

Finance and Resources Committee

10.00am, Friday 1 February 2019

Present

Councillors Rankin (Convener), Jim Campbell (substituting for Councillor Hutchison for items 1 to 19), Kate Campbell, Child (substituting for Councillor Donaldson), Corbett, Dixon (substituting for Councillor Gordon), Johnston, Mowat (substituting for Councillor Hutchison for items 20 to 32), Staniforth (substituting for Councillor Miller), Neil Ross, Watt and Whyte.

1. **Feedback on the Change Strategy and Budget Proposals 2018, and Council Change Strategy Planning for Change and Delivering Services 2019-2023**

The Committee agreed to hear the following member with special interest and deputations on the Council Change Strategy Planning for Change and Delivering Services 2019-2023:

a) **Statement from Councillor Barrie**

Councillor Barrie addressed the Committee under standing order 31.1, as a member with a special interest, having previously been the Council's Economy; and Housing and Economy Convener, and worked extensively with Arms Length Organisations.

He expressed concern about the Council's proposal to significantly reduce the grant to Marketing Edinburgh. He highlighted that if the proposal was to go through, as it existed in the report, then Marketing Edinburgh would very likely cease to exist and could not continue to operate.

Councillor Barrie highlighted the important role that Marketing Edinburgh played in Edinburgh's successful tourism industry and attracting inward investment and jobs to the city. Edinburgh must continue to retain a marketing organisation to remain competitive with other cities. He requested that the current proposals be adjusted to allow Marketing Edinburgh time to adapt for the long term and to bring forward their own plans to demonstrate how they could change.

b) **Deputation from UNISON**

The deputation emphasised that the Council Change Strategy did not lay out the honest truths about the cuts the Council faced. Concern was expressed about the £41m cut to the 2019/20 budget, along with the anticipated 300 job losses and the lack of transparency around the cuts that Health and Social Care were expected to face.

The deputation highlighted that the operational efficiencies contained in the Change Strategy over the four year programme would result in approximately 1000 job losses and every job lost was a service lost. The protection of some key services would also make it harder for the same departments to continue to find efficiencies year-on-year. If the Scottish Government were going to move towards setting a three year budget, beyond this financial year, it was requested that the Council laid bare the impact future cuts would have on Edinburgh and the services it provided.

c) Deputation from the EIS

The deputation raised concerns about the specific proposal in the Change Strategy to remove nursery teachers from nursery classes, and nursery heads from standalone nurseries. The proposal was the definition of a short term saving with a massive long term cost.

The deputation indicated that teachers working directly in nurseries, one on one with pupils, had a unique and valuable additional contribution to make. A number of reasons not to proceed with this proposal such as greater positive life outcomes were highlighted. The importance of getting early years right was stressed and having nursery teachers in the classroom was key to this.

The deputation advised that the EIS was in the process of pulling together comprehensive evidence as to why, in their view, this was a bad proposal and a report would be circulated to all Edinburgh Councillors for information and consideration.

d) Feedback on the Change Strategy and Budget Proposals 2018 – report by the Chief Executive

The Committee considered a report which summarised feedback received as part of engagement on the Council's budget and change approach for the next four financial years. In total, 1,597 individual submissions were received, along with around 140 participants in group activities. This figure was higher than the number received in 2017.

Decision

- 1) To note the feedback received.
- 2) To note the intention to separately report feedback received as part of the second engagement phase from January 2019.
- 3) To request that details of best practice and the methodology which sat behind the respondents to the engagement document be provided in future reports.
- 4) To request that further information be provided in the follow-up report to clarify the potential reasons behind the shift in attitudes on the severity of efficiencies to different Council services from year 1 to year 4.

(References – Finance and Resources Committee, 16 August 2018 (Item 16); report by the Chief Executive, submitted.)

e) Council Change Strategy Planning for Change and Delivering Services 2019-2023 – joint report by the Chief Executive and the Executive Director of Resources

An update was provided on the financial assumptions underpinning *Planning for Change* following the announcement of the provisional Local Government Finance Settlement for 2019/20.

