Sustain and Reform Strategy

The City of Edinburgh Council's Budget Strategy & Medium-Term Financial Plan

2025/26-2029/30

February 2025

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1. Introduction

1.1. Whole-organisation approach to financial sustainability

The Council formalised the previous version of its Budget Strategy in February 2024. This helped to inform the Council's strategic direction ahead of setting the 2024/25 budget.

This updated Budget Strategy will inform budget setting for 2025/26, as well as medium-term financial planning for the next five years (i.e. 2025/26 -2029/30), and the Council's wider strategic direction.

The Accounts Commission's most recent local government overview report[1] stated that Scottish local authorities have never faced such a challenging financial situation, and that radical change was needed to maintain services. The Council's organisational financial sustainability has been recognised as a key strategic risk as part of risk monitoring and management.

Every year, the Council incurs over £1.3 billion in revenue spend, and around £400 million in capital spend. While we have a strong track record of balancing our budget, the funding and income we receive has increasingly been insufficient to meet the rising cost and demand for services, such as homelessness and social care costs. As a result of this, in the last decade the Council has saved over £400 million from its annual running costs.

Even after setting a balanced budget for 2025/26, we expect to face a budget gap of over £90 million between now and 2029/30. Given the savings made to-date, and the ever-increasing demand for council services, the challenge of addressing budget gaps becomes greater every year.

This Budget Strategy recognises the extent of the challenge faced, and the radical change required, to achieve organisational financial sustainability. This Budget Strategy will fundamentally set the strategic direction of the Council for statutory and key strategic services to be protected.

A whole-organisation approach is required to secure the Council's financial sustainability through the transition to an organisation-wide prevention model, as well as focusing on the thematic priorities for change and transformation.

1.2. The importance of responsible financial management, governance & Best Value

It is crucial that the Council delivers a strategy that upholds its fiduciary duty to residents and communities. The Local Government in Scotland Act 2003 explicitly establishes the fiduciary duty of local authorities, emphasising the legal and ethical obligation to act in the best interests of residents and communities.

Best Value is a key principle within the Act and is intrinsic to our responsibilities. Our residents rightly expect that the resources they entrust us with are employed efficiently and effectively, delivering outcomes that positively impact their lives.

[1] Accounts Commission, 'Local government in Scotland: Overview 2023', May 2023.

1.2.1. Principles of responsible financial management & governance

To deliver a financial plan that aligns with our fiduciary duties, we must remain committed to the following key principles of financial management and governance:

- **Transparency & assurance** – we will ensure that our financial plans are accessible and comprehensible to the public, enabling residents to have a clear understanding of how their resources are allocated and used.
- **Strategic planning** – we will prioritise strategic investment that promotes long-term benefits for our communities and are aligned with the priorities of the Council.
- **Grip & control** – we will ensure that the management of financial and operational performance is closely aligned. We will continually seek opportunities to improve our operational efficiency and deliver essential services.
- **Ownership & accountability** – we will be accountable for our financial decisions, regularly reporting on our performance and the results achieved with public funds. Any deviations from the plan will be justified and communicated to our residents.
- **Community engagement** – we will actively engage with our residents, seeking their input and feedback in shaping our financial plans to reflect their evolving needs and aspirations.
- **Whole-organisation approach** – we will be fully aligned as a Council (and with partners) on operational and strategic planning and delivery.

1.2.2. Duty to secure Best Value

All councils have a duty to make arrangements to secure Best Value through continuous improvement in performance, focusing in particular on the following criteria:

- **Economy** – ensuring we have procured goods and services at the best possible price, considering quality and performance. Seeking competitive bids and conducting cost-benefit analyses to ensure that taxpayers receive best value.
- **Efficiency** – continuously reviewing and streamline our internal processes and operations, eliminating duplication and making the most of available resources.
- **Effectiveness** – achieving our intended outcomes by setting clear objectives, monitoring progress and measuring performance against established targets.
- **Equity** – evaluating whether public resources are distributed fairly and equitably and addressing the needs of all members of our communities.
- **Sustainability** – assessing the long-term impact of our financial decisions. We invest in projects and services that not only provide immediate benefits but also contribute to the sustainable development of services to the city.
- **Transparency** – our financial reporting and disclosure practices are scrutinised to ensure they are accessible, accurate and in compliance with relevant legislation and standards.

Scottish Government Best Value guidance[2] further articulates seven key 'Best Value Themes' which councils should prioritise in order to facilitate Best Value:

1. **Vision and leadership**
2. **Governance and accountability**
3. **Effective use of resources**
4. **Partnerships and collaborative working**
5. **Working with communities**
6. **Sustainability**
7. **Fairness and equality**

Best Value is essential for demonstrating that we are using public resources to achieve the best possible outcomes. Therefore, this concept is not solely about cost-cutting, but rather about ensuring that every pound spent results in tangible benefits to our community.

1.3. Our Budget Strategy statement & objectives

The Council is committed to a Budget Strategy that achieves financial sustainability by prioritising investment in preventative services and transforming operational and corporate services.

Our Budget Strategy prioritises the following key objectives:

- **Achieving financial sustainability**
- **Securing Best Value**
- **Protecting statutory Council services**
- **Delivering the Council's strategic priorities**
- **Prioritising prevention and delivering transformation**

By prioritising fiscal responsibility and effective targeted investment in preventative services, the Council aims to create a resilient and inclusive city that thrives on the principles of long-term viability and shared prosperity.

Objectives	**Description**	**Actions***		**Outcomes**
Achieve financial sustainability:	**Objective:** Ensure the long-term financial health and stability of the Council. **How do we achieve this:** Financial sustainability will mean that the cost of services over the medium-term financial plan	Establish a whole-organisation approach to achieving financial sustainability. Given the nature and extent of risk to the organisation's financial sustainability, all Council strategies and	Ensure adequate reserves in line with the Reserves Strategy. Over the term of the financial plan, the Council must maintain an adequate level of reserves to manage unexpected expenditure and economic	Robust planning to balance the Council's budget throughout the five-year period – including short-, medium- and long-term savings. Maintain financial

[2] Scottish Government, 'Best Value: revised statutory guidance 2020', March 2020.

	can be funded from the core spending power of the Council. This means we are aiming not using financial flexibilities to meet day-to-day costs of service delivery.	service plans must be aligned to this challenge. Annually conduct a comprehensive budget review. Ensure that annual budget planning includes a review of areas for efficiency and cost optimisation to deliver Best Value and sustainability over the medium-term period. Implement a 'zero-based budget' approach to annual budget setting. The aim in the long-term should be to move towards an 'outcome-based budget', which would align spend with specific outcomes rather than specific services. Update the Medium-Term Financial Plan (MTFP). This will include scenario planning which	pressure on a risk-based approach. Develop measurable outcomes to measure the Council's performance against strategic aims and identify where further action/investment is required. Establish structured, robust oversight of financial strategy and Best Value arrangements.	reserves at a prudent level.
Secure Best Value:	**Objective:** Ensure the Council achieves Best Value with its resource according to criteria per the Local Government in Scotland Act, and the key themes outlined in the Scottish Government Best Value guidance. **How do we achieve this:** Arrangements to achieve Best Value must be in place. These should facilitate effective transparency, accountability and continuous improvement.			Be able to effectively demonstrate how Best Value is achieved based on statutory criteria and Scottish Government guidance. Facilitate notable continuous improvement in Council performance across all operational and corporate services.
Protect statutory Council services:	**Objective:** Ensure the Council's statutory services are protected so the Council meets its minimum statutory			Articulation of minimum statutory service responsibilities across all services.

	requirements across all services. **How do we achieve this:** Outline the minimum statutory service requirement in each service area, and ensure investment is sufficient to meet these standards.	captures the key financial risks and opportunities facing the Council. Develop a prioritised investment plan to support key projects and initiatives.		Minimum statutory service provision across all services areas met on a consistent basis.
Deliver the Council's strategic priorities	**Objective:** Align financial resources with the Council's strategic goals. **How do we achieve this:** Assess the Council's performance against outcomes which reflect our strategic priorities, and identify which services require additional investment.			The Council's strategic priorities can be delivered despite limited resources. Improved operational efficiency and cost-effectiveness. Better outcomes for residents because of effective targeted investments.
Prioritise prevention and deliver transformation:	**Objective:** Plan the strategic investment required for the Council to shift towards a preventative operating model, and to make other strategic operational and			Timely and successful implementation of strategic projects. Demonstrable reduction in provision of demand-led services, and increased provision of

	corporate transformational changes. **How do we achieve this:** Identify the changes in service models required to significantly improve results, and to prioritise investment preventative services.			preventative services. Enhanced public services and community outcomes.

