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Notice of meeting and agenda

Finance and Resources Committee

10.00am, Friday, 10th March, 2023

Dean of Guild Court Room - City Chambers

This is a public meeting and members of the public are welcome to attend or watch the webcast live on the Council's website.

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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

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THE CITY OF EDINBURGH COUNCIL

1. Order of business

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

2. Declaration of interests

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

3. Deputations

3.1 If any.

4. Minutes

4.1	Minute of the Finance and Resources Committee of 26 January 2023 - submitted for approval as a correct record	7 - 24

5. Forward Planning

5.1 None.

6. Business Bulletin

6.1 None.

7. Executive Decisions

7.1	Annual Treasury Management Strategy 2023/24 – Report by the Executive Director of Corporate Services	25 - 58
7.2	Capital Strategy 2023-33 - Annual Report – Report by the Executive Director of Corporate Services	59 - 86
7.3	Non-Domestic Rates - Empty Property Policy – Report by the Executive Director of Corporate Services	87 - 90

7.4	Edinburgh's Christmas and Edinburgh's Hogmanay - Outcome Report - referral from the Culture and Communities Committee	91 - 106
7.5	Bustracker – Additional Provision to End of Contract – Report by the Executive Director of Place	107 - 112
7.6	Inchmickery and Oxcars Courts, Design and Development Commission for Full Block Upgrade and Improvement – Report by the Executive Director of Place	113 - 118
7.7	Cables Wynd and Linksview House – Design and Development Commission for Full Block Upgrade and Improvement – Report by the Executive Director of Place	119 - 124
7.8	Homelessness Services Use of Temporary Accommodation – Report by the Executive Director of Place	125 - 130
7.9	Award of Contract for a Local Heat and Energy Efficiency Strategy and Delivery Plan for Edinburgh – Report by the Executive Director of Place	131 - 136
7.10	Children's Social Care Safeguarding Support – Report by the Executive Director of Children, Education and Justice Services	137 - 140

8. Routine Decisions

8.1 None.

9. Motions

9.1 By Councillor Watt - Retrofitting Strategy

"Committee:

Notes the two Design and Development Commissioning reports related to the retrofit and refurbishment of several council owned blocks that are on today's agenda.

Asks that a report reviewing the council's retrofitting strategy be brought to Housing, Homelessness and Fair Work in two cycles to include:

1. A sustainable, best value approach to retrofitting and major

repair programmes by investing in upskilling and recruiting staff;

2. How best to put in place a progressive apprenticeship programme that secures our future workforce;
3. Consulting major stakeholders, like trades unions, about a revised strategy;
4. Clearly identifying what additional costs may be required to deal with issues like ventilation systems, asbestos in older buildings and other challenges that could arise during retrofit and refurbishment projects; and
5. How external funding might be accessed so that the cost of retrofitting does not need to be funded from our tenants' rents.

Further asks that the report to Housing, Homelessness and Fair Work Committee is referred to this Committee for consideration of any financial implications."

10. Resolution to Consider in Private

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

11. Private Reports

Nick Smith

Service Director, Legal and Assurance

Committee Members

Councillor Mandy Watt (Convener), Councillor Graeme Bruce, Councillor Phil Doggart, Councillor Joan Griffiths, Councillor Euan Hyslop, Councillor Lesley Macinnes, Councillor Alys Mumford, Councillor Vicky Nicolson, Councillor Neil Ross, Councillor Alex Staniforth and Councillor Lewis Younie.

Information about the Finance and Resources Committee

The Finance and Resources Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council.

This meeting of the Finance and Resources Committee is being held in the City Chambers, High Street, Edinburgh and virtually by Microsoft Teams.

Further information

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

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Minutes

Finance and Resources Committee

10.00am, Thursday, 26 January 2023

Present

Councillors Watt (Convener), Biagi (substituting for Councillor Nicolson), Bruce, Doggart, Griffiths, Hyslop, Macinnes, Mumford, Neil Ross, Staniforth, and Younie.

1. Minutes

Decision

To approve the minute of the Finance and Resources Committee of 10 November 2022 as a correct record.

2. Work Programme

The Finance and Resources Committee Work Programme for January 2022 was presented.

Decision

To note the work programme.

(Reference – Work Programme of 26 January 2023, submitted.)

3. Rolling Actions Log

The Finance and Resources Committee Rolling Actions Log for January 2023 was presented.

Decision

1) To agree to close the following actions:

- 4(2) – Rolling Actions Log
- 5 – Homelessness Services – Use of Temporary Accommodation
- 7 – Work Programme
- 8 – Sustainable Procurement Strategy Annual Report – 2022
- 9 – Workforce Dashboard with Wellbeing and Absence Deep dive
- 11 – Motion by Councillor Mumford – Operation Unicorn
- 12 – 2021/22 Common Good Annual Performance Report
- 14(1) – Motion by Councillor Caldwell – referral from the Housing, Homelessness and Fair Work Committee

- 16 – Response to Motion by Councillor Davidson – Support for Roseburn Businesses
- 20 – Motion by Councillor Watt – Fair Work and Procurement

2) To circulate a list of members who had attended the training on Gender Budgeting.

3) To note the Convener would send a reminder to members who did not attend and to ask the Scottish Women's Budget Group to organise training sessions.

4) To agree to include the decision regarding Non-Domestic Rates from the previous Committee in the Rolling Actions Log and to note an update on this would be circulated.

5) To request more specific dates on actions with an expected completion date of 'Summer 2023'.

6) To otherwise note the Rolling Actions Log.

(Reference – Rolling Actions Log of 26 January 2023, submitted.)

4. Revenue Monitoring 2022/23 – month eight position

The report set out the projected Council-wide revenue budget position for the year, based on analysis of the first eight months of the financial data and projections of income and expenditure for the remainder of the year.

Decision

1) To note that, as of month eight, a balanced overall in-year position was now being forecast.

2) To note, nonetheless, the potential for additional expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership so as not to add to future years' savings requirements.

3) To note the update on continuing discussions with the UK and Scottish Governments on the provision of sufficient funding to address in full the significant on-going additional costs being incurred as part of the Council's response to the Ukraine crisis.

4) To note that, in light of the above, updates will continue to be provided as required to members of the Committee during the remainder of the year.

5) To refer the report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

6) To circulate a briefing note on the confirmed funding for the Haymarket Welcome Centre.

7) To circulate a briefing note on the increased Council costs for Housing First, increased rates for Private Sector Leases and whether value for money was being achieved.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

5. Corporate Services Directorate: Revenue Budget Monitoring 2022/23 – Month Eight position

The report set out the projected eight-month revenue budget monitoring position for services delivered by Corporate Services Directorate and the Chief Executive's Office, based upon actual expenditure and income to the end of November 2022 and expenditure and income projections for the reminder of the financial year.

Decision

1) To note that a favourable budget variance of £0.707m was forecast for services delivered by Corporate Services Directorate for 2022/23.

2) To note that measures would continue to be progressed to fully deliver approved savings targets and to offset budget pressures to achieve outturn expenditure in line with the approved revenue budget for 2022/23.

3) To note the ongoing risks to the achievement of a balanced revenue budget projection for services delivered by Corporate Services Directorate.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

6. Capital Monitoring 2022/23 – Month Eight Position

The report provided the capital expenditure and funding position as at month eight and full-year outturn projections for the 2022/23 financial year, providing explanations for key variances.

Decision

1) To note the capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month eight of the 2022/23 financial year.

2) To note the Prudential Indicators in Appendix 3 to the report by the Interim Executive Director of Corporate Services.

3) To note that the Finance and Resources Committee was responsible for oversight of the Capital Investment Programme, with approval reserved to Full Council.

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

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

7. Treasury Management: Mid-Year Report 2022/23

The report updated Committee on Treasury Management activity undertaken in the first half of 2022/23.

Decision

1) To note the mid-year report on Treasury Management for 2022/23.

2) To refer the report to the City of Edinburgh Council for approval and subsequent remit by the City of Edinburgh Council to the Governance, Risk and Best Value Committee for scrutiny.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

8. Resource provision for Medium-Term Financial Plan

The report set out the urgent requirement for the Council to develop and deliver a Medium-Term Financial Plan which addressed the projected budget gap not just for 2023-23 but covered the next four years.

Decision

1) To note the requirement for the Council to develop and deliver a Medium-Term Financial plan to respond to the financial challenge the Council faced.

2) To note the resources required to enable this work.

3) To note that the majority of the resource was being secured through the redeployment of existing internal staff.

4) To note that, in addition to the internal resource realignment, the Interim Executive Director of Corporate Services, in consultation with the Finance and Resources Committee Convener under urgency provisions set out in paragraph 4.1 of the Committee Terms of Reference and Delegated Functions, had approved the waiver and extension to the contract for consultancy services to GatenbySandserson Ltd to provide specific capacity to lead this work, pending confirmation of a permanent internal leadership arrangement.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

9. Sustainable Procurement Strategy Annual Report – 2022 – Living Wage Update

A report addressed requests from elected members for a briefing on the Living Wage Employer and the Living Wage City initiatives in response to the Sustainable Procurement Strategy Annual Report – 2022, which was considered by Committee on 8 September 2022.

Decision

1) To note the report and the steps being taken to promote, encourage and deliver Fair Work First practices and the payment of the Real living Wage by all Council suppliers.

2) To agree, in accordance with the Council Motion of 15 December 2022, to routinely mandate payment of the Real Living Wage in Council regulated tenders subject to the conditions in paragraph 4.14 in the report by the Interim Executive Director of Corporate Services being met.

3) To approve the proposed timetable as set out in Appendix 1 of the report to adopt the recommendations of the Fair Work and Procurement motion of 15 December 2022 as amended by the Green Group addendum.

(References – Finance and Resources Committee of 8 September 2022 (item 15); Act of Council No. 12 of 15 December 2022; report by the Interim Executive Director of Corporate Services, submitted.)

10. Response to Motion by Councillor Mumford – Operation Unicorn

The report outlined costs associated with future planned visit from HM The King or other members of the monarchy that would be incurred by the Council over the next year and whether these would be covered by the Capital City Supplement.

Motion

1) To note the information in response to part 5 of the adjusted motion by Councillor Mumford on Operation Unicorn (as set out in paragraph 3.1.1 of the report by the Chief Executive) as approved by the Council on 27 October 2022.

2) To circulate a briefing note to inform members how the Lord Provost Office funded and engaged with Royal Visits.

3) To include in the briefing note duties of the Lord Lieutenant relating to Royal Visits that were specifically required under the Act and which were potentially optional.

4) To circulate information on costs of attendance at the King's Coronation should an invitation be received, and plans for related events in Edinburgh, if any.

5) To request officers made representations to increase the Capital City Supplement and request a general uplift to the Council's financial settlement resulting from Edinburgh's role as the Capital City.

- Moved by Councillor Watt, seconded by Councillor Griffiths

Amendment 1

1) To note the information in response to part 5 of the adjusted motion by Councillor Mumford on Operation Unicorn (as set out in paragraph 3.1.1 of the report by the Chief Executive) as approved by the Council on 27 October 2022.

2) To regret that the report did not include information on the past costs to the City of Edinburgh for hosting royal visits, nor an estimated of upcoming costs.

3) To recognise that the financial impacts on the city for royal visits often went beyond the expenditure of the Lord Provost's office, for example concerning bus diversions and public safety measures, as well as having an impact on Edinburgh's residents.

4) To note that the report referenced the contribution of the Office of the Lord Provost to the Sustainable Edinburgh 2020 objectives, but not the more relevant 2030 Climate Strategy.

5) To request an updated report to be provided within one cycle including additional requested information on:

    - Costs of Royal Visits, including officer capacity, over the past Council Term;

- Greater consideration of what information about upcoming visits could be made available to Councillors, including as B agenda items;
- More information on the Capital City Supplement and its relationship to Royal Visits, including an update on the amended motion passed at Full Council which requested the Council Leader wrote to the Cabinet Secretary for Finance and the Economy; and
- Up-to-date information on Stakeholder/Community Impact with particular reference to climate targets.

6) To circulate a briefing note to inform members how the Lord Provost Office funded and engaged with Royal Visits.

7) To include in the briefing note duties of the Lord Lieutenant relating to Royal Visits that were specifically required under the Act and which were potentially optional.

8) To circulate information on costs of attendance at the King's Coronation should an invitation be received, and plans for related events in Edinburgh, if any.

9) To request officers made representations to increase the Capital City Supplement and request a general uplift to the Council's financial settlement resulting from Edinburgh's role as the Capital City.

- Moved by Councillor Mumford, seconded by Councillor Staniforth

In accordance with Standing Order 22(12), Amendment 1 was accepted as an addendum to the motion by Councillor Watt.

At this point in the meeting the following amendment was proposed:

Amendment 2

To approve the motion by Councillor Watt as originally submitted.

- Moved by Councillor Doggart, seconded by Councillor Bruce

Voting

For the motion (as adjusted)	-	7 votes
For amendment 2 (the motion as originally submitted)	-	4 votes

(For the motion – Councillors Biagi, Griffiths, Hyslop, Macinnes, Mumford, Neil Ross, Staniforth, Watt and Younie.

For the amendment – Councillors Bruce and Doggart.)

Decision

To approve the following adjusted motion by Councillor Watt:

1) To note the information provided in response to part 5 of the adjusted motion by Councillor Mumford on Operation Unicorn (set out at paragraph 3.1.1 of the report by the Chief Executive) as approved by Council on 27 October 2022.

2) To regret that the report did not include information on the past costs to the City of Edinburgh for hosting royal visits, nor an estimate of upcoming costs.

3) To recognise that the financial impacts on the City for Royal cists often go beyond the expenditure of the Lord Provost's office, for example concerning bus diversions and public safety measures, as well as having an impact on Edinburgh's residents.

4) To note that the report referenced the contribution of the Office of the Lord Provost to the Sustainable Edinburgh 2020 objectives, but not the more relevant 2030 Climate Strategy.

5) To request an updated report to be provided within one cycle including additional requested information on:

   - Costs of Royal Visits, including officer capacity, over the past Council Term;
   - Greater consideration of what information about upcoming visits could be made available to Councillors, including as B agenda items;
   - More information on the Capital City Supplement and its relationship to Royal Visits, including an update on the amended motion passed at Full Council which requested the Council Leader wrote to the Cabinet Secretary for Finance and the Economy; and
   - Up-to-date information on Stakeholder/Community Impact with particular reference to climate targets.

6) To circulate a briefing note to inform members how the Lord Provost Office funded and engaged with Royal Visits.

7) To include in the briefing note duties of the Lord Lieutenant relating to Royal Visits that were specifically required under the Act and which were potentially optional.

8) To circulate information on costs of attendance at the King's Coronation should an invitation be received, and plans for related events in Edinburgh, if any.

9) To request officers made representations to increase the Capital City Supplement and request a general uplift to the Council's financial settlement resulting from Edinburgh's role as the Capital City.

(References – Act of Council No. 4 of 27 October 2022; report by the Chief Executive, submitted.)

11. New Health and Safety Strategy 2023-29

The report sought approval for the new health and Safety Strategy 2023-28 as the Health and Safety Strategy 2020-22 had reached the end of the period it was planned to cover. The new strategy sought to build on the arrangements which were in place and to deliver an integrated health and safety management system.

Motion

To approve the new Health and Safety Strategy 2023-28.

- Motion by Councillor Watt, seconded by Councillor Griffiths.

Amendment

1) To approve the new Health and Safety Strategy 2023-28.

2) To recognise that climate change presented an increasing and ever-changing risk to the health and safety of the workforce and agreed that this should be included in the creation of the annual delivery plans for the strategy and the annual progress report.

   - Motion by Councillor Mumford, seconded by Councillor Staniforth.

In accordance with Standing Order 22(12), the amendment was accepted as an addendum to the motion by Councillor Watt.

Decision

To approve the following adjusted motion by Councillor Watt:

1) To approve the new Health and Safety Strategy 2023-28.

2) To recognise that climate change presented an increasing and ever-changing risk to the health and safety of the workforce and agreed that this should be included in the creation of the annual delivery plans for the strategy and the annual progress report.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

12. Scottish Crown Estate Net Revenue Allocation

The Council had received £79,283.58 from the Scottish Crown Estate for expenditure in financial year 2022/23, which was ring fenced to deliver benefits for coastal communities. It was proposed to utilise this funding towards the delivery of the Seafield Development Framework.

Decision

1) To note the Council had been allocated £79,283.58 from the Scottish Crown Estate for Expenditure in financial year 2022/23.

2) To note that this funding was required to be utilised to deliver benefits for coastal communities.

3) To agree that this funding be utilised to deliver the Seafield Development Framework.

4) To note that a follow-up report would be brought to Committee regarding options for the usage of future allocations.

5) To circulate the methodology used to distribute assets to local authorities from the Scottish Crown Estate.

(Reference – report by the Executive Director of Place, submitted.)

13. Award of Intelligent Infrastructure Contract

Details were provided of the award of the contract for the delivery of the Intelligent Infrastructure project to Yunex Limited at a total value of £1,034,568, which was awarded as an urgent decision in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions by the Executive Director of Place, in consultation with the Convener of the Finance and Resources Committee.

Decision

1) To note the award of a contract for the provision of the delivery of the Intelligent Infrastructure project to Yunex Limited, at a total value of £1,034,568. The contract was awarded as an urgent decision in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions by the Executive Director of Place, in consultation with the Convener of Finance and Resources Committee.

2) To note the Convener would consider how better to inform members of future delegated decisions.

(Reference – report by the Executive Director of Place, submitted.)

14. Procurement of Edinburgh's Christmas

The report responded to an action agreed by the Finance and Resources Committee on 10 October 2022 in respect of the procurement process for events.

Motion

1) To note that the procurement approach for events differed, depending on the circumstances and the governance arrangements in place.

2) To note the process for procuring Edinburgh's Christmas to date had primarily sought to balance creative content with financial return.

3) To note the review carried out on the process for awarding the contract for Edinburgh's Christmas in 2022.

4) To note the options which were currently being investigated for Edinburgh's Christmas in future years in terms of alternative procurement approaches and best practice from other public bodies.

5) To note that a report would be prepared for the Culture and Communities Committee with recommendations for future delivery of Edinburgh's Christmas by the end of May 2023.

6) To confirm whether a special meeting of the Finance and Resources Committee would be required to be held to provide an update on the contract award.

- Motion by Councillor Watt, seconded by Councillor Griffiths.

Amendment

1) To note that the procurement approach for events differed, depending on the circumstances and the governance arrangements in place.

2) To note the process for procuring Edinburgh's Christmas to date had primarily sought to balance creative content with financial return.

3) To note the review carried out on the process for awarding the contract for Edinburgh's Christmas in 2022.

4) To note the options which were currently being investigated for Edinburgh's Christmas in future years in terms of alternative procurement approaches and best practice from other public bodies.

5) To note that a report would be prepared for Culture and Communities Committee with recommendations for future delivery of Edinburgh's Christmas by the end of May 2023.

6) To note with concern that the proposed report to the Culture and Communities Committee would come very late in any procurement process for the Winter Festivals 2023 and that this may not provide sufficient time for effective scrutiny, approvals and clarification of the festivals' proposed menu of activities.

7) To request that an interim report or briefing was provided to members of both the Culture and Communities and Finance and Resources Committees in a parallel process to provide further detail and reassurance around the procurement brief and processes.

8) To confirm whether a special meeting of the Finance and Resources Committee would be required to be held to provide an update on the contract award.

- Motion by Councillor Macinnes, seconded by Councillor Biagi.

In accordance with Standing Order 22(12), the amendment was accepted as an addendum to the motion by Councillor Watt.

Decision

To approve the following adjusted motion by Councillor Watt;

1) To note that the procurement approach for events differed, depending on the circumstances and the governance arrangements in place.

2) To note the process for procuring Edinburgh's Christmas to date had primarily sought to balance creative content with financial return.

3) To note the review carried out on the process for awarding the contract for Edinburgh's Christmas in 2022.

4) To note the options which were currently being investigated for Edinburgh's Christmas in future years in terms of alternative procurement approaches and best practice from other public bodies.

5) To note that a report would be prepared for Culture and Communities Committee with recommendations for future delivery of Edinburgh's Christmas by the end of May 2023.

6) To note with concern that the proposed report to the Culture and Communities Committee would come very late in any procurement process for the Winter Festivals 2023 and that this may not provide sufficient time for effective scrutiny, approvals and clarification of the festivals' proposed menu of activities.

7) To request that an interim report or briefing was provided to members of both the Culture and Communities and Finance and Resources Committees in a parallel process to provide further detail and reassurance around the procurement brief and processes.

8) To confirm whether a special meeting of the Finance and Resources Committee would be required to be held to provide an update on the contract award.

(Reference – report by the Executive Director of Place, submitted.)

15. Award of Framework Agreement for the Operation, Management and Maintenance of Communal Heating Systems in Council Homes

A report sought approval to award a framework agreement to support development, operational management and maintenance of communal heating systems in Council homes.

Decision

1) To approve the award of a framework agreement to support development, operation and maintenance of communal heating systems in Council Homes to East Heat Systems Ltd, Pinaccle Power Ltd, Switch2 Ltd and Vital Energi Utilities Ltd.

2) To note that the framework had an estimated value of £4,000,000 over the maximum four-year term, however, the value above was reflective of an estimated future pipeline of works and that the scope of works may fluctuate subject to demand and budget availability.

(Reference – report by the Executive Director of Place, submitted.)

16. Land at Newcraighall, Edinburgh – Proposed Lease Variation

Approval was sought to vary the lease on land at Newcraighall that had previously been granted to South Yorkshire Pensions Authority for the development of industrial accommodation on the terms and conditions outlined in the report.

Decision

To approve the variation of the lease to South Yorkshire Pension Authority at Newcraighall, Edinburgh on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

17. 20 West Shore Road, Edinburgh – Proposed Lease Variation

A report sought approval to vary the lease at 20 West Shore Road to the terms and conditions outlined in the report that was let to Edinburgh Palette. The tenant sought to vary the lease to extend the area occupied and amend the permitted use.

Decision

To approve the variation of the lease to Edinburgh palette at 20 West Shore Road, Edinburgh on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

18. WHALE Arts Centre, 30 Westburn Grove, Edinburgh – Community Asset Transfer

A report sought authority to dispose of the WHALE Arts Centre to WHALE Arts on terms as specified in the Community Asset Transfer request which was outlined in the report. The proposed sale was a Community Asset Transfer under Part Five of the Community Empowerment (Scotland) Act 2015.

Decision

To approve the disposal of WHALE Arts Centre, 30 Westburn Grove, Edinburgh on the terms set out in the report and on such other terms and conditions to be agreed by the Executive Director of Place.

Declaration of Interests

Councillor Bruce made a non-financial declaration of interest in the above item as a member of WHALE Arts.

(Reference – report by the Executive Director of Place, submitted.)

19. 10 Wardieburn Road, Edinburgh – Community Asset Transfer

A report sought authority to dispose of 10 Wardieburn Road, Edinburgh to Granton Community Gardeners on terms as specified in the Community Asset Transfer request, as outlined in the report. The proposed sale was a Community Asset Transfer under Part Five of the Community Empowerment (Scotland) Act 2015.

Decision

To approve the disposal of 10 Wardieburn Road, Edinburgh, to Granton Community Gardeners, on the terms set out in the report and on such other terms and conditions to be agreed by Executive Director of Place.

(Reference – report by the Executive Director of Place, submitted.)

20. 248 Canongate, Edinburgh – Proposed Lease Extension

A report sought approval to grant a 10-year lease extension on the terms and conditions outlined in the report for the property at 248 Canongate, Edinburgh which was let to Tribal Body Arts Limited.

Decision

To approve the 10-year lease extension to Tribal Body Arts Limited, 248 Canongate, Edinburgh on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

21. Land at Sighthill Crescent, Edinburgh – Proposed Disposal

A report sought approval to sell 553 sq m of land on the terms and conditions outlined in the report to EJ Manufacture Limited. EJ Manufacture Limited sought to purchase this area of land to access their business premises as the land was located within a former car park on Sighthill Crescent.

Decision

To approve the disposal of 553 sq m of land at Sighthill Crescent, Edinburgh to EJ Manufacture Limited (Edinburgh Sash and Case) on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

22. Land at Eyre Place, Edinburgh – Proposed Disposal

A report sought approval to sell 552 sq m of land at 49-51 Eyre Place, Edinburgh. An approach had been made from a developer of an adjoining site to purchase the Council's land to facilitate a larger development.

Decision

To approve the disposal of 552 sq m of land at Eyre Place, Edinburgh to Eyre Place Properties Limited on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

23. Ground (Part of Cavalry Park), Duddingston Road West, Edinburgh – Proposed New Lease

A report sought approval to grant a 40-year lease to Portobello Former Pupils Rugby Club to lease ground within Cavalry Park, Duddingston Road West from the Council on which they erected a club house. The existing lease had expired in April 2017 and was currently running on a year-to-year basis, the tenant had requested a new lease to provide greater security of tenure.

Decision

To approve a new 40-year lease to Portobello Former Pupils Rugby Club of ground in Cavalry Park, Duddingston Road West, Edinburgh on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

24. Dreghorn Estate, Edinburgh – Proposed Acquisition of Surplus Houses

The report sought approval to acquire 23 surplus houses that were being disposed of by the Defence Infrastructure Organisation, Ministry of Defence within the Dreghorn Estate.

Decision

1) To approve the purchase of 23 surplus homes at Dreghorn Barracks, Edinburgh from the Defence Infrastructure Organisation, Ministry of Defence on the terms and conditions outlined in the report.

2) To request notification was sent to committee members where future reports contained time constraints in advance of the report being published.

