable Capital Budget Strategy 2023-2033
Capital Expenditure Priorities and Available Funding

Expenditure		Revised 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	Indicative Budget 2031/32	Indicative Budget 2032/33
Project Area	**Total**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Primary Schools	**31.254**	12.223	10.775	8.256	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Wave 4 Schools	**294.233**	56.007	87.029	78.021	39.761	1.233	18.498	12.944	0.740	0.000	0.000
New Schools and Extensions for Population Growth	**103.774**	31.616	20.659	26.500	8.000	9.000	8.000	0.000	0.000	0.000	0.000
Libraries	**1.728**	1.728	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sports Facilities	**3.918**	2.433	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Other Community Projects	**1.191**	**1.191**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Depots	**6.628**	2.312	4.316	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Parks, Greenspace and Cemeteries and Other Environment	**8.541**	2.222	1.904	2.715	0.250	0.250	0.250	0.250	0.250	0.250	0.200
Fleet Replacement	**8.055**	8.055	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Roads and Transport Infrastructure (including North Bridge)	**165.654**	36.824	25.969	15.469	12.268	12.110	12.110	12.110	12.110	13.610	13.072
Energy Efficiency Street Lighting Project and Traffic Signals Prudential	**12.774**	1.271	1.220	1.220	1.220	1.220	1.220	1.265	1.450	1.450	1.238
Public Transport, Road Safety and Active Travel	**89.738**	16.444	14.621	13.587	8.128	6.921	6.921	5.910	5.736	5.736	5.736
Tram Life Cycle Replacement	**5.697**	3.242	1.658	0.287	0.069	0.071	0.073	0.076	0.079	0.092	0.050
IMPACT	**5.000**	4.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
King's Theatre	**9.000**	0.000	9.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Culture	**0.236**	0.074	0.162	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Asset Management Works	**147.356**	10.006	16.000	16.000	16.000	16.000	16.000	14.000	14.000	15.350	14.000
Retrofit	**60.850**	5.467	19.677	25.635	10.071	0.000	0.000	0.000	0.000	0.000	0.000
Edinburgh Living	**182.515**	59.418	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Other Housing and Regeneration	**291.674**	29.303	29.562	30.159	28.950	28.950	28.950	28.950	28.950	28.950	28.950
Tram to Newhaven	**1.755**	1.755	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ICT & Other Corporate Services	**9.454**	4.665	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Contingency[1]	**43.996**	0.324	0.000	5.000	5.000	5.000	5.000	5.000	5.708	5.011	7.953
Slippage Adjustment[2]	**-10.502**	-31.233	-15.765	5.775	14.880	11.601	1.185	0.638	2.006	0.580	-0.170
Total Expenditure	**1,474.517**	**259.346**	**300.048**	**271.250**	**156.244**	**93.136**	**98.987**	**81.924**	**71.194**	**71.194**	**71.194**

Funding		Revised 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	Indicative Budget 2031/32	Indicative Budget 2032/33
Funding Stream	**Total**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Asset Sales (Unringfenced)	**35.000**	7.000	4.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Capital Fund Drawdown	**27.650**	27.650	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Developers Contributions	**6.369**	6.369	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
General Capital Grant	**398.130**	53.382	39.161	39.972	37.945	37.945	37.945	37.945	37.945	37.945	37.945
Less: Contribution to Capital Fund (Pay Award)	**-9.709**	-9.709	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Specific Grants	**306.117**	31.458	31.458	31.458	30.249	30.249	30.249	30.249	30.249	30.249	30.249
Loans Fund Advances - Prudential	**32.652**	18.547	10.913	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Loans Fund Advances - On-Lending	**182.515**	59.418	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - Trams to Newhaven	**1.755**	1.755	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - General	**494.037**	63.476	144.016	154.358	73.568	21.327	27.178	10.115	0.000	0.000	0.000
	1,474.517	**259.346**	**300.048**	**271.250**	**156.244**	**93.136**	**98.987**	**81.924**	**71.194**	**71.194**	**71.194**

[1] Contingency provision relates to projects in current programme and is not available for additional investment

[2] Slippage provision relates to phasing of expenditure and takes account of projects slipping from 2022-2023. It is not available for additional investment

A Sustainable Capital Budget Strategy 2022-2032 **Appendix 2**

Changes from 10 November 2022 Finance and Resources Committee

Summary of Changes

Loans Fund Advances - General	**£m**
10 November 2022 F&R Committee	415.4
7 February 2023 Special Budget Meeting	494.0
Movement	**78.6**

Description	**Amount**
Slippage 22/23	17.4
Slippage assumption 23/24 - 32/33	-28.4
North Bridge	12.0
Meadowbank	1.4
Reduction in Grant assumption	74.9
Increase in Contingency to assume full use of Grants	14.0
Increase in assumed Capital Receipts and Capital Fund Drawdown	-12.6
Total	**78.6**

A Sustainable Capital Budget Strategy 2023-2033
Savings Proposals

Project	Total	Revised Budget 2023/24 £m	Indicative Budget 2024/25 £m	Indicative Budget 2025/26 £m	Indicative Budget 2026/27 £m	Indicative Budget 2027/28 £m	Indicative Budget 2028/29 £m	Indicative Budget 2029/30 £m	Indicative Budget 2030/31 £m	Indicative Budget 2031/32 £m	Indicative Budget 2032/33 £m
New Schools - Delayed implementation pending fully funded business cases											
Builyeon Road Primary School (S Queensferry)	29.172	1.023	7.559	10.590	10.000	0.000	0.000	0.000	0.000	0.000	0.000
Kirkliston/West Edinburgh Secondary Provision	60.000	0.000	0.000	0.000	3.375	24.567	29.200	2.859	0.000	0.000	0.000
Gilmerton Station Road Primary School	19.200	0.000	0.000	0.000	0.000	0.000	1.080	7.861	9.344	0.915	0.000
Granton Waterfront Primary School	19.200	0.000	0.000	0.000	1.123	8.176	9.718	0.183	0.000	0.000	0.000
East of Milburn Tower Primary School	19.200	0.000	0.000	0.000	0.000	0.000	1.168	8.503	9.529	0.000	0.000
Less: adjustment to assumed developers contributions	-58.709	-0.362	-9.097	-1.259	-4.092	-11.998	-18.441	-14.257	0.796	0.000	0.000
	88.063	**0.661**	**-1.538**	**9.331**	**10.406**	**20.745**	**22.724**	**5.150**	**19.669**	**0.915**	**0.000**
Balerno High School											
Cost of School Replacement	69.200	0.000	0.000	0.000	2.371	2.466	36.996	25.888	1.479	0.000	0.000
Less: cost of full renovation and retrofit	-34.600	0.000	0.000	0.000	-1.185	-1.233	-18.498	-12.944	-0.740	0.000	0.000
	34.600	**0.000**	**0.000**	**0.000**	**1.185**	**1.233**	**18.498**	**12.944**	**0.740**	**0.000**	**0.000**
Savings to Address North Bridge Pressure											
Reduction to Carriageways and Footways Allocation	12.000	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	0.000	0.000
	12.000	**1.500**	**1.500**	**1.500**	**1.500**	**1.500**	**1.500**	**1.500**	**1.500**	**0.000**	**0.000**
Total Proposed Savings	**134.663**	**2.161**	**-0.038**	**10.831**	**13.091**	**23.478**	**42.722**	**19.594**	**21.909**	**0.915**	**0.000**

Appendix 4 - Climate assessment of local authority budgets – I4CE methodology - Details on the methodology for the assessment of construction projects

Construction of new buildings:

Investments made for the construction of new buildings are to be evaluated with regard to three criteria:

- energy-carbon performance of the construction in relation to the standard in force;
- land use change or soil artificialisation (the construction should not waterproof the soil or change the use of agricultural, forest or natural land);
- access to essential services

A building that respects the regulatory energy and carbon performance thresholds **and** does not lead to land use change will be classified as "favourable under conditions". If one of the two criteria is not met, 100% of the expenditure is classified as "unfavourable".

If the targeted energy and carbon performance goes beyond the current standard, the estimated costs related to achieving this performance can be classified as "very favourable", the rest being classified as " favourable under conditions " or "unfavourable" depending on whether or not the construction contributes to soil artificialization.

<ins>Land use change</ins>

The construction of new buildings increases the surface area to be heated and the heating and transportation infrastructure needs, contributes to urban transportation, urban sprawl and requires the manufacture and use of emitting materials such as cement. In fact, apart from the impact on carbon sinks and the emissions linked to induced mobility, most of the carbon footprint of an energy-efficient building is linked to the construction and demolition phases (which represent between represent between 60 and 90% of the total carbon footprint over a 50-year - CEREMA, 2021). It is therefore necessary to use less emitting construction methods by using low-carbon materials and decarbonizing the industrial sectors.