Updated figures for the Council were presented at the meeting following the Stage One Parliamentary Debate on 31 January 2019, where the Cabinet Secretary had confirmed a number of changes to the provisional Local Government Settlement.

Decision

- 1) To note the impact of the provisional 2019/20 Local Government Finance Settlement and changes in other expenditure assumptions on the 2019/23 revenue budget framework.
- 2) To agree further public and stakeholder engagement on the contents of the Change Strategy which set out a four-year strategic narrative for the organisation (Appendix 1 of the report).
- 3) To note that proposals were issued for the next phase of public feedback on 18 January 2019 to inform Council's budget-setting meeting on 21 February 2019 (Appendix 2 of the report).
- 4) To note the draft funding offer for 2019/20 made to the Edinburgh Integration Joint Board (EIJB).
- 5) To agree to the establishment of a carbon budgeting pilot.
- 6) To note the update provided to members at the meeting on the material changes to grant funding and the effect this had on the setting of the 2019/20 revenue budget.
- 7) To refer the report to Council as part of the setting of the revenue and capital budgets on 21 February 2019.

(References – Finance and Resources Committee, 27 September 2018 (Item 11); joint report by the Chief Executive and Executive Director of Resources, submitted.)

2. Minutes

Decision

To approve the minutes of the Finance and Resources Committee of 4 December 2018 as a correct record.

3. Finance and Resources Committee Work Programme

The Finance and Resources Committee Work Programme was submitted.

Decision

To note the Work Programme.

(Reference – Finance and Resources Committee Work Programme, submitted.)

4. Rolling Actions Log

The Finance and Resources Committee Rolling Actions Log was submitted.

Decision

- 1) To agree to close actions 4, 10, 11(2), 11(3), 13 and 16.
- 2) To otherwise note the Rolling Actions Log.

(Reference – Rolling Actions Log, submitted.)

5. Business Bulletin

The Finance and Resources Committee Business Bulletin was submitted.

Decision

To note the Business Bulletin.

(Reference – Business Bulletin, submitted.)

6. Revenue Monitoring 2018/19 – Month Nine Position

The Committee considered a report which set out the projected Council-wide revenue budget position for the year based on analysis of period eight data. The report built on both the earlier period two and five based updates considered by the Committee in 2018.

Decision

- 1) To note that a number of significant pressures continued to be highlighted by Executive Directors, such that an overall year-end overspend of £1.972m, without the identification and implementation of further mitigating actions, was forecast as of month nine.
- 2) To note that in light of continuation of the projected overspend position, relevant Executive Directors and the Chief Officer of the Health and Social Care Partnership / Edinburgh Integration Joint Board (EIJB) had been instructed by the Chief Executive, as a matter of urgency, to identify further proposed actions both to allow a balanced overall Council in-year position to be achieved and to address all recurring budget pressures on a sustainable basis, thereby enhancing the underlying robustness of the budget framework.
- 3) To note the balanced projected position on the Housing Revenue Account (HRA) after making a £33.162m gross contribution towards housing investment.
- 4) To refer the report to the Governance, Risk and Best Value Committee as part of its work programme.

(References – Finance and Resources Committee, 4 December 2018 (Item 8); report by the Executive Director of Resources, submitted.)

7. Resources Directorate – Revenue Budget Monitoring 2018/19 – Month Nine Position

Details were provided on the projected nine-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of November 2018 and expenditure and income projections for the remainder of the financial year.

Decision

- 1) To note the Resources Directorate was currently projecting expenditure and income to be within budget for 2018/19.
- 2) To note the Resources Management Team would continue to progress identification of savings measures to offset any further budget pressures which may emerge, to achieve outturn expenditure in line with the approved revenue budget for 2018/19.
- 3) To note the ongoing risks to the achievement of a balanced revenue budget projection for the Directorate.