3) To circulate a briefing note explaining the funding used to acquire the surplus homes, and a timescale for when the homes would be ready for occupation.

(Reference – report by the Executive Director of Place, submitted.)

25. Walled Garden and Stable Block at Gracemount Mansion, Gracemount House Drive, Edinburgh – Proposed New Lease

A report sought approval to grant a 40-year lease to Transition Edinburgh South (Scotland) Limited at the walled garden at Gracemount Mansion as they had occupied the site informally since 2013. The lease would formalise occupation and explore options for the regeneration of the derelict stable block to provide a community café.

Decision

To approve a 40-year lease to Transition Edinburgh South (Scotland) Ltd Limited of the walled garden and stable block at Gracemount Mansion, Gracemount Drive, Edinburgh on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

26. 7 Aboretum Place, Edinburgh – Proposed New Lease

A report sought approval to grant a new 15-year lease to WellnessBrandsEurope Ltd at 7 Aborerum Place, Edinburgh on the terms and conditions outlined in the report to become a publicly accessible community hub for the benefit of park users.

Decision

To approve a new 15-year lease to WellnessBrandsEurope Limited at 7 Aboretum Place, Edinburgh on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

27. Block 1 Unit 2 Pennywell Town Centre, Edinburgh – Proposed New Lease

Approval was sought to grant a new 15-year lease to Ladbrokes Betting and Gaming Limited on the terms and conditions outlined in the report.

Decision

To approve a new 15-year lease to Ladbrokes Betting and Gaming Limited at Block 1 Unit 2, Pennywell Town Centre, on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

28. Block 1 Unit 7 Pennywell Town Centre, Edinburgh – Proposed New Lease

A report sought approval to grant a new 15-year lease to Greggs PLC on the terms and conditions outlined in the report.

Decision

To approve a new 15-year lease to Greggs PLC on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

29. 367 High Street, Edinburgh – Proposed Lease Extension

Approval was sought to approve to grant a 25-year lease extension on the terms and conditions outlined in the report for the property at 367 High Street, Edinburgh to Kiltane Retail Limited.

Decision

To approve a 25-year lease extension to Kiltane Retail Limited, 367 High Street, Edinburgh on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

30. Land at 83 Craighall Road, Edinburgh – Proposed Disposal

A report sought approval to sell 0.11 hectares of land at 83 Craighall Road on the terms and conditions outlined in the report.

Decision

To approve the disposal of 0.11 hectares of land at 83 Craighall Road, Edinburgh to Mindhack Limited on the terms and conditions outlined in the report.

(Reference – report by the Executive Director of Place, submitted.)

31. Homelessness Services – Contract Extensions Agreed under Urgency Provisions for Visiting Housing Support Services, Housing First and Street-based Outreach and Support Hub Service for Rough Sleepers

The report noted the approval given under urgency provisions (through four separate waivers of the Council's Contract Standing Orders) under urgency, to extend the current contracts for the provision of visiting housing support services, housing first and the street-based outreach service including the support hub for the period 1 April 2023 to 31 March 2024, up to a value of £5,042,295.

Decision

1) To note the following contract extensions were awarded as an urgent decision in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions by the Executive Director of Place in consultation with the Convener, for the extension of contract provisions for:

   1.1) General visiting housing support, young person's visiting housing support services, complex needs visiting housing support, housing first services.

1.2) Services for street-based outreach including the support hub for rough sleepers.

2) To note that the arrangement covered the period 1 April 2023 to 31 March 2023, to the value of £5,042,295.

(Reference – report by the Executive Director of Place, submitted.)

32. Award of Contracts for the Provision of Services for Women, Children and Young People who have experienced Domestic Abuse

A report notified Committee that eleven bids had been received across eight lots and, following evaluation, 10 bids were recommended to be awarded contracts. The contracts would commence on 1 April 2023 for an initial period of five years, with the option to extend for a further period of up to 36 months and a further 24 months. The maximum value of the contract (including extensions) was estimated to be £11,068,675.

Decision

To approve the appointment of three Service Providers to provide Domestic Abuse Support Services with maximum estimated contract value of £11,068,675, with the contracts commending on 1 April 2023 for an initial period of five years, with the option to extend for a further period of up to 36 months plus an additional 24 months.

(Reference – report by the Executive Director of Place, submitted.)

33. Award of Contract: Independent Advocacy Services

Approval was sought to award contracts to AdvoCard Ltd (Lots 1 and 2), Partners in Advocacy Ltd (Lot 3) and Voiceability Ltd (Lot 4) to deliver independent advocacy services, which would commence on the 1 July 2023 for an initial period of five years with the option to extend for a further two 12 months, at an estimated total cost of £7,378,942.

Decision

1) To approve the award of Independent Advocacy Services contracts to

1.1) Lot 1: people with mental health issues to AdvoCard Ltd

1.2) Lot 2: people with problematic substance use issues to AdvoCard Ltd

1.3) Lot 3: people with a learning/intellectual disability, autistic people, older people, people with dementia and people with a physical disability to Partners in Advocacy Ltd

1.4) Lot 4: adult unpaid carers to Voiceability Ltd

2) To approve the commencement of the contract on 1 July 2023 for an initial period of five years with the option to extend for a further 12 months plus 12 months, with a total estimated value of £7,378,942.

(Reference – report by the Chief Officer, Edinburgh Health and Social Care Partnership.)

34. Award of Contract: Care and Repair Service

A report sought approval to award a contract to Care and Repair Edinburgh to deliver a care and repair service to properties within Edinburgh.

Decision

1) To approve the award of a contract for Care and Repair Service.

2) To approve the commencement of the contract on 1 April 2023 for an initial period of four years with the option to extend for a further 24 months plus 24 months, with a total estimated value of £2,045,320.

(Reference – report by the Chief Officer, Edinburgh Health and Social Care Partnership.)

35. Use of H1 Agency staff to support Care Homes

A report notified Committee of the contract extension awarded to H1 Healthcare, via a waiver of Contract Standing Orders, for the continuing provision of care staff to Council Care Homes.

Decision

To note the contract extension awarded to H1 Healthcare, via a waiver of Contract Standing Orders, for the continuing provision of care staff to Council Care Homes, undertaken as an urgent decision in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions by the Chief Officer, Edinburgh Health and Social Care Partnership, in consultation with the Convener of the Finance and Resources Committee.

(Reference – report by the Chief Officer, Edinburgh Health and Social Care Partnership.)

36. Capital Monitoring 2022/23 – Month Five Position – referral from the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee referred a report on the Capital Monitoring 2022/23 – Month Five Position to the Finance and Resources Committee for information.

Decision

To note the report.

(References – Governance, Risk and Best Value Committee of 22 November 2022 (item 6); referral from the Governance, Risk and Best Value Committee, submitted.)

37. Performance Update Report – referral from the Policy and Sustainability Committee

The Policy and Sustainability Committee referred a Performance Update Report to relevant Executive Committees for scrutiny on Business Plan Key Performance Indicators (KPIs) where a red RAG status had been noted. The report had been referred to the Finance and Resources Committee in relation to ‘Edinburgh’s economy recovers from recession and supports business to thrive: 5 EH procurement spend’.

Decision

To note the report.

(References – Policy and Sustainability Committee of 17 November 2022 (item 10); referral from the Policy and Sustainability Committee, submitted.)

38. Advertising and Street Furniture – Proposed Contract Extension

A report sought approval to extend a contract on the terms and conditions outlined in the report.

Decision

As detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

(Reference – report by the Executive Director of Place, submitted.)

39. Four Seasons Healthcare – North Merchiston and Castlegreen Care Homes

The report provided background information on a decision made by the Council Chief Executive under urgency powers in relation to two care homes.

Decision

As detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

(Reference – report by the Executive Director of Place, submitted.)

Finance and Resources

10:00am, Friday, 10 March 2023

Annual Treasury Management Strategy 2023/24

Executive/routine	**Executive**
Wards	
Council Commitments	

1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 Notes the Annual Treasury Strategy 2023/24 and refers the report to the City of Edinburgh Council for approval then on to Governance, Risk and Best Value Committee for scrutiny.

1.1.2 Notes the key points in the report, that:

- The Council's total capital expenditure is forecast to be £2.473bn between 2022/23 and 2027/28 with an underlying need to borrow at 31 March 2028 forecast to be £2.321bn; and
- The Council will continue to fund its Capital Financing Requirement from temporary investment balances over the next year, locking out the risk where appropriate.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Innes Edwards, Principal Treasury and Banking Manager,
Finance Division, Resources Directorate
E-mail: innes.edwards@edinburgh.gov.uk | Tel: 0131 469 6291

Report

Annual Treasury Management Strategy 2023/24

2. Executive Summary

2.1 The report proposes a Treasury Management Strategy for the Council for 2023/24, comprising an Annual Investment Strategy and a Debt Management Strategy. There is a statutory requirement for Council to approve this in advance of the new financial year.

3. Background

3.1 This report sets out a Treasury Management Strategy for 2023/24 including estimates of funding requirements, an economic forecast and borrowing and investment strategies.

3.2 The Council's Treasury Management activities are carried out in accordance with the Council's Treasury Policy Statement. Under the provisions of the Treasury Policy Statement, a report should be submitted on the proposed Treasury Management Strategy for the ensuing year. The Treasury Strategy aims to:

- Ensure that the Council has sufficient and appropriate facilities available to meet its short and long-term borrowing requirements and funding needs;
- Secure new funding at the lowest cost; and,
- Ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks.

3.3 Treasury Management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code. It also adheres to the statutory requirements in Scotland which require this report, including the Capital Investment Programme and Prudential Indicators to be approved by the full Council. Appendix 7 gives details of the Capital Investment Programme and updated Prudential Indicators based on the budget approved by Council on 23 February 2023.

4. Main report

Capital Expenditure

4.1 Table A1.1 in Appendix 1 shows the forecast capital expenditure for both the General Fund (GF) Services and the Housing Revenue Account (HRA) for the current and next 5 years. This shows that GF capital expenditure is anticipated to be £1.347bn, and the HRA £1.126bn, giving a total of £2.473bn over the 6 years.

Loans Fund Borrowing Requirement

4.2 Tables A1.2 and A1.3 show how it is anticipated that the Capital Expenditure in Table A1.1 will be funded. Of the £2.473bn, £810m for the GF and £441m for the HRA will be funded by new capital advances from the Loans Fund.

4.3 Table A1.4 in Appendix 1 shows that the Council's underlying need to borrow (shown as 'Cumulative Capital Expenditure') is projected to increase from £1.623bn at the start of the current financial year to £2.321bn at 31 March 2028.

Economic Outlook

4.4 Appendix 2 gives an overview of the current economic and market outlook. The major issues to the economy over the quarter continue to be the continuing economic recovery from the coronavirus pandemic and the invasion of Ukraine by Russia, which have contributed to substantially higher inflation and higher interest rates. In the UK inflation is well above the Bank of England's target rate of 2% at 10.5% and the UK only narrowly avoided recession in Q4 2022.

Treasury Management Strategy – Debt

4.5 The Council has only borrowed £11.1m during the 2022/23 financial year, linked to on-lending to Edinburgh Living MMR LLP.

4.6 The Debt Management Strategy for 2023/24, as set out in Appendix 3, is to:

- continue to reduce investment balances to temporarily fund capital expenditure; and
- continue to lock out the risk on projects when the timing of capital expenditure becomes certain and if there are any short-term dips in interest rates.

Loan Fund Repayment Policy

4.7 The Council operates a consolidated loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, and one of the requirements of the Regulations is to report the Council's Loan Fund Repayment Policy. The Policy for 2023/24 is contained in Appendix 4 and Appendix 6 sets out details of the existing loans including maturity date and interest rate payable.

Treasury Management – Annual Investment Strategy

4.8 Appendix 5 details the proposed Annual Investment Strategy for 2023/24. It is intended to continue the current investment strategy, which is centred around the security of the investments, taking advantage of longer rates where liquidity and appropriate interest rates allow. Investment will continue to be made via the Cash Fund arrangement.

Treasury Management Indicators

4.9 Appendix 7 shows the Indicators required by the Prudential Code which have been updated to reflect the budget approved by Council on 23 February.

Treasury Management Policy Statements

4.10 Appendices 8 and 9 set out the Treasury Management Policy Statements for the City of Edinburgh Council and its Treasury Cash Fund.

5. Next Steps

5.1 The success of the Treasury team can be measured by the outperformance of the Treasury Cash Fund against its benchmark of 7 day compounded SONIA (Sterling Overnight Index Average) and managing the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

6. Financial impact

6.1 The Council continues to manage its debt portfolio so as to minimise the medium-term cost of funding its capital projects. Provision for the revenue implications arising from this report have already been included in the Council's long-term financial plan.

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

7. Stakeholder/Community Impact

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

8. Background reading/external references

8.1 None

9. Appendices

9.1 Appendix 1 – Capital Expenditure and Funding Requirement

9.2 Appendix 2 - Economic and Market Outlook

9.3 Appendix 3 – Treasury Management – Debt Management Strategy

9.4 Appendix 4 – Loans Fund Repayment Policy

9.5 Appendix 5 – Treasury Management – Annual Investment Strategy

9.6 Appendix 6 – Debt Maturity Profile (January 2022)

9.7 Appendix 7 – Prudential Indicators

9.8 Appendix 8 – Treasury Management Policy Statement – The City of Edinburgh Council

9.9 Appendix 9 – Treasury Management Policy Statement – Treasury Cash Fund

Appendix 1

Summary of
Capital Expenditure and Funding Requirement

General Services	**2021/22 Actual £000**	**2022/23 Forecast £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**	**2025/26 Estimate £000**	**2026/27 Estimate £000**	**2027/28 Estimate £000**
Learning Estate	95,726	34,501	99,846	118,462	112,777	47,761	10,233
Asset Management Works	23,236	11,321	15,473	35,677	41,635	26,071	16,000
Place - Transport and Infrastructure	176,181	47,928	73,781	43,468	30,562	21,685	20,322
Place - Other Projects	0	57,945	45,966	45,944	32,874	29,200	29,200
Corporate Services	3,155	1,001	4,665	1,597	669	678	615
Edinburgh Health and Social Care Partnership	164	601	0	0	0	0	0
Other Community (inc Libraries and Sports Centres)	0	3,502	5,352	165	165	165	165
Trams to Newhaven	68,486	56,452	1,755	0	0	0	0
Edinburgh Living LLPs	4,167	37,817	59,418	70,500	41,793	10,804	0
Contingency	0	0	324	0	5,000	5,000	5,000
(slippage) / acceleration across the programme	0	0	-31,233	-15,765	5,775	14,880	11,601
Total Capital Expenditure	**371,116**	**251,067**	**275,346**	**300,048**	**271,250**	**156,244**	**93,136**
HRA – Capital Expenditure	**64,850**	**106,590**	**173,361**	**189,941**	**202,249**	**232,711**	**220,729**

Table A1.1 - Capital Expenditure on General Fund Services and HRA

General Services	**2021/22 Actual £000**	**2022/23 Forecast £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**	**2025/26 Estimate £000**	**2026/27 Estimate £000**	**2027/28 Estimate £000**
Grants	115,690	110,057	75,131	70,619	71,430	67,194	68,194
Asset Sales	7,387	3,571	7,000	4,000	3,000	3,000	3,000
Capital Fund	7,150	-	27,650	-	-	-	-
Other External Income	20,447	16,275	6,369	-	-	-	-
Loans Fund Advances	220,442	121,164	159,196	225,429	196,820	85,050	21,942
Total	**371,116**	**251,067**	**275,346**	**300,048**	**271,250**	**156,244**	**93,136**

Table A1.2 - Funding Sources for General Fund Services Capital Expenditure

HRA	**2021/22 Actual £000**	**2022/23 Forecast £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**	**2025/26 Estimate £000**	**2026/27 Estimate £000**	**2027/28 Estimate £000**
Grants	18,372	18,386	28,051	17,563	27,002	37,490	17,225
Asset Sales	11,114	24,124	60,329	46,688	111,810	105,935	74,724
Current Revenue	-	18,300	23,300	18,300	18,300	18,300	18,300
Loans Fund Advances	35,364	45,780	61,681	107,390	45,137	70,986	110,480
Total	**64,850**	**106,590**	**173,361**	**189,941**	**202.249**	**232,711**	**220,729**

Table A1.3 - Funding Sources for HRA Capital Expenditure

Capital Funding v. External Debt	2021/22 Outturn £'000	2022/23 Forecast £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Debt b/fd	1,347,045	1,499,374	1,452,260	1,501,407	1,626,299	1,692,286	1,706,342
Cumulative Capital Expenditure b/fd	1,456,649	1,622,957	1,713,418	1,851,343	2,095,800	2,240,388	2,287,135
Over/underborrowed b/fd	-109,603	-123,583	-261,158	-349,936	-469,501	-548,101	-580,793
GF Capital Financed by borrowing	147,789	44,091	98,023	154,929	155,027	74,246	21,942
OS Debt rounding	-2						
Tram Capital Financed by borrowing	68,486	56,452	1,755	0	0	0	0
Lending to LLPs	4,167	20,621	59,418	70,500	41,793	10,804	0
HRA Capital Financed by borrowing	35,364	45,780	61,681	107,390	45,137	70,986	110,480
less scheduled repayments by GF	-39,573	-45,119	-47,882	-51,766	-57,491	-61,096	-62,925
less scheduled repayments by Tram	0	0	-2,478	-5,073	-5,193	-5,316	-5,441
less scheduled repayments by LLPs	-590	-688	-888	-1,537	-2,329	-2,850	-3,066
less scheduled repayments by HRA	-17,356	-18,661	-19,796	-21,343	-23,715	-25,104	-27,023
less scheduled repayments by Police	-556						
less scheduled repayments by NHT	-31,421	-12,015	-11,908	-8,642	-8,642	-14,924	0
Underlying Need to Borrow	166,308	90,461	137,925	244,457	144,587	46,747	33,967
plus total maturing debt	53,935	55,114	44,753	44,008	67,913	69,844	47,063
Total Borrowing Requirement	220,243	145,576	182,678	288,465	212,500	116,592	81,030
Cumulative Borrowing Requirement	220,243	365,819	548,497	836,962	1,049,462	1,166,054	1,247,084
Committed Market Borrowing	206,264	8,000					
Planned PWLB or short borrowing for year			93,900	168,900	133,900	83,900	58,900
Debt at end of the year	1,499,374	1,452,260	1,501,407	1,626,299	1,692,286	1,706,342	1,718,179
Cumulative Capital Expenditure	1,622,957	1,713,418	1,851,343	2,095,800	2,240,388	2,287,135	2,321,102
Cumulative Over/Under Borrowed	-123,583	-261,158	-349,936	-469,501	-548,101	-580,793	-602,923

Table A1.4 - Capital Funding v. External Debt

Please note, the above tables may include rounding differences

Economic and Market Outlook

Overview

The major issues to the economy over the last quarter continued to be the on-going economic recovery from the coronavirus pandemic and the invasion of Ukraine by Russia. Amongst other causes, these have contributed to substantially higher inflation and higher interest rates. The UK Growth Plan announced by then Prime Minister and Chancellor, Liz Truss and Kwasi Kwarteng, at the end of September 2022, caused economic turmoil with the Bank of England having to step in to stabilise the economy after the value of the pound dropped to $1.05 and a steep increase in UK Gilt yields. The Government eventually reversed most of its announcements and after replacing the Prime Minister and Chancellor, now Rishi Sunak and Jeremy Hunt, the pound and gilt yields returned to the levels they were prior to the mini budget.

World Economy

The Federal Reserve Open Market Committee (FOMC) increased the federal funds Rate seven consecutive times in 2022 with rates ending the year at 4.25%-4.50% (with a further 25bp increase post quarter). The US economy grew by 3.2% in Q3 2022 following two quarters of contraction. US inflation slowed for a fifth consecutive month to 7.1% in November 2022.

Inflation in the Eurozone was 9.2% in December 2022 down from 10.1% in November giving some early signs that inflation in the Eurozone area may have peaked. The main contributors to the reduction were energy prices rising at a slower rate but food, alcohol and tobacco, non-energy industrial goods and services all increased. The Core inflation index which excludes energy, food, alcohol and tobacco increased from 5% to 5.2%.

UK Inflation Outlook

Figure A2.1 below shows CPI (Consumer Price Index) and RPI since March 2004 and CPIH (CPI including owner occupier housing costs), which was reinstated as a national statistic in July 2017, since 2009.

Figure A2.1 – CPIH, CPI and RPI since 2004

Source: ONS

The Government's preferred measure of inflation, CPI was 10.5% year on year in December 2022, decreasing for two months from 11.1% in October and way above the Bank of England's target rate. CPIH (Consumer Prices Index including owner occupiers' housing costs) 9.2% year on year in December 2022, having decreased from 9.6% in October. The main contributor to the decrease in CPIH was transport and motor fuels in particular while restaurants, cafes and pubs gave the largest upward contributions.

Figure A2.2 shows the contributions to change in CPIH from October to November 2022 clearly showing the decreases in transport and increase in restaurants.

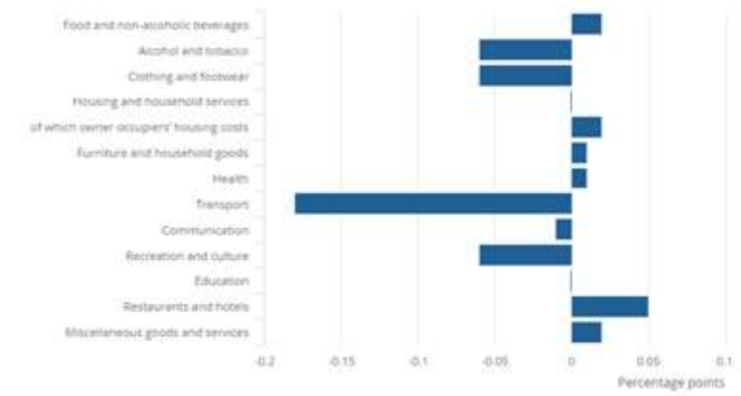

Figure A2.2 – Contributions to change in CPIH between Oct and Nov 22

UK Interest Rate Outlook

The Bank of England has raised interest rates at every single one of their 10 Monetary Policy Committee (MPC) meetings since December 2021. The UK Bank Rate is now 4.0% with further increases at the MPC's March and May meetings a distinct possibility as the Bank of England's MPC tries to bring record high inflation levels under control. Inflation in October 2022 hit 11.1% falling slightly since, with a December reading of 10.5%. It is hoped that inflation has reached its peak as much of the inflation was caused by one-off events including energy prices which now seem to be falling. However, there is still the possibility of a wage/price spiral which may lead to inflation becoming entrenched in the economy.

Treasury Management – Debt Management Strategy

Overview

The overall objectives of the Council's Strategy for Debt Management are to:

- forecast average future interest rates and borrow accordingly;
- secure new funding at the lowest cost in a manner that is sustainable in the medium term;
- ensure that the Council's interest rate risk is managed appropriately;
- ensure smooth debt profile with a spread of maturities; and
- reschedule debt to take advantage of interest rates.

Loans Fund Borrowing Requirement

Table A1.1 in Appendix 1 shows the forecast capital expenditure for both the General Fund (GF) Services and the Housing Revenue Account (HRA) for the current and next 5 years. This shows that GF capital expenditure is anticipated to be £1.347bn, and the HRA £1.126bn, giving a total of £2.473bn over the 6 years.

Tables A1.2 and A1.3 show how it is anticipated that the Capital Expenditure in Table A1.1 will be funded. Of the £2.473bn, £810m for the GF and £441m for the HRA will be funded by new capital advances from the Loans Fund. Table A1.4 in Appendix 1 shows that the Council's underlying need to borrow (shown as Cumulative Capital Expenditure) is projected to increase from £1.622bn at the start of the current financial year to £2.321bn at 31 March 2028.

Figure A3.1 below shows the Council's Liability benchmark which includes projected borrowing up to 2031. This indicates how much the Council would need to borrow if the Capital projections prove to be accurate. The Council therefore has a substantial borrowing requirement and hence interest rate risk.

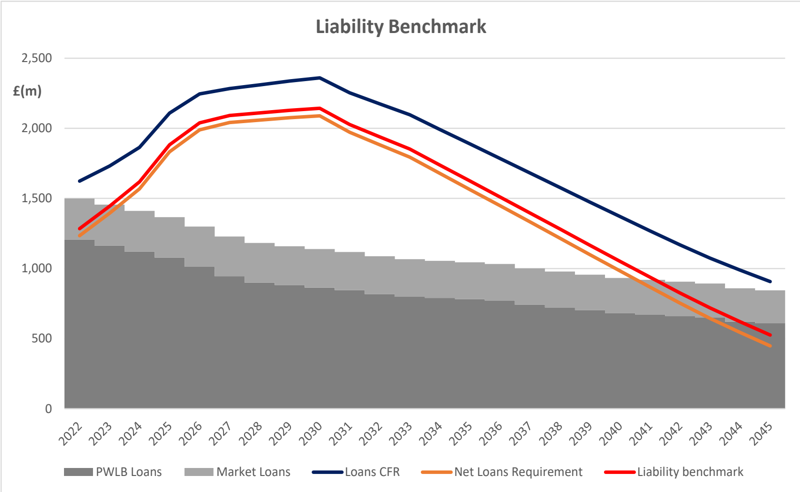

Figure A3.1 – Liability Benchmark

Debt Management Strategy

Figure A3.2 below shows PWLB Maturity Borrowing Rates from April 2005 to February 2023.

