

Minutes

Finance and Resources Committee

10.00am, Tuesday, 7 February 2023

Present

Councillors Watt (Convener), Bruce, Doggart, Griffiths, Hyslop, Macinnes, Mumford, Nicolson, Ross, Staniforth and Younie.

1. Revenue Budget Framework 2023/27 – progress update

1.1 Deputation by Edinburgh Voluntary Organisations' Council

The deputation raised the following points:

- the clarification over third party grant funding was welcomed by EVOC but that more work could be done to ensure funding was efficient and not duplicated for example, third party grants and Pupil Equity Funding duplicating spend;
- the good example Edinburgh has set in working with the third sector to date;
- the importance of investing in prevention activities, learning from experience and best practice;
- EVOC's interest in being involved in the Additional Support for Learning Review;
- Support for collaborative working with the third sector and the Council over the next year during the extension of third party grants;
- EVOC's willingness to help councillors understanding of the community and voluntary sector and how it works to allow them to champion the sector;
- The importance of youth work in communities and investing in provision to provide opportunities for young people, early intervention and prevention;
- The social benefits and social return on community investment; and
- The impact of continued cuts in funding on services for communities.

1.2 Report by the Interim Executive Director of Corporate Services

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

Decision

- 1) To note the updates to financial planning assumptions set out within the report by the Interim Executive Director of Corporate Services, including the provisional outcome of the Local Government Finance Settlement in 2023/24.

- 2) To note, nonetheless, that even if all officer recommendations were approved, a gap of £3.7m remained in 2023/24, in addition to significant incremental gaps in subsequent years of the framework.
- 3) To note, in this context, the creation of a formal programme to oversee implementation of change and prioritisation on the scale required and agree, subject to ratification by Council, to provide up to £2m from the Council's Spend to Save Fund, with a further report on the programme's scope, content and governance to be brought to members in April 2023.
- 4) To note that further updates, including any changes resulting from the Scottish Budget's Parliamentary consideration, would be reported to members as appropriate.
- 5) To refer the report to Council as part of setting the revenue and capital budgets on 23 February 2023.

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

Declarations of interest

Councillor Macinnes made a transparency statement in the above item as a member of the Mobility and Access Committee for Scotland.

2. Revenue Budget 2023/24 – Risks and Reserves

Details were provided of the risks inherent with the revenue and capital budget frameworks and the range of measures and provisions established to mitigate these.

Decision

- 1) To note the range and nature of the Council's usable reserves in light of the continuing impacts of the pandemic and wider risk factors.
- 2) To remit the report to The City of Edinburgh Council for approval on 2 February 2023 as part of the budget-setting process.

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

3. Sustainable Capital Budget Strategy 2023-2033

The report set out priorities for £1.47bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

Decision

- 1) To note the priorities for capital expenditure outlined in the report by the Interim Executive Director of Corporate Services, which were aligned to the Council Business Plan.
- 2) To note the financial pressures arising from challenging market conditions, and the proposed measures required to bring the programme into a balanced position.
- 3) To delegate authority to the Chief Executive, in consultation with the Convener of the Finance and Resources Committee, to award contracts for the construction

of learning estate projects where it could be demonstrated the contract value was within approved budget limits.

- 4) To note the provisional Local Government Financial Settlement.
- 5) To note that delivery of funded capital expenditure priorities was dependent on the achievement of a balanced medium-term revenue budget.
- 6) To note that there was no capacity to fund additional projects that were not in the current programme.
- 7) To note the climate assessment of capital spending proposals.
- 8) To refer the report to the Governance Risk and Best Value Committee as part of its work programme.
- 9) To refer the report to the Council Budget meeting on 23 February 2023.

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

4. Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22

A summary of the main issues and themes identified within the Accounts Commission's recently published Financial Bulletin 2021/22 and how those related to the local context within Edinburgh was presented to the Committee.

Decision

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

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

5. Accounting for Service Concessions

A report set out the outcome of the review of accounting for the Council's service concession arrangements in light of financial flexibilities introduced by the Scottish Government.

Decision

- 1) To note the report.
- 2) To refer the report to Council to approve the following recommendations:
 - 2.1) To approve that the Council exercises flexibility on accounting for Service Concessions, effective from 1 April 2023, as permitted under Finance Circular 10/2022.
 - 2.2) To approve the retrospective benefit of £95.208m to the end of 2022/23 was transferred into the General Fund, from the Capital Adjustment Account, and its use considered as part of the budget setting process.

- 2.3) To note that adoption of the guidance would extend the repayment period over a longer timeframe, past the date when government grant support would cease.
- 2.4) To agree that future benefits which would accrue under the revised accounting arrangements were ring-fenced to help towards future years' costs.

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

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

The Housing Revenue Account Budget Strategy 2023/2024 – 2032/2033 report set out the aim to make financial provision for delivery of day-to-day services to tenants and capital investment in new and existing homes. The Business Plan sought to support the delivery of Council commitments, which included more Council homes and net zero carbon.

Decision

- 1) To note the outcome of the annual review of the Business Plan and the annual rent consultation with just over half of tenants (53%) voting for a third rent freeze and the remainder supporting a 2.5% (31%) and 5% (16%) increase.
- 2) To note that officers recommended rents be increased by 2.5% in 2023/24 and that a Tenant Hardship Fund would be established to support tenants experiencing financial hardship; including those who could not access benefits.
- 3) To note the impact of two years rent freezes and increasing costs and that (based on 2.5% rent increases over the next 10 years) around 81% of existing homes could be brought up to Energy Efficiency Standard for Social Housing (EESH2) standards over the lifetime of the business plan and that only those new homes in design development (c. 2,200 social rented homes) could be delivered.
- 4) To note the impact on the capacity of the capacity of the capital investment programme if rents were frozen by a third year or if rents were increased by 5% in 2023/24, as set out in the Financial Impact section of the report.
- 5) To note that in December 2022, COSLA leaders agreed a Statement of Intent to keep the rental and fee increases to an average of less than £5 a week across the country. A 2.5% rent increase was equivalent to an average of £2.55 a week with a £% increase equivalent to an average £5.10.
- 6) To agree to refer the 2023/2024 budget, draft 10-year capital investment programme, and the rent levels for 2023/2024 set out in Appendices 3 and 4 of the report by the Executive Director of Place to the Council budget meeting for approval.
- 7) To circulate a briefing note with information on the tenant hardship fund to members.

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