As far as land use change is concerned, carbon emissions are generated due to the removal of carbon sinks (notably grasslands).

The artificialization generated by construction would represent 8% of the sector's emissions (FNTP, 2021). According to CEREMA (2020), the fight against artificialization can be achieved through:

- densification, without loss of quality of life for the residents;

- the use of vacant spaces (derelict land or vacant housing);

- and finally, rewilding

The question of the location of new construction, and the travel required to access essential services, is also to be considered. Enabling access to essential services without having to use a private car reduces transport emissions, and densifies neighbourhoods, reducing soil artificialisation (C40 Knowledge Hub, 2020).

The table below sets out how assessment against each of the 3 criteria informs the overall climate assessment.

	Housing, public and commercial buildings									
1) Energy performance vs Buildings Standards	Beyond Buildings Standards (minimum 10% reduction vs Buildings Standards)				Compliant with Buildings Standards				One of these criteria is unknown	The construction is linked with a fossil fuel activity (e.g. refinery)
2) Land use change / soils artificialisation : Is the construction built on green field?	No	Yes	No	Yes	No	Yes	No	Yes		
3) 20-minute neighbour-hood: Are essential services easily accessible?	Yes	Yes	No	No	Yes	Yes	No	No		
Spend assessment	very favourable : extra cost versus building standards	very favourable: extra cost versus building standards	very favourable: extra cost versus building standards	very favourable: extra cost versus building standards	Favourable under conditions: 100% of the spend	Unfavourable : 100% of the spend	Unfavourable : 100% of the spend	Unfavourable : 100% of the spend	Undefined : 100% of the spend	Unfavourable : 100% of the spend
	Favourable under conditions: rest of the spend	Unfavourable : rest of the spend	Unfavourable : rest of the spend	Unfavourable : rest of the spend						

Buildings retrofit:

The renovation of buildings that are not specifically focussing on thermal improvements does not lead to a sufficient reduction in emissions to achieve the building's emission reduction target. Therefore, a "non-energy efficient" renovation is considered "neutral".

“Energy efficient retrofit” corresponds to work involving energy items such as heating, hot water, ventilation, insulation, carpentry. The costs related to thermal renovations leading to complete and efficient renovations are classified as "very favourable". The rest of the expenditure is considered as covering costs not related to "energy performance" and is therefore classified as "neutral". The costs related to biosourced materials are considered as "very favourable".

If the energy or carbon performance renovation allows for a reduction in the building's energy consumption or greenhouse gas (GHG) emissions of the building, but without a jump in class in the Energy Performance Certificate or where the reduction in consumption is less than 30%, then the expenditure is classified as "neutral".

It would also be relevant to identify "missed opportunities", i.e. renovations that renovate one or more energy-related items but without any intention of improving energy performance. For example, a facade renovation without taking advantage of it to better insulate the building.

Appendix 5 - Climate assessment of local authority budgets – I4CE methodology – Key findings

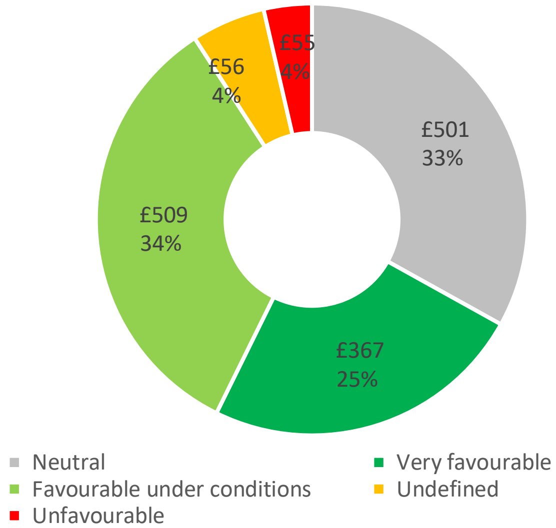


Figure 1: Climate assessment of the Capital Budget Book, total expenditure for 2023-2033. Figures in million pounds (£m)

Top "very favourable" spends:

Project	Cumulated spend (£m) 2023-33	% of total	Justification
Carriageway / Footway Works	£115m	8%	Encourages active travel. Note significant additional money is being spent on active travel through Sustrans funding – not captured here
Road safety and active travel projects	£84m	6%	Includes 20 mph speed limiting, walking projects, cycle projects, George Street project, LEZ development etc.
EnerPHit	£61m	4%	Deep energy retrofit of 10-12 Council buildings

Top "unfavourable" spends:

Project	Cumulated spend (£m) 2023-33	% of total	Justification
LDP schools – new builds	£46m	3%	Includes New Brunstane/Newcraighall Primary School and Maybury Primary School. Although designed to be built beyond building regulations to achieve excellent levels of energy efficiency, 88% of the spend has been classified as 'unfavourable' due to the fact that they are generating 'soil sealing' (cf Appendix 4). Note: Decisions for the location of these schools have been made several years ago.
Fleet replacement	£6m	<1%	Provisions to procure over a hundred diesel vehicles in the next few years, including to purchase 15x 26T diesel bin lorries (on top of the 5 electric ones funded by ZWS). This will lock in future emissions.

Broomhills/Frogston Primary School	£3m	<1%	New school not exceeding building regulations in terms of energy performance and risk of creating soil sealing

Capital Budget Funding Assumptions – 2023-33

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
General Capital Grant	398.130	Grant based on Local Government Finance Circular No. 11/2022 issued in December 2022, setting out general capital grant for 2023/24. This provides Core General Capital Grant - £37.945m Free School Meals - £4.917m Pay Award - £9.709m The level of core grant is estimated to continue at this level for each year of the ten-year programme, but the school meal and pay award funding is only for 22/23 (already received) and 23/24. In addition, funding for play park renewal is assumed as follows, based on letter issued by Scottish Government in August 2020 2023/24 - £0.811m 2023/24 - £1.216m 2024/25 - £2.027m	Dec 22	Feb 23 when SG budget confirmed
Specific Capital Grants	306.117	Grant based on Local Government Finance Circular No. 11/2022 issued in December 2022, setting out general grant for 2023/24. This provides TMDF (Affordable Housing) - £27.950m Cycling, Walking and Safer Routes - £2.299m The level of grant is estimated to continue at this level for each year of the ten-year programme. In addition, a further £1.209m per annum is assumed from the Place Based Investment Programme for the first three years of the programme.	Dec 22	Feb 23 SG budget confirmed
Asset Sales	35.000	Estimate provided by Head of Estates - December 2022 23/24 £7m 24/25 £4m Future years will depend on the evolving asset management strategy - £3m per annum is assumed based on historic receipt levels.	Dec 22	Dec 23

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
Capital Fund	27.650	The capital fund contains the proceeds of previous years' asset sales. The balance currently stands at £42.531m. Of this £27.733m has been allocated to fund the capital programme and LDP infrastructure based on previous Council decisions. It is assumed that £27.650m is available to fund the capital programme as a small element may be required to fund feasibility work (revenue).	Dec 22	Dec 23
Developers Contributions	6.369	Developers contributions are based on the level of receipts collected from developers for projects within the programme. This level will be reviewed as S75 agreed with developers.	Dec 22	Sept 23
Loans Fund Advances - General	494.037	Borrowing assumptions and cash flow reviewed against revenue budget framework to ensure affordability.	Dec 22	Feb 23 revenue budget confirmed
Loans Fund Advances – Outcome-based funding	(included in general figure above)	Learning Estate Investment Programme (LEIP) – £19.0m has been assumed for Currie High School, based on the most recently received funding letter and prorated amounts have been assumed for Liberton and Westhailes, based on the sizes of the proposed schools. Enerphit - £10m has been assumed based on the business case for the programme.	Dec 22	Feb 23 Phase 3 of LEIP to be confirmed shortly
Loans Fund Advances – Prudential	32.652m	This is based on approved business cases for Fleet Replacement, Depots Review and ICT programmes. It also includes the £5m loan to the Festival City Theatres Trust for the refurbishment of the King's Theatre.	Dec 22	Sept 23
Loans Fund Advances – On Lending	182.515	Funding matches expenditure – fully funded business case	Dec 22	Sept 23
Loans Fund Advances – Tram to Newhaven	1.755	Funding matches expenditure – fully funded business case	Dec 22	Sept 23
Slippage	10.502	Based on previous outturn positions, it is assumed that the February budget position will slip by at least 10%. This allows us to gain a truer picture of the underlying need to borrow to finance the capital programme. It is assumed that roughly half of the slipped expenditure will fall into the year immediately following the original planned budget and the remainder into the year after.	Dec 22	Sept 23

The City of Edinburgh Council

10.00am, Thursday, 23 February 2023

Housing Revenue Account (HRA) Budget Strategy 2023/2024 – 2032/2033 – referral from the Finance and Resources Committee

Executive/routine	
Wards	
Council Commitments	

1. For Decision/Action

1.1 The Finance and Resources Committee has referred a report on the Housing Revenue Account (HRA) Budget Strategy 2023/2024 – 2032/2033 to the City of Edinburgh Council on 23 February 2023 as part of the budget-setting process.