Figure A3.2 – PWLB Borrowing Rates

This shows the unprecedented rise in interest rates over the last year. While the £500m borrowed in the 3 years to April 2023 gives the Council some breathing space, the Council still has a substantial borrowing requirement over the next 6 years which gives the Council a significant financing risk. Figure A5.2 shows that the Council still has an elevated level of cash, although it is falling and is likely to fall further. It is difficult to justify borrowing at rates which now seem high, but the future course on interest rates is uncertain.

The strategy for the coming year is therefore to:

- continue to reduce investment balances to temporarily fund capital expenditure; and
- continue to lock out the risk on projects when the timing of capital expenditure becomes certain and if there are any short-term dips in interest rates.

Other Long-Term Liabilities

There are two changes in accounting treatment which will affect the value of the Council's other long-term liabilities.

Firstly, the Council is adopting the IFRS16 accounting standard with effect from 2022/23. This will have the effect of increasing the Council's Long-term Liabilities by £42 as "Right of Use" liabilities are recognised on the Council's Balance sheet. However, it is essentially presentational as the Council will also recognise £42m in "Right of Use" assets on the balance sheet at the same time.

In 2023/24, to the Council will also change the accounting treatment of service concessions, whereby the principal element of debt repayments on the concessions will be spread over the (longer) life of the asset rather than the contract term. The effect of this will be to increase other long-term liabilities by £95m on 1 April 2023, with further increases in subsequent years.

Other long-term liabilities are included in the calculation of the Council's Debt Capital Financing Requirement (CFR) so they will also result in an increase in the Council's Operational Boundary and Authorised Limit. Neither of these change the Council's underlying need to borrow so the Council's Loans CFR shown in the Figure A3.1 is unchanged.

However, the £95m from prior years can be treated as overpayments made available to fund expenditure. As this is used, as part of the revenue budget, the Council's actual cash position will be reduced. Since the Council is currently using cash balances to temporarily fund capital expenditure, a reduced cash position may have an effect on the timing of future borrowing. The costs associated with this are contained within the approved revenue budget.

Maturity / Interest Rate Structure of Borrowing

While all of the Council's external borrowing is currently fixed rate, the Council is required to set limits on the maturity structure of its borrowing and the proportion of it's borrowing which can be variable rate loans. The limits proposed are as follows:

	Lower Limit	Upper Limit
Under 12 months	0%	35%
12-24 months	0%	35%
24 months to 5 years	0%	50%
5 to 10 years	0%	50%
10 years +	20%	100%

It is also intended to operate with in the following limits for variable rate borrowing:

Upper limit for variable rate loans 25%

Upper limit for fixed rate loans 100%

Loans Fund Repayment Policy

The Council operates a consolidated loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. Capital payments made by services are financed by capital advances from the loans fund. The Regulations require the Council to have a policy for the prudent repayment to the loans fund of the capital advances. The 2016 guidance sets out four options for the calculation of the repayment of loans fund advances, which are:

Option 1 – Statutory Method – this method allows repayments to me made as if the previous Schedule 3 to the 1975 Local Government (Scotland) Act was still in force but is no longer available as an option;

Option 2 – Depreciation Method – a complex method that links the calculated repayment to the depreciation charged each year and movement in the value of the asset;

Option 3 – Asset Life Method – a simpler alternative to the depreciation method, either on an equal instalment basis or on an annuity basis; or

Option 4 – Funding/Income Profile Method – repayments calculated by assessing future income receivable from the use of the asset, if the asset created generates income.

The guidance indicates that these four options are those likely to be most relevant for the majority of local authorities for loans fund advances made for the authority's own capital expenditure. Other approaches are not ruled out but must be considered by the local authority to be a prudent repayment.

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require the statutory loans fund to be administered in accordance with the 2016 Regulations, proper accounting practices and prudent financial management. The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund.

Repayments for capital advances (with the exception of those detailed below) will be calculated using option 3 – the Asset Life method.

For capital advances relating to loans to the Edinburgh Living LLPs and capital advances for the Trams to Newhaven project, all advances from the loans fund in the current year have a repayment profile set out using Option 4 – the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments.

The business cases brought forward for other projects involving major capital expenditure funded by borrowing will consider the appropriate repayment method depending on the structure of the business case.

Treasury Management – Annual Investment Strategy

In line with CIPFA's Code of Practice, the overall objectives of the Council's Strategy for Investment Management are to:

- ensure the security of funds invested;
- ensure that the Council has sufficient liquid funds to cover its expenditure commitments; and
- pursue optimum investment return within the above two objectives.

The Council's cash balances are pooled and invested via the Treasury Cash Fund subject to the limits set out in the Cash Fund Treasury Management Policy Statement. The Cash Fund's Investment Strategy continues to be based around the security of the investments. Figure A5.1 shows the split of investments since the inception of the cash fund.

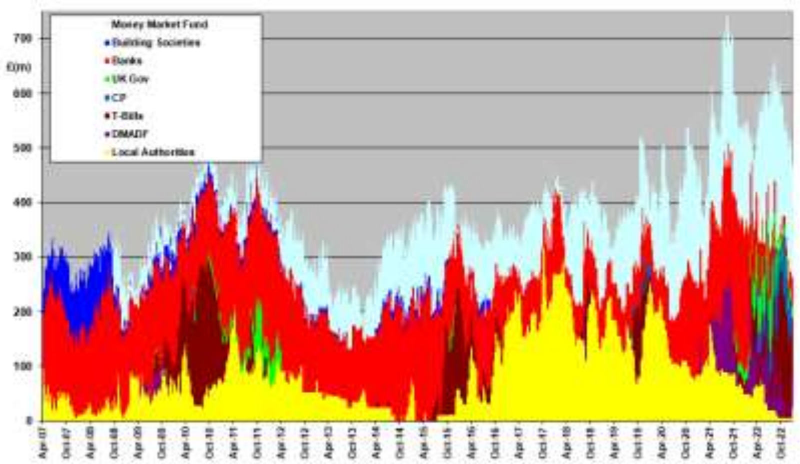

Figure A5.1 – Cash Fund Investments since inception

The Bank of England has raised interest rates at every single one of their 10 Monetary Policy Committee (MPC) meetings since December 2021. The UK Bank Rate is now 4.0% with further increases at the MPC's March and May meetings a distinct possibility. In this scenario, duration has a negative effect on the portfolio. This has made performance against the benchmark which moves in line with UK Bank Rate exceptionally challenging while maintaining the security of the portfolio.

On top of that, UK banks remain awash with cash and have little appetite to take deposits. Opportunities were taken to place deposits with the UK Government using the DMADF, UK Treasury Bills and UK Gilts at rates higher than on offer with Banks and Money Market Funds. To counter the effect of consecutive interest rate rises, we have kept the portfolio very liquid, and intend to continue this into the new financial year adding duration to the portfolio when we consider that we are closer to the peak of rates. In addition, there has been some recent interest from other local authorities in taking notice money from the Council. A number of 31- and 35-day notice loans have been agreed with the interest rate payable moving in line with any change made by the Bank of England, will hopefully provide a good core holding to the portfolio over the next few months.

Figure A5.2 below shows the level of Council investments via the cash fund

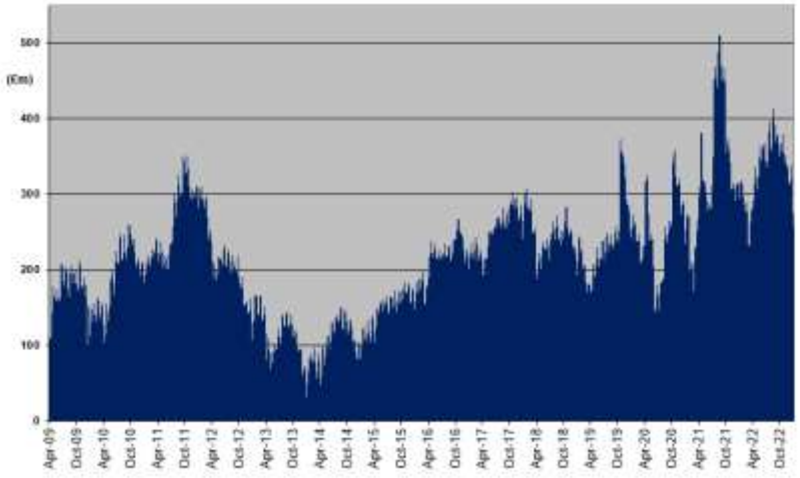

Figure A5.2 – CEC Investment via Cash Fund

Investment will continue to be made via the Treasury Cash Fund arrangement. Appendix 8 contains the Treasury Management Policy Statement for the Treasury Cash Fund which details the investment and counterparty limits for the Fund.

Appendix 6

Debt Maturity Profile (February 2023)

Market Debt (non LOBO)

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
08/10/2020	A	08/10/2045	56,500,257.49	2.613	1,727,158.52
30/06/2005	M	30/06/2065	5,000,000.00	4.4	220,000.00
07/07/2005	M	07/07/2065	5,000,000.00	4.4	220,000.00
21/12/2005	M	21/12/2065	5,000,000.00	4.99	249,500.00
28/12/2005	M	24/12/2065	12,500,000.00	4.99	623,750.00
14/03/2006	M	15/03/2066	15,000,000.00	5	750,000.00
18/08/2006	M	18/08/2066	10,000,000.00	5.25	525,000.00
01/02/2008	M	01/02/2078	10,000,000.00	3.95	395,000.00
			120,772,841.48		

Market Debt (LOBO)

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
12/11/1998	M	13/11/2028	3,000,000.00	4.75	142,500.00
15/12/2003	M	15/12/2053	10,000,000.00	5.25	525,000.00
18/02/2004	M	18/02/2054	10,000,000.00	4.54	454,000.00
28/04/2005	M	28/04/2055	12,900,000.00	4.75	612,750.00
01/07/2005	M	01/07/2065	10,000,000.00	3.86	386,000.00
24/08/2005	M	24/08/2065	5,000,000.00	4.4	220,000.00
07/09/2005	M	07/09/2065	10,000,000.00	4.99	499,000.00
13/09/2005	M	14/09/2065	5,000,000.00	3.95	197,500.00
03/10/2005	M	05/10/2065	5,000,000.00	4.375	218,750.00
23/12/2005	M	23/12/2065	10,000,000.00	4.75	475,000.00
06/03/2006	M	04/03/2066	5,000,000.00	4.625	231,250.00
17/03/2006	M	17/03/2066	10,000,000.00	5.25	525,000.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
07/04/2006	M	07/04/2066	10,000,000.00	4.75	475,000.00
05/06/2006	M	07/06/2066	20,000,000.00	5.25	1,050,000.00
05/06/2006	M	07/06/2066	16,500,000.00	5.25	866,250.00
			172,400,000.00		

PWLB Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
24/04/1995	M	25/03/2023	10,000,000.00	8.5	850,000.00
05/12/1995	M	15/05/2023	5,200,000.00	8	416,000.00
20/09/1993	M	14/09/2023	2,997,451.21	7.875	236,049.28
20/09/1993	M	14/09/2023	584,502.98	7.875	46,029.61
08/05/1996	M	25/09/2023	10,000,000.00	8.375	837,500.00
13/10/2009	M	13/10/2023	5,000,000.00	3.87	193,500.00
05/12/1995	M	15/11/2023	10,000,000.00	8	800,000.00
10/05/2010	M	10/05/2024	10,000,000.00	4.32	432,000.00
28/09/1995	M	28/09/2024	2,895,506.10	8.25	238,879.25
14/05/2012	M	14/11/2024	10,000,000.00	3.36	336,000.00
14/12/2009	A	14/12/2024	1,667,538.64	3.66	82,768.94
17/10/1996	M	25/03/2025	10,000,000.00	7.875	787,500.00
10/05/2010	M	10/05/2025	5,000,000.00	4.37	218,500.00
16/11/2012	M	16/05/2025	20,000,000.00	2.88	576,000.00
13/02/1997	M	18/05/2025	10,000,000.00	7.375	737,500.00
20/02/1997	M	15/11/2025	20,000,000.00	7.375	1,475,000.00
01/12/2009	A	01/12/2025	3,508,514.75	3.64	157,491.50
21/12/1995	M	21/12/2025	2,397,960.97	7.875	188,839.43
21/05/1997	M	15/05/2026	10,000,000.00	7.125	712,500.00
28/05/1997	M	15/05/2026	10,000,000.00	7.25	725,000.00
29/08/1997	M	15/11/2026	5,000,000.00	7	350,000.00
24/06/1997	M	15/11/2026	5,328,077.00	7.125	379,625.49
07/08/1997	M	15/11/2026	15,000,000.00	6.875	1,031,250.00
13/10/1997	M	25/03/2027	10,000,000.00	6.375	637,500.00
22/10/1997	M	25/03/2027	5,000,000.00	6.5	325,000.00
13/11/1997	M	15/05/2027	3,649,966.00	6.5	237,247.79
17/11/1997	M	15/05/2027	5,000,000.00	6.5	325,000.00
13/12/2012	M	13/06/2027	20,000,000.00	3.18	636,000.00
12/03/1998	M	15/11/2027	8,677,693.00	5.875	509,814.46
06/09/2010	M	06/09/2028	10,000,000.00	3.85	385,000.00
14/07/2011	M	14/07/2029	10,000,000.00	4.9	490,000.00
14/07/1950	E	03/03/2030	1,895.62	3	62.56
14/07/2011	M	14/07/2030	10,000,000.00	4.93	493,000.00
15/06/1951	E	15/05/2031	1,991.93	3	59.76
06/09/2010	M	06/09/2031	20,000,000.00	3.95	790,000.00
15/12/2011	M	15/06/2032	10,000,000.00	3.98	398,000.00
15/09/2011	M	15/09/2036	10,000,000.00	4.47	447,000.00
22/09/2011	M	22/09/2036	10,000,000.00	4.49	449,000.00
10/12/2007	M	10/12/2037	10,000,000.00	4.49	449,000.00
08/09/2011	M	08/09/2038	10,000,000.00	4.67	467,000.00
15/09/2011	M	15/09/2039	10,000,000.00	4.52	452,000.00
06/10/2011	M	06/10/2043	20,000,000.00	4.35	870,000.00
09/08/2011	M	09/02/2046	20,000,000.00	4.8	960,000.00

23/01/2006	M	23/07/2046	10,000,000.00	3.7	370,000.00
23/01/2006	M	23/07/2046	10,000,000.00	3.7	370,000.00
19/05/2006	M	19/11/2046	10,000,000.00	4.25	425,000.00
07/01/2008	M	07/01/2048	5,000,000.00	4.4	220,000.00
24/03/2020	A	24/03/2050	14,011,287.23	1.64	224,786.70
26/03/2020	A	26/03/2050	4,663,035.29	1.49	67,935.34
26/03/2021	A	26/03/2051	9,614,327.97	1.75	164,806.87
12/07/2021	A	12/07/2051	38,464,432.97	1.78	680,030.06
27/01/2006	M	27/07/2051	1,250,000.00	3.7	46,250.00
16/01/2007	M	16/07/2052	40,000,000.00	4.25	1,700,000.00
30/01/2007	M	30/07/2052	10,000,000.00	4.35	435,000.00
13/02/2007	M	13/08/2052	20,000,000.00	4.35	870,000.00
20/02/2007	M	20/08/2052	70,000,000.00	4.35	3,045,000.00
22/02/2007	M	22/08/2052	50,000,000.00	4.35	2,175,000.00
08/03/2007	M	08/09/2052	5,000,000.00	4.25	212,500.00
30/05/2007	M	30/11/2052	10,000,000.00	4.6	460,000.00
11/06/2007	M	11/12/2052	15,000,000.00	4.7	705,000.00
12/06/2007	M	12/12/2052	25,000,000.00	4.75	1,187,500.00
05/07/2007	M	05/01/2053	12,000,000.00	4.8	576,000.00
25/07/2007	M	25/01/2053	5,000,000.00	4.65	232,500.00
10/08/2007	M	10/02/2053	5,000,000.00	4.55	227,500.00
24/08/2007	M	24/02/2053	7,500,000.00	4.5	337,500.00
13/09/2007	M	13/03/2053	5,000,000.00	4.5	225,000.00
14/10/2019	A	10/04/2053	103,658,231.86	2.69	2,773,513.63
12/10/2007	M	12/04/2053	5,000,000.00	4.6	230,000.00
01/07/2021	A	01/07/2053	48,292,867.50	1.98	950,453.33
05/11/2007	M	05/05/2057	5,000,000.00	4.6	230,000.00
15/08/2008	M	15/02/2058	5,000,000.00	4.39	219,500.00
25/01/2019	A	25/01/2059	2,571,791.87	2.65	68,994.96
11/06/2019	A	11/06/2059	1,211,725.69	2.23	27,378.69
01/10/2019	A	01/10/2059	1,271,857.56	1.74	22,023.17
02/10/2019	A	02/10/2059	37,891,649.30	1.8	691,722.20
05/11/2019	A	05/11/2059	6,849,318.72	2.96	201,976.68
28/11/2019	A	28/11/2059	1,253,416.90	3.03	37,837.69
02/12/2019	A	02/12/2059	2,698,410.45	3.03	81,458.61
20/01/2020	A	20/01/2060	1,893,927.30	1.77	33,361.18
20/01/2020	A	20/01/2060	439,496.99	2.97	13,004.03
04/10/2019	M	04/04/2060	40,000,000.00	1.69	676,000.00
07/12/2021	A	07/12/2060	18,758,205.61	1.8	336,090.50
02/12/2011	M	02/12/2061	5,000,000.00	3.98	199,000.00
07/12/2021	A	07/12/2061	4,092,431.64	1.79	72,927.92
19/05/2022	A	19/05/2062	3,075,123.56	2.86	87,644.76
02/11/2022	A	02/11/2062	8,000,000.00	4.61	367,981.17
24/03/2022	A	24/03/2063	17,877,239.67	2.65	468,780.64
26/03/2020	M	26/03/2070	10,000,000.00	1.29	129,000.00
12/07/2021	M	12/07/2071	50,000,000.00	1.74	870,000.00
23/12/2021	M	23/12/2071	25,000,000.00	1.45	362,500.00

1,174,249,876.28

SPECIAL

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
31/03/2015	E	01/04/2023	90,144.87	0	0
22/09/2015	E	01/10/2023	43,959.94	0	0
29/03/2019	E	01/04/2029	90,986.09	0	0
			225,090.90		

Appendix 7

2023/24 Budget Prudential Indicators

Indicator 1 - Estimate of Capital Expenditure
The actual capital expenditure that was incurred in 2021/22 and the estimates of capital expenditure to be incurred for the current and future years:

	Capital Expenditure - General Services						
Rolled Forward Capital Investment Programme	**2021/22 Actual £000**	**2022/23 Forecast £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**	**2025/26 Estimate £000**	**2026/27 Estimate £000**	**2027/28 Estimate £000**
Learning Estate	95,726	34,501	99,846	118,462	112,777	47,761	10,233
Asset Management Works	23,236	11,321	15,473	35,677	41,635	26,071	16,000
Place - Transport and Infrastructure	176,181	47,928	73,781	43,468	30,562	21,685	20,322
Place - Other Projects	0	57,945	45,966	45,944	32,874	29,200	29,200
Corporate Services	3,155	1,001	4,665	1,597	669	678	615
Edinburgh Health and Social Care Partnership	164	601	0	0	0	0	0
Other Community (inc Libraries and Sports Centres)	0	3,502	5,352	165	165	165	165
Trams to Newhaven	68,486	56,452	1,755	0	0	0	0
Edinburgh Living LLPs	4,167	37,817	59,418	70,500	41,793	10,804	0
Contingency	0	0	324	0	5,000	5,000	5,000
General (slippage) / acceleration across the programme	0	0	-31,233	-15,765	5,775	14,880	11,601
Total General Services Capital Expenditure	**371,116**	**251,067**	**275,346**	**300,048**	**271,250**	**156,244**	**93,136**

The Place - Trams to Newhaven figures include capitalised interest following a change in accounting policy approved by Finance and Resources Committee on 21 January 2021. Note that the 2023-2028 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

Rolled Forward Capital Investment Programme	2021/22 Actual £000	2022/23 Forecast £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Housing Revenue Account	64,850	106,590	173,361	189,941	202,249	232,711	220,729

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2021/22 are:

	Ratio of Financing Costs to Net Revenue Stream						
	2021/22 Actual %	2022/23 Forecast %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
General Services	6.8%	7.1%	7.6%	8.0%	8.2%	8.4%	8.4%
Housing Revenue Account (HRA)	32.0%	32.5%	33.8%	35.0%	37.0%	37.8%	38.5%

Note: Figures for 2024/25 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years.

Indicator 3 - Capital Financing Requirement

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2022 are:

	Capital Financing Requirement						
	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
General Services (including Finance Leases / Right of Use Assets)	1,411	1,494	1,620	1,707	1,789	1,791	1,739
Housing Revenue Account (HRA)	394	422	463	550	571	617	700
NHT LLPs	56	44	32	24	15	-0	-0
Edinburgh Living LLPs	42	62	120	189	229	236	233
Total Capital Financing Requirement	**1,903**	**2,021**	**2,236**	**2,469**	**2,604**	**2,644**	**2,673**

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequences of all of the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

The capital financing requirement for the NHT LLPs includes an estimate for repayments of advances. Exit strategies are still to be finalised for the remaining three LLPs, however five have now repaid their loans in full.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.
In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

Gross Debt and the Capital Financing Requirement

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Gross Debt	1,789	1,769	1,896	2,009	2,065	2,073	2,079
Capital Financing Requirements	1,903	2,021	2,236	2,469	2,604	2,644	2,673
(Over) / under limit by:	**114**	**252**	**340**	**460**	**539**	**571**	**593**

The authority does not currently envisage borrowing in excess of its capital financing requirement over the next few years. This takes into account current commitments, existing plans and assumptions around cash balances and the proposals in this budget. The figures do not include any expenditure and associated funding requirements, other than projects specifically approved by Council, for the Local Development Plan (LDP) or City Deal.

From 2022/2023, the Authority will apply IFRS 16 Leases as adopted by the Code of Accounting Practice. This will subsequently have an impact on the Capital Financing Requirement (CFR) as from the 2022/23 financial year. The capital financing requirement has been adjusted by £42m for 'Right of Use Assets' under IFRS16. This will similarly have an impact on the authorised limit and operational boundary for external debt.

Indicator 4 - Authorised Limit for External Debt
The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council has delegated authority to the Service Director for Finance and Procurement, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

	Authorised Limit for External Debt						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Borrowing	1,748	1,905	2,202	2,531	2,806	2,925	2,972
Credit Arrangements (including leases and Right of Use assets)	289	317	394	383	373	366	361
Authorised Limit for External Debt	**2,038**	**2,222**	**2,596**	**2,914**	**3,179**	**3,291**	**3,333**

These authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely (but not worst case) scenario with sufficient headroom to allow for operational treasury management. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

Indicator 5 - Operational Boundary for External Debt

The operational boundary equates to the estimated maximum of external debt. It is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and credit arrangements are separately identified. The Council has also delegated authority to the Service Director for Finance and Procurement, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and credit arrangements, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

	Operational Boundary for External Debt						
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Borrowing	1,690	1,855	2,152	2,481	2,756	2,875	2,922
Credit Arrangements (including leases)	289	317	394	383	373	366	361
Operational Boundary for External Debt	**1,980**	**2,172**	**2,546**	**2,864**	**3,129**	**3,241**	**3,283**

The Council's actual external debt at 31 March 2022 was £1,789m of borrowing (including sums repayable within 12 months).

Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans

The authority can set its own local indicators to measure the affordability of its capital investment plans. The Service Director for Finance and Procurement considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2022/23 and for future years will be considered as part of the longer term financial frameworks.

	Loans Charges Liability					
	2022/23 Estimate £000	**2023/24 Estimate £000**	**2024/25 Estimate £000**	**2025/26 Estimate £000**	**2026/27 Estimate £000**	**2027/28 Estimate £000**
General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances						
Loans Fund Advances in year	44,091	98,023	154,929	155,027	74,246	21,942
Year 1 - Interest Only	882	1,960	3,099	3,101	1,485	439
Year 2 - Interest and Principal Repayment	3,233	7,188	11,361	11,369	5,445	1,609
Housing Revenue Account (HRA) - New Loans Fund Advances						
Loans Fund Advances in year (excl. LLP programme *)	45,780	61,681	107,390	45,137	70,986	110,480
Year 1 - Interest Only	973	1,311	2,282	959	1,508	2,348
Year 2 - Interest and Principal Repayment	1,946	2,621	4,564	1,918	3,017	4,695

* The loans charges associated with the borrowing required for the house building programme for onward transferred to the LLPs will be met from the LLPs and does therefore not have a net impact on the HRA or General Services revenue budget. Tram repayments are based on the income model and will commence from 2023/24 when the line to Newhaven becomes operational.

Consideration of options for the capital programme

In considering its programme for capital investment, Council is required within the Prudential Code to have regard to:

- affordability, e.g. implications for Council Tax or house rents;
- prudence and sustainability, e.g. implications for external borrowing;
- value for money, e.g. option appraisal;
- stewardship of assets, e.g. asset management planning;
- service objectives, e.g. strategic planning for the authority;
- practicality, e.g. achievability of the forward plan.

Appendix 8

The City of Edinburgh Council

Treasury Cash Fund

Treasury Management Policy Statement

Summary

The Council operates the Treasury Cash Fund on a low risk, low return basis for cash investments on behalf of itself, Lothian Pension Fund and other associated organisations. This Policy Statement covers the type of investments which are permitted for monies held with the Cash Fund and should be read in conjunction with the Treasury Policy Statement for the City of Edinburgh Council.

Approved Activities

The activity undertaken in the management of cash balances and their investment in cash and near cash instruments. In undertaking this activity, the key objective is the security of the monies invested. Accordingly, the investment types and counterparty limits below represent a prudent attitude towards the instruments with which and the institutions with whom investment will be undertaken.

