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Notice of meeting and agenda

Finance and Resources Committee

10.00am, Tuesday, 21st November, 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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

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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

5. Forward Planning

6. Business Bulletin

7. Executive Decisions

from the City of Edinburgh Council

8. Routine Decisions

8.13	Barnton Quarry Nuclear Bunker – Variation of Servitude – Report by the Executive Director of Place	539 - 542

9. Motions

9.1 None.

10. Resolution to Consider in Private

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

11. Private Reports

11.1	Miscellaneous Debts Write Off Report – 6 Monthly Operational Update – Report by the Executive Director of Corporate Services	543 - 550

Nick Smith

Service Director, Legal and Assurance

Committee Members

Councillor Mandy Watt (Convener), Councillor Marco Biagi, Councillor Graeme Bruce, Councillor James Dalgleish, Councillor Phil Doggart, 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 Taylor Ward, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, email taylor.ward@edinburgh.gov.uk / louise.p.williamson@edinburgh.gov.uk.

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Minutes

Finance and Resources Committee

10.00am, Thursday 21 September 2023

Present

Councillors Watt (Convener), Biagi, Bruce, Doggart, Dalgleish, Macinnes, Mattos-Coelho (substituting for Councillor Nicolson for items 16-36), Mumford, Nicolson, Ross, Staniforth and Younie.

1. Deputations

Unison
(in relation to Item 9.1 on the agenda – Motion by Councillor Mumford – Workers and Covid)

The deputation welcomed Councillor Mumford's motion on workers and covid as a starting point as it had been the first positive move by the Council in almost two years on the impact COVID had had on staff, service users and pupils and they stressed that over the past three and a half years, they had raised numerous concerns about the way, as an employer, the Council had provided protection for them from covid.

The deputation indicated that the Council had to prepare for the next COVID variant, which might bypass vaccines which were no longer available to workers and the general public and felt that this highlighted the further inequalities of the pandemic.

(see item 34 below)

2. Minutes

Decision

To approve the minute of the Finance and Resources Committee of 20 June 2023 as a correct record.

3. Work Programme

The Finance and Resources Committee Work Programme for September 2023 was presented.

Decision

To note the Work Programme.

(Reference – Work Programme of 21 September 2023, submitted.)

4. Rolling Actions Log

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

Decision

1) To agree to close **Action 9 -** Public Holiday – 8 May 2023 – Celebrating His Majesty, the King

2) To ask officers to provide a briefing note on how the follow up from Action 9 (Public Holiday – 8 May 2023 – Celebrating His Majesty, the King) would be taken forward

3) To otherwise note the Rolling Actions Log.

(Reference – Rolling Actions Log of 21 September 2023, submitted.)

5. Business Bulletin

The Finance and Resources Committee Business Bulletin for September 2023 was presented.

Decision

1) To ask for an update in the next business Bulletin on the ongoing plan for participatory budgeting.

2) To otherwise note the Business Bulletin.

(Reference – Business Bulletin of 20 June 2023, submitted.)

6. Revenue Monitoring 2023/24 - Month Three Report

Details were provided out the projected Council-wide revenue budget position for the year, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year which at this stage, was projecting an overall overspend of £13.2m. Without the identification of additional mitigating actions, this would require full application of the 2022/23 audited underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures for future years.

There was also the potential for further risks to emerge during the remainder of the year, particularly in respect of the 2023/24 non-teaching employee pay award and given all of these factors, it was recommended that no additional commitments should be taken on until the underlying position had improved.

Motion

1) To note that, as of month three, an overall overspend of £13.2m was being forecast.

2) To note that, without the identification of additional mitigating actions, this would require full application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures in future years.

3) To note the potential for further 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.

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

5) Notes the Edinburgh Integration Joint Board's net funding gap of £16.7m despite the agreement of the full programme of savings presented at the EIJB meeting in June 2023.

6) Notes that, since this Programme was agreed, the funding gap has increased significantly and an accurate representation of the current financial position has not yet been presented to the EIJB, with this scheduled for the 21 September 2023.

7) Notes that, despite the growing pressures, the Finance and Resources Committee has had limited involvement up to this point with the detail and context of this position.

8) Therefore, agrees to defer the report to a special meeting of the Finance and Resources Committee, to be scheduled for 9 October 2023, where the report will be scrutinised in full, with full understanding of each Directorate's pressures, and referred to the next Full Council meeting on 2 November 2023 for formal decision.

9) Agrees that, in the interim, briefing sessions will be arranged between the EIJB's Executive Management Team and F&R members to understand and consider the reported budget pressure for 2023/24 and the planned mitigating actions.

- moved by Councillor Watt, seconded by Councillor Dalgleish.

Amendment 1

1) Notes there is a £13.675m underspend from the 2022/23 financial year that Councillors need to decide how to allocate in the public interest.

2) Notes that in addition to the significant financial pressures facing the EIJB and health and social care services, people in Edinburgh are facing a cost of living crisis and the impact of the climate and nature emergencies on the city continue to demand our urgent attention.

3) Therefore agrees for a report to Council in one cycle recommending the allocation of the underspend to tackle all of these priorities, as follows:

    a) £8.35m for Health and Social Care costs and requests that the NHS contribute the same amount to the budget in order to resolve the projected overspend;

    b) £1.9m to make a £200 cost of living direct payment for every child in the city in receipt of free school meals and school clothing grant;

    c) £1m to reintroduce payments through the Tenant Grant Fund, providing direct payments to individuals and families who are in rent arrears and at risk of homelessness or eviction, fully funding previous existing unmet demands on the fund, and offering further payments;

d) £473k to Edinburgh Leisure as a one-off additional payment to cover the immediate implementation of the living wage for workers for this financial year and secure agreement for the company to not deviate from this position in future years;

e) £400k to reinstate the Council's Education Welfare Officers and immediately cancel the service review. This would still require to be funded in the 2024/25 budget to avoid a recurring budget pressure;

f) £550k for climate adaptation measures - including supporting community-led projects & initiatives through expansion of awards via the Community Climate Fund - to build resilience within city infrastructure and ensure we are equipped to deal with the impacts of a changing climate;

g) £1m to ensure RAAC work in non-statutory community buildings like libraries and community centres is able to be complete through the risk assessment process in tandem with school.

4) Notes there is currently a £13.2m projected overspend for the entire 2023/24 financial year and agrees officers work within their departmental and corporate budgets and identify additional mitigating actions, seeking executive committee approval on matters of significant service or policy changes, to prevent recurrence of major decisions affecting residents being taken without proper democratic input.

5) Note the potential for further 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.

6) Note that, in light of the above, updates will be provided to every Finance and Resources Committee as a standing item during the remainder of the 2023/24 financial year.

7) Refer this report to Council to ratify use of the Spend to Save fund to support preparatory work for the Transient Visitor and Workplace Parking Levies.

8) Refer this report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

- moved by Councillor Macinnes, seconded by Councillor Mumford

Amendment 2

1) To note that, as of month three, an overall overspend of £13.2m was being forecast.

2) To note that, without the identification of additional mitigating actions, this would require full application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures in future years.

3) Recognises the additional pressures due to greater than assumed inflation and service demand.

4) Agrees in principle to meet additional financial requirements for 2023/24 in respect of inflationary pressures. Such agreement is subject to further information provided to Committee in one cycle.

5) Does not commit to additional allocation of the 2022/23 underspend to the Edinburgh Integration Joint Board until the EIJB provides additional information in respect of its current financial challenges.

6) Agrees to retain any additional underspend as a reserve until the full financial picture of 2023/24 and 2024/25 is provided to Committee

7) To note the potential for further 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.

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

9) To refer the report by the Executive Director of Corporate Services to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

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

- moved by Councillor Doggart, seconded by Councillor Bruce

In accordance with Standing Order 22(12), Amendments 1 and 2 were adjusted and accepted as addendums to the motion.

Decision

To approve the following adjusted motion by Councillor Watt:

1) To note that, as of month three, an overall overspend of £13.2m was being forecast.

2) To note that, without the identification of additional mitigating actions, this would require full application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures in future years.

3) To note that in addition to the significant financial pressures facing the EIJB and health and social care services, people in Edinburgh were facing a cost of living crisis and the impact of the climate and nature emergencies on the city continued to demand urgent attention.

4) To note the Edinburgh Integration Joint Board's net funding gap of £16.7m despite the agreement of the full programme of savings presented at the EIJB meeting in June 2023.

5) To note that, since this Programme was agreed, the funding gap had increased significantly and an accurate representation of the current financial position had not yet been presented to the EIJB, with this scheduled for the 21 September 2023.

6) To note that, despite the growing pressures, the Finance and Resources Committee had had limited involvement up to this point with the detail and context of this position.

7) To therefore, agree to defer the report to a special meeting of the Finance and Resources Committee, to be scheduled for 9 October 2023, where the report would be scrutinised in full, with full understanding of each Directorate's pressures, and referred to the next Full Council meeting on 2 November 2023 for formal decision.

8) To agree that, in the interim, briefing sessions would be arranged between the EIJB's Executive Management Team and Finance and Resources Committee members to understand and consider the reported budget pressure for 2023/24 and the planned mitigating actions.

9) To recognise the additional pressures due to greater than assumed inflation and service demand.

10) To agree in principle to meet additional financial requirements for 2023/24 in respect of inflationary pressures. Such agreement being subject to further information provided to Committee in one cycle.

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

7. Corporate Services Directorate: Revenue Budget Monitoring 2023/24 – Month Three position

Details were provided on the Corporate Services Directorate forecast of a favourable variance of £0.412m for services delivered by the Directorate in 2023/24, based on the three-month revenue budget monitoring position together with measures which would continue to be progressed to fully deliver approved savings targets and to offset budget pressures to achieve outturn within the approved revenue budget.

Decision

1) To note that the Corporate Services Directorate was forecasting a favourable variance of £0.412m for services delivered by the Directorate in 2023/24.

2) To note that measures would continue to be progressed to fully deliver approved savings targets and to offset budget pressures to achieve outturn within the approved revenue budget for 2023/24.

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 Executive Director of Corporate Services, submitted.)

8. City of Edinburgh Council – 2022/23 Annual Accounts Audit – referral from the Governance Risk and Best Value Committee

The Governance, Risk and Best Value Committee had referred a report on the principal findings arising from the external audit of the Council's 2022/23 financial statements to the Finance and Resources Committee for approval.

Decision

1) To approve the audited annual accounts.

2) To refer the audited annual accounts to the City of Edinburgh Council for noting.

(Reference – Governance, Risk and Best Value Committee of 19 September 2023 (item 7); referral by the Governance, Risk and Best Value Committee, submitted.)

9. The City of Edinburgh Council Charitable Trusts and The City of Edinburgh Council Charitable Funds – Audit of 2022/23 Annual Accounts

An update was provided on the external auditor's view on matters arising from the Charitable Trusts and Charitable Funds audit in compliance with International Standard on Auditing 260. An unmodified (unqualified) audit opinion was expected to be issued on the Trustee's Annual Reports and Accounts for 2022/23.

Decision

1) To approve the Trustee's Annual Reports and Accounts for 2022/23 and note that these would be submitted to the external auditor by no later than 30 September 2023 and to the Office of the Scottish Charity Regulator (OSCR) by 31 December 2023.

2) To note that any relevant additional audit findings would be included in the Council's annual audit report to be considered at the Committee's following meeting on 21 November 2023.

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

10. Revenue Monitoring 2022/23 - Outturn Report

Details were provided on the 2022/23 revenue outturn position for the Council based on the audited annual accounts, indicating an overall in-year underspend of £13.675m

Decision

1) To note that the audited revenue outturn position for 2022/23 showed an overall underspend of £13.675m and that this sum had been set aside in reserves pending members' decision on its allocation.

2) To note the contributions to and from the General Fund in 2022/23 as detailed in the report by the Executive Director of Corporate Services.

3) To note that the Housing Revenue Account was balanced after making a contribution of £2.972m towards in-year and future capital investment.

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

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

11. 2022-23 Common Good Annual Performance Report

The outturn position for the Common Good Fund and the performance of its cash investments for the 2022/23 financial year was present which included updates on the Common Good Property Planned Maintenance Fund, the plans for the 2023/24 financial year and current issues affecting Common Good in Edinburgh.

Decision

To note the report by the Executive Director of Corporate Services.

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

12. Revenue Budget Framework 2024/29 – Progress Update

Details were provided on the outcome of the most recent review of the Council's financial planning assumptions, which pointed to an increased estimated gross savings requirement in 2024/25 of at least £58.6m covering the Council and the Edinburgh Integration Joint Board (EIJB), with further significant incremental funding gaps in the subsequent years of the budget framework. Given this position there was an urgent need to accelerate development of proposals through the Council's Medium-Term Financial Plan (MTFP) and Directorates to address these shortfalls and it was intended that these proposals would therefore be brought forward for consideration through a process of Executive Committee and public engagement, the detail of which would be confirmed in the report to the Committee's next meeting on 21 November 2023.

Decision

1) To note the updates to financial planning assumptions set out in the report by the Executive Director of Corporate Services, which resulted in an increased estimated gross 2024/25 savings requirement of at least £58.6m covering the Council and the Edinburgh Integration Joint Board (EIJB), with further significant incremental funding gaps in subsequent years.

2) To note the potential for an element of this requirement to be met from known and proposed reforms to Non-Domestic Rates and Council Tax but that this remained subject, as appropriate, to national and local policy decisions.

3) To note the resulting urgent needed to accelerate development of proposals through the Council's Medium-Term Financial Plan (MTFP) and from Directorates to address these shortfalls.

4) To note that many of these proposals would involve increasingly difficult choices about the Council's priorities, including service reductions, across all service areas to maintain expenditure in line with available income.

5) To note the intention to bring forward these proposals for consideration through a process of Executive Committee and public engagement, the detail of which would be confirmed in the report to the Committee's next meeting on 21 November 2023.

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

13. 2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy

Details were provided on the capital expenditure and funding outturns for 2022-23, with explanations for key variances, together with the revised capital budget strategy for 2023-33 after factoring in slippage from 2022-23, additional funding and updated cash flow projections from month 3 monitoring.

Decision

1) To note the 2022-23 capital outturn for the Council's General Fund and Housing Revenue Account (HRA), set out in Appendices 1 and 2 to the report by the Executive Director of Corporate Services.

2) To note the Revised Capital Budget for the financial year 2023-33, as set out in Appendices 3 and 4 to the report, for the General Fund and the HRA respectively.

3) To note the Council's Prudential Indicators for the Revised Budget 2023-24, as set out in Appendix 5 to the report.

4) To refer the report to Full Council for approval of the Revised Capital Budget Strategy.

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

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

14. Treasury Management: Annual Report 2022/23

The Treasury Management: Annual Report 2022/23 which provided updates on Treasury Management activity in 2022/23 was presented.

Decision

1) To note the Annual Report on Treasury Management for 2022/23.

2) To remit the report by the Executive Director of Corporate Services to Council for approval.

3) To refer the report to the Governance, Risk and Best Value Committee for their scrutiny.

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

15. Castlegreen and North Merchiston Care Homes – Transfer Update

An update was provided on the transfer of care and employees from Castlegreen and North Merchiston Care Homes which were transferred from Four Seasons Healthcare (FSHC) to the City of Edinburgh Council on the 22 May 2023 and were registered with the Council, and managed by Edinburgh Health and Social Care Partnership.

Decision

To note the report by the Interim Chief Officer, Edinburgh Health and Social Care Partnership and the latest financial position of the Castlegreen and North Merchiston Care Homes, which were transferred from Four Seasons Healthcare to the City of Edinburgh Council on 22 May 2023, and were being managed through the Edinburgh Health and Social Care Partnership.

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

16. Internal Audit: Open and Overdue Internal Audit Actions – Performance Dashboard as at 22 June 2023 – referral from the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee had referred a report on Open and Overdue Internal Audit Actions – Performance Dashboard as at 22 June 2023, which provided an overview of the status of the overdue Internal Audit findings. On 22 June 2023, to the Finance and Resources Committee for information. There were a total of 136 open Internal Audit management actions, with 19 of these overdue.

Decision

To note the report from the Governance, Risk and Best Value Committee.

(Reference – Governance, Risk and Best Value Committee of 1 August 2023 (item 5); referral by the Governance, Risk and Best Value Committee, submitted.)

17. Sustainable Procurement Strategy Annual Report - 2023

The Sustainable Procurement Annual Report was presented which provided an update on the activity and outcomes that had been delivered through the Strategy from 1 April 2022 to 31 March 2023.

Motion

1) To note the report by the Executive Director of Corporate Services and approve the publication of the Sustainable Procurement Strategy Annual Report 2023.

2) To approve the update to the Council's Sustainable Procurement Strategy (2020-2025), with revisions which aligned to the Council Business Plan 2023-2027 and the recently published Public Procurement Strategy for Scotland.

- moved by Councillor Watt, seconded by Councillor Dalgleish

Amendment

1) To note the report by the Executive Director of Corporate Services and approve the publication of the Sustainable Procurement Strategy Annual Report 2023.

2) To approve the update to the Council's Sustainable Procurement Strategy (2020-2025), with revisions which aligned to the Council Business Plan 2023-2027 and the recently published Public Procurement Strategy for Scotland.

3) Requests a briefing note within 3 cycles setting out in more detail how social enterprises are supported through our procurement strategy, including identification of barriers facing social enterprises in the tendering and commissioning process and potential mitigations.

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

Decision

To approve the following adjusted motion by Councillor Watt:

1) To note the report by the Executive Director of Corporate Services and approve the publication of the Sustainable Procurement Strategy Annual Report 2023.

2) To approve the update to the Council's Sustainable Procurement Strategy (2020-2025), with revisions which aligned to the Council Business Plan 2023-2027 and the recently published Public Procurement Strategy for Scotland.

3) To request a briefing note within 3 cycles setting out in more detail how social enterprises were supported through the procurement strategy, including identification of barriers facing social enterprises in the tendering and commissioning process and potential mitigations.

(References – Finance and Resources Committee of 5 March 2020 (item 12); report by the Executive Director of Corporate Services, submitted.)

18. Edinburgh Living – Acquisition of Homes 2023/2024

Approval was sought for the transfer of 220 new build homes from the Housing Revenue Account (HRA) to the Council's mid-market Rent LLP, Edinburgh Living to the Council and the on-lending of funds from the Council to Edinburgh Living to support the purchase of the new homes.

Decision

1) To agree in principle the transfer of 220 homes constructed at Granton as part of the Council's housebuilding programme, from the Housing Revenue Account (HRA), to Edinburgh Living mid-market rent Limited Liability Partnership (LLP), once completed.

2) To delegate authority to the Executive Director of Place to complete the purchase of homes on behalf of the Council as Member of the Edinburgh Living Mid-Market Rent LLP.

3) To note the requirement for the Council:

   a) to lend to the mid-market rent LLP to enable the purchase of all 220 homes;

   b) to provide corresponding capital advances from the Loans Fund based on a repayment profile using the funding/ income method, as set out in Appendix 1 to the report by the Executive Director of Place; and

4) To refer the report to the Council for approval of 3) above.

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

19. Scottish Crown Estate Net Revenue Allocations – Coastal Adaptation

Details were provided on the annual funding from the Scottish Crown Estate for activities to benefit coastal communities which under the current methodology this allocation was approximately £80,000 per annum.

Decision

To agree that Scottish Crown Estate net revenue allocations to the Council for 2023/24 and subsequent financial years be utilised for coastal adaptation activities.

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

20. Asset Management Works Programme 2022/23 Update

An overview of works carried out under the Asset Management Works (AMW) Programme during 2022/23 was provided. The initial five-year period for the AMW Programme had ended in March 2023 with the original budget fully committed and details provided on condition improvements delivered during the five-year programme.

Decision

To note the completion of the five-year Asset Management Works (AMW) programme and delivery of objectives including the overall improved condition of the Council's operational buildings and the full spend of allocated budget.

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

21. Hawthorn Gardens, South Queensferry – Proposed Acquisition of Completed Homes

Details were provided on an opportunity which had arisen to acquire 19 new build homes within the Taylor Wimpey Development at Hawthorn Gardens, South Queensferry and approval was sought for their acquisition on the terms and conditions outlined in the report by the Executive Director of Place. Additional funding for the homes would be provided through Commuted Sums collected from private housing developers within the Ward as part of the Affordable Housing Policy (AHP) and through Council borrowing which would be repaid through the collection of rents.

A verbal update indicated that the number of properties available for acquisition had risen from 19 to 20.

Decision

1) Approve the purchase of 20 new build homes within the Hawthorn Gardens development in South Queensferry, from Taylor Wimpey, subject to completing due diligence and on the terms and conditions outlined in the report by the Executive Director of Place.

2) To note that the purchase of the additional unit would incur an additional cost of £243,250.

3) To note that the purchase was subject to availability of Scottish Government funding for Ukrainian Displaced Persons.

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

Declarations of interest

Councillor Younie declared a non-financial interest in the above item as a neighbour of the properties being discussed, left the room and took no part in the consideration of the item.

22. Workforce Dashboard

Details were provided on the Council's Workforce Data for the period April to June 2023 (Quarter 1).

Decision

To note the information contained in the Workforce Dashboard for the period April to June 2023 (Quarter 1).

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

23. Contract Awards - 1 January-30 June 2023

An update was provided on the scope of contracts awarded across the Council in the period 1 January to 30 June 2023 together with the visibility of contracts awarded by officers under delegated authority, including direct contract awards not openly tendered due to specific circumstances permitted in the relevant procurement regulations and those awarded following a waiver of the Council's CSOs.

Decision

To note the report by the Executive Director of Corporate Services and the contract awards made by officers under delegated authority, in accordance with the Council's Contract Standing Orders (CSOs) and that a further report would be submitted to the Committee in approximately six months' time.

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

24. Public Realm Asset and Works Order Management System - Contract Award via Waiver of CSOs

Details were provided on the contract award for the Asset and Works Order Management System for Operational Services to Brightly Software Limited for 18-months until 30 September 2024, through a waiver of CSOs, at a cost of £481,080.50. This contract had been 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

Decision

1) To note the contract award for Asset and Works Order Management System awarded to Brightly Software Limited, through a waiver of Contract Standing Orders (CSOs), at a cost of £481,080.50. This contract extension 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.

2) To note the intention to procure a long-term strategic partnership, with work underway to scope the requirements of this procurement.

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

25. Waverley Court, 4 East Market Street, Edinburgh – Proposed Occupation by Visit Scotland

Approval was sought to grant a Licence to Occupy to Visit Scotland for 50 desks within Waverley Court for a five-year period from early October 2023 on the terms and conditions outlined in the report by the Executive Director of Place.

Decision

To approve a new a five-year licence to occupy to Visit Scotland for 50 desks within Waverley Court, Edinburgh, on the terms and conditions outlined in the report.

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

25. Festive Lighting - Contract Extension

Details were provided on an urgent decision taken by the Executive Director of Place to extend the existing Festive Lighting contract by one further year due to allow essential and time critical work to be undertaken to ensure festive lighting was in place for communities in 2023.

Decision

1) To note that a one-year extension of the existing festive lighting contract had been agreed by the Executive Director of Place in consultation with the Convener of Finance and Resources and Convener of Culture and Communities under Section 4 of the Committee Terms of Reference and Delegated Functions.

2) To agree to a briefing note being circulated to members on the quality of provision and the value for money the contract was offering.

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

26. Leith Theatre, Ferry Road, Edinburgh – Proposed Lease

Approval was sought for a long-term lease to Leith Theatre Trust (LTT) for the future development and operation of Leith Theatre as an important cultural asset for the city. With the impacts of the Coronavirus pandemic now largely in the past, it was recommended that a long-term lease was the best way to ensure the future success of Leith Theatre and enable the LTT to progress with fundraising.

Decision

To approve a new 50-year lease to the Leith Theatre Trust of Leith Theatre, Ferry Road, Edinburgh, on the terms and conditions outlined in the report by the Executive Director of Place.

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

27. 25B Spylaw Street, Edinburgh- Proposed Lease Extension

Approval was sought to grant a new 15-year lease of 25B Spylaw Street to 108th Pentland Scout Group with the agreement running on a year-to-year basis and on the terms and conditions outlined in the report by the Executive Director of Place.

Decision

To approve a new 15-year lease to the 108th Pentland Scout Group at 25B Spylaw Street, Edinburgh, on the terms and conditions outlined in the report.

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

28. 42 King's Haugh, Prestonfield Park Industrial Estate, Edinburgh - Proposed Lease Extension to the City of Edinburgh Council

Approval was sought for a 25-year lease extension to Assisted Technology Enabled Care24 (ATEC24) for the industrial property at 42 King's Haugh, Edinburgh with the lease expiring on 27 November 2023, on the terms and conditions outlined in the report by the Executive Director of Place.

Decision

To approve a 25-year lease extension for the provision Assisted Technology Enabled Care 24 (ATEC24) services at 42 King's Haugh, Edinburgh, on the terms and conditions outlined in the report.

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

29. 244 Canongate, Edinburgh – Proposed New Lease

Approval was sought to lease the vacant shop unit at 244 Canongate to the Wine and Spirit Group on the terms and conditions outlined in the report by the Executive Director of Place.

Decision

To approve a new 20-year lease to the Wine and Spirit Group at 244 Canongate, Edinburgh on the terms and conditions outlined in the report.

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

30. 21(10) Observatory Road, Edinburgh - Proposed New Lease

Approval was sought for the grant of a new 20-year lease of the outdoor car park known as 21(10) Observatory Road to the Science and Technology Facilities Council on an annual basis on the terms and conditions outlined in the report by the Executive Director of Place.

Decision

To approve a new 20-year lease to the Science and Technology Facilities Council of the outdoor car park at 21(10) Observatory Road, Edinburgh on the terms outlined in the report.

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

31. Land adjacent to 3 Murrayburn Grove, Edinburgh- Proposed Community Asset Transfer

Approval was sought to dispose of land adjacent to 3 Murrayburn Grove, Edinburgh to Wester Hailes Community Gardeners on terms as specified in the Community Asset Transfer (CAT) request which were outlined in the report by the Executive Director of Place The proposed sale was a CAT under Part Five of the Community Empowerment (Scotland) Act 2015..

Decision

To approve the disposal of land adjacent to 3 Murrayburn Grove, Edinburgh 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.)

32. Award of Legal Services Framework

Approval was sought to award a six lot framework agreement for legal services to eight legal firms: Anderson Strathern LLP, Brodies LLP, Clyde & Co LLP, CMS Cameron McKenna Nabarro Olswang LLP, DWF LLP, Harper Macleod LLP, Morton Fraser LLP and Shepherd and Wedderburn LLP, to commence on 21 December 2023 for an initial period of two years, with two further optional 12 month extensions, at a total estimated value of £26.3m.

Decision

1) To approve the award of a framework for Legal Services to eight legal firms, over six lots: Anderson Strathern LLP, Brodies LLP, Clyde & Co LLP, CMS Cameron McKenna Nabarro Olswang LLP, DWF LLP, Harper Macleod LLP, Morton Fraser LLP and Shepherd and Wedderburn LLP.

2) To approve the commencement of the framework on 21 December 2023 for an initial period of two years, with two further optional 12 month extensions, at an estimated total value of £26.3m (noting that £7m related to City of Edinburgh Council estimated spend, with the remainder relating to other participant authorities' spend).

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

Declarations of interest

Councillor Biagi made a transparency statement as he was acquainted with a number of employees of the companies being discussed.

33. Procurement Delivery Plan 2023/2024 September Update

Details were provided on planned procurement activity to allow time for elected members to ask questions about the procurement strategy at an early stage.

Decision

To note the report by the Executive Director of Corporate Services and the update to current procurement exercises in Appendix 1 to the report and expiring contracts detailed in Appendix 2 to the report.

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

34. Motion by Councillor Mumford – Workers and Covid

The following motion by Councillor Mumford was submitted in terms of Standing Order 17:

"Committee:

1) Notes with concern the increased rates of Coronavirus in Scotland, and especially the spread of new variant BA.2.86 in Edinburgh;

2) Notes that for many people, particularly disabled and clinically vulnerable people, the pandemic has never gone away, and that the lack of precautions and guidance has a significant impact on their lives and freedoms;

3) Recognises that many people are still impacted by long-covid, affecting their capacity for full-time work and/or study;

4) Notes that the Covid Pledge is intended to protect workers, service users and customers from Covid-19 through health and safety law, risk assessments and following best practice public health advice.

Therefore

5) Requests a report within one cycle setting out:

    a) the current protections and guidance for workers, service users and residents from Covid-19;

    b) any future plans or precautions Edinburgh Council has around Covid-19 which go beyond the commitment to follow national guidance;

    c) the implications for the Council of signing and implementing the Covid Pledge (covidpledge.uk)."

- moved by Councillor Mumford, seconded by Councillor Staniforth

The Council had heard a deputation from UNISON on this issue (see item 1 above).

Decision

To approve the motion by Councillor Mumford.

35. Liberton High School

The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraphs 8 and 9 of Part 1 of Schedule 7(A) of the Act.

An update was provided and approval sought for the award of the contract for the construction of the replacement Liberton High School.

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.)

36. Valedictory – Hugh Dunn,

Councillor Watt paid tribute to Hugh Dunn, Service Director, Finance and Procurement, Committee Manager, who was retiring after 37 years local government service. She commended Hugh’s support to the democratic process and Councillors and his calm professional approach in fulfilling his role. She thanked him for his outstanding contribution to the Council business and on behalf of the Committee, she wished him well for a lengthy and enjoyable retirement.

Minutes

Finance and Resources Committee

10.00am, Monday 23rd October 2023

Present

Councillors Watt (Convener), Biagi, Doggart, Dalgleish, Macinnes, Mowat (substituting for Councillor Bruce), Mumford, Nols-McVey (substituting for Councillor Nicolson), Ross, Staniforth and Younie.

1. Point of Order – Standing Order 22.15 (40 Minute Rule)

Decision

To agree to suspend Standing Order 22.15 (40 minute rule) during consideration of Item 7.1 on the Agenda - Revenue Monitoring 2023/24 - Month Three Report.

(See Item 3 below.)

2. Deputations

a) Unite the Union/UNISON/EIS
(in relation to Item 7.1 on the agenda – Revenue Monitoring 2023/24 – Month Three Report)

The deputation were concerned that the potential deletion of the Education Welfare Officer (EWO) service was deeply flawed and based on a misunderstanding of their role. They believed that this would impact the Council's ability to meet statutory commitments and leave some of the city's most vulnerable children and families without adequate support. They deputation asked that the EWO review be halted until the wider inclusion services review had taken place.

The deputation indicated that they felt that the initial consultation with Headteachers was flawed and stressed that there was no capacity within schools to take on the work currently carried out by the EWOs and that it was important that this services be retained.

(see item 3 below)

b) Unison
(in relation to Item 7.1 on the agenda – Revenue Monitoring 2023/24 – Month Three Report)

The deputation felt that there had been inadequate funding provided for the Edinburgh Health and Social Care Partnership and that the Council needed to be united with it's workforce and the trade unions going forward. They urged the

Committee to recognise that the city's old, young and vulnerable would suffer without these services and the people who supported and guided them. The deputation stressed that the decisions taken would decide how to move forward to set the template for the next year's budget.

(see item 3 below)

c) **Unite Edinburgh Not for Profit Branch**
(in relation to Item 7.1 on the agenda – Revenue Monitoring 2023/24 – Month Three Report)

The deputation were concerned about the worsening social care crisis in Edinburgh and how the Edinburgh integration Joint Board was going to deal with it. They were surprised that there were no proposals for the Council to make any contribution to the EIJB because its own financial situation.

The deputation indicated that the current crisis in Edinburgh would be made worse by the proposals contained in the report by the Executive Director of Corporate Services and stressed that the health and safely of care staff and clients was at risk. They believed that the Council had the responsibility for the future of social care in Edinburgh and not the EIJB.

(see item 3 below)

3. Revenue Monitoring 2023/24 - Month Three Report

The Committee had continued consideration of the projected Council-wide revenue budget position for the year, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year which at this stage, was projecting an overall overspend of £13.2m, to a special meeting of the Finance and Resources Committee where this could be scrutinised in full, with full understanding of each Directorate's pressures

An update was provided on the first Council-wide in-year revenue monitoring report for 2023/24.

Motion

1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.

2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in-year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.

3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.

4) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.

5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

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

8) Asks officers to pro-actively engage with Edinburgh Leisure to consider all possible options towards paying the real living wage and making it sustainable going forward, in recognition of the contribution that Edinburgh Leisure's staff make to the health and wellbeing of Edinburgh's residents and visitors.

9) Affirms our commitment to inclusion and high attendance in our schools and that the skills and experience of our EWOs (Education Welfare Officers) should be retained within our inclusion work, as set out in the original budget proposal details.

- moved by Councillor Watt, seconded by Councillor Dalgleish

Amendment 1

1) Committee expresses deep concern about the situation facing the IJB and notes that to undertake any actions within the proposed recovery plan risks damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh.

2) Committee acknowledges the work done to date on the Medium Term Financial Plan for the IJB, and that continuation of this must be the priority going forward.

3) Committee agrees that in order that this situation should not arise again:

    a) IJB funding including updates on the deficit and progress on the Medium Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;

    b) Council officers should work with IJB officers to see how budget timings and processes can be brought into closer alignment including ensuring that IJB budgets are available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;

    c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year;

4) Finally, Committee firmly believes the NHS should also contribute to the projected overspend and therefore instructs CEC officers and the Chief

Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council are preventative, contributing to a reduction in overall NHS spend.

5) Welcomes the work done by Council officers to identify uncommitted resources from various service areas and notes that we are now close to being able to cover all of the shortfall in IJB and other service areas;

6) Notes that the previous committee recommendations included a recognition of other challenges facing the City of Edinburgh Council outwith health and social care funding;

7) Further notes that these challenges include the fact that 1 in 5 children in Edinburgh are growing up in poverty, and that in-work poverty is a growing issue,

8) Recognises that anti-poverty measures are preventative, and will reduce the pressure felt by health and social care services in Edinburgh;

9) Notes that temporary accommodation costs represent a significant expenditure pressure as set out in the report, and recognises that initiatives to reduce homelessness can help alleviate this pressure;

10) Understands that budgets and service demands are liable to change throughout the year, and that confidence in funding is essential to avoid entering damaging short-term cost saving measures;

11) Therefore agrees that the underspend should be allocated as suggested in the report with the exception of additional allocations of:

    a) £1.9m to repeat the 2022/23 cost of living direct payment for every child in the city in receipt of free school meals and school clothing grant, at the sum of £200;

    b) £1m to reintroduce payments through the Tenant Grant Fund, providing direct payments to individuals and families who are in rent arrears and at risk of homelessness or eviction;

    c) £473k to Edinburgh Leisure as a one-off additional payment to cover the immediate implementation of the living wage for workers for this financial year and secure agreement for the company to not deviate from this position in future years;

    d) £150k to reinstate the Council's Education Welfare Officers and reversing the cuts to this service, and reinstating this service, noting that the report recognises that any 'savings' found from this cut have now been reduced to £250k.

12) Recognises that use of reserves will require further discussion after referral to Full Council and renumbers accordingly.

13) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.

14) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

15) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

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

-moved by Councillor Macinnes, seconded by Councillor Mumford

Amendment 2

1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.

2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in-year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.

3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.

4) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.

5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

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

8) Recognises the deeply concerning 2023/24 financial position of the Edinburgh Integration Joint Board's (EIJB's) Health and Social Care Partnership, with the Council being expected to fund a budgeted overspend of £14.2m.

9) Notes the unpublished, EIJB special measures proposals that could be needed to break even in the current year. And further notes that such measures could require extensive cuts to social care packages and critical services, with related impacts on staff, affecting a range of vulnerable service users and their carers.

10) Agrees

    i) it is essential for the adequate provision of social care services in Edinburgh that the EIJB’s Medium Term Financial Strategy (MTFS) is brought back on track; and

    ii) that the cuts to essential social care services, proposed in the EIJB’s special measures plan, are to be avoided.

11) Calls on NHS Lothian to provide an annual financial contribution, in recognition of NHS costs saved, towards the cost of the EIJB’s preventative spending to reduce delayed hospital discharges and allow elderly and disabled people to return to their communities.

12) Requests greater oversight by the Council’s Finance & Resources Committee (F&R) of the implementation of the EIJB’s MTFS and instructs officers to ensure that F&R has an update to every meeting for as long as necessary, outlining MTFS progress and setbacks that affect the Council, and input to the EIJB’s annual budget process with a view to setting a balanced budget for the Council's share of proposed EIJB spending in 2024/25.

13) Agrees that the Council’s 2022/23 underspend of £13.3m and additional resource of £0.9m be made available, only to the extent required and no more, to meet the projected 2023/24 EIJB overspend of £14.2m.

-moved by Councillor Ross, seconded by Councillor Younie

Amendment 3

1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.

2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in-year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.

3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee’s next meeting on 21 November.

4) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.

5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years’ financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

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

8) Committee is concerned at the additional expenditure pressures at this stage of the financial year and recognises the need to reform the delivery of Council services to reduce the likelihood of future year pressures;

9) Committee expresses deep concern about the situation facing the IJB and notes that to undertake any actions within the proposed recovery plan risks damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh;

10) Committee acknowledges the work done to date on the Medium-Term Financial Plan for the IJB, and that continuation of this must be the priority going forward;

11) Committee agrees that in order that this situation should not arise again:

    a) IJB funding including updates on the deficit and progress on the Medium-Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;

    b) Council officers should work with IJB officers to see how budget timings and processes can be brought into closer alignment including ensuring that IJB budgets are available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;

    c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year;

12) Finally, Committee firmly believes the NHS should also contribute to the projected overspend and therefore instructs CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council are preventative, contributing to a reduction in overall NHS spend.

-moved by Councillor Doggart, seconded by Councillor Mowat

In accordance with Standing Order 22(12), Amendments 2 and 3 were accepted as addendums to the Motion.

Voting

The voting was as follows:

For the Motion ((as adjusted)	-	6 votes
For Amendment 1	-	5 votes

(For the Motion (as adjusted): Councillors Dalgleish, Doggart, Mowat, Ross, Watt and Younie.

For Amendment 1: Councillors Biagi, Macinnes, Mumford, Nols-McVey and Staniforth.)

Decision

1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.

2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in-year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.

3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.

4) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.

5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

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

8) To ask officers to pro-actively engage with Edinburgh Leisure to consider all possible options towards paying the real living wage and making it sustainable going forward, in recognition of the contribution that Edinburgh Leisure's staff make to the health and wellbeing of Edinburgh's residents and visitors.

9) To affirm the commitment to inclusion and high attendance in schools and that the skills and experience of EWOs (Education Welfare Officers) should be retained within the inclusion work, as set out in the original budget proposal details.

10) To recognise the deeply concerning 2023/24 financial position of the Edinburgh Integration Joint Board's (EIJB's) Health and Social Care Partnership, with the Council being expected to fund a budgeted overspend of £14.2m.

11) To note the unpublished, EIJB special measures proposals that could be needed to break even in the current year. And further note that such measures could require extensive cuts to social care packages and critical services, with related impacts on staff, affecting a range of vulnerable service users and their carers.

12) To agree

   i) it was essential for the adequate provision of social care services in Edinburgh that the EIJB's Medium Term Financial Strategy (MTFS) was brought back on track; and

   ii) that the cuts to essential social care services, proposed in the EIJB's special measures plan, were to be avoided.

13) To call on NHS Lothian to provide an annual financial contribution, in recognition of NHS costs saved, towards the cost of the EIJB's preventative spending to reduce delayed hospital discharges and allow elderly and disabled people to return to their communities.

14) To request greater oversight by the Council's Finance and Resources Committee (F&R) of the implementation of the EIJB's MTFS and instructs officers to ensure that F&R had an update to every meeting for as long as necessary, outlining MTFS progress and setbacks that affected the Council, and input to the EIJB's annual budget process with a view to setting a balanced budget for the Council's share of proposed EIJB spending in 2024/25.

15) To agree that the Council's 2022/23 underspend of £13.3m and additional resource of £0.9m be made available, only to the extent required and no more, to meet the projected 2023/24 EIJB overspend of £14.2m.

16) To note concern at the additional expenditure pressures at this stage of the financial year and recognise the need to reform the delivery of Council services to reduce the likelihood of future year pressures;

17) To express deep concern about the situation facing the IJB and note that to undertake any actions within the proposed recovery plan risked damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh;

18) To acknowledge the work done to date on the Medium-Term Financial Plan for the IJB, and that continuation of this must be the priority going forward;

19) To agree that in order that this situation should not arise again:

   a) IJB funding including updates on the deficit and progress on the Medium-Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;

   b) Council officers should work with IJB officers to see how budget timings and processes could be brought into closer alignment including ensuring that IJB budgets were available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;

   c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year;

20) To firmly believe the NHS should also contribute to the projected overspend and therefore instruct CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council be preventative, contributing to a reduction in overall NHS spend.

(References – Finance and Resources Committee of 21 September 2023 (item 6); report by the Executive Director of Corporate Services, submitted.)

4. Emergency Motion by Councillor Watt – Council Tax

The Convener ruled that the following item, notice of which had been given at the start of the meeting, be considered as a matter of urgency to allow the Committee to give early consideration to this matter.

The following motion by Councillor Watt was submitted in terms of Standing Order 17:

“In June 2023, the Scottish Government confirmed their commitment to partnership working with Local Authorities through the publication of the Verity House Agreement. The Agreement pledged to deliver regular budgetary engagement between Scottish and Local Government in preparation for the Scottish Budget in December.

Through partnership working, Scottish and Local Government were to work together to ultimately deliver on three key national priorities; ending poverty; transforming the economy through a just transition to deliver net zero, and delivering sustainable person-centred public services.

On 17 October 2023, the First Minister unexpectedly announced the Scottish Government would freeze Council Tax rates for the 2024/25 Financial Year.

The announcement blindsided Local Government, COSLA, and the SNP’s Coalition partners at Holyrood and contradicted the foundations of the Verity House Agreement, diminishing the statement of intent the Agreement pledged for the future of Local Authorities.

On the back of real term income cuts for Local Government, now compounded over several years, the announcement to freeze Council Tax has the potential to exacerbate an already precarious environment and result in the deterioration of publicly run services, which the Agreement was introduced to protect.

As the lowest funded per capita Local Authority in Scotland, the future of the City of Edinburgh Council’s services would be at peril without the support of Council Tax revenue.

COSLA sought immediate input from Councils regarding their forecast for 2024/25 Council Tax increases and this had to be submitted without consulting Councillors, who are ultimately responsible for agreeing a rate. The rate submitted was per the last published forecast and did not reflect the amount required to fully protect services.

Therefore, Committee agrees; that the Chief Financial Officer will write to COSLA – as a matter of urgency – to put on record the rates that would be required to fully protect services; and

That the Convenor will write to the Scottish Government to emphasise Committee's dismay that a decision proposing to reintroduce a council tax freeze without consulting COSLA regarding the impact this would have on local services; and our view that the Verity House Agreement should be adhered to in respect of ring-fencing of funds and both existing and proposed local taxes."

- moved by Councillor Watt, seconded by Councillor

Amendment

To add to the motion by Councillor Watt:

"Notes residents are still living through the effects of the cost-of-living crisis and therefore welcomes and supports the Scottish Government's commitment to freeze the Council Tax to help people across Edinburgh make ends meet."

- moved by Councillor Macinnes, seconded by Councillor Biagi

Voting

The voting was as follows:

For the motion	-	8 votes
For the amendment	-	3 votes

(For the motion: Councillors Dalgleish, Doggart, Mowat, Mumford, Ross, Staniforth, Watt and Younie.

For the amendment: Councillors Biagi, Macinnes and Nols-McVey.)

Decision

To approve motion by Councillor Watt:

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Work Programme

Finance and Resources Committee

21 November 2023

Item	Key decisions	Frequency	Director and Lead Officer	Expected Date
1	Workforce Dashboard	6 monthly Report	Executive Director of Corporate Services Lead Officer: Margaret-Ann Love margaretann.love@edinburgh.gov.uk	March 2024
2	Council Commercial Property Portfolio – Update Report	Committee agreed to receive regular updates, where required, on 29 October 2020	Executive Director of Place Lead Officer: Graeme McGartland graeme.mcgartland@edinburgh.gov.uk	TBC
3	Revenue Monitoring – Council-wide	Quarterly Report	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	January 2024
4	Revenue Budget Risks and Reserves Report	Annual Report	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	January 2024
5	Capital Monitoring – Council-wide	Quarterly Report	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	January 2024

Item	Key decisions	Frequency	Director and Lead Officer	Expected Date
6	Corporate Services Directorate - Revenue Budget Monitoring	Quarterly Report	Executive Director of Corporate Services Lead Officer: Iain Shaw iain.shaw@edinburgh.gov.uk	January 2024
7	Contract Award and Procurement Programme	Six Monthly Report	Executive Director of Corporate Services Lead Officer: Lynette Robertson lynette.robertson@edinburgh.gov.uk	March 2024
8	Revenue Budget 2024/28 – Progress Update	Annual Update Report, incorporating impacts of provisional Local Government Finance Settlement	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	February 2024
9	Capital Budget Strategy 2024/34	Annual Update Report, incorporating impacts of provisional Local Government Finance Settlement	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	February 2024
10	Housing Revenue Account Budget Strategy	Annual Report	Executive Director of Place Lead Officer: Elaine Scott elaine.scott@edinburgh.gov.uk	February 2024
11	Annual Fraud Prevention and Detection	Annual Report	Executive Director of Corporate Services Lead Officer: Nicola Harvey nicola.harvey@edinburgh.gov.uk	November 2024
12	City of Edinburgh Council – 2022/23 Annual Audit Report to	Annual Report	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	September 2024

Item	Key decisions	Frequency	Director and Lead Officer	Expected Date
	the Council and the Controller of Audit – referral from the Governance, Risk and Best Value Committee			
13	The City of Edinburgh Council Charitable Trusts – report to those charged with governance on the 2022/23 audit	Annual Report	Executive Director of Corporate Services Lead Officer: John Aghodeaka john.aghodeaka@edinburgh.gov.uk	September 2024
14	2021/22 Common Good Annual Performance Report	Annual Report	Executive Director of Corporate Services Lead Officer: Craig Fraser craig.fraser@edinburgh.gov.uk	September 2024
15	Annual Treasury Management Strategy 2022/23	Annual Report	Executive Director of Corporate Services Lead Officer: Innes Edwards innes.edwards@edinburgh.gov.uk	September 2024
16	Treasury Mid-Term Report	Annual Report	Executive Director of Corporate Services Lead Officer: Innes Edwards innes.edwards@edinburgh.gov.uk	November 2024
17	Asset Management Works Programme	Annual Report The report is normally presented at the financial year end to update Committee on the	Executive Director of Place Lead Officer: Peter Watton peter.watton@edinburgh.gov.uk	TBC

Item	Key decisions	Frequency	Director and Lead Officer	Expected Date
		outcome of the 12-month programme.		
18	Health and Safety Performance	Annual Report	Executive Director of Corporate Services Lead Officer: Nick Smith nick.smith@edinburgh.gov.uk	June 2024
19	Workforce Control Annual Report	Annual Report	Executive Director of Corporate Services Lead Officer: Nareen Owens nareen.turnbull@edinburgh.gov.uk	Lead Officer has indicated that this report has been superseded by the ongoing quarterly workforce dashboards
20	Commercial and Procurement Annual Report	Annual Report	Executive Director of Corporate Services Lead Officer: Lynette Robertson lynette.robertson@edinburgh.gov.uk	September 2024
21	Appointments to Working Groups	Annual Report	Executive Director of Corporate Services Lead Officer: Taylor Ward taylor.ward@edinburgh.gov.uk	After May 2024
22	Depot Strategy – Phase 2	Requests further reports as progress is made	Executive Director of Place Lead Officers: Gareth Barwell / Peter Watton gareth.barwell@edinburgh.gov.uk / peter.watton@edinburgh.gov.uk	TBC

Item	Key decisions	Frequency	Director and Lead Officer	Expected Date
23	Professional Services Annual Report	Annual Report	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	November 2024
24	Finance and Procurement Annual Policies Assurance	Annual Report	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	November 2024
25	Local Government in Scotland: Financial Overview	Annual Report	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk	June 2024
26	Edinburgh International Conference Centre – Annual Business Plan and KPIs	Annual Report – as agreed by Council March 2023	Executive Director of Place Lead Officer: TBC	TBC
27	Treasury Strategy Annual Report	Annual Report	Executive Director of Corporate Services Lead Officer: Richard Lloyd-Bithell richard.lloyd-bithell@edinburgh.gov.uk Lead Officer: Innes Edwards Innes.Edwards@edinburgh.gov.uk	February 2024

Finance and Resources Committee Upcoming Reports

Appendix 1

Report Title	Directorate	Lead Officer
January 2024		
Revenue Budget Monitoring Month 8 position	Corporate Services	Richard Lloyd-Bithell
Corporate Services Budget Monitoring Month 8 position	Corporate Services	Richard Lloyd-Bithell
Capital Strategy Monitoring Month 8 position	Corporate Services	Richard Lloyd-Bithell
Cost recovery from Commercial Events – Motion by Councillor Ross	Place	Claire Miller
Charging for Events	Place	Claire Miller
RAAC	Place	Peter Watton/Crawford McGhie
Lease of facilities to Craigroyston Community Youth Football Club	Place	Graeme McGartland
Health and Social Care Contract Extension Report	Edinburgh Health and Social Care Partnership	Pat Togher

6 February 2024 (Special Meeting)		
Housing Revenue Account Budget Strategy 2024/25	Place	Lisa Mallon
Revenue Budget Framework and MTFP Progress Update	Corporate Services	Richard Lloyd-Bithell
Revenue Budget Risks and Reserves Report – Annual Report	Corporate Services	Richard Lloyd-Bithell
Revenue Budget 2024/28 – Annual Progress Update	Corporate Services	Richard Lloyd-Bithell
Capital Budget Strategy 2024/34 – Annual Update Report	Corporate Services	Richard Lloyd-Bithell
Treasury Strategy Annual Report	Corporate Services	Richard Lloyd-Bithell
Local Government Finance Settlement	Corporate Services	Richard Lloyd-Bithell
14 March 2024		
Workforce Dashboard	Corporate Services	Margaret-Ann Love
City Chambers Quadrangle Operations	Place	Mark Stenhouse

LPF Tender Award	Corporate Services	Ruth Kydd
Contract Awards and Procurement Programme Jul-Dec 23	Corporate Services	Lynette Robertson

Rolling Actions Log

Finance and Resources Committee

21 November 2023

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
1	07.10.21	Workforce Dashboard	To agree to provide a joint report by the Interim Director of Education and Children's Services and the Service Director – Human Resources to be submitted to a future committee following a review of fixed term contracts for teaching staff.	Service Director – Human Resources		June 2023	**Recommend for Closure** Workforce Deep Dive Report considered by Committee in June 2023 setting out Hard to Fill roles as well as Workforce Plan development and considerations. **Update June 2023** Report now due September 2023. **Update November 2022** Information will be included in the next workforce dashboard report due in March 2023.

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Agenda Item 5.2

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
2	09.12.21	Work Programme	To request a written update on Councillor Corbett's motion to Council from May 2021 on Bridges and Investment in Craiglockhart and Colinton Dells.	Executive Director of Place	This will be updated once the timelines for Katesmill pipeline bridge and Dell Road landslip are known.		**Update September 2023** A revised design for the Katesmill pipeline bridge has been received and a procurement exercise has started. The technical note on the Dell Road landslip was received. A non-technical solution is being considered to allow the route to be reopened. Redhall Weir Bridge completed. **Update April 2023** Redhall Weir bridge: works on-going, completion expected July 23. Bogs/pipeline bridge path landslip: works completed Apr 23. Kate's Mill pipeline bridge: tendered price over budget

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
							revision to design being considered. Dells Grottos: repairs order, awaiting start date. Dell Road landslip: awaiting further technical note from design consultants, expected May 2023. **Update December 2022** Mott MacDonald submitted final procurement documentation and specification of works. A tender for the bridge has been issued to framework contractors for mini-competition. Tender returns are due in January 2023 for assessment. **Update September 2022** An agreement in principle has been reached with the Councils Bridges and Structures team and Mott MacDonald have been

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
							instructed to finalise procurement specifications. **Update March 2022** Briefing circulated February 2022; Committee in March 2022 agreed action to remain open until clarity on when work would commence.
3	30.06.22 (Council meeting)	[Embedding Gender Budgeting Analysis – referral from the Finance and Resources Committee]()	1) Commits that all elected members will attend one of a number of 2 hour briefings on Gender Budgeting and how it interacts with their role as Councillors.	Executive Director of Corporate Services	March 2024		**Update November 2023** The Scottish Women's Budgeting Group have held several focus groups with both officers and elected members to gauge existing understanding of gender budgeting. This will inform the design of the wider training sessions which will take place early 2024. **Update March 2023** Officers are liaising with the Scottish Women's Budgeting Group to conduct a survey
			2) Commits that Heads of Services and relevant members of their teams, as recommended by them, will attend at least one training session on Gender Budgeting, understanding that there will be opportunities for further engagement between				

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
			officers and the Scottish Women's Budget Group if requested.				to gauge current knowledge of gender budgeting. Raining sessions for both officers and members will be designed thereafter.
			3) With the support of the Scottish Women's Budget Group, to circulate a survey to elected members and key staff and conduct some small focus group discussions to understand existing knowledge and barriers to gender budget analysis, and to help inform ongoing member and officer engagement.				**<u>Update January 2023</u>** The Scottish Women's Budget Group delivered a training session open to all elected members on 21 November 2022, with the aim of explaining how gender budget approaches can help local authorities to meet their responsibilities under the Public Sector Equality Duty and how councillors can use gender budgeting to address inequalities. Opportunities for complementary staff training are also currently being explored.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
4	08.09.22	Walk Up Avenue, Craigmillar, Edinburgh - Proposed New Lease	To note that the Head of Estates would provide further information on funding and timescales for the proposed second commercial unit.	Executive Director of Place	On-going		**Update September 2023** Officers are continuing to look for funding opportunities for this. Further information will be provided once funding has been confirmed. **Update April 2023** Source of funding to be confirmed.
5	17.11.22 (Policy and Sustainability Committee)	Performance Update Report	To recommend a separate report to Finance and Resources Committee within two cycles setting out the KPIs appropriate to the Council's responsibilities as an employer.	Executive Director of Corporate Services	November 2023	January 2023	**Recommend for Closure** Required information is included within HR Quarterly Workforce Dashboard Reports to Committee. **Update June 2023** Business Bulletin item drafted for June 2023 meeting; proposal that

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
							include fuller update as part of HR reporting requested at Full Council for August 2023 **Update April 2023** Further work is underway and therefore it has been agreed to defer this Report.
6	01.12.22 (HHFW Committee meeting)	Housing Land Strategy Report	1) To note the findings and emerging opportunities resulting from the Prior Information Notice (PIN) market engagement process. 2) To note that approval would be sought from Finance and Resources Committee for purchase of homes or sites with progress reported to this Committee via briefings and Business Bulletin updates.	Executive Director of Place	No fixed date. Reports will be submitted as an when required.		**Update April 2023** Officers are pursuing a number of opportunities that have arisen following the approval of the revised Housing Land Strategy. Reports seeking approval of business cases and/or purchase of homes or land will be submitted as and when viable propositions are developed.
7	15.12.22 (Council Meeting)	Council Business Plan 2023-27	To request a report to the Finance and Resources Committee to look at how our	Executive Director of Place	November 2023		**Recommended for Closure**

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No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
			communities can benefit financially in a more direct and substantial way from tourism and festival spend in Edinburgh.				This is included in the Business Bulletin for this meeting **Update – September 2023** This report has been slightly delayed and is now being prepared for Committee in November 2023. **Update June 2023** Report will come to Finance and Resources Committee in September 2023.
8	26.01.23	[Rolling Actions Log]	1) To circulate a list of members who attended the training on Gender Budgeting.	Executive Director of Corporate Services	April 2023		**Closed April 2023** List circulated to members on 5 April 2023
			2) 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.	Convener	TBC		**Update March 2023** The Scottish Women's Budget Group are liaising with the Council's Governance Team in order to arrange new training sessions for Elected

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
							Members on Gendered Budgeting. Once these dates are confirmed, the Convener will write to all Councillors who are yet to attend one of the sessions in order to promote the training.
			3) 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.				**Closed April 2023** Report considered 10 March 2023 and action superseded by future action.
			4) To request more specific dates on actions with an expected completion date of 'Summer 2023'.	Executive Director of Corporate Services			**Closed April 2023** More specific dates have been requested from directorates and included in this version. These will also be requested for future RAL updates.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
9	16.03.23 (Council Meeting)	Cost Recovery from Commercial Events - Motion by Councillor Ross	Requests a report to Finance and Resources Committee in two cycles outlining options on how costs might further be recovered for services and permissions from commercial operators of sports grounds and events.	Executive Director of Place	December 2023		**<u>Update – September 2023</u>** Options for how costs might be further recovered are currently being developed. Finance and Resources Committee and Culture and Communities Committees will updated later in the year. **<u>Update June 2023</u>** Report now due September
10	25.04.23	[Business Bulletin]	1) To request confirmation of when the report on the War Memorial containing the design brief and recommendations would be reported to Committee.	Executive Director of Place	25 January 2024		
			2) To request confirmation of whether the Council would be submitting its own response to the joint consultation on Council Tax and what engagement had taken place with COSLA.	Executive Director of Corporate Services	TBC		**<u>Update June 2023</u>** Colleagues in Digital & Customer Services are working on this response and are ensuring that suitable engagement with COSLA is undertaken.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
11	25.04.23	Edinburgh Integration Joint Board (EIJB) – financial update	1) To note a further update would therefore be provided to the Committee's next meeting on 20 June and in the interim as required.	Chief Officer, Edinburgh Health and Social Care Partnership	TBC		
			2) To request a full breakdown of spend across the Partnership.	Chief Officer, Edinburgh Health and Social Care Partnership			
12	25.04.23	Award of the Lettings, Management and Maintenance Contract for Edinburgh Living	To request a report within three years giving options for moving the lettings, management and maintenance of Edinburgh Living within the Council at the end of the initial four-year contract with Umega Letting Ltd, including details of legal/management implications of seeking synergies with the Housing Revenue Account.	Executive Director of Place	By April 2026		

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No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
13	25.04.23	South Bridge Resource Centre, 6 Infirmary Street, Edinburgh – Future Strategy	1) To agree that as part of this process direct discussion should take place between City of Edinburgh Council and Canongate Youth, and care taken to identify any agreements in place between building tenants/users and third parties which may be affected by any lease change.	Executive Director of Place	On-going		**Update September 2023** Work is ongoing.
			2) To note that a further report would be submitted to Committee once the next stage of due diligence was complete. This report shall include a comprehensive survey of activities already being delivered within the venue.	Executive Director of Place	TBC		
14	20.06.23	Rolling Actions Log – Gender Budgeting Analysis	To request an update on training for Heads of Service and survey responses for	Executive Director of	March 2024		**Update November 2023** The Scottish Women's Budgeting Group have held

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
		Training (Action 3 above)	Gender Budgeting Analysis Training	Corporate Services			several focus groups with both officers and elected members to gauge existing understanding of gender budgeting. This will inform the design of the wider training sessions which will take place early 2024.
15	20.06.23	Financial Strategy and Medium-Term Financial plan (MTFP)	To instruct officers to produce a report for the 21st September meeting of the Finance and Resources Committee setting out a process to discuss with political groups, COSLA, the Scottish Government, legal experts and other relevant parties the options available to the Council when setting Council Tax for 24/25 including but not limited to: a) Providing cost-of-living awards based on Council Tax banding.	Executive Director of Corporate Services	February 2024		**Update November 2023** A report is on the agenda for this meeting with a further update to be provided at Special Budget meeting in February 2024 **Update September 2023** Update to be provided at September meeting with full report to be brought to November meeting

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
			b) Enhancing Council Tax discount schemes. c) Creating additional local Council Tax payment schemes.				
16	20.06.23	Non-Domestic Rates – Empty Property Policy	1) To note a final report would be brought to Committee in the autumn, detailing the recommended policy. 2) To provide feedback from Businesses on the proposed policy changes to Committee in September.	Executive Director of Corporate Services Executive Director of Corporate Services	21 November 2023 November 2023		**Recommended for Closure** A report is on the agenda for this meeting
17	20.06.23	Resource to support the Edinburgh Integration Joint Board Medium Term Financial Strategy	1) To request a report within 2 cycles with proposed wording to update urgency and delegation process to ensure that any contracts to individuals worth over £100k must be approved	Executive Director of Corporate Services	28 September 2023 (Full Council)		**Update – September 2023** A report will be going to the meeting of the Full Council on 28 September 2023 covering 1) and 2)

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
			by Committee or – following agreement from a majority of group leaders – a clerked meeting of group leaders or spokespeople. 2) To provide a briefing note to members on the review of urgency provision.	Executive Director of Corporate Services	28 September 2023 (Full Council)		
18	20.06.23	Health and Social Care Contract Extension Report	To request a briefing on the ATEC24 service and the savings made by reprovisioning.	Chief Executive	TBC		
19	21.09.23	Public Holiday – 8 May 2023 – Celebrating His Majesty, the King	To ask officers to provide a briefing note on how the follow up would be taken forward	Executive Director of Corporate Services	August 2023	August 2023	**Recommended for Closure** IIA was completed and published on the Orb in August 2023. https://www.edinburgh.gov.uk/directory-record/1561772/king-s-coronation-additional-public-holiday

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
20	21.09.23	Revenue Monitoring 2023/24 - Month Three Report	1) To agree to defer the report to a special meeting of the Finance and Resources Committee, to be scheduled for 9 October 2023, where the report will be scrutinised in full, with full understanding of each Directorate's pressures, and referred to the next Full Council meeting on 2 November 2023 for formal decision. 2) To agree in principle to meet additional financial requirements for 2023/24 in respect of inflationary pressures. Such agreement being subject to further information provided to Committee in one cycle.	Executive Director of Corporate Services Executive Director of Corporate Services	23 October 2023 21 November 2023		**Recommended for Closure** A meeting was held on 23 October 2023
22	21.09.23	Sustainable Procurement	To request a briefing note within 3 cycles setting out in more	Executive Director of	14 March 2024		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
		Strategy Annual Report - 2023	detail how social enterprises were supported through the procurement strategy, including identification of barriers facing social enterprises in the tendering and commissioning process and potential mitigations	Corporate Services			
23	21.09.23	Festive Lighting - Contract Extension	To agree to a briefing note being circulated to members on the quality of provision and the value for money the contract was offering	Executive Director of Place	TBC		
24	21.09.23	Motion by Councillor Mumford – Workers and Covid	To request a report within one cycle setting out: a) the current protections and guidance for workers, service users and residents from Covid-19; b) any future plans or precautions Edinburgh Council has around Covid-19 which go	Executive Director of Corporate Services	21 November 2023		**Recommended for Closure** A report is on the agenda for this meeting

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
			beyond the commitment to follow national guidance; c) the implications for the Council of signing and implementing the Covid Pledge (covidpledge.uk).				
25	28.09.23 (Council Meeting)	RAAC in the Council Estate – Motion by Councillor Day	1) To instruct a report back to the Finance and Resources Committee in two cycles that detailed: (a) each building that has a RAAC problem; (b) the scope of the problem for that building; (c) the estimated costs to resolve the RAAC issue for that building;	Executive Director of Place	30 April 2023		

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No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
			(d) the timescales for each building to be made safe. 2) To also, in the interim, provide any updates in the Business Bulletin and/or Member's Briefing where appropriate.				
26	28.09.23 (Council Meeting)	By Councillor Arthur - City Chambers Quadrangle Operations	1) To agree that options to improve pedestrian safety and cycling parking at the City Chambers, and the surrounding area, including appropriate facilities, should be reported to the Finance and Resources Committee by March 2024. 2) To request that the report include consideration of how a fully pedestrianised Quadrangle would:		25 January 2024 / 30 April 2023		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
			(a) Improve the experience of people walking, wheeling and cycling through the area; b) Improve and respect the heritage value of the area; c) Maintain access for emergency services, emergency maintenance and those with accessibility requirements under the Equality Act (2010).				
27	02.11.23 (Council Meeting)	Motion by Councillor Macinnes – Future Relationship with EIJB		Chief Officer, Edinburgh Health and	25 January 2024		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comment
				Social Care Partnership			

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Agenda Item 6.1

Business Bulletin

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Dean of Guild Court Room, City Chambers, High Street, Edinburgh

Finance and Resources Committee

Convener:	Members:	Contact:
Convener Councillor Mandy Watt 	Councillor Marco Biagi Councillor Graeme Bruce Councillor James Dalgleish Councillor Phil Doggart Councillor Lesley Macinnes Councillor Alys Mumford Councillor Vicky Nicolson Councillor Neil Ross Councillor Alex Staniforth Councillor Lewis Younie	Taylor Ward Committee Services Louise Williamson Committee Services

Recent News	Background	Contact
RAAC Update The inspection of the Council's operational estate, for the identification of RAAC, is substantially complete. There are few areas, in a limited number of buildings that require specialist equipment and/or additional works to expose the structural elements and these are being worked through incrementally to finalise the inspections. In terms of governance, the Council is currently carrying out an assurance exercise to ensure nothing has been missed and that all assessments and inspections have the detailed methodology recorded. The buildings affected are listed below, together with a brief summary of the current position: **Trinity and Cramond Primary Schools** – both buildings have been partially closed and temporary accommodation (four classrooms each) installed on site. Both will require roof replacements over the area impacted by RAAC. Work scheduled to start on site in early 2024. **Lorne Primary School** – significant mitigation works commenced over the October break to reinforce the upper floor ceiling. This has allowed the reoccupation of the upper floor, which has brought the school back to operational capacity. Work will continue to consider the longer-term implications. **Trinity Academy Swimming Pool** – was already unused and will be demolished soon as part of the planned replacement of the wider school facility. **Fox Covert/St Andrew's Primary School** – circulation/office areas with RAAC remain operational following the completion of remedial works over the summer holidays. The gym hall and dining hall remain closed but will re-open following the completion of remedial works. The kitchen will be closed for longer term but hot meals being delivered from elsewhere. **Colinton Primary School** – no impact on school operation. Plans being developed to replace RAAC roofs with phased approach. **Pentland Primary School** – kitchen and section of corridor not in use but no impact on school operation. School meals being delivered. **Currie High School** – Old gym block, assembly hall and an art classroom are closed and detailed inspections still in progress. Newer gym block still in use, some gym classes taking place outdoors and assemblies are being delivered online. **Former Annex at Darroch** – small extension to building which was used for storage. Remainder of building remains	Council 28 September 2023 – Conservative Group amendment to Item 8.1	peter.watton@edinburgh.gov.uk

operational. Will be considered for demolition. **Peffermill Depot** – small area that has been isolated without operational impact. **Blackhall Library** – entire roof area has RAAC and more detailed analysis is ongoing due to significant ceiling coverings and equipment that needs to be removed. The library will remain closed meantime. **Jack Kane Leisure Centre** – Edinburgh Leisure have identified a very small area that has been isolated without any operational impact. As per the Council motion on 28 September 2023, a more detailed report will be submitted to Committee in the next cycle.		
HR System (Oracle) – Project Update On 10 March 2023, Committee approved Oracle HRM as its new partner for the Council's HR and Payroll system. As outlined in previous updates to Committee on 23 June 2023 and 28 September 2023, the project has been split into two phases. Phase one will go live on 1 April 2024 and will deliver 3 elements: - Transferring all employees 'core' HR data to the new Oracle platform. - Delivering a new payroll system. - Migrating historic HR data to a new archive solution. Consideration had to be given to the creation of an archive system to allow ongoing reference and reporting on workforce aspects. Procurement of this solution resulted in an Oracle Solution being approved, with funding being utilised from the contingency element which was agreed in March 2023. Despite this additional cost, the implementation of the new HR and Payroll system and the new archive solution remains within budget. Ongoing discussions have also confirmed that there will be no contract extension beyond 31 March 2024 with current provider Midland HR. Requirements to complete Phase 1 are critical to ensure colleagues are paid correctly and on time at the end of April 2024. This continues to be the most significant and red risk associated with the project and is continually monitored through the governance framework. The project is progressing well and continues to remain on track, however, as with any project of this size, complexity and aggressive implementation timescales, there remains significant risks which continue to be monitored and mitigation put in place by the Project Board. Early engagement on the roll out of the new system has commenced with managers across the organisation with more detailed communications and training planned for all colleagues		nareen.owens@edinburgh.gov.uk

from January 2024.		
Housing Retrofitting Strategy A report on the Council's Housing Retrofitting Strategy in response to a motion by Cllr Watt was noted at Housing, Homelessness and Fair Work Committee on Tuesday 3rd October 2023. Committee agreed to discharge the Motion agreed at Finance and Resources Committee on 10 March 2023 and that an update will be provided to Finance and Resources Committee via the Business Bulletin. The Retrofitting Strategy report sets out the role of in-house workforce and contractors in delivery of Whole House Retrofit (WHR) including consideration of investing and upskilling of the Council's workforce and the apprenticeship programme. In terms of upskilling and investing of the Council's workforce the report highlighted the challenges faced by the Council in recruiting technical roles, with five separate recruitment exercises between 2021 and 2023 only managing to secure one building surveyor. A People Strategy and Strategic Workforce Plan is being developed to support recruitment, retention and development of staff and the Housing Service will be working with colleagues in Human Resources to support the development of this strategy. The report also highlighted that the delivery of WHR is markedly different to the delivery of specific works contracts such as lifecycle component replacement works or standalone external fabric works. The delivery of WHR is both resource intensive and specialised, particularly in terms of the roles of Principal Designer and Contractor. The Principal Designer role includes provision for structural, mechanical, electrical and fire engineers alongside architectural, cost consultant and health and safety roles. The role of Principal Contractor is extensive covering the planning, managing and monitoring of works and co-ordinating health and safety and organising cooperation between all sub-contractors on site. The current WHR pilot programme which is now on-site will include a lessons learned exercise to inform and update the city-wide retrofitting strategy for Council homes including the potential for the in-house workforce to support the delivery of future programmes in some capacity. Progress with delivery of the first phase of WHR is discussed regularly at meetings with the Trade Unions and two workshop sessions have taken place. Currently, the Council's in-house workforce is fully deployed on carrying out responsive repairs and repairs to empty homes. Housing Operations have conducted several recruitment	Housing, Homelessness & Fair Work Committee 3 October 2023	michael.kellett@edinburgh.gov.uk

exercises for craft operatives since the end of the pandemic. The Council’s Housing Apprenticeship Programme is continuing with a close working partnership in place with Edinburgh Guarantee and Heriot Watt University to promote opportunities within the Council housing teams for craft and graduate apprentices. The Housing Service remains committed to the development of a progressive apprenticeship programme and the intention is to grow this programme for operative staff at a rate that is sustainable. There are currently 16 craft operatives apprentices in post with a plan to grow this to over 20 next year.		
Participatory Budgeting In considering the Business Bulletin at the Committee’s meeting on 21 September 2023, members requested an update on the programme of planned Participatory Budgeting (PB) activity over the coming year. The Council’s PB framework comprises of three strands of activity; grants, mainstreaming and commissioning. While opportunities to broaden the scope of existing activity are continuing to be actively examined across all of these areas, there is an acknowledged need to embed further the Council’s approach to PB and wider deliberative dialogue with communities. **Neighbourhood Environmental Projects** During 2023, the Council has carried out a review of Neighbourhood Environmental Projects (NEPs) with the aim of developing an approach that is more efficient and improves tenant and resident engagement. Engagement sessions with many citywide stakeholders have been undertaken and a new approach developed, with the resulting projects progressed through the Estates Improvement Programme (EIP). Refresher sessions with local elected members have also been arranged and a number of estate improvement meetings and site visits held across the city. Further support is being provided to the localities to help develop local Estate Improvement Groups to create a platform for on-going project discussion and review. As a result of this activity, neighbourhood investment will become more representative of the wants and needs of Council tenants. Smaller projects will be delivered more quickly, allowing improved resident engagement on larger-scale and more impactful projects. **£eith Chooses** Preparatory work for this year’s programme is well underway, with project ideas submitted and public voting due to take place in February 2024 to determine awards to a total value of £54,000. **Schools – Pupil Equity Funding**		

While Pupil Equity Funding (PEF) spending plans are now in place for academic session 2023/24, targeted efforts will be made to expand the development of participatory approaches in 2024/25, consistent with relevant Scottish Government guidance. **Evaluation of Edinburgh Community Climate Fund (ECCF), including future use of CONSUL Platform** Following confirmation of grant awards in March 2023, six-month progress meetings have been held with all successful projects, highlighting a number of positive outcomes even at this interim stage. Corresponding project updates will be published on the Fund website and inform the final evaluation and subsequent PB initiatives. **Other Areas** Officers are exploring the potential applicability of PB-based approaches to a number of further updates, including libraries, community transport and parks and green space, as well as longer-term opportunities around the development of learning estates and twenty-minute neighbourhoods. Updates in these areas will continue to be provided to members. Regular discussions also continue to take place directly and indirectly (through the National PB Officer's Network) with other local authorities on recent and proposed initiatives.		

Forthcoming activities

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Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Revenue Monitoring 2023/24 – month five report

Executive/routine
Wards

1. Recommendations

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

1.1.1 note that, as of month five and taking into account Council's approval of an additional in-year contribution to the Edinburgh Integration Joint Board of up to £14.2m, an overall underspend of £1.880m is now being forecast;

1.1.2 note, nonetheless, the potential for further 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;

1.1.3 note, therefore, the continuing recommendation that no additional expenditure commitments be taken on at this time;

1.1.4 note that regular updates will continue to be provided to members of the Committee during the remainder of the year;

1.1.5 refer this report to Council for approval to use the Council's unallocated reserves, should it be required, to meet Edinburgh's share of costs associated

Dr Deborah Smart

Executive Director of Corporate Services

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with the revised employer’s non-teaching pay offer made on 3 November 2023, with repayment then received from the Scottish Government in 2024/25;

1.1.6 refer this report to Council for ratification of use of the Council’s Spend to Save fund to support the EICA bouldering project; and

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

Report

Revenue Monitoring 2023/24 – month five report

2. Executive Summary

2.1 The report sets out the projected Council-wide revenue budget position for the year, based on analysis of the first five months' financial data and forecasts of income and expenditure for the remainder of the year. Following Council's approval of an additional in-year contribution to the Edinburgh Integration Joint Board (EIJB) of up to £14.2m, coupled with a slight improvement in Directorate and corporate projections, an overall underspend of £1.880m is now being forecast. Given the potential for further expenditure pressures to emerge during the remainder of the year, however, it remains officers' recommendation that no additional commitments should be taken on at this time.

3. Background

Approved 2023/24 budget

3.1 On 23 February 2023, Council approved a balanced revenue budget for 2023/24 based on the Council's provisional grant funding settlement and a 5% increase in Council Tax rates. This grant funding allocation was confirmed following approval of the 2023/24 Local Government Finance Order on 1 March 2023.

Month three report

3.2 On 21 September 2023, members of the Committee then considered a report setting out the projected Council-wide revenue budget position for 2023/24, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year. An overall projected overspend of £13.2m was indicated, including an increased funding shortfall of £16.7m within the EIJB.

3.3 It was noted that without the identification of additional mitigating actions, achieving a balanced in-year position would require full application of the 2022/23 audited underspend, as well as giving rise to recurring underlying pressures for future years. The report furthermore emphasised the potential for additional risks to emerge during the remainder of the year, particularly in respect of the 2023/24 non-teaching employee pay award. Given all of these factors, it was recommended that no additional commitments be taken on until the underlying position had improved.

3.4 Following consideration of the report, members agreed to defer formal allocation of the 2022/23 underspend until a specially convened meeting of the Committee held on 23 October, with a series of complementary briefing sessions on the EIJB's financial position also arranged to understand and consider the reported budget pressure for 2023/24 and the planned mitigating actions.

Outcome of special meeting on 23 October 2023

3.5 At the special meeting of the Committee, members agreed:

i) to note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast;

ii) to note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in-year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years;

iii) to note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November;

iv) to note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end;

v) to refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification;

vi) to refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy;

vii) to refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme;

viii) to ask officers to pro-actively engage with Edinburgh Leisure to consider all possible options towards paying the real living wage and making it sustainable going forward, in recognition of the contribution that Edinburgh Leisure's staff make to the health and wellbeing of Edinburgh's residents and visitors;

ix) to affirm the commitment to inclusion and high attendance in our schools and that the skills and experience of our EWOs (Education Welfare Officers) should be retained within our inclusion work, as set out in the original budget proposal details;

x) to recognise the deeply concerning 2023/24 financial position of the Edinburgh Integration Joint Board's (EIJB's) Health and Social Care Partnership, with the Council being expected to fund a budgeted overspend of £14.2m;

xi) to note the unpublished, EIJB special measures proposals that could be needed to break even in the current year and further note that such measures could require extensive cuts to social care packages and critical services, with related impacts on staff, affecting a range of vulnerable service users and their carers;

xii) to agree i) it was essential for the adequate provision of social care services in Edinburgh that the EIJB's Medium Term Financial Strategy (MTFS) was brought back on track; and ii) that the cuts to essential social care services, proposed in the EIJB's special measures plan, were to be avoided;

xiii) to call on NHS Lothian to provide an annual financial contribution, in recognition of NHS costs saved, towards the cost of the EIJB's preventative spending to reduce delayed hospital discharges and allow elderly and disabled people to return to their communities;

xiv) to request greater oversight by the Council's Finance and Resources Committee of the implementation of the EIJB's MTFS and instruct officers to ensure that the Committee had an update to every meeting for as long as necessary, outlining MTFS progress and setbacks that affected the Council, and input to the EIJB's annual budget process with a view to setting a balanced budget for the Council's share of proposed EIJB spending in 2024/25;

xv) to agree that the Council's 2022/23 underspend of £13.3m and additional resource of £0.9m be made available, only to the extent required and no more, to meet the projected 2023/24 EIJB overspend of £14.2m;

xvi) to note concern at the additional expenditure pressures at this stage of the financial year and recognise the need to reform the delivery of Council services to reduce the likelihood of future year pressures;

xvii) to express deep concern about the situation facing the IJB and note that to undertake any actions within the proposed recovery plan risked damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh;

xviii) to acknowledge the work done to date on the Medium-Term Financial Plan for the IJB, and that continuation of this must be the priority going forward;

xix) to agree that in order that this situation should not arise again: a) IJB funding including updates on the deficit and progress on the Medium-Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward; b) Council officers should work with IJB officers to see how budget timings and processes could be brought into closer alignment including ensuring that IJB budgets were available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next Finance and Resources Committee Meeting and c) updates on spending and allocation of the underspend should be brought to all Finance and Resources Committee meetings for the remainder of the financial year; and

xx) to firmly believe the NHS should also contribute to the projected overspend and therefore instruct CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council be preventative, contributing to a reduction in overall NHS spend.

Decision of Council, 2 November 2023

3.6 The above recommendations were referred to, and agreed by, Council at its meeting on 2 November. As a result of this decision and the in-principle full application of the 2022/23 underspend, an overall Council-wide overspend of £0.8m was being forecast as of that time.

3.7 In addition, members agreed that there would be no loss of Education Welfare Officer (EWO) roles before full scrutiny of the outcome of the review. The financial impact of this decision is reflected in Paragraph 4.3 below.

3.8 The remainder of the report addresses, as appropriate, the actions contained within the approved motion and updates members on a number of other changes based on analysis of actual income and expenditure to the end of August 2023 and projections for the remainder of the year.

4. Main report

Directorate projections

Children, Education and Justice Services – net pressure of £5.650m

4.1 The overall forecast for the Directorate as of month five shows a slightly increased net pressure of £5.650m. Significant gross elements of pressure within the forecast include £3.0m in Children's Services for out-of-authority residential and secure accommodation. While numbers in external residential accommodation are decreasing, this remains above budgeted levels and placement costs continue to increase.

4.2 Pressures of some £2.4m are also forecast within Home to School Transport, primarily reflecting the combined impact of growing service demand, contract inflation and shortfalls against previously approved savings targets. A further reduction in ringfenced funding for Early Years following the transition to a fully needs-based allocation methodology has contributed to a net in-year pressure of £3.5m.

4.3 An increased shortfall of £0.95m against the level of approved savings is also reflected in the forecast. Following the decision of Council on 2 November 2023, full scrutiny of the outcome of the EWO review will be undertaken at the meeting of the Education, Children and Families Committee on 23 January 2024. As such, no in-year saving is now being assumed in respect of this review.

4.4 At this stage, anticipated net mitigations across the wider service of £4.2m have been identified, comprising a £1.8m allocation from the £5m Council-wide inflationary contingency approved as part of the 2023/24 budget and £2.4m from non-recurring staffing underspends, resulting in an overall £5.650m residual pressure.

Place – net pressure of £0.7m

4.5 As of month five, the Directorate is projecting an overall adverse variance of £0.7m, an improvement of £1.2m since the equivalent period three position. The overall position reflects net pressures of £1.1m within the Housing and Homelessness Division, in turn primarily attributable to growth in household numbers in excess of budgetary assumptions. Pressures from contractual inflationary uplifts and changes in benefit eligibility are largely being offset by underspends in staffing and commissioning costs.

4.6 Net pressures of £1.5m are also apparent across the Culture and Wellbeing Division, in the main due to a range of legacy pressures, including £0.85m within Libraries and £0.4m in respect of winter festivals.

4.7 Set against these are savings totalling £1.9m across the Operational Services and Sustainable Development Divisions (with the upside since month three largely due to an improvement in forecast parking income), resulting in an overall service pressure of £0.7m. The Executive Director and his Senior Management Team are committed to developing further mitigating measures, in consultation with elected members where appropriate, with a view to achieving a balanced position by the year-end.

Corporate Services – net underspend of £0.6m

4.8 As outlined in a report elsewhere on today's agenda, the Executive Director of Corporate Services is projecting an overall service underspend of £0.6m, primarily reflecting additional savings in employee costs relative to approved targets.

Edinburgh Integration Joint Board (EIJB) – net funding gap of £2.2m

4.9 Taking into account the Council's approved additional in-year contribution of up to £14.2m, a pressure of £2.174m is projected at this time. Whilst not yet forecasting a balanced position, the advice from EIJB officers is that the financial recovery plan should not be progressed at this time, with officers instead pursuing the following mitigating actions:

(i) undertaking a detailed review of the individual schemes in the savings and recovery programme to continue to drive delivery and, where possible, over delivery;

(ii) reinforcing the importance of grip and control over all elements of expenditure;

(iii) not entering into any additional commitments until the level of assurance over financial break-even is assured. For example, when considering spending plans for the slippage on carers funding currently held in reserves, the impact of not progressing with these would have to be balanced against the alternative of reductions to existing services; and

(iv) ongoing discussion and engagement with partners.

4.10 A further verbal update will be provided at the Committee's meeting.

Other pressures

4.11 As noted in the month three update, the current overall projection also reflects £1m in-year liabilities for each of (i) Brunstane Primary School investigative works and decant costs and (ii) anticipated additional costs incurred as a result of buildings not being usable as a consequence of Reinforced Autoclaved Aerated Concrete (RAAC) panels. It is likely that remedial costs will be incurred in future years.

Employee pay award, 2023/24

4.12 On 22 September 2023, COSLA as employer made a "best and final" offer to the non-teaching trade unions with a view to avoiding industrial action. This offer increased the in-year value of the pay uplift across local government by some £90m, comprising £80m from the Scottish Government, supported through a one-off reprioritisation/redirection of funding, and a £10m recurring contribution from councils, with Edinburgh's proportionate share being £0.8m.

4.13 Following rejection of this offer by the largest representative trade union UNISON, a revised offer was then made on 3 November 2023, backdating further elements of the uplift to 1 April 2023. The estimated additional Scotland-wide cost of this offer is £17.2m, with Edinburgh's proportionate share being around £1.6m.

4.14 The associated costs will be met by councils in 2023/24, with reimbursement from the Scottish Government then following in 2024/25. As such, there may be a need to meet this sum initially from the Council's unallocated general fund (with subsequent reimbursement from the Scottish Government) should some of the risks set out in the report crystallise.

Corporate budget savings

4.15 Given the £10.731m of pressures outlined in the preceding sections, opportunities to address these through available savings in corporate areas continue to be examined. As of month five, the following anticipated net mitigations have been identified, including a £1.4m improvement since month three in Council Tax:

	Anticipated saving relative to budget levels, £m	**Comments**
Council Tax	4.000	Projection based on confirmed 2022/23 income levels, analysis of subsequent changes in the size and profile of the Council Tax base and anticipated collection rates and required bad debt provision
Interest and investment income	6.000	Projection reflecting available cash balances and interest rates
Tram extension - additional running cost support	3.500	Reduced funding support based on extrapolation of current passenger levels and associated fare income
	(0.889)	Less net application of above sums to support in-principle maximum additional in-year contribution to EIJB of £14.2m
	12.611	

Overall position

4.16 Taken together, the net impact of (i) anticipated pressures in service areas less corporate or other savings and (ii) the Council's in-principle contribution of up to £14.2m to address the projected EIJB in-year deficit (funded largely from the Council's 2022/23 underspend) results in a projected underspend of £1.880m as shown in Appendix 1. Movements since the month three forecast are shown in Appendix 2.

4.17 While the improvement in the overall position is to be welcomed, there remains the potential for further risks to emerge during the remainder of the year, including inflationary uplifts and demand-led pressures, particularly in homelessness services. Given all of these factors, it remains the view of the Section 95 Officer that no additional commitments should be taken on at this time.

Savings delivery

4.18 The 2023/24 approved budget is underpinned by the delivery of approved savings and additional income of £26.6m. As shown in Appendix 3, 67% by value are assessed as green, with the majority of the remainder rated as amber. Deliverability assessments of the latter, and where necessary identification of mitigating offsetting measures in the case of shortfall, remain in progress.

Fees and charges

4.19 At the Special Meeting of the Committee on 23 October, members requested an update on progress in implementing the revised fees and charges (and the associated income implications) approved at the Committee's meeting on 30 March 2023. An update in this area is provided in Appendix 4.

Spend to Save project application – EICA bouldering project

4.20 An application to utilise the Council's Spend to Save fund has been received from Edinburgh Leisure, with relevant details included in Appendix 5. The current uncommitted Fund balance is £1.5m, with confirmed or anticipated annual repayments from previously supported projects of £0.55m. Subject to the Committee's consideration, this application will be referred to Council for ratification.

5. Next Steps

5.1 Given the range of pressures outlined in the report, Executive Directors will require to bring forward measures to offset residual service pressures and risks within their respective areas of responsibility during 2023/24. The adequacy of budget framework provision for the on-going financial impacts of the pandemic will also be kept under close review to highlight any necessary remedial action.

6. Financial impact

6.1 As of month five, an overall underspend of £1.880m is forecast, albeit with a number of risks highlighted. Failure to break even in 2023/24 would increase the savings requirement in 2024/25 due to a need to reinstate the General Fund unallocated reserve. While allocation of the 2022/23 underspend in the current year has enabled a projected balanced position to be achieved, it nonetheless reduces the options to address future years' budget gaps and means existing expenditure is exceeding in-year resources.

6.2 The report therefore acutely emphasises the importance of proactive management of pressures and delivery of approved savings in maintaining the integrity of the budget framework. Given the extent of subsequent years' funding gaps, early action is also required to deliver robust savings proposals, aligned to the priorities set out in the Council's business plan, sufficient to meet these requirements.

7. Equality and Poverty Impact

7.1 There are no direct relevant impacts arising from the report's contents.

8. Climate and Nature Emergency Implications

8.1 There are no direct relevant impacts arising from the report's contents.

9. Risk, policy, compliance, governance and community impact

9.1 There are no direct relevant impacts arising from the report's contents.

10. Background reading/external references

10.1 Finance Update, Edinburgh Integration Joint Board, 16 November 2023

10.2 Revenue Monitoring 2023/24 – month three report update, Finance and Resources Committee, 23 October 2023

10.3 Revenue Monitoring 2023/24 – month three report, Finance and Resources Committee, 21 September 2023

10.4 Revenue Budget 2023-24 Update - referral from the City of Edinburgh Council, Finance and Resources Committee, 30 March 2023

10.5 Liberal Democrat Group Budget Motions, City of Edinburgh Council, 23 February 2023

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

11. Appendices

11.1 Appendix 1 - 2023/24 Revenue Budget – Projected Expenditure Analysis

11.2 Appendix 2 – Analysis of movement in overall forecast between months three and five

11.3 Appendix 3 - Approved savings, 2023/24 – current status

11.4 Appendix 4 – Discretionary fees and charges – approved changes for 2023/24

11.5 Appendix 5 – Spend to Save application – EICA bouldering project

2023/24 Revenue Budget - Projected Expenditure Analysis - Month 5

Appendix 1

	Revised Budget	Period Budget	Period Actual	Period Variance	Projected Outturn	Outturn Variance	Percentage Variance
Directorate / Division	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Corporate Services (including Chief Executive's Office)	86,278	40,613	39,105	(1,508)	85,674	(604)	(0.7)
Children, Education and Justice Services	448,542	185,991	188,818	2,827	454,192	5,650	1.3
Health and Social Care	294,504	122,892	129,013	6,121	310,878	16,374	5.6
(offset by assumed maximum contribution approved by Council, 2 November 2023)					(14,200)	(14,200)	n/a
Place	252,641	105,086	106,456	1,370	253,352	711	0.3
Lothian Valuation Joint Board	3,774	1,573	1,573	0	3,774	0	0.0
Directorate / Division total	**1,085,740**	**456,154**	**464,964**	**8,810**	**1,093,671**	**7,931**	**0.7**
Non-service specific areas							
Loan Charges / interest and investment income	79,992				73,992	(6,000)	(7.5)
Other non-service specific costs less sums to be disaggregated:	39,643				39,643	0	0.0
- Non-Domestic Rates (poundage uplift/impact of revaluation)	3,213				3,213	0	0.0
- Energy (additional provision relative to approved 2022/23 budget)	16,700				16,700	0	0.0
- Discretionary Rates	720				720	0	0.0
Additional Investment to disaggregate	1,187	0	0	0	1,187	0	0.0
Tram Shares	8,500	0	0	0	8,500	0	0.0
Council Tax Reduction Scheme	28,647	n/a	n/a	n/a	28,647	0	0.0
Non Domestic Rates Relief (pending formalisation of any changes to current policy)	14,979	n/a	n/a	n/a	14,979	0	0.0
Staff early release costs	2,500	n/a	n/a	n/a	2,500	0	0.0
Net Cost of Benefits	(127)	n/a	n/a	n/a	(127)	0	0.0
Brunstane Primary School - exploratory survey and decant costs	0	n/a	n/a	n/a	1,000	1,000	n/a
Reinforced Autoclaved Aerated Concrete (RAAC) Panels	0	n/a	n/a	n/a	1,000	1,000	n/a
Unfunded element of best and final non-teaching pay offer for non-teaching staff, 2023/24 (23 September 2023)	0	n/a	n/a	n/a	800	800	n/a
Additional cost of non-teaching employee pay award, 2023/24 per revised offer, 3 November 2023	0	n/a	n/a	n/a	1,600	1,600	n/a
Non-service specific areas total	**195,954**	**0**	**0**	**0**	**194,354**	**(1,600)**	**(0.8)**
Movements in reserves							
Net contribution to / (from) earmarked funds	(39,679)	0	0	0	(42,290)	(2,611)	6.6
Net contribution to / (from) unallocated funds	0	0	0	0	(1,600)	(1,600)	n/a
Movements in reserves total	**(39,679)**	**0**	**0**	**0**	**(43,890)**	**(4,211)**	**10.6**
Sources of funding							
General Revenue Funding	(519,403)	(129,851)	(129,851)	0	(519,403)	0	0.0
Non-Domestic Rates	(377,317)	(94,329)	(94,329)	0	(377,317)	0	0.0
Council Tax	(345,295)	(86,324)	(86,324)	0	(349,295)	(4,000)	(1.2)
Sources of funding total	**(1,242,015)**	**(310,504)**	**(310,504)**	**0**	**(1,246,015)**	**(4,000)**	**(0.3)**
In-year (surplus) / deficit	**0**	**145,651**	**154,461**	**8,810**	**(1,880)**	**(1,880)**	**(0.2)**

Analysis of movement in overall forecast between months three and five

	Period 3 F&R, 21 September	Period 5 F&R, 21 November	Movement
	(favourable)/unfavourable	(favourable)/unfavourable	(favourable)/unfavourable
General Fund Services	**£m**	**£m**	**£m**
EIJB	16.7	16.7	0.0
(Assumed maximum CEC contribution approved by Council, 2 November 2023)	0.0	(14.2)	(14.2)
Children, Education and Justice Services	5.5	5.7	0.2
Place	2.0	0.7	(1.3)
Corporate Services	(0.4)	(0.6)	(0.2)
	23.8	**8.3**	**(15.6)**
Other pressures			
Brunstane Primary School decant, etc.	1.0	1.0	0.0
RAAC	1.0	1.0	0.0
Impact of best and final non-teaching pay award, 2023/24	0.0	0.8	0.8
	2.0	**2.8**	**0.8**
Offset in net terms by:			
Additional interest on available balances	(6.0)	(6.0)	0.0
Council Tax - additional buoyancy	(2.6)	(4.0)	(1.4)
Tram extension - increased patronage relative to budget assumptions (so lower requirement for support)	(3.5)	(3.5)	0.0
Reserves drawdown for North Merchiston and Castle Green care homes urgent repairs previously approved by Council	(0.4)	(0.4)	0.0
	(12.5)	**(13.9)**	**(1.4)**
Application of element of in-year corporate savings to support £14.2m EIJB contribution i.e. £14.2m less £13.2m 2022/23 underspend (figure net of North Merchiston and Castle Green drawdown previously approved)	0.0	0.9	0.9
Overall forecast	**13.3**	**(1.9)**	**(15.3)**

Approved savings, 2023/24 - current status **Appendix 3**

Proposal description/area	2023/24 Approved Saving	Saving BRAG assessment				Confirmed or planned mitigating actions where full or partial shortfall in delivery identified
		Green	Amber	Red	Black	
	£'000	£'000	£'000	£'000	£'000	
Children, Education and Justice Services						
Multi-system Therapy Services	500	500	0	0	0	
Wellington School Former monies	340	340	0	0	0	
Review of contract spend with partners, remove duplication	904	400	0	504	0	Achievement of full saving to be reviewed with service managers
Education Welfare Officers	400	0	0	400	0	The outcome of the review will be considered at the Education, Children and Families Committee on 23 January 2024. As such, no in-year saving is now being assumed in respect of this review.
Fees and charges (total)	199	199	0	0	0	
Corporate Services						
Customer - promotion of online services	165	165	0	0	0	
Staffing savings - vacancy and turnover management	1,173	1,173	0	0	0	
Management savings	223	223	0	0	0	
Salary Sacrifice savings	225	225	0	0	0	
Scottish Water agency collection fee	90	90	0	0	0	
Fees and charges (total)	20	20	0	0	0	
Place						
Road Construction Consent Inspections	400	335	65	0	0	
Strategic Review of Parking	2,000	1,000	1,000	0	0	Although initial projections are consistent with business case assumptions, implementation remains at a relatively early stage and further evidence is required before greater assurance can be obtained.
Homelessness - No recourse to public funds	3,000	3,000	0	0	0	
Non-core cultural grants	250	0	250	0	0	Further discussion on detailed means of achievement of saving is required.
Homelessness - supply-side initiatives	2,325	0	2,325	0	0	Realisation of this saving is linked to 500 Housing Revenue Account (HRA) void properties coming into use during 2023/24. This process has been delayed, with the properties now expected to become available between November 2023 and March 2024, 70% of which will be allocated to homeless households. Given the level of saving predicated on this assumption, the position will be kept under active review.
Income recovery in Regulatory and Planning and Building Standards	500	0	500	0	0	Income received in the year to date is lower than in 2022/23; delivery of the saving will therefore be kept under close review.
Organisational Reviews	530	170	160	200	0	Saving associated with Transport and Environment Organisational Review currently assessed as amber pending final staff matching and associated savings confirmation. Timescales for Public Safety and Resilience Organisational Review have slipped, resulting in majority of in-year savings being assumed not to be delivered.

