Notice of meeting and agenda

Finance and Resources Committee

10.00am, Thursday 7 March 2019

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

This is a public meeting and members of the public are welcome to attend

Contact

Email: stuart.johnston@edinburgh.gov.uk

Tel: 0131 529 7035

1. Order of business

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

2. Declaration of interests

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

3. Deputations

3.1 If any

4. Minutes

4.1 Minute of the Finance and Resources Committee of 1 February 2019 – submitted for approval as a correct record (circulated)

5. Forward planning

5.1 Finance and Resources Committee Work Programme (circulated)

5.2 Finance and Resources Committee Rolling Actions Log (circulated)

6 Business Bulletin

6.1 Business Bulletin (circulated)

7. Executive decisions

7.1 Principles of the Local Government Finance Settlement – report by the Executive Director of Resources (circulated)

7.2 Revenue Budget Framework 2019-24 – Progress Update – report by the Executive Director of Resources (circulated)

7.3 Capital Strategy 2019-24 – report by the Executive Director of Resources (circulated)

7.4 Annual Treasury Management Strategy 2019/20 – report by the Executive Director of Resources (circulated)

7.5 Edinburgh Tram York Place to Newhaven Project – Infrastructure & Systems Contract – Award of Contract – report by the Executive Director of Place (circulated)

7.6 Edinburgh Tram York Place to Newhaven Project – Swept Path Contract – Award of Contract – report by the Executive Director of Place (circulated)

7.7 Award of Contract for Burnshot Bridge Construction – report by the Executive Director of Place (circulated)

7.8 Workforce Dashboard – report by the Executive Director of Resources (circulated)

7.9 Managing Organisational Change Policy – report by the Executive Director of Resources (circulated)

7.10 Retirement Policy – report by the Executive Director of Resources (circulated)

7.11 Policy Statement on Equal Pay – report by the Executive Director of Resources (circulated)

7.12 Employee Wellbeing – report by the Executive Director of Resources (circulated)

7.13 Treatment and Disposal of Waste (Street Cleaning and Mechanical Street Sweeping) – Extension to Contract – report by the Executive Director of Place (circulated)

7.14 Traffic Signal Equipment Maintenance and Ancillary Support Services – Extension to Contract – report by the Executive Director of Place (circulated)

7.15 Extension of Health and Social Care Contracts – report by the Chief Officer, Edinburgh Health and Social Care Partnership (circulated)

7.16 Contract Waiver for the Edinburgh Health and Social Care Partnership – report by the Chief Officer, Edinburgh Health and Social Care Partnership (circulated)

8. Routine decisions

8.1 Award of Contracts for Subsidised Childcare for Working Parents – report by the Executive Director of Place (circulated)

8.2 Greendykes North, Plots K&L Craigmillar – Proposed Disposal Strategy – report by the Executive Director of Resources (circulated)

8.3 23 Cockburn Street, Edinburgh – Proposed Lease Extension – report by the Executive Director of Resources (circulated)

8.4 City Chambers – Proposed New Lease of Part of Level 9 – report by the Executive Director of Resources (circulated)

8.5 Contract Awards and Procurement Programme (Period 1 July 2018 to 31 December 2018) – report by the Executive Director of Resources (circulated)

8.6 Health and Safety Performance in 2018 – report by the Executive Director of Resources (circulated)

8.7 Proposed New Lease of Land for a Community Garden at Broomhouse, Edinburgh – report by the Executive Director of Resources (circulated)

8.8 Proposed Sale – Ravelston Park Pavilion, Craigcrook Road, Edinburgh EH4 3RU – report by the Executive Director of Resources (circulated)

9. Motions

9.1 None

Laurence Rockey

Head of Strategy and Communications

Committee Members

Councillors Rankin (Convener), Kate Campbell, Corbett, Gordon, Hutchison, Johnston, Miller, Neil Ross, Watt, Whyte and vacancy.

Information about the Finance and Resources Committee

The Finance and Resources Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The Finance and Resources Committee usually meets every eight weeks.

The Finance and Resources Committee usually meets in the Dean of Guild Court Room in the City Chambers on the High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Stuart Johnston, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Tel 0131 529 7035 or email stuart.johnston@edinburgh.gov.uk

A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the main reception office, City Chambers, High Street, Edinburgh.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to www.edinburgh.gov.uk/meetings

For remaining item of business likely to be considered in private, see separate agenda.

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Minutes

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 (EVOC) 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.

Work Programme Item No 5.1

Finance and Resources Committee

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
1.	Workforce Dashboard	May 2019		Executive Director of Resources Lead Officer: Katy Miller 0131 469 5522 katy.miller@edinburgh.gov.uk	All F&R Committee's	
2.	Diversity and Inclusion Strategy and Policy	May 2019		Executive Director of Resources Lead Officer: Katy Miller 0131 469 5522 katy.miller@edinburgh.gov.uk		
3.	Operational Governance: Review of Contract Standing Orders	May 2019		Executive Director of Resources Lead Officer: Iain Strachan 0131 529 4930 Iain.Strachan@edinburgh.gov.uk		
4.	Boroughmuir rugby Club – Potential Concessionary Let	May 2019		Executive Director of Resources Lead Officer: Lindsay Glasgow 0131 469 3312 lindsay.glasgow@edinburgh.gov.uk		

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
5.	St Brides Community Centre – joint lease to Edinburgh Jazz and Blues Festival and the management committee	May 2019		Executive Director of Resources Lead Officer: Lindsay Glasgow 0131 469 3312 lindsay.glasgow@edinburgh.gov.uk		
6.	Community Centre Leases	May 2019		Executive Director of Resources Lead Officer: Lindsay Glasgow 0131 469 3312 lindsay.glasgow@edinburgh.gov.uk		
7.	Spend to Save	May 2019		Executive Director of Resources Lead Officer: Fraser Rowson 0131 469 3166 fraser.rowson@edinburgh.gov.uk		
8.	Award of Framework Agreement – Supply and Distribution of Fresh Fruit, Fresh Vegetables, Bakery Products and Eggs	May 2019		Executive Director of Resources Lead Officer: Peter Watton 0131 529 5962 peter.watton@edinburgh.gov.uk		

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
9.	Provisions of Registrar Services	May 2019		Executive Director of Place Lead Officer: Robbie Beattie 0131 555 7980 robbie.beattie@edinburgh.gov.uk		
10.	Annual Workforce Controls	May 2019		Executive Director of Resources Lead Officer: Katy Miller 0131 469 5522 katy.miller@edinburgh.gov.uk	Annual	
11.	Information and Communications Technology Acceptable Use Policy 2019	May 2019		Executive Director of Resources Lead Officer: Nicola Harvey 0131 469 5006 nicola.harvey2@edinburgh.gov.uk		
12.	Water of Leith Basin	May 2019		Executive Director of Resources Lead Officer: Hugh Dunn 0131 469 3150 hugh.dunn@edinburgh.gov.uk		
13.	Finance Policies Assurance Statement	August 2019		Executive Director of Resources Lead Officer: Hugh Dunn 0131 469 3150 hugh.dunn@edinburgh.gov.uk	Annual	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
14.	Treasury Management Annual report	August 2019		Executive Director of Resources Lead Officer: Innes Edwards 0131 469 6291 innes.edwards@edinburgh.gov.uk	Annual	
15.	Commercial and Procurement Annual report	August 2019		Executive Director of Resources Lead Officer: Iain Strachan 0131 529 4930 Iain.Strachan@edinburgh.gov.uk	Annual	
16.	Capital Monitoring Outturn Report	August 2019		Executive Director of Resources Lead Officer: Hugh Dunn 0131 469 3150 hugh.dunn@edinburgh.gov.uk	Annual	
17.	Revenue Monitoring Outturn report	August 2019		Executive Director of Resources Lead Officer: Hugh Dunn 0131 469 3150 hugh.dunn@edinburgh.gov.uk	Annual	
18.	Housing Revenue Account Capital Programme Update	August 2019		Executive Director of Place Lead Officer: Elaine Scott 0131 529 2277 elaine.scott@edinburgh.gov.uk	Annual	
19.	Carbon Reduction Commitment (CRC	September 2019		Executive Director of Resources Lead Officer: Alison Henry	Annual	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
	annual report			0131 469 3172 alison.henry@edinburgh.gov.uk		
20.	Common Good Annual Performance	September 2019		Executive Director of Resources Lead Officer: Liam McDonald 0131 469 3174 liam.macdonald@edinburgh.gov.uk	Annual	
21.	Consultants Costs	September 2019		Executive Director of Resources Lead Officer: Iain Shaw 0131 469 3117 iain.shaw@edinburgh.gov.uk	Annual	
22.	Fraud Prevention and Detection - Annual Report	October 2019		Executive Director of Resources Lead Officer: Nicola Harvey 0131 469 5006 nicola.harvey2@edinburgh.gov.uk	Annual	
23.	Annual report – Debt Write off	February 2020		Executive Director of Resources Lead Officer: Nicola Harvey 0131 469 5006 nicola.harvey2@edinburgh.gov.uk	Annual	
24.	Miscellaneous Debt-Write off	March 2020		Executive Director of Resources Lead Officer: Nicola Harvey 0131 469 5006 nicola.harvey2@edinburgh.gov.uk	Annual	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
25.	Health & Safety Performance Report	March 2020		Executive Director of Resources Lead Officer: Susan Tannahill 0131 553 8336 susan.tannahill@edinburgh.gov.uk	Annual	

Rolling Actions Log

Item No 5.2

Finance and Resources Committee

7 March 2019

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1.	23 February 2017	Strategic Direction for Tackling Homelessness	To agree that the Executive Director for Communities and Families would report back to a future Committee on the impact the implementation of the new Homelessness Strategy would have on shortening the period of contract extensions.	Executive Director for Communities and Families	23 May 2019		A future report on the strategic direction for tacking homelessness will follow in May 2019 as the Housing and Economy Committee will consider the Council's Rapid Rehousing Transition Plan (RRTP) on 21 March 2019. Agreement of the RRTP will set the Council's homelessness strategy for the next 5 years and this will include information on the resources required to deliver this plan.

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No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
2.	27 March 2018	Sickness Absence Policy	To note that, in addition to the standard review process, a report would be brought to committee 12 months after implementation of this policy to review its impact and make any further recommendations for potential improvement.	Executive Director of Resources	November 2019		This policy will be implemented in October 2018 and reviewed 12 months thereafter.
3.	12 June 2018	Provisions of Registrar Services	To agree a report would be brought back to Committee reporting on registrar provision across the city.	Executive Director of Place	23 May 2019		A report will be brought to the Committee for consideration at the meeting on 23 May 2019.
4.	12 June 2018	Award of Festival Attraction Contract for the Summer Period in Princes Street Gardens	The Head of Place Management to investigate the policy on the use of greenspace for events and report back to Councillor Miller.	Executive Director of Place	May 2019		This is being addressed through the launch of the Edinburgh Parks Events Manifesto. A report will be considered at the Transport and Environment Committee in May 2019.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
5.	16 August 2018	Construction Charter	To recognise that the Charter was a living document and agree that work with the Trade Unions and contractors would continue during the implementation phase, with a report reviewing the Charter to be brought back to Committee in 12 months.	Executive Director of Resources	15 August 2019		
6.	11 October 2018	Gender Pay Gap	Notes the further analysis and actions outlined in paragraphs 3.26 and 3.27 of the report, and calls for an update on these activities in not more than 12 months.	Executive Director of Resources	October 2019		
7.	11 October 2018	Variation to Care at Home Contract – B Agenda item	To agree that officers would meet with Councillor Miller to address a number of questions she had and	Chief Officer, Health and Social Care Partnership	March 2019		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			a briefing note would be circulated to members of the Committee detailing the responses provided by officers.				
8.	4 December 2018	Business Bulletin	To agree that a report on the profile of each Spend to Save project would be brought to Committee at the end of the financial year.	Executive Director of Resources	23 May 2019		A report will be brought to the Committee for consideration at the meeting on 23 May 2019.
9.	4 December 2018	Revenue Monitoring 2018/19 – Month Six Position	To agree that the Chief Officer, Edinburgh Health and Social Care Partnership and the IJB's Chief Financial Officer be invited to answer questions related to the Health and Social Care Budget in the Revenue Monitoring report being brought to the 1 February 2019 Committee.	Chief Officer, Health and Social Care Partnership		1 February 2019	Both officers attended the meeting on 1 February 2019 – closed.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
10.	4 December 2018	Capital Monitoring 2018/19 – Half-Year Position	To agree that a briefing note be circulated to members providing clarity on how much of the budget for walking projects and cycling projects had been spent, what the percentage of the total budget was used for cycle projects, and a fuller explanation on the reasons for the slippage in the active travel projects would also be included.	Executive Director of Place	End of March 2019		This briefing is in the process of being pulled together.
11.	4 December 2018	Workforce Dashboard	To agree to include details for each of the Executive Directors FTE budget alongside the trend charts in future reports.	Executive Director of Resources			Discussions are ongoing around the practicalities of incorporating this information.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
12.	4 December 2018	Edinburgh Targeted and Integrated Employability Service	To agree to highlight the potential implications that EU funding ceasing would have on Council employability services to the Brexit Working Group for further scrutiny.	Executive Director of Place	8 March 2019		The Brexit Working Group meeting on 8 March 2019 will be considering an item on EU Funding. This issue will be incorporated to that discussion.
13.	4 December 2018	Temporary Accommodation Off-Contract Waiver	To agree that the Convener would discuss with the Housing and Economy Convener and Councillor Miller the possibility of preparing a holistic report which brought together the policy and financial elements of temporary accommodation and to decide thereafter what Committee would be best placed to consider it.	Executive Director for Communities and Families	February 2019		Nicky Brown arranging a meeting with Councillor Miller and Councillor Kate Campbell.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
14.	1 February 2019	Revenue Monitoring 2018/19 - Month Nine Position	To agree that the net revenue amount anticipated for garden waste charging in the 2019/20 budget be emailed to members as soon as possible.	Executive Director of Place			
15.	1 February 2019	Asset Management Strategy Transformation Programme	To agree to explore the options and opportunities available for sponsorship of Council buildings and feedback to Committee as appropriate.	Executive Director of Resources	Mid-March 2019		
16.	1 February 2019	Feedback on the Change Strategy and Budget Proposals 2018	1) To request that details of best practice and the methodology which sat behind the respondents to the engagement document be provided in future reports.	Chief Executive	May 2019		1) Additional information about the process behind each engagement method was included in the report on engagement which was considered at Full Council on 21 February 2019. A report will also be

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							going to the Corporate, Policy and Strategy Committee seeking approval for proposals for ongoing engagement on the Council's change and budget processes. This report will provide information on best practice in this area.
			2) 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.	Chief Executive		21 February 2019	2) Further narrative on the budget simulator was provided in the report to Full Council on 21 February 2019. However, it was not possible to fully and robustly answer the question raised at committee due to the limitations of the data – closed.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
17.	1 February 2019	Council Change Strategy Planning for Change and Delivering Services 2019-2023	1) To request that the additional amount of capital and revenue funding specifically being provided to the Council to implement the early years commitment be provided to Committee members. 2) To agree to circulate evidence and further information to members behind the proposal to remove nursery teachers from nursery classes, and nursery heads from standalone nurseries.	Executive Director of Resources Executive Director for Communities and Families		21 February 2019	Briefing note was circulated to Councillors on 21 February 2019 – closed. The Integrated Impact Assessments provided details on the evidence gathered for both proposals. Information and evidence has been provided when requested by members - closed.
18.	1 February 2019	Annual Report - Debt Write-off	To agree that a briefing note be circulated to clarify whether there	Executive Director of Resources		18 February 2019	Briefing note was circulated to Councillors

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			was an expectation that the debt associated with parking would rise in the next financial year given the budget for 2019/20 anticipated an increase in income from parking.				on 18 February 2019 – closed.
19.	1 February 2019	Accounts Commission: Local Government in Scotland - Financial Overview 2017-18 - referral from the Governance, Risk and Best Value Committee	To agree that the additional report requested by the Governance, Risk and Best Value Committee on distribution and principles of Local Government funding be prepared for the next Finance and Resources Committee.	Executive Director of Resources	7 March 2019		The report is on the agenda for consideration at the Committee meeting on 7 March 2019.
20.	1 February 2019	Extension of Health and Social Care Contracts	1) To request that a briefing note be circulated to members to respond to the action raised about the need for	Chief Officer, Health and Social Care Partnership		11 February 2019	Briefing note was circulated to Councillors on 11 February 2019 – closed.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			assurances to be 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 brought back to the Finance and Resources Committee on 7 March 2019 to conclude and confirm what final decisions were taken.			7 March 2019	The report is on the agenda for consideration at the Committee meeting on 7 March 2019 – closed.
21.	1 February 2019	Petition - Edinburgh Central Library v Virgin	To agree that a briefing note be prepared and circulated to members	Executive Director of Resources		8 February 2019	Briefing note was circulated to Councillors

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Hotel - referral from Education, Children and Families Committee	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.				on 8 February 2019 – closed.

Business Bulletin

Item 6.1

Finance and Resources Committee

10.00am, Thursday, 7 March 2019

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

Finance and Resources Committee

<table>
<tr><th>Convener:</th><th>Members:</th><th>Contact:</th></tr>
<tr><td>Convener
Cllr Alasdair Rankin

Vice Convener - vacant</td><td>▪ Councillor Gordon
▪ Councillor Campbell
▪ Councillor Corbett
▪ Councillor Hutchison
▪ Councillor Johnston
▪ Councillor Miller
▪ Councillor Neil Ross
▪ Councillor Watt
▪ Councillor Whyte</td><td>Liam MacDonald
Service Policy Advisor
Tel: 469 3174</td></tr>
</table>

Recent news	Background
Common Good **Public Consultation on Register of Common Good Assets and Project Update** Part 8 of the Community Empowerment (Scotland) Act 2015 places a duty on local authorities to prepare and consult on a draft Common Good Register. In compliance with the Act and Scottish Government guidance this was carried out and the draft register was published and consulted on between 1 October - 31 December 2018. The consultation was publicised in the Evening News, in public libraries, on the Council's website, social media and consultation hub, with notifications being sent out to all MP's, MSP's, Councillors, Community Councils as well as other interest groups such as the Cockburn Society and Edinburgh World Heritage. This resulted in representations being received from 12 identifiable respondents, plus four additional representations from persons not wishing to leave a name or contact details. 54 assets were queried plus additional representations were made for wider ranging subjects such as 'all cemeteries', the Water of Leith walkway, Edinburgh cycleways or general Common Good queries for whole neighbourhoods of the city. Assets queried include city centre statues, recent public works	Contact: Peter Watton, Head of Property and Facilities Management

of art and open spaces, many of which the Council has adopted for maintenance purposes but are not assets owned by the Council.

Work is well underway to research the many titles for all Council owned assets that have been queried and the Council's Legal Team is determining whether any additions to the Common Good Register are required. The aim is to publish the first version of the Common Good Register in the summer of 2019 in accordance with Scottish Government Guidance. This will be a living document which will be amended if any changes to an asset's Common Good status arise. The guidance accepts that there will be some cases requiring further investigation in which case a note is to be added to the register making it clear that some representations are still being followed up. It is intended to report the first version of the Common Good Register to the Finance and Resources Committee in the Annual Common Good Performance Report.

Forthcoming activities

Finance and Resources Committee

10am, Thursday, 7 March

Principles of the Local Government Finance Settlement

Item number	7.1
Executive/routine	
Wards	**n/a**
Council Commitments	n/a

1. Recommendations

1.1 Members of the Committee are asked to:

1.1.1 note the contents of the report;

1.1.2 refer the report to the Governance, Risk and Best Value Committee for its information and scrutiny; and

1.1.3 note that further updates will be provided to both Committees as the joint review between COSLA and the Scottish Government in this area progresses.

Stephen S Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Report

Principles of the Local Government Finance Settlement

2. Executive Summary

2.1 Following an earlier request from members of the Governance, Risk and Best Value Committee, the report provides an overview of the process by which council-specific revenue grant funding allocations are determined as part of the Local Government Finance Settlement.

3. Background

3.1 At the meeting of the Governance, Risk and Best Value Committee on 15 January 2019, members considered the Accounts Commission's *Local Government in Scotland Financial Overview* for 2017/18. The overview report includes, in Paragraphs 13 to 20, a number of observations on the current process by which available funding is distributed amongst Scotland's thirty-two councils. The overview report concludes that it is important for COSLA and the Scottish Government to assure themselves that the funding formula developed to fulfil this aim remains fit for purpose.

3.2 In considering this overview report, members of the Governance, Risk and Best Value Committee asked that a report setting out the basis of current funding allocations, and the work being carried out by COSLA and the Scottish Government to review current arrangements, be brought to the Finance and Resources Committee and referred thereafter to the Governance, Risk and Best Value Committee for scrutiny. Following agreement by members of the Finance and Resources Committee, this report addresses this request.

4. Main report

4.1 The process for determining the quantum of funding available to local authorities in Scotland has evolved significantly in recent years in line with wider constitutional changes. The introduction of the fiscal framework between the UK and Scottish Governments, facilitating progressive devolution of Income Tax-related powers to the Scottish Parliament, has introduced greater flexibility, but also greater potential volatility, in the overall level of resourcing available to the Scottish Government. The quantum of grant funding then made available to Local Government is, in turn, influenced by both the Scottish Government's relative policy priorities and other revenue-raising powers made available to councils. This latter aspect now includes not only Council Tax and other statutory and discretionary fees and charges but, following the Cabinet Secretary's announcement of the revised Local Government Finance Settlement for 2019/20, the potential availability of a number of new revenue-raising powers, most notably transient visitor and workplace parking levies, in appropriate circumstances.

Role of the fiscal framework

4.2 The fiscal framework was jointly agreed between the Scottish and UK Governments to allow the Scottish Government to manage the powers contained within the Scotland Act 2016 whilst ensuring broad alignment to arrangements in the rest of the UK. A key feature of the Act is the progressive devolution of rates and bands of Income Tax, resulting in the creation, from April 2016, of the Scottish Rate of Income Tax.

4.3 The devolution of income tax-raising powers forms part of the wider financial empowerment of the Scottish Parliament. This progressive devolution of powers is summarised in Appendix 1. Once the full powers contained within the 2016 Act have been transferred, almost half of the total resources available to the Scottish Government will fall, albeit to varying extents, within its control.

4.4 Despite this empowerment, the level of block grant received from the UK Treasury remains the largest single determinant of the overall level of resource available to the Scottish Government. Based on spend on public services in England, the Scottish Government is automatically allocated a population-based share of changes in spending on public services devolved to Scotland through the workings of the Barnett Formula, resulting in an updated block grant. From this block grant are made adjustments for projected retained revenues from Income Tax, Land and Buildings Transaction Tax and Scottish Landfill Tax (as shown in Appendix 2). Other things being equal, positive variation from equivalent income projections for the rest of the UK will result, in overall terms, in the availability of additional resources relative to the levels had they remained under the control of the UK Government and vice-versa.

Local Government Finance Settlement (LGFS)

4.5 While councils in Scotland raise over £1 billion annually through levying statutory and discretionary fees and charges for the services they provide, the majority of their funding is received through a combination of General Revenue Grant (GRG), retained Non-Domestic Rates (NDR) income and Council Tax.

Client group approach

4.6 The Settlement is based on the "client group" approach, an evidence-based method seeking to quantify different authorities' relative need to spend on particular services. This assessment is grounded upon identifying the main determinant of spending need for a particular service (based on those in actual, or potential, receipt of the service concerned, such as local authority pupil numbers for school education or those aged 65 or over for older people's social care), termed the primary indicator, tempered by other agreed factors demonstrating a statistically-significant relationship with actual expenditure (secondary indicators). These secondary indicators also reflect the fact that the unit cost of meeting service demand may be higher in some areas. The unit cost of providing school-based services in a rural setting, for example, may be higher due to smaller class sizes (with greater relative numbers of teachers) or higher transportation costs. A more deprived local authority area may also experience greater calls on some demand-led services (such as debt advice) and/or receive lower income from charges (such as leisure services), influencing the net cost of provision.

Grant-Aided Expenditure

4.7 By undertaking this analysis across the full range of services provided by local government, when converted to a monetary value based on the overall Scotland-wide assumed spending requirement, this gives each authority a GAE (Grant-Aided Expenditure) assessment. Wherever possible, these GAE calculations are updated on an annual basis to take account of the most currently-available data.

4.8 Appendix 3 ranks the various primary and secondary indicators according to the amount of the total GAE allocated with reference to each for the actual 2018/19 Settlement. From this analysis it can be seen that population numbers, whether at an aggregate level or across specific age cohorts (including school pupil numbers) are a key determinant, although measures of rurality and deprivation are also influential. While the extent to which deprivation is recognised within the funding formula is supported by regularly-updated statistical analysis, this, along with the appropriateness of "freezing" GAE quantums at 2007/08 levels and any wider need to re-assess current allocation bases given evolving policy intentions at national level, will likely form part of the joint Scottish Government and COSLA review.

4.9 As each authority's total GAE takes into account an assessment of its relative spending need compared to that of other councils, this should theoretically allow a uniform level of service to be provided (and the same level of Council Tax to be levied) irrespective of an authority's population, location or relative deprivation. It is nonetheless important to emphasise that GAE allocations are neither budgets nor grant funding as such; they are merely used to inform the grant support allocation process and councils are not required to allocate their overall funding accordingly. The key factor in the LGFS is, however, how a council's *relative* share of the overall assessed need compares to that of other councils. This is particularly important at a time of real-terms reductions in available resources when the level of per capita funding per unit of "need" is reducing.

4.10 To an authority's total assessed expenditure requirement is then applied a series of further adjustments. These items include amounts provided in respect of formerly-ringfenced grants, revenue support for historic borrowing and the application of the "floor" stability mechanism.

Floor stability mechanism

4.11 The effect of the floor mechanism is to guarantee a minimum year-on-year level of increase in grant (or, in recent years, a maximum level of decrease) to each council, with this level determined with reference to the average for all councils. This adjustment is intended to provide a greater degree of stability to authorities whose assessed spending need would otherwise see their level of grant increase by less (or decrease by more) than this. The flipside of this safety mechanism is that those authorities whose change in grant is better than this minimum level contribute in proportion to their overall level of grant. In this way, the mechanism is self-financing and thus requires no additional Scottish Government funding in overall terms. Members of the Committee will be aware that the Council has received significant support from the floor in recent years, with its level of GRG increased by over £13m in 2019/20.

85% funding "floor"

4.12 Although also referred to as a funding "floor", the Scottish Government introduced for the first time in 2012/13 a separate mechanism under which each authority is provided with per capita funding equal to at least 85% of the Scottish average. Members are reminded that the 85% floor is about absolute levels of, rather than year-on-year changes in, grant funding. Edinburgh received significant support in the initial years of this policy but, following the updating of population estimates to take full account of the 2011 census results, this funding reduced and was then lost entirely in 2017/18. Following incorporation of updated population estimates, the Council will, however, again receive £1.7m in additional funding in 2019/20 in respect of this calculation and will be the only council to benefit.

Non-Domestic Rates income

4.13 Since 2011/12, all NDR income raised in a council area has been retained within it, meaning that there is no redistribution of resources across Scotland as was the case in previous years. It is important to stress, however, that a corresponding adjustment has been made to general revenue grant, such that combined grant and business rates income is unaffected (as the underlying assessment of need has not changed).

Determination of General Revenue Grant funding

4.14 The grant funding calculation then makes an assumption about the level of income councils can raise based on a notional Council Tax level and the estimated number of Band D equivalent properties within the authority, adjusted for reliefs and exemptions. This sum is deducted from the overall assessed funding requirement, adjusted for any ring-fenced grants, to derive the combined amount of revenue grant funding and retained business rates income to be provided to each council as follows:

Overall need to spend (as assessed by Scottish Government)

less assessed level of Council Tax income available to authority

less ring-fenced grants

less Non-Domestic Rates income collected by the authority

= General Revenue Grant

5. Next Steps

5.1 As part of the revised Local Government Finance Settlement announced on 31 January 2019, the Cabinet Secretary for Finance, Fair Work and Economy confirmed that work would shortly begin to develop a rules-based framework for local government funding in partnership with COSLA, to be introduced for the next Parliament. This framework is expected to be developed along similar lines as the existing fiscal framework between the Scottish and UK Governments. Members of the Committee will be kept apprised of this work as it progresses.

5.2 In recent years, COSLA has placed particular emphasis upon the need for future sustainability of funding arrangements for local government, with the quantum of funding for core services key in this context. It has, however, also made the case for greater fiscal empowerment for local government through an ability, in appropriate circumstances, to levy discretionary taxes. The Scottish Government's recent announcements, as part of the revised LGFS announcement on 31 January, on both the transient visitor levy and workplace parking levy have the potential to contribute positively to this empowerment of democratic and financial accountability.

5.3 Following the earlier recommendations of the Scottish Budget Review Group, the Scottish Government has also indicated that it will bring forward a three-year funding settlement for local government from 2020/21 onwards.

5.4 At a more operational level, a subgroup of the Settlement and Distribution Group, comprising section 95 Chief Financial Officers from a number of Scotland's councils, worked closely with Scottish Government colleagues to review the operation of the stability funding floor, as well as potential means of consolidating or reducing the number of existing separate funding allocations with a view to increasing the transparency of the current distribution process. A number of these changes were reflected in the 2019/20 Settlement process.

6. Financial impact

6.1 There is no direct additional impact of the report's contents but it sets out a number of considerations impacting upon the current level of grant funding received.

7. Stakeholder/Community Impact

7.1 There is no direct additional impact of the report's contents.

8. Background reading/external references

8.1 Local Government in Scotland: Financial Overview 2017/18, Accounts Commission, November 2018

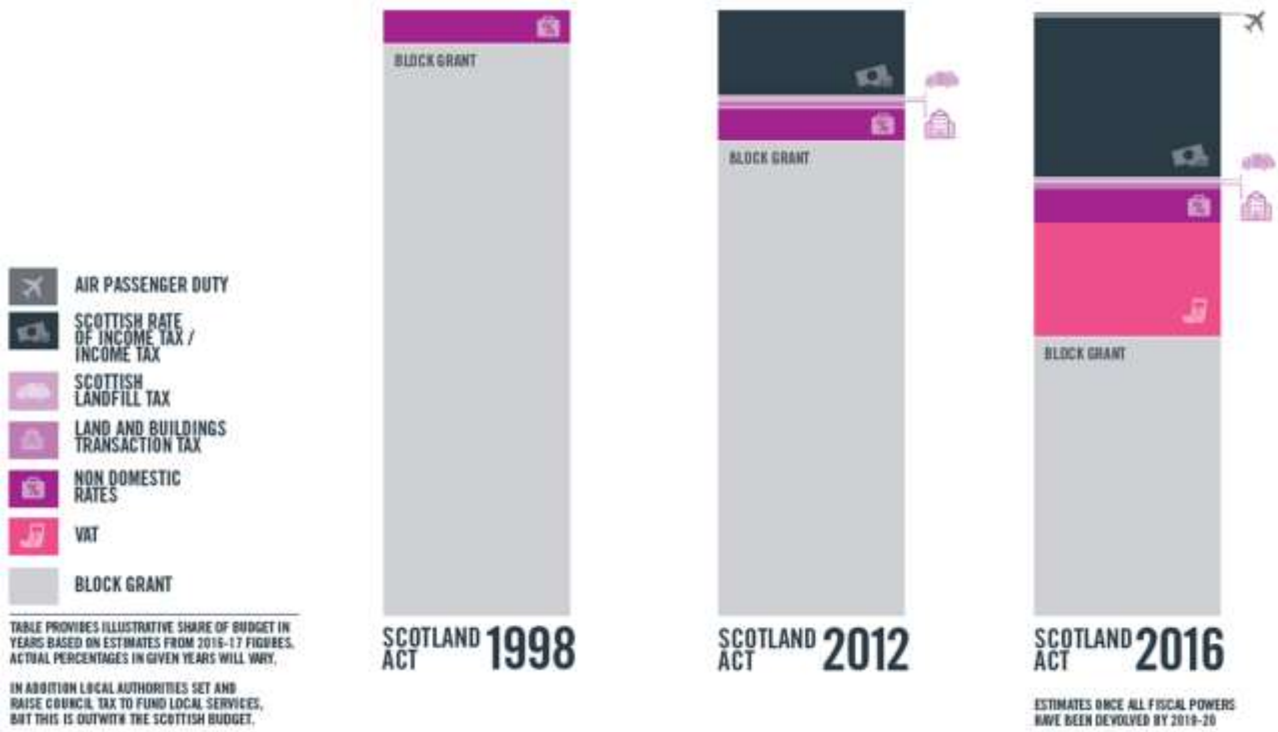
9. Appendices

9.1 Appendix One - Progressive devolution of income-raising powers under Scotland Act 2016

9.2 Appendix Two - Interaction of UK and Scottish Government budgets through fiscal framework

9.3 Appendix Three - Determinants of overall GAE assessment

Appendix 1 – Progressive devolution of income-raising powers under Scotland Act 2016



Under the Scotland Act 1998, the Scottish Parliament had control of less than 10% of devolved expenditure in Scotland. Assuming planned assignment of VAT revenues is implemented as part of the Scotland Act 2016, almost 50% of tax revenues will be controlled by the Scottish Parliament.

In contrast, the majority of welfare benefits and policies remain reserved to the UK Government, with only 15% of Social Security spend currently controlled by the Scottish Parliament.

Appendix 2 – Interaction of UK and Scottish Government budgets through fiscal framework

The Scottish block grant continues to be calculated by the Barnett formula, but an adjustment needs to be made to reflect that some of the budget is now funded by Scottish tax revenues that were previously retained by the UK Government. There are two steps to the adjustment:

(i) an initial block grant deduction is made for each tax. This is to compensate the UK Government for the tax revenue which is now being retained by the Scottish Government. These adjustments ensure that the UK and Scottish Governments are no better or worse off as a direct result of devolution; and

(ii) for each subsequent year the block grant adjustments (BGAs) for each tax are grown or "indexed" to take account of changing tax revenue over time.

Importance of Indicators within the GAE Settlement

Primary Indicators - Distributional Effect

Indicator	Grant Aided Expenditure	
	£000s	Share (%)
All Pupil Primary Indicators	**3,026,151**	**38.31%**
All Population Primary Indicators	**1,848,955**	**23.41%**
Secondary Sector Pupils	1,141,745	14.45%
All School Pupils	907,192	11.48%
Primary Sector Pupils	902,523	11.42%
Residential Accommodation for the Elderly Composite Indicator	562,900	7.13%
Services for Home Base Elderly Composite Indicator	550,079	6.96%
Population Aged 16-64	432,555	5.48%
Total Population	340,244	4.31%
Community & Residential Care for Children Composite Indicator	327,681	4.15%
Total Education GAE (excluding NPAF and FEF)	315,428	3.99%
Weighted Road Lane Length	296,908	3.76%
Population Aged 2-19	243,588	3.08%
Adjusted Population (Parks & Remainder of Leisure)	188,462	2.39%
Adjusted Population (Waste Disposal & Eviro Health)	180,351	2.28%
Pre-School Provision for 4 Year Olds	155,177	1.96%
Total Dwellings	131,105	1.66%
Adjusted Population (Sports Facilities & Swimming Pools)	85,839	1.09%
Adjusted Population (Libraries)	85,412	1.08%
Pupils Taking Meals	74,691	0.95%
Adjusted Population (Street Cleaning)	69,022	0.87%
Urban Lane Length	68,474	0.87%
Weighted Free School Meals Registration	59,005	0.75%
Population Aged 5-15	54,853	0.69%
Population Aged Under 5	54,141	0.69%
Selected Social Work GAEs for General Administation	51,899	0.66%
Population Aged 3&4	26,215	0.33%
Population Aged 60+	24,722	0.31%
Non-Domestic Rateable Subjects	22,461	0.28%
Population Aged 0-14	21,225	0.27%
Population Aged 0-3	18,920	0.24%
Homeless & Threatened with Homelessness Applications	16,579	0.21%
Area of Maintained Burial Ground	13,009	0.16%
Population Living in Settlements of less than 1,000	9,591	0.12%
Number of Ethnic Minority Pupils	8,317	0.11%
Number of Education Establishments	7,587	0.10%
Population Aged 3&4 Living in Settlements of less than 1,000	7,518	0.10%
Minimum Payments	7,383	0.09%
Number of Current Income Deprived	4,278	0.05%
Population (excl those living in national parks)	3,980	0.05%
Length of Off-Road Paths (excl national parks)	3,980	0.05%
Building Control Warrants	3,833	0.05%
Population Aged 17+	2,317	0.03%
Weighted Aids & HIV+ Cases	1,729	0.02%
Cremations in Local Authority Owned Crematoria	417	0.01%
SG Department Allocations	203,145	2.57%
Previous Settlement Shares Rolled Forward	17,168	0.22%
TOTAL	**7,703,648**	**97.52%**

Importance of Indicators within the GAE Settlement

Appendix 3

Secondary Indicators - Redistributional Effect

INDICATOR	GAE Redistributed by Indicator (% of total GAE)
Percentage of Pupils in Small Rural Schools	0.37%
Island Local Authority Adjustment	0.04%
Population Dispersion	0.14%
Income Support Dependants per 1,000 Aged 0-19	0.06%
Urban Settlement Pattern	0.10%
Hostel Places per 1,000 Pupils	0.10%
No of Body Type - Car Licences per Km Unweighted Lane Length	0.67%
Road Density/Area Deprivation	0.08%
Rural Settlement Pattern	0.04%
TOTAL	**1.61%**

Secondary Indicators - Redistributional Effect by Individual Assessment

Service	Secondary Indicator	Amount Redistributed (£000)	Amount Redistributed
Primary School Teaching Staff	Percentage of Pupils in Small Rural Schools	29,228	3.24%
Secondary School Teaching Staff	Island Local Authority Adjustment	3,185	0.28%
School Transport	Population Dispersion	9,132	16.65%
School Meals	Income Support / JSA Dependants per 1,000 Aged 0-19	3,038	4.07%
School Hostels & Clothing	Hostel Places per 1,000 Pupils	8,085	29.95%
School Hostels & Clothing	Income Support / JSA Dependants per 1,000 Aged 0-19	1,839	6.81%
Road Maintenance	No of Body Type - Car Licences per Km Unweighted Lane Length	46,040	23.58%
Winter Maintenance	No of Body Type - Car Licences per Km Unweighted Lane Length	6,908	10.64%
Parks & Open Spaces	Urban Settlement Pattern	7,234	5.60%
Waste Collection	Population Dispersion	2,303	2.80%
Street Cleaning	Road Density/Area Deprivation	6,280	9.10%
Environmental Health	Rural Settlement Pattern	1,289	1.89%
Consumer Protection	Rural Settlement Pattern	1,705	9.51%
School Crossing Patrols	Urban Settlement Pattern	975	7.46%
TOTAL		**127,239**	

Budget Based, Actual Expenditure and Share of Specific Grant Based GAEs

Indicator	Grant Aided Expenditure	
	£000s	Share (%)
Gaelic	5,570	0.07%
Residual FE Travel & Bursaries	5,492	0.07%
Ferries	13,027	0.16%
Airports, Harbours	3,035	0.04%
Glasgow Underground - Share of SPTA Population	8,668	0.11%
Tourism	12,374	0.16%
Museums & Art Galleries	29,786	0.38%
Planning & Economic Development	90,728	1.15%
Non-Road Lighting	7,461	0.09%
Supported Employment	8,350	0.11%
Admin of Housing Improvement Grants & Loans	4,493	0.06%
Trading Services	1,384	0.02%
Coast Protection	758	0.01%
Flood Prevention	4,891	0.06%
TOTAL	**196,017**	**2.48%**

GAE TOTAL	**7,899,665**	**100.00%**

Finance and Resources Committee

10am, Thursday, 7 March 2019

Revenue budget framework 2019/24 – progress update

Item number	7.2
Executive/routine	
Wards	**n/a**
Council Commitments	n/a

1. Recommendations

1.1 Members of the Committee are asked to note that:

1.1.1 as of the end of February, some £8.8m of residual pressures for 2019/20 remain within service areas, mitigating actions for which require to be urgently identified; and

1.1.2 robust implementation plans require to be developed for all savings approved for implementation in 2019/20 by 31 March, with a progress update to be provided thereafter to the Committee's next meeting on 23 May.