Treasury Management Strategy

The treasury management strategy for the cash fund is to ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks

Permitted Instruments

The Chief Financial Officer may invest monies in accordance with the Council's requirements only by using the following instruments:

(a) Temporary deposit, Certificate of Deposit, collaterised deposit, structured deposit, commercial paper, floating rate note or Bonds with an approved institution of the Bank of England or with any other approved organisation for investment (see below)

(b) UK Treasury Bills

(c) Gilt-edged securities

(d) Reverse Repurchase Agreements

(e) Money Market Funds and Bond Funds

(f) Debt Management Office's Debt Management Agency Deposit Facility

Limits on Investment

The approved limits on counterparties and investment types are as follows (where money limits and percentages are stated, the greater of the two should be applied):

(a) DMO's DMADF, UK Treasury Bills and UK Gilts with no limit

(b) UK local authorities up to a maximum of £50 million per authority.

(c) other public bodies up to a maximum of £20 million per organisation.

(d) The Council's bankers, where not otherwise permitted under (k) below, up to a limit of £20m on an overnight only basis other than when funds are received into the Council's bank account without pre-notification.

(e) Money Market Funds with no limit in total but with no more than £30 million or 15% of the funds under management with any one Fund.

(f) Bond Funds with no more than £20 million or 10% of the funds under management.

(g) Supranational Bonds with a limit of £60 million or 20% of the fund in total.

(h) Financial institutions where the relevant deposits, CDs or Bonds are guaranteed by a sovereign government of AA or above up to a maximum of £60 million or 20 percent of the fund per institution for the duration of the guarantee in addition to the appropriate counterparty limit for the institution.

(i) Local Authority Collateralised deposits up to a maximum of £30 million or 15 percent of the fund per institution up to a maximum of 5 years in addition to the appropriate counterparty limit for the institution.

(j) Structured deposits up to a maximum of £20 million or 10 percent of the fund, subject to the appropriate counterparty limits for the institution also being applied.

(k) Financial institutions included on the Bank of England's authorised list under the following criteria:

Credit Rating	**Banks Unsecured**	**Banks Secured**	**B. Socs. Unsecured**	**B. Socs. Secured**
AAA	20% or £60m	20% or £60m	20% or £60m	20% or £60m
AA+	15% or £30m	20% or £60m	15% or £30m	20% or £60m
AA	15% or £30m	20% or £60m	15% or £30m	15% or £30m
AA-	15% or £30m	20% or £60m	10% or £20m	15% or £30m
A+	10% or £20m	15% or £30m	10% or £20m	10% or £20m
A	10% or £20m	15% or £30m	10% or £20m	10% or £20m
A-	10% or £20m	15% or £30m	5% or £10m	10% or £20m
BBB+	5% or £10m	5% or £10m	n/a	n/a
None	n/a	n/a	n/a	n/a

The credit ratings quoted in the above table are for the financial institution, instrument or security provided and are the lowest of the relevant long-term ratings from the three main Credit ratings agencies, S&P, Moodys and Fitch.

Time Limits
In addition to the monetary limits above, the following maximum time limits will be placed on investments:

Category	Max. Time Limit
20% of Assets Under Management / £60m	5 Years
15% of Assets Under Management / £30m	1 Years
10% of Assets Under Management / £20m	6 months
5% of Assets Under Management / £10m	3 months

In addition to the above limits, no more than 25% of assets under management will have a maturity greater than 1 year.
In considering an investment, consideration is given to a wide range of information, not simply the credit ratings of the institution being considered. This will include financial information on the institution, relevant Credit Default Swaps and equity pricing data, and the general macro-economic, market and sector background. The investment risks and controls to mitigate those risks are outlined to the end of this document.

Policy on Delegation
The Treasury Cash Fund is operated under the Council's Treasury Policy Statement and the delegations are defined in that document.

Reporting Arrangements

This will include, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Service Director – Finance and Procurement will report to the Council as follows:

(a) A Treasury Strategy prior to the commencement of the financial year.

(b) A mid-term report during the financial year.

(c) A Treasury Annual Report as soon as practicable after the end of the financial year.

(d) Ad hoc reports according to need.

Type of Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) (Very low risk)	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. UK Treasury Bills (Very Low Risk)	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless held to maturity. Maturity at issue is only 1, 3 or 6 months so will be used mainly in the 1-to 3-month period to provide a high level of security but a better return than the DMADF in (a).	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
c. UK Gilts (Very Low Risk)	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless held to maturity. There is a risk to capital if the Gilt needed to be sold, so should only be used on a hold to maturity basis as a proxy for a slightly longer maturity Treasury Bill	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments. Would only be used on a hold to maturity basis at the very short end of the yield curve.
d. Deposits with other local authorities or public bodies (Very low risk)	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value.	Little mitigating controls required for local authority deposits, as this is a quasi UK Sovereign Government investment.
e. Money Market Funds (MMFs) (low/medium risk)	Pooled cash investment vehicle which provides short term liquidity.	Funds will generally be used to provide liquidity for the Cash Fund.
f. Bond Funds (low/medium risk)	AAA Rated Pooled cash investment vehicle investing in a range of Government, Financial Institutions and Government Bonds.	Fairly liquid vehicle investing in Bonds with a high average credit rating, will only be used for a relatively small proportion of the fund.
g. Call account deposit accounts with financial institutions (banks and building societies) (Risk is dependent on credit rating)	These tend to be moderately low risk investments, but will exhibit higher risks than the categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice. These will be used to provide the primary liquidity source for Cash Management	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
h. Term deposits with financial institutions (banks and building societies) (Low to medium risk depending on period & credit rating)	The risk on these is determined, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
i. Certificates of deposits with financial institutions (risk dependent on credit rating)	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a) to (d) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
j. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) (Low to medium risk depending on period & credit rating)	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.

k. Bonds (Low to medium risk depending on period & credit rating)	This entails a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. Bonds may also carry an explicit Government Guarantee.
l. Floating Rate Notes (Low to medium risk depending on credit rating)	These are Bonds on which the rate of interest is established periodically with reference to short term interest rates.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. Will be used in an increasing interest rate environment but only for a limited proportion of the portfolio.
m. Commercial Paper (Low to medium risk depending on credit rating)	These are short term promissory notes issued at a discount par. They entail a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. They are relatively short maturity.
n. Secured Investments (relatively low risk due to dual recourse)	These include Reverse Purchase Agreements (Repo) and Covered Bonds issued by banks and building societies.	Both Repo and Covered Bonds provide opportunities to lower credit risk by having any exposure supported by an enhanced level of high quality collateral such as Gilts in the case of Repo. The lower credit risk is reflected in the Cash Fund being able to invest larger % or value amounts as shown in the criteria for financial institutions in (k).

Appendix 9

The City of Edinburgh Council

Treasury Management Policy Statement

Summary

The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services. As part of the adoption of that code, the Council agreed to create and maintain, as the cornerstones for effective treasury management:

- a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities; and
- suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

This document outlines the Council's Treasury Management Policy Statement which provides a framework for the Council's treasury management activities. Any reference in the Treasury Policy Statement to the Chief Financial Officer should be taken to be any other officer to whom the Chief Financial Officer has delegated his powers.

Approved Activities

The Council defines its treasury management activities as:

> "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

Subject to any legal restrictions, this definition covers the following activities:

- arranging, administering and managing all capital financing transactions
- approving, arranging and administering all borrowing on behalf of the Council
- cash flow management
- investment of surplus funds
- ensuring adequate banking facilities are in place, negotiating bank charges, and ensuring the optimal use by the Council of banking and associated facilities and services.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council also acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Treasury Management Strategy

The treasury management strategy for the cash fund is to:

- Secure both capital and revenue funding at the lowest cost in the medium term; and
- ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks

Approved Sources of Finance

Finance will only be raised in accordance with legislation and within this limit the Council has a number of approved methods and sources of raising capital finance. No other instrument other than those listed below may be used:

Bank Overdraft

Temporary Loans

Loans from the Public Works Loan Board

Loans from the European Community institutions

Long-Term Market Loans

Bonds

Stock Issues

Negotiable Bonds

Internal (Capital Receipts and Revenue Balances)

Commercial Paper

Medium Term Notes

Finance and Operating Leases

Deferred Purchase Covenant Agreements

Government and European Community Capital Grants

Lottery Monies

Public and Private Partnership funding initiatives

Permitted Instruments

Where possible the Service Director - Finance and Procurement, the Council's Statutory Section 95 Chief Financial Officer, will manage all of the Council's temporary surplus funds together and invest them using the Council's Treasury Cash Fund. The investment restrictions contained in the Treasury Cash Fund Policy Statement therefore apply to the City of Edinburgh Council's monies.

However small operational balances will need to be retained with the Council's bankers, and in other cases – such as devolved schools – relatively small investment balances may be operated locally. Some allowance for temporary deposits has therefore been made.

In addition, the Council has some non-cash investment types and these are also included in the Policy Statement.

The Service Director – Finance and Procurement, as the Council's Statutory Chief Financial Officer, may invest monies in accordance with the Council's requirements only by using the following instruments:

(a) Temporary deposit with an approved institution of the Bank of England or with any other approved organisation for investment (see below)

(b) Money Market Funds

(c) Debt Management Office's Debt Management Agency Deposit Facility

(d) Investment Properties

(e) Loans to Other Organisations

(f) Investment in share capital of Council Companies and Joint Ventures

(g) Loans (including mezzanine debt) to / investment in the Loan Stock of Council Companies and LLPs

(h) Investment in Shared Equity Housing Schemes

(i) Investment in the Subordinated Debt of projects delivered via the "HubCo" model

Approved Organisations for Investment

The approved counterparty limits are as follows:

(a) *The Council's bankers with no limit.*

(b) *DMO's DMADF with no limit.*

(c) *AAA Money Market Funds with no limit.*

(d) *financial institutions on the Bank of England's authorised list where the lowest of their long-term rating from the three main Credit ratings agencies, S&P, Moody's and Fitch, equivalent to A- or above up to a maximum of £10 million per institution.*

(e) *building societies where the lowest of their long-term rating from the three main Credit ratings agencies, S&P, Moody's and Fitch, equivalent to A- or above up to a maximum of £5 million per institution.*

(f) *Subordinated debt of projects delivered via "HubCo" model up to a maximum of £1 million.*

In addition, there is no explicit limit at present for the non-cash investment types. However, it is anticipated that each specific investment of these types would be reported individually to Council and a full list of them will be contained in the Treasury Annual Report.
The investment risks and controls to mitigate those risks are outlined to the end of this document.

Policy on Delegation
Responsibility for the implementation and regular monitoring of the Council's treasury management policies and practices is retained by the Council.

The Council delegates responsibility for the execution and administration of Treasury Management decisions to the Service Director - Finance and Procurement, as the Statutory Section 95 Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Council nominates the Governance, Risk and Best Value Committee to be responsible for the ensuring effective scrutiny of the treasury management strategy and policies.

Reporting Arrangements

This will include, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Service Director – Finance and Procurement will report to the Council as follows:

(a) A Treasury Strategy prior to the commencement of the financial year.

(b) A mid-term report during the financial year

(c) A Treasury Annual Report as soon as practicable after the end of the financial year.

(d) Ad hoc reports according to need.

Type of Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) (Very low risk)	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. Money Market Funds (MMFs) (low/medium risk)	Pooled cash investment vehicle which provides short term liquidity.	Funds will generally be used to provide liquidity for the Cash Fund.
c. Call account deposit accounts with financial institutions (banks and building societies) (Risk is dependent on credit rating)	These tend to be moderately low risk investments, but will exhibit higher risks than the category (a) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice. These will be used to provide the primary liquidity source for Cash Management	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence
d. Term deposits with financial institutions (banks and building societies) (Low to medium risk depending on period & credit rating)	The risk on these is determined, but will exhibit higher risks than category (a) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
e. Investment properties	These are non-service properties which are being held solely for a longer term rental income stream or capital appreciation. These are highly illiquid assets with high risk to value (the potential for property prices to fall).	Property holding will be re-valued regularly and reported annually with gross and net rental streams.
f. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit substantial credit risk and are likely to be highly illiquid.	Each third-party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
g. Loans to a local authority company or LLP	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit significant credit risk and are likely to be highly illiquid. In the case of mezzanine loans, these are specifically to ensure that the LLPs tasked with delivering Council objectives do so within State Aid rules	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. Strict viability tests to ensure long term financial security are completed before any funds are advanced to the LLP.
h. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.
i. Investment in Shared Equity Schemes	These are service investments which exhibit property market risk and are likely to be highly illiquid, with funds tied up for many years.	Each scheme investment requires Member approval and each decision will be supported by the service rational behind the investment and the likelihood of loss.
j. Investment in the Subordinated Debt of projects delivered via the "Hubco" model	These are investments which are exposed to the success or failure of individual projects and are highly illiquid	The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project's term

Finance and Resources Committee

10am, Friday, 10 March 2023

Capital Strategy 2023-33 – Annual Report

Item number	
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 To note the Capital Strategy, as set out in Appendix 1;

1.2 To refer the report to full Council for approval of the Capital Strategy;

1.3 To refer the report to the Governance, Risk and Best Value Committee as part of its work programmes; and

1.4 To note that capital expenditure priorities are being considered in line with the Council's priorities and the Council Business Plan.

Dr Deborah Smart

Executive Director of Corporate Services

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Report

Capital Strategy 2023-33 – Annual Report

2. Executive Summary

2.1 This report sets out the proposed capital strategy, which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.

3. Background

3.1 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code was revised by CIPFA in 2021. A key element of the revised code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made. This strategy is required to be updated on an annual basis.

3.2 The Council approved Sustainable Capital Strategy 2022-23 at its meeting of 17 March 2022. This report seeks approval of the updated Capital Strategy for 2023-33.

4. Main report

4.1 In order to deliver Council priorities and for the city to grow in a sustainable way, the Council needs to invest in its existing assets as well as creating new ones. The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

4.2 The capital strategy is a high-level document, which brings together a number of other key Council strategies. It should be read in conjunction with the following plans and policies

- Sustainable Capital Budget Strategy 2023-2033
- Annual Treasury Management Strategy (on this agenda)
- Revenue Budget Framework 2023/27 – progress update

- Revenue Budget Framework 2023/27 – further update
- Revenue Budget 2022/23 – Risks and Reserves
- Housing Revenue Account (HRA) Budget Strategy (2023-33)
- Council Business Plan 2023-27
- 2050 Edinburgh City Vision
- Council Sustainability Programme Short Window Improvement Plan
- City Plan 2030
- Corporate Asset Strategy
- Property and Asset Management Strategy
- Transport Asset Management Plan
- City Centre Transformation Strategy
- City Mobility Plan
- Council Emissions Reduction Plan
- 2030 Climate Strategy and Implementation Plan

4.3 In addition to the statutory background, Edinburgh and the Council's role and the Council's Business Plan and Vision which now includes more on environmental sustainability, the capital strategy covers the following areas;

- Capital Expenditure and Financing (the Council's capital expenditure plans, and the corresponding financing requirement);
- Treasury Management (how the Council keeps sufficient but not excessive cash to meet the Council's spending needs, while managing risks involved);
- Other investments and long-term liabilities (the Council's non-treasury investments and other liabilities); and
- Knowledge and Skills (the professional skills and knowledge contained within the Council's accounting, treasury and property teams, as supplemented by external advisers).

4.4 The full capital strategy is included in Appendix 1.

5. Next Steps

5.1 This report will be referred to Finance and Resources Committee and Governance, Risk and Best Value Committee as part of their oversight and scrutiny roles.

5.2 The strategy will be updated on an annual basis, with this being the fifth iteration.

5.3 The prudential indicators within will be reporting to Finance and Resources Committee on a quarterly basis along with the capital monitoring.

6. Financial impact

6.1 There are no direct financial implications arising from this report. The implications of the expenditure and investment plans contained in the strategy were considered at Finance and Resources Committee on 7 February and subsequently at the Council's budget setting meeting on 23 February 2023.

7. Stakeholder/Community Impact

7.1 The capital strategy is a high-level document which brings together a number of other Council strategies, each of which is the result of appropriate community engagement.

7.2 Approval of the capital strategy ensures the Council continues to have regard to the Prudential Code when carrying out its duties under Part 7 of the Local Government in Scotland Act 2003.

7.3 There are no sustainability impacts directly arising from this report.

8. Background reading/external references

8.1 Local Development Plan Action Programme, January 2019

8.2 Corporate Asset Strategy, Corporate Policy and Strategy Committee, 12 May 2015

8.3 Property and Asset Management Strategy, Finance and Resources Committee, September 2015

8.4 Transport Asset Management Plan (TAMP), Transport and Environment Committee, 6 December 2018

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

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

8.7 Revenue Budget Framework 2023/27 – further update, City of Edinburgh Council, 23 February 2023

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

8.9 Housing Revenue Account (HRA) Budget Strategy (2023-33) , Finance and Resources Committee 7 February 2023

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

8.11 Treasury Management Strategy 2022-23, Finance and Resources Committee, 10 March 2023

Appendices

Appendix 1: Detailed Sustainable Capital Strategy 2023-33

Appendix 1: Sustainable Capital Strategy 2023-33

1. Introduction

1.1 The Sustainable Capital Strategy for City of Edinburgh Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.

1.2 The Strategy takes a long-term view and covers the period from 2023 to 2033.

1.3 The Council Business Plan 2023-27 brings together the Council's strategic priorities into a single plan responding to these needs for change and should also be read alongside this strategy and the wider capital and revenue budgets.

1.4 The Sustainable Capital Budget Strategy sets out priorities for £1,490.517m of council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

1.5 The Housing Revenue Account (HRA) Budget Strategy (2023-33) sets out priorities for £1,714.493m of HRA capital investment based on tenant priorities, service performance and statutory investment requirements. The programme is to be funded from HRA borrowing, Scottish Government grant funding for new affordable homes and capital receipts. Based on current financial assumptions; including an annual 3% rent increase, 86% of existing Council homes could be brought up to the Energy Efficiency Standard for Social Housing (EESSH2) over the lifetime of the Business Plan and 2,400 new Council homes could be delivered.

1.6 The General Fund's Sustainable Capital Budget Strategy is fully funded over the 10-year period. However, if a funding gap in the strategy emerges through failure to deliver revenue savings, increased borrowing costs or project cost pressures increase, then further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs to deliver the Capital Budget Strategy will be required ahead of future budget setting to comply with the terms of the Prudential Code. This could potentially mean that later phases of the programme could not be delivered within the ten-year strategy.

1.7 The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions. 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.

1.8 The strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will need to be funded primarily from external funding unless significant realignment of existing budgets is undertaken.

1.9 The wider financial implications of City Plan 2030 infrastructure requirements will have some impact on the 2023-33 Capital Budget Strategy which has yet to be fully understood and reflected in the assumptions of this report. The proposed City Plan 2030 was submitted for examination by Scottish Ministers on 9 December 2022. Following examination, the plan will be finalised to incorporate required changes and detailed modelling will be undertaken to understand the financial implications for the Council.

1.10 For its 2022/2023 financial statements, the Authority will adopt the provisions of IFRS 16 Leases, as adopted by the Code of Accounting Practice. IFRS 16 will mean that the majority of leases where the Council act as lessee will come onto the balance sheet and lessor accounting is effectively unchanged.

2. Statutory Background

2.1 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code was revised by CIPFA in 2021. A key element of the revised code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made.

3. Edinburgh and the Council's Role

3.1 Edinburgh is a city with huge strengths, but real and vital challenges.

3.2 It has one of the highest skilled, highest paid populations of any city in the UK, but even here 19% of children grow up in poverty, and inequalities in health are vivid – boys born in the poorest parts of the city can expect to live a life around 20 years shorter than those in the most affluent. This year we have seen a cost of living crisis forcing even more families into impossible daily choices as they struggle to get by.

3.3 Edinburgh is the fastest growing city in Scotland. This is a true sign of the city's success, but it does bring real pressure on city communities, on housing, and on the city infrastructure on which we all rely. Analysis of population trends suggests that the total number of residents will increase by at least 64,000 people by 2043, with a 72% increase in those aged 75 and over. It is also projected that by 2030 the number of pupils in our primary and secondary schools will increase by 9%. This growth will place further demands on a range of frontline services and as a result, the Council's budget framework continues to provide additional annual sums in respect of growing numbers of school pupils and at-risk children. Increased funding for older people and those with physical and/or learning disabilities will be dependent on the receipt of funding from the Edinburgh Health and Social Care Partnership.

3.4 Edinburgh is Scotland's economic capital and, outside London, the strongest major city economy in the UK. But business conditions throughout the UK will be challenging for the next few years, with the economy as a whole expected to be in recession or growing slowly until 2026 at earliest.

3.5 Following Council elections in May 2022, the Council's Business Plan was updated to incorporate new cross party strategic objectives agreed by Council, alongside an officer assessment of approaches needed to meet budgetary and other pressures facing the Council. The plan was agreed by Council in December 2022, with final amendments arising as a result of the Council Budget process to be agreed by Council in March 2023.

3.6 The business plan sets out three long term strategic priorities for the Council – create good places to live and work, end poverty in Edinburgh, and become a net zero city by 2030 – alongside the specific outcomes, objectives, and key actions needed to deliver those priorities. The plan also seeks to ensure an appropriate focus on areas of service performance which the Council is keen to strengthen.

4. City of Edinburgh Council's Business Plan and Vision

2050 Edinburgh City Vision

4.1 In the autumn of 2016 the City of Edinburgh Council launched a major conversation about the future of a city and a society, inviting Edinburgh to talk about its aspirations, plans, and concerns, for the first time in a generation: Edinburgh's City Vision for 2050.

4.2 The Council Business Plan 2023-27 builds on the City Vision and sets out three priorities for the next phase of the city's development and for the way we will reform our services. We will use this plan to guide our budget and investment decisions, ensuring that spending is focused on those activities with the biggest impact.

4.3 Our three core priorities are to:

- Create good places to live and work
- End poverty in Edinburgh

- Become a net zero city by 2030

4.4 These three priorities are interlinked and interdependent. They connect the major strategies and Council policies agreed in the past few years, through the shared goals and commitments of the Council and its partners, and towards our long-term ambitions for Edinburgh to be a fair, welcoming, pioneering, and thriving city, as expressed by the 2050 Edinburgh City Vision.

4.5 In order to be successful, these priorities must be delivered through the lens of climate and social justice. The actions set out here represent some of the infrastructure, cultural and behaviour changes needed to become a net zero city by 2030, end poverty in Edinburgh, and create good places to live and work, but we recognise that they require significant investment and commitment to make the change we know is needed.

4.6 Across all these priorities, Council services are committed to ensuring that services provided are inclusive and accessible to everyone. This means taking steps to ensure that action for equalities and inclusion is mainstreamed throughout Council planning and delivery. It also means making sure that the diverse people and communities of Edinburgh, including those protected by current and future legislation, feel their voice is effectively heard and listened to in decision making processes.

4.7 Alongside these wider strategic objectives, there are a wide range of statutory duties that the Council is required to deliver. This statutory landscape includes significant duties relating to, for instance, education and caring for vulnerable citizens, but it extends well beyond these into almost every area of Council operations. Throughout the delivery of this business plan, the Council must continue to meet all its statutory duties, but the way these are met will continue to evolve in line with the financial framework and the budget and service challenges the Council faces.

City Centre Transformation, City Mobility and City Plan 2030

4.8 Central to achieving the net-zero target are the City Centre Transformation Strategy and City Mobility Plan. The City Centre Transformation plans to create a vibrant and people focused city centre, while the City Mobility Plan looks at the way people travel around Edinburgh, changing roads and pavements for people to move around our city more easily and sustainably.

4.9 These strategies are supported by a number of action plans including:

- Circulation Plan
- Public Transport Action Plan
- Active Travel Action Plan
- Parking Action Plan

4.10 These plans are ambitious and funding them will be challenging. The Capital Strategy only provides partial funding for these plans, with the expectation that additional external funding will be required to deliver the plans in full.

4.11 Following the Choices for City Plan consultation in Spring 2020, The proposed City Plan 2030 was submitted for examination by Scottish Ministers on 9 December 2022. Following examination, the plan will be finalised to incorporate required changes and detailed modelling will be undertaking to understanding the financial implications for the Council.

4.12 The proposed City Plan 2030 contains policies and proposals to limit the environmental impact of development and minimise carbon emissions by:

- Supporting the outcomes of the City Mobility Plan;
- Strengthening and growing the city-wide green network to connect our places, parks and greenspaces;
- Requiring all new buildings to achieve net zero operation greenhouse gas emissions;
- Requiring all new buildings and refurbishments to incorporate measures to address the climate emergency;
- Designing all new developments to be in a way which tackles and adapts to climate change;
- Promoting higher density, mixed use neighbourhoods to reduce the need to travel for work and everyday services; and
- Supporting Local Place Plans to achieve resilient places and support community ambitions.

4.13 As the city works towards these objectives, it is also predicted to grow. City Plan 2030 sets out how and where growth will happen in the future. Existing plans for development are set out in the current Local Development Plan. The Local Development Plan Action Programme sets out the new infrastructure that is required to accommodate this growth. Once finalised and adopted City Plan 2030 will replace the current Local Development Plan.

Environmental Sustainability

4.14 Edinburgh is a thriving city and is home to businesses from all industries who are driving innovation and solutions to help tackle the climate crisis and support the city’s target of net-zero commitment by 2030. Businesses and stakeholders from across the private, public and third sectors are working together to invest in climate action and make our city resilient to future challenges and build a better future for our citizens. There are many innovative and exciting projects being undertaken in the city to support Edinburgh’s net-zero commitment and to help the city meet its climate target.