(References – Finance and Resources Committee, 4 December 2018 (Item 9); report by the Executive Director of Resources, submitted.)

8. Chief Executive – Revenue Budget Monitoring – Month Nine Position

The Committee considered a report which detailed the projected nine-month revenue budget monitoring position for services reporting directly to the Chief Executive, based on actual expenditure and income to the end of November 2018 and expenditure and income projections for the remainder of the financial year.

Decision

- 1) To note the services reporting directly to the Chief Executive were currently projecting expenditure and income to be in line with the approved revenue budget for 2018/19.
- 2) To note the risks to the achievement of a balanced revenue budget projection.

(References – Finance and Resources Committee, 4 December 2018 (Item 10); report by the Chief Executive, submitted.)

9. Capital Monitoring 2018/19 – Month Nine

Details were provided of the overall position of the Council's capital budget at the month nine position (based on month eight data) and the projected outturn for the year.

Decision

- 1) To note the projected capital outturn position on the General Fund and Housing Revenue Account at month nine.
- 2) To note the prudential indicators at month nine.

- 3) To note that the Head of Finance was closely monitoring the capital receipts position.
- 4) To refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

(References – Finance and Resources Committee, 4 December 2018 (Item 11); report by the Executive Director of Resources, submitted.)

10. Asset Management Strategy Transformation Programme – Update

An update was provided on the current financial position of the Asset Management Strategy and, in particular, the impact of current pressures and the requirement to deliver greater savings from the estate for the future.

Decision

- 1) To note the current financial position of the Asset Management Strategy and forecast position moving forward.
- 2) To agree that the forecast position could only be addressed by rationalising the size of the current operational property portfolio.
- 3) To note that an update on the component parts of the Asset Management Strategy would be included within the next reporting cycle.
- 4) To agree that officers explore the options and opportunities available for sponsorship of Council buildings and feedback to Committee as appropriate.

(References – Finance and Resources Committee, 27 September 2018 (Item 2); report by the Executive Director of Resources, submitted.)

11. Council Change Strategy – Risks and Reserves 2019-2023

The Committee considered a report which detailed the risks inherent in the revenue and capital budget framework and the range of measures and provisions established to mitigate these.

The level of reserves held and the purpose for which they were maintained, including consideration of the adequacy of balances held to mitigate against known risks were also outlined.

Decision

- 1) To note the report.
- 2) To remit the report to the City of Edinburgh Council for approval on 21 February 2019 as part of the budget-setting process.

(References – Governance, Risk and Best Value Committee, 25 September 2018 (Item 7); report by the Executive Director of Resources, submitted.)

12. Workforce Dashboard

The Committee considered a report which provided a summary of workforce metrics for the core and flexible workforce, absence, transformation/redeployment, risk, and performance, as detailed on the Finance and Resources Committee Workforce Dashboard, for the period of November 2018.

Decision

To note the workforce information contained in the dashboard.

(References – Finance and Resources Committee, 4 December 2018 (Item 13); report by the Executive Director of Resources, submitted.)

13. Capital Investment Programme 2019/20 to 2023/24

Details were provided on the roll forward Capital Investment Programme (CIP) which set out planned investment for the period 2019/20 to 2023/24. The forecast part year slippage in the current year's programme had been incorporated into the 2019/20 budget to inform the expected loans fund advances of the roll forward programme. Spending in latter years was to be viewed as indicative, as details of the level of capital grant could only be estimated at this time.