Andrew Kerr

Chief Executive

Stephen S Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Contact: Laurence Rockey, Head of Strategy and Communications

E-mail: laurence.rockey@edinburgh.gov.uk | Tel: 0131 469 3493

Report

Revenue budget framework 2019/24 – progress update

2. Executive Summary

2.1 Following the approval by Council on 21 February 2019 of the revenue budget for 2019/20, the report outlines progress and further urgently-required actions in respect of (i) management of service pressures and (ii) development of savings implementation plans for the approved proposals comprising the budget framework.

3. Background

3.1 On 21 February 2019, Council approved a balanced one-year budget for 2019/20 as part of a longer-term framework. Taking account of approved service investment and the transfer of funds to the Council Priorities Fund, the budget is underpinned by the delivery of savings totalling some £39.3m, including £2.3m approved for implementation in 2019/20 as part of previous years' budget processes.

3.2 The Change Strategy also includes a number of savings planned for implementation in later years of the four-year framework. These will be considered more fully as part of next year's business planning process, including the budget, informed by more detailed development of the proposals concerned.

3.3 A number of reports to the Finance and Resources Committee in 2018/19 have emphasised the importance of establishing firm foundations from which to deliver subsequent years' required revenue budget framework savings. The Committee will be aware that while an overall projected revenue overspend for 2018/19 of £1.972m, without further mitigating actions, was reported to the Committee on 1 February 2019, this position reflects some £12m of net pressures across directorates or savings shortfalls, offset by £10m of corporate contributions that are either one-off in nature or already assumed in the budget framework baseline going forward. Recent years have also seen a marked reduction in the proportion of approved savings that are subsequently delivered. For both of these reasons, early and proactive steps require to be taken as a matter of urgency to ensure that the integrity of the wider framework is not compromised.

4. Main report

Management of pressures

4.1 The report to the Committee's previous meeting on 1 February 2019 advised members of work underway by Executive Directors and the Chief Officer of the Edinburgh Integration Joint Board to develop mitigating measures to address recurring pressures apparent from a review of both the current year's monitoring and future service planning. These analyses assume continuation of a number of controls being applied in the current year, including robust vacancy management.

Communities and Families

4.2 In-year monitoring reports have highlighted a number of primarily demand-led pressures affecting the Directorate, particularly those in respect of rising pupil rolls, home-to-school transport, temporary accommodation and community access to schools, together totalling £8.4m. The Executive Director of Communities and Families has identified a number of mitigating actions thus far, reducing the residual pressure to £4.3m. Additional discussion is required with the directorate's respective Conveners and Vice-Conveners to identify potential measures to reduce this level of residual pressure further.

Place

4.3 The Executive Director of Place has undertaken a comprehensive assessment of the net recurring impact of the current year's expenditure levels, taking into account one-off mitigations applied and pressures apparent in 2018/19 and those mitigations confirmed or planned thus far for 2019/20. This assessment indicates a net residual pressure of £3.1m at this time, with work continuing to identify additional measures to reduce its level further.

Resources

4.4 Following a Directorate-wide review of recurring pressures and proposed mitigating actions, a residual pressure of £1.4m has been identified, representing the net impact of anticipated savings shortfalls in the Property and Facilities Management Division. The Executive Director of Resources is committed to examining further measures, with a view to mitigating in full this remaining pressure.

Edinburgh Integration Joint Board

4.5 Members will be aware that the approved budget motion removed the draft proposal to apply a £3m efficiency target to the Edinburgh Integration Joint Board (EIJB) budget prior to passing on in full the additional monies provided within the Local Government Finance Settlement for health and social care services, expansion of the Carers' Act and the introduction of free personal care for those under 65 years of age. The approved budget also incorporated a transfer to the Council Priorities Fund of further funding of £2.5m, release of which to the EIJB is dependent upon achievement of sustained improvements in service outcomes, including reduced levels of delayed discharge and shortened assessment waiting times. Taken together, these measures provide up to £15.7m of additional investment (equivalent to a 7.9% uplift on the 2018/19 offer to the EIJB) to reflect increasing demand and new legislation geared towards contributing to better outcomes for service users.

4.6 The Chief Officer of the EIJB has previously advised that, based on the original Change Strategy proposals that formed the basis of public engagement in January and early February, £19.4m of savings would require to be identified and delivered in 2019/20 to maintain financial balance. Following the removal of the assumed £3m efficiency target, this requirement has reduced to £16.4m, with a potential further reduction to £13.9m subject to evidencing the on-going service outcome improvements noted above.

4.7 The Chief Officer has convened, with the non-executive directors of the EIJB, a number of development sessions to explore potential savings options to address this remaining gap, with one such session planned for the day before the Committee's meeting. Taking into account this feedback and the Partnership's wider transformation programme, it is the Council's expectation that a set of proposals addressing the relevant savings requirement in full will then be presented to the EIJB's meeting on 29 March 2019.

Overall position

4.8 Taken together, residual 2019/20 pressures across the Communities and Families, Place and Resources Directorates total £8.8m, with a further requirement for at least £13.9m of savings to be approved by the EIJB to align its spending plans to the assumed levels of provision for Council-delegated services included within the budget framework.

Responsibilities of Executive Directors and Chief Officer of EIJB

4.9 As set out in the Council's Financial Regulations, Executive Directors are fully accountable for the financial performance of their directorates against the budget allocated and may incur revenue expenditure in furtherance of agreed Council policies only to the extent that budgetary provision has been made. As part of ensuring the overall sustainability of the Council's financial planning and management arrangements, Executive Directors also have a responsibility to review their respective budgets on an on-going basis. This includes the active monitoring and management of service pressures, delivery of approved savings and application of approved service investment, particularly in cases where this investment is targeted towards delivery of longer-term savings.

4.10 Given these responsibilities and the range of demand-led and other risks to which the Council's budget is exposed, it is crucial that robust plans are in place to manage residual pressures within their respective service areas. To this end, Executive Directors and the Chief Officer of the EIJB have been instructed by the Chief Executive, liaising as appropriate with relevant Conveners and Vice-Conveners, to develop specific plans to mitigate these residual pressures in full, with these measures to be reported to the Finance and Resources Committee's next meeting on 23 May 2019.

Implementation of approved savings

4.11 As noted earlier in this report, the approved balanced budget also reflects the assumed delivery of £39.3m of savings in 2019/20, building on the £280m of savings approved since 2012/13. Given the extent of required savings during that time (equivalent to over a quarter of the Council's current revenue budget), a number of more recent years' savings, particularly those rooted in improved demand management, have posed particular challenges in implementation. The budget framework for 2019/20 also assumes £8m of savings across the corporately-held budgets of Council Tax income and loans charge expenditure, areas upon which significant reliance has been placed in previous years to offset pressures in Directorates and the EIJB.

4.12 In view of these increasing challenges, Council has previously approved up to £1m of one-off funding to support the engagement of dedicated, fixed-term project managers, as employees, to develop a number of the proposals comprising the Change Strategy. In this regard, particular attention is drawn to the efficiencies workstream, the associated 2019/20 savings target for which (£9.5m) represents nearly a quarter of the overall in-year requirement. While a number of strands, including further tightening of workforce controls, incorporating: vacancies; agency; and overtime expenditure, a further review of income maximisation opportunities and procurement savings delivery, process automation and creation of a Council-wide LEAN team are being actively progressed, more detailed scoping work is underway and an update on the specific plans and required actions around this savings workstream will therefore be brought to the Committee's meeting on 23 May.

4.13 This fixed-term project management resource will be supplemented by an enhanced emphasis upon robust senior officer and elected member scrutiny of the development and implementation of all approved savings proposals. These have been categorised according to their materiality, strategic alignment and extent of required process change, with proportionate accompanying monitoring arrangements, incorporating key milestones, clearly-assigned responsibilities and associated timescales, being developed. In the immediate term, the priority is to develop all such plans by 31 March. Progress with the subsequent implementation of all of the approved proposals for 2019/20 (listed in Appendix 1) will be reported on a quarterly basis to the Finance and Resources Committee, with a number of the proposals also included within the Council's wider change portfolio, updates on which will be reported to the Governance, Risk and Best Value Committee.

5. Next Steps

5.1 Following the approval by Council of the 2019/20 revenue budget on 21 February 2019, work on the development of both savings implementation plans and measures to manage pressures is continuing, with a further readiness assessment of approved savings deliverability by the Head of Finance to be reported to CLT prior to the new financial year.

5.2 Given the extent, at this stage, of unmitigated service pressures and recent years' reductions in the proportion of approved savings subsequently delivered, a further update will be provided to the Committee's next meeting on 23 May.

6. Financial impact

6.1 There is no financial impact arising directly from this report although it re-emphasises the importance of proactive management of pressures and delivery of approved savings.

7. Stakeholder/Community Impact

7.1 There is no direct relevance to the report's contents.

8. Background reading/external references

8.1 Revenue Budget Framework 2018/23 Update, Finance and Resources Committee, 12 June 2018

8.2 Review of Political Management Arrangements, The City of Edinburgh Council, 28 June 2018 (contains within Appendix 5 the current Financial Regulations)

8.3 Council Change Strategy: Planning for Change and Delivering Services 2019-2023, Finance and Resources Committee, 27 September 2018

8.4 Council Change Strategy: Planning for Change and Delivering Services 2019-23, Finance and Resources Committee, 1 February 2019

8.5 Local Government Finance Settlement 2019/20 – Further Update, The City of Edinburgh Council, 21 February 2019

8.6 Coalition Budget Motion, The City of Edinburgh Council, 21 February 2019

9. Appendices

9.1 One – revenue budget framework savings approved for delivery in 2019/20

Approved savings for delivery in 2019/20

Saving name	Directorate	2019/20 (£m)	Theme
Full-cost recovery	Place	0.200	1. Income Maximisation
Statutory consents	Place	0.825	
Pre-planning applications	Place	0.100	
Culture	Place	0.150	
Parks and Greenspaces	Place	0.150	
Advertising income	Resources	0.470	
Leased property income	Resources	0.500	
Upfront payments	Council-wide	0.200	
Back-office support (ICT and Business Support)	Resources	1.450	2. Workforce Modernisation and Change
Support for Learning - Management	Communities and Families	0.200	
Workforce modernisation	Council-wide	0.500	
Communities and Families - Management	Communities and Families	0.200	
Economic Development	Place	1.200	3. Service Reduction
Heritage language	Communities and Families	0.042	
Book Fund	Communities and Families	0.200	
Strategy and Communications	Services reporting to Chief Executive	0.200	
Council Tax (income)	Corporate	3.000	4. Corporate and Capitalised Budgets
Borrowing costs	Corporate	5.000	
Procurement	Resources	0.100	
Business Rates	Resources	0.800	
Revenue and capital (includes roads maintenance capitalisation and school adaptations)	Place/Communities and Families	0.600	
Property investment portfolio	Resources	0.415	5. Operational Redesign
Fleet costs	Place	0.500	
Public toilets	Place	0.250	6. Service Reform
Residential Care	Communities and Families	0.510	
New Ways of Working - Public Safety and Business Continuity	Place	0.130	
Communities and Families one-year extra grant funding	Communities and Families	0.250	7. Maintaining Service Investment
Street Cleaning one-year additional investment	Place	0.250	
Roads one-year additional funding	Place	0.250	
Property Maintenance - additional investment	Resources	0.850	
Print and Mail	Resources	0.090	8. Digital Delivery
Area-Based Regeneration	Place	0.250	9. Place Making
Parking Action Plan Phase 2	Place	0.369	
Localities Phase Two	Place	0.300	
Improved Approach to Street and Environmental Enforcement	Place	0.750	
Marketing Edinburgh	Place	0.300	10. Arm's Length Bodies
EDI	Council-wide	1.047	
Culture and Leisure	Communities and Families	0.350	
Transport for Edinburgh	Place	0.500	
Efficiency target	Corporate	9.500	11. Operational Efficiencies
Other efficiencies in contract and discretionary spend	Various	2.466	
Voids rates	Communities and Families	0.090	12. Homelessness Investment
Revenue Officers	Communities and Families	0.175	
Scottish Government Framework for electricity and Gas	Communities and Families	0.030	
Edinburgh Partnership	Services reporting to Chief Executive	0.040	13. Partnership working
Third Party arrangements (contractual and grants)	Communities and Families	0.175	
Police funding	Communities and Families	0.522	
Joint Waste	Place	0.325	
Asset Management Strategy and Service Reprovisioning	Resources	0.250	14. Service Design and Our Assets
		37.021	

Savings approved as part of previous years' budgets		
Asset Management Strategy	Resources	0.400
Discretionary income	Council-wide	1.000
Parking - increase charges by average of 4.5% per annum over four years	Place	0.800
Cultural grants	Place	0.052
		2.252

Total savings to be delivered in 2019/20		**39.273**

Finance and Resources Committee

10am, Thursday, 7 March 2019

Capital Strategy 2019-24

Item number	7.3
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 To note the Capital Strategy, as set out in Appendix 1, and refer to full Council for approval

Stephen Moir

Executive Director of Resources

Contact: Rebecca Andrew, Principal Accountant

E-mail: rebecca.andrew@edinburgh.gov.uk | Tel: 0131 469 3211

Report

Capital Strategy 2019-24

2. Executive Summary

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

3. Background

3.1 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code was revised by CIPFA in 2017. A key element of the revised code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made.

3.2 This report sets out the Council's capital strategy.

4. Main report

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

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

- Edinburgh 2050 Vision
- Local Development Plan Action Programme
- Capital Investment Programme 2009-19, which provided a framework for the allocation of available capital funding which has been rolled forward annually

- Capital Investment Programme 2019-24, as amended by the Council's budget meeting of 21 February 2019
- Treasury management strategy 2019-20
- Corporate Asset Strategy
- Property and Asset Management Strategy
- Transport Asset Management Plan
- Housing Revenue Account Budget Strategy 2019-24

4.3 The capital strategy covers the following areas

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

4.4 The full capital strategy is included in Appendix 1.

5. Next Steps

5.1 This report will be referred to full Council for approval of the capital strategy. The strategy will be updated on an annual basis.

6. Financial impact

6.1 There are no direct financial implications arising from this report. The implications of the expenditure and investment plans contained in the strategy were considered at the Council's budget setting meeting on 21 February 2019.

7. Stakeholder/Community Impact

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

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

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

8. Background reading/external references

8.1 Local Development Plan Action Programme - January 2019

8.2 Capital Investment Programme 2009-19 – Policy and Strategy Committee – November 2008

8.3 Capital Investment Programme 2019-24 – Finance and Resources Committee – February 2019, as amended by the Council's budget meeting of 21 February 2019

8.4 Treasury management strategy 2019-20 – Finance and Resources Committee – March 2019

8.5 Corporate Asset Strategy – Policy and Strategy Committee – May 2015

8.6 Property and Asset Management Strategy – Finance and Resources Committee – September 2015

8.7 Transport Asset Management Plan – Transport and Environment Committee – December 2018

8.8 Housing Revenue Account Budget Strategy 2019-24 – Finance and Resource Committee – February 2019

Appendices

Appendix 1: Capital Strategy 2019-24

Appendix 1: Capital Strategy 2019-24

1. Vision

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

1.2 During the first year of stakeholder and public engagement on the development of a long-term vision for Edinburgh, the Council engaged with thousands of people of all ages and identified four important themes that were obviously relevant to participants. These themes are

- *An Inspired City* - Edinburgh is a city that inspires the world and we will continue to treasure, and grow, our unique culture and heritage. The Edinburgh of 2050 will be a city renowned for its creativity and ingenuity, building on its reputation as a premier destination for culture, education and innovation.
- *A Thriving City* - The skills of our people and our global industries have been the driver of our success over the past thirty years. In 2050, Edinburgh will be a place of opportunity and ambition, where innovators and entrepreneurs can achieve prosperity and success.
- *A Connected City* - Connections are at the core of how a city is lived in and how its people interact with each other. In 2050, Edinburgh will be a city built around shared spaces which create opportunities for understanding, for friendship, and for the exchange of ideas.
- *A Fair City* - A great city commits to sharing success and improving the wellbeing and life experience of all its citizens. In 2050, Edinburgh will be a city without barriers to achievement and where a good quality of life is a basic requirement enjoyed by all.

1.3 As the city works towards these objectives, it is also predicted to grow. Its plans for development are set out its Local Development Plan The Local Development Plan Action Programme sets out the new infrastructure that is required to accommodate this growth.

1.4 In order to deliver the 2050 vision and for the city to grow in a sustainable way, the Council needs to invest in its existing assets as well as creating new ones. This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

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1.5 The capital strategy should be read in conjunction with the following plans and policies

- Edinburgh 2050 Vision
- Programme for the Capital | Council Business Plan 2017-22 | The City of Edinburgh Council
- Local Development Plan Action Programme
- Capital Investment Programme 2009-19, which provided a framework for the allocation of available capital funding which has been rolled forward annually
- Capital Investment Programme 2019-24, as amended by the Council's budget meeting of 21 February 2019
- Treasury management strategy 2019-20
- Corporate Asset Strategy
- Property and Asset Management Strategy
- Transport Asset Management Plan
- Housing Revenue Account Budget Strategy 2019-24

2. Statutory Considerations

2.1 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code was revised by CIPFA in 2017. A key element of the revised code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made.

3. Capital Expenditure and Financing

3.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £6,000 are not capitalised and are charged to revenue in year.

3.2 The Council's policy on capitalisation complies with the accounting requirements for local authorities and is set out in its annual audited accounts.

3.3 In the period 2019/24, the Council is planning capital expenditure of £1,754.685m as summarised below:

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

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
General Fund services	138.992	155.813	301.402	175.981	62.186	52.400	41.000
Council housing (HRA)	72.816	80.199	108.954	142.251	177.531	171.392	273.984
On-lending (Housing)	6.470	41.365	18.118	75.424	55.104	76.692	22.266
Capital Investments	0	3.448	0	0	0	0	0
TOTAL	218.278	280.825	428.474	393.656	294.821	300.484	337.250
PPP and Similar Assets	0	140.000	41.500	0	0	0	0
TOTAL Capital Assets	218.278	420.825	469.974	393.656	294.821	300.484	337.250

3.4 Significant General Fund capital projects include[1]:

- Asset Management Works - £121.464m
- Investment in Roads and Pavements - £101.720m
- North Bridge Structural Works - £15.804m
- New Schools and Extensions - £105.431m
- New Early Years Centres and Extensions - £35.797m
- Meadowbank Stadium Redevelopment - £4.923m
- St James Infrastructure Assets - £61.400m
- Millerhill Waste Facility - £28.000m

This analysis does not include provision for the proposed tram line to Newhaven or unfunded projects within the Council's Wave 4 schools programme. Should these projects be approved, this strategy will be amended to reflect Council decisions.

3.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. The Housing Revenue Account Budget Strategy 2019-24 sets out planned capital investment of £874 million over the next five years, rising to £2,233 million over 10 years to

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

deliver tenant priorities, including building new homes, modernising existing homes and help tenants reduce their cost of living.

3.6 The Council also uses general fund resources to increase the provision of affordable housing in the city, through lending to arms' length limited liability partnerships under the New Housing Trust and Edinburgh Living initiatives.

3.7 The capital programme is based on the ten-year capital plan originally set out in 2008 (Capital Investment Programme 2009-19), which has subsequently been rolled forward on an indicative basis on broadly similar terms.

3.8 In order for new projects to be added to the Council's capital programme. Asset Investment Groups, within each directorate identify their investment priorities and develop business cases supporting those priorities. These priorities are then scored against a set series of prioritisation criteria agreed by the Council's Asset Management Board. The Asset Management Board, which is an officer group chaired by the Executive Director of Resources, appraises all business cases and recommends investment priorities to the Corporate Leadership Team of the Council and then to the Finance and Resources Committee, ahead of the full Council budget setting meeting each year. Smaller ad-hoc projects may be added through the year following appropriate approval of project business cases, including those through executive committees or via the full Council itself.

3.9 For full details of the Council's capital programme were reported to Finance and Resources Committee on 1 February 2019 (Capital Investment Programme 2019-24) and amended by the Council's budget meeting of 21 February 2019.

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

Table 2: Capital financing in £ millions

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
Grants	107.283	128.279	116.412	78.660	58.187	46.848	77.751
Asset Sales	17.197	32.608	34.235	83.102	67.944	86.192	52.150
Earmarked Reserves	0	0	0	0	0	0	0
Capital Fund	0	14.782	6.311	0	0	0	0
CFCR	22.200	33.162	23.000	7.200	2.200	2.200	2.200
Other External Income	22.004	0.659	11.882	0	0	0	0
PPP and similar arrangements	0	140.000	41.500	0	0	0	0
Loans Fund Advances/ Use of Cash Reserves	49.594	71.335	236.634	224.694	166.490	165.244	205.149
TOTAL	218.278	420.825	469.974	393.656	294.821	300.484	337.250

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

3.12 With the exception of advances in relation to Edinburgh Living LLPs, all advances from the loans fund in the current year have a repayment profile set out using Option 1, the statutory method. All capital advances from the loans fund are repaid using the previous hybrid annuity structure with fixed principal repayments. The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend.

3.13 For capital advances for loans to Edinburgh Living LLPs, all advances from the loans fund in the current year have a repayment profile set out using Option 4 – the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments. The business cases brought forward for other projects involving major capital expenditure funded by borrowing will consider the appropriate repayment method depending on the structure of the business case.

3.14 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with loans fund repayments and capital receipts used to replace debt. The CFR is expected to increase by £193m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 3: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.18 actual	**31.3.2019 forecast**	**31.3.2020 budget**	**31.3.2021 budget**	**31.3.2022 budget**	**31.3.2023 budget**	**31.3.2024 budget**
General Fund services	1,128	1,209	1,347	1,403	1,351	1,287	1,211
Council housing (HRA)	381	378	415	415	478	522	669
NHT LLPs	67	99	104	108	108	108	108
Edinburgh Living LLP	0	9	22	93	147	222	241
TOTAL CFR	1,576	1,695	1,888	2,019	2,084	2,139	2,229

Asset management

3.15 To ensure that capital assets continue to be of long-term use, the Council has asset management strategy in place. This was set out in 2015 with two documents; the Corporate Asset Strategy approved by Corporate Policy and Strategy Committee in May 2015, and the subsequent Property and Asset Management Strategy reported to Finance and Resources Committee in September 2015. The Asset Management Strategy sets out the objective to create a credible, focused and sustainable delivery organisation for property and facilities management; provide a fit for purpose, right-sized and safe estate; provide an appropriate level of service at an acceptable and efficient cost; and act in a commercial manner in pursuit of maximising value for the Council.

Asset disposals

3.16 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants also generate capital receipts. The Council plans to receive £34.235m of capital receipts in the coming financial year as follows:

Table 4: Capital receipts in £ millions

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
Asset sales	17,197	32,608	34,235	83,102	67,944	86,192	52,150

4. Treasury Management

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

4.2 Due to decisions taken in the past, at January 2019 the Council currently had £1,206m borrowing at an average interest rate of 5.07% and £214m treasury investments at an average rate of 0.84%.

Borrowing strategy

4.3 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while, where possible, managing the Council's future interest rate risk. The current strategy is to balance reducing investments to fund capital expenditure in the short term while managing the Council's longer term interest rate risk by securing borrowing for future capital expenditure as the delivery becomes more certain.

4.4 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement (see above)

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
Debt (inc. PPP & Leases)	1,439	1,523	1,516	1,583	1,580	1,600	1,577
Capital Financing Requirement	1,576	1,695	1,888	2,019	2,084	2,139	2,229

4.5 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term

Liability benchmark

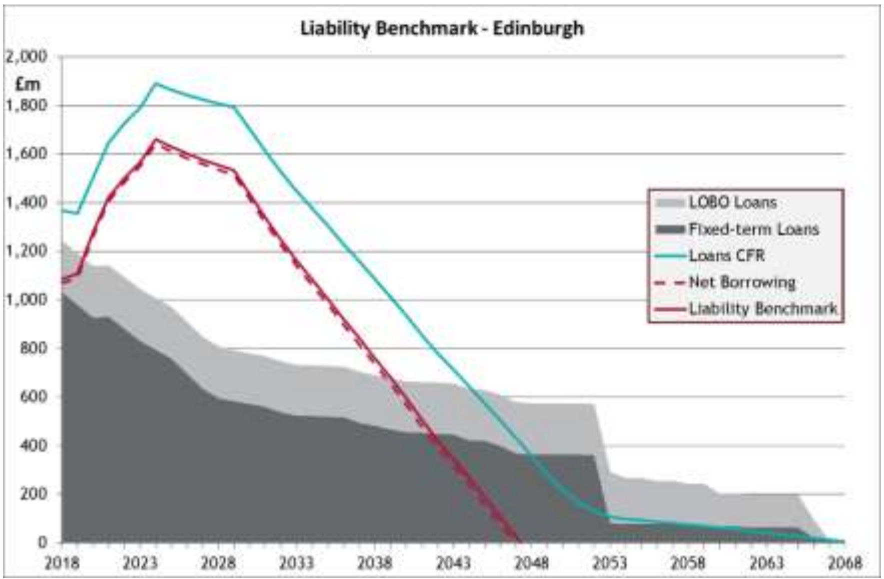
4.6 To compare the Councils actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This benchmark is currently £1,086m and is forecast to rise to £1,503m by March 2022, taking into account existing borrowing requirements.

Table 6: Borrowing and the Liability Benchmark in £ millions

	31.3.2018 actual	**31.3.2019 forecast**	**31.3.2020 forecast**	**31.3.2021 forecast**	**31.3.2022 forecast**
Outstanding borrowing	1,246	1,200	1,160	1,235	1,242
Liability benchmark	1,086.1	1,106.7	1,278.6	1,423.5	1,502.8

4.7 The table shows that, even allowing for the £60m committed market borrowing in 2020/21, the Council is projected to be significantly under its liability benchmark over the period. The Council will require to undertake additional borrowing in the latter years to fund this.

4.8 Figure 1 below show the projection of the Council's benchmark produced by the Council's Treasury Advisors.



Affordable borrowing limit

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

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Authorised limit – borrowing	1,955	1,843	1,935	1,979	1,966	2,039
Authorised limit – PFI and leases	196	362	349	335	322	308
Authorised limit – total external debt	2,151	2,205	2,284	2,314	2,288	2,347
Operational boundary – borrowing	1,475	1,557	1,703	1,780	1,844	1,939
Operational boundary – PFI and leases	196	362	349	335	322	308
Operational boundary – total external debt	1,671	1,919	2,052	2,115	2,166	2,247

Investment strategy

4.10 Treasury investments arise from receiving cash before it is paid out again and through reserves and other fund balances. While the Council has been reducing its investments over recent years, it still has around £200m in temporary investments, although this will reduce further before the end of 2018/19 and further still in the new financial year. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

4.11 The Council’s cash investments are pooled with the sterling cash of Lothian Pension Fund and other associated organisations and invested together. The investment policy for treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Additional liquidity is provided using Money Market Funds.

4.12 Table 6 suggests that without undertaking additional borrowing, the Council will have applied all its temporary investment balances to fund its borrowing requirement by 2019/20. This along with the Cash Fund mandate from Lothian Pension Fund means that the duration of any investments will be limited.

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

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

5. Other Investments and Long-term Liabilities

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

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

Commercial Activities

5.3 The Council retains a commercial property investment portfolio for city development purposes, but also derives financial gain from this activity. The investment portfolio consists of over 1,130 assets and is forecast to produce a rental income of circa £15m for the current financial year. The portfolio is estimated to have a value of circa £230m.

5.4 With economic development being the main objective, the Council accepts higher risk on commercial investment that with treasury investments. The principal risk exposures include voids and falls in capital value. In order to minimise the liability to the Council the portfolio is actively managed on a commercial basis.

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

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

Integration with Wider Financial Strategy

5.7 This capital strategy commits the Council to significant financial expenditure over the medium to long-term. The Council therefore, considers its existing expenditure commitments exposure to other financial risks and pressures prior to setting its capital and revenue budgets.

Risks and reserves

5.8 The Council undertakes an annual review of its risks and reserves in the context of setting the revenue and capital budgets. The most recent such review was reported to the Finance and Resources Committee on 1 February 2019 and set out a number of risks (and associated mitigating actions), including potential cost pressures around demographic-led demand, pay awards and the impacts of other legislative changes, as well as the level of future funding settlements and delivery of approved savings.

5.9 The Council has a reserves strategy aligned to the risks it faces. In addition to maintaining unallocated reserves at a level equal to 1% of gross revenue expenditure, a number of specific statutory and other reserves are maintained. The external auditor's 2017/18 annual report noted that overall reserve levels, taking into account both sums earmarked for specific purposes and the unallocated General Fund balance, were assessed to be adequate based upon the risks the Council faces.

Revenue Budget Implications of Capital Strategy

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

Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
Financing costs (£m) – General Fund Services	112.118	112.597	107.794	102.499	97.947	96.860	n/a
Proportion of net revenue stream	11.63%	11.44%	10.44%	10.28%	9.76%	9.60%	n/a
Financing costs (£m) – Housing Revenue Account	37.918	39.882	42.358	46.370	50.586	55.308	n/a
Proportion of net revenue stream	37.88%	40.48%	42.08%	44.64%	46.96%	49.41%	n/a

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

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

6. Knowledge and Skills

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

6.2 The Finance function, within the Council's Resources Directorate, has qualified accountants working throughout the Division. The accountancy function is an accredited employer with regard to CPD Continuing Professional Development with the following accountancy bodies: CIPFA, CIMA, and ACCA. This accreditation is assessed externally every 3 years. The accounting function has been externally assessed as being a Best Practice Employer with regard to training by CIPFA in recognition of the continuing development opportunities provided to staff. Benchmarking information (2018) shows that the Councils has an above average number of qualified staff compared with other local authorities across the UK with over 66% of staff being qualified or part-qualified. Support is provided for those engaged in study for accounting, treasury and insurance qualifications. The CPD assessment undertaken by CIMA examines the provision of training and guidance available to staff on ethical issues including and whistleblowing and money laundering legislation.

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

6.4 The Property function, within the Council's Resources Directorate, through which the property investment portfolio is managed, has RICS qualified surveyors working across the Division, the majority of which are also members of the Registered Valuers scheme.

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

Finance and Resources Committee

10am, Thursday, 7 March 2019

Annual Treasury Management Strategy 2019/20

Item number	7.4
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 Notes the Annual Treasury Strategy 2019/20 and refers the report to the City of Edinburgh Council for approval of the report and the change to the Cash Fund Treasury Management Policy Statement and subsequent remit by the City of Edinburgh Council to the Governance Risk and Best Value Committee for scrutiny

1.1.2 Notes the following key points in the report:

- The Council's total capital expenditure is forecast to be £2.039bn between 2018/19 and 2023/24 with an underlying need to borrow at 31 March 2024 is forecast to be £1.913bn;
- The Council will continue to fund its Capital Financing Requirement from temporary investment balances over the next year; and
- The opportunity to mitigate future interest rate risk with alternatives to the Public works Loan Board (PWLB) will continue to be sought and the risk locked out where appropriate.

Stephen S. Moir

Executive Director of Resources

Contact: Innes Edwards, Principal Treasury and Banking Manager

E-mail: innes.edwards@edinburgh.gov.uk | Tel: 0131 469 6291

·EDINBVRGH·
THE CITY OF EDINBURGH COUNCIL

Report

Annual Treasury Management Strategy 2019/20

2. Executive Summary

2.1 The report proposes a Treasury Management Strategy for the Council for 2019/20, comprising an Annual Investment Strategy and a Debt Management Strategy. There is a statutory requirement for Council to approve this in advance of the new financial year.

3. Background

3.1 This report sets out a Treasury Management Strategy for 2019/20 including estimates of funding requirements, an economic forecast and borrowing and investment strategies.

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

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

3.3 Treasury Management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code. It also adheres to the statutory requirements in Scotland which require this report, including Capital Programme and Prudential Indicators to be approved by the full Council. Appendix 7 gives details of the capital investment programme and prudential indicators which were approved by Council as part of the budget process.

4. Main report

Capital Expenditure

4.1 Tables A1.1 and A1.2 in Appendix 1 show the anticipated expenditure on capital assets for both General Services and the Housing Revenue Account. The Council's total capital expenditure is forecast to be £2.039bn between 2018/19 and 2023/24. Tables A1.3 and A1.4 detail how this capital expenditure is going to be funded by the Council, showing a total of £1.073bn of new capital advances to be funded from borrowing over the current and next 5 years.

4.2 Members should note that no provision has been made for Trams expenditure in the figures within this report.

Economic Outlook

4.3 Appendix 2 gives an overview of the current economic and market outlook. European and US economies appear weak with market expectations that the expected US interest rate rises this year have been put on hold. In the UK, inflation is around the Bank of England's target rate and although there is some evidence of wage inflation picking up, the course of UK rates is heavily dependent on the outcome of Brexit.

Treasury Management Strategy – Debt

Loans Fund Borrowing Requirement

4.4 Table A1.5 in Appendix 1 shows that the Council's underlying need to borrow (shown as the Cumulative Capital Expenditure funded by borrowing) projected at 31 March 2023 is £1,913m up £540m from the projected out-turn for the current financial year.

4.5 Current projections show that the Council's under-borrowed position is projected to increase from £139m to £174m at the end of the current financial year with the increase being funded by reducing the Council's short term deposits. It is anticipated that the Council can continue to fund its total borrowing requirement in 2019/20 by reducing cash deposits further.

4.6 On top of the £540m increase in capital advances, there is a further £299m in debt maturing by 2024 which will also require to be funded. Even after the committed and planned borrowing shown above, Table A1.5 shows that there is still a substantial level of funding which will require to be secured. Further this only includes capital expenditure which has been approved by Council and not other projects where the business case has yet to be approved.

4.7 The proposed Debt Management Strategy is shown in Appendix 3. Discussions are continuing with banks and other institutions over a range of borrowing options which might assist in mitigating the interest rate risk on the Council's borrowing requirements including forward starting market loans, private placements with delayed draw down, bonds and other products.

4.8 To address the borrowing requirement it is intended, subject to appropriate rates being available, to:

- Fund the 2019/20 requirement by reducing cash deposits further;
- Borrow for each tranche of LLP housing subject to with meeting the viability test for the tranche;
- Seek to mitigate risk on major projects as the requirement becomes more certain.

Loans Fund Repayment Policy

4.9 The Council operates a consolidated loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, and one of the requirements of the Regulations is to report the Council's Loan Fund Repayment Policy. The Policy for 2019/20 is contained in Appendix 4, with appendix 6 setting out debt maturity of existing loans.

Treasury Management – Annual Investment Strategy

4.10 Appendix 5 shows the proposed Annual Investment Strategy. It is intended to continue the current investment strategy which is centred around the security of the investments, taking advantage of longer rates where liquidity allows. Investment will continue to be made via the Cash Fund arrangement.

4.11 Given the significant financial pressure on local authorities and the substantial speculative commercial purchases funded by borrowing made by some authorities, some additional Operational Investment Restrictions in relation to investment with other local authorities have been implemented under the Council's Treasury Management Practices. One of these restrictions has been to limit the maximum amount lent to any individual authority.

4.12 However, it is now considered appropriate to formalise this as a limit in the Policy Statement. It is therefore proposed to remove the no limit criteria on placing deposits with local authorities and replace it with a monetary limit of £50 million with a single authority in Appendix 9. Appendices 8 and 9 show the proposed Treasury Management Policy Statements for The City of Edinburgh and the Cash Fund.

Treasury Management Indictors

4.13 Appendix 7 shows the Indicators required by the Prudential Code which were approved by Council on 21 February.

4.14 Members may be aware that there will be a separate report on the tram considered at the Council meeting in March, at which the Treasury Strategy will also be recommended for approval. The indicators set out in Appendix 7 do not include any implications arising from the tram report and Members are therefore asked to note, that depending on the decision in relation to the tram report, the indicators set out in this report may be superseded.