4.15 The Council has a significant role to play in supporting the city to transition to net-zero carbon by tackling major infrastructure challenges. The full capital cost associated with achieving the Council’s 2030 net-zero carbon target and mitigating the impact of climate change is likely to be significant but is still to be funded. Discussions are ongoing with partners as part of delivering the 2030 Climate Strategy and Implementation Plan and the Council Emissions Reduction Plan.

4.16 The Council is working in partnership with the Scottish Government to explore potential funding solutions and opportunities whilst developing a Strategic Investment Plan for the net-zero transition. Any funding gaps identified would be considered as part of future budgets.

4.17 The Council has assessed its capital budget strategy against the methodology developed by the Institute for Climate Economic to check that spending is in line with our net zero ambition. 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

Other Key Plans and Policies

4.18 As well as the strategies, plans and policies outlined above, the capital strategy should be read in conjunction with the following plans and policies for additional background;

- Sustainable Capital Budget Strategy 2023-2033
- Annual Treasury Management Strategy
- Revenue Budget Framework 2023/27 – progress update
- Revenue Budget Framework 2023/27 – further update
- Revenue Budget 2022/23 – Risks and Reserves
- Housing Revenue Account (HRA) Budget Strategy (2023-33)
- Corporate Asset Strategy
- Transport Asset Management Plan (TAMP)

5. Capital Expenditure and Financing

Capital Expenditure

5.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

5.2 The Council's policy on capitalisation complies with the accounting requirements for local authorities and is set out in its Audited Annual Accounts. This has been supplemented with a change in accounting policy for capitalisation of interest costs which was approved at Finance and Resources Committee on 21 January 2021.

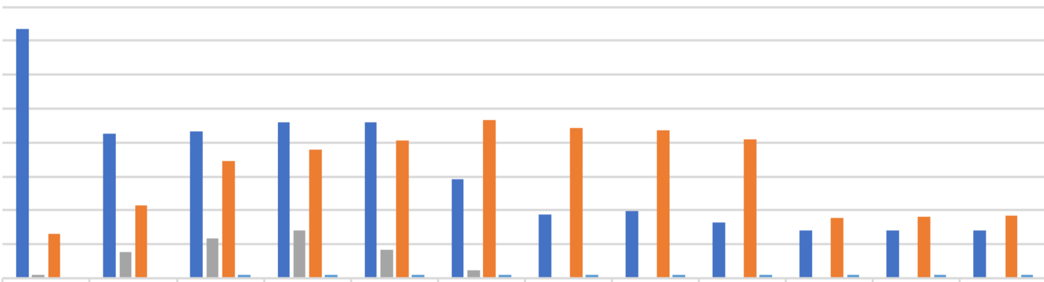
5.3 The previous Capital Investment Programme 2009-19 was superseded by the Capital Budget Strategy 2020-30, which was reported to Finance and Resources Committee on 14 February 2020 and approved at the Council's budget meeting of 20 February 2020. The Capital Budget Strategy is subject to annual review and forms part of the annual budget setting.

5.4 The latest update, the Sustainable Capital Budget Strategy 2023-2033, sets out capital expenditure and funding of £1,474.517m based on the assumptions set out above, including the generation of savings and additional income in revenue budgets. This was subsequently amended at the Council's budget meeting of 23 February 2023, where the approved budget motion added a further £16m, revising the total to £1,490.517m. Funding assumptions will be kept under review, and capital expenditure plans remain contingent on the strategy continuing to be affordable.

5.5 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.

5.6 In the period 2023/33, the Council is planning total capital expenditure across the General Fund, HRA and Leases of £3,255.010m. Whilst the later years are only indicative at present, they are summarised below:

Chart 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions



	Actual 2021/22	Forecast 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31	Budget 2031/32	Budget 2032/33
General Fund Services	366.9	213.3	215.9	229.5	229.5	145.4	93.1	99.0	81.9	71.2	71.2	71.2
General Fund On-lending	4.2	37.8	59.4	70.5	41.8	10.8	0.0	0.0	0.0	0.0	0.0	0.0
HRA - Council Housing	64.9	106.6	173.4	189.9	202.2	232.7	220.7	218.4	204.9	89.0	90.7	92.4
PPP and Similar Assets	1.1	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

General Fund Services General Fund On-lending HRA - Council Housing PPP and Similar Assets

5.7 Significant General Fund capital projects through the 2023-33 strategy include[1]:

- Wave 4 Schools - £294.233m

- Asset Management Works and Retrofit - £205.206m
- New Schools and Extensions for Population Growth - £103.774m
- Investment in Roads and Transport Infrastructure (including North Bridge) - £176.654m

[1] Values are those included in the Council's Capital Investment Programme and do not recognise any external funding which has not yet been received, including funding from the Edinburgh and South East Scotland City Deal.

Housing Revenue Account

5.8 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

5.9 The Housing Revenue Account (HRA) Budget Strategy (2023-33), amended by approved the Council budget motion of 23 February 2023 sets out planned capital investment of £1,018.990m over the next five years, rising to £1,714.493m over 10 years to deliver tenant priorities, including building new homes, modernising existing homes and help tenants reduce their cost of living. This is summarised in the table below:

Table 1: HRA Five Year Capital Investment Programme and Ten-Year Investment Strategy

Programme Heading	1 2023/24 £m	2 2024/25 £m	3 2025/26 £m	4 2026/27 £m	5 2027/28 £m	*5 Year* *Total*	6 to 10 2028/29 to 2032/33 £m	*10 Year* *Total*
Programme Expenditure								
New Homes Development*	99.090	109.200	127.123	149.064	137.969	622.446	317.983	940.429
New Home Land Costs	2.000	3.000	-	4.875	4.875	14.750	5.000	19.750
Tenant's Homes & Services & Maintenance	12.567	12.669	12.885	14.621	14.399	67.139	68.110	135.250
External Fabric and Estates & Acquisitions	59.704	65.072	62.241	64.151	63.487	314.655	304.410	619.065
Total Expenditure	173.361	189.941	202.249	232.711	220.729	1018.990	695.503	1714.493
Programme Resources								
Prudential Borrowing	61.681	107.390	45.137	70.986	110.480	395.675	309.737	705.412
Capital Funded from Revenue / Reserve	23.300	18.300	18.300	18.300	18.300	96.500	106.300	202.800
Capital Receipts and Contributions	14.520	23.147	23.862	45.096	41.697	148.322	167.521	315.844
Receipts from LLPs*	45.809	23.541	87.948	60.838	33.026	251.163	26.175	277.338
Scottish Government Subsidy (Social)	26.131	15.643	26.042	36.530	16.265	120.610	80.970	201.580
Scottish Government Subsidy (Acquisition)	1.920	1.920	0.960	0.960	0.960	6.720	4.800	11.520
Total Funding	173.361	189.941	202.249	232.711	220.729	1018.990	695.503	1714.493

5.10 This investment aims to deliver Council commitments on affordable housing and net zero. Capital investment will be accompanied by improvements in how we deliver housing services to increase customer satisfaction.

5.11 The HRA Budget Strategy 2023-2033 will also be a catalyst for wider area improvements; including the regeneration of Granton Waterfront, Pennywell, Craigmillar, Meadowbank, Fountainbridge, Powderhall and Wester Hailes.

5.12 Within the Council's housebuilding programme, there are currently over 613 new homes on site and under construction and a further 1,055 homes in design and pre-construction stage. This does not include homes being delivered for private sale or market rent through Council-led developments. Council-led developments are set out in the map below.

Edinburgh Living (Limited Liability Partnerships)

5.13 The Council also uses general fund resources to increase the provision of affordable housing in the city, through lending to Edinburgh Living (LLPs) with £182.515m provided in the strategy. These projects are self-financing because of income from affordable rents. However, it should be noted that at present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLPs up to 2023-24 for a total of £248m. The Housing Revenue Account (HRA) Business Plan assumes continuation of the consent beyond this point, in the form of capital receipts in the HRA. Options are being reviewed to address the requirement for consent for future years on-lending.

Identifying Capital Priorities

5.14 New projects can be added to the Council's capital programme in the following ways:

- Allocation of additional resources at the Council's budget meeting in February each year.
- Reprioritisation of existing budgets approved by service committees and, where this represents a change in policy, by full Council.
- Approval of a prudentially funded business case approved by relevant service committee and full Council
- Award of external funding

- A combination of any of the above

Capital Financing

5.15 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing, Public Private Partnerships and similar instruments). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

Capital Financing	Actual 2021/22	Forecast 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31	Budget 2031/32	Budget 2032/33
Grants	134.062	128.442	103.182	88.182	98.432	105.684	85.419	89.863	98.840	90.841	73.598	73.598
Asset Sales	18.501	27.696	67.329	50.688	114.810	108.935	77.724	71.160	44.161	39.105	26.936	27.334
Capital Fund	7.150	0.000	27.650	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Supported Borrowing	137.198	85.942	43.602	29.213	18.969	18.978	18.915	18.915	18.915	18.300	25.700	25.700
On-Lending	4.167	20.621	59.418	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Other External Income	20.447	16.275	6.369	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PPP and similar arrangements	1.057	0.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000
Loans Fund Advances - Self-Financed	114.441	78.681	141.157	251.406	199.495	144.555	131.807	137.437	124.929	11.974	35.680	37.009
Total	**437.023**	**357.657**	**453.707**	**494.989**	**478.499**	**393.955**	**318.865**	**322.376**	**291.845**	**165.220**	**166.914**	**168.641**

5.16 The grants total above does not include external funding where the timing of that funding is uncertain. This includes Sustrans funding for Active Travel.

Loans Fund Review and Policy

5.17 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require the statutory loans fund to be administered in accordance with the 2016 Regulations, proper accounting practices and prudent financial management. The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund. Repayments for capital advances (with the exception of those detailed below) will be calculated using option 3 – the Asset Life method.

5.18 For capital advances relating to loans to the Edinburgh Living LLPs and capital advances for the Trams to Newhaven project, all advances from the loans fund in the current year have a repayment profile set out using Option 4 – the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments.

5.19 The business cases brought forward for other projects involving major capital expenditure funded by borrowing will consider the appropriate repayment method depending on the structure of the business case.

International Financial Reporting Standard (IFRS) 16 - Leases

5.20 For its 2022/2023 financial statements, the Authority will adopt the provisions of IFRS 16 Leases, as adopted by the Code of Accounting Practice. IFRS 16 will mean that the majority of leases where the Council act as lessee will come onto the balance sheet and lessor accounting is effectively unchanged.

5.21 The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2022. Leases for items of low value and leases that expire on or before 31 March 2023 are exempt from the new arrangements.

5.22 IFRS 16 will be applied retrospectively, but with the cumulative effect recognised at 1 April 2022. This means that right-of-use assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in 2022/2023 and not by adjusting prior year figures.

5.23 As a lessee, the Authority has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Authority. Under IFRS 16, the Authority recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

5.24 The Authority has decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

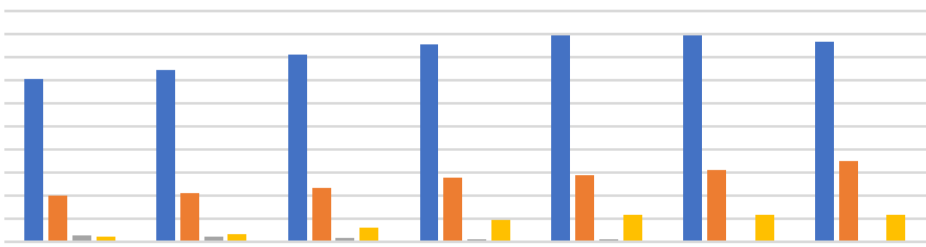
5.25 The de minimis limit for IFRS 16 has been set at £10,000, in line with the capital expenditure de minimis. It is anticipated that the application of the Code's adaptation of IFRS16 will result in the following additions to the balance sheet:

- £42.7m Property, plant and equipment – land and buildings (right-of-use assets)
- £28.1m Non-current creditors (lease liabilities)
- £14.9m Current creditors (lease liabilities)

Capital Financing Requirement

5.26 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with loans fund repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Chart 2: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions



	Actual 2021/22	Forecast 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
General Fund Services (including Leases)	1,411	1,494	1,620	1,707	1,789	1,791	1,739
HRA - Council Housing	394	422	463	550	571	617	700
NHT LLPs	56	44	32	24	15	-0	-0
Edinburgh Living LLPs	42	62	120	189	229	236	233

General Fund Services (including Leases) HRA - Council Housing NHT LLPs Edinburgh Living LLPs

Corporate Property Strategy

5.27 A refreshed Corporate Property Strategy is being prepared and will be submitted to the Policy and Sustainability Committee in May 2023. The strategy will provide a framework for how changes to the Council's operational property estate will be taken forward over the next 5-10 years. The strategy will focus on the property solutions required to address:

- changes to working patterns that have occurred since the COVID pandemic
- the ambition to deliver improved and integrated services with partners in local communities aligned to the 20-minute neighbourhood approach, and
- how property can assist with the move towards a Carbon Neutral City by 2030.

5.28 The Corporate Property Strategy will not be a list of projects which have already been developed and require to be implemented. Rather it will set out the process which needs to be followed for approving and implementing changes to the property estate which are aligned to the Council's Business Plan objectives.

5.29 The Council spends £100m a year running the buildings it owns. The Council aim to identify sites for new housing, release capital for investment, reduce costs and carbon emissions and is committed to seeing all new buildings meet ambitious net zero carbon targets by adopting Passivhaus standards where possible.

5.30 The Council remains committed to upgrading the existing operational property estate through the Asset Management Works, programme with almost £150m allocated to this purpose in the 10-year capital budget strategy. This will hugely improve the condition and safety of our buildings.

5.31 Heat and energy use in Council buildings accounts for 68% of the Council's own emissions footprint. The Sustainable Development service have been actively looking into other funding streams including any Scottish Government funding which could be used for the Council's future property improvement investment which will support the Council Emissions Reduction Plan. The revised 2023-33 Capital Budget Strategy provides £60.850m of Council capital investment to progress with an initial 'Pathfinder' project that involves implementing significant retrofit works to Council operational buildings to improve their energy efficiency. This programme is linked to the Scottish Government's 'Green Growth Accelerator' funding programme which will release £10.120m of revenue funding if the carbon reduction targets are achieved.

5.32 As part of the Corporate Property Strategy, the Council needs to consider how to invest in future projects and ensure they align with the approach to deliver multi service hubs for the whole community, rather than single use buildings. A report on Delivering the 20-Minute Neighbourhood Strategy was considered by the Policy and Sustainability Committee in November 2021.

5.33 There is a significant opportunity for learning estate buildings across the city to become anchor facilities for wider joined up service delivery in local communities aligned with the principles of the 20-minute neighbourhood concept. For all new learning estate projects currently in development, options for wider service delivery from the facility are being considered during the design phase with flexible working space included as budgets allow. This process is most advanced at the replacement Currie High School and Liberton High School projects and the new Maybury Primary School project. The Passivhaus certified standard will also be adopted.

5.34 This process will continue as the remainder of the planned projects included in the Sustainable Capital Budget Strategy are progressed. It is essential to ensure the strategic briefs for these projects outline the teaching, learning and wider community requirements from the outset to ensure the buildings constructed are fit for purpose.

5.35 On the 18 December 2020 the Scottish Government announced that the Council's Liberton High School and Wester Hailes Education Centre Phase 2 projects would both be part of Phase 2 of the Learning Estate Investment Programme. The Scottish Government will pay for ongoing maintenance of the new facilities through an outcomes-based funding model. This follows the previous announcement on 9 September 2019 that Currie High School would be include within the Scottish Government's first phase of the Learning Estate Investment Programme.

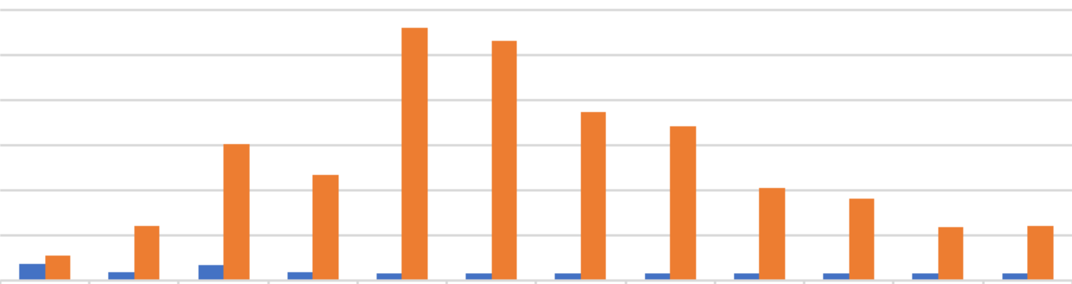
5.36 Furthermore, funding has been provided for library and employability services to be included within the Macmillan Hub project in Pennywell. This is addition to Scottish Government Early Years funding for a new nursery and the recently announced Scottish Government Regeneration Capital Grant Fund award for wider community facilities. The Hub will provide an opportunity to create a building shared between the Council and the North Edinburgh community to provide education, lifelong learning, arts, culture and employment support for this area of the city, which all strongly aligns with the Council's 20-minute neighbourhood principles.

5.37 There is also an opportunity for existing learning estate facilities to be adapted in order that wider services can be delivered from these locations. In order to ensure this is successful detailed suitability assessment of the physical changes required to the learning estate will be progressed. A new Edinburgh's Learning Estate Strategy 2021 'Investing in New Buildings: Guiding Principles' was approved by Education, Children and Families Committee on 12 October 2021.

Asset Disposals

5.38 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council expects to receive £35 m of capital receipts in the General Fund in the years 2023/24 to 2032/33 as follows, with significantly more in the HRA through Edinburgh Living purchase of completed homes delivered through the Council's housebuilding programme:

Chart 3: Capital receipts in £ millions



	Actual 2021/22	Forecast 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31	Budget 2031/32	Budget 2032/33
General Fund	7.387	3.571	7.000	4.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
HRA	11.114	24.124	60.329	46.688	111.810	105.935	74.724	68.160	41.161	36.105	23.936	24.334

6. Treasury Management

Treasury Management

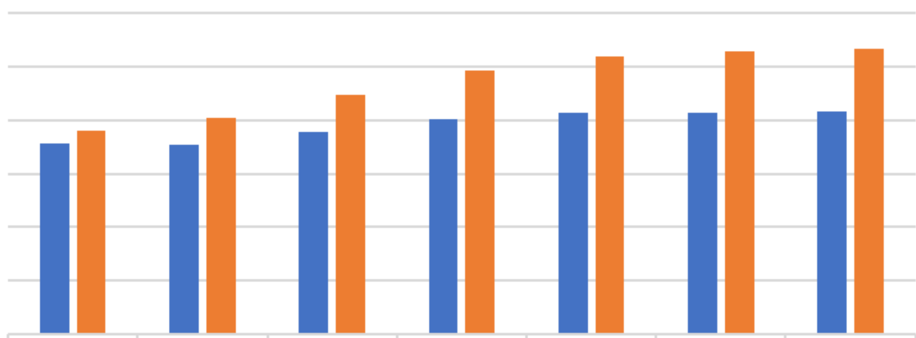
6.1 Treasury management's role is to keep sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent and holds cash reserves, at least in the short-term. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing Strategy

6.2 As interest rates have increased significantly, only £11.1m in PWLB borrowing has been taken this financial year. However, in the previous 3 years the Council had borrowed nearly £500million mitigating a significant amount of the Council's interest rate risk.

6.3 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement as summarised in the chart below:

Chart 4: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions



	Actual 2021/22	Forecast 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
Debt (inc. PPP & Leases)	1,789	1,769	1,896	2,009	2,065	2,073	2,079
Capital Financing Requirement	1,903	2,021	2,236	2,469	2,604	2,644	2,673

Debt (inc. PPP & Leases)   Capital Financing Requirement

6.4 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Chart 4, the Council expects to comply with this in the medium term.

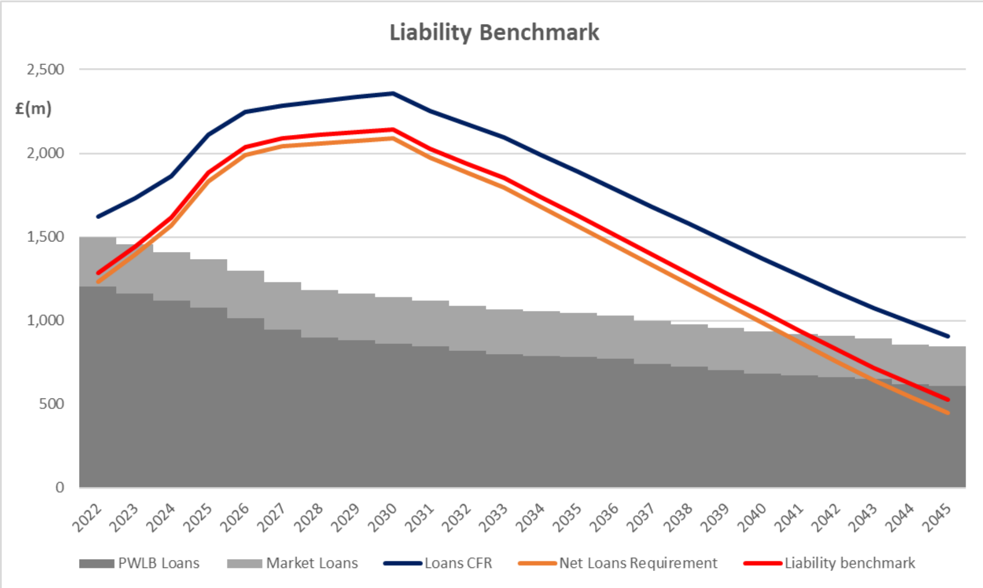
6.5 From 2022/23 onwards, the values for both the Debt and the Capital Financing Requirement are higher than they would otherwise have been for technical accounting reasons due to the adoption of the IFRS16 accounting standard and the review of the accounting treatment of service provisions. Neither of these changes alter the Council's underlying need to borrow.

Liability Benchmarking

6.6 To compare the Council's actual borrowing against its predicted underlying need to borrow, a liability benchmark has been calculated using the Council's loans and Capital Financing Requirement less its core underlying cash investments.

6.7 The chart below shows the projection of the Council's benchmark:

Chart 5: Liability Benchmark in £ millions



6.8 The chart shows that the Council is projected to be significantly under its liability benchmark over the period. This shows that the Council will require to undertake additional borrowing in the latter years to fund this.

Affordable Borrowing Limit

6.9 The Council sets an affordable borrowing limit (also termed the authorised limit for external debt) each year. A lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 3: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2021/22 Limit	2022/23 Limit	2023/24 Limit	2024/25 Limit	2025/26 Limit	2026/27 Limit	2027/28 Limit
Authorised Limit – Borrowing	1,748	1,905	2,202	2,531	2,806	2,925	2,972
Authorised Limit – PFI, Leases & ROU Assets	289	317	394	383	373	366	361
Authorised Limit – Total External Debt	**2,038**	**2,222**	**2,596**	**2,914**	**3,179**	**3,291**	**3,333**
Operational Boundary – Borrowing	1,690	1,855	2,152	2,481	2,756	2,875	2,922
Operational Boundary – PFI, Leases & ROU Assets	289	317	394	383	373	366	361
Operational Boundary – Total External Debt	**1,980**	**2,172**	**2,546**	**2,864**	**3,129**	**3,241**	**3,283**

Investment Strategy

6.10 Treasury investments arise from receiving cash before it is paid out again and through reserves and other fund balances.

6.11 The Council's cash investments are pooled with the sterling cash of Lothian Pension Fund and other associated organisations and invested together. The investment policy for treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Additional liquidity is provided using Money Market Funds. Investments made for service reasons are not generally considered to be part of normal treasury management activity

6.12 The Bank of England has raised interest rates at every single one of their 10 Monetary Policy Committee meetings since December 2021 with further increases at their March and May meetings a distinct possibility. In this scenario duration has a negative effect on the portfolio. This has made performance again the benchmark which moves in line with UK Bank Rate exceptionally challenging while maintaining the security of the portfolio.

6.13 Further details on treasury investments are in Appendix 5 of the Annual Treasury Management Strategy report.

6.14 Decisions on treasury management investment and borrowing are made daily and are therefore delegated by the Council to the Service Director: Finance and Procurement and relevant staff, who must act in line with the Treasury Management Policy Statement approved by the Council on the recommendations of the Finance and Resources Committee. Semi-annual reports on treasury management activity are presented to Council. The Governance, Risk and Best Value Committee is responsible for scrutinising treasury management decisions.

7. Other Investments and Long-term Liabilities

Investments

7.1 The Council makes investments to assist local public services, including making loans to and buying shares in Council's subsidiaries that assist in the delivery of Council priorities. Examples include investments in the Edinburgh International Conference Centre, the EDI Group, Edinburgh Living LLPs and Energy for Edinburgh. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.

7.2 Decisions on service investments are made by the relevant Executive Director or Service Director, in accordance with the scheme of delegation, in consultation with the Service Director - Finance and Procurement and are approved by the relevant executive committee of the Council. Most loans and share purchases are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Commercial Activities

7.3 The Council retains a commercial property investment portfolio for city development purposes, but also derives financial gain from this activity. The investment portfolio consists of over 1,130 assets and is forecast to produce a rental income of c. £15m per annum. The portfolio has recovered well from the COVID-19 pandemic although there is still a legacy accrued through that period which is being actively managed. The portfolio is estimated to have a value of c. £230m.