Proposal description/area	2023/24 Approved Saving	Saving BRAG assessment				Confirmed or planned mitigating actions where full or partial shortfall in delivery identified
Fees and charges	2,935	1,499	1,436	0	0	Majority of amber-assessed element relates to parking-related uplifts pending further months' evidence of actual income received following 20% overall increase in parking charges implemented in early June. Impact of 11% increase in most cultural fees and charges being assessed.
Estate rationalisation and property savings	500	320	180	0	0	Level of anticipated additional rental income to be confirmed.
Garden waste income consolidation	400	400	0	0	0	
Bus lane camera income consolidation	600	500	100	0	0	Bus lane cameras were offline for three weeks, resulting in income shortfall.
Glass collection and recycling - one-off contract saving	550	550	0	0	0	
Penalty Charge Notices	2,400	1,200	1,200	0	0	Following implementation of increase in early June, monitoring of income and behavioural impacts remains at a comparatively early stage and a further update will therefore be provided as part of the month eight report.
Millerhill Income	3,450	3,450	0	0	0	
Best value reviews	500	500	0	0	0	As reported to the Transport and Environment Committee on 20 April 2023, £0.5m of the additional funding for street cleansing approved as part of the 2023/24 revenue budget has been set aside in recognition both of the lead-in times for implementation of the planned service improvements and that the best value service review is unlikely to be able to deliver the full saving in 2023/24.
Savings in prudential borrowing costs	918	626	292	0	0	Further work is required to review fleet review programme to understand better its overall affordability.
Smart City Phase 1 assumed savings	500	258	242	0	0	This represents cessation of £0.500m annual budget allocation for the two preceding financial years. The £0.258m green element relates to budget ringfenced to service the prudential borrowing requirement re Smart Cities Phase 1. Assessment of delivery of the remaining element is on-going.
Council-wide						
Redeployment	600	600	0	0	0	Following approval of the report on revised redeployment arrangements by the Policy and Sustainability Committee on 22 August 2023, this saving will be managed in the context of services' overall employee budgets and established structures whilst still securing the level of saving approved by members.
	26,597	**17,743**	**7,750**	**1,104**	**0**	
		66.7%	**29.1%**	**4.2%**	**0.0%**	

Discretionary fees and charges – approved changes for 2023/24

Approved budget motion, 23 February 2023

The budget motion approved by Council on 23 February 2023 included an assumption of a CPI-linked uplift, based on the relevant rate as of October 2022 (i.e. 11.1%), for most discretionary fees and charges (except where a higher level of increase had already been proposed).

The approved motion (i) separately included a 25% increase in road occupation charges for property developers and (ii) specifically excluded charges for community access to secondary school facilities and Houses in Multiple Occupation (HMO) licences where, by extension, the original officer-recommended increase of 5% would apply.

Taken together, these savings were assumed to generate an additional £1.190m of income on a recurring basis relative to the budget framework assumption of £1.700m.

Special Meeting of the Finance and Resources Committee, 30 March 2023

A decision on setting the detail of these fees and charges was remitted initially to Council on 16 March 2023 and thereafter to a Special Meeting of the Finance and Resources Committee on 30 March 2023. At this latter meeting, the following additional changes were agreed:

(i) to raise on-street parking charges by 20% across the various charge levels, excluding resident permits and town centres, increasing income by approximately £0.8 million relative to the level assumed in the budget baseline (i.e. a 12% increase);

(ii) to use the additional monies raised by increased parking charges to reduce the impact of other charges in the Council's remit, particularly on low-income and older households, specifically freezing the following fees and charges:

- adult burial fee charges (reduction in income of £0.340m);
- Garden Aid (£0.050m);
- Day Care for Older People and Adults with learning or physical disabilities (£0.005m);
- Community Alarms and Telecare Services (£0.194m); and
- Costs of audio, film rentals, photocopying, etc. within libraries (£0.040m).

(iii) to create a library fine amnesty period to dismantle potential barriers to continued access for adults and children (£0.071m); and

(iv) to create an additional fund for community-led cultural projects to help sustain local cultural organisations working in our neighbourhoods (£0.100m).

Taken together and with the addition of the increase in the rate charged for parking Penalty Charge Notices (PCNs), some £5.6m of increased income was anticipated to be generated in 2023/24.

Implementation of changes in charges resulting from Special Meeting

Parking

Following the decision of the Finance and Resources Committee, officers put in place arrangements to action the agreed amendments as soon as practicable. Due to a combination of the need to advertise the revised parking charges and required changes to relevant infrastructure such as signage and ticket machines, however, an interim increase was implemented with effect from 3 April, with full implementation of the agreed changes from 5 June.

Coupled with extensions to existing Controlled Parking Zones, it therefore remains comparatively early to assess the impact on overall income levels, although updated forecasts referenced in the main report indicate that the assumed £0.8m of additional income, taking into account separate budget framework provision for COVID-related impacts, will be generated.

Library fines

The library fine amnesty period remains in operation and is expected to do so at least until the end of the current financial year.

Community-led culture fund

Officers have also developed a programme of activity for the £0.100m to support community-based access to cultural resources and opportunities. The programme offers a broad spectrum of access options – provided both via Council resources and external partners – and builds on existing proven programmes, alongside new initiatives. Activity in 2023/24 will be treated as a pilot for future years' investment and includes building on the Welcome programme in libraries; music strands; parks and venues access and participation Each element is a bespoke approach to providing subsidised access to city indoor and outdoor spaces in partnership with communities.

The proposed programme has been shared with, and agreed by, the culture and well-being leads of each political group.

Application for use of Spend to Save fund – Edinburgh International Climbing Arena (EICA)

The Council has received an application for Spend to Save funding to support upgrading of current bouldering facilities at the Edinburgh International Climbing Arena (EICA).

Bouldering on indoor walls is now the most widely practiced form of climbing. As climbing has grown in popularity and become an Olympic sport, the accessibility of indoor bouldering and its lack of barriers to participation has led to an explosion in the number of bouldering walls across the world.

EICA currently offers two bouldering spaces that are now outdated and no longer fit for purpose. They do not work well for introducing people to the sport, coaching and developing climbers, catering for the growth in bouldering or hosting bouldering competitions at grass roots, regional, national or international level.

Mountaineering Scotland, the NGB for Climbing, has identified the need for EICA to upgrade its bouldering facilities in order to keep a national and international profile. Their strategy also highlights that indoor bouldering and rope climbing is the lynchpin in climbing pathways.

Edinburgh Leisure's business case proposes (i) the replacement of the existing arena boulders with an International Federation of Sport Climbing (IFSC)/Olympic standard bouldering installation and (ii) the development of former retail space to provide a new space for beginner/intermediate bouldering.

These two new developments combined with the existing bouldering room will ensure EICA is in a position to capitalise on the growing demand by offering progressive casual, coaching and competition bouldering areas. It will provide entry routes into climbing for complete beginners, enhance our comprehensive coaching pathways right through to the highest levels of world-class competition.

The cost of the initial developments has been estimated at £0.641m with yearly ongoing costs of circa £0.038m. Edinburgh Leisure is submitting an application to Sports Scotland who may be able to provide up to £0.100m in funding. The remaining costs would be met by a CEC Spend to Save loan over a maximum five-year period, with these repayments topsliced from EL's payment for service. The existing arena boulders have been in place for 20 years and the proposed development is expected to have a greater lifespan.

Annual income from the new development is forecast at circa £0.160m to £0.250m, giving a payback period of four years[1]. By year 5 it is anticipated the development will be contributing over £0.200m net per annum to EICA's financial position. This would see a significant reduction in the subsidy required by the venue. Due to the appeal and reach of the venue, the developments are also expected to bring users and visitors from across the UK and the world. This will result in further wider economic benefit to Edinburgh.

Sport climbing has three Olympic disciplines – Lead, Speed and Boulder. This proposed development would make EICA the only venue in the UK with international standard walls for all three disciplines, and one of a handful around the world. This would allow EICA to expand its world-class indoor climbing for people of all ages and stages whilst keeping up to date with developments and trends within the sport.

[1] Should this funding bid be successful, there would be a corresponding shortening of the payback period.

Finance and Resources Committee

10.00am, Thursday, 21 November 2023

Corporate Services Directorate: Revenue Budget Monitoring 2023/24 – Month Five position

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

1. Recommendations

1.1 It is recommended that the Finance and Resources Committee notes:

1.1.1 Corporate Services Directorate is forecasting a favourable variance of £0.604m for services delivered by the Directorate in 2023/24.

1.1.2 measures will continue to be progressed to fully deliver approved savings targets and to offset budget pressures to achieve outturn within the approved revenue budget for 2023/24 and,

1.1.3 the ongoing risks to the achievement of a balanced revenue budget projection for services delivered by Corporate Services Directorate.

Dr Deborah Smart

Executive Director of Corporate Services

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Report

Corporate Services Directorate: Revenue Budget Monitoring 2023/24 – Month Five position

2. Executive Summary

2.1 Corporate Services Directorate is forecasting a favourable variance of £0.604m for services delivered by the Directorate in 2023/24, based on the five-month revenue budget monitoring position. Measures will continue to be progressed to fully deliver approved savings targets and to offset budget pressures to achieve outturn within the approved revenue budget.

3. Background

3.1 The Council's Financial Regulations require submission of quarterly monitoring reports on service financial performance to the Finance and Resources Committee.

4. Main report

4.1 Corporate Services Directorate revenue budget for 2023/24 is £86.044m. This includes a range of Council-wide contracts - for example the Council's ICT contract, external audit fee and Scotland Excel membership. The Directorate provides services directly delivered to the public, including Customer Contact services, Benefits processing and Registration Services. Professional support services are provided for Finance and Procurement services, Human Resources, Legal services, Strategic Policy support and Corporate Communications.

4.2 This budget monitoring report also includes financial performance of the Chief Executive's Office.

4.3 The period five forecast is for a favourable variance of £0.604m. This is a favourable movement of £0.192m from the position reported to Finance and Resources Committee on 21 September 2023. The movement principally reflects an increase in the underspend forecast for employee costs.

4.4 An analysis of the budget and forecast by Corporate Services Directorate Divisions and for the Chief Executive's Office is shown in Appendix 1.

4.5 The favourable variance continues to reflect a one-off underspend on employee costs and is stated after the forecast achievement of the approved employee turnover savings target. The underspends are principally in the Finance and Procurement and Strategy and Policy services.

4.6 The approved 2023/24 revenue budget requires Corporate Services Directorate to achieve incremental savings of £1.785m. These are detailed in Appendix 2.

4.7 All approved savings are forecast to be on track for full delivery and are assessed as 'Green.'

4.8 At this stage in the financial year, the principal financial risks identified for Corporate Services Directorate services are:

4.8.1 Council approved investment of £2 million to support delivery of the HR system replacement. The Project Board tracks and manages delivery of the project. Until the replacement system is fully implemented, there remains a risk as to project delivery within the allocated financial resources.

4.8.2 Smart Cities savings target – ICT enabled business cases continue to be progressed to achieve savings of £0.2m. Until business cases are fully developed and implemented, there remains a risk as to achievement of the savings target.

4.8.3 ICT licences – negotiations continue to be progressed with the Council's ICT partner. Until negotiations are fully concluded, a risk of additional cost remains.

4.8.4 Customer Services – promotion of online services – a risk remains as to the achievement of savings of £0.075m from reduced postage costs.

4.8 All current and emerging risks will be subject to ongoing tracking and development of mitigation measures where required for the remainder of 2023/24.

5. Next Steps

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

6. Financial impact

6.1 This report forecasts financial outturn for Corporate Services Directorate to be £0.604m less than the approved revenue budget for 2023/24.

7. Equality and Poverty Impact

7.1 There are no equality, human rights (including children's rights) and socio-economic disadvantage implications arising as a consequence of this report.

8. Climate and Nature Emergency Implications

8.1 There are no Climate and Nature Emergency implications arising as a consequence of this report.

9. Risk, policy, compliance, governance and community impact

9.1 Whilst the report provides a forecast of financial outturn of £0.604m less than the approved revenue budget for Corporate Services Directorate based on financial performance and conditions existing on 31 August 2023, there remains a risk that changing circumstances and events will result in budget pressures emerging in the remaining months of 2023/24.

9.2 All current and emerging risks will be subject to ongoing tracking, development of mitigation measures and review for the remainder of 2023/24.

9.3 Financial performance will be tracked by Corporate Services Management Team and service management teams each month to identify and mitigate emerging financial risks.

9.4 There are no health and safety, governance, compliance or regulatory implications arising from this report.

10. Background reading/external references

10.1 Corporate Services Directorate: Revenue Budget Monitoring 2023/24 – Month Three position, Finance and Resources Committee, 21 September 2023.

11. Appendices

11.1 Appendix 1 – Corporate Services Directorate and Chief Executive's Office Revenue Budget Monitoring 2023/24 - Month Five position

11.2 Appendix 2 – Corporate Services Directorate: Approved Revenue Budget Savings 2023/24

Appendix 1

Corporate Services Directorate and Chief Executive's Office

Revenue Budget Monitoring 2023/24

Month Five position

Forecast Revenue Outturn by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	58,561	58,561	0	-
Finance and Procurement Services	7,667	7,567	(100)	Fav
Human Resources	5,724	5,731	7	Adv
Legal and Assurance	9,654	9,604	(50)	Fav
Strategy and Communications	4,196	3,735	(461)	Fav
Directorate and service-wide costs.	242	242	0	-
Total Net Expenditure	**86,044**	**85,440**	**(604)**	**Fav**

Chief Executive's Office	**233**	**233**	**0**	**-**

Appendix 2

Corporate Services Directorate: Approved Revenue Budget Savings 2023/24

Division	Saving Description	2023/24 £'000	Red/Amber/Green/Black assessment
Service-Wide	Employee Turnover – 3% Target	1,172	
Service-Wide	Senior Management posts	223	
Human Resources	Salary Sacrifice	225	
Customer and Digital Services	Promotion of Online Services	165	
	TOTAL	**1,785**	

SUMMARY	**£'000**	**%**
Green assessed	1,785	100
Amber assessed	-	-
Red assessed	-	-
Black Assessed	-	-
TOTAL	**1,785**	**100**

Finance and Resources Committee

10.00am, Tuesday, 21st November 2023

Capital Monitoring 2023-24 - Month Five Position

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

1. Recommendations

1.1 To note the capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month five of the 2023-24 financial year.

1.2 To note the Prudential Indicators in appendix 3.

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

Dr Deborah Smart

Executive Director of Corporate Services

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Report

Capital Monitoring 2023-24 - Month Five Position

2. Executive Summary

2.1 The report provides the capital expenditure and funding position as at month five and full-year outturn projections for the 2023-24 financial year, providing explanations for key variances.

2.2 An update on the Sustainable Capital Budget Strategy is also brought to Finance and Resources Committee on this agenda. This report will look ahead to 2024-25 Budget Setting, with a focus on addressing emerging pressures and priorities against a continuing funding constraint.

3. Background

3.1 The Sustainable Capital Budget Strategy 2023-33 was approved by Council on 23rd February 2023 following referral from the Finance and Resources Committee. The report detailed priorities for capital investment of £1,474.5m for general services. In setting the budget, the Council looked to address the pressures arising from the financial climate, to ensure delivery of priority and in-progress projects.

3.2 The Council also approved the HRA Budget Strategy 2023-33 setting out plans for investment of £1,714.5m over the next 10 years. The strategy was updated to reflect the current financial climate and changes in assumptions regarding rental increases and the cost of borrowing.

4. Main report

Capital Monitoring 2023-24 – Month Five Position

General Fund

4.1 At month 5, the General Fund expenditure is projected to be £243.3m, against a budget of £233.2m. This would result in net capital expenditure acceleration of £10.1m (4.3%). A summary is provided in Appendix 1 with the drivers being;

4.1.1 Castlebrae High School (acceleration £5.4m) which, although complete and has a fully funded business case, is awaiting ringfenced capital receipts and a dividend from EDI that will not be fully realised this financial year.

4.1.2 Rising School Rolls (acceleration £5.8m) which has major works at the Royal High School, Sciennes PS, Castleview and Kirkliston programmed in for the year.

4.1.3 MacMillan Hub (acceleration £1.0m) which, as agreed by Committee in September 2022, will be front funded by the council in lieu of contributions to be generated by North Edinburgh Arts. A standard security has been put in place. The project has encountered difficulties in connecting with the existing building, increasing the cost for essential works and subsequent time on site.

4.1.4 Roads inc. Carriageways and Footways will see acceleration of £4.3m, which was originally slipped into future years during the budget setting process in February 2023. It is, however, anticipated that the planned programme will be delivered within the year.

4.1.5 The Active Travel programme (slippage £8.3m) has had confirmation of Active Travel Transformation Funding (£5.6m), and a change in the funding profile for CCWEL (£3.8m), which both do not affect delivery but will see increased income in the year.

4.1.6 The IMPACT Project, the Dunard Centre, is also not expected to require the Council's contribution to funding this year (slippage £4.0m). It is however, facing increased costs and the Council has been approached to add to its contribution.

4.2 General Fund income is expected to total £177.2m, resulting in Loans Fund Advances of £66.1m. This is £10.1m (17.9%) more than the revised budget, reflecting the acceleration in expenditure.

4.3 An update on the Sustainable Capital Budget Strategy is also brought to Finance and Resources Committee on this agenda. This report will look ahead to 2024-25 Budget Setting, with a focus on addressing emerging pressures and priorities against a backdrop of continuing funding constraint.

Housing Revenue Account

4.4 HRA expenditure is projected to be £124.7m against revised budget of £124.8m, slippage of £0.1m (0.1%). A breakdown is in Appendix 2.

4.4.1 Housebuilding & Land;

4.4.1.1 There has been little change in the cost forecasts for the major developments since the budget revision at Month 3, when £40.4m was slipped into future years.

4.4.1.2 The budget was developed in December 2022 under the assumption that construction of another 355 homes would begin early in the financial year.

4.4.1.3 Higher than expected cost plans have resulted in short term delays for Greendykes K&L, Fountainbridge, Murrayburn Gate and Pennywell Town Centre, resulting in significant slippage of £30m across the four developments. These plans have been reviewed to ensure delivery is affordable and to the required standard. Fountainbridge also suffered from delays in relation to relocating a substation.

4.4.1.4 Silverlea (£12.3m) has faced planning delays and increased costs, with a Non-Material Variation also required to achieve a more affordable design.

4.4.1.5 Western Villages had £16.1m of budget accelerated due to it progressing well.

4.4.2 Existing homes;

4.4.2.1 Similarly to the Housebuilding programme, there has been little change in projections since be P3 budget revision when £8.1m of budget was slipped into future years.

4.4.2.2 This slippage was linked to delays in the procurement for the Windows and Doors programme which has now been resolved.

4.4.2.3 Additionally, there has been significant contractor underperformance across several projects. Work has been moved to other contractors where practical and performance management arrangements have been put in place to limit the impact.

4.4.2.4 The Whole House Retrofit programme in four multi story blocks (Oxcars/Inchmickery and Craigmillar/Peffermill) has been delayed into early 2024/25. More detailed surveys have been required to adequately inform the scope of works and a limited market response led to delays in contracts being awarded.

4.5 HRA Income is expected to total £57.0m, which is £1.1m (1.9%) more than the revised budget. This would result in a net requirement of £67.7m in Loans Fund Advances, £1.1m (1.7%) less than budget.

5. Next Steps

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

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

5.3 Further reports will be presented to Finance and Resource Committee at month seven and month 12 showing the position against the revised 2023-24 capital budget.

5.4 A further report on the 2024-25 to 2033-34 Sustainable Capital Budget will be brought to Finance and Resources Committee on 21st November 2023.

6. Financial impact

6.1 The 2023-24 General Fund projected outturn outlines loans fund advances of £66.1m. The overall loan charges associated with this over a 30-year period would be a principal amount of £66.1m, interest and expenses of £49.4m, resulting in a total cost of £115.5m based on a loans fund interest rate of 3.9%. The average annual cost would be £3.9m for 30 years.

6.2 The 2023-24 HRA projected outturn outlines loans fund advances of £67.7m. The overall loan charges associated with this over a 30-year period would be a principal amount of £67.7m, interest and expenses of £63.5m, resulting in a total cost of £131.2m based on a loans fund interest rate of 4.8%. The average annual cost would be £4.4m for 30 years.

6.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

6.4 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.

6.5 The Council's Prudential Indicators for the Revised Budget 2023-24 are set out in Appendix 3.

7. Equality and Poverty Impact

7.1 The equality and poverty impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Climate and Nature Emergency Implications

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

8.2 Key findings show that, for the expected expenditure for 2023-33

- 59 % 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

9. Risk, policy, compliance, governance and community impact

9.1 The budget is monitored by officers on an ongoing basis with due consideration given to existing and emerging risks, and recommendations to address them given to members where and when required.

9.2 The Capital Budget Strategy is approved and monitored against the underlying Prudential Code, which ensures the Council carries out its duties under Part 7 of the Local Government in Scotland Act 2003

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

10. Background reading/external references

10.1 Housing Revenue Account (HRA) Budget Strategy (2023-33). Referral from Finance and Resources Committee, 23 February 2023

10.2 Sustainable Capital Budget Strategy 2023-33. Referral from Finance and Resources Committee, 14 March 2023

10.3 Capital Strategy 2023-33 – Annual Report. Referral from Finance and Resources Committee, 16 March 2023

11. Appendices

11.1 Appendix 1 – 2023-24 Capital Monitoring Month 5 Position – General Fund

11.2 Appendix 2 – 2023-24 Capital Monitoring Month 5 Position – HRA

11.3 Appendix 3 – 2023-24 Revised Budget Prudential Indicators

Appendix 1 - 2023/24 Capital Monitoring

General Fund Summary

Period 5

Expenditure	Approved Budget £m	Adjustments £m	Revised Budget £m	Actual to Date £m	Projected Outturn £m	Projected Outturn Variance £m	%
Learning Estate	90.403	-24.272	66.131	23.437	75.432	9.301	14.06%
Edinburgh Living LLPs	62.413	-48.649	13.764	8.573	13.764	0.000	0.00%
Trams to Newhaven	3.507	8.774	12.281	7.327	12.281	0.000	0.00%
Asset Management Works	1.689	8.186	9.875	3.028	8.517	-1.358	-13.76%
Transport & Infrastructure	69.438	-5.652	63.785	33.543	59.553	-4.232	-6.63%
Place - Other	49.392	26.603	75.995	27.502	71.947	-4.048	-5.33%
Corporate Services	4.091	-2.664	1.427	0.630	0.778	-0.649	-45.49%
Edinburgh Health and Social Care Partnership	0.000	0.000	0.000	0.092	0.000	-0.000	-100.00%
Other Community	2.065	3.886	5.951	2.574	6.990	1.040	17.47%
Contingency	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Slippage Assumption	-31.233	15.233	-16.000	0.000	-6.000	10.000	-62.50%
Total Gross Expenditure	**251.764**	**-18.555**	**233.209**	**106.706**	**243.262**	**10.053**	**4.31%**

Funding	Approved Budget £m	Adjustments £m	Revised Budget £m	Actual to Date £m	Projected Outturn £m	Projected Outturn Variance £m	%
Capital Receipts							
General Asset Sales	7.000	8.536	15.536	1.267	15.536	0.000	0.00%
Capital from Current Revenue	0.000	0.492	0.492	0.000	0.492	0.000	0.00%
Other Capital Contributions (Edinburgh Living)	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Developers Contributions Applied	6.369	10.096	16.465	0.012	16.465	0.000	0.00%
Total Capital Receipts from Asset Sales	13.369	19.124	32.493	1.279	32.493	0.000	0.00%
Drawdown from/ (to) Capital Fund	27.650	0.000	27.650	0.000	27.650	0.000	0.00%
Total Capital Receipts and Contributions	**41.019**	**19.124**	**60.143**	**1.279**	**60.143**	**0.000**	**0.00%**
Grants							
General Capital Grant	53.382	0.404	53.786	20.521	53.786	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	-9.709	0.005	-9.704	0.000	-9.704	0.000	0.00%
Capital Grants Unapplied Account	0.000	8.696	8.696	0.000	8.696	0.000	0.00%
Specific Capital Grants - TMDF	27.950	17.103	45.053	11.627	45.053	0.000	0.00%
Specific Capital Grants - CWSS	2.299	0.000	2.299	0.000	2.299	0.000	0.00%
Specific Capital Grants - Place Based Investment Programm	1.209	0.004	1.213	0.000	1.213	0.000	0.00%
Specific Grants - Other	0.000	15.695	15.695	11.775	15.695	0.000	0.00%
Total Grants	**75.131**	**41.907**	**117.038**	**43.922**	**117.038**	**0.000**	**0.00%**
Total Funding	**116.150**	**61.031**	**177.181**	**45.202**	**177.181**	**0.000**	**0.00%**
Borrowing							
New Prudential Borrowing in Year	13.012	4.916	17.929	0.000	17.648	-0.281	-1.57%
New On-Lending in Year	62.413	-48.649	13.764	8.573	13.764	0.000	0.00%
New Capital Advance - Trams to Newhaven	3.507	-1.309	2.198	7.327	2.198	0.000	0.00%
New Capital Advance - General Fund	56.682	-34.545	22.137	45.605	32.471	10.334	46.68%
Balance to be funded through Loans Fund Advance	**135.614**	**-79.586**	**56.028**	**61.505**	**66.080**	**10.053**	**17.94%**

Appendix 2 - 2023/24 Capital Monitoring

Housing Revenue Account

Period 5

Expenditure	Approved Budget £m	Adjustments £m	Revised Budget £m	Actual to Date £m	Projected Outturn £m	Projected Outturn Variance £m	Projected Outturn Variance %
New Homes Development	99.027	-38.547	60.480	25.353	60.240	-0.239	-0.4%
New Homes Land Costs	2.064	-1.889	0.175	0.047	0.175	0.000	0.1%
Improvement to Council Homes and Estates	72.271	-8.127	64.143	21.185	64.318	0.175	0.3%
Total Gross Expenditure	**173.361**	**-48.563**	**124.798**	**46.586**	**124.734**	**-0.064**	**-0.1%**

Income	Approved Budget £m	Adjustments £m	Revised Budget £m	Actual to Date £m	Projected Outturn £m	Projected Outturn Variance £m	Projected Outturn Variance %
Capital Funded From Revenue	23.300	0.000	23.300	0.000	23.300	0.000	0.0%
Energy (HEEP:ABS) grant funding	0.000	0.000	0.000	1.076	1.076	1.076	0.0%
Developer contribution/market sales	14.520	-6.820	7.700	4.080	7.700	0.000	0.0%
Receipts from LLPs*	45.809	-31.059	14.750	4.502	14.750	0.000	0.0%
Scottish Government Subsidy (Social and Acquisition)	28.051	-17.867	10.184	4.360	10.184	0.000	0.0%
Total Income	**111.680**	**-55.746**	**55.934**	**14.018**	**57.010**	**1.076**	**1.9%**
Balance to be funded through Loans Fund Advance	**61.681**	**7.183**	**68.864**	**32.568**	**67.724**	**-1.140**	**-1.7%**

Appendix 3 - 2023/24 Budget Prudential Indicators

Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2022-23 and the estimates of capital expenditure to be incurred for the current and future years:

	Capital Expenditure - General Services					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Rolled Forward Capital Investment Programme	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Learning Estate	46,465	75,432	146,907	140,895	52,237	10,233
Asset Management Works	10,497	8,517	35,677	41,635	26,071	16,000
Transport and Infrastructure	65,393	59,553	42,750	31,680	25,633	25,043
Place - Other Projects	77,257	71,947	70,510	50,779	29,200	29,200
Corporate Services	2,304	778	7,446	669	678	615
Edinburgh Health and Social Care Partnership	1,297	0	279	0	0	0
Other Community (inc Libraries and Sports Centres)	3,691	6,990	2,528	165	165	165
Trams to Newhaven	53,419	12,281	0	0	0	0
Edinburgh Living LLPs	27,400	13,764	70,500	92,071	10,804	0
Contingency	0	0	324	5,000	5,000	5,000
General (slippage) / acceleration across the programme	0	-6,000	-15,765	5,775	14,880	11,601
Total General Services Capital Expenditure	**287,722**	**243,262**	**361,157**	**368,667**	**164,668**	**97,857**

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.

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Rolled Forward Capital Investment Programme	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Housing Revenue Account	121,335	124,734	238,504	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 2022-23 are:

	Ratio of Financing Costs to Net Revenue Stream					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	%	%	%	%	%	%
General Services	7.2%	7.6%	8.0%	8.2%	8.4%	8.4%
Housing Revenue Account (HRA)	33.9%	31.0%	32.2%	34.8%	36.2%	36.9%

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 2023 are:

	Capital Financing Requirement					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
General Services (including Finance Leases / Right of Use Assets)	1,500	1,590	1,722	1,835	1,846	1,799
Housing Revenue Account (HRA)	423	470	549	570	616	699
NHT LLPs	44	32	24	15	0	0
Edinburgh Living LLPs	59	72	142	232	240	237
Total Capital Financing Requirement	**2,026**	**2,165**	**2,436**	**2,652**	**2,702**	**2,735**

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					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Gross Debt	1,783	1,910	2,023	2,079	2,087	2,094
Capital Financing Requirements	2,026	2,165	2,436	2,652	2,702	2,735
(Over) / under limit by:	**243**	**255**	**413**	**573**	**615**	**642**

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 has applied 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 £51m 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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,900	2,106	2,474	2,831	2,958	3,010
Credit Arrangements (including leases and Right of Use assets)	328	405	394	384	377	372
Authorised Limit for External Debt	**2,227**	**2,512**	**2,868**	**3,215**	**3,336**	**3,383**

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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,850	2,056	2,424	2,781	2,908	2,960
Credit Arrangements (including leases)	328	405	394	384	377	372
Operational Boundary for External Debt	**2,177**	**2,462**	**2,818**	**3,165**	**3,286**	**3,333**

The Council's actual external debt at 31 March 2023 was £1,783m (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 2023-24 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	42,890	50,119	198,623	184,153	82,670	26,663
Year 1 - Interest Only	858	1,002	3,972	3,683	1,653	533
Year 2 - Interest and Principal Repayment	3,145	3,675	14,566	13,505	6,062	1,955
Housing Revenue Account (HRA) - New Loans Fund Advances						
Loans Fund Advances in year (excl. LLP programme *)	46,777	67,724	100,207	45,137	70,986	110,480
Year 1 - Interest Only	994	1,439	2,129	959	1,508	2,348
Year 2 - Interest and Principal Repayment	1,988	2,878	4,259	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 as the line to Newhaven is 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.

Finance and Resources Committee

10.00am, Tuesday, 21st November 2023

Sustainable Capital Budget Strategy Update 2024-2034

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

1. Recommendations

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

1.2 To note the announcement of the provisional Local Government Finance Settlement is expected in December 2023;

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

1.4 To note that a further report on the Sustainable Capital Budget Strategy 2024-2034 will be presented to this Committee early in 2024 prior to Council budget setting in February 2024;

1.5 To note that investment in unfunded pressures and priorities set out in this report will require additional external funding and/or reprioritisation of existing budgets and must be supported by robust business cases: and

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

Dr Deborah Smart

Executive Director of Corporate Services

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EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Sustainable Capital Budget Strategy Update 2024-2034

2. Executive Summary

2.1 This Report sets out priorities for £1,419.5m of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

2.2 Funding assumptions have been reviewed and there is likely to be increased pressure as a result of reduced capital grant in future years and revenue pressures reducing the ability to borrow.

2.3 Cost forecasts for the existing programme have been updated with little change given that budgets were cash limited where possible, however the requirement for new projects, including those arising from the City Plan, is likely to create significant pressures in the medium to long term.

2.4 Additional projects can only be progressed following the development of fully funded business plans or by reallocating funding from projects within the existing programme.

3. Background

3.1 The Sustainable Capital Budget Strategy 2023-33 was approved by Council on 23rd February 2023 following referral from the Finance and Resources Committee. The report detailed priorities for capital investment of £1,474.5m for general services. In setting the budget, the Council looked to address the pressures arising from the financial climate, to ensure delivery of priority and in-progress projects.

3.2 The Revised 2033-33 Capital Budget Strategy was presented to F&R Committee on 21st September 2023 which took account of expenditure slippage from the previous financial year as well as additional funding received.

3.3 This report provides an update on the financial challenges facing the Council's General Fund capital budget and sets out the steps required to reach a balanced position ahead of Council budget meeting in February 2024.

3.4 A separate report detailing the period five capital monitoring position is also included on this agenda.

4. Main report

Current Capital Expenditure Priorities

4.1 The Capital Programme for 2024-34 set out in Appendix 1 takes account of revised cost forecasts and additional income for projects in the Sustainable Capital Budget Strategy and rolls forward the programme for another year.

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

4.3 The Council's Learning Estate expansion continues to have a significant cost allocation with £371.4m (26%) of available funding allocated to the programme. For all new learning estate projects currently in development, options for wider service delivery from the facility are being considered during design, with flexible working space included as budgets allow. Passivhaus standard is being adopted in new builds and designs are aligned to achieving Net Zero targets.

4.4 Roads and Transport Infrastructure programmes, including Active Travel, are allocated £243.4m (17%) of available capital funding. The latest Road Condition Index (RCI) indicates that 35.1% of adopted roads in need of investment. It is estimated that to remain at this RCI and comply with the Edinburgh Street Design Guidance (ESDG) an additional £8-10m of funding will be required per year.

4.5 Asset Management and Retrofit works amount to £206.7m (15%) of the capital programme. The Retrofit programme was developed to reduce carbon emissions and improve building user comfort of 12 Council buildings. Three of these have been progressed, however increasing costs will impact timing and deliverability. The impact of this is currently being assessed.

4.6 The programme includes £13.4m of investment in cultural facilities. The Dunard Centre project is facing increased costs because of inflation, with previous estimates totalling £75m now forecast to be £114m. The Council's contribution was agreed at £5m, but an additional £2m has been requested.

Unfunded Pressures and Priorities

4.7 Reinforced Autoclaved Aerated Concrete (RAAC) has been identified in 12 operational buildings to date. RAAC presents a structural safety concern and will require substantial remediation works. In 4 of the buildings, the areas with RAAC were not being used or have easily been isolated without affecting operations. In the remaining eight buildings detailed surveys are continuing to determine mitigation requirements or mitigation is underway. The extent of the capital expenditure requirement remains to be established and this will be subject to a separate report in the next cycle.

4.8 Development set out in the city's Local Development Plan and City Plan requires further expansion of the learning estate. There is currently no funding for proposed schools at Builyeon Road (South Queensferry), Gilmerton Station Road, Granton Waterfront and East of Milburn Tower, along with New High Schools at Kirkliston and in West Edinburgh. The cost of these projects is now estimated to be £103.2m after considering likely developers contributions. Similarly, further school extensions will be required due to increased allocated housing in the City Plan, and are anticipated to cost £53.8m to the Council. This includes major extensions at Castlebrae HS, Craigroyston HS and Craigmount HS.

4.9 As reported to the Education, Children and Families Committee on 7 November, the Early Years Capital Programme Update highlights significant inflationary pressures. While to do date these increases have been funded within available Scottish Government Grant provision, further increases may require a reprioritisation of uncommitted Early Years projects.

4.10 The Fleet replacement programme is under review considering the significant cost of electric vehicles and infrastructure. An additional paper is brought to committee on this agenda recommending the approval of £55.5m to deliver a programme which is Low Emission Zone (LEZ) compliant, aligns to the Council's Emission's Reduction Plan (CERP) and is modern and fit-for-purpose.

4.11 City Mobility Plan policy measures require significant capital investment. Key priorities include Mass Rapid Transit, Bus Network Review, City/Regional Interchanges, Walking Wheeling and Cycling, Road Safety and Low Emission Zones. Whilst partial funding is available for specific projects such as Active Travel, to deliver the plan in full would require significantly more funding.

4.12 The 2030 Climate Strategy outlines how the Council aims to deliver a Net Zero city by 2030. This includes energy efficiency, heat generation, decarbonisation of public transport and climate adaptation. The Corporate Property Strategy seeks to prioritise the electrification of heat as the primary objective. However, with over 400 operational buildings and options for electrification of heat expensive and potentially intrusive, this will be a significant challenge in terms of cost and delivery. The Council is seeking external funding and exploring innovative financing options; however, it is likely that some of these costs will need to be met from the capital budget.

4.13 An additional report is brought to committee on this agenda requesting the approval of Prudential Borrowing to fund the increase in cost of the Heat Interchange Unit (HUI) at Millerhill Energy from Waste (EfW) facility. The total cost has risen to £7.9m (from £5.2m), of which 20% will be funded by MIdlothian Council. Should committee approve the report, the capital budget will be amended accordingly.

4.14 There is an unquantified need for capital investment in Health & Social Care, with additional care homes and digital transformation being key priorities in both the medium and long term. Further work is required to determine the extent of investment required and how it might be funded.

4.15 Community Centres continue to be an important resource to communities across the city. Whilst new schools are being designed for wider service delivery, it is recognised that further investment is required to address condition, capacity, and structural challenges of existing buildings. However, there is currently no funding for this within the programme.

4.16 ICT & Digital Transformation provides an opportunity to modernise Council Operations and to reduce long term costs. Feasibility exercises will be undertaken in the short to medium term and business cases brought forward for consideration at the appropriate time.

Capital Funding Assumptions

4.17 The funding assumptions for Sustainable Capital Budget Strategy 2024-2034 have been thoroughly reviewed and funding available is currently estimated at £1.4bn. Detailed analysis of funding is provided in Appendix 1 with the under-pinning assumptions set out in Appendix 4.

4.18 The provisional Local Government Finance Settlement is expected to be announced in December 2023 and a reduction in funding is anticipated. It is assumed that the General Capital Grant will reduce by 5% of its current level, which over 10 years amounts to £19m. This includes a distributional loss of funding following the updated 2022 Census, where the estimated population growth in Edinburgh has been reduced.

4.19 Revenue pressures and the subsequent requirement for savings in the Medium-Term Financial Strategy have limited the amount of borrowing available to fund the capital programme. Currently the programme remains affordable with the existing borrowing requirement.

Funding Gap and Approach to Capital Expenditure Savings

4.20 The reduction in capital grant of £19m can be partially mitigated by an increase in assumed capital receipts (£10m) in 2024/25 and 2025/26.

4.21 Contingency budget in later years is set to assume full use of the capital grant. Revised slippage calculations have allowed this to be reduced by £4.8m.

4.22 An explanation of the slippage calculation can be found in Appendix 4. Following an update in line with the revised capital programme, £14.9m has been adjusted out of the 10-year scope. This, combined with contingency revision noted above, has allowed for a reduction in loans fund advances of £15.4m.

4.23 It is therefore considered affordable to fund the resulting pressure of £4.6m through loans fund advances. Changes are presented in Appendix 2.

5. Next Steps

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

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

5.3 The Capital Budget Strategy 2024-34 will be developed further, and detailed budget proposals will be submitted to this Committee prior to the Council setting its budget in February 2024

5.4 The Corporate Leadership Team have agreed to review the future requirement and specification of the future Learning Estate to reduce costs and create headroom for other priorities.

6. Financial impact

6.1 This report sets out capital expenditure and funding of £1.4bn based on the assumptions set out above. These assumptions will be kept under review, and capital expenditure plans remain contingent on the strategy continuing to be affordable.

6.2 Based on revised slippage calculations and the subsequent impact on borrowing, the reduction in advances of £15.4m would reduce interest on borrowing by £11.6m and total costs by £27m over the 30-year repayment period. This amounts to £0.9m per year at the current pool rate of 3.92%.

6.3 It is considered affordable to fund the £4.6m pressure, resulting from the reduction in grant, through loans fund advances. Interest on this would be £3.5m and a total cost of £8.1m over 30 years. This amounts to £0.3m per year at the rate of 3.92%.

6.4 New projects will be required to have 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.

7. Equality and Poverty Impact

7.1 The equality and poverty impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Climate and Nature Emergency Implications

8.1 Public sector climate change duties have been strengthened in 2022 with a new requirement to ensure alignment of spending plans and use of resources with sustainability ambitions. To this end, a new methodology developed by the

Institute for Climate Economics (I4CE) had been trialled to better understand the climate impacts of the Council's capital budget strategy for 2023-33. This exercise has been revised for the updated 2024-34 strategy.

8.2 Key findings show that, for the expected expenditure for 2024-34

- 55 % of the total investment (£ 771 m) is in line with the Council's climate ambition (labelled as either "favourable under conditions", or "very favourable")
- 38 % is considered as neutral
- 2 % is unfavourable
- 5 % is classified as "undefined" as the expenditure did not match with any item in the taxonomy

8.3 These figures are broadly consistent with the assessment of the 2023-33 strategy. They will be reviewed as part of the budget setting process in February 2024 after key decisions are made, such as on the upgrade of the vehicle fleet, which are not included in the current assessment. The assessment can be found in Appendix 5.

9. Risk, policy, compliance, governance and community impact

9.1 The budget is monitored by officers on an ongoing basis with due consideration given to existing and emerging risks, and recommendations to address them given to members where and when required.

9.2 The Capital Budget Strategy is approved and monitored against the underlying Prudential Code, which ensures the Council carries out its duties under Part 7 of the Local Government in Scotland Act 2003.

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

10. Background reading/external references

10.1 Sustainable Capital Budget Strategy 2023-33. Referral from Finance and Resources Committee, 14 March 2023

10.2 Capital Strategy 2023-33 – Annual Report. Referral from Finance and Resources Committee, 16 March 2023

10.3 Early Years Capital Update – Education, Children and Families Committee, 7 November 2023

11. Appendices

11.1 Appendix 1 – Sustainable Capital Budget Strategy 2024 - 2034

11.2 Appendix 2 - Anticipated Changes

11.3 Appendix 3 - Unfunded Pressures/Priorities

11.4 Appendix 4 - Capital Budget Funding Assumptions

11.5 Appendix 5 – Climate Assessment

A Sustainable Capital Budget Strategy 2024 - 2034
Appendix 1 - Capital Expenditure Priorities and Available Funding

Expenditure Priorities		**Revised Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**
		2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**
Project Area	**Total**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Primary Schools	**28.033**	18.896	9.136	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Wave 4 Schools	**265.999**	93.668	94.680	44.237	1.233	18.498	12.944	0.740	0.000	0.000	0.000
New Schools and Extensions for Population Growth	**77.391**	23.568	28.822	8.000	9.000	8.000	0.000	0.000	0.000	0.000	0.000
Libraries	**0.443**	0.443	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sports Facilities	**2.368**	0.883	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Other Community	**1.203**	1.203	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Depots	**5.892**	5.892	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Parks, Greenspace and Cemeteries and Other Environment	**8.189**	3.683	2.606	0.250	0.250	0.250	0.250	0.250	0.250	0.200	0.200
Fleet Replacement	**0.125**	0.125	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Roads and Transport Infrastructure (including North Bridge)	**163.935**	32.856	19.401	13.682	13.510	13.510	13.510	13.510	15.010	14.472	14.472
Energy Efficiency Street Lighting Project and Traffic Signals Prudential	**12.741**	1.220	1.220	1.220	1.220	1.220	1.265	1.450	1.450	1.238	1.238
Public Transport, Road Safety and Active Travel	**66.711**	6.866	10.771	10.663	10.241	5.521	4.906	4.436	4.436	4.436	4.436
Tram Life Cycle Replacement	**2.505**	1.658	0.287	0.069	0.071	0.073	0.076	0.079	0.092	0.050	0.050
IMPACT	**1.000**	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
King's Theatre	**12.000**	12.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Culture	**0.360**	0.360	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Asset Management Works	**146.183**	10.833	16.000	16.000	16.000	16.000	14.000	14.000	15.350	14.000	14.000
Retrofit	**60.550**	24.844	25.635	10.071	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Edinburgh Living	**173.375**	70.500	92.071	10.804	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Housing and Regeneration	**327.197**	47.424	48.173	28.950	28.950	28.950	28.950	28.950	28.950	28.950	28.950
Tram to Newhaven	**0.000**	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Health and Social Care	**0.279**	0.279	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ICT	**10.638**	7.446	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000	0.000
Contingency[1]	**46.782**	0.324	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.748	5.710
Slippage Adjustment[2]	**5.615**	-28.597	-9.165	21.052	16.596	2.022	1.035	2.116	0.443	0.038	0.076
Total Expenditure	**1,419.513**	**337.375**	**345.472**	**170.840**	**102.851**	**99.824**	**82.716**	**70.696**	**71.146**	**69.297**	**69.297**

Available Funding		**Revised Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**	**Indicative Budget**
		2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**
Funding Stream	**Total**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Asset Sales (Unringfenced)	**41.000**	9.000	8.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
General Capital Grant	**363.721**	37.264	38.075	36.048	36.048	36.048	36.048	36.048	36.048	36.048	36.048
Specific Grants	**340.187**	48.723	49.472	30.249	30.249	30.249	30.249	30.249	30.249	30.249	30.249
Developers Contributions[3]	**0.000**	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - Prudential	**20.911**	17.719	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000	0.000
Loans Fund Advances - On-Lending	**173.375**	70.500	92.071	10.804	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - General	**480.319**	154.169	157.185	90.061	32.939	29.912	12.804	1.399	1.849	0.000	0.000
	1,419.513	**337.375**	**345.472**	**170.840**	**102.851**	**99.824**	**82.716**	**70.696**	**71.146**	**69.297**	**69.297**
Funding Deficit / (Surplus)	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

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

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

[3] Expenditure budgets funded by Developers Contributions are added once received

A Sustainable Capital Budget Strategy 2024 - 2034
Appendix 2 - Anticipated Changes

Pressure/Mitigation	Total	Indicative Budget 2024/25 £m	Indicative Budget 2025/26 £m	Indicative Budget 2026/27 £m	Indicative Budget 2027/28 £m	Indicative Budget 2028/29 £m	Indicative Budget 2029/30 £m	Indicative Budget 2030/31 £m	Indicative Budget 2031/32 £m	Indicative Budget 2032/33 £m	Indicative Budget 2033/34 £m
Reduction in General Capital Grant	18.973	1.897	1.897	1.897	1.897	1.897	1.897	1.897	1.897	1.897	1.897
Additional Capital Receipt (Brunstane)	-10.000	-5.000	-5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Slippage Adjustment	-14.946	-12.832	-14.940	6.171	4.995	0.837	0.396	0.110	-0.137	0.208	0.246
Reduction in Contingency	-4.842	0.000	0.000	0.000	0.000	0.000	-0.074	-0.608	0.089	-2.105	-2.143
Reduction in Borrowing	15.447	12.832	14.940	-6.171	-4.995	-0.837	-0.322	0.000	0.000	0.000	0.000
Resulting Pressure funded by borrowing	*-4.632*	*3.103*	*3.103*	*-1.897*	*-1.897*	*-1.897*	*-1.897*	*-1.399*	*-1.849*	*0.000*	*0.000*
	0.000	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

A Sustainable Capital Budget Strategy 2024 - 2034
Appendix 3 - Unfunded Pressures/Priorities

Capital Expenditure	Total	Indicative Budget 2024/25 £m	Indicative Budget 2025/26 £m	Indicative Budget 2026/27 £m	Indicative Budget 2027/28 £m	Indicative Budget 2028/29 £m	Indicative Budget 2029/30 £m	Indicative Budget 2030/31 £m	Indicative Budget 2031/32 £m	Indicative Budget 2032/33 £m	Indicative Budget 2033/34 £m
New LDP Schools											
Builyeon Road Primary School (S Queensferry)	28.000	1.023	7.559	10.590	8.828	0.000	0.000	0.000	0.000	0.000	0.000
Kirkliston Secondary Provision	70.000	0.000	0.000	0.000	3.375	24.567	29.200	12.859	0.000	0.000	0.000
West Edinburgh Secondary Provision	70.000	0.000	0.000	0.000	3.375	24.567	29.200	12.859	0.000	0.000	0.000
Gilmerton Station Road Primary School	30.000	0.000	0.000	0.000	0.000	0.000	5.000	10.000	10.000	5.000	0.000
Granton Waterfront Primary School	30.000	0.000	0.000	0.000	5.000	10.000	10.000	5.000	0.000	0.000	0.000
East of Milburn Tower Primary School	30.000	0.000	0.000	0.000	0.000	0.000	5.000	10.000	10.000	5.000	0.000
Less: assumed developers contributions	-154.800	-0.614	-4.535	-6.354	-12.346	-35.480	-47.040	-30.430	-12.000	-6.000	0.000
Total LDP Schools	**103.200**	**0.409**	**3.024**	**4.236**	**8.231**	**23.654**	**31.360**	**20.287**	**8.000**	**4.000**	**0.000**
City Plan School Extensions											
Echline - Extension	1.800	0.000	0.000	0.000	0.000	1.800	0.000	0.000	0.000	0.000	0.000
Hillwood PS - Extension	3.000	0.000	0.000	0.000	0.000	3.000	0.000	0.000	0.000	0.000	0.000
Queensferry PS (Permanent) - Extension	3.900	0.000	0.000	0.000	0.000	0.000	3.900	0.000	0.000	0.000	0.000
Frogston PS - Extension	8.000	0.000	0.000	0.000	0.000	0.000	0.000	1.600	4.000	2.400	0.000
Castlebrae - Extension	40.000	0.000	2.000	12.000	20.000	6.000	0.000	0.000	0.000	0.000	0.000
Craigroyston High School - Extension	30.000	0.000	0.000	0.000	1.500	9.000	15.000	4.500	0.000	0.000	0.000
Craigmount High School - Extension	45.000	0.000	0.000	0.000	0.000	0.000	2.250	13.500	22.500	6.750	0.000
Less: assumed developers contributions	-77.940	0.000	-1.200	-7.200	-12.900	-10.800	-12.690	-11.760	-15.900	-5.490	0.000
Total City Plan Extensions	**53.760**	**0.000**	**2.000**	**12.000**	**21.500**	**19.800**	**21.150**	**19.600**	**26.500**	**9.150**	**0.000**
Total Unfunded Learning Estate Priorities	**156.960**	**0.409**	**5.024**	**16.236**	**29.731**	**43.454**	**52.510**	**39.887**	**34.500**	**13.150**	**0.000**
Other Uncosted Priorities											
Dunnard Centre	2.000	2.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Roads & Pavements	100.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
Reinforced Autoclaved Aerated Concrete (RAAC)	0.000	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Fleet Replacement Programme	0.000	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
City Mobility Plan (includes City Centre Transformation and North-South Tram)	0.000	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
2030 Climate Strategy - Net Zero Commitments and Climate Adaptations	0.000	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Retrofit of entire Estate	0.000	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Health and Social Care	0.000	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Community Centres	0.000	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
ICT & Digital Transformation	0.000	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Total Other Uncosted Priorities	**102.000**	**12.000**	**10.000**	**10.000**	**10.000**	**10.000**	**10.000**	**10.000**	**10.000**	**10.000**	**10.000**

A Sustainable Capital Budget Strategy 2024 - 2034
Appendix 4 - Capital Budget Funding Assumptions

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
General Capital Grant	363.721	Grant based on indicative sums from Scottish Government Local Governnment Finance Circular for the next three years with 5% reduction assumed: 2024/25: £37.264m 2025/26: £38.075m 2026/27: £36.048m From 2027/28 it is assumed the grant will remain static, similar to levels received in previous years. This assumption will be kept under review in line with wider political and economic considerations.	Oct-23	Dec-23
Specific Capital Grants	340.187	Grant based on indicative sums in the Scottish Government Local Government Finance Circular for the next three years. This relates to Transfer of the Management of Development Funding (TMDF) for social housing and funding for Cycling Walking and Safer Routes (CWSR). All other capital grant income will only be including in the budget when timing and amount is confirmed.	Feb-23	Dec-23
Asset Sales	41.000	Sales of £4m are assumed in 24/25 based on assessment by the Head of Estates, and £3m per year from then on. Additional captial receipts relating to sales of Land at Brunstane are also anticipated over 24/25 and 25/26 totalling £10m.	Oct-23	Feb-24
Capital Fund	0.000	The capital fund contains the proceeds of previous years' asset sales. Following an anticipated drawdown in 23/24, nothing further is earmarked for the capital programme.	Oct-23	Feb-24
Developers Contributions	0.000	Expenditure budgets have not been increased for anticipated Developers Contributions and therefore reflect the net cost to the capital programme. Developers contributions are assumed at 60% of the cost of schools required by the local development plan. This was considered a prudent assumption, as contributions collected are rarely enough to cover the costs of a new school, due to timings of planning decisions and site viability issues.	Feb-23	Feb-24
Loans Fund Advances - General	480.319	Borrowing assumptions and cash flow reviewed against revenue budget framework to ensure affordability.	Oct-23	Feb-24
Loans Fund Advances – Outcome-based funding	(included in general figure above)	Learning Estate Investment Programme (LEIP) – Assumptions for Currie (£22.4m), Liberton (£14.6m) and Westerhailes (£14.6m) are based on the most recently received funding letters. Enerphit - £10m has been assumed based on the business case for the programme.	Oct-23	Feb-24
Loans Fund Advances – Prudential	20.911	This is based on approved business cases for Fleet Replacement, Depots Review, Kings Theatre and ICT programmes. Other approved budgets will be included as expenditure plans and profiles are confirmed.	Feb-23	Feb-24
Slippage	5.615	Based on previous outturn positions, it is assumed that the February budget position will slip by at least 10%. This is therefore built into the budget assumptions, moving 10% of budgeted capital expenditure into the following year. This allows us to gain a truer picture of the underlying need to borrow to finance the capital programme. Slippage Assumption Expenditure following on from the above, it is assumed that roughly half the expenditure will fall into the year immediately following the original planned budget and the remainder into the year after.	Oct-23	Feb-24

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

Details on the I4CE methodology which was used to perform the assessment can be found on Appendix 4 of the [Sustainable Capital Budget Strategy February 2023 report.]

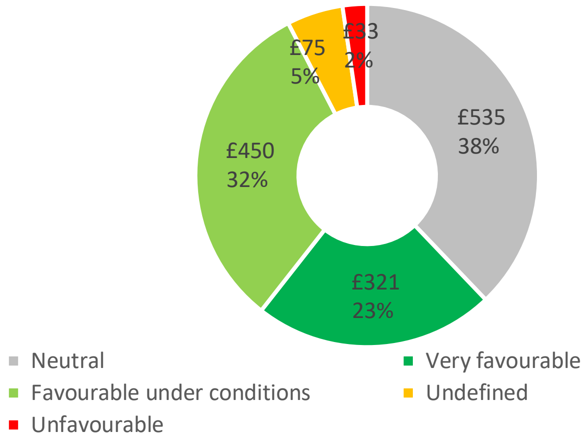

Figure 1: Climate assessment of the Capital Budget Book, total expenditure for 2024-2034. Figures in million pounds (£m)

One third of the total budget is allocated to the renovation of buildings which do not address an energy-related item such as roof upgrade, exterior walls, windows or heating. This includes most of the asset management works. This category is labelled as 'neutral'. This budget is much higher than the budget allocated to renovations focussing on energy efficiency improvements (9% in total).

Another third is linked to the construction of new buildings. Some new build schools have been assessed as "unfavourable" despite plans to build them to high energy efficient standards, because they will lead to land-use change. "Soil artificialisation" or "soil sealing" generates emissions and make the city more vulnerable to climate change. More details about the assessment of construction projects can be found in the I4CE methodology.

Ways to improve this assessment going forwards include:

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

Top “very favourable” and “unfavourable” spends:

Project	Cumulated spend (£m) 2024-34	% of total	Justification
Road maintenance dedicated to carbon-free modes (bicycle, pedestrians, etc.) and public transport	£171m	12%	Includes £114m for carriageway and footway works. This also includes public realm improvement and placemaking projects.
Building renovation	£65m	5%	Deep energy retrofit of Council buildings
Building construction	£57m	4%	New build projects – cost differential to bring these to energy efficiency standards that exceed minimum building regulations

Project	Cumulated spend (£m) 2024-34	% of total	Justification
LDP schools – new builds	£32m	2%	Includes New Brunstane/Newcraighall Primary School and Maybury Primary School. Although designed to be built beyond building regulations to achieve excellent levels of energy efficiency, 88% of the spend has been classified as ‘unfavourable’ due to the fact that they are generating ‘soil sealing’ (cf methodology). Note: Decisions for the location of these schools have been made several years ago.
Broomhills/Frogston Primary School	£0.1m	<1%	New school not exceeding building regulations in terms of energy performance and risk of creating soil sealing

Finance and Resources Committee

10.00am, Thursday, 21 November 2023

Revenue Budget Framework and Medium-Term Financial Plan (MTFP) 2024/29 – progress update

Executive/routine
Wards

1. Recommendations

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

1.1.1 note the updates to financial planning assumptions set out in the report, resulting in a potential reduction in the residual savings requirement in 2024/25 to £11.9m whilst also noting the significant remaining gaps in subsequent years;

1.1.2 note the development of a financial plan to deliver the annual budget and integrate key processes into the budget development such as the medium-term financial plan and planning performance framework;

1.1.3 note the further risks contained within the budget framework, particularly those in respect of the required level of additional provision for inflationary factors, including pay, demand-led services and funding requirements for the Edinburgh Integration Joint Board;

1.1.4 note that a further update, incorporating the impact of the provisional 2024/25 Local Government Finance Settlement and presenting further proposals to

Dr Deborah Smart

Executive Director of Corporate Services

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address the resulting residual savings requirement, will be brought to the Committee's meeting on 6 February 2024;

1.1.5 note the development of budget setting principles and the continuing development of the change programme to address the significant incremental annual MTFP gaps beyond 2024/25; and

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

Report

Revenue Budget Framework and MTFP 2024/29 – progress update

2. Executive Summary

2.1 The report sets out the outcome of the most recent review of the Council's financial planning assumptions, resulting in a potential reduction in the residual savings requirement in 2024/25 to £11.9m.

2.2 A further update, incorporating the impact of the provisional 2024/25 Local Government Finance Settlement and presenting further proposals to address the resulting residual savings requirement, will be brought to the Committee's meeting on 6 February 2024. A refreshed Medium-Term Financial Plan (MTFP) integrated into the financial plan for the Council will also be presented at that time. Until then, members of the Committee are reminded that the projected budgetary position facing the Council over the next five years, was reported to the Finance and Resources Committee on 20 June 2023, detailing a forecasted gap of £172.7m by 2028/29.

2.3 In order to close the financial gap, a change programme has been mobilised in 2023/24 with four key strategic cross-cutting themes. These themes are (i) Organisational Reform and Efficiency, (ii) Asset Rationalisation and Service Delivery, (iii) Third Party Spending and (iv) Partnerships and Prevention. Programmes and projects within these themes will continue to be developed and delivered and will underpin the transformation required by the Council to close the gap.

3. Background

3.1 At the meeting of the Finance and Resources Committee on 21 September 2023, members considered an update on the Council's Medium-Term Financial Plan (MTFP). Based on a review and updating of relevant planning assumptions, an incremental gross savings requirement of at least £58.6m was projected in 2024/25, with significant incremental annual gaps thereafter.

3.2 While noting the potential for an element of the 2024/25 requirement to be met, subject to national and local policy decisions, from known and proposed reforms to

Non-Domestic Rates and Council Tax, the report emphasised the urgent need to accelerate development of proposals within the change programme and from Directorates to address the gap in the Council's Medium-Term Financial Plan (MTFP). It was furthermore reiterated that many of these proposals will likely involve increasingly difficult choices in order to deliver the Council's priorities and maintain statutory service delivery. It is likely that the change programme will have to propose transformation that includes service reductions, in order to maintain expenditure in line with available income.

3.3 This report provides an overview of the outcome of the latest review of these planning assumptions, including updates in respect of potential additional income-raising through Council Tax and Non-Domestic Rates, some proposed budget setting principles to guide budget setting over the life of the MTFP, as well as progress in developing the content of the MTFP.

4. Main report

Review of expenditure and income assumptions:

4.1 The starting point for updating of the incremental gap for 2024/25 remains the £58.6m included in the September report. The composition of this sum is shown in Appendix 1. This sum includes £21m in respect of the Edinburgh Integration Joint Board (EIJB). If necessary a verbal update will be given to the Finance and Resources committee on this following the Finance Update report to the EIJB on 16 November.

Factors adding to the projected gap

Service pressures

4.2 The month five revenue monitoring report elsewhere on today's agenda points to significant net unbudgeted in-year pressures totalling £7.650m across a number of areas including Early Years, Out-of-Authority Placements for Young People within the Council's care, Home-to-School Transport, Culture and Libraries. Mitigations to address these on a sustainable basis will require to be identified.

Provision for delay/shortfall in delivery of pre-approved savings

4.3 The budget framework includes £5.4m of incremental approved savings in 2024/25, including those in respect of Best Value Reviews (in-year saving of £2m, building on the earlier approved saving of £0.5m in 2023/24) and Education Welfare Officers (EWOs; in-year saving of £0.2m, representing the additional full-year effect of the £0.4m approved saving in 2023/24 i.e. £0.6m in total)[1].

[1] The remaining savings relate to homelessness supply-side initiatives (£1.1m), Strategic Review of Parking (£1m), property rationalisation (£0.5m), redeployment (£0.2m) and the full-year effect of other savings in Children, Education and Justice Services (£0.4m).

4.4 Based on the most recent progress assessment, the full delivery of the £2.5m best value review saving from Waste and Cleansing is not being assumed until 2025/26, with £1m of this total being assumed to be achieved by the end of 2024/25. This is to ensure that the required changes to deliver the saving can be effectively delivered. Provision has been made to accommodate this re-profiling. In addition, following the decision of Council on 2 November 2023, full scrutiny of the outcome of the EWO review will be undertaken at the meeting of the Education, Children and Families Committee on 23 January 2024. In view of this, the budget framework now provides for a shortfall in savings delivered from these reviews in 2024/25 of up to £2.1m.

Recurring impact of 2023/24 pay offer

4.5 On 22 September 2023, COSLA as employer made a “best and final” offer for 2023/24 to the non-teaching trade unions with a view to avoiding industrial action. This offer increased the in-year value of the pay uplift across local government by some £90m, comprising £80m from the Scottish Government, supported through a one-off reprioritisation/redirection of funding, and a £10m recurring contribution from councils, with Edinburgh’s proportionate share being £0.8m.

4.6 Following rejection of this offer by the largest representative trade union UNISON, a revised offer was then made on 3 November 2023, backdating further elements of the uplift to 1 April 2023. The associated costs will be met initially by councils in 2023/24, with reimbursement from the Scottish Government then following in 2024/25. This offer is currently the subject of a consultative ballot with UNISON members, with a recommendation to accept. As the Scottish Government has previously confirmed baselining of this funding from April 2024, however, there is no additional incremental impact on the budget framework.

Factors reducing the projected gap

Management of Directorate pressures

4.7 Given the tightness of the overall revenue budget framework, relevant Executive Directors have been asked to identify measures totalling £7.650m to manage pressures within their respective areas of responsibility, where appropriate bringing these to Committee for consideration.

Additional Council Tax buoyancy

4.8 The period five revenue monitoring report elsewhere on today’s agenda projects a favourable overall in-year variance within Council Tax income of £4.0m, attributable to a combination of slightly higher collection rates and additional buoyancy (i.e. increases in the number and profile of properties) relative to baseline assumptions. Although an element of this additional income was incorporated within the budget framework update report on 20 June 2023, a further £2.0m is now available for inclusion.

Interest on available cash balances

4.9 As also noted in the month five revenue monitoring report, significant additional income is anticipated on available cash balances in 2023/24 based on current interest rates. Although both interest rates and relevant balances are expected to reduce in 2024/25, is it estimated that an additional £2m relative to current framework assumptions can be made available through this source.

Additional income through Council Tax

4.10 Consistent with previous years, the budget framework report considered by the Committee on 20 June 2023 assumed a 3% increase in Council Tax rates and this level of increase underpins the £58.6m starting gap for 2024/25 above. The report noted, however, that a 5% rise, in line with the actual level of increase for 2023/24, would reduce this gap by some £7m.

4.11 On 17 October 2023, the First Minister announced an intention to freeze Council Tax rates across Scotland in 2024/25 to support people struggling with the effects of high inflation. Implicit within this announcement was both a freeze of absolute rates at current levels and not proceeding with plans included in an earlier joint consultation with COSLA to amend multipliers for higher-banded properties.

4.12 While noting the (then) imminent closure of the consultation, the report to the Committee's meeting on 21 September did not make any direct assumption around any additional income arising and, as such, that these changes are not now proceeding at this time does not affect the incremental savings requirement.

4.13 The First Minister's announcement also indicated that the Council Tax freeze would be fully funded. The level and basis on which this funding will be made available, however, is subject to on-going discussion between COSLA and the Scottish Government. During the nine-year period of the previous freeze, the Scottish Government provided incremental annual compensating funding equal to income that would have been generated by a 3% increase. As a result, the Council's overall revenue grant allocation continues to include £63m of compensating funding linked to the previous freeze in recognition of relevant income foregone[2].

4.14 In recognising the overarching needs basis of the Local Government Finance Settlement, previous years' distributions were based on the principle of a common percentage reimbursement for income foregone and not influenced by publicly stated positions in individual authorities. Discussions on the appropriate level of compensation may therefore place greater emphasis upon the actual average level of Council Tax increase levied in Scotland in 2023/24 (5.4%) and wider inflationary projections. It is being assumed at this stage, however, that this compensation will be at a level not less than 5%, resulting in an assumption of an additional £7m through this source without detriment to the level of funding provided through the remainder of the Council's grant funding allocation.

[2] In view of the on-going impacts of the pandemic, the Scottish Government provided, on a one-off basis, compensating funding of £9.6m to support a further one-off freeze in 2021/22.

4.15 On 8 November, the Scottish Government confirmed that draft regulations allowing local authorities to charge up to double the full rate of Council Tax on second homes had been laid before the Scottish Parliament. If approved, local authorities would be able to apply the Council Tax premium on homes that are not used as a main residence. Given that, in addition to being subject to Parliamentary approval, both the uses to which any additional funds raised may be applied and potential policy impacts of bringing properties back into use remain to be confirmed, further details will be provided in the next update report.

Potential further measures to reduce the incremental gap

Changes in employer pension contributions

4.16 The Local Government Pension Scheme for non-teaching staff is subject to a triennial valuation, at which point forecast scheme assets are compared to projected liabilities. The valuation as of 31 March 2023 indicated an overall funding level of 157% of scheme liabilities and, as such, provides an opportunity to review the assumed level of employer contributions over the medium term. The current contribution rate is 22.7%, with every 1% representing some £3.9m. Discussions with Lothian Pension Fund are continuing to determine, given current funding levels, what level of reduction could be supported, consistent with the longer-term sustainability and risk appetite of the Fund. For the purposes of the Council's wider financial planning, a 4% reduction in the employer's rate, equivalent to a saving of £15.6m, has been assumed at this time. For clarification, this does not impact employees' benefits from the pension fund. It is not possible to offer any reduction in employee contributions as those are set by legislation.

Edinburgh Integration Joint Board (EIJB)

4.17 Assuming full delivery of the savings contained within the EIJB's Medium Term Financial Strategy (MTFS), an estimated total deficit for 2024/25 of £21m is being forecast[3]. This forecast is subject to a number of significant risks, including the full-year effect of growth in performance-related care at home spend in 2023/24. Of this £21m gap, while progress will continue to be closely monitored and reported to the Committee, for planning purposes at this stage, it is being assumed that £11m will be addressed through savings measures identified and agreed by the EIJB, with the remaining £10m shortfall then split equally between the Council and NHS Lothian. As this report is published ahead of the EIJB meeting a verbal update can be provided to the committee if necessary.

Non-Domestic Rates Empty Property Relief

4.18 A report elsewhere on today's agenda seeks members' approval of a revised Non-Domestic Rates Empty Property Relief policy following full devolution of relevant powers to local authority control with effect from 1 April 2023.

[3] The overall projected deficit in 2024/25 reflects a £20m assumed shortfall in Scottish Government funding for demographic pressures across 2023/24 and 2024/25.

4.19 The revised policy, with a proposed implementation date of 1 April 2024, would see significant reductions in the current levels of relief granted with the intention of bringing additional properties back into use. The level of income such a policy would generate is a complex interaction of increases in sums billed, collection rates and the response of the business sector (particularly given the material change to a longstanding policy), with the additional income generated also requiring to be offset by the liability for newly empty properties which, under devolved arrangements, now falls fully to the Council to meet. For the purposes of estimating next year's gap, however, £7m of additional income, subject to the draft policy's approval, is being assumed at this time.

Budget framework risks

4.20 The revenue budget framework continues to be subject to a number of risks, including but not limited to the following:

(i) **EIJB** – inflation/performance-linked capacity increases and non-delivery of assumed savings, as well as assumed contribution from NHS Lothian for the associated cost of performance improvements;

(ii) **Council Tax** – if the compensating financial support is lower than the 5% assumed increase and/or the Council sees a reduction in grant funding as a consequence of monies made available to fund the Council Tax freeze. The average level of increase levied in Scotland in 2023/24 was 5.4%. Each "uncompensated" 1% increase in Council Tax equates to £3.5m, each 1% movement in grant funding about £9m;

(iii) **Brunstane Primary School investigative works and decant** – funding of associated costs;

(iv) Whether any additional funding is required for **ALEOs**;

(v) **Reinforced Autoclaved Aerated Concrete (RAAC) panels –** remedial and reinstatement/replacement costs;

(vi) **Adequacy of inflationary provisions for 2024/25,** including pay;

(vii) Impact of continuing high interest rates on **borrowing costs;** and

(viii) Impact of **previous overstatement of city's population** on level of grant funding settlement to be received in December 2023.

Development of Budget setting principles

4.21 Many councils support the budget setting process by agreeing a set of principles to set the outcomes desired and guide the shaping of both spending and saving priorities. The following principles are proposed for the Council to start to use in 2024/25 and during the development of the MTFP and accompanying change programme.

a) The Council will not balance the budget strategy by using reserves.
b) Resource allocation will be driven by the Council's Business Plan and Priorities. For example, we will use community planning and community empowerment to address deep rooted poverty in local areas.
c) The Council will use community engagement to inform decision making, starting with developing a budget engagement strategy which runs throughout next year to inform the 2025/26 budget.
d) The Council recognises that the Change programme supports closing the MTFP gap and requires appropriate commitment, resource and cross organisational support to deliver the amount and level of transformation required to deliver the savings.
e) The Council will develop short-term and long-term transformational savings plans as part of the Change Programme.
f) The Council will use best practice around business cases for our decision making and be open to invest to save opportunities.
g) Before service cuts are considered, the Council will use data and benchmarking to demonstrate service outcomes offer best value, are as effective and efficient as possible and are modern, digital, inclusive and accessible.
h) The Council is clear about what it can fund and where it needs to have more innovative approaches or to actively attract external funding to deliver priorities.
i) Budgets should be realistic to achieve the objectives of the Council, and everyone must hold themselves to account for their delivery and sound financial management.

Production of Financial Plan – Budget and MTFP approach

4.22 The Council will deliver a financial plan that upholds our fiduciary duty to the residents of our community, in accordance with the Local Government (Scotland) Act 2003. This duty is an essential cornerstone of our commitment to responsible and effective governance. The Local Government (Scotland) Act 2003 explicitly establishes the fiduciary duty of local authorities, emphasising the legal and ethical obligation to act in the best interests of the citizens and communities we serve. As the stewards of public funds, we must ensure that every decision and action is undertaken with the utmost diligence, integrity and transparency.

4.23 Value for money is a guiding principle enshrined within this Act and intrinsic to our responsibility. Our residents rightly expect that the resources they entrust us with are employed efficiently and effectively, delivering outcomes that positively impact their lives. The prudent management of public finances not only safeguards public trust but also ensures the sustainability of essential services and the advancement of our city.

4.24 The Medium-Term Financial Plan is a crucial vehicle for the City of Edinburgh Council, it encompasses a strategic approach to financial management that examines the resources available to the council over multi-year budgets, aiming to create a sustainable and resilient fiscal framework.

4.25 This approach not only facilitates the alignment of financial resources with long-term goals but also enhances transparency, accountability, and the efficient allocation of resources. With effective medium-term financial planning, we can better anticipate financial challenges, make informed decisions, and ensure that public funds are utilised effectively to address the evolving needs and aspirations of our community. This approach will aid the organisation navigate economic uncertainties, safeguard essential services, and promote the long-term well-being of Edinburgh's residents.

4.26 Finance will deliver for the 2024/25 annual budget a financial plan which will encompass the MTFP and other budget processes into a single strategy document with clear governance for future update and development, aligned with the Council's priorities and business plan.

The Change Programme

4.27 Despite the challenging budget position over the coming years, the focus of the financial plan and associated change programme should be on our three priorities as set out the business plan: ending poverty in Edinburgh, becoming a net zero city and creating good places to live and work.

4.28 Discussions have been held with groups around the challenge of building a change programme that addresses gaps in the MTFP. This is not a new piece of work, rather it is an evolution of what has gone before. In particular, the change strategy in 2019 and the work undertaken in 2022 to identify early areas for transformation.

4.29 Officers have proposed that the Change Programme remains focused around four key transformation themes.

- **Organisational Reform and Efficiency** which covers projects about how services are designed and delivered, how the use of technology is maximised and how ways of working are changing post-COVID. This will reflect the increasing shift to online and digital service delivery and the use of technology in all aspects of the Council's work.
- **Asset Rationalisation and Service Delivery** is about how we ensure residents and service users can access services locally and at the same time reduce the Council's carbon footprint in line with Business Plan priorities. This means spending less on buildings by rationalising into fewer, better buildings offering access to multiple services.
- **Third Party Spending** is about the money we spend externally on goods and services to ensure we are driving best value from procurement, commissioning and contract management. It is also about ensuring the best balance between in-house and external delivery including commissioning services from the community and third sector.
- **Partnerships and Prevention** is about how we work collaboratively with other partners in the City including other public sector bodies in areas like asset sharing

and service delivery. It will also include initiatives to avoid or reduce spending through prevention and early intervention.

4.30 We have a number of tools to guide and support this work:

- Our business plan - this sets out the Council's key priorities over the medium term.
- A strong governance structure via the MTFP and Strategic Programme Board - our mechanism to monitor delivery using service design principles and embed a culture of change in how we work.
- Development of our new financial plan discussed above - currently under development but will help guide spending decisions.
- Our Planning and Performance Framework - embedded in how we work and aligned with the business plan, supporting us to be data led.
- Our Public and Internal Consultation and Engagement strategy - a new way of engaging and consulting with the public throughout the year.
- Development of our People Strategy 2024-27 – setting out how we'll continue to invest in colleagues, further develop a positive and engaging culture and work together to make the Council a diverse and welcoming place to work.

5. Next Steps

5.1 A timetable of key dates in the run-up to setting of the 2024/25 budget is included as Appendix 4.

5.2 Officers will continue to monitor closely key planning assumptions and reflect these as appropriate within the budget framework.

5.3 A refreshed MTFP integrated into the financial plan for the Council will be presented at the February meeting of the Finance and Resources Committee.

6. Financial impact

6.1 The report sets out the outcome of the most recent review of the Council's financial planning assumptions, resulting in a potential reduction in the residual savings requirement in 2024/25 to £11.9m. Once the outcome of the provisional Local Government Finance Settlement is known, an update report, including proposals to address any remaining shortfall, will be brought to the Committee's next meeting for consideration.

6.2 Significant incremental gaps continue to be forecast in subsequent years, emphasising the urgent need to accelerate development of proposals through the Council's MTFP and from Directorates to address these shortfalls. Many of these proposals will likely involve increasingly difficult choices about the Council's priorities, including service reductions, across all service areas to maintain expenditure in line with available income.

7. Equality and Poverty Impact

7.1 There are no direct relevant impacts arising from the report's contents.

8. Climate and Nature Emergency Implications

8.1 There are no direct relevant impacts arising from the report's contents.

9. Risk, policy, compliance, governance and community impact

9.1 There is no direct relevance to the report's contents, although specific proposals brought forward as part of the MTFP and through Directorates will be the subject of elected member and public engagement as appropriate.

10. Background reading/external references

10.1 Revenue Budget Framework 2024/29 – progress update, Finance and Resources Committee, 21 September 2023

10.2 Financial Strategy and Medium-Term Financial Plan (MTFP), Finance and Resources Committee, 20 June 2023

11. Appendices

11.1 Appendix 1 – Composition of 2024/25 incremental projected budget gap of £58.6m

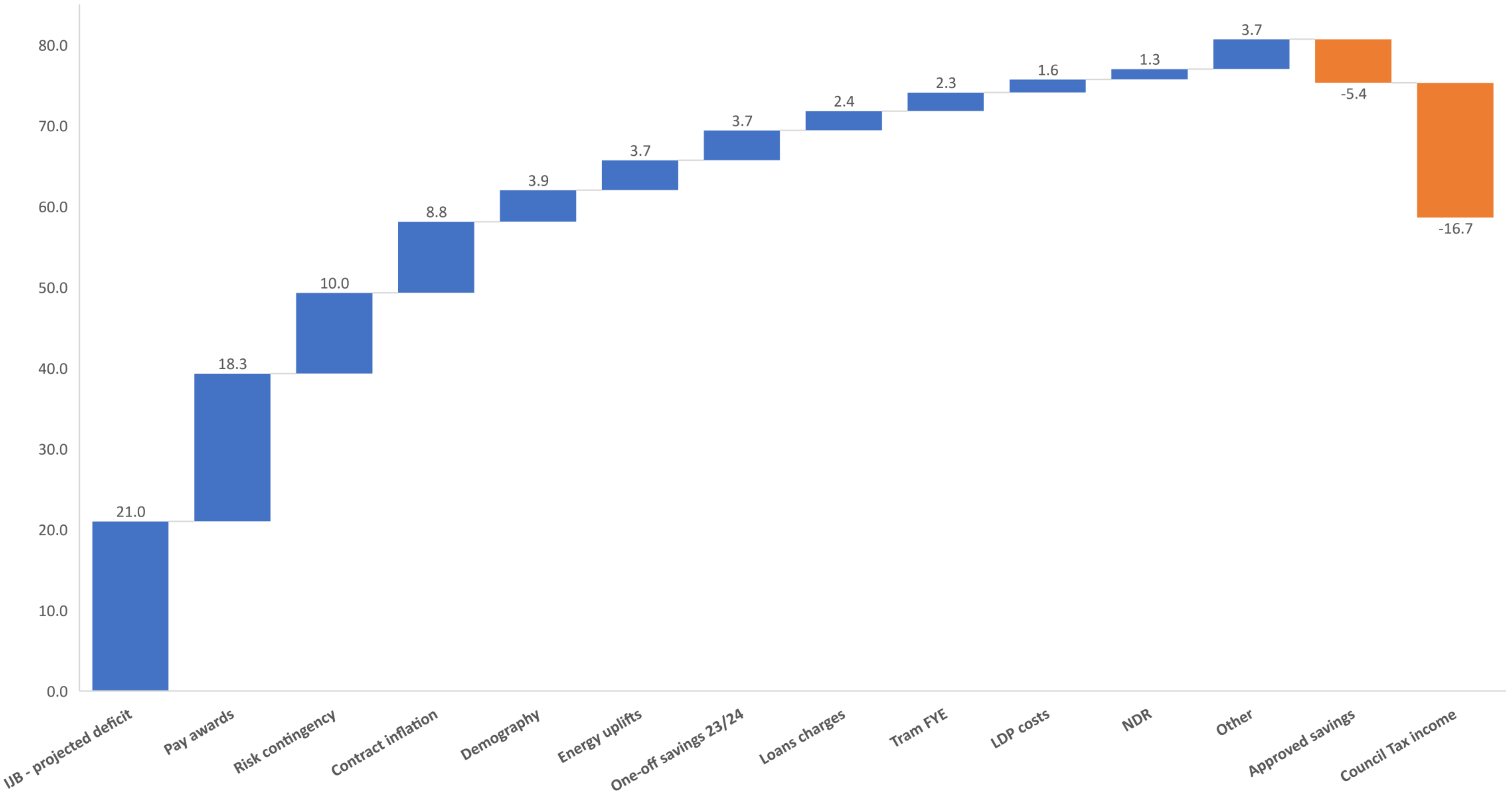
11.2 Appendix 2 – Revenue budget framework - updated planning assumptions, 2024/25

11.3 Appendix 3 – Progress in addressing projected funding gap, 2024/25

11.4 Appendix 4 – Key dates in the 2024/25 budget-setting process

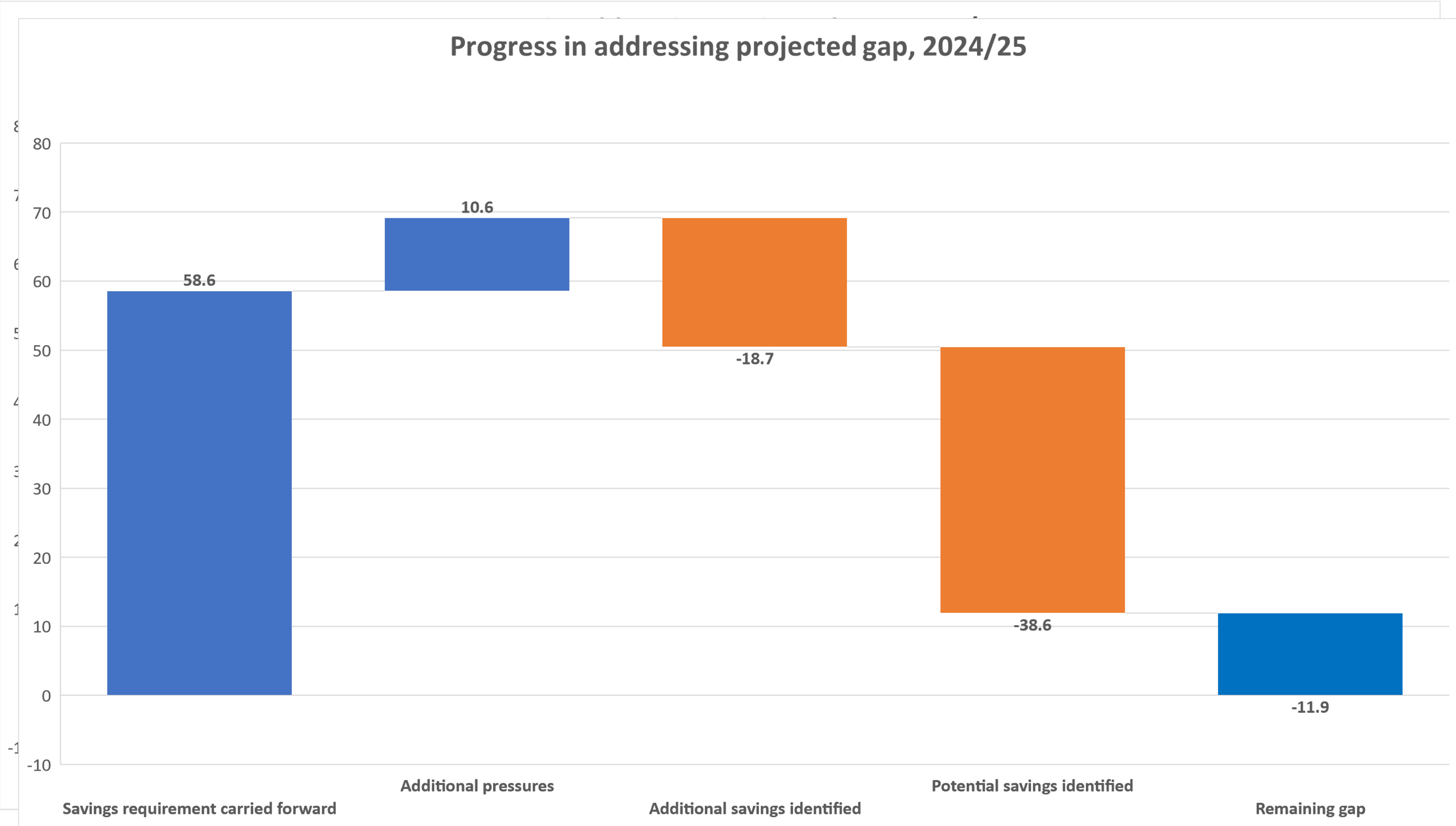
Appendix 1

Composition of incremental projected 2024/25 gap of £58.6m



Revenue budget framework - updated planning assumptions, 2024/25

	£m	
Overall savings requirement, including Edinburgh Integration Joint Board, as reported to Finance and Resources Committee on 21 September 2023	58.6	
Changes increasing projected savings requirement:		
Service pressures	7.7	Significant elements include Early Years, Out-of-Authority Placements, Home to School Transport, Culture and Libraries
Provision for delay/shortfall in delivery of pre-approved savings	2.1	Best Value (£1.5m) and Education Welfare Officers (£0.6m)
Unfunded recurring element of non-teaching pay award for 2023/24	0.8	Based on implemented SJC (non-teaching) settlement of 3 November, 2023
Changes decreasing projected savings requirement:		
Assumed management of service pressures within Directorates	(7.7)	
Council Tax - additional buoyancy	(2.0)	Based on projected in-year position per month five report
Cash balances - additional interest received	(2.0)	Precise level of income received dependent upon rates and overall available balances
Council Tax - additional income/compensation	(7.0)	Following the announcement of an intended national freeze in 2024/25, it is being assumed either that (i) a Council Tax increase of 5% will be levied without any financial penalty or that (ii) additional funding sufficient to offset income foregone from not levying this 5% increase will be provided.
Updated savings requirement before further mitigations	**50.5**	
Potential contributions towards gap:		
Reduction in employer's pension contributions	(15.6)	Based on a 4% reduction in employer's contributions from April 2024, with each 1% representing £3.9m
NDR Empty Property Relief	(7.0)	Estimated impact of revised policy implemented with effect from April 2024, reflecting additional billable amounts and associated collection rates, offset by assumed liabilities for properties becoming empty since April 2023
Assumed reduction in net EIJB pressure	(16.0)	Relative to gross projected gap of £21m, assumes £11m of savings identified by EIJB with remaining £10m shortfall split equally between Council and NHS Lothian, resulting in a net call upon the Council of £5m
Directorate proposals	TBC	
Medium-Term Financial Plan	TBC	
	(38.6)	
Remaining savings to be identified	11.9	



Progress in addressing projected gap, 2024/25
80
70
60
50
40
30
20
10
0
-10
58.6
10.6
-18.7
-38.6
-11.9
Savings requirement carried forward
Additional pressures
Additional savings identified
Potential savings identified
Remaining gap

Key dates in 2024/25 budget-setting process

21 November – meeting of Finance and Resources Committee considered planning assumptions update and progress in development of Medium-Term Financial Plan

22 November – Chancellor of Exchequer publishes Autumn Statement, along with Office for Budgetary Responsibility forecast

5 December – meeting of the Pensions Committee

19 December – Scottish Government publishes draft Scottish Budget for 2024/25

22 December (approximate) – publication of provisional 2024/25 Local Government Finance Settlement (LGFS), providing Edinburgh-specific grant funding allocations for revenue and capital

6 February – meeting of the Finance and Resources Committee to consider implications of LGFS, any changes in other planning assumptions and options to address remaining funding gap, including proposals developed through MTFP or Directorates

22 February – meeting of Council to set 2024/25 revenue budget and 2024/34 capital budget strategy

Finance and Resources Committee

10:00am, Tuesday, 21st November 2023

Treasury Management: Mid-Term Report 2023/24

Executive/routine
Wards

1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 notes the mid-year report on Treasury Management for 2023/24; and

1.1.2 refers the report to 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.

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Richard Lloyd-Bithell

Service Director – Finance and Procurement

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Treasury Management: Mid-Year Report 2023/24

Treasury Management: Mid-Year Report 2023/24

2. Executive Summary

2.1 The purpose of this report is to give an update on Treasury Management activity undertaken in the first half of 2023/24.

2.2 In accordance with the Strategy set in March 2023 the Council has completed no borrowing so far this financial year.

2.3 The investment return for 2023/24 is outperforming the Fund's benchmark, during a period of increasing interest rates while maintaining the security of the investments as a priority.

3 Background

3.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, the mid-year report has been prepared setting out activity undertaken.

4 Main report

4.1 UK Interest Rates

4.1.1 During the last six months the major issue to the economy continued to be the elevated level of inflation. However the lower than expected inflation rate at the end of the quarter prompted the Bank of England to keep UK Bank Rate on hold at 5.25% in September after 14 consecutive hikes. Appendix 1 gives a summary of the first six months from the Council's Treasury Advisors

4.2 Debt Management

4.2.1 The Council continued to fund its borrowing requirement by reducing its investments with no borrowing undertaken in the first half of the year. Appendix 2 outlines the debt management activity during the period.

4.2.2 During the first half of the financial year a total of £8.5m in loans was advanced to Edinburgh Living to allow the purchase of affordable homes built by the Council.

4.3 Investment Out-turn

4.3.1 The Council's cash balances are pooled and invested via the Treasury Cash Fund subject to the limits set out in the Treasury Management Policy Statement. Appendix 3 provides detail on the Council's investments.

4.3.2 As can also be seen in Appendix 3 Treasury Cash Fund performance has outperformed its benchmark with absolute investment returns increasing due to the increases in UK interest rates.

5 Next Steps

5.1 The Treasury Team will continue to operate its Treasury Cash Fund with the aim of out-performing its benchmark and manage the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

5.2 The Treasury Team will also continue to review the Council's borrowing requirements, taking into account the significant planned capital investment set out in the ten-year capital plan, and any opportunities that the market presents.

6 Financial impact

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

6.2 Loan charges associated with the borrowing will be managed within the approved budget.

7 Equality and Poverty Impact

7.1 n/a

8 Climate and Nature Emergency Implications

8.1 The Council's Treasury Management Policy Statements specify a list of approved investment types, and this list does not include investment in equities (other than in Council companies) or Corporate Bonds (other than issued by financial institutions). As such the Council has no direct or indirect investments in fossil fuel companies.

8.2 However, the most recent version of the Treasury Management Code has placed a greater emphasis on ESG issues, suggesting in the Treasury Management Practices that:

"The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.".

8.3 As the code notes, ESG within Treasury portfolios is a developing area, and further work on this will be carried out in conjunction with the Council's treasury advisors with the intention of including narrative on responsible investment in the 2024/25 Policy Statement.

9 Risk, policy, compliance, governance and community impact

9.1 To support Elected Members in discharging their duties in relation to the Council's Treasury Management activities, it is intended to make some structured training available in advance of the 2024/25 Strategy report.

10 Background reading/external references

10.1 n/a

11 Appendices

Appendix 1: Economic Background

Appendix 2: Debt Management Activity

Appendix 3: Investment Out-turn

Appendix 4: Debt outstanding 30th September 2023

Appendix 1

Economic Background

Our Treasury Advisors, Arlingclose, summarised the financial markets and gilt yields over the first six months of the financial year as follows:

UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary, or at the very least, stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued *to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.*

Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Appendix 2

Debt Management Activity

Figure A2.1 below shows the PWLB borrowing rates since April 2005.

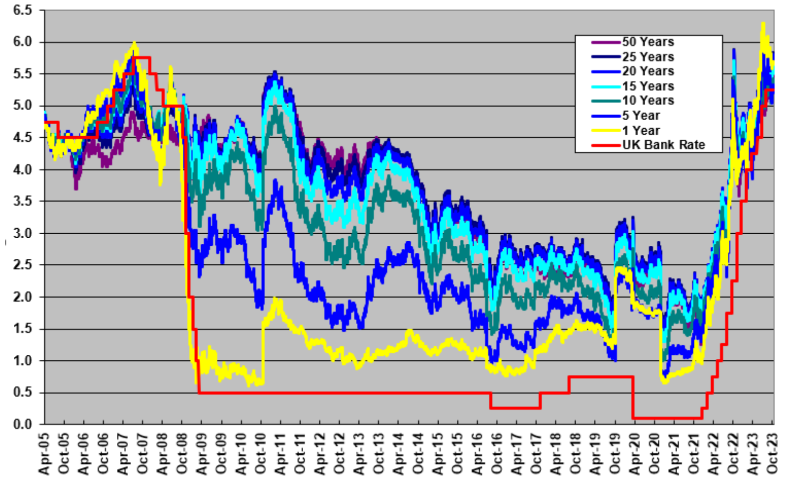

Figure A2.1 – PWLB Rates April 2005 to Date

Source: DMO

Borrowing rates have continued to rise as concerns over sustained inflation persisted. The Debt Management Strategy for 2023/24 as outlined in the Strategy Report was 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.

No significant short-term dips were forthcoming in the first half of the financial year. The Council has therefore continued to reduce its investment balances to temporarily fund capital expenditure. While Chart A3.1 shows that the Council still had a significant cash balance at the end of September, it is anticipated that this balance will reduce substantially over the course of the second half of the financial year. While the current strategy can continue for the time being, it is not sustainable beyond this financial year.

During September and October a bank gave notification of an increase to the interest rate payable on two £10m Lender Option Borrower Option (LOBO) Market Loans. The Council exercised its option to repay the loans without penalty.

During the first six months of the financial year, there were three Edinburgh Living settlements. A total of £8.5m in loans was advanced to Edinburgh Living to allow the purchase of affordable homes built by the Council. All of the loans were funded from PWLB Borrowing which had been taken out in March 2022 to mitigate interest rate risk for Edinburgh Living.

Appendix 3

Investment Out-turn

The Council's cash balances are pooled with the sterling cash of Lothian Pension Fund and invested via the Treasury Cash Fund subject to the limits set out in the Cash Fund Treasury Management Policy Statement. Figure A3.1 below shows the daily investment in the Cash Fund since April 2009. The Treasury Management strategy 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.

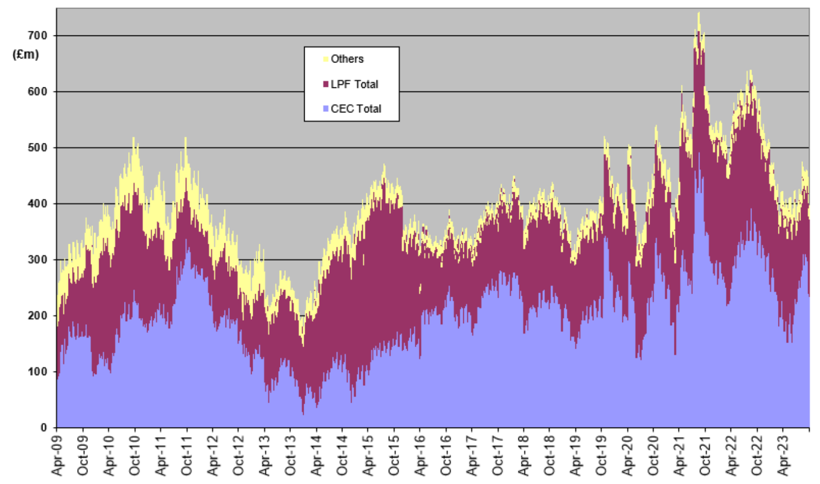

Figure A3.1 - Source of Funds

Figure A3.2 shows in detail the distribution on Cash Fund investments since inception in 2007.

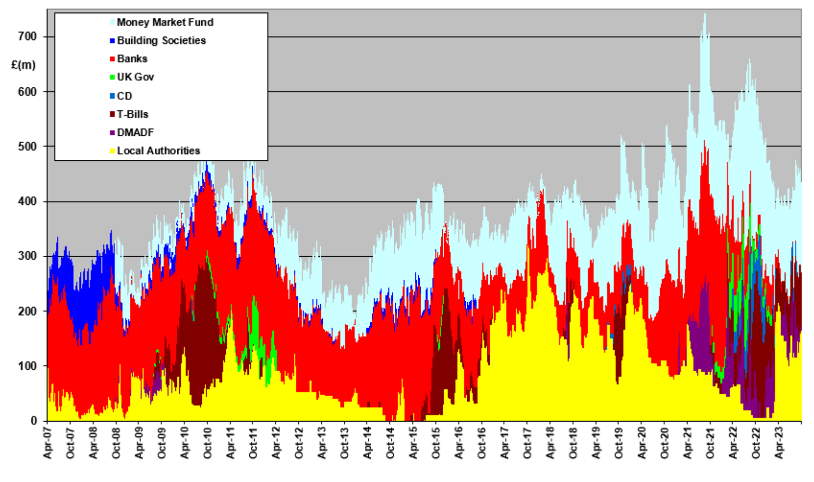

Figure A3.2 – Cash Fund Investments since inception

This shows that a larger proportion of the Cash Fund was represented by loans to other local authorities then in the previous financial year. This was predominately due to English authorities holding cash relating to COVID support in 2022/23 which had not yet been repaid to the Government. Figure A3.3 shows the Cash Fund investment distribution at the end of September.