Decision

- 1) To note the report and to remit to the Council's budget meeting of 21 February 2019 the 2019-2024 Capital Investment Programme.
- 2) To note that the announcement of the provisional Finance Settlement made in December 2018 indicated a general capital grant for 2019/20 of £58.675m which exceeded the Council's previous indicative plans by £10.411m and that £9.411m remained unallocated with £1m being allocated to roads asset upgrades.
- 3) To note that the announcement of the Finance Settlement made in December 2018 indicated specific capital grants for Development Management Funding of £33.877m and Cycling, Walking and Safer Streets of £0.834m.
- 4) To note that the Council was governed by the Local Government in Scotland Act 2003 including the requirement to have regard to the Prudential Code and that capital plans were affordable, prudent and sustainable.
- 5) To note that budgets for lending to Edinburgh Living from 2019-20 onwards were based on the pipeline of development and would be subject to annual approval from the Finance and Resources Committee and Council.
- 6) To note that the proposed update to the Capital Investment Programme did not include the funding for Wave 4 schools which was contingent on the achievement of a long term balanced revenue budget and significant uncertainty remained within the revenue budget framework.
- 7) To note that following the proposed update to the capital plan in Appendix 1 of the report, £7m remained unallocated but earmarked as contingency funding for the replacement Meadowbank Stadium project.

- 8) To note the up to date analysis of unfunded service priorities and pressures set out within the report.
- 9) To note the recommended reallocation within the existing approved programme and the use of the additional resources to address some of the Council's capital investment priorities and remit to Council for decision on 21 February 2019 in the context of infrastructure needs, priorities and existing Council commitments.

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

14. Annual Report – Debt Write-off

A summary of income streams deemed uncollectable and written off during 2017/18 was provided.

Decision

- 1) To note the sums due to the Council that had been written off during 2017/18 and the low value (0.73%) this represented compared to the overall level of income collected.
- 2) To note that write off values for 2017/18 (0.73%) were tracking the 2016/17 (0.72%) levels.
- 3) To note that while a debt was written off for accounting purposes, cases would be reviewed, and payment appropriately pursued, if there was a material change in the debtor's circumstances.
- 4) To agree that future reports provide details of all historical debts written off and the relationship with associated annual write-ons.

(References – Corporate Policy and Strategy Committee, 7 August 2018 (Item 7); report by the Executive Director of Resources, submitted.)

15. Accounts Commission: Local Government in Scotland – Financial Overview 2017-18 – referral from the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee on 15 January 2019 considered a report detailing the Accounts Commission's Scotland-wide review of local government financial performance for 2017/18 which was published in November 2018. The report had been referred to the Finance and Resources Committee for its consideration in the context of setting the Council's revenue and capital budgets for 2019/20 as part of a longer-term programme of change.

Decision

- 1) To note the Financial Overview 2017/18 report.
- 2) To agree that a report on how the funding allocations were calculated and the work being carried out by the Scottish Government and COSLA on the funding formula, be submitted to the next Finance and Resources Committee, as requested by the Governance, Risk and Best Value Committee at its meeting on 15 January 2019.

(References – Governance, Risk and Best Value Committee, 15 January 2019 (Item 4); referral from the Governance, Risk and Best Value Committee, submitted.)

16. Housing Revenue Account Budget Strategy 2019-2024

Details were provided on the Housing Revenue Account (HRA) budget for 2019/2020.

Decision

- 1) To agree to refer the 2019/20 budget, draft five-year capital investment programme, and the rent levels for 2019/20 set out in Appendices 2, 4 and 5 of the report to the Council budget meeting for approval.
- 2) To note that the Housing Revenue Account remained financially stable with a service improvement programme established to manage emerging financial risks in years four to 14 (2022/23 to 2032/33) of the business plan, as investment in new and existing homes increased.
- 3) To note the progress being made in delivering new and improved homes and services for tenants and the important role that the Housing Revenue Account played in delivering wider Council commitments, including area regeneration and better health and social care outcomes.
- 4) To note that a progress update on the service improvement plan would be provided to Housing and Economy Committee within two committee cycles.

(References – Finance and Resources Committee, 27 September 2018 (Item 2), report by the Executive Director of Place, submitted.)