Richard Carr
Interim Executive Director of Corporate Services

Contact: Taylor Ward, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: taylor.ward@edinburgh.gov.uk

Referral Report

Housing Revenue Account (HRA) Budget Strategy 2023/2024 – 2032/2033

2. Terms of Referral

2.1 On 7 February 2023, the Finance and Resources Committee considered a report on the Housing Revenue Account (HRA) Budget Strategy 2023/2024 – 2032/2033. The 20 year HRA Business Plan was reviewed annually to make financial provision for delivery of day-to-day services to tenants and capital investment in new and existing homes. The Business Plan sought to support the delivery of Council commitments, including more Council homes and net zero carbon.

2.2 The Finance and Resources Committee agreed:

2.2.1 To note the outcome of the annual review of the Business Plan and the annual rent consultation; with just over half of tenants (53%) voting for a third rent freeze and the remainder supporting a 2.5% (31%) and 5% (16%) increase.

2.2.2 To note that officers recommended that rents be increased by 2.5% in 2023/24 and that a Tenant Hardship Fund would be established to support tenants experiencing financial hardship; including those who cannot access benefits.

2.2.3 To note the impact of two years rent freezes and increasing costs and that (based on 2.5% rent increases over the next 10 years) around 81% of existing homes could be brought up to Energy Efficiency Standard for Social Housing (EESSH2) standards over the lifetime of the business plan and that only those new homes in design development (c.2,200 social rented homes) could be delivered.

2.2.4 To note the impact on the capacity of the capital investment programme if rents were frozen by a third year or if rents were increased by 5% in 2023/34, as set out in the Financial Impact section.

2.2.5 To note that in December 2022, COSLA leaders agreed a Standard of Intent to keep the renal and fee increases to an average of less than £5 a week across the country. A 2.5% increase is equivalent to an average of £2.55 a week with a 5% increase equivalent to an average £5.10.

2.2.6 To agree to refer the 2023/24 budget, drat 10-year capital investment programme, and the rent levels for 2023/2024 set out in Appendices 3 and 4 of the report to the Council budget meeting for approval.

3. Background Reading

3.1 Finance and Resources Committee – 7 February 2023 - Webcast

3.2 Minute of the Finance and Resources Committee – 7 February 2023

4. Appendices

4.1 Appendix 1 – report by the Executive Director of Place

Finance and Resources Committee

10.00am, Tuesday, 7 February 2023

Housing Revenue Account (HRA) Budget Strategy 2023/2024 – 2032/2033

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

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 Notes the outcome of the annual review of the Business Plan and the annual rent consultation; with just over half of tenants (53%) voting for a third rent freeze and the remainder supporting a 2.5% (31%) and 5% (16%) increase;

1.1.2 Notes that officers recommend that rents be increased by 2.5% in 2023/24 and that a Tenant Hardship Fund will be established to support tenants experiencing financial hardship; including those who cannot access benefits;

1.1.3 Notes the impact of two years rent freezes and increasing costs and that (based on 2.5% rent increases over the next 10 years) around 81% of existing homes can be brought up to Energy Efficiency Standard for Social Housing (EESSH2) standards over the lifetime of the business plan and that only those new homes in design development (c.2,200 social rented homes) can be delivered;

1.1.4 Notes the impact on the capacity of the capital investment programme if rents are frozen by a third year or if rents are increased by 5% in 2023/24, as set out in the Financial Impact section;

1.1.5 Notes that in December 2022, COSLA leaders agreed a Statement of Intent to keep the rental and fee increases to an average of less than £5 a week across the country. A 2.5% rent increase is equivalent to an average of £2.55 a week with a 5% increase equivalent to an average £5.10; and

1.1.6 Agrees to refer the 2023/2024 budget, draft 10-year capital investment programme, and the rent levels for 2023/2024 set out in Appendices 3 and 4 to the Council budget meeting for approval.

Paul Lawrence

Executive Director of Place

Contact: Elaine Scott, Head of Housing Strategy & Development

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

Report

Housing Revenue Account (HRA) Budget Strategy 2023/2024–2032/2033

2. Executive Summary

2.1 The 30-year HRA Business Plan is reviewed annually to make financial provision for delivery of day-to-day services to tenants and capital investment in new and existing homes. The Business Plan is seeking to support the delivery of Council commitments, including more Council homes and net zero carbon.

2.2 On 24 February 2022, Council approved a rent freeze for the second year in a row equating to £179m loss of income over the lifetime of the 30-year business plan from the two rent freezes. Since then, the impact of the Ukrainian war, as well as the long-term impact of the pandemic has seen costs in the construction sector increase by around 30%. The cost-of-living crisis and inflationary rises have meant that the day-to-day delivery of core landlord services are costing almost 20% more than last year's business plan. This reduces the capacity to borrow to invest in improving existing homes and neighbourhoods and building new affordable homes.

2.3 Delivery of the EESSH2 programme is expected to reduce energy demand for the average home by 76% providing significant savings for tenants whilst supporting carbon reduction. Based on average fuel bills (October 2022 price cap) a household in a two-bed flat could save over £1,000 a year, after a home has been brought up to EESSH2 standards. However, based on increasing costs it will not be possible to deliver improvements to all our Council homes without significantly increasing rents and securing additional financial support from Scottish Government.

2.4 As part of this year's budget consultation tenants were asked whether they would support a 0%, 2.5% or 5% rent increase to help fund investment. It was noted that none of these options would be enough to deliver the original plan. However, it is recommended that a 2.5% rent increase be implemented in 2023/2024. After two years of freezes any increase in rents would be a positive step in getting the business plan to a position to be able to deliver Council commitments, whilst keep rents affordable and any increases well below inflation.

2.5 Just over half of tenants supported a rent freeze for a third year in a row. Almost 70% of those who voted for a rent freeze get help with paying their rent with Benefits set to be increased by CPI (10.1%) in April 2023. Therefore, any increase in rents would be covered through a proportionate increase in benefits (assuming tenants' circumstances have not changed). 47% of tenants agreed that rents should be increased in 2023/24, with almost a third (31%) of respondents voting for a 2.5% increase and 16% supported a 5% increase.

2.6 The report (para 4.9 to 4.12) and Appendix 5 sets out the support available to tenants to help with paying rent and other bills; including additional resources for the Energy Advice Service and a new early intervention contact system to alert housing officers to tenants who are having difficulty managing their rent account. A new Tenant Hardship Fund will be established to provide support to tenants experiencing financial hardship; including those who cannot access benefits. A report will be brought to Housing, Homelessness and Fair Work Committee setting out how the Fund will be managed.

2.7 The one-year revenue budget (Appendix 3) and Draft 10-year Capital Investment Programme (Appendix 4) are predicated on annual rent increases of 2.5%. This would mean that over the lifetime of the business plan 81% of existing homes could be brought up to EESSH2 standards. Those homes in design and development would be completed over the next 10 years (c.2,200 social rented homes), but no new homes would be progressed without rent increases and additional Scottish Government grant funding. Should rents be increased by more than 2.5% or should there be a significant increase in grant funding then the pipeline can be progressed and accelerated in future years.

2.8 If a third rent freeze was approved, 8.3% per annum rent increases would be required over the following five years (from 2024/2025 onwards) in order to be able to deliver EESSH2 by 2040 and to build 5,000 homes for social rent by 2034.

2.9 A longer-term rent strategy will need to be put in place from 2024/2025 onwards to ensure that the HRA remains financially stable, and to ensure the Council delivers on statutory requirements, including EESSH2. Almost 60% of tenants said they would support a longer-term rent setting strategy, with the three-year period being the most selected option.

3. Background

3.1 On 24 February 2022, Council received a report proposing a below inflation 1.8% rent increase in 2022/2023 (2% per annum thereafter) to enable the revised £2.9b 10-year investment programme to deliver Council commitments, including 10,000 Council-led new affordable homes by 2027 and net zero carbon by 2038/39 (eight years later than originally planned). In light of the ongoing cost of living crisis, Council agreed to freeze rent for a second year in a row instead.

3.2 The report also highlighted that a minimum of 2.5% per annum rent increases would be required over the subsequent four years (2023/2024 to 2026/2027) to mitigate the loss of income caused by the second rent freeze and to achieve the long-term investment plan based on the assumptions at the time.

3.3 As part of the 2022/23 Programme for Government, the First Minister announced on 6 September 2022 that emergency legislation would be introduced to freeze rent with immediate effect till at least 31 March 2023 and a moratorium on evictions. The Cost of Living (Tenant Protection) (Scotland) Act 2022 was passed at the Scottish Parliament and came into force on 28 October 2022. The legislation introduced a rent increase cap, which was set at 0%, until 31 March 2023. It also gave Scottish Ministers the ability to extend the rent increase cap beyond March 2023 for two additional periods of six months.