**Objectives and actions are interdependent; hence the actions have not been segregated.*

2. Prioritising prevention & delivering transformation

2.1. Christie Commission & local context

The 'Christie Commission on the future delivery of public services'[3] (i.e. 'the Christie Commission') established the importance of a deliberate shift to preventative services and spending based on the rising demand on public services and the scale of reactive. The Commission's report highlighted that almost half of public sector spend treated 'failure demand'.

The Christie Commission's urge to make the shift to preventative spend provides important context to the Council's financial challenges. The inability to prevent failure demand has a direct impact on an individual's life expectancy, employment, career earnings and reliance on the state throughout life. The cost of fixing failure in public services is significant – late intervention in public health issues is estimated to cost as much as £17 billion annually in England and Wales alone[4]. It is these consequences, amongst others, that the Christie Commission was aiming to address.

In 2024/25, the Scottish Government's Programme for Government[5] focuses on four key themes:

1. **Eradicating Child Poverty**
2. **Growing the Economy**
3. **Tackling the Climate Emergency**
4. **Ensuring High Quality and Sustainable Public Services**

The Programme for Government focuses on prevention and early intervention in key policy areas, including health inequalities, poverty and homelessness.

The Edinburgh Poverty Commission[6] has highlighted the need for more consistent and sustained investment and action to effectively embed preventative services and address poverty in Edinburgh. The Edinburgh Poverty Commission reinforced the need for the Council to work with other partners in Edinburgh to design and deliver a new operating model which centres around poverty prevention.

The Council must shift its operating model away from demand-led response services and towards effectively targeted preventative services to achieve its key strategic priorities around poverty elimination. However, if this shift cannot be achieved, not only will key strategic outcomes be at risk, but the Council will find it increasingly challenging to secure its financial sustainability and deliver Best Value with taxpayer money.

2.2. Prevention & Early Intervention Strategy

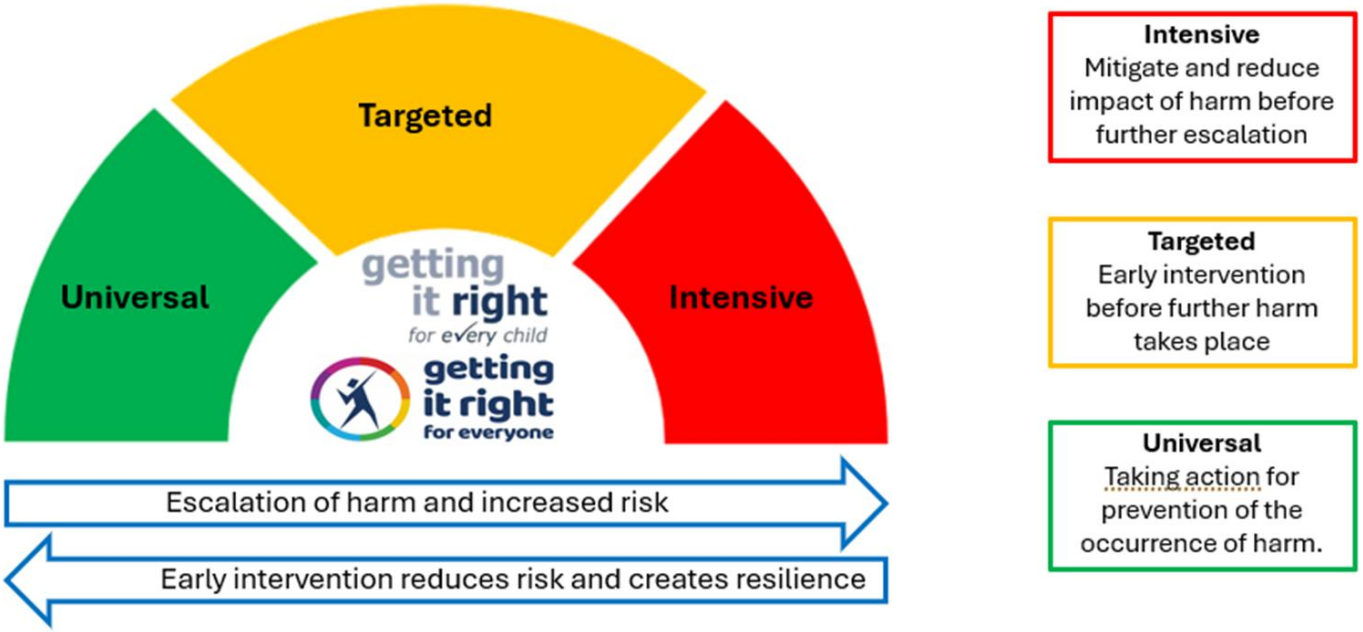
A lot of early intervention policy and research focuses on harm to individuals, especially in early and late phases of life. Investing in these services allows children to have a better start in life and a better chance of succeeding throughout life in key determinants of education, employment, physical and mental health. In latter stages of life, investment allows people to continue to live independent

[3] Scottish Government, 'Christie Commission on the future delivery of public services', June 2011.
[4] Early Intervention Foundation, 'Realising the Potential of Early Intervention', October 2018.
[5] Scottish Government, 'Programme for Government 2024-25: Serving Scotland', September 2024.
[6] Edinburgh Poverty Commission, 'A Just Capital: Actions to End Poverty in Edinburgh', September 2020.

lives, increase healthy life expectancy, and decrease the level of service required to keep people active and healthy in general.

There is less policy focus on the middle stages of life, or on operational and enabling services – this is a gap that requires a wider organisational lens to identify a shift in investment and strategic resource allocation. This will empower key organisational services such as infrastructure, workforce development and digital service delivery to support the preventative approach adopted.

Adoption of a systematic evaluation of demand and resource allocation is critical. A tiered approach to identifying demand will be embedded, following the model of tiered intervention:



This will allow a deeper understanding of what the risks are across the Council and the identification of mitigations to de-escalate those risks.

The objective is to eliminate demand where possible. Potential solutions include policy and legal levers, community empowerment, and workforce development, to ensure prevention is understood across the workforce and built into role profiles.

Historically, the Council has demonstrated its ability to work with partners and respond to the increasing need for demand-led services. However, this model is becoming financially and operationally unsustainable. By embedding a prevention and early intervention operating model, the Council's shift towards prevention will fundamentally impact the Council's core principles including:

- Allocations of budgets and staff resources.
- The way the Council predicts, anticipates and plans responses to changing needs of citizens.
- Community empowerment and giving citizens a voice.

The Budget Strategy prioritises investment in a prevention and early intervention model, and analysis and implementation of a demand management model that will enable more effective resource allocation. This will ensure the Council is aligned with the principles of the Christie Commission and the Programme for Government, whilst providing high quality and sustainable public services.

2.3. Priorities for change

This Council has adopted a tiered approach to change and transformation to enable financial sustainability:

1. **Addressing the Council's immediate budget pressures** – the Council faces significant short-term financial pressures. Tactical action may be necessary to address these immediate pressures. Improvements have been made to officer governance processes to further embed the key principles of Best Value and responsible financial management.
2. **Completing delivery of change projects already underway** – the Council has numerous change / "spend-to-save" projects ongoing.
3. **Embedding consistent cost/performance analysis to determine levels of investment and performance standards** – using a consistent, benchmarked framework to quantify the cost/performance of each service, building a pipeline of services requiring service improvement plans, identifying areas to prioritise for reviews and savings, and identifying suggested areas for investment for members to consider. This will be a critical component of the Council's Best Value arrangements.
4. **Implementing the thematic transformation programme** – key 'priorities for change' have been outlined within the context of the tough financial environment and the need for public sector reform.