5. Next Steps

5 1 The success of the Treasury team can be measured by the out-performance of the Treasury Cash Fund against its benchmark of 7-day London Interbank Bid Rate (LIBID) and managing the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

6. Financial impact

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

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

7. Stakeholder/Community Impact

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

8. Background reading/external references

8.1 None

9. Appendices

Appendix 1 – Capital Expenditure and Funding Requirement

Appendix 2 - Economic and Market Outlook

Appendix 3 – Treasury Management – Debt Management Strategy

Appendix 4 – Loans Fund Repayment Policy

Appendix 5 – Treasury Management – Annual Investment Strategy

Appendix 6 – Debt Maturity Profile (January 2019)

Appendix 7 – Prudential Indicators

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

Appendix 9 – Treasury Management Policy Statement – Treasury Cash Fund

Appendix 1

Summary of
Capital Expenditure and Funding Requirement

	Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
General Fund						
Lending for affordable housing	41,365	18,118	75,424	55,104	76,692	22,266
Contingency - Meadowbank Stadium	0	0	0	0	0	7,000
Communities and Families	31,778	116,193	37,667	1,707	165	165
Edinburgh Integration Joint Board	182	239	5,000	5,000	0	0
Place	113,044	141,766	103,314	29,963	31,785	19,835
Resources	3,965	11,706	0	0	0	0
Resources - Asset Management Works	16,081	31,498	30,000	25,516	20,450	14,000
Capital Expenditure as per CIP	206,415	319,520	251,405	117,290	129,092	63,266
Project Phasing Adj (5% of programme) c/fwd	-5,789	-13,376	-8,799	-3,109	-2,620	-2,050
Project Phasing Adj (5% of programme) b/fwd	0	5,789	13,376	8,799	3,109	2,620
Total Capital Expenditure	200,626	311,933	255,982	122,980	129,581	63,836

Table A1.1 - Capital Expenditure on General Services

Note that the Capital Expenditure on General Services includes slippage/acceleration forecasts through to financial year 2023/24 as previously reported

Capital Expenditure - Housing Revenue Account	**Forecast 2018/19 £000**	**Estimate 2019/20 £000**	**Estimate 2020/21 £000**	**Estimate 2021/22 £000**	**Estimate 2022/23 £000**	**Estimate 2023/24 £000**
Housing Revenue Account						
Capital Expenditure (Incl Early Action)	**80,199**	**108,954**	**142,251**	**177,531**	**171,392**	**273,984**

Table A1.2 - Capital Expenditure on the Housing Revenue Account

	Forecast 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000
Receipts -:						
Central Government Grants -:						
Government Capital Grants	49,405	58,675	38,000	38,000	38,000	38,000
Shovel ready grant funding	691	834	0	0	0	0
Cycling, Walking and Safer Streets	49,269	33,877	0	0	0	0
Development Funding	12,400	14,500	10,000	0	0	0
Other Specific Government Grants	765	0	0	0	0	0
Total Central Government Grants	112,530	107,886	48,000	38,000	38,000	38,000
Use of Capital Receipts	18,338	16,318	3,000	3,000	3,000	3,000
Use of Capital Receipts - Transfer to Capital fund for trams	-809	0	0	0	0	0
Other Capital Contributions	7,007	585	0	0	0	0
Draw down of capital fund - per budget update	14,782	6,311	0	0	0	0
Capital Grants Unapplied (CGUA)	958	11,297	0	0	0	0
Capital Grants Unapplied (CGUA) - Transfer to CGUA	-7,306	0	0	0	0	0
Total Receipts	145,500	142,397	51,000	41,000	41,000	41,000
Balance to be funded	55,126	169,536	204,982	81,980	88,581	22,836

Table A1.3 - Funding for General Services Capital Expenditure

	Forecast 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000
Receipts -:						
Central Government Grants -:	11,349	6,810	24,698	16,249	8,848	39,751
Central Government Grant - LLP Homes	4,400	1,716	5,962	3,938	0	0
Total Central Government Grants	**15,749**	**8,526**	**30,660**	**20,187**	**8,848**	**39,751**
Use of Capital Receipts / Grants	5,923	4,517	8,720	9,840	6,500	5,000
CFCR	33,162	23,000	7,200	2,200	2,200	2,200
Capital Receipt from EL	9,156	13,400	71,382	55,104	76,692	22,266
Capital Receipt from EL (future assumptions)	0	0	0	0	0	21,884
Total Receipts	**63,990**	**49,443**	**117,962**	**87,331**	**94,240**	**91,101**
Balance to be Funded	**16,209**	**59,511**	**24,289**	**90,200**	**77,152**	**182,883**

Table A1.4 - Funding for HRA Capital Expenditure

Capital Funding v. External Debt	2017/18 Actual £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000	2023/24 Forecast £000
Debt b/fd	1,299,901	1,245,546	1,199,742	1,159,561	1,235,376	1,241,515	1,269,929
Cumulative Capital Expenditure b/fd	1,413,521	1,384,533	1,373,387	1,525,286	1,670,232	1,749,552	1,813,880
Over/underborrowed b/fd	-113,620	-138,987	-173,645	-365,725	-434,856	-508,037	-543,951
GF Capital Financed by borrowing	14,516	55,126	169,536	204,982	81,980	88,581	22,836
HRA Capital Financed by borrowing	35,077	16,209	59,511	24,289	90,200	77,152	182,883
less scheduled repayments by GF	-58,259	-60,791	-54,495	-58,602	-63,925	-66,298	-67,273
less scheduled repayments by HRA	-17,841	-20,115	-21,976	-24,754	-27,326	-32,622	-36,650
less scheduled repayments by Joint Boards	-2,481	-1,575	-517	-544	-556	-589	-623
less scheduled repayments by LLPs	0	0	-159	-426	-1,052	-1,897	-1,897
Underlying Need to Borrow	**-28,988**	**-11,146**	**151,899**	**144,946**	**79,321**	**64,327**	**99,276**
plus total maturing debt	54,355	54,960	53,581	55,567	48,965	48,278	37,570
Total Borrowing Requirement	**25,367**	**43,814**	**205,480**	**200,513**	**128,286**	**112,605**	**136,846**
Committed market borrowing	0	0	0	60,000	0	0	0
Planned PWLB borrowing for EL advances	0	9,156	13,400	71,382	55,104	76,692	22,266
Debt at end of the year	**1,245,546**	**1,199,742**	**1,159,561**	**1,235,376**	**1,241,515**	**1,269,929**	**1,254,625**
Cumulative Capital Expenditure	**1,384,533**	**1,373,387**	**1,525,286**	**1,670,232**	**1,749,552**	**1,813,880**	**1,913,156**
Cumulative Over/Under Borrowed	**-138,987**	**-173,645**	**-365,725**	**-434,856**	**-508,037**	**-543,951**	**-658,531**

Table A1.5 - Capital Funding v. External Debt

Appendix 2

Economic and Market Outlook

Overview

The UK Economy is growing but only modestly, inflation is very close to the Bank of England's target, and wage growth is picking up. The major shadow over the UK economy continues to be the Brexit negotiations with the EU.

World Economy

While the US economy had been performing well in 2018, it is facing significant short term headwinds. It is likely that US GDP will be affected by the longest government shut down in history following the budget impasse between Congress and the President over the demand for funding a wall along the US-Mexico border. The US and China are also locked in a trade battle with the US imposing tariffs on some Chinese products in 2018 with China doing the same to the US. Following their increase in December the consensus from the Federal Reserve Open Market Committee (FOMC) was that there would probably be a further two interest rate rises in 2019. This is down from an expectation of 3 rises during 2019 at their September meeting. However, a combination of equity market weakness, the likelihood of an inverted Treasury yield curve and a more tempered 'data dependent' Fed outlook, not to mention a US President openly criticising Fed Policy, led to markets taking a much more negative outlook. Figure A2.1 shows a snap shot of the Eurodollar spreads taken in December following the FOMC meeting. It implies that the market has gone from anticipating more than 2 increases in 2019 to less than one and was also pricing in the probability of even that being reversed in 2020.

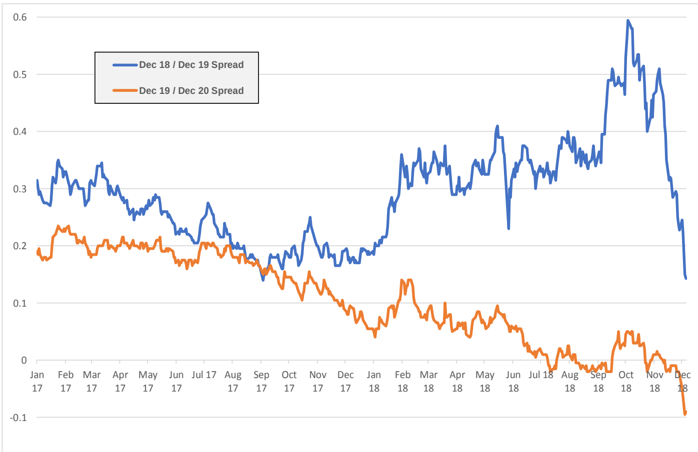


Figure A2.1 – Eurodollar Spreads

Source: Reuters

Mario Draghi, President of the European Central Bank (ECB), has described the outlook as becoming more overcast for the Eurozone economy. Data had been weaker than expected and risks to growth have increased.

UK Inflation Outlook

Figure A2.2 below shows CPI and RPI since March 2004 and CPIH (CPI including owner occupier housing costs), which was reinstated as a national statistic in July 2017, since 2009.

Figure A2.2 – CPIH, CPI and RPI

Source: ONS

The Government’s preferred measure of inflation, CPI, was 2.1% in December 2018 down from the 2.3% the previous month. With inflation being very close to the MPC’s target of 2%, there is further scope for the Bank of England to keep interest rates on hold until it is clearer how Brexit will affect the economy.

As can be seen in Figure A2.3 above transport costs declined due to lower fuel costs as petrol hit its lowest price since April 2018. Air fares also contributed with seasonal prices not rising as much as they did the previous year.

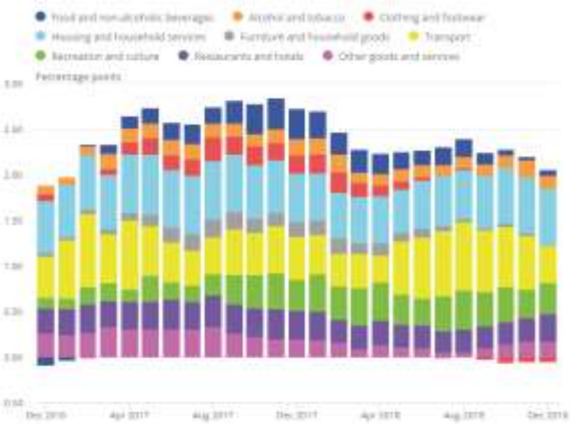


Figure A2.3 – Contributions to CPIH Dec 16 to Dec 18

Source: ONS

Interest Rate Outlook

Table A2.1 below shows the Reuters poll of up to 68 economists, taken 14 January, showing their forecasts for UK Bank Rate until Quarter 2 2020. This indicates most economists polled believe that the UK Bank Rate will increase to 1% during Quarter 3 2019 and then another increase through Quarter 1 2020.

	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
Median	0.75	0.75	1	1	1.25	1.25
Mean	0.76	0.87	0.94	1.03	1.15	1.23
Mode	0.75	0.75	1	1	1.25	1.25
Min	0.75	0.75	0.75	0.75	0.75	0.75
Max	1	1	1.25	1.25	1.50	1.75
Count	68	65	63	65	50	41

Table A2.1 – Economic Forecasts for UK Bank Rate

Source: Reuters

The Treasury section hold the view that there may be an increase in UK Bank Rate towards the Summer which would be extremely dependant on how Brexit plans affect the economic situation over that time.

The European Central Bank (ECB) maintained its benchmark interest rate at 0% since March 2016 and its overnight deposit rate also remained at -0.40%. The Bank has also confirmed it would stop buying government bonds nearly four years after announcing the quantitative easing programme. Annualised inflation in the Euro Area for the year to December is expected to be 1.6%, below market expectations of 1.8% and below the ECB's target of close to 2%. GDP growth in the 3rd quarter of 2018 was 0.2% which is a reduction from the previous quarters growth of 0.4% and the weakest growth since the 2nd quarter of 2014.

Appendix 3

Treasury Management Strategy – Debt Management

Overview

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

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

Loans Fund Borrowing Requirement

Table A1.5 in Appendix 1 shows the anticipated out-turn for the current year and summarises how much the Council needs to borrow for the following five years, based on the capital investment programme summarised in Tables A1.1 to A1.4 (Appendix 1).

Table A1.5 shows that the Council's underlying need to borrow (shown as the Cumulative Capital Expenditure funded by borrowing) projected at 31 March 2023 is £1,913m up £540m from the projected out-turn for the current financial year. A significant amount of this is represented by the anticipated lending to the LLPs for affordable housing. The lending will be backed by the income stream to the LLPs from rents as well as surety over the properties. The planned PWLB borrowing above assumes that CEC will undertake back to back external PWLB borrowing to mitigate the Council's interest rate risk on the capital advances in relation to the LLPs' acquisition of housing. The £60m committed market borrowing is the forward starting loan agreed with PBB which was agreed in August 2018 with the monies to be drawn down in October 2020. It should be noted that PBB have notified the Council of their withdrawal from providing further forward loans.

Current projections show that the Council's under-borrowed position is projected to increase from £139m to £174m at the end of the current financial year with the increase being funded by reducing the Council's short term deposits. It is anticipated that the Council can continue to fund its total borrowing requirement in 2019/20 by reducing cash deposits further. However, on top of the £540m increase in capital advances, there is a further £299m in debt maturing by 2024 which will also require to be funded. Even after the committed and planned borrowing shown above, Table 1.5 shows that there is still a substantial level of funding which will require to be secured. Further this only includes capital expenditure which has been approved by Council and not other projects where the business case has yet to be approved.

The Council has completed borrowing to lock out interest rate exposure on funding required for Edinburgh Living LLP. As set out in the 2018/19 Treasury Strategy the borrowing was carried out as the loan to the LLP was completed to mitigate interest rate risk. This borrowing from the PWLB was the first undertaken since mid-December 2012. Figure A3.1 below shows the interest rates for borrowing new maturity loans from the Government via the Public Works Loans Board since 2009.

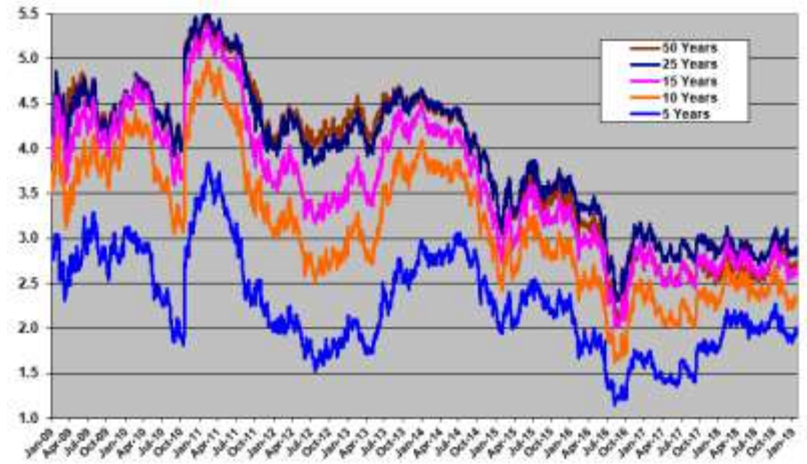


Figure A3.1 – PWLB Borrowing Rates

Source: PWLB

Figure A3.1 shows that although the PWLB borrowing rates have been volatile since the start of 2018, in line with bond yields globally. The UK economy is only growing moderately and there are significant risks due to Brexit, there is also significant risk to the upside on borrowing rates. Discussions are therefore continuing with banks and other institutions over a range of borrowing options which might assist in mitigating the interest rate risk on the Council's borrowing requirements including forward starting market loans, private placements with delayed draw down, bonds and other products.

To address the borrowing requirement it is intended, subject to appropriate rates being available, to:

- Fund the 2019/20 requirement by reducing cash deposits further;
- Borrow for each tranche of LLP housing subject to with meeting the viability test for the tranche;
- Seek to mitigate risk on major projects as the requirement becomes more certain.

Appendix 6 lists the maturity of the Council's debt as of January 2019.

It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowing as follows. Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate:

	Upper Limit	Lower Limit
	%	**%**
under 12 months	25	0
12 months and within 24 months	25	0
24 months and within 5 years	50	0
5 years and within 10 years	75	0
10 years and above	100	0

Table A3.1 – Upper and Lower Limits on Borrowing

The Council currently has no investments over 365 days. The maximum total principal sum which may be invested with a maturity of up to 3 years is £100m.

In relation to Gross and Net Debt, the Council will continue its current practice of monitoring throughout the year that the projected Gross Debt position for the financial year does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

Appendix 4

Loans Fund Repayment Policy

The Council operates a consolidated loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. Capital payments made by services are financed by capital advances from the loans fund.

With the exception of advances in relation to Edinburgh Living LLPs, all advances from the loans fund in the current year have a repayment profile set out using Option 1 – the statutory method. These capital advances along with previous years' advances from the loans fund are being repaid using the previous hybrid annuity structure with fixed principal repayments.

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

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

The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend. Table A1.5 (Appendix 1) shows the cumulative, current and projected capital advances from the loans fund.

Appendix 5

Treasury Management – Annual Investment Strategy

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

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

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

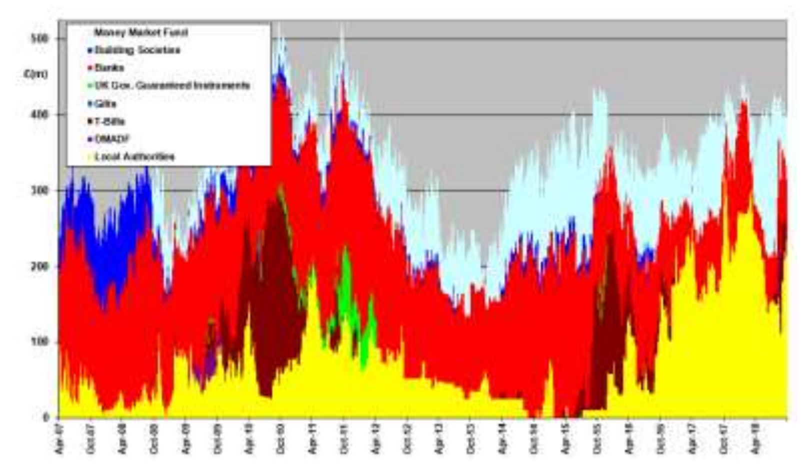


Figure A5.1 – Counterparty Analysis of Cash Fund Monies

As can be seen in Figure A5.1 above the bulk of investments within the Cash Fund is currently invested in Local Authority deposits.

In considering cash fund investment, consideration has to be given to the level of risk that is being taken on to generate the investment return. Figure A5.2 below is taken from a presentation by the Council's Treasury Advisors and shows the Council's position amongst their client on Credit Risk v. return at the end of the quarter. It shows that the Cash Fund had slightly above average return but with almost a full standard deviation less credit risk. It also indicates more generally that taking additional credit risk doesn't in itself necessarily generate additional return.

Figure A5.2 – Cash Fund Risk v Return

Sou rce: Arlingclose

It is intended to continue the current investment strategy centred around the security of the investments, taking advantage of longer rates where liquidity allows. Investment will continue to be made via the Cash Fund arrangement.

Treasury Policy Statement - Investments with other Local Authorities

As noted above, the Council has placed a significant level of investments as loans to other local authorities. The Council has generally taken the view that investment with another local authority represents pseudo-sovereign investment, and in any case the loans are secured against all the revenues of the borrowing authority. This has helped significantly in delivering the relative outperformance in risk / return chart in Figure A5.2.

We continue to believe that it is extremely unlikely that a local authority would be allowed to fail. However, given the significant financial pressure on authorities and the substantial speculative commercial purchases funded by borrowing made by some authorities, some additional Operational Investment Restrictions in relation to investment with other local authorities have been introduced under the Council's Treasury Management Practices. One of these restrictions was to limit the amount lent to any individual authority. It is now considered appropriate to formalise this as a limit in the Cash Fund Treasury Management Policy Statement.

It is therefore proposed to remove the no limit criteria on placing deposits with local authorities in the Policy Statement and replace it with a monetary limit of £50 million with a single authority.

Appendix 6

Debt Maturity Profile as at January 2019

Market Debt (non LOBO)

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
30/06/2005	M	30/06/2065	5,000,000.00	4.4	220,000.00
07/07/2005	M	07/07/2065	5,000,000.00	4.4	220,000.00
21/12/2005	M	21/12/2065	5,000,000.00	4.99	249,500.00
28/12/2005	M	24/12/2065	12,500,000.00	4.99	623,750.00
14/03/2006	M	15/03/2066	15,000,000.00	5	750,000.00
18/08/2006	M	18/08/2066	10,000,000.00	5.25	525,000.00
01/02/2008	M	01/02/2078	10,000,000.00	3.95	395,000.00
			62,500,000.00		

Market Debt (LOBO)

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
12/11/1998	M	13/11/2028	3,000,000.00	4.75	142,500.00
15/12/2003	M	15/12/2053	10,000,000.00	5.25	525,000.00
18/02/2004	M	18/02/2054	10,000,000.00	4.54	454,000.00
28/04/2005	M	28/04/2055	12,900,000.00	4.75	612,750.00
25/02/2011	M	25/02/2060	15,000,000.00	7.373	562,228.77
25/02/2011	M	25/02/2060	10,000,000.00	7.373	374,819.18
26/02/2010	M	26/02/2060	5,000,000.00	7.343	183,930.82
26/02/2010	M	26/02/2060	10,000,000.00	7.343	367,861.64
01/07/2005	M	01/07/2065	10,000,000.00	3.86	386,000.00
24/08/2005	M	24/08/2065	5,000,000.00	4.4	220,000.00
07/09/2005	M	07/09/2065	10,000,000.00	4.99	499,000.00
13/09/2005	M	14/09/2065	5,000,000.00	3.95	197,500.00
03/10/2005	M	05/10/2065	5,000,000.00	4.375	218,750.00
23/12/2005	M	23/12/2065	10,000,000.00	4.75	475,000.00
06/03/2006	M	04/03/2066	5,000,000.00	4.625	231,250.00
17/03/2006	M	17/03/2066	10,000,000.00	5.25	525,000.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
07/04/2006	M	07/04/2066	10,000,000.00	4.75	475,000.00
05/06/2006	M	07/06/2066	20,000,000.00	5.25	1,050,000.00
05/06/2006	M	07/06/2066	16,500,000.00	5.25	866,250.00
			212,400,000.00		

PWLB

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
14/03/1994	M	11/03/2019	2,997,451.21	7.625	228,555.65
18/10/1993	M	25/03/2019	5,000,000.00	7.875	393,750.00
30/03/2009	M	30/03/2019	5,000,000.00	3.46	173,000.00
21/04/2009	M	21/04/2019	10,000,000.00	3.4	340,000.00
23/04/2009	M	23/04/2019	5,000,000.00	3.38	169,000.00
12/11/2008	A	12/11/2019	548,774.19	3.96	37,454.51
23/03/1994	M	15/11/2019	5,000,000.00	8	400,000.00
07/12/1994	M	15/11/2019	10,000,000.00	8.625	862,500.00
01/12/2008	A	01/12/2019	541,108.45	3.65	34,080.14
01/12/2009	M	01/12/2019	5,000,000.00	3.77	188,500.00
14/12/2009	M	14/12/2019	10,000,000.00	3.91	391,000.00
15/02/1995	M	25/03/2020	5,000,000.00	8.625	431,250.00
21/04/2009	M	21/04/2020	10,000,000.00	3.54	354,000.00
12/05/2009	M	12/05/2020	10,000,000.00	3.96	396,000.00
21/10/1994	M	15/05/2020	5,000,000.00	8.625	431,250.00
07/12/1994	M	15/05/2020	5,000,000.00	8.625	431,250.00
21/11/2011	M	21/05/2020	15,000,000.00	2.94	441,000.00
16/08/1995	M	03/08/2020	2,997,451.21	8.375	251,036.54
09/12/1994	M	15/11/2020	5,000,000.00	8.625	431,250.00
10/05/2010	A	10/05/2021	1,288,737.50	3.09	51,171.00
21/10/1994	M	15/05/2021	10,000,000.00	8.625	862,500.00
10/03/1995	M	15/05/2021	11,900,000.00	8.75	1,041,250.00
12/06/1995	M	15/05/2021	10,000,000.00	8	800,000.00
02/06/2010	M	02/06/2021	5,000,000.00	3.89	194,500.00
16/08/1994	M	03/08/2021	2,997,451.21	8.5	254,783.35
28/04/1994	M	25/09/2021	5,000,000.00	8.125	406,250.00
23/04/2009	M	23/04/2022	5,000,000.00	3.76	188,000.00
12/06/1995	M	15/05/2022	10,200,000.00	8	816,000.00
14/06/2010	M	14/06/2022	10,000,000.00	3.95	395,000.00
31/03/1995	M	25/09/2022	6,206,000.00	8.625	535,267.50
16/02/1995	M	03/02/2023	2,997,451.21	8.625	258,530.17
24/04/1995	M	25/03/2023	10,000,000.00	8.5	850,000.00
05/12/1995	M	15/05/2023	5,200,000.00	8	416,000.00
20/09/1993	M	14/09/2023	2,997,451.21	7.875	236,049.28
20/09/1993	M	14/09/2023	584,502.98	7.875	46,029.61
08/05/1996	M	25/09/2023	10,000,000.00	8.375	837,500.00
13/10/2009	M	13/10/2023	5,000,000.00	3.87	193,500.00
05/12/1995	M	15/11/2023	10,000,000.00	8	800,000.00
10/05/2010	M	10/05/2024	10,000,000.00	4.32	432,000.00
28/09/1995	M	28/09/2024	2,895,506.10	8.25	238,879.25
14/05/2012	M	14/11/2024	10,000,000.00	3.36	336,000.00
14/12/2009	A	14/12/2024	4,660,747.41	3.66	189,384.93
17/10/1996	M	25/03/2025	10,000,000.00	7.875	787,500.00
10/05/2010	M	10/05/2025	5,000,000.00	4.37	218,500.00
16/11/2012	M	16/05/2025	20,000,000.00	2.88	576,000.00
13/02/1997	M	18/05/2025	10,000,000.00	7.375	737,500.00

20/02/1997	M	15/11/2025	20,000,000.00	7.375	1,475,000.00
01/12/2009	A	01/12/2025	7,633,241.52	3.64	303,629.98
21/12/1995	M	21/12/2025	2,397,960.97	7.875	188,839.43
21/05/1997	M	15/05/2026	10,000,000.00	7.125	712,500.00
28/05/1997	M	15/05/2026	10,000,000.00	7.25	725,000.00
29/08/1997	M	15/11/2026	5,000,000.00	7	350,000.00
24/06/1997	M	15/11/2026	5,328,077.00	7.125	379,625.49
07/08/1997	M	15/11/2026	15,000,000.00	6.875	1,031,250.00
13/10/1997	M	25/03/2027	10,000,000.00	6.375	637,500.00
22/10/1997	M	25/03/2027	5,000,000.00	6.5	325,000.00
13/11/1997	M	15/05/2027	3,649,966.00	6.5	237,247.79
17/11/1997	M	15/05/2027	5,000,000.00	6.5	325,000.00
13/12/2012	M	13/06/2027	20,000,000.00	3.18	636,000.00
12/03/1998	M	15/11/2027	8,677,693.00	5.875	509,814.46
06/09/2010	M	06/09/2028	10,000,000.00	3.85	385,000.00
14/07/2011	M	14/07/2029	10,000,000.00	4.9	490,000.00
14/07/1950	E	03/03/2030	2,906.90	3	92.90
14/07/2011	M	14/07/2030	10,000,000.00	4.93	493,000.00
15/06/1951	E	15/05/2031	2,929.45	3	93.16
06/09/2010	M	06/09/2031	20,000,000.00	3.95	790,000.00
15/12/2011	M	15/06/2032	10,000,000.00	3.98	398,000.00
15/09/2011	M	15/09/2036	10,000,000.00	4.47	447,000.00
22/09/2011	M	22/09/2036	10,000,000.00	4.49	449,000.00
10/12/2007	M	10/12/2037	10,000,000.00	4.49	449,000.00
08/09/2011	M	08/09/2038	10,000,000.00	4.67	467,000.00
15/09/2011	M	15/09/2039	10,000,000.00	4.52	452,000.00
06/10/2011	M	06/10/2043	20,000,000.00	4.35	870,000.00
09/08/2011	M	09/02/2046	20,000,000.00	4.8	960,000.00
23/01/2006	M	23/07/2046	10,000,000.00	3.7	370,000.00
23/01/2006	M	23/07/2046	10,000,000.00	3.7	370,000.00
19/05/2006	M	19/11/2046	10,000,000.00	4.25	425,000.00
07/01/2008	M	07/01/2048	5,000,000.00	4.4	220,000.00
27/01/2006	M	27/07/2051	1,250,000.00	3.7	46,250.00
16/01/2007	M	16/07/2052	40,000,000.00	4.25	1,700,000.00
30/01/2007	M	30/07/2052	10,000,000.00	4.35	435,000.00
13/02/2007	M	13/08/2052	20,000,000.00	4.35	870,000.00
20/02/2007	M	20/08/2052	70,000,000.00	4.35	3,045,000.00
22/02/2007	M	22/08/2052	50,000,000.00	4.35	2,175,000.00
08/03/2007	M	08/09/2052	5,000,000.00	4.25	212,500.00
30/05/2007	M	30/11/2052	10,000,000.00	4.6	460,000.00
11/06/2007	M	11/12/2052	15,000,000.00	4.7	705,000.00
12/06/2007	M	12/12/2052	25,000,000.00	4.75	1,187,500.00
05/07/2007	M	05/01/2053	12,000,000.00	4.8	576,000.00
25/07/2007	M	25/01/2053	5,000,000.00	4.65	232,500.00
10/08/2007	M	10/02/2053	5,000,000.00	4.55	227,500.00
24/08/2007	M	24/02/2053	7,500,000.00	4.5	337,500.00
13/09/2007	M	13/03/2053	5,000,000.00	4.5	225,000.00
12/10/2007	M	12/04/2053	5,000,000.00	4.6	230,000.00
05/11/2007	M	05/05/2057	5,000,000.00	4.6	230,000.00
15/08/2008	M	15/02/2058	5,000,000.00	4.39	219,500.00

25/01/2019	A	25/01/2059	2,734,495.00	2.65	72,206.89
02/12/2011	M	02/12/2061	5,000,000.00	3.98	199,000.00
			930,189,902.52		

SALIX

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
07/01/2015	E	01/09/2021	236,871.42	0	0.00
31/03/2015	E	01/04/2023	811,303.83	0	0.00
22/09/2015	E	01/10/2023	219,799.70	0	0.00
			1,267,974.95		

Appendix 7
PRUDENTIAL INDICATORS
Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2017/18 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	Capital Expenditure - General Services						
	2017/18 Actual £000	**2018/19 Estimate £000**	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**
Rolled Forward Capital Investment Programme							
Council Wide / Corporate Projects	364	0	0	0	0	0	0
Estimated slippage / acceleration in total programme	0	-5,789	0	0	0	0	0
Lending	6,470	41,365	18,118	75,424	55,104	76,692	22,266
Communities and Families	35,989	31,778	86,757	37,667	1,707	165	165
Edinburgh Integrated Joint Board	496	182	4,239	5,000	5,000	0	0
Place	85,267	113,044	141,766	103,314	29,963	31,785	19,835
Resources							
General	3,503	3,965	11,706	0	0	0	0
Asset Management Works	10,990	16,081	31,498	30,000	25,516	20,450	14,000
Contingency - Meadowbank Stadium	0	0	0	0	0	0	7,000
Budget Motion Recommendations							
Local Development Plan (LDP) - allocations							
Rising School Rolls	0	0	6,000	0	0	0	0
New LDP Primary Schools - design and enabling works	0	0	525	0	0	0	0
Contingency - Darroch	0	0	6,000	0	0	0	0
New / Amended Projects							
Reduction in Care Home budget	0	0	-4,000	0	0	0	0
St Catherine's PS replacement	0	0	12,802	0	0	0	0
Rising School Rolls	0	0	609	0	0	0	0
New LDP Primary Schools - design and enabling works	0	0	3,500	0	0	0	0
Total General Services Capital Expenditure	**143,079**	**200,626**	**319,520**	**251,405**	**117,290**	**129,092**	**63,266**

Note that the 2019-2024 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the nine month stage.

	Capital Expenditure - Housing Revenue Account (HRA)						
	2017/18 Actual £000	**2018/19 Estimate £000**	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**
Housing Revenue Account	72,816	80,199	108,954	142,251	177,531	171,392	273,984

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2017/18 are:

	Ratio of Financing Costs to Net Revenue Stream						
	2017/18 Actual %	**2018/19 Forecast** %	**2019/20 Estimate** %	**2020/21 Estimate** %	**2021/22 Estimate** %	**2022/23 Estimate** %	**2023/24 Estimate** %
General Services	11.63	11.44	10.44	10.28	9.76	9.60	n/a
Housing Revenue Account (HRA)	37.88	40.48	42.08	44.64	46.96	49.41	n/a

Note: Figures for 2020/2 onwards as the Council has not set a General Services or HRA budget for these years. The figures for General Services are based on the current long term financial plan. HRA figures are based on the business plan which was reported to Finance and Resources Committee on 1 February 2019.

The estimates of financing costs include current commitments and the proposals in this budget.

Indicator 3 - Capital Financing Requirement

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2019 are:

	Capital Financing Requirement						
	2017/18 Actual £m	**2018/19 Forecast £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**
General Services	1,128	1,209	1,347	1,403	1,351	1,287	1,211
Housing Revenue Account (HRA)	381	378	415	415	478	522	669
NHT LLPs	67	99	104	108	108	108	108
Edinburgh Living LLPs	-	9	22	93	147	222	241

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

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.

In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

	Gross Debt and the Capital Financing Requirement						
	2017/18 Actual £m	**2018/19 Forecast £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**
Gross Debt	1,439	1,523	1,516	1,583	1,580	1,600	1,577
Capital Financing Requirements	1,576	1,695	1,888	2,019	2,084	2,139	2,229
(Over) / under limit by:	137	172	372	436	504	539	652

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

Indicator 4 - Authorised Limit for External Debt

The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. In respect of its external debt, it is recommended that Council approves the following authorised limits for its total external debt gross of investments for the next five financial years. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council is asked to approve these limits and to delegate authority to the Head of Finance, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

	Authorised Limit for External Debt				
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£m	**£m**	**£m**	**£m**	**£m**
Borrowing	1,843	1,935	1,979	1,966	2,039
Credit Arrangements	362	349	335	322	308
	2,205	2,284	2,314	2,288	2,347

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

Indicator 5 - Operational Boundary for External Debt

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

	Operational Boundary for External Debt				
	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Borrowing	1,557	1,703	1,780	1,844	1,939
Credit Arrangements	362	349	335	322	308
	1,919	2,052	2,115	2,166	2,247

The Council's actual external debt at 31 March 2018 was £1,476.439m, comprising borrowing (including sums repayable within 12 months). Of this sum, £12.759m relates to borrowing carried out by the Council on behalf of the former Police and Fire Joint Boards.

In taking its decisions on this budget, the Council is asked to note that the estimate of capital expenditure determined for 2019/20 (see paragraph 1 above) will be the statutory limit determined under section 35(1) of the Local Government (Scotland) Act 2003.

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

Under the changes to the Prudential Code which came into force in December 2017, the requirement to measure and report on the incremental impact on the Council Tax / rents was removed from the Code. The authority can set its own local indicators to measure the affordability of its capital investment plans. The Head of Finance considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2018/19 and in the longer term financial frameworks.

	Loans Charges Liability				
	2019/20 Estimate £000	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**
Loans Fund Interest Rate 5.05%					
General Services					
Loans Fund Advances in year	159,005	124,981	116,444	33,258	11,400
Year 1 - interest only	4,019	3,159	2,972	849	291
Year 2 - principal and interest	12,812	10,071	9,422	2,691	922
Housing Revenue Account (HRA)					
Loans Fund Advances in year (excluding borrowing for LLP programme **)	59,511	24,289	90,200	77,152	182,883
Year 1 - interest only	1,504	614	2,280	1,950	4,623
Year 2 - principal and interest	4,312	2,137	6,306	5,463	12,387

* From 2021/22 loans charges will not automatically be calculated on an annuity basis. The Year 2 figures show are the maximum loans charge implications in any financial year.

** The loans charges associated with the borrowing required for the house building programme for onward transferred to the LLPs will be met from the LLPs and does therefore not have a net impact on the HRA revenue budget.

Consideration of options for the capital programme

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

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

Appendix 8

The City of Edinburgh Council

Treasury Management Policy Statement

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

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

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

Approved Activities
The Council defines its treasury management activities as:

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

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

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

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

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

Treasury Management Strategy

The treasury management strategy for the cash fund is to:

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

Approved Sources of Finance

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

- Bank Overdraft
- Temporary Loans
- Loans from the Public Works Loan Board
- Loans from the European Community institutions
- Long-Term Market Loans
- Bonds
- Stock Issues
- Negotiable Bonds
- Internal (Capital Receipts and Revenue Balances)
- Commercial Paper
- Medium Term Notes
- Finance and Operating Leases
- Deferred Purchase Covenant Agreements
- Government and European Community Capital Grants
- Lottery Monies
- Public and Private Partnership funding initiatives

Permitted Instruments

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

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

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

The Head of Finance, as the Council's Statutory Chief Financial Officer, may invest monies in accordance with the Council's requirements only by using the following instruments:

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

(b) Money Market Funds

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

(d) Investment Properties

(e) Loans to Other Organisations

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

(g) Loans to / investment in the Loan Stock of Council Companies

(h) Investment in Shared Equity Housing Schemes

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

Approved Organisations for Investment

The approved counterparty limits are as follows:

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

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

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

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

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

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

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

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

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

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

Reporting Arrangements

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

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

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

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

(d) Ad hoc reports according to need.

Type of Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. Money Market Funds (MMFs) **(low/medium risk)**	Pooled cash investment vehicle which provides short term liquidity. It is difficult to effectively monitor the underlying counterparty exposure, so will be sparingly used.	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a "AAA" rated status from either Fitch, Moody's or Standard & Poors.
c. Call account deposit accounts with financial institutions (banks and building societies) **(Risk is dependent on credit rating)**	These tend to be moderately low risk investments, but will exhibit higher risks than the category (a) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice. These will be used to provide the primary liquidity source for Cash Management	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence
d. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	The risk on these is determined, but will exhibit higher risks than category (a) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
e. Investment properties	These are non-service properties which are being held solely for a longer term rental income stream or capital appreciation. These are highly illiquid assets with high risk to value (the potential for property prices to fall).	Property holding will be re-valued regularly and reported annually with gross and net rental streams.
f. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit substantial credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
g. Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit significant credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.

h. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.
i. Investment in Shared Equity Schemes	These are service investments which exhibit property market risk and are likely to be highly illiquid, with funds tied up for many years.	Each scheme investment requires Member approval and each decision will be supported by the service rational behind the investment and the likelihood of loss.
j. Investment in the Subordinated Debt of projects delivered via the “Hubco” model	These are investments which are exposed to the success or failure of individual projects and are highly illiquid	The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project’s term

Appendix 9

The City of Edinburgh Council

Treasury Cash Fund

Treasury Management Policy Statement

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

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

Treasury Management Strategy

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

Permitted Instruments

The Head of Finance, as the Council's Statutory Section 95 Chief Financial Officer, may invest monies in accordance with the Council's requirements only by using the following instruments:

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

(b) UK Treasury Bills

(c) Gilt-edged securities

(d) Reverse Repurchase Agreements

(e) Money Market Funds and Bond Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to the above limits, no more than 25% of assets under management will have a maturity greater than 1 year.

In considering an investment, consideration is given to a wide range of information, not simply the credit ratings of the institution being considered. This will include financial information on the institution, relevant Credit Default Swaps and equity pricing data, and the general macro-economic, market and sector background. The investment risks and controls to mitigate those risks are outlined to the end of this document.

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

Reporting Arrangements

This will include, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Head of Finance, as the statutory Section 95 Chief Financial Officer, will report to the Council as follows:

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

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

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

(d) Ad hoc reports according to need.

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

depending on period & credit rating)	investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	primarily by credit ratings from Fitch, Moody's and Standard and Poors On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
i. Certificates of deposits with financial institutions **(risk dependent on credit rating)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a) to (d) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
j. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
k. Bonds **(Low to medium risk depending on period & credit rating)**	This entails a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. Bonds may also carry an explicit Government Guarantee.
l. Floating Rate Notes **(Low to medium risk depending on credit rating)**	These are Bonds on which the rate of interest is established periodically with reference to short term interest rates.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. Will be used in an increasing interest rate environment but only for a limited proportion of the portfolio.
m. Commercial Paper **(Low to medium risk depending on credit rating)**	These are short term promissory notes issued at a discount par. They entail a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. They are relatively short maturity.

n. Secured Investments **(relatively low risk due to dual recourse)**	These include Reverse Purchase Agreements (Repo) and Covered Bonds issued by banks and building societies.	Both Repo and Covered Bonds provide opportunities to lower credit risk by having any exposure supported by an enhanced level of high quality collateral such as Gilts in the case of Repo. The lower credit risk is reflected in the Cash Fund being able to invest larger % or value amounts as shown in the criteria for financial institutions in (k).