3.4 On 22 September 2022, City of Edinburgh Council agreed a Motion on “Rent Freeze” from the Labour Administration; incorporating an addendum from the SNP Group and an amendment from the Green Group.

3.5 On 29 September 2022, Housing Homelessness and Fair work received a report setting out the implications for the HRA of rising costs and rent freezes and agreed to consult tenants on their main financial challenges. Committee was asked to note that the third rent freeze would mean that the Council will not be able to deliver statutory energy efficiency commitments and expand the Council's housebuilding programme without significant rent increases in future years and substantial Scottish Government subsidy.

3.6 On 24 November 2022, Scottish Government issued a call for evidence from landlords and tenants on the impact of the rent cap measures for tenants and the implications for landlord service delivery, business and investment plans.

3.7 In December 2022, COSLA published a Statement of Intent, prepared in consultation with the Association of Local Authority Chief Housing Officers (ALACHO) and approved by COSLA leaders. Comments were also invited from SOLACE and Directors of Finance. The statement included the following in relation to rent increases '*During these difficult times, as providers of social housing and Gypsy/Traveller pitch or site provision, we intend to keep the rental and fee increases to an average of less than £5 a week across the country.'*

3.8 On 21 December 2022, Scottish Government confirmed they would not freeze rents for social landlords beyond March 2023.

4. Main report

4.1 The 30-year HRA Business Plan 2023/2024 - 2052/2053 is the financial framework that underpins the Housing Service. The budget is prepared annually following consultation with tenants and the regular review of the 30-year HRA Business Plan (the Business Plan) and the 10-year Capital Investment Programme. It is shaped by statutory compliance and government targets, tenants' priorities and council commitments, as well as life cycle and health and safety.

4.2 The Business Plan seeks to make financial provision for the ongoing delivery of core commitments to:

4.2.1 Continue to deliver and improve housing management and maintenance services and support tenants to sustain tenancies;

4.2.2 Increase the supply of social rented Council homes by 5,000 homes by 2034 supporting the Council's ambition to reach 25,000 new affordable homes;

4.2.3 Deliver the Scottish Government's requirement for social housing to meet the EESSH2 standard working towards a target of all Council Homes being brought up to this standard by 2040;

4.2.4 Deliver improvements to mixed tenure blocks to make all blocks with Council tenancies warm, energy efficient, modern and secure;

4.2.5 Deliver an area-based approach to design and management of our wider estates aligned to investment in new and existing homes; and

4.2.6 Support and enable large scale regeneration in the city; including the regeneration of Granton waterfront.

4.3 The pandemic had an immediate impact on delivery of the capital programme with site closures and additional health and safety measures resulting in elongated programmes and increased costs. These challenges have been compounded by supply chain disruption, shortages of materials, labour, contractor availability leading to sharp increases in costs. The subsequent war in Ukraine and cost of living crisis linked to volatility in the energy market has meant that the cost of day-to-day delivery of our core landlord services has increased alongside increases in borrowing costs for capital works.

4.4 Capital investment is funded through a combination of prudential borrowing, Scottish Government grant funding, capital receipts, in-year revenue surplus and/or sinking fund built up in previous years. The servicing of capital borrowing from previous years accounts for 34% of all expenditure. The financial capacity of the HRA to fund the long-term delivery has deteriorated significantly. The previous two rent freezes have meant a £6m reduction in income per annum (£179m over the business plan). Every £1 million revenue can fund around £16m in capital borrowing.

4.5 The assumptions used in the Business Plan have been reviewed and updated to reflect the latest operating environment. Therefore, unless rents are increased significantly or there is a substantial injection of grant funding from Scottish Government to support energy efficiency investment, we will not be able to deliver on the commitments within the timescales set out in 4.2 above. The scale of mitigations required are set out in the Financial Impact section below.

Tenant Consultation

4.6 Each year the Housing Service consults tenants on the annual budget strategy and any associated rent increases. Almost 90% of tenants supported the overall investment plan, which focuses on investing money in building more social housing and making homes warmer and cheaper to run by making them more energy efficient.

4.7 As part of this year's budget consultation tenants were asked whether they would support a 0%, 2.5% or 5% rent increase to help fund the plan. However, one of these options would not be enough to get the business plan back on track, after two years of freezes any increase in rents would be a positive step in getting the business plan back on track, whilst keep rents affordable and any increases well below inflation.

4.8 Around 10% of tenants felt that rents were not value for money. 64% of respondents were aware of the previous two-year rent freezes. Just over half of tenants supported a rent freeze for a third year in a row. Almost 70% of those who voted for a rent freeze get help with paying their rent. Therefore, any increase in rents should be covered through a proportionate increase in benefits. 47% of tenants agreed that rents should be increased in 2023/2024. Almost a third (31%) of respondents voted for a 2.5% increase and 16% supported a 5% increase.

Help with Rent

4.9 95% of all income to the HRA comes from tenants' rents. Many of our tenants have seen their household income reduced (or interrupted) as a result of the pandemic, requiring help from welfare benefits, such as Universal Credit, to pay for their rents. The cost-of-living crisis further increased the financial pressures of our tenants, which in turn affects rent collection.

4.10 Between 70% and 80% of tenants each year receive assistance with their rent payment responsibilities through Housing Benefit or the housing element of Universal Credit. Working age benefits and pension credits are set to go up by CPI (10.1%) in April 2023. Tenants on partial benefit may see a minimal additional contribution if the rent charge is increased, as benefits are based on a person's income and ability to pay. Therefore, any increase in the rent charge would be proportionately covered by an increase in the benefit received if there are no other changes in the household circumstances.

4.11 In addition to rent levels tenants were asked questions in relation to wider cost of living issues. The results are summarised in appendix 2. The major of respondents highlighted that food (70%) and energy bills (77%) were becoming increasingly difficult to pay for. 23% of tenants said they had been consciously reducing their energy usage to save money. 31% of tenants also commented that their home quickly becomes cold once their heating has been turned off.

4.12 Since 2018 the Housing Service has had a dedicated energy advice service which offers in depth advice and support helping tenants to ensure they are heating their homes in the most effective way, support with preventing or managing fuel debt, accessing social funds and the Warm Homes Discount and other advice on positive behavioural changes. In the last six months, the Energy Advice Service has received 60% more referrals for support than the same period last year. The service is currently in the process of expanding to recruit two additional advisors to both meet with current demand and projected growth in demand.

4.13 35% of tenants surveyed said they were finding rent more difficult to pay for. Around a third (31%) sought additional help, with over half of those tenants speaking to their housing officer. The second and third most popular places for support were the Council's Income Maximisation Service and Citizens Advice Bureau.

4.14 The Council introduced a new early intervention system in October 2022 which alerts housing officers that tenants may be experiencing difficulties in paying rent. This will enable housing officers to have early conversations with tenants and prevent tenants getting into higher levels of debt.

4.15 A Scottish Government Tenant Grant Fund is in place to prevent homelessness for Private and Social tenants with rent arrears accrued as a result of the pandemic. A dedicated team (consisting of one Housing Officer and two Housing Assistants) was put in place to provide information, support and grant awards to tenants who find themselves at risk of homelessness and ensure that tenants are signposted to the right financial help and advice. Updated guidance has recently been issued by the Scottish Government to extend awards from the fund to cover rent arrears arising because of the cost of living crisis. Officers are reviewing criteria before inviting further funding requests.

4.16 A multi-disciplinary team has also been put in place to help Council tenants who are at serious risk of court action and are not engaging with their housing officer. The team consists of a housing/homelessness specialist, a debt advisor and income maximisation officer supervised by a team leader. With specialised representation from housing, family and household support, adult protection, children and families social work services and family group decision making. The team actively reaches out to tenants, offering joined up, intensive support, with the aim of keeping the tenant in their home.

4.17 Fees and charges for additional services provided as part of tenancies (e.g. stair cleaning, communal heating, furnished tenancies, etc) have been frozen for the last seven years. The majority of these charges cannot be covered by benefits and therefore provide a direct financial saving to tenants. The stair cleaning, core furnished tenancy and ground maintenance charges in new build developments will be increased in line with any rent increase this year, these are mandatory tenancy conditions and therefore covered by benefits.

4.18 For the last five years, Council rents have increased by an average of 1.2%. The average council rent (two-bedroom flat) is 46% below Local Housing Allowance and 62% below the average market rents in the city. Along with the City of Edinburgh Council, three local authority landlords (Aberdeen, East Lothian and Midlothian) had a rent freeze for a second year in a row in 2022/2023. All other local authorities increased rent by between 1% and 3.1%. The 2023/2024 rent increase proposals for 25 of the 26 Local Authority landlords in Scotland are now available. Only five landlords so far are giving the option of a rent freeze (including Edinburgh). Rent increase proposals range from 0% to 7%.