The 'priorities for change' will strategically guide the Council's short- to medium-term transformation work. These priorities have been summarised below, along with specific target outcomes. Each priority for change has specific outcomes and short-term deliverables identified. This will effectively prepare the ground for the medium- to long-term change targeted.

Improving the Council's relationship with citizens and communities:

Working together for the people of Edinburgh, making it as simple and effective as possible for them to interact with us and striving to be easy to work with.



We must embed a mindset where **every colleague feels empowered** and **able to do the right thing in the moment**, and we must support managers in enabling and reinforcing that. Promoting a growth mindset.



We want to make sure that when the public interact with us it is **simple, effective, modern, pleasurable**.



We know some of our **systems need modernising** so that we can **improve the customer experience**.



We need to capitalise on **technology** to improve our **responsiveness** through **smarter working and AI**.



We need our focus to be **driven by what our citizens and communities ask of us** – we need to understand their journeys with us and make sure our systems and processes have them at the heart.



We need to look at this with a **geographical lens** to **understand what we can do better for and with communities** and from a **wider lens** to understand **how we can improve citizen experience city-wide**.

Combatting poverty through early intervention and prevention:

Since the Edinburgh Poverty Commission's findings, the Council has worked with partners across Edinburgh to respond to their calls to action. A refreshed approach will increase the scale of the Council's impact to turn the tide and end poverty in Edinburgh.



Local authorities who have made significant impacts on reducing poverty have done so by adopting **a whole Council approach to prevention**.



To do the same we first need to have **common definitions** combined with **analysis of demand** to identify what we want to prevent. We then need to work across the organisation to **embed an effective preventative approach across all services and budgeting**.



Multiple programmes are underway across the Council and partners to stand up "front doors" to make it easier for people to access help. Work is needed to **co-ordinate the design and planning of these to ensure they complement and intersect**, these risk duplication and adding confusion.



The voice of communities is critical in shaping these – we must work with them and alongside partners at local levels by building anti poverty networks that are based on trust and deep local knowledge



Areas of focus are

- **improving core service delivery**
- **maximising income and minimising costs**
- **improving economic inclusion**
- **improving health and wellbeing**
- **area-based poverty alliances**



These need to be supported by:

- Programme management and performance framework
- Joint Strategic Needs Assessment
- Third sector funding
- Evidence base
- Data driven support
- Evaluation

Helping colleagues improve performance by giving them the tools they need to get the job done:

Core services should reflect good value-for-money; therefore, service personnel must have the right tools to perform their roles effectively.



We need to continue to **improve our internal systems and tools**, ensuring that people have the information they need to make **data-led decisions**, and the ability to act on that **quickly** and **efficiently**



We need to **design our processes** more **smartly**, focusing on **simplifying** and **automating,** to help improve citizens' and colleagues' experiences



We need to make sure that **jobs are of appropriate size** and are manageable to help **set people** and **service delivery up for success**.

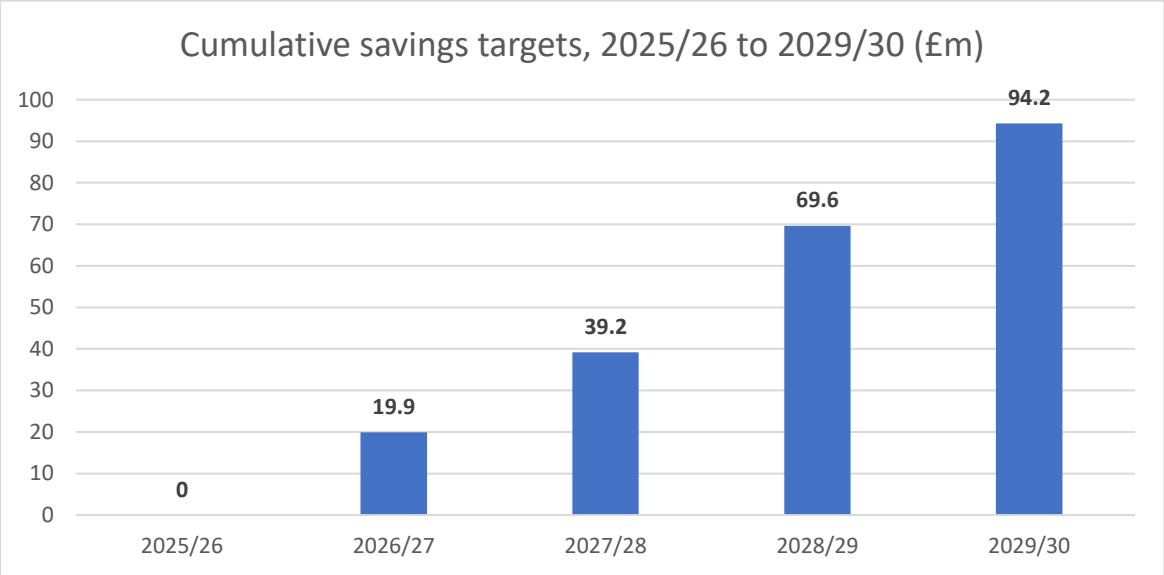
- We need to ensure that people are supported to upskill if taking on new aspects within roles and that the time impact of new responsibilities is recognised within overall scope of roles.
- Where people have line management responsibilities, spans of teams need to reflect the time needed to allow for high-quality management.

3. Medium-Term Financial Plan (MTFP)

3.1. Financial projections

The Council's key expenditure and income planning assumptions are subject to a process of continuous review, with regular updates considered by the Finance and Resources Committee. These projections have consistently shown that the combined increase in costs of service delivery, primarily through rising service demand, inflation and legislative reform, has exceeded growth in corresponding funding, resulting in a need for savings to be identified and delivered on an annual basis.

The following chart indicates the projected cumulative financial gaps for the five-year period to 2029/30, aligned to the officer proposals in the Revenue Budget and Medium-Term Financial Plan reported to the Finance and Resources Committee on 4 February 2025.



3.1.1. Scenario planning

The incremental gaps shown above are determined by projections across the full scope of the Council's activity. The principal assumptions underpinning these projections are, however, as follows:

	2025/26	2026/27	2027/28	2028/29	2029/30
Staff pay award (all staff; average provision)	3%	3%	3%	3%	3%
Contract inflation (general)	2.5%	2.5%	2.5%	3%	3%
Contract inflation (PPP and related contracts)	2.5%	2.5%	2.5%	3%	3%
Electricity (tariff increase)	3%	3%	3%	3%	3%
Gas (tariff increase)	3%	3%	3%	3%	3%
Non-Domestic Rates poundage	2.5%	2.5%	2.5%	2.5%	2.5%
COVID-related legacy service impacts - total provision	£6m	£3m	£2m	£2m	£2m
Demographic provision (excludes EIJB)	£2.9m	£3.4m	£3.4m	£2.9m	£2.9m
Council Tax (rate)	8%	5%	5%	5%	5%
Council Tax (buoyancy)	1%	0.75%	0.75%	0.75%	0.75%
Government grant core funding year-on-year change	+1.6%	0%	0%	0%	0%
Discretionary fees and charges (average)	5%	5%	5%	5%	5%

Besides increases in demographic-led demand beyond the level of provision included within the budget framework or for which additional funding is provided (which is by its nature difficult to calculate or predict), the factors with the largest impact on the Council's income and expenditure, at 2024/25 values, are as follows:

	At 2025/26 levels, every 1% change would result in following change from core assumptions
Government grant core funding year-on-year change	£10.2m
Staff pay award (all staff; average provision)	£8.4m
Council Tax (rate and/or buoyancy; net of assumed CTRS impact)	£3.6m
Contract inflation (general)	£2.0m
Contract inflation (PPP and related contracts)	£0.6m

3.2. Long-term financial projections

Projections beyond 2029/30 are, by definition, inherently more speculative given the potential for significant variation across the factors above and wider structural reform. Based on an assumption of a 3% annual increase in staffing and other costs, continuing growth in service demand, "flat-cash"

levels of grant funding settlements and 5% annual increases in Council Tax, annual funding gaps of around £25m would be anticipated.