17. Grants and Project Funding in the Place Directorate

At the meeting of the Council on 13 December 2018, Councillor Mowat asked a question in relation to how much money in grants and project funding had been received by the Place Directorate in the last 24 months.

A report was considered which provided details of income in financial years 2016/17, 2017/18 and 2018/19 and included both Capital and Revenue

Decision

- 1) To note the report had been prepared in response to Councillor Mowat's question to Council in December 2018.
- 2) To note the information provided in the report on grants and project funding in the Place Directorate.

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

18. Edinburgh Local Development Plan Action Programme 2019 – Financial Assessment

An update was provided on the financial implications of the infrastructure set out in the Action Programme on future capital and revenue budgets, and the potential funding sources available to the Council to support this infrastructure.

Decision

- 1) To note the adopted Action Programme 2019 as detailed at Appendix 1 of the report.
- 2) To note the high-level costs implications arising from the Action Programme as set out in the report.
- 3) To note the progress on prioritising the delivery of infrastructure actions arising from the Local Development Plan.

(References – Housing and Economy Committee, 18 January 2018 (Item 16); report by the Executive Director of Place, submitted.)

19. Extension of Health and Social Care Contracts

Approval was sought to extend six health and social care contracts bundles (overnight support; sensory support; housing support for older people; substance misuse; volunteering support; and carers) with a total value of £7,732,680.

In line with contractual terms and conditions, the contract for Edinburgh Voluntary Organisations Council (EVOG) had been extended.

Decision

- 1) To agree to delegate approval of the extension of the contracts detailed in the report to the Chief Officer of the Health and Social Care Partnership, in consultation with the Finance and Resources Convener, once assurances had been provided that the contracts did not conflict with any of the savings proposals that the Edinburgh Integrated Joint Board might bring forward or any potential structural service changes.
- 2) To agree that a report be submitted to the Finance and Resources Committee on 7 March 2019 to conclude and confirm what decisions had been taken.

(References – Finance and Resources Committee, 2 February 2016 (Item 10); report by the Chief Officer, Edinburgh Health and Social Care Partnership, submitted.)

20. Housing First

Details were provided of an offer of funding from Social Bite and the Scottish Government to establish a Housing First Service in Edinburgh. Funding would be available until June 2021 and, following this date, the Council and its partners would be required to fund the ongoing support costs.

Decision

- 1) To note the offers of funding to establish a Housing First service in Edinburgh, which was recommended by the Council's Homelessness Task Force and agreed by the Housing and Economy Committee.
- 2) To note the financial commitments set out in the report and that these would need to be prioritised within the existing budget, as part of the Council's budget setting process. The Council would continue to explore options for external partners to contribute to the service provision in future years.

(Reference – report by the Executive Director for Communities and Families, submitted.)

Declaration of Interests

Councillor Corbett declared a financial interest in the above item as an employee of Shelter Scotland, left the room and took no part in the consideration of this item.

21. Summary Report on Property Transactions Concluded Under Delegated Authority

Details were provided of all lease agreements, etc. concluded in terms of the Council's 'Scheme of Delegation to Officers'.

Decision

To note the 18 transactions detailed in the Appendix to the report that had been concluded in terms of the Council's 'Scheme of Delegation to Officers'.

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

22. Tower Street Depot – Proposed Disposal

Approval was sought to dispose of the former Tower Street Depot site to Barratt Homes Limited on the main terms set out in the report.

Decision

To approve the sale of the former depot site at Tower Street to Barratt Homes Limited on the terms and conditions outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

(References – Finance and Resources Committee, 4 December 2018 (Item 6); report by the Executive Director of Resources, submitted.)

23. Land at Promenade, Portobello – Proposed New Lease

Approval was sought to grant of a new 20 year lease to Portobello Sailing and Kayaking Club of an area of ground alongside the Promenade in Portobello on the terms and conditions outlined in the report.