4.19 Alongside a recommendation to increase rents by 2.5% officers are proposing that a Tenant Hardship Fund be set up to help tenants experiencing financial hardship; including those who cannot access benefits. Administration of the fund will be similar to Discretionary Housing Payment. The exact criteria and administration of the scheme will be reported to Housing, Homelessness and Fair work committee in March 2023.

4.20 Whilst legislation requires social landlords to consult with their tenants for any rent increase, a longer-term commitment can be put in place to help better plan investment and give tenants some certainty on what rent they will be paying over a number of years. Previously, the Council did have agreement on a rent structure (inflation + 2.7%) to meet statutory commitment of bringing homes up to meet the Scottish Housing Quality Standard. Almost 60% of tenants said they would support a longer-term rent setting strategy, with the three-year period being the most selected option. A longer-term commitment on rents is needed to enable officers to plan investment and to deliver the EESSH2 programme and increase the supply of Council homes.

Making homes easier to heat

4.21 All social landlords are required to bring homes up to the very ambitious EESSH2. The original target of 2032 has been put on hold and Scottish Government are currently carrying out a review of the standard and associated timescales. The outcome of the review is expected to be known in late Spring/ early Summer. The cost and complexity of meeting this standard in existing homes has had a huge impact on business plans across all social landlords and their capacity to meet statutory commitments, as well as, building more homes.

4.22 Whilst this will improve the energy efficiency of homes, reduce carbon and heat demand, which in turn will reduce energy costs, the whole house retrofit costs are currently estimated to be around £56,000 per home. It is estimated that by meeting EESSH2, existing energy demand required to heat the home could be reduced by average to 76%. Based on average fuel bills (October 2022 price cap) a household in a two-bed flat could save over £1,000 a year, after a home has been brought up to EESSH2 standards. A 2.5% rent increase would be the equivalent of an average annual increase of £132.60.

4.23 From 2023/2024 onwards capital investment will enable a new approach to energy efficiency/retrofit; focussing on a whole house retrofit (WHR) approach covering larger area-based programmes. The first stage of this includes full whole block retrofit and wider upgrades and improvements to four multi-storey blocks and one low rise area-based scheme. In addition to this, eight multi-story blocks will move into design and development with the majority of these moving to site start in

2024/2025. A further low-rise area-based programme will also move into design and development (with a 2024/2025 anticipated site start).

4.24 Overall, the design and development process for WHR and wider improvement/upgrade works is lengthy and extremely detailed with numerous building elements needing careful consideration to ensure the right solution for the building and tenants is developed. The design and development process can take between 12-18 months, along with lengthy engagement and sign off from planning, building control and procurement. Therefore, the ability to plan budgets over a longer term is critical to the overall success of the programme.

4.25 The Mixed Tenure Improvement Service (MTIS) continues to work alongside owners to enable fabric repairs and energy efficiency works to progress. The MTIS Programme will move into its final year of works in Wester Hailes in 2023/2024. To date a total of 911 homes including 233 private and 678 Council homes in Phases 1 to 8 are either complete or currently undergoing works to retrofit and improve the blocks.

4.26 Phases 9 to 11 are being planned at Murrayburn, Dumbryden and Hailesland targeting a further 380 homes over the final year of the programme. The MTIS programme is being expanded to targeted other areas of the city to enable more Council homes to be brought up to EESSH2.

4.27 In January 2022, Scottish Government announced £200m for Social Housing Net Zero Heat Fund (SHNZHF) for all of Scotland over the next five years. The fund is project specific and distributed on a first come first serve basis. Successful projects could claim between 50% and 100% of the total costs.

4.28 The SHNZHF has an average annual budget of £40m for all of Scotland. Based on the draft capital programme (predicated on a 2.5% rent increase) set out in appendix 4, it is estimated that spend of c.£128m over the next five years would be required to bring almost 2,300 Council homes up to EESSH2.

4.29 The Energy Efficient Scotland: Area-based Scheme (EES:ABS) funding from Scottish Government has been integral in driving forward investment in mixed tenure blocks. Private owners in extreme fuel poverty receive a maximum grant of £13,500 (for flats) to £18,000 (for detached houses) through the scheme. However, even with this funding, the costs to private owners in some of Edinburgh's most deprived areas are likely to be significant.

4.30 In November 2022, the Housing Convenor wrote to the Cabinet Secretary for Social Justice, Housing and Local Government setting out the cost challenges associated with EESSH2 and asking that Scottish Government Resource Planning Assumptions (RPAs) similar to the Affordable Housing Supply Programme be provided to help council's meet this ambitious standard, without having to pass all the costs onto tenants who are already struggling. The letter also highlighted the need for additional funding and support for owners to continue to drive much needed investment across mixed tenure blocks and reduce the financial constraints that prevent many private owners from progressing with these works.

Building new affordable homes

4.31 As set out above the scale of investment required in meeting statutory energy efficiency commitments of existing homes is putting increasing financial pressure on our ability to build more affordable homes. That said, housing need and demand pressures in Edinburgh have never been greater and so building new affordable homes in the city remains a priority.

4.32 Within the Council's housebuilding programme, there are currently 613 new affordable homes on site and under construction (301 for social rent and 312 for mid-market rent) and a further 1,055 homes in design and pre-construction stage (727 for social rent and 328 for mid-market rent). This does not include homes being delivered for private sale or market rent through Council led developments.

4.33 The amount of grant funding benchmark made available for each affordable home increased in 2021, however, the increases in construction costs has meant that it has had a limited impact on viability, as it only represents around 35% of the cost of an affordable home.

4.34 The HRA can only support delivery of around 2,200 homes for social rent on sites that have been identified as part of the Strategic Housing Investment Programme (SHIP 2023-2028), which was approved by Housing, Homelessness and Fair Work Committee in December 2022. The SHIP is reviewed annually.

4.35 The Business Plan assumes that around £120m of Scottish Government grant funding will be required to support the delivery of only the social rented homes in the new build programme over the next five years (based on a 2.5% rent increase). Over the next three years Edinburgh's starting allocation for building both the Council and Housing Associations social and mid-market rented homes is £136m.

4.36 The Council House Building team has a future pipeline programme of over 4,000 homes (including social rent, mid-market rent and homes for sale). Most of these are in early concept stages and some sites still remain in third party ownership/are still operational. Should rents be increased by more than 2.5% or should there be a significant increase in grant funding then this pipeline can be progressed and accelerated in future years to support the ambition to reach 25,000 affordable homes.

5. Next Steps

5.1 Depending on the decision at the special Council budget meeting on 23 February 2023, council officers will work through the impact of the agreed 2023/2024 rent level on the capital investment programme. The detailed 2023/24 Capital Investment Programme will be reported to Housing, Homelessness and Fair Work Committee for approval in March 2023.

5.2 The criteria and administration of a Tenant Hardship Fund to support tenants experiencing financial hardship; including those who cannot access benefits, will be developed. A report on the proposed fund will be reported to Housing, Homelessness and Fair work committee in March 2023.

5.3 Officers will continue to work with Scottish Government to maximise grant funding for both the new build programme and the transition to net zero carbon. Any additional funds could potentially be used to accelerate investment.

6. Financial impact

6.1 The last HRA Budget Strategy approved by the Council in February 2022 included a 10-year £2.9b capital programme and £1.2b revenue programme. Following a review of the Business Plan assumptions (as set out in the HRA budget strategy report 2023/24 to 29 September HH&FW committee), in order to deliver the same outcomes over the next 10 years it is projected to cost £3.5b in capital (20%

increase on last year's plan) and £1.4b in revenue (17% increase on last year's plan). Key changes listed below have resulted in a significant increase in HRA expenditure. These include:

6.1.1 **Cost of delivering services** (inflationary increases, staff cost increases, and electricity costs). Inflation is currently assumed to be 3% over the next three years (in line with General Fund planning assumptions) and electricity costs for operating Housing Service workplaces are estimated to increase by 29% in 2023/2024, while Employee Costs Inflation has been updated to align Council's General Fund business plan (3% for three years);

6.1.2 **Cost of borrowing to fund capital investment.** The assumption for pooled interest rate for capital borrowing has been increased from 3.8% to 4.78%. For every 0.1% increase, debt servicing costs would increase by an average of c.£19m over the 30-year plan period based on the latest draft investment programme;

6.1.3 **Delays in financial efficiencies** coming from the Housing Service Improvement Plan are now expected to take longer to be realised due to the pandemic**;**