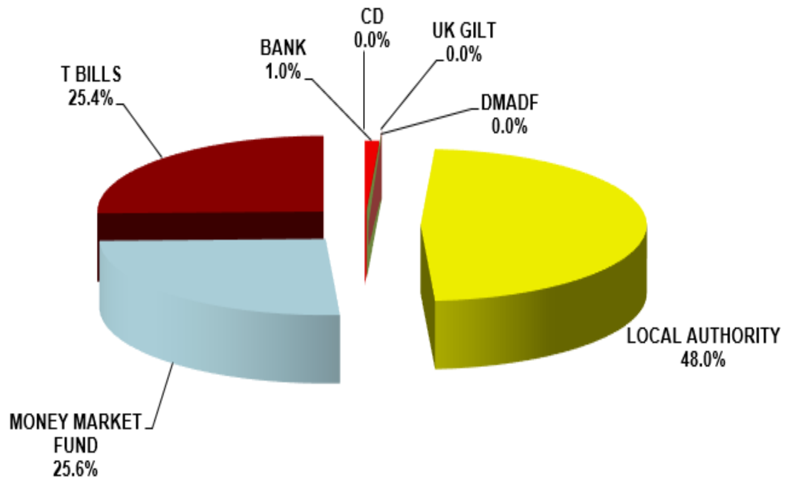

Figure A3.3 – Investments by Counterparty 30th September 2023

At the end of September nearly half of the Cash Fund's assets were invested in fixed term and notice loans to other local authorities. The interest rate on the notice loans (which had a notice period of between 14 and 35 days) change the day after any decision by the Bank of England's Monetary Policy Committee's (MPC) on UK Bank Rate. This has given the Cash Fund a level of protection against the increases in UK Bank Rate.

Figure A3.4 below summarises the investment maturity by sector including distinguishing between Local Authority fixed and notice deposits as well as between Scottish and English Authorities.

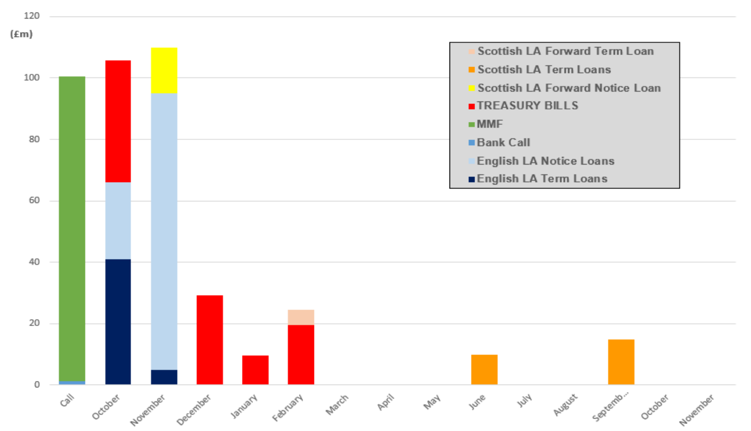

Figure A3.4 – Cash Fund Maturity Analysis at September 2023

Source: CEC

Local Authority Creditworthiness

Given that half of the Cash Fund is held with other local authorities and there has significant press comment around a small number of authorities “effectively going bankrupt”, it is appropriate to review the Council’s view on local authority creditworthiness.

The Council has generally taken the view that investment with another local authority represents pseudo-sovereign investment risk, and in any case the loans are secured against all the revenues of the borrowing authority. Within the investment limits set by Elected Members in the Treasury Management Policy Statements, the actual investments undertaken are further restricted by the Treasury Management Strategy Panel consisting of senior officers in Finance. This has includes not lending to local authorities which had significant exposure to commercial investments, particularly commercial properties and other investments outwith their own geographical area purchased to generate an income but funded by borrowing.

Scottish authorities have not made the type of commercial investments which some Councils south of the border have made. That is not to say that Scottish local authorities are not facing significant challenges and funding gaps themselves, but they aren’t caught up in the particular issues relating to commercial investments.

We continue to believe that it is extremely unlikely that a local authority would be allowed to fail or that the Council would lose money lending to any local authority. However, we consider it prudent to be wary of lending to Councils with substantial commercial investments at present.

Figure A3.5 shows the weighted average life of the Cash Fund which was 45 days at the end of September.

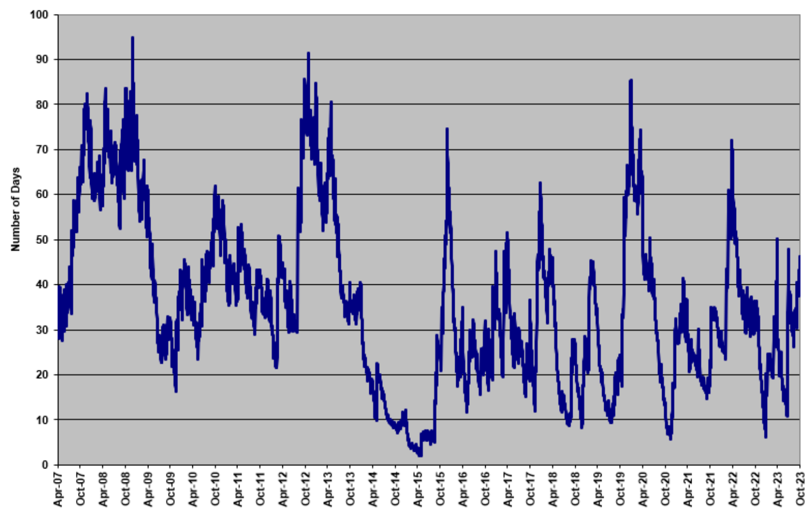

Figure A3.5 - Cash Fund Weighted Average Life

As shown in Figure A3.4 above, the duration added to the portfolio has been taken using UK Government Treasury Bills and loans to other Scottish Local Authorities.

Cash Fund Performance

The benchmark set for the Cash Fund is 7-Day Compounded SONIA less 6.25bps. The annualised rate of return for the Cash Fund for the six months to September 2023 was 4.78% against a benchmark return of 4.67%. Figure A3.6 below shows the daily investment performance of the Cash Fund against its benchmark since April 2011. This shows the effect of the 14 consecutive increases of between 0.25% and 0.75% in UK Bank Rate.

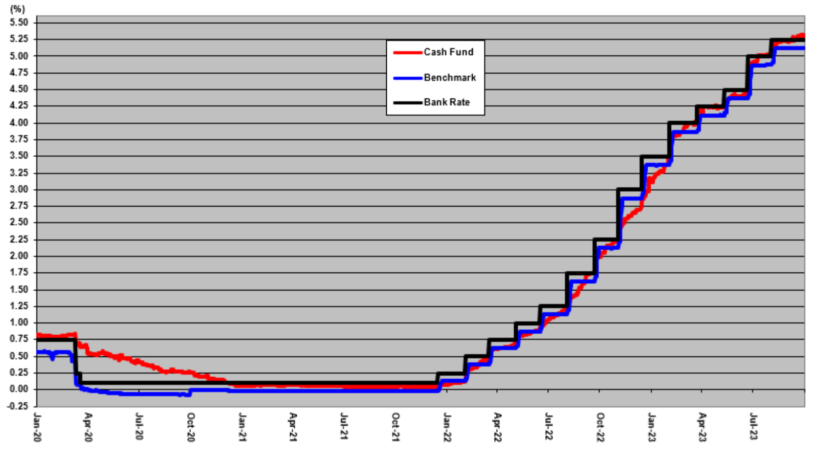

Figure A3.6 - Treasury Cash Fund Investment Performance

To show the performance in the first half of the financial year more clearly, Figure A3.7 below shows the Cash Fund daily return (net of fees) against the three private sector Money Market Funds which the Cash Fund uses for liquidity and the Short-Term Investment Fund from Northern Trust which is the Global Custodian for Lothian Pension Fund.

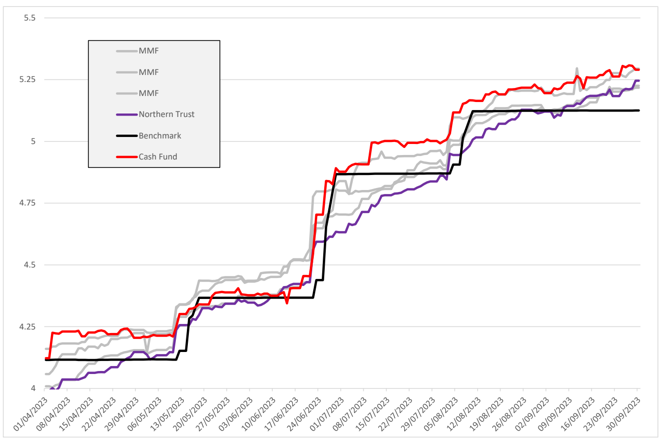

Figure A3.7 - Treasury Cash Fund Investment Performance

Over the quarter as a whole, this shows very good performance against private sector funds with a similar liquidity requirement. In the Lothian Pension Fund mandate, LPF have set a 10bp outperformance target relative to the benchmark. Figure A3.8 below shows the Cash Fund relative performance against the benchmark with the LPF target highlighted in red.

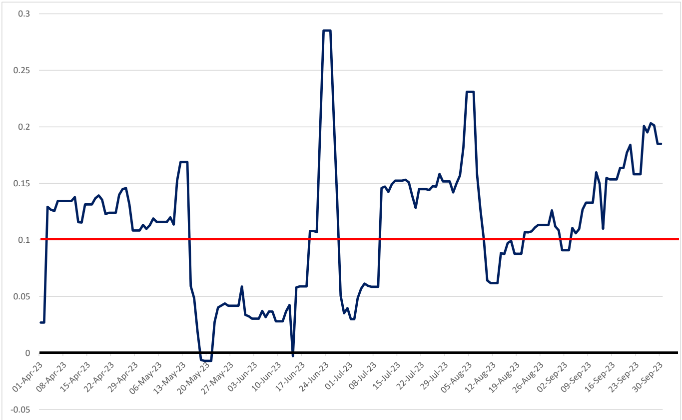

Figure A3.8 - Treasury Cash Fund Investment Performance

Bar a couple of days in May and June, the Cash Fund has been above benchmark for the whole six months, in spite of three increases in UK Bank Rate, and has been above the LPF performance hurdle for most of the period.

The Council supplies data on its Cash Fund investment to the Council's Treasury Advisors to allow their analysis of the Council's portfolio and performance. The advisors provide a credit analysis at the end of each quarter and Figure A3.9 below shows the investment return at the end of June for their client universe. While it is only a snapshot at the end of the quarter, it does show that the combination of the local authority notice accounts and fixed term duration decisions have been effective.

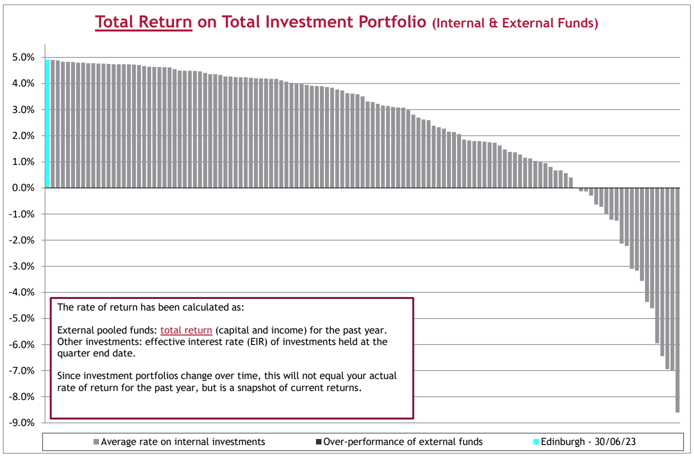

Figure A3.9 – Treasury Advisor Investment Benchmarking

Appendix 4

Debt outstanding 30th September 2023

Market Debt (non LOBO)

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	08/10/2020	08/10/2045	55,596,558.81	2.613	1,464,544.90
M	30/06/2005	30/06/2065	5,000,000.00	4.4	220,000.00
M	07/07/2005	07/07/2065	5,000,000.00	4.4	220,000.00
M	21/12/2005	21/12/2065	5,000,000.00	4.99	249,500.00
M	28/12/2005	24/12/2065	12,500,000.00	4.99	623,750.00
M	14/03/2006	15/03/2066	15,000,000.00	5	750,000.00
M	18/08/2006	18/08/2066	10,000,000.00	5.25	525,000.00
M	01/02/2008	01/02/2078	10,000,000.00	3.95	395,000.00
			118,096,558.81		

Market Debt (LOBO)

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	12/11/1998	13/11/2028	3,000,000.00	4.75	142,500.00
M	15/12/2003	15/12/2053	10,000,000.00	5.25	525,000.00
M	18/02/2004	18/02/2054	10,000,000.00	4.54	454,000.00
M	28/04/2005	28/04/2055	12,900,000.00	4.75	612,750.00
M	01/07/2005	01/07/2065	10,000,000.00	3.86	386,000.00
M	24/08/2005	24/08/2065	5,000,000.00	4.4	220,000.00
M	13/09/2005	14/09/2065	5,000,000.00	3.95	197,500.00
M	03/10/2005	05/10/2065	5,000,000.00	4.375	218,750.00
M	23/12/2005	23/12/2065	10,000,000.00	4.75	475,000.00
M	06/03/2006	04/03/2066	5,000,000.00	4.625	231,250.00
M	17/03/2006	17/03/2066	10,000,000.00	5.25	525,000.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	07/04/2006	07/04/2066	10,000,000.00	4.75	475,000.00
M	05/06/2006	07/06/2066	20,000,000.00	5.25	1,050,000.00
M	05/06/2006	07/06/2066	16,500,000.00	5.25	866,250.00
			162,400,000.00		

PWLB Loans

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	13/10/2009	13/10/2023	5,000,000.00	3.87	193,500.00
M	05/12/1995	15/11/2023	10,000,000.00	8	800,000.00
M	10/05/2010	10/05/2024	10,000,000.00	4.32	432,000.00
M	28/09/1995	28/09/2024	2,895,506.10	8.25	238,879.25
M	14/05/2012	14/11/2024	10,000,000.00	3.36	336,000.00
A	14/12/2009	14/12/2024	1,261,924.56	3.66	46,186.44
M	17/10/1996	25/03/2025	10,000,000.00	7.875	787,500.00
M	10/05/2010	10/05/2025	5,000,000.00	4.37	218,500.00
M	16/11/2012	16/05/2025	20,000,000.00	2.88	576,000.00
M	13/02/1997	18/05/2025	10,000,000.00	7.375	737,500.00
M	20/02/1997	15/11/2025	20,000,000.00	7.375	1,475,000.00
A	01/12/2009	01/12/2025	2,949,808.77	3.64	137,696.63
M	21/12/1995	21/12/2025	2,397,960.97	7.875	188,839.43
M	21/05/1997	15/05/2026	10,000,000.00	7.125	712,500.00
M	28/05/1997	15/05/2026	10,000,000.00	7.25	725,000.00
M	29/08/1997	15/11/2026	5,000,000.00	7	350,000.00
M	24/06/1997	15/11/2026	5,328,077.00	7.125	379,625.49
M	07/08/1997	15/11/2026	15,000,000.00	6.875	1,031,250.00
M	13/10/1997	25/03/2027	10,000,000.00	6.375	637,500.00
M	22/10/1997	25/03/2027	5,000,000.00	6.5	325,000.00
M	13/11/1997	15/05/2027	3,649,966.00	6.5	237,247.79
M	17/11/1997	15/05/2027	5,000,000.00	6.5	325,000.00
M	13/12/2012	13/06/2027	20,000,000.00	3.18	636,000.00
M	12/03/1998	15/11/2027	8,677,693.00	5.875	509,814.46
M	06/09/2010	06/09/2028	10,000,000.00	3.85	385,000.00
M	14/07/2011	14/07/2029	10,000,000.00	4.9	490,000.00
E	14/07/1950	03/03/2030	1,642.80	3	54.97
M	14/07/2011	14/07/2030	10,000,000.00	4.93	493,000.00
E	15/06/1951	15/05/2031	1,874.74	3	61.52
M	06/09/2010	06/09/2031	20,000,000.00	3.95	790,000.00
M	15/12/2011	15/06/2032	10,000,000.00	3.98	398,000.00
M	15/09/2011	15/09/2036	10,000,000.00	4.47	447,000.00
M	22/09/2011	22/09/2036	10,000,000.00	4.49	449,000.00
M	10/12/2007	10/12/2037	10,000,000.00	4.49	449,000.00
M	08/09/2011	08/09/2038	10,000,000.00	4.67	467,000.00
M	15/09/2011	15/09/2039	10,000,000.00	4.52	452,000.00
M	06/10/2011	06/10/2043	20,000,000.00	4.35	870,000.00
M	09/08/2011	09/02/2046	20,000,000.00	4.8	960,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	19/05/2006	19/11/2046	10,000,000.00	4.25	425,000.00
M	07/01/2008	07/01/2048	5,000,000.00	4.4	220,000.00
A	24/03/2020	24/03/2050	13,604,358.63	1.64	228,123.52
A	26/03/2020	26/03/2050	4,524,708.68	1.49	68,965.87

A	26/03/2021	26/03/2051	9,675,888.09	1.75	167,106.12
A	12/07/2021	12/07/2051	37,943,439.35	1.78	689,262.84
M	27/01/2006	27/07/2051	1,250,000.00	3.7	46,250.00
M	16/01/2007	16/07/2052	40,000,000.00	4.25	1,700,000.00
M	30/01/2007	30/07/2052	10,000,000.00	4.35	435,000.00
M	13/02/2007	13/08/2052	20,000,000.00	4.35	870,000.00
M	20/02/2007	20/08/2052	70,000,000.00	4.35	3,045,000.00
M	22/02/2007	22/08/2052	50,000,000.00	4.35	2,175,000.00
M	08/03/2007	08/09/2052	5,000,000.00	4.25	212,500.00
M	30/05/2007	30/11/2052	10,000,000.00	4.6	460,000.00
M	11/06/2007	11/12/2052	15,000,000.00	4.7	705,000.00
M	12/06/2007	12/12/2052	25,000,000.00	4.75	1,187,500.00
M	05/07/2007	05/01/2053	12,000,000.00	4.8	576,000.00
M	25/07/2007	25/01/2053	5,000,000.00	4.65	232,500.00
M	10/08/2007	10/02/2053	5,000,000.00	4.55	227,500.00
M	24/08/2007	24/02/2053	7,500,000.00	4.5	337,500.00
M	13/09/2007	13/03/2053	5,000,000.00	4.5	225,000.00
A	14/10/2019	10/04/2053	102,550,960.14	2.69	2,803,101.59
M	12/10/2007	12/04/2053	5,000,000.00	4.6	230,000.00
A	01/07/2021	01/07/2053	47,712,519.27	1.98	961,887.90
M	05/11/2007	05/05/2057	5,000,000.00	4.6	230,000.00
M	15/08/2008	15/02/2058	5,000,000.00	4.39	219,500.00
A	25/01/2019	25/01/2059	2,550,222.71	2.65	68,434.54
A	11/06/2019	11/06/2059	1,200,888.16	2.23	27,140.99
A	01/10/2019	01/10/2059	1,259,541.15	1.74	22,023.17
A	02/10/2019	02/10/2059	37,529,106.03	1.8	678,786.79
A	05/11/2019	05/11/2059	6,797,754.14	2.96	203,491.86
A	28/11/2019	28/11/2059	1,244,120.01	3.03	38,117.28
A	02/12/2019	02/12/2059	2,678,395.70	3.03	82,060.54
A	20/01/2020	20/01/2060	1,875,696.90	1.77	33,682.44
A	20/01/2020	20/01/2060	436,195.29	2.97	13,101.37
M	04/10/2019	04/04/2060	40,000,000.00	1.69	676,000.00
A	07/12/2021	07/12/2060	18,585,183.33	1.8	339,191.01
M	02/12/2011	02/12/2061	5,000,000.00	3.98	199,000.00
A	07/12/2021	07/12/2061	4,055,939.33	1.79	73,578.23
A	19/05/2022	19/05/2062	3,053,880.63	2.86	88,248.03
A	02/11/2022	02/11/2062	7,964,475.81	4.61	367,981.17
A	24/03/2022	24/03/2063	17,626,817.73	2.65	472,098.73
M	26/03/2020	26/03/2070	10,000,000.00	1.29	129,000.00
M	12/07/2021	12/07/2071	50,000,000.00	1.74	870,000.00
M	23/12/2021	23/12/2071	25,000,000.00	1.45	362,500.00
			1,140,784,545.02		

SALIX INTEREST FREE

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
Z	22/09/2015	01/10/2023	21,979.97	0.00	0.00
Z	29/03/2019	01/04/2029	83,987.16	0.00	0.00
			105,967.13		

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Finance and Resources Committee

10am, Tuesday 21 November 2023

Non-Domestic Rates - Empty Property Policy

Executive/routine
Wards

1. Recommendations

1.1 To approve the update to the Non-Domestic Rates – Empty Property Policy, which will come into operation from 1 April 2024.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Nicola Harvey, Service Director, Customer and Digital Services

E-mail: Nicola.harvey@edinburgh.gov.uk

Neil Jamieson, Head of Customer Services

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

Report

Non-Domestic Rates – Empty Property Policy

1. Executive Summary

1.1 This report details a revision to the Non-Domestic Rates Empty Property policy, which will come into effect from 1 April 2024. This revision removes open ended exemptions and reliefs for most empty properties and instead places a 12-month limit on any such award. This timeline will apply from the last time the property was occupied, regardless of the owner/occupier.

1.2 There are approximately 1800 empty properties in Edinburgh. The future occupation and active use of these properties will deliver economic, social and cityscape benefits. The potential net increase in billable liability for these properties is estimated at over £13.8m, with billing and recovery activities to be progressed in the normal way.

2. Background

2.1 Proposed changes to the policy were presented to the Finance and Resources committee on 20 June 2023. A commitment was made to bring a final recommendation to Committee, following engagement with the Scottish Property Federation (SPF). The report also addresses the Addendum approved by Committee in June, which requested consideration of 3 months relief at 50% followed by months 3-6 at 10% relief or alternatively to abolish empty property relief altogether (except in cases where occupation is prohibited by law).

3. Main report

3.1 Council officers met with members of the Scottish Property Federation on 30 August 2023 and there was agreement that the future occupation and active use of empty properties would deliver economic, social and cityscape benefits. The SPF however advised that the policy changes could impact these goals and the productive event discussed the nature of the policy, the start date of any change, and the appropriate relief period and the circumstances in which they apply. The discussion also noted that planning and related engagement processes for property redevelopment is time consuming and costly. This is amplified by Edinburgh's unique heritage and property landscape and the current challenging economic conditions. It also considered the potential viability of future projects, including complex listed building projects and the costs associated with bringing properties in line with appropriate regulations and policies e.g. net zero and decarbonising requirements and the impact of NDR liabilities being charged on these projects. This presents short term challenges, however, the longer term property outlook is considered to be positive.

3.2 With regards to empty listed buildings, Appendix 3 illustrates that the number of empty properties has been static over the last 10 years, albeit with an increase of 142 properties in 2023.

3.3 The portfolio of empty Council owned properties continues to be proactively managed by the Council's Estates team. At the date of writing there were around 54 vacant properties owned by the Council, down from the 71 discussed at the June Committee meeting and 93 originally quoted in the report at that time.

3.4 The addendum approved by Committee in June 2023 and the SPF feedback have been reviewed in light of the direction of travel approved by Committee in June 2023 and the Council's £59M budget gap for 2024/25. The following adjustments are recommended.

- Policy implementation date is moved to 1 April 2024. This will allow for time to effectively communicate the change to businesses and assist with queries or procedural matters related to the change. This revised date will also allow internal implementation plans to be effectively actioned.
- The evidence to trigger the 12 month relief extension is expanded to include pre-application discussions and the statutory proposal of application notice. This is designed to encourage businesses to progress properties into active use.
- The policy will be reviewed on an annual basis, as part of the Customer Services policy assurance statement. In addition, a report will be brought to Committee at the end of the first year of operation to consider the ongoing effectiveness of the policy and ensure there are no material unintended consequences.

4. Next Steps

4.1 The proposed policy is detailed at Appendix 2 and will apply from 1 April 2024. It simplifies existing classifications and removes the open-ended nature of various exemptions and reliefs and instead creates a standard 12-month time limit, with the ability for a 12-month extension if certain criteria are met.

5. Financial impact

5.1 There is no change to the financial scale reported to Committee on 20 June 2023. The Council’s revenue grant funding settlement for 2023/24 includes funding sufficient to fully meet existing relief and exemption liabilities created by the Council policy, which has operated since 1 April 2023. The existing level of grant funding received from Scottish Government will be maintained for 3 years.

5.2 Future changes to the empty property policy will be the financial responsibility of the Council e.g. any loss/increase in income flows directly to the Council.

5.3 Business rates for empty properties owned by the Council will be billed and paid in the normal way. Additional Council charges resulting from this proposal will be offset against revenue generated through the changes to the empty property relief policy. Any additional revenue generated through changes to existing reliefs would also require to be offset against the Council's assumption of liability for newly eligible properties, irrespective of ownership, with effect from April 2023.

5.4 The costs of implementing and supporting the proposal, including system alterations, is estimated at £150k per annum. Ongoing resource costs would be met from potential increased collection levels.

6. Equality and Poverty Impact

6.1 Occupied premises are a vital competent of a healthy and growing economy. Established benefits include an increased economic activity through the city by attracting customers and businesses to the area. This increased footfall also supports other local businesses such as cafes, restaurants, and entertainment venues, creating a virtuous cycle of economic activity. As more businesses open to meet the demand of the growing customer base, it generates additional economic activity beyond their own operations through the wages paid to employees, purchases made from suppliers, and the spending of customers. This multiplier effect can amplify the economic benefits of each occupied premise.

6.2 Occupied premises facilitate better spaces and amenities for residents and visitors, by improving the quality of the visual environment. This can assist the city's High Streets and Town Centres being attractive places to visit and helps to protect the value of surrounding properties. Occupied premises can increase the value of nearby properties, as they make the area more attractive to potential buyers, renters, and investors.

6.3 Occupied premises also decrease the risk of vandalism, crime, and antisocial behaviour in all its forms while reducing pressures on Police and other public services, and contributes towards community cohesion, shared sense of identity, civic pride, and local distinctiveness.

7. Climate and Nature Emergency Implications

7.1 There are no direct environmental impacts associated with this policy.

8. Risk, policy, compliance, governance and community impact

8.1 The risks associated with the policy relate to non-compliance and the potential for unintended consequences. These matters will be considered and appropriate adjustments made as part of the proposed annual review process and update.

9. Background reading/external references

9.1 Finance and Resources Committee – 10 November 2022

9.2 Finance and Resources Committee – 10 March 2023

9.3 Finance and Resources Committee – 20 June 2023

10. Appendices

Appendix 1 - Empty Property Reliefs & Exemptions Current Policy & Proposal

Appendix 2 - Summary of Proposal

Appendix 3 – 10 Year Empty Property Trend Data

Appendix 1

Comparison of Empty Property Reliefs & Exemptions

(Current to 1 April 2024)

<table>
<tr><th>Empty Property Relief</th><th>Relief Description</th><th>Current Policy (1/4/23) Duration</th><th>Policy from 1/4/24 Duration</th></tr>
<tr><td>Standard Empty Property Relief 50%</td><td>50% empty property relief for the first 3 months of a property being unoccupied</td><td>3 Months</td><td>3 Months</td></tr>
<tr><td>Standard Empty Property Relief 10%</td><td>10% relief after initial 3 months of 50% Empty relief ended</td><td>No time limit</td><td>9 Months*&**</td></tr>
<tr><th>Empty Property Classifications aligned with standard relief</th><th>Exemption Description (As is equates to 100% relief)</th><th>Current Duration</th><th>Policy from 1/4/24 Duration</th></tr>
<tr><td>Void Industrial Property 100%</td><td>Unoccupied industrial properties</td><td>6 months</td><td rowspan="11">Standard Empty Property Relief applied for all categories including voids (3 months at 50% and 9 months at 10%) *&**</td></tr>
<tr><td>Void Industrial Property 10%</td><td>10% Relief after initial 6 months of 100% industrial relief ends</td><td>No time limit</td></tr>
<tr><td>Ground/land – no buildings</td><td>Applies to vacant ground entries with no infrastructure on them</td><td>No time limit</td></tr>
<tr><td>Listed Buildings</td><td>Applies to vacant listed buildings</td><td>No time limit</td></tr>
<tr><td>Rateable Value < £1700</td><td>Unoccupied properties with RVs less than £1,700</td><td>No time limit</td></tr>
<tr><td>Administrator</td><td>Unoccupied properties where liable party is in administration</td><td>No time limit</td></tr>
<tr><td>Executor in deceased estate</td><td>Vacant properties where person entitled to possession is executor of a deceased person's estate</td><td>No time limit</td></tr>
<tr><td>Building Preservation Notice</td><td>Unoccupied property subject to a building preservation order</td><td>No time limit</td></tr>
<tr><td>Company being wound up</td><td>Unoccupied properties where liable party is subject to a winding up order</td><td>No time limit</td></tr>
<tr><td>Vacant Crown/L.A. action</td><td>Unoccupied properties subject to crown / LA acquisition, e.g., compulsory purchase order</td><td>No time limit</td></tr>
<tr><td>Liquidator</td><td>Unoccupied properties where liable party is in administration</td><td>No time limit</td></tr>
<tr><th>Empty Property Classifications - No Change</th><th>Exemption Description</th><th>Current Duration</th><th>Policy from 1/4/24 Duration</th></tr>
<tr><td>Occupation prohibited by law</td><td>Properties prohibited from being occupied by law e.g., asbestos removal</td><td>No time limit</td><td>No time limit</td></tr>
</table>

*Full charge applies after 12 months from date property is first empty.

Evidence required to extend 10% relief for a further 12 months: **Sale or Let - Advertising details from the solicitor/estate agent. **Pre-planning/PAN information and building work** to bring property back into use (Building Warrant reference number/Planning permission reference number).

Appendix 2

Summary of Empty Property Reliefs & Exemptions from 1 April 2024

Empty Property Relief	Relief Description	Policy from 1/4/24
Standard Empty Property Relief	All empty property classifications unless listed below	Standard Empty Property Relief applied (3 months at 50% and 9 months at 10%) *&**
Empty Property Classifications - No Change	**Exemption Description**	**Policy from 1/4/24 (No change)**
Occupation prohibited by law	Properties prohibited from being occupied by law e.g., asbestos removal	Full exemption - no time limit

*Full charge applies after 12 months from date property is first empty.

Evidence required to extend 10% relief for a further 12 months: **Sale or Let - Advertising details from the solicitor/estate agent. **Pre-planning/PAN information. Building Work** to bring property back into use - Building Warrant reference number/Planning permission reference number.

Appendix 3

10 Year Empty Property Trend Data

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	High	Low	Period Change
Exemption: Rateable Value	141	192	97	97	129	122	118	163	170	160	192	97	-19
Exemption: Listed Building	858	716	654	654	654	702	678	689	699	715	858	654	143
Exemption: Building Preservation Notice	1	2	0	0	0	0	0	0	0	0	2	0	1
Exemption: Industrial building	0	0	0	0	0	1	0	0	144	172	172	0	-172
Exemption: Trustee in sequestration	0		1	1	0	0	0	3	0	0	3	0	0
Exemption: Executor in deceased estate	4	9	5	2	5	3	4	4	4	4	9	2	0
Exemption: Liquidator	25	16	15	22	17	14	9	24	3	18	25	3	7
Exemption: Occupation prohibited by law	0		1	1	0	0	8	10	3	2	10	0	-2
Exemption: Vacant Crown/L.A. action	0	2	0	0	0	0	0	0	0	0	2	0	0
Exemption: Ground/land - no buildings	120	158	137	160	141	143	46	56	57	59	160	46	61
Exemption: Administrator	8	16	10	10	14	4	11	26	22	18	26	8	-10
Statutory Exemption	352	408	405	409	408	414	420	420	421	419	420	352	-67
Empty Property Relief 10%	679	660	463	431	567	621	756	682	591	638	756	431	41
Empty Property Relief 50%	136	54	3	66	57	109	90	87	0	0	136	0	136

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Professional Services Expenditure 2022/23

Executive/routine	**Routine**
Wards	

1. Recommendations

1.1 The Finance and Resources Committee is recommended to note payments made to Professional Services providers during 2022/23.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Iain Shaw, Principal Accountant

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

Report

Professional Services Expenditure 2022/23

2. Executive Summary

2.1 This report provides details of expenditure for the provision of professional services during 2022/23.

2.2 Payment of £15.722m was made to Framework providers for the provision of Professional Services to support the Council's technical services in delivering construction, maintenance and repair programmes.

2.3 Revenue expenditure of £4.109m and capital expenditure of £6.888m was incurred during 2022/23 for provision of other specialist professional services, which sit out with the technical services specialisms included in the Professional Services Framework. Specialist professional services are required to be procured in accordance with the Council's Contract Standing Orders.

2.4 External income was received, which either wholly or partly-funded £6.877m of the expenditure that is noted in paragraphs 2.2 and 2.3.

3. Background

3.1 At its meeting on 25 August 2009, the Finance and Resources Committee noted the intention to report Council expenditure on consultants on an annual basis.

3.2 The purchase of professional services provided by consultants is governed by relevant procurement legislation and Council Contract Standing Orders (CSOs). CSOs were reviewed and approved by Council on 22 June 2023.

3.3 The CSO's define a range of professional services provided to the Council.

3.4 This report provides details of expenditure on professional services for 2022/23.

3.5 The report includes payments made to Professional Services Framework providers. The Professional Services Framework for technical services was approved by Finance and Resources Committee on 29 October 2020, with further Framework appointments approved on 9 December 2021.

3.6 Professional services are purchased externally where Council staff cannot provide the service, either due to a requirement for specialist expertise or to service capacity constraints.

4. Main report

4.1 A review of Council Contract Standing Orders of 27th June 2019 defined consultants providing professional services as specialists “who charge a fee for providing advice or services such as, but not limited to business or project management, human resources, environment, communication, information technology, property and estates and financial services”.

4.2 The definition excludes: agency, secondments and temporary workers; professional services provided by solicitors, counsel and actuaries; and technical or specialist services required for works contracts or proposed works contracts such as quantity surveyors, cost consultants, design engineers and architects.

4.3 The exclusion of the appointment of technical or specialist services required for works contracts or proposed works contracts from the consultancy services definition was to mitigate against the risk of a procurement delay leading to a delay in the progression of works contracts. It was noted that the reporting requirement of such expenditure to Finance and Resources Committee would continue.

4.4 On 29 October 2020, Finance and Resources Committee approved the award of a multi-lot framework agreement for the provision of Professional Services to support the Council’s technical services in delivering construction, maintenance and repair programmes. The framework consisted of 12 Lots with an estimated value to the Council of £95 million over a maximum four-year term.

4.5 On 9 December 2021, Finance and Resources Committee approved the award of a multiple supplier Clerk of Works Framework at a total estimated value of £3m.

4.6 The reported expenditure includes payments to a supplier exceeding £2,500 across all Council services.

4.7 The level of expenditure in any one year is dependent on service and project requirements and is not comparable between financial years.

Professional Services Framework (Technical Services)

4.8 2022-23 is the second full year of the Professional Services Framework. Payment of £15.722m was made to Framework providers. Appendix 1 provides detail of the service providers, services provided and outcomes.

4.9 Professional services were provided by Framework contractors to progress delivery of Capital Investment Programme projects, which included the following areas:

4.9.1 Secondary school building projects - £4.038m. Projects included Currie, New Liberton and Trinity High School.

4.9.2 Transportation - £1.669m - including George Street and First New Town, cycle projects, Local Development Plan roads projects and North Bridge.

4.9.3 Primary school building projects - £1.077m. Projects included Builyeon, Maybury and New South Edinburgh Schools.

4.9.4 Council House Improvement Programme - £2.577m.

4.9.5 Council House Building Programme - £1.958m.

4.10 Professional services were provided by Framework contractors to progress delivery of revenue projects in the following services:

4.10.1 Operational Property Planned Preventative Maintenance - £0.782m. Expenditure was incurred to manage and support delivery of planned maintenance.

4.10.2 Transport Services and Flood Prevention - £0.495m.

Specialist Professional Services out with the Professional Services (Technical Services) Framework

4.11 Revenue expenditure of £4.109m was incurred during 2022/23 for provision of specialist professional services, which sit out with the range of technical services specialisms included in the Professional Services Framework. Appendix 2 provides detail of the service providers, services provided and projects progressed. Services provided included:

4.11.1 Internal Audit Co-Source - resource and specialist advice to support delivery of the Internal Audit Plan - £0.483m

4.11.2 Acceleration of target operating model work by Edinburgh Health and Social Care Partnership to implement the One Edinburgh vision - £0.368m

4.11.3 Operational Property Planned Preventative Maintenance - £0.140m to manage and support delivery of property maintenance Computer Assisted Facilities Management Computer System Development and Technical Services tender mobilisation.

4.12 Expenditure of £6.888m was incurred on delivery of projects in the Capital Investment Programme (CIP) during 2022-23 for provision of specialist professional services, which sit out with the range of technical services specialisms included in the Professional Services Framework. Appendix 3 provides detail of the service providers, services provided and outcomes. This included:

4.12.1 Edinburgh Tram to Newhaven project - £2.349m. Progression of construction to completion. Fees are for Project Director and Assurance Services, Project and Commercial Management Services and Technical Advisory, Design Services and Clerk of Works costs.

4.12.2 Support for delivery of a range of Transport projects, including Carriageway and Footpath works and Cycle Projects, including West Edinburgh Active Travel Network - £2.631m.

4.13 External income was received, which either wholly or partly funded £6.877m of the expenditure noted in this report. Capital Investment Programme expenditure of £5.126m and revenue expenditure of £1.751m was incurred on projects where external income was received by the Council. Income received included Scottish Government grant funding, grant income and contributions from other bodies.

5. Next Steps

5.1 Expenditure on provision of professional services will continue to be closely reviewed as part of the revenue and capital expenditure monitoring arrangements for each service during 2023/24.

6. Financial impact

6.1 The costs set out in this report were contained within the Council's approved revenue budget and Capital Investment Programme for 2022/23.

6.2 Revenue expenditure on external professional services was 0.590% of the revenue outturn reported to Finance and Resources Committee on 21 September 2023.

6.3 Expenditure incurred on external professional services to progress Capital Investment Programme projects was 4.917% of the outturn reported to Finance and Resources Committee on 21 September 2023.

7. Equality and Poverty Impact

7.1 There are no equality, human rights (including children's rights) and socio-economic disadvantage implications arising as a consequence of this report.

8. Climate and Nature Emergency Implications

8.1 There are no Climate and Nature Emergency implications arising as a consequence of this report.

9. Risk, policy, compliance, governance and community impact

9.1 There are no risks, health and safety, governance, compliance or regulatory implications arising from this report.

10. Background reading/external references

10.1 Use of Consultants 2008/09 – Finance and Resources Committee – Tuesday 25 August 2009

10.2 Operational Governance: Review of Contract Standing Orders - City of Edinburgh Council - Thursday 27 June 2019

10.3 Review of Contract Standing Orders – City of Edinburgh Council – Thursday 22 June 2023

10.4 Award of Contract for Professional Services Framework – Finance and Resources Committee - Thursday, 29 October 2020

10.5 Award of Clerk of Works Framework Agreement – Finance and Resources Committee – Thursday 9 December 2021

10.6 Revenue Monitoring 2022/23 – outturn report – Finance and Resources Committee – Thursday 21 September 2023

10.7 2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy – Finance and Resources Committee – Thursday 21 September 2023

11. Appendices

Appendix 1 - Professional Services Framework (Technical Services) Expenditure 1st April 2022 - 31st March 2023

Appendix 2 – Revenue – Professional Services Expenditure 1st April 2022 - 31st March 2023 outwith Professional Services (Technical Services) Framework

Appendix 3 – Capital Investment Programme - Professional Services Expenditure 1st April 2022 - 31st March 2023 outwith Professional Services (Technical Services) Framework.

Professional Services Framework Expenditure 1st April 2022 - 31st March 2023

APPENDIX 1

Service Provider	Revenue	Capital	Total
7N Architects LLP	29,177	2,273	31,450
AHR Architects Limited	4,950	393,126	398,076
Anderson Bell Christie Limited	2,750	74,736	77,486
Arcadis Consulting (UK) Limited		1,602,728	1,602,728
Architype Limited		5,000	5,000
Atelier Ten (Scotland) Ltd		10,910	10,910
Atkins Limited	375,071	538,660	913,731
Blackwood Partnership Limited	8,369	118,213	126,582
Collective Architecture Limited	11,853	171,583	183,436
Currie & Brown UK Limited	542,696	1,227,782	1,770,478
Doig & Smith Limited	13,637	180,766	194,403
Faithful and Gould	331,194	5,409,307	5,740,501
G3 Consulting Engineers Limited	23,676	87,367	111,043
Harley Haddow Ltd	16,081	109,715	125,796
Hickton Consultants Limited	62,390	77,908	140,298
Holmes Miller Limited	2,466	239,460	241,926
Mott MacDonald Limited	528,768	265,366	794,134
Narro Associates Ltd	94,842	105,256	200,098
Pick Everard	3,550		3,550
Rankinfraser Landscape Architecture LLP	45,421		45,421
Ross Quality Control Limited	36,990	423,281	460,271
Sentinel Clerk of Works Limited		228,126	228,126
Smith Scott Mullan & Associates Ltd	3,345	34,103	37,448
Stantec UK Limited	34,775	123,789	158,564
Summers-Inman Construction And Property Consultants LLP	9,836	118,915	128,751
Sweco UK Limited	30,875	174,433	205,309
Thomas & Adamson	113,340	402,830	516,170
Thomson Gray Limited	9,819	594,077	603,896
Turner & Townsend Project Management Limited	74,744	400,116	474,860
Will Rudd Davidson Edinburgh Ltd	84,918	99,293	184,211
WSP UK Limited		7,343	7,343
Total	**2,495,533**	**13,226,461**	**15,721,994**

Service Provider	Amount	Service Provided	Outcome/Projects Progressed
7N Architects LLP	31,450	Architectural Services.	Granton Lighthouse. West Edinburgh Housing Feasibility study.
AHR Architects Limited	398,076	Construction Design services.	Housing Improvement projects. Energy Efficiency Standards for Social Housing. Fire Surveys for High Rise blocks.
Anderson Bell Christie Limited	77,486	Architectural Services, Construction Design Guidance, Surveys and Energy Assessment Professional Services	Early Years projects - Craigentinny, Granton, Nether Currie, St John Vianney, St Mark's. Housing Development Services to support investment requirements for the HRA's Capital Investment Programme.
Arcadis Consulting (UK) Limited	1,602,728	Specialist Project and Commercial Management Services.	New Liberton High School. New build Council housing project at Granton.
Architype Limited	5,000	Architectural Services.	Depots Review - City Archives.
Atelier Ten (Scotland) Ltd	10,910	Fire Engineering Services.	Fire Engineering services - City Archives.
Atkins Limited	913,731	Professional Engineering, Landscape Design and Consultancy Services.	Dean Park Primary School. Neighbourhood Environmental Projects. Cammo Estate. Local Development Plan road obligations-Queensferry High School. Granton Waterfront energy solution. Leith Links Masterplan and Parks and Greenspace Programme. Development of sustainable Urban Drainage System Heritage Factsheet and 'City Wide Natural Capital Project'. City Plan - Edinburgh Master planning and Green/Blue Guidance and Rainwater Guidance. Road Safety Audits. Street Design Guidance for Cycle Projects. Real Time Passenger Information Bus Tracker system.Council House Building Programme.
Blackwood Partnership Limited	126,582	Mechanical Engineering Services.	Primary School projects - Abbeyhill, Broomhills, Colinton, Deanpark, James Gillespie's, New South Edinburgh, New Victoria. Bangholm Sports and Performing Arts facility. Boroughmuir High School Extension. Wester Hailes Education Centre. City Wide Housing Structural improvement.
Collective Architecture Limited	183,436	Architectural Services.	Collections Hub project. Council House Building programme.
Currie & Brown UK Limited	1,770,478	Project Management Services, Quantity Surveying Services and Engineering and Consultancy Services.	Facilities Management Technical Services for the Council's Operational Property Estate. EnerPHit Tranche 1 Programme. St James Quarter. Wester Hailes Education Centre. Early Years projects - Craigentinny, Granton, Kirkliston, Nether Currie, Ratho, St John Vianney, St Marks. Primary School projects - Dean Park, Broomhills, Brunstane, Longstone, Lorne Street, New South Edinburgh. Street Lighting LED Programme. Meadows to George Street Project. West Edinburgh Active Travel Network. North Bridge Refurbishment. Housing Regeneration projects. Council House Building programme.
Doig & Smith Limited	194,403	Project Management and Quantity Surveying Services.	Primary School projects - Buckstone, Dalmeny, New South Edinburgh, Parsons Green, Sciennes. Boroughmuir High School Extension. Wester Hailes Education Centre. Bangholm Sports and Performing Arts facility. Gaelic Medium Education Primary School. Active Travel Cycling projects.
Faithful and Gould	5,740,501	Building Surveying, Quantity Surveying Services and Multi-Disciplinary Design Team Services.	Specialist support - Planned Preventative Maintenance programme - Operational Property Estate. Primary School projects - Builyeon Road, new Maybury. Secondary School projects - Castlebrae, new Currie, Trinity. George Street and First New Town project. Neighbourhood Services - Thriving Green Spaces Project. Energy Efficiency for Social Housing (EESH). Housing Regeneration projects. Council House Building programme.
G3 Consulting Engineers Limited	111,043	Structural Engineering Services.	Early Years projects - Sighthill, St Leonards. Primary School projects - Deanpark, Trinity. Gaelic Medium Education Primary School. Secondary School projects - Broughton, Castlebrae, Portobello, Wester Hailes Education Centre. Council Housing Building programme. Council Depot projects. Community Justice Services - COVID recovery.
Harley Haddow Ltd	125,796	Structural and Civil Engineering Services and Mechanical and Electrical Building Services.	Planned Preventative Maintenance programme - Operational Property Estate. Primary School projects - Brunstane, Lorne Street, Parsons Green. School kitchen upgrades. EnerPHit Tranche 1 Programme. Housing Regeneration projects. Council House Building programme.
Hickton Consultants Limited	140,298	Clerk of Work services.	Liberton Primary School (fire damaged block). Granton Station project. Council House Building programme.
Holmes Miller Limited	241,926	Architectural Services.	Early Years projects - Kirkliston, Stanwell. Primary School projects - Broomhills, New South Edinburgh, New Victoria, Sciennes. Secondary School projects - Boroughmuir High School Extension, Trinity Academy. New Meadowbank Sport Centre.
Mott MacDonald Limited	794,134	Design Services, Structural and Civil Engineering Services, Inspection and Flood Planning Services.	Road bridge strengthening/replacements. Parks and Greenspace bridge inspections. Flood Prevention services. Road Structures. St James Quarter Traffic Regulation Orders.
Narro Associates Ltd	200,098	Structural and Civil Engineering Services.	Reports for Building Warrant submissions for Mixed Tenure Improvement Service programme. Early Years projects - Craigentinny, Gilmerton, Granton, Nether Currie, Ratho, St John Vianney,St Mark's. Primary School projects - Currie, Deanpark. Council House Building programme.

Service Provider	Amount	Service Provided	Outcome/Projects Progressed
Pick Everard	3,550	Mechanical and Electrical Building Services.	Survey heating installation - St Thomas of Aquin's School.
Rankinfraser Landscape Architecture LLP	45,421	Architectural Services.	Princes Street Public Realm Vision. Inverleith Park Masterplan Framework.
Ross Quality Control Limited	460,271	Clerk of Work services.	Early Years projects - Craigentinny, Granton, Nether Currie, St John Vianney, St Marks. Primary School projects - Murrayburn, Parsons Green, Royal High. Secondary School projects - Castlebrae, Trinity Academy. Council House Building programme. Meadowbank Sport Centre.
Sentinel Clerk of Works Limited	228,126	Clerk of Works Services.	Early Years projects - Kirkliston. Primary School projects - Dalmeny, Dalry, New Victoria, New South Edinburgh, Trinity. Gaelic Medium Education Primary School. Secondary School projects - Boroughmuir, Currie. Council House Building programme.
Smith Scott Mullan & Associates Ltd	37,448	Architectural Services.	Cowgate Feasibility Study. Council House Building programme.
Stantec UK Limited	158,564	Engineering Services.	Road Safety Active Travel projects.
Summers-Inman Construction And Property Consultants LLP	128,751	Project Management and Building Survey Services.	Planned Preventative Maintenance programme - Council's Operational Property Estate. Primary School projects - Corstorphine, Flora Stevenson, Leith, Leith Walk, Royal High. Housing Improvement projects. Council House Building programme.
Sweco UK Limited	205,309	Specialist Engineering Services.	Parks and Greenspaces. Local Development Plan. City Centre West to East Cycle project. Safe Walking and Cycling Schemes.
Thomas & Adamson	516,170	Building Condition Surveys Design and Project Management Services.	Mixed Tenure Improvement Service. Festive Lighting - Construction (Design & Management) Regulations. Boroughmuir High School Extension. Meadowbank Sport Centre. Housing Improvement projects. Council House Building programme.
Thomson Gray Limited	603,896	Quantity Surveying Services.	Fire Management System audits in Council Houses. Housing Estate stock condition survey reports. Community Justice Services - COVID recovery.
Turner & Townsend Project Management Limited	474,860	Project Management Services.	Cycle projects. City Centre West to East Cycle Link. Housing Improvement projects. Council House Building programme.
Will Rudd Davidson Edinburgh Ltd	184,211	Civil and Structural Engineering Services.	Asset Management Works - Council operational estate properties. Primary School projects - New South Edinburgh, New Leith Victoria. Edinburgh Shared Repairs Service projects. Fire Management surveys in Council Houses. Council House Building programme.
WSP UK Limited	7,343	Design services.	Road Safety and Active Travel projects.
Total	**15,721,994**		

Revenue - Professional Services Expenditure 1st April 2022 - 31st March 2023 (Out with Professional Services Framework) **APPENDIX 2**

Service Provider	Corporate Services	Education and Children's Services	Health and Social Care	Place	Council-Wide	Total
Aecom Limited				13,582		13,582
Air Quality Consultants Ltd				11,790		11,790
Airborne Environmental Consultants Ltd				3,240		3,240
Albany HR Limited	4,000					4,000
AOC Archaeology Group				5,500		5,500
APSE				17,640		17,640
Arlingclose Limited	37,500					37,500
Arneil Johnston Ltd				32,931		32,931
Avison Young (UK) Limited				2,550		2,550
Bagamoyo Consulting Limited	3,000					3,000
Changeworks Resources for Life Ltd	42,563			319,762		362,325
Cushman & Wakefield Debenham Tie Leung Limited				132,360		132,360
Dalhousie Associates Limited	42,689					42,689
David A Watson					4,000	4,000
David Adamson and Partners Ltd				5,000		5,000
David Hull-Watters - Inclusion Consultant				3,100		3,100
Davy White	3,000			4,800		7,800
Deloitte LLP				49,999		49,999
DM Hall LLP				3,260		3,260
E.D.P. Health, Safety and Environment Consultants Limited				201,853		201,853
Edinburgh Innovations Ltd	20,000					20,000
EKOS Consulting UK Ltd				11,246		11,246
Ekos Ltd				7,500		7,500
Entec Solutions Ltd				4,600		4,600
Environtec Ltd				38,465		38,465
Ernst and Young LLP	80,655				32,715	113,370
Franks Portlock Consulting Limited		9,290		121,735		131,026
GatenbySanderson Limited	513,793	38,378	74,620	19,958		646,749
Gillespie People Solutions Ltd	25,000					25,000
Hardies Property & Construction Consultants				900		900
Heritage Ecological Limited				1,131		1,131
It Is On Limited				17,000		17,000
Jacobs UK Ltd	34,700			255,462		290,161
Jennifer Ross		27,391				27,391
Jones Lang LaSalle Limited				7,700		7,700
Karen Jacques Sales and Marketing Solutions Ltd				19,291		19,291
Kee Consultancy Limited		80,038				80,038
Keir Bloomer				3,375		3,375
Laura Jacqueline Miller				16,975		16,975
Link Asset Services	10,500					10,500
Link Treasury Services Limited	19,750					19,750
Malcolm Hughes Land Surveyors Ltd				1,995		1,995
Michael Collins Architects LLP	6,300					6,300
Nationwide Data Collection (Scotland) Ltd				20,917		20,917
Pricewaterhousecoopers LLP	521,993		368,332			890,325
Professional Cost Management Group Ltd				24,935		24,935
Progressive Partnership Ltd				43,402		43,402
QMPF LLP				24,000		24,000
Ramboll UK Limited				156,260		156,260
Rettie & Company Limited				4,500		4,500
Roberts Partnership Ltd				316,210		316,210
RSP Consulting Engineers LLP				1,880		1,880
Scott Moncrieff CA (Azets Audit Services Limited)				5,200		5,200
Spirit Media Scotland Limited		3,629		2,502		6,131
St. Vincent's Health and Public Sector Consulting Limited				139,751		139,751
Systra Limited				15,423		15,423
TRL Ltd				7,500		7,500
WDM Ltd				7,859		7,859
Total	**1,365,442**	**158,726**	**442,952**	**2,105,037**	**36,715**	**4,108,872**

CORPORATE SERVICES - PROFESSIONAL FEES - REVENUE EXPENDITURE 2022/23 **APPENDIX 2 (continued)**

Service Provider	Amount	Service Provided	Outcome/Projects Progressed
Albany HR Limited	4,000	Human Resources services.	Development of Employment Policies.
Arlingclose Limited	37,500	Treasury Management Advisory Services.	Professional Support for delivery of annual Treasury Management Strategy.
Bagamoyo Consulting Limited	3,000	Organisational Development services.	Research, design and delivery of Governance Framework.
Changeworks Resources for Life Ltd	42,563	Energy Advice Service.	Progression of Carbon Net Zero policies.
Dalhousie Associates Limited	42,689	Investigation support for HR cases.	Human Resources Policies. HR Case Management - Investigating Officers.
Davy White	3,000	Site Management.	Election count site management at Meadowbank Sport Centre.
Edinburgh Innovations Ltd	20,000	Development and monitoring of Carbon Scenario Tool.	Support for delivery of Carbon Scenario Tool Pathfinder Project.
Ernst and Young LLP	80,655	Cumulative gainshare fees for professional support provided to the Intelligent Automation project, over more than one year of project delivery.	Professional development support identified opportunities and assisted in implementing cross council robotic process automation (RPA) and digital transformation, delivering essential service capacity and budget savings. No further payments due.
GatenbySanderson Limited	513,793	Executive Recruitment Services.	Interim Executive Director of Corporate Services. Medium Term Financial Plan progression.
Gillespie People Solutions Ltd	25,000	Organisational Development services.	Delivery of Behavioural Framework.
Jacobs UK Ltd	34,700	Environmental Services.	Draft Climate Strategy Strategic Environmental Assessment.
Link Treasury Services Limited	30,250	Treasury Advisor Services.	Legislative changes - long-term PPP contracts. Leasing advice to support the appropriate funding of asset acquisition and preparation for the migration to International Financial Reporting Standard 16.
Michael Collins Architects LLP	6,300	Architectural Services.	Food Growing project - feasibility research for indoor market/food hub.
PWC LLP	521,993	Internal Audit Service Co-source resource and specialist advice.	Provision of external support to enable specialist internal audits to be undertaken to support delivery of Internal Audit Plan.
Total	**1,365,442**		

Service Provider	Amount	Service Provided	Outcome/Projects Progressed
Franks Portlock Consulting Limited	9,290	Professional Environmental Services.	Delivery of health and safety advice for schools and One-to-One Digital Strategy.
GatenbySanderson Limited	38,378	Executive Recruitment Services.	Executive Recruitment Services For Chief Officer and Senior Officer posts.
Jennifer Ross	27,391	Professional Education Services.	Learning programme for senior leaders and practitioners across schools.
Kee Consultancy Limited	80,038	Expert opinion in relation to adoption cases.	Professional expert opinion on outcomes for Looked After Children. The use of assessments in the permanency processes is standard practice to assist the Court with decision making, reducing time and costs of court cases and increasing the achievement of successful outcome.
Spirit Media Scotland Limited	3,629	Media, Marketing and advertising services.	Women's safety in public places consultation campaign.
Total	**158,726**		

Service Provider	Amount	Service Provided	Outcome/Projects Progressed
GatenbySanderson Limited	74,620	Executive Recruitment Services.	Interim Programme Director - Savings and Recovery.
PWC LLP	368,332	Multi-disciplinary management consultancy services.	Professional support to accelerate work the Edinburgh Health and Social Care Partnership to design a target operating model to implement the One Edinburgh vision. This included development of a performance dashboard and establishment of a Command Centre. It also incudes engagement with a range of providers, detailed analysis of information submitted and data on the internal service to generate options on how to maximise capacity and remodel on a neighbourhood basis.
Total	**442,952**		

Service Provider	Amount	Service Provided	Outcome/Projects Progressed
Aecom Limited	13,582	Structural and Engineering Services.	Roads schemes, Reservoir studies, Housing improvement appraisal report.
Air Quality Consultants Ltd	11,790	Air quality monitoring, modelling and assessment.	Review and update of the Council's Air Quality Action Plan.
Airborne Environmental Consultants Ltd	3,240	Health and Safety and Environmental services.	Training for Legionella Management and Control of Building Hot and Cold Water Services.
AOC Archaeology Group	5,500	Archaeological Services.	Museums and Galleries Services - Greyfriars Kirkyard Project survey and Leith Cannon Storage.
APSE	17,640	Management Consultancy services.	Review of the Council's Parks and Greenspaces service - Facilities Management soft and hard services data collection, analysis, reporting and training.
Arneil Johnston Ltd	32,931	Housing Consultancy Services.	Housing Asset Management Model, Accessible Housing Study and 2022 Tenant Survey. Housing Asset Management model work required as a bridge to support the investment strategy while Housing Services develops it on Asset Management information system.
Avison Young (UK) Limited	2,550	Building Survey services.	Property Advisory Services for a Council property.
Changeworks Resources for Life Ltd	319,762	Energy Advice Service.	Energy advice services to Council house tenants.
Cushman & Wakefield Debenham Tie Leung Limited	132,360	Commercial Advisers - appointment of Edinburgh Bio Quarter development partner.	Development of project to an OJEU compliant tendering process initiated to appoint a development partner to take forward the development of Edinburgh Bio Quarter.
David Adamson and Partners Ltd	5,000	Quantity Surveyor and Employer's Agent Services.	Provision of cost plan - Linksview House Energy Assessment.
David Hull-Watters - Inclusion Consultant	3,100	Inclusion and Wellbeing Services.	Facilitation of Capacity Building programme for Cultural Services.
Davy White	4,800	Site Management.	Platinum Jubilee and Armed Forces Day 2022.
Deloitte LLP	49,999	Management consultancy services.	Development of Regional Prosperity Framework, funded by Scottish Government and regional partners.
DM Hall LLP	3,260	Property Services.	Housing Services - tenant relocation.
E.D.P. Health, Safety and Environment Consultants Limited	201,853	Asbestos Consultancy Support Services.	Asbestos Professional Resources to the Council's Operational Property Estate.
EKOS Consulting UK Ltd	11,246	Provision of Research Services.	Consultation to help determine the future need for the Affordable Childcare for Working Parents contracts.
Ekos Ltd	7,500	Economic and Social Research Consultancy.	St James Quarter economic impact assessment.
Entec Solutions Ltd	4,600	Environmental Consultancy services for Waste and Resource Management.	Support on Joint Venture at Miller Waste Facility.
Environtec Ltd	38,465	Asbestos Consultancy Support Services.	Asbestos Sampling and Laboratory Analysis for Council operational and housing properties.
Franks Portlock Consulting Limited	121,735	Asbestos Air Testing Services.	Asbestos Management Surveys for Council Operational Estate.
GatenbySanderson Limited	19,958		
Hardies Property & Construction Consultants	900	Property Construction and Design Services.	Annual asset management works for Council operational properties.
Heritage Ecological Limited	1,131		
It Is On Limited	17,000	Marketing and Management Services.	Marketing and management of Vouchers Scheme for businesses affected by Edinburgh Tram to Newhaven project, to support businesses along the construction route, driving footfall and maintaining vibrancy in the area.
Jacobs UK Ltd	255,462	Traffic Modelling and Transport Planning Services.	Specialist traffic modelling services - Edinburgh Strategic Sustainable Transport Study, Placemaking Framework, St James Modelling and Spaces for People project.
Jones Lang LaSalle Limited	7,700	Commercial and Residential Property Advisory Services.	Advice on Edinburgh Housing rental market.
Karen Jacques Sales and Marketing Solutions Ltd	19,291	Event Sales Specialist Services.	Sales and Marketing Consultancy - Assembly Rooms.
Keir Bloomer	3,375	Education Consultancy Services.	Professional support for Planning and Building Standards projects.
Laura Jacqueline Miller	16,975	Project Management Support.	Project support for delivery of the Forever Edinburgh winter marketing campaign, The Story Never Ends campaign and Resident Rewards Initiative.

Service Provider	Amount	Service Provided	Outcome/Projects Progressed
Malcolm Hughes Land Surveyors Ltd	1,995	Topographical Survey services.	Topographical Survey - Dick Place.
Nationwide Data Collection (Scotland) Ltd	20,917	Traffic Survey services.	Traffic Surveys - Low Emission Zones and Glasgow Road/Newbridge.
Professional Cost Management Group Ltd	24,935	Cost Consultancy Services.	Provision of a forensic audit of utilities spend for a number of Council operational estate properties.
Progressive Partnership Ltd	43,402	Public consultation services.	Low Emission Zone Local Transport surveys.
QMPF LLP	24,000	Financial Advisory services.	Outline Business Case - Granton Heat Network.
Ramboll UK Limited	156,260	Technical Advisory services.	Outline Business Case - Granton Heat Network.
Rettie & Company Limited	4,500	Property Advisory services.	Economic Appraisal to inform funding bid - Housing Services.
Roberts Partnership Ltd	316210	Specialist Business Support Delivery.	Delivery of Business Gateway and Digital Boost workshops , Growth programmes and Expert Health programme.
RSP Consulting Engineers LLP	1,880	Mechanical and Electrical Engineering Services.	Lighting design for two offices in the City Chambers.
Scott Moncrieff CA (Azets Audit Services Limited)	5,200	Financial Advisory services.	Tax advice - Council's Transport Arms Length External Organisations.
Spirit Media Scotland Limited	2,502	Media Planning, Buying and Associated Services.	Facilitation of media consultation campaigns for Low Emission Zones, City Plan 2030 and consultation campaign for keeping road measures.
St. Vincent's Health and Public Sector Consulting Limited	139,751	Project Management services.	Computer Assisted Facilities Management Computer System Development and Technical Services tender mobilisation.
Systra Limited	15,423	Specialist Technical Services.	Support for Delivery of City Centre West to East Cycle Link and Street Improvements Project Monitoring Plan.
TRL Ltd	7,500	Technical Management Support.	Technical Management Support for the ECO Stars Fleet Recognition Scheme, a voluntary, free to join fleet recognition scheme that provides recognition and advice on environmental best practice to the operators of goods and passenger transport fleets. The scheme assists in the reduction of emissions from fleet vehicles through specialist advice services and bespoke strategies for operators to reduce their fuel usage.

COUNCIL-WIDE - PROFESSIONAL FEES - REVENUE EXPENDITURE 2022/23

Service Provider	Amount	Service Provided	Outcome
David A Watson	4,000	Public Safety Management.	Operation Unicorn - cost recovered in full from the Scottish Government.
Ernst and Young LLP	32,715	Payments are gainshare fees for professional support provided to the Council's Commercial Excellence and Business Support Services Transformation Projects.	The Commercial Excellence programme and subsequent work by Commercial and Procurement Services has delivered approximately £190m of savings, including cost avoidance savings. Professional services were provided to support delivery of cumulative Transformation Programme savings of £70m by 2018/19 to meet Council-approved savings targets. No further payments due.
Total	**36,715**		

Capital Investment Programme - Professional Services Expenditure 1st April 2022 - 31st March 2023 (Out with Professional Services Framework)

APPENDIX 3

Service Provider	Capital Investment Programme	Total
Aecom Limited	1,412,860	1,412,860
Anturas Consulting Limited	246,468	246,468
AOC Archaeology Group	7,630	7,630
Atkins Limited	131,494	131,494
Balfour Beatty Civil Engineering Ltd	136,530	136,530
BHL Consultancy Ltd	325,074	325,074
Built Intelligence Ltd	20,375	20,375
Capita Property & Infrastructure Ltd	159,778	159,778
Changeworks Resources for Life Ltd	398,911	398,911
Colliers International UK Plc	5,000	5,000
Cooper Cromar	14,040	14,040
David Adamson and Partners Ltd	51,739	51,739
Environtec Ltd	29,455	29,455
Franks Portlock Consulting Limited	48,839	48,839
Gardiner and Theobald LLP	18,396	18,396
Hardies Property & Construction Consultants	160,102	160,102
Heritage Ecological Limited	1,897	1,897
Ironside Farrar Ltd	70,015	70,015
J A B Services UK	10,720	10,720
Jacobs UK Ltd	924,040	924,040
Jones Lang LaSalle Limited	4,250	4,250
Malcolm Hughes Land Surveyors Ltd	44,865	44,865
MGAC LLP	28,051	28,051
Nationwide Data Collection (Scotland) Ltd	60,885	60,885
New Practice Limited	509,426	509,426
RSP Consulting Engineers LLP	104,450	104,450
Sandy Brown Limited	3,630	3,630
Spirit Media Scotland Limited	9,165	9,165
Tracsis Traffic Data Limited	11,848	11,848
Turner & Townsend Project Management Limited	1,913,850	1,913,850
WSP (Real Estate and Infrastructure) Ltd	24,500	24,500
Total	**6,888,285**	**6,888,285**

Service Provider	Amount	Service Provided	Outcome/Projects Progressed
Aecom Limited	1,412,860	Construction Professional Services, Design Consultancy, Road Safety Audits, Structural Engineering and Technical Services.	Progression of Cycle projects, Meadows to George Street project, City Centre West to East Cycle project, West Edinburgh Active Travel Network, Road Safety and Design projects and Dowie's Mill Weir project.
Anturas Consulting Limited	246,468	Project Director and Project Assurance Services.	Progression of Edinburgh Tram to Newhaven project and Ticket Vending Machine Procurement Strategy.
AOC Archaeology Group	7,630	Professional Archaeological Services.	Archaeological survey - High Street, Roseburn and South Queensferry.
Atkins Limited	131,494	Technical Adviser Services.	Technical Advisory Services for Edinburgh Tram to Newhaven Project.
Balfour Beatty Civil Engineering Ltd	136,530	Civil Engineering Design Services.	Enabling Works - Active Travel West Edinburgh Travel Network.
BHL Consultancy Ltd	325,074	Structural Engineering Technical Advisor services, Clerk of Works and Paint Steelwork Inspector Services.	Structural Engineering Technical Advisor, Clerk of Works and Paint Steelwork Inspector Services - North Bridge Refurbishment. Clerk of Works services for Edinburgh Tram to Newhaven Project.
Built Intelligence Ltd	20,375	Fast Draft Contract and Project Management System.	Design projects - Carriageway and Footpath works.
Capita Property & Infrastructure Ltd	159,778	Construction Professional Services - Engineering Services and Technical Support.	Progression of Carriageway and Footpath Works, Cycle Projects, Road Safety Schemes, Asset Management works at Craigentinny Primary School, Balerno High School, Leith Academy, Benmore and Lagganlia Outdoor Centres.
Changeworks Resources for Life Ltd	398,911	Programme Management.	Housing Improvement Projects - Home Energy Efficiency Programmes for Scotland.
Colliers International UK Plc	5,000	Property Consultancy Services.	Specialist Advice - Council House Building Programme.
Cooper Cromar	14,040	Architectural Services.	Housing Feasibility Studies - Council House Building Programme.
David Adamson and Partners Ltd	51,739	Quantity Surveying and Employer's Agent Professional Services.	Scope out and shape delivery of the Council House Building Programme for both Social Rent and Mid-Market rent through Edinburgh Living. Council House Building Programme at Cowan's Close, Dumbryden, Parkview, Pennywell and Sighthill.
Environtec Ltd	29,455	Asbestos Consultancy Support Services.	Provision of Asbestos Analytical Services for Council House Improvement Programme and Asset Management Works.
Franks Portlock Consulting Limited	48,839	Asbestos Air Testing Services.	Asbestos Management Surveys for Asset Management Works - Council Operational Estate.
Gardiner and Theobald LLP	18,396	Quantity Surveying Services.	Development of New Meadowbank Sports Centre.
Hardies Property & Construction Consultants	160,102	Quantity Surveying Services.	Progression of Balgreen, Clovenstone, Liberton and Stanwell Nursery School Projects and Currie Primary School Project. Progression of new build housing project at Silverlea, Land stabilisation works to sloped land on Water of Leith Walkway. Delivery of Asset Management Programme projects at Bonnington, Clermiston, Corstorphine, Gracemount, Queensferry Royal Mile, St Ninian's Primary Schools, Craigentinny Community Centre, Mortonhall Crematorium.
Heritage Ecological Limited	1,897	Ecological Consultancy Services.	Ecological Surveys - Bridge Strengthening and Replacement Projects.
Ironside Farrar Ltd	70,015	Landscape Architecture, Environmental Planning and Civil Engineering Services.	Queensferry High Street design development, Carriageway and Footpath Works.
J A B Services UK	10,720	Edinburgh Tram Extension and Leith Programme Board - Specialist Advisor.	Independent advice on Edinburgh Tram To Newhaven project.
Jacobs UK Ltd	924,040	Traffic Modelling and Transport Planning Consultancy Services.	Active Travel Cycle Projects. West Edinburgh Transport appraisal. Bus Partnership Fund. Traffic Modelling and Transport Planning Consultancy Services - Low Emission Zone Network Management.
Jones Lang LaSalle Limited	4,250	Commercial and Residential Property Advisory Services.	Advice on valuations for Council House Building Programme sites.
Malcolm Hughes Land Surveyors Ltd	44,865	Topographical Survey Services.	Wester Hailes Regeneration. Carriageway and footpath works. Bridge Strengthening and Replacement projects.
MGAC LLP	28,051	Quantity Surveying Services.	Granton Station.
Nationwide Data Collection (Scotland) Ltd	60,885	Professional Traffic Survey services.	Surveys for road safety and safe walking and cycling route projects.
New Practice Limited	509,426	Architectural Services.	Progression of development of Craigmillar site.
RSP Consulting Engineers LLP	104,450	Mechanical and Electrical Engineering Services.	Carrick Knowe, Gracemount, Ratho, Spinney Lane Nursery Schools projects to deliver 1,140 hours of Early Learning and Childcare. New Build Housing project at Powderhall. Development of New Meadowbank Sports Centre. Asset Management works - Council Operational Estate.
Sandy Brown Limited	3,630	Acoustic Engineering Services.	Development of New Meadowbank Sports Centre.

Spirit Media Scotland Limited	9,165	Media Planning, Buying and Associated Services.	Electric vehicle charging media plan - radio, social, search, community posters and community press.
Tracsis Traffic Data Limited	11,848	Engineering and Technical Services.	Road safety traffic monitoring surveys.
Turner & Townsend Project Management Limited	1,913,850	Project Management Services.	Edinburgh Tram to Newhaven Project.
WSP (Real Estate and Infrastructure) Ltd	24,500	Design services.	Granton Waterfront Core Path - employer's agent.
Total	**6,888,285**		

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Agenda Item 7.9

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Finance and Procurement Policies – Assurance Statement

Executive/routine	**Executive**
Wards	
Council Commitments	

1. Recommendations

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

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Richard Lloyd-Bithell, Service Director: Finance and Procurement

Finance and Procurement Division, Corporate Services Directorate

E-mail: richard.lloyd-bithell@edinburgh.gov.uk

Report

Finance and Procurement Policies – Assurance Statement

2. Executive Summary

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

3. Background

3.1 Council policies are key governance tools. They help to realise the Council's vision, values, commitments and outcomes and are critical to its operations, ensuring that statutory and regulatory obligations are met in an efficient and accountable manner.

3.2 To strengthen arrangements in this area, a corporate policy framework was approved in September 2013 to ensure that all current policies are easily accessible and created, revised and renewed in a consistent manner and to an agreed standard.

3.3 In order that Council policies remain current and relevant, all Directorates and Service Directors are required to review those policies falling within their respective remits on an annual basis. This report sets out the conclusions of the most recent year's review of policies falling within the remit of the Service Director: Finance and Procurement in his capacity as the Council's designated statutory Chief Financial Officer, in accordance with Section 95 of the Local Government (Scotland) Act 1973.

4. Main report

4.1 A critical element of the policy framework is to ensure that all Council policies remain fit-for-purpose. This requires Service Directors to review, on an annual basis, all policies within their respective remits and to provide the necessary level of assurance that these remain current and relevant.

4.2 Six distinct polices fall within the remit of the Service Director: Finance and Procurement. A short update on the past year's review activity in respect of each is set out below, with a summary provided in the appendix.

Financial Regulations

4.3 The City of Edinburgh Council operates under a set of documents that governs and guides the decisions made by the Council and its officers and ensures that robust, clear and accountable organisational frameworks are in place. The Council's Financial Regulations form an integral part of these key documents, with their content reviewed on an at-least six-monthly basis.

4.4 The Regulations outline, at a summarised level, the arrangements the Council has put in place to discharge its responsibilities under section 95 of the Local Government (Scotland) Act 1973. Section 95 states that every local authority shall make arrangements for the proper administration of its financial affairs and shall secure that the proper officer of the authority (termed the Section 95 Officer) has responsibility for the administration of those affairs.

4.5 A number of minor amendments to the content of the Regulations were incorporated as part of a review undertaken in September 2023. Updates were made to areas including insurance and internal audit, however, the basic principles set out within the Regulations remain unchanged and are crucial in securing the Council's on-going financial sustainability.

4.6 Compliance with the CIPFA Financial Management (FM) Code is an ongoing process and a benchmark for good and sustainable financial management in local authorities. The Council's Financial Management guidance reflects professional best practice and this was updated in September 2023 to address feedback from positive internal audits of financial management arrangements for the Capital Investment Programme and Housing Revenue Account.

4.7 The Financial Regulations are supplemented by a more detailed set of Finance Rules outlining the procedures to be adopted across a wide range of finance-related activity including budget monitoring, income collection, supplier payment, treasury management and insurance. Minor amendments were also made to the Finance Rules as part of a review carried out in September 2023, with updates made to areas including international travel, insurance and purchasing.

Contract Standing Orders

4.8 As with the Financial Regulations above, the Council's Contract Standing Orders (CSOs) form part of the Council's core set of governance-related documents. The contents are subject to regular scrutiny and review, with briefing sessions held as appropriate for both staff and elected members. The CSOs also incorporate the previously-separate Guidance on the Appointment of Consultants.

4.9 The CSOs apply (with certain exceptions) to all contracts made by or on behalf of the Council for the procurement of the execution of works, the supply of goods and materials and/or the provision of services. The overarching aim of the CSOs is to improve purchasing controls such that Best Value is delivered and the Council's statutory obligations are observed.

4.10 Following the coming into force of The Procurement Reform (Scotland) Act 2014, Public Contracts (Scotland) Regulations 2015 and Procurement (Scotland) Regulations 2016, the CSOs were fully updated and approved by Council in June 2016 to ensure continuing compliance with legislative requirements. Since that time, a number of further changes have been made to provide greater clarity on the appropriate use of waivers and managers' responsibilities with regard to contract management and contract award notifications.

4.11 A review of the current CSOs was undertaken in light of new Scottish Procurement Policy Notes issued by the Scottish Government and included an examination of the financial approval thresholds and whether these are set at the most appropriate levels for effective scrutiny and governance.

4.12 The results of the most recent review of the Council's CSOs were reported to, and approved by, Council on 22 June 2023. Changes included a revised definition of 'Fair Work First', references to sustainability and becoming a net zero city by 2030 added to the Procurement Requirement Form, a relaxation in the requirement to obtain three quotes for low value or specific purchases, and an increase in the delegated threshold for approving spend on services and supplies. As in previous years, the detail of these changes, including updates to intranet content, was cascaded to Council staff, along with further information on their rationale and implications. Adherence to the CSOs, including use of contracted suppliers and initiation of expenditure by means of purchase order, is monitored on a regular basis and captured within service "dashboards" communicated to Directorates.

Anti Money-Laundering Policy

4.13 While less formal arrangements were already in operation, the Corporate Policy and Strategy Committee approved the Council's Anti Money-Laundering Policy on 13 May 2014. The policy sets out procedures for mitigating the risk that money-laundering affects the Council's activities and monitoring their effectiveness. Where relevant activity is suspected, however, the policy also clarifies reporting routes and the resulting investigative action that will be undertaken.

4.14 The contents of the policy have previously been communicated to staff in those areas most susceptible to money-laundering activity and on-going requirements in this area, taking into account changes in staffing and responsibilities, continue to be regularly considered. Review of the policy's content in September 2022 identified a number of minor changes in applicable legislation and organisational structures and these will be reflected in an updated version of the policy maintained on the Council's website.

Fraud Prevention Policy

4.15 The Council's Policy on Fraud Prevention was approved by the Finance and Resources Committee on 31 October 2013. This policy is supplemented on an annual basis by a review of external fraud prevention and detection activity, with the

2021/22 Annual Report presented to the Finance and Resources Committee on 10 November 2022 and the 2022/23 Annual Report included elsewhere on today's agenda. An update to the complementary Anti-Bribery Policy was approved by the Corporate Policy and Strategy Committee on 28 March 2017.

4.16 The Fraud Prevention policy forms part of a core set of employee policies and, as such, is included in mandatory policy refresh exercises, with all staff required to confirm that they have read and understood its contents. This assurance has been strengthened by continuing targeted training in areas more susceptible to fraud-related activity.

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

Corporate Debt Policy

4.18 The Council's Corporate Debt Policy was approved by the Corporate Policy and Strategy Committee on 3 September 2013. The policy covers the principal income streams of Council Tax, Non-Domestic Rates, house rents and sundry (miscellaneous) debt and outlines how the Council will seek to strike an appropriate balance between its financial needs and the social needs of its customers.

4.19 The policy is reviewed annually as part of the Policy Assurance Statement - Customer Services reported to the Policy and Sustainability Committee.

Corporate Charging Policy

4.20 In common with most of the other policies falling within the Finance and Procurement remit, the Corporate Charging Policy primarily sets out broad principles and these remain valid, with no substantive changes required at this time.

4.21 In recognising the need for greater consistency and transparency in the setting of charges for Council services, the Council's Corporate Charging Policy Framework was approved by the Finance and Resources Committee on 5 June 2014. This was reflected in the February 2023 budget motion and a comprehensive register of fees and charge levied by the Council has subsequently been published on the Council's website. Improvements geared towards increasing transparency and informing elected members' decision-making in this important area will be incorporated as part of the 2024/25 budget-setting process. Any revisions to the policy will be looked at in this context.

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

4.22 While not considered policies in the sense of the others included within this document, the Annual Treasury Management Strategy was approved by Council on 10 March 2023 and the Council's Risk and Reserves Strategy was approved as part of setting the Council's 2023/24 budget on 23 February 2023. Review of the existing policies to ensure their on-going applicability was implicit in these reports, including an updated profile of the Council's usable reserves to reflect the anticipated on-going financial impacts of the pandemic.

5. Next Steps

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

6. Financial impact

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

7. Equality and Poverty Impact

7.1 There is no direct additional impact arising from this report, on equality, human rights (including children's rights) or socio-economic disadvantage.

8. Climate and Nature Emergency Implications

8.1 There is no direct environmental impact arising from this report.

9. Risk, policy, compliance, governance and community impact

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

10. Background reading/external references

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

11. Appendices

1. Assured Policies

Appendix 1 – Assured Policies

Policy title:	Financial Regulations
Approval date:	*25 October 2012 (date of original approval)*
Approval body:	*Council*
Review process:	*Content reviewed by Service Director: Finance and Procurement*
Change details:	*Minor amendments including insurance and internal audit.*

Policy title:	Contract Standing Orders
Approval date:	*25 October 2012 (date of original approval)*
Approval body:	*Council*
Review process:	*Content reviewed by Head of Commercial and Procurement Services, liaising as appropriate with senior service contacts and the Service Director: Legal and Assurance*
Change details:	*As part of the annual review process, changes required in light of new Scottish Procurement Policy Notes issued by the Scottish Government were approved by Council on 22 June 2023.*

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

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

Policy title:	Corporate Debt Policy
Approval date:	*3 September 2013 (with a number of subsequent amendments)*
Approval body:	*Corporate Policy and Strategy Committee*
Review process:	*Content reviewed by policy authors*
Change details:	*No substantive changes are required at this time.*

Policy title:	Corporate Charging Policy Framework
Approval date:	*5 June 2014*
Approval body:	*Finance and Resources Committee*
Review process:	*Content fully reviewed in light of Council policy, legislative requirements and wider policy environment*
Change details:	*Improvements geared towards increasing transparency and informing elected members' decision-making will be looked at as part of the 2024/25 budget-setting process.*

Finance and Resources Committee

10.00am, Thursday, 21 November 2023

Fleet Asset Management Plan 2023-2029

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

1. Recommendations

1.1 It is recommended Finance and Resources Committee:

1.1.1 Approves the approach to ensuring the Council's fleet is modern, efficient, fit for purpose, compliant with the upcoming Low Emission Zone (LEZ) and contributes towards the aims of the Council's Emissions Reduction Plan (CERP),

1.1.2 Approves the outlined financial model for the fleet asset management plan and agrees to refer this report to Full Council for the approval of £51.6m of prudential borrowing,

1.1.3 Notes that this investment will increase the Council's owned fleet assets and deliver additional in-house employment opportunities in the Council's Fleet Maintenance team; and,

1.1.4 Subject to approval of prudential borrowing at Full Council, agrees for delegated authority to be granted to the Executive Director of Place and the Service Director of Finance and Procurement to award contracts in line with the approved Fleet Asset Management Plan to ensure that vehicles can be procured in a timeous manner.

Paul Lawrence

Executive Director of Place

Contact: Scott Millar, Fleet and Workshops Manager

E-mail: scott.millar@edinburgh.gov.uk | Tel: 0131 347 1902

Report

Fleet Asset Management Plan 2023-2029

2. Executive Summary

2.1 This report details the Council's on-going fleet requirements to deliver Council business and outlines the approach to ensuring its fleet is modern, efficient, fit for purpose and compliant with the upcoming Low Emission Zone (LEZ) and the Council's approved Emissions Reductions Plan (CERP) as far as is financially practicable.

2.2 The report outlines the financial plan detailing how replacement vehicles will be funded and maintained up until 2029 and proposes £56.8m of capital investment to deliver the programme.

2.3 The report details how, by increasing the number of Council owned fleet assets, there will be a reduction in the Council's reliance on vehicles provided by third parties and the associated reduction in hire/leasing terms will release additional funding to purchase vehicles outright and increase the number of in-house Vehicle Maintenance Technician roles to maintain these vehicles.

2.4 To ensure delivery of the programme effective and timely procurement of new assets will be required. This report seeks approval to give the Executive Director of Place and Service Director of Finance and Procurement delegated authority to award contracts in line with the Fleet Asset Management Plan, to ensure that there is service continuity throughout the replacement programme.

3. Background

3.1 Currently, there are a total of 1,348 assets maintained by the Council's Fleet and Workshops Service defined as vehicles or items of plant machinery. This comprises of 801 vehicles owned by the Council and 547 either hired or leased from a third party.

3.2 On 5 March 2020 Finance and Resource Committee approved a report agreeing to £12.563m in capital funds for the replacement of 256 vehicles covering cars, refuse vehicles, compact sweepers and roads trucks and other items of plant such as tractors, trailers and demountable bodies.

3.3 A number of the vehicles have been purchased and are now operating in service. However, due to the impacts brought about by COVID-19, there are a number of vehicles that are either still awaiting delivery or have not been progressed due to potential change in service operation requirements. Of the 256 vehicles approved for purchase 175 have either been delivered or are on order. Of the £12,563,966 approved funding, in excess of £10m has already been spent or committed to.

3.4 Since approval in 2020, vehicle prices have increased considerably as a result of inflation and the increase in cost of raw materials. The current age profile of the fleet is increasing, the result of which is vehicles are becoming increasingly expensive and unpredictable to maintain and need to be replaced. In addition, service operations have altered following the impact of COVID therefore the requirements of 2020 are not consistent with the way in which the Council needs to deliver its services going forward.

3.5 Officers have taken time to review the current fleet establishment to ensure that the Council's fleet is fit for purpose, is aligned to the Councils obligations to meet the introduction of the Low Emission Zone in June 2024 and become a net zero carbon city by 2030 and a financial plan is in place to ensure successful delivery of the programme.

4. Main report

4.1 The Fleet and Workshop Service has worked closely with Council departments to understand future fleet requirements and seek to align this to the Council's sustainability targets to develop a fleet asset management plan up until 2029. Appendix 1 illustrates the required vehicles and identifies which vehicles require to be replaced to either meet Service needs and/or to meet the sustainability targets.

4.2 The vehicles listed for replacement will support key frontline services across the Council and are currently affordable based on the financial model detailed in Section 6. If approved 27% of the Council's fleet will have been electrified. This percentage compares favourably with other Scottish and UK Councils. It should be noted that, if the cost of some of the replacement fleet is lower than modelled, officers will consider further increasing the number of electric vehicles, and the associated percentage of the fleet that is electric, however it is not prudent to assume this at this moment in time. Any such review will also consider wider budget pressures / Council priorities together with development of an earmarked reserve for future replacement of vehicles.

4.3 There are currently 282 vehicles in operational service that do not comply with LEZ that will be prioritised for replacement ahead of June 2024.

4.4 It should also be noted that due to the large cost disparity between Internal Combustion Engine (ICE) powered and electric/hydrogen alternatives for the larger heavy goods vehicles (HGV) and specialist vehicles, it is not viable from a financial and general risk perspective to purchase these as electric/hydrogen until the market has matured, greater reliability can be ensured, and economies of scale have led to a reduction in prices (link to Appendix 2 which gives illustrative figures for the cost comparison). As an interim, HGVs and specialist vehicles will be renewed with Euro

6 diesel alternatives that are LEZ compliant. It is anticipated that a further report will be brought to Committee in 2028/29 outlining the resources required to procure sustainable alternatives to the diesel HGVs and specialist vehicles ahead of the 2030 CERP target.

4.5 Section 6 details the financial plan for which approval is being sought to deliver the Fleet Asset Management Plan. As there will be an increase in Council owned vehicles, there will need to be an investment in the Council's workshop facilities and increase in staffing to ensure the maintenance of the additional fleet assets. Improvements to the workshop facilities will be contained within the existing Depot Programme and budget released from the reduction of hire vehicles will be allocated to staff resources, as well as the new prudential borrowing repayments.

4.6 Resources may also be required for the electric charging infrastructure. If required this is expected to be financed through external funding (as the Council has done largely to date) and through some borrowing against a modelled reduction in current fuel spend that will be achieved through the increase in electric vehicles. This will be the subject of a separate report if required.

4.7 The Fleet and Workshop Service will continue to work closely with departments to scrutinise requirements, assess how service delivery evolves and review when new methods of transportation become available. For example, as a result of a successful external funding bid, five electric refuse collection vehicles are due to commence service in the Waste Collection service and cargo bikes are being trialled by some staff in Parks and Greenspaces which have the potential to significantly reduce the environmental impact of some of the Council's essential services. It should therefore be noted that the list of requirements in this report could be subject to alteration should an alternative solution become available. However, the overall approved budget would not be expected to be exceeded. If increased budget were required, then officers would clearly bring this matter back to committee for scrutiny and, if agreed, approval.

5. Next Steps

5.1 Once approved, the next steps will be to procure the vehicles outlined in this document taking into account the considerations listed in Appendix 3. A detailed procurement plan is being prepared with clear timescales for delivery, prioritising vehicles which are currently not LEZ compliant.

5.2 To ensure the plan is moved forward timeously it is requested that delegated authority is given to the Executive Director of Place and the Service Director of Finance and Procurement to award contracts in line with the programme provisions. This will minimise any potential for adverse service impacts when fleet units reach the end of their useful life and will also allow more dynamic procurement solutions which may achieve improved value for money via some frameworks.

6. Financial impact

General Fund

6.1 The investment required to replace the fleet highlighted in Appendix 1 is estimated to be £56.8m. This cost will be partially offset by capital receipts from the disposal of existing vehicles of £2m and a contribution from an earmarked reserve of £3.2m, resulting in a total loans fund advances of £51.6m.

6.2 £5.3m of these advances assumed to be taken out on an interest-only basis, based on a prudent assumption of the likely residual value of the new vehicles. If, going forward, capital receipts are used to fund more vehicles, financing will need to be based on borrowing the full capital value, not the net value assuming future disposal. The remaining £46.3m of the advances will be taken out on an annuity basis.

6.3 The loans charges associated with this over a 7-year period would be a principal repayment of £46.3m and interest of £13.5m, resulting in a total cost of £59.8m based on an assumed loans fund interest rate of 5.25%. This represents an annual cost of £8.5m to be met from the following revenue budgets, which are set out below and detailed in Appendix 4.

6.3.1 Over the previous three financial years when borrowing on current fleet assets has been repaid the budget has been held corporately and ring-fenced for future purchases.

6.3.2 Over the next two years borrowing will be repaid on further fleet assets, freeing up additional budget which will also be ring-fenced and contribute to future purchases.

6.3.3 The Council currently leases a large number of vehicles from third parties. These leasing costs are higher than prudential borrowing costs and therefore capital will be generated from purchasing new fleet to replace hires.

6.3.4 Additional cleansing budget allocated to vehicles and equipment for was approved at the Council Budget in February 2023. The allocated revenue amount for new equipment/ vehicles within the budget approved was £216,686.

6.3.5 With the purchase of new vehicles, there will be a reduction in the current spend on replacement parts, although this will be balanced with the increase in spend associated with having more council owned fleet and labour costs from having more maintenance technicians.

6.3.6 The Housing Revenue Account (HRA) will make a contribution of £0.522m p.a. towards the investment costs. This additional revenue budget contribution reflects inflationary pressures and electrification of the HRA fleet and this will be considered through the HRA business plan.

Future Opportunities

6.4 Research suggests that electric vehicles will bring material fuel savings. However, these savings are not being considered in the financial model of this plan for prudence. Any fuel savings will provide additional benefit to the overall budget position.

6.5 As noted in paragraph 4.2, should any additional available funding become available, where procured vehicles are cheaper than predicted, consideration will be given to increasing the number of electric vehicles in the fleet.

6.6 There are potential external funding opportunities that the Council will continue to explore. More recently, these funding opportunities have been aimed at increasing electric vehicle charging infrastructure, however there are still some pots available for vehicle replacement and upgrades which officers are applying for. If any such funding bids are successful, this will reduce the amount of capital funding that is required from the Council.

7. Equality and Poverty Impact

7.1 No impacts arising for people with protected characteristics.

7.2 The investment in this asset management plan will facilitate an increase in employment opportunities within the Council.

8. Climate and Nature Emergency Implications

8.1 An Integrated Impact Assessment has been completed.

8.2 As described previously the investment to upgrade the fleet is required to ensure the Council meets its own and national targets relating to Climate Change (Scotland) Act 2009, as outlined in the Council’s Carbon Emission Reduction Plan (CERP).

8.3 The procurement of this fleet replacement programme will have a positive effect on the level of carbon which is emitted by our fleet operations, and will also result in a net reduction in the level of other harmful emissions which contribute to poor air quality.

9. Risk, policy, compliance, governance and community impact

9.1 The Council needs to ensure its vehicles are compliant with the introduction of the Council’s LEZ in June 2024. If the fleet asset management plan is not approved there is significant risk of non-compliance leading to potential reputational damage for the Council.

9.2 The current fleet vehicles are aging and becoming more costly and unpredictable when it comes to general maintenance and repair. This can have a critical impact on service delivery if vehicles remain out of service for longer than Departments plan.

9.3 If this level investment in new fleet is approved, it would be unlikely for any future savings in transport to be achieved.

9.4 With general rising costs in raw materials and inflation, along with increased demand for new vehicles, the costs of replacement fleet are increasing and showing no signs of slowing. The increased cost-plus demand means that should the Council decide not to act on renewing fleet vehicles, this will only lead to increased down time, cost and adverse service impacts.

9.5 There are some risks associated with seeking a high percentage of electric vehicles as it is still developing technology however, the Council has taken a strategic approach to determine it seeks electric options where there is a clear and established market, for example in cars and commercial vans. In addition, the Council is seeking to develop internal staff to be fully trained to maintain these alternative fuelled vehicles from purpose-built premises. This will mean that there is sufficient resilience within our operations to adapt to new technology and reduced need to rely on third parties for support.

9.6 The Council will continue to trial new alternative technology to ensure knowledge and facilities are developed appropriately. For example, whilst this report highlights the Council will not be switching from diesel for its entire refuse collection fleet at this time. It has purchased five electric refuse collection vehicles, using funding from Zero Waste Scotland, to assess use and reliability. This will shape the fleet replacement approach that will be employed from 2028/29 onwards.

9.7 The Fleet Replacement Strategy will form part of the Council's Major Projects portfolio and as such the business case will be subject to the appropriate governance principles.