Finances and Resources Committee

10.00am, Thursday 7 March 2019

Edinburgh Tram York Place to Newhaven Project – Infrastructure and Systems Contract – Award of Contract

Item number	7.5
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 Approves the award of Contract to Sacyr Farrans Neopul Joint Venture (SFN JV) for the notional contract sum of £105,915,617.50 for the Edinburgh Tram York Place to Newhaven Project – Infrastructure and Systems Contract subject to approval by Full Council of the Final Business Case (FBC) for the Project on 14 March 2019. This cost is based on a tendered target cost for works which will be fully developed over the course of a six-month Early Contractor Involvement (ECI) Period where SFN JV will work closely with the Project Team to test buildability, undertake surveys, value engineer and develop further innovation into their design.

Paul Lawrence

Executive Director of Place

Contact: Hannah Ross, Senior Responsible Officer

E-mail: hannah.ross@edinburgh.gov.uk | Tel: 0131 529 4810

EDINBVRGH THE CITY OF EDINBURGH COUNCIL

Report

Edinburgh Tram York Place to Newhaven Project – Infrastructure and Systems Contract – Award of Contract

2. Executive Summary

2.1 On 21 September 2017, the Council approved a series of activities for the completion of a Final Business Case (FBC) for the Edinburgh Tram York Place to Newhaven Project which included the commencement of a procurement process for the main Infrastructure and Systems (I&S) Contract. This report seeks the approval of the Finance and Resources Committee to approve the outcome of the procurement process and award a contract to SFN JV for the notional contract value of £105,915,617.50 subject to approval of the FBC at Full Council on 14 March 2019.

3. Background

3.1 On 13 February 2017, Commercial and Procurement Services, in conjunction with the Trams to Newhaven Project team and its advisors, commenced market research for the Edinburgh Tram York Place to Newhaven Project by placing a Prior Information Notice (PIN) in the Official Journal of the European Union to inform the Outline Business Case. The PIN included an option for interested contractors to respond to a questionnaire and attend sessions with the Project Team to participate in finalising a procurement strategy for the Project.

3.2 17 organisations returned questionnaires with 11 attending the face to face sessions focussed on the market opportunity, scope of the procurement process, quality cost ratio, risk transfer, innovation, and whole life costing. The feedback from these sessions allowed the Council to finalise a procurement strategy for the Project.

3.3 The most appropriate route to market was assessed to be dividing the Project into two Lots – Lot 1 would seek applications for the Main Infrastructure and Systems Contract and Lot 2 would seek applications for a Swept Path Contract.

3.4 This outline contracting strategy was approved at Full Council on 21 September 2017 and approval to proceed with the procurement granted. This report provides the outcome of that procurement process and recommends that Finance and Resources Committee approve the contract award for Lot 1 – Infrastructure and

Systems Contract to the most economically advantageous bidder, SFN JV, a fully integrated joint venture between Sacyr UK, Farrans Construction and Neopul.

4. Main report

4.1 The City of Edinburgh Council wishes to appoint a suitably qualified and experienced contractor for the I&S Contract works for the Edinburgh Tram York Place to Newhaven Project. The scope of the I&S Contract is for the design and construction, systems integration, testing, commissioning and bringing into operational service of the Edinburgh Tram York Place to Newhaven Project.

4.2 Commercial and Procurement Services, in conjunction with the Trams to Newhaven Project Team and its advisors, has conducted the procurement process in accordance with the negotiated procedure as set out in the Utilities Contracts (Scotland) Regulations 2016.

4.3 In response to a contract notice published on the Public Contracts Scotland portal and in the Official Journal of the European Union on 25 October 2017, seven applicants applied to be prequalified to receive an invitation to tender. The prequalification submissions were individually evaluated by the eight members of the prequalification evaluation team, against the five selection criteria and the scoring matrix included in the Procurement Information Document. The financial and economic standing of the applicants was also evaluated.

4.4 Following this evaluation, the top four ranked applicants were invited to tender. The number of tenderers was based on a desire to ensure sufficient market interest by not having too many tenderers, balanced by a desire to ensure sufficient competitive tension in the process whilst having cover in the event of the withdrawal of one or more tenderers during the process. All four tenderers were strong candidates with experience in the successful delivery of tram projects in the UK and Europe.

4.5 During the tender period, two tenderers withdrew, citing difficulties with getting their internal governance approval for the responsibilities and liabilities they were required to undertake under the terms of the Contract.

4.6 The invitation to tender noted that the Contract would be awarded based on the most economically advantageous tender with 40% of the overall score being given to quality and 60% given to price. This ratio was determined based on the value of the Contract and the high level of detail available to the tenderers in terms of the scope of work and reference design and approved by the Project Board.

4.7 Tenders were received from the remaining two tenderers on 7 September 2018. These tenders were then evaluated in accordance with the evaluation criteria set out in the invitation to tender.

4.8 Following the initial quality evaluation of the tenders, the evaluation team identified some areas for enhancement in both tenders and some areas requiring clarification.

In response to this the Project Team, in consultation with the Project Board, the Council Leadership Team and elected members, took a decision to run a Best and Final Offer (BAFO) stage in the procurement. This approach provided an opportunity for tenderers to improve their submissions and provide the Council with the most economically advantageous tenders.

4.9 BAFO submissions were received from both tenderers on 16 November 2018 and evaluated in accordance with the evaluation criteria set out in the invitation to tender.

4.10 A total of 14 qualitative criteria were evaluated, each having different weightings and each being scored between 0 and 10 in accordance with the scoring definitions included in the tender instructions issued to the tenderers. 13 of these were evaluated from the tenderers' written tender submissions and the final criterion was evaluated based on interviews with the tenderers.

4.11 A minimum score of 5 out of 10 was set for each individual criterion to ensure that any bidder failing to provide a satisfactory response to any of the published evaluation criteria requested within the tender documentation could be disqualified and not be considered further. In addition, an overall minimum score of 60 marks out of 100 for the full qualitative submission was set to ensure that the winning bid was deemed to be of good quality. Both tenders scored above the minimum marks.

4.12 Each criterion was evaluated individually by at least three people. On completion of these individual evaluations, a consensus meeting was held for each criterion, attended by the relevant members of the evaluation team and the procurement lead from Commercial and Procurement Services. Individual evaluation scores were reviewed and debated and a consensus score reached for each qualitative submission. The appropriate weightings were then applied to each of the individual evaluation criteria to arrive at a final quality score out of 40% for each bidder.

4.13 The tenderers' pricing submissions were opened and separately evaluated by the Project's external cost consultants, Turner and Townsend. The lowest priced tender received was awarded the maximum score of 60% for price, with the other tender scored on a pro-rata basis against this lowest bid.

4.14 The quality scores were then combined with the scores from the price evaluation to derive an overall score for each bidder out of a maximum of 100%.

4.15 The scores achieved by each bidder are:

Bidder	Quality Score	Price Score	Total Score
SFN JV	31.30	60.00	91.30
Bidder 2	31.60	54.73	86.33

4.16 The construction cost resulting from the tender process is £105,915,617.50. Additional costs required to deliver the Trams to Newhaven Project, including enabling works, project management, risk and optimism bias will be reported as part of the FBC which will be considered by Full Council on 14 March.

5. Next Steps

5.1 The FBC will be considered at Full Council on 14 March 2019. The approval of the Finance and Resources Committee in relation to the procurement process will not have any impact on the approval of the FBC though the approval of the FBC may be delayed if the procurement process is not approved.

5.2 If the FBC is approved at Council, a mandatory 10-day standstill period will commence before entering into contract with SFN JV.

6. Financial impact

6.1 The initial target cost of the Infrastructure and Systems Contract is £105.92m although it is recognised that the target cost may vary, depending on the level of agreed compensation events.

6.2 A Project Bank Account will be operated for this contract. This ring-fenced bank account will act as a channel for payment to ensure that contractors, key subcontractors, and key members of the supply chain are paid on the contractually agreed dates.

6.3 The Contract being used is the NEC4 Option C target cost contract which includes a contractual mechanism for both parties to share any savings should the costs incurred fall below the final target, the share of savings is split 50/50 with no limit. The Contract also includes a mechanism for both parties to share the risk of any cost overruns on a 50/50 basis up to a threshold of 120% for all elements, except the systems sub-contract scope which has no threshold.

6.4 The above cost, together with the costs of enabling works, project management and allowances for risk, contingency and optimism bias will be included in the Final Business Case for the Trams to Newhaven Project, which is due be considered by Council on 14 March 2019. The award of this Contract is contingent upon Council approval of the Final Business Case and approval of the Swept Path Contract

6.5 The costs associated with the procurement of this Contract are approximately £0.08m which includes internal and external project resource. This has been funded through the budget approved by Council in September 2017 for the development of the Final Business Case.

7. Stakeholder/Community Impact

7.1 The Council has a Community Benefits in Procurement Programme and as part of the evaluation process SFN JV has committed to community benefits including:

- Work placements for 21 unemployed or college/university students;
- Creation of 21 new jobs - 5 apprentices, 10 graduate jobs, 5 jobs for long term unemployed and 1 disadvantaged priority group person;
- Support to local schools and colleges through workshops and site visits and safety talks;
- Local supply chain opportunities – commitment for 70% of supply chain spend to be sourced within a 60-mile radius of the site; and
- 6 community engagement events such as local clean ups and volunteering with community groups.

8. Background reading/external references

8.1 Edinburgh Tram – York Place to Newhaven – updated Outline Business Case. Report to Full Council, 21 September 2017.

8.2 Edinburgh Tram – York Place to Newhaven Final Business Case – report to Transport and Environment Report, 28 February 2019

9. Appendices

Appendix 1 - Summary of Tendering and Tender Evaluation Processes.

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	**Edinburgh Tram York Place to Newhaven – Infrastructure & Systems Contract**	
Notional Contract Value	£105,915,617.50	
Procurement Route Chosen	Negotiated Procedure	
Tenders Returned	2	
Name of Recommended Supplier(s)	Sacyr Farrans Neopul Joint Venture	
Price / Quality Split	**Price 60%**	**Quality 40%**
Evaluation criteria and weightings	**Price**	**60%**
	Quality	**40%**
	Project Team	10%
	Programme and Traffic Management	12.5%
	Stakeholder Management	5%
	Approach to ECI	10%
	Track Design	12.5%
	Design Development and Optimisation	7.5%
	Design Management	5%
	York Place Tie-In Works	5%
	Construction Methodology	5%
	Systems Integration	7.5%
	Systems Testing and Commissioning	7.5%
	BIM	5%
	Community Benefits	5%
	Fair Work Practices	2.5%

Evaluation Team	Project Director, Edinburgh Tram Project Depute Senior Responsible Officer, Edinburgh Tram Project Engineering Manager, Edinburgh Trams Senior Project Manager, Turner & Townsend Project Manager, Turner & Townsend Senior Cost Consultant, Turner & Townsend BIM Advisor, Turner & Townsend Programme Advisor, Turner & Townsend Technical Advisor, Atkins Technical Advisor, Atkins Stakeholder Engagement Manager Policy and Planning Manager Senior Engineer, Transport Service Manager, Economic Development Service Manager, Economic Development Client Manager, Communications

Finances and Resources Committee

10.00am, Thursday 7 March 2019

Edinburgh Tram York Place to Newhaven Project – Swept Path Contract – Award of Contract

Item number	7.6
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 Approves the award of contract to Morrison Utility Services Ltd (MUS Ltd) for the notional contract sum of £22,020,000 for the Edinburgh Tram York Place to Newhaven Project - Swept Path Contract, subject to approval by Full Council of the Final Business Case for the Edinburgh Tram York Place to Newhaven Project on 14 March 2019.

Paul Lawrence

Executive Director of Place

Contact: Hannah Ross, Senior Responsible Officer

E-mail: hannah.ross@edinburgh.gov.uk | Tel: 0131 529 4810

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Edinburgh Tram York Place to Newhaven Project – Swept Path Contract – Award of Contract

2. Executive Summary

2.1 On 21 September 2017, Full Council approved a series of activities for the completion of a Final Business Case (FBC) for the Edinburgh Tram York Place to Newhaven Project which included the commencement of procurement for the Project.

2.2 The updated Outline Business Case presented to Council on 21 September 2017 included three options for dealing with below ground obstructions. Work to finalise the procurement strategy concluded at the end of 2017 and was approved by the Project Board.

2.3 The procurement option selected was to engage a specialist contractor, managed directly by the client team, to work ahead of the Infrastructure and Systems Contactor to identify and resolve below ground obstructions.

2.4 The procurement proceeded on this basis and this report seeks the approval of the Finance and Resources Committee to approve the outcome of the procurement process and award a contract to MUS Ltd for the notional contract value of £22,020,000 subject to approval of the FBC at Full Council on 14 March 2019.

3. Background

3.1 On 13 February 2017, Commercial and Procurement Services, in conjunction with the Trams to Newhaven Project Team and its advisors, commenced market research for the Edinburgh Tram York Place to Newhaven Project by placing a Prior Information Notice (PIN) in the Official Journal of the European Union to inform the Outline Business Case. The PIN included an option for interested contractors to respond to a questionnaire and attend sessions with the Project Team to participate in finalising a procurement strategy for the Project.

3.2 17 organisations returned questionnaires with 11 attending the face to face sessions focussed on the market opportunity, scope of the procurement process, quality cost ratio, risk transfer, innovation, and whole life costing. The feedback from these sessions allowed the Council to finalise a procurement strategy which would have maximum interest from the market while ensuring the Council's best interests for the Project.

3.3 This outline contracting strategy was approved at Full Council on 21 September 2017 and approval to proceed with the procurement granted, subject to further development of the strategy.

3.4 The options considered in developing the procurement strategy were as follows:

(i) include works to identify and resolve below ground obstructions in the Infrastructure and Systems Contract;

(ii) award a separate below ground obstruction design and build contract in advance of the Infrastructure and Systems Contract; and

(iii) engage a specialist contractor, managed directly by the client team, to work ahead of the Infrastructure and Systems Contractor to identify and resolve below ground obstructions.

3.5 The options were considered against set criteria. The first option was discounted because the level of programme and cost risk associated with below ground obstructions would be exacerbated by the premium that would become payable to the Infrastructure and Systems Contractor if utility risk was included in their contract.

3.6 The second option was discounted again because of the level of programme and cost risk associated with below ground obstructions, which would result in a lack of scope definition with associated risk to the ability of the Council to control programme and cost.

3.7 The third option was selected because it allows the Council to take cognisance of the programme and cost risk associated with below ground obstructions, and to manage that risk closely. It aligns with the approach successfully adopted post mediation on the first phase of tram, allowing the Council to closely control costs and time. In addition, it avoids a double dig which is a key lesson from the first phase of tram.

3.8 This report provides the outcome of the procurement process and recommends that Finance and Resources Committee approve the contract award for Lot 2 – Swept Path Contract to the most economically advantageous bidder, MUS Ltd.

4. Main report

4.1 The City of Edinburgh Council wishes to appoint a suitably qualified and experienced contractor for the Swept Path Contract works for the Edinburgh Tram York Place to Newhaven Project. The scope of the Swept Path Contract is to clear the tram route of all below ground utilities and obstructions, including archaeology, either by means of diversion or removal to create a swept path for the main infrastructure and systems contractor.

4.2 Commercial and Procurement Services, in conjunction with the Trams to Newhaven Project Team and its advisors, has conducted the procurement process in accordance with the negotiated procedure as set out in the Utilities Contracts (Scotland) Regulations 2016.

4.3 In response to a contract notice published on the Public Contracts Scotland portal and in the Official Journal of the European Union on 25 October 2017, three applicants applied to be prequalified to receive an invitation to tender. The prequalification submissions were individually evaluated by the nine members of the prequalification evaluation team, against the five selection criteria and the scoring matrix included in the Procurement Information Document. The financial and economic standing of the applicants was also evaluated.

4.5 Following this evaluation, one of the applicants failed to achieve the pre-set selection threshold of 50% and therefore only the two contractors who were deemed to have sufficient experience and capability were invited to tender. The market for utility contractors is small and it was always envisaged that there would be a low number of responses. However, the two bidders shortlisted demonstrated the required experience of similar works.

4.6 The invitation to tender noted that the contract would be awarded based on the most economically advantageous tender with 70% of the overall score being given to quality and 30% given to price. This ratio was determined based on the form of Contract which was being utilised. The contractors will be dealing with an unknown quantity and complexity of utilities diversions and therefore the quality of the contractor is the most important aspect of the evaluation as their costs are based on time and materials. The more experienced a contractor is, the more efficient they will be on site which will save the Project cost and delays.

4.7 Tenders were received from the two bidders on 10 August 2018. These tenders were then evaluated in accordance with the evaluation criteria set out in the invitation to tender. The criteria are provided in Appendix 1.

4.8 A total of 11 evaluation criteria were evaluated, each having different weightings and each being scored between 0 and 10 in accordance with the scoring definitions included in the tender instructions issued to the bidders.

4.9 A minimum score of 5 out of 10 was set for each individual criterion to ensure that any bidder failing to provide a satisfactory response to any of the published evaluation criteria requested within the tender documentation could be disqualified and not be considered further. In addition, an overall minimum score of 60 marks out of 100 for the full qualitative submission was set to ensure that the winning bid was deemed to be of good quality. Both tenders scored above the minimum marks.

4.10 Each criterion was evaluated individually by at least three people. On completion of these individual evaluations, a consensus meeting was held for each criterion, attended by the relevant members of the evaluation team and the procurement lead from Commercial and Procurement Services. Individual evaluation scores were reviewed and debated and a consensus score reached for each bidder. The appropriate weightings were then applied to each of the individual evaluation criteria to arrive at a final quality score out of 70% for each bidder.

4.11 The tenderers' pricing submissions were opened and separately evaluated by the Project's external cost consultants, Turner and Townsend. The lowest priced tender received was awarded the maximum score of 30% for price, with the other tender scored on a pro-rata basis against this lowest bid.

4.12 The quality scores were then combined with the scores from the price evaluation to derive an overall score for each bidder out of a maximum of 100%.

4.13 The scores achieved by each bidder are:

Bidder	Quality Score	Price Score	Total Score
MUS Ltd	47.43	30.00	77.43
Bidder 2	46.38	29.75	76.13

4.14 Both bidders achieved the pre-set quality thresholds which are identified at 4.9 of this report. MUS Ltd scored satisfactory to excellent on all qualitative elements which were assessed and have the highest overall score which represents the most economically advantageous.

5. Next Steps

5.1 The Final Business Case will be considered at Full Council on 14 March 2019. The approval of the Finance and Resources Committee in relation to the procurement process will not have any impact on the approval of the FBC though the approval of the FBC may be delayed if the procurement process is not approved.

5.2 If the FBC is approved at Council, a mandatory 10-day standstill period will commence before entering into contract with MUS Ltd.

6. Financial impact

6.1 The contract being used is the NEC4 Option E cost reimbursable contract. The notional cost of the Swept Path contract is £22.02m, although it is recognised that the actual cost will vary, depending on the extent of works required to clear the tram route of all below ground utilities and other obstructions.

6.2 The above cost, together with allowances for risk, contingency and optimism bias will be included in the Final Business Case for the Trams to Newhaven Project, which is due be considered by Council on 14 March 2019. The award of this contract is contingent upon Council approval of the Final Business Case and approval of the recommendations in the Infrastructure and Systems Contract Award Report.

6.3 The costs associated with the procurement of this contract are approximately £0.02m which includes internal and external project resource. This has been funded through the budget approved by Council in September 2017 for the development of the Final Business Case.

7. Stakeholder/Community Impact

7.1 The Council has a Community Benefits in Procurement Programme and as part of the evaluation process MUS Ltd has committed to community benefits including:

- Apprentices from the Edinburgh area throughout the works programme;
- Community Events using local community venues or social enterprise premises;
- Supporting interest in archaeology through engagement events, public viewing areas while the works are ongoing and working alongside schools for training and history lessons;
- Work experience for 5th and 6th year pupils, jobseekers and ex-armed forces;,
- Community volunteering days for their workforce on the Project; and
- Use of a local enterprise within their supply chain.

8. Background reading/external references

8.1 Edinburgh Tram – York Place to Newhaven – Updated outline business case. Report to Full Council, Paper 21 September 2017

8.2 Edinburgh Tram – York Place to Newhaven Final Business Case – report to Transport and Environment Report, 28 February 2019

9. Appendices

Appendix 1 - Summary of Tendering and Tender Evaluation Processes.

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	**Edinburgh Tram York Place to Newhaven – Swept Path Contract**	
Notional Contract Value	£22,020,000	
Procurement Route Chosen	Negotiated Procedure	
Tenders Returned	2	
Name of Recommended Supplier(s)	Morrison Utility Services Ltd	
Price / Quality Split	**Price 30%**	**Quality 70%**
Evaluation criteria and weightings	**Price**	**30%**
	Quality	**70%**
	Project Team	10%
	Programme Management	7.5%
	Utility Design Management	10%
	Construction Methodology	20%
	Archaeology Resolution	15%
	Stakeholder Management	5%
	Unknown Utilities	15%
	Handback of Utilities	5%
	Cost Management	5%
	Community Benefits	5%
	Fair Work Practices	2.5%

Evaluation Team	Senior Responsible Officer, Edinburgh Tram Project Project Director, Edinburgh Tram Project Depute Senior Responsible Officer, Edinburgh Tram Project Senior Project Manager, Turner & Townsend Project Manager, Turner & Townsend Senior Cost Consultant, Turner & Townsend Technical Advisor, Atkins Technical Advisor, Atkins Archaeology Officer Stakeholder Engagement Manager Service Manager, Economic Development Service Manager, Economic Development Client Manager, Communications

Finance and Resources Committee

10.00am, Thursday, 7 March 2019

Award of Contract for Burnshot Bridge Construction

Item number	7.7
Executive/routine	**Executive**
Wards	**1 – Almond**
Council Commitments	16 and 17

1. Recommendations

1.1 It is recommended that the Finance and Resources Committee approves the appointment of Balfour Beatty Civil Engineering Limited to undertake the construction of Burnshot Bridge for a contract sum of £2,984,495, procured through the Scape Procure Scotland 'National Civil Engineering and Infrastructure Framework – Scotland' framework agreement.

Paul Lawrence

Executive Director of Place

Contact: Cliff Hutt, Service Manager - Infrastructure

E-mail: cliff.hutt@edinburgh.gov.uk | Tel: 0131 469 3751

Report

Award of Contract for Burnshot Bridge Construction

2. Executive Summary

2.1 Burnshot Bridge was demolished in November 2017 due to deterioration of the structure. A new bridge has been designed and Balfour Beatty Civil Engineering Limited (BBCEL) have submitted a tender to undertake the construction works for a cost of £2,984,495. The total project cost is budgeted at £4,585,227 for which sufficient funding is included in the Council's Capital Investment Programme. This report seeks the approval of the Finance and Resources Committee to award the contract for the Burnshot Bridge construction to BBCEL, through the Scape Procure Scotland 'National Civil Engineering and Infrastructure Framework – Scotland' framework agreement.

3. Background

3.1 The original structure was constructed in 1964 to carry Burnshot Road over the A90 dual carriageway. The bridge deck contained a central span suspended on 'half-joints'; a construction form which was popular at the time but has since been proven to be prone to corrosion and is no longer permitted in new construction. It was this corrosion which initially forced a weight restriction to be placed on the structure, then later the closure of the bridge to vehicular traffic in November 2016 to address the immediate health and safety concern.

3.2 A mathematical computer model of the bridge was prepared and this was used to calculate the various forces acting on the bridge. This sophisticated modelling confirmed an earlier analysis which suggested that the bridge should be closed to all traffic.

3.3 Regular inspections were undertaken throughout 2017 to monitor the deterioration of the bridge deck. Loose concrete was removed to maintain the safety of A90 road users. The bridge was closed to all users in May 2017.

3.4 Studies were undertaken to investigate possible re-use or refurbishment of the existing structure, but it was concluded that re-construction was required. The bridge was therefore demolished in November 2017.

3.5 Following confirmation of funding within the Council's Capital Investment Programme in February 2018, a new bridge was designed by engineering consultants Mott Macdonald Limited. The designed bridge is a single-span, concrete structure with provision for 2-way traffic and Active Travel users. Further details of the design solution are contained in the Business Bulletin to the Transport and Environment Committee on 28 February 2019.

4. Main report

Procurement Process

4.1 Following the closure of the bridge, it was identified that early engagement with a suitably experienced contractor would be required to draw on their expertise of demolition and construction processes, buildability issues, programming and cost estimating, particularly in relation to possible refurbishment of the structure and during the design of the new structure.

4.2 The Scape Procure Scotland 'National Civil Engineering and Infrastructure Framework – Scotland' framework agreement (the Framework) is a contract that the Council has access to and is particularly suited to projects requiring early engagement with a contractor as it clearly defines an initial pre-construction stage separated from the subsequent construction stage by a gateway review point.

4.3 This contract for the construction of Burnshot Bridge is the first contract within the Council which will use the Framework. The Framework was introduced on 29 January 2019 following expiry of the previous Scape Group 'National Civil Engineering and Infrastructure Framework' framework agreement, which was used for the Burnshot Demolition and Design contracts, and other Council contracts.

4.4 Scape Procure Scotland Limited is a local authority controlled company that has set up a number of framework agreements in respect of different types of construction work. Local authorities may call-off relevant contractors from a particular framework and all 'Delivery Agreements' called off are based on the industry standard NEC4 Conditions of Contract.

4.5 BBCEL is the single supplier appointed to the Framework following an open procurement process, which included both quality and financial award criteria, in accordance with EU procurement regulations.

4.6 Following conclusion of the Feasibility Reports, BBCEL were directly appointed in October 2017 to undertake the demolition of the original structure, and were directly appointed to undertake the design of the new bridge.

4.7 BBCEL undertook a procurement process to competitively tender the design of the new bridge and engineering consultants Mott Macdonald Limited were appointed.

4.8 BBCEL were appointed to undertake geotechnical and drainage surveys required to inform the design process. These were completed in October 2018.

4.9 Following completion of the pre-construction stage, a tender of £2,984,495 has been received from BBCEL, to construct the new bridge. This has been scrutinised by Council technical staff and negotiated with the Contractor to ensure value for money.

Support to the Council

4.10 Aecom Ltd were appointed under the Council's Professional Services Framework Agreement 2015 to provide support in relation to the demolition sequencing, Construction Design and Management (CDM) regulations, Technical Approval and developing the scope for the design of the new structure.

5. Next Steps

5.1 Subject to approval of the recommendations in this report, BBCEL would be formally appointed in March 2019 to undertake the construction of the bridge.

5.2 It is anticipated that construction would commence shortly thereafter and will take approximately 10-11 months.

5.3 Regular briefing notes will continue to be issued to local Councillors, Community Councils and selected local businesses. These will provide updates throughout the construction stages of the project. The public, including local residents, will be kept informed of any construction works which may affect them.

6. Financial impact

6.1 BBCEL have submitted a tender of £2,984,495 to undertake the construction stage works.

6.2 The total budgeted cost of the project is £4,585,227. This is comprised of £820,677 for the demolition (including Early Contractor Involvement) works, £323,155 for the design services and £3,441,395 for the construction works. These figures include external consultancy costs, Council staff costs, public utility costs and optimism bias relating to the risk associated with the construction works.

6.3 All of the costs associated with the demolition and design contracts were contained within the Council's Capital Investment Programme 2017-2019. All of the costs associated with the construction works contract can be contained within the Council's Capital Investment Programme 2019-2020.

6.4 BBCEL's people costs, overheads and profit elements were competitively tendered in their appointment to the Framework and are defined therein. The remaining costs within their tender are typically made up of sub-contracted work packages which have been market tested, thus ensuring that competitive prices and value for money can be demonstrated.

6.5 The cost associated with procuring this contract is estimated as £20,000, which includes a proportion of Council staff costs to date, as well as fees associated with using the Framework.

6.6 Due to the level of certainty of the scope of the construction works, the contract will be awarded on a Fixed Price basis. The Fixed Price can only increase if there are changes to the scope or other matters arise which are defined as being the Council's risk under the contract (for example exceptionally adverse weather). A contingency amount is included within the total project cost to allow for such risks.

6.7 This report outlines a total capital investment of £4,585,227. If fully funded by loans fund advances the overall loans charges associated with this over a 20 year period would be a principal repayment of £4,585,227 and interest of £2,920,019, resulting in a total cost of £7,505,246, based on a loans fund interest rate of 5%.

6.8 It should be noted that the Council's Capital Investment Programme is funded through a combination of General Capital Grant from the Scottish Government, developers and third party contributions, capital receipts and borrowing. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy, provided for on an overall programme basis rather than for individual capital projects. Following instruction from Members, notional loan charge estimates have been provided above on the assumption of borrowing in full for this capital project.

7. Stakeholder/Community Impact

7.1 Since the closure of the bridge to all users in May 2017, regular briefing notes have been issued to local Councillors, Community Councils and selected local businesses. These provided updates throughout the feasibility, demolition and design stages of the project.

7.2 In advance of the demolition, Open Events were held in Kirkliston to fully inform local residents of the demolition works, and the Communications team published press releases to local media.

7.3 A Major Stakeholder consultation meeting was held in February 2018 to seek feedback on initial design proposals. These comments were incorporated in the scope for the design.

7.4 The proposed Active Travel layout has been agreed following consultation with a number of Stakeholders including our Active Travel team, SPOKES and Sustrans, and considering possible future expansion of the Active Travel network in the area.

7.5 A Business Bulletin was submitted to the Transport and Environment Committee meeting of 28 February 2018.

7.6 Stakeholder engagement will continue throughout the construction stage of the project.

7.7 The project contributes towards Council priorities 16 (Invest £100m in roads and pavements over the next 5 years) and 17 (Guarantee 10% of the transport budget on improving cycling in the city).

7.8 The impacts of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account and are noted at background reading later in this report.

7.8.1 The proposals in this report will reduce carbon emissions because travel time for vehicles will be reduced compared to the diversion currently in place, and Active Travel will be encouraged due to the new pedestrian/cyclist facilities incorporated within the design.

7.8.2 The proposals in this report will help achieve a sustainable Edinburgh because the bridge will facilitate travel between local facilities and be inclusive to all users. Additionally, the Key Performance Indicators defined in the Framework, which the contractor will be regularly monitored against, include targets for the amount of non-hazardous waste diverted from landfill, energy use during construction, local employment and the use of local suppliers.

7.8.3 Restoring Burnshot Bridge will help contribute towards a sustainable Edinburgh by ensuring that this key route is re-available for use, thus maintaining the current levels of social inclusion and equality of opportunity that are within the circle of influence of this project.

7.8.4 In line with good practice on construction sites, appropriate steps will be taken by the contractor to ensure that any temporary pedestrian diversions put in place do not unnecessarily disadvantage those with mobility issues.

8. Background reading/external references

8.1 Scape Procure Scotland Framework Agreement

8.2 Burnshot Bridge update, Transport and Environment Committee 28 February 2019

8.3 Resilient Edinburgh Climate Change Adaptation Framework

8.4 Sustainable Design and Construction Policy Statement

8.5 Sustainable Edinburgh 2020

8.6 Sustainable Procurement Policy

8.7 Sustainable Travel Plan

8.8 Transport 2030 Vision

9. Appendices

Appendix 1 Summary of Tendering and Evaluation Process.

Appendix 1

Summary of Tendering and Tender Evaluation Process

Contract	Burnshot Bridge construction
Contract Period	April 2019 – March 2020
Estimated Contract Value	£2,984,495
Procurement Route Chosen	Use of national framework (Scape Procure Scotland 'National Civil Engineering and Infrastructure Framework – Scotland')
Invitations to Tender Issued	One (Balfour Beatty are the single supplier on the Framework)
Tenders Returned	One
Tenders Fully Compliant	One
Recommended Supplier	Balfour Beatty Civil Engineering Limited
Primary Criteria	Compliant tender in accordance with the requirements of the Framework, including the Framework requirement for market testing of all sub-contract packages to demonstrate value for money. The appointment of BBCEL to the Framework itself followed a competitive OJEU compliant tender process with a 60:40 Quality:Price ratio.
Evaluation Team	The tender was scrutinised by experienced bridge engineers from the Place Directorate.

Finance and Resources Committee

10.00am, Thursday 7 March 2019

Workforce Dashboard

Item number	7.8
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 To review and note the workforce information contained in the dashboard.

Stephen S. Moir

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

Report

Workforce Dashboard

2. Executive Summary

2.1 This report provides a summary of workforce metrics for the core and flexible workforce, absence, transformation/redeployment, risk, and performance, as detailed on the CLT Workforce Dashboard, for the period of **December 2018.**

3. Background

3.1 The dashboard reporting period is December 2018.

4. Main report

4.1 The attached dashboard (Appendix 1) provides workforce information on:

- the number of Full Time Equivalent (FTE) staff employed by the Council, the type of contract they are employed through and the turnover of new starts and leavers;
- trends on absence rates, including the top five reasons for short and long-term absence;
- the cost of the pay bill, including the cost associated with new starters and leavers;
- insight relating to our performance framework (launched April 2017) including the percentage of annual conversations carried out and the number of Conversation Spotlight workshops carried out;
- the number of VERA/VR leavers and associated cumulative budget savings; and
- the number of redeployees and associated costs.

Core Workforce

4.2 All Figures referred to are contained in Appendix 3.

4.3 Our core workforce decreased this period by 54 FTE to 14,611 FTE, and the basic salary pay bill decreased by £1.8m to £405m. Workforce FTE and pay bill trends are shown in **Figures 1 and 2**.

4.4 **Figure 3** shows the change in Directorate FTE between October 2018 and November 2018. The organisational FTE decrease is spread across the Edinburgh Health and Social Care, Place, and Resources Directorates.

4.5 **Figure 4** shows the change in FTE for the Local Government Employee (LGE), Teaching, Chief Official and Craft Apprentice groups between October 2018 and November 2018. The LGE group decreased by 25 FTE and the Teaching group decreased by 29 FTE in the period.

4.6 Permanent contracts decreased by 65 FTE, Fixed Term Contracts (FTCs) increased by 4 FTE, acting up and secondment arrangements increased by 8 FTE and apprentice/trainee contracts reduced by 1 FTE.

4.7 The annual cost of permanent contracts decreased by £1.5m and FTCs decreased by £72K. The cost of acting up and secondment arrangements decreased by £161K, most of which was linked to contractual changes in the Communities and Families Directorate (costs down £134K in Schools and Lifelong Learning Services). Cost reductions for acting up and secondment arrangements were also experienced in the Resources Directorate (down £11K) and the Edinburgh Health and Social Care Directorate (down £25K). The cost of apprentices/trainees reduced by £18K.

4.8 The cost of organisation new starts was £1.6m and the cost of leavers was £2.4m, yielding a net reduction in payroll expenditure of £0.8m.

4.9 The spend on Working Time Payments (WTPs) remained stable this month at £703K.

4.10 **Figure 5** shows longer term Local Government Employee workforce change, between June 2015 and December 2018 (i.e. before and after Transformation).

Flexible Workforce

4.11 In the period, the costs for the flexible workforce reduced by £0.1m and were in the region of £2.8m, with an equivalent FTE of approximately 1,061 FTE (**Figure 6**).

4.12 The spend on the agency workforce reduced by £0.1m and cost the organisation £1.6m in the period. Of the total spend, 92% is attributable to the primary and secondary agency suppliers, whilst 8% relates to off-contract spend. The agency workforce last period was the equivalent of 562 FTE, with an average monthly workforce of 627 FTE (12-month average).

4.13 The agency cost trend is shown in **Figure 7**. Note that month on month agency cost fluctuation can be linked to the nature of the billing process.

4.14 The casual/supply workforce spend increased by £41K this period, predominantly in the Schools and Lifelong Learning service. The casual/supply workforce last period was the equivalent of 225 FTE, with an average monthly workforce of 181 FTE (12-month average). The casual/supply cost trend is shown in **Figure 8**.

4.15 The total cost of overtime this period was £0.7m, up £31K since the previous period. A breakdown of the spend by overtime “type” is detailed in **Figure 9**. Around 62% of the spend was made at the enhanced overtime rate, 18% was paid at plain time, 8% was contractual overtime, and 12% related to call-out hours. The overtime/additional hours worked last period was the equivalent of 275 FTE, with an average monthly workforce of 274 FTE (12-month average, callout hours excluded from FTE reporting). The overtime cost trend is shown in **Figure 10**.

Surplus Workforce

4.16 The total number of employees on the redeployment register has reduced by one individual since the last period, the individual left through VR on 31st December 2018. Of the 28 employees currently surplus; 20 have been temporarily redeployed and 8 are not currently redeployed into a temporary solution but are carrying out meaningful work in their old service area. The funding arrangements for the total surplus FTE is as follows; 16.3 FTE are corporately funded; 6.9 FTE are funded by their service and 2 FTE are funded externally.

4.17 Of those corporately funded; 9.2 FTE are currently redeployed, and 7.1 FTE are not currently redeployed. 14.3 FTE of the corporately funded FTE have been on the redeployment register for longer than 12 months and 2.0 FTE for a period of 6-12 months.

4.18 Employees who are part-funded corporately and by the service, and on-costs for NI and Pension, are included within the figures as appropriate.

4.19 As at the end of November 2018, 1,022 FTE have left, or agreed to leave, the organisation under VERA/VR arrangements, achieving recurring savings of £38.7m since September 2015.

4.20 Consideration is being given to the sustainability of employees being on the redeployment register for an indefinite period and a review of Council policies in respect of organisational change is underway.

Performance Framework

4.21 Looking Back performance conversations in Culture, Parks and Greenspace and Waste and Cleansing services in the Place Directorate (around 500 employees) were due to take place at the end of December 2018. The Looking Back completion rate for this group is 22%. A breakdown of completion of Looking Back conversations across services is shown in **Figure 11**. The Looking Ahead completion rate for this group is 8% (due end January 2019). A breakdown of completion of Looking Ahead conversations across services is shown in **Figure 12.**

4.22 It is recommended that leaders communicate with managers across the relevant services to promote engagement with the performance framework and to encourage managers to hold Looking Back and Looking Ahead conversations with their GR1-GR4 employees. It is recommended that leaders reflect on the effectiveness of rolling cycles in their own service areas and consider change accordingly.

4.23 HR have received a range of requests for detailed lists of cases where conversations have not been completed. Once completion rates reach a sufficient level (ie approaching 100%) Directorates will receive detailed reporting on the conversations that were not completed, to enable them to follow up.

4.24 Looking Back conversations for around 9,000 GR1-GR12 employees on the standard performance cycle (April to March) are due to take place across the organisation by 31 March 2019. Communications will be issued shortly to remind and encourage managers to hold Looking Back conversations and to record their employees' performance ratings in myPeople.

Absence

4.25 The rolling absence rate remained the same this month at 5.37% (**Figure 13** shows the rolling absence trend). The total working days lost to absence over the 12-month period (January 18 – December 18) was the equivalent of 760 FTE (down 6 FTE on the previous period).

4.26 Since July 2018 the total working days lost to absence in the rolling period has decreased by around 5.0K days, from 176.0K days lost to 171.0K days lost. The reduction in total working days lost to absence will continue to be monitored to establish whether it is an emerging trend linked to absence prevention and intervention activities.

4.27 Directorate rolling absence rate trends for the last 12 months are shown in **Figure 14**.

4.28 In the period the monthly absence rate (reflecting days lost to absence in December 2018) reduced from 5.71% (November 2018) to 5.06% (**Figure 15** shows the monthly absence trend). The monthly absence trend for 18/19 is like that observed in 17/18, although the month on month absence rate has been marginally lower in 18/19.