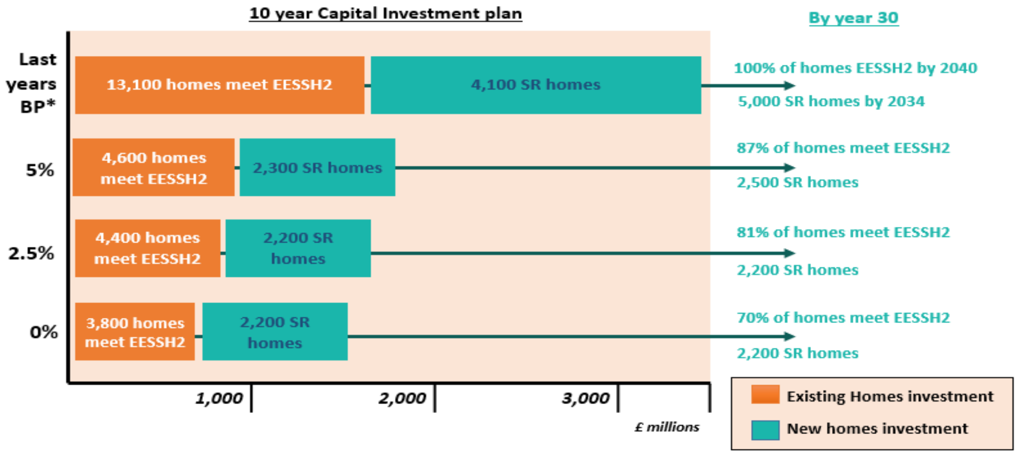
6.1.4 **New build programme cost increases.** Increasing cost in materials, workforce and land. There is a 28% increase in assumed Council housebuilding build cost (excluding land costs) per home based on the most competitive tender prices for recent housing projects. Although the affordable housing grant was increased in 2021/2022, however, it still leaves a considerable gap when compared to the increase in assumed development costs; and

6.1.5 **Bringing existing homes up to EESSH2.** Detailed design principles work is well underway and able to inform more accurate cost assumptions. The average whole house retrofit costs to achieve EESSH2 standards has increased from £30,000 to £56,000 per home.

6.2 The impact of the increasing costs set out above, as well as the reduction in income as a result of two consecutive rent freezes, means that the business plan has a lot less money to spend on capital investment. Three scenarios have been modelled based on the proposed rent increases that formed part of the tenant consultation exercise.

6.3 The graph below sets out the impact on the 10-year and 30-year capital investment programmes based on proposed rent increases. None of the proposed scenarios (0%, 2.5% or 5%) would be able to get the business plan back on track.

Figure 1: Impact on 10-year capital investment programme



6.4 All tested scenarios show that significant interventions would be required to be able to deliver the original 10-year capital investment programme that would see all homes meet EESSH2 by 2040 and 5,000 new homes for social rent by 2034. One of the following or a combination of the following measures would need to be implemented:

6.4.1 **Increasing rents:** Rents would have to be increased by 7.8% per annum for the following five years (2024/2025 to 2028/2029) in order to be able to deliver on current commitments. If there was a rent freeze for a third year in a row, this would increase to 8.3% p.a. for five years;

OR

6.4.2 **Increase government funding:** Funding of c.£64m per annum until 2040 would be required to support the delivery of EESSH2 and enable rent increases to be limited to 2.5% from 2023/2024 onwards. It is estimated that the SHNZHF has an average annual budget of £40m for all of Scotland and the Council will need to submit bids for a share of this funding.

6.4.3 An additional £190m in grant funding for new build would also be required over the next 12 years to deliver the original commitment of 5,000 homes of social rent by 2034.

OR

If rents are not increased or significant grant subsidy received, then the capital investment programme set out in appendix 4 would be implemented.

6.4.4 **Stopping the new build programme:** All the homes currently in design and development would be taken forward (c.2,200 social rented homes), but no new homes would be brought into the programme.

AND

6.4.5 **Reducing energy efficiency investment in existing homes:** The programme would have to reduce by c.30%. Which would mean an elongation of the programme to be delivered over 30 years instead of the original 17 years (by 2040) and a reduction in the number of homes that meet the statutory compliance of EESSH2 (total of 81% by 2053, including those already met the standards to date).

6.5 There is already an ambitious service efficiency target as part of the Housing Service Improvement Plan and therefore any additional revenue saving would have to come through service reduction. A small contingency, c.10% of operating expenditure, has been built up to date to deal with any emergencies or unforeseen circumstances.

6.6 It is proposed that payments to tenants in financial hardship will be funded from HRA reserves but, it is important to note that all the scenarios set out above assume that any in year surpluses or reserves (sinking funds) are applied to the capital investment programme to reduce the need to borrow in current and future years. Therefore, if the reserves were to be used for anything else (i.e. to mitigate the impact of a rent freeze in the short term or to support tenant hardship) this would have a detrimental effect on the capacity of the capital investment programme in the medium to long term. Unless rents were further increased, or additional grant funding acquired to compensate then the outputs set out in Figure 1 above could not be achieved.

6.7 Every £1 million from reserves used to directly fund the capital programme would save c.£0.7 million in servicing borrowing over the business plan period (30 years). In 2023/2024 alone this could save the business plan over £11.9 million in debt servicing costs.

6.8 As per Scottish Government guidance, the HRA cannot actually be allowed to remain in deficit in any given year. A contribution from the Council's General Fund would be required. It is therefore prudent budget management to reduce the need to borrow to keep the HRA in as financially stable a position as possible.

6.9 Should rents be increased in 2023/2024, it is proposed that a Tenant Hardship Fund be set up. The fund will be used to support tenants experiencing financial hardship; including those who cannot access benefits. All attempts will be made to maximise access to benefits and to supporting tenants from getting into debt with the Tenant Hardship Fund acting as a "safety net" for tenants impacted by the rent increase. The ongoing uptake of the Fund will be monitored to help inform future provision.

7. Stakeholder/Community Impact

7.1 Each year the views of tenants are sought on the HRA budget strategy, investment plan, services and associated rent levels. On 22 September 2022, City of Edinburgh Council agreed that the annual planned consultation on rent strategy should be refocused on tenants' main financial challenges, which includes rent, energy, effective insultation and food.

7.2 The consultation was developed with input from Edinburgh Tenant's Federation (ETF) and Tenant Information Service (TIS). It comprised of 23 questions covering a range of issues including: specific cost of living concerns, accessing advice services, rent increase options, long-term rent setting, the investment plan, value for money and overall service satisfaction.

7.3 On 24 October 2022, the HRA Budget strategy was approved for publication by the Consultation Advisory Panel. The Consultation ran from 31 October until 23 December 2022.

7.4 Tenants could respond to the consultation survey online through the Consultation and Engagement Hub. This was promoted through the Tenant's Courier newsletter which goes to every tenant and through email footers and targeted social media posts. Registered Tenant Organisations (including Living Rent) also received an email prompt to complete the survey and promote it to tenants within their groups.

7.5 In addition, the rent consultation has been complimented by the annual Tenant's Survey of 1,000 Council tenants, carried out by an independent third party, procured by the Council. The Council provides a random sample of tenants contact details, weighted by locality and property type to be representative of the made up of our tenants.

7.6 On 30 November 2022 officers also attended a meeting with members of the ETF executive committee to present and promote the 2023/2024 HRA Budget Consultation.

8. Background reading/external references

8.1 Housing Revenue Account (HRA) Budget Strategy (2022-23) - City of Edinburgh Council, 24 February 2022.

8.2 Mixed Tenure Improvement Service Pilot Progress - Finance and Resources Committee, 3 March 2022.

8.3 2022/23 Housing Revenue Account (HRA) Capital Programme - Housing Homeless and Fair Work Committee, 24 March 2022.

8.4 Update on the Housing Service Improvement Plan - Housing Homeless and Fair Work Committee, 4 August 2022.

8.5 Housing Revenue Account (HRA) Budget Strategy 2023/24 - Housing Homeless and Fair Work Committee, 29 September 2022.

8.6 Strategic Housing Investment Plan (SHIP) 2023-28 - Housing, Homeless and Fair Work Committee, 1 December 2022.

9. Appendices

9.1 Appendix 1: Core Business Plan Assumptions.

9.2 Appendix 2: 2023/24 Council Rent Consultation Results.

9.3 Appendix 3: Housing Revenue Account Budget 2023/24 (Draft).

9.4 Appendix 4: Draft 5 Year & 10 Year HRA Capital Investment Programme.

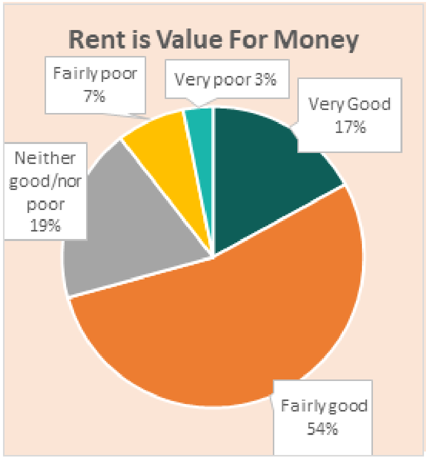
9.5 Appendix 5: Summary of crisis support available for tenants.