Over a ten-year planning horizon, this would add a further £128m to the cumulative figure to 2029/30 shown above, resulting in a need to deliver savings of some £223m over this period as shown below, reinforcing the need for radical change, prioritisation and adoption of a prevention-led operating model.

2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
0.0	19.9	39.2	69.6	94.2	118.6	152.7	176.4	199.7	222.6

4. Strategic considerations

4.1. Strategic priorities

4.1.1. Regional prosperity

The Regional Prosperity Framework provides a strategic blueprint that addresses both opportunities and structural challenges for the Council. This framework outlines ambitious plans to improve financial governance, economic growth, and service delivery while confronting pressing issues such as climate change, social inequality, and infrastructure modernisation.

The Council's Budget Strategy aims to align with the Regional Prosperity Framework by steering financial decisions toward preventive measures. By investing in early interventions—such as sustainable housing, climate adaptation, and workforce development—the Council aims to mitigate long-term challenges, including economic exclusion, rising dependency ratios, and environmental risks. This approach not only reduces future costs but also creates a foundation for inclusive growth and resilience. The strategy emphasises leveraging partnerships and innovative funding models to support preventive initiatives, ensuring that financial resources are directed toward impactful and sustainable outcomes.

Objectives of a resilient regional economy

The Regional Prosperity Framework identifies three key objectives for building a resilient regional economy:

1. **Reducing Economic Exclusion**:
    - Lowering levels of economic inactivity and unemployment, particularly among marginalized groups.
    - Reducing deprivation and addressing the challenges posed by a rising dependency ratio.
2. **Accelerating the Fair Transition to Net Zero**:
    - Cutting greenhouse gas emissions per capita across all sectors.
    - Achieving net zero emissions by 2045, with milestones including a 75% reduction by 2030 and a 90% reduction by 2040.
3. **Sustaining and Increasing Competitiveness**:
    - Boosting regional productivity through the adoption of data-driven innovation and support for business start-ups.

These objectives serve as the foundation for fostering inclusive growth, environmental sustainability, and long-term economic resilience within the region.

Edinburgh as a central economic hub

Edinburgh serves as the central economic hub for the Lothian region and Southeast Scotland, leveraging its strengths in finance, technology, education, and tourism. However, this pivotal role creates significant challenges for local government, including managing population growth, rising demand for infrastructure, and economic inequalities. The Council's Budget Strategy and future operating model must prioritise investments that enhance the city's capacity to accommodate growth, such as increasing affordable housing, expanding and maintaining transportation networks and supporting skill development. There is a critical opportunity for reform through innovative funding mechanisms, such as public-private partnerships and place-based investment models. These approaches can address financial constraints while driving equitable and sustainable economic growth. By embracing such reforms, Edinburgh can balance its dual role as a regional economic leader and a provider of high-quality local services.

'Data capital' & data infrastructure

The goal is to establish Edinburgh as the 'data capital of Europe'. Key initiatives include the development of the Edinburgh Futures Institute and the National Robotarium, both of which aim to integrate cutting-edge research with industry applications. Partnerships with organizations further enhance the city's reputation as a leader in data-driven innovation. To realise this ambition, the Council must consider shifting resources towards developing technology hubs, fostering data-driven innovation, and implementing advanced skill-development programs. Such investments are expected to enhance regional productivity and competitiveness, delivering long-term economic value.

Infrastructure improvements also form a cornerstone of the framework. Projects such as the Regional Transport Masterplan and the promotion of sustainable housing models aim to enhance connectivity and quality of life. Funding these initiatives not only addresses immediate community needs but also ensures that Edinburgh's growth is inclusive and equitable. Similarly, the emphasis on green regeneration and cultural revitalization—through projects like the Forth Green Freeport and creative industry recovery initiatives—aligns economic objectives with environmental and cultural sustainability.

Strategic partnerships & service modernisation

The effective implementation of the Regional Prosperity Framework depends heavily on collaboration between the Council and key stakeholders, including the UK and Scottish Governments. Recent agreements, such as the Edinburgh and Southeast Scotland City Region Deal, demonstrate the power of regional collaboration by unlocking funding for transformative infrastructure projects and innovation hubs. These partnerships highlight the importance of aligning local and national priorities to achieve shared goals. Developing integrated, place-based funding models is essential for supporting large-scale regional projects. Aligning local priorities with national strategies will enhance financial sustainability and maximise resource efficiency.

Modernising service delivery is another critical area for action. By investing in targeted skills programs and community-driven initiatives, the Council can help address systemic inequalities and

foster greater economic inclusion. Additionally, adopting data-driven approaches to financial policymaking will enhance the efficiency and responsiveness of public services, enabling the Council to adapt to fiscal pressures and emerging societal challenges.

Addressing structural challenges

The framework acknowledges several systemic challenges that must be addressed to realise its objectives. Fiscal uncertainties and an increasing dependency ratio highlight the need for prudent financial planning. Balancing short-term expenditures with long-term benefits will require rigorous evaluation metrics to ensure optimal resource allocation. The Budget Strategy and underlying governance processes will seek to align these objectives at a local level.

Workforce shortages in key sectors, including healthcare and social care, further underscore the importance of targeted workforce development programs. Collaborating with regional partners to address these gaps is essential to maintaining service quality and economic stability. The framework's emphasis on embedding community wealth-building strategies provides a route for enhancing regional resilience and reducing reliance on external funding.

The Edinburgh and Southeast Scotland area is the fastest growing in Scotland and one of the fastest growing in the UK. The capital and revenue implications of delivering this growth, whilst simultaneously ensuring communities are not left behind, will be addressed in collaboration with Regional Partners and Scottish and UK government under the umbrella of the Edinburgh and Southeast Scotland City Region Deal. Central to this growth will be the delivery of seven strategic housing sites including Edinburgh's Granton Waterfront. Delivery solutions will include the need for targeted public sector investment to deliver 'infrastructure first' to de-risk private investment, address market failure and provide employment opportunities for citizens.

4.1.2. Health & social care

The health and social care budget is managed jointly with NHS Lothian through the Edinburgh Integration Joint Board (EIJB). The EIJB provides general medical services, as well as care services and social work services.

The EIJB's strategic plan was recently refreshed. The strategic priorities are as follows:

- **Prevention and early intervention**
- **Tackling inequalities**
- **Person-centred care**
- **Managing our resources effectively**
- **Making the best use of capacity across the system**
- **Right care, right place, right time**

The financial challenges facing the EIJB are complex and well-established. These include pressure to maintain and improve performance; the increased demand for services as we emerge from the COVID pandemic and see the impact of wider demographic changes; the EIJB's structural deficit; and a range of unavoidable financial pressures. In this context, financial balance is only possible through reductions in services, outcomes and performance.

The EIJB have their own Medium-Term Financial Plan – the most recent update was presented to the EIJB in November 2024 and is summarised in the table below:

	2025/26 £m	2026/27 £m	2027/28 £m
Opening position	25.26	50.20	76.18
Non-recurring and other adjustments	-	-	-
Change in costs	50.94	51.65	54.97
Change in funding	(25.29)	(25.67)	(26.08)
Gross savings requirement	**50.92**	**76.18**	**105.07**

The above sets out the full challenge facing the EIJB. The underlying gross saving requirement which relates to Council services is estimated at around £35 million of the £50.92 million set out against

2025/26.