4.29 The total number of employees with an open-ended long-term absence reduced this period, from 492 to 471 employees. The combined FTE of all employees with open-ended long-term absence is 391 FTE.

5. Next Steps

5.1 To continue to monitor appropriate workforce data to evidence that the Council is on track to achieve targeted workforce controls and budget savings.

6. Financial impact

6.1 The achievement of agreed £38.7m savings through voluntary redundancy.

6.2 Salary costs for employees on redeployment (particularly those not redeployed).

6.3 Opportunity cost of lost working time due to sickness absence.

6.4 Agency, Overtime/Additional Hours expenditure.

7. Stakeholder/Community Impact

7.1 Stakeholder consultation and engagement, including senior management teams, Trade Unions and elected members, is ongoing.

8. Background reading/external references

8.1 Workforce Control Report and Dashboard to Corporate Leadership Team on 9 January 2019.

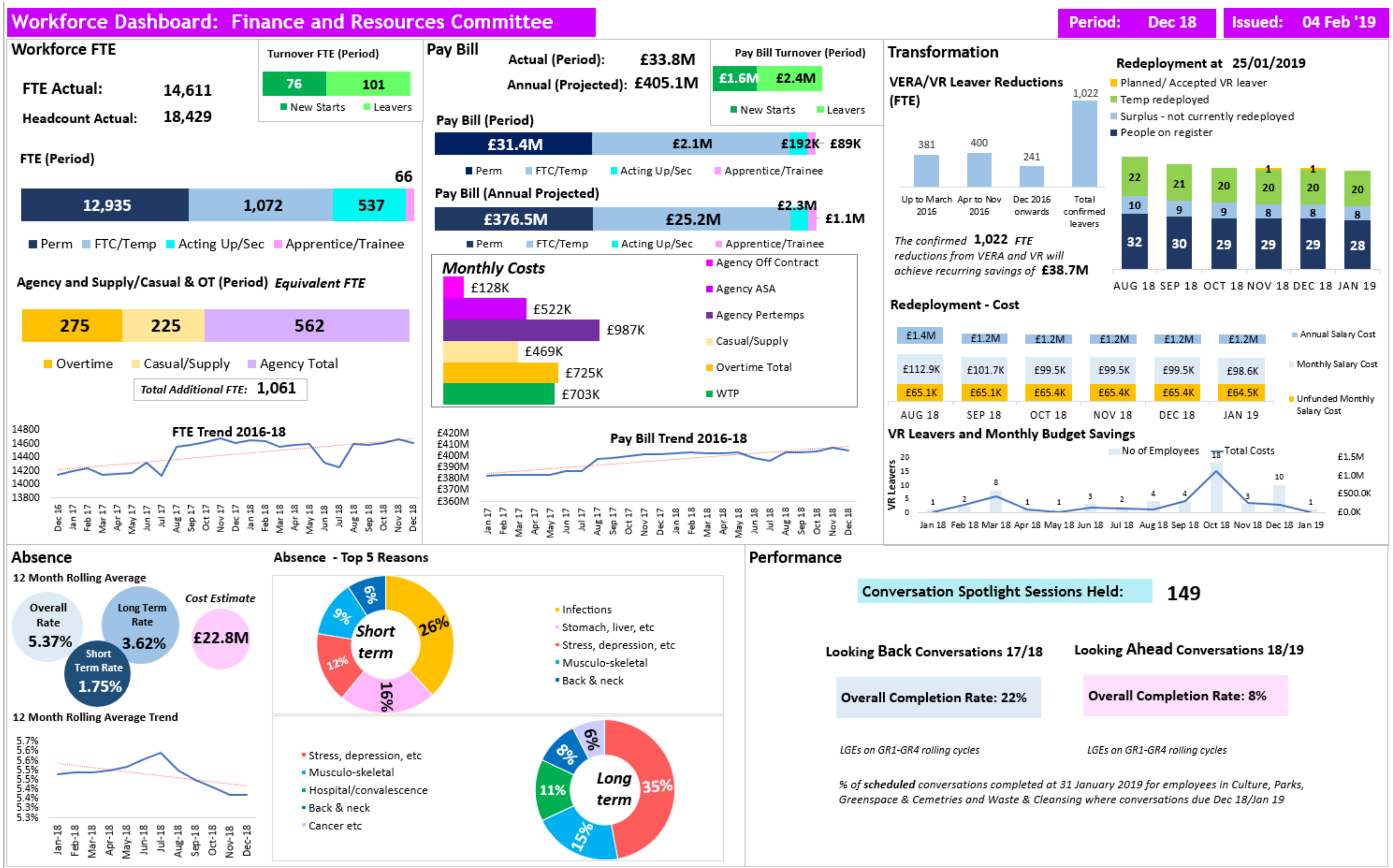
9. Appendices

Appendix 1: Finance and Resources Committee Workforce Dashboard

Appendix 2: Finance and Resources Committee Workforce Dashboard Glossary

Appendix 3: Workforce Management Information and Trends

Appendix 1: Finance and Resources Committee Workforce Dashboard



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Appendix 2: Finance and Resources Committee Workforce Dashboard Glossary

Workforce Dashboard Glossary: Finance and Resources Committee

Workforce FTE

FTE Actual: *Sum of FTE for all staff on CEC payroll*
Count of total contracts/positions is not reported here

Headcount Actual: *Total number of individual employees on CEC payroll*

FTE (Period)

Breakdown of FTE by contract type for all staff on CEC payroll. A snapshot taken on 25th of each month (post 2nd payroll calc to capture all contractual changes, leavers etc). New starts after 1st of month are removed and included in the next month's FTE analysis. This methodology enables better syncing of workforce FTE data and new start/leaver data.

Additional FTE* (Period)

Breakdown of additional working hours utilisation for overtime and casual/supply represented as equivalent FTE. Agency cost converted to notional FTE value using average annual salary cost of £35k per FTE.
Overtime - actual units of time paid at last transaction date. Data extracted at week 1 to capture late payments.
Agency - cost of weekly invoicing from Pertemps, ASA and off-contract agencies. Data extracted after last weekly payroll in preceding month.
Casual/supply - actual units of time paid at last transaction date. Data extracted at week 1 to capture late payments.

FTE calculated on the basis that a full-time Local Government Employee works 36 hours per week over 52.18 weeks (1878 hours). This calculation will be developed for the next dashboard to take into account a 35 hours working week for Teacher T&C contracts and any other conditions identified at

FTE Trend

Archive data from previous S&I dashboard process.

Turnover FTE (Period)

Organisation new starts and leavers in the month. Does not report on internal new appointments (e.g. additional contracts, promotion) or ended contracts for multi-position holders (where other positions are still live).

Absence

All tables and graphs based on preceding 12 months absence data for all staff on CEC payroll.

Data extracted at week 1 to capture late data input.

Trend data - archive data from previous S&I dashboard process.

Pay Bill

Actual (Period): *Sum of pro-rated basic salary for all staff on CEC payroll*

Annual (Projected): *Sum of pro-rated basic salary for all staff on CEC payroll*12*

Pay Bill (Period)

Breakdown of basic pay by contract type for all staff on CEC payroll.
Same reporting conditions as for FTE.

Pay Bill (Annual Projected)

*Breakdown of basic pay by contract type for all staff on CEC payroll*12.*
Same reporting conditions as for FTE.
For trends analysis it should be noted that workforce FTE/cost vs new start/leaver FTE/cost will never match exactly due to the "internal churn" of the existing staff population, e.g. changes to working hours, additional contracts.

Monthly Costs

Actual cost of hours claimed for overtime, agency and casual/supply and payments made in period. Actual cost of transactions for all working time payments (variable, shifts, weekend, nights, disruption) at the last transaction date.

Pay Bill Turnover (Period)

As FTE. Costings report on the annual basic salaries (pro-rated) for new start and leaver populations.

Pay Bill Trend

Archive data from previous S&I dashboard process.

Transformation

VERA/VR Leaver Reductions (FTE)

Data from Finance

Redeployment - People

Headcount of staff on redeployment register with status surplus, temp redeployed, future dated VERA/VR leaver. Data extracted at 27th of month.

Redeployment - Cost

*Figures reflect the **gross** cost of employees on redeployment register and include on-costs for NI and pensions.*

VR Leavers and Cumulative Budget Savings

Data from Finance

Performance

Looking Ahead Conversations

Total number of conversations where target date for completion has been reached (last day of preceding month). Data extracted at week 1 to capture late input. Different service areas have varying rolling dates for completion of GR1-4. Staff do not fall into scope for completion analysis until the last day of their target month for completion has passed.

Looking Back Conversations

Total number of conversations where target date for completion has been reached (last day of preceding month). Data extracted at week 1 to capture late input. For the standard cycle, all looking back meetings should have taken place by 31/03/18. Different service areas have varying rolling dates for completion of GR1-4. Staff do not fall into scope for completion analysis until the last day of their target month for completion has passed.

Conversation Spotlight

- Data from L&D.

Appendix 3: Workforce Management Information and Trends

Figure 1: Workforce FTE Trend

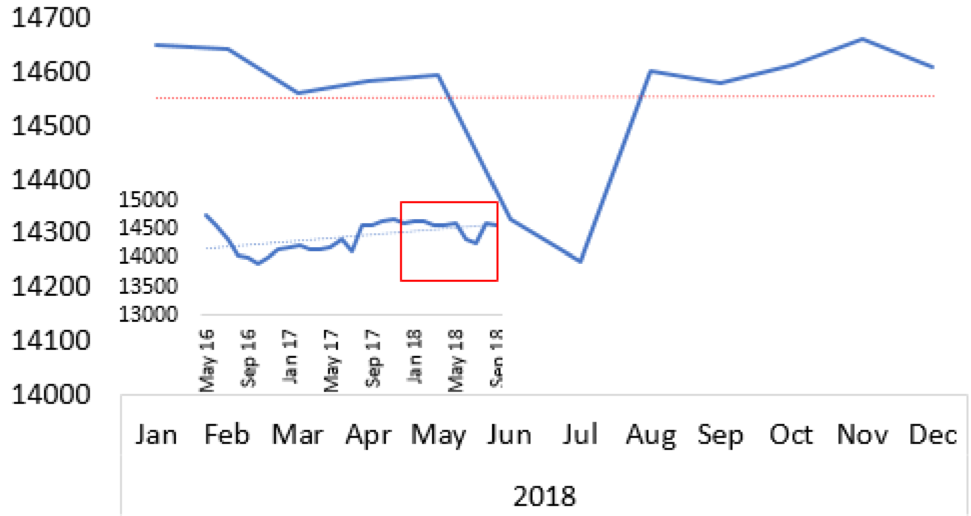


Figure 2: Workforce Pay Bill Trend

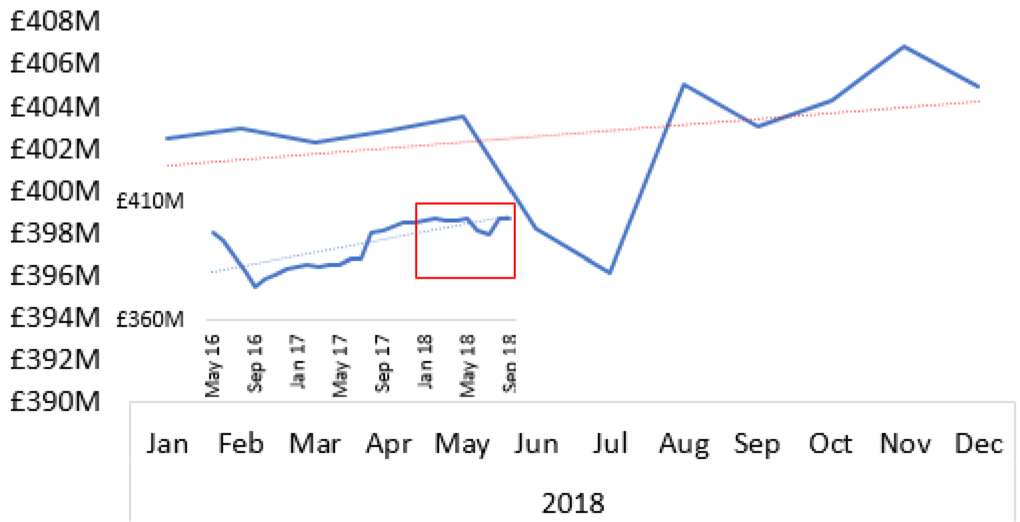


Figure 3: Core Workforce FTE by Directorate

	Nov 2018		Dec 2018		Change in FTE	Change in Headcount
Directorate	FTE	Headcount	FTE	Headcount		
Chief Executive	146	156	147	158	**1**	**2**
C&F	7579	9780	7573	9801	**-6**	**21**
EH&SCP	2252	2579	2233	2554	**-19**	**-25**
Place	2409	2826	2392	2816	**-17**	**-10**
Resources	2239	2884	2228	2879	**-11**	**-5**
Surplus	39	43	38	41	**-1**	**-2**
Council Total	**14665**	**18268**	**14611**	**18249**	**-54**	**-19**

Figure 4: Core Workforce Groups

	Nov 2018		Dec 2018		Change in FTE	Change in Headcount
Category/ Group	FTE	Headcount	FTE	Headcount		
Local Government Employee GR1-GR12 including Craft	10859	13478	10834	13478	**-25**	**0.0**
Chief Official	18	18	18	18	**0**	**0.0**
Craft Apprentice	21	21	21	21	**0**	**0.0**
Teaching Total	3767	4751	3738	4732	**-29**	**-19.0**
Council Total	**14665**	**18268**	**14611**	**18249**	**-54**	**-19.0**

Figure 5: Local Government Employee Workforce Change June 2015 to December 2018

Category/ Group	Grade	June 2015 FTE	June 2015 Basic Salary Cost	June 2017 FTE	June 2017 Basic Salary Cost	June 2018 FTE	June 2018 Basic Salary Cost	Dec 2018 FTE	Dec 2018 Basic Salary Cost	June 15 to Dec 18 Change in LGE FTE	June 15 to Dec 18 Change in LGE Basic Salary Cost
Front Line Staff	**GR1**	624	£8.1M	638	£8.4M	595	£8.1M	574	£7.8M	-51	-£0.3M
	GR2	244	£3.4M	198	£2.9M	170	£2.5M	171	£2.5M	-74	-£0.9M
	GR3	2374	£38.2M	2124	£34.9M	2089	£35.1M	2005	£33.2M	-369	-£4.9M
	GR4	2479	£45.8M	2567	£48.1M	2444	£46.8M	2580	£49.0M	102	£3.1M
Front Line Manager/ Specialist	**GR5**	1808	£40.6M	1563	£35.2M	1545	£35.3M	1596	£36.1M	-212	-£4.5M
	GR6	1421	£37.1M	1337	£35.9M	1397	£38.0M	1432	£38.6M	11	£1.5M
	GR7	1520	£48.0M	1296	£42.1M	1294	£42.4M	1309	£42.6M	-211	-£5.4M
	GR8	776	£29.2M	652	£25.1M	689	£26.7M	689	£26.5M	-87	-£2.7M
Managers	**GR9**	359	£15.9M	280	£12.9M	281	£13.0M	282	£13.0M	-77	-£2.9M
	GR10	118	£6.3M	123	£6.5M	117	£6.4M	118	£6.4M	0	£0.1M
	GR11	47	£3.0M	36	£2.3M	36	£2.4M	36	£2.4M	-10	-£0.6M
	GR12	31	£2.2M	33	£2.4M	38	£2.8M	42	£3.1M	11	£0.9M
	Total	**11801**	**£277.8M**	**10849**	**£256.8M**	**10694**	**£259.4M**	**10834**	**£261.2M**	**-967**	**-£16.7M**

Context for Changes in FTE

Between 2015 and 2017 various factors have affected the FTE/roles of senior grades including the further deletion of roles and creation of new roles (transformation and organisational review); grade review of existing roles following change (e.g. where a Chief Official vacancy and no FTE assigned to backfill senior vacancies. For example there are a number of instances whereby a chief official vacancy has been covered on an ongoing temporary basis through job re-design at the GR12 level. At the time of June 2017 reporting there were still a number of vacancies at the GR9-GR12 level. Key GR12 roles in the Place and Communities and Families Directorates that existed in the organisation structure but which were vacant at June 2017 have now been filled on a permanent/temporary basis.

Figure 6: Flexible Workforce

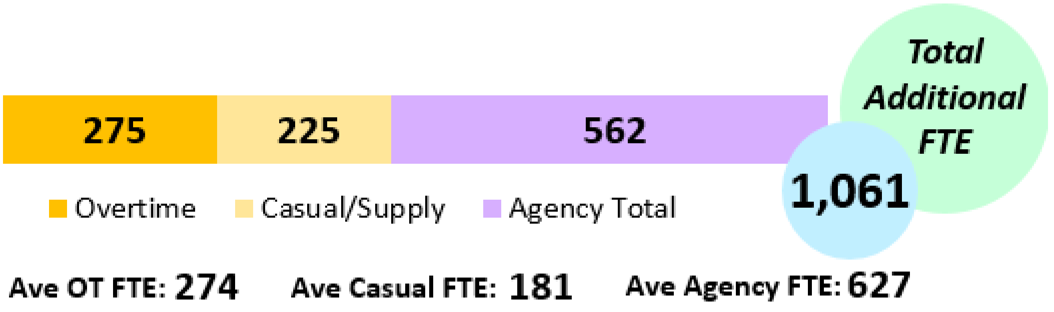


Figure 7: Flexible Workforce - Agency Trend

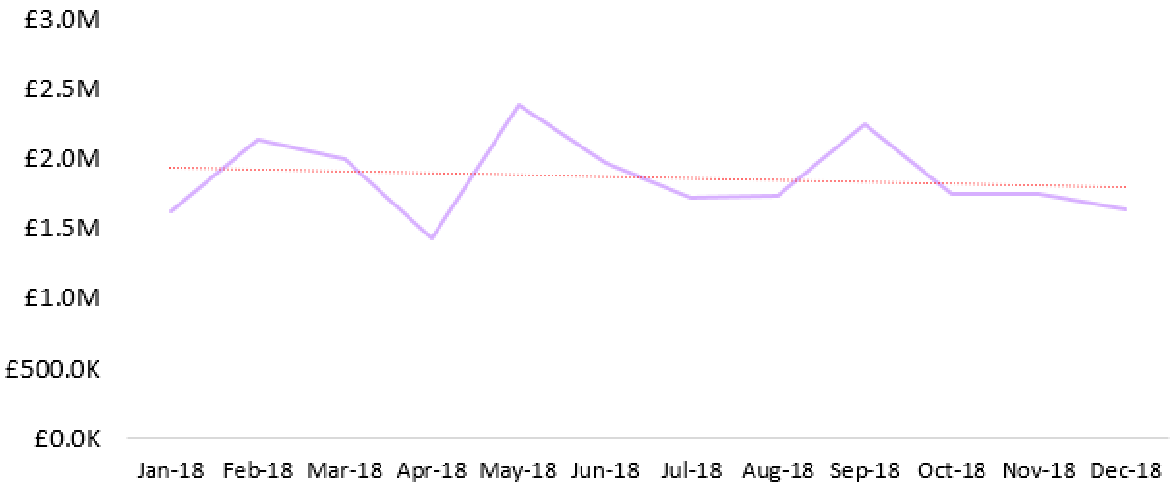


Figure 8: Flexible Workforce - Casual/Supply Trend

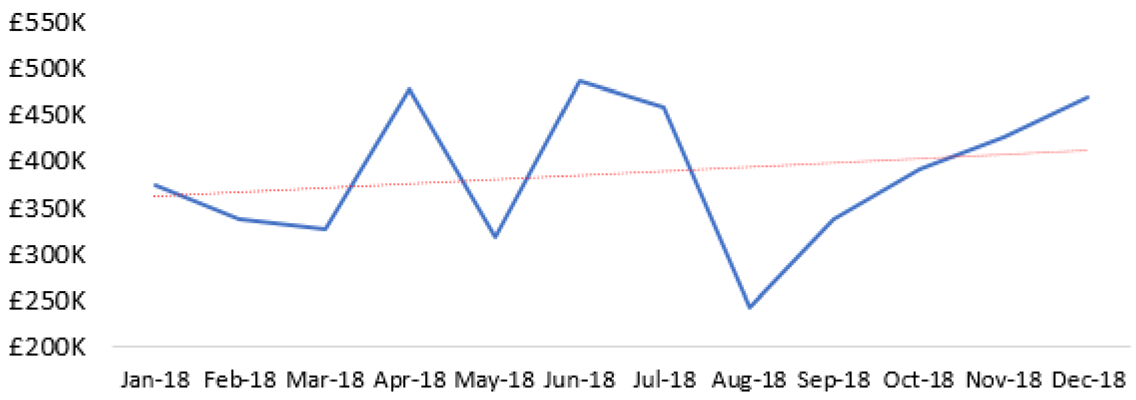
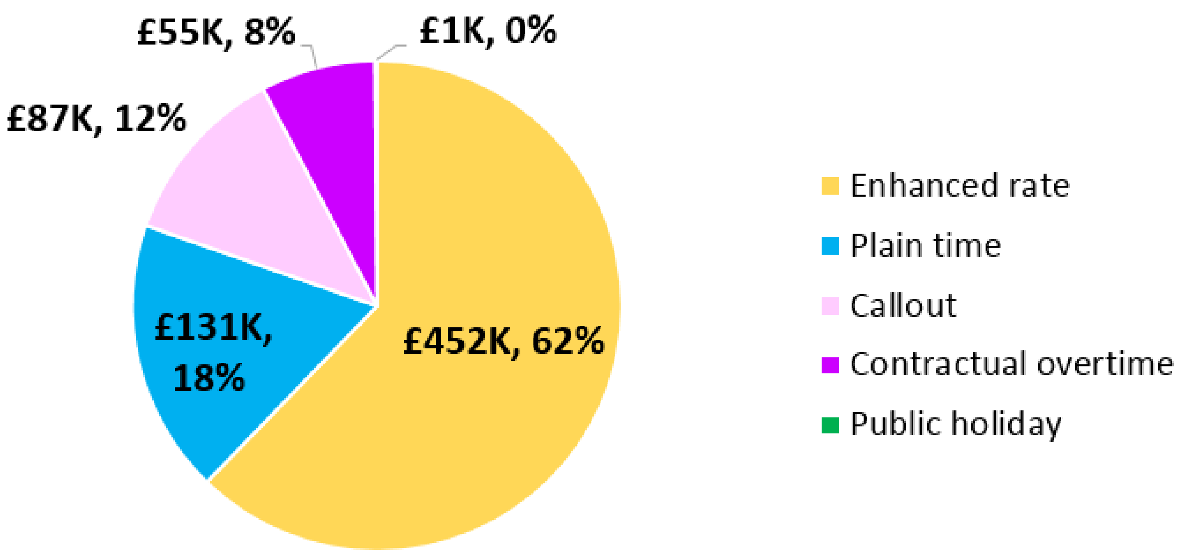


Figure 9: Breakdown of Overtime by Type



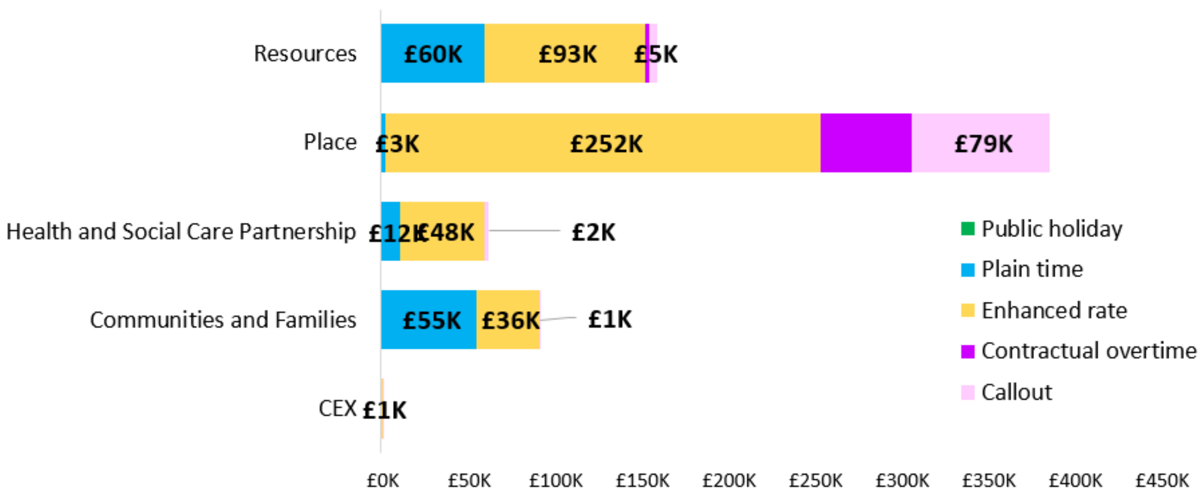


Figure 10: Flexible Workforce - Overtime Trend

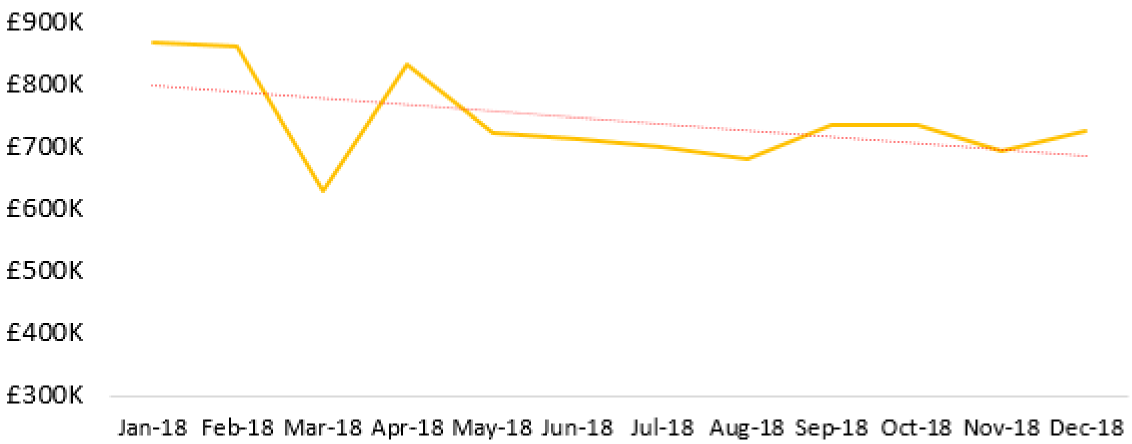


Figure 11: Performance – Looking Back 2017/18 Completion (GR1-GR4 rolling cycles)

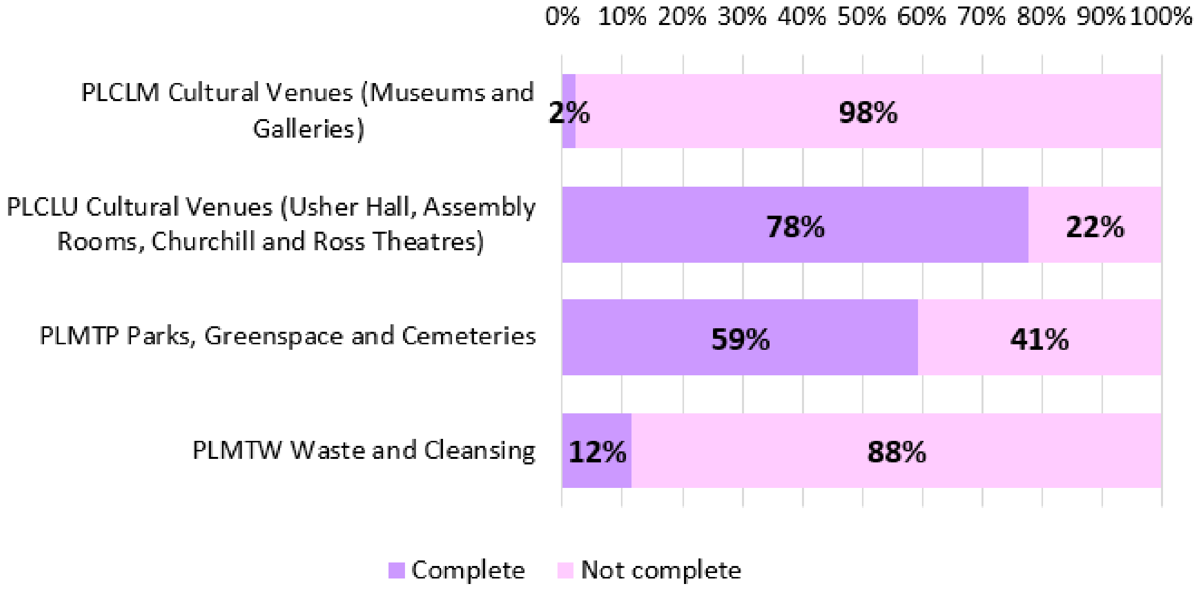


Figure 12: Performance – Looking Ahead 18/19 Completion (GR1-GR4 rolling cycles)

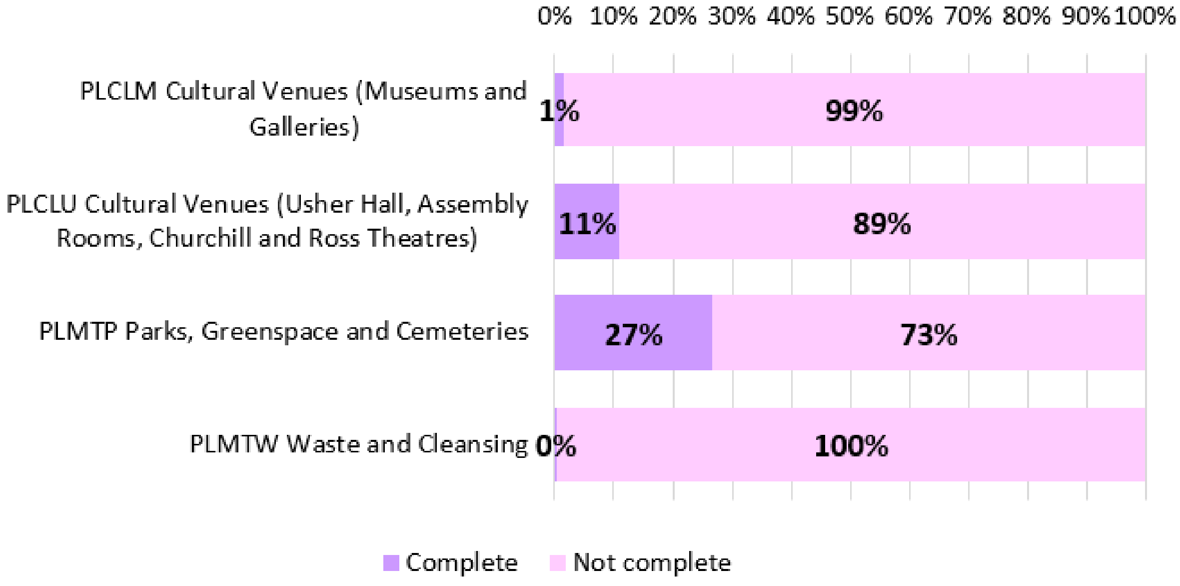


Figure 13: 12 Month Rolling Absence Trend – Council

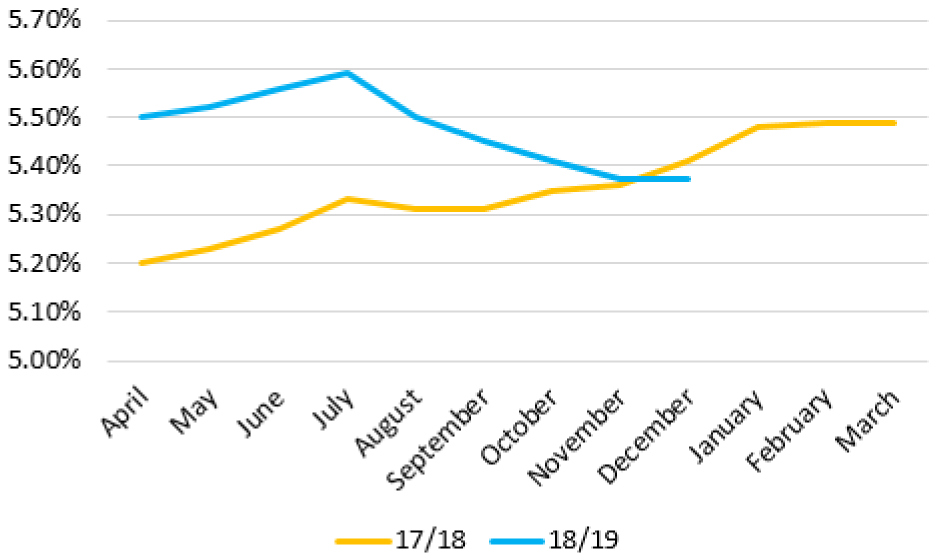
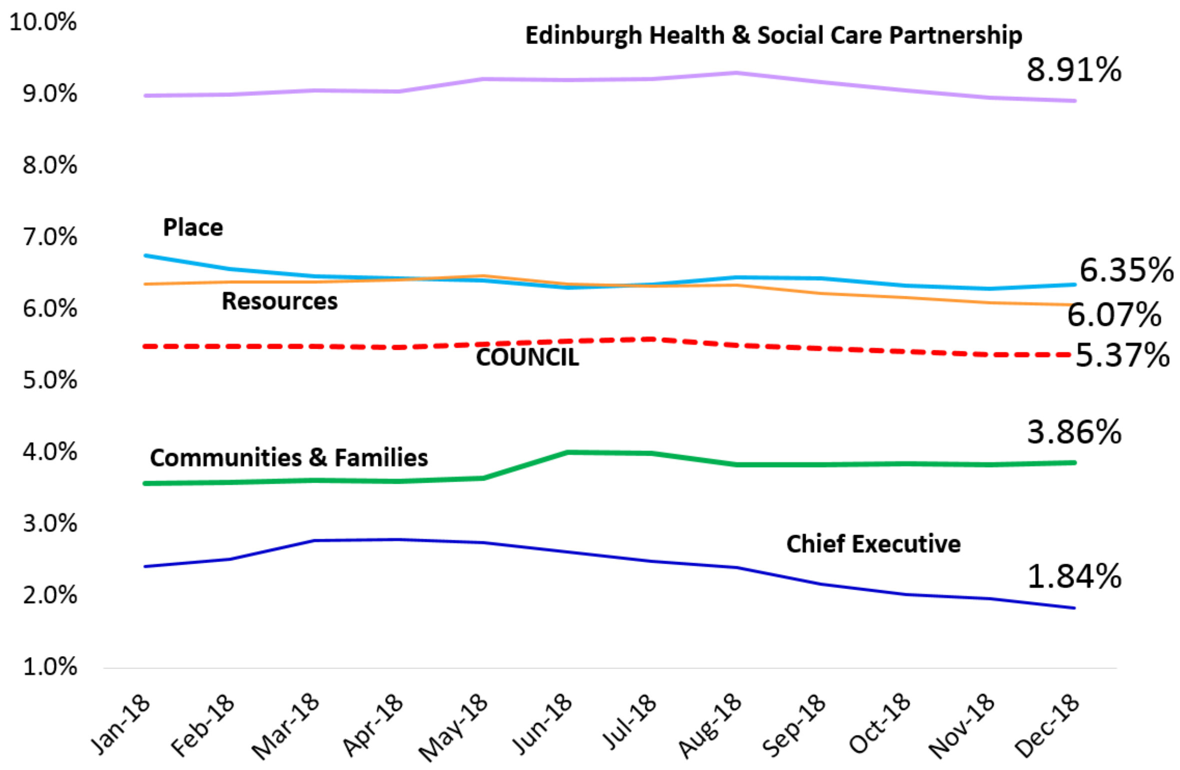


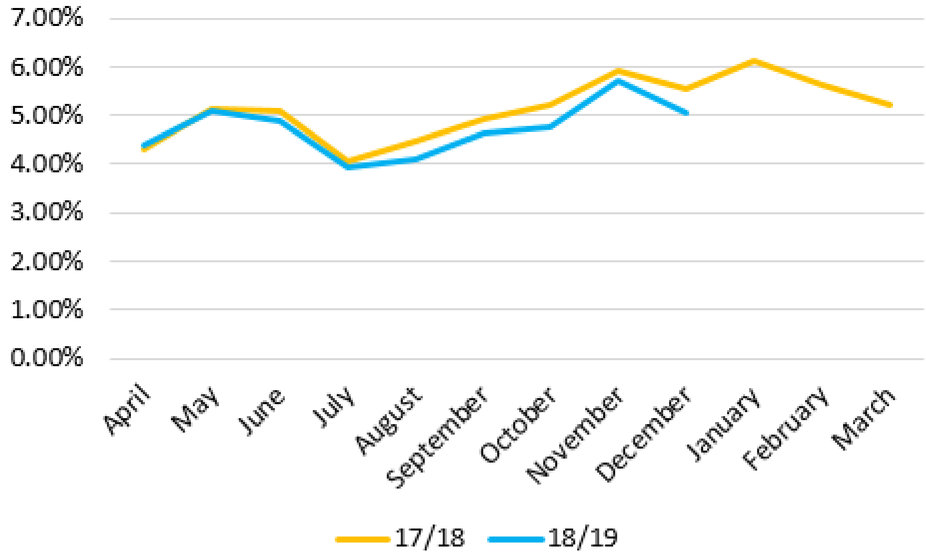
Figure 14: 12 Month Rolling Absence Trend – Directorates

The rolling 12-month absence rate (graph and table data) captures the total working days lost to absence over the previous 12-month period. The rolling rate does not reflect the seasonal variation as observed in the monthly absence rate, which reports the total working days lost to absence over the previous month. Note that the workforce dashboard absence reporting is currently being reviewed to provide a picture of monthly absence trends across Directorates.



Period	Council	Communities & Families	Chief Executive	Edinburgh Health & Social Care Partnership	Place	Resources
Jun-17	5.27%	3.51%	1.73%	8.58%	7.26%	5.04%
Jul-17	5.33%	3.67%	1.76%	8.49%	7.12%	5.04%
Aug-17	5.31%	3.51%	1.71%	8.56%	7.17%	5.39%
Sep-17	5.31%	3.48%	1.79%	8.55%	7.03%	5.77%
Oct-17	5.35%	3.45%	2.05%	8.70%	6.97%	5.81%
Nov-17	5.36%	3.50%	2.07%	8.65%	6.88%	5.90%
Dec-17	5.41%	3.53%	2.29%	8.84%	6.78%	6.09%
Jan-18	5.48%	3.57%	2.41%	8.98%	6.75%	6.35%
Feb-18	5.49%	3.59%	2.51%	9.00%	6.56%	6.39%
Mar-18	5.49%	3.61%	2.78%	9.05%	6.47%	6.38%
Apr-18	5.47%	3.60%	2.79%	9.04%	6.44%	6.41%
May-18	5.52%	3.64%	2.74%	9.21%	6.40%	6.47%
Jun-18	5.56%	4.01%	2.61%	9.20%	6.31%	6.35%
Jul-18	5.59%	4.00%	2.49%	9.22%	6.35%	6.33%
Aug-18	5.50%	3.83%	2.40%	9.31%	6.45%	6.34%
Sep-18	5.45%	3.83%	2.16%	9.17%	6.43%	6.23%
Oct-18	5.41%	3.85%	2.02%	9.05%	6.33%	6.16%
Nov-18	5.37%	3.84%	1.96%	8.95%	6.29%	6.10%
Dec-18	5.37%	3.86%	1.84%	8.91%	6.35%	6.07%

Figure 15: Monthly Absence Trend - Council



Finance and Resources Committee

10.00am, Thursday, 07 March 2019

Managing Change Policy

Item number	7.9
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 To approve the new Managing Organisational Change Policy.