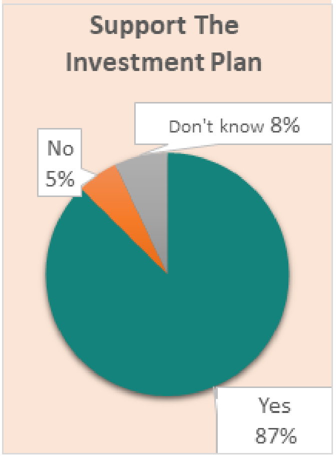
Appendix 1: Business Planning High Level Assumptions

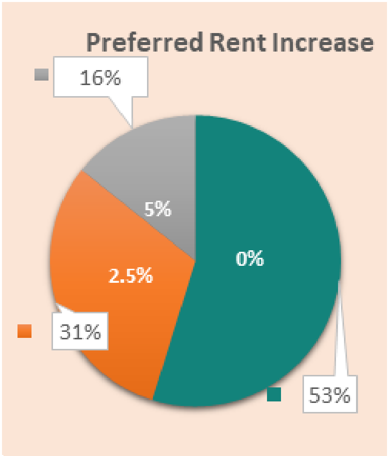
Input	2023/24	Note
Inflation (Operating Costs)	**3%**	This assumption aligns with that in the Council's General Fund business plan. It assumes 3% for three years before returning to the Bank of England inflation target of 2%.
Inflation (Employee Costs)	**3%**	This assumption aligns with the Council's General Fund business plan. The core budget has been reviewed to take account of projected vacancies, overtime and spinal column point increases.
Rent Increase	**2.5%**	Tenants were consulted on three rent increase options in 2023/24: 0%, 2.5% and 5%. The 2.5% option has been used as baseline to develop a one-year revenue budget and 10-year capital programme.
Net Rental income	**96.26%**	Total projected rental income, minus written off former tenant arrears and rent loss due to empty homes.
Former tenant arrears write off and bad debt provision	**2.00%**	Any rental debt outstanding for over 3 months (where there have been no payments received or there is no agreed repayment arrangement) is written off annually. The write off assumed in 2023/24 is expected to be similar to that in 2022/23. The bad debt provision has reduced slightly as current tenancy arrears have stabilised post Covid-19 pandemic. Where arrears are written off for accounting purpose, the Council will still pursue recovery action if there is a material change of circumstance (i.e. the debtor is traced, or they become solvent).
Rent lost on empty homes	**1.74%**	An assumption of 0.65% based on long-term average performance is applied over the 30-year business plan period. This higher figure is assumed in 2023/24 but is anticipated to reduce over 2023/24 as the backlog of empty homes is tackled. A work plan and project team is now in place to reduce the turnaround time by developing ICT systems, improving processes and working practices and drawing in additional resources through external contractors and overtime with a clear focus on reducing baseline void turnover duration.
Fees and charges increase	**0% & 2.5%**	Fees and charges for additional services provided with tenancies have been frozen for the last seven years. It is assumed that those charges which cannot be covered from benefits (i.e. communal heating, heat with rent and contents insurance) will continue to be frozen in 2023/24. Those charges which can be covered through benefits (i.e. stair cleaning, ground maintenance in new build developments and core furnishing) will be increased in line with any rent increase. A 2.5% assumption has been applied to the draft one-year revenue budget set out in appendix 3.
Debt level	**£434m**	Debt level increased from £411 million at 31 March 2022. This was to support the capital investment programme in 2022/23.
Interest on debt (pooled rate)	**4.78%**	The Council does not borrow for specific projects, borrowing is pooled in a consolidated loans fund and the interest rate shared across all projects. The assumed rate has increased from 3.8% to 4.78%; for every 0.1% increase, debt servicing costs would increase by an average of c.£19m over the 30-year plan period.

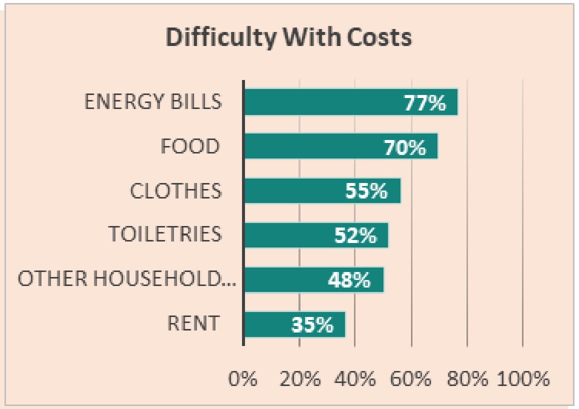
Appendix 2: 2023/24 Council Rent Consultation Results

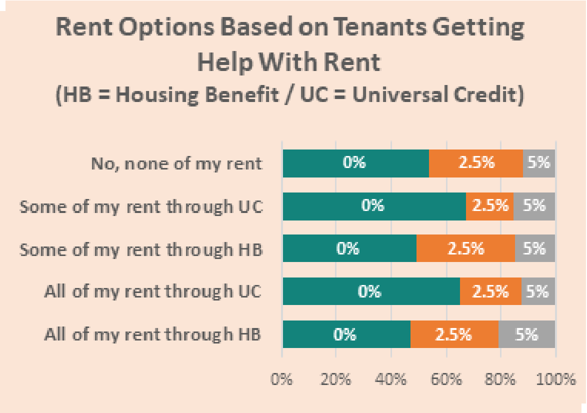
This year's rent consultation ran for 12 weeks between 31 October and 23 December 2022. Summary below of the 1,036 responses received











The major of respondents highlighted that food (70%) and energy bills (77%) were becoming increasingly difficult to pay for. 23% of tenants said they had been consciously reducing their energy usage to save money. 31% also commented that their home quickly becomes cold once their heating has been turned off.

Just over half of tenants supported a rent freeze for a third year in a row. Almost 70% of those who voted for a rent freeze get help with paying their rent. Therefore, any increase in rents would be covered through a similar increase in rents(assuming their circumstances have not changed).

64% of respondents were aware of the previous two-year rent freezes.

Almost 60% of tenants said they would support a longer-term rent setting strategy, with the majority agreeing a three-year period would be most suitable.

For the last five years, Council rents have increased by an average of 1.2%.

Only four landlords so far are giving the option of a rent freeze (including Edinburgh). Rent increase proposals range from 0% to 7%.

Appendix 3: Housing Revenue Account Budget 2023/24 (Draft)

	Projected Outturn 2022/23 (£m)	Proposed Budget 2023/24 (£m)	Movement (£m)	Note
Net Income	**103.169**	**105.734**	**2.565**	1
Expenditure				
Housing Services	35.862	37.294	1.432	2
Property Maintenance	25.094	24,942	-0.152	3
Debt Charges	36.905	36.676	-0.229	4
Strategic Housing Investment	5.308	6.822	1.514	5
Total Expenditure	**103.169**	**105.734**	**2.565**	

The proposed budget for 2023/24 shown above reflects a proposed 2.5% rent increase.

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 income from interest, service charges and costs recovered in relation to communal heating schemes and owner occupiers. The net income is expected to be increased by just less than 2.5% if the proposed rent increase of 2.5% is approved. This is mainly due to the freeze on service charges. An assumption has been made that the void rent loss rate will improve in 2023/24 as a result of the work plan and project team that have been put in place to reduce the turnaround time of void properties. The average weekly rent would increase by £2.55 in the event of a 2.5% rent increase.

Note 2.

"Housing Services" includes core housing management services, tenant and community services like energy advice and community gardens. It includes employee costs, central support costs and recharges, premises and other expenditure linked to service delivery and their corresponding inflationary increases. The employee costs have been reviewed to reflect the expected pay awards and spinal column point changes. An inflation rate of 3% has been assumed for all costs (in line with General Fund budget assumptions) apart from electricity, where inflation is expected to be higher (29%). The draft budget also includes £1.0 million for the continued development of the Housing Service Improvement Plan (HSIP) and £2.9 million for the enabling work of large-scale regeneration.

Note 3.

"Property Maintenance" includes responsive repairs, estates maintenance, routine gas servicing and the costs associated with bringing empty homes back into use. A saving of £0.8 million has been incorporated in the draft budget for grounds maintenance as a result of careful management of the contractor providing maintenance of HRA land. This saving is partly offset by an increase in expected repairs and maintenance in line with increases in the overall number of 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). This is in line with the capital investment plan set out in Appendix 4 in relation to resource planning. As a result of prudent treasury management, net debt levels are expected to have increased by only £53 million over the last five years, whilst delivering nearly £406 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.