10. Background reading/external references

10.1 None.

11. Appendices

11.1 Appendix 1 – Fleet Asset Management Plan.

11.2 Appendix 2 - Cost comparisons for vehicles.

11.3 Appendix 3 – Procurement considerations.

11.4 Appendix 4 – Financing Strategy.

Appendix 1 Fleet Asset Management Plan

Vehicle Description	**Vehicle/ Plant**	**LEZ Non Compliant**	**Owned**	**Hired**	**Current Total**	**Future Vehicle Establishment**	**Funded beyond 2025/26**	**Proposed number of vehicles to replace**
Refuse Collection Vehicle Food 12T	Vehicle	0	8	5	13	12	0	12
Refuse Collection Vehicle 15T	Vehicle	0	0	1	1	0	0	0
Refuse Collection Vehicle 16T	Vehicle	0	0	2	2	0	0	0
Refuse Collection Vehicle 18T	Vehicle	0	8	6	14	15	0	15
Refuse Collection Vehicle 26T	Vehicle	0	31	31	62	59	5	54
Side Loading Refuse Collection Vehicle 26T	Vehicle	0	4	0	4	0	0	0
Crane Dropside 18T Street Lighting	Vehicle	2	2	0	2	2	0	2
Hooklift Vehicle 26T	Vehicle	0	4	0	4	0	0	0
Hooklift Vehicle 32T with Crane	Vehicle	0	0	0	0	5	0	5
3.5T Dropside	Vehicle	14	14	8	22	9	0	9
3.5T Low Floor Beavertail	Vehicle	0	0	0	0	19	0	19
3.5T Beavertail Standard Floor	Vehicle	1	1	0	1	1	0	1

3.5T Tipper Vehicle Daycab	Vehicle	0	0	50	50	11	0	11
3.5T Tipper Vehicle Crewcab	Vehicle	0	0	29	29	5	0	5
3.5T Cage Tipper Vehicle Crewcab	Vehicle	0	0	22	22	25	0	25
Hooklift Vehicle 32T	Vehicle	0	0	1	1	0	0	0
4x4 Crewcab with Chapter 8	Vehicle	2	2	14	16	8	0	8
4X4 Forestry Tower	Vehicle	0	0	1	1	0	0	0
5.2T Demountable	Vehicle	5	5	0	5	4	0	4
7.5T Box Truck	Vehicle	4	4	5	9	7	0	7
7.5T Cage Truck with Tailift	Vehicle	0	0	2	2	5	0	5
7.5T Demount	Vehicle	6	6	0	6	2	0	2
7.5T Dropside (Lighting)	Vehicle	0	2	0	2	2	0	2
7.5T Dropside Tailift (8210) Bin repair	Vehicle	0	0	1	1	1	0	1
7.5T Tipper	Vehicle	2	2	7	9	2	0	2
Accessible Bus	Vehicle	21	47	0	47	39	12	27
Car	Vehicle	0	111	15	126	111	33	78
Civic Car	Vehicle	0	2	0	2	2	0	2
Walk Behind Sweeper	Plant	0	0	2	2	4	0	4
Compact Sweeper Medium	Vehicle	0	13	2	15	16	12	4

Compact Sweeper Mini	Vehicle	0	3	0	3	6	3	3
Dropside 4.5T	Vehicle	9	9	0	9	2	0	2
Electric Utility Vehicle Waste Disposal	Vehicle	0	0	1	1	1	0	1
Graffiti Hotwash	Vehicle	1	1	0	1	0	0	0
Graffiti Van	Vehicle	0	2	1	3	4	2	2
Gully Vehicle	Vehicle	0	3	1	4	4	3	1
Plant Tractor Large	Vehicle	0	8	1	9	8	6	2
Plant Forestry Tractor 4wd Large with Crane	Vehicle	0	1	0	1	2	1	1
Plant Tractor Medium	Vehicle	0	2	0	2	2	0	2
Plant Tractor Winter Emergency	Vehicle	0	16	0	16	16	0	16
Plant Tractor Small	Vehicle	0	10	0	10	7	5	2
Large Van	Vehicle	15	31	7	38	67	0	67
Large Van 5.2T Stanby Cover	Vehicle	0	0	0	0	1	0	1
Library Vehicle	Vehicle	2	2	0	2	2	0	2
Truck Mounted Tower 14T Zipper Tower	Vehicle	1	1	0	1	1	0	1
Truck Mounted Tower 12T	Vehicle	1	1	0	1	1	0	1

Lighting Tower 3.5T	Vehicle	0	0	4	4	4	0	4
Lighting Tower 5.2T	Vehicle	0	0	1	1	1	0	1
Litter Press Refuse Vehicle	Vehicle	0	0	9	9	7	0	7
Luton Van	Vehicle	4	4	32	36	30	0	30
Low Floor Box Van with Ramp	Vehicle	0	0	0	0	6	0	6
Medium Van	Vehicle	118	118	128	246	140	0	140
Medium Van 6 Seat Conversion	Vehicle	0	0	0	0	17	0	17
Mini Bus	Vehicle	15	15	34	49	10	0	10
Minibus with Tailift	Vehicle	0	0	5	5	0	0	0
People Carrier	Vehicle	4	4	16	20	13	0	13
People Carrier with Tailift	Vehicle	0	0	13	13	0	0	0
Plant - Pothole Pro	Vehicle	0	0	1	1	2	0	2
Plant Beach Cleaner	Plant	0	2	0	2	2	0	2
Plant Hired Forklift	Vehicle	0	0	1	1	1	0	1
Plant Fuel Bowser	Plant	0	0	1	1	1	0	1
Plant Grounds Maintenance	Plant	0	66	0	66	66	0	66
Plant JCB Waste/ Roads	Vehicle	0	1	5	6	5	0	5
Plant JCB Burials	Vehicle	0	1	0	1	1	0	1

Plant Digger Specialist Burials	Vehicle	0	1	0	1	1	0	1
Plant Waste Material Handler	Vehicle	0	0	2	2	2	0	2
Plant Waste Loading Shovel	Vehicle	0	0	2	2	2	0	2
Plant Quad Bike	Vehicle	0	6	0	6	6	6	0
Plant Ride on Mower	Vehicle	0	19	0	19	19	9	10
Plant Tracked Boom	Plant	0	0	1	1	1	0	1
Parks Trailers	Plant	0	8	0	8	3	0	3
Plant Trailer	Plant	0	11	1	12	0	0	0
Plant Trailer Burials	Plant	0	2	1	3	2	0	2
Plant Utility Vehicle	Vehicle	0	2	0	2	2	0	2
Plant Telehandler	Vehicle	0	1	0	1	1	0	1
Plant Water Pump	Plant	0	3	0	3	3	0	3
Plant Woodchipper	Plant	0	4	0	4	4	0	4
Road Marking Vehicle	Vehicle	0	2	0	2	2	2	0
Roads Gritter Fixed Body	Vehicle	0	0	10	10	0	0	0
Roads Tipper 18T	Vehicle	0	8	0	8	8	0	8
Roads Tipper 26T	Vehicle	0	1	0	1	1	0	1
Roads Tipper 32T	Vehicle	0	0	1	1	1	0	1

Roads Tipper 7.5T	Vehicle	0	13	3	16	13	0	13
Roads 7.5T Dropside	Vehicle	0	3	0	3	2	0	2
Small Van	Vehicle	54	108	54	162	247	20	227
Travelling Gallery Specialist	Vehicle	1	1	0	1	1	0	1
Truck Mounted Sweeper	Vehicle	0	1	5	6	4	1	3
Truck Mounted Tower 7.5T	Vehicle	0	0	1	1	0	0	0
Plant Paver Machine	Vehicle	0	0	1	1	1	0	1
Forestry Arbor Spec Truck Mount	Vehicle	0	0	0	0	3	0	3
Forestry Arbor Spec 4x4 vehicle	Vehicle	0	0	0	0	4	0	4
Timber trailer Forestry	Plant	0	0	0	0	1	0	1
Forestry Stump Grinder	Plant	0	0	0	0	1	0	1
Pedestrian Mowers	Plant	0	40	0	40	40	40	0
Total		**282**	**801**	**547**	**1,348**	**1,171**	**160**	**1,011**

Appendix 2: **Cost comparisons for vehicles**

Vehicle Type	Estimated Purchase cost ICE	Estimated Purchase cost Electric	Cost Difference per vehicle
26t Refuse Collection Vehicle	£215,000	£435,000	£220,000
18t Gritting Vehicle	£145,000	£336,000	£191,000
Electric Truck Mounted Sweeper	£195,000	£385,000	£190,000

* Prices are estimates only as of October 2023.

Appendix 3: **Procurement considerations**

Risk	**Mitigating Action**
Vehicle Performance	High performance thresholds have been set out in the specifications, which will ensure all potential suppliers are aware of Council expectations. The preferred bidders will be asked to confirm their ability to meet strict performance criteria.
Quality of Vehicles	Wherever possible suppliers will be asked to provide a five-year warranty in the submission.
Diagnostics equipment	Successful tenderers will be required to supply dealer level diagnostic equipment to allow the vehicles to maintained fully in house.
Contingencies for Vehicle Break Downs	Free of charge replacements will be asked to be made available to cover periods when vehicles are off the road for longer than 48 hours during the warranty period provided that parts or labour are not available, and it is not a Council induced fault.

Appendix 4: Financing Strategy

Funding	Revenue Amount £m
Repaid Prudential Borrowing Budgets	
Fully Repaid to 2023/24	£1.750
Borrowing Period Return 24/25	£0.143
Borrowing Period Return 25/26	£0.275
Savings in Fleet Budgets	
Reduction in spot hire costs including indexation	£6.700
Additional Cleansing monies for vehicles	£0.217
Less: increase in parts spend and labour	(£0.798)
Less: Annual contribution to fund replacement of grant funded vehicles / provide general contingency	(0.300)
HRA annual contribution	0.522
Total	**8.509**

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Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

1906 Portobello Kiln Repairs

Executive/routine	**Executive**
Wards	**17 – Portobello/Craigmillar**

1. Recommendations

1.1 It is recommended that Finance and Resources Committee approves allocation of £0.224m from the capital programme short term contingency budget to repair the 1906 Portobello Kilns, meeting the Council's legal obligation in line with its Scheduled Monument Consent.

Paul Lawrence

Executive Director of Place

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Report

1906 Portobello Kiln repair

2. Executive Summary

2.1 This report seeks approval to proceed with works to restore the Kiln and to ensure compliance with the Council's Scheduled Monument Consent. It is proposed the balance of £0.224m is funded from the Capital contingency budget, which stands at £44.0m in the 2023-33 Capital Investment Programme.

3. Background

3.1 The 1906 Kiln (along with its neighbour constructed in 1909) is a remnant of the A W Buchan & Co. Pottery and a nationally important survivor of not only Edinburgh's but also Scotland's historic pottery industry which dates in Portobello back to the 18th century. The two kilns survived in operation until the pottery went out of business in the late 1960's before being demolished at the start of the 1970's. There national archaeological importance was recognised when they were given Scheduled Monument status in 1973 (index number SM3317) and legal protection.

3.2 The kilns, both owned by the Council, are the last two surviving industrial pottery kilns in Scotland and form a major landmark within the Portobello Conservation Area. The kilns also play an important part in the identity of Portobello and its local community, with the Portobello Heritage Trust being pivotal to the rebuilding of the 1909 kiln in 2014 and having a continued interest in, and promotion of, the site's heritage. In addition, the Kilns recently have been the focus of community-based art projects run by Art Work Porty including celebrating the work of the surviving woman decorators.

4. Main report

4.1 In 2017, an engineering inspection report prepared by engineers Will Rudd Davidson identified the 1970s reconstruction, which repaired the upper cone, as having made the 1906 Kiln unstable and at risk of collapse. The Council accordingly instructed that the Kiln be carefully disassembled from its top down to a height of circa 2.5 metres and hoarding erected around the kiln to protect passers-by. Scheduled Monument Consent (SMC) was granted for this work (300034779) subject to conditions and the upper kiln was taken down in 2019, monitored by a Royal Incorporation of Architects in Scotland (RIAS) conservation accredited architect.

4.2 A condition of the 2019 consent was that the structure be rebuilt within one year of works commencing on site (taking down upper section) and a scheme of works and timetable for the rebuilding of the kiln shall be submitted to Historic Environment Scotland (HES) for approval.

4.3 Unfortunately, works to restore the 1906 Kiln were delayed by the COVID-19 pandemic coupled with higher-than-forecast quotes to carry out the works. As a result, an application was submitted in July 2021 seeking an extension to the timetable in order to seek extra funding. This was secured with SMC granting an extension of the timetable for this condition or 14 months to September 2021 (application reference 300052634). However due to a misinterpretation of the timescales, it was seen as 14 months from the Council application and not to September 2021. Accordingly, the Council had failed to meet this condition, prompting HES to open an unauthorised works case in May 2022 in line with the Ancient Monuments and Archaeological Areas Act 1979. Following discussions between the Council and HES to resolve the matter and aid in funding a new consent (300060295) was obtained. Condition 4 of this requires work on site to rebuild the Kiln to commence by March 2024.

4.4 During this period, Council officers both actively sought external and internal funding and engaged with local stakeholders including Portobello Heritage Trust. Funding has been secured from the Place Based Investment Programme for 2023/24 (£0.173m) and the Council's revenue budget for 2022/23 (£0.057m). However, bids to the National Lottery Heritage Fund (£0.250m) and the Pilgrim Trust (£0.030m) have been unsuccessful. A 2022 bid to HES was similarly turned down due to the enforcement case being undertaken, however the Council was asked to resubmit once resolved. A new bid is currently with HES for £0.157m.

4.5 The Council is now seeking to take forward the restoration of the 1906 kiln as per current Scheduled Monument Consent (30060295), thereby meeting its Scheduled Monument Consent obligations, reinstating this key historic monument and iconic local landmark, improve and reinstate the local public realm of key element of Portobello's Conservation Area.

5. Next Steps

5.1 If the Committee approves the recommendation, subject to successful external match funding being achieved, progress will be made with procuring and appointing the specialist contractors required to undertake the work in compliance with the conditions set out in Scheduled Monument Consent 300060295 (see Appendix 1), to rebuild the kiln issued by HES.

6. Financial impact

6.1 The cost of the repairs is estimated at £0.611m. £0.228m of budget is currently in place, leaving a shortfall of £0.381m.

6.2 £0.173m of this is funded from the Place Based Investment Fund which requires commitment to be spent within 2023/24, or must be repaid to the Scottish Government.

6.3 The Council has made a bid to HES for £0.157m. If this is successful, the shortfall will be reduced to £0.224m.

6.4 It is proposed the balance of £0.224m is funded from the Capital contingency budget, which stands at £44.0m in the 2023-33 Capital Investment Programme. Should the HES bid be unsuccessful, capital budget will have to be reallocated from other Place capital projects or programmes.

6.5 Loan charges associated with this over a 30-year period would be a principal amount of £0.224m, interest and expenses of £0.234m, resulting in a total cost of £0.458m based on a loans fund interest rate of 5.25%. The average annual cost would be £0.015m for 30 years.

7. Equality and Poverty Impact

7.1 Repair of the monument will allow access for all Edinburgh residents to visit a key heritage landmark but at this stage it is no immediate equalities and poverty factors have been identified that will need to be taken into account.

8. Climate and Nature Emergency Implications

8.1 As a public body, the Council has statutory duties relating to climate emissions and biodiversity. The Council

"must, in exercising its functions, act in the way best calculated to contribute to the delivery of emissions reduction targets"

(Climate Change (Emissions Reductions Targets) (Scotland) Act 2019), and

"in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions"

(Nature Conservation (Scotland) Act 2004)

8.2 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions and embedded this as a core priority of the Council Business Plan 2023-2027. The Council also declared a Nature Emergency in 2023.

Environmental Impacts

8.3 A functioning historic building contributes to the ongoing success of Portobello Kilns as a visitor destination. Continued deterioration of the building will add to future repair costs.

9. Risk, policy, compliance, governance and community impact

9.1 Consultation has taken place with Local Councillors, Tommy Sheppard MP and the Portobello Heritage Trust who are supportive of the proposal and how it contributes to the success of the area.

9.2 The key risks to the Council are failure to comply with conditions of the Scheduled Monument Consent leading to further possible legal action by HES on behalf of the Scottish Government. Furthermore, the reputational damage of not maintaining a high-profile scheduled monument. If the recommendations are not approved, officers will mitigate reputational risk through continued dialogue with stakeholders. Delayed decision making will result in further degradation of the building and increase capital costs for both ongoing care and maintenance and rebuilding.

9.3 There is a risk that costs escalate given the historic nature of the building and the availability and procurement of the specialist contractors needed to undertake the work. Officers will work within agreed budget parameters and approval processes needed to repair and rebuild the building and report back on any changes or impediments to a successful outcome.

10. Background reading/external references

10.1 None.

11. Appendices

11.1 Historic Environment Scotland Scheduled Monument Consent Decision (300060295) To rebuild the upper section of the 1906 Kiln - issued 10 October 2022 [to follow].

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Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Edinburgh International Conference Centre – annual update for the year ending 31 December 2022

Executive/routine	**Executive**
Wards	**11 – City Centre**

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 Notes the annual performance update for 2022 provided by Edinburgh International Conference Centre Limited (EICC), as detailed in Appendix 1;

1.1.2 Notes the EICC Statement of Accounts for 2022 as reported to C.E.C. Holdings Limited (CECH) and the audit findings as detailed in Appendices 2 and 4 respectively;

1.1.3 Notes the Edinburgh International Conference Centre Hotels Limited (EICC Hotels) Statement of Accounts for 2022 as detailed in Appendix 3; and

1.1.4 Refers this report to Governance, Risk and Best Value Committee for information.

Paul Lawrence

Executive Director of Place

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Report

Edinburgh International Conference Centre – annual update for the year ending 31 December 2022

2. Executive Summary

2.1 This report provides an update on the performance of Edinburgh International Conference Centre Limited (EICC) in the year ending 31 December 2022. The performance reflects the recovery made from the significant difficulties that COVID-19 created for the events and conferencing industry.

2.2 Overall, EICC made a trading surplus (earnings before interest, taxes, depreciation, and amortisation) of £703,354 before adjustments for depreciation, release of capital grants, and charges for effective interest on loan stock. After these adjustments, EICC reported a loss of £588,184 in its statutory accounts. EICC's accounts for the year ending 31 December 2022 have been signed-off by its auditor, Azets.

2.3 EICC's subsidiary EICC Hotels reported a loss of £138,540 in its statutory accounts. EICC Hotels' accounts for the year ending 31 December 2022 have been signed-off by its auditor.

2.4 It is recommended that this report be referred to Governance Risk and Best Value Committee for information.

3. Background

3.1 On 13 December 2012, the Council approved arrangements for the governance of arms-length companies. Responsibility for overseeing the performance of EICC currently lies with the Finance and Resource Committee.

3.2 The principal remit of EICC, as detailed in the Shareholders' Agreement with the Council, is to:

3.2.1 Procure the successful and continued operation of the [Conference] Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, cultural and sporting events, award ceremonies and other such events in a global marketplace with international and national customers so as to maximise the economic benefit to the City of Edinburgh;

3.2.2 Insure, maintain, and upgrade the Centre from time to time as necessary to carry on its business; and

3.2.3 Operate on a prudent commercial basis in accordance with the Business Plan.

3.3 The Conference Centre opened in 1995 as a joint undertaking between Edinburgh District Council and Lothian and Edinburgh Enterprise. It is now owned by the Council. An expansion of the Centre was completed in 2013, enabling it to accommodate conferences of up to 2,000 delegates.

3.4 EICC occupies the Conference Centre on a peppercorn rent. Loan stock of £62.7m is due to the Council/CEC Holdings Limited (CECH), representing the investment made in the company since its inception (for example the cost of constructing the Conference Centre). There is a schedule including repayments dates within the statutory accounts.

3.5 Since 2014, EICC has been charged by the Council with being financially self-sufficient. Since this period there has been no call on Council finances.

3.6 In October 2021, the Council was presented with a business case proposing that the Council enter into a 25-year lease on a 349-bedroom hotel at The Haymarket Edinburgh, which would in turn be sub-let to EICC to operate as a hotel and hotel school under a franchise agreement with an international hotel brand (Hyatt), generating sufficient income to meet all EICC capital expenditure requirements over the duration of the lease along with surpluses for redistribution to the Council in later years. Having initially agreed the business case in March 2020, the Council agreed the business case and granted delegated authority to the Chief Executive to proceed with all agreements and actions required to commence the project. Subsequently, officers began detailed negotiations with the hotel developer around the lease terms.

3.7 In November 2021, the Council and EICC signed a memorandum of understanding in respect of EICC's temporary operation of the Edinburgh Convention Bureau for an initial 18-month period. This was subsequently extended to 31 December 2023.

Governance of Arms Length External Organisations (ALEOs)

3.8 An update on the reporting on the Council's Arm's Length External Organisations (ALEOs) was approved by Policy and Sustainability Committee on 25 February 2020. This report confirmed that the responsibilities of Executive Committees and Governance, Risk and Best Value Committee were as follows:

3.8.1 Executive Committees – should scrutinise the future direction of the ALEO, performance of service delivery, progress against any agreements such as Service Level Agreements, and any emerging issues; and

3.8.2 Governance, Risk and Best Value Committee – should scrutinise the ALEO's financial performance and any risks impacting the Council and/or ALEO.

3.9 Therefore, it is recommended that this report be referred to Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting EICC.

4. Main report

Overall position

4.1 Appendix 1 sets out a review of EICC's performance in the year ending 31 December 2022. The contents of the paper reflect a positive outcome to the year in respect of its financial performance, the progress made in relation to the hotel project, and the temporary operation of the Edinburgh Convention Bureau.

4.2 During the year, EICC achieved a financial outturn that was significantly better than both the business plan and EICC's own forecasts, with a return to pre-pandemic revenues. This was despite an uncertain start to the year driven by the COVID-19 Omicron variant.

4.3 During the year, the 71,716 delegates (237,022 delegate days/in the region of 150,000 hotel bedroom nights) who attended events at the Conference Centre generated an economic impact of £51.9m for Edinburgh.

4.4 Appendix 2 sets out the financial position of EICC for the year ending 31 December 2022. The headline figure is a trading surplus of £703,354 before accounting entries for effective interest on loan stock, depreciation and capital grants as highlighted in Appendix 1. After these book entries, EICC reported a statutory loss of £588,184 for the year. This compares to a statutory loss of £35,971 in 2021, with the difference driven largely by a significant increase in effective interest on loan stock charge (which increased from £499,118 in 2021 to £873,447 in 2022).

4.5 EICC is currently forecasting an operating surplus for the year ending 31 December 2023. It has a strong order book in order to deliver growth in 2024. EICC is not recommending the payment of a dividend, nor is it seeking financial assistance from the Council.

4.6 It should be noted that the financial results for 2022 include contributions made by EICC towards the temporary operation of the Edinburgh Convention Bureau.

4.7 Appendix 3 sets out the financial position of the newly incorporated subsidiary company EICC Hotels, also for the year ending 31 December 2022. EICC Hotels reported a loss of £138,540 in its statutory accounts, reflecting the pre-revenue status of the company.

4.8 Appendix 4 sets out the audit findings for the year ending 31 December 2022 for both EICC and EICC Hotels. The auditor, Azets, did not identify any risks as part of its audit and did not identify any material issues affecting the ability of EICC or EICC Hotels to continue as a going concern. Azets deemed EICC's accounting policies to be appropriate and were satisfied that the financial statements were prepared on a going concern basis.

4.9 Azets' only recommendation, which was carried forward from the previous year, was that EICC review its current governance structure and considers whether supporting committees would offer benefits to the EICC Board. Subsequent to this recommendation, EICC has made changes to its corporate and governance structure, including increasing the size of the board, recruiting two new non-executive directors, and establishing an audit and risk committee.

Hotel project

4.10 On 28 October 2021, the Council agreed the final business case for the EICC hotel and hotel school project. Subsequently, the Council proceeded to execute the relative legal agreements, which were concluded by 31 March 2022.

4.11 Construction of the hotel commenced in summer 2022. EICC has appointed a project manager and clerk of works to oversee the construction of the hotel on behalf of EICC and the Council.

Edinburgh Convention Bureau

4.12 In 2021, a memorandum of understanding was agreed between the EICC and the Council in respect of EICC operating the Edinburgh Convention Bureau on a temporary basis. The temporary period is currently due to run until 31 December 2023, with a further six months' handover period should the agreement not be extended. Since this commenced, EICC has contributed approximately £150,000 towards the operation of the Edinburgh Convention Bureau.

4.13 An advisory group has been formed to help shape the direction of the Edinburgh Convention Bureau. Members include senior management from the University of Edinburgh, the Royal College of Surgeons of Edinburgh, Edinburgh Airport, National Museums Scotland, and the Edinburgh Hotels Association.

5. Next Steps

5.1 An annual update report on EICC for the year ending 31 December 2023 will be presented to Committee in Quarter 4 2024.

6. Financial impact

6.1 As noted above, EICC reported a loss of £588,184 for the year ending 31 December 2022. However, there continues to be no call on Council finances. The EICC Board has not recommended the payment of a dividend for the year ending 31 December 2022.

7. Equality and Poverty Impact

7.1 EICC is an accredited Living Wage employer with Investors in People "Gold" status.

8. Climate and Nature Emergency Implications

8.1 EICC operates a sustainability programme, "Step Change". Since 2013, EICC has reduced its carbon emissions by 55%.

9. Risk, policy, compliance, governance and community impact

9.1 The recommendation is not considered to carry any risk for the Council.

9.2 It is recommended that this annual update be referred to Governance, Risk and Best Value Committee in line with the Council's governance arrangements for ALEOs.

10. Background reading/external references

10.1 Edinburgh International Conference Centre – Annual Update for the Year Ending 31 December 2021 – Housing, Homelessness and Fair Work Committee, 1 December 2022.

11. Appendices

Appendix 1: EICC performance review 2022.

Appendix 2: Edinburgh International Conference Centre Limited – annual report and accounts for the year to 31 December 2022.

Appendix 3: Edinburgh International Conference Centre Hotels Limited – annual report and accounts for the year to 31 December 2022.

Appendix 4: Edinburgh International Conference Centre Limited and Edinburgh International Conference Centre Hotels Limited – audit findings for the year ended 31 December 2022.

APPENDIX 1

CEC FINANCE & RESOURCE COMMITTEE 21 NOVEMBER 2023

EICC PERFORMANCE REVIEW 2022

INTRODUCTION

The purpose of this paper is to update and inform the committee on the performance of the Edinburgh International Conference Centre during the year to 31 December 2022 and to highlight some of the successes and achievements realised by the Company in the period under review.

CONFERENCE CENTRE PERFORMANCE

In overall terms the EICC generated an operating trading surplus (EBITDA) of £703,354, for the year to 31 December 2022 compared to an operating trading surplus (EBITDA) of £1,040,306 for the previous year. The trading surplus for 2022 represents a positive variance of £502,866 compared to the budget for the year.

As highlighted by the position shown in EICC's statutory accounts, the committee should note that at the outset of 2022 the Company was facing a challenging and uncertain year from an operating perspective given the continued prevalence of Covid-19 both nationally and internationally. These challenges resulted in the Conference Centre operating as a vaccination centre in the first quarter with the number of business events in this period being heavily curtailed. Notwithstanding the challenges the business faced throughout the year and before accounting for book entries such as depreciation, release of capital grants and effective interest on loan stock the company's financial performance was extremely positive and resulted in a healthy trading surplus of £0.7m. The table below, highlights for committee members, the bridge between the trading surplus and the loss reported in the statutory accounts driven by the aforementioned 'book entries'.

	£'000
Trading Surplus (EBITDA)	£703
Depreciation & Capital Grants	-£394
Effective Interest on Loan Stock	-£874
Development Costs	-£17
Other	-£6
Statutory Accounts	-£588

The Executive had forecast an operating surplus (EBITDA) of £200,000 for the year to 31 December 2022. This was based on, amongst other things: the level of contracted bookings that had been secured for the year: an assessment of the conference market, which had been undertaken in the latter part of 2021; and the revenue shortfall that still had to be achieved to make the sales target for 2022.

The Executive believed that achieving this target would constitute a significant challenge as the Company faced a gross profit shortfall for the year of £1.771m as at 1 January. Due to the booking lead times of the various market segments it was recognised that this shortfall would have to be secured largely from short lead corporate business.

This was the highest value of business that EICC had been required to contract, in the year - for the year, in the Company's history. The task of achieving target was made more difficult given the: relatively low levels of short lead business achieved historically; difficulties faced by clients in securing hotel accommodation; general levels of business uncertainty and the continued uncertainty from the new Omicron Covid-19 variant.

These challenges were compounded by an uncertain economic outlook, a relatively pessimistic corporate market and significant levels of competition from other venues.

In an effort to mitigate these factors our approach was to develop and build on the activities that EICC introduced over previous years. These included: increasing the number of sales visits undertaken in the year; increasing the level of engagement with booking agents; increasing the reach of the EICC's campaigns; making more flexible offerings to clients and; increasing the overall appeal of the EICC to clients.

The combined effect of these initiatives had a significant impact on gross revenues for the year which amounted to £11.989m. This was an increase of £4.549m, compared to the previous year's figure of £7.440m, equivalent to an increase of 61.1%.

These gross revenues generated a gross profit of £6.909m in 2022 compared to £5.142m for the previous year, which represents an increase of 34.4%. The gross profit from operating activities amounted to £6.788m while other income and bank interest received generated a gross profit of £121k.

Operating activities for the year were made up of: room rentals amounting to £3.945m; additional event services, minus agents commission, which generated £3.466m; and £1.381m which was received in respect of catering commission.

The Company endured a difficult first quarter. This was exacerbated by further Covid restrictions which resulted in some events cancelling or postponing their events however the reintroduction of the vaccination centre reduced the financial impact. At the half year stage, the Conference Centre had generated gross profits of £2.762m which was £137k ahead of budget. The gross profit recorded in May was the highest level of gross profit recorded for that calendar months since the Company commenced trading.

The second half of the year saw a significant increase in business activity and operating performance generating gross profits of £4.147m. Whilst all six months performed well, in relative terms, the results for October generated the highest gross profit for that respective calendar month since the EICC opened in 1995.

The Executive continued to broaden the diversification of events held at the EICC in the course of the year. During this period the Conference Centre hosted, amongst other things: an NHS vaccination centre: awards dinners; graduations; a number of dance competitions; ballet performances; comedy shows; comic book exhibitions; food and drink fairs; and university examinations.

Events held at the EICC were attended by 71,716 delegates during the year, excluding festival performances and NHS patients, which equated to 237,022 delegate days.

These delegates generated an economic impact of £51.9m for the city which was a significant improvement on 2020 and 2021.

The Executive continued to place great focus on containing the levels of expenditure incurred during the year and as a result of; a stringent focus on cost controls; the achievement of a number of operating efficiencies; and deferring expenditure where appropriate, outgoings for the year were below budget. Notwithstanding this efficient result the business had to absorb the impact of double-digit inflation growth within many cost line items.

HOTEL DEVELOPMENT

The Company made good progress in relation to the development of the hotel at Haymarket following Council approval in October 2021.

The following agreements were concluded and signed by EICC Limited, CEC, Hyatt International, QMile Developments and the Prudential Assurance Company Limited on 27 April 2022.

- Franchise Agreement, Technical Services Agreement, System Services Agreement, Franchise Disclosure Document and Deed of Guarantee – signed by Hyatt and EICC
- Head Lessors Agreement – signed by Hyatt, CEC and EICC
- Head Lease and Agreement for Head Lease – signed by PACL and CEC
- Sub Lease and Agreement for Sub Lease – signed by CEC and EICC

As committee members will be aware the Council is not taking any construction risk in this project but, along with the EICC, does need to ensure that the hotel is delivered in accordance with our respective agreements with both M&G and Hyatt. As such, full project management arrangements are in place, and this includes a clerk of works role.

EICC and Council representatives have been reviewing the construction stage design drawings, that have been provided by Qmile, to check that the standards specified in our agreement for lease are being met. Hyatt as the franchise partner is fully involved in this process to ensure they are also comfortable with what will be delivered and that Hyatt brand standards are met.

The EICC Executive are progressing the hotel's pre-opening plan to ensure that matters relating to the operation of the hotel are put into place in a timely manner on a logical and systematic basis. These activities include:

- Monitoring of construction activities
- Internal design and specification and quality standards
- Bedroom design including FF&E and OS&E
- Developing the Rooms, pricing and technology strategy
- Developing the Food & Beverage strategy
- Review and design of ground floor layout – food hall restaurant, bar, kitchens, reception, lounge and meeting & event space
- Review and redesign of first floor layout – admin offices, staff dining, comms room, cleaning stores, storage & equipment maintenance rooms
- Review of mechanical and engineering strategy
- Review of hotel waste strategy
- Review of lighting and acoustic strategies
- Review of fire engineering strategy
- Adoption of franchisor's systems and methodology

EDINBURGH CONVENTION BUREAU

As Committee Members are aware, the Company was asked some time ago by the City of Edinburgh Council if it would consider operating the Convention Bureau on a temporary basis.

An MoU was agreed been the parties in respect of EICC operating the Convention Bureau on a temporary basis, The temporary guardianship period will remain in place until December 2023, with a further six months handover period should the agreement end.

An engaged and representative advisory group has been formed and meets regularly to help shape the direction of Convention Edinburgh, representatives include senior management from organisations such as the University of Edinburgh, the Royal College of Surgeons of Edinburgh, Edinburgh Airport, National Museums of Scotland, and Edinburgh Hotels Association.

Numerous city site visits have been conducted by the team, attendance, as well as speaking slots at UK & European trade shows, thousands of interactions and briefing with city partners.

Round tables have been held with Ambassador representatives to understand how this programme can effectively be relaunched to our academic and business community within the city in both the short to medium term, leveraging Edinburgh's institutions to drive forward the capital's economy.

Considering the current position of Convention Edinburgh, and the guardianship period ending in the coming months (followed by a six-month handover period) discussions are ongoing regarding the options available in respect of the future operation of the Edinburgh Convention Bureau that ensures Edinburgh retains and grows this valuable sector.

RECOMMENDATION

The committee is asked to note the report.

MARSHALL DALLAS
Chief Executive

APPENDIX 2

EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2022

COMPANY NUMBER SC131773

GENERAL INFORMATION

Company number

SC131773

Present Company Directors

L.M. Cameron
M.C. Dallas
I. Whyte
S.R. Bone
A. Mumford
R. Aldridge
C. Fullerton

Company Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds
LS1 5AB

Registered Office

Edinburgh International Conference Centre Limited
150 Morrison Street
Edinburgh
EH3 8EE

Auditor

Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Bank of Scotland plc
3 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

Pinsent Masons LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

STRATEGIC REPORT

Principal activities

The principal activities that the Company undertook during the year were in respect of the operation of an international conference centre.

Results and review of the business

The results for the year are shown on the statement of profit or loss and other comprehensive income on page 11.

The loss from continuing operations before tax for the year amounted to £588,184 (2021 – loss of £35,791). The Company has, after taxation adjustments, a total comprehensive loss for the year of £588,184 (2021 – loss of £35,791). The Directors do not recommend the payment of a dividend for the year ended 31 December 2022.

The year to December 2022 saw the Company report an operating profit, before adjustments for depreciation and the release of capital grants, despite continued uncertainty at the beginning of the year due to coronavirus and the significant cost inflation incurred across the cost base.

At the outset of 2022 the company anticipated a challenging and uncertain financial year given the continued prevalence of coronavirus both nationally and internationally. The Company had budgeted an operating surplus of £0.2m for 2022 based on, amongst other things: the level of contracted bookings that had been secured for the year including the NHS in the first quarter; the expected bookings that could be secured in the year for the year; the uncertainty with regards expenditure specifically the level of forecasted inflation and impact on utilities cost and the extension of Non-Domestic rates relief until March 2022.

The year to December 2022 saw the Company produce operating profits significantly ahead of budget, before adjustments for depreciation and the release of capital grants. This was achieved against a continuing backdrop of: a depressed economic outlook; increased levels of competition within the UK and from across the world; aggressive price competition; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of the year the sales team secured the required business in the year - for the year, in order to outperform against our budget. This was as a result of a number of initiatives that had been introduced by the Company in the preceding five years which led to a marked increase in the number of enquiries and consequently the value of short lead bookings contracted during the period, compared to previous years.

The Company grew its turnover and gross profit, before adjusting for depreciation and the release of capital grants, through an increase in both volume and value of the Conference Centre's association, corporate, banqueting and other business. In addition to this there was year on year growth across all elements of the Company's operation, namely room rental charges, charges for additional services and catering commission. Turnover and gross profits were also ahead of budget for the year.

The cumulative effect of the company's activities had a significant impact on the Company's revenues for the year which amounted to £8.688m. This was a significant increase on the previous year's figure of £6.616m which is equivalent to an increase of 31.3%. These revenues generated a gross profit of £0.835m in 2022 compared to a gross profit of £1.043m for the previous year.

The Conference Centre held 175 events in 2022, which was significantly up on the previous year. These events varied enormously in their size, duration, diversity and profitability. Of the association and corporate events that were held during the year 11 recorded an event gross profit of over £150,000 each and the top 10 conference and meeting events by value generated £2.216m in cumulative event gross profit during the year.

The Company continued to broaden the diversification of events held at the EICC and in the course of the year, as well as holding conferences, meetings and exhibitions, the Conference Centre hosted, amongst other things: NHS vaccination centres; celebrity evenings; a variety of award ceremonies; dance competitions; ballet performances; comedy shows; comic book and horror movie exhibitions; theatre-circus performances; food and drink fairs; and university examinations.

Expenditure in respect of cost of sales and administration expenses totalled £8.344m in 2022, which was an increase of £2.366m on the previous year's expenditure which had amounted to £5.978m. This represented an increase of 40% compared to the expenditure recorded during the previous year. This increase was in comparison to an increase in gross revenues of 31% and was primarily due to non-recurring cost savings achieved in 2021 from the furlough scheme and Non-Domestic rates relief.

The operating profit generated by the activities of the Conference Centre, which is the Company's internal measure of performance, was well ahead of target for the year. This measure of performance is based on the operating profit generated before adjustments in respect of depreciation, finance costs and the recognition of capital grant income.

During the year 71,716 delegates attended events at the Conference Centre which generated a total number of delegate days of 237,022 for the year. The delegates who attended events at the EICC during the year generated an economic impact of £51.9m for the year compared to £14.9m in 2021. The economic impact that is produced as a result of the EICC's activities helps to create and sustain employment within Edinburgh and further afield.

The Company continues to align its operations with the business excellence model, and it is accredited to several quality standards. These standards cover systems management, human resources and environmental practices and the EICC continues to achieve very positive results from assessments in respect of its re-accreditation to these standards.

The Company made significant progress towards its aim of operating an hotel, in close proximity to the Conference Centre, during the year. It is believed that this is essential in order to provide the necessary funding for the Conference Centre's long-term capital expenditure programme. An agreement for lease with the developer and a franchise agreement with the hotel brand were completed and signed off in April 2022. Construction commenced in August with the hotel due to open in late 2025. A new fully owned subsidiary, Edinburgh International Conference Centre Hotels Ltd, was incorporated in February prior to the formal sign off of the various agreements.

Future business on the books remained strong coming into 2023, both for the current year and for each of the succeeding years until 2026. Post covid the booking patterns have changed quite significantly with the volume of shorter lead time business increasing substantially. This has provided challenges to both our sales and operational teams.

The Company outlook remains extremely positive despite continued pressure faced by inflationary pressures across large parts of the Company's cost base. Notwithstanding this the Conference Centre has an extensive list of bookings for future years and the Company's business outlook for the medium and long term remains very positive. The level of future bookings at the end of 2022 compares very favourably with previous years. As we now are firmly in a post pandemic era, we believe that the Company's prospects look extremely healthy as we move into a new phase with an expanded business which includes the new hotel development.

Key performance indicators

The Company's performance with regard to its key financial and other performance indicators during the year was as follows:-

	2022 £'000	2021 £'000	% Change
Turnover	8,688	6,616	31.3%
Cost of sales and administration expenses	8,344	5,978	39.6%
Customer delight	93%	94%	
Economic impact	51,995	14,937	

Risks and uncertainties

In common with many other businesses the Company is exposed to a range of risks. The principal risks and uncertainties facing the Company are associated with market forces and the behaviour of competition as well as the risks associated with catastrophic events.

Directors believe that the business outlook for the medium and long term remains very positive.

Future developments

The Directors intend to maintain the objectives and aims of the Company, which have resulted in many notable achievements and successes to date.

Lezley Maria Correa

Director
30 May 2023

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and financial statements, in respect of Edinburgh International Conference Centre Limited (the Company), for the year ended 31 December 2022.

Directors

The Directors who served during the period were as follows:

L.M. Cameron (Chair)	
M.C. Dallas	
G.A. Gordon	resigned 30 June 2022
J.Mc.H. McFarlane	resigned 16 February 2022
S.R. Bone	
I. Whyte	
R.C. Aldridge	appointed 30 June 2022
A. Mumford	appointed 30 June 2022
F.W. Ross	appointed 30 June 2022
F.W. Ross	resigned 11 January 2023
C. Fullerton	appointed 9 February 2023

None of the Directors had any interest in the shares of the company during the period.

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to interest rate, credit and liquidity risk are described in note 26 to the financial statements.

The Company's ultimate parent entity, the City of Edinburgh Council, has committed to providing continued funding, sufficient to meet all liabilities as and when they fall due.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements, as described in note 2 to the financial statements.

Directors' responsibilities for the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the company financial statements in accordance with UK adopted international accounting standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS's, as adopted by the UK have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company auditor is unaware and each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Azets Audit Services as the Company's auditor will be put to the forthcoming Annual General Meeting.

By Order of the Board

DIRECTOR, FOR AND ON BEHALF OF

Pinsent Masons Secretarial Limited
30 May 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDINBURGH INTERNATIONAL CONFERENCE CENTRE LTD

Opinion

We have audited the financial statements of Edinburgh International Conference Centre Limited (the 'company') for the year ended 31 December 2022 which comprises the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Bennett

Nick Bennett, Senior Statutory Auditor
For and on behalf of
Azets Audit Services, Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 12 June 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes		2022	2021
		£	£	£
Revenue	3		8,687,980	6,616,384
Cost of sales			(7,852,861)	(5,572,753)
Gross profit			835,119	1,043,631
Development expenses		(16,738)		(114,500)
Administration expenses	4	(491,000)		(405,522)
			(507,738)	(520,022)
Operating profit/(loss) from continuing operations	6		327,381	523,609
Finance revenue	8		11,981	-
Finance costs	9		(927,546)	(559,400)
Profit/(loss) from continuing operations before tax			(588,184)	(35,791)
Tax charge	10		-	-
Total comprehensive profit/(loss) for the year			(588,184)	(35,791)

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2020	63	62,313,737	(54,572,426)	7,741,374
Total comprehensive profit for period	-	-	(35,791)	(35,791)
Increase in loan stock	-	106,352	-	106,352
At 31 December 2021	63	62,420,089	(54,608,217)	7,811,935
Total comprehensive profit for period	-	-	(588,184)	(588,184)
Increase in loan stock	-	263,971	-	263,971
At 31 December 2022	63	62,684,060	(55,196,401)	7,487,722

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes	£	2022 £	2021 £
Non-current assets				
Property, plant and equipment	11		5,204,433	5,416,619
Right of use assets	12		710,399	830,140
Investments	13		10	-
			5,914,842	6,246,759
Current assets				
Trade and other receivables	14	2,001,105		1,674,459
Cash on deposit	15	3,000,000		-
Cash and cash equivalents	16	5,520,945		7,651,142
			10,522,050	9,325,601
Total assets			16,436,892	15,572,360
Current liabilities				
Trade and other payables	17	2,967,000		2,292,628
Provisions	18	55,000		-
Financial liabilities	19	115,120		873,970
Capital grants	20	67,390		85,322
Deferred revenue	20	1,749,112		1,655,910
			4,953,622	4,907,830
Non-current liabilities				
Financial liabilities	19	2,713,502		1,189,595
Capital grants	20	1,060,671		1,128,061
Deferred revenue	20	221,375		534,939
			3,995,548	2,852,595
Capital & reserves				
Issued share capital	21	63		63
Other reserves	22	62,684,060		62,420,089
Accumulated losses		(55,196,401)		(54,608,217)
			7,487,722	7,811,935
Total equity & liabilities			16,436,892	15,572,360

The financial statements were authorised for issue by the Board of Directors on 30 May 2023 and were signed on its behalf, on that date, by:

Councillor Lezley Marion Cameron
Director: Lezley Marion Cameron

Councillor Iain Whyte
Director:

The accompanying notes form part of the financial statements

Company Number SC131773

CASHFLOW STATEMENT
For the year ended 31 December 2022

		2022	2021
	£	£	£
Operating activities			
Profit/(loss) before tax	(588,184)		(35,791)
Finance revenue	(11,981)		-
Finance costs	927,546		559,400
Operating profit/(loss) for the year	327,381		523,609
Net finance revenues	11,981		-
Depreciation on property, plant and equipment	476,157		554,532
Depreciation on right-of-use assets	122,520		122,965
Capital grants released	(85,322)		(91,470)
Decrease/(increase) in trade and other receivables	(326,646)		(580,567)
(Decrease)/increase in trade and other payables	674,372		564,463
(Decrease)/increase in provisions	55,000		-
Increase/(decrease) in deferred income	(220,362)		(14,952)
Cash generated from operations	1,035,081		1,078,580
Tax on continuing operations	-		-
Cash flow from operating activities		1,035,081	1,078,580
Investing activities			
Payment to acquire subsidiary	(10)		
Fixed term cash deposit	(3,000,000)		-
Payments to acquire property, plant and equipment	(263,971)		(106,352)
Cash flow from investing activities		(3,263,981)	(106,352)
Financing activities			
Receipt of loan stock	263,971		106,352
Repayment of lease liability	(165,268)		(165,931)
Cash flow from financing activities		98,703	(59,579)
Net increase in cash and cash equivalents		(2,130,196)	912,649
Cash and cash equivalents at 1 January 2022		7,651,142	6,738,493
Cash and cash equivalents at 31 December 2022		5,520,945	7,651,142

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with IFRS's

The financial statements of Edinburgh International Conference Centre Limited for the year ended 31 December 2022 were approved by the Board of Directors on 30 May 2023 and signed on its behalf by the Directors noted on the Statement of Financial Position. Edinburgh International Conference Centre Limited is a company incorporated and domiciled in Scotland. The principal activities of the Company are described in the Strategic Report and information regarding its ultimate parent company is presented in Note 25.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The Company's financial statements have been prepared in accordance with UK adopted international accounting standards as they apply to the financial statements of the Company for the year ended 31 December 2022 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply, in preparing the financial statements for the year ended 31 December 2022. The Company has used the "cost of sales" method of presenting income and expenditure and the Company's financial statements are presented in Sterling.

Adoption of new and revised standards

The company has adopted, where applicable, the following new and amended IFRSs as of 1 January 2022:

- Annual Improvements to IFRS: 2018 – 2020 Cycle
- IFRS 3; Business Combinations (Amendment – Conceptual Framework)
- IAS 37; Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
- IAS 16; Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2022 are considered to have no significant or material effect on the Company's financial statements.

Guidance in issue but not in force

IAS 8 requires disclosure of guidance in issue but not in force. The minimum disclosure relates to guidance issued by 31 December 2022, and with potential effect.

Effective for periods beginning on or after	**Effective for periods beginning on or after**
IFRS 17; Insurance Contracts (including amendments issued on 25 June 2020)	1 January 2023
IAS 1; Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current, including deferral or effective date)	1 January 2023
IAS 1; Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies) (issued on 12 February 2021)	1 January 2023
IAS 8; Accounting Policies (Amendment – Changes in Accounting Estimates and Errors; Definition of Accounting Estimates) (issued on 12 February 2021)	1 January 2023
IAS 12; Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a single transaction) (issued on 7 May 2021)	1 January 2023
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants	1 January 2024
Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	1 January 2024

The Directors have reviewed the requirements of the new standards and interpretations listed above and they are either not applicable or not expected to have a material impact on the company's financial statements in the period of initial application.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of the Company's ultimate parent undertaking, The City of Edinburgh Council. The ultimate parent undertaking has confirmed its intention to continue that support for a period of at least 12 months. Having taken into account the Company's cash balances at the year end and the contracted business on the books for future years it is the directors' opinion that the financial statements should be prepared on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the end of the reporting period and the amounts reported for revenues and expenses during the year. Uncertainty about these assumptions and estimates could, however, result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The areas impacted by such judgements and estimation uncertainties, within these accounts, relate primarily to the depreciation policy used, assumptions used in undertaking impairment reviews and the basis of determining whether or not to capitalise equipment purchases in respect of fixed assets, the recoverability of items contained within trade and other receivables and the discount interest rates to fair value loan stock and right-of-use assets.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the cost of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows: Infrastructural works - 20 years; Leasehold Land and Buildings - 10 to 50 years; Office Equipment and Furniture - 3 to 10 years.

Management use judgement in arriving at the Company's depreciation policy by taking account of the residual value of the assets concerned and their useful economic life. The Company expects that items of property, plant and equipment will be used for their entire life and as a result it is expected that these items will have no residual value. An assets useful economic life is based on past experience and general expectations.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

The capitalisation of infrastructural works and assets under construction is based on management's judgement of when a projects future economic benefit can be determined. Initial project development costs in respect of feasibility studies, design team fees and pre construction activities are expensed via the statement of comprehensive income. However, once a project's feasibility has been determined and a future benefit is expected to arise from it the costs of that project are capitalised.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Capital grants

Grants in respect of capital expenditure are credited to deferred income and are released to income in equal amounts over the expected useful lives of the relevant assets by equal annual instalments.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position.

The interest elements of the rental obligations are charged in the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The lease of the Conference Centre was treated as a finance lease until 8 December 1999 when the option to enter into a new lease was exercised. From this date the assets have been depreciated over their useful lives, rather than the period of the lease, as the substance of the transaction is effectively that of financing. The leaseholders hold no rights to impose restrictions on or reclaim the title of the Conference Centre.

Leased assets

For all contracts in existence on 1 January 2022 and any new contracts entered into on or after 1 January 2022, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'.

Where it is determined that: the contract contains an identified asset; the Company has the right to obtain substantially all of the economic benefits from the use of that asset throughout the period of use; and it has the right to direct the use of that asset throughout the period of use, the contract will be deemed to include a right-of-use-asset.

At lease commencement date, a right-of-use asset and a lease liability are recognised on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred and an estimate of any costs required to dismantle and remove the asset at the end of the lease.

The right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease term for each category of assets are: Office accommodation - 10 years; Office Equipment and Furniture – 5 years; Motor Vehicles – 4 years.

The lease liability is measured at the commencement of the lease as the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or an incremental borrowing rate.

The lease liability is subsequently reduced by the value of lease rentals paid and increased by a charge for interest, based on the value of the outstanding lease liability.

Within the statement of financial position, right-of-use assets have been included in non-current assets and lease liabilities have been included in financial liabilities.

Trade and other receivables

Trade receivables which generally have 30 day terms are recognised and carried at their original invoiced value, less an allowance for impairment of doubtful debt. An allowance for doubtful debt is estimated by management, taking into account future cashflows, based on past experience and an assessment of the current economic climate in which the company operates.

Cash on deposit

Cash on deposit in the statement of financial position comprise cash on deposit at a fixed interest rate.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

Trade and other payables

Trade and other payables are recognised at fair value and subsequently held at amortised cost.

Provisions

Provisions are present when the company has a present legal on constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions at the year-end relate to repair costs for plant and equipment.

Loans

Loans are initially recognised at fair value and then held at amortised cost using the effective interest rate method of calculation. The effective interest rate charge for the year is included in finance costs in the statement of comprehensive income.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws enacted or substantially enacted at the reporting date.

The Company does not recognise amounts which may be recoverable under group relief until the tax computations for the companies in the tax group have been agreed.

Revenue recognition

EICC contracts with a range of customers to provide meeting and conference facilities for the events that they wish to hold. Under the terms of these contracts the Company usually receives a number of stage payments from clients prior to and post their event taking place. The Company however does not finish performing its obligations until the end point of the contract and that is when revenue is recognised.

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding VAT.

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

Government grants

Grants from government bodies and similar organisations are recognised where there is reasonable assurance that the grant will be received, and the company will comply with all attached conditions.

Consolidation

The Company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to prepare group accounts on the bases that it is wholly owned by CEC Holdings Limited, and that company prepares consolidated financial statements which are publicly available and comply with International Financial Reporting Standards. Details of the company's ownership and access to the financial statements are given in note 25.

3. Revenue

Revenue recognised in the statement of comprehensive income is analysed as follows:

	2022 £	2021 £
Revenue recognised from contracts with customers	8,567,048	6,413,014
Rendering of other services	120,932	203,370
	8,687,980	6,616,384

4. Administration expenses

Administration expenses recognised in the statement of comprehensive income is analysed as follows:

	2022 £	2021 £
Office costs	115,824	122,909
Professional fees	131,019	80,508
Company administration costs	239,212	192,040
Corporate resources	4,945	10,065
	491,000	405,522

5. Segment information

For management purposes the Company operates as a single business unit.

All revenues are derived from external customers who are based in the United Kingdom. In the opinion of the directors it would be prejudicial to the interest of the company to provide an analysis of turnover by customer.

6. Operating profit

This is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of fixed assets	598,677	677,497
Auditor's remuneration - audit services	19,500	10,075
Auditor's remuneration – taxation services	3,500	1,835
Other income	-	-
Capital grants released	(85,322)	(91,469)

7. Staff costs and directors' emoluments

(a) Staff costs

	2022 £	2021 £
Salaries	2,242,965	1,804,106
Social security costs	195,757	178,588
Pension costs	145,199	145,211
Job Retention Scheme	-	(273,473)
	2,583,921	1,854,432

The monthly average number of staff employed during the year was:

	2022	2021
Sales and Marketing	14	12
Operations	26	29
Administration	5	7

(b) Directors' emoluments

	2022 £	2021 £
Directors' remuneration	356,368	272,410
Directors' pension	29,312	29,964
	385,680	302,374

The remuneration of the highest paid director included:

	2022 £	2021 £
Directors' remuneration	230,991	157,326
Directors' pension	18,252	17,464
	249,243	174,790

8. Finance revenue

	2022 £	2021 £
Interest receivable on bank deposits	11,981	-

9. Finance costs

	2022 £	2021 £
Effective interest on loan stock	(873,447)	(499,118)
Effective interest on right-of-use-assets	(54,099)	(60,282)
	(927,546)	(559,400)

10. Tax charge

	2022	2021
	£	£
UK Corporation Tax	-	-

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). A number of factors affect the tax charge, and these are shown/reconciled below:

	2022	2021
	£	£
Profit from continuing operations before tax	(588,184)	(35,791)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(111,755)	(6,800)
Expenses not deductible for tax purposes	5,821	1,934
Fixed asset differences	30,380	56,949
Adjust deferred tax to average rate	-	5,596
Remeasurement of deferred tax for changes in tax rates	-	(558,743)
Deferred tax not recognised	75,554	501,064
Tax charge for the period	-	-

As at 31 December 2022 there was an unrecognised deferred tax asset amounting to £2,442,480 (2021: £2,328,096) of which £345,162 (2021: £357,498) was in respect of accelerated capital allowances and other timing differences and £2,097,318 (2021: £1,970,598) was in respect of trading losses. The directors have elected not to recognise a deferred tax asset due to uncertainty surrounding future profitability from which any reversal of timing differences could be deducted.

No other factors that may affect future tax charges have been identified.

11. Property, plant and equipment

	Infrastructure Works £	Long Leasehold Buildings £	Office Equipment & Furniture £	Total £
Cost or valuation				
At 1 January 2022	6,669,993	35,602,734	6,652,408	48,925,135
Additions	-	-	263,971	263,971
Disposals	-	-	-	-
At 31 December 2022	6,669,993	35,602,734	6,916,379	49,189,106
Depreciation				
At 1 January 2022	6,669,993	30,804,476	6,034,047	43,508,516
Charge for the period	-	187,295	288,862	476,157
Released on disposal	-	-	-	-
At 31 December 2022	6,669,993	30,991,771	6,322,909	43,984,673
Net book value				
At 31 December 2021	-	4,798,258	618,361	5,416,619
At 31 December 2022	-	4,610,963	593,470	5,204,433
Cost or valuation				
At 1 January 2021	6,669,993	35,602,734	6,546,056	48,818,783
Additions	-	-	106,352	106,352
Disposals	-	-	-	-
At 31 December 2021	6,669,993	35,602,734	6,652,408	48,925,135
Depreciation				
At 1 January 2021	6,669,993	30,616,461	5,667,530	42,953,984
Charge for the period	-	188,015	366,517	554,532
Released on disposal	-	-	-	-
At 31 December 2021	6,669,993	30,804,476	6,034,047	43,508,516
Net book value				
At 31 December 2020	-	4,986,273	878,526	5,864,799
At 31 December 2021	-	4,798,258	618,361	5,416,619

Long leasehold buildings consist of freehold buildings constructed on land that is leased to the company until 2117.

12. Right-of-use-assets

	Long Leasehold Buildings £	Office Equipment & Furniture £	Motor Vehicles £	Total £
Cost or valuation				
At 1 January 2022	1,143,059	35,323	10,055	1,188,437
Additions	-	-	2,779	2,779
Disposals	-	-	-	-
At 31 December 2022	1,143,059	35,323	12,834	1,191,216
Depreciation				
At 1 January 2022	337,917	10,597	9,783	358,297
Charge for the period	112,639	7,065	2,816	122,520
Released on disposal	-	-	-	-
At 31 December 2022	450,556	17,662	12,599	480,817
Net book value				
At 31 December 2021	805,142	24,726	272	830,140
At 31 December 2022	692,503	17,661	235	710,399

The right-of-use assets are included under the same fixed asset categories as they would be if they were owned.

13. Investments

The Company owns 100% of the share capital of Edinburgh International Conference Centre Hotels Limited, a company registered in Scotland which has the principal activity to operate a hotel in Haymarket.

Edinburgh International Conference Centre Hotels Limited which was incorporated on 25 February 2022 made a loss of £138,540 for the period ended 31 December 2022 and its aggregate capital and reserves at 31 December 2022 amounted to £138,530.

14. Trade and other receivables

	2022 £	2021 £
Trade receivables	1,322,423	1,247,980
Amount owed by the City of Edinburgh Council	263,976	106,354
Amounts owed by group undertaking	138,530	-
Other receivables	22,894	169,378
Prepayments	253,282	150,747
	2,001,105	1,674,459

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2022 £16,977 of trade receivables were determined to be impaired (31 December 2021: nil).

14. Trade and other receivables (cont.)

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			< 30 days	30-60 days	> 90 days
	£	£	£	£	£
At 31 December 2021	1,247,980	1,187,463	19,933	27,994	12,591
At 31 December 2022	1,322,423	1,065,570	147,140	86,357	23,361

The credit rating of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings, where available, historical information in respect of repeat business and payment history with regard to current business.

15. Cash on deposit

	2022	2021
	£	£
Cash on deposit	3,000,000	-

Cash on deposit earns interest at a fixed rate. The fair value of the fixed deposit investments is £3,000,000. (31 December 2021: nil).

16. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	5,520,945	7,651,142

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £5,520,945 (31 December 2021: £7,651,142).

17. Trade and other payables

	2022	2021
	£	£
Trade payables	1,312,876	995,424
Value Added Tax	437,228	248,599
Other taxes and social security costs	61,466	65,549
Other payables	684,995	513,335
Accruals	470,435	469,721
	2,967,000	2,292,628

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms. Other payables are non-interest bearing.

18. Provisions

	2022 £	2021 £
Balance brought forward	-	-
Provisions recognised in year	55,000	-
Balance Carried Forward	55,000	-

Provisions recognised in the year relate to repair costs for plant and equipment.

19. Financial liabilities

Loans and borrowings

	2022 £	2021 £
Fair value - Right-of-use-assets	790,476	898,867
Fair value - Loan stock	2,038,146	1,164,698
	2,828,622	2,063,565

	2022 £	2021 £
This is made up as:		
Current obligations	115,120	873,970
Non-current obligations	2,713,502	1,189,595
	2,828,622	2,063,565

Non-current obligations are made up as:

	2022 £	2021 £
Due within one year	121,786	114,893
Due within two to five years	2,568,724	908,564
Due after five years	22,991	166,138
	2,713,501	1,189,595

Financial liabilities are made up of:

Right-of use-assets

	2022 £	2021 £
Current obligations	115,120	108,619
Non-current obligations	675,356	790,248
	790,476	898,867

19. Financial liabilities (cont.)

Non-current obligations are made up as:

	2022 £	2021 £
Due within one year	121,786	114,893
Due within two to five years	532,123	510,143
Due after five years	21,447	165,212
	675,356	790,248

The Company has entered into a number of leases in relation to office accommodation, office equipment and motor vehicles. These leases have a duration of between 2 and 14 years. The leases are in respect of identified assets and under the terms of the agreements the Company has the right to obtain substantially all of the economic benefits from the use of the assets throughout the period of their use. It also has the right to direct the use of the assets throughout their period of use.

The lease liability, in respect of these assets, is measured at the commencement of the lease as the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or an incremental borrowing rate.

The lease liability is subsequently reduced by the value of lease rentals paid and increased by a charge for interest, based on the value of the outstanding lease liability.

Loan stock	2022 £	2021 £
Current obligations	-	765,351
Non-current obligations	2,038,145	399,347
	2,038,145	1,164,698

Non-current obligations are made up as:

	2022 £	2021 £
Due within one year	-	-
Due within two to five years	2,036,601	398,421
Due after five years	1,544	926
	2,038,145	399,347

The company has issued convertible and non-convertible loan stock to the City of Edinburgh Council and CEC Holdings Limited, as shown below. These loan stocks, which amount to a face value of £62,684,060 (31 December 2021: £62,420,088) either bear no interest or the interest on them has been waived by the stockholder.

The loans have been recognised at fair value by discounting the future cash flows using market interest rates. Loan stocks are then held at amortised cost by applying an effective interest rate, to increase the loan stock to its face value over the term of the loan stock's issue. These loans have been received from the parent company and the Company relies on these loans as an ongoing source of funding.

19. Financial liabilities (cont.)

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2022 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	78	76
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	66	64
Non-Convertible Unsecured Loan Stock 2026	75	1,339,365	1,339,365	1,339,364
Non-Convertible Unsecured Loan Stock 2026	75	868,000	496,000	495,999
Non-Convertible Unsecured Loan Stock 2026	70	546,000	178,286	178,285
Non-Convertible Unsecured Loan Stock 2026	75	123,000	22,950	22,950
Non-Convertible Unsecured Loan Stock 2034	75	154,299	187	187
Non-Convertible Unsecured Loan Stock 2035	75	799,000	553	553
Non-Convertible Unsecured Loan Stock 2036	75	709,141	281	280
Non-Convertible Unsecured Loan Stock 2037	75	461,069	104	104
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	165	164
Non-Convertible Unsecured Loan Stock 2039	75	841,099	62	61

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2022 £	Aggregate Interest £
Non-Convertible Unsecured Loan Stock 2040	75	718,922	30	30
Non-Convertible Unsecured Loan Stock 2041	75	123,525	3	3
Non-Convertible Unsecured Loan Stock 2042	75	482,438	7	6
Non-Convertible Unsecured Loan Stock 2043	75	595,438	5	4
Non-Convertible Unsecured Loan Stock 2044	75	716,826	3	1
Non-Convertible Unsecured Loan Stock 2045	75	30,668	-	-
Non-Convertible Unsecured Loan Stock 2046	75	106,352	-	-
Non-Convertible Unsecured Loan Stock 2047	75	263,971	-	-
		62,684,060	2,038,145	2,038,132

The face value of loan stock issued by the company is as follows:

	2022 £	2021 £
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	17,386,451	17,122,480
	62,684,060	62,420,089

19. Financial liabilities (cont.)

Non-convertible unsecured loan stock		
Issued to The City of Edinburgh Council and CEC Holding Ltd	4,675,316	4,675,316
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	12,711,135	12,447,164
	17,386,451	17,122,480

The convertible unsecured loan stock, which is all held by CEC Holdings Ltd, bears no interest and is repayable on 31 March 2117 at par. CEC Holdings Ltd have the right to convert loan stock into fully paid preferred ordinary shares at the rate of one preferred ordinary share per £1 nominal of loan stock.

A further £8,999,952 of non-convertible unsecured loan stock 2117 (31 December 2020: £8,735,981) has been issued or is due to be issued to the City of Edinburgh Council and is repayable at par.

CEC Holdings Ltd hold £8,386,499 (31 December 2021: £8,386,499) of the remaining issued or due to be issued non-convertible unsecured loan stock. This non-convertible unsecured loan stock bears no interest and is repayable within 25 years of issue.

20. Deferred revenue and capital grants

	2022 £	2021 £
Deferred revenue	1,970,487	2,190,849
Capital grants	1,128,061	1,213,383
	3,098,548	3,404,232

Deferred revenue relates to the advance deposits received in respect of events which are due to take place after the year end.

	2022 £	2021 £
At 1 January	2,190,849	2,205,801
Deferred during the year	1,483,182	1,591,273
Released to the income statement	(1,703,544)	(1,606,225)
At 31 December	1,970,487	2,190,849

Deferred revenue is analysed as follows:	2022 £	2021 £
Current obligations	1,749,112	1,655,910
Non-current obligations	221,375	534,939
	1,970,487	2,190,849

20. Deferred revenue and capital grants (cont.)

Capital grants have been received in respect of building construction and roadworks as follows:

	2022 £	2021 £
At 1 January	1,213,383	1,304,853
Receivable during the year	-	-
Released to the income statement	(85,322)	(91,469)
At 31 December	1,128,061	1,213,383

Capital grants are analysed as follows:

	2022 £	2021 £
Current obligations	67,390	85,322
Non-current obligations	1,060,671	1,128,061
	1,128,061	1,213,383

21. Share capital

	2022 No.	2021 No.	2022 £	2021 £
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
Special share	1	1	1	1
			63	63

The 10 preference shares, 2 ordinary shares and 40 preferred ordinary shares were all issued to The City of Edinburgh Council and subsequently gifted to CEC Holdings Ltd (wholly owned subsidiary of the Council) in 1996. The special share was issued to Scottish Enterprise Edinburgh and Lothian Ltd on 18 December 1996. The City of Edinburgh Council is the ultimate holding organisation of the Company.

The special share has a nominal value of £1. The share can only be transferred to a body nominated by Scottish Enterprise Edinburgh and Lothian Ltd and approved by the City of Edinburgh Council. The special shareholder is entitled to receive notice of general meetings, and to attend and speak at such meetings but has no other rights. Specifically, the special shareholder has no right to vote at such a meeting. The special shareholder is however entitled to receive a copy of each resolution passed at a general meeting, to receive any resolution proposed as a written resolution and each circular sent by the Company to holders of any class of shares in the Company.

The special shareholder ranks after all other members of the Company in respect of distribution of capital on the winding up of the Company. The special share confers no right to participate in the profits of the Company.

21. Share capital (cont.)

The Articles of Association entitle the holder of the special share to appoint one person as a Director of the Company. This right is effected by a notice in writing either being lodged at the Company's registered office or delivered to a meeting of the directors.

The preference shares carry no voting rights, but have the right to a fixed cumulative preferential dividend at the rate of 6% (net of associated tax credit) per annum, on the amount paid up, to be paid annually on 31 December each year.

The RBL ordinary shares, which were issued on 29 November 1995, carry no voting rights and are entitled to a dividend of £0.01 for every full amount of £100 worth of assets paid. This is payable after payment of the fixed dividend to holders of the preference shares.

The ordinary and preferred ordinary shares carry one vote per share and participate in profits available for dividend pro rata.

In the event of a capital distribution the shares rank in the following order: £1 for each Preference Share; £1 for each Preferred Ordinary Share; £1 for each Ordinary Share; £1 for each RBL Ordinary Share; £1 for each Special Share. Thereafter pro rata.

22. Other reserves

Other reserves arise from the fair valuing of loan stock where the difference between the fair value and face value of the loan has been recognised as a capital contribution where the loan has been issued at below market rate from a parent company.

	£
At 1 January 2022	62,420,089
Net movement on recognition of loans	263,971
At 31 December 2022	62,684,060

23. Capital commitments

As at 31 December 2022 the Company had contracted to purchase plant and equipment amounting to £125,481 (31 December 2021: £nil).

24. Pension commitments

The Company operates a defined contribution scheme for its employees. The assets of this scheme are held separately from those of the Company in an independently administered fund.

The total amount paid to the scheme during the year totals £145,199 (31 December 2021: £145,211). The unpaid contributions outstanding at the year end, included in other creditors, amount to £nil (31 December 2021: £nil).

25. Related party transactions

The transactions that have been entered into with related parties, which have a significant influence over the Company, for the financial year, are as follows:

	Net funding received £
The City of Edinburgh Council	
2022	106,352
2021	30,668

25. Related party transactions (cont.)

CEC Holdings Limited

2022	-
2021	-

Loans received from or made to related parties, which have a significant influence over the Company, are as follows:

	Owed by related parties £	Owed to related parties £
The City of Edinburgh Council		
2022	263,971	8,999,952
2021	106,352	8,735,981
CEC Holdings Limited		
2022	-	53,684,108
2021	-	53,684,108

The Company's immediate parent undertaking is CEC Holdings Limited. It has included the Company in its group financial statements. The ultimate parent undertaking is The City of Edinburgh Council. Copies of the accounts of both companies are available from the Head of Finance, The City of Edinburgh Council, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

At the balance sheet date, the company was owed £138,530 (2021: £nil) from its subsidiary undertaking, Edinburgh International Conference Centre Hotels Limited, with respect to initial setup costs.

26. Financial instruments and risk management

The company has the following categories of financial instruments at the balance sheet date:

	2022 £	2021 £
Financial assets measured at amortised cost:		
Trade and other receivables	1,747,823	1,523,712
Cash on deposit	3,000,000	-
Cash and cash equivalents	5,520,945	7,651,142
	10,268,768	9,174,854

	2022 £	2021 £
Financial liabilities measured at amortised cost:		
Trade and other payables	2,468,306	1,978,480
Provisions	55,000	-
Loan stock	2,038,146	1,164,698
Right of use assets	790,476	898,867
	5,351,928	4,042,045

26. Financial instruments and risk management (cont.)

Capital management and risk management objectives

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents.

The Board is charged with the overall responsibility of establishing and monitoring the company's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by the company. The company does not enter into or trade financial instruments for speculative purposes.

The main risks that the company is exposed to through its financial instruments are market risk, credit risk and liquidity risk. These are managed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income. The company monitors this risk but it is very unlikely to affect the company's overall liquidity. The company's debt is primarily non-interest bearing.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. It arises from exposure to customers and amounts owed by group undertakings.

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

- Only banks and institutions with an acceptable credit rating are utilised;
- All customers are rated for credit worthiness, where practical, taking into account their size, market position and financial standing;

Over 85% of the company's gross profits are derived from room hire fees which are paid in advance and from catering commission which is paid by the catering concessionaire.

Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages that risk as follows:

- Preparing forward looking cash flow analysis; and
- Managing cash generated by its operations and retaining surplus cash in readily accessible bank deposit accounts.

Fair values

The directors consider that the carrying values of all the company's financial assets and liabilities approximate to their fair values at the balance sheet date.

APPENDIX 3

EDINBURGH INTERNATIONAL CONFERENCE CENTRE HOTELS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2022

COMPANY NUMBER SC724449

GENERAL INFORMATION

Company number

SC724449

Present Company Directors

L.M. Cameron
M.C. Dallas
I. Whyte
S.R. Bone
A. Mumford
R. Aldridge
C. Fullerton

Company Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds
LS1 5AB

Registered Office

Edinburgh International Conference Centre Hotels Limited
150 Morrison Street
Edinburgh
EH3 8EE

Auditor

Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Bank of Scotland plc
3 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

Pinsent Masons LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

STRATEGIC REPORT

Principal activities, business review and future developments

The principal activities that the Company undertook during the year were in respect of the development and future operation of a hotel in Haymarket.

Edinburgh International Conference Centre Hotels Limited is a company limited by shares which is incorporated in Scotland. It is a wholly owned a subsidiary of Edinburgh International Conference Centre Limited whose ultimate parent is The City of Edinburgh Council.

The Company, which was incorporated on 25 February 2022, made significant progress towards its aim of operating a hotel, in close proximity to the Conference Centre, during the year. An agreement for lease with the developer and a franchise agreement with the hotel brand were completed and signed off in April 2022. Construction of the hotel commenced in August 2022 with the hotel scheduled to open in late 2025.

Results and dividends

The total operating loss for the period amounted to £138,540. There directors have therefore not recommended a dividend.

Director
30 May 2023

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and financial statements, in respect of Edinburgh International Conference Centre Hotels Limited (the Company), for the year ended 31 December 2022.

Directors

The Directors who served during the period were as follows:

L.M. Cameron (Chair)	appointed 25 February 2022
M.C. Dallas	appointed 25 February 2022
G.A. Gordon	appointed 25 February 2022, resigned 30 June 2022
S.R. Bone	appointed 25 February 2022
I. Whyte	appointed 25 February 2022
R.C. Aldridge	appointed 30 June 2022
A. Mumford	appointed 30 June 2022
F.W. Ross	appointed 30 June 2022, resigned 11 January 2023
C. Fullerton	appointed 28 March 2023

None of the Directors had any interest in the shares of the company during the period.

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives have been considered as part of this exercise. The Company's parent, Edinburgh International Conference Centre Limited, and ultimate parent entity, the City of Edinburgh Council, has committed to providing continued funding, sufficient to meet all liabilities as and when they fall due.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements, as described in note 2 to the financial statements.

Directors' responsibilities for the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the company financial statements in accordance with UK adopted international accounting standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS's, as adopted by the UK have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company auditor is unaware and each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Azets Audit Services as the Company's auditor will be put to the forthcoming Annual General Meeting.

By Order of the Board

DIRECTOR, FOR AND ON BEHALF OF
Pinsent Masons Secretarial Limited
30 May 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDINBURGH INTERNATIONAL CONFERENCE CENTRE HOTELS LTD

Opinion

We have audited the financial statements of Edinburgh International Conference Centre Hotels Limited (the 'company') for the year ended 31 December 2022 which comprises the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Bennett

Nick Bennett, Senior Statutory Auditor
For and on behalf of
Azets Audit Services, Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 12 June 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes		2022
		£	£
Revenue			-
Cost of sales			-
Gross profit			-
Other income		-	
Development expenses		(138,540)	
Administration expenses		-	
			(138,540)
Operating profit/(loss) from continuing operations			(138,540)
Finance costs			-
Profit/(loss) from continuing operations before tax			(138,540)
Tax charge			-
Total comprehensive profit/(loss) for the year			(138,540)

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share Capital £	Retained Earnings £	Shareholder's Funds £
Share issue on incorporation at 25 February 2022	10	-	10
Total comprehensive loss for period	-	(138,540)	(138,540)
At 31 December 2022	10	(138,540)	(138,530)

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes		2022
		£	£
Non-current assets			
Property, plant and equipment			-
			-
Current assets			
Trade and other receivables		-	
Cash and cash equivalents		-	
			-
Total assets			-
Current liabilities			
Trade and other payables		138,530	
			138,530
Capital & reserves			
Issued share capital		10	
Accumulated losses		(138,540)	
			(138,530)
Total equity & liabilities			-

The financial statements were authorised for issue by the Board of Directors on 30 May 2023 and were signed on its behalf, on that date, by:

Councillor Lezley Marion Cameron
Director:
Lezley Marion Cameron

Councillor Iain Whyte
Director:

The accompanying notes form part of the financial statements

Company Number SC724449

CASHFLOW STATEMENT
For the year ended 31 December 2022

		2022
	£	£
Operating activities		
Profit/(loss) before tax	(138,540)	
Finance costs	-	
Operating profit/(loss) for the year	(138,540)	
Depreciation on property, plant and equipment	-	
Decrease/(increase) in trade and other receivables	-	
(Decrease)/increase in trade and other payables	138,530	
Cash generated from operations		(10)
Financing activities		
Share capital receipt	10	
Cash flow from financing activities		10
Net increase in cash and cash equivalents		-
Cash and cash equivalents at 25 February 2022		-
Cash and cash equivalents at 31 December 2022		-

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with IFRS's

The financial statements of Edinburgh International Conference Centre Hotels Limited for the year ended 31 December 2022 were approved by the Board of Directors on 30 May 2023 and signed on its behalf by the Directors noted on the Statement of Financial Position. Edinburgh International Conference Centre Hotels Limited is a company incorporated and domiciled in Scotland. The principal activities of the Company are described in the Strategic Report and information regarding its parent company is presented in Note 3.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The Company's financial statements have been prepared in accordance with UK adopted international accounting standards as they apply to the financial statements of the Company for the year ended 31 December 2022 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply, in preparing the financial statements for the year ended 31 December 2022. The Company's financial statements are presented in Sterling.

Adoption of new and revised standards

The company has adopted, where applicable, the following new and amended IFRSs as of 25 February 2022:

- Annual Improvements to IFRS: 2018 – 2020 Cycle
- IFRS 3; Business Combinations (Amendment – Conceptual Framework)
- IAS 37; Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
- IAS 16; Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2022 are considered to have no significant or material effect on the Company's financial statements.

Guidance in issue but not in force

IAS 8 requires disclosure of guidance in issue but not in force. The minimum disclosure relates to guidance issued by 31 December 2022, and with potential effect.

Effective for periods beginning on or after	**Effective for periods beginning on or after**
IFRS 17; Insurance Contracts (including amendments issued on 25 June 2020)	1 January 2023
IAS 1; Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current, including deferral or effective date)	1 January 2023
IAS 1; Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies) (issued on 12 February 2021)	1 January 2023
IAS 8; Accounting Policies (Amendment – Changes in Accounting Estimates and Errors; Definition of Accounting Estimates) (issued on 12 February 2021)	1 January 2023
IAS 12; Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a single transaction) (issued on 7 May 2021)	1 January 2023
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants	1 January 2024
Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	1 January 2024

The Directors have reviewed the requirements of the new standards and interpretations listed above and they are either not applicable or not expected to have a material impact on the company's financial statements in the period of initial application.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of the Company's parent, Edinburgh International Conference Centre Limited, and Company's ultimate parent undertaking, The City of Edinburgh Council. The ultimate parent undertaking has confirmed its intention to continue that support for a period of at least 12 months. Having taken into account the committed support of these entities it is the directors' opinion that the financial statements should be prepared on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the end of the reporting period and the amounts reported for revenues and expenses during the year. Uncertainty about these assumptions and estimates could, however, result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Trade and other receivables

Trade receivables which generally have 30 day terms are recognised and carried at their original invoiced value, less an allowance for impairment of doubtful debt. An allowance for doubtful debt is estimated by management, taking into account future cashflows, based on past experience and an assessment of the current economic climate in which the company operates.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

Trade and other payables

Trade and other payables are recognised at fair value and subsequently held at amortised cost.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws enacted or substantially enacted at the reporting date.

The Company does not recognise amounts which may be recoverable under group relief until the tax computations for the companies in the tax group have been agreed.

1. Tax charge

	2022 £
UK Corporation Tax	-

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 19.00%. A number of factors affect the tax charge, and these are shown/reconciled below:

	2022 £
Profit from continuing operations before tax	(138,540)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00%	(26,323)
Movement in deferred tax not recognised	(26,323)
Tax charge for the period	-

No other factors that may affect future tax charges have been identified.

2. Trade and other payables

	2022 £
Amounts owed to group undertakings	138,530
	138,530

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms. Other payables are non-interest bearing.

3. Share capital

	2022 No.	2022 £
Allotted, called up and fully paid:		
Ordinary shares	10	10
	10	10

The 10 ordinary shares were all issued to the Edinburgh International Conference Centre Limited in 2022.

4. Financial instruments and risk management

The company has the following categories of financial instruments at the balance sheet date:

	2022 £
Financial liabilities measured at amortised cost:	
Amounts owed to group undertaking	138,530
	138,530

4. Financial instruments and risk management (cont.)

Capital management and risk management objectives

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents.

The Board is charged with the overall responsibility of establishing and monitoring the company's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by the company. The company does not enter into or trade financial instruments for speculative purposes.

The main risks that the company is exposed to through its financial instruments are market risk, credit risk and liquidity risk. These are managed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's future income. The company monitors this risk but it is very unlikely to affect the company's overall liquidity.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. It arises from exposure to customers and amounts owed by group undertakings.

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

- Only banks and institutions with an acceptable credit rating are utilised.

Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages that risk via agreed funding from it's parent Company, Edinburgh International Conference Centre Limited.

Fair values

The directors consider that the carrying values of all the company's financial assets and liabilities approximate to their fair values at the balance sheet date.

5. Related party transactions

At the balance sheet date the company owed £138,530 (2021: £nil) to its immediate parent, Edinburgh International Conference Centre Limited, with respect to initial setup costs.

6. Commitments

The Company has entered into a contractual commitment to sub lease the hotel on a long term basis in addition entering in to a franchise agreement with Hyatt International LLC on an similar long term contract. These commitments will commence on the opening of the hotel which is scheduled for Autumn 2025.

APPENDIX 4

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Private & Confidential
The Board of Directors
Edinburgh International Conference Centre Limited
The Exchange
Edinburgh
EH3 8EE

03 May 2023
Our ref: NIBE/ALRU/EICCLT01

Dear Sirs

Edinburgh International Conference Centre Limited
Edinburgh International Conference Centre Hotels Limited

Audit findings for the year ended 31 December 2022

This Audit Findings letter highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

This letter has been provided on the basis that it is for the information of the Board and management of Edinburgh International Conference Centre Limited and Edinburgh International Conference Centre Hotels Limited (together 'the Group') only and that it will not be distributed to others, quoted or referred to, in whole or in part, without our prior written consent.

1 Audit status and audit opinion

We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.

Our audit work is complete.

We do not propose any modifications to our audit opinion which is unqualified.

2 Significant findings

Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Results and conclusions
Fraud in revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Group could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.	• We have reviewed the systems and controls underpinning debtors and sales, performed sample tests over sales completeness, and carried out analytical review procedures. • Sales-cut off testing was also completed by sample testing invoices directly before and after the year end to ensure they were accounted for in the correct period. • We are satisfied over the completeness of revenue and no issues arose as a result of our work that we consider should be brought to your attention.
Management override of controls Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.	• We have tested journal entries both throughout the year, and around the year end to ensure journals are in line with our expectations and standard accounting adjustments. We have also reviewed nominal analysis and performed analytical review to ensure there are no unusual abnormalities throughout the financial statements. • Our testing performed did not identify instances of management override in the financial records in the period. No issues arose to be drawn to the attention of management.
Going concern The directors must undertake a formal assessment of the Group's ability to continue as a going concern for at least the 12 months following the signing of the financial statements at both the planning stage of the audit and at the date the financial statements are signed.	• In respect of going concern, we reviewed your assessment, budgets covering the 12-month period from the date of signing the financial statements, post year end management accounts, and the cash position at sign-off. • In respect of post balance sheet events, we reviewed post year end board minutes and management accounts. • We also held detailed discussions with the finance team in respect of going concern and PBSE. • We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

Edinburgh International Conference Centre Hotels Limited EICC Hotels Limited was incorporated on the 25 February 2022 as a subsidiary undertaking of EICC Limited. There is a risk that the incorporation of the subsidiary was not accounted for correctly.	• We have tested journal entries both throughout the year, and around the year end to ensure journals are in line with our expectations and standard accounting adjustments. We have also reviewed nominal analysis and performed analytical review to ensure there are no unusual abnormalities throughout the financial statements. • Our testing performed did not identify any errors. No issues arose to be drawn to the attention of management.

There were no changes to our audit plan previously communicated to you.

3 Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

In respect of going concern, we reviewed:

- your assessment of going concern at planning and the date of signing the financial statements; and
- budgets covering the 12-month period from the date of signing the financial statements.

The letter of comfort provided received from City of Edinburgh Council ('the Council') confirms that the Council will continue to provide financial support to EICC Limited, directly or via CEC holdings until June 2024.

In respect of post balance sheet events, we reviewed:

- post period management accounts; and
- post period board minutes.

We also held detailed discussions with the finance team in respect of going concern and post balance sheet events. Finally, we asked the Board, via the letter of representation, to confirm that the Board have concluded that the company is a going concern and to confirm that the financial statements reflect all post balance sheet events.

4 Accounting policies, presentation and disclosures

The accounting policies used in preparing the financial statements are unchanged from the prior year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the entity.

Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

5 Other communication requirements

Fraud or suspected fraud

We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.

Our work as auditor is not intended to identify any instances of fraud of a non- material nature and should not be relied upon for this purpose. In the event that the members wish to obtain enhanced assurance with regard to the effectiveness of internal control in preventing and detecting fraud we should be happy to provide additional services.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the business. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations stopping the business from continuing as a going concern or that would necessitate a provision or contingent liability.

There are also many other laws and regulations relating to health and safety as well as human resources generally and industry specific requirements. We are not aware of any significant incidences of non-compliance.

Related parties

We are not aware of any related party transactions which have not been disclosed.

6 Misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit.

We did not identify any audit adjustments or uncorrected misstatements during the course of the audit.

7 Internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

The scope of our work is not designed to be an extensive review of all internal controls. Areas identified are reported in Appendix II below.

8 Independence

In accordance with our profession's ethical guidance and further to our planning letter to you dated 30 January 2023, confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standards. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

A summary of our services provided and related fees is attached at Appendix I.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

If we can be of any further assistance, please contact Nick Bennett.

Yours faithfully

Nick Bennett

Nick Bennett
Senior Statutory Auditor
Nick.Bennett@azets.co.uk

Appendix I
Provision of audit and non-audit services

Details of services provided	Current year £	Prior year £
Audit of Group	19,500	10,075
Total audit services	19,500	10,075
Corporation tax compliance services	3,500	1,835
Total non-audit services	3,500	1,835
Total fees for services provided	**23,000**	**11,910**

Appendix II

Internal controls

Control points arising from our current year work and our recommendations are summarised below. The recommendations are categorised into three risk ratings as shown in the key.

Key: Significant deficiency in internal control, Other deficiency in internal control, Other observations from the audit

Area	Observation	Implication	Recommendation	Management response
Governance arrangements (carried over from prior years)	EICC is governed by a Board of Directors and the Board is responsible for the overall strategic direction and fulfilment of the legislative duties of the organisation. We have noted that the scale of operations of EICC has been expanding in recent years but the governance structure has remained the same with the Board supported by the senior leadership team.	There is a risk that the Board is not adequately supported by appropriate governance structure and there is insufficient capacity within the current governance structure for appropriate scrutiny and challenge. We noted that EICC will look to make potential changes once the Company's corporate structure has been revised.	We recommend EICC reviews the current governance structure and considers whether supporting committees (e.g. audit committee) would offer benefits to the Board.	Following the incorporation of EICC Hotels Ltd significant changes in the Company's corporate and governance structure have been agreed and approved by the City of Edinburgh Council via a new Strategic Delivery Agreement. The board has increased in size with, 2 additional Councillor Directors appointed to the board, with the recruitment of up to 3 independent Non-Executive Directors almost complete. The necessary supporting committees have also now been established and will be embedded into the governance structure during the course of the year. The Company and Shareholder believes the changes that have now been agreed and approved are appropriate for the increased size of business and will provide strong governance with the necessary scrutiny and challenge.

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Award of Contract for Pre-Development Services for the proposed Granton Heat Network

Executive/Routine	**Executive**
Wards	**4 - Forth**

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 Approve the award of a contract to deliver pre-development services for the Granton Heat Network to Vattenfall Heat UK Ltd; and

1.1.2 Note that the fee payable for pre-development services is £885,040. Should the pre-development works lead to a viable concession contract which is entered into with Vattenfall Heat UK Ltd, then this fee will be waived.

Paul Lawrence

Executive Director of Place

Contact: Sat Patel – Programme Director, Edinburgh Waterfront

E-mail: satyam.patel@edinburgh.gov.uk | Tel: 07599 102056

Award of Contract for Pre-Development Services for the proposed Granton Heat Network

2. Executive Summary

2.1 The City of Edinburgh Council has completed a procurement exercise to identify the most economically advantageous bidder for the delivery of a proposed Granton Heat Network under a concession contract. The concession agreement consists of a first stage appointment for the successful partner to deliver pre-development services to support the Final Business Case prior to progressing to signing a concession agreement. Should the pre-development period conclude in a viable Final Business Case (FBC), but the Council chose not to progress to the concession agreement stage, the Council will be liable to pay £885,040 as payment for the pre-development services delivered. The most economically advantageous tenderer has been identified as Vattenfall Heat UK Ltd.

3. Background

3.1 On the 5 October 2021, Policy and Sustainability Committee approved the Outline Business Case (OBC) for the Granton Waterfront Development. As part of this, Committee approved progressing the business case stages for a low carbon heat network that could serve the new development and provide the potential to connect to existing anchor loads within the area.

3.2 A Granton Waterfront Heat Network OBC was completed in March 2023 and is included at Appendix 1. This proposes a heat network utilising sewer source heat pumps with proposed connections to include existing facilities in the area (owned/operated by the Council, Edinburgh College, National Museums Scotland, and National Galleries of Scotland) and the new Council-led development at Granton Waterfront.

3.3 The OBC also concluded that the preferred route to delivering the heat network is a concession model on the basis this delivery structure brings private sector expertise along with achieving a high degree of risk transfer whilst retaining Council control over key aspects. Under this model, the Council would enter a 40-year design, build, operate, finance and maintain concession agreement with a private sector concessionaire. This model would involve transferring full delivery of the heat network to the private sector including design, build, finance, operation, maintenance, metering, billing, sales and customer service. Full demand risk will be transferred with the operator's return on investment being achieved through heat sales but with the Council retaining control over key aspects including price controls and capped returns. The Council will also participate as a customer of the heat network and a facilitator of public sector connections. The Council anticipates that it will be possible to expand the network to connect more customers in the Granton Waterfront and surrounding areas and this will be the responsibility of the concessionaire.

3.4 Following completion of the OBC, procurement of a concessionaire commenced with the most economically advantageous tender to design, build, finance, operate and maintain the proposed low carbon heat network using a two-stage process.

3.5 The successful tenderer will initially be appointed to work with the Council and its Granton Waterfront Phase 1 pre-development partner for approximately a nine-month period under a pre-development contract. This will allow a FBC to be produced and presented to a future Finance and Resources Committee for approval to enter into a concession agreement and the delivery stage of the heat network. This approach has been devised as part of the Council's procurement strategy to reduce the burden of tendering as much as possible for tenderers and to encourage collaboration, innovation, risk apportionment, and partnership between the Council and the potential concessionaire.

3.6 This procurement includes the opportunity to supply heat from the low carbon heat network to the Council; other specifically named public sector bodies and any Registered Social Landlords with properties in the Granton Waterfront development or surrounding area.

4. Main report

4.1 On 18 January 2023, the Council published a Prior Information Notice (PIN) to commence market consultation to support the development of a procurement strategy for the delivery of the Granton Heat Network (the Network) under a concession agreement.

4.2 The market engagement consisted of market responses to a questionnaire and a follow up discussion. The aim of the market engagement was to identify if there was sufficient market appetite, capacity and experience and to identify the most appropriate route to market.

4.3 The market consultation identified that there was sufficient interest and a wealth of experience and knowledge in the Network, albeit this was limited, and a low number of responses were expected. The market also outlined a desire for the procurement process to be efficient and that creating early partnership with one organisation would be beneficial. The Council subsequently identified that the Competitive

Procedure with Negotiation and use of a pre-development period was the optimum strategy, and a Contract Notice was published.

4.4 The pre-development service requires the preparation of all surveys, design work, feasibility, consultation, statutory consents, identification and securing of customers and financial modelling associated with the Network. This will identify the financial viability of a successful heat network which presents best value to customers and a high-quality service provision associated with the operation, maintenance, metering, billing and management of the Network. Extensive consultation will be required with potential customers of the Network to ensure the financial viability which is highly reliant on other public and private sector partners purchasing heat from it.

4.5 The Contract Notice was published on 16 May 2023 via Public Contract Scotland inviting interested suppliers to submit the Single Procurement Document (SPD). The responses to the SPDs were assessed based on the tenderers experience, capacity, skills and qualifications, financial strength and their business ethics in relation to community benefits, sustainability and fair work practices. The top four scoring tenderers from this process were invited to tender.

4.6 The four tenderers were invited to tender based on a 70% quality, 30% price ratio. The ratio was determined as it was identified that the higher the quality of tender there was more opportunity to maximise on the delivery of a heat network that represents value for money heat tariffs for customers.

4.7 The Quality Award Criteria is contained within Appendix 2.

4.8 The Price Award Criteria consisted of a number of components: the cost payable to the tenderer by the Council should the pre-development period complete and the Council does not progress to a concession contract, a discount on the counterfactual heat tariff (in this case this is delivering low carbon through an alternative solution based on communal air source heat pumps), a score for the financial robustness and viability of their financial model and a score for their approach to raising the finance necessary to carry out the project.

4.9 The tender results, combining the quality scores and the price evaluation to derive an overall score for each supplier out of a maximum of 100, are:

Tenderer	Price Score 1 (out of 15)	Price Score 2 (out of 15)	Quality Score (out of 70)	Total Score
Vattenfall Heat UK Ltd	**8.09**	**11.50**	**54.25**	**73.84**
Tenderer 2	**15.00**	**9.00**	**46.50**	**70.50**
Tenderer 3	**8.36**	**8.00**	**47.00**	**63.36**
Tenderer 4	**7.62**	**6.00**	**36.50**	**50.12**

4.10 Price Score 1 consists of the score achieved for the submitted pre-development fee and the discount to the counterfactual heat tariff. Price Score 2 consists of the score achieved based on financial robustness and viability of the submitted financial model and a score for the tenderers approach to raising the finance necessary to carry out the project.

4.11 As Vattenfall Heat UK Ltd (Vattenfall) submitted the most economically advantageous tender, they are recommended for appointment.

4.12 The procurement process was a Competitive Procedure with Negotiation therefore the Council had the ability to undertake negotiation with the top three scoring tenderers based on the outcome of the tender process. It was deemed that best value had been achieved based on the outcome of the initial process and the content of the bids could not be improved in a manner which could justify a delay to commencing the pre-development period.

4.13 Vattenfall scored in the 'very good' to 'excellent' category for the response to all quality award criteria and the robustness and deliverability of its financial model. The financial response demonstrated that it had given detailed consideration to what costs would be incurred and how pricing structures would work. This was backed up by a robust financial model. Financing has been pre-arranged through Vattenfall's parent company.

5. Next Steps

5.1 Subject to Committee approval, the pre-development services contract will commence following a successful 10-day standstill period.

5.2 Once established, the contract will be managed by the Granton Waterfront Development team ensuring that effective contract management is delivered throughout the contract. A Contract Management and Handover Report, detailing the necessary steps and measures, will be produced and agreed.

5.3 It is envisaged that proactive contract management, to include robust monitoring of all appropriate management information, key performance indicators and budget/savings tracking will assist in the delivery of an effective and efficient service.

5.4 The output of the pre-development period will result in a FBC for the Heat Network which will be presented to Finance and Resources Committee alongside a Final Business Case for Phase 1 of Granton Waterfront regeneration, both of which are targeted for winter 2024/25.

6. Financial impact

6.1 There is no initial financial impact in relation to the contract related to pre-development services. The Council will be liable to pay £885,040 to Vattenfall should the pre-development period conclude in a viable FBC, but the Council chooses not to progress to the concession agreement. There is no cost to pay if the concession agreement is signed or following a gateway review (to be carried out six months from the commencement of the pre-development period), it is deemed the project will not produce a viable FBC. Should this cost fall to the Council, it will be met and contained from within the Phase 1 development budget as approved within the Granton Waterfront OBC. In this scenario, the Council will own the rights to any work undertaken in this period.

6.2 The viability of the heat network is dependent on securing grant funding from the Scottish Government's Heat Network Fund and on the Council's ability to secure government grant funding to cover the delivery gap on the wider Phase 1 regeneration costs. In relation to the former, the Council has submitted a bid for up to £19.9m of grant funding and this has received Heat Network Fund stage 1 panel approval. Confirmation of a finalised grant funding offer will be subject to further due diligence and approval of the FBC by the Heat Network Fund. On the latter, as set out in 8.4 below, the Council is addressing this through ongoing funding co-ordination discussions with Government Ministers and Officials.

6.3 The concession agreement, which will be subject to future Finance and Resources Committee approval as part of the FBC, will be for a maximum term of 40 years and will contract Vattenfall to construct, finance, operate, manage and maintain the Network through distributing and selling heat to customers of the network which will include Council tenants, public sector and private sector partners within Granton or the surrounding areas.

7. Equality and Poverty Impact

7.1 The Heat Network is proposed to provide financial savings to customers including Council tenants through reduced heat tariffs compared with an alternative low carbon counterfactual solution. Through this and a fabric first approach to Council-led housing delivery, tenants will live in well insulated, energy efficient homes which will support those facing fuel poverty.

8. Climate and Nature Emergency Implications

8.1 As the largest regeneration project of its kind in Scotland, Granton Waterfront represents a once-in-a-lifetime opportunity to transition towards a greener economy. Granton Waterfront will set the standard for sustainable growth and mark a step change in how development can positively influence how we go about our daily lives.

8.2 Through exemplar urban design it will champion low carbon transport, active travel, and net zero sustainable development, supporting the Council's commitment to build new affordable homes over the next 10 years, achieve net zero carbon by 2030 and address the emerging themes of the City Mobility Strategy and City Plan 2030. The Heat Network will provide a cost-effective mechanism for decarbonising the heat supply for existing and new residential and non-residential buildings at Granton Waterfront.