Stephen S. Moir

Executive Direct of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

EDINBVRGH THE CITY OF EDINBURGH COUNCIL

Report

Managing Change Policy

2. Executive Summary

2.1 The Managing Organisational Change Policy sets out our approach to drive continual improvement when a significant requirement for change is identified. Organisational Change can take many forms, and not all cases will require a full organisational re-design, however, significant changes such as Divisional or team restructures, significant changes to working practices or reductions and redundancies should all be managed in line with the provisions set out in this Policy. This Policy aims to ensure that colleagues are engaged early in the design process and that they are engaged and supported throughout the process.

The Managing Organisational Change Policy replaces our current policies covering Organisational Reviews, Redeployment and Redundancy, which were approved at Committee on 1 March 2011, 4 February 2010 and 28 January 2010 respectively.

3. Background

3.1 The Council currently has three policy/procedure documents and various supporting documents, which provide guidance on preparation for and managing ongoing changes, such as: Organisational Reviews, Redeployment and Redundancy. The Managing Change policy brings together these documents and will cover all aspects involved in these procedures. Bringing this together into one document will make it easier to understand and more accessible to colleagues and Managers.

3.2 Managers will receive training on leading and managing change using the policy before undertaking a review and this will be supported with relevant guidance and processes.

3.3 This policy sets the tone and cultural shift required to engage more with colleagues on changes affecting them and facilitates the need to meaningfully consult on matters where redundancy may be an outcome.

4. Main report

4.1 In addition to outlining the key principles that need to be observed during the planning of any change, a section on the ‘why of change’ is included which encourages those managing change to consider the current state (i.e. what works, what doesn’t work, purpose of the service etc) prior to initiating the design process.

4.2 Under the provisions set out in this policy regarding Organisational Reviews, colleague involvement will be sought before, during and after, as opposed current practice of only during formal consultation. By encouraging colleagues to participate in the design process ideas and solutions are more likely to flow from colleagues who do the role and have real insight into how improvements could be made.

4.3 Involvement at the outset will allow the formal consultation period to focus more on mitigation of redundancy and provide more clarity on securing roles or alternative options by the end of the formal consultation period. It is proposed that this is preferable to the current practice of often waiting weeks after consultation closes to know if they have secured a role or not, which can contribute to more prolonged periods of stress. This will ensure that colleagues will be fully aware of their individual position at the end of consultation and that there is clarity throughout the process.

4.4 This policy proposes a change to the current Redundancy Multiplier of 1.7 for those with access to pension and 2.7 for those without access to pension, to a multiplier of 1.5 for those with access to pension and 2.5 for those without access to pension. This continues to be enhanced above the statutory minimum whilst being cognisant of our cost envelop and may mitigate the need for deeper cuts as a result of funding higher awards.

4.5 This policy highlights the continued personal accountability and responsibility of line managers for their direct reports, when placed on the redeployment register, ensuring continued engagement with colleagues, which include formal monthly reviews. Line managers will continue to support colleagues and assist them to record their activities when placed on the redeployment register and to produce an action plan including any relevant training, which may help colleagues secure an alternative role. This change will ensure colleagues placed on the redeployment register will continue to be supported and that they have an opportunity to gain alternative employment with the Council.

4.6 The Managing Change Policy incorporates the information outlined in the aforementioned documents and is now displayed in a new format which includes the key information relating to these procedures and stakeholder roles and responsibilities. The Policy is user-friendly and will provide stakeholders with clarity on the role we all play in making a significant change happen within the Council.

5. Next Steps

5.1 An implementation plan will be put into effect, commencing with the design of management development course to support the policy.

5.2 It is expected that all necessary implementation steps will be able to be completed by 6 May 2019, at which point the new policy would become effective.

6. Financial impact

6.1 Using the profile of those released during transformation, a reduction in the Voluntary Redundancy multiplier would have saved an estimated £350k, based on a reduction of 300 employees.

6.2 Costs of voluntary and early release represent a direct cost to the Council. In some cases, there may also be an associated strain cost payable to the Pension Fund for early payment of benefits. To ensure that cases of staff release deliver best value to the Council, the Executive Director of Resources shall stipulate appropriate financial criteria against which to assess such applications, liaising as appropriate with the Finance and Resources Convener.

7. Stakeholder/Community Impact

7.1 The policy meets our legal obligations in relation to formal consultation.

7.2 The policy applies to all employees and is explicit in the consistency of its application.

8. Background reading/external references

8.1 None

9. Appendices

Managing Change Policy:

Including Restructuring, Redeployment and Redundancy

The Council (we) recognise the need for continuous improvement and recognise this can result in large scale change. However, this can take many forms and not all change requires an organisational re-design or review of structures. If this is needed to meet current and future service demand, then this policy sets out the steps that should be taken to manage change in our organisation.

As a general rule, this policy and supporting guidance should be applied where significant changes are proposed including departmental or team restructures, changes to working practices, or workforce reductions and redundancies. This policy is not intended for low impact or minor changes (for example, changes in job titles, changes in reporting lines, minor changes to job descriptions, etc.) although good practice dictates that even minor changes should be discussed with the employees affected so that they are engaged in the need for change.

Any recommendations resulting in a potential reduction or change in roles will require a business case and approval by the relevant Chief Officer and Corporate Leadership Team sign off.

Author

Employee Relations, Human Resources, Resources Directorate

Scope

This policy applies to all Council employees, including Teachers, except where redeployment is an outcome and they would revert to the Scheme of Compulsory Transfer of Teachers.

Purpose

Our top priority is to ensure that, as far as possible**,** employees' jobs are secure. However, we recognise that some changes to our structure or the way that we deliver services may mean we need fewer employees or different roles.

This policy sets out how employees will be treated during change and signposts help they can get before, during and after change.

This policy also ensures that any changes that have an impact on our workforce are legal and helps to support our partnership working with the Trade Unions.

Review

The policy will be reviewed as and when a change to the existing policy deems this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions of service or Government Policy; organisational change; or resulting from changes agreed through Trade Union Consultation

1. Principles

We are all responsible for how we deliver our services. Ideas for improvement and change can come from our colleagues, our citizens, our elected members and other key stakeholders who interact with us through the provision of services.

Leaders are responsible for ensuring these ideas are heard and considered when developing vision and service design.

Any resulting change should follow these guiding principles:

Outcome focused – Clear Vision and Purpose

- Be clear on the need for change. While not everyone will always agree, if people understand why change is necessary this provides clarity and often enables people to make considered choices about their alignment with the need for change.

Research Based – Well Informed

- Change should be grounded in robust evidence to support the need. This should include, among other things, real insight from both service-users and those responsible for delivering services, in the context of benchmarking and best practice.

Engaged – Real Involvement

- While final decision on design rests with senior leadership, all key stakeholders must be identified and engaged, taking a collaborative and constructive approach.

Co-design and Collaboration

- Services should be designed with the user in mind and thus key stakeholders should be identified and engaged in the process, ensuring the customer journey is as effective and efficient as it can be.

Iterative – Continuous Improvement

- Continually testing and developing the design of a service with the user's journey in mind.

2. The Rationale for Change

It is important to understand why change might be required, so that the purpose and benefits are clear. The starting point for effective change is measuring where we are now compared with where want to be: what's working, what isn't working and what needs to change?

It is recommended that a three-stage method is followed to assist in clearly defining the need for change. Specifically:

- **Identify the drivers for change**

  Leaders should define what's driving any proposed change. This may include risk mitigation, service delivery costs, legislative/regulatory change or continuous improvement.

- **Establish Service baseline and purpose**

  To assess the benefit of any proposed change, it is essential to understand the purpose of the Service and how it is currently performing. This can be done in a number of ways and may include gathering insight from employees and service users.

  Establishing this baseline information will help us to understand and measure the impact the proposed change will have across all aspects of the Service. Change could have an intended impact in one area and an unintended impact in another, so establishing a baseline at the outset is key.

- **Assess drivers against baseline and purpose**

  By analysing the baseline and drivers, it is possible to determine whether change is needed and to consider the scope, scale and timeline of a potential change process.

Once the need for change has been identified, a project team should be formed to manage the design, implementation and evaluation stages of the change process. This would normally include a Senior Responsible Officer; project manager; Finance Partner, HR Consultant, Communications Partner, ICT Partner, and other relevant parties as appropriate. The project team is responsible for the development of change proposals during the next phase, including the business case and project and implementation plans.

Detailed information and advice on how to identify the need for change and appropriate project governance activities, including roles and responsibilities in the implementation of change, is set out in the User Guide.

3. Exploring and Designing Options

Once the need for change is clear, ideas can be generated from multiple sources and in many ways. The appropriate methods of gathering insight should be agreed by the project team, along with a method of analysis, which might include service user insight, employee insight, cross functional input, political pledges, and input from Trade Union partners as appropriate.

A comprehensive stakeholder map should be created. It's then critical to establish methods of communication and engagement to ensure there is clarity around who should be aware of the need for change and who should be involved in idea generation and the design of options/recommendations

Once there is awareness of the need for change, those involved will typically have an interest so it's important to begin engagement at the start of the process, being clear that this is about thinking creatively and generating ideas and options for consideration or consultation.

Areas that should be explored include activities we might stop doing, start doing, or do in different ways, with consideration given to current operating model and overlaying structure. It is the role of the project team to engage with stakeholders to gather this insight and ensure it is considered and applied effectively in the development of any proposals for change.

At this stage, any proposed changes to the operating model should be considered with reference to the baseline to ensure all potential implications and opportunities have been identified and understood. This should include the development of a business case for review and approval, and an Integrated Impact Assessment.

This approach will mean that proposals and implementation plans are more consistently fit for purpose and that input and feedback has been fully considered before acquiring sign off by CLT and relevant committee, if required.

4. Consultation

If change is likely to mean the removal of existing posts, formal consultation should begin with a focus on seeking ways that redundancies might be avoided or mitigated. In these cases, we will consult both individually with those at risk of redundancy and collectively with the trade unions.

Depending on the number of redundancies anticipated, a minimum statutory collective consultation period will apply. Individual consultation will also take place.

All employees at risk of redundancy will have the opportunity to provide feedback and discuss what the proposals mean for them.

Before making any redundancies, the following should be explored through consultation:

- early retirement;
- flexible working options or changes to working patterns, including job share;
- temporarily reducing staff working hours;
- retraining staff to do other jobs in the organisation, within a reasonable timeframe;
- the requirement for temporary workers; and
- limiting or stopping overtime.

During consultation, employees will also be considered for roles in the new structure using fair transparent and appropriate assessment methods to mitigate, where possible, any redundancy. Colleagues should be informed soon after consultation closes on the outcome, accepting in larger services this may take more time. In determining whether a role in a new structure is deemed a suitable alternative or not, the following should be considered:

- The employee’s skills and experience (i.e. do they have the right skills and experience for the new role?); and
- The terms of the alternative job including: status, place of work, job duties, pay, hours and responsibility (i.e. how similar are these to the old role?).

A protocol for this will be available at the start of consultation for any proposed changes to structure and roles.

5. Implementation

In preparation for the end of consultation and to support colleagues to get on board with the change, the project team must develop an implementation plan that considers all aspects of the move to a new operating model and structure, and ultimately deliver the outcomes.

Continuous engagement and communication is critical during this period, so that those who are not appointed to new roles in the organisation feel supported as they transition to new opportunities, e.g. redeployment, CV and interview skills training, retirement planning, further education etc.

It is equally critical to continue to engage and communicate with those employees who have secured a position, recognising the different stages they are at in relation to change so that the right support can be provided.

The implementation plan should consider where individual and team development is required, e.g. appropriate training, coaching, job shadowing, and team and one-to-one conversations providing clarity around what is expected and when in relation to the move to a new role.

If an employee is not successful in securing a role through the assessment and appointment process, they will be placed on the redeployment register, and at that point displaced employees may be offered Voluntary Redundancy (VR).

If an employee chooses to remain on redeployment, they should keep a weekly record of proactive engagement with opportunities that arise for consideration and discuss these with their line manager at monthly reviews. This will include development of an action plan, identifying any additional training or support that might help the employee secure an alternative role.

Where an employee is successful in securing an alternative role through redeployment, they will typically undertake a minimum 4-week trial period. The purpose of this is two-way, to allow both employee and line manager to decide whether the new post is suitable, and to explore what further development may be required or how any issues or concerns might be resolved.

Should an employee unreasonably decline suitable redeployment opportunities (or contribute to the breakdown of a trial period) on two occasions, a decision may be taken not to continue with the process and the outcome may be dismissal. The council reserves the right not to make a redundancy payment in these circumstances.

An executive director may also consider volunteers for redundancy who are doing similar roles in other unaffected parts of the Council, where this would allow an otherwise redundant employee to move into the post. This is known as a “bumped redundancy”. The functions, duties and grade of the two posts must be broadly similar and both parties must agree to the arrangement. Bumped redundancies must result in a net reduction of one post and the costs of release must be broadly comparable or less.

Employees on fixed-term contracts will be consulted with in the same way as permanent employees.

6. Evaluation & Continuous Improvement

In the first stage of this process a baseline was established as the basis for the design of change. This should be the model against which improvement is measured.

A method of evaluating the new operating model should be developed and monitored over an appropriate period to ensure the change is both embedded and working. By continuously reviewing what is working well and less well, improvements could be made without the need to implement a new change process.

This approach will inevitably result in continuous change as the running of the service, from an operational perspective, evolves. Colleagues should continue to be engaged in seeking ideas and input into continuous improvement. By taking the awareness and engagement approach outlined at the start of the policy and building a culture around this, which continues to focus on the why of change and measures of success, continuous improvement and innovation will become our normal way of working.

This policy is non-contractual and we reserve the right to make reasonable changes to the terms of this policy as deemed necessary, subject to the appropriate approval and in consultation with Trade Unions.

Managing Change Policy: Appendix 1

Redundancy payment calculations

This appendix outlines the terms under which a voluntary redundancy payment would be calculated:

Statutory Redundancy Payment

An employee who is displaced following organisational review and has at least 2 years' continuous local government service will be eligible for a statutory redundancy payment.

A statutory redundancy payment is calculated on the basis of age and completed years of service (up to a maximum of 20 years' service):

- ½ week's pay for each year of service where age less than 22
- 1 week's pay for each year of service where age between 22 but under 41
- 1½ week's pay for each year of service where age is 41+

Enhancement to the Statutory Redundancy Payment

For all eligible staff, offers of voluntary redundancy will be based on the following:

- The statutory terms will be used to calculate number of weeks' pay
- The employee's actual weeks' salary will be used for the calculation

Additionally, the multiplier used to enhance a statutory redundancy payment depends on the timescale in which the employee noted interest after being informed they were displaced, and their access to pension benefits, as follows:

For Employees without access to pension	
Within 14 Calendar days of being informed in writing	**After 14 Calendar days of being informed in writing**
Number of weeks' pay **x 2.5**	Number of weeks' pay **x 1.5**

For Employees with access to pension	
Within 14 Calendar days of being informed in writing	**After 14 Calendar days of being informed in writing**
Number of weeks' pay **x 1.5**	**no multiplier**

Note that any offer of a redundancy payment would be subject to financial assessment an approval prior to a final offer being made.

Finance and Resources Committee

10.00am, Thursday, 7 March 2019

Retirement Policy

Item number	7.10
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 To agree the new policy.

Stephen S. Moir

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

Finance and Resources Committee

Retirement Policy

2. Executive Summary

2.1 The new Local Government Pension Scheme (Scotland) Regulations 2018 came into force on 1 June 2018. The main change for Lothian Pension Fund members is that they can now retire voluntarily from age 55 without the Council's permission.

2.2 This has resulted in a need to update the existing Managing Retirement Policy, which has been in place since 2 September 2014. The opportunity has been taken to simplify the language and adjust the terms to fully comply with the change in regulations.

3. Background

3.1 Prior to the Managing Retirement Policy being agreed at the Corporate Policy and Strategy Committee on 2 September 2014, the Council had various separate policies on retirement including policies on flexible retirement and early retirement. The Managing Retirement Policy brought all those policies together in one document that covered all aspects of retirement.

3.2 The Managing Retirement Policy required an update to reflect the change in regulations. At the same time, the opportunity was taken to review the language and to ensure that the policy was still fit for purpose, ensuring fairness, employee choice and best value, whilst remaining compliant with regulatory changes.

3.3 This includes the removal of 13 wind down days when an employee voluntarily retires. However, should an employee wish to ease into retirement, they can still request flexible retirement allowing them to reduce their hours, receive benefits from the pension scheme and remain employed before opting for full retirement.

4. Main report

4.1 Lothian Pension Fund notified the Council in June 2018 that new regulations had come into force, consolidating the 2014 Regulations and subsequent amendments. The new regulations included some new provisions. The main change is that employees who are Lothian Pension Fund members can now retire from age 55 without the Council's consent. Previously, the earliest age members could retire was age 60. Employees choosing to leave at age 55 will have their benefits reduced for early payment and the reduction will depend on the member's age and the length of time left till their normal pension age. The Retirement Policy has been changed to reflect this change, along with the supporting approval documentation.

4.2 This change means that there is no longer a need for a policy around early retirement, as no pension fund member can retire with access to their pension before age 55 anyway. Therefore, this is all viewed as normal retirement and the section on early retirement has been removed.

4.3 In the section on flexible retirement, there is still a need for cases involving Chief Officers, Executive Directors and the Chief Executive to be approved by a formal committee process. This means that any request by a Chief Officer, an Executive Director or the Chief Executive would need to go to an appropriate Committee to be considered. As individuals could be identified, it should be considered that this be dealt with confidentiality.

4.4 The previous Retirement Policy allows employees to take up to 13 days (pro-rata for part-time employees) during the last three months of their employment, provided they have had their retirement date agreed. This provision has been removed from the proposed Policy as only those with a pension would benefit. Equally, if an employee wishes to wind down, they can request flexible retirement.

4.5 The Full Council, in its capacity as the employing authority, is likely to have to make changes to the Employers' Discretion Policy, which sets out how the Council deals with the various discretions allowed by the Pension Regulations. This cannot be done currently as some of the discretions rely on amendments being made to the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014. Lothian Pension Fund will advise us when these amendments have been made and the Employers' Discretion Policy will be amended, as appropriate, at that point.

5. Next Steps

5.1 The policy is clearly understood with all queries around retirement being handled correctly.

5.2 Increased discussion around planned retirement allowing managers to ensure operational efficiency and for choice of colleagues.

6. Financial impact

6.1 There are no material changes. The Council is not required to pay pension strain costs where employees retire at age 55. Rather, employees' pensions will be actuarially reduced to address this in line with the regulations.

7. Stakeholder/Community Impact

7.1 The policy applies to all colleagues in the pension fund requesting retirement from age 55.

7.2 The Trade Unions were advised of the need to update the Retirement Policy in light of the changes to the Pension Regulations. The Trade Unions were engaged with the revisions; however, this is not a collective agreement.

8. Background reading/external references

8.1 Managing Retirement Policy and Death in Service Benefit Scheme – report to Corporate, Policy and Strategy Committee – 2 September 2014.

9. Appendices

9.1 Retirement Policy.

Retirement

The Council values a diverse workforce and we recognise the skills, knowledge and experience colleagues of all ages bring to our organisation. We don't have a fixed retirement date because we believe that all colleagues should be allowed to work for as long as they wish, provided they meet the requirements of their job.

This policy enables colleagues to voluntarily retire at a time of their choosing and sets out the options when considering retirement and the roles and responsibilities of all those involved to make this happen.

Author

Employee Relations, Human Resources, Resources Directorate.

Scope

This policy applies to all Council employees apart from teaching employees, who have separate pension arrangements. They should contact the Scottish Public Pensions Agency for more details.

Purpose

The aims of this policy are to:

a. list the retirement options that are available to employees;

b. set out what employees need to when they want to retire; and

c. provide information about the pre-retirement courses available to staff when they have agreed a retirement date.

Review

The policy will be reviewed as and when a change to the existing policy deems this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions of service or Government Policy; organisational change; or resulting from changes agreed through Trade Union Consultation.

Contents

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1. Policy aims

- To provide information to employees who are considering retirement, so that they understand the options available to them and the actions they need to take when choosing their preferred option.
- To provide managers with information about retirement, so that they know what they need to do when one of their employees discusses their retirement with them.
- To provide a general understanding of flexible retirement and what that means for employees and the Council.
- To encourage employees to consider their work/life balance when they are approaching a stage in their career when they might consider retirement.
- To promote a culture and environment where we recognise the skills, knowledge and experience employees of all ages bring to the Council.

2. Retirement

2.1 The Council does not have a compulsory retirement age and this means that our employees can voluntarily retire at a time that best suits them. It's likely that employees will base their retirement decisions on their eligibility for a pension. Our pension schemes have different rules and there's more information about them on the Orb. We advise all employees to get independent financial advice before making any decision in relation to retirement.

2.2 Employees who want to retire should have a conversation about that with their manager. Annual conversations or one to one check-ins are good times to bring this up, as it's expected that future plans and development needs will form part of these conversations. Managers should not assume that employees are considering retirement just because they think the employee is of retirement age.

2.3 Members of Lothian Pension Fund can retire voluntarily from age 55 onwards. They don't need the Council's permission but their pension will be significantly reduced. Members can find out what their pension will be by going to Lothian Pension Fund's My Pension Online service.

2.4 Members of Lothian Pension Fund need to give more notice of employees' retirement dates than the notice period in their contract of employment. This is because the Local Government Pension Scheme needs at least 20 working days' notice to process your retirement so that you'll get all the benefits when you leave.

2.5 Once you've given written notice of your retirement you'll be expected to retire on the date you have specified. In exceptional circumstances, you may be able to change the date after you've handed in your notice but only with your manager's agreement. Some examples of exceptional circumstances would be the death of a partner or some other serious occurrence that has a significant impact on your future plans.

2.6 Once you retire, you'll only be able to be re-employed by us if you apply for a post and are recruited through our normal recruitment process.

3. Retirement: employee responsibilities

3.1 Contact your pension provider to find out what your pension will be at the time you want to retire.

3.2 Get independent financial advice before you make any decisions about your retirement.

3.3 Feel free to discuss your future plans about retirement with your manager as part of your normal performance discussions with them.

3.4 Give your manager as much notice as possible, and confirm in writing, that you want to retire; preferably at least three months notice but as a minimum it needs to be the notice period as detailed in your contract of employment.

3.5 If you're a member of the Local Government Pension Scheme, you may need to give more notice than is specified in your contract of employment, as they need at least 20 working days to process retirement requests.

3.6 In your notice of retirement letter, say what you want your last working day to be.

3.7 Meet with your manager when they arrange your exit interview and prepare to discuss: your handover; outstanding holidays; final payments; how you want to communicate your departure; and whether you want a leaving celebration.

3.8 If you haven't done so in any other way, raise any issues or concerns you have about work at your exit interview.

3.9 The date of retirement cannot be altered unless there are exceptional circumstances, which must be agreed by your line manager, for example, a serious occurrence that has a significant impact on your future plans.

4. Retirement: manager responsibilities

4.1 Don't assume someone wants to retire just because you consider them to be of retirement age.

4.2 Ask all employees about future plans as part of one-to-one meetings.

4.3 When an employee is talking about their retirement, ask if they've contacted their pension provider to find out what their pension benefits will be. Advise them to get independent financial advice before they make any final decisions.

4.4 When an employee gives notice to retire, make sure there's enough time before the date they want to leave for them to give their contractual notice.

4.5 After you get a notice to retire from an employee, set up a meeting with them to discuss: handover; outstanding holidays; final payments; how they want to communicate their departure; and whether they want a leaving celebration.

4.6 Process the employee's leaver form in the normal way, following the leaver process on the Orb.

5 Flexible retirement

5.1 Members of the Local Government Pension Scheme aged 55 or over can apply for flexible retirement. This means they get their pension while still working for the Council on ‘reduced hours’ or at a ‘lower grade’ or both.

5.2 Flexible retirement can be considered in cases where a reduction in hours would be beneficial to an employee with medical issues and medical retirement isn’t an option.

5.3 If you’re not a member of the Local Government Pension Scheme but would like to reduce your hours, you can make an application to do so by using the Flexible Work Options Policy.

5.4 If you decide to ask for flexible retirement, you have to take it for at least four months before you retire. Reducing your hours, reducing your grade and getting your pension early are all permanent changes to your contract of employment and they cannot be reversed.

5.5 Once you start flexible retirement, you cannot increase your hours or move to a post at a higher grade at any point in the future. However, you can ask to reduce your hours again. If you want do that, discuss this with your manager and they will make a decision based on the needs of the service.

5.6 Your flexible retirement will have to result in reduction in the cost of your annual basic salary of at least 20%. You might have to reduce your hours or your grade by more than you thought to achieve this.

6 Flexible retirement: employee responsibilities

6.1 If you want to request flexible retirement, use the form that’s available on the Orb.

6.2 You should contact Lothian Pension fund to find out what your estimated benefits will be before you make any decision on flexible retirement, as your pension may be reduced if you take it before your normal retirement age. You can get information about this on their website.

6.3 Make sure you meet the criteria for flexible retirement, for example you’re a member of Lothian Pension Fund with at least 2 years’ membership; you are aged 55 or over and you have your managers’ approval.

6.4 When you apply, make sure that you’re asking for at least a 20% reduction in your working hours.

6.5 If you apply for a job at a lower grade, you have to make sure that the difference in salary is at least 20%.

6.6 If your application for flexible retirement is successful, you will be automatically enrolled as a new member of Lothian Pension Fund on your new hours or in your new role. You can opt out of the pension fund if you wish.

6.7 Taking flexible retirement is voluntary, therefore your pension will not get a pension protection certificate if you chose to reduce your salary meet the criteria for flexible retirement, i.e. you choose a lower grade role to meet the requirements to allow flexible retirement;

6.8 Be aware that consent for flexible retirement can be withdrawn if you become the subject to disciplinary action; dismissed for misconduct; or your employment ends before flexible retirement starts.

6.9 If your application isn’t successful, there’s no right of appeal.

7 Flexible retirement: manager responsibilities

7.1 When an employee makes a request for flexible retirement, remind them to speak to Lothian Pension Fund, to make sure they understand the impact flexible retirement will have on their pension.

7.2 Make sure the employee has completed the flexible retirement form on the Orb correctly and is eligible.

7.3 Provide a business case for the request, covering:

- business benefit to the service,
- impact on the service,
- savings and costs (if any) to the Council,
- pension strain costs,
- cost of replacing the employee,
- cost of re-grading the post,
- cost of reallocating the work.

7.4 Bring the request to the attention of the senior management team in your area for consideration.

7.5 If the application is successful, make the changes to the employee's hours or grade.

8 Flexible retirement: senior management team responsibilities

8.1 Consider the business case provided by the manager.

8.2 If there's agreement that the case should be considered, ask your Finance team to complete an assessment.

8.3 Once the financial assessment has been done, consider that alongside the following:

- business benefit to the Council,
- how it supports workforce and succession planning,
- operational impact on the service,
- impact on the work of the rest of the team,
- how the employee will manage reduced duties,
- how the employee's former duties will be distributed,
- the employee's final retirement date, if known.

8.4 If the case can be supported, write back to the employee, confirming approval.

8.5 If the case cannot be supported, write back to the employed, confirming the reasons for not approving.

9 Flexible retirement: finance responsibilities

9.1 Provide a financial assessment of requests for flexible retirement by considering: the business benefit to the service; a reduction in salary costs of at least 20% of the basic annual salary; how much the change will cost the Council (e.g. pension strain costs, replacement cost); and whether the costs are affordable and can be paid back in 2 years or less.

10 Preparing for retirement

10.1 We run pre-retirement courses for employees and their partners with employees getting paid time off to attend. Details about pre-retirement courses, including eligibility, are on the Orb.

10.2 We may also provide other methods of support to employees who are retiring, including money management seminars and pensions events. Details about this will be posted on the Orb and sent to all managers, so they can bring it to the attention of all their employees.

10.3 You can still attend the Council's pre-retirement courses when you're on flexible retirement, once you have agreed a final retirement date.

Finance and Resources Committee

10.00am, Thursday 07 March 2019

Policy Statement on Equal Pay

Item number	7.11
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 To approve the Policy Statement on Equal Pay

Stephen S. Moir

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinbutrgh.gov.uk | Tel: 0131 469 5522

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Report

Policy Statement on Equal Pay

2. Executive Summary

2.1 The Policy Statement on Equal Pay is being published to meet the requirement under the Equalities Act 2010 to publish a statement on equal pay every four years and covers the period 2019 to 2023.

The Policy Statement has been written in line with Equalities and Human Rights Commission guidance and includes information on occupational segregation.

3. Background

3.1 The Policy Statement on Equal Pay was last published in 2017 in the Progress Report – A Framework to Advance Equality and Rights 2012/17. As part of our commitment to furthering the needs of the general equality duty, we have up-dated Policy Statement on Equal Pay to align with the Equality and Diversity policy and the Gender Pay Gap Report published in the last quarter of 2018.

4. Main report

4.1 The information contained in the Policy Statement is based on data as at 31 March 2018, in line with the data contained in the Gender Pay Gap Report. The Policy Statement has been written in line with guidance from the Equalities and Human Rights Commission.

4.2 The Policy Statement will be published as part of the Equality, Diversity and Rights Framework 2017-21 – progress report for 2017 to 2019, which is for consideration by the Corporate Policy and Strategy Committee on 26 February.

5. Next Steps

5.1 The Policy Statement on Equal Pay will be published on the Council web-site in March 2019.

6. Financial impact

6.1 Internal resource has been allocated to follow through on the commitments contained within the Equal Pay Statement.

7. Stakeholder/Community Impact

7.1 The Policy Statement on Equal Pay meets our requirements under the Equalities Act 2010 and outlines our commitment to support equal pay and a culture where there is no unfair discrimination, nor unjust or unlawful practices that impact on pay equality.

7.2 All employees of the Council are covered by the content of the policy statement.

8. Background reading/external references

8.1 Equality and Diversity policy

8.2 Equality, Diversity and Rights Framework 2017-21: Interim Progress Report, covering 2017- 2019

8.3 Gender Pay Gap Report

9. Appendices

9.1 Policy Statement on Equal Pay, March 2019

9.2 Equalities, Diversity and Inclusion Data for our Community and Council

Policy Statement on Equal Pay
March 2019

1. Policy Statement

1.1 This Policy Statement, together with our Equality and Diversity policy set out our key commitments to our workforce:-

- to recognise, respect and value the diversity of our workforce as an asset and key resources in enhancing and maximising performance to effectively meet the diverse needs of our service users; and
- to eliminate discrimination and encourage a culture that values and promotes equality and diversity across the organisation.

1.2 Fundamental to these commitments is the need to support equal pay and a culture where there is no unfair discrimination, nor unjust or unlawful practices that impact on pay equality:-

- rewarding fairly the skills and experiences of all employees;
- working in partnership with trade unions to ensure pay is monitored regularly and employees have confidence in our processes to ensure there is no bias;
- operating pay and reward systems which are transparent, based on objective criteria and free from bias.

1.3 We are also mindful of the need to monitor the effect of other relevant employment policies and practices to ensure that they do not adversely impact on equality in terms of access to pay and benefits, selection for employment, promotion, training and other developmental opportunities. Equality Impact Assessments will be carried out and published on new or revised policies and practices.

1.4 By tackling the potential sources of pay discrimination and advancing equality in the workplace, our commitment is not just because it's the law, but because it makes sound business sense and improves colleagues' lives. It supports the attraction and retention of the best people, dedicated to delivering our 5 strategic aims to the City of Edinburgh through their daily work:-

- A Vibrant City
- A City of Opportunity
- A Resilient City
- A Forward Looking Council
- An Empowering Council

2. Purpose

2.1 The purpose of this policy statement is to set out our approach to ensuring that our pay systems in the Council continue to be fair and equitable. We want our employees to have confidence in our systems and processes for eliminating bias.

3. Scope

3.1 All employees of the Council are covered by the content of this policy statement. There are four discrete employee groups whose pay and terms and conditions of employment are negotiated nationally and supplemented where appropriate by local collective agreements.

The national negotiating bodies are:

- Scottish Joint Council for Local Government Employees;
- Scottish Joint Council for Craft Operatives;
- Scottish Negotiating Committee for Teachers; and
- Joint Negotiating Committee for Chief Officials of Local Authorities (Scotland).

The Council has 3 separate grading structures: -

- Local Government (including Craft) – Grades 1 to 12 underpinned by job evaluation using the Capital Job Evaluation Scheme
- Teachers – Jobs sized in accordance with SNCT
- Chief Officials – Nationally agreed grading structure underpinned by Hays job evaluation

4. What we will do

4.1 We will conduct regular Equal Pay reviews and continue to work in partnership with trade unions.

4.2 We will continue to monitor and undertake analysis on gender segregation.

4.3 We will monitor pay gaps relating to gender, disability and race, occupational segregation and the availability of part-time and flexible working arrangements.

4.4 We will work to remove differences in pay where any differences appear to be on the grounds of gender, race or disability and will respond to grievances and complaints regarding equal pay.

4.5 We will make opportunities for training, development and progression available to all colleagues, who will be helped and encouraged to develop their full potential, so their talents and resources can be fully utilised to maximise the efficiency of the organisation.

4.6 We will promote a culture to challenge stereotypes in recruitment and promotion and will make reasonable adjustments to seek to minimise the adverse impact of occupational segregation.

4.7 We will promote flexible working arrangements to open opportunities to all employees and continue to challenge views that employees in higher grades should not have access to flexible working arrangements.

4.8 We will engage with others with expertise in this area including Trade Union Equality representatives.

4.9 We strive to ensure that there is no unfair, unjust or unlawful practices that impact on pay.

4.10 We will provide training and guidance for those involved in determining pay.

4.11 We will inform employees of how these practices work and how their own pay is determined.

4.12 We will apply appropriate resources to seek to achieve equal pay.

4.13 As part of our committed actions to reduce the gender pay gap we will:-

- monitor our recruitment and selection policy paying particular attention to diversity and inclusion
- monitor our reward arrangements
- monitor our career progression and talent approaches
- monitor diversity awareness as part of our wider diversity strategy

5. Monitoring and Information

5.1 We will publish data on the gender pay gap, gender pay and gender occupational segregation every two years.

5.2 We will continue to monitor the make-up of the workforce in terms of age, gender, ethnic background, sexual orientation, gender re-assignment, religion or belief, and disability.

5.3 Information on the recruitment, development and retention of employees will be published every two years as part of the council's Equality Mainstreaming Report.

5.4 Details of actions taken to implement the outcome of equality impact assessments will also be published as part of the council's Equality Mainstreaming Report.

5.5 Outcomes from analysis of the data will inform actions to ensure equality in respect of pay gaps relating to gender, disability and race, occupational segregation and the availability of part-time and flexible working arrangements

6. Evaluation and Review

6.1 This Policy statement is communicated to all employees (existing, new and prospective) via the Council's internal and external websites.

6.2 This policy statement will be reviewed in April 2023 and will be published no more than every four years unless there are changes to legislation within this period. Katy Miller, Head of HR is responsible for implementation of this policy statement.

Appendix 1: Occupational Segregation

	Gender		Disability			Ethnicity		
Category	**Female**	**Male**	**Disabled**	**Not Disabled**	**No Disability Information**	**BME**	**Not BME**	**No BME Information**
Business Support	79.4%	20.6%	4.3%	81.7%	13.9%	7.5%	72.7%	19.8%
Care	77.5%	22.5%	2.2%	77.4%	20.4%	5.6%	78.6%	15.8%
Catering and Cleaning	81.2%	18.8%	1.9%	89.0%	9.1%	4.7%	11.0%	84.3%
Craft	0.4%	99.6%	0.9%	80.0%	19.1%	2.1%	84.3%	13.6%
Facilities Support	39.5%	60.5%	3.0%	79.4%	17.6%	5.1%	76.5%	18.4%
Frontline Public Services	31.2%	68.8%	3.3%	70.6%	26.1%	4.8%	74.9%	20.3%
Leadership*	57.4%	42.6%	1.4%	84.6%	13.9%	1.3%	88.5%	10.2%
Manager	47.0%	53.0%	1.8%	82.2%	16.0%	2.0%	84.4%	13.5%
Professional/Technical	61.2%	38.8%	2.8%	79.2%	18.0%	3.0%	83.5%	13.5%
School Support	92.9%	7.1%	2.2%	79.1%	18.8%	4.5%	74.1%	21.4%
Teacher	77.7%	22.3%	1.3%	80.3%	18.3%	2.8%	83.4%	13.8%

Category	Examples Roles in Category
Business Support	Administrative and customer service roles
Care	Social Care Assistants, Social Care Workers
Catering and Cleaning	Cooks and cleaners
Craft	Trades roles, e.g. Joiner, Glazier
Facilities Support	Facilities Assistants in buildings and schools
Frontline Public Services	Neighbourhood Workers, Waste and Cleansing, Visitor Asst
Leadership*	GR10-GR12 roles and Teaching £50k+
Manager	Manager, team leader, supervisor
Professional/Technical	Accountant, Engineer, Technician, OT
School Support	Pupil Support Assistant, Early Years roles
Teacher	Teaching roles not at a senior level

Gender
The workforce is predominantly female (71%). The split of females and males in Leadership and Managerial roles is broadly similar. There is a higher female density in Business Support, Care, Catering/Cleaning, School Support and Teaching roles. There is a higher concentration of males in Craft and Frontline Public Services roles.