Without additional investment, balancing the budget will require cuts to services with subsequent negative impact on people's outcomes and a deterioration in performance, including delayed discharges. Previous 'corporate' or cross-cutting service savings have been achieved in relation to hosted and set-aside services, efficiencies relating to contract monitoring and management, and additional income generated through an extension of charging. Further savings proposals are being scoped out by EIJB management to address the projected budget challenges. Proposals have been categorised according to the themes below:

- **Commissioning and contracts** – reviewing commissioning / contracts to ensure aligned to strategic intent and to reduce or rationalise.
- **Internal service redesign or reduction** – redesigning models for internal services and teams to ensure effectiveness and deliver savings.
- **Right-sizing packages of care** – maximising independence and ensuring that support provided meets but does not exceed levels of need.
- **Grip and control / efficiency** - grip and control measures to deliver financial sustainability.
- **Income maximisation** – improved systems and processes or policy change to maximise income

4.1.3. Housing & homelessness

Housing

In November 2023, the Council declared a Housing Emergency, citing the homelessness crisis, severe shortage of social rented homes, and increasing pressure within the private rental market in the city.

The Council previously agreed to increase social housing rent by 7% a year for five years between 2024/25 and 2028/29 within the Housing Revenue Account (HRA); 2025/26 is the second of the five-year period. There was also an assumption that rent would continue to increase by 7% a year for a further five years (2029/30 to 2033/34) to deliver the approved investment plan.

A recent review of HRA business plan assumptions found that the original investment plan is no longer viable. As a result, the targeted delivery of new supply of social rented homes must be reduced from 3,560 in last year's plan to approximately 2,210. Due to the uncertainty on future

years' grant funding allocations, it remains challenging to develop a steady pipeline of affordable housing projects. Therefore, reducing the reliance on grant funding in future years where possible is key to bringing an element of certainty back in the pipeline.

The updated investment plan includes £1.3 billion of investment in existing homes and estates, including whole house retrofit upgrade, major component replacement, health and safety and estate improvement.

Homelessness

Significant inflation and demand-led pressures, including those arising from an accelerated asylum process, continue to affect the Council.

Current extrapolations of overall household numbers suggest a recurring annual budget pressure of approximately £20 million. The anticipated Homelessness budget requirement for 2025/26 is approximately three times greater than it was six years ago (2019/20 actual budget - £28 million, 2025/26 anticipated budget requirement - £85 million). This pressure represents a serious threat to the Council's future financial sustainability.

To manage these projected pressures, Homelessness services will undertake a review which aims to reduce the use of expensive bed and breakfast temporary accommodation. Numerous actions have already been outlined, including additional property purchases, Council house buybacks, and sourcing additional private rented accommodation.

It is imperative that the Council develops and implements a fully costed longer-term strategy for meeting the city's temporary accommodation needs.

4.1.4. Digital Services

Digital Services will be a key enabler for the Council's future change and transformation, and for targeting demand-led services through preventative measures. The fast-paced development of digital solutions means that the Council carries significant operational and security risks if investment is not sufficient.

Strategic priorities for investment within Digital Services includes the following:

- **Review of Technology Delivery Model** – costs of any potential procurement and the associated resourcing and sourcing strategies.
- **Implementation plan for the Digital and Smart City Strategy 2024-2027.**
- **System investment** – focusing on data quality to help us become a data-led Council.
- **End user device review** – rolling replacement required for approx. 16,000 devices.
- **Mosaic System Replacement** – plus potential for additional related future initiatives.
- **Future developments in moving to the Cloud** – including major systems such as Housing and Revenues & Benefits.
- **Artificial Intelligence investment** – Council-wide Programme.
- **Infrastructure upgrades to keep Council assets up to date** – networks, servers, WAP, switches, devices, connectivity, telephony etc.

Some of the organisational risks associated with a lack of investment in Digital Services includes the following:

- Increased cyber security risk.
- Limited scope for innovation and transformation.
- Reduced ability to support legal, policy and regulatory change.
- Technological obsolescence.
- Inefficient manual Council processes.

4.1.5. Children, education & justice services

The City of Edinburgh Council spends approximately half of its annual revenue budget on children, education and justice services. The vast majority of these costs (i.e. over 80%) are staff costs.

The budget for providing education for children and young people is largely controlled at school level through the Devolved School Management (DSM) process. DSM is a nationally regulated process. Currently, local policies for the delivery of education services are largely constrained by national policy. There are a number of Acts that inform the level of service that the Council is required to deliver.

Funding is commonly ringfenced around the delivery of policy actions. This dictates how we can spend specific elements of funding such as the Pupil Equity Fund, Strategic Equity Fund and Care Experienced, and Young People Fund. There are stated expectations around level of service delivery regarding maintenance of teacher numbers, length of the school week and delivery of funded Early Years provision, which further restrict the Council's ability to make decisions affecting education provision and related costs.

4.1.6. Climate & nature emergency

The Council's Business Plan[7] states that 'becoming a net zero city by 2030' is one of the Council's key priorities. Some of the specific Business Plan outcomes that directly relate to this priority include the following:

- *'People can access public services locally and digitally in ways that meet their needs and expectations and contribute to a greener net zero city.'*
- *'People have decent, energy efficient, climate proofed homes they can afford to live in.'*
- *'People use decarbonised public transport and active travel as the first choice way to get round the city.'*
- *'Edinburgh is a climate adapted city, with biodiverse green spaces, and cheaper cleaner networks for energy use.'*

The Council's Climate Strategy[8] further defines other detailed targeted outcomes to achieve the Council priority, and states that accelerated investment is required.

[7] The City of Edinburgh Council, 'Business Plan: Our Future Council, our Future City', March 2023.
[8] The City of Edinburgh Council, '2030 Climate Strategy: Delivering a net zero, climate ready Edinburgh', December 2021.

The Climate Strategy makes clear that investment from the public sector alone will not be sufficient to address the climate challenge. Whilst the Council will align existing budgets to net zero outcomes where possible and will maximise national funding opportunities, unlocking private investment opportunities to supporting wide-scale infrastructure development will be critical.

Achieving 'net zero' emissions would require significant investment in sustainable infrastructure, renewable energy, and climate adaptation. For instance, the city's Energy Efficient Scotland programme has been instrumental in retrofitting older buildings to improve energy efficiency, while planned investments in green transport, such as electric buses and expanded cycle lanes, aim to further reduce emissions.

The Council is currently working with Scottish Government through the Scottish Climate Intelligence Service to establish a refreshed approach to transitioning to 'net zero'. There is recognition from all stakeholders involved that the targets set need to be ambitious but deliverable. National focus in the short- to medium-term is expected to be placed on further emissions reduction, climate adaptation and nature recovery.

4.1.7. City Plan 2030

City Plan 2030 is Edinburgh's local development plan. Edinburgh continues to be a successful and growing city – to sustain this growth, the city needs new homes and jobs, and the renewal of places, infrastructure and services.

City Plan 2030 reinforces and promotes sustainability throughout Edinburgh. This includes attracting responsible investment and development that will support local communities and increase the provision of affordable homes. This is supported by an action plan programme which sets out the necessary infrastructure (schools, transport, NHS, etc) required to support communities.

While the majority of capital costs will be met from developers' contributions, financial planning will need to take account of front-fronting required. In addition, the cost of operating and maintaining this new infrastructure and providing services to inhabitants will need to be built into revenue budgets.

Following adoption of City Plan 2030, the Council is developing City Plan 2040, and the later years of the Council's financial strategy will be adapted to reflect updated development plans.

4.1.8. Third sector partnerships

The City of Edinburgh has a well-established network of third sector organisations that supports the public sector, including the Council, NHS and Health & Social Care Partnership (i.e. EIJB).

The Council recognises the importance of the third sector in addressing the nature and extent of the demand for services across health and social care, homelessness, children's services, and elsewhere. Strong partnerships with the third sector will be critical to the Council's success in shifting to a prevention-led operating model.

However, as pressure on public finances has grown over recent years, public bodies – including this Council – have had to scrutinise and refocus the funding provided to third sector partners. This has

placed an increasing strain on the ability of third sector partners to effectively provide or supplement public sector services.