Decision

To approve a new 20 year ground lease to Portobello Sailing and Kayaking Club at Promenade, Portobello on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

24. Vega Building, Clocktower, South Gyle Crescent, Edinburgh – Proposed Lease Restructure

Approval was sought to surrender the KUC Properties Limited lease due and grant a new 10 year lease of two floors of the Vega building located at Clocktower, South Gyle Crescent to Pulsant Limited on the terms and conditions outlined in the report.

Decision

To approve a lease surrender with KUC Properties Limited on the Vega building, Clocktower, South Gyle Crescent, and to grant a new 10 year lease to Pulsant Limited, of the first and second floors, on the terms outlined in the report and other terms and conditions to be agreed by the Executive Director of Resources.

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

25. Pentad, 17F South Gyle Crescent – Proposed Lease of First Floor Office Space

Approval was sought to grant a 10 year lease to Hope City Church of the first floor office suite at Pentad, 17F South Gyle Crescent on the terms and conditions outlined in the report.

Decision

To approve a new 10 year lease to Hope City Church of first floor office suite, Pentad, 17F South Gyle Crescent on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

26. Block 1, Unit 6 Pennywell Town Centre, Edinburgh – Proposed Lease

Approval was sought to grant Lloyds Pharmacy Limited existing a new 20-year lease of Block 1 Unit 6, Pennywell Town Centre on the terms and conditions outlined in the report.

Decision

To approve a new 20-year lease to Lloyds Pharmacy Limited at Block 1 Unit 6, Pennywell Town Centre on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

27. Block 2, Unit 3 Pennywell Town Centre – Proposed Lease

Approval was sought to grant Whitecross Dental Care Limited a new 15 year lease of Block 2 Unit 3, Pennywell Town Centre on the terms and conditions outlined in the report.

Decision

To approve a new 15 year lease to Whitecross Dental Care Limited at Block 2 Unit 3, Pennywell Town Centre on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

28. Land to rear of 99 Forth View Crescent – Proposed Lease

Approval was sought to grant a 20 year lease to the 42nd Pentland Currie Scouts of the land to the rear of 99 Forth View Crescent, Edinburgh, on the terms and conditions as outlined in the report.

Decision

To approve a new 20 year lease to 42nd Pentland (Currie) Scout Group of the land to the rear of 99 Forth View Crescent, Edinburgh, on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

29. Award of Concession Contract for: Café Concessionaire at the City Art Centre

Approval was sought to award Mimi's Bakehouse the right to operate a concession within the café on the ground floor of the City Art Centre from March 2019.

Decision

- 1) To approve the award of the concession contract to Mimi's Bakehouse.
- 2) To note that the contract was for a period of five years with an optional five year extension.

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

30. Petition – Edinburgh Central Library v Virgin Hotel – referral from Education, Children and Families Committee

The Education, Children and Families Committee on 11 December 2018 considered a report which provided details of a petition which had been submitted in respect of the Edinburgh Central Library vs Virgin Hotel. The report had been referred to the Finance and Resources Committee for its consideration of the part of the petition relating to subject matter not within the remit of the Education, Children and Families Committee.

Decision

- 1) To note the petition.
- 2) To agree that a publicly available briefing note be prepared and circulated to Committee members which outlined the current position and explained the steps that would have to be taken by the Council to action the request of the petitioner.

(References - Education, Children and Families Committee, 11 December 2018 (Item 3); referral from the Education, Children and Families Committee, submitted.)

31. Resolution to Consider in Private

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 6, 8 and 9 of Part 1 of Schedule 7(A) of the Act.

32. Castle Terrace Car Park – Proposed Lease Extension

Approval was sought to extend the lease of the public car park at Castle Terrace to National Car Parks Limited on the terms and conditions outlined in the report.

Decision

- 1) To approve a 15 year lease extension with an option for a further 10 years to National Car Parks Limited of the car park at Castle Terrace on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.
- 2) To note that the decision would be subject to the proposal being included within the Council revenue budget setting process on 21 February 2019.