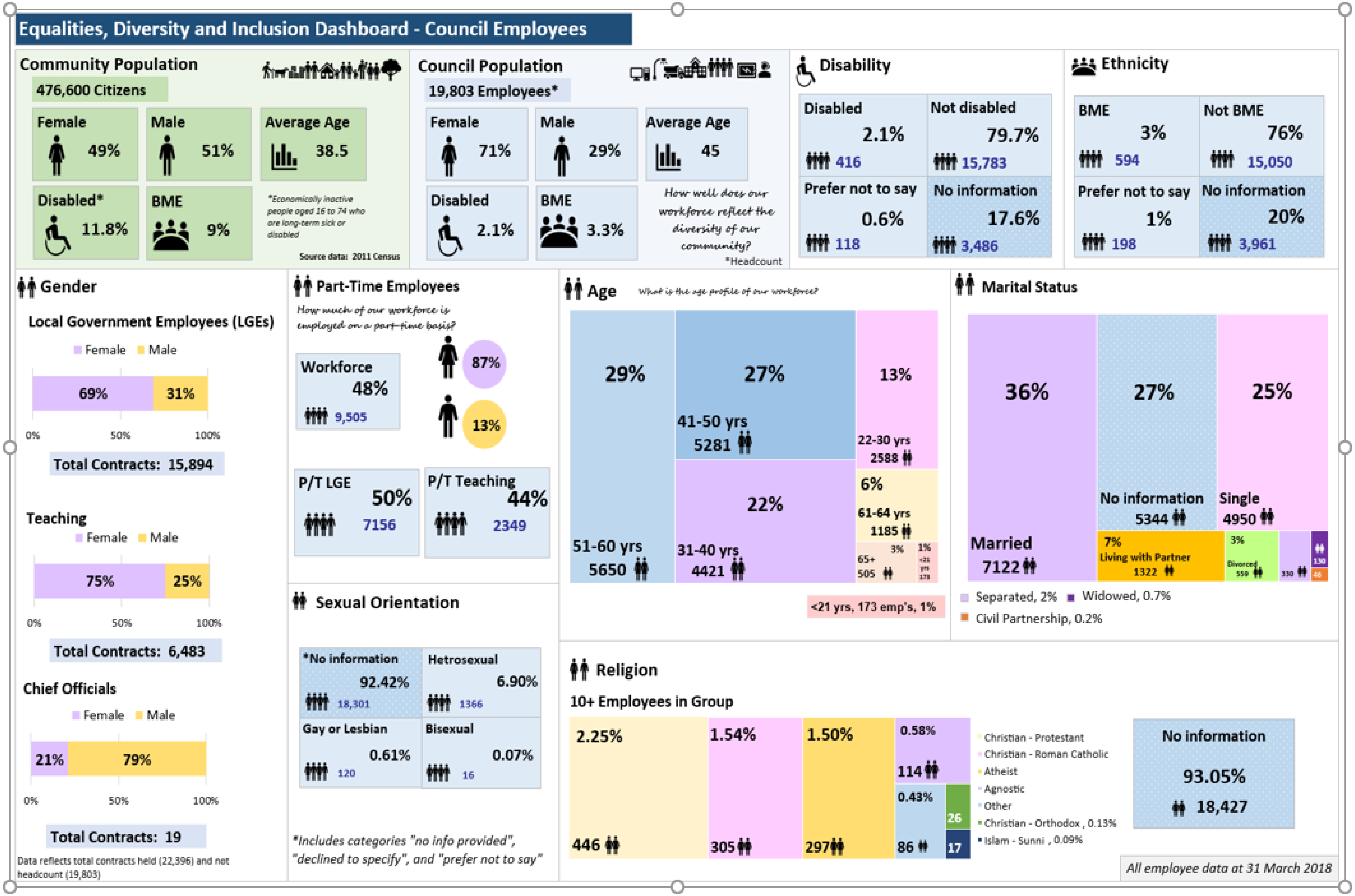
Disability
The workforce currently has a 2.1% disabled population. The disabled population is higher in Business Support, Frontline Public Services, Facilities Support and Professional/Technical roles. The disabled population is lower in Craft, Teaching, Leadership and Managerial roles.

Ethnicity
The workforce currently has a 3.3% BME population. The BME population in higher in Business Support, Care, Facilities Support, Frontline Public Services, Catering and Cleaning and School Support roles. The BME population is lower in Leadership, Managerial, Craft and Professional/Technical roles.

Appendix 2: Protected Characteristics by Grade

	Gender		Disability			Ethnicity		
Grade	Female	Male	Disabled	Not Disabled	No Disability Information	BME	Not BME	No BME Information
LGE Craft Apprentice	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	100.0%	0.0%
LGE GR1	81.5%	18.5%	1.8%	88.9%	9.3%	4.6%	7.9%	87.4%
LGE GR2	76.1%	23.9%	4.3%	74.2%	21.5%	6.0%	62.3%	31.7%
LGE GR3	78.5%	21.5%	2.4%	76.6%	21.0%	4.4%	70.2%	25.4%
LGE GR4	66.9%	33.1%	2.7%	76.0%	21.3%	6.4%	76.3%	17.3%
LGE GR5	72.5%	27.5%	2.0%	80.7%	17.2%	3.5%	82.3%	14.2%
LGE GR6	57.0%	43.0%	2.0%	82.4%	15.6%	2.9%	84.2%	12.9%
LGE GR7	65.3%	34.7%	3.7%	77.9%	18.4%	2.8%	82.6%	14.6%
LGE GR8	59.1%	40.9%	1.6%	83.6%	14.8%	2.9%	87.1%	10.0%
LGE GR9	52.5%	47.5%	3.0%	85.5%	11.4%	3.0%	89.6%	7.4%
LGE GR10	57.9%	42.1%	1.6%	78.6%	19.8%	0.0%	87.3%	12.7%
LGE GR11	35.0%	65.0%	0.0%	82.5%	17.5%	0.0%	85.0%	15.0%
LGE GR12	44.7%	55.3%	0.0%	92.1%	7.9%	0.0%	97.4%	2.6%
Teaching Salary £20-29K	75.6%	24.4%	2.5%	82.2%	15.3%	5.5%	81.8%	12.7%
Teaching Salary £30-39K	79.2%	20.8%	1.1%	79.4%	19.5%	2.4%	83.2%	14.4%
Teaching Salary £40-49K	71.2%	28.8%	0.9%	83.3%	15.8%	1.1%	87.5%	11.4%
Teaching Salary £50K+	71.4%	28.6%	0.0%	87.9%	12.1%	0.4%	89.1%	10.5%
Chief Official JNC37	0.0%	100.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%
Chief Official JNC42	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Chief Official JNC43	0.0%	100.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%
Chief Official JNC46	27.3%	72.7%	0.0%	63.6%	36.4%	0.0%	72.7%	27.3%
Chief Official JNC49	0.0%	100.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%
Chief Official JNC72	25.0%	75.0%	0.0%	25.0%	75.0%	0.0%	25.0%	75.0%

APPENDIX 2 EQUALITIES, DIVERSITY AND INCLUSION DATA FOR OUR COMMUNITY AND COUNCIL



Finance and Resources Committee

10.00am, Thursday, 7 March 2019

Employee Wellbeing

Item number	7.12
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

1.1 Agree and implement, in conjunction with the relevant service areas, targeted mental and physical health interventions where high levels of absence have been identified.

1.2 To promote and continue to develop good practice and policies aligned to the wellbeing agenda, specifically performance management and sickness absence

1.3 To review the stress management, change management and recruitment polices to ensure HR strategy is fully integrated in supporting the wellbeing of our colleagues.

1.4 To consistently support and lead conversations with line managers around wellbeing initiatives, e.g. rolling agenda item at SMTs, cascade, training and informal opportunities.

Stephen S. Moir

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

E-mail: katy.miller@edinburgh.gov.uk | Tel: 0131 469 5522

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Report

Employee Wellbeing

2. Executive Summary

The health and wellbeing of our workforce continues to remain a focus with absence costing circa £23m per annum and unquantifiable costs associated with morale and backfill. This paper outlines an integrated strategy, developed through discussion with elected members, trade unions, employees, line managers and HR to support a holistic approach to employee wellbeing.

The key areas include developing greater employee choice around financial wellbeing, mental health awareness for line managers and physical exercise classes targeted at those with physically demanding roles. In addition, the review and embedding of the policies to support the wellbeing agenda will be undertaken, including the Sickness Absence, Change Management, Stress Management and Recruitment policies to ensure our colleagues are supported at each stage where wellbeing is a key consideration. Finally, through employee engagement, a series of wellbeing campaigns to raise awareness of the importance of looking after ourselves, e.g. smoking cessation, mental health awareness, healthy eating, and physical exercise.

By supporting our employees to improve their wellbeing we hope to see an improvement in the health of our employees, engagement and retention rates and ultimately a reduction in sickness absence levels.

3. Background

3.1 Whilst much has been done to address the wellbeing of our employees, this is not sufficiently visible and explicit, thus not having the desired impact.

3.2 Whilst initiatives, already in place, are ongoing a series of focus groups were arranged to review and build on our wellbeing proposals outlined in this paper.

3.3 A greater focus is required on joined up initiatives with an open dialogue about the health and wellbeing of our colleagues.

3.4 While the rolling absence rate reduced for the fifth month in a row in November 2018 to 5.37% this is still higher than the organisation target of 4%.

3.5 The two primary reasons for long term absence is mental health and musculoskeletal, hence the continuous development of a more preventative approach and the need to break down the stigma often associated with mental health.

4. Main report

4.1 Focus groups have been held including elected members, trade unions, employees, line managers and HR to collectively discuss, develop and agree a wellbeing offering.

4.2 Taking a holistic and preventative view of wellbeing allows us to consider the wide variety of factors which influence wellbeing including finances, mental and physical health, resilience, performance management, job fit and line manager support.

4.3 As such, the focus group generated a wellbeing approach to address and support these areas. Please see appendix 1 for an overview of the organisation wide initiatives.

4.4 Further detail of the wellbeing offering, initiatives and actions are as follows;

4.5 Financial wellbeing

a. Continue to engage with and promote the services of Capital Credit Union.

b. Commence a procurement exercise to identify additional financial service providers to increase the choice of financial wellbeing offered to employees. Based on evidence from other local authorities and taking account of our internal procurement process we estimate this will take between 9 to 12 months.

4.6 Mental Health

a. Mental health awareness training to be developed and initially piloted with managers in high areas of stress related.

b. In consultation with Trade Unions, finalise the review of our Stress Management Policy in line with our new approach to simplification and with a greater focus on practical supportive action plans. This includes a move from our current 3 risk assessments, focused only on HSE compliance, to a more forward thinking holistic wellbeing assessment.

c. Review of the recruitment and selection policy and practice to ensure more comprehensive assessment to help mitigate the negative impact of 'poor job fit' on mental health.

4.7 Physical wellbeing

a. Explore and implement support to stop smoking through ASH/NHS Scotland

b. Greater promotion of physical exercise, e.g. Bike to Work scheme, gym discounts, Edinburgh Leisure, and encouraging employees to develop their own team based activities.

c. Piloting physio based exercise classes to support those with physically demanding roles to proactively prevent absence due to musculoskeletal ill health

4.8 Organisation Wide Promotion of Wellbeing

a. Further promotion and education of the Employee Assistance programme and Occupational Health services.
b. Supporting change through encouraging personal resilience and supporting managers to lead change, delivered through a new Leadership Development programme and the review of our proposed Change Management Policy.
c. Promotion of an annual calendar of core national awareness events, specifically around mental health awareness, smoking cessation, healthy eating, and cancer awareness. Equally managers and teams can choose what they would like to promote and we can spotlight teams through our newsbeat and communication channels.
d. Embedding of the new Sickness Absence policy and review supporting guidance, including a newly developed wellbeing workshops for managers.
e. Increase awareness of reasonable adjustments and medical redeployment options.
f. Explore the option of an external absence call line for those who have difficulty in contacting their line manager due to shift patterns and service delivery.

4.9 Communication and engagement around wellbeing will be further increased, e.g. roadshows, induction, standing agenda item at team meetings and exploration of a wellbeing platform.

5. Next Steps

5.1 Please see Appendix 2 for the wellbeing programme timeline.

6. Financial impact

6.1 Initial targeted pilots of Mental Health Awareness for line managers and Physio exercise classes for targeted pilot with manual workers is estimated to cost £20,000 which is set aside in the Learning and Development budget 2018/19. If this is successful, a wider role out will be costed and funding approval sought.

6.2 The cost estimate of sickness absence is currently £23 million. By moving to a more preventative and holistic view of wellbeing, once this is embedded, it is predicted this would reduce both short and long-term sickness absence and such the cost incurred by this.

7. Stakeholder/Community Impact

7.1 Elected members, trade unions, employees, line managers and HR have been engaged in the development of the proposals outlined in this paper.

8. Background reading/external references

8.1 N/A

9. Appendices

Appendix 1 - An overview of the organisational wide wellbeing offering

Appendix 2 – The wellbeing programme timeline

Appendix 1- Organisational wide wellbeing initiatives

FINANCIAL

- Credit Union
- Additional finance service

MENTAL HEALTH

- MH Awareness training
- Stress Management Policy
- Resourcing strategy

PHYSICAL HEALTH

- Stop smoking support
- Bike to work scheme
- Physio Classes

Promotion of Employee Assistance and Occupational Health

Change – 'Leading change' & 'Managing Personal Resilience' workshops, change management policy update

National awareness, e.g. cancer, no smoking day, bike to work, mental health

Embedding of our new Sickness Absence Policy & managing absence online learning & workshops

Promotion of Edinburgh Leisure

Reasonable adjustments & medical redeployment – how we manage these across our organisation

Potential of external absence reporting call line

2019- Wellbeing Programme

Jan

- Wellbeing plan timeline agreed

Feb

- Meet with senior managers from H&S and Place
- Further review of absence data
- Launch of mental health awareness training
- Engage with partners to design and agree roadshows
- World cancer day
- Wellbeing Workshop Pilot

Mar

- Promote smoking cessations offering
- Launch of change policy
- No smoking day

April

- Wellbeing Roadshow
- Physio classes
- Focus group with specific roles
- Aim to launch new Change Management Policy

May

- Aim to launch of new Stress Management and Recruitment Selection policies
- Mental Health Awareness week
- Proposal regarding wellbeing platform to be reviewed
- Role specific physio exercise classes

Jun

- Wellbeing Roadshow
- Healthy eating week
- Implement agreed service area action plan

Jul

- Implement actions following review of reasonable adjustments/medical redeployment

Aug

- Cycle to work day
- Proposal regarding external absence call line to be reviewed

Sept

- Wellbeing Roadshow

Oct

- Flu clinics
- World mental health day

Nov

- Alcohol awareness week

Dec

- Launch of additional finance option
- Wellbeing Roadshow

Key

- Financial wellbeing
- Emotional & mental wellbeing
- Physical wellbeing
- Overall wellbeing
- Service area specific initiatives

Finance and Resources Committee

10.00am, Thursday, 7 March 2019

Treatment and Disposal of Waste (Street Cleaning and Mechanical Street Sweeping) – Extension to Contract

Item number	7.13
Executive/routine	**Executive**
Wards	**All**
Council Commitments	

1. Recommendations

1.1 It is recommended that the Finance and Resources Committee approves a short term contract extension, via waiver, for the treatment and disposal of waste from street cleaning and mechanical street sweepings. This will ensure continuity of service provision until a new contract can be implemented via the newly established Scotland Excel (SXL) Framework for 'Recyclable and Residual Waste', which is expected to offer commercial efficiency and best value for the Council.

Paul Lawrence

Executive Director of Place

Contact: Andy Williams

E-mail: andy.williams@edinburgh.gov.uk | Tel: 0131 469 5660

Treatment and Disposal of Waste (Street Cleaning and Mechanical Street Sweeping) – Extension to Contract

2. Executive Summary

2.1 The existing contract with Levenseat Ltd provides services relating to treatment and disposal of waste from the Council's street cleaning and mechanical street sweeping activities. The purpose of this report is to request approval for a short term contract extension, via waiver, to ensure continuity of service until such time as a new contract is put in place via the new 'Recyclable and Residual Waste' SXL Framework. The value of this extension (inclusive of that approved by Delegated Authority to date) is £550,000. It is expected that procurement of these services via this new national framework will offer commercial efficiency and best value for the Council.

3. Background

3.1 A Framework was put in place in November 2013 to facilitate efficient processing of waste and improve recycling rates. This framework comprised of three Lots:

3.1.1 Lot 1 - Community Recycling Centre (CRC) Residual Waste;

3.1.2 Lot 2 – Street Cleaning Litter; and

3.1.3 Lot 3 – Mechanical Street Sweeping Waste.

3.2 Hamilton Waste and Recycling Ltd were awarded Lot 1 while Levenseat Ltd were awarded Lots 2 and 3.

3.3 The Council now has alternative arrangements in place for CRC waste however there is an ongoing requirement for the services associated with Lots 2 and 3.

3.4 This contract expired on 24 November 2018 and, in advance of this, it was the Council's intention to procure future provision via the newly established SXL Framework for Recyclable and Residual Waste as it is expected this national framework will offer best value and commercial efficiency in provision. The publication by SXL of this framework was slightly delayed and, as such, the Council was required to undertake a short extension to the existing contract (via Delegated Authority) to ensure continuity of provision (essential to meeting statutory duties).

4. Main report

4.1 The existing contract with Levenseat Ltd has provided services relating to treatment and disposal of waste from the Council's street cleaning and mechanical street sweeping activities for a number of years.

4.2 As part of contract planning for future provision of these services, the Council identified that a new national framework agreement was being put in place by SXL for 'Recyclable and Residual Waste'. This is considered to provide the services required, and, as a national contract, is expected to offer commercial efficiency via economies of scale and thus best value to the Council.

4.3 The publication for use of this national agreement was slightly delayed and, as such, the Council required to undertake a short extension to the existing Levenseat contract to allow time for this new framework to be available for use and a subsequent tender process undertaken.

4.4 This contract expired on 24 November 2018 and was extended initially via Delegated Authority to the date of this Committee to ensure continuity of provision (essential to meet statutory duties).

4.5 To ensure the Council continues to meet its statutory duties, service provision is required to continue until the tender process is complete and a new contract has been awarded via the framework.

4.6 The tender process is currently underway and is expected to be complete by the end of July 2019, as such this short contract extension is aligned to this timeline.

4.7 The proposed contract extension is based on an expected maximum value of £550,000 for the period 25 November 2018 to 31 July 2019. This will ensure continuity of service and subsequent best value moving forward. This extension is based on existing terms and conditions, with a small inflationary price allowance related to the street cleaning activity, there will be no change in price in relation to mechanical street sweeping during the period.

5. Next Steps

5.1 Subject to Committee approval, the services will continue to be provided by the existing provider until the ongoing tender process is complete and a new contract in place. This will ensure the Council continues to meet its statutory obligations in this regard and can benefit from expected future commercial efficiencies and best value through provision of services via the national framework.

6. Financial impact

6.1 The cost of this service is dependent on the level of activity and volume of waste acquired, however the estimated maximum value of this contract extension (inclusive of Delegated Authority extension to date) from 24 November 2018 to 31 July 2019) is £550,000. This will be contained within the Waste and Cleansing revenue budget.

6.2 As previously noted, this allows for a small inflationary price allowance related to the street cleaning activity, there will be no change in contract costing in relation to mechanical street sweeping during the period.

7. Stakeholder/Community Impact

7.1 The Council has a statutory obligation under Section 89 of the Environmental Protection Act 1990 to ensure that the land and roads for which it is responsible are, so far as is practicable, kept clear of litter and refuse. Should this contract not be extended the Council could fail to meet this statutory obligation.

7.2 Risk of challenge from other suppliers has been assessed as low as the contract extension period is short term to allow for a new tender process via the SXL national framework to be undertaken, however it cannot be excluded.

7.3 Contract Standing Order 9 provides an option to waive standing orders where the requirement is in the Council’s best interest having regard for best value, risk, principles of procurement and the impact upon service users. The publication of the award of business along with the other factors reported will help to satisfy these requirements.

7.4 The Council has a statutory duty to report ‘non-compliance’ of procurement regulation in line with the changes brought in by the Procurement Reform Act 2014. This will be reported within the Council’s annual report to the Scottish Government.

7.5 Any disruption to service provision would offer risk in relation to Health and Safety, statutory obligations and Council reputation.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 None.

Finance and Resources Committee

10.00am, Thursday, 7 March 2019

Traffic Signal Equipment Maintenance and Ancillary Support Services – Extension to Contract

Item number	7.14
Executive/routine	**Executive**
Wards	**All**
Council Commitments	7, 16, 17, 27

1. Recommendations

1.1 It is recommended that the Finance and Resources Committee approves a short-term contract extension, via waiver, for the maintenance of the city's traffic signals infrastructure for the period 4 November 2018 to 31 July 2019 (this includes a period of extension which was approved under Delegated Authority). This will ensure continuity of service provision to allow time for the current tender process to be finalised and a new contract put in place.

Paul Lawrence

Executive Director of Place

Contact: Cliff Hutt, Service Manager - Infrastructure

E-mail: cliff.hutt@edinburgh.gov.uk | Tel: 0131 469 3751

Finance and Resources Committee

Traffic Signal Equipment Maintenance and Ancillary Support Services – Extension to Contract

2. Executive Summary

2.1 The existing contract with Siemens Mobility Ltd provides services relating to the ongoing maintenance of the city's traffic signals infrastructure. The purpose of this report is to request approval from the Committee for a short-term contract extension, via waiver, to ensure continuity of service provision until such time as a new contract is put in place. The value of this extension (inclusive of that approved by Delegated Authority to date) is £450,000.

3. Background

3.1 The Council currently has an existing maintenance and repair contract for all traffic signals and associated traffic control equipment located across the city. The contract primarily caters for the maintenance and repair of the existing traffic signals infrastructure, however, it also offers the option for the supply and installation of new traffic signals infrastructure. In summary, the scope of the existing contract includes:

3.1.1 maintenance, inspection and repair of all traffic signal installations and associated communications equipment;

3.1.2 renewal/replacement of traffic signal infrastructure as a result of deterioration/decay; and

3.1.3 installation of new traffic signal infrastructure resulting from damage by third parties.

3.2 The current contract commenced on 3 November 2014 and was due to expire on 2 November 2018. As a result of delay in completion of the procurement process, a short term extension was put in place, under delegated authority, to the end of March 2019.

3.3 The procurement process associated with provision of a new traffic signals maintenance and repair contract is ongoing.

4. Main report

4.1 The procurement process associated with a replacement contract for the maintenance of the city's traffic signals infrastructure commenced in February 2018.

4.2 As part of this exercise it has been necessary to obtain a separate licence agreement for the Fault and Asset Management System (FMS) currently used by the service as this is currently supplied and maintained by the incumbent contractor (Siemens Mobility Ltd). The licence agreement will allow the continued use of the system regardless of who the successful bidder is and will provide parity for all bidders as per the Procurement Regulations. This fault and asset management system is currently in place and is deemed essential to ensure robust asset management and maintenance recording, as well as ensuring continuity in record keeping.

4.3 The licence agreement had to be in place prior to the tender being published. The time taken to agree this was lengthy, and as such, delayed the planned tender publication date.

4.4 This contract expired on 3 November 2018 and was extended initially via Delegated Authority to 31 March 2019, thus ensuring continuity of provision (essential to meet statutory duties).

4.5 To ensure the Council continues to meet its statutory duties, service provision is required to continue until the tender process is complete and a new contract has been awarded. This tender process is currently underway and is expected to be completed by the end of July 2019. On that basis a short contract extension is recommended to align with this timeline.

4.6 The proposed contract extension is based on an expected maximum value of £450,000 with implementation of a new contract by 1 August 2019. This will ensure continuity of service and subsequent best value moving forward. This extension is based on the existing terms and conditions; there will be no increase in the costs of these services to the Council during this extension period, which will remain in line with previous spend.

5. Next Steps

5.1 Subject to approval, the services will continue to be provided by the existing provider until the ongoing tender process is complete and a new contract in place, expected by 1 August 2019. This will ensure the Council continues to meet its statutory obligations.

6. Financial impact

6.1 The cost of this service for maintenance to infrastructure is largely fixed, however, it can vary slightly dependent on the level of activity and volume of any road traffic incidents. The estimated maximum value of this contract extension (inclusive of Delegated Authority extension to date from 3 November 2018) is £450,000. This will be contained within the Street Lighting and Traffic Signals Infrastructure revenue budget.

6.2 As previously noted, this extension is based on the existing contract terms, conditions and prices.

7. Stakeholder/Community Impact

7.1 The Council has a statutory obligation to maintain the roads infrastructure under the Roads (Scotland) Act 1984, thus ensuring that the infrastructure for which it is responsible is, so far as is practicable, maintained to the required standard. Should this contract not be extended the Council could fail to meet this statutory obligation.

7.2 Risk of challenge from other suppliers has been assessed as low as the contract extension period is short term and a new tender opportunity for future service provision has been published by the Council, however it cannot be excluded.

7.3 Contract Standing Order 9 provides an option to waive standing orders where the requirement is in the Council's best interest having regard for best value, risk, principles of procurement and the impact upon service users. The publication of the award of business along with the other factors reported will help to satisfy these requirements.

7.4 The Council has a statutory duty to report 'non-compliance' of procurement regulation in line with the changes brought in by the Procurement Reform Act 2014. This will be reported within the Council's annual report to the Scottish Government.

7.5 Any disruption to service provision would offer risk in relation to Health and Safety, statutory obligations and Council reputation.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 None.

Finance and Resources Committee

10.00, Thursday, 7 March 2019

Extension of Health and Social Care Contracts

Item number	7.15
Executive/routine	
Wards	**All**
Council Commitments	

1. Recommendations

It is recommended that Finance and Resources Committee:

1.1 Note the agreement to extend the contracts with the providers for the annual values and periods listed in Appendix 1.

Judith Proctor

Chief Officer, Edinburgh Health and Social Care Partnership

Contact: Moira Pringle, Chief Finance Officer

E-mail: moira.pringle@nhslothian.scot.nhs.uk | Tel: 0131 529 3659

Report

Extension of Health and Social Care Contracts

2. Executive Summary

2.1 This report provides an update to Finance and Resources Committee on the decision taken by Chief Officer of the Health and Social Care Partnership to extend six contract bundles (overnight support; sensory support; housing support for older people; substance misuse; volunteering support; and carers) with a total value of £7,703,680.

2.2 Approval was previously delegated to the Chief Officer at the Finance and Resources Committee convened on 1st February 2019.

3. Background

3.1 The Council continues to commission, review and award essential contracts for health and social care clients. This report confirms agreement to continue the work undertaken to ensure the good future management of contracts for these services and resulting recommendations.

3.2 Finance and Resources Committee were previously asked to consider the recommended extension of the contracts listed in Appendix 1 on 1 February 2019. The following actions are noted:

3.2.1 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 Integration Joint Board (EIJB) might bring forward or any potential structural service changes.

3.2.2 To request that a briefing note be circulated to members to update them on developments following discussions with the Chief Officer of the Health and Social Care Partnership.

3.2.3 To agree that a report be brought back to the Finance and Resources Committee on 7 March to conclude and confirm what final decisions were taken.

4. Main report

Extension of Contracts – Shared Overnight Support (Overnight Support Strategy)

4.1 The Chief Officer of the Health and Social Care Partnership, in consultation with the Finance and Resources Convener, were appraised with further assurances and agreed to extend these contracts.

Extension of Contracts - Sensory Disability Services (Sensory Support Strategy)

4.2 The Chief Officer of the Health and Social Care Partnership, in consultation with the Finance and Resources Convener, were appraised with further assurances and agreed to extend these contracts.

Extension of Contracts – Housing Support and Care and Repair Services for Older People (Extra Care Housing Strategy)

4.3 The Chief Officer of the Health and Social Care Partnership, in consultation with the Finance and Resources Convener, were appraised with further assurances and agreed to extend these contracts.

Extension of Contract – Volunteer Centre Edinburgh (Volunteering Strategy)

4.4 The Chief Officer of the Health and Social Care Partnership, in consultation with the Finance and Resources Convener, were appraised with further assurances and agreed to extend these contracts.

Extension of Contracts – Edinburgh Alcohol and Drug Partnership

4.5 The Chief Officer of the Health and Social Care Partnership, in consultation with the Finance and Resources Convener, were appraised with further assurances and agreed to extend these contracts.

Extension of Contracts – carers commissioned contracts

4.6 The Chief Officer of the Health and Social Care Partnership, in consultation with the Finance and Resources Convener, were appraised with further assurances and agreed to extend these contracts.

5. Next Steps

5.1 Providers will be contacted to complete Contract Extension/Variation Agreements and further work to develop strategic plans and develop new services will continue.

6. Financial impact

6.1 The total value of the contracts approved for extension in the financial year 2019/20 is £7,703,680.

6.2 Funding associated with the extension of the contracts will be delegated by EIJB to the Council.

7. Stakeholder/Community Impact

7.1 The approved recommendations are a result of consultation and co-production activity with service providers, service users, carers and other interested stakeholders.

8. Background reading/external references

Extension Health and Social Care Contracts, Finance and Resources Committee, 1 February 2019

Award, Extension and Transfer of Health and Social Care Contracts, Finance and Resources Committee, 2 February 2016

Blackwood Night Support Service Review Oct 18

EADP Adult Treatment & Recovery Contracts Performance 2016-18

Lothian Sensory Partnership Annual Report 2017-18

9. Appendices

Appendix 1 – Annual Values and Periods

Contract	Annual value (£)	Timescales
Sensory support service:		
RNIB/Deaf Action	**493,550**	for a period of up to 18 months from 1 April 2019
Housing Support for Older People:		
Bield Sheltered Housing	100,823	
Cairn Sheltered Housing	53,707	
Mansfield Sheltered Housing	75,305	
Methodist Sheltered Housing	9,196	
Port of Leith Sheltered Housing	51,581	
Prestonfield Neighbourhood Project	37,392	
Trust Housing Sheltered Housing	61,288	
Viewpoint Sheltered Housing	185,110	
With You Sheltered Housing	136,369	
Subtotal housing support for older people	**710,771**	for a period of up to 18 months from 1 Apr 2019
Care and Repair Service	**241,839**	for a period of up to 18 months from 1 Apr 2019
Shared Overnight Support:		
Action Group	252,675	
Ark Housing Association	342,297	
Autism Initiatives	346,387	
Barony Housing Association	104,646	
Carr Gomm	192,136	
Community Integrated Care	365,876	
Freespace	438,193	
L'Arche	147,168	
Mears Care	86,790	
With You	110,210	
Richmond Fellowship	138,634	
Real Life Options	109,062	
SHARE	251,981	
Visualise	123,443	
Crossreach	61,357	
Enable	30,879	
Leonard Cheshire Disability	74,605	
Penumbra	30,879	
Redcroft	30,879	
Redwoods	30,879	
Thistle	58,327	

Contract	Annual value (£)	Timescales
Crossreach	60,590	
Blackwood (Responder Service)	156,069	
Subtotal shared overnight support	**3,543,962**	for a period of up to 18 months from 1 April 2019
Volunteer Centre Edinburgh	**72,920**	for 12 months from 1 April 2019
Edinburgh Alcohol & Drug Partnership (EADP):		
Change, Grow, Live (CGL) (SE, SW, NW)	976,259	
Turning Point (NE)	474,020	
Edinburgh & Lothian Council on Alcohol	575,353	
Subtotal EADP	**2,025,632**	for 24 months from 1 April 2019
Carers		
VOCAL	280,000	
Carr Gomm	288,000	
Cornerstone	47,006	
Subtotal carers	**615,006**	for a period of up to a year from 30 June 2019
Overall total	**7,703,680**	

Finance and Resources Committee

10.00, Thursday, 7 March 2019

Contract Waiver for the Edinburgh Health and Social Care Partnership

Item number	7.16
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

It is recommended that the Finance and Resources Committee:

1.1 Approves the direct award of the contract to Partners 4 Change for the period April 2019 to April 2020 at a cost of £80,000 plus expenses capped at a further £12,000.

Judith Proctor

Chief Officer, Edinburgh Health and Social Care Partnership

Contact: Moira Pringle, Chief Finance Officer

E-mail: moira.pringle@nhslothian.scot.nhs.uk | Tel: 0131 529 3659

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Report

Contract Waiver for the Edinburgh Health and Social Care Partnership

2. Executive Summary

2.1 This report seeks approval for the waiver of Contract Standing Orders to allow the direct award of a contract to Partners 4 Change. This contract will provide change management support to the Edinburgh Health and Social Care Partnership (EHSCP) with the implementation of a new operating model, known as the Three Conversations model. This will form a key element of the EHSCP's transformation and change programme.

3. Background

3.1 On 8 February 2019, the Edinburgh Integration Joint Board (EIJB) approved a report which sets out ambitious plans for a new, revised transformation programme. This programme seeks to respond to current areas of underperformance and build a sustainable, high quality health and social care system for the future within Edinburgh.

3.2 A key element in delivering these changes is a different approach to working with people, communities and professionals within the EHSCP and beyond. There is a clear need to focus on reducing and reshaping demand, improving people's health, wellbeing and independence and supporting professionals and teams to work in a truly integrated way to deliver better outcomes.

4. Main report

Revised Transformation Plans

4.1 The EHSCP is seeking to increase the pace and focus of its transformation and change efforts. There is a pressing need to make significant improvement within current areas of underperformance, such as delayed discharge and people waiting within the community for assessment, review or packages of care. More importantly, there is also a need to respond to the wider change in demand and demographics, to create and build a sustainable, high quality health and care system for the future in the city.

4.2 On 8 February 2019, the EIJB approved a report which set out plans for a revised and streamlined programme structure, delivering real transformation, proper involvement of partners and stakeholders, and a refreshed governance process to ensure robust leadership and decision making at the right level.

4.3 One of the key objectives of the new transformation programme will be embedding widespread cultural change in the way that frontline teams practice and engage with people and families across the city. It is essential that dedicated change management resource is secured to support this ambitious change.

4.4 The EIJB has approved an approach to delivery that will see the new transformation programme aligned to a framework known as the Three Conversations model. Owned and trademarked by Partners 4 Change, Three Conversations offers a unique model for the redesign of health and social care service delivery. It is based on the principle that the EHSCP should focus not on the function of care management and its processes, but rather on organising its resources around having “three conversations” effectively. Further details of the model are provided at Appendix 1.

4.5 Partners 4 Change are specialists in the redesign of health and social care services and their trainers have significant professional and clinical experience in adult health and social care. They provide bespoke change management support to embed this new way of working and drive whole system redesign. The organisation has worked with over 75 Councils delivering reform and financial sustainability and can evidence significant financial and non-financial benefits. Three Conversations is closely aligned to the EIJB’s strategic priorities and it is the specific nature of this model that the EHSCP is seeking to procure, rather than any general health and social care consultancy support.

Waiver of Contract Standing Orders

4.6 The nature of the support offered by Partners 4 Change is specific and tailored. The Chief Officer considers that the Three Conversations model offers the best approach to redesigning health and social care services within Edinburgh and it is highly unlikely that another model can be found to better match the current transformation vision.

4.7 Given the unique nature of the support offered by Partners 4 Change and bearing in mind the direction of travel already approved by the EIJB, the Chief Officer is seeking the approval of the Finance and Resources Committee to waive normal Contract Standing Orders and directly award a 12 month contract to Partners 4 Change up to the value of £80,000 plus expenses capped at a further £12,000.

5. Next Steps

5.1 Assuming this report is approved, the Chief Officer of the Edinburgh Health and Social Care Partnership will proceed to engage Partners 4 Change and begin to develop the Three Conversations model for Edinburgh.

6. Financial impact

6.1 The cost of support from Partners 4 Change in implementing the Three Conversations model in Edinburgh is £80,000 plus expenses (capped at a further £12,000). This covers support for a 12 month period from 1 April 2019.

7. Stakeholder/Community Impact

7.1 Initial staff engagement sessions have taken place to share details of the Three Conversations model. Wider engagement is planned as part of the programme initiation phase.

7.2 The EIJB has been fully consulted regarding plans for the new transformation programme, including the implementation of Three Conversations, and are supportive of this approach.

7.3 The successful implementation of the Three Conversations model in Edinburgh will bring significant community benefits, helping to strengthen personalisation and supporting people to remain independent.

7.4 There are no adverse equalities or sustainability impacts arising from this report.

8. Background reading/external references

8.1 [Report to the EIJB on the transformation programme, 8 February 2019.]

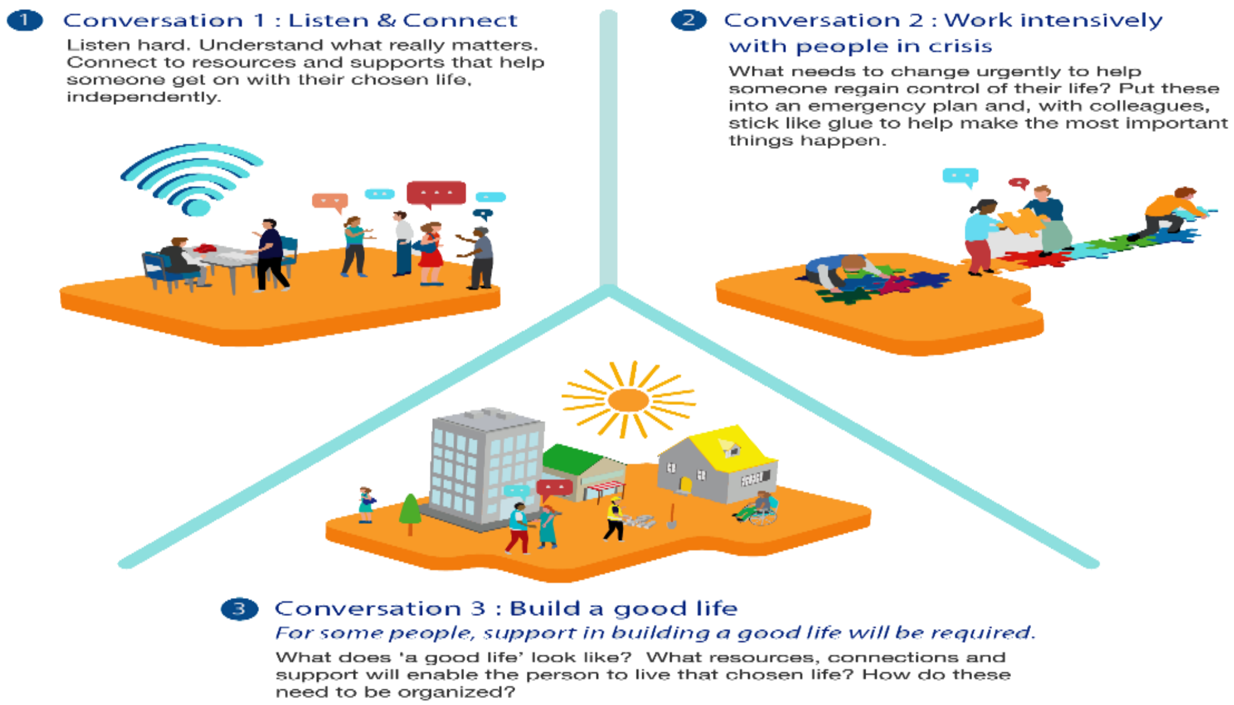
9. Appendices

Appendix 1 – Three Conversations Model

‘*3Conversations*’ Model Partners for Change

The Three Conversations model is a paradigm shift in how to deliver adult social care, and how it collaborates with NHS, Housing, Voluntary Sector and other colleagues to make the whole joined up system of community based support work differently and better.

It seeks to replace the ‘contact, re-ablement, then assessment for services’ culture with a new approach based on the assets, strengths and capabilities of people, families and communities.
It is built on, and has proved, the assumption that if you collaborate with and allow people to be co-designers of their support – then their outcomes go up, and their use of health and social care resources goes down.



There are very precise rules associated with these conversations that are necessary in order to produce a very different culture, practice and behavior in comparison with the default system. These include – you have to exhaust conversations 1 and 2 before you are allowed to move to conversation 3, you are not allowed, ever, to plan long term with people in crises, you are never allowed to hand off or refer people, or triage them, or use a waiting list or allocation process. If someone is in crisis you ‘stick to them like glue’ and work with them on what needs to change intensively for a short period of time.