It is important to note that all scenarios considered for the 23/24 HRA Business Plan assume that any in year surpluses or reserves (sinking funds) have been applied to the capital investment programme to reduce the need to borrow in current and future years.

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

The 2023/24 Draft Budget and business plan are based on the assumptions set out in Appendix 1. Below is the outline draft five-year Capital Investment Programme and summary 10-year investment strategy based on annual rent increases of 2.5%. Inflation has been included in the figures where appropriate. The programme will be revised up or down depending on the final rent increase agreed in 2023/24.

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

Programme Heading	1	2	3	4	5	***5 Year***	6 to 10	***10 Year***
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	***Total***	2028/29 to 2032/33 £m	***Total***
Programme Expenditure								
New Homes Development*	99.090	109.200	127.123	149.064	137.969	*622.446*	271.086	***893.532***
New Home Land Costs	2.000	3.000	0.000	4.875	4.875	*14.750*	*0.000*	***14.750***
Tenant's Homes & Services & Maintenance	12.567	10.505	10.646	12.312	12.026	58.056	65.682	***123.738***
External Fabric and Estates & Acquisitions	59.704	56.420	53.286	54.916	53.997	278.323	294.695	***573.018***
Total Expenditure	**173.361**	**179.125**	**191.055**	**221.167**	**208.867**	**973.575**	**631.463**	***1605.038***
Programme Resources								
Prudential Borrowing	64.681	99.574	36.943	62.442	101.619	*365.259*	269.585	***634.844***
Capital Funded from Revenue / Reserve	20.300	15.300	15.300	15.300	15.300	*81.500*	91.300	***172.800***
Capital Receipts and Contributions	14.520	23.147	23.862	45.096	41.697	*148.322*	167.521	***315.843***
Receipts from LLPs*	45.809	23.541	87.948	60.839	33.026	*251.163*	26.175	***277.338***
Scottish Government Subsidy (Social)	26.131	15.643	26.042	36.530	16.265	*120.611*	72.082	***192.693***
Scottish Government Subsidy (Acquisition)	1.920	1.920	0.960	0.960	0.960	*6.720*	4.800	***11.520***
Total Funding	**173.361**	**179.125**	**191.055**	**221.167**	**208.867**	***973.575***	**631.463**	***1605.038***

**The budget for new build housing includes the upfront capital costs for the Council led development of all affordable homes, including homes for mid market and affordable market that will be purchased by the Council's LLP (Edinburgh Living). This has no impact on the HRA as interest payments are deferred until the homes are purchased. £69 million of the £277 million anticipated receipts from the LLP 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.*

Appendix 5: Summary of crisis support available for tenants

The Council has worked with key agencies to deliver a network of crisis support to tackle the impacts of the cost of living crisis. The Council adopted a cash-first approach for people facing financial hardship, whilst also offering a range of holistic support and advice.

Below sets out some of the significant financial support activities that all tenants in the city have access to and have benefitted from throughout 2022/23. In addition, there are range of Council tenant specific interventions, which are also set out below:

- ***Scottish Welfare Fund***: a total of £600,000 additional funds has been made available to provide immediate financial support for people in food, energy or other cost of living crises in Edinburgh. This investment provides the capacity needed to ensure that Edinburgh's Scottish Welfare Fund (SWF) can meet demand and ensure accessibility. Edinburgh has operated this flexible fund at low priority, increasing overall access. For period April – August 2022 SWF have awarded 8,687 awards to households totalling £3,291,951
- ***Child Payments & Free School Meals:*** in this financial year £3.2m has been paid to over 8,600 families. The final payment in December 2022 was increased from £130 to £260. The Scottish Social Security Agency will take responsibility for these payments under the Scottish Child Payment system. Scottish Government also provided funding to Local Authorities to administer payments to children in receipt of FSM to mitigate the negative impacts of the cost of living. Payments of £100 were made to almost 8,400 children, totalling £840,000. Following Full Council on 25 August 2022 a further £100 payment was made to eligible families. Families also continue to receive payments in lieu of FSMs in an attempt to combat holiday hunger. This year families have received funding of £2.50 per day, per child, totalling over £1m in support.
- ***Educational Maintenance Allowance:*** financial support for 16-19 year olds in low income households to support continued learning beyond school leavers age.
- ***Free bus travel***: available for young people under the age of 22 using National Entitlement Card
- ***Cost of Living Award:*** as part of the Scottish Government budget for 2022/23 the Finance Secretary announced a one-off Cost of Living Award of £150.00 to households living in a dwelling and liable for Council Tax (band A to D), and those with a valuation banding of E where a Disabled Persons Reduction applied. All bands where Council Tax Reduction was in place were liable for the payment as well as some exempt categories. Almost 147,000 payments were made to Council Tax accounts at a value of £22m.

  As part of the City of Edinburgh Council's budget for 2022/23 a financial payment of £150.00 was included to be made to citizens who were in receipt of Council Tax Reduction or Second Adult Rebate on 1 April 2022. Almost 32,000 payments were made to households totalling £4.8m.
- ***Additional grant funds to support families experiencing difficulty with energy costs:*** a total of £100,000 of funding was provided to Home Energy Scotland (HES) to fund payment of energy crisis grants of up to £1,000 to low-income households in Edinburgh. A further £100,000 has been made available to support this activity and is being distributed through food bank providers. The first tranche of payments totalling £52,000 was paid to providers city wide. A further payment is anticipated before the end of the financial year.
- ***Additional support for people in food crisis or poverty related hunger:*** in 2022/23, to date £209,000 has been made to provide direct food support for people in food crisis and the remaining payment is due in March 2023. This includes support for food banks, food pantries and community food groups.
- ***Support for people in or at risk of Council Tax arrears:*** a new Council Tax Liaison Team has been created who will intervene on low level new Council Tax debt to support

citizens to avoid debt loading and falling further into arrears by using proportionate payment plans.

- ***Council Tax Reduction Scheme:*** the Customer Team continue to support low-income citizens to meet their council tax liability. The Council has been allocated funding of £28.8m for 2022/23. Currently around 32,000 households are in receipt of this important financial support.
- ***Discretionary Housing Payments*** **(DHP):** the DHP budget from the Scottish Government is allocated in two streams: Under Occupancy Mitigation and Other DHPs. The allocation for Edinburgh for 2022/23 is as follows:
    - Under Occupancy mitigation - The first tranche of funding is £3.85M or 80% of the expected cost.
    - Other DHPs - This includes assistance for those affected by the Benefit Cap and Local Housing Allowance reforms. The funding for Other DHPS is £2.08m.

  There have been 7,617 DHP applications considered up to 31 December 2022, of which 558 were refused. Over £4.9m of this year fund has already been paid, with a further £1.3m committed to support vulnerable citizens meet their rental commitments. Additional funding from Scottish Government has been provided from January 2023 to fully mitigate the benefit cap for impacted citizens from 01 January 2023.
- ***Community Outreach:*** a regular programme of activity to increase access to Council and state benefits is ongoing. This outreach has been particularly successful in schools, with parent consultation sessions regularly supported to provide advice and guidance to parents, as well as sessions for staff to identify need.
- ***The Tenant Grant Fund:*** funded by Scottish Government to prevent homelessness for private and social tenants with rent arrears as a result of the Pandemic. A dedicated team (consisting of 1 Housing Officer and 2 Housing Assistants) was put in place to provide information, support and grant awards to tenants who find themselves at risk of homelessness and ensure that tenants are signposted to the right financial help and advice. This support may include access to community care grants and crisis grants from the Scottish Welfare Fund, with those who apply for either also having access to emergency food and clothing support. The fund is available to those who have exhausted all other options for support, including income maximisation and access to other grants or funds. Updated guidance has recently been issued by the Scottish Government to extend awards from the fund to cover rent arrears arising because of the cost of living crisis. Officers are reviewing criteria before inviting further funding requests. To date 234 Council tenants, 186 RSL tenants and 47 PRS tenants had been awarded a payment or had a decision pending.
- ***Specialist Multi-disciplinary Team to prevent homelessness*:** a multi-disciplinary team has also been piloted to help Council tenants who are at serious risk of court/eviction action and are not engaging with their housing officer. The team consists of a housing / homelessness specialist, a debt advisor and income maximisation officer supervised by a team leader. With specialised representation from housing, family and household support, adult protection, children and families social work services and family group decision making. The team actively reaches out to tenants, offering joined up, intensive support, with the aim of keeping the tenant in their home.
- Dedicated energy advice service for Council tenants: since 2018 the Housing Service has had a dedicated energy advice service which offers in depth advice and support helping tenants to ensure they are heating their homes in the most effective way, support with preventing or managing fuel debt, accessing social funds and the Warm Homes Discount and other advice on positive behavioural changes. In the last six months, the Energy Advice Service has received 60% more referrals for support than the same period.