The Council is currently developing a focused and sustainable long-term approach to supporting its third sector partners. Development of this approach will include the following:

- Providing a comprehensive assessment of resources available to support the third sector in Edinburgh – through grant funding and commissioned services.
- Establishing a city-wide evidence base on the outcomes delivered by current third sector funding and commissioning arrangements. This includes evaluating the individual and cumulative impact of third sector funding programmes.
- Identifying opportunities to integrate public sector funding programmes around areas of shared priority.
- Identifying opportunities and trialling new approaches to involve citizens and community groups in the co-design of programmes to support the third sector in Edinburgh.
- Co-designing with third sector partners the core principles to guide future grant and commissioning programmes.
- Developing a shared understanding of what is required to maintain a strong, innovative, and resilient third sector in Edinburgh.

4.2. Achieving financial sustainability

4.2.1. Priorities for change & transformation

Prevention & Early Intervention Strategy

Enabling the Prevention & Early Intervention Strategy will be critical for the Council – not only in terms of outcomes for people and communities, but also in terms of protecting the Council's financial sustainability.

Work is currently underway to analyse the Council's service provision and cost base, and to stratify it into the three tiers – 'Prevention', 'Early Intervention' and 'Response'. A sample of services have been identified as pilot projects to ensure proof-of-concept, after which a wider rollout of the analytical approach will take place across all services.

Ultimately, the Council will identify 'Response' services and costs which are demand-led and generally represent the least value-for-money due to the high costs attached. The demand factors driving these costs will be identified, and there will be targeted investment in 'Prevention' and 'Early Intervention' services to move away from responsive services and towards a greater value-for-money preventative service model.

Recurring, systematic investment will be allocated to the support the following principles of prevention and early intervention:

- **Enabling** long-term reforms needed to embed prevention and early intervention in the work of the Council and its partners.

- **Sustaining** key elements of the city's prevention and early intervention infrastructure that are in critical need of support.
- **Improving** and building on successful pilots that have already demonstrated a potential to help reduce demand and operating costs.

Much of this work has historically been funded on a one-off basis. The Council's systematic shift towards a prevention model will enable recurring, sustained investment in the medium- to long-term.

Priorities for change

Effectively addressing the key change themes identified will be fundamental in the Council becoming financial sustainable – either through direct change, or by enabling transformative change elsewhere.

Scoping of medium- to long-term deliverables and savings targets are in development. Short-term deliverables have been identified against each change priority, and are currently in progress:

Improving the Council's relationship with citizens and communities:

- Mosaic: Implementation of the new Social Care Operating Model System.
- Focus on Citizen Centric Activities, improving access to our services by increasing online initiatives.
- Develop an Organisational Strategy for Artificial Intelligence (AI), to drive organisational front line servicing using AI
- Develop Online Strategy, maximising the use of the Verint online platform.
- Deliver Universal Place Servicing, by reviewing (end to end) our universal services, e.g. Waste, Housing and Repairs.
- Review Target Operating Models, using data-led decision making to target resource and improve customer experience.

Combatting poverty through early intervention and prevention:

- Build a data-led approach to prevention, starting with financial analysis of preventative spend across the Council, piloted in Housing and Homelessness.
- Develop data to support demand-led analysis of all services.
- Leading initial workshops with city partners on key priorities for poverty prevention to agree how to turn up the dial on it over the next 12 months.
- Scope and initiate key building blocks to underpin poverty prevention roadmap of change, e.g. outcomes-based evaluation framework.
- Map existing and planned "no wrong door" services and projects (digital and in person). Use insight from stakeholders (citizens, services and partners) to inform future development and build systems approach.
- Deliver initial pilots for 'Teams around the Community'.

Helping colleagues improve performance by giving them the tools they need to get the job done:

- Develop and consolidate Service area Workforce Plans.
- Deliver Organisational and Service Workforce Dashboards.
- Develop Role, expectations and skills for each level of manager defined and communicated – focus on leadership and on getting the basics right.
- Launch of the Budget Support and Accountability (BSAB) to strengthen financial governance and assurance.
- Establish Best Value Review team, and immediate launch of priority reviews.
- Review of the Finance and Procurement Division.

Other change & transformation activity

- **Service reviews and savings plans** – comprehensive service reviews will be conducted. This involves a systematic evaluation of service delivery, identifying areas for efficiency gains and implementing targeted savings plans, whilst maintaining key performance on service delivery.

- **Invest-to-Save business cases** – developing and implementing 'invest-to-save' business cases that provide opportunities for strategic investments and yield long-term cost savings. These cases will demonstrate how upfront investments will lead to efficiencies and ultimately contribute to closing the budget gap.

- **Contracting and commissioning** – this workstream will focus on improving contract management, seeking efficiencies across a range of spend categories and identifying different ways of designing and delivering services.

- **Prudent investment in priorities** – prudent investment in key priorities, such as Integrated Front Door and Swift, is essential. Strategic allocation of resources will strengthen essential services and infrastructure, ensuring a solid foundation for future financial stability.

Change & transformation infrastructure

Given the scale of change and transformation required across the organisation, specific resource will be required.

Programme Team	Project Management Office (PMO)	Change Management Office (CMO)	Aligned Support Services
• Programme Managers • Project Managers • Project Support Officers • Business/Data analysts	• Programme, Workstream and Project Reporting • Decision tracking and escalations • Risks and Issues Management • Programme Budgets and financial monitoring • Benefits Realisation and Tracking and analysis • Ensuring governance and rigour is adhered to at all levels	• Consultancy for programmes on change management to ensure successful delivery, e.g. change readiness, impact assessment, engagement strategies, overcoming resistance • Coaching of leaders and colleagues to embed continuous improvement mindset and ability. Ensure change is owned by services and embedded in a sustainable way • Supporting redesign of services to become prevention-led and the shift to a culture of relational practice and collaborative working • Benefits Realisation (through embed phase) • Mature the Change Community of Practice (CoP) to upskill the organisation in good change management practice	• HR • Finance • Legal • Information Governance • Communications • IT • Property • FM • Expertise pooled and deployed on a consultancy basis to programmes and projects as required / where appropriate

To enable success as embark on radical, systemic change, the Council needs to have the right skills, mindset and culture. We need to support our people in transitioning to new ways of working. We have established mechanisms to enable academy learning and peer support across the organisation (e.g. the Change Community of Practice) and, while this is used to share best practice among colleagues, access to appropriate external expertise and resources to support upskilling on new ways of working is essential.

4.2.2. Funding & income generation

Edinburgh is a unique city; as the capital of Scotland, it has a wealth of attractive offerings, it is a sought-after investment area and tourist hotspot. It is these attributes that enables several income stream opportunities to be developed.

The maximisation of income, and the necessity to fully recover costs associated with discretionary services provided, is fundamental to delivering an annual balanced budget. To support this activity, there will be an Income, Funding & Recharge strategy developed which will inform the 2026/27 revenue budget.

The Council currently has a comprehensive fees and charges scheme. To ensure that service charges are based on the principle of full cost recovery, there will be a refreshed charging schedule prepared ahead of 2026/27. In addition to the charging review, there is an increasing level of complexity to the current charging scheme which will also be addressed to ensure transparency and fairness.

To develop the Income, Funding & Recharge Strategy, there will be a set of principles established:

- Developing strategic objectives around funding and income generation and supporting principles.
- Governance process to support the approval of annual charges.
- Maximising sustainable income sources.

- Ensuring that we operate within our legislative and regulatory framework.
- Designing a cost recovery model to be used for initial costing of service, as well as the annual recharge process.
- Understanding the full cost of operation.
- Working with other public sector bodies to fully participate in a cost sharing model for property co-location opportunities.

4.2.3. Estate reform

Edinburgh continues to grow, and the way in which people live, work and socialise is changing. At the same time, poverty, homelessness and economic inequality remain significant issues which require to be addressed.