9. Risk, policy, compliance, governance and community impact

9.1 Vattenfall have committed to delivering the following community benefits during the pre-development period:

9.1.1 Work experience for pupils in S4-S6: A minimum of four work experience placements for school pupils or unemployed people during the pre-development period;

9.1.2 promote opportunities locally including hosting at least three meet the buyer events to promote opportunities for local companies and/or SMEs;

9.1.3 development of a placemaking strategy including wider activities to enhance greenspaces;

9.1.4 host community engagement consultation events; and

9.1.5 community consultation activity that is accessible and in existing community facilities with a purpose of strengthening community relations.

9.2 Vattenfall have committed to paying the Real Living Wage.

9.3 Vattenfall will appoint a Principal Designer who is responsible for planning, managing and monitoring the pre-construction phase of the project. The Principal Designer will work with other designers, contractors and the Council to consider the health and safety risks, and plan how to eliminate or control them.

9.4 The main risk to the project is the Council's ability to secure government grant funding both for the delivery of the heat network and to cover the delivery gap on the wider Phase 1 regeneration costs. This is because the initial viability of the heat network will be dependent on Phase 1 of Granton Waterfront regeneration building out over the next 6 to 7 years. This risk is being addressed through ongoing funding co-ordination discussions with Government Ministers and Officials which seeks to secure a funding solution through the use of existing allocations.

10. Background reading/external references

10.1 None.

11. Appendices

11.1 Appendix 1 – Granton Waterfront Heat Network Outline Business Case.

11.2 Appendix 2 - Summary of Tendering and Tender Evaluation Process.

Appendix 2 - Summary of Tendering and Tender Evaluation Process

Contract	Award of Contract for Pre-Development Services for the proposed Granton Heat Network	
Contract period (including any extensions)	9 months	
Estimated Contract Value (including extensions)	£N/A	
Procurement Route Chosen	Competitive Procedure with Negotiation	
Tenders Returned	4	
Name of Recommended Supplier(s)	Vattenfall Heat UK Ltd	
Price / Quality Split	**Price (30%)**	**Quality (70%)**
Evaluation Criteria and Weightings	**Question**	**Weighting**
	Delivery Methodology	12.5%
	Design Philosophy & Innovation	12.5%
	Sub-contracting and Supply Chain	5%
	Operations Methodology	10%
	Presentation	5%
	Proposed Team	5%
	Fair Work Management Information	Not scored
	Fair Work Practices	10%
	Community Benefits	10%

Evaluation Team	Programme Director, City of Edinburgh Council Principal Accountant, City of Edinburgh Council Senior Accountant, City of Edinburgh Council Accountant, City of Edinburgh Council External Advisors – Brodies LLP & Ramboll

Granton Waterfront

Heat Network Business Case

March 2023

Contents

1. Introduction

Project background and overview

1.1. The City of Edinburgh Council is seeking to deliver a low carbon heat network supplying the Granton Waterfront of Edinburgh. The heat network will have the potential to supply both the large-scale new development proposed in Granton Waterfront and customers from within the surrounding neighbourhoods, delivering a model with potential to be scaled up and replicated where appropriate across Edinburgh and more widely.

1.2. The Granton Waterfront is a 140-hectare brownfield ex-industrial neighbourhood located in an economically disadvantaged area of Scotland. Over the next 10-15 years, the Council is leading on a major mixed-use regeneration of Granton Waterfront that will deliver around 3,500 net zero homes (over 1,000 of them affordable), a primary school, a medical centre and over 9,000m2 of commercial, retail, and leisure space. In line with the target of Edinburgh achieving net zero carbon by 2030, the Council wishes to progress the delivery of a low carbon heat network that will supply cost-competitive heat from low carbon sources to new and existing households and non-domestic properties throughout Granton Waterfront and the surrounding area.

1.3. The aims of the low carbon heat network are twofold: (A) to provide a cost-effective mechanism for decarbonising the heat supply for existing residential and non-residential buildings; and (B) to help provide a cost-effective route to deliver net zero new build housing and commercial space at Granton Waterfront.

1.4. The Council has assessed various options for delivering a low carbon heat network at Granton Waterfront. In February 2022, the Council (working with the engineering practice Buro Happold) finalised an options appraisal and detailed technical feasibility study that identified a preferred solution for the heat source: a 4-megawatt heat pump utilising heat from sewers, with a ground-mounted solar photovoltaic (PV) array helping meet the pump's electricity requirements.

Scope of Business Case

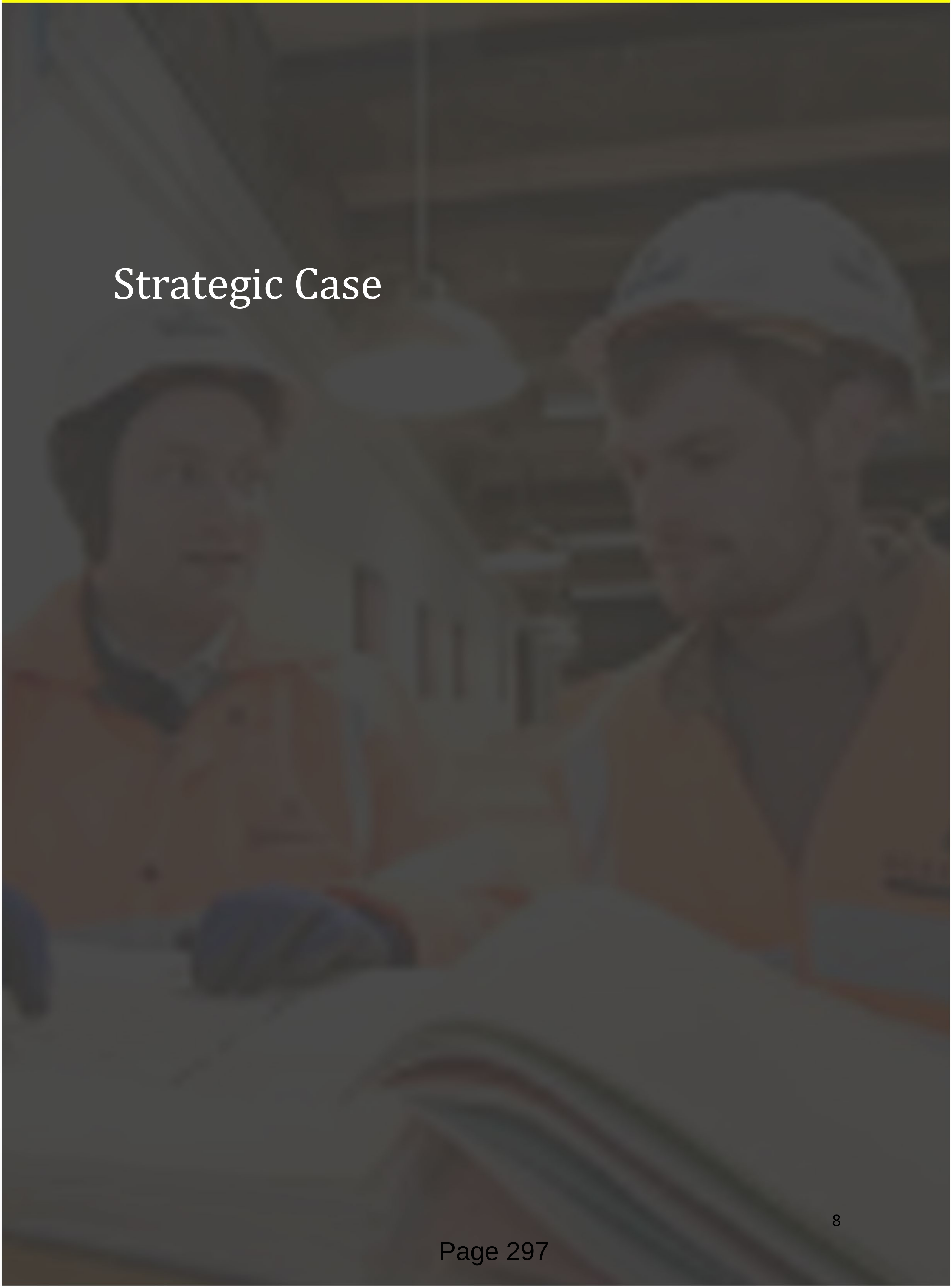
1.5. This Business Case has been developed in accordance with the HM Treasury Green Book guidance. It builds on the detailed technical feasibility study completed in early 2022. The elements of the Business Case are summarised below:

- A Strategic Case demonstrating the strategic fit of delivering a low carbon heat network project within local and national policy aims.
- An Economic Case demonstrating that the preferred option for delivering the heat network represents best value; this included techno-economic modelling to ensure that the preferred technical solution and preferred scenario is value for money and helps to fulfil the Council's strategic objectives. It has also been shown that the preferred scenario has a positive internal rate of return and net present value whilst also resulting in a comparable or potentially lower cost of energy when compared to a counterfactual.
- A Commercial Case demonstrating that there is a viable delivery structure and procurement and contracting strategy to deliver the Granton Waterfront heat network. The preferred project delivery structure is a private sector led concession model within a two-stage procurement process which is intended to bring the heat network operator on board earlier

to carry out the detailed development work, which may avoid abortive work by the Council and may shorten the overall delivery programme. This delivery structure and procurement method is deemed the most viable option in creating greater cost certainty whilst managing and sharing risk.

- A Financial Case demonstrating the attractiveness of a proposed heat network at Granton Waterfront to potential private sector investors. Modelling suggests that both the first phase of the proposed heat network and the full scheme would be self-financing. However, to be attractive to the private sector, a combination of public sector grant funding and a reduction in the total cost would need to be achieved. The cost of heat supplied would be in line with both gas and low carbon alternatives and as such relatively affordable to consumers; and
- A Management Case demonstrating that the Council has the resources and experience, and where required, will appoint suitable consultants to successfully deliver the proposed heat network and the associated wider regeneration of Granton Waterfront, ensuring targets in terms of cost, time, and quality are achieved.

Strategic Case



2. Strategic Case

Chapter summary

- A public sector-led regeneration project of the scale of Granton Waterfront provides an opportunity for Edinburgh and Scotland to help realise key sustainability targets through the introduction of a low carbon heat network. The proposed heat network will serve new and existing homes, along with commercial premises and public sector buildings within Granton Waterfront and in the surrounding areas.
- Granton Waterfront is identified in the emerging Local Heat and Energy Efficiency Strategy (LHEES) as an early action project that will help establish the technical and commercial principles for a wider roll-out of heat networks across Edinburgh.
- A climate emergency has been declared across Scotland. The current iteration of the Climate Change (Scotland) Act 2009, which was last amended in 2019, sets a statutory target of net-zero emissions of all greenhouse gases in Scotland by 2045.
- Statutory targets have been set around the reduction of fuel poverty in Scotland.
- Heat networks have been identified as a potential low carbon alternative to direct emissions heating systems such as gas boilers. Scotland has passed the Heat Networks (Scotland) Act 2021 in order to support the development of heat networks across the country.
- The fourth National Planning Framework (NPF4), adopted by the Scottish Ministers in February 2023, has designated "Edinburgh Waterfront" (including Granton Waterfront) as a National Development. One of the criteria in designating national developments is that the area in question will help to reduce emissions, contributing to Scotland's target of net zero emissions by 2045, and be emissions neutral or emissions negative.
- The Council's Business Plan and 2030 Climate Strategy both support the regeneration of Granton Waterfront, incorporating a low carbon heat network.
- The strategic rationale for the introduction of a low carbon heat network to serve Granton Waterfront and the surrounding area is presented within this chapter.

Introduction

2.1. The Strategic Case sets out the strategic rationale for investment in a low carbon heat network in Granton Waterfront: how the heat network will help Edinburgh and Scotland achieve key policy goals.

2.2. The overarching objective for the Granton Waterfront regeneration is to create a successful and sustainable place that addresses key needs in the city. This will be achieved through the delivery of a high-quality, mixed-use development providing space for people to live, work, and visit.

2.3. One of the core objectives identified for the Granton Waterfront regeneration within its Development Framework is to "deliver an integrated low carbon and climate resilient community centred on net zero carbon homes, active travel, and mass rapid transit." In addition, the Council (and other potential off-takers of the heat network) has corporate net zero objectives in respect of its own energy consumption, and the Council has set an ambitious target for Edinburgh to become a net zero city by 2030. A low carbon heat network will be a significant step towards delivering these objectives and ambitions at a scale which will attract private sector investment, support scalability, and promote best practice.

2.4. In May 2019, the UK Climate Change Committee issued a report on the UK devolved administrations and its recommendations for carbon reductions, in line with the commitments made in the Paris Agreement. This report recommended that Scotland aim to be 'net zero' by 2045, in response to which the Scottish Government set a statutory target to achieve this goal and declared a 'climate emergency'.

2.5. The City of Edinburgh Council's City Plan 2030 aims to help deliver the Council's commitment to making Edinburgh a net zero city by 2030. As set out in the 2030 Climate Strategy, the energy used to heat and power Edinburgh's buildings currently accounts for around 68% of the city's total emissions. Given this, for Edinburgh to achieve the net zero target, carbon emissions from buildings must be reduced via a combination of making them more energy efficient (thus reducing their demand for heat) and meeting their heat demand using low and zero-carbon heating systems rather than direct emissions heating systems.

2.6. Heat networks are common in northern Europe. In Scotland they are currently less common; at present there are an estimated 1,080 heat networks supplying circa 1.18 TWh of heat to around 30,000 homes and 3,000 non-domestic properties nationwide. [1]

Decarbonisation of the UK electricity grid

2.7. The UK electricity grid is gradually decarbonising as a result of an increasing proportion of lower carbon and renewable technologies within the electricity generation mix. Policies aimed at limiting the use of carbon intensive fuels such as coal are assisting with decarbonisation. Carbon emission factors for annual reporting cycles produced by the government each year have shown significant reductions in the grid emission factor. Government forecasts show a continuing trend of grid decarbonisation,2 and the UK Government has committed to fully decarbonise the national electricity system by 2035.

2.8. Electricity supports the distribution of heat through heat networks and therefore decarbonisation of the electricity grid provides an opportunity to achieve net zero emissions at scale, helping the Council to achieve key sustainability goals.

National policies

Climate Change (Emissions Reduction Targets) (Scotland) Act 2019

2.9. Scotland has set statutory targets to reduce carbon emissions, requiring the country to reach net zero emissions by 2045, with interim targets of a reduction of 75% by 2030 and a reduction of 90% by 2040.

2.10. As part of a series of initiatives aimed at meeting these targets, the Scottish Government has committed to decarbonising the heating of homes and is setting out measures to ensure that

[1] Scottish Government Heat Networks Delivery Plan, 2022
[2] National Infrastructure Strategy, HM Treasury, 2020

from 2024, all newly built homes use only renewable or low carbon heating systems, rather than direct emissions heating systems such as gas boilers. The majority of homes being delivered at the Granton Waterfront regeneration will be built after this date, so the housing design and heating solutions must adhere to such requirements.

Heat Networks (Scotland) Act 2021

2.11. The Heat Networks (Scotland) Act 2021 introduces a regulatory regime for heat networks in Edinburgh and sets ambitious targets for the quantum of heat to be supplied by heat networks – 2.6 terawatt-hours of output by 2027 and 6 terawatt-hours of output by 2030: equivalent to 3% and 8% respectively of current heat supply. The targets are broadly equivalent to 120,000 and 400,000 typical homes currently being supplied from gas instead being connected to heat networks by 2027 and 2030 respectively. It has been quantified that the heat network project proposed would contribute 25,052 MWh/yr over its 40 Year lifetime.

2.12. The Heat Networks Delivery Plan provides guidance on development, capital programmes and the wider policy framework to implement the act.

Fuel Poverty (Target, Definition and Strategy) (Scotland) Act 2019

2.13. The Fuel Poverty (Target, Definition and Strategy) (Scotland) Act 2019 sets a statutory target that, by 2040, no more than 5% of households in Scotland (and in each local authority area) should be in fuel poverty; no more than 1% of households should be in extreme fuel poverty; and the median fuel poverty gap of households in fuel poverty should be no more than £250 (2015 prices). The Act sets interim national targets of 15%, 5%, and £350 by 2030 and 10%, 3%, and £300 by 2035.

2.14. For the purposes of the Act, fuel poverty is termed to be when a household spends over 10% of their net income after housing costs is spend on fuel needs where their residual income is less than 90% of the UK Minimum Income Standard. Extreme fuel poverty is where 20% of net income after housing costs is spent on fuel needs.

National Planning Framework 4

2.15. In February 2023, the fourth National Planning Framework (NPF4) was adopted by the Scottish Ministers. NPF4 designates “Edinburgh Waterfront” (including Granton Waterfront) as a National Development. National developments were designated by the Scottish Government on the basis that they will be emissions neutral or emissions negative, thus contributing to Scotland’s target of net zero emissions by 2045. The following NPF4 policies are directly relevant to the Granton Waterfront regeneration:

- Policy 19: Heat and Cooling. To encourage, promote and facilitate development that supports decarbonised solutions to heat and cooling demand and ensure adaptation to more extreme temperatures.
  Policy outcomes:
  - Development is connected to expanded heat networks which use and store heat from low or zero emission sources.
  - Buildings and places are adapted to more extreme temperatures.
- Policy 11: Energy. To encourage, promote and facilitate all forms of renewable energy development onshore and offshore. This includes energy generation, energy storage, new

and replacement transmission and distribution infrastructure, and emerging low-carbon and zero emissions technologies (including hydrogen and carbon capture utilisation and storage). Policy outcome:

- Expansion of renewable, low-carbon and zero emissions technologies.

Local policies

Edinburgh 2030 Climate Strategy

2.16. The City of Edinburgh Council has declared a 'climate emergency' and set a target of reducing emissions to zero by 2030. To achieve that goal, there is a need to improve air quality; protect and enhance green spaces; support sustainable travel; and continue to create energy efficient, good quality places to live and work.

2.17. The Council's 2030 Climate Strategy (and the associated Implementation Plan) was approved at the Council's Policy & Sustainability Committee in November 2021. The Climate Strategy sets out an Edinburgh-wide approach to reducing carbon emissions in Edinburgh by 2030. The key actions to reduce emissions are as follows:

- Unlocking and accelerating energy efficiency in homes and buildings;
- Enabling the development of a citywide programme of heat and energy generation and distribution infrastructure;
- Accelerating the decarbonisation of public transport;
- Renewing the focus on climate resilience and accelerating adaptation of the city;
- Supporting citizen empowerment, behaviour change, and community activism; and
- Supporting business transition and the green economy.

2.18. The Climate Strategy states that demand for energy is set to increase as Edinburgh's population grows and notes: "There is a need to ensure the city's energy networks can meet demand and provide clean, affordable energy for our citizens and businesses". The Climate Strategy has a strong focus on buildings, with "net zero energy generation and energy efficient buildings" being one of the key themes.

City Plan 2030

2.19. City Plan 2030 sets out the strategy for the spatial development of Edinburgh over the next decade. The proposed City Plan was submitted to Scottish Ministers for examination in December 2022.

2.20. Policy Env 7: Sustainable Developments of City Plan 2030 mandates that all detailed proposals involving the construction or change of use of one or more buildings must incorporate "all reasonably practicable measures to address the climate emergency". For change of use proposals, the applicant must set out how the proposal incorporates "measures to increase resilience to future climate change and minimise greenhouse gas emissions such as built fabric efficiency improvement and low and zero carbon generating technology".

2.21. Policy Env 8: New Sustainable Buildings of City Plan 2030 mandates that new building developments for which a building warrant is required must "[achieve], predominantly through ultra-high fabric energy efficiency, a 'net zero' level of operational greenhouse gas emissions", with this requirement to be controlled via planning conditions. The policy further states that "all new development requires to embed ultra-high fabric energy efficiency into its design and construction, with the optimal approach being for it to be built to Passivhaus standards" and that "the incorporation of low and zero carbon generating technologies into the new development is also supported."

2.22. Policy Inf 16: Sustainable Energy and Heat Networks of City Plan 2030 states that "all new developments should connect to an existing or planned heat network or other significant heat source wherever possible to do so", that "where this is not possible then all substantial development must, subject to a viability and feasibility study, instead include a source of renewable/low carbon heat generation […] and associated heat network", and that any developments not heated through heat networks must be future proofed to allow a future connection to be made.

City of Edinburgh Council Business Plan

2.23. In February 2021, the Council published its Business Plan, Our Future Council, Our Future City, with an updated version approved in December 2022. The Business Plan covers the period 2023 to 2027. The Business Plan sets out three core priorities; "Becoming a net zero city", alongside "Ending poverty in Edinburgh" and to "Create good places to live and work". An outcome for delivery is "Edinburgh is a climate adapted city, with biodiverse green space, and cheaper cleaner networks for energy use" and includes the new development of climate ready regeneration in Granton Waterfront. The Business Plan also notes the need to develop city-wide heat and energy plans to expand renewable energy generation in the city.

Local Heat and Energy Efficiency Strategy

2.24. A Local Heat and Energy Efficiency Strategy (LHEES) is a long-term plan for decarbonising heat in buildings and improving energy efficiency across a local authority area. The central drivers of an LHEES are the statutory national targets of achieving net zero emissions by 2045 (with a 75% reduction by 2030, and 90% by 2040) and so far as is reasonably possible, eradicating fuel poverty by 2040.

2.25. The Council is in the process of preparing the LHEES for Edinburgh. The Council is under a statutory duty to publish the LHEES by 31 December 2023, along with a delivery plan that will cover the period 2024 to 2028.

2.26. The LHEES will comprehensively assess the existing building stock of Edinburgh and identify pathways for decarbonisation. These pathways are expected to include the delivery of new heat networks serving domestic and non-domestic off-takers in Edinburgh. The LHEES will undertake analysis of considerations such as heat demand, net zero heat sources, grid capacity, and potential anchor loads to arrive at recommendations for potential heat network zones in Edinburgh. These recommendations will help inform the formal designation of heat network zones in Edinburgh as part of the regulatory regime introduced by the Heat Networks (Scotland) Act 2021.

2.27. Granton Waterfront is identified in the emerging LHEES as an early action project that will help establish technical and commercial principles for the roll-out of heat networks across Edinburgh generally. The delivery plan will set out how the Council proposes to support the delivery of this and other heat networks in the context of the LHEES.

Granton Waterfront regeneration

2.28. Granton Waterfront is included within the City of Edinburgh Council's City Plan which aims to help deliver the Council's commitment to net-zero by 2030.

2.29. The development is strategically located in terms of the potential to utilise the environment for harnessing low carbon energy. The site is in north Edinburgh next to the Firth of Forth, and the development site has areas of large green space with potential for solar meadows. It is also located at the intersection of two major sewers. All of these existing resources represent vast potential sources of low carbon heat. In the absence of these resources, meeting heat demand via low carbon means would entail utilising less efficient means of low carbon heat generation (e.g., building-level air source heat pumps).

2.30. The Council has assessed various options for delivering a low carbon heat network. In February 2022, the Council (working with the engineering practice Buro Happold) finalised an options appraisal and detailed technical feasibility study that identified a preferred solution for the heat source: a wastewater source heat pump utilising heat from the sewers beneath Granton Waterfront.

Strategic objectives and benefits

2.31. In line with HM Treasury Green Book guidance, the strategic objectives associated with the project and the outputs and benefits stemming from these are summarised within the table below (Further information on how benefits will be measured and monitored is set out in the management case)

Table 1: Strategic objectives and benefits

Strategic objective	Output	Strategic benefit
Objective one: Meet heat demand in Granton Waterfront from net zero sources.	Delivery of a district heating network in Granton Waterfront that will supply heat and hot water to the new development and existing buildings utilising a zero direct emissions source of energy generation.	The heat network proposed will achieve carbon savings of approximately 5,166 tonnes of CO_2 over the 40-year period of assessment when compared to the counterfactual of communal air source heat pumps. The reduction will be significantly greater in the case of existing buildings currently heated using fossil fuels.
Objective two: Supply households and non-domestic customers in Granton Waterfront with affordable heat.	Delivery of a low carbon heat network and a fabric first approach to buildings will promote energy efficiency.	The unit cost of heat and hot water to end users through the heat network is assessed to be broadly comparable to the cost under a counterfactual of communal air source heat pumps.
Objective three: Contribute to a city-wide programme of heat generation, attracting private sector investment with the potential to scale up and replicate.	A heat network in Granton Waterfront will allow the new development and existing buildings to be connected to a low carbon energy source and will represent a step towards Edinburgh's target to be net zero by 2030.	Beyond the connections that have currently been identified, the heat network offers the opportunity to connect future new development and other existing buildings in the area maximising the potential to achieve Edinburgh's net zero carbon target. It also represents

Strategic objective	Output	Strategic benefit
		an opportunity in the future to expand, replicate and connect to other heat networks that may be developed across the city.
Objective four: Utilise Granton Waterfront's natural heat resources	The heat network will utilise a waste-water heat pump solution to extract heat from the existing sewer in Granton Waterfront.	Use of this resource provides an excellent source of existing heat that can be tapped into. Doing so would reduce carbon emissions compared with existing gas solutions. Using this resource also provides the opportunity to provide a centralised low carbon solution that minimises the footprint of infrastructure required across the Granton Waterfront regeneration area.

Risk

2.32. The greatest risks to the delivery of the heat network are set out below:

Table 2: Summarised risks

Risk description	Intrinsic score (0-25)	Mitigations	Residual score (0-25)
Failure to close the funding gap on the wider Phase 1 Granton Waterfront regeneration will delay proceeding with the heat network.	20	A Scottish Government funding co-ordination group has been established to help ensure the development meets key strategic targets germane to securing funding from current Scottish Government programmes. This group will consider the funding of the Granton Waterfront regeneration holistically to ensure that the separate component parts progress together.	15
Risk to programme and overall viability due to the concessionaire being unable to secure anchor load customers. This could delay the wider Phase 1 regeneration and delivery of the new homes and non-domestic properties that the heat network is intended to serve.	12	A Memorandum of Understanding is currently in place with key anchor load customers. There will be ongoing engagement with key anchor load customers by the Council during the procurement and pre-development stages. The Council will work with the concessionaire to ensure a competitive pricing strategy which will in turn ensure there is a customer base. The concessionaire will engage additional potential customers through the pre-development period. The emerging regulatory regime will help give confidence in terms of demand.	8
Risk to programme due to the concessionaire being unable to secure a heat offtake agreement with Scottish Water Horizons (SWH). This could delay the wider Phase 1 regeneration	10	The Council has undertaken early engagement with SWH as part of the business case preparation to understand parameters and requirements and help ensure that the solution meets needs.	5

Risk description	Intrinsic score (0-25)	Mitigations	Residual score (0-25)
and delivery of the new homes and non-domestic properties that the heat network is intended to serve.			
A concessionaire cannot be secured due to the internal rate of return not being attractive enough.	15	Progress a two-stage procurement process allowing a partner to take forward a pre-development period where design optimisation, heat supply negotiations and procurement of its supply chain can be progressed at the earliest opportunity. Scope bids to the Heat Network Fund and other funding opportunities.	10
Financial viability is not achieved due to an inability to secure the level of identified Scottish Government Heat Network Fund grant support required either due to not meeting their criteria for investment or their timescales for delivery (May 2026).	15	Continue dialogue and agree funding in principle with the Scottish Government. Progress a two-stage procurement process allowing a partner to work on design, heat supply agreements and procurement of its supply chain at the earliest opportunity to maintain delivery timescales.	10
The heat network is not operational in time for the first set of homes delivered within Phase 1 of the regeneration of Granton Waterfront.	12	A master programme will be maintained and managed by both the Phase 1 development partner and the concessionaire.	8
A lack of expertise or capacity in market means a suitable concessionaire cannot be identified and appointed.	12	Soft market testing has been carried out to ensure a procurement process is designed that is attractive to the market in a bid to ensure the best candidates come forward. The procurement process will be carried out as quickly and efficiently as possible, ensuring bidders remain in the process and do not leave for other competing market opportunities.	8
Concessionaire fails to operate successful HN	10	Robust procurement and pre-development period will allow for risk and mitigation at early stage.	5

2.33. The project risks are quantified in the Financial Case, considered how to be allocated in the Commercial Case, and managed in the Management Case.

Dependencies

2.34. The delivery of the heat network has areas of dependency as set out below where decisions are to be made outwith the scope of the project. It will be vital to manage these dependencies, particularly where transitioning from the development phase to the delivery phase to maximise connections from new developments and maximise commercial feasibility and viability. Dependencies will be managed through the framework as set out in the Management Case.

Table 3: Key dependencies

Affected activity	Key dependency
Delivery Programme – delay to development of Phase 1 of the Granton Waterfront regeneration and the delivery of new homes, commercial, primary school etc.	The Council requires to close a funding gap to enable Phase 1 of the Granton Waterfront regeneration to proceed. If the development agreement to take forward the construction of homes, commercial and supporting infrastructure is delayed due to an inability to secure required funds and produce a viable business case, this will have a knock-on effect of a delay to the appointment of a concessionaire for the heat network.
Delivery programme – delay to appointment of concessionaire to deliver heat network.	There is a requirement for the concessionaire to secure commercial agreements with key anchor customers and heat offtake terms with Scottish Water Horizons. Failure to achieve this within the required timeframe will delay the delivery programme.
Delivery programme – pipework and energy centre construction.	The programme of the Council – and its development partner, Cruden Group –for delivering Phase 1 of the Granton Waterfront regeneration will have a direct bearing on the delivery programme for the heat network including both the pipe laying and energy centre construction.
Design of energy centre.	The wider place making design of Phase 1 by the Council and Cruden Group will have a direct bearing on how the energy centre will need to be designed to successfully interact with its urban setting.
Pipework route.	The third-party anchor load connections that are secured will have an impact on pipework routes.
Commissioning - SPEN Primary Sub-station	The Council require SPEN to upgrade their current infrastructure to allow for the increased energy demand resulting from the new development. This requires a new primary sub-station within Granton to be built and operational in line with the construction of the energy centre and commissioning of the Heat Network.

Conclusion

2.35. The delivery of a low carbon heat network in Granton Waterfront will make a substantial contribution to key local and national policy objectives. As determined in the Economic Case, the Granton Waterfront heat network has the ability to save over 180,000 tonnes of CO_2 versus the counterfactual position over a 40-year period. The Granton Waterfront regeneration is fully consistent with, and supports the delivery of, key local and national strategic goals that will shape the future development of Edinburgh and the wider region, including:

- The statutory targets of making Scotland carbon neutral by 2045 and greatly reducing fuel poverty by 2040.
- Scotland's commitment to decarbonising the heating of homes to ensure that from 2024, all newly built homes use only renewable or low carbon heating systems, rather than direct emissions heating systems such as gas boilers.
- The Council's commitment to making Edinburgh net zero by 2030.

2.36. The City of Edinburgh Council Business Plan 2023-2027 which sets out three core priorities; "Becoming a net zero city", alongside "Ending poverty in Edinburgh" and to "Create good places to live and work". The Business Plan notes the need to develop city-wide heat and energy plans to expand renewable energy generation in the city.

Economic Case

3. Economic Case

Chapter summary

- The Economic Case sets out the rationale for the Granton Waterfront heat network project in terms of best value. It evaluates a number of different scenarios of connected buildings in a techno-economic model, and using a set of critical success factors that have been determined, a preferred option is chosen.
- The techno-economic modelling carried out suggests that the preferred technical solution and preferred scenario is value for money and helps fulfil the Council's strategic objectives.
- The preferred scenario has a positive internal rate of return (IRR) and net present value (NPV).
- The preferred scenario was taken forward as part of this economic case for further detailed financial modelling which determined the attractiveness of the proposed heat network from a financial perspective.

Introduction

3.1. The Economic Case sets out the process that was undertaken to identify a preferred option for delivering a heat network to serve the Granton Waterfront, including an options shortlisting and techno-economic analysis. A feasibility study, carried out by Buro Happold, identified sewer source heat pumps as the preferred technology and identified a number of demand profile scenarios based on varying numbers of connected customers. Each of these scenarios were modelled for their economic performance and a preferred option selected for further detailed modelling which would then input into the financial and commercial cases. Outline economic analysis was carried out using a techno-economic model, evaluating each scenario over a project life of 40 years.

Purpose

3.2. The purpose of the Economic Case is to identify the optimal solution to meet the targets set by the Council's strategic objective of delivering affordable heat through a low carbon heat network. The process of technical and economic assessment begins with identifying and agreeing the critical success factors to enable technical proposals to be quantitatively assessed. The critical success factors are used to reduce shortlisted options to a preferred option which can be finalised to evaluate value for money ahead of commercial and financial assessment.

Critical success factors

3.3. The Economic Case takes longlisted options and develops a shortlist of options and a preferred option based on critical success factors developed by the project team.

Shortlisted options

3.4. Shortlisted options are developed through techno-economic assessment to determine the demand for each scenario and the technical solution required to deliver the proposal to determine key economic inputs such as capital expenditure (CAPEX), operating expenditure (OPEX) and revenue. These inputs determine the cashflow for the scenarios. The shortlisted option which scores best in these critical success factors progresses to the preferred option stage.

Preferred option

3.5. The preferred option is the solution which performs best against the economic appraisal at shortlist stage. The economic factors derived at this stage are delivered to the Commercial Case and Financial Case sections of the business case to develop the proposal further.

Updating of shortlisted options

3.6. Prior to the preparation of this business case, the Council produced a feasibility study[3] for a heat network at Granton Waterfront. This used demand assumptions for existing buildings that could be connected to a heat network and anticipated new developments. The feasibility study determined that a sewer source heat pump solution was the preferred technology for a heat network when compared to the alternative low carbon options of air source heat pumps, sea source heat pumps, and electric boilers. The study devised a series of potential development and connection scenarios which, as part of this business case analysis and following further connection investigations, were assessed. These scenarios were:

- Scenario 1: Core, consisting of existing buildings and Phase 1 of the Granton Waterfront regeneration.
- Scenario 2: Core + East, consisting of the core existing buildings and new development and additional new development to the east.
- Scenario 3: Core + West, consisting of the core existing buildings and new development and additional new development to the west.
- Scenario 4: Combined, consisting of all existing buildings and all new development.
- Scenario 5: Granton Waterfront regeneration new builds only.

Table 4 shows the buildings connected in each of these scenarios.

Table 4: Building connections by scenario

Building	Scenario 1: Core	Scenario 2: Core + East	Scenario 3: Core + West	Scenario 4: Combined	Scenario 5: New builds only
Edinburgh College campus	✓	✓	✓	✓	
National Galleries of Scotland building	✓	✓	✓	✓	
National Museum of Scotland campus	✓	✓	✓	✓	
Forthview Primary School		✓		✓	

[3] Granton Energy Strategy Options Appraisal, March 2022

Building	Scenario 1: Core	Scenario 2: Core + East	Scenario 3: Core + West	Scenario 4: Combined	Scenario 5: New builds only
Ainslie Park Leisure Centre		✓		✓	
Craigroyston Community High School			✓	✓	
St David's RC Primary School			✓	✓	
Granton Waterfront regeneration new builds	✓	✓	✓	✓	✓

3.7. Figure 1 shows the heat network map for the fullest extent of the network (scenario 4), including the new builds within the regeneration area and the existing buildings. The different colours highlight the development phases of the Granton Waterfront regeneration.

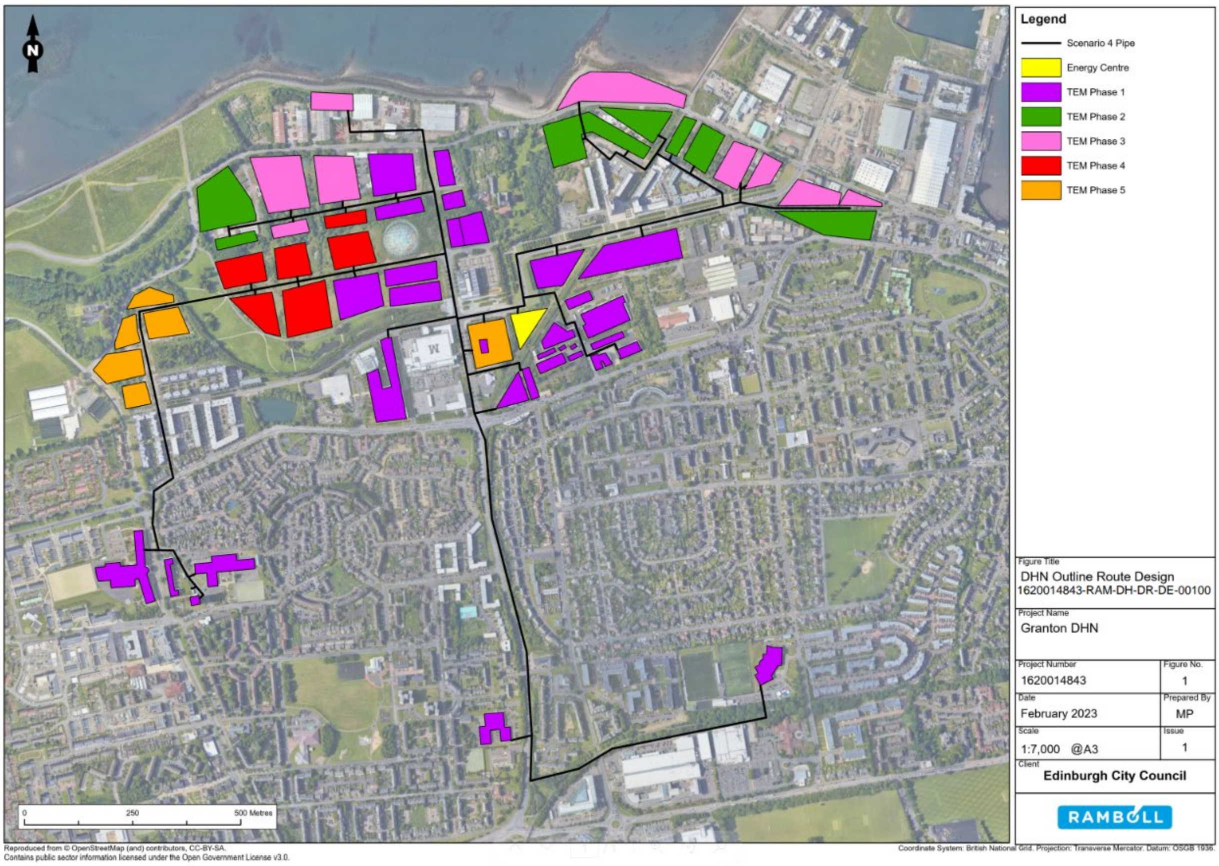


Figure 1: Granton Waterfront heat network phasing map

3.8. The scenarios in Table 4 were used as the basis for this economic case compared with a counterfactual scenario based upon an alternative low carbon method of heat delivery. The scenarios were appraised using critical success factors developed for the project and cost-benefit analysis in line with HM Treasury Green Book guidance.

Critical success factors

3.9. To evaluate the performance of each of the options quantitatively, critical success factors for the project were developed by the project team. The critical success factors are the attributes that are essential for the heat network business case to be delivered successfully; they are distinct from the project goals, projects objectives, and benefits. The five critical success factors for the Granton Waterfront regeneration are:

- **Meeting carbon emission reduction targets** – the anticipated lifetime carbon reductions delivered by the solutions as compared to one another and to the counterfactual (communal air source heat pumps). Measured as lifetime carbon emission reductions.
- **Combating fuel poverty** – where the solutions must demonstrate value for money (although factors other than the cost of energy like household income can impact this). Measured by levelized cost of energy.
- **Creating a project that meets financial viability criteria for investors** – assessing the viability of each of the options' cashflow models through determination of pay back term as well as NPV and IRR assessment to determine the viability of the options. Measured by NPV, IRR, and payback term.
- **Delivering a heat network in time for the Granton Waterfront regeneration phasing –** expected build-out timeline is in line with the Granton Waterfront regeneration to allow for heating on prior to occupancy. This is an essential criterion for determining the technical solution.
- **Spatial co-ordination** – heat generation can be physically accommodated within the available area provided within the development. A ranking by the anticipated energy centre land area required to meet the network demand.

3.10. The weighting of each critical success factor was developed by the project team through workshops and is shown in the final assessment (Table 11).

3.11. The levelized cost of energy and financial viability of the project were identified as the highest-ranking success factors for the continued development of a preferred option.

Techno-economic analysis

Technical assumptions

3.12. The completion date of each phase of the Granton Waterfront regeneration was updated based on the current anticipated timescales for delivering Phase 1 of the regeneration. The updated phasing and floor area for the development was combined into a diversified demand profile for each construction phase.

3.13. The existing building stakeholders provided heat and/or gas consumption data where possible and following site inspections an expected diversified load was developed. Appetite for the stakeholders to connect has been investigated along with the connection site suitability.

3.14. The operators of the Leonardo office and industrial complex at Crewe Road North, who formed part of the discussions at feasibility stage, were not forthcoming through this subsequent stage of stakeholder engagement and so for the time being, the demand associated with this complex has been discounted from the modelling work.

3.15. The National Galleries of Scotland (NGS) met with the project team to discuss “The Art Works”, a future building on NGS’ existing Granton Waterfront campus which is expected to be developed by 2025. It was found that the building is intending to be built to Passive House standards with temperatures and flow rates unlikely to be compatible with the heating network. For the time being, connection to this has also been discounted from the modelling carried out.

3.16. The existing high temperature loads identified and assumed for the network are:

- National Museums Scotland buildings B1, B14, B15, and B17
- Edinburgh College campus
- Craigroyston Community High School
- Ainslie Park Leisure Centre
- National Galleries of Scotland (NGS) existing building
- St David’s RC Primary School

Table 5: Buildings by anticipated year of connection to heat network

Buildings	Connection year
2,864 new Homes (Phase 1- 4)	2026 - 2036
New commercial building (Phase 1-4)	2027 - 2032
St David’s RC Primary School	2026
Craigroyston Community High School	2026
National Museums Scotland complex	2026 - 2032
Edinburgh College campus	2026
Ainslie Park Leisure Centre	2026
National Galleries of Scotland building	2026
New school	2027
Medical centre	2027
Granton Station enterprise hub[4]	2038
New commercial buildings (Phase 0)[4]	2038
519 new homes (Phase 0)[4]	2038 - 2041

3.17. The feasibility study had provided an energy centre configuration for full build out that met the anticipated demand. This was confirmed for this Economic Case with the updated demand profile through energy modelling.

3.18. The energy centre delivers heat through a sewer source heat pump (SSHP) sized at 4 megawatts and is supplemented by electric boilers which are sized at full peak capacity for resilience. Optimum utilisation of the heat pump is achieved through two 225m3 thermal stores which allows the base heat demand of the network to be met through the SSHP.

[4] Connection at end of existing air source heat pumps’ useful life

3.19. The electrical demand of the Granton Waterfront regeneration area will be significantly increased by the requirement for the heating network energy centre and will require a new connection through Scottish Power Energy Networks. The proportion of this demand and the capital costs associated with the energy centre have been developed into a phased installation approach aligned with the wider Granton Waterfront regeneration including commercial developments and tram routes.

3.20. The distribution pipework required to meet the demands for the full build out was assessed and sized to meet the anchor loads connections and future developments in full. For assessment of the Core, West, East, and new build only scenarios, the pipe lengths were reduced to meet the furthest branch of the network, but their diameter retained in the assumption that future demand in the area should be expected beyond that assumed to connect in these scenarios.

3.21. The energy centre location is restricted to a relatively close proximity to the sewer extraction site. The sewer heat exchange supplier noted that they are not limited to distance but a preference for proximities below 100m was expressed through the design development as this will reduce design risk and the pumping distance for sewage.

3.22. In December 2022, the Council and its development partner Cruden Group proposed a relocation of the energy centre away from the feasibility site location towards a more industrial location on the site between Waterfront Avenue and the NMS buildings. The new proposal has been agreed with the project team. This not only reduces the pumping distance and therefore pump capacity required but could allow the wet well for sewer recovery to be located within the energy centre boundary. The exact final location is to be determined but an approximate boundary has been provided. Figures 2 and 3 show the indicative energy centre locations and size.

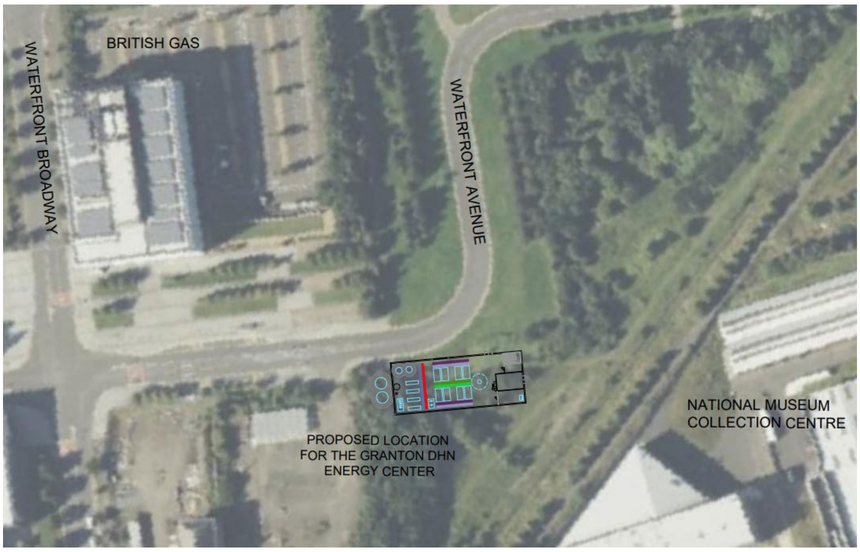


Figure 2: Proposed energy centre location (approximate)

Figure 3: Proposed energy centre location (sketch prepared by Cruden Group)

Methodology

3.23. For each of the shortlisted scenarios identified at paragraph 3.6, a bespoke, compliant techno-economic model was developed, to provide an initial economic assessment of the identified scheme options. The models took inputs from the concept design (RIBA stage 1). These include equipment schedules and details and energy modelling which were further developed to RIBA stage 2 to enable high-level modelling of costs and revenue stream areas for each scenario.

3.24. The metrics used to determine the financial cashflow performance of the project are the net present value, internal rate of return, and payback term. Note that these are pre-tax which is addressed in the Financial Case.

- A Net Present Value (NPV) - compares the amount invested to the future cash amounts after being discounted by specific rates of return. A discount factor of 3.5% has been utilised for all options as the base assumption for the first 20 years, dropping to 3% thereafter.
- Internal Rate of Return (IRR) – indicates the financial performance of a project and is the discount factor required to break even on the project duration. Due to the discount factor used on NPV calculations, a project IRR of 3.5% would result in a 40-year project NPV of approximately £0.
- Payback Term (PBT) (Discounted) – Indicates the number of years required to break even on the project.

3.25. The model also estimates CO2 savings against the counterfactual and social NPV and IRR which includes the remedial value of the project's impact on carbon emissions.

3.26. The counterfactual for this project has been agreed with the Council and its development partner Cruden Group to be the installation of communal air source heat pumps at block level. The counterfactual for this project has assumed installation at 1 MW increments per block and used a notional estimation of the building works, pumping, and ancillaries required per block.

3.27. The heat network market is currently unregulated (albeit regulation is emerging as a consequence of the Heat Networks (Scotland) Act 2021) and so heat tariffs for heat network customers are usually assessed based on the prevailing costs of heat supplied by other means, which are represented by the counterfactual scenario.

3.28. An initial estimation of the heating tariff for the heat network has been derived based on the cost required to deliver the same amount of energy without the heat network.

3.29. The use of the counterfactual cost of energy as heat network tariff calculation allows for a baselined comparison of the cost of the heat network to the counterfactual and an estimation of the reduction in cost to operate the heat network determined. Throughout the project the cost of energy for the counterfactual has been termed the levelized heating tariff (LHT) as it is the cost that would otherwise be incurred and is used as the revenue stream to support the heat network.

3.30. Levelized Cost of Energy (LCOE) is the rate at which consumers must be charged for the solution to meet the costs to operate the network and recover costs over 40 years only. LCOE is broken into three components:

- Variable charge – this is a £/kW rate which must be charged to pay for fuel costs of the network (OPEX).
- Fixed charge – this is a £/kW rate which must be charged to cover replacement expenditure (REPEX) including lifecycle costs for the network.
- Connection charge – this is a £/kW rate which must be charged to pay for the capital costs (CAPEX) associated with connection to the heating network. For this project at the preferred option stage, it was determined that residential customers will not be subject to this rate and that it will instead be paid as a single connection fee at the time of connection by the developer of the building to further meet the critical success factors of delivering low cost and low carbon heat to residences.

3.31. Levelized Heating Tariff (LHT) **–** This is the term used to refer to revenue available by applying the LCOE (cost of energy) for the same scenario but where heat is delivered via the counterfactual communal air source heat pump and equates to the avoided cost of operating a more efficient system. The levelized heating tariff is the revenue generated by the higher LCOE required to satisfy the heat demand through the use of the counterfactual communal air source heat pump divided by the total demand and is calculated separately for each scenario.

Modelling assumptions

3.32. Modelling assumptions around key financial criteria are summarised in Table 6 below.

Table 6: Modelling assumptions

Item	Assumption
Capital expenditure (CAPEX)	Based on Ramboll's (technical consultant) internal supplier database and quotes received specific to the Granton Waterfront regeneration project. CAPEX refers to energy centre build, solar PV, thermal stores, heat pumps, heat exchangers and pumps along with all energy centre equipment required for an operational energy centre, buried pipework, and electrical upgrades to the network.

Item	Assumption
Replacement expenditure (REPEX)	
Electric boiler	80% of CAPEX after 15 years
Water source heat pump	80% of CAPEX after 20 years
Sewer heat exchanger	80% of CAPEX after 20 years
Solar PV	80% CAPEX after 30 years
Pumping equipment	100% of CAPEX after 20 years
Water treatment and pressurisation equipment	100% of CAPEX after 20 years
Heat substations	100% after 20 years
pipework and thermal store	100% after 60 years
Secondary system upgrades	Cost by others
Operation and maintenance expenditure (OPEX)	Based on a database of supplier data gathered by Ramboll in several previous heat network projects.
Huber SSHP	2% CAPEX
Parat electric boilers	1% CAPEX
Water treatment	£/annum
Thermal store	2% CAPEX every seven years
DH network variable operation and maintenance	1.5% CAPEX
Solar PV	1% CAPEX

3.33. District heat network variable O&M – A percentage is included within the CAPEX calculations to include potential uplifts, overheads, and contingencies that will be required to deliver the project. These are presented in Table 7.

- **Builders work in connection (BIC)** is an allowance made for works such as building access, clearance, lighting, and painting.
- **Contractor costs** are costs associated with delivering the works such as materials, equipment, deliveries, and labour.
- **Optimism bias** is based on Green Book guidelines for construction projects and was set at 20%.
- **Contingency** is a factor applied to account for cost uncertainty at this stage of proposal. Workshopping with the project team has determined it be set to 20%, for a combined 40% uplift in price to allow for optimism bias and uncertainty.
- **Preliminary works** are works required to complete a project that do not form part of the completed work such as building preparation, site setup, making good of services and similar activities required prior to works that do not fall within contractor costs.

Table 7: Heat network variable operating and maintenance costs

Item	Energy centre items	Network and substations items
Builders work in connection	5%	5%
Testing and commissioning	5%	5%
Consultancy fees	8%	8%
Design costs	10%	10%
Contractor costs	10%	10%

Item	Energy centre items	Network and substations items
Project management and legal costs	5%	5%
Contingency	20%	20%
Preliminaries	15%	15%
Optimism bias	20%	20%

3.34. The economic life of the project is set to 40 years, with initial investment assumed to take place in year 0. It should be noted that financial years (April to March) have been used in the energy modelling and TEM. A 40-year project life cycle has been selected in line with industry best practice (e.g. as used in the Green Heat Network Fund).

3.35. The investment required to connect the building to the heat network is assumed to take place the year before heat is required. The regeneration is broken into four phases, but for the purposes of the modelling, the unit completion per year has been used as the phases span multiple years with different domestic, non-domestic and school heating demands. Demand is therefore assumed to be delivered in phases completing annually from 2026 to 2036 with final connection completing in 2041.

3.36. No VAT is included for any costs. No cost of borrowing is included, nor a sinking fund (sinking fund is money continuously set aside for future expense or emergency cover; this is a usual mechanism in special purpose vehicles to manage cashflows). Bad debts are not included through the cashflow calculation in the economic model.

3.37. OPEX, REPEX and operating and maintenance costs are included.

3.38. The modelling includes indexation for fuel and heat sale prices, CO2 content of the grid based on projections, and air quality impact projections published by the former Department for Business, Energy, and Industrial Strategy.

3.39. Heat extracted from the sewer is charged at a rate of £6 per MWh based on energy cost proposals supplied by Scottish Water Horizons for this project.

3.40. Electricity day and night tariff rates are based upon UK average variable unit costs and fixed costs for “Economy 7” electricity in 2019 as published by the former Department for Business, Energy, and Industrial Strategy.5

3.41. Costs of Electricity generation are based on the the medium band prices of fuels purchased by non-domestic consumers in the UK as published by the former Department for Business, Energy and Industrial Strategy.,6

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[5] assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/49374/qep224.xls (table 2.2.4)

[6] https://www.gov.uk/government/statistical-data-sets/gas-and-electricity-prices-in-the-non-domestic-sector (table 3.4.1)

Scenario economic appraisal

3.42. The critical success factors for this project are not limited to CAPEX, OPEX or REPEX independently and are tied to the performance of the cashflow including the levelized cost of energy to provide beneficial IRR and NPV. Key economic performance indicators derived for the five scenarios are shown in Table 8, comprising of LHT, LCOE, NPV and IRR calculated over the project period of 40 years.

3.43. The summary in Table 8 below shows that all five scenarios have a positive IRR and NPV and so are viable compared to the counterfactual scenario. The IRRs below are preliminary and refined in the later sections.

3.44. A graphical representation of the cashflow comparison for revenue and expenditure is shown in Figure 4. This demonstrates how little variance there is in the expenditure and how valuable increased revenue through additional connections are.

Table 8: Shortlisting Scenario expenditure summary

Item	Scenario 1: Core	Scenario 2 Core + East	Scenario 3: Core + West	Scenario 4: Combined	Scenario 5: New builds only
CAPEX (£m)	40.408	43.618	43.618	45.368	39.631
Levelized heat tariff (£/MWh)	248	244	247	243	276
Levelized cost of energy (£/MWh)	202	193	199	199	251
NPV (40 years) (£m)	16.262	18.324	17.320	18.495	3.749
IRR (40 years)	5.8%	6.2%	6.1%	6.2%	4.1%
Discounted payback (years)	25	25	25	24	36

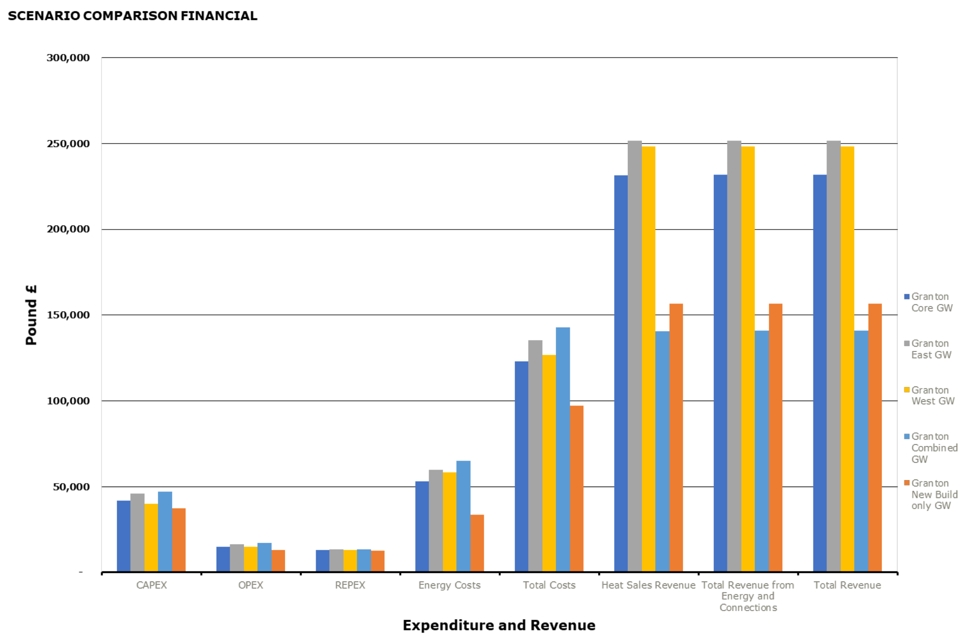


Figure 4: Shortlist Cashflow Comparison

3.45. The heating tariff for each scenario is higher than scenarios considering conventional heating plant (gas), however when compared to the higher energy costs of an all-electric counterfactual (air source heat pumps at communal level) the costs are in the favour of the economies of scale afforded by a heat network.

3.46. The critical success factor of reducing property energy costs opened the discussion around reducing the heating tariff for residential customers through the removal of connection charges, on the assumption that connection charges will be paid on connection completion by the developer for the connected building.

3.47. In line with the desire to measure the impact of cost to residential, commercial, and school energy costs, the economic model was adapted to derive the breakdown of component energy costs for each of the connection types. Table 43 to 46 in Appendix 1 show the counterfactual and individual scenario cost of energy when separated into the three main demand categories - residential, schools, and non-residential for comparison to the expected LCOE for each. The tables also show the overall scenario cost of energy and the resulting heating tariff when compared to the counterfactual revenue. Each table demonstrates that each of the connection types in each of the scenarios results in a lower cost of energy for the scenario when compared to the cost of energy for the counterfactual. Each table also summarises the overall levelized costs of energy for the scenario and the derived heating tariff to indicate the viability of providing energy at a lower cost when compared to the counterfactual.

3.48. A summary of the resulting LCOE for the counterfactual and each scenario's residential component is shown in Table 9. Each scenario's LCOE remains below the counterfactual costs and the removal of the connection components shows a further reduction in the cost of energy for each residential/domestic consumer. In practice this results in a lower heating tariff for the consumer with the same revenue for the project.

3.49. The connection charge is also recorded to be lower for the counterfactual, but this is outweighed in the levelized energy cost by the lower operating and maintenance costs attributed to the heat network.

3.50. In terms of cashflow, the heating tariff average over the network connection types in either scenario remains the same while the time and rate of revenue is varied resulting in a change in IRR, NPV and payback term. The economic modelling at this stage has assumed the proportional charge for consumers as per Table 9. The final breakdown of tariffs is further refined in the financial model.

Table 9: Summary of residential LCOE less connection charge for scenario versus the counterfactual position

	Core		West		East		Combined		New Build	
	LCOE Scenario	LCOE Counterfactual	LCOE Scenario	LCOE Counterfactual	LCOE Scenario	LCOE Counterfactual	LCOE Scenario	LCOE Counterfactual	LCOE Scenario	LCOE Counterfactual
Connection (capital) Cost **(£/MWh)**	96.75	51.55	92.57	51.25	93.13	51.55	91.02	51.25	136.30	51.55
Variable (energy) cost **(£/MWh)**	65.44	78.30	67.79	78.32	68.16	78.30	70.20	78.32	59.32	78.30
Standing (O&M)) **(£/MWh)**	32.84	179.68	31.45	178.83	31.34	179.68	30.47	178.83	45.16	179.68
Total costs **(£/MWh)**	195.03	309.52	191.81	308.40	192.62	309.52	191.69	308.40	240.78	309.52
Domestic without connection **(£/MWh)**	98.28	257.98	99.24	257.15	99.49	257.97	100.67	257.15	104.48	257.97

3.51. The final critical success factor for comparison is the lifetime carbon impact of each of the proposals. A summary of the carbon reductions when compared to the counterfactual are presented in Table 10 below. The "Combined" scenario saves the greatest amount of CO_2 over the project lifetime due to delivering the largest number of connections.

Table 10: Shortlist lifetime CO_2 savings vs gas boiler

Scenario	t/CO2 saved
Core	163,578
Core + East	175,633
Core + West	173,082
Combined	185,233
New builds only	116,514

3.52. Each of the shortlisted options were weighted and evaluated against the defined critical success factors and their associated weighting, a summary of the findings is shown in Table 11.

Table 11: Shortlist scoring against weighted critical success factors

Weighting scoring criteria	Ranking by LCOE 25% score	Ranking by IRR 7% score	Ranking by NPV 7% score	Ranking by Payback Term 7% score	Ranking by Time to beneficial use 25% score	Ranked by Spatial Requirements 10% score	Ranked by carbon emissions 20% score	Final ranking
Scenario 1: Core	4	4	4	1	1	2	4	4
Scenario 2: Core + East	3	1	2	2	1	2	3	3
Scenario 3: Core + West	1	3	3	3	1	2	2	2
Scenario 4: Combined	1	1	1	1	1	2	1	1
Scenario 5: New builds only	5	5	5	5	1	1	5	5

3.53. Each of the core development proposals require an energy centre with little variation in physical size to meet the heat demand of the heat network and so score evenly against this critical success factor (spatial requirements).

3.54. Scenario 5 (new builds only) identified a significantly higher LCOE as a result of lower demand profiles for the new build properties. This would bring the heat network solution cost of energy to a cost greater than the counterfactual communal heating systems at block level and is thus not considered a viable solution.

3.55. The higher energy cost for new builds only highlights network reliance on the existing buildings as anchor loads as the lower energy demand profile of the new build scenario is insufficient to make full use of the heat network infrastructure.

3.56. The critical success factor exercise identified scenario 4: combined as the best option for the heat network; scoring highest in the weightings attributed to the revenue viability criteria.

3.57. The combined scenario is also shown to have the greatest carbon emissions impact when compared to the gas boiler counterfactual, this is reflected in the social LCOE developed in the TEM model but is not necessarily required to validate the commercial case. This is the scenario that is taken forward to preferred option development.

Preferred option techno-economic development

3.58. The "combined" scenario was identified as the preferred option to be carried forward for final cashflow, commercial, and financial development due to its performance against the project's critical success factors. This further development will update the scenario's key economic indicators (such as NPV and IRR) as well as carbon emission savings and social impact. These indicators can then be used to analyse the preferred scenario against an alternative low carbon counterfactual scenario and will provide the basis for the Financial Case.

3.59. Capital costs, risk allowance and pipework routing were adjusted in line with further supplier engagement to provide greater accuracy in the Economic Case.

3.60. Electrical connection costs associated with the heating network full build out were added in phases to align with the Granton Waterfront phased installation and the demand of the energy centre required to meet each phase.

3.61. Assumptions for CAPEX, OPEX and uplifts remained as per Table 6.

Cashflow

3.62. A summary of the capital cost for the heat network can be seen in Table 12; a summary of expenditure is shown in Table 13.

Table 12: Summary of preferred option capital costs

Cost item	Cost (£m)
Energy centre equipment CAPEX	17.327
Network CAPEX	15.652
Total extra energy centre and network costs (uplift rates as per Table 7)	18.196
Risk uplifts	13.192
Total (ex VAT)	**64.367**

Table 13: Summary of expenditure

Expenditure item	Cost (£m)
Nominal capital costs	64.367
Nominal annual O&M costs	15.829
Nominal total REPEX	13.647
Total energy cost	54.909
Total expenditure	148.752

Table 14: Summary of Revenue

–Revenue source	Cost (£m)
Heat sales revenue	205.150
Capital funding revenue	-
Total revenue from energy and connections	205.293
Total revenue from funding and incentives	6.064
Total revenue	**211.357**

3.63. Revenue assumptions remain as per the original scenario modelling with the modification of connection costs for residential properties. Residential connection costs are assumed to be paid in full in the year of connection for all domestic properties. While connection charges for non-domestic buildings continue to be modelled as a component of the heating tariff, it is expected that the new primary school connection may also be paid in the year of connection. This has been developed in the financial model presented in the financial case and has a minimal impact on the IRR and NPV presented in this economic case, as the charges in the heating tariff are adjusted to take account of the time value of money.

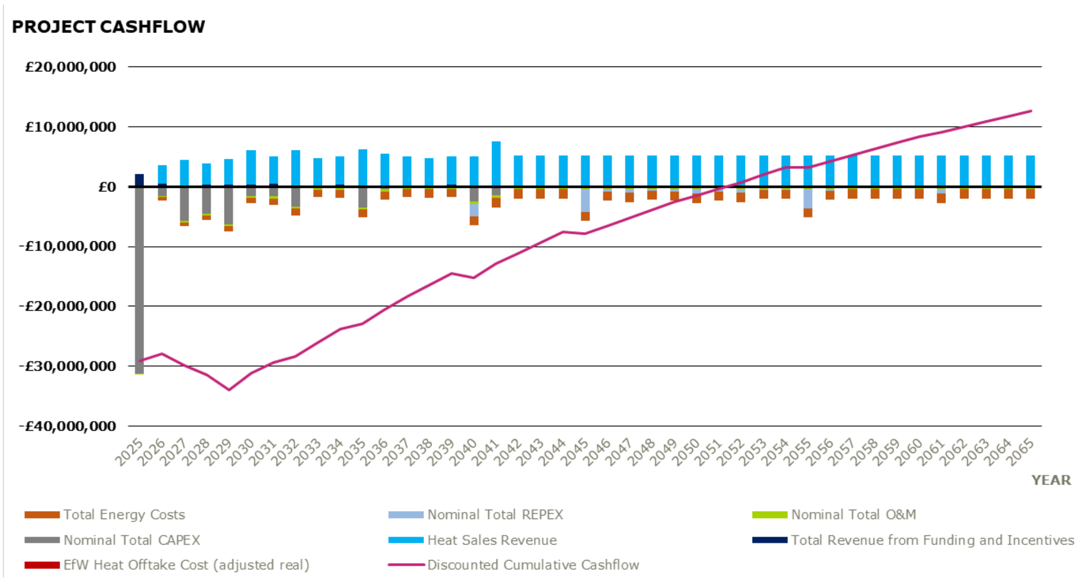


Figure 5: Preferred option cashflow

3.64. Table 14 and Figure 5 compare the key revenue factors of the preferred option to the counterfactual. The key savings to the installation of the heating network result in a more beneficial levelized cost of energy and resultant revenue.

3.65. Table 15 shows that when compared to the counterfactual communal ASHP option there are comparatively higher carbon emissions. This is as a result of the use of electric boilers to meet the demand for the site. The counterfactual assumes the same demand us met through a heat pump which operates with a higher efficiency at higher capital cost.

Table 15: Preferred option CO_2 comparison

Option	CO_2 emissions (tonnes) per annum	Equivalent to gas
SSHP heat network	10,839	6%
Communal ASHP counterfactual	6,755	4%
Gas boiler counterfactual	181,537	100%

3.66. Figure 6 illustrates the comparison in costs for the heat network versus the counterfactual. While the CAPEX of the heat network is higher for the heat network, the OPEX and REPEX is lower. The energy cost is comparable for the two.

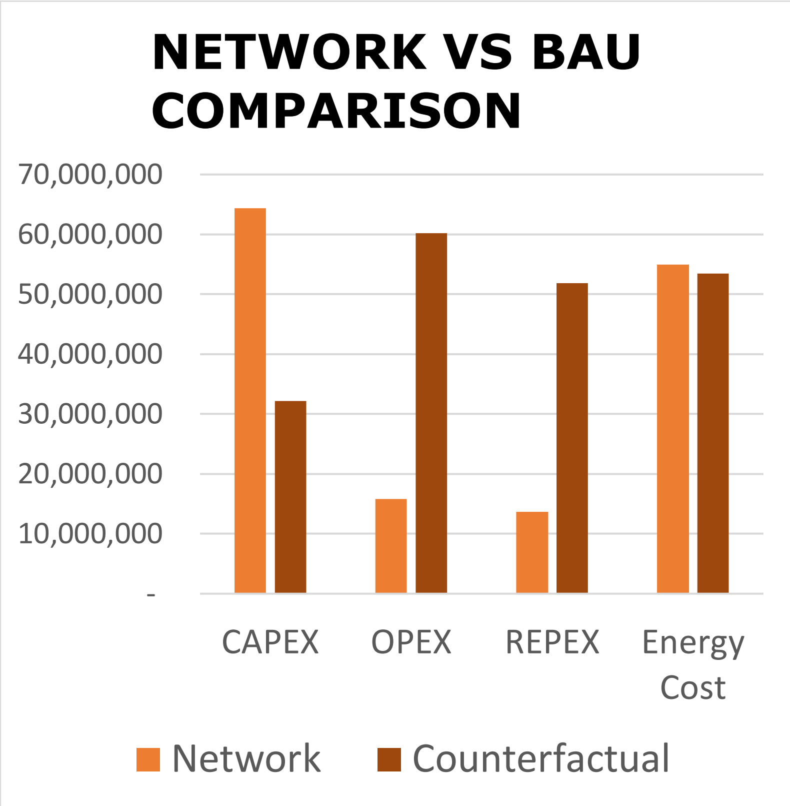


Figure 6: Preferred option revenue comparison

3.67. Table 16 shows the preferred option and counterfactual LCOE comparison to bring into focus the benefit to revenue that can be achieved through use of the preferred option as a whole through the network.

3.68. The cashflow uses the counterfactual LCOE against the cost of energy for the scenario to generate revenue. The lower OPEX and REPEX figures result in a lower fixed cost for the scenario which over the 40-year term results in a lower cost of energy.

Table 16: Preferred option LCOE comparison

Heat sales/LCOE comparison (£/MWh)	Total LCOE	Variable component	Fixed component	Connection component	Total LCOE after uplifts
Preferred option	236	65	33	138	236
Counterfactual	254	64	122	68	254

3.69. A summary of the key economic assessment factors is shown in Table 17. The summary shows that the preferred network has a positive IRR and NPV at 40 years without external funding or investment. Additionally, the heat network LCOE is lower than the counterfactual LCOE, which means that the heat network has the benefit of providing energy for a lower cost and has the potential to recover capital costs at a higher rate by charging up to the avoided costs figure.

Table 17: Average Economic Assessment Results

Metric	Value
CAPEX (inc. VAT) (£m)	64.367
Levelized heat tariff (£/MWh)	254
Levelized cost of energy (£/MWh)	236
NPV (40 years) (£m)	12.630
IRR (40 years) (%)	5.3%
Discounted payback (years)	27
Saved CO_2 Emissions year 40 vs gas boilers (tonnes)	170,697
Saved CO_2 Emissions year 40 vs ASHP Counterfactual (tonnes)	(4,081)

3.70. Social NPV and Social IRR values consider the net benefit of heating costs, emissions savings, and air quality advantages versus the counterfactual. Social NPV and IRR are evaluated against the ASHP counterfactual to show the difference in electrical options and against individual gas boilers. Table 8 shows the project's economic performance (base) along with the social values when heating cost, emissions and air quality benefit/cost are quantified for both a gas boiler counterfactual and ASHP counterfactual. The social impact compared to gas boilers is significant due to the much higher heating cost which the benefits from lower emissions and air quality improvements do not make up for. For the ASHP counterfactual, the impact of the social costs is comparatively lower due to lower variations in heating cost and emission savings.

3.71. Social assessment has determined that the counterfactual of ASHP at communal level is more expensive to install but has a lower environmental impact. The cost of the increased environmental impact through the SSHP adoption is measured and deducted from the NPV and found to still result in a higher NPV for the scenario and thus proving value for money.

Table 18: Social values for network against counterfactual positions

Metric	Base	Social (gas boiler counterfactual)	Social (ASHP counterfactual)
NPV 40 years (£m)	12.630	(63.987)	6.590
IRR 40 years (%)	5.3%	(10%)	5%

Sensitivity analysis

3.72. Sensitivity analysis for the key project criteria has been carried out to determine the effect of any variation in these criteria to the IRR of the project, as a measure of the project's ability to pay back within the project term and profitability.

3.73. Sensitivity assessment of the below criteria has been carried out to measure the impact of either an increase or decrease in value of 30%, 20%, or 10%. The impact on the IRR for each of the sensitivities at 40 years is shown in Table 19 and summarised in Figure 7.

3.74. An IRR lower than 5.3% performs worse than the preferred option, and an IRR of 3% represents a project which does not break even in the 40-year period.

Table 19: Resulting IRR from sensitivity analysis of key project criteria

Key project criterion		Resulting IRR compared to base case of 5.3%					
	-30%	-20%	-10%	0	10%	20%	30%
CAPEX	9.8%	7.9%	6.5%	5.3%	4.4%	3.6%	2.9%
Energy demand	1.7%			5.3%			-1.9%
Residential variable heat price	4.7%	4.9%	5.1%	5.3%	5.5%	5.7%	6.6%
Residential standing	3.9%	4.4%	4.9%	5.3%	5.8%	6.2%	6.6%
Electricity price change	5.3%	6.0%	5.7%	5.3%	5.0%	4.6%	4.3%
Grid export price	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%

3.75. Sensitivity analysis has found that the preferred option is critically sensitive to:

- CAPEX increase by ≥30%, resulting in an IRR of 2.9%
- Variation to energy demand, a reduction of 30% results in an IRR of 1.7%

Impact of five year delay

3.76. The Council identified a notional risk of delayed connection of some of the demand scenarios. It was decided that a sensitivity of the model to the potential delay to investment and build out of the second phase by five years be carried out. For the purposes of the sensitivity testing, it has been assumed that development ceases through 2030-2034 and that capital expenditure and revenue are delayed until 2035 to determine the impact of delay on overall cashflow, the sequencing of following developments remain sequential in line with the preferred option scenario.

3.77. Cashflow for the preferred option and the five year sensitivity are represented in Figure 7, the impact of the loss of revenue due to a delay of Phase 2 does not have a significant impact on the payback term with only a 0.1% change in IRR and £465,000 increase in NPV.

Table 20: Five year delay economic performance comparison

Economic assessment comparison	Preferred option	Five year delay
Levelized heat tariff (£/MWh)	258	251
Levelized cost of energy (£/MWh)	236	235
NPV 40 years (£m)	12.630	13.095
IRR 40 years (%)	5.3%	5.4%

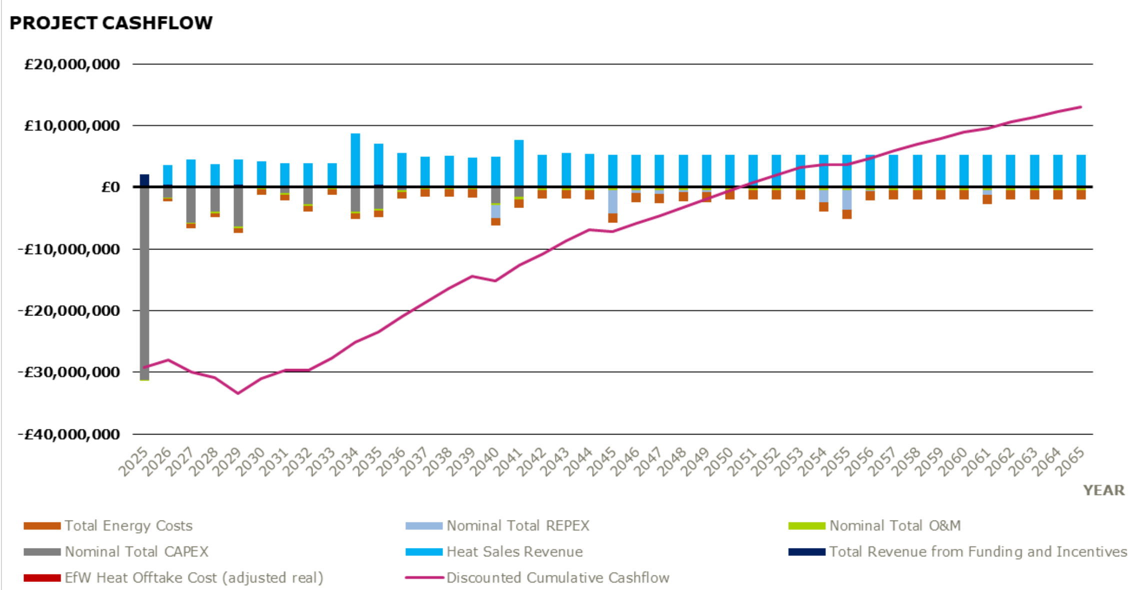


Figure 7: Five year delay sensitivity cashflow

3.78. The sensitivity testing of a five-year delay to Phase 2 of the Granton Waterfront regeneration found:

- Project performance is largely unaffected.
- LHT and LCOE show benefits through the reduced energy demand resulting in lower energy costs.
- NPV and IRR show improvement aligned with the LHT and LCOE.

Impact of loss of anchor loads

3.79. A sensitivity analysis of the dependency on the anchor loads was carried out to determine the effect on economic viability of the preferred option. Modelling assumed that all three anchor loads failed to connect to the network.

3.80. The anchor load connections removed during the sensitivity analysis were:

- National Museums Scotland campus
- Edinburgh College campus
- National Galleries of Scotland building

3.81. For this assessment it is assumed that the Council-owned properties of St David's RC Primary School, Craigroyston Community High School and Ainslie Park Leisure Centre connect to the heat network.

3.82. Removal of these three anchor load properties reduces the peak heating demand by 2,562 kW and annual demand by 4,419 MWh. Pipework does not change for the network as connections extend beyond these buildings for other demands. The reduced peak demand is not within the modular sizing of electric boilers proposed and so energy centre CAPEX is unchanged.

Table 21: Loss of Anchor Load Economic Comparison

Metric	Preferred scenario	Anchor load sensitivity
Annual heat demand (MWh)	25,052	21,489
Levelized heat tariff (£/MWh)	258	275
Levelized cost of energy (£/MWh)	236	308
NPV 40 years (£m)	12.630	(6.180)
IRR 40 years (%)	5.3%	2.6%
Discounted payback (years)	27	No Payback

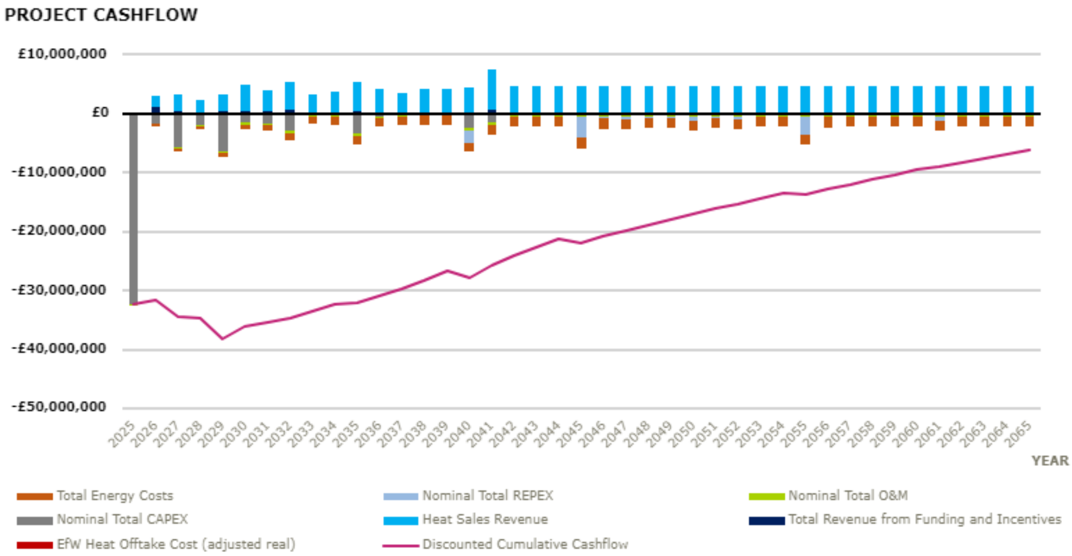


Figure 8: Loss of anchor load cashflow

3.83. Sensitivity analysis has found that the preferred option is critically sensitive to the loss of the National Museums Scotland campus, National Galleries of Scotland building, and Edinburgh College campus.

3.84. The loss of these anchor loads results in the cost of energy exceeding the counterfactual cost of energy and resulting heating tariff.

3.85. The NPV and IRR are critically impacted to the point of being below positive at year 40.

3.86. The loss of these anchor loads causes the payback term to fall beyond 40 years for the project and highlights the importance of retaining these connections.

Conclusion

3.87. The Economic Case sets out the process that was undertaken to identify a preferred option for delivering the heat network that will serve the Granton Waterfront and other local demands, including an options shortlisting and techno-economic analysis.

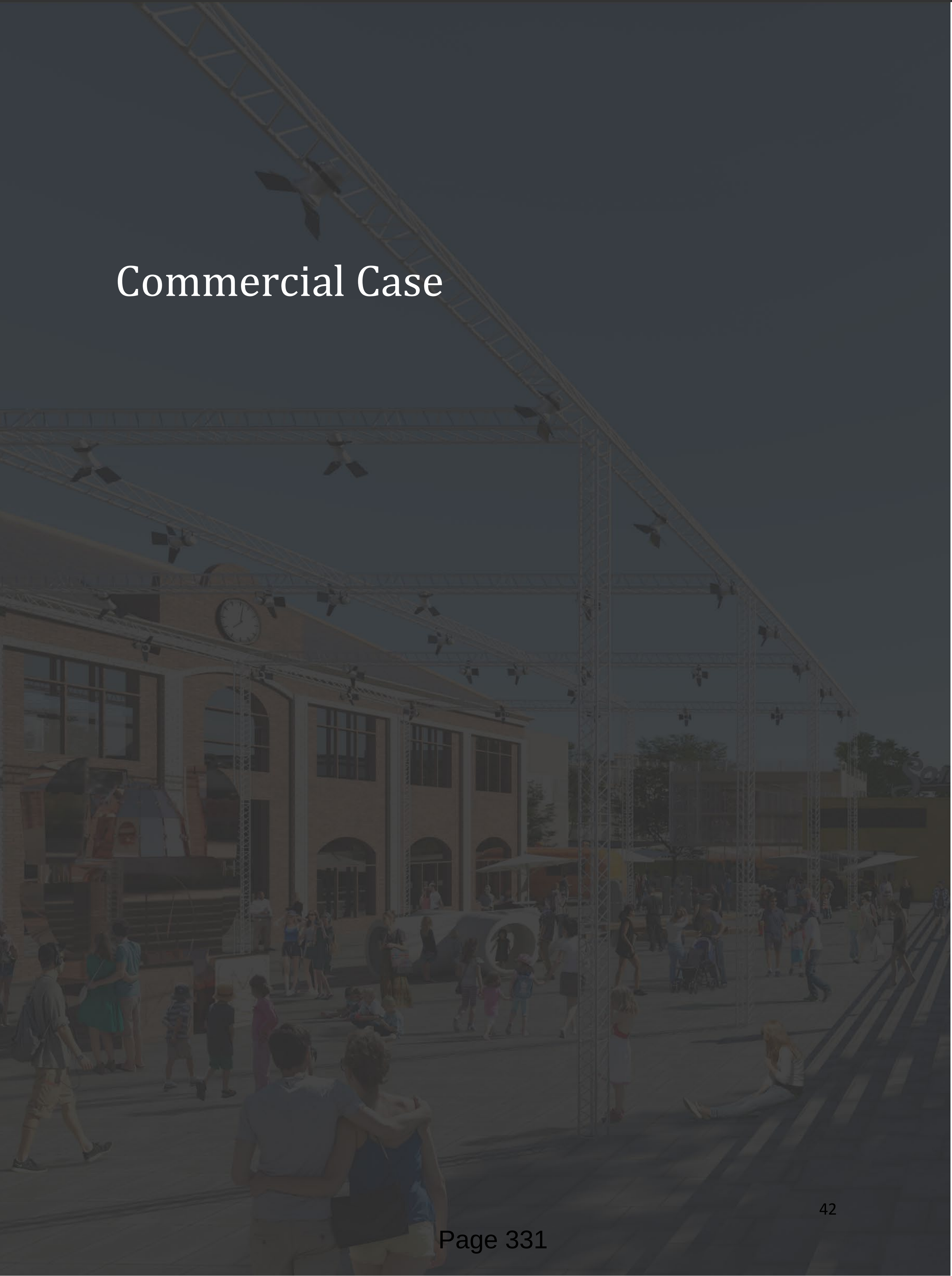
3.88. The preferred technological option, sewer source heat pump, has been observed to provide value for money for the network when compared to a communal air source heat pump solution and provides a broadly similar scale of carbon reduction when compared to gas boiler alternatives.

3.89. Shortlisting assessment against the critical success factors identified the “Combined” scenario, utilising a sewer source heat pump, as the preferred option. It has been evaluated to have best met the critical success factors identified for the project, and to be competitive in cost and carbon benefit when compared to the counterfactual technology of block level communal air source heat pumps. It is shown to have a positive IRR and NPV whilst also resulting in a lower cost of energy when compared to the counterfactual resulting in a healthy revenue stream through avoided costs. It is therefore recommended to continue to the financial model.

3.90. Sensitivity analysis shows that the project can permit a delay of five years between the completion of Phase 1 and connection of Phase 2 without negatively impacting the viability. The project is vulnerable to the loss of non-Council anchor loads.

3.91. Sensitivity analysis also noted that the project is critically sensitive to the combined loads of Edinburgh College, National Museum of Scotland, and the National Galleries. Should all of these demands fail to connect, the network does not prove viable when compared to the counterfactual air source heat pump selection.

Commercial Case



4. Commercial Case

Chapter summary

- The preferred option for the project delivery structure is a private sector-led concession model. This model entails a private sector partner being responsible for delivery of the heat network and for its ongoing operation, including sales and customer service. The Council will participate primarily as a customer of the heat network and a facilitator of public sector connections. Private sector interest in this model was confirmed through market engagement.
- The intention is to achieve a high degree of risk transfer to the private sector while retaining Council control over key aspects. This will be achieved through a concession contract with the chosen private sector partner. The duration is anticipated to be 40 years. The contract would require the heat network operator to deliver minimum standards for customers and would include some price controls. The contract should also include a mechanism to ensure that returns are capped, and excess surpluses are invested in keeping prices low and/or supporting wider community initiatives rather than being retained as profits.
- Stakeholder engagement was carried out with potential anchor load customers of the network to mitigate demand risk for the project. All potential customers are supportive of the project and expressed a desire to connect subject to agreeing commercial terms. The team also engaged with Scottish Water Horizons as owner of the preferred heat source for the project to understand the potential terms of supply. Engagement with Cruden Group – the development partner for Phase 1 of the Granton Waterfront regeneration – continued in parallel with the heat network project.
- The proposed procurement strategy is to use a two-stage model. A competitive procurement with negotiation will be used to appoint a private sector partner to develop the heat network project further with a view to awarding the private sector partner the concession contract.
- There are examples of two-stage procurements being used successfully by the Council in other major projects. Potential bidders were positive about this approach through the market engagement. The main benefit of this model is that a heat network operator is brought in earlier to carry out the detailed development work which may avoid abortive work by the Council and may also shorten the overall delivery programme.

Introduction

- The purpose of this Commercial Case is to demonstrate that the 'preferred option' (as identified in the Economic Case) will result in a deliverable project from a commercial perspective.
- The Commercial Case describes the preferred delivery structure and seeks to demonstrate a viable procurement and contracting strategy for the project. The structure and strategy have been developed taking into account the Council's strategic objectives for the project and any project constraints and following discussions with key stakeholders.

- The Commercial Case is part of the overarching five case model used in this outline business case and should be viewed in conjunction with the Strategic Case, Economic Case, Financial Case, and Management Case.

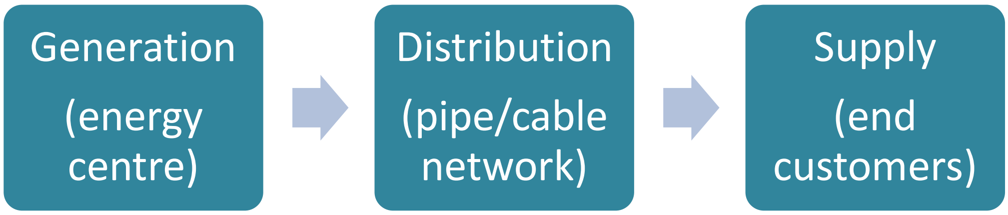
Delivery structure

Delivery structure: introduction

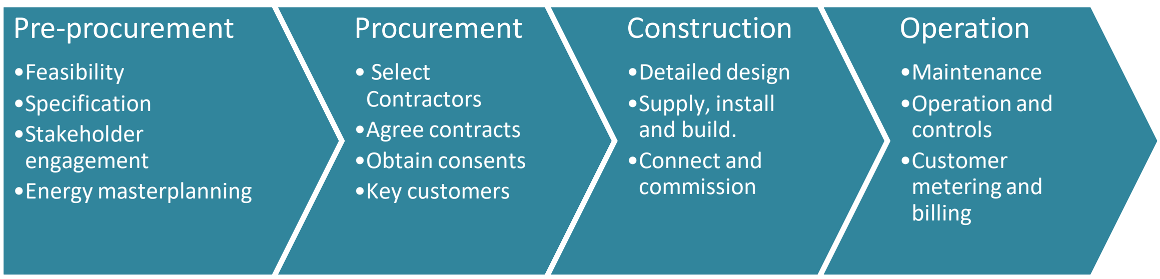
4.1. There are a wide range of potential delivery structures for a heat network project. Projects can be wholly public sector or wholly private sector. Projects can be delivered by joint ventures or using "unbundled" structures wherein supply and generation are separate from the network infrastructure. Joint ventures can involve public and private investment and can involve a corporate joint venture, a contractual relationship, or a range of collaboration measures. In each case, the project may be delivered with or without a specific project vehicle (SPV) or energy services company (ESCO).

4.2. There are several examples of different structures being used successfully to deliver heat network projects. There is no settled delivery model or best practice structure. The optimum delivery structure for each project is identified based on the strategic objectives of the project sponsors and stakeholders and any project constraints such as identified heat source or availability of funding.

4.3. Each project can be separated out into different core businesses and activities. A project will also develop through different stages. The core business areas for a heat network project are:



4.4. The key phases of project development are:



4.5. These various project elements lead to a range of roles and responsibilities on the project and there are a variety of means by which these may be allocated. That allocation is usually based on a range of factors, including each party's appetite for risk and desire for control of the project.

4.6. The project team has considered the full range of options from wholly public sector led models through concession and joint venture models to wholly private sector models and potential variants. This included considering the use of an ESCO as a delivery vehicle for the chosen model.

4.7. To derive a shortlist for delivery structures the project team and advisers considered the following key items:

- The critical success factors identified for the project as set out in the Economic Case. (Note that the Strategic Case describes the project objectives in more detail and identifies other benefits that could be delivered by carrying out this project.) For ease of reference here, the critical success factors are recorded as:
  - Meeting carbon emission reduction targets.
  - Reducing property energy costs – compared to the alternative of local air source heat pumps.
  - Financial viability – the project is self-supporting with a positive NPV and IRR although it is recognised that the project will require capital grant funding to be investable.
  - Delivers a heat network in time for delivery and occupancy of properties in the Granton Waterfront regeneration.
  - Spatial co-ordination – the energy centre can physically be accommodated in the available land within the development.
- The Council's appetite for risk and desire for control of the project as well as its desire and capacity to invest in the project and share in project returns. Generally, the more control a party obtains over the project or a particular aspect of it, the more risk it will have to accept. Consequently, if it is important for a large degree of risk transfer to be achieved, that may mean giving up a large degree of control.
- Identified constraints and interdependencies. There are limited items that are considered to impact the delivery model discussions. Specific items identified are:
  - Integration with the wider Granton Waterfront regeneration. It is critical that the heat network is built out in time to provide heat to properties at the development. Therefore, timelines are a key factor in determining the best commercial strategy. This is explored in more detail in the procurement section.
  - The preferred heat source identified for the project is to abstract heat from the Scottish Water sewer near the development. This means that the involvement of Scottish Water Horizons is critical to the project.

4.8. Initial discussions with the project team concluded that none of these factors drive a particular delivery structure and there was no basis on which to exclude delivery models. Many delivery models would be capable of delivering the project objectives. All of the following models were therefore taken forward for further consideration. Note that these options are described by reference to the 'owner' of the project at a relatively simple level. However, it is important to consider ownership models as a continuum from public to private with a full joint venture in the middle, with delivery structures moving back and forth along the continuum depending on the desired level of risk transfer versus control.

Option one – Public ownership model

4.9. The Council is responsible for delivering the entire project including heat generation, distribution and supply to customers. Assuming that the Council does not have sufficient resource or expertise to carry out the works, the Council would be responsible for procuring the necessary contracts to deliver the project. The Council would also be responsible for providing or sourcing finance for the project.

Option two – Private sector ownership model

4.10. The Council identifies the potential heat project and procures a private sector company to deliver the entire project: heat generation, distribution, and supply to customers. The Council and other public sector bodies may participate in the project by committing their heat load to the project and facilitating agreements required by the private sector e.g. wayleaves for pipes.

Option three – Public private partnership or joint venture model

4.11. The Council procures a private sector partner to deliver the entire project (heat generation, distribution, and supply) through a joint venture vehicle in which both the Council and the private sector partner invest.

Option four – Unbundled model

4.12. As stated earlier, a district heat project can be split into three discrete business functions: generation, distribution, and supply. One option for the project might be for the network infrastructure to be built, owned, and operated by the public sector with the private sector taking responsibility for heat generation and heat supply to end customers. There would be a charge for connecting to, and using, the network infrastructure.

4.13. With each option a separate delivery vehicle (or SPV/ESCO) could be used to deliver the project but there is no legal requirement to do so.

Delivery structure: process

4.14. The commercial models were presented and discussed with Council stakeholders informally and at two formal commercial workshops in September and November 2022. These discussions involved a range of Council officers from key service areas including finance, legal, procurement, regeneration, and energy. The second workshop included input from Executive Director level within the Council. Discussions took place considering the project objectives, interdependencies, and the Council's wider net zero carbon ambitions including the 2030 net zero carbon target. A note of the relative benefits and advantages of each option was provided in advance of commercial workshops with accompanying questions for participants to consider. Attendees' ideas and views were presented and discussed at each meeting and workshop.

4.15. Discussion focused on the level of involvement the Council might want to have in the project (ownership, control, investment) and the extent of the desire to bring in the private sector. While Council ownership and investment was not ruled out, a clear preference for a private sector delivery model emerged. Some key themes from the workshops in addition to discussion around the critical success factors included:

- **Delivery risk:** whilst it is recognised that the Council has established an ESCO (Energy for Edinburgh Limited), it was felt that the Council has no experience of delivering a heat network or running a licensed energy company which suggests it may be prudent to procure delivery from a private sector partner with capabilities in this area.
- **Reputational risk:** the Council will bear some reputational risk whatever the structure given that the Council is currently leading the project and that Council-owned residential and operational properties will be supplied. However, there was general support for energy supplies being made by an energy company rather than the Council as an energy company

would be experienced in delivering energy services and therefore better equipped to respond to customer demands and manage reputational risk.

- **City-level consistency:** ideally the model for Granton Waterfront might be replicable across the city to build efficiency into future network deployment. It is also important to ensure some level of price consistency for end customers across the city which will require a degree of Council control.
- **Council investment:** this was not ruled out if a return on investment could be made but would need to be considered against other priorities for the Council's capital budget.
- **Surplus profits:** there is also a desire to include anti-embarrassment / super profit provisions in a private sector model so that the Council and/or heat network customers can share in upside, particularly if the Council secures anchor load customers for the project.

Delivery structure: preferred option

4.16. Following the workshops, it was confirmed that the preferred delivery model for the project would be a private sector-led concession model. This model would involve full transfer of delivery risk for the heat network to the private sector including design, build, finance, operation, maintenance, metering, and billing. Full demand risk would be transferred with the operator's return on investment being achieved through heat sales. The Council and other public sector bodies may participate in and support the project by committing their heat load to the project.

4.17. This approach was further tested through a market engagement exercise via a prior information notice (PIN) published on Public Contracts Scotland in January 2023. Market respondents were all generally supportive of a private sector concession model, however, some were also keen to see a level of co-investment by the Council via a joint venture model. Most respondents were also comfortable with a high level of risk transfer, including demand risk. However, this depends on sufficient anchor loads being assured at Phase 1 of the project (see customer engagement below).