7.4 With economic development being the main objective, the Council accepts higher risk on commercial investment that with treasury investments. The principal risk exposures include voids and falls in rental income. In order to minimise the liability to the Council the portfolio is actively managed on a commercial basis. The approach to managing the portfolio is set out in the Council Commercial Property Portfolio Update Report, 23 May 2019. An updated strategy is due to be considered by the Finance and Resources Committee later this year.

7.5 Decisions on commercial investments are made by the Executive Director of Place in line with the criteria and limits set by the Council as part of the Scheme of Delegation and Financial Regulations, and directly through the Finance and Resources Committee, where appropriate. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

7.6 The council also has commercial activities in Edinburgh International Conference Centre and the EDI group. The commercial activities in the EDI group are in the process of being wound down in accordance EDI transition strategy approved by Council on 31 May 2018.

Integration with Wider Financial Strategy

7.7 It is recognised that the Council's capital resources are limited. Borrowing carried out for investment must be repaid from increasingly limited revenue budgets. The Capital Budget Strategy can only be funded if the Council is able to balance its revenue budget over the medium to long term to comply with the terms of the Prudential Code.

7.8 The Council Business Plan 2023-27 brings together the Council's strategic priorities into a single plan responding to these needs for change and should also be read alongside this strategy and the wider capital and revenue budgets for both the General Fund and the HRA.

Risks and Reserves

7.9 The Council undertakes an annual review of its risks and reserves in the context of setting the revenue and capital budgets. The most recent update, Revenue Budget 2023/24 – Risks and Reserves was reported to the Finance and Resources Committee on 7 February 2023 and set out a number of risks (and associated mitigating actions), including potential cost pressures around demographic-led demand, the continuing expenditure and income impacts of the cost of living crisis, pay awards and the financial implications of other legislative changes, as well as the level of future funding settlements and delivery of approved savings.

7.10 The report recommends maintaining the level of unallocated reserves at £26,7m, equating to around 2.3% of the Council's net expenditure which is in line with other local authorities in Scotland.

7.11 The report also outlined the maintenance of a series of ringfenced reserves for statutory[2] or specific policy[3] reasons or to reflect timing differences between the receipt of income and its subsequent application.

Revenue Budget Implications of Capital Strategy

7.12 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and loans fund repayments are charged to revenue, offset by any investment income received. The net annual charge of financing costs is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general grants.

Table 4: Prudential Indicator: Proportion of financing costs to net revenue stream

	Actual 2021/22	Forecast 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
Financing costs (£m) – General Fund Services	76.8	84.7	98.5	100.9	104.7	108.3	109.3
Proportion of net General Fund revenue stream	6.80%	7.14%	7.57%	8.03%	8.24%	8.43%	8.42%
Financing costs (£m) – Housing Revenue Account	34.2	33.4	35.9	39.5	43.6	46.5	48.6
Proportion of net HRA revenue stream	32.04%	32.49%	33.83%	34.97%	36.97%	37.85%	38.53%

7.13 In addition to financing costs, the Council makes provision for all running costs and lifecycle maintenance of assets in its revenue budget planning process. Before inclusion in the capital programme, a business case is created for every new project which sets out the revenue implications and how they will be funded.

7.14 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The implications of capital expenditure have been built into the Council's long-term financial planning assumptions to ensure that the proposed capital programme is prudent, affordable and sustainable.

8. Knowledge and Skills

8.1 The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

8.2 The Finance and Procurement function, within the Council's Corporate Services Directorate, has qualified accountants working throughout the Division. The accountancy function is an accredited employer with regard to Continuing

[2] Including the Insurance Fund, Council Tax Discount Fund (ringfenced for the provision of affordable housing), licensing reserves and sums set aside under the Devolved School Management (DSM) scheme.
[3] Including the Spend to Save and City Strategic Investment Funds.

Professional Development (CPD) with the CIPFA and ACCA accountancy bodies. This accreditation is assessed externally every 3 years with the most recent review last year.

8.3 The accounting function has been externally assessed as being a Platinum Accredited Employer for training and continuing professional development (CPD) by CIPFA in recognition of the development opportunities provided to staff.

8.4 Benchmarking information (2018) showed that the Council had an above average number of qualified staff compared with other local authorities across the UK with over 66% of staff being qualified or part-qualified. Support is provided for those engaged in study for accounting, treasury and insurance qualifications. The CPD assessment undertaken by CIMA examines the provision of training and guidance available to staff on ethical issues including whistleblowing and money laundering legislation.

8.5 The 2019 CIPFA Benchmarking showed the Council to be 20.5% below the peer group staffing cost and 35% below peer group staffing numbers. While the definition of Finance was slightly wider, Scotland-specific benchmarking published in 2019 showed the Council to have the lowest relative expenditure on Finance support of any council in Scotland.

8.6 As well as finance qualifications, the Treasury Team hold a range of Treasury, Investment and Banking qualifications including the CIPFA/ACT Certificate in International Treasury Management – Public Finance and the Investment Management Certificate. The team also has a wide range of knowledge and experience in investment instruments as well as debt and other funding structures.

8.7 The Estates team, within the Council's Place Directorate, through which the property investment portfolio is managed, has RICS qualified surveyors working across the Division, the majority of which are also members of the Registered Valuers scheme.

8.8 In addition, use is made of external advisers and consultants that are specialists in their field, when specialist technical advice is required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

9. Conclusion

9.1 The Capital Strategy is a reporting requirement introduced by the 2017 edition of the CIPFA Prudential Code, with the first iteration published in March 2019 and annual updates provided thereafter.

9.2 In December 2021, the CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition) was published. Further developments for capital strategies were made in this update following their introduction in 2017, such as setting the strategy in the context of the organisation's corporate objectives.

9.3 The Capital Strategy takes account of the City of Edinburgh Council's Business Plan, Corporate Objectives and Vision whilst considering any new investment within the context of growing in a financial and environmentally sustainable way.

9.4 The cost of living crisis, revenue funding pressures and the true costs of creating low carbon infrastructure will have an impact on what the Council can afford in both the General Fund and HRA, and it needs to ensure that the projects taken forward are the right choices with more limited revenue funding resources.

9.5 The Council has a significant role to play in supporting the city to transition to net-zero carbon by tackling major infrastructure challenges. The full capital cost associated with achieving the Council's 2030 net-zero carbon target and mitigating the impact of climate change is likely to be significant but is still to be funded. Discussions are ongoing with partners as part of delivering the 2030 Climate Strategy and Implementation Plan and the Council Emissions Reduction Plan which are part of our environmental sustainability.

9.6 The Council also needs to consider a total place approach where new buildings are not built in isolation but consider the full range of services offered, their role and accessibility within the local community as we adopt the 20-minute neighbourhood approach.

9.7 This Capital Strategy for City of Edinburgh Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens. It also provides an overview of how associated risk is managed and the implications for future financial and environmental sustainability.

Finance and Resources Committee

10am, Friday 10th March 2023

Non-Domestic Rates - Empty Property Policy

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 To note the Council's Non-Domestic Rates – Empty Property policy, that will operate from 1 April 2023, and that a further report will be brought forward considering potential changes later in the year.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Neil Jamieson, Head of Customer Services,

Customer and Digital Services Division, Corporate Services Directorate

E-mail: neil.jamieson@edinburgh.gov.uk | Tel: 0131 469 6150

Report

Non-Domestic Rates – Empty Property Policy

2. Executive Summary

2.1 This report details the Council's Non Domestic Rates Empty Property policy, that will operate from 1 April 2023. Empty property reliefs and exemptions for properties will continue to operate at current levels, mirroring the Scottish Government scheme that ends on 31 March 2023, when these powers devolve to local authorities in Scotland.

2.2 A further report on potential options will be brought to Committee before the summer recess.

3. Background

3.1 From 1 April 2023, Local Authorities in Scotland will be able to adjust Empty Property Relief (EPR) within the Non-Domestic rating system. Section 19 of the Non-Domestic Rates Act (Scotland) 2020 repeals the existing provisions for award of relief (Section 24 to the Local Government (Scotland) Act 1966).

3.2 The Finance and Resources Committee on 10 November 2022 noted the devolution of Non-Domestic Rates Empty Property Relief to Local Authorities in Scotland from April 2023. The Committee requested further information to explore options on setting this relief and the possible implications for businesses and the Council

4. Main report

4.1 This report details the Council's Non Domestic Rates – Empty Property policy, that will apply from 1 April 2023. This policy exactly mirrors the Scottish Government scheme that ends on 31 March 2023, when the power for these reliefs devolves to local authorities in Scotland. The policy is summarised at Appendix 1.

4.2 In November 2022, Committee requested further information to explore options on setting this relief. To inform these options, discussions have been held with Scottish Government to establish the financial treatment of any changes to reliefs and exemptions. This matter has recently been confirmed and the potential implications are being assessed. Discussions are also ongoing with other Scottish local authorities on the potential for a common approach. Once this work is concluded a further report will be presented to Committee

5. Next Steps

5.1 The Council's Non Domestic Rates – Empty Property policy will apply from 1 April 2023, with a further report on options to follow.

6. Financial impact

6.1 There is no direct financial impact as a result of this report, with the policy mirroring the current Scottish Government scheme. The Council's revenue grant funding settlement for 2023/24 includes funding sufficient to meet these existing liabilities in full.

7. Stakeholder/Community Impact

7.1 There is no direct impact on stakeholders or community arising from this report.

8. Background reading/external references

8.1 Finance and Resources Committee – 10 November 2022

9. Appendices

9.1 Appendix 1 – Non Domestic Rates – Empty Property policy

Appendix 1 Non Domestic Rates Empty Property Reliefs & Exemptions

Empty Property Relief	Relief Description	%	Duration
Empty Property Relief 50%	Standard empty property relief for the first 3 months of a property being unoccupied	50	3 Months
Empty Property Relief 10%	Standard empty property relief after initial 3 months of 50% has come to an end	10	No time limit
Void Industrial Property	Unoccupied industrial properties	100	6 months
Empty Property Exemption	**Exemption Description**	**%**	**Duration**
Ground/land - no buildings	Applies to vacant ground entries with no infrastructure on them	100	No time limit
Listed Buildings	Applies to vacant listed buildings	100	No time limit
Building Preservation Notice	Unoccupied property subject to a building preservation order	100	No time limit
Rateable Value < £1700	Unoccupied properties with RVs less than £1,700	100	No time limit
Administrator	Unoccupied properties where liable party is in administration	100	No time limit
Company being wound up	Unoccupied properties where liable party is subject to a winding up order	100	No time limit
Occupation prohibited by law	Properties prohibited from being occupied law e.g., asbestos removal	100	No time limit
Vacant Crown/L.A. action	Unoccupied properties subject to crown / LA acquisition, e.g., compulsory purchase order	100	No time limit
Liquidator	Unoccupied properties where liable party is in administration	100	No time limit
Executor in deceased estate	Vacant properties where person entitled to possession is executor of a deceased person's estate	100	No time limit

Finance and Resources Committee

10.00am, Friday 10 March 2023

Edinburgh's Christmas and Edinburgh's Hogmanay – Outcome Report – referral from the Culture and Communities Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee is asked:

1.1.1 To approve a one-year extension of the contract award to Unique Assembly for Edinburgh's Christmas for 2023/24.

1.1.2 To ratify the continuation of the contract for Edinburgh's Hogmanay as approved by the Finance and Resources Committee on 16 June 2022.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Lesley Birrell, Committee Services
Legal and Assurance Division, Corporate Services
Email: lesley.birrell@edinburgh.gov.uk

Referral Report

Edinburgh's Christmas and Edinburgh's Hogmanay – Outcome Report

2. Terms of Referral

2.1 On 7 March 2023, the Culture and Communities Committee considered the outcomes and lessons learned from Edinburgh's Christmas and Edinburgh's Hogmanay 2022/23.

2.2 **Motion**

1) To note the performance of the 2022/23 editions of Edinburgh's Christmas and Edinburgh's Hogmanay.

2) To agree that performance in 2022/23 was satisfactory, recognising the challenges particularly in respect of Edinburgh's Christmas.

3) To refer the report to the Finance and Resources Committee:

   a) To approve a one-year extension of the contract award to Unique Assembly for Edinburgh's Christmas for 2023/24.

   b) To ratify the continuation of the contract for Edinburgh's Hogmanay as approved by the Finance and Resources Committee on 16 June 2022.

\- moved by Councillor Walker, seconded by Councillor Meagher

2.3 **Amendment 1**

1) To note the performance of the 2022/23 editions of Edinburgh's Christmas and Edinburgh's Hogmanay.

2) To agree that performance in 2022/23 was satisfactory, recognising the challenges particularly in respect of Edinburgh's Christmas.

3) To refer the report to the Finance and Resources Committee:

   a) To approve a one-year extension of the contract award to Unique Assembly for Edinburgh's Christmas for 2023/24.

   b) To ratify the continuation of the contract for Edinburgh's Hogmanay as approved by the Finance and Resources Committee on 16 June 2022.

4) To agree points raised in paragraph 5.6 of the report by the Executive Director of Place would be carried out and to add the following:

5.6.10 Submit any applications for planning permission, civic and alcohol licences in a timely manner so they can be considered within an appropriate timeframe.

- moved by Councillor Osler, seconded by Councillor Thornley

2.4 **Amendment 2**

1) To note the performance of the 2022/23 editions of Edinburgh's Christmas and Edinburgh's Hogmanay.

2) To agree that performance in 2022/23 was satisfactory, recognising the challenges particularly in respect of Edinburgh's Christmas.

3) To refer the report to the Finance and Resources Committee:

   a) To approve a one-year extension of the contract award to Unique Assembly for Edinburgh's Christmas for 2023/24.

   b) To ratify the continuation of the contract for Edinburgh's Hogmanay as approved by the Finance and Resources Committee on 16 June 2022.

4) To express regret that the report failed to include details about the environmental impact of Edinburgh's Christmas and Edinburgh's Hogmanay as part of the Stakeholder / Community Impact section of the report, especially relating to the impact on trees and failure to ensure adherence to appropriate tree protection zones (TPZs) throughout the event, though recognises that this is referenced in the body of the report.

5) To welcome the officer working group which would be established to review practices around TPZs throughout delivery of future events, and to affirm that Unique Assembly should attend this group when invited, if the contract extension is awarded.

6) To further note the motion passed at Full Council on 9 February 2023 "Tree Protection Measures East & West Princes Street Gardens" which requested a report to examine failed compliance of TPZs during last year's Christmas and Hogmanay events; what contractual and other protections may be put in place to ensure future events comply with the applicable Tree Protection Plan and Trees in the City Action Plan, as well as a report outlining the updated tree protection plan for East Princes Street Gardens.

7) To request that Key Performance Indicators relating to adherence to TPZs were added to future contract awards, in line with: i) considerations from the working group outlined at 5) above; ii) reports and learning following the Full

Council motion referenced at 6) above and, iii) in such a way to demonstrate the Council's commitment to a Nature Emergency as declared at Full Council on 9 February 2023 which "recognises the inherent value of nature, as well as its crucial importance as an integral part of culture and society, and for our health, wellbeing and economy".

- moved by Councillor Staniforth, seconded by Councillor Heap

2.5 In accordance with Standing Order 22(2), amendments 1 and 2 were accepted as addendums to the motion.

2.6 **Decision**

To approve the following adjusted motion by Councillor Walker:

1) To note the performance of the 2022/23 editions of Edinburgh's Christmas and Edinburgh's Hogmanay.

2) To agree that performance in 2022/23 was satisfactory, recognising the challenges particularly in respect of Edinburgh's Christmas.

3) To refer the report to the Finance and Resources Committee:

   a) To approve a one-year extension of the contract award to Unique Assembly for Edinburgh's Christmas for 2023/24.

   b) To ratify the continuation of the contract for Edinburgh's Hogmanay as approved by the Finance and Resources Committee on 16 June 2022.

4) To agree points raised in paragraph 5.6 of the report by the Executive Director of Place would be carried out and to add the following:

   5.6.10 Submit any applications for planning permission, civic and alcohol licences in a timely manner so they can be considered within an appropriate timeframe.

5) To express regret that the report failed to include details about the environmental impact of Edinburgh's Christmas and Edinburgh's Hogmanay as part of the Stakeholder / Community Impact section of the report, especially relating to the impact on trees and failure to ensure adherence to appropriate tree protection zones (TPZs) throughout the event, though recognises that this is referenced in the body of the report.

6) To welcome the officer working group which would be established to review practices around TPZs throughout delivery of future events, and to affirm that Unique Assembly should attend this group when invited, if the contract extension is awarded.

7) To further note the motion passed at Full Council on 9 February 2023 “Tree Protection Measures East & West Princes Street Gardens” which requested a report to examine failed compliance of TPZs during last year’s Christmas and Hogmanay events; what contractual and other protections may be put in place to ensure future events comply with the applicable Tree Protection Plan and Trees in the City Action Plan, as well as a report outlining the updated tree protection plan for East Princes Street Gardens.

8) To request that Key Performance Indicators relating to adherence to TPZs were added to future contract awards, in line with: i) considerations from the working group outlined at 5) above; ii) reports and learning following the Full Council motion referenced at 6) above and, iii) in such a way to demonstrate the Council’s commitment to a Nature Emergency as declared at Full Council on 9 February 2023 which “recognises the inherent value of nature, as well as its crucial importance as an integral part of culture and society, and for our health, wellbeing and economy”.

3. Background Reading/ External References

3.1 Webcast of the Culture and Communities Committee of 7 March 2023

4. Appendices

4.1 Appendix – report by the Executive Director of Place

Culture and Communities Committee

10.00am, Tuesday, 7 March 2023

Edinburgh's Christmas and Edinburgh's Hogmanay - Outcome Report

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

1. Recommendations

1.1 It is recommended that Culture and Communities Committee:

1.1.1 Notes the performance of the 2022/23 editions of Edinburgh's Christmas and Edinburgh's Hogmanay;

1.1.2 Agrees that performance in 2022/23 was satisfactory, recognising the challenges (particularly in respect of Edinburgh's Christmas); and

1.1.3 Refers this report to Finance and Resources Committee to:

1.1.3.1 Approve a one-year extension of the contract award to Unique Assembly for Edinburgh's Christmas for 2023/24; and

1.1.3.2 Ratify the continuation of the contract for Edinburgh's Hogmanay, as approved by Finance and Resources Committee on 16 June 2023.

Paul Lawrence

Executive Director of Place

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E-mail: david.waddell@edinburgh.gov.uk | Tel: 0131 529 4929

Report

Edinburgh's Christmas and Edinburgh's Hogmanay – Outcome Report

2. Executive Summary

2.1 This report details the outcomes and lessons learned from Edinburgh's Christmas and Edinburgh's Hogmanay 2022/23 and seeks the agreement of Culture and Communities Committee to refer this report to Finance and Resources Committee for approval of a one-year extension to the contract award to Unique Assembly for Edinburgh's Christmas for 2023/24 and to ratify the continuation of the contract for Edinburgh's Hogmanay.

3. Background

Edinburgh's Winter Festivals Contract Award

3.1 On 16 June 2022, Finance and Resources Committee agreed the award of contracts for Edinburgh's Winter Festivals.

3.2 Edinburgh's Christmas was awarded to Angels Event Experience Limited for a period of three years with two optional extension years; Edinburgh's Hogmanay was awarded to Unique Events Ltd for a period of three years with two optional extension years.

3.3 Both contracts included a break clause after year one should performance be unsatisfactory.

Edinburgh's Christmas Emergency Contract Award

3.4 On 10 October 2022, Finance and Resources Committee considered a request to put in place a contract award for Edinburgh's Christmas, as Angels Events Experience Limited had notified the Council that it was not able to deliver the contract as awarded in June 2022, and had asked to be released from the contract.

3.5 Following this Committee meeting, the contract with Angels Event Experience Limited was terminated and a contract award for Edinburgh's Christmas was made to Unique Assembly Limited.

3.6 The contract was for a period of two years, comprising one initial year with an option to extend for one additional year.

3.7 Finance and Resources Committee agreed that any extension would be approved by the Culture and Communities Committee and Finance and Resources Committee in early 2023, following submission of an outcome report on the 2022/23 event.

3.8 It should be noted that Angels Event Experience Limited ceased trading at the end of January 2023 and the company has been wound up.

4. Main report

Edinburgh's Christmas 2022/23

4.1 Edinburgh's Christmas ran from 25 November 2022 to 3 January 2023 across five city centre sites – East Princes Street Gardens (top level only); West Princes Street Gardens; Ross Bandstand; Mound Precinct and George Street.

4.2 The key components of Edinburgh's Christmas were market stalls and funfair rides in East Princes Street Gardens and Mound Precinct, Santa Land in West Princes Street Gardens, and Lidl on Ice (ice rink) on George Street.

4.3 Overall footfall across all the sites was measured at 2.4 million over the 39 days of Edinburgh's Christmas.

4.4 The Big Wheel attracted over 140,000 people; Santa Stories in West Princes Street Gardens was attended by over 9,000 children; and the ice rink on George Street attracted 66,500 skaters.

4.5 The high footfall figures demonstrate that there is a significant demand for Christmas celebrations. Despite large daily attendance, the maximum queue time for entering East Princes Street Gardens was 10 minutes.

4.6 The audience breakdown for Edinburgh's Christmas was as follows:

- Edinburgh – 36%;
- Lothians – 12%;
- Rest of Scotland – 26%;
- Rest of UK – 20%; and
- International – 6%

Christmas Community Benefits

4.7 Edinburgh's Christmas provided a number of community benefits to residents. Over 6,000 tickets were given to 30 local charities and community groups. Edinburgh residents also secured 82,200 discounted tickets for 20% off rides and attractions across all the sites. In total, 112 entries were received from Edinburgh schools for the Winter Windows competition, with the winning 12 entries displayed within West Princes Street Gardens.

4.8 Edinburgh's Christmas supported a number of local charities through a range of fundraising initiatives. Tickets for Santa Paws included a donation to Edinburgh Dog & Cat Home, while a series of free community events at the Ross Bandstand included an outdoor Family Ceilidh and a Nativity Carol Concert which was organised in collaboration with Edinburgh Churches Together supporting The Salvation Army Christmas Appeal and Blackhall St Columba's Church supporting Fresh Start and Bethany Christian Trust.

4.9 Edinburgh's Christmas worked with 'When You Wish upon a Star' Children's Charity helping them deliver their annual Santa Fun Run and Walk and a donation was made to the Lord Provost's One City Trust from Silent Disco Headphone sales.

4.10 In total, these activities raised over £6,000 for local charities.

4.11 Edinburgh's Christmas also supports Social Bite's Festival of Kindness festive campaign (based in St Andrew Square) collecting donations to help provide Christmas meals, gifts, and essential items to homeless and vulnerable people. £5,320 was raised via online donations.

Lessons Learned

4.12 Edinburgh's Christmas 2022/23 proved to be extremely challenging to deliver, with only seven weeks to deliver an event which would normally take nine-12 months planning and preparation. This resulted in significant pressure on the contractor, Council officers and event delivery partners. Nonetheless, Edinburgh's Christmas was successfully delivered, attracting large audiences and positive media coverage for the city.

4.13 As part of the evaluation of Edinburgh's Christmas each year, a multi-agency debrief is held.

4.14 As noted above, the emergency contract award was made to Unique Assembly Limited on 10 October 2022, with activities beginning on 25 November 2022. Where possible, Unique Assembly Limited utilised plans which had been developed by Angels Event Experience Limited, but this timescale did present challenges both in terms of planning and preparation.

4.15 The delivery challenges caused by the timescale and the pressures this created for the contractor and partners was the single biggest issue raised by all agencies as part of the debrief. All have stated that an early decision on Edinburgh's Christmas 2023 (and any subsequent contracts) is required to allow partners to have sufficient time to put in place the necessary resources.

4.16 In addition to the time constraints, the following issues were also identified to be addressed in 2023/24 and beyond:

4.16.1 The importance of ensuring appropriate protection of trees in green areas. Officers are currently reviewing the measures that were put in place in 2022 and the associated monitoring procedures and will report back on the outcome of this to Committee in May. In addition, a Council officer working group (including officers from Parks, Forestry, Events, Public Safety and Planning) has been established to consider how this can be improved and impact minimised in future years. Should the contract for Edinburgh's Christmas 2023/24 be awarded to Unique Assembly, they will be invited to attend this group when appropriate; and

4.16.2 A key priority is providing a safe and positive customer experience to accommodate the number of attendees given the audience demand, events, activities and safety measures required. While the city centre remains a key location for Edinburgh's Christmas, officers are currently exploring opportunities for greater dispersal of events around the city centre and into other areas of the city.

Edinburgh's Hogmanay

4.17 Edinburgh's Hogmanay 2022/23 welcomed over 65,000 people to events across the three days of the festival. Data provided by Essential Edinburgh indicates that city centre footfall on 31 December 2022 was up 61% on 2019, peaking between 11:00 and 18:00.

4.18 The Hogmanay festival commenced on 30 December 2022, with a Night Afore Concert at the Ross Bandstand, headlined by Sophie Ellis-Bextor.

4.19 Hogmanay itself saw a reduced capacity street party, with a sold-out audience of 30,000 and 9,500 people attending the Concert In The Gardens which was headlined by Pet Shop Boys.

4.20 A large programme of entertainment on 1 January 2023 saw 10,000 people attend free events in the National Museum of Scotland (Sprogmanay), family ceilidhs, live music in multiple venues across the Old and New Town (First Footin') and a concert at the Ross Bandstand, featuring Hamish Hawk, Elephant Sessions and Tide Lines.

4.21 5,000 reduced price tickets were made available for Edinburgh residents and were sold out. An additional 100 tickets were given to various charities and community groups.