The Council is working with its strategic partners to develop a new approach to public sector service delivery which focuses on prevention and early intervention to avoid the high costs associated with providing intensive support to residents with the greatest need. To support this, it is essential the Council has an operational property estate that is fit for purpose, that enables the delivery of Council, public sector partners and third sector services, education, leisure, care and culture across the City and provides communities with safe and welcoming buildings that support their health and wellbeing. A significant percentage of the Council's current revenue and capital expenditure is allocated to the investment and running of 670 buildings over 300 sites.

Large scale capital investment in the learning estate is planned alongside the growth of the city and investment is also required to improve the condition, accessibility, sustainability, flexibility and operational efficiency of the existing operational property estate. To co-ordinate these changes, the Council has established a Place-Based Property Improvement Programme. This sets out the approach for how opportunities to improve and rationalise the operational estate will be progressed with local communities.

To support financial sustainability outcomes for our capital and revenue budgets, there will be financial targets agreed based on a reduction of utility spend, non-domestic rates and annual repairs and maintenance. The rationalisation of property will also generate capital receipts which will be reinvested in the Council's capital programme.

4.3. Capital Strategy

Capital investment must be sustainable and align with the Council's wider financial strategy. The current long-term capital plan outlines how capital investment aligns with the Council's strategic priorities and Business Plan.

In addition to existing capital plans, there are significant uncosted investment requirements to deliver Council priorities, such as the City Mobility Plan and the Carbon Emission Reduction Plan. These priorities are unlikely to be fully delivered within existing resources, and a combination of external funding, innovative financial solutions and partnership working will likely be required.

Intrinsically linked to the capital plans is the estate reform activity. Capital investment is vital to bring properties into a condition that meets the need of citizens, allowing the Council to move out of

properties it no longer requires. Estate rationalisation also acts as a facilitator of additional capital funding via the disposal of land and properties that are no longer required within our portfolio.

Capital investment supports the unlocking of benefits such as preventative investment and a reduction in various overheads. However, it can also create additional cost pressures in the form of borrowing costs and ongoing running costs of new assets. To ensure our commitment to achieving the key budget strategic objectives and align the capital budgeting methodology with the proposed zero-based budgeting, capital expenditure plans will be reviewed on an annual basis to ensure continued alignments as priorities develop and flex.

Our investment strategy will enable us to focus on transformational programmes which harnesses technology, innovative ways of working and delivers services and outcomes for our citizens and visitors in Edinburgh.

4.4. Reserves Strategy

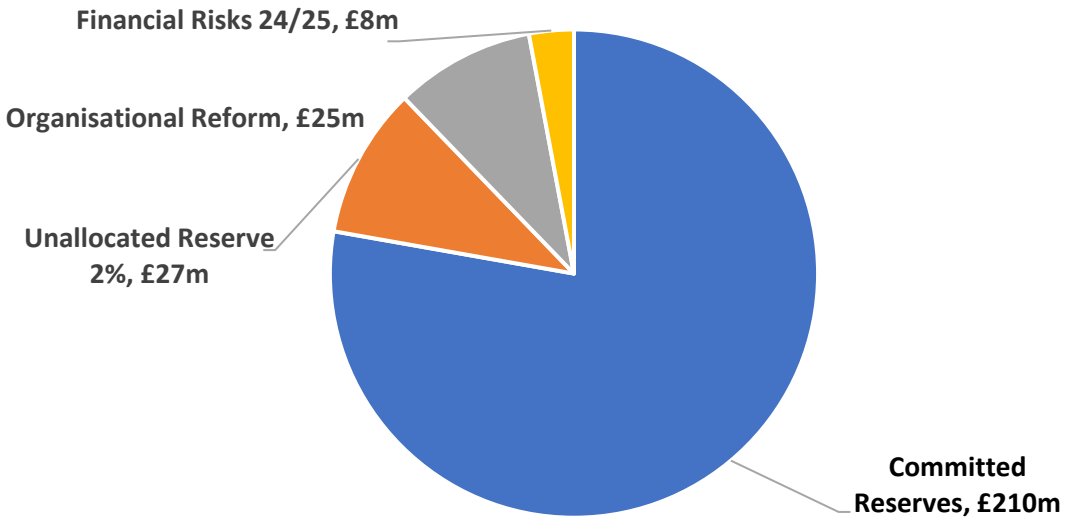
In accordance with relevant statutory and regulatory frameworks the Council's Section 95 officer is responsible for advising the Council on the nature and level of financial reserves it should hold and ensuring that there are clear protocols in place for their establishment and use.

The range of the Council's reserves reflects the complexity of the environment within which it operates. The majority are maintained in accordance with statutory requirements or otherwise required to manage known or anticipated risks and liabilities, including ringfenced funds for licensing fees, insurance funds, and Council Tax premiums to support the provision of affordable housing. Other reserves are maintained to support organisational change, including the realisation of workforce efficiencies and Spend to Save-type initiatives.

The Council also maintains an unallocated reserve held against the risk of unanticipated expenditure and/or reduced income arising in any particular year. While this, in proportionate terms, is currently slightly below the average for Scottish councils, when combined with the level of reserves maintained for specific risks and liabilities, it has been assessed as appropriate by successive external audit processes.

As part of the annual budget-setting process, a detailed report on the main risks inherent in the revenue and capital budget frameworks, along with the range of measures and provisions established to mitigate them, is presented to the Finance & Resources Committee. As part of a wider Reserves Strategy, the report also outlines the level of reserves maintained, including consideration of the adequacy of these balances to mitigate known risks in the short- to medium-term. The review process is continuous to ensure that the level of reserves maintained strikes an appropriate balance between sound financial management and, where relevant, supporting organisational change.

The review undertaken for the 2025/26 budget process notes that while some £270m of reserves are currently held, the majority are committed as shown in the chart below:



As part of the strategy for the 2025/26 budget, an element of available reserves is recommended to be reprioritised to support service transformation through:

- Increasing by £2m the level of the Council's unallocated reserve given the potential for existing reserves to be required to address in-year risks, including National Insurance funding shortfalls and IJB-related pressures;
- Adding £2.7m to the Spend to Save reserve, enabling further investment in savings-generating efficiency projects;
- Maintaining the existing workforce efficiency reserve at £14m and considering changes to current payback criteria to incentivise its more effective use;
- Making available an element of the timing-related loans charge provision to support additional capital investment and establishing a £2.5m 'Reform' Fund to facilitate upfront investment in initiatives supporting delivery of Business Plan objectives where not eligible for Spend to Save support. Drawdown of sums from this fund will be subject to provision of supporting business cases.

In order to strike an appropriate balance between providing relative stability to overspending service areas and encouraging necessary service redesign through a programme of Best Value Reviews, an element of historic loans charge provision of up to £14.9m has also been earmarked to provide a contingency against these and other in-year financial risks. Each Executive Director will be assigned a cash limit and sign a budget accountability letter. Accessing the risk contingency in the case of overspend will be subject to formal approval, with performance in managing pressures regularly considered by the Finance Assurance Board.

5. Annual budget setting – process & governance

5.1. Budget process

The annual budget setting process is predicated on a strategic approach to achieve the Council's priorities and long-term vision for Edinburgh.

5.1.1. Officer-led budget proposals

The Council's annual budget is ultimately set by its Elected Members – only they have the authority to make and approve the annual budget on behalf of the Council.

As part of the budget setting process, officers prepare officer-led budget proposals to inform Elected Member decision making. Officers set proposed annual revenue and capital budgets which are designed to meet the Budget Strategy objectives:

- **Achieving financial sustainability**
- **Securing Best Value**
- **Protecting statutory Council services**
- **Delivering the Council's strategic priorities**
- **Prioritising prevention and delivering transformation**

Officers will use their collective expertise to make evidence-based budget proposals which are intended to align with to the Council's Budget Strategy objectives and wider Council priorities. Officer-led budget proposals do not constitute the Council's final annual budget; however, these proposals should effectively inform the decision making of Elected Members.