4.18. Feedback from the market engagement exercise showed potential investors would be looking for a financial return that is commensurate with the level of financial risk undertaken. In this context, the forecast project IRR as presented in the financial case is unlikely to support private sector investment under the Council's preferred delivery model (i.e. a concession) without subsidy. The Heat Network Fund is a potential source of match funding that could be used to bridge the viability gap and raise the project IRR to a level that would be of interest to the private sector, although further modelling and network development work would be required by the private sector to achieve a final investment decision.

4.19. The relative benefits and challenges with the preferred option are set out below.

- Benefits and opportunities:
  - Minimal resources are required from the Council except running initial procurement. The procurement could be single point as the private sector concessionaire would deliver all aspects of the project from design through to billing.
  - The project can benefit from private sector expertise from the development and specification stage of the project through to delivery. This can include technical and commercial capabilities.

  - There is scope for major risk transfer including overall delivery and timing risk from the Council to the private sector. There will also be a degree of demand risk transfer to the private sector, although the Council will facilitate the connection of key anchor loads (see paragraphs 4.28 to 4.33 for further information on customer engagement).
  - No or very limited Council funds are required (except potentially Scottish Government grant funding) in the delivery of the network and there may be access to a wider range of private investment. Funding may still be required from the Council and its public sector partners as customers to meet connection charges.
- Downsides and barriers:
  - Limited control for the Council over the project and its objectives although some degree of contractual control may be possible through a concession arrangement.
  - Limited control over future expansion albeit expansion may in fact be attractive to the private sector concessionaire.
  - Very limited opportunity for the Council to generate income from the project although the Council may still benefit as a customer of the scheme from reduced energy costs, assuming that the level of heat pricing can be controlled.
  - The project needs to be attractive to a private sector delivery partner and therefore needs to be able to deliver a commercial return on investment. This may conflict with the strategic objective to deliver affordable heat to a range of customers. The private sector may only want to include profitable elements of the project and may be reluctant to oversize the heat network.
  - A procurement process (or procurement mitigation) will be required to enable the Council and other public sector bodies to purchase heat from the network as customers.

4.20. Each of these risks and barriers are capable of management and mitigation as described above.

Project stakeholders and partners

4.21. The following key stakeholders /partners have been identified.

Table 22: Key stakeholders/partners

Stakeholder/partner	Role	Detail
City of Edinburgh Council	Project sponsor and key customer	The Council is the initiator and main driver of the project. They will also be a key customer for Council homes and non-domestic buildings.
Scottish Water Horizons	Heat source provider	This a core part of the project. The preferred technical option for a low carbon heat source is to abstract heat from the sewer infrastructure in Granton Waterfront which is owned and operated by Scottish Water.
Cruden Group	Development partner	Cruden Group is developing the first phase of new homes at Granton Waterfront. They are therefore a critical delivery partner in the build out and connection of properties to the heat network.

Stakeholder/partner	Role	Detail
National Museums Scotland, National Galleries of Scotland, Edinburgh College, Edinburgh Leisure	Key customers	All these customers are in principle keen to purchase low carbon, cost effective heat for their buildings in the Granton Waterfront area. (See paragraphs 4.28 to 4.33 for further information on customer engagement.)
Scottish Government	Potential funder	The intention is that Heat Network Fund grant support will be sought for the project.

Contractual relationships with stakeholders

4.22. There are expected to be several contractual relationships with identified stakeholders. (See also the contract map at paragraph 4.52 to see the full contractual arrangement for the private sector delivery model.)

4.23. There will need to be a long-term bulk heat supply arrangement with Scottish Water Horizons to enable, as a minimum, the connection to, and abstraction of, heat from the sewer infrastructure in Granton Waterfront. Commercial discussions with Scottish Water Horizons have already taken place and proposed pricing for the connection to the sewer and abstraction of heat has been included in the financial model. The Council has been provided with a form of use of sewer agreement as a basis for discussion. Scottish Water Horizons is generally supportive of the project and have offered the option of building an energy centre and providing bulk heat supply to the network if that is of interest to a network operator.

4.24. The Council will enter into a development agreement with Cruden Group for the delivery of Phase 1 of the Granton Waterfront regeneration. This will include an obligation on Cruden Group to ensure that both the private and public sector elements delivered via Phase 1 of the regeneration connect to the heat network.

4.25. Ultimately, Cruden Group will also need to enter into a connection and supply arrangement with the network operator to agree phasing and connection arrangements for individual properties. Based on evidence from other heat networks, there is a recognised risk that that these arrangements can take time to negotiate which may lead to delay. This could be mitigated by appointing a heat network operator as soon as possible or enabling bidders for the heat network to engage with Cruden Group during procurement. The potential timescales for procurement and then developing contracts will be factored into the master programme for the overall Granton Waterfront regeneration.

4.26. Heat supply agreements will be needed between the network operator and each of the key customers. (See paragraphs 4.28 to 4.33 for further information on customer engagement.)

4.27. Agreements will be required with any third-party funders. At present this may include a grant agreement with Scottish Ministers if the project is successful in being awarded funding under the Heat Network Fund (see the Financial Case for details of grant funding being sought).

Customer engagement

4.28. Demand risk is a significant risk for any heat network project and must be managed as part of the Commercial Case. Demand risk for this project is mitigated in several ways as detailed in this section.

4.29. Firstly, there has been good engagement with potential anchor load customers (as summarised in Table 36). The overall attractiveness of the scheme is dependent on these customers signing up to long term offtake agreements for heat. Securing formal commitment from these customers will be a key requirement for the early stages of project delivery and will be required before any significant capital spend is made. The intention is for public sector anchor load customers to be expressly named in the procurement contract notice as purchasers of heat from the network so that their heat supply is procured alongside the procurement of the heat network operator.

Table 23: Customer engagement

Customer	Progress
National Museums Scotland (NMS)	Positive commercial meeting held to discuss potential connection of NMS buildings to the network. NMS are supportive of the project. A Memorandum of Understanding between NMS and the Council has been signed to express support and commit to further engagement to agree terms for a heat supply.
Edinburgh College (EC)	Positive commercial meeting held to discuss potential connection of EC buildings to the network. EC is supportive of the project and has previously explored a similar solution for its campus. A Memorandum of Understanding between EC and the Council has been signed to express support and commit to further engagement to agree terms for heat supply.
National Galleries of Scotland (NGS)	Positive commercial meeting held to discuss potential connection of NGS buildings to the network. NGS are supportive of the project. A Memorandum of Understanding between NGS and the Council has been signed to express support and commit to further engagement to agree terms for a heat supply.
Public Private Partnership (PPP) Schools 2	Positive commercial meeting held to discuss potential connection of Craigroyston High School to the network. Connection would need to be instructed through a variation to the PPP2 contract. There are limited grounds for the operator to object to a variation.
PPP Schools 1	Positive commercial meeting held to discuss potential connection of Forthview and St David's primary schools to the network. Connection would need to be instructed through a variation to the PPP1 contract. There are limited grounds for the operator to object to a variation.
Edinburgh Leisure	Positive commercial meeting held to discuss potential connection of Ainslie Park Leisure Centre to the network. EL are supportive of the project.

4.30. Secondly, the Council will be able to mandate, through its development agreement with Cruden Group, that all the new homes to be built in the first phase of Granton Waterfront will connect to the heat network. This provides a high level of demand assurance. For future phases, the

Council, as landowner, expects to be able to mandate similar connections with any future development partner for those phases.

4.31. Thirdly, there is potential for the Council to designate the Granton Waterfront area as a Heat Network Zone under regulations expected to be introduced under the Heat Networks (Scotland) Act 2021 over the next two years. It is not expected that connections in a Heat Network Zone will be mandatory under the regulations, however, creating a Heat Network Zone in the area is anticipated to encourage future connections to the network.

4.32. Fourthly, as set out at paragraph 2.15, the City Plan 2030 mandates that "all new developments should connect to an existing or planned heat network or other significant heat source wherever possible to do so". This would in principle oblige new developments in the vicinity to connect to the heat network.

4.33. Finally, there is potential for future network expansion and this assumption was supported through the market engagement exercise. The Council does not intend to restrict the concession area for the heat network so that the heat network operator will have the ability to connect additional customers in future. Provision will be made as part of the procurement strategy to allow any such public sector customers to participate in the project at a later stage. The Council also considered the potential to procure an energy partner to deliver multiple heat networks across Edinburgh to expand the scale of the opportunity. However, the Council decided not to pursue this route, given the likely impact on programme of doing so, and the critical timing constraints for alignment with Phase 1 of the Granton Waterfront regeneration.

Property strategy

4.34. Based on initial reviews of the outline design for the project much of the project is anticipated to be within land owned or controlled by the Council, including the energy centre land and the heat network pipes to serve Phase 1 of the Granton Waterfront regeneration. Where possible, use will be made of the public highways for network pipes to serve the wider network, although additional wayleaves or servitudes may be required to be obtained for some connections as heat network operators do not yet have statutory powers to obtain necessary wayleaves. Necessary rights will need to be granted to the appointed network operator in due course.

Procurement and contracting strategy

4.35. There are three key procurement points for delivery of the project.

1. The procurement of heat to the network from Scottish Water's sewer from Scottish Water Horizons.

- The utilities procurement rules apply to the provision or operation of networks intended to provide a service to the public in connection with the production, transport or distribution of heat and the supply of heat to such networks and therefore to this element of the project. The public procurement rules do not apply to matters that are covered by the utilities procurement rules.
- The utilities procurement rules state that they do not apply to procurement for the award of a contract by a heat network operator for the supply of energy i.e. a heat network operator can procure the supply of energy in the form of heat onto its network without running a competitive process. Therefore, no procurement process is required.

2. The delivery of the heat network and the energy centre (including metering and billing of customers) i.e. the appointment of a concessionaire.

- A competitive procurement will be required to appoint the private sector concessionaire. The precise procurement route depends in part on the contracting strategy and the risk allocation. This is covered in more detail under the 'Choice of Process' section below.

3. The procurement of heat by the Council and its public sector partners as a customer.

- The Council's preference is to deliver the heat network through a private sector delivery model. The procurement rules would then apply to the supply of heat by that private sector operator to the public sector customers. This presents a procurement risk to the project where the public sector customers are providing key anchor loads to support the project and where a competitive process may result in an energy solution which doesn't involve purchasing heat from the network.
- It is therefore important to manage this risk by ensuring the supply of heat to the Council and the other public sector customers is included as part of a single point procurement of the private sector operator. How this impacts the procurement route is covered in more detail below.

Choice of process

4.36. A competitive procurement will be required to appoint the private sector concessionaire and to buy heat from that concessionaire. The most efficient option to achieve the overall project outcome is to run a single point procurement that covers both elements with all public sector customers named on the contract notice. This approach drives the applicable procurement regulations. The procurement regulations are mutually exclusive. The concession regulations apply to the procurement of a concession contract. However, the public contract regulations apply to the procurement of a heat supply. Based on the modelling done to date, the value of the heat supply contracts would be over the threshold for supplies under the public contracts regulations. Therefore, if the concession and the heat supply is procured together the recommendation from legal advisers is to use the public contracts regulations.

4.37. The project team and advisers have analysed the procurement approach for a heat network concession alongside the Phase 1 of the Granton Waterfront regeneration and market feedback received through the PIN process to help determine the most appropriate procurement process to use. A heat network concession is a complex project which requires a significant amount of development work to achieve final price certainty including detailed design work, further customer engagement and fundraising. The most appropriate procurement processes would involve a degree of dialogue or negotiation with bidders to deliver the best tenders.

4.38. The project team reflected that the Council is not sufficiently resourced to carry out an effective competitive dialogue or negotiation process on a single stage basis through to detailed design at the same time as progressing the development and delivery of Phase 1 of the Granton Waterfront regeneration. At the same time, the Council is experienced in running successful two-stage procurements for major projects and this approach has already been adopted for Phase 1 of the Granton Waterfront regeneration procurement. The project team also recognise the need to allow time for a pre-construction development phase for a heat network concession even if a single stage procurement is used as the concessionaire needs time to finalise customer contracts, complete supply chain procurement and agree programming and interfacing with Cruden ahead of starting construction. This places additional pressure on the programme and the project's ability to meet the critical success factor of getting a heat network built in time to serve Phase 1 of the Granton Waterfront regeneration.

4.39. The market engagement demonstrated that most potential bidders were keen to be fully engaged in discussions with stakeholders and customers as early as possible to finalise the design for the heat network. Potential bidders also wanted to take control of and progress designs and financial modelling themselves at the earliest opportunity to provide greater certainty on deliverability and avoid abortive work.

4.40. All of these factors strongly support running a shorter process to appoint a heat network development partner to deliver the final design and package of customer/ stakeholder contracts under a joint development agreement before finally appointing the heat network concession operator. The proposal is therefore to procure the project using a two-stage procurement model similar to that used for Phase 1 of the wider Granton Waterfront regeneration. The outputs of a joint development agreement would include:

- Full design of the heat network to connect the public sector anchor loads and the Phase 1Granton Waterfront homes and retail spaces.
- Procurement of the full delivery supply chain for the heat network.
- Heat tariffs and connection charges finalised and confirmed within target range/ benchmarked.
- Customer contracts agreed with public sector anchor loads.
- Connection and supply agreement agreed with Cruden Group including finalised programme.
- Use of sewer agreement negotiated and agreed with Scottish Water Horizons.
- Concession agreement negotiated and agreed with the Council.

4.41. The benefits and challenges of a two-stage procurement model can be summarised as follows.

Table 24: Benefits and challenges of a two-stage procurement model

Benefits	Challenges
• Potential programme savings through early appointment and shorter procurement which enables the development partner to start collaborating with Cruden Group and customers earlier and brings forward the development phase. • Early procurement of supply chain to enable input on heat network design which may avoid abortive or duplicate design	• Potential additional development fee (but this could be wrapped into overall project cost). • No competitive tension at second stage pricing making it more difficult to evidence best value and lowest heat tariffs although this can be mitigated through benchmarking and setting an agreed target range for tariffs. Some competitive tension can also be

work being carried out by the Council which the concessionaire does not use. • More cost certainty for construction (but may just benefit operator). • More robust negotiation and better engagement with customers can take place based on actual design with a specialist energy provider. • Better understanding of risk and lower bid costs may reduce overall project cost and hence keep heat tariffs lower. • May increase attractiveness of procurement to the market and allow more bidders to be shortlisted thereby increasing competitive tension at the first stage.	maintained through detailed negotiation of the concession contract. • Potential for lack of transparency on costs unless open book methodology is required. • Development process will still require input and resource from Council and consultants to test what the operator is doing, similar to longer procurement.

4.42. The overall programme benefits and the benefit of engaging an experienced partner early in the process to design and finalise the network and customer contracts supports the proposal to use two-stage procurement model. The challenges identified with using this approach above are capable of mitigation through good procurement design and robust contracts. For example, one of the key challenges associated with this approach is the lack of competitive tension at the point in time when the final heat tariffs will be derived based on actual costs. This challenge is mitigated by the fact that the development agreement and ultimate concession contract will require tariffs to be competitive against a low carbon counterfactual. The current intention is to require bidders to propose a discount to the counterfactual tariff and the discount would be preserved through to concession appointment. The concessionaire is also incentivised to deliver heat tariffs that will ultimately be attractive to customers or customers will decline to connect. The concession contract will also include minimum requirements on service standards and arrangements with customers and ultimately the concessionaire will need to negotiate commercially acceptable terms with the heat network anchor load customers and with Cruden Group as the development partner.

4.43. The project team then considered with advisers the most suitable procurement process to run to deliver the project using the two-stage approach.

4.44. An open procedure is not recommended because the tender process would be open to all, and all bids received must be evaluated. This is a large, complex project and resource should be invested in evaluating credible bids only. A process with bidder pre-qualification is recommended.

4.45. If the Council's requirements could be adequately specified at the outset of the procurement, then a restricted procedure could be run. It is quick and includes pre-qualification. However, there is limited flexibility. If there needs to be interaction with the contractor on the Council's requirements and/or significant negotiation around the contract terms, then it may be more appropriate to use a process that permits negotiation or dialogue. Given that the procurement strategy ultimately involves procurement of a concession for the full design, build, finance, and operation of the heat network, competitive negotiation/dialogue is likely to be more appropriate.

4.46. Consideration was given to using either competitive dialogue or competitive procurement with negotiation (CPN). The processes are similar in the early stage however, competitive dialogue involves dialogue to develop a solution and CPN involves negotiation to improve tenders. With a two-stage approach the development of detailed design will happen during the development phase rather than during the procurement process itself. On that basis the main benefit of using CPN is that there is no requirement for the Council to negotiate with bidders if acceptable bids are received in response to the initial request for tenders. Even if negotiation is required, the scope can be determined by the Council and restricted by focusing on key issues. There is no need to negotiate all aspects of the tender. CPN therefore offers flexibility with the potential to appoint a preferred bidder quickly.

4.47. The procurement timetable can be controlled by the design and preparation of a robust and well developed set of procurement documents and contracts and by actively managing the procurement process. Sufficient resource would have to be dedicated to the procurement by the Council. The Council procurement service is very experienced in running procurement processes for significant projects.

4.48. An indicative timeline for the key procurement steps taking into account internal governance processes is shown below:

Table 25: Timeline for key procurement steps

Procurement stage	Estimated timeline	Programme
Drafting contract notice, invitation to tender (ITT), and draft contracts	8 weeks	Week 0 - 8
Publication of contract notice	Once ITT and draft contracts are close to ready	Week 6
Shortlisting (PQQ) responses returned	Minimum 30 days after contract notice	Week 11
Shortlisting (PQQ) evaluation and decision	2 weeks allowing for clarification plus any internal governance	Week 13
Issue of ITT	Following decision on shortlist	Week 13
Tender submissions	6 weeks	Week 19
Negotiation meetings	4 weeks depending on items for discussion (if required)	Week 23
Final tender document issued	Following close of negotiation	Week 23

Procurement stage	Estimated timeline	Programme
Final responses returned	2 weeks after final tender invited	Week 25
Final evaluation and decision	3-4 weeks plus any internal governance	Week 29
Notice of intention to award contract	2-4 weeks after decision (contract finalisation).	Week 33
Standstill period	10 days following notice of intent to award	Week 35
Contract award and contract signature	Following standstill period	Week 35

Subsidy control

4.49. The current subsidy control regime will apply to this project and therefore any financial support or investment in the project by the public sector must be analysed for subsidy control purposes. The project has been developed to be compliant with subsidy control principles. The only subsidy currently anticipated under the private sector model is a capital grant from the Heat Network Fund. It is assumed that grant funding sought through Heat Network Fund in accordance with the intensity levels contained within the Heat Network Fund rules are likely to be subsidy control compliant. Formal confirmation has been sought from Scottish Government on this point.

Contracting strategy

4.50. The contracting strategy for delivery under the private sector model will be determined by the appointed heat network operator. This will be developed through the development phase with supply chain procurement being a key output of that phase. On that basis, the approach to downstream delivery contracts is not considered further in this business case. However, an indicative contract map for the project is inserted below.

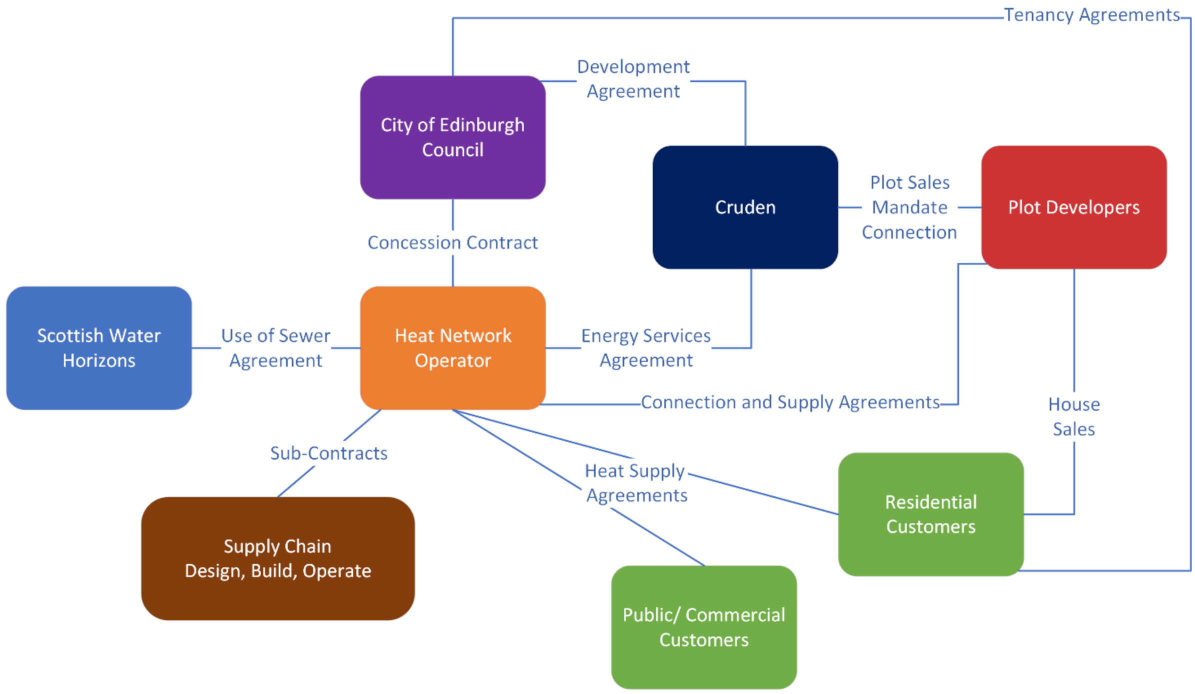


Figure 9: Contract map

4.51. The key contract for the Council in this structure is the concession contract with the appointed heat network operator. At the core of the concession contract is the opportunity for the heat network operator to supply heat to the Council, to public sector partners and to residents and businesses in Granton Waterfront. As can be seen from the contract map, the heat network operator will need to separately agree connection agreements and heat supply agreements with individual customers. Beyond the supply of heat, the concession contract terms need to balance the desire of the Council to retain control over securing certain key outputs such as: tariff levels, service standards, programme delivery, and alignment with strategic objectives while allowing the heat network operator sufficient flexibility and freedom to build and expand a heat network business to serve Granton Waterfront.

4.52. The concession contract will be drafted as part of the competitive procurement process to appoint a partner to develop the heat network, albeit it will not be finally agreed and signed until the development phase is completed. While there remains scope for development and negotiation during the development phase, the intention is that the concession contract will contain the following points:

- **Term:** The duration of the concession contract is intended to be 40 years. This has been the traditional period chosen for the financial modelling of heat network projects in recent years. Market feedback suggests that a longer duration would be welcome, but 40 years strikes a balance between allowing the concessionaire to make a business return and flexibility to respond to new market structures in the future. The options for the heat network assets on expiry will be discussed further but could include reversion to the Council for a future concession, although the residual value of those assets would need to be further considered.
- **Controls:** the concession contract is not a construction contract; it will be up to the concessionaire to design and build the network to meet the terms of the heat supply

agreements with customers. However, the Council will want to ensure that basic terms of those heat supply agreements are fair and market standard with minimum service standards and customer protection – at least until heat networks are fully regulated. This will include mechanisms to ensure the prices charged to off-takers remain competitive.

- **Default:** Ultimately, if the network operator's performance does not meet the minimum standards, then the Council will want to reserve the right to step-in to the concession and ultimately replace the network operator. The grounds for doing this will need to be carefully calibrated because the Council does not have the experience or resources to run a heat network.
- **Rights:** The Council will need to grant the concessionaire the necessary property rights to run the heat network.
- **Reward:** It is accepted and expected that a concession arrangement will generate a fair profit for the private sector. If the network operator is able to grow the network and build economies of scale, then there is the potential for that profit to increase. As the project is being facilitated by the Council and public sector partners, including potential Scottish Government grant funding, the intention would be to ensure that returns are capped at a certain level with surpluses beyond this cap being used to offer cheaper heat tariffs to customers, or potentially to support other community initiatives. This will be developed further in drafting the concession contract at the next stage.

4.53. It is also important to recognise that Scottish Government are in the process of implementing the Heat Network (Scotland) Act 2021 by introducing secondary legislation including regulations on heat network zoning and permits (effectively statutory concessions). The Council will engage with the Scottish Government to ensure that new rules do not conflict with the concession arrangements put in place for Granton Waterfront as these are likely to be in place before the regulations are passed. Equally, the Council can build in specific change in law provisions to the concession contract so that it can be adjusted to match the new statutory concession rules where this is desirable and appropriate.

Potential for risk transfer

4.54. The main opportunities for risk transfer have been identified in the sections above and as part of the detailed risk assessments of the delivery and contracting structure. Each of the risk sections above set out the mitigation and management options for the identified risks. The overall private sector delivery model selected by the Council ensures a high degree of risk transfer to the private sector on all aspects of the project. The Council retains a high degree of pre-delivery risk e.g. procurement risk and an element of reputational risk as the original project sponsor, landowner and core customer.

Plans for managing contracts

4.55. Dedicated project management resource will need to be allocated to the delivery of this project to manage the concession contract through construction and thereafter throughout operations. The need for a dedicated staff team is recognised as an essential resource to mitigate risks throughout the development and design stages and will need to be retained through the construction and operation stage but on a less intensive basis.

4.56. The overall programme for project delivery will be developed further alongside key stakeholders, including Cruden Group, both pre-procurement and in the development phase. A final business case will be brought for the necessary Council approvals once design is developed and final costs, and therefore heat tariffs, are known before the contracts are signed and construction commences.

4.57. The proposed internal governance arrangements for the project are set out in the Management Case.

Conclusion

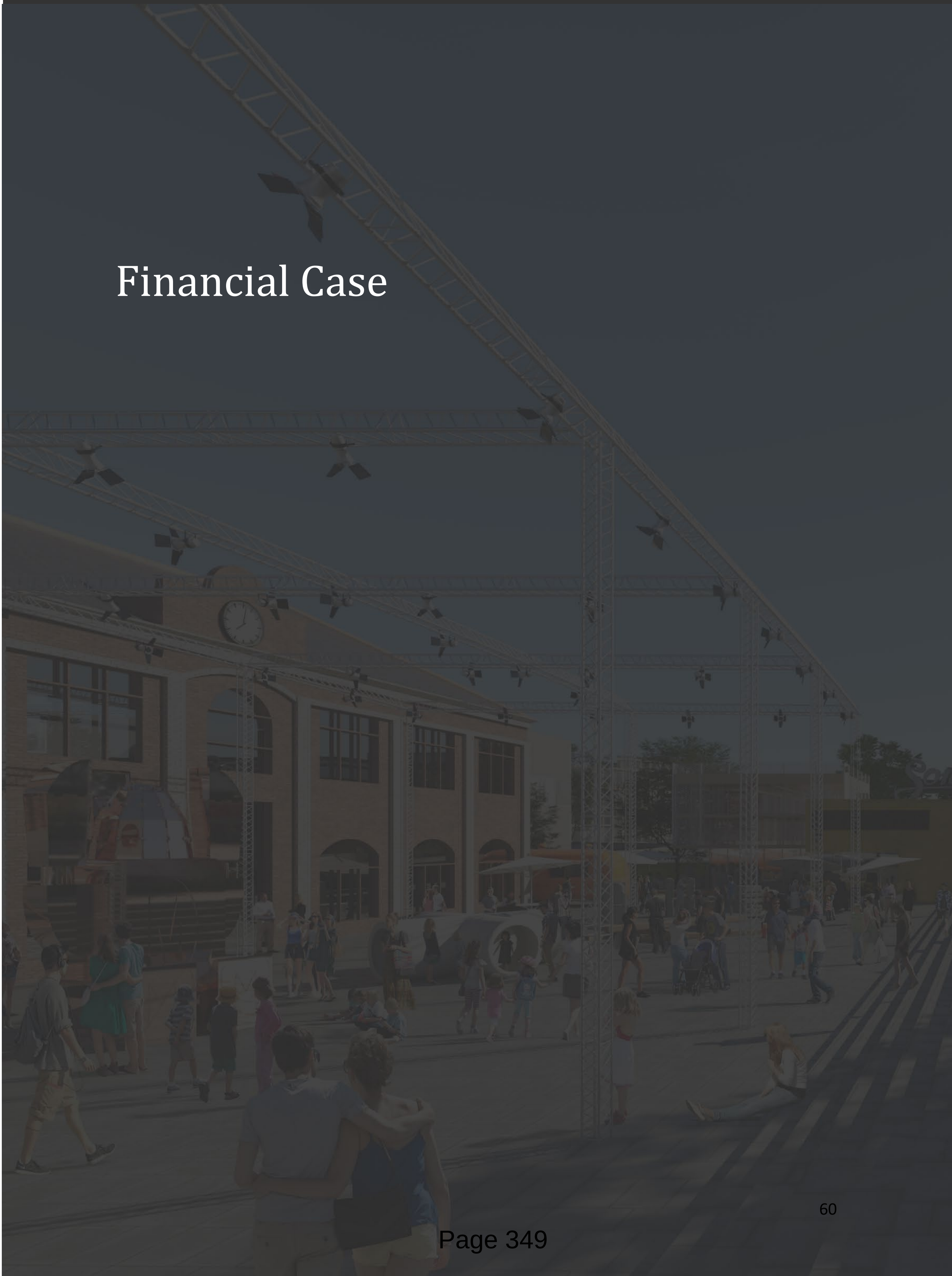
4.58. This Commercial Case demonstrates that there is a viable delivery structure and procurement and contracting strategy to deliver the Granton Waterfront heat network project.

4.59. The preferred project delivery structure of a private sector-led concession model has been identified and considered with stakeholders and confirmed through market engagement. This model is intended to achieve a high degree of risk transfer to the private sector.

4.60. All potential anchor load customers identified are supportive of the project and expressed a desire to connect subject to agreeing commercial terms. Engagement with Cruden, as the development partner for Phase 1 of the Granton Waterfront regeneration is also ongoing. This helps to mitigate demand risk for the heat network project.

4.61. The proposed two-stage procurement model is intended to bring the heat network operator on board earlier to carry out the detailed development work which may avoid abortive work by the Council and may shorten the overall delivery programme. The Council has positive examples of using this model in other major projects and this approach was supported through market engagement.

Financial Case



5. Financial Case

Chapter summary

- Modelling has been undertaken to determine the attractiveness of the proposed heat network at Granton Waterfront to a potential private sector investor.
- The modelling suggests that both the first phase of the proposed heat network and the full scheme would be self-financing. However, to be attractive to the private sector a combination of public sector grant funding and a reduction in the total cost would need to be achieved.
- The cost of heat to the consumer as assumed in the model is in line with other developments (both gas and low carbon alternatives) in the nearby area and as such results in a cost that would be affordable to consumers.

Introduction

Financial model

5.1. The purpose of this Financial Case is to determine whether the project would be attractive to the private sector, i.e. whether the project is financially viable on commercial terms.

5.2. In order to do this, a financial model has been built which takes the output of the techno-economic model (TEM) defined in the Economic Case and combines this with the preferred commercial option identified the Commercial Case. In doing so, the model takes account of all costs and income set out in the TEM and also includes allowances for inflation, tax, financing, and general company overheads.

5.3. The model produces a full set of financial statements over a 40-year period, which can be used to assess attractiveness to the private sector.

Commercial structure

5.4. The commercial case sets out the preferred delivery option to be a private sector-led concession model, whereby a private sector entity would receive all income from heat sales and use this to finance the costs associated with designing, building, financing, operating, maintaining, and metering/billing of the network.

5.5. While in practice, different entities would structure their operations and financing differently, for modelling purposes, the Heat Network Operator is assumed to be a simple special purpose vehicle (SPV). This SPV is assumed to be a UK limited company funded by a combination of a £1 equity share and a shareholder loan. Earnings are distributed to the investor in the form of loan interest, repayments, and dividends. To establish viability, the funding requirement is assessed alongside the earnings generated over time.

5.6. The key metric of viability is the internal rate of return (IRR). This is the discount rate at which the net present value of the investor's cash flow is zero, and as such represents the net rate of return for the investor.

Heat pricing

5.7. The Financial Case also looks at affordability from the point of view of a potential off-taker to ensure that pricing is both competitive and provides value for money for the consumer.

Project costs and revenue

Capital expenditure

5.8. Capital expenditure (CAPEX) assumptions have been taken from the TEM phased according to the wider Granton Waterfront regeneration programme (as can be seen in Table 12).

5.9. The TEM CAPEX figures are based on 2022 prices and so the financial model has added inflation where CAPEX is assumed past this point. While the short-term forecast has been assumed to peak at 4.5%, the steady state construction inflation rate has been assumed at 3.5% per annum.

Table 26: Financial model key dates

Item	Assumption
Construction start date	April 2025
Operations start date	April 2026
Anchor loads connection	2026-2027
Phase 1 connection	2026-2028
Phases 2-4 connection	2029-2036

5.10. The capital expenditure assumed in the TEM includes both risk and non-risk uplifts. The base capital cost has been uplifted by a total of 40% to account for risk, which comprises 20% contingency7 and 20% optimism bias8. Non-risk uplifts include provisions for items such as consultancy fees, design costs, contractor costs, and project and legal costs. This results in an uplift of between 52.5% and 57.5%.

5.11. Additionally, the cost of replacing key assets at the end of their economic life ("REPEX") has been included. Only REPEX relating to the energy centre has been capitalised, whereas REPEX relating to the network itself has been treated as a revenue cost. This is due to the assumed depreciation profile(as set out in paragraphs 4.20 to 4.22).

5.12. Capital expenditure with and without inflation for the project is detailed in 27.

Table 27: Capital cost requirements summary

Cost element	Base capital cost (£m)	Capital cost (Inc. non-risk uplifts) (£m)	Capital cost (inc. risk uplifts) (£m)	Capital cost (inc. inflation) (£m)
Energy centre construction	17.327	26.524	33.455	39.898
Heat network construction	15.652	24.651	30.912	41.150
Energy centre REPEX	7.977	7.977	7.977	19.525
Heat network REPEX	5.671	5.671	5.671	15.961
Total excl. REPEX ("eligible CAPEX")	32.979	51.175	64.367	81.048
Total incl. REPEX	46.627	64.823	78.015	116.534

[7] Contingency relates to unexpected costs arising during construction of the project, for example due to timing delays or changes to construction materials.
[8] Optimism bias refers to the innate bias that project sponsors have to underestimate costs for their projects. As such, an allowance has to be made to compensate for this.

Operating costs

5.13. The TEM covers most of the operating costs including the cost of running the energy centre and the cost of maintaining the physical network. Other than purchasing electricity which has been inflated by adjusting for assumed changes in energy pricing as per the Green Book valuation, the remaining costs have been inflated in the financial model at CPI.

5.14. Additionally, the financial model accounts for costs relating to company overheads, metering and billing, and business rates. The model has assumed that company overheads would include audit, insurance and asset management, and an allowance of £100,000 per annum (inflated at CPI) has been made. An allowance of £50 per unit per annum has been assumed to cover the cost of metering and billing for both residential and non-residential units. This is equal to the cost the Council incurs for this service in other developments and has also been inflated at CPI.

Tax

Non-Domestic Rates

5.15. Non-Domestic Rates are calculated by applying both a capitalisation rate and a rates multiplier to the eligible capital cost of the energy centre. Additionally, district heat networks can be eligible for business rates relief. While there are currently two different rates relief regimes, only one overlaps with the construction timetable, namely a 50% relief in rates up to March 2032. As such this relief has been assumed up to 2032, but not beyond.

Corporation Tax

5.16. The Heat Network Operator has been assumed as a limited company and so it would be liable to pay Corporation Tax on its taxable profits. As such, a full set of financial statements have been created within the financial model, alongside a detailed tax calculation.

5.17. The Corporation Tax rate is currently 19% but the model accounts for government plans to incrementally increase this to 25% beginning in the 2023/24 tax year.

5.18. To calculate taxable profits, the model takes the net profit/loss before tax and adds back non-taxable items such as depreciation and deducts the following allowances:

- Shareholder loan interest, with the deduction amount equal to the lower of (A) 30% of the taxable profit for the year, or (B) the lower of the *de minimis* allowance of £2m and the interest charge.
- Capital allowances in the form of a one-off annual investment allowance (AIA) of £200,000 and writing down allowances (WDA).

VAT

5.19. The model makes no allowance for unrecoverable VAT. It is assumed that customers will pay VAT on energy supplies at the relevant rate and that the Heat Network Operator will be able to recover all VAT paid on its expenditure.

Depreciation

5.20. To calculate depreciation, assets have been split into two broad categories and depreciated based on their estimated useful lives. Energy centre spend was depreciated on a straight line basis over a 20-year period. Accordingly, REPEX relating to the energy centre has been capitalised and depreciated in the same manner.

5.21. Heat network spend has been depreciated over a 40-year period. As the asset has not been fully depreciated by the time replacement expenditure is due, REPEX cannot be capitalised.

5.22. As mentioned previously, this results in the network REPEX cost being charged to the profit and loss account rather than an addition to the non-current assets section of the balance sheet.

Revenue and heat pricing strategy

5.23. The majority of the revenue from the heat network is generated by charging off-takers for the supply of heat, with an additional amount raised via the sale of excess solar energy back to the grid (at a rate of £45.10/MWh).

5.24. The starting point for calculating tariffs is the cost of a low carbon alternative (the counterfactual or BAU), in this case an air source heat pump (AHSP)-based solution.

5.25. Off-takers are split into three categories: residential properties, non-residential properties, and schools.

5.26. Charges are split into three elements:

- an upfront **connection charge** that is equal to the capital cost of the installation of ASHPs, as well as the amount due to Scottish Power Energy Networks (SPEN) to upgrade the electricity network so that it can meet the increased demand for electricity for heating purposes.[9]
- a **standing charge** or fixed tariff set at a £/property/per annum (inflated at CPI);
- and a **variable tariff** set at a £/MWh (inflated at an adjusted CPI rate that accounts for the expected fluctuation in electricity prices).

5.27. It should also be noted that the model treats the connection income as deferred income in the balance sheet and releases it to the statement of profit and loss over a 20-year period, matching the write down of the energy centre CAPEX. Variable and fixed income is treated as revenue in the statement of profit and loss.

5.28. The proposed connection charge was compared to the capital cost of the community ASHP heating system currently being installed at the Western Villages development in the Granton Waterfront regeneration area. The connection charge was found to be considerably cheaper, which suggests that it may be possible to increase this element of the tariff.

5.29. The counterfactual standing charge and variable tariff for both residential and non-residential10 customers were compared to current heat tariffs and those proposed for the Western Villages development to determine whether this represented value for money for the consumer, as set out in Tables 28 and 29.

Table 28: Residential tariff analysis

[9] The amount SPEN will charge is likely to differ between different phases of development as the need to upgrade infrastructure is not only linked to the heat network, but also other developments in the Granton Waterfront area. For the purposes of modelling the charge has been distributed evenly among customers so the charge is the same, irrespective of connection date.
[10] For the purposes of this analysis tariffs for the schools are the same as for non-residential properties

Residential comparison, year one costs	Units	Granton Heat Network BAU	Typical gas 85% efficiency, low maintenance	Typical gas 85% efficiency, high maintenance	Western Villages development
Demand kWh/year	kWh	3,670	4,318	4,318	3,670
Variable charge	£/year	287	423	423	389
Standing charge	£/year	621	102	102	249
REPEX included?		Yes	No	No	No
Maintenance Cost	£/year	(included above)	150	300	No
Total cost	£/year	**909**	**675**	**825**	**724**
REPEX estimate (BAU equivalent)	£/year	-	146	146	146
Total comparative cost	**£/year**	**909**	**821**	**971**	**870**

Table 29: Non-residential tariff analysis

Non-residential comparison	Units	Granton Heat Network BAU	Council tariff	Small-medium commercial gas
Variable	***p/kwh***	**4.98**	**5.67**	**16.20**
Standing Charge - heat network OPEX/maintenance	*£/kW/year*	*17*	-	-
Standing charge - REPEX	*£/kW/year*	*114*	Not included	Not included
Standing charge total	***£/kW/year***	**131**	**21**	**26**
REPEX estimate (BAU equivalent)[11]	*£/kW/year*	-	114*	114*
Comparative Standing Charge	***£/kW/year***	**131**	**135**	**140**

5.30. This analysis shows that the BAU tariff is comparable to other tariffs once full maintenance costs and REPEX costs are taken into account. On this basis, it is considered appropriate to use the BAU tariff as the basis of the heat pricing for the heat network.

5.31. Using the financial model, analysis was carried out to understand how the financial risk and performance for the heat network operator might change when varying the proportion of each element of the tariff, variable and standing charge, and how each may be indexed overtime. The aim was to have a robust charging structure which remained commercially viable when tested under different market scenarios, focussing on general inflation, energy price movements and

[11] For comparison a cost equal to the GHN REPEX has been assumed.

heat volumes as these are the key drivers for future changes in the cost of operating the heat network.

5.32. The objective of the exercise was to determine a set of tariffs where changes in cost –either through demand fluctuations or inflationary pressures – were matched with corresponding changes in income. A well-balanced set of tariffs would limit the heat network operator's exposure to risk and also reduce the likelihood of significant windfall profits, thus protecting consumers. Analysis shows that a heat tariff which has a fixed element or standing charge of 67% is required to meet the fixed cost base for the project. Linking the variable tariff to electricity price movements would result in a more commercially viable balance of risk and reward with the network as a whole.

5.33. This fixed element (67%) is higher than the comparable tariffs assessed in Tables 28 and 29 and consumers are likely to seek a larger proportion of variable costs as it provides them greater control over their heat bills. While any increase in the variable element will expose the heat network operator to greater risk, both on demand and electricity pricing, they may be willing to accept some more risk on the basis that there may be more upside opportunity should demand increase. The upper bound on the level of variable risk an investor may accept could be around the point where all of the fixed costs, excluding capital expenditure, are recovered through the standing charge, i.e. a 30% fixed tariff.

5.34. On this analysis, an appropriate tariff structure should comprise a fixed proportion of between 30% and 67%. As the BAU pricing, with a fixed element of 42.5% falls in the middle of this range and is the proportion consumers are willing to accept for the BAU heating solution, it is proposed that this is used for the heat network. Heat tariffs and indexation bases for customers are set out in below.

Table 30: Initial heat tariffs and indexation bases

Scenario assumptions	Measure	42.5% variable tariff, electricity linked
Tariff Prices		
Residential - variable	p/kWh	10.5
Residential - standing charge	£/day	1.4
Non-residential - variable	p/kWh	5.4
Non-residential - standing charge	£/kW/year	123.3
Uplift method		
Residential - variable		Electricity price
Residential - standing charge		CPI
Non-residential - variable		Electricity price
Non-residential - standing charge		CPI

5.35. A detailed report from the project financial advisers, QMPF, on the heat pricing strategy is included as a supporting document to this business case.

Funding

Sources

5.36. Four sources of funding have been used within the financial model:

- **Equity** – A nominal £1 shareholding is assumed.
- Shareholder loans - These are cash injections from the owners of the company that are treated from an accounting point of view as loans with no set payback date. The interest rate paid on the loans is in the gift of the shareholders, with the only caveat that charging under market rates has tax implications on the shareholder and not the company. For the purposes of the model a rate of 4% has been assumed. The benefit of using shareholder loans rather than pure equity is that it allows investors to receive a cash return in years when the company may not have generated sufficient accumulated accounting profits to permit the payment of dividends.
- Surplus cash – cash surpluses generated by earlier phases of the network are reinvested to provide capital for later phases.
- Public sector grant funding - public sector grants may be available to assist projects where they are otherwise unviable, for example from the Scottish Government's Heat Network Fund.12 This grant is currently limited to a maximum of 50% of eligible CAPEX for projects being commissioned up to May 2026. Due to the proposed timings of this project, there is eligible CAPEX later than May 2026. It may, however, be possible to receive more than 50% in year, so long as the total grant received is less than or equal to 50% of the total CAPEX. Eligible costs are defined as:
    - Financial costs incurred for the purchase of physical assets
    - Costs of project build, installation and construction
    - Costs of project deployment and commissioning; and
    - Non-reclaimable VAT for eligible capital costs.

5.37. For modelling purposes, eligible costs are equal to the total construction CAPEX including inflation (i.e., excluding REPEX) as seen in Table 31. Grant funding has been treated as deferred income within the balance sheet and as such the value is amortised as income to the statement of profit and loss over a 20-year period to match the write down of the energy centre CAPEX. Table 31 sets out the level of funding assumed in the base case.

Table 31: Sources and uses of funding

Funding	£	Total £
Sources		
Equity	1	
Shareholder loan	30,382,228	
Working capital	250,000	
Internal surplus cash	86,151,389	
		116,783,618

[12] www.gov.scot/publications/heat-network-fund-application-guidance/

Uses		
Capital expenditure	116,534,618	
Working capital	250,000	
		116,783,618

Model outputs

Cash waterfall

5.38. To repay interest and principal on the shareholder loans, and to pay dividends where appropriate, a cash waterfall has been utilised. This involves creating a cash hierarchy within the model that prioritises certain transactions over others. The interest payable on the shareholder loans comes first, then the loan principal, future CAPEX and REPEX requirements and finally dividends payable.

5.39. If at any point there is not enough cash available, the waterfall stops, with the maximum amount of cash less the working capital amount of £250,000 used to pay the topmost item in the hierarchy. This means that at points where there is not enough cash to pay the interest due, the remaining amount is accrued onto the total loan balance.

5.40. In addition, a proxy Maintenance Reserve Account (MRA) has been created. This utilises a four year look forward period to siphon leftover cash before dividends into the account to try and cover future phases of CAPEX as well as REPEX.

5.41. This in effect means the net cash flow for the project over the 40-year period is the minimum cash balance of £250,000. This can be seen in Table 32.

Table 32: Project Cashflows

Item	£m	£m
Operating revenue	322.370	
Equity funding	0.000[13]	
Shareholder loan received	30.382	
Interest on positive cash balances	1.503	
Total project income		**354.256**
Operating cost	(171.883)	
Corporation Tax	(2.834)	
Energy centre and heat network CAPEX	(81.048)	
Energy centre and heat network REPEX	(35.486)	
Total project costs		**(291.250)**
Shareholder loan repayment	(29.063)	
Shareholder loan interest	(33.692)	
Total investor earnings		**(62.755)**
Net cash flow		**0.250**

[13] This is the nominal £1 equity.

Investor returns

5.42. In order to ascertain the IRR, a separate cash flow must be constructed from the point of view of the investor. In this, the amount invested (equity plus shareholder loans) is compared to the amount received in relation to the investment (loan repayment, loan interest, and dividends). This can be seen in Table 33.

Table 33: Investor cashflows

Item	£m	£m
Shareholder loan	(30.382)	
Equity funding	(0.000)	
Total investor cost		**(30.382)**
Shareholder loan repayment	29.063	
Shareholder loan interest	33.692	
Total investor income		**62.755**
Investor's net cash flow		**32.373**

5.43. Given the investor cash flow shown in Table 33, the IRR has been calculated to be 3.13%. This shows that the investor recoups their investment and makes a modest profit. The level of return sought by the investor will differ from company to company and will depend on the level of perceived risk, but for the purposes of this analysis, it is assumed that investors will be targeting an IRR in the region of 10%, i.e. a minimum IRR of 10% is required for the project to be viable on a commercial basis.

5.44. Therefore, the impact of public sector grant funding on commercial viability has been analysed, as can be seen in Table 34.

Table 34: Impact of grant funding on investor outcomes

	No Grant	Maximum Grant up to May 2026	Grant required for 10% IRR
Eligible CAPEX	£81.048m	£81.048m	£81.048m
Grant funding amount	£nil	£17.648m	£19.892m
Grant as % of Eligible CAPEX	0%	21.77%	24.54%
Investor cashflow IRR	3.13%	8.00%	10.00%

5.45. As can be seen, under the current grant regime the project would not achieve a 10% IRR for the investor. However, with a £2m increase in grant, 10% IRR could be achieved.

Scenario and sensitivity testing

5.46. Feedback from commercial research also suggests that a key scenario for investors would be a "Phase 1 only" build out. This assumes that the energy centre and network build out would proceed as planned to begin with, but that the Council would not complete phases 2-4 of the Granton Waterfront regeneration, and hence both heat demand is reduced, and additional asset build out is not required. This represents the level of demand the Council can assure an investor.

5.47. To assess this scenario, assumptions have been made that the energy centre would be built out as set out in the base case, however subsequent construction, both upgrading the energy centre and building out the network, would not happen. A summary of the CAPEX requirements in this scenario can be seen in Table 35 .

Table 35: Capital cost requirements for Phase 1 only build summary

Cost element	Base capital cost (£m)	Capital cost inc. non-risk uplifts (£m)	Capital cost inc. risk uplifts (£m)	Capital cost Inc. inflation (£m)
Energy centre construction	12.545	19.231	24.249	27.177
Heat network construction	12.170	19.167	24.035	30.470
Energy centre REPEX	7.549	7.549	7.549	18.454
Heat network REPEX	5.671	5.671	5.671	15.961
Total ex. REPEX ("eligible CAPEX")	24.714	38.398	48.284	57.648
Total inc. REPEX	37.935	51.618	61.504	92.062

5.48. Otherwise, all assumptions made within the full build scenario were kept the same, i.e. heat pricing strategy, capital structure, inflation etc.

5.49. Therefore, the same tests carried out on the full build out have been carried out for a Phase 1 only build out, as can be seen in Table 36 and Table 37.

Table 36: Investor cashflows in Phase 1 only scenario

	£m	£m
Shareholder loan	(27.818)	
Equity funding	(0.000)	
Total investor cost		**(27.818)**
Shareholder loan repayment	5.292	
Shareholder loan interest	26.926	
Total investor income		**32.221**
Investor's net cashflow		**4.403**

Table 37: Impact of a Phase 1 only build out on investor outcomes

	No grant	Maximum grant up to May 2026	Grant required for 10% IRR
Eligible CAPEX	£57.648m	£57.648m	£57.648m
Grant funding amount	£nil	£17.648m	£17.925m
Grant as % of Eligible CAPEX	0%	30.61%	31.09%
Investor cashflow IRR	0.67%	8.26%	10.00%

5.50. As can be seen, just like the full build out scenario, without public sector grant funding the project would not be attractive to the market, neither would it be with the maximum grant available. However, a small increase in grant funding would achieve the desired IRR. Alternatively, if tariffs were increased across the board by 0.7% the same result would be achieved.

5.51. The level of grant required for Phase 1 is only slightly less than that required for the full scheme. This suggests that if funding could be provided for the first phase, future phases could be developed with little or no subsidy.

5.52. Using the scenario that assumes 50% public sector grant up to May 2026 for both the full and Phase 1 only build outs a series of sensitivities have been tested for percentage changes in the following areas: +/-10% change to heat demand; +/-10% change to CAPEX including REPEX; +/-10% change to the operating cost.

5.53. The outcomes from this testing can be found in Table 38.

Table 38: Sensitivity outcomes on maximum grant for both full and Phase 1 only build outs

Scenario / sensitivity	IRR %[14]
Full build: CAPEX +10%	4.79%
Full build: CAPEX -10%	18.05%
Full build: heat demand +10%	9.82%
Full build: heat demand -10%	6.30%
Full build: operating cost +10%	5.96%
Full build: operating cost -10%	10.18%
Phase 1 only build: CAPEX +10%	2.01%
Phase 1 only build: CAPEX -10%	1549%
Phase 1 only build: heat demand +10%	21.00%
Phase 1 only build: heat demand -10%	3.54%
Phase 1 only build: operating cost +10%	2.90%
Phase 1 only build: operating cost -10%	23.11%

5.54. As can be seen, both build out scenarios are sensitive to changes in CAPEX, with a 10% reduction in the total capital cost resulting in both scenarios achieving IRRs that are greater than the target. This, alongside the increased grant scenarios, shows that under both scenarios small changes to either CAPEX or how the CAPEX is funded would make the project attractive to investors on a commercial basis.

5.55. The model assumes a full connection of all anchor loads and relevant phases of homes. There is a risk that this demand is not achieved, and as can be seen the IRRs are lower under a downside demand scenario for both full and Phase 1 only build outs.

Investor opportunities

5.56. The current CAPEX estimates are inclusive of significant risk. A well-managed project can minimise the requirement for use of contingency, and detailed design and costing work in future

[14] Heat Network Fund grants are only available for properly evidenced gap funding. If there is no gap to investibility there would be no grant. If grant is provided and a very high IRR is achieved, some/all grant may need to be repaid and/or a sharing mechanism put in place for excess profits.

stages can reduce the scale of optimism bias required. It should be noted, however, that it is still pragmatic to assume that the project will ultimately cost more than the no-risk CAPEX figure.

5.57. It would be expected that as a partner is brought on board at the next procurement stage there would be a reassessment of the CAPEX. This would potentially include a different design, or a different approach to phasing that would allow for value engineering and as such a reduced cost estimate.

5.58. The heat network operator may have a different approach to funding structures. The financial model assumes a reasonably simplistic corporate structure, with the majority of the funding coming via shareholder loans with only a nominal amount of equity assumed. There is the potential that a more complex structure, involving debt for example, may maximise investor returns in a way not envisaged within the current financial model assumptions.

5.59. Demand management will also be a large factor for a potential investor. As stated above, a potential investor would require a viable business case for Phase 1, as this represents the level of demand that can be assured at this stage. However, for both this demand scenario and the full build out scenario, the investor would have the opportunity to engage with more customers in the wider area around Granton Waterfront than has been assumed in this business case. This could lead to higher revenues, and therefore an enhanced return.

Impact on Council finances

5.60. Provided the project were to employ the proposed concession model as set out in the Commercial Case, no direct investment would be required from the Council. However, as an assumed heat off-taker, social housing landlord, and procuring authority, there would be some costs to cover.

General Fund

5.61. The Council would need to meet the cost of heat and connection charges for three schools (Craigroyston Community High School, Forth View Primary School, and Pirniehill/St David's RC Primary School), either directly or through its PPP contracts. The variable cost and standing charge can be met from within existing energy budgets, but the Council will need to reprioritise its capital programme to meet the connection charge. Public sector grants and loan schemes may also be available, for example the Green Public Sector Estate Decarbonisation Scheme and Scottish Public Sector Energy Efficiency Loan Scheme.

5.62. The heat network also assumes that the Ainslie Park Leisure Centre, operated by Edinburgh Leisure, will connect. As the asset owner it may be that the Council will need to contribute to the connection charge. Public sector grants and loan schemes may also be available for this property.

Housing Revenue Account

5.63. The connection charge for Council-owned social housing is included within the overall business case for the Granton Waterfront regeneration. The model currently assumes that variable and standing charges will be met by directly tenants. However, it may be that the HRA provides a contribution to maintenance and REPEX, to ensure consistency with other developments. This cost would be met from HRA maintenance budgets.

5.64. As unlocking the regeneration of Granton Waterfront is essential for the delivery of new social homes, the costs of procurement and business case development are currently met from the HRA. The cost of the next stage of heat network procurement is estimated at £500,000 and can be met from the overall budget for the Granton Waterfront business case preparation.

Conclusions

5.65. Modelling suggests that the business case for the heat network is in theory financially viable without grant and would provide competitively priced heat for consumers. However, based on the proposed commercial strategy of procuring the heat network through a design, build, operate and maintain concession agreement, it is unlikely to be attractive from an investor's point of view. This is even more pronounced when a Phase 1 only build is considered.

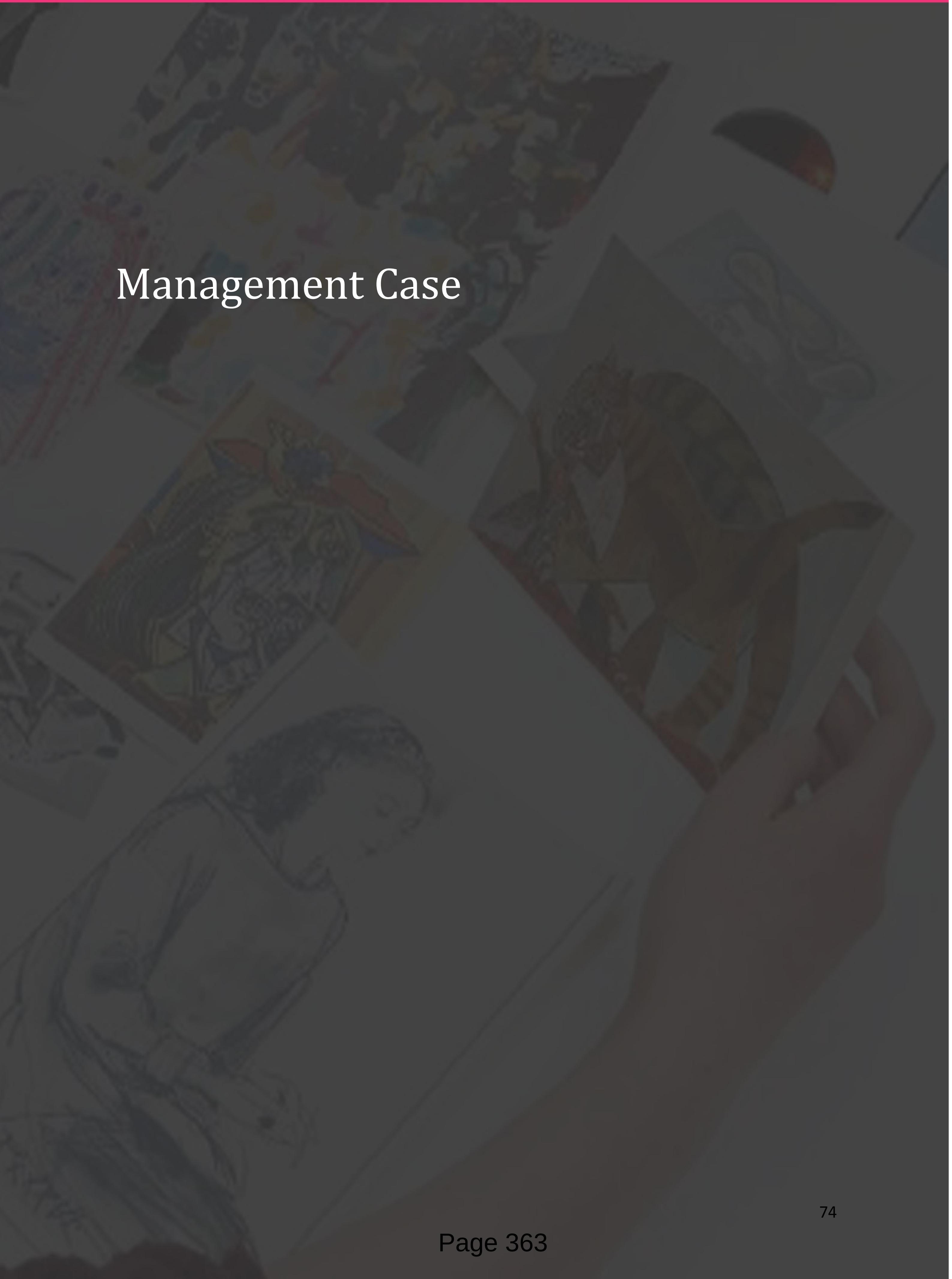
5.66. While the availability of grant to May 2026 improves the viability, it may not attract sufficient bidders to sustain a competitive procurement as the IRR is still slightly too low compared to the expectations of most market participants.

5.67. However, sensitivity analysis shows that an IRR that is acceptable to the market could be achieved by a combination of enhanced grant funding above the current specified intervention level and/or a reduction in the CAPEX, via either value engineering or improved CAPEX phasing. This is true for both a full build and a Phase 1 only build.

5.68. The viability of both scenarios provides both an attractive initial investment opportunity as well as the potential to generate further returns from future network expansion. In addition, there are opportunities for a private sector partner to improve upon some of the assumptions set out in the model, for example increasing revenues by connecting additional properties beyond those assumed in this business case.

5.69. On this basis, it is considered there is a Financial Case to proceed to procurement.

Management Case



6. Management Case

Chapter summary

- Three key stages require to be undertaken to deliver the low carbon heat network: procurement, pre-development, and development.
- The procurement stage will commence in April 2023 with the intention to appoint a prospective concessionaire to undertake the pre-development period in January 2024. The pre-development period will further inform the business case with the intention to seek approval to appoint the concessionaire in summer 2024. This will allow for the completion of the energy centre and commissioning of the heat network in October 2025 to coincide with the first phase of new homes.
- During the three stages, a series of key activities sit on the critical path to completion including securing funding, approval of the business case and appointment of the concessionaire. There are also key interdependencies that require careful management to ensure successful delivery which include appointment of a development partner for Phase 1 of the homes, and also the delivery of a primary sub-station to ensure that the energy demand can be met.
- A risk management strategy has been developed to promote clear ownership across the programme.
- Strong programme governance and programme management arrangements are in place which includes the wider stakeholder management.

Introduction

6.1. The purpose of the Management Case is to set out clearly how delivery of the preferred option for the SSHP heat network serving Granton Waterfront – as outlined in paragraph 3.63 of the Economic Case – can be effectively managed.

6.2. The case concentrates on next steps and resources required to for procurement and delivery of the heat network.

6.3. The following items are covered:

- Programme
- Risk management
- Project management
- Benefits realisation
- Governance
- Stakeholder management

Preferred option

6.4. The preferred option is based on the techno economic analysis as set out in the economic case. The properties proposed to be served by the heat network under the preferred option are set out in table 39.

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Table 39: Proposed heat network connections

Buildings	Year (connection and supply)
2,864 New Homes (Phase 1- 4)	2026 - 2036
New commercial building (Phase 1-4)	2027 - 2032
519 new homes (Phase 0)[15]	2038 - 2041
New commercial buildings (Phase 0) [15]	2038
New schools	2027
St David's RC Primary School	2026
Craigroyston Community High School	2026
National Museums Scotland complex	2026 - 2032
Edinburgh College campus	2026
Ainslie Park Leisure Centre	2026
National Galleries of Scotland building	2026
Granton Station enterprise hub [15]	2038
Medical centre	2027

Programme

6.5. The programme below sets out three key stages in the delivery of the preferred option. The procurement activities required to secure a concessionaire to design, build, operate and manage the heat network, predevelopment activities and development activities with the aim to commence construction in September 2024 and commence operation of the heat network in September 2025 to align with the first letting of new homes.

6.6. A finalised business case for the heat network will be prepared during, and informed by, the procurement and pre-development activities with a view to seeking final approval by May 2024 in advance of the Council signing a development agreement for Phase 1 of the Granton Waterfront regeneration with Cruden Group.

Table 40: Programme

Stage	Estimated timeline/ comments	Programme w/c
Procurement		
Legal consultants (contract documents)	8 months - Legal consultants will be required to input into the procurement process.	03/04/23 – 03/12/23

[15] Connection at end of existing air source heat pumps' useful life

Stage	Estimated timeline/ comments	Programme w/c
Technical consultants (mechanical, electrical, structural, and architectural)	5 months - Technical consultants will be required for further analysis of economic model and potential design development	03/04/23 – 11/09/23
Drafting contract notice, ITT and draft contracts	8 weeks	03/04/23 – 29/05/23
Publication of contract notice	Once ITT and draft contracts are close to ready	15/05/23
Shortlisting (PQQ) responses returned	Minimum 30 days after contract notice	19/06/23
Shortlisting (PQQ) evaluation and decision	2 weeks allowing for clarification plus any internal governance	03/07/23
Issue of invitation to tender	Following decision on shortlist.	03/07/23
Tender submission	8 weeks	25/08/23
Negotiation meetings	4 weeks depending on items for discussion (if required)	25/09/23
Final tender document issued	Following close of negotiation	25/09/23
Final responses returned	2 weeks after final tender invited	09/10/23
Final evaluation and decision	3-4 weeks plus any internal governance	06/11/23
Notice of intention to award contract	2-4 weeks after decision (contract finalisation)	04/12/23
Standstill period	10 days following notice of intent to award	18/12/23
Contract award and Contract signature (pre-development period)	Following standstill period and Board approval	18/12/23
Pre-Development Period		
Refinement of design to RIBA 3 by proposed concessionaire		Jan 24 – March 24
Proposed concessionaire will negotiate heat supply agreements with Council and third parties. They will also negotiate heat off-take terms for abstraction of heat from the Sewer with Scottish Water Horizons.	The Council will help facilitate and support discussions with third parties.	Jan 24 – June 24
Full planning submission	16 weeks	March 24 – June 24.

Stage	Estimated timeline/ comments	Programme w/c
	(Cruden's planning with red line boundary for energy centre will be approved April 24).	
Committee approval of finalised business case seeking delegated authority to award contract subject to final price being within affordability envelope.	Need to get approval prior to Cruden signing Dev agreement in Aug 24	May 24
Statutory consents RIBA 4	Feedback from statutory consultees	May 24 – July 24
Award of concession agreement and entering into heat supply agreement.		Aug 24
Development Period		
Construction of energy centre and primary distribution network. Pipework to align with Cruden Group's enabling works.	12 Months	Sept 24 – Sept 25
Heat network commences operations	4 Weeks	Sept/ October 25

Interdependencies with other projects

6.7. There is a need to effectively manage interdependencies with other projects as set out in Table 3 within the Strategic Case. As set out within the governance section of this Management Case, the Council's project team will manage the interdependencies between the heat network concessionaire and the programme of delivery for Phase 1 of the Granton Waterfront regeneration. This will include co-ordination of laying of pipework at the enabling stage to allow connection and supply to existing and future buildings and also design and build of the energy centre. The concessionaire will ultimately be responsible for securing third party anchor loads outwith Council control and co-ordination of pipework to enable connection and supply although the Council will support this process with public sector partners.

6.8. The Council will manage the interdependencies with securing a grant from the Heat Network Fund, which will align with approvals for the finalised business case. As outlined in the Finance Case, based on current financial modelling the project is likely to require funding of around £20m to make it attractive to the private sector. The exact amount will depend on the solution developed during the pre-development period.

Risk management

6.9. Key project risks have been outlined in Table 2 of the Strategic Case.

6.10. The primary objective of the risk management strategy is to identify, assess, and address potential risks and opportunities across the project lifecycle which could impact on delivery and/or inform better decision making.

6.11. The Granton Waterfront programme risk strategy is directed by the risk manager who leads on the risk management activities.

6.12. The risk management strategy has been designed to promote clear ownership across the programme team and drive a 'risk aware' culture that encourages the ongoing identification and assessment of project risk.

Risk register

6.13. The risk register is a live document which captures all project risks, sets out the risk response option and actions, defines the risk mitigation plan, assesses the residual likelihood and impact, identifies any secondary risks; and assigns a risk owner and actionee.

Risk mitigation plans

6.14. The assignment of mitigation plans is directed by the risk manager to the relevant risk action owner. The risk action owner has the responsibility for developing and implementing the mitigation plan.

Financial impact

6.15. The financial impact of risks materialising is that the project would become unviable from the point of view of an investor, which could mean that the heat network could not be delivered. In order to reduce risk, financial and economic modelling of capital costs include a risk and optimism bias contingency of 40% to provide a conservative cost estimate. Sensitivity testing has also been carried out to assess viability if heat demand reduces or operational costs increase.

6.16. One benefit of the two-stage procurement process means that the private sector partner will be able to refine designs and secure heat offtake agreements prior to final contract award, providing greater certainty over cost and income.

6.17. Following contract award, under the proposed commercial structure, financial risk would be transferred to the private sector.

Risk reporting

6.18. As overall accountability of the project sits with the Edinburgh Waterfront Programme Board, risks will be reported vertically to the Programme Board on a regular basis with clear categorisation of where risks sit within the context of the project and the wider statutory/corporate environment.

Benefits realisation strategy

6.19. The key goals and resulting benefits of implementing the Granton Waterfront heat network are outlined in table one of the Strategic Case.

6.20. A core requirement of the project framework and the governance of this will be to ensure that benefits are realised. This entails defining the actives to be carried out in each stage to deliver the benefits and strategic objectives. The management arrangements will build on this by further refining the outputs through the pre-development stage clearly showing how these align to the strategic objectives to secure required funding.

6.21. A benefits management plan with clear ownership, detailed forecasting on timing and impact, and agreed measurement criteria for each activity will be developed with clear monitoring and evaluation. The Edinburgh Waterfront Programme Board will implement a framework of ownership of the benefits management plan with clear role responsibility or accountability to deliver the anticipated benefits. Finally, the benefits management plan will include a post management evaluation strategy which puts in place a process and assurance framework.

Project governance

6.22. Set out below is the proposed structure for the delivery of the heat network which will result in a finalised business case to enable appointment of a concessionaire for the delivery phase.

6.23. Strategic oversight resides with the Programme Board and overall responsibility for the programme delivery of the procurement and pre-development stages with the Programme Director.

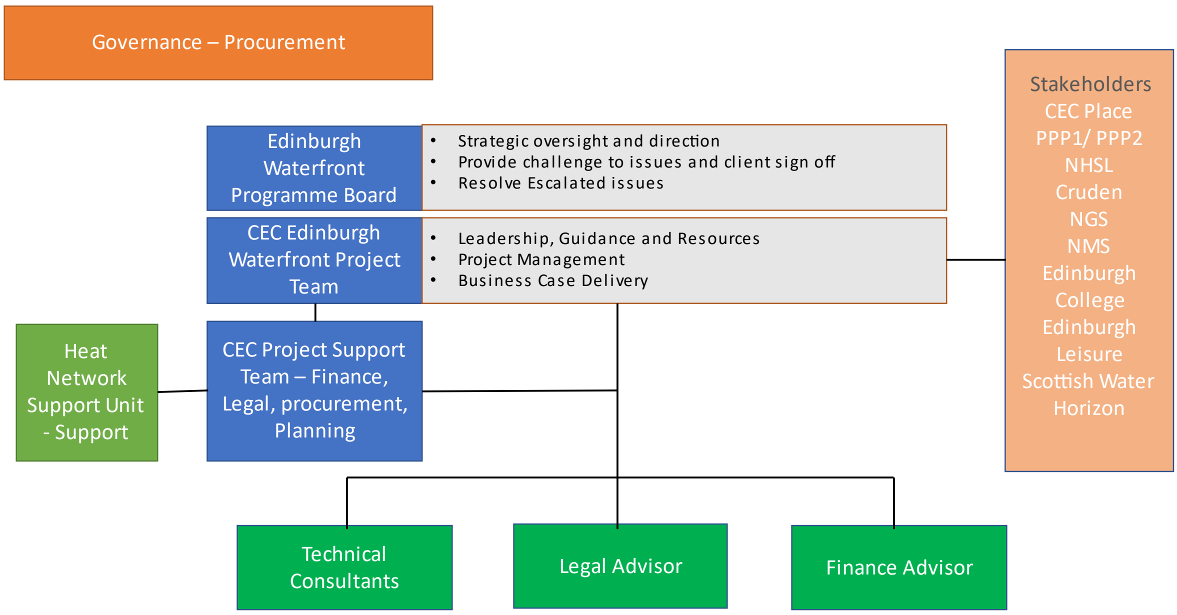


Figure 10: Governance structure during procurement stage

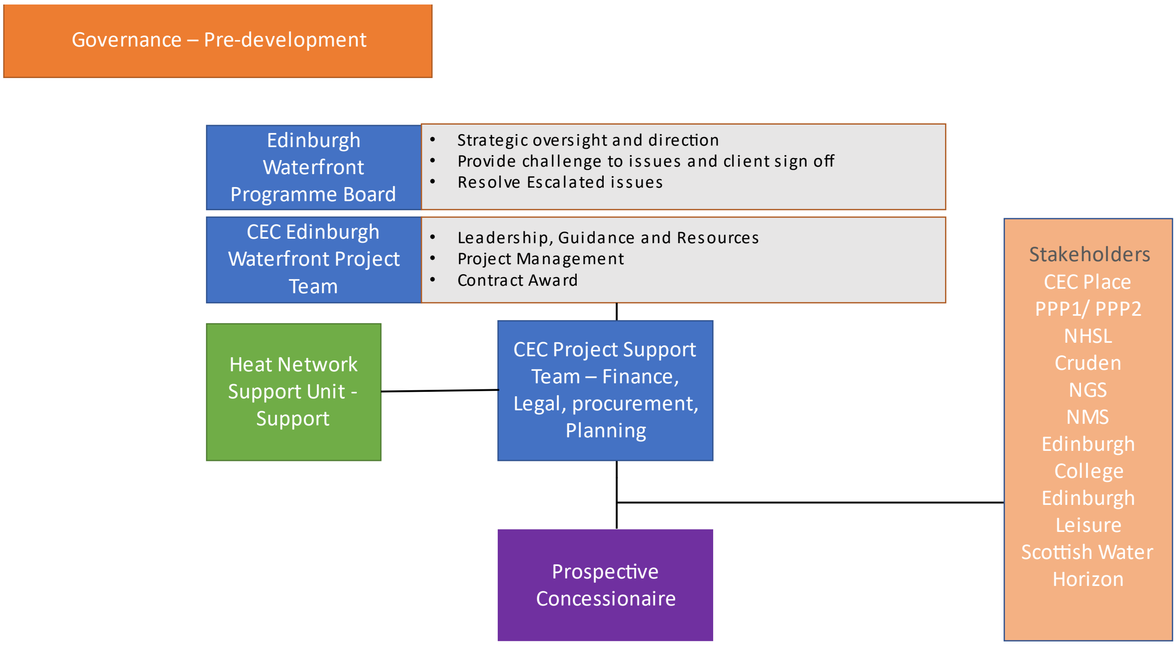


Figure 11: Governance structure during pre-development stage

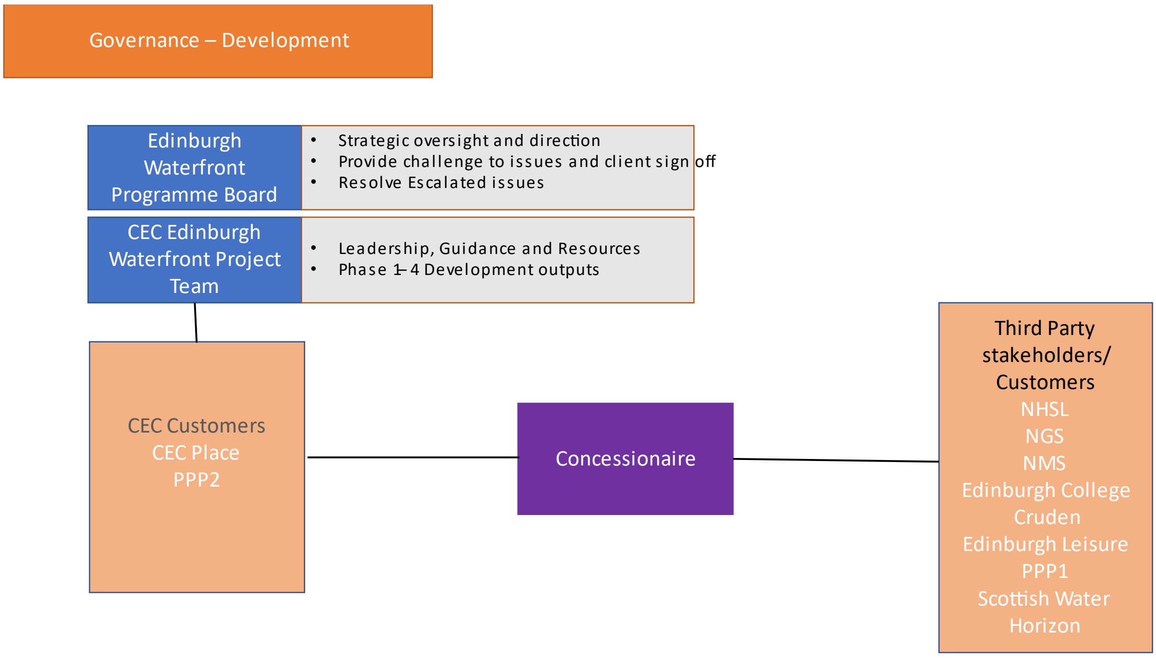


Figure 12: Governance structure during development stage

Stakeholders

6.24. Stakeholder management is a critical part of ensuring that this major intervention addresses both Council and third-party requirements to ensure that the relevant buy-in is secured to enable the concessionaire to take forward the delivery of the heat network.

6.25. Key stakeholders are set out below within Table 41. During the procurement and pre-development stages, the Council will manage the stakeholders as set out below. Those stakeholders identified as customers will be managed in partnership with the concessionaire during the pre-development phase with the concessionaire leading commercial discussions with those customers. Once the project moves to delivery stage, the concessionaire will have direct contractual relationships with each of the stakeholders identified as customers. The concessionaire will also lead commercial discussions with Scottish Water Horizons for the abstraction of heat for the network and will work in partnership on commercial discussion with Cruden relating to the heat network.

Table 41: Key stakeholders

Stakeholder	Expectation	Communications
Council elected members	Meet strategic objectives and approve finalised business case	Regular update meetings, presentations, briefings and reports
Council Planning service	Energy centre SPEN substation	Pre-application meetings and committee
Council Roads service	Adopted Highways – all necessary approvals	Meetings as required and timeously submit for approvals
Council Development and Regeneration service (customer)	Connection and supply to Council and Edinburgh Living homes– competitive pricing; reduce fuel poverty	Work in partnership with colleagues to ensure strategic and policy outcomes achieved.
Council Communities and Families service (customer)	Connection and supply to schools – competitive pricing	Regular update meetings through procurement and pre-development period.
NHS Lothian (customer)	Connection and supply to Health Centre – competitive pricing	Regular update meetings through procurement and pre-development period.
NMS (customer)	Connection and supply to Existing and new buildings – competitive pricing	Regular update meetings through procurement and pre-development period.
NGS (customer)	Connection and supply to new facility – competitive pricing	Regular update meetings through procurement and pre-development period.
Edinburgh College (customer)	Connection and supply to College – competitive pricing	Regular update meetings through procurement and pre-development period.
Edinburgh Leisure (customer)	Connection and supply to Ainslie Park Leisure Centre – competitive pricing	Regular update meetings through procurement and pre-development period.
PPP1 (customer)	Connection and supply to Schools – competitive pricing	Regular update meetings through procurement and pre-development period.
PPP2 (customer)	Connection and supply to Schools – competitive pricing	Regular update meetings through procurement and pre-development period.
Cruden Group (customer)	Connection and supply to private homes – competitive pricing	Work in partnership through the pre-development period to ensure outcomes achieved.
RSL (customer)	Connection and supply to RSL homes – competitive pricing	Regular update meetings through procurement and pre-development period.
SPEN	Demand assessment and application to allow for electrical Infrastructure upgrade	Regular meetings through procurement and pre-development period.

Stakeholder	Expectation	Communications
Scottish Water Horizons	Agree connection to the sewer and heat offtake terms.	Regular update meetings through procurement and pre-development period.
Scottish Government	Meet strategic objectives to meet funding requirements	Regular update meetings through procurement and pre-development period to ensure strategic priorities and outcomes achieved.
Community	Consultation and engagement	Website, newsletter, meetings. Co-ordinate with comms for the wider Phase 1 development proposals.

Communications

6.26. The objective of communications and stakeholder activity is to share information, generate trust and stakeholders buy-in to the project. Key aspects include:

- Ensuring stakeholders are provided with up-to-date information about the project;
- Ensuring stakeholders are given appropriate opportunities to provide comment on the timing, phasing and scope of the programme;
- Ensuring consultation activities for inputting into programme design development are clear, open, accessible, and transparent;
- Managing and mitigating opposition to the project through open and transparent communication;
- Acknowledging and actively monitoring stakeholders' concerns and taking their views and interests into account in decision making;
- Developing a communications governance structure to define ownership and responsibility for communications across the programme; and
- Recognising interdependencies among certain stakeholders, taking into account their respective risks and exposures.

Conclusion

6.27. A robust framework has been created to ensure that that the delivery of the SSHP Heat Network is managed in a logical and planned manner. The pre-development period is critical to ensuring that key activities and interdependencies are monitored and kept on track to reduce risk.

6.28. Strong programme governance and required resources to support delivery is in place for all stages.

6.29. A stakeholder management plan has been developed so that there is continuous dialogue with all stakeholders to ensure that the project meets expectations and needs.

6.30. A benefits realisation strategy has been developed to create a framework for monitoring and evaluation to ensure the strategic objectives are achieved.

7. Way forward

Chapter summary

- There are three key stages to the delivery of the Granton Waterfront heat network.
- A two-stage procurement is proposed which will include a pre-development period and the production of a finalised business case, adding value, ensuring co-ordination with the wider regeneration programme, and helping to manage risk.
- The heat network will be operational in late-2025 to coincide with the occupation of the homes delivered as part of Phase 1 of the Granton Waterfront regeneration.

Introduction

7.1. The public sector-led regeneration of Granton Waterfront provides an opportunity for Edinburgh and Scotland to help realise key sustainability targets through the introduction of a low carbon heat network. The proposed heat network will serve new and existing homes, along with commercial premises and public sector buildings within Granton Waterfront and in the surrounding areas.

Delivery of the heat network

7.2. There are three key stages to delivering the heat network at Granton Waterfront which in total will take approximately 30 months as set out in table 42 below. Activities in each of the three stages are set out within the Management Case, section 6.5 to 6.6.

7.3. During the pre-development stage, the Council will work with the concessionaire to refine the design of the heat network and energy centre, engage, and negotiate heat supply agreements with third parties, and negotiate detailed heat off-take terms with Scottish Water Horizons for abstraction of heat from the sewer. The Council will continue to liaise with the Scottish Government to secure the funding required to deliver a heat network under a concession model and the funding required to close the viability gap on the wider Phase 1 regeneration costs. The outputs of the pre-development stage will further inform the work being undertaken to produce a finalised business case for the heat network which is targeted to be presented to the Scottish Government and a Council Committee in Autumn 2024 for approval to proceed with the project.

7.4. Following approval to proceed with the project, the Council will continue to work with the concessionaire within the pre-development period to secure all statutory agreements with the intention to proceed to award a concession agreement and enter into a heat supply agreement.

7.5. It is anticipated that construction will commence in autumn/ winter 2024 and be operational by autumn 2025 to align with the delivery and first occupation of the Phase 1 homes. The Council will manage the interface between the Concessionaire and the Council's Phase 1 development partner, Cruden Group, throughout the construction phase.

Table 42: Key stages

Stage	Duration	Dates
Procurement	8 months	April – Dec 23
Pre-development period	9 months	Jan 24 – Aug 24
Development period	13 months	Sept 24 – Oct 25

Estimated costs

7.6. Based on an analysis of the key activities set out in the management case, an estimate of the cost to complete the remaining activities associated with securing approval to proceed with the heat network is approximately £500,000. These costs will be funded by the Council's Granton Waterfront Development budget. There may also be potential to secure Scottish Government development funding towards the costs of this stage and the project team will pursue a bid for this.

Recommendation

7.7. It is recommended that that the project proceeds to seek final approval and on approval, complete all three stages as set out above to allow for delivery of an operational heat network to coincide with first occupation of the new homes forming part of Phase 1 of the Granton Waterfront regeneration.

8. Appendices

Appendix 1 – Core scenario energy costs

Table 43: Core scenario energy costs

	Domestic LHT BaU	Non-Domestic / Private LHT BaU	Public School LHT BaU	Total LCOE Scenario	Total LHT BaU
Total heat demand **(MWh)**	419,294	263,144	120,881	803,319	803,319
BAU total discounted energy cost **(£)**	15,705,813	6,778,636	3,204,443		25,688,892
Scenario total discounted energy cost **(£)**	13,715,312	8,607,590	3,954,086	26,276,981	
Variable cost **(£/MWh)**	78.30	49.61	49.82	65.44	63.97
Connection cost **(£/MWh)**	51.55	60.20	83.93	103.92	58.62
Operation and maintenance **(£/MWh)**	179.68	64.90	77.33	32.84	125.29
Total costs **(£/MWh)**	309.52	174.72	211.08	202.20	247.88

Table 44: Core + East scenario energy costs

	Domestic LHT BaU	Non-Domestic / Private LHT BaU	Public School LHT BaU	Total LCOE Scenario	Total LHT BaU
Total heat demand **(MWh)**	419,294	446,362	132,994	998,650	998,650
BAU total discounted energy cost **(£)**	15,705,813	8,116,594	3,525,480		29,637,558
Scenario total discounted energy cost **(£)**	12,182,032	12,968,466	3,863,968	29,014,466	
Variable cost **(£/MWh)**	78.30	49.65	49.82	68.16	62.89
Connection cost **(£/MWh)**	51.55	61.80	76.49	93.13	59.46
Operation and maintenance **(£/MWh)**	179.68	66.71	83.02	31.34	121.48
Total costs **(£/MWh)**	309.52	178.17	209.34	192.62	243.83

Table 45: Core + West scenario energy costs

	Domestic LHT BaU	Non-Domestic / Private LHT BaU	Public School LHT BaU	Total LCOE Scenario	Total LHT BaU
Total heat demand **(MWh)**	426,128	263,144	163,553	938,198	938,198
BAU total discounted energy cost **(£)**	15,995,969	6,778,636	4,340,105		27,114,710
Scenario total discounted energy cost **(£)**	13,178,335	8,137,935	3,738,340	9,014,466	
Variable cost **(£/MWh)**	78.32	49.61	49.83	67.79	63.35
Connection cost **(£/MWh)**	51.25	60.20	79.42	99.40	59.84
Operation and maintenance **(£/MWh)**	178.83	64.90	86.20	31.45	123.61
Total costs **(£/MWh)**	308.40	174.71	215.45	198.64	246.80

Table 46: Core + Combined scenario energy costs

	Domestic LHT BaU	Non-Domestic / Private LHT BaU	Public School LHT BaU	Total LCOE Scenario	Total LHT BaU
Total heat demand **(MWh)**	426,168	313,418	175,616	915,162	915,162
BAU total discounted energy cost **(£)**	15,995,969	8,116,594	4,661,142		28,773,705
Scenario total discounted energy cost **(£)**	15,078,514	11,089,237	6,213,579	32,379,914	
Variable cost **(£/MWh)**	78.32	49.65	49.83	70.20	62.38
Connection cost **(£/MWh)**	51.25	61.80	78.64	97.68	60.54
Operation and maintenance **(£/MWh)**	178.83	66.71	85.36	30.47	120.14
Total costs **(£/MWh)**	308.40	178.17	213.82	198.35	243.06

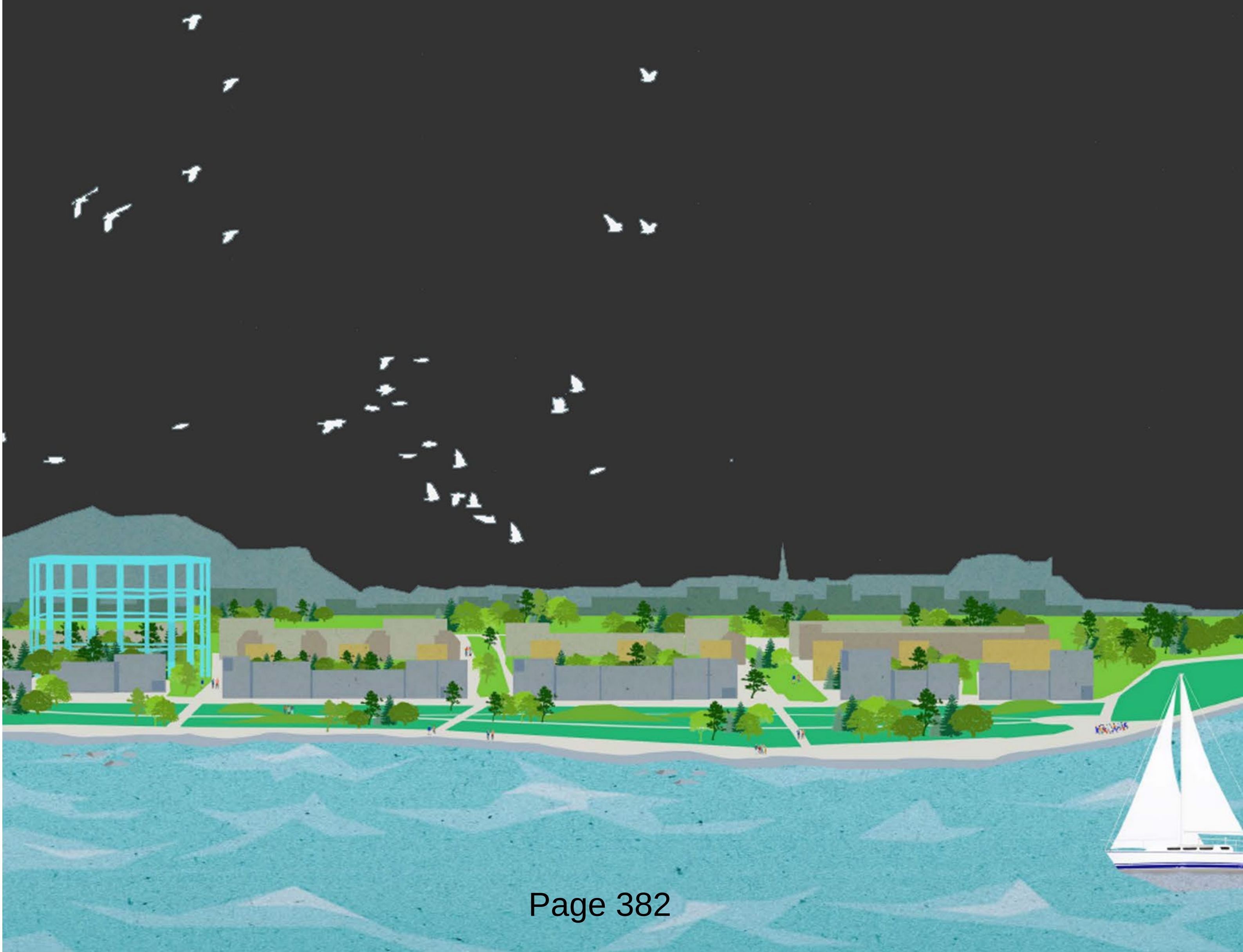
Table 47: New build only scenario energy costs

	Domestic LHT BaU	Non-Domestic / Private LHT BaU	Public School LHT BaU	Total LCOE Scenario	Total LHT BaU
Total heat demand **(MWh)**	419,294	127,485	19,054	565,833	565,833
BAU total discounted energy cost **(£)**	15,705,813	3,168,258	494,462		19,368,534
Scenario total discounted energy cost **(£)**	12,078,163	3,672,340	548,869	16,299,372	
Variable cost **(£/MWh)**	78.30	49.34	49.64	59.32	70.49
Connection cost **(£/MWh)**	51.55	64.60	68.90	146.46	55.23
Operation and maintenance **(£/MWh)**	179.68	69.16	74.70	45.16	150.04
Total costs **(£/MWh)**	309.52	183.10	193.24	250.95	275.76

Appendix 2 – Glossary

Anchor load	A building with a large, dependable, long-term, demand for heat which can offer surety of demand to a heat network operator, helping make the heat network commercially viable.
Brownfield	Land that has previously been developed with a permanent structure, as opposed to “greenfield” (never developed) land.
Electric boiler	A boiler that works on the principle of heating water by passing it through an element, with carbon emissions based on the electricity grid emissions factor.
Energy centre	A building in which heat is generated.
Energy services company	(ESCO) A company providing energy services.
Capital expenditure	(CAPEX) Expenditure on goods or services with a useful life of at least one year, for example buildings and equipment, which is recorded on a company's balance sheet rather than income statement.
Fuel poverty	As defined by the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019, circumstances in which a household spends over 10% of their net income after housing costs is spend on fuel needs and their residual income is less than 90% of the UK Minimum Income Standard.
Gigawatt	A unit of power equal to 1,000,000,000 watts.
Heat network	As defined in the Heat Networks (Scotland) Act 2021, a (district) heat network is “a network by which thermal energy is distributed from one or more sources of production to more than one building”.
Heat pump	A heating solution that works on the principle of capturing thermal energy (heat) from a source such as the air, the ground, or a body of water (such as a river, sea, or sewer) and using the refrigeration cycle can convert it to supply heat to the end user. The carbon emissions of a heat pump are based on the grid emissions factor.
Internal rate of return	(IRR) The annualised rate of growth expected from an investment – the discount rate at which the present value of annual cash inflows is equal to the initial cash outlay. A higher IRR indicates a more attractive investment proposition.
Kilowatt	A unit of power equal to 1,000 watts.
Levelized cost of energy	(LCOE) The average present cost of generating electricity over the lifetime of the generating plant in question, including the upfront capital costs, indicating the average revenue per unit of electricity generated required to cover the costs of the generating plant over its assumed operational life.
Megawatt	A unit of power equal to 1,000,000 watts.

National Development	As defined in National Planning Framework 4 (NPF4), “significant developments of national importance that will help to deliver the spatial strategy” where “their designation means that the principle of the development does not need to be agreed in later consenting processes, providing more certainty for communities, business and investors”.
Net present value	(NPV) The net value of all cashflows over the lifetime of an investment, discounted to present value to take into account risk and the time value of money. A higher net present value indicates an investment proposition is more attractive.
Net zero carbon	A scenario in which any carbon emissions are balanced by the removal of the same quantum of carbon from the atmosphere, meaning there has been no net change in carbon.
Operating expenditure	(OPEX) Expenditure on goods or services with a useful life of less than one year, for example salaries and travel costs, which is recorded on a company's income statement rather than balance sheet.
Optimism bias	The tendency of someone promoting a particular project to be overly-optimistic about the project’s likelihood of success.
Passive House	(Also Passivhaus) A building standard wherein buildings achieve high levels of energy efficiency and user comfort.
PQQ	A pre-qualification questionnaire – a questionnaire used in procurement to ascertain the suitability of a potential supplier.
Replacement expenditure	(REPEX) Expenditure on the replacement of capital assets during a project lifecycle that does not fall under repairing and maintenance.
RIBA stage	An organisational technique devised by the Royal Institute of British Architects of dividing construction projects into eight stages: (0) Strategic definition (1) - Preparation and briefing (2) Concept design (3) Spatial coordination (4) Technical design (5) Manufacturing and construction (6) Handover (7) Use.
Solar photovoltaic	(Solar PV) Technology that converts sunlight into electricity energy.
Special purpose vehicle	A company incorporated to carry out a discrete project.
Tariff	The cost to the consumer of a unit of energy, usually expressed in price per kilowatt hour (kWh).
Techno-economic model	(TEM) A model to assess the technical and economic performance of a proposed project.
Terawatt	A unit of power equal to 1,000,000,000,000 watts.
Wet well	A subterranean chamber in which raw sewage is collected.



Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Award of Contracts for Homeless Accommodation with Support

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

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 Notes the addition of seven suppliers to Category 2 of Temporary Accommodation Flexible Purchasing System (CT0627);

1.1.2 Approves the award of contracts to eleven Service Providers to provide Homeless Accommodation with Support with maximum estimated contract value of £63,685,761, over a maximum 10-year period, prior to any inflationary uplifts agreed through the annual budget setting process and any additional funding that may be provided by the Scottish Government from 2024/2025 onwards for social care related pay increases;

1.1.3 Approves short term contract extensions for continuity of service provision to ten existing service providers of Homeless Accommodation with Support, via waiver of Contract Standing Orders (CSOs) to allow time for transition to these new contracts noted above. These contracts would therefore extend to 31 March 2024 with a related cost of £1,250,323;

1.1.4 The contracts will commence on 1 April 2024 for an initial period of five years, with the option to extend for a further period of up to thirty-six months plus an additional twenty-four months;

Paul Lawrence
Executive Director of Place

Contact: Nicky Brown, Head of Homelessness and Household Support
E-mail: nicky.brown@edinburgh.gov.uk | Tel: 0131 529 7589

1.1.5 Note that the initial authority for this contractual spend was delegated within the total spend of £434 million over the full term of the Temporary Accommodation Flexible Purchasing System (CT0627), awarded by Finance and Resources Committee in October 2021,

1.1.6 Notes that on the 2 November 2023 the Council declared a housing emergency; and

1.1.7 That Council officers continue to prioritise the prevention of homelessness, with an action plan being submitted for consideration by the Housing, Homelessness and Fair Work Committee on the 5 December 2023 containing detailed actions on prevention work aimed at reducing the human and economic risks of homelessness.