Resident and Business Engagement

4.22 In response to previous feedback, the Street Party arena was deliberately designed to avoid disruption wherever possible. By reducing and reconfiguring the arena layout, Unique Assembly were able to increase accessibility for businesses and residents and reduce the need for passes to access properties.

4.23 A digital briefing was delivered, via Essential Edinburgh, to all businesses located within the 'live' arena footprint and on adjacent streets. A printed letter was distributed to all residential and commercial addresses located within the 'live' arena footprint and on adjacent streets – a total of 929 letterboxes. Information letters were also available from the George Street Box Office.

4.24 Full event information, including arena maps and road closure information, was made available on the Edinburgh's Hogmanay official website.

4.25 Residents and businesses within the 'live' arena footprint were able to apply for Access Passes online, in order to safely access their properties throughout the event period, via dedicated safety lanes. In total, 2,367 Access Passes were booked by residents/businesses.

4.26 The audience breakdown for Edinburgh's Hogmanay was as follows:

- Edinburgh – 23%;
- Lothians – 3%;
- Rest of Scotland – 10%;
- Rest of UK – 34%; and
- International – 30%.

Lessons Learned

4.27 The debrief for Edinburgh's Hogmanay focussed on five key areas:

4.27.1 Timing caused by pressures from Edinburgh's Christmas;

4.27.2 The interaction between Edinburgh's Christmas and Hogmanay in West Princes Street Gardens and the need for better co-ordination;

4.27.3 Hostile Vehicle Mitigation and the time taken to reach the delivered safe solution;

4.27.4 Event control and governance; and

4.27.5 Ticketing/queuing on 31 December.

4.28 In planning for the 2023/24 event, all of these areas will be addressed.

Key Performance Indicators 2022/23

4.29 The Key Performance Indicators (KPIs) for Edinburgh's Christmas and Edinburgh's Hogmanay are contained within Appendix 1.

4.30 The KPIs are set by the Council and agreed at the start of the contract with the supplier. This allows longitudinal annual comparison of the performance of both events. The KPIs were included as part of the tender pack and form part of the contract for both events.

4.31 Annual audience research is undertaken by the producers of Edinburgh's Christmas and Edinburgh's Hogmanay. Audience feedback from the events in 2022/23 is still being gathered.

4.32 Given the very late award of contract for Edinburgh's Christmas and the short time to deliver the event, not all KPIs for Edinburgh's Christmas were deliverable or achievable.

4.33 To protect the stallholders who had already been contracted, Unique Assembly fulfilled the contracts agreed by Angels Event Experience Limited, of whom only 58% were from Scotland. However, if awarded year 2, this is a service that Unique

Assembly would deliver directly rather than via a third party market provider, ensuring greater control over stallholder selection.

4.34 Similarly, the KPI of three sites outwith the city centre has not been achieved due to the short planning time. If the contract for 2023/24 is agreed, Unique Assembly will put measures in place to meet all of the KPIs.

5. Next Steps

5.1 As noted above, audience feedback for Edinburgh's Christmas and Edinburgh's Hogmanay 2022/23 is still being gathered and is not available at the time of completing this report. If possible, officers will provide a verbal update on this at Committee.

Edinburgh's Winter Festivals 2023/24

5.2 If Culture and Communities Committee is satisfied with the performance of Unique Assembly Limited in the delivery of Edinburgh's Christmas 2022/23, it is recommended that this report be referred to Finance and Resources Committee to approve the award of the second year of the emergency contract agreed on 10 October 2022.

5.3 A one year contract, with one year's extension, represented the best balance of risk but did not completely insulate the Council from legal challenge. Instead, it offset the risk of no Christmas activity with the potential increased risk of legal challenge of an extended appointment.

5.4 As outlined in the feedback from partners, effective delivery of Edinburgh's Christmas requires nine to 12 months planning and preparation. Committee is asked to note that, should year two not be awarded, it will be difficult to secure a contractor and the necessary permissions to deliver Edinburgh's Christmas 2023/24 in the time available.

5.5 Culture and Communities Committee is also asked to note the performance in respect of Edinburgh's Hogmanay 2022/23 and to refer this report to Finance and Resources Committee to ratify the continuation of the contract awarded on 16 June 2022 for the initial period of three years (with the possibility of an optional extension of the contract for a further two years).

Edinburgh's Winter Festivals 2023/24

5.6 If the Council agrees to the above contract awards, the actions arising from the lessons learned will be progressed and the following actions will be taken in preparation for 2023/24:

5.6.1 Review each of the spaces/streetscapes used in 2022 and the layouts for each component;

5.6.2 Design each event arena, sympathetically to the space available, taking into account its "business as usual" profile;

5.6.3 Seek further commercial support from reputable and appropriate potential partners for the market, including ensuring a greater number of Edinburgh based businesses have the opportunity to participate;

5.6.4 Expand the Christmas footprint to other locations within the city centre;

5.6.5 Investigate the opportunity to reinstate the Torchlight Procession with a new route and finale event (subject to funding);

5.6.6 Set up a series of city centre local consultation groups with surrounding businesses, organisations, and other interested parties;

5.6.7 Introduce stricter management of third-party operators including potential pricing caps for stall holders, bringing the majority of the operators in-house under direct management of Unique Assembly;

5.6.8 Explore further family friendly Hogmanay programme elements including on Hogmanay evening;

5.6.9 Expand and enhance the Christmas community programme at the Ross Bandstand.

Edinburgh's Christmas 2024 onwards

5.7 As requested by the Council, in May 2023 Culture and Communities Committee will receive a report on the future options for delivering from Edinburgh's Christmas 2024 onwards. The options will examine quality, reliability, community engagement, supporting local traders and sharing the celebrations around the city.

5.8 In advance of this, and in response to feedback from suppliers, a Prior Information Notice (PIN) for Edinburgh's Christmas 2024 onwards has been issued to the marketplace and supplier engagement is already underway. This will help inform the development of the future options, and associated procurement models.

5.9 Further, in preparation for this report, the Festivals and Events All Party Oversight Group will seek input from local traders' groups, community groups and from Councillors in wards that could benefit from extending the winter festival beyond the City Centre.

6. Financial impact

6.1 A budget of £812,456 is in place for Edinburgh's Hogmanay. The Council has no further financial liabilities for Edinburgh's Hogmanay beyond some additional Public Safety measures (e.g. Hostile Vehicle Measures), for which the Council receives a contribution from the event organiser.

6.2 Edinburgh's Christmas operates on profit split model between the contractor and the Council. Given the high set up costs, last minute appointments and honouring of existing commercial arrangements with stallholders and operators, an income from Edinburgh's Christmas for 2022 is not expected.

7. Stakeholder/Community Impact

7.1 The supplier is expected to ensure that the two programmes remain attractive to Edinburgh residents, and Edinburgh's Christmas in particular included indicators to ensure that it remained attractive and accessible to families, and accessible to community groups.

7.2 The supplier engaged with local businesses, stakeholder agencies and organisations as well as community groups, schools, other groups and individuals in the planning, delivery and assessment of events and attractions.

8. Background reading/external references

8.1 Report to Finance and Resources Committee on 10 October 2022 (B Agenda);
8.2 Amendment by Councillor Day on Edinburgh's Christmas to the City of Edinburgh Council on 27 October 2022;
8.3 Report to Governance, Risk and Best Value Committee on 22 November 2022; and
8.4 Report to Finance and Resources Committee on 26 January 2023.

9. Appendices

9.1 Appendix 1 – Edinburgh's Christmas and Edinburgh's Hogmanay Key Performance Indicators 2022/23

KPI REF	KPI	BASELINE TARGET EC	BASELINE TARGET EH	ACHIEVED EC	ACHIEVED EH	COMMENT
1	**Delivery of Key Principles**					
	Number of local businesses trading at events (Lot 1 only)	65%		58%*		58.4% of stall holders across all sites were registered to a Scottish business. We have requested further breakdown from Market Operator. This year's Market element was delivered by a third-party operator, with stall holders already confirmed
	Number of local artists/creatives employed (Lot 2 only)		50%		65%	over three day festival
	Number of free/low priced attractions (Lot 1)	33%		see comment		4 Ross Bandstand events over the first 2 weekends were free community events West Gardens Illuminations including Winter Windows and Nativity Scene provided free attractions Santa Land "kiddie rides" were deliberatley low priced with rides from £3 Mid-week discounts were offered to database members
	Number of free/low priced attractions (Lot 2)		not requested		see comment	First Footin Music Trail and Sprogmanay family programme were both free open access
	Provision of alcohol free areas (Lot 1 only)	100%		100%		Santa Stories and Christmas Tree Maze were in an alcohol free zone. Santa Land overall experience and George St Ice Rink were designed to enable participation in alcohol free areas
2	**Provision of Management Information**					
	Timely submission of budgets and other management reports	Monthly submission of reports		see comment		not enough time for this year however, weekly online meetings did take place
3	**Stakeholder Engagement**					
	Stakeholder consultation sessions – 1 consultation session and 1 follow-up per event site	100%		100%		UAL engaged with: Cockburn Assocation and Forestry Commission to hear their concerns in advance, during build/event (onsite)and post-event EPSG - Waverley Station, Waverley Mall, Malones Bar Mound Precinct - NGS, Scottish Cafe WPSG - CEC Bereavement Services/St Cuthberts George St - Essential Edinburgh / George St Association Edinburgh Castle - HES Funding Partners - EventScotland, Creative Scotland, Scottish Government, Essential Edinburgh Charity Partners and Community Groups EPOG Members All Blue Light Services All relevant CEC Departments Various city vistor attractions and theatres
	Notification of events/closures to all immediate properties in immediate vicinity	100%		100%		2,367 Access Passes booked by residnets/businesses Letter Drop to all residents within arena (929 delivered), also availble from Box Office on George St A digital briefing was delivered, via Essential Edinburgh, to all businesses located within the 'live' arena footprint and on adjacent street Direct communication was made with hospitality providers within and adjacent to the arena to ensure their customers were able to access their properties Dedicated Box Office telephone line was in operation to answer any direct questions or requests
4	**Delivery of Core Events**					
	Nativity Scene and Carol Concert (Lot 1 only)	100%			100%	Nativity Scene designed and installed in WPSG, Carol Concert delviered in partnership with Churches Together
	Switch on ceremony for Christmas lights (Lot 1 only)	100%			alternative	not delivered and UAL feel no longer appropriate. Free/Community events took place in WPSG Ross Bandstand over the first two weekends encouraging visitors into the city centre
	Number of event sites outwith immediate city centre	3		0		not delivered this year due to timescales and budget
	Delivery of a programme based on light installations, live music and fireworks/a key midnight moment with a focus on using local artists, talent and creatives (Lot 2 only)		100%		100%	31st - Street Party Sound & Light Show with Midnigh Moment and Hourly Countdown displays 1st - First Footin Music Trail showcasing local talent in existing city venues and hostelries
	Delivery of a minimum 3-day festival (Lot 2 only)		100%		100%	29 December - 1 January
5	**Customer Satisfaction**					
	% of attendees expressing satisfaction with events attended	90%		TBC		waiting on post-event survey results
	% of customer complaints resolved satisfactorily	95%		TBC		waiting on post-event survey results

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Finance and Resources Committee

10.00am, Friday, 10 March 2023

Bustracker – Additional Provision to End of Contract

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

1. Recommendations

1.1 Finance and Resources Committee is asked to approve contract extensions, via a waiver of Contract Standing Orders (CSOs), to the following system suppliers until 31 March 2024:

1.1.1 Ineo Systrans, up to £500,000; and

1.1.2 Supporting providers - Bridge Radio, OFCOM and On Tower UK relating to radio communication coverage to continue full operation of the current Bustracker system, approximately £200,000.

Paul Lawrence

Executive Director of Place

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Report

Bustracker – Additional Provision to End of Contract

2. Executive Summary

2.1 As a result of ongoing delays, approval is sought to further extend the contracts for the existing Bustracker system, via waivers of the Council's Contract Standing Orders (CSOs), in order to continue full operation of the current system until a new system is fully installed and operational. The total value of these waivers is up to £700,000.

3. Background

3.1 The new Bus Station Information system and Real Time Passenger Information (RTPI) contract was awarded by the Finance and Resources Committee on 10 October 2019 to 21st Century PLC (now Journeo PLC). The original project plan sought to deliver completion of Lot 1 (installation of bus station hardware and implementation of Content Management System) by late summer 2020 with Lot 2 (installation of bustracker signs) thereafter.

3.2 On 21 January 2021 the Finance and Resources Committee approved an extension of the existing contracts to allow the continued operation of the current bustracker system while the new system was implemented. This approval was granted via waiver of CSOs, to allow continued operation and maintenance under the terms of the original contract until a new system, with the new supplier, was implemented.

3.3 Due to further delays, an additional contract extension is now required.

4. Main report

Project Update

4.1 The installation of the new bus station hardware and implementation of the new Edinburgh Travel Tracker Content Management System (CMS) was completed in December 2021. It is now live and fully operational, delivering one of the UK's most advanced bus station management platforms.

4.2 The new CMS will manage all information displayed on both the bus station and new on-street bustracker signs. The new system will deliver multi operator Real Time Passenger Information (RTPI) to bus users as well as onward travel information for tram, train, air travel and taxi's, at specific locations, on modern full colour displays.

4.3 The COVID-19 pandemic and Brexit have significantly impacted several key areas of this project; most notably:

4.3.1 Missing data from bus operators delayed software development;

4.3.2 The inability to meet in person as a project group caused delays to critical areas of the project i.e. Factory and Site Acceptance Testing for Lot 1 of the project. This inevitably caused a delay to Lot 2 which could not begin until Lot 1 was complete;

4.3.2 Increased prices for critical components have meant suppliers have spent more time searching for best value; and

4.3.3 Increased lead in times for receiving critical parts.

4.4 In addition to the above, as society has emerged from the pandemic, many public transport operators have experienced significant issues, such as loss of revenue and a reduction in staffing levels, which has had a major effect on their ability to maintain services and supply both scheduled and real time data. This information is key to the project.

4.5 The Council is working closely with all operators within Edinburgh and the SEStran area to improve their real time data prior to installation. Data from most operators is now tracking at the highest percentage to date and will deliver an improved passenger experience.

4.6 The Council does not have a contractual agreement with any operator to take part in the bustracker system but provides a real time information system to meet the objectives set out in the Council's City Mobility Plan and developing Public Transport Action Plan to provide attractive sustainable transport.

4.7 Lothian Buses' are currently updating the tracking equipment on their fleet but, unfortunately, have also suffered similar delays for the same reasons. As this data is critical to the successful roll-out of new signs, the knock-on impact has been a further delay on the development and testing of the new signs.

4.8 The latest position is that Lothian Buses has recently supplied viable data which will allow Factory Acceptance Testing (FAT) to go ahead by the end of March 2023. Should testing be successful, installation of new on-street signs will commence by the end of April 2023 with an expected completion date of the end of March 2024.

Contract Extension via waivers of the Council's CSOs

4.9 The Council's contractual arrangements to maintain the existing Bustracker system, until the new system is fully operational, are due to expire. These agreements are with Ineo Systrans, Ofcom, Bridge Systems Limited and On Tower UK.

4.10 The Bustracker system continues to be successfully delivered under the terms of the original contract.

4.11 Upon starting the sign replacements programme, maintenance payments to Ineo Systrans will reduce pro rata in line with the number of signs replaced. Ineo Systrans and the Council will review the number of replaced signs on a monthly basis and will reduce quarterly payments accordingly until there are no signs left to replace when maintenance payments to Ineo Systrans will cease.

4.12 Ineo Systrans continue to perform well, actively monitoring the system with a dedicated team.

4.13 Indicative costs collected from soft market testing exercises of suppliers, able to supply the same or similar products, showed that Ineo Systrans remain good value with competitive pricing within the market.

4.14 In addition, the existing system operates with radio communication, with associated costs for radio site rental and licence fees, which must also be covered until a new arrangement is in place. These costs are payable to Bridge Radio, Ofcom and On Tower UK Ltd.

4.15 Upon conclusion of the replacement programme, these costs will no longer be incurred.

4.16 Committee is asked to approve the extension of the existing contracts (via waiver of the Council's CSOs) with Ineo Systrans, Bridge Radio, Ofcom and On Tower UK Ltd 31 March 2024, with a reduction in cost ongoing throughout the year associated with the installation of new on-street RTPI signs.

5. Next Steps

5.1 To minimise disruption to the end user, the existing system must continue to operate under the terms of the new contract until a new system is fully operational.

5.2 If Committee approve the recommendations in this report, the existing contract will be extended to cover the period to 31 March 2024.

5.3 New on-street sign installation will begin in April 2023.

6. Financial impact

6.1 Quarterly payments to Ineo Systrans totalling (up to) £500,000 will secure maintenance to the end of the financial year in 2024. The costs detailed cover a cross over period between migrating from the Ineo system to a new system. A reduction in hardware and software because of migrating to a new system will result in reduced maintenance payments over time.

6.2 Ineo Systrans has agreed to continue this maintenance provision and also agreed to maintain prices based on the France/UK indexes and EUR/GBP exchange rate of 1 January 2017 values.

6.3 Payments of approximately £200,000 in totality must be paid to Bridge Radio (£85,000), OFCOM (£30,000) and On Tower UK LTD (£85,000) to continue full operation of the current system until the end of the Council's financial year in 2024.

6.4 The total value of these extensions via waiver is up to £700,000.

6.5 These costs will be met from the public transport budget.

7. Stakeholder/Community Impact

7.1 This project will provide continued provision or enhancement to the quality of life of users through the enhancement of access to employment, educational, leisure and shopping opportunities.

7.2 Withdrawing the service would particularly affect vulnerable users who rely on the reassurance provided by accurate RTPI.

7.3 The proposals in this report are designed to help reduce carbon emissions. By providing accurate information for passengers, it is hoped to reduce dependence on transport by private car and increase public transport use.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 None.

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Finance and Resources Committee

10.00am, Friday, 10 March 2023

Inchmickery and Oxcars Courts, Design and Development Commission for Full Block Upgrade and Improvement

Executive/routine	**Executive**
Wards	**1 - Almond**
Council Commitments	

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 Approves a variation of the existing award SOC196 to Turner and Townsend, the rank two supplier under Lot 11 (Multi-Disciplinary Lot) of the Council's Professional Services Framework, to undertake a full turnkey solution to implement a whole house retrofit (WHR) upgrade to Oxcars and Inchmickery Court at a maximum cost of £2,911,473 based on a revised specification and estimated budget of £35,458,202;

1.1.2 Notes the original contract commenced on 18 August 2022, with a fee level of £523,499 based on an initial budget of £5,000,000 for external fabric works only; and

1.1.3 Notes that as per Council's Contract Standing Orders, there is a requirement for Finance and Resources Committee to approve any service contract over £1,000,000. As the value of this service order is £2,911,473 (including a 5% continency) authority to award is being sought.

Paul Lawrence

Executive Director of Place

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Report

Inchmickery and Oxcars Courts, Design and Development Commission for Full Block Upgrade and Improvement

2. Executive Summary

2.1 This report seeks approval to vary an existing award to Turner and Townsend, the rank two supplier under Lot 11 (Multi-Disciplinary Lot) of the Council's Professional Services Framework, to undertake a full turnkey solution to implement a WHR upgrade aligned with wider block upgrades and improvements at Oxcars and Inchmickery Courts.

2.2 The existing commission commenced on 18 August 2022 for a period of 16 months based on a 10-month construction period to a total fee value of £523.499, as per framework rates. This was based on an estimated cost of £5.0m for an external fabric over cladding project. The scope excluded a number of aspects which were planned to be delivered separately on a phased basis.

2.3 It is now recommended that this commission deals with all aspects of planned investment required to the blocks and wider external areas to provide a whole house approach aligned with wider block improvements and upgrades to ensure best value for the Council's Housing Revenue Account (HRA).

3. Background

3.1 The Council has an operational estate of approximately 20,000 homes, with 3,000 sitting within a multi-storey setting. This represents around 15% of Council homes. 97% of homes in multi-storey blocks sit within a full Council or majority ownership tenure.

3.2 The Council currently has 44 multi-storey sites within the wider housing estate (some of these sites contain more than one multi-storey block). Many of these construction types are complex and require detailed investigation and consideration to assess the condition of the structure prior to refurbishment proposals being completed.

3.3 This expertise is not available within the current housing service. As such any significant alteration and upgrading to multi storey blocks needs to be undertaken by an experienced multi-disciplinary team to provide a holistic approach and ensure that all building components and refits are fully considered.

3.4 Many of these multi-storey blocks were specialised and innovative construction methods at the time of build and now present a range of technical and financial challenges to both maintain and improve them.

3.5 The two subject blocks Inchmickery and Oxcars Courts have been identified as requiring significant capital investment to ensure the 151 properties meet the Energy Efficiency Standard for Social Housing (EESSH2).

3.6 As such both Oxcars and Inchmickery Courts will undergo a full energy retrofit following a whole house retrofit (WHR) approach to meet the EESSH2. Alongside the wider retrofit upgrade proposals, both blocks will also be upgraded and improved which will encompass a variety of components to be upgraded/replaced including roofs, foyer areas, entrances to the building, fire doors and screens, stairwells, communal landings etc. Alongside these block improvements and upgrades, we will also require a full place-making approach to improve the surrounding environment out with both blocks.

3.7 This WHR and wider block improvement approach is part of the wider investment plans for all majority Council owned multi-storey blocks from 2023/24 onwards. This will ensure that where possible and following detailed design works blocks can meet the ambitious EESSH2 standard.

4. Main report

4.1 The Council is seeking to vary the existing award to the rank two supplier under Lot 11 - Multi-Disciplinary Design Team Services to continue to carry out the plans for a full WHR approach, aligned with wider building improvements and upgrades. This will allow a value-added approach to the redevelopment of the blocks and the wider area.

4.2 The Finance and Resources Committee approved a new Professional Services Framework on 29 October 2020. Lot 11 - Multi-Discipline Design Team Services was deemed the most appropriate Lot to undertake this commission due to the complexity and scope of the commission and the range of suitably experienced contractors and sub-contractors able to undertake core elements of this commission.

4.3 This includes provision for a multi-disciplinary team to be engaged which includes, structural engineering services, mechanical and electrical engineering services, fire engineering, architectural services, quantity and building surveying services and project management services. All of which can be brought together under one project team led by the supplier.

4.4 The rank one supplier under Lot 11 (Multi-disciplinary Framework is Faithfull and Gould (F&G). However, we approached F&G and they confirmed they did not have adequate capacity to fulfil this commission. Therefore (in June 2022) the Council approached the rank two supplier, Turner and Townsend, and a commission was developed and design team were appointed.

4.5 The full scope of the revised commission for the works will now include the following:

4.5.1 Further review of all current information held by Housing Services;

4.5.2 Commission of surveys for any gaps in information held to determine the full condition of the blocks;

4.5.3 Intrusive surveys to target void properties per block to assess structural condition; to allow detailed design solutions to be developed;

4.5.4 Physical examination of mechanical and electrical plant and equipment (i.e., lifts, common electrical cabling, internal wet services); and design for replacement;

4.5.5 Appointing specialist sub-consultants to support the wider project team, this will include laser scanning of external elevations to assist provision of detailed drawings;

4.5.6 Liaising and communicating with residents and owners on the redevelopment plans; and consultation on the proposals for both the building and wider area;

4.5.7 Liaison with Statutory Authorities for the approval and progression of the final scheme for both the blocks and wider area;

4.5.8 Project procurement of the final works to ensure best value is obtained for the HRA; and

4.5.9 Project contract and financial management of the final proposals as per the RIBA Plan of work through to completion of the project.

4.6 The rank two supplier and sub-consultants have both extensive and suitable experience and the resource necessary to undertake this complex commission. Turner and Townsend have sub consultants already in place which includes, Stallan-Brand (Architects), Atelier Ten (Mechanical, Electrical and Fire Engineers) and Goodson Associates (Structural Engineers). As such this route to market was deemed the most suitable and appropriate to undertake this commission.

4.7 Commercial and Procurement Services have advised that the Professional Services Framework call off methodology permitted a direct award to the ranked two organisation on the Framework namely, Turner and Townsend, as it was confirmed that the rank one did not have capacity to undertake the original commission. Therefore, this call-off complies with the Framework Call Off Methodology.

5. Next Steps

5.1 Subject to this Committee's approval, the variation of the contract will be completed. This will be via direct award to the number two ranked supplier on the Professional Services Framework, Lot 11 - Multi-Discipline Design Team Services – Turner and Townsend.

5.2 Subject to approval the existing contract will progress from 20 March 2023 for period of up 24 months, with the option to extend if required up to a maximum value of £2,911,473. This will be funded through the HRA capital budget.

5.3 To ensure the Council is able to maximise the financial and non-financial benefits of the framework, including the delivery of community benefits, a contract management plan is being put in place which will robustly manage the contract and ensure the desired outcomes are achieved.

5.4 Committee approval will be sought for the award of the works contract following a tender process and once statutory consents are in place.

6. Financial impact

6.1 The total value of the commission that is proposed to be procured through the Professional Services Framework via direct award to the rank one supplier under Lot 11 - Multi-Discipline Design Team Services will be £2,911,473. This will be funded through the HRA capital budget.

6.2 The percentage fee is calculated on the following basis, 7.82% (as per Framework rates) based on a construction cost of £35,458,202 equates to a fee of £2,772,831. A 5% contingency has also been applied to cover unforeseen surveys and design work which brings the total fee value to £2,911,473.

6.3 The fee level is in line with the Council's Professional Services Framework procured rate and the total sum paid to the consultants under this commission should not exceed £2,911,473.

6.4 The construction costs have a built in risk contingency of 20% which equates to £5,909,701. The risk contingency includes 10% design and 10% construction.