5.1.2. Council budget decision making & approval

Elected Members have the authority through their democratic mandate to set the annual budget on the behalf of the Council. Officers will provide significant support to Elected Members to help develop fully informed, competent budget proposals, including with regards to any policy decision making.

Whilst Elected Members alone have the authority to set the final budget, Council's officers (in particular, the Section 95 Officer) will formally advise on the competence of all budget proposals, in line with the responsibility to ensure proper administration of financial affairs and to ensure that estimated future expenditure can be met by estimated future income.

5.1.3. Budget engagement

The Council has an established budget engagement programme for 2024-26[9] which will help to inform spending priorities for 2025/26. The programme seeks to use innovative approaches to engage a diverse group of Edinburgh residents.

Budget engagement is also an opportunity for the Council to effectively communicate the nature and extent of the financial challenges it faces to the public. Key messages/objectives the Council is communicating through the budget engagement programme include the following:

- The way services are being provided is changing to create efficiencies that can be reinvested into meeting Council priorities.
- Money will be saved by reducing operational costs.
- In some cases, there may be reductions in service provided.

Effective engagement can allow Edinburgh residents to shape service delivery and influence long-term priorities, in the context of the objectives above.

The Council follows the Integrated Impact Assessment (IIA) process for all budget savings proposals. This includes consultation with the public. This ensures the Council meets its statutory obligations in line with The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 to assess and review policies and practices against the needs of the general equality duty. The IIA process also helps to inform both officers and Elected Members on the potential positive and negative impacts of any budget related decisions and ensure any negative impacts have mitigated where possible.

5.1.4. Key roles & responsibilities

- **Elected Members** – responsible for approving the annual budget and ensuring that it aligns with the needs and priorities of the communities they serve. Councillors also hold the Administration accountable for the implementation of the budget.
- **Section 95 Officer (Service Director – Finance & Procurement)** – the Section 95 Officer, in line with the Local Government in Scotland Act 2003, is responsible for ensuring the Council complies with its fiduciary duty and maintains financial stewardship. They oversee adherence to relevant legal requirements and ensure that financial reports and statements are accurate and transparent.
- **Chief Executive Officer (CEO)** – in accordance with the Local Government in Scotland Act 2003, the CEO of a Local Authority in Scotland bears various financial responsibilities. These include upholding a fiduciary duty to act in the community's best interests, ensuring financial governance adherence, and ensuring responsible resource allocation and risk management within legal boundaries.
- **Council officers** – responsible for preparing the budget, ensuring that it is comprehensive, accurate and in line with legal requirements. Officers are responsible for implementing the approved budget.
- **External Auditors** – responsible for independently reviewing the Council's financial statements and operations to provide assurance that public funds are used responsibly, effectively and in compliance with the law. The external auditors will give an opinion on the

[9] The City of Edinburgh Council, 'Budget engagement programme 2024-26', March 2024.

going concern of the Council and will assess the Council's performance in line with Audit Scotland's Code of Audit Practice.

5.2. Budget setting principles

- The Council will aim to balance its annual budgets without the need to use unallocated reserves or financial flexibilities.
- The Council will develop short- and long-term transformational savings. This will require commitment, resource and cross-organisational support to deliver the degree of transformation required to deliver financial sustainability.
- The Council will use community engagement to inform decision making, starting with the budget engagement programme.
- Working with partners, the Council will seek to ensure resource allocation decisions appropriately reflect all relevant gender- and other equalities-related considerations. Integrated Impact Assessments will be completed for all relevant measures and clear justification provided where this is not assessed to be required.
- Budget preparation will follow a transparent process with opportunities for public input.
- The Council will use key performance indicators to evaluate the impact of budget allocations. This data is shared with the public to demonstrate accountability for spending.
- The Council will use best practice around business cases for our decision making and will embrace spend-to-save opportunities.
- Before service reductions are considered, the Council will use data and benchmarking to ensure service outcomes offer Best Value, and that they are as effective and efficient as possible and are modern, digital, inclusive and accessible.
- The leadership team should be able to demonstrate that the Council is achieving Best Value.
- Officers will provide regular updates on budget execution, financial performance and progress toward budget goals. These reports will be accessible to Elected Members and the public.
- Budgets should be competent and sufficient to achieve the objectives of the Council. Accountability for budget delivery and sound financial management, in line with CIPFA Financial Management Code principles, is crucial.
- The Council will have robust risk management strategies in place to mitigate financial risks and ensure the continuity of essential services. Officers will take action to identify and address any risks to the Budget Strategy and financial sustainability.
- The Council will engage fully with external auditors to ensure that our financial statements are accurate and that we address any audit findings promptly.

5.2.1. Zero-based budgeting

To address the extent of financial pressures faced, and to enable a shift in the Council's operating model to increase investment in preventative services, a zero-based budget approach will be implemented from 2026/27. This is a process of determining and justifying each item of spend against service requirements and aligning to outcomes based on statutory responsibilities and strategic priorities. This approach will highlight opportunities for the organisation to reprioritise spend to maximise strategic impact and outcomes for citizens.

To support the delivery of a new budgeting approach, the following will be delivered:

- Training, planning and delivery guidelines developed.
- Designing of data capture template.
- Agreeing a prioritisation approach for both revenue and capital to ensure allocation of budgets are made based on agreed organisational priorities.
- Timetable for end-to-end delivery.
- Effective stakeholder engagement and data-led decision making.

Zero-based budgeting incorporates deeper employee engagement and data-led decision making.

5.3. Taxation Strategy

Approximately 75% of the Council's net revenue funding requirement is met through a combination of General Revenue Funding and Non-Domestic Rates (NDR). While recent changes have introduced an element of local flexibility in determining levels of NDR Empty Property Relief, these income sources remain essentially nationally set. As such, Council Tax, which makes up around a quarter of the Council's total annual net income, is the only one of the three main funding sources over which it has significant control.

Seeking views on the annual Council Tax increase forms part of annual budget consultation. The Council will also continue to contribute positively, through COSLA, to wider discussions around local taxation reform, including both revisions to the existing system of Council Tax and more fundamental changes.

From Summer 2026, a Visitor Levy (VL) will come into effect. This levy will be applied to visitors to the city and will be used for developing, supporting and sustaining services which are substantially for or used by persons visiting the scheme area for leisure or business purposes. The framework to establish how the funding will be managed, along with the spending proposals, will be developed in advance of the VL coming into effect.

The Forth Green Freeport (FGF) development will generate additional Non-Domestic Rate income for the city from 2026/27. The FGF is an initiative that will see eligible businesses investing in Tax Sites in the Forth Estuary (including the Port of Leith in Edinburgh) access fiscal and other incentives. As part of the FGF, the Council will be entitled to retain any uplift in NDR realised in the tax site area situated within the Port of Leith over the 25-year period 2024/25 to 2048/49. This significant opportunity for Edinburgh has an estimated income of £110m over the 25-year period.

The Council will continue to support national efforts to increase the range of local income-raising powers available to Scotland's local authorities as part of a wider fiscal empowerment agenda. Work to support the introduction of a cruise ship levy is progressing and opportunities to introduce other levies appropriate to the city's circumstances will be actively explored.

5.4. Risk management

All budget proposals that go to Elected Members for consideration will detail an assessment of the specific impact on communities, policy and governance, equality and poverty, and the climate and nature emergency.

The risk of adverse impacts on communities and residents is identified through Council officer advice and direct community engagement and consultation. The Council has statutory obligations to perform impact assessments through the IIA process. Combined, these measures enable the Council to effectively identify, manage and mitigate adverse risk and impact of budget decisions on communities and residents.

Risk assessment and management fundamentally informs officer-led budget proposals. The Council Leadership Team's (CLT) risk register summarises the most significant strategic risks facing the Council as an organisation. Management and mitigation of these risks informs Council officers' plans to protect statutory Council services, secure Best Value, and deliver the Council's strategic priorities through the budget setting process. Individual services will also use their operational risk registers and assessments to inform their resource needs year-on-year.