Report

Award of Contracts for Homeless Accommodation with Support

2. Executive Summary

2.1 This report is to request approval from the committee of the award of contracts for Homeless Accommodation with Support, awarded following a mini competition from the Flexible Purchasing System for Temporary Accommodation Framework CT0627.

2.2 13 organisations submitted 27 bids across 4 lots and following evaluation 11 organisations are recommended to be awarded contracts. Contracts will commence on 1 April 2024 for an initial period of five years, with the option to extend for a further period of up to thirty-six months and a further twenty-four months.

2.3 It is recommended that Finance and Resources Committee approves the award of contracts to:

Provider	**Contract Value (10 years)**
Bethany Christian Trust	£7,945,939
Crossreach	£4,303,088
FourSquare	£4,085,516
Hillcrest	£14,162,988
Link Living	£1,314,027
Right There	£5,171,227
Rock Trust	£2,286,385
Rowan Alba	£12,511,564
Salvation Army	£4,415,796
Scottish Veterans	£1,278,570
Wheatley Group	£6,210,661
Total	**£63,685,761**

2.4 This report also requests the approval of short-term contract extensions via waiver of CSOs to ten existing Service Providers to the value of the £1,250,323. The contracts will extend to 31 March 2024, and cover the transition from the previous contracting arrangement to the delivery of the new services, essential for continuity of provision.

3. Background

3.1 The City of Edinburgh Council has a legal statutory duty under the Housing (Scotland) Act 1987 to provide temporary accommodation to people who are homeless or face homelessness.

3.2 Additionally, The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020, aims to improve temporary accommodation standards, however, it also renders a percentage of Edinburgh's current temporary accommodation unsuitable due to the size and makeup of the accommodation.

3.3 The nature of Edinburgh's housing market poses significant challenges to providing temporary accommodation in the city, particularly as the demand for temporary accommodation is easily influenced by changes to the political, legal, economic, and social landscape.

3.4 Increasing demand, combined with emergent need and lack of contractual flexibility can lead to non-compliant spot purchasing; increased cost; 'unsuitable' accommodation; and residents being placed in accommodation which is not suited to their support needs.

3.5 The Council had several different temporary accommodation contracts, however due to the fast paced, ever-changing landscape of temporary accommodation, demand has outstripped the contracted supply. This has left the Council's current provision unsustainable due to a lack of capacity; accommodation proportionate to support needs; and contractual flexibility.

3.6 To address these issues, Commercial and Procurement Services (CPS) worked with the Homelessness and Housing Support service on a procurement process to establish a Temporary Accommodation and Associated Services Flexible Purchasing System (FPS).

3.7 This system was awarded in October of 2021, featuring provision to deliver a broad range of temporary accommodation and associated services:

Category 1: Temporary Accommodation with access to visiting support	1A - Private Rented 1B - Home Share 1C - Shared House
Category 2: Temporary Accommodation with access to residential support	2A – Supported Lodgings 2B – Shared House Inclusive of Support
Category 3: Emergency Accommodation with access to visiting support	Emergency Accommodation when no capacity is available through Category 1 and 2.

Category 4: Associated Services	Further sub-category to be added as required. For example; Street Work, Visiting Housing Support and Homelessness Prevention.

3.8 The Service identified a requirement to procure Homeless Accommodation with Support, replacing the existing contracts originally due to end in March 2023.

3.9 Following a review process and stakeholder engagement, the previous contracts specifications were to be rationalised and re-organised into four lots, based on their different needs and legal requirements. The four lots would cover general provision (Lot 1), then specialist provision of rapid access homeless accommodation (Lot 2), as well as for Young People (Lot 3) and Veterans (Lot 4).

4. Main report

4.1 The Procurement Strategy was agreed with CPS to take place over two stages. Stage one was to re-open Category 2 ("Temporary Accommodation with access to residential support") of the FPS for applications from potential providers. Stage two would be to run a tender exercise for those providers to compete for the delivery of specific contracts.

4.2 Nine organisations had already been awarded a place on Category 2 of the FPS in October 2021.

4.3 A Contract Notice advertising the re-opening of the FPS was launched on 17 January 2023, specifically for any organisations interested in applying for Category 2. The deadline for submissions was the 13 February 2023.

4.4 Eight organisations applied to join Category 2. Following financial checks and assessment of their submitted SPD (Single Procurement Document), seven were awarded a place on Category 2, bringing the total number of organisations on Category 2 to 16.

4.5 A briefing and training session took place in April 2023 via Microsoft teams to help Service Providers to understand the open procurement process, which included handy hints for tendering and an estimated timeline. All power point presentations were shared with the Service Providers who attended the session.

4.6 A 'mini competition' for Homeless Accommodation with Support was launched on 30 May 2023, and all 16 organisations on Category 2 were invited to bid.

4.7 Pricing Schedules stipulated the maximum budget available per annum and requested that bidders submit both their capacity and price 'per bed per week'.

4.8 The tender process allowed for negotiations with Service Providers should this be required to provide assurance or clarifications.

4.9 A total of 65 clarification questions were submitted, in order to give Tenderers time to assess the impact of responses and consequent amendments to the submission forms, the deadline for submissions was extended out until the 17 July 2023.

4.10 A total of 27 bids were received by 13 organisations.

4.11 One bid was incomplete and so deemed non-compliant.

4.12 The remaining 26 bids were evaluated between July and August.

4.13 A cost:quality ratio of 30:70 was applied as quality was considered to be of higher importance.

4.14 Two of the 26 bids were duplicates for both Lot: 1 General and Lot 2: Rapid Access, with the bidder offering the same service for both, depending on need and capacity of the Council. Both bids scored higher for Rapid Access, and so are recommended for award in Lot 2 only.

4.15 One bidder submitted a bid for Lot 1 which was evaluated as not meeting the specification in full. The Council will enter into a negotiation period with this bidder, to see whether the proposal can be amended to better meet the Council's requirement. The outcome of this negotiation is still on going and is not considered within this report.

4.16 Accordingly, 23 bids by 11 organisations across the 4 lots are recommended to be awarded contracts. All bidders met the minimum Quality standard (50%).

4.17 Should the award of contracts be agreed this would provide an additional 60 homeless accommodation with support bedspaces. This would support the delivery of the strategy to transform the mix of temporary accommodation and reduce the use of unsuitable temporary accommodation, ultimately aimed at eliminating the use of bed and breakfast accommodation.

4.18 The current unit cost for bed and breakfast accommodation is approximately £25,000 per year, compared to an average unit cost of £15,246 for homeless accommodation with support bed spaces. The additional 60 homeless accommodation with support bedspaces would replace bed and breakfast accommodation resulting in an annual saving of approximately £0.5m, assuming a void rate of 6%, and a reduction in unsuitable temporary accommodation.

4.19 It is anticipated that contracts will commence on 1 April 2024 for an initial period of five years, with the option to extend for a further period of up to thirty-six months and a further twenty-four months.

4.20 There were unanticipated delays during the above process, which added several months to the initial procurement timeline.

4.21 Additional time was spent ensuring the supplier base had access to and fixing user issues with the Public Contract Scotland – Tender system within Stage 1 of the procurement. A large number of clarification questions were received, so the tender was extended to allow all bidders to fairly address all the additional information within their tenders. Additionally, the evaluation of bids took longer than planned due the high volume of bids, which has led to the additional capacity within this report.

4.22 As such to allow sufficient time to ensure a successful transition to the new services, Committee is requested to approve contract extensions via waiver of CSOs to the current contracts for ten Service Providers delivering 18 services until the 31 March 2024. It is expected these extensions will cost a maximum of £1,210,25 and are essential for continuity of service.

4.23 A summary of the tendering and the tender evaluation process is attached at Appendix 1.

4.24 All Service Providers recommended for award are detailed in Appendix 2, along with the services.

4.25 All Service Providers recommended for an extension are detailed in Appendix 3, along with the services.

5. Next Steps

5.1 Should the Committee agree this report contracts will be awarded to the named Service Providers.

5.2 The contracts will be monitored and managed by the Partnership and Planning Service.

5.3 The Contracts and Grants Management team (CAGM) will engage with the Head of Homelessness and Housing Support, to ensure that effective contract management is delivered throughout the framework lifecycle as detailed and agreed in the Contract Management and Handover report. This will include proactive supplier engagement, monitoring of management information, application of Key Performance Indicators (KPI) and tracking of relevant budgets.

6. Financial impact

6.1 The proposed service costs would be met from the Council's Housing and Homelessness revenue budget.

6.2 The costs of the current services are budgeted at £5,453,812 per annum and provide 559 bed spaces. The future annual cost of the services is £6,368,576 to deliver 619 bed spaces. This is an increase of £914,764 to deliver an additional 60 bed spaces, an average unit cost of £15,246.

6.3 The additional 60 bed spaces will provide 'suitable accommodation' and lead to a corresponding reduction in more costly 'unsuitable' B&B and shared house accommodation. The current average unit cost of B&B and shared accommodation is approximately £25,000 per annum.

6.4 The funding required to provide an extra 60 bed spaces under this contract will be transferred from the B&B and shared accommodation budget and is expected to provide additional savings of approximately £0.5m per annum assuming a void rate of 6%. These savings will be taken into account when assessing the financial requirements of the Homelessness Service in 2024/25.

6.5 The contracts are expected to increase by 2% a year from year 2 of the contract to reflect inflationary factors. These additional costs will be considered through the annual budget setting process from 2025/26 onwards.

6.6 The annual contract values are fixed for the duration of the contract period, subject to any inflationary increases agreed through the annual budget setting process and nationally agreed changes to social care hourly rates funded by the Scottish Government.

6.7 Additionally, the Flexible Purchasing System has a mechanism for price reviews to better reflect market conditions and will be undertaken periodically to achieve value for money, as appropriate. Delegation of Authority to the Executive Director of Place will allow for a more responsive, flexible approach to changing trends in homelessness presentations.

6.8 The cost of the extensions of existing contracts for the period 1 January - 31 March 2024 is £1,250,323 and this is contained within existing Homelessness budgets.

6.9 The costs associated with procuring this contract are estimated from £20,001-£35,000.

7. Equality and Poverty Impact

7.1 As detailed in the Integrated impact assessment (IIA) the services commissioned will have a positive impact on people from the protected characteristics who are homeless. Specific services for people on the basis of sex, age and multiple/ complex needs will be provided. Services will also help to improve the situation of people in poverty. Services will not be able to help people with no recourse to public funds but will refer them to other organisations that can help.

7.2 The services commissioned will help to eliminate harassment of people who are homeless, will advance the equality of opportunity for people who are homeless and will foster good relations between people who share a protected characteristic and those who don't. Services work closely with homeless people to improve their socio- economic status and reduce poverty in Edinburgh.

7.3 An IIA and Data Protection Impact Assessment (DPIA) have been completed. The IIA has been submitted for publication.

8. Climate and Nature Emergency Implications

8.1 As a public body, the Council has statutory duties relating to climate emissions and biodiversity. The Council

"must, in exercising its functions, act in the way best calculated to contribute to the delivery of emissions reduction targets"

(Climate Change (Emissions Reductions Targets) (Scotland) Act 2019), and

"in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions"

(Nature Conservation (Scotland) Act 2004)

8.2 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions and embedded this as a core priority of the Council Business Plan 2023-2027. The Council also declared a Nature Emergency in 2023.

Environmental Impacts

8.3 Climate change was identified as relevant to this procurement exercise and suppliers were required to complete a Climate Change Plan within their Tender packs to provide evidence that their organisation has taken steps to build the awareness of the climate change emergency. Scope 1, 2 and 3 emissions were addressed in the Tender Pack as defined in the Greenhouse Gas Protocol.

8.4 Tenderers were required to indicate how their organisations would minimise their services impact on the environment, and detail steps to reduce carbon emissions through the contract period. Mandatory submissions were received and evaluated from all tenderers as part of the Tender process.

9. Risk, policy, compliance, governance and community impact

9.1 The Framework Agreement recommended for award is compliant with regulations and the Contract Standing Orders. (CSOs) thereby reducing the risk of legal challenge relating to contractual arrangements.

9.2 The existing services and interested parties were consulted prior to procurement to input into the service specification and the design of services. The service specifications were then changed as a result of the consultation.

9.3 Service users are consulted regularly by services to gain feedback into how the services are run. This was fed back to the Partnership and Planning team who used the information to inform the Service Specifications and to look at what needed to be commissioned. This included a need for more single sex services for women experiencing homelessness, more services for young people and services for people who had care and support needs who require a longer stay in accommodation.

9.4 During the initial procurement for the FPS in 2021, in order to engage as many organisations as possible, CPS published a PIN on 3 February 2021 to engage with the market and advertise a Talking Tenders Event.

9.5 This event was held virtually, in conjunction with the Supplier Development Programme (SDP) on 23 February 2021. The event thoroughly explained the proposed approach to interested providers, explaining the process of application, and developing a step-by-step guidance document. The Supplier Development Programme also offered a range of additional support. There were 71 notes of interest on the PIN with 76 event attendees.

9.6 Of those who noted interest on the PIN, 48% were micro-organisations, 21% small organisations, 16% medium organisations and 15% large organisations.

9.7 Once the opportunity was open for application, an additional Webinar was held in conjunction with the Supplier Development Programme, which demonstrated a live walk through of the online tender portal, showing where and how to upload the relevant documents and complete submissions. Again, the recording and questions and answers were shared with all providers after the event.

9.8 All of the above material was then re-shared with any new applicants to the framework in 2022.

9.9 The Sustainable Procurement Strategy was considered and applied through the request of community benefits.

9.10 As part of the tendering process questions were included within the tender submission in relation to Fair Work Practices, Sustainability and Community Benefits. 10 of the 11 suppliers pay at or above the Real Living Wage across their organisations, with all suppliers committed to becoming accredited Real Living Wage Suppliers.

9.11 All Service Providers have passed financial assessments and agreed to Terms and Conditions which minimises risk to the Council.

9.12 Were the Council to reject this report, it would be at risk of breaching its legal statutory duty under the Housing (Scotland) Act 1987 to provide temporary accommodation to people who are homeless or face homelessness.

10. Background reading/external references

10.1 The City of Edinburgh Council's Rapid Rehousing Transition Plan - Housing, Homelessness and Fair Work Committee, 18 September 2020.

10.2 The Unsuitable Accommodation Order.

10.3 Homelessness Services – Use of Temporary Accommodation – Finance and Resources, 29 October 2020.

11. Appendices

11.1 Appendix 1 – Summary of Tendering and Evaluation Process.

11.2 Appendix 2 – Summary of Tendering and Evaluation Outcome.

11.3 Appendix 3 – Summary of Extensions.

Appendix 1 – Tender Evaluation Process

Contract	**CT2880 – Homeless Accommodation with Support**	
Contract Period	60 months with the option to extend for a further 36 months and then a further 24 months	
Maximum Total Contract Value (including extensions)	£63,685,761	
Procurement Route Chosen	MINI-Competition via Flexible Purchasing System CT0627: Competitive Procedure with Negotiation	
Admission to the Flexible Purchasing System (Category 2)	- Financial Probity Assessment - SPD - Police Scotland Check	
Admission Methodology	Pass / Fail to provide unranked pool of appropriate providers.	
SPD Compliance	SPD verified by officers from CPS.	
Contracts to be Awarded	Twelve Service Providers across four Lots	
Price / Quality Split	**Quality 70**	**Price 30**
	Criteria	**Weighting (%)**
Evaluation Criterion and Weightings – **ALL Lots Lot Specific Questions**	Question 1 - Service Delivery	30%
	Question 2 - Partnership Working and Communication	20%
	Question 3 - Homelessness Assessments and access to benefits	10%
	Question 4 - Service Delivery Team	5%
	Question 5 - Client Support	10%
Question Weightings – **ALL LOTS but answered in Lot Specific**	Question 6 - Health and Safety	5%
	Question 7 - Business Continuity	5%
	Question 8 - Community Benefits	5%
	Question 9 - The Environment	5%
	Question 10 - Fair Working Practices	5%

Appendix 2 – Tender Evaluation Outcome

Homeless Accommodation with Support – Lot 1: General	
Organisation	**Final score**
Salvation Army	89.50
Bethany Christian Trust ‘A’ submission (Bethany Supported Housing)	85.17
Cross Reach ‘B’ submission (Rankeillor House)	83.65
Loretto Care ‘B’ submission	78.82
Loretto Care ‘C’ submission	78.82
Loretto Care ‘A’ submission	76.32
Bethany Christian Trust ‘B’ submission (Behtany Christian Centre)	75.45
Bethany Christian Trust ‘D’ submission (Ann Hope House)	75.45
Cross Reach ‘A’ submission (Cunningham House)	74.04
Bethany Christian Trust ‘B’ Submission (Bethany House Accommodation Service)	73.65
HillCrest	67.25
Right There (Broom House)	64.95
Rowan Alba ‘B’ Submission (Stramullion)	60.16
Rowan Alba ‘A’ Submission (Thorntree Street)	56.02
Rowan Alba ‘D’ Submission (New Service)	54.27
Rowan Alba ‘C’ Submission (Thorntree Mill)	52.45

Homeless Accommodation with Support – Lot 2: Rapid Access	
Organisation	**Final score**
Salvation Army	93
Right There	75

Homeless Accommodation with Support – Lot 3: Young People	
Organisation	**Final score**
Rock Trust	94.75
Four Square	83.98
Right There	79.61
Link Living	69.66

Homeless Accommodation with Support – Lot 4: Veterans	
Organisation	**Final score**
Scottish Veterans Residence	93

Appendix 3 – Summary of Extensions by Waiver.

Provider	1st January – 31st March 2024
Bethany Christian Trust	£198,532
Crossreach	£81,907
Four Square	£98,071
Hillcrest	£309,181
Right There	£110,212
Rock Trust	£50,661
Rowan Alba	£171,690
Salvation Army	£80,344
Scottish Veterans	£27,739
Wheatley Homes	£121,986
Total	**£1,250,323**

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Finance and Resources Committee

10.00am, Tuesday 21 November, 2023

Millerhill Energy from Waste Plant Heat Offtake Unit - referral from the City of Edinburgh Council

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The City of Edinburgh Council has referred a report on Millerhill Energy from Waste Plant Heat Offtake Unit to the Finance and Resources Committee to make a decision on the increase in prudential borrowing.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Louise Williamson, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
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EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Referral Report

Millerhill Energy from Waste Plant Heat Offtake Unit

2. Terms of Referral

2.1 On 2 November 2023, the City of Edinburgh Council considered a report by the Executive Director of Place which sought approval for additional prudential borrowing relating to capital works for the construction of a Heat Interchange Unit (HIU) at the Millerhill Energy from Waste (EfW) facility to provide heat to the Midlothian Energy Heat Network

.

2.2 **Motion**

1) To note that the total cost to construct a Heat Interchange Unit (HIU) at Millerhill Energy from Waste (EfW) facility had increased to £7.9m,
2) To note that the Council previously approved expenditure of £5.2m to meet the cost of the HIU on 22 September 2022.
3) To note that, under an Environmental Permit (PCC) regulated by SEPA, the site was required to connect to a heat network within seven years of first operation, unless there was no network available.
4) To note that the cost of prudential borrowing (including the increased cost) could be met from the Council's share of income generated by the facility, as outlined in paragraph 6.3 of the report by the Executive Director of Place.
5) To refer the report to the next Finance and Resources Committee and delegate the decision on the increase in prudential borrowing to that Committee.
6) To note that Midlothian Council were also being asked to approve their share of the additional costs (20%).

- moved by Councillor Watt, seconded by Councillor Arthur.

Amendment 1

1) To note that the total cost to construct a Heat Interchange Unit (HIU) at Millerhill Energy from Waste (EfW) facility had increased to £7.9m.
2) To note that the Council previously approved expenditure of £5.2m to meet the cost of the HIU on 22 September 2022.

3) To note that, under an Environmental Permit (PCC) regulated by SEPA, the site was required to connect to a heat network within seven years of first operation, unless there was no network available.

4) To note that the cost of prudential borrowing (including the increased cost) could be met from the Council's share of income generated by the facility, as outlined in paragraph 6.3 of the report by the Executive Director of Place.

5) Notes that Policy and Sustainability Committee will consider the Council's Local Heat and Energy Efficiency Strategy (LHEES) in December 2023, and that this will be a key document which sets out the detail of the strategic context of provision of heat networks across the city.

6) Notes that, in October 2023, Policy and Sustainability Committee agreed that there is a need for the Council to develop a clear financial strategy to finance actions to deliver net zero within the Council, and considers that approval of additional, ad hoc borrowing to finance the project at Millerhill with no information received about its strategic importance or how this additional borrowing might impact upon the Council's ability to borrow for other projects, does not represent a strategic approach.

7) Therefore, agrees to defer the decision until the next Finance and Resources Committee, and requests that the report is updated to include information about linkages from this spending proposal to the LHEES and wider picture of the Council's borrowing plans / 'spend to save' proposals to deliver net zero.

8) Notes that Midlothian Council are also being asked to approve their share of the additional costs (20%).

- moved by Councillor Parker, seconded by Councillor Staniforth

Amendment 2

1) To note that the total cost to construct a Heat Interchange Unit (HIU) at Millerhill Energy from Waste (EfW) facility had increased to £7.9m.

2) To note that the Council previously approved expenditure of £5.2m to meet the cost of the HIU on 22 September 2022.

3) To note that, under an Environmental Permit (PCC) regulated by SEPA, the site was required to connect to a heat network within seven years of first operation, unless there was no network available.

4) To note that the cost of prudential borrowing (including the increased cost) could be met from the Council's share of income generated by the facility, as outlined in paragraph 6.3 of the report by the Executive Director of Place.

5) Approves the approach set out in this report and the increase in prudential borrowing to meet the additional costs (£2.7m).

6) To note that Midlothian Council were also being asked to approve their share of the additional costs (20%).

7) That a report is provided to GRBV to allow scrutiny of the increase in costs to date and that reports on the future progress of this project are made to GRBV every six months.

- moved by Councillor Mowat, seconded by Councillor Doggart

In accordance with Standing Order 22(12), Amendments 1 and 2 were accepted as amendments to the Motion.

Decision

To approve the following adjusted motion by Councillor Watt:

1) To note that the total cost to construct a Heat Interchange Unit (HIU) at Millerhill Energy from Waste (EfW) facility had increased to £7.9m,

2) To note that the Council previously approved expenditure of £5.2m to meet the cost of the HIU on 22 September 2022.

3) To note that, under an Environmental Permit (PCC) regulated by SEPA, the site was required to connect to a heat network within seven years of first operation, unless there was no network available.

4) To note that the cost of prudential borrowing (including the increased cost) could be met from the Council's share of income generated by the facility, as outlined in paragraph 6.3 of the report by the Executive Director of Place.

5) To refer the report to the next Finance and Resources Committee and delegate the decision on the increase in prudential borrowing to that Committee and request that the report be updated to include information about linkages from the spending proposal to the LHEES and wider picture of the Council's borrowing plans / 'spend to save' proposals to deliver net zero.

6) To note that Midlothian Council were also being asked to approve their share of the additional costs (20%).

7) To note that Policy and Sustainability Committee would consider the Council's Local Heat and Energy Efficiency Strategy (LHEES) in December 2023, and that this would be a key document which set out the detail of the strategic context of provision of heat networks across the city.

8) To note that, in October 2023, Policy and Sustainability Committee agreed that there was a need for the Council to develop a clear financial strategy to finance actions to deliver net zero within the Council, and considered that approval of additional, ad hoc borrowing to finance the project at Millerhill with no information received about its strategic importance or how this additional borrowing might impact upon the Council's ability to borrow for other projects, did not represent a strategic approach.

9) To agree that a report be provided to GRBV to allow scrutiny of the increase in costs to date and that reports on the future progress of this project be made to the Governance, Risk and Best Value Committee (GRBV) every six months.

3. Background Reading/ External References

Minute of the City of Edinburgh Council of 2 November 2023.

4. Appendices

Appendix 1 – Report by the Executive Director of Place

The City of Edinburgh Council

10.00am, Thursday, 2 November 2023

Millerhill Energy from Waste Plant Heat Offtake Unit

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

1. Recommendations

1.1 It is recommended that the Council:

1.1.1 Notes that the total cost to construct a Heat Interchange Unit (HIU) at Millerhill Energy from Waste (EfW) facility has increased to £7.9m;

1.1.2 Notes that the Council previously approved expenditure of £5.2m to meet the cost of the HIU on 22 September 2022;

1.1.3 Notes that, under an Environmental Permit (PCC) regulated by SEPA, the site is required to connect to a heat network within seven years of first operation, unless there is no network available;

1.1.4 Notes that the cost of prudential borrowing (including the increased cost) can be met from the Council's share of income generated by the facility, as outlined in paragraph 6.3;

1.1.5 Approves the approach set out in this report and the increase in prudential borrowing to meet the additional costs (£2.7m); and

1.1.6 Notes that Midlothian Council are also being asked to approve their share of the additional costs (20%).

Paul Lawrence

Executive Director of Place

Contact: Lesley Sugden, Contract Manager

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Report

Millerhill Energy from Waste Plant Heat Offtake Unit

2. Executive Summary

2.1 The Council is requested to approve additional prudential borrowing relating to capital works for the construction of a Heat Interchange Unit (HIU) at the Millerhill Energy from Waste (EfW) facility to provide heat to the Midlothian Energy Heat Network.

3. Background

3.1 The Council, for itself as Lead Authority and on behalf of Midlothian Council, signed a Contract with FCC (E&M) Limited in 2016 for the disposal of residual waste which involved the construction of the Millerhill EfW facility. FCC will operate the plant for 25 years then return the facility to the Councils'. This is year four of operations.

3.2 The plant operates under an Environmental Permit (PPC) regulated by SEPA (Scottish Environment Protection Agency). The Permit required the facility to be built as a Combined Heat and Power Plant.

3.3 A heat network is now being developed by Midlothian Energy Ltd (a joint venture between Midlothian Council and Vattenfall) adjacent to Millerhill EfW plant to service Shawfair and a Heat Supply Agreement has been signed between FCC and Midlothian Energy Limited.

3.4 As required by the Contract Project Agreement, FCC has approached the Council to provide the capital funding to allow the construction of a HIU that will transfer heat from the facility to the network.

4. Main report

4.1 Millerhill EfW facility accepts up to 135,000 tonnes of residual waste from the Council and Midlothian Council, with the Council providing 85% of the input. The capital cost of the facility was £136.9 million which is funded by FCC (the contractor), with a £36.9m contribution from the City of Edinburgh and Midlothian Councils. The capital costs are repaid via the a 'gate fee' per tonne of waste delivered. The Councils also receive 50% of the income from the sale of electricity from the facility.

4.2 It is a PPC Permit requirement that the facility connects to a heat network within seven years of first operation unless there is no network available. If the facility fails to connect, then the Environmental permit can be removed by SEPA, and the facility can no longer operate. In this situation, the Councils would have no waste outlet but would still be required to make contractual payments or a significant compensation payment for the facility.

4.3 The Project Agreement was written to allow connection of a Heat Offtake Unit later date (Schedule 34). Specifically, Schedule 34 allows the operator (FCC) to enter into a Heat Supply Agreement where there is no adverse effect on the Unitary Charge to the Councils (the gate fee).

4.4 FCC sought competitive tenders for the design and build of the HIU that will make the link from the facility to the network, namely the heat exchanger and the heat exchanger building.

4.5 Two quotations were received and, following technical and financial evaluation, a recommendation was made to the Council. The Council has also undertaken its own technical diligence of the tenders and agreed with FCC's recommendation. The quotations were indicative and subject to detailed discussion stage taking place once the preferred supplier has been identified.

4.6 On 22 September 2022, the Council approved capital expenditure totalling £5.2m (£4.16m to be met from Council prudential borrowing and £1.04m by Midlothian Council) to pay for a HIU at the Millerhill EfW facility that would enable the facility to provide heat to the Midlothian Energy Heat Network.

4.7 Following a prolonged period of updating and refining their proposal, the preferred bidder for the Heat Offtake works has provided a revised price of £8.3m meaning they are no longer the lowest cost option. Combined with the latest assessment of the robustness of the technical solution, FCC began negotiations to enter into a design and build contract with an alternative contractor.

4.8 The latest estimated cost from the alternative contractor to deliver the Heat Offtake Project is £7.4m plus a contingency of £0.5m, totalling £7.9m.

4.9 This means that the Council's contribution is estimated to be £6.32m (80%) of which £4.16m has already been approved. The additional cost to the Council is estimated as £2.16m.

5. Next Steps

5.1 Approval is also being sought by Midlothian Council to meet their share of the additional costs (20%) of the HIU, in accordance with the Inter Authority Agreement that governs the EfW contract.

5.2 If the Council and Midlothian Council approve the additional borrowing, a variation to the Project Agreement (the contractors Change notice) and Heat Offtake Agreement will be signed by the Council.

5.3 Construction of the Heat Offtake Agreement is scheduled to commence first quarter 2024/25.

5.4 Costs will be closely monitored to ensure aligned with agreed budget.

5.5 Performance of the existing EfW plant will be closely monitored to ensure maximum efficiency is maintained throughout construction phase.

6. Financial impact

6.1 The report sets out capital expenditure of £7.9m, of which 20% (£1.58m) will be met by Midlothian Council, resulting in a net requirement of £6.32m of which £4.16m has already been approved.

6.2 The loans charges associated with the Council's 80% share over a 20-year period would be a principal amount of £6.320m and interest of £4.249m, resulting in a total cost of £10.569m based on an assumed loans fund interest rate of 5.25%. This represents an annual cost £0.528m.

6.3 The annual cost of prudential borrowing can be met from the Council's share of third-party income generated by FCC at the Millerhill plant. This income is largely due to electricity sales in excess of what was assumed in the original business case. It is currently estimated that the Council will receive around £4m in respect of 2023/24 and while the amount will vary from year to year, it is expected to be sufficient to meet prudential borrowing costs.

7. Equality and Poverty Impact

7.1 Whilst this development is within Midlothian Council's area, the heat network project clearly has benefits for the community.

7.2 Consultation has taken place with colleagues from legal, finance, risk and insurance services.

7.3 The HIU will enable the provision of heat to the new Shawfair town on the outskirts of Edinburgh, reducing reliance on fossil fuels. This heating solution also provides energy security and protects consumers from the volatility of fossil fuel prices.

8. Climate and Nature Emergency Implications

8.1 As a public body, the Council has statutory duties relating to climate emissions and biodiversity. The Council

"must, in exercising its functions, act in the way best calculated to contribute to the delivery of emissions reduction targets"

(Climate Change (Emissions Reductions Targets) (Scotland) Act 2019), and

"in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions"

(Nature Conservation (Scotland) Act 2004)

8.2 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions and embedded this as a core priority of the Council Business Plan 2023-2027. The Council also declared a Nature Emergency in 2023.

Environmental Impacts

8.3 The development of a heat network is a vital component in maximising the environmental efficiency of the facility, and minimising the climate impacts of managing waste, and so contributes to the delivery of the Net Zero 2030 target.

8.4 Wider environmental benefits would be expected to accrue as there would be an equivalent reduction in the use of energy supplied by other sources, which would have its own environmental impact regardless of whether that is sourced from renewable or other sources.

8.5 According to Zero Waste Scotland, converting electricity-only EfW plants to Combined Heat and Power systems is estimated to reduce their carbon intensity by 30% (source: The climate change impacts of burning municipal waste in Scotland, Zero Waste Scotland, June 2021).

8.6 Generating both heat and electricity improves the efficiency of the plant, compared to electricity only. According to Zero Waste Scotland, converting electricity-only EfW plants to CHP systems is estimated to reduce their carbon intensity by 30% (source: The climate change impacts of burning municipal waste in Scotland, Zero Waste Scotland, June 2021).

8.7 The district heating network for Shawfair is expected to save over 2,000 tonnes of CO_2 per year, the equivalent of taking 1,200 petrol/diesel cars off the road.

8.8 The proposed action does not impact, either positively or negatively, on measures to mitigate climate impacts resulting from historic emissions.

9. Risk, policy, compliance, governance and community impact

9.1 Whilst this development is within Midlothian Council's area, the heat network project clearly has benefits for the community. The FCC plant manager is actively reaching out to the community to provide an update on progress, including engaging with the local Community Council (Danderhall).

9.2 The heat offtake unit will enable the provision of heat to the new Shawfair town on the outskirts of Edinburgh, thus reducing reliance on fossil fuels. This heating solution also provides energy security and protects consumers from the volatility of fossil fuel prices.

9.3 Health and Safety issues would be the responsibility of FCC rather than the Council. The Council has full access to all of FCC's Health and Safety procedures and records.

9.4 The proposal outlined in this report is a key part of the Council's own action to tackle climate change from its own activities and meet Net Zero 2030, as well as of the Council's own waste management strategy. Generating both heat and electricity improves the efficiency of the plant, compared to electricity only.

9.5 The proposal outlined in this report is essential to allow the EfW plant to continue to operate in compliance with its PPC requirement that the facility connects to a heat network within seven years of first operation unless there is no network available.

9.6 If the facility fails to connect, then the PCC can be removed by SEPA and the facility can no longer operate. The Councils would then have no waste outlet but would still be required to make contractual payments or a significant compensation payment for the facility.

10. Background reading/external references

10.1 Award of Residual Waste Treatment Contract – Finance and Resources Committee, 17 March 2016.

11. Appendices

11.1 None.

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Agenda Item 8.1

Finance and Resources Committee

10am, Tuesday, 21 November 2023

Workers and COVID

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

1. Recommendations

1.1 To review and note the response to the motion by Councillor Mumford, submitted and approved at the Finance and Resources Committee on 21 September 2023 entitled "Workers and Covid".

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Nareen Turnbull, Service Director, Human Resources

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Report

Workforce Dashboard

2. Executive Summary

2.1 This report provides a response to the following motion by Councillor Mumford, submitted and approved at the Finance and Resources Committee on 21 September 2023 which was:

By Councillor Mumford - Workers and Covid
"Committee:

1) Notes with concern the increased rates of Coronavirus in Scotland, and especially the spread of new variant BA.2.86 in Edinburgh;
2) Notes that for many people, particularly disabled and clinically vulnerable people, the pandemic has never gone away, and that the lack of precautions and guidance has a significant impact on their lives and freedoms;
3) Recognises that many people are still impacted by long-covid, affecting their capacity for full-time work and/or study;
4) Notes that the Covid Pledge is intended to protect workers, service users and customers from Covid-19 through health and safety law, risk assessments and following best practice public health advice.

To request a report within one cycle setting out:

a) the current protections and guidance for workers, service users and residents from Covid-19;
b) any future plans or precautions Edinburgh Council has around Covid-19 which go beyond the commitment to follow national guidance;
c) the implications for the Council of signing and implementing the Covid Pledge (covidpledge.uk).

3. Background

3.1 The HR Workforce Dashboard report of 21 September 2023 incorporated data in relation to COVID absence within the City of Edinburgh Council and set out current support and protection in place. This report further details this and responds to the motion above.

4. Main report

4.1 Scottish Government Rules and Restrictions

4.2 There are currently no COVID-19 rules or restrictions in Scotland. We are now living with COVID-19 as one of a number of respiratory infections. However, the Scottish Government sets out things you can do to stay well and protect others:

- try to stay at home if you have symptoms.
- if you have symptoms and do need to go out, wear a well-fitting face covering.
- get the vaccine if offered to give you the best possible protection.
- wash your hands regularly.
- meet in well-ventilated spaces.
- support Distance Aware, for anyone who prefers others to take extra care around them.

4.3 City of Edinburgh Council – Current Position and Arrangements

4.4 Detailed below are the current top 6 absence reasons which includes COVID. From 3 October 2022, all absences related to COVID are treated in line with any other sickness reason and recorded as sickness absence.

Absence Reason	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**Average**	**Top 6%**
Stress	1.1%	1.0%	1.2%	1.0%	1.1%	1.0%	0.9%	0.9%	0.9%	1.0%	29%
Musculo Skeletal	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.1%	1.1%	1.0%	21%
Infection	1.1%	0.6%	0.8%	0.4%	0.5%	0.2%	0.2%	0.4%	0.5%	0.5%	9%
Gastro-Intestinal	0.4%	0.5%	0.7%	0.5%	0.6%	0.5%	0.5%	0.6%	0.6%	0.5%	9%
Covid	0.3%	0.3%	0.4%	0.3%	0.2%	0.1%	0.1%	0.3%	0.4%	0.3%	5%
Cancer	0.2%	0.3%	0.3%	0.2%	0.3%	0.2%	0.2%	0.2%	0.3%	0.2%	4%

Table 1 – Sickness Absence Reason Summary - 2023

4.5 We continue to monitor absence reasons as well as Public Health Scotland data in relation to infection rates and guidance. Public Health Scotland statistics release on 26 October 2023 notes that the overall number of emergency hospital admissions associated with RSV (Respiratory Syncytial Virus), influenza and COVID-19 have increased during the reporting period (16-22 October). COVID-19 admissions decreased, while influenza and RSV admissions increased. The largest proportion of admissions were for RSV. ICU/HDU admissions continue to be low. In addition it was noted that the national flu and COVID vaccination programme is well underway.

4.6 With regards to the City of Edinburgh arrangements, we would confirm:

- the rollout of the vaccination programme for eligible staff is underway.
- we have reinforced to staff that with all infectious and contagious illnesses we encourage people to stay at home.
- those who are well enough and able to do so are advised to work from home.
- for those who cannot work from home then Managers should help to consider alternatives, or whether sickness absence is recorded.
- alternative arrangements and reasonable adjustments will be considered for those who require them.
- we will continue to monitor national data and guidance and implement where advised.
- we will ensure that workplace health, safety and welfare requirements are implemented and monitored. This includes offices, depots, workshops, schools, care homes and cultural venues. Some aspects are outlined further below:

Ventilation

Whilst there are no longer coronavirus restrictions in Scotland, workplaces need to be adequately ventilated, this is a requirement of the Workplace (Health, Safety and Welfare) Regulations 1992. Windows or other openings may provide sufficient ventilation but, where necessary, mechanical ventilation systems will be provided and maintained. We will ensure compliance with our health and safety duties in this regard.

Temperatures in indoor workplaces

Personal preference makes it difficult to specify a thermal environment which satisfies everyone. For workplaces where activity is mainly sedentary, for example offices, the temperature should be at least 16 °C. If work involves physical effort, it should be at least 13 °C (unless other laws require lower temperatures). Requirements for schools are set out in The School Premises (General Requirements and Standards) (Scotland) Regulations 1967.

Sanitary conveniences and washing facilities

Sanitary conveniences and washing facilities should be available at accessible places. These should clean and be adequately ventilated and lit. Washing facilities should have running hot and cold or warm water, soap and clean towels or other means of cleaning or drying. If required by the type of work, showers should also be provided.

4.7 COVID Pledge

4.8 The COVID-19 Safety Pledge asks employers to sign and display the pledge, agreeing to the three main points which are:

1. We pledge to protect our workers, service users and customers from Covid-19.
2. We will assess our physical environment and working practices according to Health and Safety law, including Risk Assessments, in order to ensure that they are designed to safeguard against the spread of infection.
3. We will abide by best public health advice and ensure that all workers who test positive for Covid are both asked to self-isolate and given adequate support to stay at home.

4.9 In general the City of Edinburgh Council supports and would promote the 3 points, however there are aspects in relation to the details of these and expectations that are not fully clear or set out and therefore could result in agreeing to aspects which the Council could not live up to, such as:

- Re-introduction of sick pay provision for COVID.
- Provision of masks and air filters.
- Re-introduction of Covid-specific risk assessments of the workplace.

4.10 We are fully supportive of the general principles of the Pledge and the health and wellbeing of our colleagues and service users is paramount. As a result we would suggest that as well as arrangements set out at 4.6 above, we will:

- ensure regular winter communications with colleagues promoting support and good practice.
- liaise with our Occupational Health providers to develop a series of winter messages and pro-active measures for colleagues to consider.
- consider guidance and support issued by the Scottish Government and wider agencies as well as the general aspect of the Pledge – including support for other respiratory and winter based illnesses.
- continue to monitor absence and community prevalence levels and respond accordingly and where necessary bring back any further measures for consideration by Committee.

5. Next Steps

5.1 To continue to monitor COVID absence and community prevalence as well as ensuring compliance with national guidance and good practice and rollout a series of preventative winter messages to support and inform colleagues. CLT and Trade unions currently receive a weekly report produced from I-trent.

6. Financial impact

6.1 Costs in relation to health and safety requirements are contained within current budgets.

7. Equality and Poverty Impact

7.1 The impacts of this report have been considered in relation to equality, human rights (including children's rights) and socio-economic disadvantage implications and there are no identified environmental impacts relevant to this report.

8. Climate and Nature Emergency Implications

8.1 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions and embedded this as a core priority of the Council Business Plan 2023-27. The Council also declared a Nature Emergency in 2023.

8.2 The impacts of this report have been considered in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties and there are no identified environmental impacts relevant to this report.

9. Risk, policy, compliance, governance and community impact

9.1 None of the the recommendations in the report impact on an existing policy of the Council. Workforce related risks are monitored through directorate and council wide risk registers.

10. Background reading/external references

10.1 None

11. Appendices

11.1 None

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Finance and Resources Committee

10am, Thursday, 21 November 2023

Procurement Delivery Plan 2023/2024 November Update

Routine
Wards

1. Recommendations

1.1 It is recommended that Committee note the content of the report and the update to current procurement exercises in Appendix 1 and expiring contracts detailed in Appendix 2.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Lynette Robertson, Head of Commercial and Procurement Services

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Report

Procurement Delivery Plan 2023/2024

2. Executive Summary

This report is intended to provide early awareness of planned procurement activity and to allow time for elected members to ask questions about the procurement strategy at an early stage.

3. Background

3.1 This is an update report detailing the expiring contracts and planned procurement exercises.

3.2 The previous report provided details on contracts due to expire up to 30 September 2024.

4. Main report

4.1 Commercial and Procurement Services (CPS) provides support, advice and make tendering arrangements with the Council's service areas on contracts above £25,000.

4.2 The contract register is populated by CPS and by service areas and provides details of each contract, its ownership and expiry. The contract register is sent out to each directorate on a 6 monthly basis to ensure accuracy.

4.3 Service areas will assess if there is a continuing need and where appropriate, initiate a procurement exercise by submitting a Procurement Requirement Form to engage CPS.

4.4 The appendices provide a summary of all those contracts currently going through a procurement exercise and a list of contracts due to expire up to 30 November 2024.

4.5 Appendix 1 provides the current forecast date for approval of the tender recommendation. This may change if more time is required to conclude.

4.6 The intended approval route is in line with Contract Standing Orders.

4.7 Appendix 2 is an extract from the Contract Register which are anticipated to be renewed. As the Council is continually adapting and changing its service delivery models contracts can merge, be replaced in part or delivered in an alternative way so it should be noted that contract names, values and end dates may be changed to meet specific circumstances.

5. Next Steps

5.1 A further contract report will be provided at the next Finance and Resources Committee.

6. Financial impact

6.1 There are no direct financial impacts as a result of this report.

7. Equality and Poverty Impact

7.1 There are no equalities or poverty impacts to take into account of in this report.

8. Climate and Nature Emergency Implications

8.1 There are no climate or nature emergency implications to take into account of in this report.

9. Risk, policy, compliance, governance and community impact

9.1 There are no health and safety, governance, compliance or regulatory implications to take into account in this report.

10. Background reading/external references

10.1 The Contract Register is available on the Council's website.

10.2 The last Procurement Delivery Plan 2023/2024 was presented to the Finance and Resources Committee meeting on 21 September 2023

11. Appendices

Appendix 1 – New or Renewal contracts to November 2024

Appendix 2 – Expiring contracts to 30 November 2024 (Above £50k and potentially recurring).

Appendix 1 – New or Renewal contracts to November 2024

Contract/Service required	Estimated Value	New/ Renewal	Forecast Approval Date	Approval Route – Executive Director (ED) or Committee (F & R)	Latest Forecast Date if changed	Date approved	Comments
Void Homes cleaning	Less than £5m	Renewal	Oct-23	ED - Place		Oct-23	
Granton Heat Network	£5m and above	New	Nov-23	F&R			
Refugee English Language Teaching and Cultural Integration Support	Less than £5m	Renewal	Nov-23	ED – C,E and J			
Fresh Fruit, Fresh Vegetables, Bakery Products and Eggs	£5m and above	Renewal	Nov-23	F & R			
Music & Video Streaming	Less than £5m	Renewal	Dec-23	ED - Place			
Music and Video streaming	Less than £5m	Renewal	Dec-23	ED - Place			
Catering	Less than £5m	Renewal	Dec-23	ED - Place			
iPad & iPhone Repairs	Less than £5m	New	Dec-23	ED - ECJS			
Offsite Revenue Processing	Less than £5m	Renewal	Dec-23	ED – Corp Services			

Contract/Service required	Estimated Value	New/ Renewal	Forecast Approval Date	Approval Route – Executive Director (ED) or Committee (F & R)	Latest Forecast Date if changed	Date approved	Comments
Single Occupancy Discount Review	Less than £5m	Renewal	Oct-23	ED – Corp Services	Dec-23		Review of scope
Specialist Paper Services – Print Services	Less than £5m	Renewal	Oct-23	ED – Corp Services	Feb-24		Scope changes and pricing model decisions
Dean Park Primary	£5m and above	New	Nov-23	F & R	Jan-24		Design Change
Day Opportunities for Older People	£5m and above	Renewal	Dec-23	F & R	May-24		Service Area decisions still to be advised.
Supply of Sandwiches	Less than £5m	Renewal	Dec-23	ED - Place			
Learning – Accredited Pathways	Less than £5m	New	Jan-24	ED – C, E & J	Mar-24		Scope change now less than £5m
Street Lighting Columns	Less than £5m	Renewal	Jan-24	ED - Place			
Hostile Vehicle Mitigation	Less than £5m	New	Jan-24	ED – Place			
Winter Festival	Less than £5m	Renewal	Jan-24	F & R			

Contract/Service required	Estimated Value	New/ Renewal	Forecast Approval Date	Approval Route – Executive Director (ED) or Committee (F & R)	Latest Forecast Date if changed	Date approved	Comments
Coatfield Lane Redevelopment	£5m and	New	May-24	F & R			
Homelessness Support Services	£5m and above	Renewal	Jan-24	F & R	Nov-23		
Childcare	Less than £5m	Renewal	Jan-24	ED - Place			
Home Based Care and Assoc Services	£5m and above	Renewal	Jan-24	F & R	May-24		"One Edinburgh Programme" Report F & R November
Street Lighting Columns	Less than £5m	Renewal	Jan-24	ED - Place			
Garden Aid & Ad Hoc Grounds Maintenance	Less than £5m	Renewal	Mar-24	ED - Place			
Stairlifts, Track Hoists and Bidet Toilets Framework	Less than £5m	Renewal	Nov-23	ED – HSCP	Mar-24		Awaiting data from collaborative partners
Cyber Assurance Framework	Less than £5m	New	Apr-24	ED – Corp Services			
Facilitation Partner – L&D	Less than £5m	New	Apr-24	ED – Corp Services			

Contract/Service required	Estimated Value	New/ Renewal	Forecast Approval Date	Approval Route – Executive Director (ED) or Committee (F & R)	Latest Forecast Date if changed	Date approved	Comments
Passenger Transport	£5m and above	Renewal	Jan-24	F & R	Apr-24		Additional supplier events
Funeral Director services	Less than £5m	Renewal	Apr-24	ED – Place			
Telecare Call Monitoring	Less than £5m	Renewal	Apr-24	ED – HSCP			
Vehicle Recovery & Repair	Less than £5m	Renewal	Jun-24	ED - Place			
Housing Capital Works Framework	£5m and above	Renewal	Jun-24	F & R			
Residential, Special Schools and Supported Accommodation Framework	£5m and above	Renewal	Jun-24	F & R			
Decriminalised Parking and Traffic Enforcement (DPE) Services	£5m and above	Renewal	Jun-24	F & R			
Supported Bus Services	Less than £5m	Renewal	Jun-24	ED - Place			
Security Services	£5m and above	Renewal	Jun-24	F & R			

Contract/Service required	Estimated Value	New/ Renewal	Forecast Approval Date	Approval Route – Executive Director (ED) or Committee (F & R)	Latest Forecast Date if changed	Date approved	Comments
Webcasting	Less than £5m	Renewal	July-23	ED – Corp Services	Jun-24		Current contract extended to explore market alternatives
Insurance Programme	£5m and above	Renewal	Sep-24	F & R			

Appendix 2 – Expiring contracts to 30 November 2024 (Above £50k and potentially recurring)

Contract Reference	Contract Name	Contract End Date (including all extensions)	Contract Value	Type of contract: Goods / Services Consultant / Works
CT2466	Roundabout Sponsorship	30/06/2024	£ Income	Services
SP-19-025	Recruitment Advertising and Public Notices	10/07/2024	£1,200,000	Services
CT0554	Empty Homes: Estates Clearance, Garden Maintenance & Minor Works, Property Protection	12/07/2024	£3,500,000	Services
SXL1919	Supply and Delivery of Catering Sundries	31/07/2024	£1,140,000	Goods
CT0446	Disabilities Complex Care Housing and Support Service	30/08/2024	£5,228,571	Services
CT2538	Housing Consultancy Framework Agreement	31/08/2024	£1,140,000	Services
CT2647	Commercial and Residential Property Advisory Services	02/09/2024	£500,000	Services
813.5	Base Care & Support	30/09/2024	£62,080	Services

Contract Reference	Contract Name	Contract End Date (including all extensions)	Contract Value	Type of contract: Goods / Services Consultant / Works
1286	Base Care & Support	30/09/2024	£73,782	Services
813.2	Base Care & Support	30/09/2024	£96,459	Services
HS0135	Harm Reduction Services	30/09/2024	£128,553	Services
937.6	Base Care & Support	30/09/2024	£178,716	Services
937.7	Base Care & Support	30/09/2024	£178,716	Services
PL0585	Tram Priority System	30/09/2024	£200,000	Services
941.4	Base Care & Support	30/09/2024	£208,212	Services
941.5	Base Care & Support	30/09/2024	£208,212	Services
941.6	Base Care & Support	30/09/2024	£216,207	Services
941.1	Base Care & Support	30/09/2024	£216,803	Services
941.2	Base Care & Support	30/09/2024	£216,803	Services

Contract Reference	Contract Name	Contract End Date (including all extensions)	Contract Value	Type of contract: Goods / Services Consultant / Works
941.8	Base Care & Support	30/09/2024	£216,803	Services
924	Base Care & Support	30/09/2024	£225,079	Services
941.3	Base Care & Support	30/09/2024	£234,597	Services
937.4	Base Care & Support	30/09/2024	£234,871	Services
937.4	Base Care & Support	30/09/2024	£234,871	Services
937.9	Base Care & Support	30/09/2024	£235,823	Services
937.9	Base Care & Support	30/09/2024	£235,823	Services
937.3	Base Care & Support	30/09/2024	£236,648	Services
937.3	Base Care & Support	30/09/2024	£236,648	Services
937.8	Base Care & Support	30/09/2024	£252,128	Services
937.8	Base Care & Support	30/09/2024	£252,128	Services

Contract Reference	Contract Name	Contract End Date (including all extensions)	Contract Value	Type of contract: Goods / Services Consultant / Works
1294	Base Care & Support	30/09/2024	£265,776	Services
919.3	Base Care & Support	30/09/2024	£268,522	Services
919.4	Base Care & Support	30/09/2024	£268,716	Services
877.5	Base Care & Support	30/09/2024	£276,282	Services
877.6	Base Care & Support	30/09/2024	£276,282	Services
805.2	Base Care & Support	30/09/2024	£281,064	Services
919.2	Base Care & Support	30/09/2024	£283,193	Services
877.9	Base Care & Support	30/09/2024	£300,423	Services
861	Base Care & Support	30/09/2024	£357,816	Services
924.6	Base Care & Support	30/09/2024	£390,068	Services
924.5	Base Care & Support	30/09/2024	£399,261	Services

Contract Reference	Contract Name	Contract End Date (including all extensions)	Contract Value	Type of contract: Goods / Services Consultant / Works
805.1	Base Care & Support	30/09/2024	£406,779	Services
CM0535	Assessment Data Provider for Schools	30/09/2024	£449,024	Services
1003.1	Base Care & Support	30/09/2024	£452,403	Services
808	Single Service Shared Night Cover	30/09/2024	£457,863	Services
914.2	Care & Support	30/09/2024	£476,296	Services
937.1	Base Care & Support	30/09/2024	£480,949	Services
877.4	Base Care & Support	30/09/2024	£490,782	Services
73.2	Shared Night Cover	30/09/2024	£506,051	Services
937.5	Base Care & Support	30/09/2024	£512,635	Services
75	Base Care & Support	30/09/2024	£517,191	Services
75.1	Base Care & Support	30/09/2024	£522,017	Services

Contract Reference	Contract Name	Contract End Date (including all extensions)	Contract Value	Type of contract: Goods / Services Consultant / Works
924.2	Base Care & Support	30/09/2024	£532,021	Services
66	Single Service Shared Night Cover	30/09/2024	£532,867	Services
1003.2	Base Care & Support	30/09/2024	£542,137	Services
73.1	Shared Night Cover	30/09/2024	£565,576	Services
36	Base Care & Support	30/09/2024	£570,335	Services
909.1	Base Care & Support	30/09/2024	£594,839	Services
937.2	Base Care & Support	30/09/2024	£697,612	Services
915	Single Service Shared Night Cover	30/09/2024	£730,799	Services
877.7	Base Care & Support	30/09/2024	£751,946	Services
680.8.1	Single Service Shared Night Cover	30/09/2024	£805,678	Services
877.2	Base Care & Support	30/09/2024	£911,294	Services

Contract Reference	Contract Name	Contract End Date (including all extensions)	Contract Value	Type of contract: Goods / Services Consultant / Works
910.1	Base Care & Support	30/09/2024	£952,355	Services
1116	Base Care & Support	30/09/2024	£963,701	Services
SP-19-025 Direct Award CT0864	Recruitment Advertising and Public Notices Framework	30/09/2024	£1,000,000	Services
863	Shared Night Service	30/09/2024	£1,035,768	Services
919.1	Base Care & Support	30/09/2024	£1,061,261	Services
919.5	Base Care & Support	30/09/2024	£1,061,945	Services
1003.3	Base Care & Support	30/09/2024	£1,257,092	Services
910.2	Shared Night Service	30/09/2024	£1,325,884	Services
CT0476	Adult Community Treatment Service	30/09/2024	£2,879,427	Services
73	Base Care & Support	30/09/2024	£2,953,694	Services

Contract Reference	Contract Name	Contract End Date (including all extensions)	Contract Value	Type of contract: Goods / Services Consultant / Works
HS0134	Harm Reduction Services	30/09/2024	£4,740,812	Services
CT0476	Edinburgh Alcohol and Drugs Partnership (EADP) - Adult Community Treatment Services	30/09/2024	£6,834,171	Services
CT0591	Summer Event Meadows	31/10/2024	£ Income	Services
RM1557.11 Mini Comp CT0750	Phishing Simulation and Awareness Tool	31/10/2024	£90,000	Services
SXL2717 Mini Comp CT2736	Treatment And Disposal of Inert Waste and Rubble	31/10/2024	£133,676	Services
CT2408	Lift Service and Maintenance (Housing Property)	21/11/2024	£710,806	Services

•EDINBVRGH•
THE CITY OF EDINBURGH COUNCIL

Agenda Item 8.3

Finance and Resources Committee

10am, Thursday 21 November 2023

Annual Fraud Prevention and Detection Report

Executive/routine
Wards

1. Recommendations

1.1 To note the Council's work on fraud prevention and detection during 2022/23.

Dr Deborah Smart

Executive Director of Corporate Services

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Report

Annual Fraud Detection and Prevention

Executive Summary

1.1 The annual report provides an overview of fraud prevention and detection activities undertaken in 2022/23.

Background

2.1 The Council is responsible for a range of counter fraud activities. These are designed to detect, investigate, and prevent fraud and ensure that public money is spent on essential services.

2.2 The Council investigate and detect fraudulent activity that is out with the remit of central government bodies, including the Department for Work and Pensions (responsible for Housing Benefit Fraud). Appropriate external customer fraud is investigated by the Council's Customer Fraud & Visiting Team (CFVT).

2.3 Internal Audit also considers whether appropriate Council controls exist to support the prevention and detection of potentially fraudulent activities as part of their ongoing activities.

Main report

3.1 Fraud allegations are received from various sources, including members of the public, Department for Work and Pensions, HM Revenues and Customs, the Police, and the National Fraud Initiative (NFI) exercise. During 2022/23, the Customer Team detected customer fraud/error of £926K (Appendix 1), with recovery action ongoing.

3.2 The Council participates in Audit Scotland's National Fraud Initiative (NFI). This is a comprehensive data matching exercise that operates over a two-year rolling period and compares information held by public bodies. To maximise the efficiency of this activity an annual review of the Council's internal controls and the National Fraud Initiative database is undertaken to ensure checking activities are complementary. As a result, Council services investigate approximately 80% of the NFI's high risk matches for the period, with the remaining 20% of matches covered by existing internal controls.

3.3 The latest NFI exercise commenced in January 2023 and will conclude in March 2024, with the results published in the summer of 2024. Ongoing activities, up to the end of September 2023, have identified potential fraud/error of £11.7K, as detailed in Appendix 2.

3.4 The Council operates a web-based system that allows the public to report suspected cases of fraud. Following an initial assessment by Business Support, allegations are referred to the relevant service for investigation. During 2022/23, 467 allegations were reported (Appendix 3), this included one allegation made about a Council employee, which was investigated by Safecall, as part of the whistleblowing process. Of the 466 remaining allegations,116 were not within the Council's remit and were referred to the appropriate external organisations. Of the remaining 350 allegations, 289 were not upheld and 61 were upheld, with appropriate actions being progressed. The largest number of upheld cases related to benefits, council tax discounts and blue badges.

Next Steps

4.1 The Customer and Internal Audit teams continue to engage with service areas to highlight investigation outcomes and this dialogue is used to shape counter fraud activities and increase awareness.

Financial impact

5.1 This work is an important financial safeguard and ongoing investigations provide service areas with evidence to attempt to recover any fraudulent sums claimed.

Equality and Poverty Impact

6.1 There are no direct equality and poverty impacts associated with this report.

Climate and Nature Emergency Implications

7.1 There are no direct climate and nature emergency implications associated with this report.

Risk, policy, compliance, governance and community impact

8.1 There are no direct risk, policy, compliance and community impacts associated with this report.

Background reading/external references

9.1 Fraud Prevention & Detection - Annual Report 2021/22 Finance and Resources Committee 10th November 2022

Whistleblowing Policy

Policy on Fraud Prevention

Policy on Anti Bribery

Appendices

10.1 Appendix 1 – Customer Fraud & Visiting Team – 2022/23

Appendix 2 – National Fraud Initiative

Appendix 3 – Public Reported Cases of Suspected Fraud

Appendix 1

2022/23 Overview

During 2022/23, the Customer Services Team detected customer fraud of £926,256 with recovery action ongoing.

- **Scottish Welfare Fund Payments (£24,954)**
  A Community Care Grant provides support for essential goods and one-off items. This category details items that have been claimed for but were not actually required by the customer.

- **Council Tax Reduction Scheme (CTRS) (£43,464)**
  CTRS is available to claimants who are experiencing financial difficulties and find themselves unable to make their Council Tax payments. Payments in error occur when a claimant fails to provide the correct information when applying for the scheme or fails to report a change in circumstances.

- **Council Tax Discounts and Exemptions (£197,492)**
  This category relates to discounts and exemption incorrectly applied due to the customer providing false information or failing to report a change of circumstance e.g., liability, student status, empty properties etc. (Additional discounts and exemptions are also removed as part of ongoing business review activities, however, these are not classified as fraudulent for the purpose of this report.)

- **Council Tax Single Occupancy Discount Review (£569,896)**
  An annual review is undertaken to ensure residents who claim a single occupancy discount on their Council Tax continue to have a genuine entitlement. This uses a combination of information held by the Council, third party data sources and specialist validation services. This work ensures that ineligible claims are removed.

- **Recovered Tenancies – non residency/illegal sublets of homes (£90,000)**
  The Audit Commission recommend that Local Authorities use a notional figure of £18,000 per tenancy when calculating potential loss to the Council. This figure incorporates the cost of temporary accommodation for genuine applicants, legal costs to recover the property, re-let cost and the rent foregone during the void period between tenancies. This work also ensures that properties are being used by tenants that have been appropriately assessed and prioritised.

- **Disabled Blue Badges (£450)**
  The Blue Badge Scheme provides a national arrangement of parking concessions for those people who have a permanent or substantial disability. The misuse of the Blue Badge scheme undermines the benefits of the scheme, impacts upon local traffic management and can result in a genuinely disabled person being unable to access designated parking spaces.

Appendix 2

National Fraud Initiative – Ongoing Activity

Dataset	Examples of possible Fraud	Total Matches	Cases Investigated	Remaining matches	Investigation Type	Fraud No.	Errors No.	Recovery (£)
Non-Domestic Rates	Incorrectly claiming small Business Bonus Scheme	N/A	N/A	N/A	N/A	N/A	N/A	Due date for uploading Data 30/11/23
Income/ Council Tax	Incorrectly claiming exemptions	905	189	716	All matches	3	2	£6,472.66
Housing Benefits	Incorrectly claiming benefits	353	336	17	All matches	0	0	£4,661.86
Private supported care home residents	Payments for deceased resident	0	0	0	No matches released by NFI	0	0	£0
Housing Rents and Other	Ineligible tenants, Tenant on waiting list for second property, Inappropriate attempt to purchase property R.T.B.	548	548	0	All Matches	0	0	£0
Payroll/HR	Obtaining employment when not entitled to work in the UK, Second Job whilst paid long term sick	159	159	0	All Matches	0	0	£0.00
Trade Creditors Standing Data (Procurement)	Fraudulent or erroneous payments where supplier set up with more than one reference, Inappropriate Suppliers on database	140	104	36	Sample completed due to low level of risk	0	3	£0.00
Trade Creditors History (Payments)	Duplicate payments for same goods/services, Incorrect Payments made, Employees (or family) invoicing services to Council	6818	0	6818	Sample completed due to low level of risk	0	0	£0.00
Blue Badge Permit / Residents Parking	Permit used by someone other than approved user	969	969	0	All Matches	0	0	£0.00

Resident Parking Permits	Individuals who have a resident parking permit have been matched to deceased records.	22	17	5	All Matches	0	0	£0.00
Procurement to Payroll	To identify potential undeclared interests that have been given a pecuniary advantage.	233	233	0	All Matches	0	1	£550.10
Immigration	To identify employees who are not entitled to reside and/or are not entitled to work in the UK	0	0	0	No matches released by NFI	0	0	£0.00
Total		10147	2555	7592		3	6	£11,684.62

Appendix 3

Public Reported Cases of Suspected Fraud

CATEGORY	**Number of Reported Cases**
External	
Benefits or Council Tax	263
Tenancy or Other Housing	11
Licensing / HMO / Private Landlord	22
Non-Domestic Rates	2
Blue Badges/Parking	24
Miscellaneous	28
Internal	
Allegations made against Staff	1
Total Relevant Allegations	**351**
Not Relevant	
Not CEC – (i.e. Police, other LA's or agencies)	69
Duplicates (multiple reports by same person)	47
Total Not Relevant	**116**
Total Allegations Received	**467**

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Summary Report on Property Transactions concluded under Delegated Authority

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

1. Recommendations

1.1 That the Finance and Resources Committee notes the 55 transactions detailed in the attached Appendix that have been concluded in terms of the Council's 'Scheme of Delegation to Officers.

Paul Lawrence

Executive Director of Place

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Report

Summary Report on Property Transactions concluded under Delegated Authority

2. Executive Summary

2.1 To advise the Committee of all lease agreements, etc. concluded in terms of the Council's Scheme of Delegation to Officers.

3. Background

3.1 Under the Council's Scheme of Delegation to Officers it is the responsibility of the Chief Executive or relevant Executive Director to keep the elected members appropriately informed about activity arising within the scope of the delegated authority under the Scheme.

3.2 This delegated authority currently extends to the conclusion of all new leases of up to 10 years in length where the rental is no greater than £75,000 per annum and rent reviews where the rental is no greater than £75,000 per annum. The authority also includes the sale of property which has been declared surplus to the requirements of the Council and sold on the open market to the highest bidder. Any transactions outwith these parameters are reported separately to Committee.

3.3 The default management position for the commercial investment portfolio is to let properties at the relevant market rent. Any lease agreement at less than market levels, otherwise known as a concessionary let, is reported separately for Committee approval before the letting is completed.

4. Main report

4.1 Appendix 1 provides details of 55 transactions completed under delegated authority since the last quarterly report.

4.2 The financial benefit to the Council of these transactions is summarised below:

4.2.1 Eight new leases producing a total income of £105,850;

4.2.2 18 lease renewals producing an additional £19,535 on a total rent of £211,025 per annum;

4.2.3 One licence producing £3,000;

4.2.4 20 new Parks events licences producing £155,579;

4.2.5 Two events licences (non-Parks) producing £36,500;

4.2.6 Five rent reviews producing an increase in rent of £48,626 per annum on a total rent of £225,868; and

4.2.7 One disposal producing £176,000.

5. Next Steps

5.1 The report sets out transactions which have been completed under the Scheme of Delegation to officers. There are no further steps in relation to these transactions.

6. Financial impact

6.1 The financial impact of the transactions noted are set out above.

7. Equality and Poverty Impact

7.1 It is not considered that there are any equality or poverty impacts from completing the transactions noted.

8. Climate and Nature Emergency Implications

8.1 It is considered there are no direct Climate and Nature Emergency Implications from completing the transaction noted.

9. Risk, policy, compliance, governance and community impact

9.1 It is not considered there any impacts from completing the transactions noted in line with the Scheme of Delegation to officers.

10. Background reading/external references

10.1 None.

11. Appendices

11.1 Appendix 1 – Schedule of Property Transactions.

NEW LEASE

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
1.	2 – Pentland Hills	General Property	46C Bavelaw Road, Balerno	Unicorn-Inc Ltd	Industrial	**Rent:** £24,000 per annum **Lease Period**: 1 June 2023 to 31 May 2028 **Payable:** Quarterly in advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
2.	7 – Sighthill/ Gorgie	Housing Revenue Account	52 Glenalmond Place EH11 4FF (Sighthill area)	Mellissa Gordon	Retail Unit (Hair Salon)	**Rent:** £15,000 per annum **Lease Period**: 5 September 2023 to 4 September 2028 **Payable:** Monthly
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
3.	7 – Sighthill/ Gorgie	General Property	Unit 4 Russell Road Ind Estate, Sauchiebank	Gekko Glazing Ltd	Industrial	**Rent:** £18,850 per annum **Lease Period**: 12 June 2023 to 11 June 2028 **Payable:** Quarterly in advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
4.	9 – Fountainbridge / Craiglockhart	City Development	7 Hutchison Place	Miss Emma Elliss	Retail Unit	**Rent:** £6,500 Per annum **Lease Period**: 3 July 2023 to 2 July 2028 **Payable:** Quarterly
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
5.	11 – City Centre	Housing Revenue Account	307 Cowgate Edinburgh	Melanie Whitby	Retail Unit	**Rent:** £10,000 per annum **Lease Period**: 11 August 2023 to 10 August 2028 **Payable:** Monthly
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
6.	13 – Leith	General Property	18a Tennant Street, Edinburgh	Hippy Bus Ltd	Industrial	**Rent:** £15,000 per annum **Lease Period**: 9 June 2023 to 8 June 2026 **Payable:** Quarterly in advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
7.	17 – Portobello / Craigmillar	General Property	Unit 10 Peffermill Parc, King's Haugh	Mr Michael McCraken	Industrial	**Rent:** £11,500 per annum **Lease Period**: 1 September 2023 to 31 August 2026 **Payable:** Quarterly in advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
8.	17 – Portobello / Craigmillar	General Property	92 Niddrie Mains Road	Let the People Sing Ltd	Retail	**Rent:** £5,000 per annum **Lease Period**: 1 September 2023 to 1 December 2023 **Payable:** Quarterly in advance
REMARKS:						

LEASE RENEWAL

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
9.	1 – Almond	General Property	U21 Viewforthbank Ind Est, The Loan, South Queensferry	Salt 'N' Sauce Promotions Limited	Industrial	**Old Rent:** £4,750 per annum **New Rent:** £7,625 per annum **From:** 20 August 2023 to 19 August 2028. **Payable:** Quarterly
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
10.	4 – Forth	General Property	Unit 4 West Shore Trading Estate	Edinburgh International Science Festival Ltd	Industrial	**Old Rent:** £18,000 per annum **New Rent:** £18,000 per annum **Lease Period**: 1 August 2023 to 31 July 2026 **Payable:** Quarterly in advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
11.	4 – Forth	General Property	Unit 7 West Shore Trading Estate	Edinburgh International Science Festival Ltd	Industrial	**Old Rent:** £17,200 per annum **New Rent:** £17,200 per annum **Lease Period**: 1 August 2023 to 31 July 2026 **Payable:** Quarterly in advance
REMARKS:						

ITEM & REF NO.	WARD	OWNER	SUBJECTS	TENANT	USE	TERMS
12.	7 – Sighthill / Gorgie	General Property	Unit 5 Broomhouse Workspace	P Blackhall Limited	Industrial	**Old Rent:** £8,000 per annum **New Rent:** £8,600 per annum **From:** 17 June 2023 to 16 June 2028. **Payable:** Quarterly
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
13.	7 – Sighthill / Gorgie	General Property	Unit 13/14 Sauchiebank, Russell Road	Tool & Plant Services Limited	Industrial	**Old Rent:** £14,965 per annum **New Rent:** £15,900 per annum **From:** 1 August 2023 to 31 July 2028 **Payable:** Monthly in Advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
14.	7 – Sighthill / Gorgie	General Property	Unit 15 Sauchiebank Industrial Estate Russell Road	Mr Innes Messer t/a Tool & Plant Services Limited	Industrial	**Old Rent:** £6,800 per annum **New Rent:** £7,200 per annum **From:** 1 August 2023 to 31 July 2028 **Payable:** Monthly in Advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
15.	7 – Sighthill / Gorgie	General Property	Unit 11 Sauchiebank Industrial Estate, Russell Road	AM Foods Limited	Industrial	**Old Rent:** £13,500 per annum **New Rent:** £14,300 per annum **From:** 1 October 2023 to 30 September 2028 **Payable:** Monthly in Advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16.	9 – Fountainbridge / Craiglockhart	General Property	Unit 22 West Gorgie Park	Turret Developments Scotland Ltd	Industrial	**Old Rent:** £8,500 per annum **New Rent:** £9,200 per annum **From:** 1 July 2023 to 30 June 2028. **Payable:** Quarterly in Advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17.	9 – Fountainbridge / Craiglockhart	General Property	36a Grove Street, Edinburgh	Johan Mary Borrett	Retail Unit	**Old Rent:** £5,750 per annum **New Rent:** £6,000 per annum **From:** 1 July 2023 to 30 June 2028 **Payable:** Monthly in Advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
18.	9 – Fountainbridge / Craiglockhart	General Property	Unit 10 West Gorgie Park	Thomas Kelly	Industrial	**Old Rent:** £6,800 per annum **New Rent:** £7,400 per annum **From:** 1 September 2023 to 31 August 2028 **Payable:** Quarterly in Advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
19.	9 – Fountainbridge / Craiglockhart	General Property	Unit 9 West Gorgie Park	The Conservation Volunteers	Industrial	**Old Rent:** £8,500 per annum **New Rent:** £8,500 per annum **From:** 1 October 2023 to 30 September 2028 **Payable:** Quarterly in Advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNER	SUBJECTS	TENANT	USE	TERMS
20.	11 – City Centre	General Property	52 Blackfriars Street	Ewan Barry & Audrey Pinard	Photography Studio	**Old Rent:** £4,775 per annum **New Rent:** £5,850 per annum **From:** 22 July 2023 to 21 July 2028 **Payable:** Monthly in Advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
21.	11 – City Centre	General Property	25 Blackfriars Street	Mind Body & Spirit Shop Limited	Retail Unit	**Old Rent:** £9,250 per annum **New Rent:** £11,250 per annum **From:** 29 August 2023 to 28 August 2028 **Payable:** Monthly in Advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
22.	11 – City Centre	General Property	23/25 Canongate,	Charles Michael Hunter	Retail Unit	**Old Rent:** £23,300 per annum **New Rent:** £28,000 per annum **From:** 1 September 2023 to 31 August 2028 **Payable:** Quarterly in Advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
23.	11 – City Centre	General Property	29 Canongate	Jonathan Hunter	Retail Unit	**Old Rent:** £7,900 per annum **New Rent:** £9,500 per annum **From:** 1 September 2023 to 31 August 2028 **Payable:** Quarterly in Advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
24.	16 – Liberton / Gilmerton	General Property	15 Newtoft Street	William Goodbrand & Peter O'Connor	Office	**Old Rent:** £7,200 per annum **New Rent:** £8,000 per annum **From:** 1 September 2023 to 31 August 2028 **Payable:** Monthly in Advance
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
25.	17 – Portobello / Craigmillar	General Property	119 Portobello High Street	Adam Rankine	Retail Unit	**Old Rent:** £11,200 per annum **New Rent:** £11,800 per annum **From:** 1 September 2023 to 31 August 2028 **Payable:** Monthly in Advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
26.	17 – Portobello / Craigmillar	General Property	Block 3, Unit 2, Peffermill Industrial Estate	Trades Training School Limited	Industrial Class 4	**Old Rent:** £15,100 per annum **New Rent:** £16,700 per annum **From:** 27 September 2023 to 26 September 2028. **Payable:** Monthly in advance.
REMARKS:						

LICENCE AGREEMENTS

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
27.	7 – Sighthill/ Gorgie	Education	Area of car park Redhall School	Scottish Water	Site compound	**Rent:** £500 per month (£3,000) **Lease Period**: 28 June 2023 to 27 December 2023 **Payable:** In advance
REMARKS:						

NEW LEASES – PARK EVENTS

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
28.	1 - Almond	Parks and Greenspace	Grounds at Lauriston Castle	African Connections CIC	Multicultural Event	**Rent:** £800 **Lease Period**: 29 Sept 2023 to 2 October 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
29.	1 - Almond	Parks and Greenspace	Ratho Flyover Park	The Royal Highland and Agricultural Society of Scotland	Overflow car parking for Highland Show	**Rent:** £2,500 **Lease Period**: 21 June 2023 to 26 Jun 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
30.	5 – Inverleith	Parks and Greenspace	Inverleith Park	Sue Hitchen	Foodies Festival	**Rent:** £13,500 **Lease Period**: 1 August 2023 to 9 August 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
31.	7 – Sighthill/ Gorgie	Parks and Greenspace	Sighthill Park	WK Taylor	Colourbomb Carnival and funfair	**Rent:** £7,500 **Lease Period**: 28 June 2023 to 12 Jul 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
32.	11 – City Centre	Parks and Greenspace	West Princes Street Gardens	Edinburgh International Jazz and Blues Festival Ltd	Festival Carnival	**Rent:** £1, if asked **Lease Period**: 16 July 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
33.	11 – City Centre	Parks and Greenspace	The Meadows	Cynthia Gentle	‘Rep Your Flag’ networking event	**Rent:** £250 **Lease Period**: 29 July 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
34.	11 – City Centre	Parks and Greenspace	Red Blaize area, West Princes Street Gardens	World Wide Festival UK Limited	Oktoberfest event	**Rent:** £20,080 **Lease Period**: 2 October 2023 to 9 Oct 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
35.	11 – City Centre	Parks and Greenspace	West Princes Street Gardens	Watchtower Group Limited	Fly Open Air Festival	**Rent:** £29,106 **Lease Period**: 8 September 2023 to 21 September 2023

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
37.	11 – City Centre	Parks and Greenspace	West Princes Street Gardens	Edinburgh International Festival Ltd	Summer Concerts	**Rent:** £5,810 **Lease Period**: 31 Jul 2023 to 9 Aug 2023

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
38.	11 – City Centre	Parks and Greenspace	Calton Hill	Alan Lawson	Seven Hills of Edinburgh Race	**Rent:** £500 **Lease Period**: 18 Jun 2023

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
39.	11 – City Centre	Parks and Greenspace	West Princes Street Gardens	Bungydome (UK) Ltd	Bungydome and Bubbleparc attraction	**Rent:** £22,500 **Lease Period**: 27 Jun 2023 to 28 Aug 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
40.	13 – Leith	Parks and Greenspace	Leith Links	WK Taylor	Leith Links funfair	**Rent:** £3,500 **Lease Period**: 5 June 2023 to 12 Jun 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
41.	13 – Leith	Parks and Greenspace	Leith Links	Leith Festival Association Ltd	Leith Links Gala Day	**Rent:** £500 **Lease Period**: 9 June 2023 to 10 Jun 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
42.	13 – Leith	Parks and Greenspace	Leith Links	Regular Music Presents Ltd	Proclaimers Summer Concert	**Rent:** £25,000 **Lease Period**: 9 June 2023 to 18 Jun 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
43.	15 – Southside/ Newington	Parks and Greenspace	The Meadows	Cancer Research UK Trading Ltd	Pretty Muddy charity race	**Rent:** £1,830 **Lease Period**: 10 June 2023 to 11 Jun 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
44.	11 – City Centre	Parks and Greenspace	The Meadows	WK Taylor	Meadows Festival funfair	**Rent:** £7,200 **Lease Period**: 28 May 2023 to 5 June 2023

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
45.	15 – Southside/ Newington	Parks and Greenspace	The Meadows	Taylors Funfairs Limited	Festival Funfair	**Rent:** £8,000 **Lease Period**: 6 July 2023 to 11 Jul 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
46.	15 – Southside/ Newington	Parks and Greenspace	The Meadows	Fired Up Food Hut Ltd	Bar Bados	**Rent:** £7,000 **Lease Period**: 2 August 2023 to 29 August 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
47.	16 – Liberton/ Gilmerton	Parks and Greenspace	Gracemount Community Gardens	Gracemount Community Church	Community funday	**Rent:** £1 **Lease Period**: 7 July 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
48.	17 – Portobello/ Craigmillar	Parks and Greenspace	Craigmillar Castle Park	Edinburgh March Riding Association Ltd	Riding of the Marches parade	**Rent:** £1 **Lease Period**: 10 September 2023
REMARKS:						

EVENTS – NEW LICENCES

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
49.	11 – City Centre	General Property Account	Festival Square	Exchange Events Limited	Ladyboys of Bangkok	**Licence fee:** £20,000 **Lease Period**: 2 Aug 2023 to 29 Aug 2023
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
50.	11 – City Centre	General Property Account	Festival Square	Edinburgh Cocktail Week Ltd	Cocktail Festival Village	**Licence fee:** £16,500 **Lease Period**: 29 September 2023 to 18 October 2023
REMARKS:						

RENT REVIEW

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
51.	1 – Almond	General Property	Phase 1 Ratho Park, First Floor East	Scotland Food and Drink	Office	**Old Rent:** £36,624 per annum **New Rent:** £38,000 per annum **From:** 7 August 2023 to 6 August 2028. **Payable:** Quarterly in advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
52.	9 – Fountanbridge / Craiglockhart	Culture & Sport	Golf Course at 3 Glenlockhart Road,	Merchants of Edinburgh Golf Club	Golf Course (Sui Generis)	**Old Rent:** £27,882 per annum **New Rent:** £36,800 per annum **From:** 1 April 2023 to 1 April 2028. **Payable:** Half yearly in arrear.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
53.	11 – City Centre	General Property	47 Cockburn Street, Edinburgh	Pie In The Sky	Shop Class1	**Old Rent:** £23,100 per annum **New Rent:** £30,400 per annum **From:** 8 June 2023 to 8 June 2028. **Payable:** Monthly in advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
54.	12 – Leith Walk	General Property	South Fort Street Ind Est, 16 Bowling Green Street West	Tilstone Industrial Limited	Ground Lease	**Old Rent:** £25,000 per annum **New Rent:** £34,868.26 per annum **From:** 1 October 2022 to 30 September 2027. **Payable:** Quarterly in advance.
REMARKS:						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
55.	15 – Southside / Newington	General Property	19 St Leonard's Lane	Newmake Limited	Distillery	**Old Rent:** £65,000 per annum **New Rent:** £85,800 per annum **From:** 3 April 2023 to 2 April 2028. **Payable:** Quarterly in advance.
REMARKS:						

DISPOSALS

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
55.	16 – Liberton/ Gilmerton	Housing Revenue Account	Land at 14 Moredun Park Court	Moredon Park Development Ltd	Development Site	**Purchase price:** £176,000 **Date of Entry:** 19 June 2023 **Sale Concluded:** 19 June 2023
REMARKS:						

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Award of Framework Agreement for the Supply and Distribution of Fresh Fruit, Vegetables, Bakery Products and Eggs

Executive/Routine	**Routine**
Wards	**All**

1. Recommendations

1.1 It is recommended that the Finance and Resources Committee approves:

1.1.1 The award of a single supplier Framework Agreement to George Anderson and Sons for the Supply and Distribution of Fresh Fruit, Vegetables, Bakery Products and Eggs; and

1.1.2 The commencement of the Framework on 8 December 2023 for a period of four years at an estimated total value of £6.275m.

Paul Lawrence

Executive Director of Place

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Report

Award of Framework Agreement – Supply and Distribution of Fresh Fruit, Fresh Vegetables, Bakery Products and Eggs

2. Executive Summary

2.1 This report seeks approval to award a single supplier Framework Agreement to George Anderson and Sons for the Supply and Distribution of Fresh Fruit, Vegetables, Bakery Products and Eggs. The Framework Agreement will commence on 8 December 2023 for a period of four years at a total estimated value of £6.275m.

3. Background

3.1 The City of Edinburgh Council has a recurring requirement for the provision of Fresh Fruit, Vegetable, Bakery Products and Eggs to schools, nurseries, Health and Social Care establishments (including day centres and care homes), cultural venues, outdoor activity centres as well as staff restaurants as required. This Framework Agreement will support the duties established by the Schools (Health, Promotion and Nutrition) (Scotland) Act 2020 and the standards set out by the Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2020.

3.2 The Council requires a supplier that has the ability to provide customers with a comprehensive range of products that combine quality and value, comply with dietary requirements and meet Government Buying Standards.

3.3 The Council's aim is to increase the proportion of fresh food that is served in these establishments by using quality fresh ingredients in the preparation of food. Nutritionally balanced meals will assist in encouraging people to make healthier choices and in turn hopefully help to reduce obesity, heart disease and diabetes. In addition, food products must comply with nationally recognised Saffron Nutrition Analysis Software so that meals served meet the statutory regulations and codes of practice referring to accurate labelling, supply and delivery of foods. It is therefore important that the new supplier is committed to providing pertinent information relating to nutritional value and allergens.

3.4 A key objective for the Framework Agreement was to increase the flexibility of the Council's requirement for locally sourced products. The suppliers were asked to define the country of origin for each product for information purposes only. Whilst this information was not commercially evaluated, the Council will aim to purchase locally sourced products where possible.

3.5 The provision of these goods will build upon the Council's commitment to increasing the amount of sustainable menu choices and to support the moves to produce its Good Food Nation Action Plan.

4. Main report

4.1 The market was advised of this upcoming tender opportunity by way of a Prior Information Notice (PIN) published on Public Contracts Scotland (PCS) on 13 March 2023 with eight suppliers expressing interest.

4.2 Thereafter, the Contract Notice was published via the Find a Tender and PCS portal on 7 August 2023 under Open Procedure (as set out in the Public Contracts (Scotland) Regulations 2015), with a tender submission deadline of 5 September 2023.

4.3 The procurement procedure allowed the Council to identify suitable tenders in terms of compliance with the procurement regulations and the service specific criteria.

4.4 To identify organisations offering Best Value the tender included an emphasis on quality as well as price and submissions were assessed on the basis of Most Economically Advantageous Tender (MEAT).

4.5 Due to the current economic climate and high inflation on food prices, the Council required a highly competitive framework, therefore entered the market with 70% commercial for this contract. This shift to commercial was not at the expense of quality, as the specification was rewritten to be robust with various minimum quality standards and was also further assured by the minimum quality threshold of 60%.

4.6 All suppliers were evaluated against the advertised selection criteria using the Single Procurement Document (SPD), and the award criteria of:

- Quality 30%; and
- Commercial 70%.

4.7 Within the quality section, suppliers were required to evidence their knowledge and experience by responding to method statements which covered areas including: servicing the contract, dealing with complaints and key performance indicators (KPIs), community benefits, sustainability and the environment. Suppliers had to meet a minimum quality threshold of 60% with the Council having discretion to disqualify tenderers who that did not achieve this threshold.

4.8 Following completion of the quality analysis, the suppliers' bids were subjected to cost analysis.

4.9 Within the commercial section, suppliers were invited to bid for a net delivered price for each of the estimated volumes of a basket of goods of core products used by the Council.

4.10 The tender documents were accessed by seven suppliers, with two of these submitting offers and the outcome is detailed below:

Supplier	Commercial Score	Quality Score	Total
George Anderson and Sons	70.00%	28.88%	98.88%
Supplier B	59.25%	24.68%	83.63%

4.11 A summary of the tendering and the tender evaluation process is attached at Appendix 1.

5. Next Steps

5.1 Subject to approval the contract will be awarded, implemented and mobilised and commence on 8 December 2023. The Contract Manager will liaise with the supplier to create a bespoke catalogue for the contracted items.

5.2 The Contracts and Grants Management Team (CAGM) will engage with the Contract Manager to ensure that effective contract management is delivered throughout the contract lifecycle as detailed and agreed in the Contract Management and Handover Report. All efficiencies identified in the procurement process should be delivered by the service area through proactive supplier engagement, monitoring of management information and application of KPIs.

6. Financial impact

6.1 Pricing is fixed for the first six months of the contract with pricing being reviewed in line with the Consumer Price Index (CPI), every six months thereafter. All requests for a price review will be evaluated against prevailing market conditions and supporting documentary evidence.

6.2 It is anticipated that there will be an increase in spend on fresh fruit and vegetables over the next four years with the demand placed on local authorities to promote healthy eating through the Food in Schools Act 2020 and the Good Food Nation Act. Locally, Edible Edinburgh's new Sustainable Food City Plan and Edinburgh's upcoming Plant-Based Treaty action plan as well as the Veg Power campaign are also anticipated to drive demand for vegetables. Additionally, it is anticipated the Council's requirement for these products is likely to increase further due to the Universal Free School Meals (UFSM) being extended to include Primary 6 and Primary 7 pupils in 2026.

6.3 Actual cost savings are largely dependent on the order quantities and type of product ordered which will be monitored by the Contract Manager.

6.4 The costs associated with procuring this contract are estimated to be £10,001-£20,000.

7. Equality and Poverty Impact

7.1 The equalities team were engaged and have advised that an integrated Impact Assessment (IIA) is not needed as no impact to the Council's specific public sector equality duties have been identified. There will be negligible impact to the economy as the new appointed supplier intends to source local fruit and vegetables wherever possible with the aim of maximining this provision. The Framework Agreement has a clear measurable scale for assessing the volumes of Scottish produce provided to the Council's premises on an ongoing basis which will be reported on and reviewed quarterly.

7.2 This Framework Agreement aims to support the Council in its duty to Free School Meals (a legal obligation) which supports the right of the child to access food and contributes to the Council's poverty inequality actions. The contract also supports the provision of meals to elderly and vulnerable residents in care homes which also supports the right to food and the recognition of good food can have a positive outcome on health and wellbeing.

7.3 George Anderson and Sons are an accredited Living Wage employer and pay all workers the real Living Wage. They do not have any zero hours contracts nor any fire and rehire practices. Additionally, there is no gender pay gap within their organisation and hold an Equality and Diversity Policy and training for all staff. Flexi time working is in place as well as free out of hours transport and free access to a local physiotherapist.

8. Climate and Nature Emergency Implications

8.1 Climate change was identified as relevant to this procurement exercise and suppliers were required to complete a response within the Single procurement Document (SPD) to provide evidence that their organisation has taken steps to build the awareness of the climate change emergency. Scope 1, 2 and 3 emissions were addressed in the SPD question as defined in the Greenhouse Gas Protocol.

8.2 **Environmental Impacts**

Emissions source categories and their scopes were presented and tenderers were requested to indicate sources used buy their organisations and steps to reduce carbon emissions through the contract period. Mandatory submissions were received from all tenderers.

9. Risk, policy, compliance, governance and community impact

9.1 The Framework Agreement recommended for award is compliant with regulations and the Contract Standing Orders. (CSOs) thereby reducing the risk of legal challenge relating to contractual arrangements.

9.2 There was consultation with the Health and Social Care Partnership to ensure patient nutrition was factored into the contract.

9.3 The Sustainable Procurement Strategy was considered and applied through the request of community benefits. George Anderson and Sons will be required to deliver community benefits in line with the value of contract spend; benefits will be agreed at contract commencement and monitored throughout the life of the contract by the Contract Manager.

9.4 The Edible Edinburgh vision will be considered, where possible, with the procurement of these goods. Working with the Edible Edinburgh partnership, the new supplier will aim to inspire and motivate everyone across Edinburgh to work together to build new approaches to food. The supplier will be required to suggest approaches that make the procurement of fruit and vegetables as sustainable as possible. The supply of local produce is essential to meet the requirements of the Edible Edinburgh Food City Plan and to fulfil the Council's commitment to this.

9.5 The Council currently hold Food for Life (FFL) Bronze Award in all schools and holds Silver Status from Sustainable Food Places. This has been achieved by the promotion and demonstration of utilising more local produce each year. The new supplier will be required to monitor and track this on an annual basis, making recommendations to the Council to increase local alternatives.

10. Background reading/external references

10.1 None.

Appendices

11.1 Appendix 1 - Summary of Tendering and Tender Evaluation Processes.

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	CT2943 Framework Agreement for the Supply and Delivery of Fresh Fruit, Vegetables, Bakery Products and Eggs	
Contract period (including any extensions)	The contract will commence on 8 December 2023 until 7 December 2027	
Estimated Contract Value (including extensions)	£6.275m	
Procurement Route Chosen	Open Tender	
Tenders Returned	2	
Name of Recommended Supplier(s)	George Anderson and Sons	
Price / Quality Split	**Price 70%**	**Quality 30%**
Evaluation criteria and weightings and reasons for this approach	**Price**	**70%**

	Quality Delivery of the Contract Operational Requirements Contract Management and Key Performance Indicators The Environment and Sustainability Quality Assurance Community Benefits Fair Work Practices Business Continuity	**30%** 25% 15% 10% 20% 10% 10% 5% 5%
Evaluation Team	Council Officers from Operational Services (Facilities Management)	

Agenda Item 8.6

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Homes and Land at Silverlea, Edinburgh – Proposed Disposal and Licence to Occupy

Executive/routine	**Routine**
Wards	**1 - Almond**

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 approves the disposal of 19 new build homes and associated land at Silverlea to Blackwood Homes; and

1.1.2 approves a 30-year licence to occupy four purpose-built homes and carer accommodation at Silverlea to Health and Social Care on the terms and conditions outlined in this report.

Paul Lawrence

Executive Director of Place

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Report

Homes and Land at Silverlea, Edinburgh – Proposed Disposal and Licence to Occupy

2. Executive Summary

2.1 The Silverlea site is proposed to be developed for affordable housing for the Council, Edinburgh Living, Health and Social care and Blackwood Homes. This report seeks approval to dispose of 19 homes and associated land to Blackwood Homes and licence four homes with carers accommodation to Health and Social Care on completion of the construction.

3. Background

3.1 The site of the former Silverlea care home on Muirhouse Parkway transferred from the general fund to the Housing Revenue Account (HRA) in March 2017.

3.2 Cruden Building (formerly Hart Builders) were appointed in January 2021 through the New Build Housing Framework under, a two-stage appointment, to design and build new affordable homes on the site.

3.3 A total of 142 dwellings are proposed, consisting of 94 flats and 48 colony style homes, with a mix of one, two and three bedroom homes. The housing includes a mix of Social Rent and Mid-Market Rent homes for Edinburgh Council, Health and Social Care (H&SC), Edinburgh Living and Blackwood Homes.

3.4 Blackwood Homes provides accessible, modern, and bespoke housing aimed at providing homes for people with a range of disabilities and housing needs, and utilise new technology to provide personalised care at home and housing support.

4. Main report

4.1 The Council appointed design team has worked closely with Blackwood Homes to design a purpose-built block of 19 flats to the Blackwood specification to help wheelchair users live as independently as possible. The design team also worked with Health and Social Care to design 4 units with carers accommodation to help house people with complex needs currently in hospital without suitable accommodation to be discharged to. The cost of this design work is included within the transfer sums and licence charge.

4.2 Health and Social care require purpose-built homes for adults with learning disabilities who have complex needs and 24-hour care who are currently unable to leave hospital due to the lack of suitable accommodation. The block has been designed to incorporate accommodation for staff to be on site 24 hours as well as additional features to keep the residents safe.

4.3 The following terms to sell to Blackwood have been provisionally agreed including:

4.3.1 Subjects: Sale of 19, 2-bedroom flats on Muirhouse Parkway

4.3.2 Purchaser: Blackwood Homes and Care

4.3.3 Purchase Price: Maximum of £5,484,175.

4.3.4 Condition of sale: The Missives are essentially and suspensively conditional on the Seller entering into the Works Agreement.

4.4 The following terms of the licence to Health and Social Care have been provisionally agreed including:

4.4.1 Duration: 30 years

4.4.2 Forecast price (year 1): £41,641 per annum. Some elements of the overall cost are index linked, so the overall licence charge per annum will increase.

4.4.3 Premises: four units including private gardens and carers accommodation.

4.4.4 Conditions of Licence: The Housing Revenue Account (HRA) will own and maintain the properties, H&SC will let and manage the properties under agreed heads of terms.

5. Next Steps

5.1 Following Committee approval, Legal Services will progress drafting the documentation for the conditional disposal and licence agreement.

5.2 In early 2024, following the receipt of a final tender price from Cruden building East, the Council will undertake final financial viability testing. Should the tender price be in line with current cost plans provided by the contractor, the Council will enter into a contract with Cruden Building East under the New Build Housing Framework to construct the development. Construction is anticipated to start in Spring 2024 and will take around three years to complete with staggered handovers starting in late 2025.

5.3 The Blackwood homes will be the final phase handed over in Autumn 2026 at which point the sale will conclude.

6. Financial impact

6.1 A maximum capital receipt of £5,484,175 will be achieved in financial year 2026/2027, assuming the conditions of sale to Blackwood Homes are achieved.

6.2 All costs incurred by the HRA during the development of the Blackwood Homes will be recovered by the capital receipt.

6.3 The land receipt for the Blackwood Homes is included within the capital receipt and is a pro-rata share of the cost of the General Fund to HRA land transfer.

6.4 The HRA will receive an annual income stream of £41,641 in year one for the homes licenced to Health and Social Care. Over the 30-year licence term, the annual charge will recover all costs incurred by the HRA during the development of the homes, including the index linked costs for repairs and maintenance and lifecycle.

6.5 The index linked annual charge of £41,641 for the homes licenced to Health and Social Care will be large offset by housing benefit receipts, with a residual cost of £4,000 to be funded from the Health and Social Care revenue budget. It is considered that this cost can offset by reduced requirement for external support workers, due to the efficiencies in delivering care this model provides.

7. Equality and Poverty Impact

7.1 The design development of Silverlea has utilised best practice guides including Housing for Varying Needs, The Council's New Build Housing Design Guide and Blackwood Homes Design Guide to ensure the homes and amenity space are designed to meet the needs of a wide range of people that are adaptable and safe and offer inclusive amenity space to promote health and wellbeing.

7.2 The site is proposed to be a mixture of social (64%) and midmarket (36%) homes providing much needed affordable housing for those in most need as well as those who may not be prioritised for social rent but may be vulnerable to falling into poverty due to high private rents.