7. Stakeholder/Community Impact

7.1 Engagement with tenants in these blocks will be an essential requirement of this commission and will inform detailed design proposals. The outputs of the commission will ultimately have a positive impact on tenants lives as the overall WHR approach and wider block improvements and upgrades will significantly improve the thermal performance of both blocks. Along with improved energy performance tenants' homes will also be better ventilated with improved air quality. Outside of tenants homes the blocks will be significantly improved with upgraded communal areas, landscaping and improvements to mechanical and electrical services. Overall, both blocks will be brought up to a more modern standard making them safer, more accessible and ultimately more welcoming for tenants and visitors.

7.2 The Professional Services Framework operates a points system in relation to Community Benefits. The value of points this commission will generate is 200 points. Following approval to award this Contract, Turner and Townsend will be required to identify appropriate community benefits to the value of the points generated.

8. Background reading/external references

8.1 2023/24 Housing Revenue Account (HRA) Capital Programme - Housing, Homelessness and Fair Work Committee – 9 March 2023.

8.3 Housing Sustainability Approach Update - Housing, Homelessness and Fair Work Committee - 3 June 2021.

8.4 Housing Revenue Account (HRA) Budget Strategy 2023/2024 – 2032/2033 – City of Edinburgh Council Committee – 23 February 2023.

9. Appendices

9.1 None.

Agenda Item 7.7

Finance and Resources Committee

10.00am, Friday, 10 March 2023

Cables Wynd and Linksview House – Design and Development Commission for Full Block Upgrade and Improvement

Executive/routine	**Executive**
Wards	**13 - Leith**
Council Commitments	

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 Approves a direct award to Faithful and Gould, the rank one supplier under Lot 11 (Multi-Disciplinary Lot) of the Council's Professional Services Framework to undertake a full turnkey solution to implement a whole house retrofit (WHR) upgrade aligned with wider block upgrades and improvements to Cables Wynd and Linksview House;

1.1.2 Notes the contract commencement would be 3 April 2023 for a period of 24 months with the option to extend (if required) at a total value of £1,853,073; and

1.1.3 Notes that, as outlined in the Council's Contract Standing Orders, there is a requirement for Finance and Resources Committee to approve any service contract over £1,000,000. As the value of this service order is £1,853,073, authority to award is being sought.

Paul Lawrence

Executive Director of Place

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Report

Cables Wynd and Linksview House – Design and Development Commission for Full Block Upgrade and Improvement

2. Executive Summary

2.1 This report seeks approval to approve a direct award to Faithful and Gould, the rank one supplier under Lot 11 (Multi-Disciplinary Lot) of the Council's Professional Services Framework to undertake a full turnkey solution to implement a whole house retrofit (WHR) upgrade aligned with wider block upgrades and improvements at Cables Wynd and Linksview House.

2.2 The overall service from Faithful and Gould will include design and development right through to managing on-site delivery. The commission will commence on 3 April 2023 for a period of 24 months with the option to extend (if required) to a total value of £1,853,073.

3. Background

3.1 The Council currently has 44 multi-storey sites within the wider housing estate (some of these sites contain more than one multi-storey block. These multi-storey sites contain a range of different construction types constructed between 1952 and 1976. Many of these construction types are complex and require detailed investigation and surveys to determine how a WHR approach can be applied alongside wider block improvements and upgrades. This type of design and development work needs to be undertaken by an experienced multi-disciplinary design team to ensure all aspects of the building are taken into consideration and addressed holistically.

3.2 Many of these multi-storey blocks were specialised and innovative construction methods at the time of build and now present a range of technical and financial challenges to both maintain and improve them.

3.3 The Council has an operational estate of approximately 20,000 homes, with 3,000 sitting within a multi-storey setting. This represents around 15% of Council homes. 97% of homes in multi-storey blocks sit within a full Council or majority ownership tenure.

3.4 Cables Wynd House, commonly referred to as the 'Banana Flats', was built between 1963 and 1965 and is constructed with an in-situ concrete cross frame with large aggregate pre-cast concrete panel cladding. The building contains 212 flats (204 are two-bedroom, eight are one-bedroom) and are accessed by lifts leading to galleried decks on the 2nd, 5th and 8th floors.

3.5 Linksview House was built between 1964 and 1967 and is constructed with an in-situ concrete cross frame with large aggregate pre-cast concrete panel cladding. The building contains 98 flats and are accessed by two lifts leading to galleried decks on the 2nd, 5th and 8th floors. Importantly both Cables Wynd and Linksview House have A listed heritage status – and were cited as one of the best examples of 'brutalist' architecture in Scotland.

3.6 The City of Edinburgh Council requires both Cables Wynd and Linksview House to undergo a full energy retrofit following a WHR approach to meet the Energy Efficiency Standard for Social Housing (EESSH2). Alongside the wider retrofit upgrade proposals, both blocks will also be upgraded and improved (encompassing a variety of components to be upgraded/replaced including roofs, foyer areas, entrances to the building, fire doors and screens, stairwells, communal landings etc). Alongside these block improvements and upgrades, a full place-making approach will be required to improve the surrounding environment outwith both blocks.

3.7 This WHR and wider block improvement approach is part of the wider investment plans for all majority Council owned multi-storey blocks from 2023/24 onwards. This will ensure that, where possible and following detailed design works, blocks can meet the ambitious EESSH2 standard.

4. Main report

4.1 The Council is seeking to offer a direct award to the rank one supplier under Lot 11 - Multi-Discipline Design Team Services to carry out a full design, development and delivery function for the WHR and block improvements to both Cables Wynd and Linksview House.

4.2 The Finance and Resources Committee approved a Professional Services Framework on 29 October 2020. Lot 11 - Multi-Discipline Design Team Services was deemed the most appropriate Lot to undertake this commission due to the complexity and scope of the commission and the range of suitably experienced contractors and sub-contractors able to undertake core elements of this commission.

4.3 This includes provision for structural engineering services, mechanical and electrical engineering services, architectural and landscaping services, quantity and building surveying services and project management services. All of which can be brought together under one project team led by the rank one supplier.

4.4 The rank one supplier under Lot 11 (multi-disciplinary Framework) is Faithful and Gould (F&G) with sub-consultants Narro Associates (structural engineers), Collective Architecture (lead architect and conservation architect), Blackwood Partnership (mechanical and electrical engineers), Urban Pioneers (landscape architects) and Atelier 10 (fire engineers). As the lead consultant F&G will undertake the project management, cost consultancy and principle designer function.

4.5 The full package of works will ultimately bring these blocks in line with current building regulations and the Council's Net Zero Carbon ambitions.

4.6 Both blocks are very complex in terms of the approach to improving energy performance given the complex structure of both blocks and listed status. With a key aspect of this commission being an assessment of the ability of each block to be adapted structurally to accommodate the necessary energy efficiency upgrades and fabric measures required to meet the EESSH2 standard

4.7 As such the full scope of works is comprehensive. Additional items might need to be added to the scope at a later date as the surveys may uncover issues currently unknown that require additional survey work.

4.8 The rank one supplier and sub-consultants have both extensive and suitable experience and the resource necessary to undertake this complex commission. F&G in particular are the lead consultants on a similar commission to implement a WHR approach and wider block improvements to two other multi-storey blocks (Craigmillar and Pefferrmill Court) so will bring some essential learnings from that programme which is currently underway. Collective Architecture were the lead architect for the regeneration of Glasgow's Woodside multi-storey flats. They were commissioned by Queens Cross Housing Association to undertake the refurbishment and thermal upgrade of three, 22 storey flats (1,350 flats). This project exemplified a shift to retrofitting high rise housing rather than demolishing them.

4.9 As such this route to market was deemed the most suitable and appropriate to undertake this commission.

4.10 Another key element of this commission will be engagement with tenants to ensure they are included as a key stakeholder and to understand the challenges they face and improvements they would like to see. There will be ongoing tenant engagement sessions where they can feed their input into the design process and not have a design imposed on them.

4.11 Commercial and Procurement Services have advised that the Professional Services Framework call off methodology permits a direct award to the organisation ranked one on the Framework namely, F&G. Therefore, this call-off complies with the Framework Call Off Methodology.

5. Next Steps

5.1 Subject to Committee's approval, the award of the contract will be completed. This will be via direct award to the number one ranked supplier on the Professional Services Framework, Lot 11 - Multi-Discipline Design Team Services - F&G.

5.2 The contract will commence on 3 April 2023 for a period of 24 months, with the option to extend if required up to a maximum value of £1,853,073.

5.3 Funding will be from the Council's Housing Revenue Account (HRA) capital budget and has been incorporated into the HRA capital budget.

5.4 To ensure the Council is able to maximise the financial and non-financial benefits of the framework, including the delivery of community benefits, a contract management plan is being put in place which will robustly manage the contract and ensure the desired outcomes are achieved.

6. Financial impact

6.1 The total value of the commission that is proposed to be procured through the Professional Services Framework via direct award to the rank one supplier under Lot 11 - Multi-Discipline Design Team Services will be £1,853,073. This will be funded through the HRA capital budget.

6.2 The percentage fee of £1,853,073 being 9.013% of the client's budgeted contract sum in respect of the project which is based on an anticipated construction cost of £20,560,000.

6.3 The fee level is in line with the Council's Professional Services Framework procured rate and the total sum to be paid to the consultants under this commission will not exceed £1,853,073.

7. Stakeholder/Community Impact

7.1 Engagement with tenants in these blocks will be an essential requirement of the commission. The outputs of the commission will ultimately have a positive impact on tenants lives as the overall WHR approach and wider block improvements and upgrades will significantly improve the thermal performance of both blocks. Along with improved energy performance tenants' homes will also be better ventilated with improved air quality. Outside of tenants homes the blocks will be significantly improved with upgraded communal areas, landscaping and improvements to mechanical and electrical services. Overall, both blocks will be brought up to a more modern standard making them safer, more accessible and ultimately more welcoming for tenants and visitors.

7.2 The Professional Services Framework operates a points system in relation to Community Benefits. The value of points this commission will generate is 100 points. Following approval to award this contract, F&G will be required to identify appropriate community benefits to the value of the points generated.

8. Background reading/external references

8.1 Award of Contract for Professional Services Framework - Finance and Resources Committee - 29 October 2020.

8.2 2023/24 Housing Revenue Account (HRA) Capital Programme - Housing, Homelessness and Fair Work Committee – 9 March 2023

8.3 Housing Sustainability Approach Update - Housing, Homelessness and Fair Work Committee - 3 June 2021.

8.4 Housing Revenue Account (HRA) Budget Strategy 2023/24 – 2032/33 – City of Edinburgh Council Committee – 23 February 2023.

9. Appendices

9.1 None.

Finance and Resources Committee

10.00am, Friday, 10 March 2023

Homelessness Services – Use of Temporary Accommodation

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

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 Approve, through a waiver of the Council's Contract Standing Orders (CSOs), extending 39 current contracts for the provision of temporary accommodation. The cost is expected to be up to £16,798,306. This relates to £3,164,153 for the period 1 April 2023 to 30 June 2023 for bed and breakfast (B&B) providers and £13,634,153 for the period 1 April 2023 to 31 March 2024 for other accommodation providers Appendix 1 (B Agenda).

1.1.2 Note that the values requested per provider are indicative only and are dependent on accommodation requirements, therefore Committee is asked to grant delegated authority to the Executive Director of Place to adjust (within the agreed budget) the values between the named providers as necessary depending on need, type, and appropriateness of properties available from these providers.

Paul Lawrence

Executive Director of Place

Contact: Jill Thomson, (Interim) Head of Homelessness

E-mail: Jill.Thomson@edinburgh.gov.uk

Report

Homelessness Services – Use of Temporary Accommodation

2. Executive Summary

2.1 During the COVID-19 emergency, the Council was required to significantly increase the amount of temporary accommodation available to meet demand. The 2023/24 approved budget reflects expected reductions in the amount of temporary accommodation required. However, the estimated requirement exceeds what has been contracted through the Flexible Purchasing System (FPS) to date and there is a requirement to extend some existing agreements to allow the Council to meet its statutory duty to accommodate people who are homeless.

2.2 This report seeks approval, through a waiver of the Council's Contract Standing Orders (CSOs), to extend 39 current contracts for the provision of temporary accommodation. The cost is expected to be up to £16,798,306. This relates to £3,164,153 for the period 1 April 2023 to 30 June 2023 and £13,634,153 for the period 1 April 2023 to 31 March 2024 (the affected contracts are noted in Appendix 1 (B Agenda).

3. Background

3.1 During the COVID-19 emergency, the Council was required to significantly increase the amount of temporary accommodation available to meet demand. Pre-pandemic there were 3,570 households in temporary accommodation, and this has risen to 4,730 as at January 2023, an increase of 32%. In addition, the Council is providing 65 rooms at the Welcome Centre to support rough sleepers.

3.2 Throughput from temporary accommodation services slowed during the pandemic across all tenures including alternative temporary accommodation, the private rented sector and social housing. This position is improving but has yet to return to pre-pandemic levels.

4. Main report

4.1 This request reflects the current level of demand for temporary accommodation but incorporates the expected financial benefits from mitigating actions being implemented. This includes an increase in the number of Council owned properties available for temporary and settled accommodation, continued increases in the number of Private Sector Leasing (PSL) properties, reductions in the number of households with No Recourse to Public Funds (NRPF), and the impact of the continuation and extension of preventative services.

4.2 This report seeks approval to continue to use 39 current providers on a spot purchase basis to meet demand. The cost is expected to be £16,798,306. This relates to £3,164,153 for the period 1 April 2023 to 30 June 2023 for B&B providers and £13,634,153 for the period 1 April 2023 to 31 March 2024 for other accommodation providers. The B&B requirements from July onwards will be assessed over the coming months taking account of demand and the progress of the mitigating actions identified.

4.3 The number of spot purchases will reduce over time as contract awards for providers who have been admitted to the FPS are made, negating the ongoing need for spot purchases.

5. Next Steps

5.1 Further work to establish B&B requirements from July 2023 onwards will be undertaken and a report will be presented to committee in June 2023 setting these out for the remainder of the year.

6. Financial impact

6.1 This request is for £3,164,153 for the period of 1 April to 30 June 2023 for B&B providers and £13,634,153 for the period 1 April 2023 to 31 March 2024 for other accommodation providers. The total request to date is £16,798,306 as detailed in Appendix 1 (B Agenda).

6.2 The cost of £16,798,306 can be contained within the 2023/24 approved budget. The requirement takes account of expected reductions in the amount of temporary accommodation required as set out in 4.1 above.

7. Stakeholder/Community Impact

7.1 This is an update report and did not require any specific stakeholder engagement.

8. Background reading/external references

8.1 Homelessness Services – Use of Temporary Accommodation - Finance and Resources Committee, 10 November 2022.

9. Appendices

9.1 Appendix 1 – B Agenda – Waivers for temporary accommodation for the period 1 April 2023 to 31 March 2024.

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

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Finance and Resource Committee

10.00am, Friday, 10 March 2023

Award of Contract for a Local Heat and Energy Efficiency Strategy and Delivery Plan for Edinburgh

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

1. Recommendations

1.1 It is recommended that the Finance and Resources Committee approves:

1.1.1 The award of a contract for a Local Heat and Energy Efficiency Strategy and Delivery Plan for Edinburgh to Turner and Townsend Consultancy Limited at a total value of £82,215; and

1.1.2 The commencement of the contract on 14 March 2023 for an initial period of one year with two optional three-month extensions undertaken at the sole discretion of the Council.

Paul Lawrence

Executive Director of Place

Contact: Kyle Drummond, Programme Development Officer

E-mail: kyle.drummond@edinburgh.gov.uk | Tel: 0131 529 4849

Report

Award of Contract for a Local Heat and Energy Efficiency Strategy and Delivery Plan for Edinburgh

2. Executive Summary

2.1 This report seeks approval to award a contract for the provision of a Local Heat and Energy Efficiency Strategy and Delivery Plan for Edinburgh to Turner and Townsend Consultancy Limited at a total value of £82,215.

2.2 Committee is also asked to approve the commencement of the contract on 14 March 2023 for a period of one year with two optional three-month extensions at the sole discretion of the Council.

3. Background

3.1 The Council requires a contract to support the preparation of a Local Heat and Energy Efficiency Strategy and Delivery Plan for Edinburgh, to be published by 31 December 2023. This is a legal duty under the Local Heat and Energy Efficiency Strategies (Scotland) Order 2022.

3.2 The Strategy will set out the long-term plan for decarbonising heat in buildings and improving their energy efficiency across the entire city. The Delivery Plan will set out how the Council proposes to support the implementation of the Strategy. Both documents relate to the national targets of achieving net zero carbon status by 2045 and eradicating fuel poverty by 2040.

3.3 The process to prepare the Strategy and Delivery Plan comprises of eight stages, of which the Council has completed stages one and two. This contract award is to complete and deliver stages three to eight with support from specialist consultant services.

3.4 The role of the consultant is principally to provide technical input, producing the outputs required and carrying out analysis and assessment to identify pathways/actions, providing an accompanying textual narrative and prepare the content required for the Strategy and Delivery Plan.

4. Main report

4.1 On 21 December 2022, Commercial and Procurement Services (CPS) published a Contract Notice, as set out in Public Contracts (Scotland) Regulations 2015, via a mini competition utilising ESPO Consultancy Services Framework 664_21, Lot 8b Environmental and Sustainability, with a tender submission deadline of 2 February 2023.

4.2 A total of 47 organisations were invited to tender and three tender responses were received.

4.3 To identify tenders offering Best Value, the tender evaluations included an emphasis on quality as well as price and submissions were assessed on the basis of the most economically advantageous tender.

4.4 A cost/quality ratio of 40/60 was applied, to ensure that quality was of a high standard and to encourage competitive submissions.

4.5 A summary of the tender process is attached at Appendix 1 and the recommendation for award of contract is based upon completed evaluation scores for the tenders as detailed below:

Tenderer	Price score % (out of 40)	Quality Score % (out of 60)	Combined % (out of 100)
Turner and Townsend Consultancy Limited	32.36	60.00	92.36
Tenderer B	40.00	34.50	74.50
Tenderer C	21.64	45.00	66.64

5. Next Steps

5.1 Subject to approval, the contract will commence on 14 March 2023 for a one-year period with two optional three-month extensions.

5.2 This contract will carry out the final stages and ensure completion of the Strategy and Delivery Plan in order for the Council to comply with the Local Heat and Energy Efficiency Strategies (Scotland) Order 2022.

5.3 The contract will be managed by the Commercial Development and Investment team and a contract manager will be nominated. The contract manager will support implementation and contract management delivery throughout the contract lifecycles and be supported by the Contracts and Grant Management Team (CAGM).

5.4 All efficiencies identified in the procurement process should be delivered by the contract manger through proactive contractor engagement monitoring of management information, application of key performance indicators and tracking of relevant budgets.

6. Financial impact

6.1 The total contract value is £82,215 which is £17,785 less than the project budget of £100,000.

6.2 There is a saving of approximately £41,000 based on the difference between Turner and Townsend Consultancy Limited and the lowest scoring tender.

6.3 The costs of the contract will be met from the ringfenced funding from the Scottish Government provided to the Council (and all other Local Authorities) to support the development and implementation of the Strategy. The Council has been provided with £75,000 per annum for the period 2022/23 to 2027/2028; dispensation has been granted for the funding for 2022/23 to be carried into 2023/2024, meaning there will be a budget of £150,000 available for Local Heat and Energy Efficiency Strategy-related costs in 2023/24 which will be sufficient to meet the costs of the contract and other associated costs.

6.4 The total costs associated with procuring this contract are estimated to be from £10,001 to £20,000.

7. Stakeholder/Community Impact

7.1 This contract is necessary to ensure the Council complies with its statutory duty.

7.2 The Local Heat and Energy Efficiency Strategy and Delivery Plan will support the Council to meet the targets of achieving net zero carbon status by 2045 and eradicating fuel poverty by 2040. The Strategy will provide a basis for identifying pathways to decarbonising all buildings in Edinburgh via improved energy efficiency and decarbonised heat. It will identify prospective heat network zones in Edinburgh, helping unlock the delivery of heat networks. The Strategy will therefore play a key role in the achievement of Edinburgh’s net zero carbon targets.

7.3 Guidance published by the Scottish Government sets out rigorous expectations around consultation on the Strategy. Extensive consultation on the Local Heat and Energy Efficiency Strategy will be undertaken with residents and other stakeholders throughout 2023.

7.4 Turner and Townsend Consultancy Limited will pay staff the real Living Wage, the organisation is an accredited Living Wage employer.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 Appendix 1 - Summary of Tendering and Tender Evaluation Processes.

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	**Local Heat and Energy Efficiency Strategy and Delivery Plan for Edinburgh**	
Contract period (including any extensions)	The contract period is one year with two optional three month extensions and will commence on 14 March 2023.	
Estimated Contract Value (including extensions)	£82,215	
Procurement Route Chosen	Mini Competition utilising ESPO Consultancy Services Framework 664_21, Lot 8b Environmental and Sustainability	
Tenders Returned	Three	
Name of Recommended Supplier(s)	Turner & Townsend Consultancy Limited	
Price / Quality Split	**Price 40%**	**Quality 60%**
	Quality	**60%**
	Consultants Methodology Statement	40%
	Project Team	30%
	Programme	30%
	Fair Work Management Information	N/A
Evaluation Team	Council Officers from Place, Sustainable Development.	

Finance and Resources Committee

10.00am, Friday, 10 March 2023

Children's Social Care Safeguarding Support

Executive	
Wards	**All**
Council Commitments [**34**]	

1. Recommendations

1.1 It is recommended that the Finance and Resources Committee:

1.1.1 Approves the extension to the waiver for Children's Social Care Safeguarding Support to Pertemps Professional Recruitment Limited for a total value of £246,000.

Amanda Hatton

Executive Director of Education and Children's Services

Contact: Rose Howley, Senior Manager - Children's Services

E-mail: Rose.Howley@edinburgh.gov.uk

Report

Children's Social Care Safeguarding Support

2. Executive Summary

2.1 This report sets out the activity carried out by the Children's Social Care Safeguarding Support Bridging Team and the reasons why this is expected to continue beyond the original estimated date. The extension will impact on contractual arrangements including the requirement to waive the Contract Standing Orders for a short period of time until this area of work is complete.

3. Background

3.1 In line with the Promise, and the strategic direction from Edinburgh Children's Partnership to prioritise expenditure on prevention and early intervention, Children's Services, Education and Justice Directorate commissioned a safeguarding support Bridging Team to provide additional capacity for the duration of twelve weeks. A departure from Contract Standing Orders for Pertemps Professional Recruitment Ltd was approved within Delegated Authority limits.

3.2 To provide additional capacity and support to the Children's Services teams, on 28th November 2022, City of Edinburgh Council entered an agreement with Pertemps Professional Recruitment Limited for the supply of a Bridging Team comprised of the following

- 1 Team Manager to oversee the work, statutory KPIs, weekly reporting and outcome monitoring, professional supervisions
- 1 Assistant Team Manager – to work with existing managers, to provide advice and guidance to the workers on re-assessing, to provide advice on recommendations, QA, and oversight of performance/timescale
- 4 Social Worker – to provide additional capacity and model timely decision making within social care direct.
- 4 Social Worker – to provide a duty team – 10-day assessments to enable a reduction in children awaiting a service.

3.3 In January 2023, the Bridging team produced a mid-term report which identified the need for longer term support and additional capacity, to ensure a safe service provision at the point of referral in social care direct and to ensure practice teams can allocate all children to a social worker as part of an improvement plan.

4. Main report

4.1 The safeguarding support Bridging Team was commissioned as part of the wider plan to strengthen services, provide early intervention to children in need, and prevent escalation to full time accommodation.

4.2 In January 2023, following six weeks of intense collaboration, the Bridging Team produced a mid-term report highlighting the need for additional resources to allow the discharge of statutory duties, given the number of unallocated children, some being child protection cases requiring social workers' intervention.

4.3 The priority of addressing the allocation of child protection cases impacted both on the ability of the Bridging Team to progress the project activity according to initial timescales, and on the scope for the Director to conclude and progress recommended actions towards improvement.

4.4 The proposed extension of the support was discussed with the Corporate Leadership Team who agreed to progress. Not extending the waiver would incur the risk of operating with insufficient staff and consequently being unable to discharge statutory duties in a timely manner.

3.3 Committee approval is therefore being sought to waive the Council's Contract Standing Orders and extend the service provided by Pertemps Professional Recruitment Ltd to ensure the continuity and the completion of the project. This is in the interest of the safety of the children and young people in Edinburgh.

5. Next Steps

5.1 Extension to the current arrangements will ensure continuity of the work and necessary support to the existing resources towards the implementation of an improvement plan.

5.2 During this time, tried and tested improved ways of working will be modelled with managers in social care direct to ensure managerial oversight, which promotes timely decision making and early intervention for children, young people, and families.

5.3 An improvement plan, is in place to manage workflows, allocation and progress timely support for children, young people, and families. This will bring a close to the need for the additional support.

5.4 A formal report will be submitted to Education, Children and Families Committee for consideration of the resources required to implement the improvement plan.

6. Financial impact

6.1 The estimated waiver extension value is £246,000. All proposed arrangements are within existing budgetary provision levels.

6.3 The requested waiver extension secures Best Interests for the Council in its ultimate balance, ensuring the best outcomes for the children and the young people in the interest of the Local Authority and its community.

7. Stakeholder/Community Impact

7.1 There has been no community engagement due to the sensitivity of the information shared by the Bridging Team.

7.2 It is acknowledged that keeping children safe and nurtured, preventing escalation to more intensive resources, is in the interest of the Community.

8. Background/External Reading

None.

9. Appendices

None.

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

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