8. Climate and Nature Emergency Implications

8.1 The design of the homes will be net zero carbon, utilising gas free heating solution, renewable energy production, enhanced building fabric and climate resilience features including rain gardens.

8.2 The development will promote low car ownership with 25% parking, secure cycle parking, active travel links and easy access to public transport links on Muirhouse Parkway.

Environmental Impacts

8.3 The site comprises a mixture of brownfield and greenbelt land, across each designation of land there is contamination including buried asbestos which will undergo a robust remediation plan and safe removal to eliminate any impact on the surrounding community to improve the overall biodiversity. Healthy mature trees will be protected and incorporated into the development, while there will be some trees removed these will be replaced at a 2 to 1 ratio and will be focused on the boundary to the greenbelt to enhance and protect wildlife and air quality. Sustainable drainage methods will be used to make the site resilient to flooding while utilising native planting to boost local biodiversity.

9. Risk, policy, compliance, governance and community impact

9.1 During design development a dedicated Silverlea consultation web page was set up and a live digital event was held to engage stakeholders, share information and collect comments and feedback.

9.2 Posters, social media, leaflets, and newspaper adverts were used to publicise and give details of the consultation and how to get involved.

9.3 Information gathered formed the basis of the Pre-application consultation (PAC) report which was submitted with the planning application which outlined how the views gathered shaped the design.

9.4 The construction contract for these homes brings with them a broad range of community benefits such as local jobs, education, training, support for local initiatives and improvements to local infrastructure.

9.5 The construction of these homes contribute to the strategic priorities set out in the Council's Business Plan. It will contribute to objectives.

9.5.1 4d - 4. People can access public services locally and digitally in ways that meet their needs and expectations and contribute to a greener net zero city – : d. Deliver Council led infrastructure investments, policies and strategies that enable Edinburgh's transition to a net zero city; and

9.5.2 5a - People have decent, energy efficient, climate proofed homes they can afford to live in: a. Increase supply of affordable housing with an ambition to reach 25,000 new affordable homes.

9.6 The main risk to the project is the ongoing economic situation and its impact on the affordability of the development. This risk is being addressed through the viability process and cost monitoring as well as the form of contract which will seek to fix costs and protect the Council from further inflationary pressures during the construction phase.

9.7 The Council has appointed a third-party principal designer who is responsible for planning, managing, and monitoring the pre-construction phase of the project. They will work with other designers, contractors, and the Council to consider the health and safety risks, and plan how to eliminate or control them.

10. Background reading/external references

10.1 Silverlea IIA Final Report

10.2 Application for Planning Permission 21/05056/FUL at Silverlea Old Peoples Home, 14 Muirhouse Parkway, Edinburgh. Proposed residential development comprising

142 flats including colonies with associated roads, parking and greenspace - Development Management Sub Committee, 12 January 2022.

10.3 Strategy - Accelerating Housing Delivery and Brownfield Regeneration - Finance and Resources Committee, 23 March 2017.

11. Appendices

11.1 None.

Integrated Impact Assessment – Summary Report

Each of the numbered sections below must be completed.
Please state if the IIA is interim or final: **Final**

1. Title of proposal
Silverlea New Build Housing Development

2. What will change as a result of this proposal?
A total of 142 dwellings are proposed, consisting of 94 flats and 48 colony style homes. Across the site there is mix of one and two- and three-bedroom homes. The site is predominantly brownfield and requires remediation. The housing includes a mix of tenures, including Social Rent, Mid-Market Rent and wheelchair accessible flats for both City of Edinburgh Council, Health and Social Care, Edinburgh Living and Blackwood Housing Association.

The site is currently home to Craigroyston Community Youth Football Club (CCYFC) which as a condition of the transfer are to be retained on the site. A design for the provision of a new pavilion was developed which moved the facilities to the North of the site, closer to their playing fields and away from residential development.

The site borders on to the greenbelt and a key North South pedestrian access route from Muirhouse to Marine Drive which are both proposed to be improved as part of the development.

An area of predominantly brownfield land will be remediated and developed to provide affordable housing, sports facilities, public realm, EV charging, low carbon heating and greenspace for a wide range of users including social tenants, mid-market tenants, families, people living alone, wheelchair users, Health and Social Care clients and community football club.

This project is within the regeneration of Granton Waterfront which will create a new residential-led mixed-use community and will deliver around 3,500 net zero carbon homes (of which at least 35% will be affordable), a primary school, a health centre, commercial and cultural space, and a new coastal park. These new uses will be supported by 10 km of new and improved cycling and walking routes and enhanced public transport connections. Heritage buildings and structures, including the Granton Gas Holder, will be refurbished and made available for new uses. The overall development will make a significant contribution to Edinburgh's target to become a net zero carbon city by 2030 through a mix of energy efficient buildings, renewable energy solutions, sustainable travel options and a nature-based approach to climate mitigation and adaptation.

This proposal is one of several Early Action projects proposed in advance of the first phase of the regeneration of Granton Waterfront which will deliver around 700 new homes, a new school and medical centre. New and improved cycle and pedestrian routes will enable existing communities to the south to access the coastline via safe, direct, and attractive routes.

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

Project Specific Consultation:

Dedicated Silverlea consultation web page to engage stakeholders, share information and collect comments and feedback.
A live digital event was held on 17 May 2021 between 3pm and 5pm. The event gave an overview of the vision and principles for the development and gave the opportunity to comment, ask questions and receive responses directly from the project team.
Posters were displayed on and around the site giving details of the consultation and how to get involved.
The Granton Waterfront Regeneration mailing list were notified of the consultation.
Surrounding community councils and local ward Councillors were notified personally via email of the consultation.
The consultation was advertised in the Edinburgh Evening News.
The Council's various social media platforms were utilised to publicise the consultation.
Leaflets were delivered to around 1000 homes in the immediate surrounding area.
Information gathered formed the basis of the Pre-application consultation (PAC) report which was submitted with the application.

Wider Consultation:

Consultation was undertaken to inform the production of the Granton Waterfront Development Framework, including a three-stage consultation exercise:

- Stage 1: November 2018 - "Tell us more about Granton Waterfront"
- Stage 2: January – February 2019 - "Granton Could Be…"
- Stage 3: May 2019 - "Granton Should Be…"

Key consultation outcomes during the three events above highlighted a strong desire for acceleration of the regeneration, requirement to build in resilience through tackling climate change, creation of green space to enhance biodiversity and health and wellbeing and the creation of jobs.

Public consultation events took place for other projects nearby including the Gas Holder proposals, Western Villages, Granton Station, and the Lighthouse with manned exhibition at the nearby supermarket, and live, web-based consultation events. The consultation events included the provision of leaflets and visual panels so that participants could gain a clear picture of what is being proposed. The consultation was advertised via the City of Edinburgh Council's social media channels, with 3,000 leaflets distributed to local households and the consultation was included in the Granton Waterfront newsletter which is distributed to over 500 people.

Consultation for Phase 1 of Granton Waterfront was undertaken between May and August 2023.

Controlled Parking Consultation for wider area underway.

4. Is the proposal considered strategic under the Fairer Scotland Duty?
No.

5. Date of IIA (interim)
September 2023

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

Name	**Job Title**	**Date of IIA training**
Elise Schneider (facilitator)	Senior Construction Project Manager	
Linda Hamilton	Planning Advisor	08/2021 & 05/2022
David Stevenson	Housing Team Leader	
Bolatito Akintola	Housing Officer	
John Lancaster	Architect	
Stephen Whitehead	Blackwood Development Officer	
Nick Cairns	Edinburgh Living Project Manager	June 2021
Sat Patel	Edinburgh Waterfront Programme Director	
Linda Dodgson	Service Manager – Health and Social Care partnership	
Mukesh Reddy	Graduate Quantity Surveyor	

7. Evidence available at the time of the IIA

Evidence	**Available – detail source**	**Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal**
Data on populations in need	Scottish Index of Multiple Deprivation (SIMD)	This site sits within existing surrounding communities of Salvesen and Muirhouse. The site lies within datazone S01008928 in Granton West and Salvesen, which is ranked 1,999th in the 2020 Scottish Index of Multiple Deprivation (SIMD), placing it in the third most deprived decile nationally. Immediately to the south is datazone S01008930 which ranked 228th

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
		placing it in the bottom (i.e., most deprived) decile. This data evidence that the area requires significant support and infrastructure to mitigate the social inequality. Mid-Market homes Pennywell Area- Average time to let: 16.6 days. Average void period (from available date to move-in date): 4.6. 163 prospects/sign-ups after area preference were added to the mailing list – shows high demand.
Data on service uptake/access	Edindex CEC Accessible Housing Study	Edindex gives data on housing waiting lists and show a clear demand for affordable homes in the city.
Data on socio-economic disadvantage e.g. low income, low wealth, material deprivation, area deprivation.	(SIMD)	The existing problems and issues facing the area can be quantified using SIMD which enables geographical areas within Scotland to be compared in terms of relative deprivation. Silverlea sits mainly within datazone S01008928. As of 2020, this datazone ranked the 1,999th most deprived of Scotland's 6,976 datazones, placing it within the third most deprived decile. On the "Crime" domain, S01008928 ranked 251st of the 6,976 datazones, placing it in the bottom (most deprived) decile. On the "Housing" and "Education/Skills" domains, S01008928 ranked 1,091st and

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
		1,134th respectively, placing it in the second bottom deciles. Multiple datazones adjoining S01008928 making up the wider Granton Waterfront area sit within the most deprived decile.
Data on equality outcomes	SIMD – deprivation. Office for National Statistics (ONS) – earnings. Education Scotland – school leavers qualifications and destination. Scottish Public Health Observatory (SPHO) - Crime rates CEC – anti-social behaviour Edinburgh Poverty Commission – poverty DWP - child poverty	The data shows that the site is within a relatively deprived area with particular issues being crime and housing and education/skills. There is a need for interventions that will help reduce crime, improve the housing supply, and boost residents' education/skills.
Research/literature evidence	As above	
Public/patient/client experience information	CEC Tenant surveys.	Every year the City of Edinburgh Council's housing rent consultation gathers

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
	Edinburgh Tenants Federation. Monthly newsletter.	tenant views on their experience of the housing service and presents options for setting the next year's rent levels. In addition, we also ask more detailed questions on cost-of-living difficulties and what issues were most affecting our tenants.
Evidence of inclusive engagement of people who use the service and involvement findings.		Project Specific Consultation: Dedicated Silverlea consultation web page to engage stakeholders, share information and collect comments and feedback. A live digital event was held on 17 May 2021 between 3pm and 5pm. The event gave an overview of the vision and principles for the development and gave the opportunity to comment, ask questions and receive responses directly from the project team. Posters were displayed on and around the site giving details of the consultation and how to get involved. The Granton Waterfront Regeneration mailing list were notified of the consultation. Surrounding community councils and local ward Councillors were notified personally via email of the consultation. The consultation was advertised in the Edinburgh Evening News. The Council's various social media platforms were utilised to publicise the consultation. Leaflets were delivered to around one thousand homes in the immediate surrounding area. The information gathered formed the basis of the Pre-application consultation (PAC) report which was submitted with the application.

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
		<u>Wider Consultation</u>: Consultation was undertaken to inform the production of the Granton Waterfront Development Framework, including a three-stage consultation exercise: • Stage 1: November 2018 - "Tell us more about Granton Waterfront." • Stage 2: January – February 2019 - "Granton Could Be…" • Stage 3: May 2019 - "Granton Should Be…" Key consultation outcomes during the three events above highlighted a strong desire for acceleration of the regeneration, requirement to build in resilience through tackling climate change, creation of green space to enhance biodiversity and health and wellbeing and the creation of jobs. Public consultation events took place for other projects nearby including the Gas Holder proposals, Western Villages, Granton Station, and the Lighthouse with staffed exhibition at the nearby supermarket, and live, web-based consultation events. The consultation events included the provision of leaflets and visual panels so that participants could gain a clear picture of what is being proposed. The consultation was advertised via the City of Edinburgh Council's social media channels, with 3,000 leaflets distributed to local households and the consultation was included in the Granton Waterfront newsletter which is distributed to over five hundred people.

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
		Consultation on Granton Phase 1 was undertaken between May and August 2023. Controlled Parking Consultation for a wider area is underway.
Evidence of unmet need	Edindex	Around 150 households bid for every Council and housing association home that becomes available for let. There are currently around 4000 households in temporary accommodation awaiting a move to a permanent home. Around 70% of available Council homes are let to homeless people with the remaining homes let to others in urgent housing need.
Good practice guidelines	Housing for Varying Needs	Housing design guidance overseen by representatives from the following: Age Concern, Convention of Scottish Local Authorities, Disability Scotland Joint Mobility Unit of the RNIB and GDBA Royal Incorporation of Architects in Scotland, Scottish Federation of Housing Associations, Scottish Federation of House Builders and Scottish Homes Regional Offices.
	Edinburgh Design Guide	The Edinburgh design guidance explains how to comply with local plan policies on urban design.
	Edinburgh Local Development Plan	A Local Development Plan (LDP) sets out policies and proposals to guide development.
	Proposed City Plan 20330	Sets out the strategy for development, proposals and policies to shape development and inform

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
	Blackwood Design Guide The City of Edinburgh Council New Build Housing Design Guide	planning decisions in the city over the next 10 years and beyond. The guidance provides a concept for a flexible, modern home to suit varying levels of needs and support for residents without the requirement for major alteration or relocation. The Design Guide outlines the requirements for The Council's Housebuilding Programme. The requirements were developed collaboratively with the Council, Housing Management Team, Housing Asset Management, Health and Social Care Partnership, Planning, Roads, Waste, Lot 1 and Lot 2 Framework Contractors, Architects and others.
Carbon emissions generated/reduced data	2020 Air Quality Annual Progress Report Transport Assessment Sustainability Statement All heat and energy demand will be met through	Annual update on the most recently available annual air quality monitoring data (2019), local pollutant trends and emerging issues. Accessibility and public transport provision Proposal complies with and exceeds section 6 (energy) of the current building standard: works towards net zero carbon emissions, utilises zero carbon technologies, promotes passive design, renewable energy, sustainable transport, reduces water use, surface water attenuation, neighbourhood recycling, sustainable timber. This will ensure emissions from the development when operational are very limited.

Evidence	Available – detail source	Comments: what does the evidence tell you with regard to different groups who may be affected and to the environmental impacts of your proposal
	renewable sources with no requirements for any fossil fuels.	
Environmental data	City of Edinburgh Council 2021 Open Space Audit Ecological assessment Tree Survey Assessment Drainage Strategy and Flood Risk Assessment	Classifies all significant open space within the urban areas of Edinburgh. Summary of Ecological Assessment undertaken in March 2021, by professional ecologist Nigel Rudd prepared by Smith Scott Mullan's Landscape Architect in March 2021. Full tree survey was undertaken in February 2020, by professional arboriculturist. Julian Morris in February 2020 in accordance with BS 5837. Surface Water Management Plan and Flood Risk Assessment by Will Rudd Davison.
Risk from cumulative impacts	Planning records for other applications	Places for People Upper Strand, Granton Harbour, The Art Works, Forthcoming Phase 1 Granton Waterfront proposals. Planning applications will assess the cumulative impact of applications in the area.
Other (please specify)		

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

Equality, Health and Wellbeing and Human Rights	Affected populations
Positive Remediation of contaminated land including buried asbestos will remove harmful contaminants.	Local residents
142 new affordable homes of mixed sizes and tenures including social and midmarket.	New residents – People & families who are at risk of poverty.
New and improved cycle and pedestrian routes will be developed offering access across the site and access to the coast for existing population to the south and new residents.	Current local and future residents and businesses.
Increase in local population will support the provision of improved public transport provision e.g. additional bus routes.	Current local and future residents and businesses
Creation of high-quality public realm and open space, including play space to meet existing deficit in the area.	Current local and future residents.
Well-designed streets including lighting and planting will increase security by surveillance and street activity.	Current local and future residents
Reduced availability of car parking coupled with improved cycle / pedestrian routes will improve air quality and will have positive health benefits.	Current local and future residents
New wheelchair accessible homes	Wheelchair users.
Homes will be built to Housing for Varying Needs Standards providing a home for life which can be adapted to varying needs.	New residents across all ages and stages of life.
Enhanced building fabric of homes with increased insulation and triple glazing will reduce need to heat home and prevent fuel poverty.	New residents.
PV panels will provide free electricity helping to reduce utility bills.	New residents.
All new homes fitted with fire suppression systems will protect residents from fire.	New residents.

Equality, Health and Wellbeing and Human Rights	Affected populations
New homes for Health and Social care clients currently in hospital without suitable accommodation in the community. New Mid-market homes.	People with mental health issues. People who are at risk of poverty who wouldn't be prioritised for social rent.
Negative Reduced parking levels could result in parking overspill in other areas and could be viewed as a disincentive to move to the area. Risk of lack of integration (physical and social) between existing neighbourhoods and new developments Construction causes disruption to surrounding residents e.g. noise, dust, vibration and traffic.	 New and existing residents. New and existing residents. Existing Residents.

Environment and Sustainability including climate change emissions and impacts	Affected populations
Positive Design that promotes sustainable living: • reducing the need to travel through 20-minute neighbourhood principles • new and enhanced active travel routes. • reduced parking (25% cap) with alternative options like city car club provided. • 200% safe cycle storage provided across all homes • Green space on every doorstep. Plan for and adapt to the unavoidable impacts of climate change (surface water flooding, sea level rise, hotter and drier summers, milder and wetter winters) by e.g.: • installation of Sustainable Urban Drainage Systems (SUDS) in new developments • use of greenspace and nature based solutions • reducing urban creep through greening and permeable surfacing	New and existing residents. New and existing residents.

Environment and Sustainability including climate change emissions and impacts	Affected populations
• natural flood defences • blue / green roofs • protected green belt through clearer and enhanced boundary • no underground storage tanks • rain gardens Increase local renewable energy generation for a net zero ready community: • zero gas heating solution • enhanced fabric to reduce need to heat homes • homes designed to benefit from maximum solar gain. • PV panels for local electricity generation	New and existing residents.
Negative	
Redevelopment of 'wild' areas will lead to loss of habitat. Embodied carbon within construction materials and within energy used to construct homes.	New and existing residents. New and existing residents.

Economic	Affected populations
Positive • New onsite employment opportunities in care roles, specifically within Blackwood and Health and Social Care accommodation.	Anyone of working age either in the care sector or looking for employment within the care sector.
• Increased population to support local shops/business.	Local businesses
• All homes built with dedicated work from home space to allow for flexible working. • Fibre to Premise on all new builds.	New residents
Contractual Community Benefits with main contractor. • Improve local employment opportunities. • Help young people into positive destinations.	All local groups and residents.

Economic	Affected populations
• Apprentices, work placements, interview techniques • Facilitate links between schools, college and employment agencies through learning and work forum to increase access for help with literacy and numeracy for children and adults. • New facilities for Craigroyston Community Youth Football Club providing sports training and learning development.	 Children & Young People
Negative No identified negative economic impacts.	

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

The development will be carried out by the developer partner (Cruden) on behalf of the Council. All contractors and sub-contractors will need to comply with the terms imposed by CEC through Procurement to ensure Fair Pay, Equalities etc.

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

Cruden will appoint a Community Officer to consult with the community during the construction and ensure community benefits are allocated to groups and projects most in needs or will have the biggest impact.

Quarterly newsletters during the construction period will be distributed to surrounding residents to inform them of upcoming works and potential disruption, community benefit information and ways to contact will include happy to translate information.

Tennant handover packs will be drafted to be clear and concise with simple language to help new residents get to grips with their new home and will include information on local active travel routes, public transport links and energy saving advice.

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

No. The proposals have been screened for an Environmental Impact Assessment. Planning has confirmed that an EIA is not required.

12. **Additional Information and Evidence Required**

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

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

Specific actions (as a result of the IIA which may include financial implications, mitigating actions and risks of cumulative impacts)	Who will take them forward (name and job title	Deadline for progressing	Review date
Contractor should enrol scheme with considerate constructors' scheme and adhere to HSE guidance.	Principal Designer - Hardies	Throughout build contract	Feb 2024
Quarterly newsletters during build to surrounding residents to notify of upcoming disruptive works.	Main Contractor - Cruden	Throughout build contract	Feb 2024
CPZ to be rolled out prior to new residents moving in.	Cameron Baillie, Transport Specialist, Edinburgh Waterfront Team	Feb 2024	
Tree protection measures to ensure integration of existing landscape within the proposed development areas and new landscaped areas to mitigate loss of habitat.	Main Contractor - Cruden	Throughout build contract	Feb 2024

Specific actions (as a result of the IIA which may include financial implications, mitigating actions and risks of cumulative impacts)	Who will take them forward (name and job title	Deadline for progressing	Review date
Ensure letting policy for homes contains a good mix of starters and movers to create good integration between existing and new residents.	Local Housing Team.	November 2025	August 2024
Ensure there is a robust plan in place and risk assessment undertaken for the care of Health and Social care clients.	Health & Social Care	December 2023	Feb 2024

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

Redevelopment of brownfield site will lead to loss of habitats within 'wild' self-seeded planting on derelict land. However, overall improvement in habitats created through new planting, safeguarding of the majority of existing trees and new measures such as bird and bat boxes integrated into the design of buildings.

Energy required to develop the site – this is an unavoidable impact of construction.

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

Every year the City of Edinburgh Council's housing rent consultation gathers tenant views on their experience of the housing service and presents options for setting the next year's rent levels. In addition, we also ask more detailed questions on cost-of-living difficulties and what issues were most affecting our tenants.

16. Sign off by Head of Service

Name Paul Lawrence

Date 27 October 2023

17. Publication

Completed and signed IIAs should be sent to: integratedimpactassessments@edinburgh.gov.uk to be published on the Council website www.edinburgh.gov.uk/impactassessments

Edinburgh Integration Joint Board/Health and Social Care
sarah.bryson@edinburgh.gov.uk to be published at www.edinburghhsc.scot/the-ijb/integrated-impact-assessments/

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Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

EICA Bridge, Ratho – Proposed Lease Variation, Sub-Lease and Servitude

Executive/routine	**Routine**
Wards	**2 – Pentland Hills**

1. Recommendations

1.1 That the Finance and Resources Committee approve the variation of an existing lease, subsequent sub lease and grant of servitude of the Edinburgh International Climbing Arena (EICA) Access Bridge to allow the installation of a foul drainage pipe to facilitate the neighbouring Lostshores Development on the terms outlined in the report.

Paul Lawrence

Executive Director of Place

Contact: Lesley Lumsden, Estates Surveyor

E-mail: lesley.lumsden@edinburgh.gov.uk Tel: 0131 529 4600

Report

EICA Bridge, Ratho – Proposed Lease Variation, Sub-Lease and Servitude

2. Executive Summary

2.1 The Council currently leases the access bridge to the Edinburgh International Climbing Arena Bridge (EICA) from British Waterways (trading as Scottish Canals). Lostshores Ltd (formerly Wavegarden/Tartan Leisure) require to connect into the mains drain, located to the north of the EICA site. The proposed route is across the EICA bridge for which a sublease from the Council is required.

2.2 This report seeks approval for a variation of the existing lease, sub lease and servitude to Lostshores Limited on the terms outlined in the report.

3. Background

3.1 The EICA was purchased by the Council from receivers in 2006. The only access into the facility is via a bridge over the Union Canal as shown on the attached plan. The rights over the canal are leased from British Waterways (trading as Scottish Canals), which was inherited by the Council from the previous owners. The lease runs until 2051 and the current rent is £14,648 per annum, which is subject to five yearly reviews with the rent increasing by 25% each time.

3.2 Planning Permission was granted in 2016 (application reference 16/06371/PAN) for Lostshores proposed development including the erection of a water sport and training facilities, associated infrastructure, access (pedestrian and vehicular), landscaping and ancillary works. Additional Planning Permission was granted for the supporting buildings including ancillary class one (retail) and class three (food and drink) uses and tourism accommodation.

3.3 In order to deliver the proposed scheme, Lostshores Ltd require a sub-lease from the Council which will grant them rights to install a 110mm foul drainage pipe into ducting within the void of the Bridge. The terms of the existing lease with Scottish Canals require to be varied to allow the proposed sub-letting.

3.4 This report also requires council approval for a Servitude to Lostshores Ltd for the drainage pipe to be routed down the western curtilage of the EICA site extending to approximately 270 metres.

4. Main report

4.1 The following terms have been provisionally agreed for the grant of the sublease, following the variation of the head lease to allow sub-letting to take place:

4.1.1 Subjects: ducting within the void of the bridge for use by Lostshores Limited for drainage purposes only;

4.1.2 Sub-lessee: Lostshores Limited;

4.1.3 Term: 25 years from date of entry (anticipated November 2023);

4.1.4 Rent: Initially £7,324 per annum (50% of the head lease rent);

4.1.5 Rent Reviews: Every five years in accordance with the head lease between the Council and Scottish Canals; and

4.1.6 Costs: the Council's legal and surveyor's costs are covered by the Lostshores Limited.

4.2 All other terms within the Head Lease will be replicated and passed onto the Sub-Tenant.

5. Next Steps

5.1 Following approval of the terms by the Finance and Resources Committee, solicitors will be instructed to conclude the legal documentation.

6. Financial impact

6.1 The Council's lease expires in 2051. At the end of the lease, the rent will be circa £55,000 per annum, based on the provisions of the review clause.

6.2 A contribution of £7,324 per annum from the sub-tenant to the Council, will reduce the Council's rental commitments for the period of the sub-lease. The rental income from the sub-tenant will be subject to the same five yearly reviews as the Head Lease so will remain at 50% of the rent which the Council pays to Scottish Canals through the sub lease term.

7. Equality and Poverty Impact

7.1 No impact has been identified.

8. Climate and Nature Emergency Implications

8.1 As this proposal involves use of existing infrastructure, any impact on carbon emissions is expected to be minimal.

9. Risk, policy, compliance, governance and community impact

9.1 Ward members have been aware of the recommendations of this report.

9.2 No community impact has been identified.

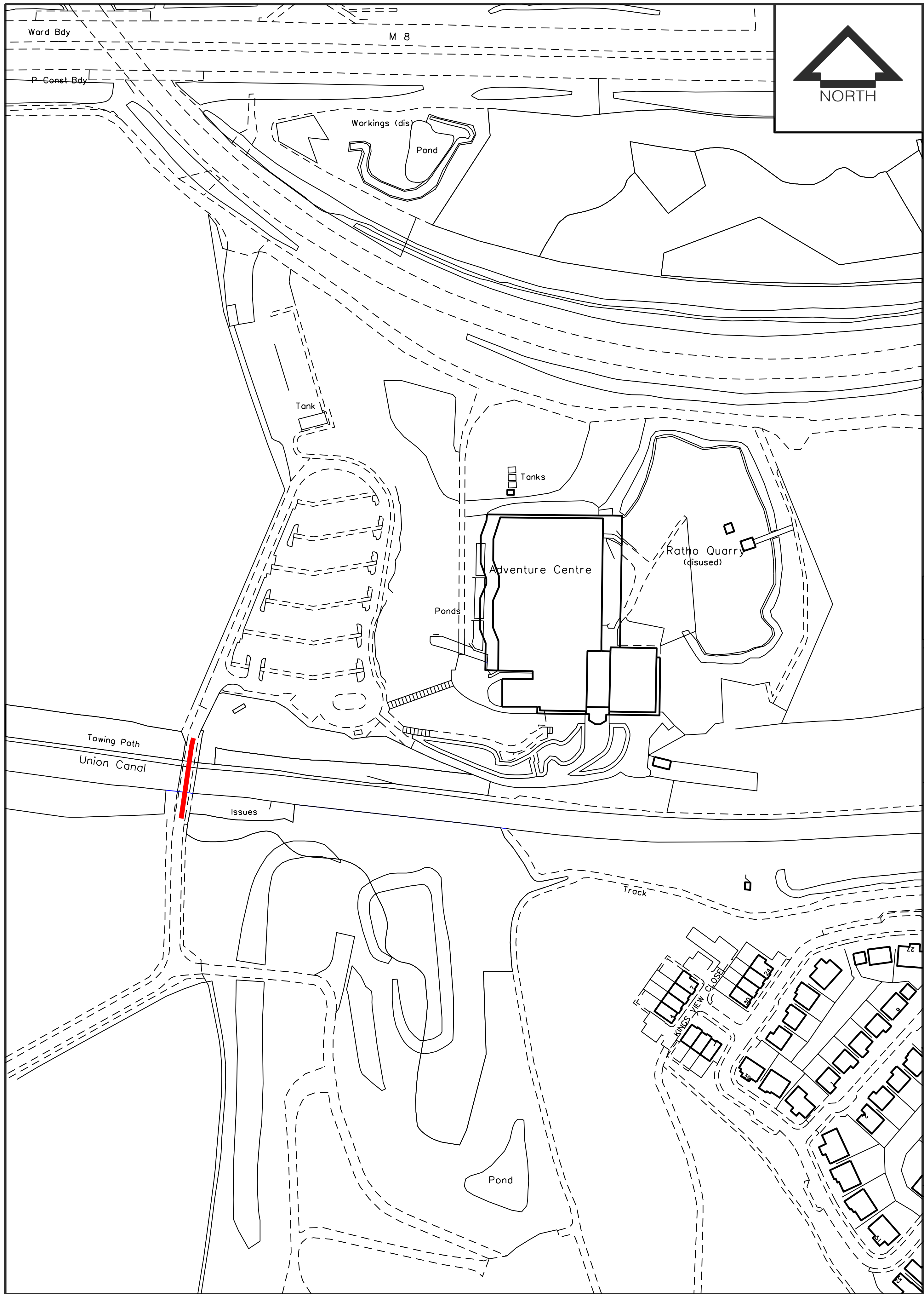
10. Background reading/external references

10.1 None.

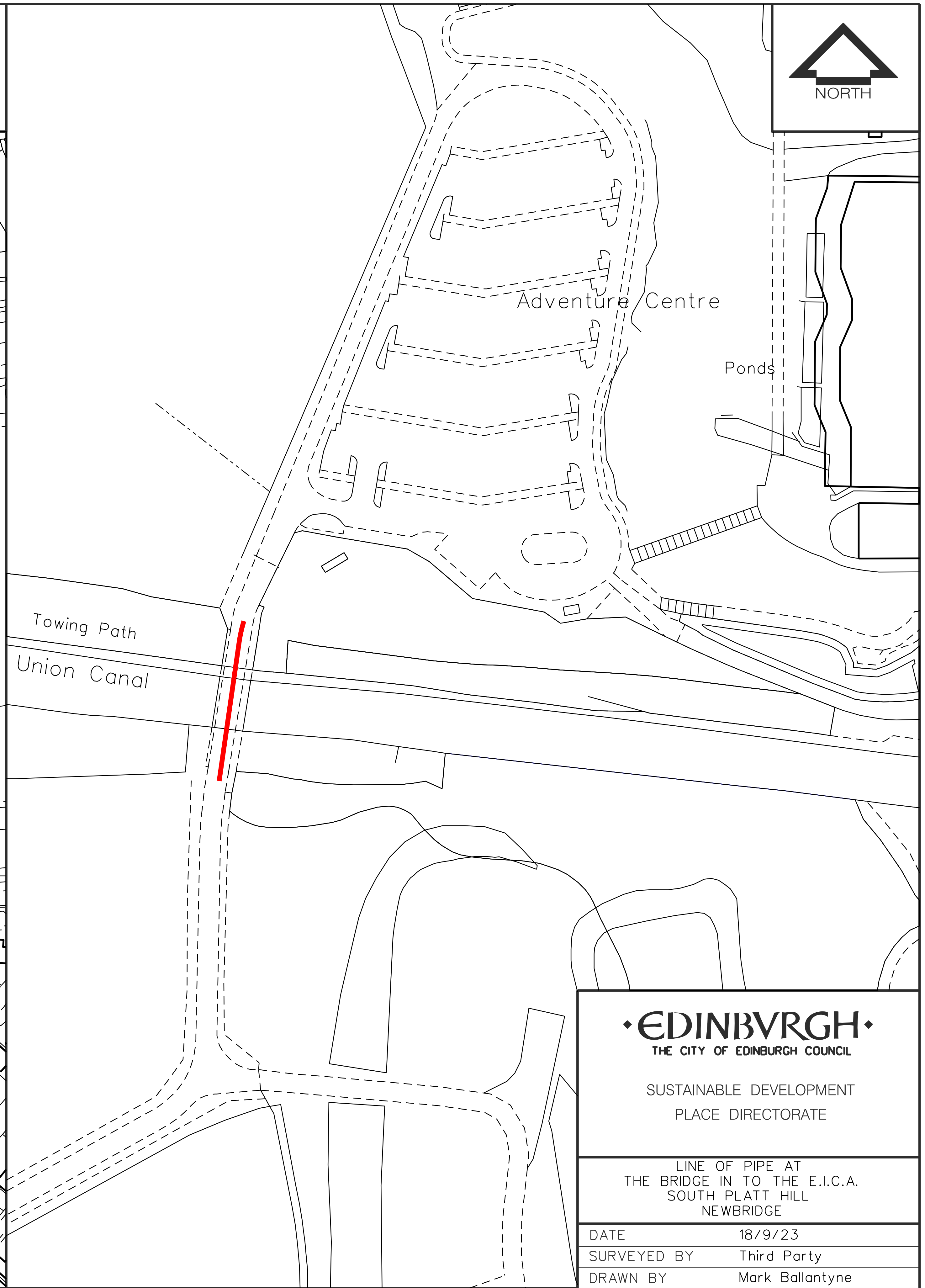
11. Appendices

11.1 Appendix 1 – Sub-lease plan.

11.2 Appendix 2 – Servitude plan.



PLAN A SCALE 1:2500



PLAN B SCALE 1:1250

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

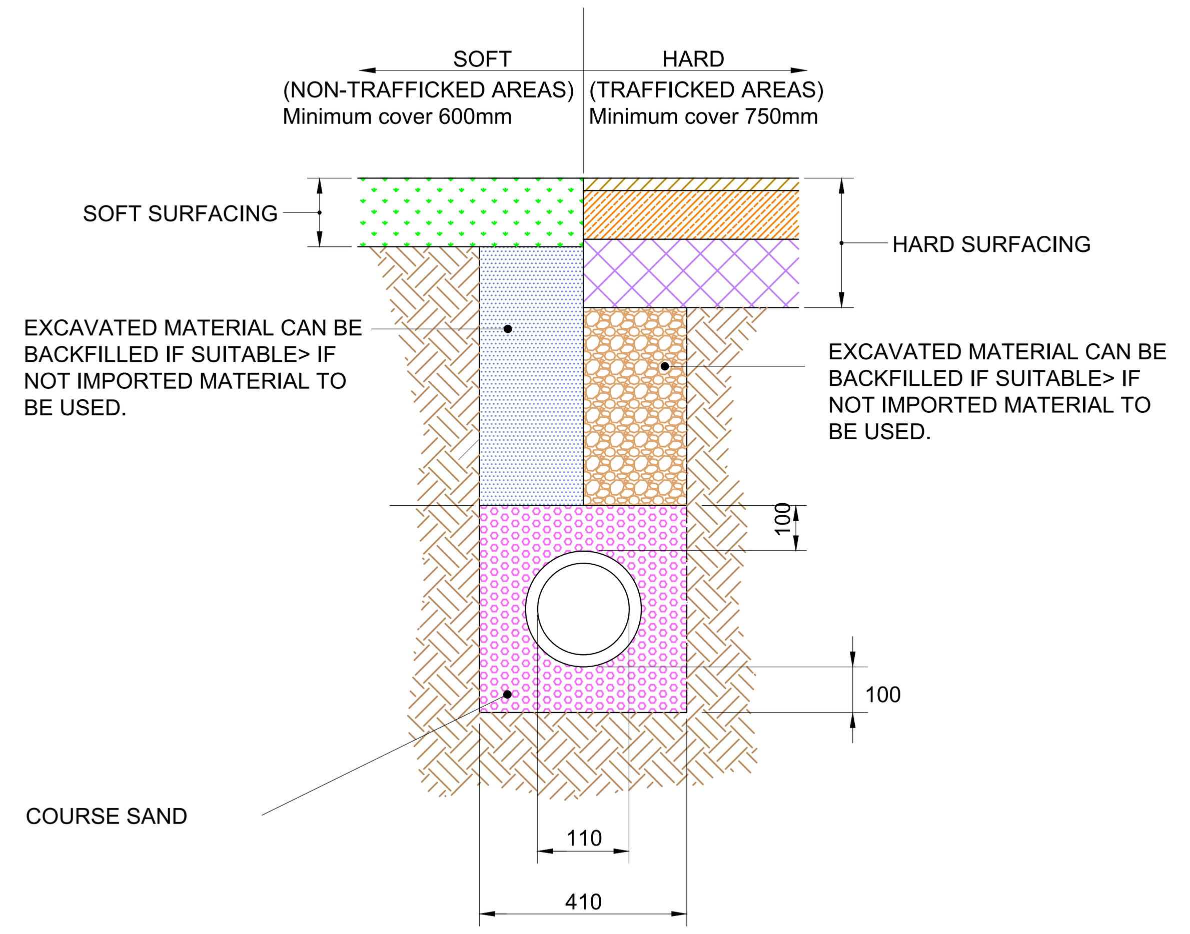
SUSTAINABLE DEVELOPMENT
PLACE DIRECTORATE

LINE OF PIPE AT
THE BRIDGE IN TO THE E.I.C.A.
SOUTH PLATT HILL
NEWBRIDGE

DATE	18/9/23
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:1250 @ A3 SIZE
NEG. NO.	A3/2602

HEALTH & SAFETY RESIDUAL DESIGN RISK TABLE

OPERATION	RESIDUAL RISK	PROCEDURE TO MINIMISE RISK
NONE IDENTIFIED.	NONE IDENTIFIED.	• N/A

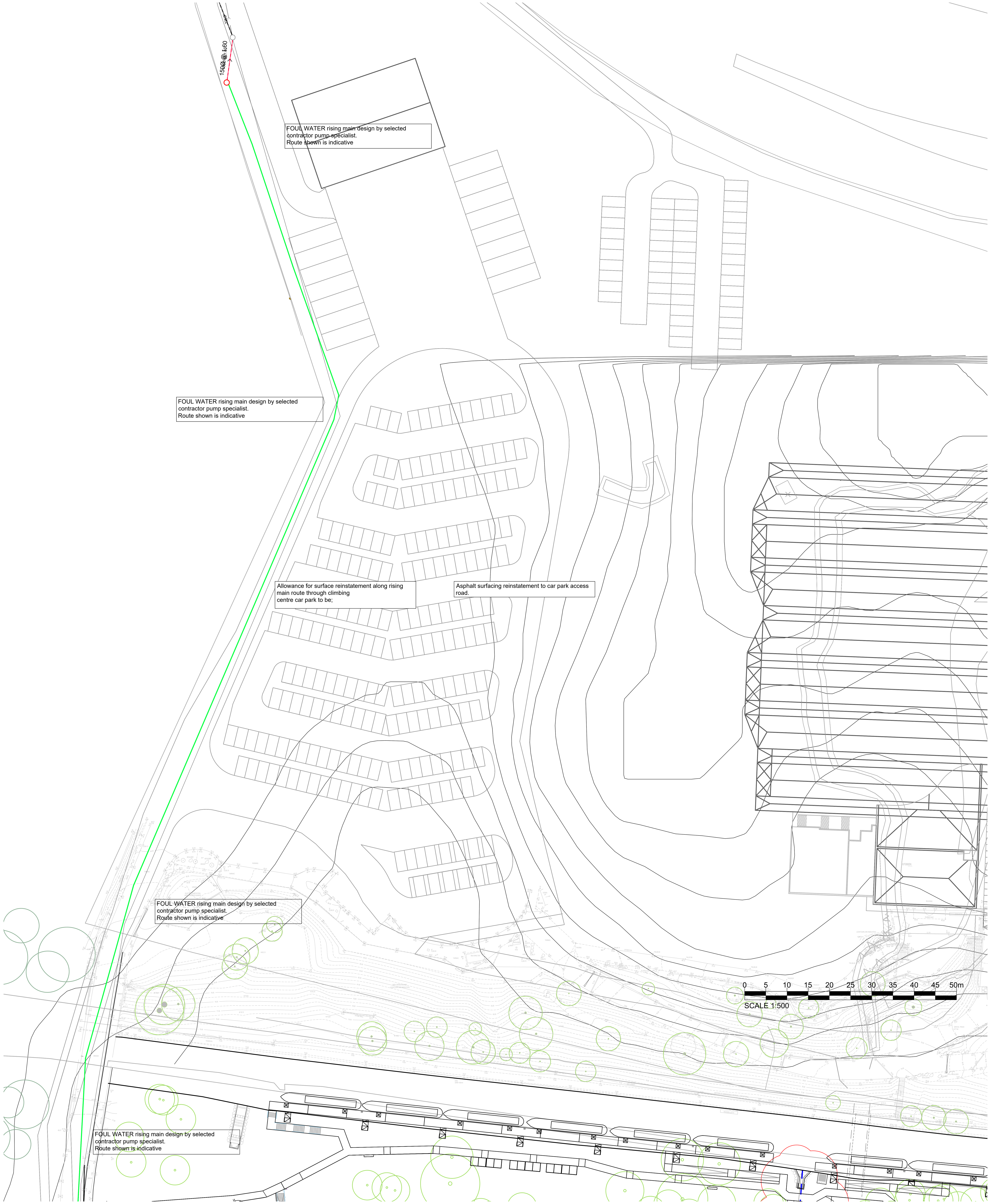


RISING MAIN BEDDING DETAIL

SCALE 1:20

DRAINAGE LAYOUT :-

PROPOSED 110mm PIPE BLACK PE80 SDR17 MDPE RISING MAIN.



DO NOT SCALE - USE NOTED DIMENSIONS ONLY

NOTES:

1. This drawing is to be read in conjunction with the relevant specification and all other related drawings issued by the Architect and Engineer.
2. All dimensions and levels to be confirmed by Architect. All dimensions and levels are to be checked on site and the Engineer to be notified of any discrepancies prior to commencement of work.
3. Refer to drawings 5976A - 140 -146 for drainage longitudinal sections and manhole schedules.
4. All building drainage to comply with the following British Standards: BS EN12056-1:2000, BS EN1295-1:1998, BS EN752 2017 and BS EN1610:1998
5. Contractor to investigate existing services prior to commencement and to agree and obtain instructions in regard to any protection and/or diversion works necessary. All existing services information obtained from Public Utilities, Design Team and other sources cannot be guaranteed for accuracy and shall be verified by Cat Scan or trial digging prior to commencement.
6. The contractor shall be responsible for damage/disruption to existing services caused by his operations and should make due allowance in his programme and costs in this regard.
7. Foul Water connection to public drainage system to comply with requirements of Scottish Water.
8. The foul and surface water drainage shall comply with BS EN 752:2008.
9. All drainage pipes to be solid PVC-U to EN 1401 with the exception of surface water pipes within permeable paving areas.
10. All manhole covers and frames to comply with BS EN 124.
11. All precast concrete manhole chambers to comply with BS EN 1917.
12. Refer to Architect's drawings for drainage pop-up setting out.
13. Foul Water Pump Chamber requires backup at collection manhole in case of pump failure. M&E engineer to design/specify.

REV	DATE	BY	DETAILS	APP'D
B	19/09/23	S.K.	RISING MAIN ALIGNMENT AMENDED.	J.R.
A	04/09/23	S.K.	RISING MAIN INFORMATION ADDED.	J.R.

Consulting Civil and Structural Engineers

RAMAGE YOUNG

9000 Academy Park, 51 Gower Street
Glasgow, G51 1PR
Tel: 0141 226 2262 Email: info@rypglasgow.co.uk
Website: www.ramageyoung.com

CLIENT
TARTAN LEISURE

PROJECT
WAVEGARDEN, RATHO

DRAWING
SITE WIDE DRAINAGE LAYOUT
(Sheet 3 of 3)

DATE	DRAWN	SCALE AT A1	CHECKED
16.08.22	B.B.R.	1:500	J.R.
PROJECT REF.	DRAWING NO.		REV
5976A	132		B

PURPOSE OF ISSUE
CONSTRUCTION

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

46 High Street, Edinburgh - Proposed Lease Extension

Executive/routine	**Routine**
Wards	**11- City Centre**

1. Recommendations

1.1 That the Finance and Resources Committee approve a 25-year lease extension to the Firm of Gold Brothers of the retail unit at 46 High Street, Edinburgh on the terms outlined in this report.

Paul Lawrence

Executive Director of Place

Contact: Iain Lamont, Senior Estates Surveyor

E-mail: iain.lamont@edinburgh.gov.uk | Tel: 07873 702 319

Report

46 High Street, Edinburgh - Proposed Lease Extension

2. Executive Summary

2.1 The retail unit at 46 High Street is let to the Firm of Gold Brothers on a lease expiring in September 2024. This report seeks approval to grant a 25-year lease extension to the Firm of Gold Brothers on the terms and conditions outlined in the report.

3. Background

3.1 The retail unit at 46 High Street extends to 153 sq m (1,650sq ft) or thereby and is shown hatched in red on the attached plan.

3.2 The Firm of Gold Bros has occupied the unit since May 2006 and trade as a clothing and gift shop. The current rent is £54,600 per annum. The existing lease expires on 30 September 2024 and the tenant has requested a 25-year lease extension.

4. Main report

4.1 The following terms have been provisionally agreed:

4.1.1 Subjects: 46 High Street, Edinburgh;

4.1.2 Tenant: The Firm of Gold Brothers;

4.1.3 Lease extension: 25 years from 1 October 2024;

4.1.4 Rent: £62,400 per annum;

4.1.5 Rent Review: five yearly;

4.1.6 Repair: full repairing obligation; and

4.1.7 Costs: tenant responsible for the Councils legal costs.

4.2 The tenant has fulfilled all their legal and financial obligations in terms of the existing lease.

5. Next Steps

5.1 Following approval of the terms by the Finance and Resources Committee, solicitors will be instructed to conclude the legal documentation.

6. Financial impact

6.1 When the lease is completed, the rent will increase from £54,600 to £62,400 per annum, to be credited to the General Property Account.

7. Equality and Poverty Impact

7.1 This is a 25-year lease extension to an established tenant who has occupied the retail unit since May 2006. It is not considered this proposal has any equality or poverty implications.

8. Climate and Nature Emergency Implications

8.1 It is considered there are no direct Climate and Nature Emergency Implications from offering a lease extension to the established tenant.

9. Risk, policy, compliance, governance and community impact

9.1 Ward members have been aware of the recommendations of this report.

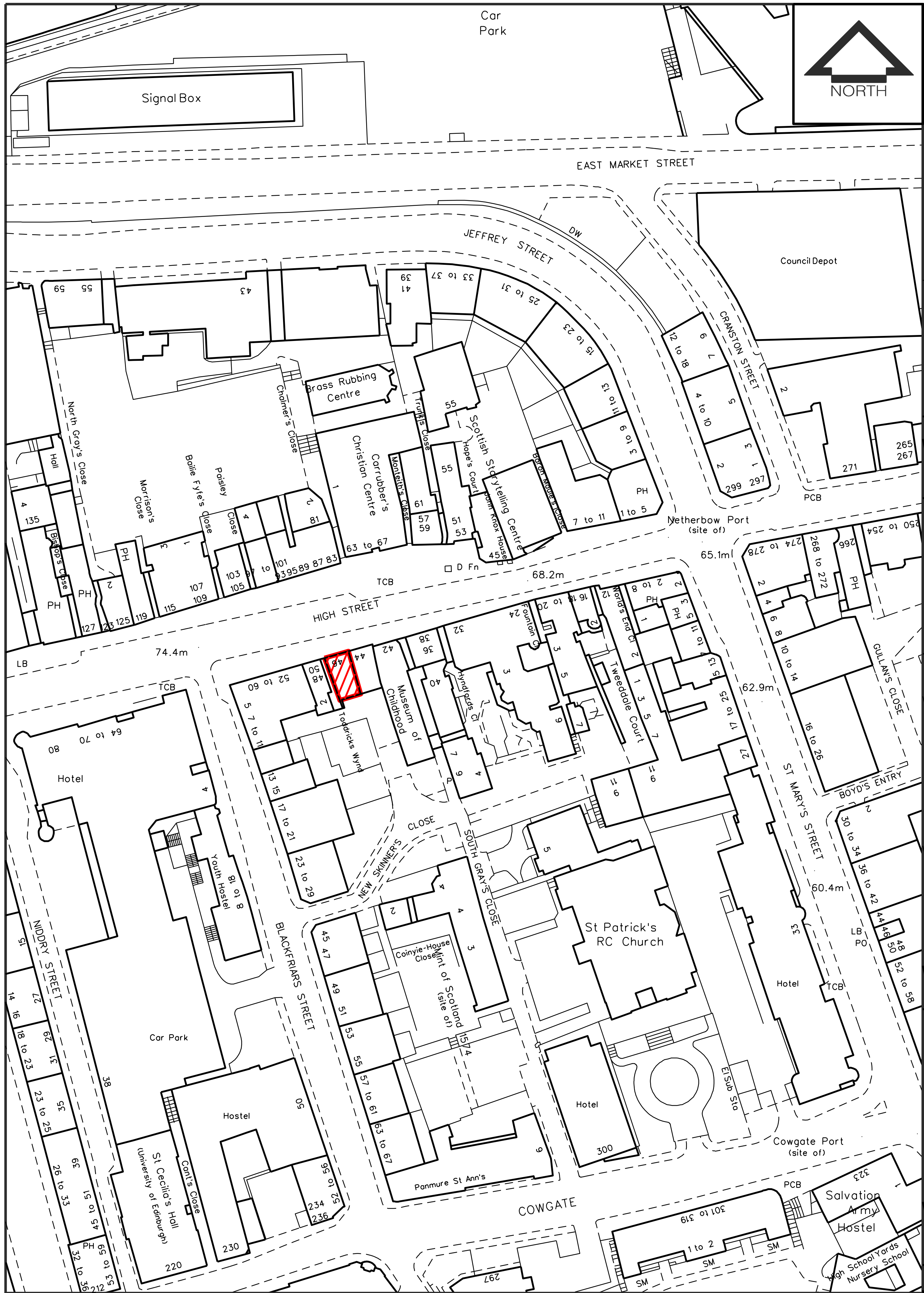
9.2 The proposed lease is in keeping with the Commercial Property Portfolio Strategy that was approved by Committee on 20 June 2023.

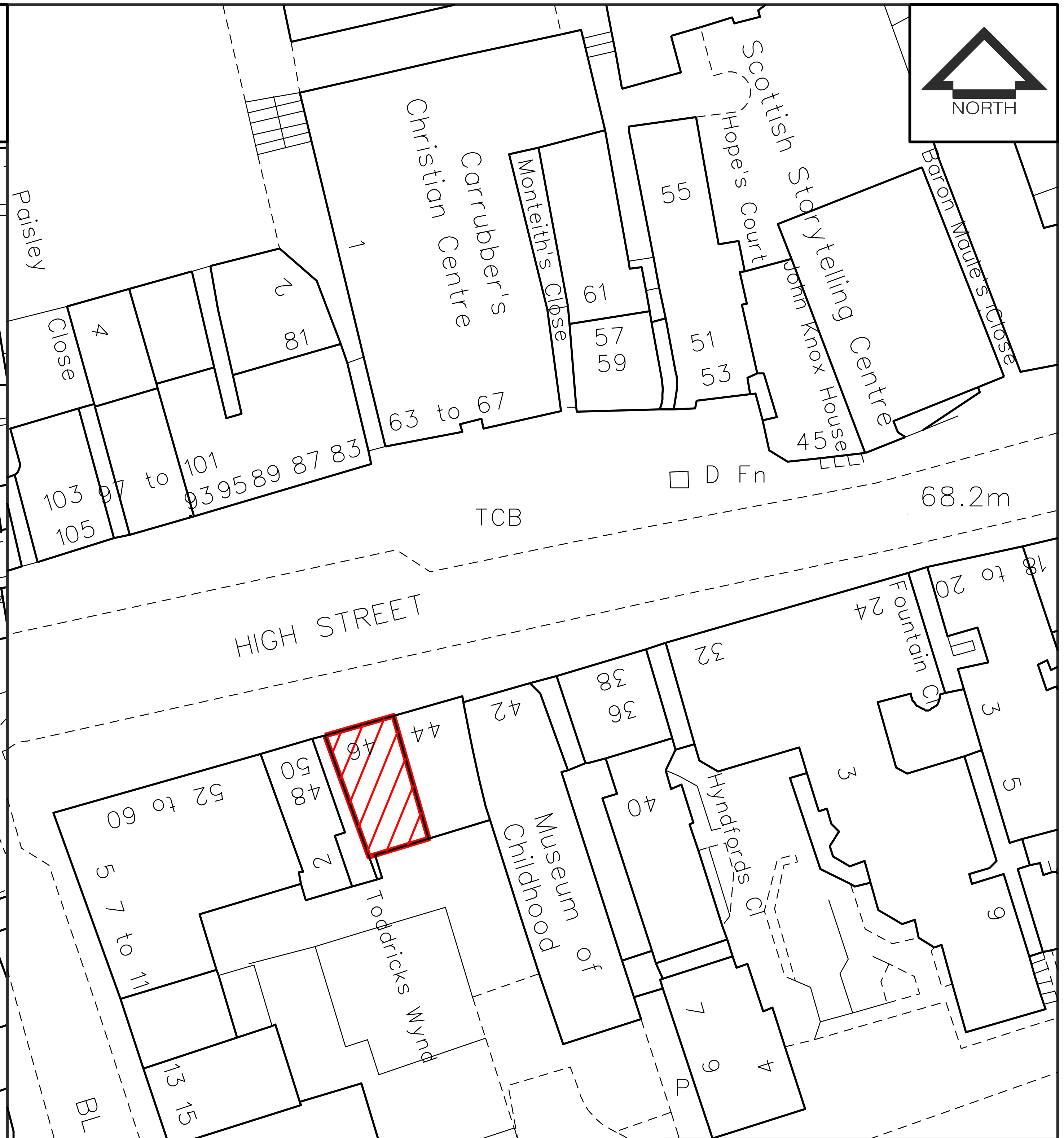
10. Background reading/external references

10.1 Commercial Property Portfolio Strategy.

11. Appendices

11.1 Appendix 1 – Location plan.





LOCATION PLAN PHOTOGRAPHICALLY REDUCED NOT TO SCALE SITE PLAN

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THE CITY OF EDINBURGH COUNCIL

SUSTAINABLE DEVELOPMENT
PLACE DIRECTORATE

SHOP AT
46 HIGH STREET
EDINBURGH

DATE	4/10/23
SURVEYED BY	
DRAWN BY	Mark Ballantyne
SCALE	N.T.S.
NEG. NO.	A3/1939a

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Juniper Green Tennis Club, Baberton Avenue, Edinburgh - Proposed New Lease

Executive/routine	**Routine**
Wards	**2- Pentland Hills**

1. Recommendations

1.1 That the Finance and Resources Committee approve a new 25-year lease to Juniper Green Tennis Club at Baberton Avenue, Edinburgh on the terms outlined in this report.

Paul Lawrence

Executive Director of Place

Contact: Seli McVittie, Trainee Estates Surveyor

E-mail: seli.mcvittie@edinburgh.gov.uk | Tel: 0131 529 5781

Report

Juniper Green Tennis Club, Baberton Avenue, Edinburgh - Proposed New Lease

2. Executive Summary

2.1 Juniper Green Tennis Club have occupied the site at Baberton Avenue for several years and have requested a new formal lease agreement. This report seeks approval to grant a new 25-year lease on the terms in this report.

3. Background

3.1 Juniper Green Tennis Club has occupied the site at Baberton Avenue for several years and the tenant has now requested a longer-term lease.

3.2 The grounds, which include a club house and two tennis courts, extend to 1,790sqm or thereby, as shown shaded on the attached plan.

4. Main report

4.1 The following terms have been provisionally agreed:

4.1.1 Subjects: all and whole of the grounds and clubhouse extending to 1,790sqm;

4.1.2 Tenant: Juniper Green Tennis Club;

4.1.3 Lease term: 25 years from date of entry;

4.1.4 Rent: years 1-5 zero rent, year 6 £600 (50%), year 7 £720 (60%), year 8 £900 (75%), year 9 £1,020 (85%), year 10 £1,200 (100%);

4.1.5 Rent Review: five yearly (after year 10);

4.1.6 Repair: full repairing obligation; and

4.1.7 Costs: each party responsible for their own costs.

5. Next Steps

5.1 Following approval of the terms by the Finance and Resources Committee, solicitors will be instructed to conclude the legal documentation.

6. Financial impact

6.1 When the lease is completed, an annual rent will of £600 will be credited to the Parks and Greenspace Account, from year six, rising to £1,200 in year ten. Under the previous agreement no rent had been charged.

7. Equality and Poverty Impact

7.1 This is a new 25-year lease to an existing tenant. It is not considered this proposal has any equality or poverty implications.

8. Climate and Nature Emergency Implications

8.1 It is considered there are no direct Climate and Nature Emergency Implications from offering a new lease to the established tenant.

9. Risk, policy, compliance, governance and community impact

9.1 Ward members have been aware of the recommendations of this report.

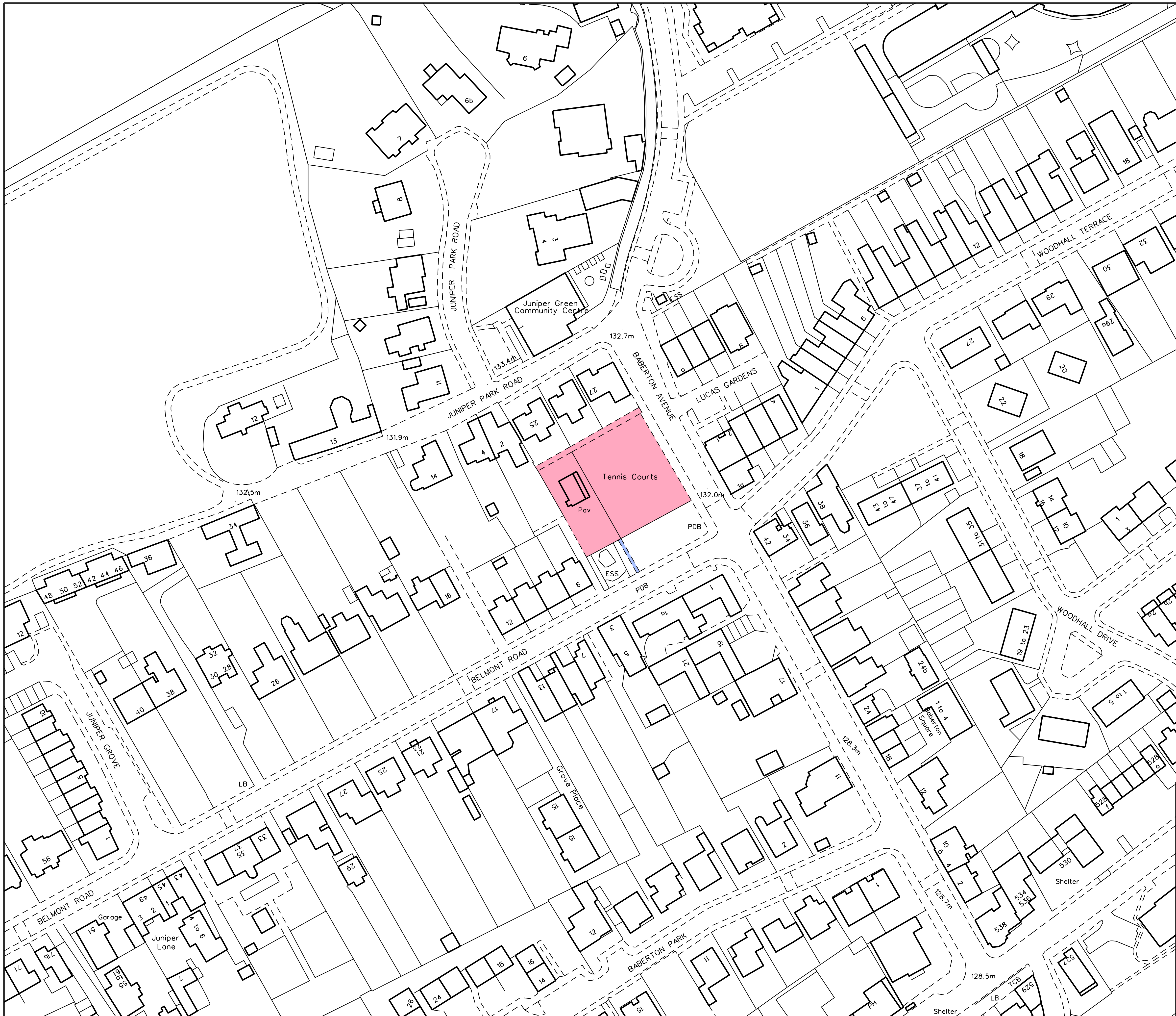
9.2 The proposed lease is in keeping with the Commercial Property Portfolio Strategy that was approved by Committee on 20 June 2023.

10. Background reading/external references

10.1 Commercial Property Portfolio Strategy.

11. Appendices

11.1 Appendix 1 – Location plan.



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SUSTAINABLE DEVELOPMENT
PLACE DIRECTORATE

BELMONT ROAD TENNIS COURTS
AND PAVILION AT
2A BELMONT ROAD
EDINBURGH

DATE	4/5/23
SURVEYED BY	MB,NR
DRAWN BY	Mark Ballantyne
SCALE	1:1250 @ A3 SIZE
NEG. NO.	A3/2568a

SITE PLAN

SCALE 1:1250

Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Newbattle Abbey College, Dalkeith - Proposed Licence for Forest Kindergarten

Executive/routine	**Routine**
Wards	

1. Recommendations

1.1 That the Finance and Resources Committee approve a five-year licence agreement to formalise the operation of the Council's Forest Kindergarten services at Newbattle Abbey College on the main terms and conditions outlined in this report.

Paul Lawrence

Executive Director of Place

Contact Claire Donaldson, Graduate Surveyor

E-mail: claire.donaldson@edinburgh.gov.uk | Tel: 0131 529 5772

Report

Newbattle Abbey College, Dalkeith - Proposed Licence for Forest Kindergarten

2. Executive Summary

2.1 This report seeks approval to enter into a five-year licence agreement with Newbattle Abbey College, to formalise the arrangement of operating Council Forest Kindergarten services on their land.

3. Background

3.1 From August 2021, the Scottish Government increased funded early learning and childcare (ELC) hours for all three and four year olds and for eligible two year olds from 600 hours per year – in nurseries, early years centres, playgroups and childminders – to 1,140 hours per year.

3.2 One (blended) model which Early Years have used to deliver the increase in ELC provision includes nursery half day – Forest Kindergarten half day.

3.3 Forest Kindergarten uses the outdoors as a 'classroom', offering a supportive learning and development experience in woodland or other natural settings, in almost all weathers throughout the year. The initiative encourages a child's freedom to explore and promotes health and wellbeing, physical and emotional resilience and the acquisition of knowledge, skills and care for the natural world.

3.4 A number of simple stewardship activities/lessons (litter picking, tree and bulb planting, creating habitat piles, nature awareness and protection) undertaken by the children during Forest Kindergarten can also nurture the selected site.

4. Main report

4.1 To widen children's access to high-quality and diverse natural landscapes, Newbattle Abbey College agreed to the use of their land in Dalkeith (Appendix 1) for the Council's Early Years service to deliver Forest Kindergarten services.

4.2 The agreement includes rights to use the adventure area and Lord Ancrum's Wood indicated on the attached location plan (Appendix 1) as well as use of the lodge house for staff welfare and kitchen facilities.

4.3 Initially trialled on an informal basis, all parties are agreeable to continue the arrangement and formalise terms and conditions by entering into a licence agreement.

4.2 The following terms have been provisionally agreed:

4.1.1 Transaction type: licence;

4.1.2 Term: Five years;

4.1.3 Rent: £8,355 per annum;

4.1.4 Rent Review: annual based on RPI;

4.1.6 Use: for woodland based activities to create an outdoor learning and development experience for children; and

4.1.7 Costs: each party responsible for their own costs.

5. Next Steps

5.1 Following approval of the terms by the Finance and Resources Committee, solicitors will be instructed to conclude the legal documentation.

6. Financial impact

6.1 The Scottish Government is supporting local authorities to build the capacity required to phase in extended ELC entitlement. There is a multi-year capital and revenue funding agreement in place with the Convention of Scottish Local Authorities (COSLA) which is fully funding the expansion of funded entitlement.

7. Equality and Poverty Impact

7.1 It is not considered there are any adverse equality and poverty implications.

7.2 High quality early learning and childcare (ELC) can make a marked difference to children's lives, particularly if growing up in more disadvantaged circumstances. The main aims of the expansion in ELC are outlined by the Scottish Government as:

7.2.1 Improve children's outcomes and help close the poverty-related attainment gap;

7.2.2 Increase family resilience through improved health and wellbeing of children and parents; and

7.2.3 Support parents into work, study or training.

8. Climate and Nature Emergency Implications

8.1 No adverse climate or environmental implications have been identified and in addition:

8.1.1 All Forest Kindergarten staff comply with the Scottish Outdoor Access Code, in particular the ‘Do No Harm, Leave No Trace Policy’;

8.1.2 Rotational plot use allows the landscape to ‘rest and recover’; and

8.1.3 All waste generated is removed from sites daily.

9. Risk, policy, compliance, governance and community impact

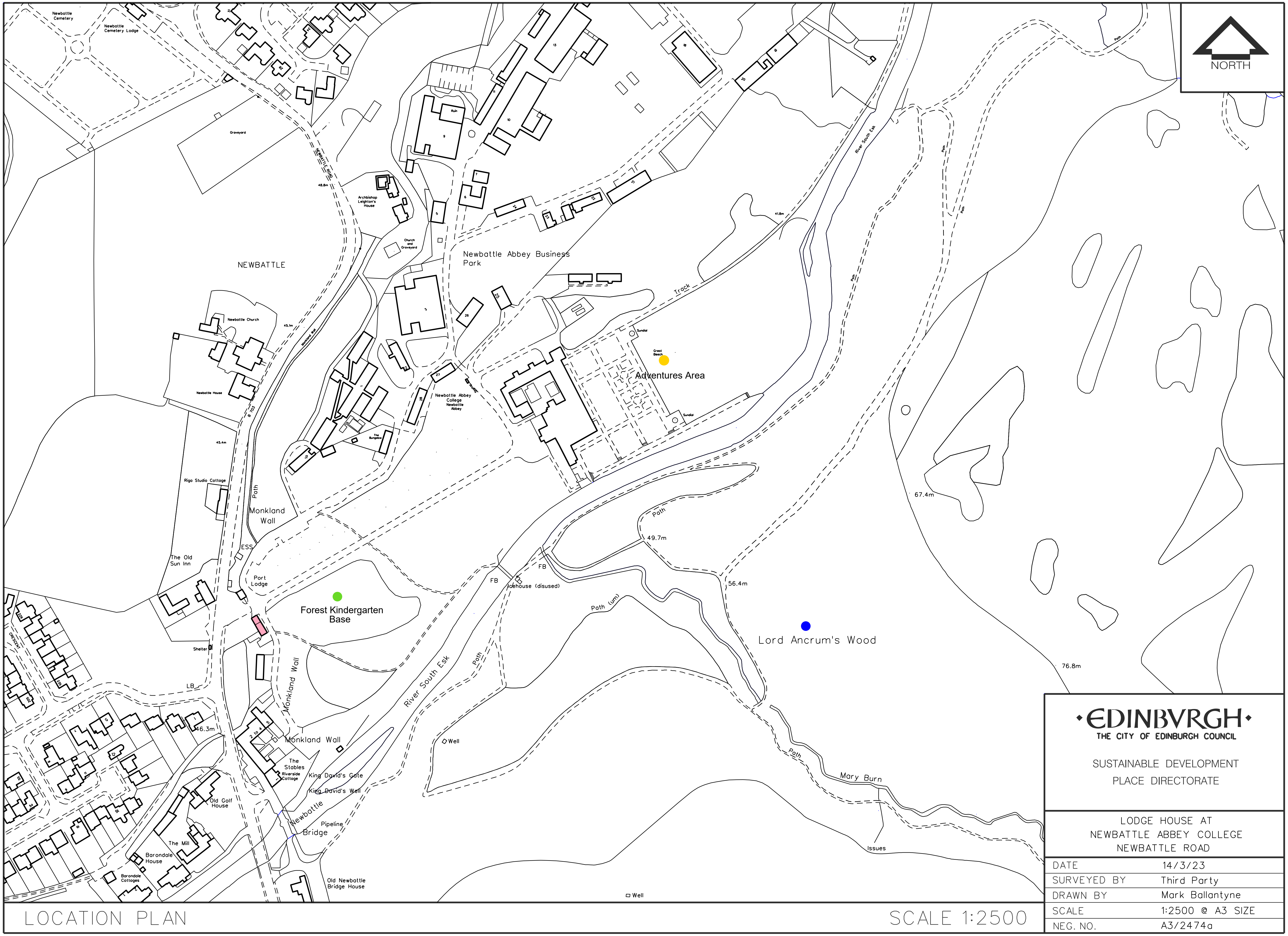
9.1 No adverse impacts have been identified.

10. Background reading/external references

10.1 Scottish Government (Policy): Early Education and Care – Early Learning and Childcare Expansion

11. Appendices

11.1 Appendix 1 – Location plan.


NORTH
NEWBATTLE
Newbattle Abbey Business Park
Adventures Area
Forest Kindergarten Base
Lord Ancrum's Wood
Monkland Wall
Port Lodge
The Old Sun Inn
River South Esk
Track
Path
Path (um)
Icehouse (disused)
FB
LB
ESS
46.3m
49.7m
56.4m
67.4m
76.8m
Well
Mary Burn
Issues
The Stables
King David's Gate
King David's Well
Newbattle Bridge
Pipeline
Old Newbattle Bridge House
Old Golf House
The Mill
Barondale House
Barondale Cottages
Riverside Cottage
Rigo Studio Cottage
Newbattle House
Newbattle Church
Newbattle Cemetery
Newbattle Cemetery Lodge
Graveyard
Archbishop Leighton's House
Church and Graveyard
Newbattle Abbey College Newbattle Abbey
The Bungalow
Sundial
Great Beech
Shelter
EDINBVRGH
THE CITY OF EDINBURGH COUNCIL
SUSTAINABLE DEVELOPMENT
PLACE DIRECTORATE
LODGE HOUSE AT
NEWBATTLE ABBEY COLLEGE
NEWBATTLE ROAD
DATE 14/3/23
SURVEYED BY Third Party
DRAWN BY Mark Ballantyne
SCALE 1:2500 @ A3 SIZE
NEG. NO. A3/2474a
LOCATION PLAN
SCALE 1:2500

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Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Bonaly Scout Centre, Bonaly Road, Edinburgh - Proposed Licence for Forest Kindergarten

Executive/routine	**Routine**
Wards	**8 – Colinton/Fairmilehead**

1. Recommendations

1.1 That the Finance and Resources Committee approve a 5-year licence agreement to formalise the operation of the Council's Forest Kindergarten services at Bonaly Scout Centre on the main terms and conditions outlined in this report.

Paul Lawrence

Executive Director of Place

Contact Claire Donaldson, Graduate Surveyor

E-mail: claire.donaldson@edinburgh.gov.uk | Tel: 0131 529 5772

Report

Bonaly Scout Centre, Bonaly Road, Edinburgh - Proposed Licence for Forest Kindergarten

2. Executive Summary

2.1 This report seeks approval to enter into a 5-year licence agreement with South East Scotland Scouts to formalise the arrangement of operating Council Forest Kindergarten services on their land.

3. Background

3.1 From August 2021, the Scottish Government increased funded early learning and childcare (ELC) hours for all three and four year olds and for eligible two year olds from 600 hours per year – in nurseries, early years centres, playgroups and childminders – to 1,140 hours per year.

3.2 One (blended) model which Early Years have used to deliver the increase in ELC provision includes nursery half day – Forest Kindergarten half day.

3.3 Forest Kindergarten uses the outdoors as a ‘classroom’, offering a supportive learning and development experience in woodland or other natural settings, in almost all weathers throughout the year. The initiative encourages a child’s freedom to explore and promotes health and wellbeing, physical and emotional resilience and the acquisition of knowledge, skills and care for the natural world.

3.4 A number of simple stewardship activities/lessons (litter picking, tree and bulb planting, creating habitat piles, nature awareness and protection) undertaken by the children during Forest Kindergarten can also nurture the selected site.

4. Main report

4.1 To widen children’s access to high-quality and diverse natural landscapes, South East Scotland Scouts agreed to the use of their land at Bonaly Scout Centre, Bonaly Road (Appendix 1) for the Council’s Early Years service to deliver Forest Kindergarten services. The Council have erected a shed and a yurt on the land and are able to use the Scout’s toilet facilities.

4.2 The agreement includes rights to use the adventure area and Lord Ancrum's Wood indicated on the attached location plan (Appendix 1) as well as use of the lodge house for staff welfare and kitchen facilities.

4.3 Initially trialled on an informal basis, all parties are agreeable to continue the arrangement and formalise terms and conditions by entering into a licence agreement.

4.2 The following terms have been provisionally agreed:

4.1.1 Transaction type: licence;

4.1.2 Term: 5 years;

4.1.3 Rent: £12,500 per annum;

4.1.4 Rent Review: annual based on RPI;

4.1.6 Use: for woodland based activities to create an outdoor learning and development experience for children; and

4.1.7 Costs: each party responsible for their own costs.

5. Next Steps

5.1 Following approval of the terms by the Finance and Resources Committee, solicitors will be instructed to conclude the legal documentation.

6. Financial impact

6.1 The Scottish Government is supporting local authorities to build the capacity required to phase in extended ELC entitlement. There is a multi-year capital and revenue funding agreement in place with the Convention of Scottish Local Authorities (COSLA) which is fully funding the expansion of funded entitlement.

7. Equality and Poverty Impact

7.1 It is not considered there are any adverse equality and poverty implications.

7.2 High quality early learning and childcare (ELC) can make a marked difference to children's lives, particularly if growing up in more disadvantaged circumstances. The main aims of the expansion in ELC are outlined by the Scottish Government as:

7.2.1 Improve children's outcomes and help close the poverty-related attainment gap;

7.2.2 Increase family resilience through improved health and wellbeing of children and parents; and

7.2.3 Support parents into work, study or training.

8. Climate and Nature Emergency Implications

8.1 No adverse climate or environmental implications have been identified and in addition:

8.1.1 All Forest Kindergarten staff comply with the Scottish Outdoor Access Code, in particular the ‘Do No Harm, Leave No Trace Policy’;

8.1.2 Rotational plot use allows the landscape to ‘rest and recover’; and

8.1.3 All waste generated is removed from sites daily.

9. Risk, policy, compliance, governance and community impact

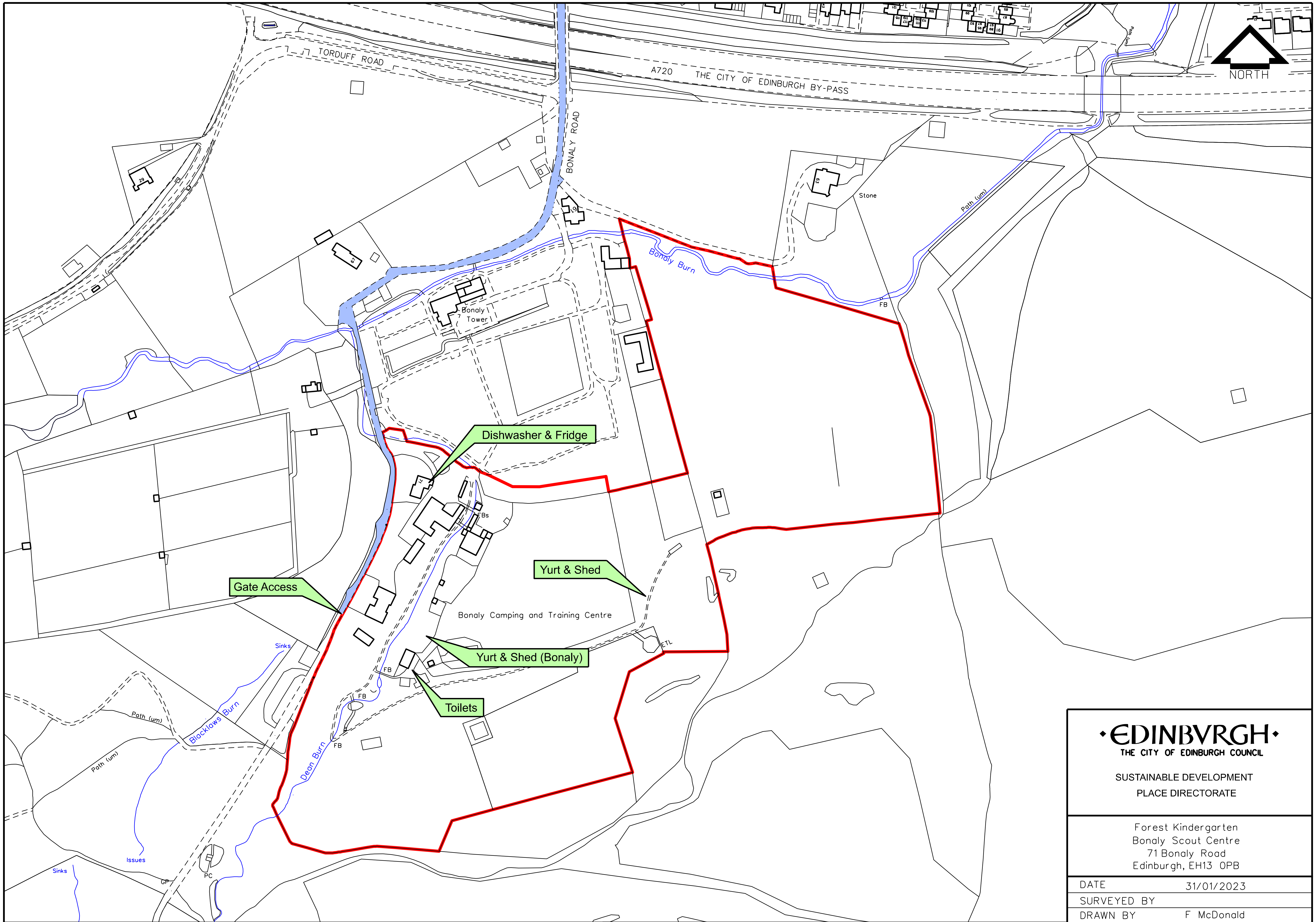
9.1 Ward elected members have been made aware of the recommendations of this report.

10. Background reading/external references

10.1 Scottish Government (Policy): Early Education and Care – Early Learning and Childcare Expansion

11. Appendices

11.1 Appendix 1 – Location plan.



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SUSTAINABLE DEVELOPMENT
PLACE DIRECTORATE

Forest Kindergarten
Bonaly Scout Centre
71 Bonaly Road
Edinburgh, EH13 0PB

DATE	31/01/2023
SURVEYED BY	
DRAWN BY	F McDonald
SCALE	1:2500 @ A3
PLAN. NO.	NT 2167/A3/2501

SITE SHOWN DELINEATED RED	ACCESS SHOWN COLOURED BLUE

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Finance and Resources Committee

10.00am, Thursday, 21 November 2023

Hawthorn Gardens, South Queensferry – Proposed Acquisition of Completed Homes (Second Phase)

Executive/routine	**Routine**
Wards	**1 – Almond**

1. Recommendations

1.1 That Finance and Resources Committee:

1.1.1 Approve the purchase of 24 new build flatted homes within the Hawthorn Gardens development in South Queensferry, from Taylor Wimpey, subject to completing due diligence and on the terms and conditions outlined in this report; and

1.1.2 Notes that the purchase will take place subject to availability of Scottish Government funding for Ukrainian Displaced Persons (UDP).

Paul Lawrence

Executive Director of Place

Contact: Graeme McGartland, Head of Estates

E-mail: graeme.mcgartland@edinburgh.gov.uk | Tel: 0131 529 5956

Report

Hawthorn Gardens, South Queensferry – Proposed Acquisition of Completed Homes (Second Phase)

2. Executive Summary

2.1 An opportunity has arisen to acquire 24 new build flatted homes within the Taylor Wimpey Development at Hawthorn Gardens, South Queensferry. This report seeks approval to acquire the 24 flats on the terms and conditions outlined in the report.

2.2 It is proposed that the purchase of the new homes will make use of the Scottish Government fund to house Ukrainian Displaced Persons providing family accommodation with additional funding from Commuted Sums collected from private housing developers within the same or adjacent Ward as part of the Affordable Housing Policy (AHP) and through Council borrowing.

3. Background

3.1 On 1 December 2022, Housing, Homelessness and Fair Work Committee approved the Housing Land Strategy Report. This set out a revised approach to securing land whereby, for suitable opportunities, the Council would offer to either buy land, completed homes, or work in partnership with the landowners and RSL partners to develop sites for additional affordable housing.

3.2 On 21 September 2023, Finance and Resources Committee approved the purchase of 20 semi-detached and terraced homes within the Hawthorn Gardens, South Queensferry, due for completion by late 2023/early 2024.

3.3 A further opportunity has arisen to acquire 24 flats within the same development, which are to be developed in two blocks and due for completion in mid-2024.

3.4 Hawthorn Gardens is a development of 341 homes and is located on the southern edge of South Queensferry, close to the M90 motorway. The development will provide footpath and cycle connections to the town centre. The location is shown on the plan at Appendix 1.

4. Main report

4.1 The proposal represents an opportunity to acquire 24 flats, within a new residential development on the edge of an existing settlement. The acquisition will provide additional affordable homes within the Almond ward, supplementing the Council's own housebuilding programme in an area of the city where the Council's landholdings, suitable for direct delivery, are limited.

4.2 The flats will be developed in two, four storey blocks with each providing two bedrooms and extending to approximately 66.24 sq m (713 sq ft).

4.3 Taylor Wimpey has provided a full specification of the homes. A 10-year National House Building Council (NHBC) warranty will be provided for each home on completion.

4.4 The net purchase of price of the homes is £5.173m (including Land and Buildings Transaction Tax (LBTT) which will be payable on completion, as set out in the financial impact section below.

4.5 The combined purchase price of each home reflects an average bulk purchase discount of 9.3%. The Council instructed framework property consultants, Avison Young, to review the proposal in the context of the original asking price for the flats and the available discount. The conclusion is that the advertised selling prices for the subject units at Hawthorn Gardens are appropriate and in line with competing schemes. Furthermore, Avison Young consider the proposed discount level of 9.3%, for units which will not be completed until mid-2024, in blocks which would be easily managed by the purchaser, to represent an attractive incentive to acquire, in a single transaction.

4.6 To ensure that the homes are completed to the agreed specification, a building surveyor will inspect each unit prior to Practical Completion. The surveyor will be permitted to inspect the properties along with the person who is certifying Practical Completion. There will be an opportunity to refer the matter to a third-party determination if the Council do not agree that Practical Completion has been reached. Homes will not be purchased without provision of a Completion Certificate provided by the Council's Building Standards Service.

4.7 A defects rectification period of one year from the purchase date will be put in place to allow the Council to report defects and to provide Taylor Wimpey the opportunity to return to attend to repairs.

4.8 The homes will initially be let through the Ukraine Support team, with management and maintenance of the homes provided by the Council's Housing team. Homes will then be let through Edinburgh's choice-based lettings system to households in need of a socially rented home.

5. Next Steps

5.1 Following approval of the terms by Committee, Legal Services will be instructed to progress with the contract to purchase of the properties on completion.

5.2 Completion of the contract will be subject to legal due diligence and inspection of the homes prior to completion.

6. Financial impact

6.1 The cost of the purchase will be £5.173m, including tax (plus fees). The purchase will be funded through a combination of the Scottish Government funding available to support Ukrainian Displaced Persons (UDP) (£2.9m), Housing Revenue Account (HRA) borrowing (to be repaid through the collection of rent (£2.006m)), and available Commuted Sums within the same or adjacent Ward (£0.267m).

6.2 The use of UDP funding and the availability of Commuted Sums reduces the financial impact on the delivery of the Council's own housebuilding programme and does not affect resource planning assumptions in relation to this years' Affordable Housing Supply Programme.

7. Equality and Poverty Impact

7.1 The purchase of homes in South Queensferry will have a positive impact on equality and poverty through the provision of good quality, energy efficient affordable housing.

7.2 There will be a positive impact on displaced households which have been impacted through the Russian invasion of Ukraine, supporting their human rights. Once the requirement for displaced households diminishes, the properties will return to the social housing estate and be used to help address the general provision requirement.

7.3 It is considered that this decision does not meet the requirements to undertake a full Integrated Impact Assessment.

8. Climate and Nature Emergency Implications

8.1 The impacts of this report have been considered in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties and the outcomes are summarised below.

8.2 The new homes have been constructed to include aspects of Silver level under the Statement of Sustainability within the Building Standards. EV chargers will be installed nearby. Homes will also achieve EPC A and B levels. Modern Building Standards will result in less energy demand for heating.

8.3 The location of the homes is close to sustainable mass transport links at Dalmeny Station, and major bus routes to the city centre. The site is also located within walking distance to a major supermarket and the high street in South Queensferry.

8.4 The location of the homes is also within a short walk or cycle to the wider cycle network, providing off road routes to the city centre and major employment hubs.

8.5 Homes will not achieve net zero carbon at the time of purchase as homes are heated using gas boilers. Homes will need to be improved along with existing stock at the appropriate time. Given the current levels of sustainability specification this will require limited intervention in comparison to older stock.

9. Risk, policy, compliance, governance and community impact

9.1 Ward members have been made aware of the recommendations of this report.

9.2 The strategy to deliver homes through this route was agreed by the Housing, Homelessness and Fair Work Committee in December 2022.

9.3 Public consultation on the development of the homes took place as part of the planning process, including local exhibitions. Feedback was considered as part of the planning approval.

9.4 A planning consent for 341 homes was approved in 2016, with 85 affordable homes or 25% of homes being affordable. The homes being delivered through the purchase will be in addition to the overall affordable housing numbers on the site.

10. Background reading/external references

10.1 None.

11. Appendices

Appendix 1 – location plan.

Appendix 2 – list of homes to be purchased.

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THE CITY OF EDINBURGH COUNCIL

SUSTAINABLE DEVELOPMENT
PLACE DIRECTORATE

FLATS AT
166 -177 AND 199-210
HAWTHORN GARDENS
SOUTH QUEENSFERRY

DATE	25/10/23
SURVEYED BY	Third Party
DRAWN BY	Markl Ballantyne
SCALE	NOT TO SCALE
NEG. NO.	A3/2618

SITE PLAN

SCALE 1:1250

Site	Floor	House Type	Square Footage	Plot
Hawthorn Gardens, South Queensferry	Ground	Ness	712	199
Hawthorn Gardens, South Queensferry	Ground	Nicol	713	200
Hawthorn Gardens, South Queensferry	Ground	Nevis	714	201
Hawthorn Gardens, South Queensferry	1st	Ness	712	202
Hawthorn Gardens, South Queensferry	1st	Nicol	713	203
Hawthorn Gardens, South Queensferry	1st	Nevis	714	204
Hawthorn Gardens, South Queensferry	2nd	Ness	712	205
Hawthorn Gardens, South Queensferry	2nd	Nicol	713	206
Hawthorn Gardens, South Queensferry	2nd	Nevis	714	207
Hawthorn Gardens, South Queensferry	3rd	Ness	712	208
Hawthorn Gardens, South Queensferry	3rd	Nicol	713	209
Hawthorn Gardens, South Queensferry	3rd	Nevis	714	210
Hawthorn Gardens, South Queensferry	Ground	Nevis	714	166
Hawthorn Gardens, South Queensferry	Ground	Nicol	713	167
Hawthorn Gardens, South Queensferry	Ground	Ness	712	168
Hawthorn Gardens, South Queensferry	1st	Nevis	714	169
Hawthorn Gardens, South Queensferry	1st	Nicol	713	170
Hawthorn Gardens, South Queensferry	1st	Ness	712	171
Hawthorn Gardens, South Queensferry	2nd	Nevis	714	172
Hawthorn Gardens, South Queensferry	2nd	Nicol	713	173
Hawthorn Gardens, South Queensferry	2nd	Ness	712	174
Hawthorn Gardens, South Queensferry	3rd	Nevis	714	175
Hawthorn Gardens, South Queensferry	3rd	Nicol	713	176
Hawthorn Gardens, South Queensferry	3rd	Ness	712	177
		24		

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Agenda Item 8.13

Finance and Resources Committee

10.00am, Thursday, 21 November 2023

Barnton Quarry Nuclear Bunker – Variation of Servitude

Executive/routine	**Routine**
Wards	**3 – Drum Brae/ Gyle**

1. Recommendations

1.1 That the Finance and Resources Committee approves the grant of a Deed of Variation of Servitude Rights in favour of Westmint Limited at Barnton Quarry Nuclear Bunker on the terms outlined in this report.

Paul Lawrence

Executive Director of Place

Contact: Greg Manson, Trainee Estates Surveyor

E-mail: greg.manson@edinburgh.gov.uk | Tel: 0131 529 5774

Report

Barnton Quarry Nuclear Bunker – Variation of Servitude

2. Executive Summary

2.1 This report seeks approval for the grant of a Deed of Variation of Servitude Rights in relating to access to Barnton Quarry Nuclear Bunker at Corstorphine Hill Local Nature Reserve, Clermiston Road, Edinburgh.

3. Background

3.1 Westmint Limited, the owners of Barnton Quarry Nuclear Bunker, have an existing Deed of Servitude for a right of access over Council-owned land at Corstorphine Hill Local Nature Reserve, granted to their predecessors in 1988. Westmint Limited's intention is to open the bunker to the public as a visitor attraction, which would see an increase in traffic over the right of access, including coaches and large vehicles. Therefore, as part of their redevelopment of the bunker under planning application 21/04267/FUL, approved 14 February 2022, the access road is to be resurfaced and widened.

3.2 To reflect these changes, the existing Deed of Servitude will require to be varied. The areas shaded in red on the attached plan will be discharged, and the servitude area widened. The area shaded yellow shows the proposed new servitude area.

4. Main report

4.1 The following terms have been provisionally agreed:

4.1.1 Grantor: The City of Edinburgh Council;

4.1.2 Grantee: Westmint Limited;

4.1.3 Rights: the Deed of Servitude will allow Westmint Limited pedestrian and vehicular access to reach the land within their ownership at Barnton Quarry, over the new Servitude area shaded yellow;

4.1.4 Conditions: Westmint Limited will retain full maintenance obligations over the Servitude area. The Council will repair any damage (other than wear and tear) caused to the new access road within the new Servitude area caused by the Council, where proof can be provided; and

4.1.5 Costs: the Council's reasonable legal costs and Surveyor's fee will be paid by Westmint Limited.

5. Next Steps

5.1 Following Committee approval, the Council will enter into a Deed of Variation of Servitude Rights with Westmint Limited in accordance with the terms and conditions stated within this report.

6. Financial impact

6.1 The Council's reasonable legal costs and Surveyor's fee will be met by Westmint Limited.

7. Equality and Poverty Impact

7.1 The impact on equalities has been considered. The Integrated Impact Assessment (IIA) checklist has been completed and the outcome is that a full IIA is not required for this change. There is little relevance to equality and no negative impact on the given the services provided by the Servitude.

8. Climate and Nature Emergency Implications

8.1 The increase in vehicles from the public, including coaches, will result in increased fuel consumption and carbon emissions.

9. Risk, policy, compliance, governance and community impact

9.1 Ward members have been aware of the recommendations of this report.

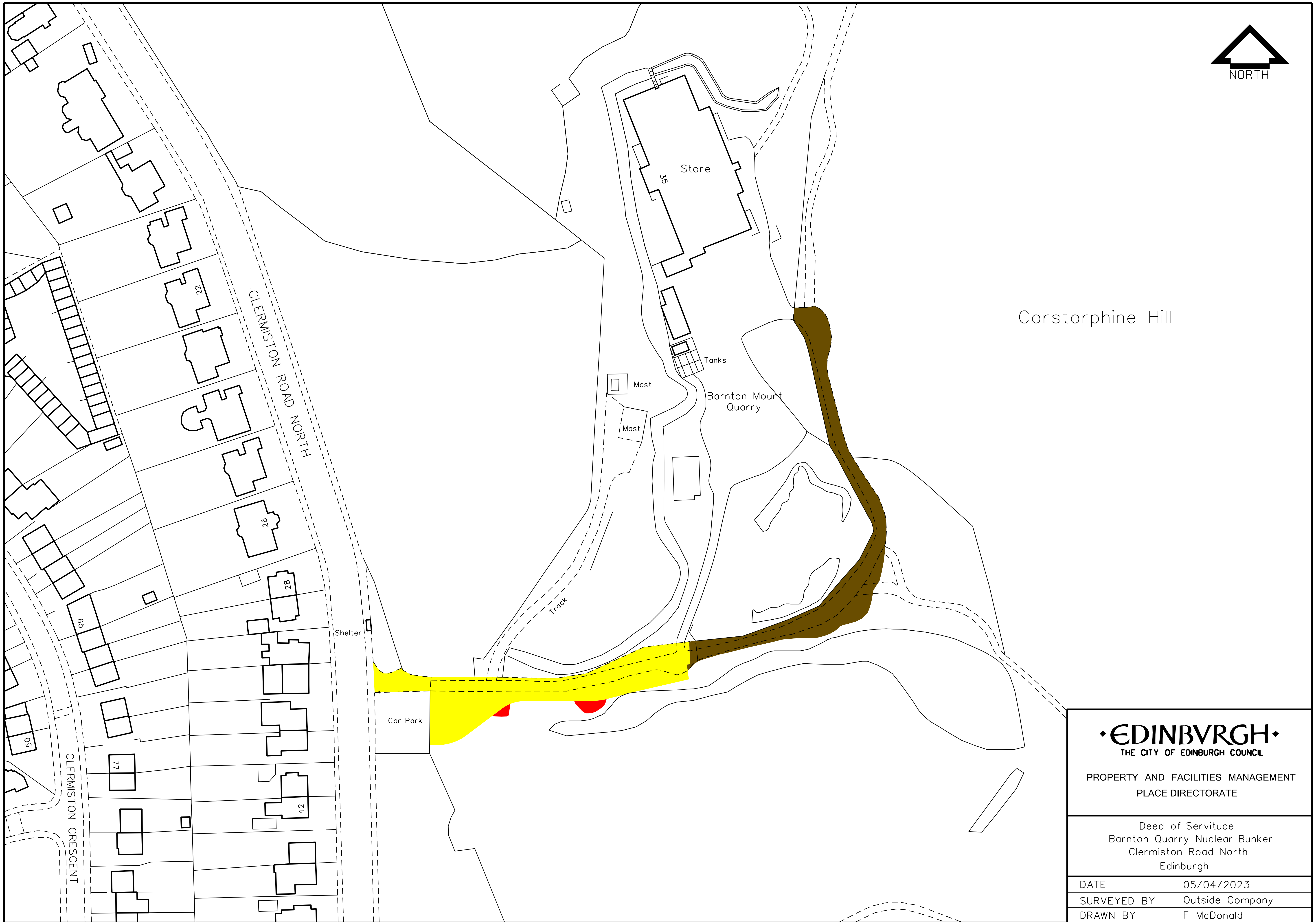
9.2 Council Parks officers have been consulted and are in support of the Servitude.

10. Background reading/external references

10.1 None.

11. Appendices

11.1 Appendix 1 – Servitude plan.



EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMENT
PLACE DIRECTORATE

Deed of Servitude
Barnton Quarry Nuclear Bunker
Clermiston Road North
Edinburgh

DATE	05/04/2023
SURVEYED BY	Outside Company
DRAWN BY	F McDonald
SCALE	1:1000 @ A3
PLAN. NO.	NT2074/A3/2497

RIGHT OF SERVITUDE SHOWN COLOURED YELLOW AND BROWN

DISCHARGED SERVITUDE SHOWN COLOURED RED

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

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