Making it happen is a huge challenge because of the power of the status quo to reinvent itself. So we have learnt to stop using some key words, phrases and associated activities – that include assessment, review, respite, services, triage, referral, signposting etc. Instead after socializing these ideas and finding out where ‘the grain’ is i.e. who really wants to do it, we create innovation sites with their own new and different rules. Our innovation sites have included ‘the front door’, long term teams, GP ‘at risk of admission’ lists, an acute hospital ward, people waiting for a review and more. Innovation sites collect data every day about what happens to people when we approach them differently. What we have learnt is – if you change the conversation, then peoples lives change.

The results; the numbers of people with ongoing packages of formal care significantly goes down – we aim to halve it – with the consequent savings to health and social care budgets. People and families say how much they like the different approach – where workers are allowed to really listen and be interested in them as people, where they do what they say, and where the response is fast and effective. Staff satisfaction and productivity shoots up, and they say things 'I love my job, it is inspiring', 'don't make me go back to the old way of working'.

We have learnt that you can make rapid progress and at the same time achieve seismic change. Our programme usually looks something like:

- month 1 and 2: socialize these ideas and co-design your innovation sites
- month 3 to 5: run your first phase of innovation – collecting data every day
- month 6: evaluate - collect and share your compelling evidence from your data about what happens when you work differently – both numbers, and 'stories of difference'.
- month 7 to 9: run an expanded area of innovation to prove you can scale it and deal with any challenges from phase one
- month 10 to 12: evaluate and get ready for business as usual.

We have now done this enough times in enough different environments to know, and be able to prove, that it works with all areas, and all people. We really can support better lives for people and families, more satisfying and productive jobs for our staff, and save significant amounts of health and social care resource.

Finance and Resources Committee

10.00am, Thursday, 7 March 2019

Award of Contracts for Subsidised Childcare for Working Parents

Item number	8.1
Executive/routine	Executive
Wards	All
Council Commitments	

1. Recommendations

1.1 This report seeks the approval of the Finance and Resource Committee to award four contracts for the provision of Subsidised Childcare for Working Parents. The contract duration will be for 36 months, with an option to extend for up to a further two periods of 12 months each (subject to the Council's budget setting process). Each contract start date will be 1 April 2019. The total estimated value of the contracts to the Council, including extensions, is £4,380,100.

Paul Lawrence

Executive Director of Place

Contact: Jim Galloway

E-mail: jim.galloway@edinburgh.gov.uk | Tel: 0131 529 3211

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Report

Award of Contracts for Subsidised Childcare for Working Parents

2. Executive Summary

2.1 The Finance and Resources Committee approves the award of contracts to:

2.1.1 Smile Childcare: £1,294,065;

2.1.2 Childcare Connections Limited: £661,200;

2.1.3 North Edinburgh Childcare: £1,976,845; and

2.1.4 Kidzcare Limited: £447,990.

2.2 The contracts are for the provision of Subsidised Childcare for Working Parents for a period of 36 months, with options to extend for a maximum of two 12-month periods at total estimated value of £4,380,100. The awards will be subject to the Council's standard terms and condition and will reviewed regularly as part of the Council's budget setting process.

3. Background

3.1 In 2013, the Council undertook a review of the its investment in subsidised childcare places. The review included consultation with stakeholders, evaluation of the impact of subsidised places and analysis of the potential need in areas of the city not served by the existing network.

3.2 In November 2013 the Economy Committee approved the transition to a new approach to subsidised childcare support for parents returning to work or training. This was the culmination of an extensive dialogue with parents, providers and stakeholders on the challenges for low income households.

3.3 In May 2015 the Finance and Resources Committee approved the award of contract to four providers for two years with the option to extend for one further year. The contracts provided community based, targeted subsidised childcare places in the four priority areas of Wester Hailes, South Edinburgh, North Edinburgh and Craigmillar.

3.4 There was a further direct award which is to end on 31 March 2019. This extra year allowed for a full review of the service, to assess if the same service will continue to be a requirement in the coming years, in line with supporting those families in working poverty, through access to affordable childcare, enabling them to progress into further education, training or employment.

3.5 In June 2018 this co-production process was detailed and the outcomes noted at the Housing and Economy Committee.

4. Main report

4.1 In December 2017, a Project Board was established which included representation from Council officers from Economic Development, Communities and Families and Commercial and Procurement Services (C&PS), Department for Work and Pensions (DWP), NHS Lothian, Edinburgh Voluntary Organisations Council (EVOC), One Parent Families Scotland (OPFS) and Capital City Partnership (CCP).

4.2 Between January to March 2018, extensive co-production was undertaken, with outcomes to be reflected in the Procurement process for the contract starting 1 April 2019. This included:

4.2.1 Workshop with current Providers and their staff teams;

4.2.2 Workshop with key stakeholders including representation from Economic Development, EVOC, Early Years, DWP, One Parent Families, Family Solutions, Capital City Partnership, NHS Lothian and Commercial and Procurement Services;

4.2.3 Employability Providers' survey;

4.2.4 Citizens' survey;

4.2.5 Workshop with parents;

4.2.6 Focus groups with ESOL groups, Saheliya and groups in each locality in partnership with Parents and Carers in Edinburgh;

4.2.7 Workshops with employability network through locality sessions;

4.2.8 Presentation at Joined Up For Jobs forum; and

4.2.9 Survey to the Joined Up For Jobs network and wider service providers; and a Survey to Edinburgh residents.

4.3 An online link was also sent out to those who could not attend any workshops or who wanted a more private forum to report into.

4.4 Some of the outcomes highlighted during the co-production include: parents should be better supported and signposted to additional services to help tackle in-work poverty; parents will be supported to access alternative childcare for more flexible solutions where required; and there will be a more holistic approach to supporting parents.

4.5 The Housing and Economy Committee on 7 June 2018 considered the findings of the review of Subsidised Childcare and endorsed the development of a new service specification to take account of the findings. The new specification is provided in appendix 2 for reference.

4.6 In April 2018, a Prior Information Notice (PIN) was published to establish market interest and invite interested providers to a supply market event to share outcomes of the co-production.

4.7 Seven providers noted interest in the PIN; of which three providers withdrew interest upon gaining greater understanding of the requirement through reading the briefing.

4.8 Only the incumbent providers attended the supplier co-production event.

4.9 Based on the above market interest and historical lack of commercial interest in any advertised procurement, and taking into consideration that this is a care and support service with the 'Light Touch Regime' applied under the Public Contracts (Scotland) Regulations 2015 and supplemented by The Procurement (Scotland) Regulations 2016, the Council can direct award contracts with no competition when competition is absent for technical reasons.

4.10 The lack of competition may be due to Scottish Government provision of minimum hours.

4.11 However, to ensure that the Council was being fair, open and transparent and still receiving best value, Procurement advised that a tender with negotiation would be the best course of action with incumbent providers. This process was undertaken and evaluated to ensure quality and cost was assessed; to ensure that providers understood the changes and expectations of the Council within the contract specification. This process is detailed within Appendix 1.

4.12 All four tenders received were evaluated based on weighted 70:30 for quality and price. Quality being of greater importance due to the nature of the service. Pricing was negotiated with each provider due to the different organisational set up. The capacity of each provider also helped determine the funding allocated to each provider per annum.

4.13 All providers were assessed as meeting the quality criteria and the price was based on the average subsidised rate to the Council, across the different services such as nursery full day, nursery part day, holiday full place or breakfast clubs:

Supplier	Mandatory requirements all met	Quality Tender Score 70/100	Acceptable Pricing Negotiated with Provider
Smile Childcare	**Y**	39	Y
Kidzcare Ltd.	**Y**	44	Y
North Edinburgh Childcare	**Y**	51	Y
Childcare Connections Ltd.	**Y**	45	Y

4.14 Please note, the scoring does not reflect the model of the organisation or their ability as a childcare provider but rather their ability to meet the criteria.

4.15 The designated Contract Manager from Capital City Partnership will be responsible for monitoring delivery and reporting of Community Benefits by the individual providers.

5. Next Steps

5.1 All providers have been kept in close communication throughout this process and are aware that award of contract is dependent upon committee approval.

5.2 Contract Award documentation will be prepared and issued for contract start date of 1 April 2019.

5.3 In line with the Public Contracts (Scotland) Regulations 2015, the Council will issue an award notice on Public Contracts Scotland.

6. Financial impact

6.1 The providers have agreed to a fixed pricing structure for a minimum of three years. The benefit of this will be easier contract management, clearer expectations and greater financial stability for providers.

6.2 The contract awards will be made in line with the Council's standard contract terms and conditions and will be subject to regular review as part of the Council's annual budget setting process.

6.3 The proposals from all providers have been within agreed budget.

6.4 Financial assessments have been completed for all providers and they are all a pass.

6.5 All providers will be supported to access additional funds over the period of the contract, for example North Edinburgh Childcare, will seek additional funding to expand service provision to create an additional 80 full time equivalent places at an estimated cost of £1.7 million. Their priority is to target families in economic deprivation to offer free places where possible. With the stability of Council funding, they have raised £328,000 from the Robertson Trust, £100,000 from the Clothworkers Foundation, £21,173 from the Children's Lottery, £30,000 from Spifox and have been invited to apply for £500,000 from Resilient Scotland.

6.6 The costs associated with procuring this contract are estimated to be between £20,001 and £35,000.

7. Stakeholder/Community Impact

7.1 Stakeholder and local Communities have been involved in this process. Please refer to main body for full explanation of stakeholder involvement within the process.

7.2 An Equalities Impact Assessment was completed in May 2018 and all recommendations have been addressed throughout the process.

7.3 The contracts with these providers have been in operation for the past four years with no service issues identified, therefore there will be no learning curve with the continuation of the core service.

7.4 To ensure the quality of the service, the providers must comply with the following;

7.4.1 registration with and maintenance of a minimal Care Inspectorate grading of four; and

7.4.2 staff working for the Providers are required to have the relevant early learning and childcare qualifications as recognised on the Scottish Credit and Qualifications Framework.

7.5 The outcome of awarding these contracts will be to ensure good quality affordable childcare for working parents, which makes better use of resources and increases the positive and sustainable employment outcomes for Edinburgh's citizens.

7.6 No significant environmental impacts are expected to arise from this contract.

7.7 This procurement has adhered to policy on Sustainable Procurement and Implementing Community Benefits guidance.

7.8 The success of these projects will be measurable against Key Progress Indicators contained in the Economic Strategy, including child poverty, benefits dependency and financial wellbeing.

7.9 The Department of Work and Pensions have been involved in the co-production of this service. The roll out of Universal Credit will not affect these arrangements nor lead to duplication. Rather, it will support families on low incomes and those facing challenges at transition points between benefits and work.

8. Background reading/external references

8.1 https://www.gov.scot/publications/blueprint-2020-expansion-early-learning-childcare-scotland-2017-18-action/

9. Appendices

1. Summary of Tendering and Tender Evaluation Process
2. Subsidised Childcare – Specification of Service

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Contract	**CT2464**	
Contract Period	3 years with the option to extend by a further two periods of 12 months each	
Estimated Total Contract Value (including extensions)	Smile Childcare: £1,294,065; Childcare Connections Limited: £661,200; North Edinburgh Childcare: £1,976,845; and Kidzcare Limited: £447,990.	
Procurement Route Chosen	Negotiated Procedure under the Light Touch Regime	
Tenders Returned	4	
Price / Quality Split	**Quality 70**	**Price 30**
	Criteria	**Weighting (%)**
Evaluation Criterion and Weightings	**Service Provision**	40%
	Management and Staffing	15%
	Partnership Working & Communication	10%
	Contract Management	15%
	Added Value	5%
	Community Benefits	10%
	Fair Work Practices	5%

The City of Edinburgh Council

Service Specification – Affordable Childcare for Working Parents

Contract Start: 1 April 2019

Service Specification – Affordable Childcare for working parents

CONTENTS

1 INTRODUCTION

1.1 The City of Edinburgh Council is one of the largest local authorities in Scotland currently covering a rising population of 507,000. One of the key functions within the Council is the Economic Development Service which hosts the Employability and Talent Development (ETD) team. The ETD team work closely with a range of internal and external partners across the Edinburgh and South-East Scotland City Deal region, Joined up for Jobs network, Edinburgh Guarantee, Developing Young Workforce and Locality partnerships to promote inclusive growth.

1.2 The Economic Development Service, in collaboration with Communities and Families, has funded subsidised childcare for children aged 0 – 12 years for many years, specifically for families who require assistance to secure or remain in work. These services have been focussed in four of the most deprived areas of the city: North Edinburgh, South Edinburgh, Wester Hailes and Craigmillar. ***See Appendix 1***.

1.3 Four providers are currently contracted to provide this service and the most recent contracts run from June 2015 to March 2018, subsequently extended through to March 2019 to allow the council to review, evaluate and co-produce a new service specification to meet the needs of low income working families. An individual or consortium approach will be considered for the new contracts.

1.4 Research and co-production has demonstrated that there is more demand than ever for good quality affordable childcare in the areas noted above, with a clear need for more holistic support to support parents to progress into more secure, better paid employment which in turn would release the subsidy for more families in need.

1.5 The new contract will be for an initial 3-year period, reviewed annually, with the possibility to extend for a further 2 years on a one year plus one year basis.

2 BACKGROUND

2.1 As there have been strategic and political changes since the current subsidised childcare contracts were last procured, the Council required to review and evaluate current provision.

2.2 A project board was set up to undertake an intensive period of research and consultation between November 2017 and April 2018. The project board included Council representation from Employability and Talent Development, Early Years and Procurement, in addition to NHS, Department for Work and Pensions, Edinburgh Voluntary Organisations Council, One Parent Families Scotland and Capital City Partnership.

2.3 The aim of the co-production process was to review and evaluate the impact of current provision, understand future demand and identify gaps in provision. The project board gathered feedback from stakeholders, service providers, current and prospective service users across the city in addition to extensive desk based research.

2.4 The main findings of co-production were as follows:

- provision should target those families most in need of support;
- provide a quality early learning environment for the children;
- it should be less expensive than equivalent childcare provision in the immediate area; ***See Appendices 2 – 4.***
- it should support flexible childcare solutions to assist with those working shifts and outside of core service hours;
- it should provide holistic support to families to enable parents to secure, sustain and progress in work, including sign-posting and referral to relevant agencies;
- allocation of subsidy should be on a case by case basis as part of a childcare/work options assessment with parents;
- subsidy should not be available to anyone whose place is funded from another source – i.e. 1140 hours, Employer, HE/FE institution or other.

3 CONTEXT AND JUSTIFICATION

3.1 A number of policies and strategies were also taken into consideration. These included the new Edinburgh Economy Strategy, Getting it Right for Every Child (GIRFEC), the Scottish Government's 'A Blueprint for 2020' and the Child Poverty Strategy for Scotland.

3.2 The new Edinburgh Economy Strategy, which sets out the Council's ambition for the city's economy, shows that the five most deprived wards in the city are Sighthill/Gorgie, Liberton/Gilmerton, Portobello/Craigmillar, Leith and Forth. It also highlights that 21% of Edinburgh children grow up in poverty.

3.3 The strategy lists 'eight steps for good growth' which includes the ambition to 'Deliver new approaches to tackling the barriers that reinforce worklessness, poverty and inequality' which include an aim to improve the availability and affordability of childcare for those on low incomes.

3.4 In response to the Scottish Government's announcement of the Blueprint for 2020 - an expansion of funded early years childcare to 1140 hours from the current 600 - the Council's Early Years team co-ordinated a citywide consultation on childcare provision in September 2017. Of the 2,209 people who responded, the most popular childcare delivery model (favoured by 38% of respondents) is for 50 weeks per year with parents/carers able to choose hours between 8am and 6pm and with the option to purchase additional hours.

3.5 Economic analysis from the Scottish Government shows improving access to affordable early learning and childcare has the potential to substantially boost the labour market in Scotland. By improving access to good quality, affordable childcare in the areas highlighted above, families with young children will initially benefit. However, the impact will build as new cohorts of families benefit year-on-year. This will have a positive effect on the local and national Scottish economy and tax revenues.

3.6 The Council now seeks to contract provision that takes these findings into consideration to ensure that as many families as possible are supported to access subsidised childcare as part of an integrated, person centred approach to reducing poverty and inequality.

4 SERVICE REQUIREMENTS

4.1 The Council requires providers, or consortia of providers, to deliver a targeted affordable childcare service for children aged 0 - 12 years to help make progress towards meeting the above policy and strategic goals.

4.2 This will include a blend of 0 - 5 childcare provision and after school care for those of primary school age. There is also a requirement to link with other childcare providers, such as local childminders, to offer a wraparound childcare service for families who work outside of core care hours.

4.3 The provider(s) will be required to offer high quality childcare places and will ensure that all staff are suitably qualified or working towards relevant qualifications, whilst maintaining Care Inspectorate grades of 'Good' or above.

4.4 The provider(s) will deliver year-round care and be able to evidence their relationship with other local childcare providers to meet the challenges of arranging flexible care to meet families changing needs and circumstances.

4.5 The provider(s) will link with local, city-wide and national organisations to provide a holistic approach to supporting the wider needs of the family with regard to employability, income maximisation, health and wellbeing and employment progression. This will be monitored and referrals captured on the Council's management information system (currently Caselink).

4.6 A number of subsidised places will be agreed between provider and Council to be offered to families who meet eligibility criteria. This will be reviewed annually.

4.7 The provider(s) will carry out a financial assessment with each family. Eligibility for the subsidy will be based on whether the cost of childcare would take the household below 60% of median income which is recognised as relative low income. For this purpose, income includes money received through welfare benefits. Exceptions to this may be considered on a case by case basis as agreed by the Contract Manager. For an example of how this may be worked out see ***Appendix 5*** but this will be finalised before contract start.

4.8 This subsidy will be awarded to each family based on eligibility and reviewed on an annual basis with evidence stored on the City of Edinburgh Council's preferred client management system, which at present is Caselink. Each provider must ensure that the relevant information sharing agreement is completed.

4.9 Where families receive support with childcare costs from other sources, such as Scottish Government 1140 funded childcare hours, Department of Work and Pensions, FE/HE institutions or employers, the subsidy will NOT be available.

4.10 The provider(s) will be expected to inform parents that their eligibility for a subsidy will be reviewed on an annual basis. The initial start date of provision should be used as the review date.

4.11 The provider(s) will support the collection of accurate ongoing eligibility data, relating to each subsidised place and parents should be advised that they have a responsibility to advise of any changes to income as soon as possible. This may trigger a review for eligibility of the subsidy. However, a parent will never be made to pay back the subsidy.

4.12 Where eligible, the provider(s) will be registered for the Scottish Government's Deposit Guarantee Scheme (DGS) Pilot. This runs until December 2019 and continuation of the service will depend on Scottish Government evaluation.

4.13 The provider(s) will use a mandatory application form for parent/ carers wishing to access a subsided place from 1 April 2019. This will be developed by Capital City Partnership in collaboration with providers to ensure information meets reporting parameters.

4.14 The provider(s) will be committed to self-evaluation, and will monitor the experience of parents and children using the service and will have an improvement plan in place.

4.15 The projected demand and level of subsidised places is outlined in the table below. This is based on existing data on usage and uptake of subsidised places. There is scope for the provider(s) to adjust this projection in consultation with the Council.

Childcare Places Defined by Provider Location and Areas 2017-2018
Number of Places (FTE) per day

		NEC	**CC**	**Smile**	**Kidzcare**	**Totals**
1	0-2 year olds Nursery Care – 50 weeks	15	-	18	8	41
2	2-3 year olds Nursery Care – 50 weeks	18	-	15	11*	44
3	3-5 year olds Early Years Learning and Nursery Care – 50 weeks	33	-	32	-	65
4	4-5 year olds – P1 Transition Club - 4 weeks	0	5	0	-	5
5	5-12 year olds Term Time Out of School Care - 38 weeks	248	160	90	40	538
6	5-12 year olds Term Time Breakfast Club - 38 weeks	80	30	40	-	150
7	5-12 year olds – Holiday Out of School Care – 12 weeks	132	40	60	5	237

**Kidzcare nursery provision only take children up to their 4th birthday then they transfer to local statutory provision..*

4.15 The provider(s) should specify the number of subsidised places they can provide within the agreed budget. There is scope for this to be reviewed in consultation with the Council on an annual basis.

5. AIMS AND OBJECTIVES

5.1 To assess the childcare needs of families and help to put appropriate childcare solutions in place within their own locality where possible and to signpost to other childcare providers where service cannot be offered.

5.2 To work closely with local employability services to advise and support families who are seeking childcare information and provision to enable them to secure employment.

5.3 To build links with other childcare providers such as childminders and other facilities to support working families to secure flexible childcare that meets their employability needs.

5.4 To maintain or expand current level of uptake of subsidised places for eligible parents/carers.

5.5 To ensure that children in low income households are in receipt of 'high quality early learning and childcare' that maximise their potential in terms of educational and social attainment.

5.6 To support relationships with parents and children to ensure continuity of care and enable positive progressions throughout the setting and the transition into school.

5.7 To encourage parents to develop a user parenting group or similar, to share information, support and educate on relevant topics.

6. PARTNERSHIP WORKING

6.1 The provider(s) will attend partnership meetings with The City of Edinburgh Council lead officer and any other relevant partners. These meetings will take place bi-annually; however, other meetings may be convened when required.

6.2 The provider(s) will demonstrate an active role in the community, by supporting local volunteers within the organisation and having knowledge of and linking in with local childcare networks.

6.3 The provider(s) will build links with local childminders either through Scottish Childminding Association or through individual relationships with local childminders who must achieve Care Inspectorate grades of 'Good' or above.

6.4 The provider(s) will also build supportive relationships and networks with local and citywide CEC funded employability services and other relevant support to assist families to progress along the Strategic Skills Pipeline. These will include the locality based Integrated Employability Service Hubs, CEC or locally funded Debt and Welfare Advice, All In Edinburgh and Skills Development Scotland where appropriate.

6.5 The provider(s) will be fully involved in the relevant Locality Improvement Plans actions through the Economy/Employability or Children and Young People's themes.

6.6 The provider(s) will support service improvement by inputting to research and/or evaluation and will assist in convening groups of parents to participate in focus groups as required.

7. STAFF RECRUITMENT, TRAINING AND REGISTRATION

7.1 The provider(s) will ensure that, where appropriate, each member of staff:

- Has, or is working towards, the relevant early learning and childcare qualification as recognised on the SCQF Framework;
- Is registered with the Scottish Social Services Council (SSSC)
- Is registered for the Protecting Vulnerable Groups (PVG) Membership Scheme
- Participates in continued professional development
- Complies with data protection requirements
- Attend training if required to use a management information system

8. KEY PERFORMANCE INDICATORS

8.1 To determine the basis on which we judge whether the contract is succeeding, and to be aligned with section 9 - Contract Management and Reporting, the provider(s) will demonstrate:

- 100% uptake of subsidised places by families on low income
- 100% of families who receive subsidy should be offered information on how to access employability or other support services (benefits, money advice, health etc)
- 10% of families moving off subsidised place due to higher earnings/more hours
- 100% completeness and accuracy of data entered into client management system

8.2 Providers should achieve a Care Inspectorate grading of Grade 4 or above. If this grading drops below 4, the provider must inform the Council within 48 hours. All parties will work together to develop an improvement plan to address the concerns.

8.3 KPIs will be continuously reviewed to ensure that the service continues to meet the needs of the Council and families using the service.

9. CONTRACT MANAGEMENT AND REPORTING

9.1 Compliance with monitoring systems will be required. This includes bi-annual visits for audit monitoring by a dedicated contract manager from Capital City Partnership, use of Caselink as well as qualitative reports.

9.2 All activity in relation to client engagement will be recorded and tracked on Caselink, which will also be used to refer clients to services within the Strategic Skills Pipeline and to receive referrals from other providers.

9.3 In addition to the evidence required in relation to the KPIs, the provider(s) will supply the following information by the end of the second week of each new quarter:

- Any new Care Inspectorate grades/ reports
- Narrative report detailing any successes or challenges in delivering the service and reflecting on KPIs which will include:
    - number of families receiving a subsidised/ unsubsidised rate
    - number and age profile of children receiving subsidised/unsubsidised rate
    - number of families moving off subsidised rate due to positive change in circumstances
    - number of families taking up offer of employability or other support
    - any additional external funding received to support the service and what the funding is to be used for
    - Income generated from childcare or related services

9.4 In addition, the provider(s) will also be expected to maintain records regarding:

- evidence of eligibility for a subsidised place
- an annual review of families to measure any in-work progression
- other organisations the family have engaged with whilst using the service
- referral or signposting to other childcare provision where you have been unable to meet the needs of a family.

9.5 The provider(s) will supply an annual composite report providing a synopsis of the employability and holistic support activity and impact of the preceding 12 months that will include the collation of all quarterly data and case studies to highlight the positive impact. This should include a progress statement detailing the successes, challenges and a forward plan with proposed improvements for the next 12 month period. This should be submitted no later than six weeks after the end of the financial year and signed off as complete by the Council no later than the first week of September each year.

10 CONTRACT VARIATION

10.1 The Council may agree to vary this Contract including any consequent price change as a direct result of changes in legislation, statutory guidance or other directions which impact on the payment of the contract and which may have an impact on the full cost recovery of the service. Variations should be made within 6 months of the commencement of any changes in legislation, statutory guidance or other directions. The Council shall require evidence such as open book accounting to justify any proposed changes to pricing. Prior to any variation becoming effecting, proposed changed will need to be reviewed and agreed within the relevant Council approval procedure.

11. PAYMENTS & INVOICING

11.1 Payment will be made, quarterly in advance, following the submission of a narrative report (including progress on KPIs) and a valid financial claim to Capital City Partnership.

12. BUSINESS CONTINUITY

12.1 The Provider(s) shall have in place appropriate and tested contingency arrangements to ensure delivery of the Services.

13. FAIR WORKING PRACTICES

13.1 The City of Edinburgh Council is committed to the delivery of high quality public services and recognises that this is critically dependent on a workforce that is well rewarded, well-motivated, well-led, has access to appropriate opportunities for training and skills development, is diverse and is engaged in decision making. These factors are also important for workforce recruitment and retention, and thus continuity of service.

13.2 In order to ensure the highest standards of service quality in this Contract we expect the provider(s) to take a similarly positive approach to fair work practices as part of a fair and equitable employment and reward package.

14. TRANSITIONAL AND EXIT MANAGEMENT

14.1 The provider(s) shall submit an Exit Management Plan to the Council 6 months before the end of the contracted term setting out transitional arrangements if the contract should not be renewed.

14.2 The provider(s) should develop a co-operative approach to sharing services with the aim of reducing operational costs in future.

14.3 The provider(s) will be responsible for ensuring a smooth and seamless transition between the current and future contract specification. This will specifically relate to communication with parents and transfer to any new service.

14.4 The provider(s) will ensure that all information and data relevant to the contract is shared with the Council or Replacement Service Provider.

15. THE ENVIRONMENT

15.1 This Contract should contribute to the achievement of the Council's environmental and sustainability objectives. Securing sustainable development is a strategic objective for the Council. The Sustainable Edinburgh 2020 document emphasises the Council's commitment to act on climate change and reduce carbon emissions across the city. http://www.edinburgh.gov.uk/info/20206/sustainable_development_and_fairtrade/841/sustainable_edinburgh_2020

15.2 It is expected that the provider(s) and their personnel make every effort to minimise the impact of the delivery of the services on the environment. The Provider shall use their best endeavours to achieve the efficient use of energy and, where possible, to maximise the use of biodegradable or recycled products.

16. COMMUNITY BENEFIT

16.1 As detailed in the Council's Sustainable Procurement Policy, the Council is committed to maximising social, economic and environmental benefits through the delivery of Council Contracts (known as 'Community Benefits'). Community benefits include targeted recruitment and training; sourcing from Small and Medium Enterprises (SMEs), Social Enterprises and Third Sector Organisations; contributions to education within communities; community consultation, engagement and strengthening of community relations; environmental improvement; volunteering; providing community resources; mentoring and sponsorship of community organisations.

16.2 The Council will work in partnership with the successful provider(s) on supporting the Edinburgh Guarantee's vision of increasing the number and range of employment opportunities or other support available for the city's young people. Further information on the Edinburgh Guarantee can be found at: http://www.edinburgh.gov.uk/info/20163/opportunities_for_young_people/69/edinburgh_guarantee

16.3 The provider(s) shall endeavour to secure further community benefits, which may include beneficial links/networks and learning and expertise which will enhance the experience of the Children and Young People.

17. GENERAL DATA PROTECTION REGULATIONS

17.1 The Provider shall meet, in all areas of the Service, the provisions of the General Data Protection Regulations (GDPR) https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/ . As part of this the Provider must;

- process the personal data only on the documented instructions of the Council; comply with security obligations equivalent to those imposed on the Council (implementing a level of security for the personal data appropriate to the risk); ensure that persons authorised to process the personal data have committed themselves to confidentiality or are under an appropriate statutory obligation of confidentiality;
- only appoint Sub-processors with the Council's prior specific or general written authorisation, and impose the same minimum terms imposed on it on the Sub-processor; and the Contractor will remain liable to the Council for the Sub-processor's compliance. The Sub-processor must provide sufficient guarantees to implement appropriate technical and organisational measures to demonstrate compliance. The Contractor must inform the Council of intended changes in their Sub-processor arrangements;

- make available to the Council all information necessary to demonstrate compliance with the obligations laid down in Article 28 GDPR and allow for and contribute to audits, including inspections, conducted by the Council or another auditor mandated by the Council - and the Contractor shall immediately inform the Council if, in its opinion, an instruction infringes GDPR or other EU or member state data protection provisions;
- assist the Council in carrying out its obligations with regard to requests by data subjects to exercise their rights under chapter III of the GDPR, noting different rights may apply depending on the specific legal basis for the processing activity (and should be clarified by the Council up-front);
- assist the Council in ensuring compliance with the obligations to implementing a level of security for the personal data appropriate to the risk, taking into account the nature of processing and the information available to the Contractor;
- assist the Council in ensuring compliance with the obligations to carry out Data Protection Impact Assessments, taking into account the nature of processing and the information available to the Contractor; and
- notify the Council without undue delay after becoming aware of a personal data breach.

16.2 Consent from service users shall be obtained by the Provider to share personal and special category data with the Council. The documentation used to collect this consent will be agreed with the Council.

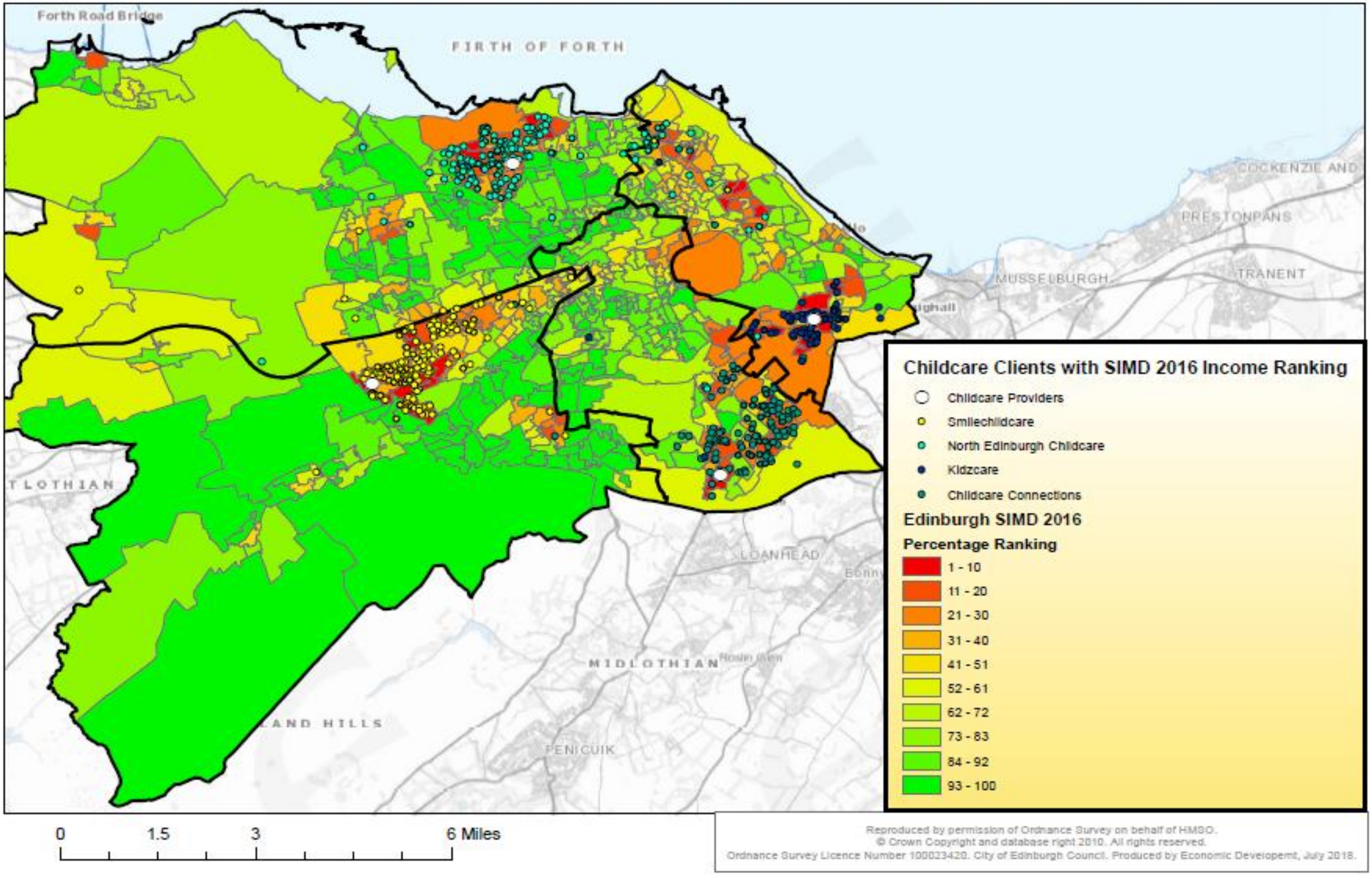
16.3 Personal and special category data shared with the Council will be used for the purpose of monitoring the performance of the Service.

APPENDICES

1. **SIMD income deprivation map with childcare engagements 2016 - 2018**
2. **Average Private Nursery Childcare Rates**
3. **Sample of After School Care Prices**
4. **Current Providers Fee Structure**
5. **Example of how to calculate ‘remaining income’**

APPENDIX 1

Distribution of Childcare Engagements in 16/17 and 17/18 with SIMD 2016 Income Ranking



APPENDIX 2

Cost of Private Nursery Childcare in Edinburgh by Locality (per day) (taken from Nursery Guide Edinburgh & Lothian 2018)

North East	0-2yrs	3-5yrs
Heriot Hill	£52	£52
Edinburgh Nursery	£50	£43
Bright Horizon - Annandale	£59	£54
Busy Bees Newhavel	£54	£51
Forbes	£59	£56
Around The World	£45	£38
Headstart Leith	£57	£52
The Meadows Pilrig	£53	£50
Kidzcare Haystax	£35	£35
Rocking Horse	£53	£50
Cosy Cottage	£42	£40
Cherrytrees	£48	£47
The Brighton Nursery	£50	£50
Seabeach	£53	£51
Blossom Day Nursery	£44	£39
Kidzcare Portobello	£42	£39
AVERAGE	**£50**	**£47**

North West	0-2yrs	3-5yrs
New Town	£50	£48
Arbor Green	£50	£50
The Orchard Nursery	£52	£51
Crewe Road	£46	£42
North Ed Childcare	£38	£37
Bright Sparks	£55	£52
Waterfront	£45	£40
Bonnington House	£59	£57
Summerside	£52	£52
Trinity Tots	£50	£50
Murrayfield	£53	£43
Bright Sparks	£55	£52
Edinburgh Day Nursery	£65	£63
Jigsaw	£47	£47
Wee Gems	£52	£51
Peek-a-Boo	£46	£44
Leaps and Bounds	£50	£48
Flying Colours	£51	£50
Little Monkeys Cramond	£58	£56
Busy Bees Edinburgh Park	£52	£48
Bright Horizons Cramond	£58	£56
Little Flyers	£52	£50
Kirkliston Orchard	£48	£46
Nippers Dalmeny	£40	£40
Leaps and Bounds (orchard)	£47	£45
Nippers Kirkliston	£40	£40
Claylands	£45	£44
AVERAGE	**£50**	**£48**

South East	0-2yrs	3-5yrs
Early Days	£52	£50
Chapter One	£54	£54
Cowgate Under 5s	£52	£52
New Town Too	£53	£52
Jigsaw	£48	£48
Forbes Childrens Nursery	£59	£56
Little Voices	£55	£52
Forbes (bruntsfield)	£59	£56
Arcadia	£52	£52
Stepping Stones	£53	£53
Meadows Nursery	£55	£51
Strawberry Hill	£52	£49
Playdays Nursery	£42	£41
St Margarets Nursery School	£54	£51
Kidzcare Norwood	£61	£55
Kidzcare Grange	£61	£55
Priestfield House	£42	£42
Little Monkeys Kilmaurs	£44	£43
Childsplay	£51	£49
Headstart Morningside	£57	£52
Little City	£53	£53
The City Nursery	£50	£45
Bright Horizon Bruntsfield	£51	£50
Melville House	£54	£47
Corner House	£61	£50
Chapter One Kirk Brae	£51	£45
Carebears	£43	£43
Edinburgh Montessori	£60	£50
Mothergoose Outdoor	£46	£44
Little Learners	£50	£44
Blossom Tree	£43	£43
Pinnochio's	£46	£45
Start Bright	£43	£42
Bright Horizon Elsie Ingles	£60	£50
AVERAGE	**£52**	**£49**

South West	0-2yrs	3-5yrs
Busy Bees	£51	£48
Rainbow	£43	£40
Scallywags	£50	£47
Smilechildcare	£32	£23
Cranley Craiglockhart	£55	£54
Little Monkeys Craiglockhart	£48	£46
Lanark Road	£47	£46
Cranley Colinton	£47	£46
Colinton Private Nursery	£51	£48
Cranley Lanark Road	£55	£54
Cranley Buckstone	£55	£54
Brigt Horizon Morton	£58	£52
Juniper Green Tots	£40	£40
Pinnochio's HW	£53	£52
Currie Children's Nursery	£50	£48
Jigsaw	£49	£47
AVERAGE	**£49**	**£47**

	0-2yrs	3-5yrs
OVERALL AVERAGE	**£50**	**£48**

*figures are taken from Nursery Guide: Edinburgh & The Lothians. 2018 Annual

costs are calculated by highest cost being attributed to 0-2yrs & lowest cost to 3-5yrs.

Doesn't include funded pre-school hours.

Table 2: prices of 50 hours a week childcare for children under three

	Nursery	
	Under two	Two
Great Britain	£232.84	£229.33
England	£236.19	£231.75
Wales	£218.73	£220.77
Scotland	£205.18	£200.66

(Family and Childcare Trust: Childcare Survey 2018)

APPENDIX 3

Sample of After School Provider prices in Edinburgh			
Provider	**mon-thurs (per day)**	**friday (per day)**	**holiday (per day)**
Trinity and Victoria ASC	£7.30	£12.90	£20.40
Liberton ASC P1 and P2	£7.50	£12	£16
Liberton ASC P3-P7	£7	£12	£16
Towerbank ASC	£8	£13.20	£22
Skool Is Out (Bruntsfield, Sciennes, James Gillespies) P1-P2	£14.50	£17	£30
Skool Is Out (Bruntsfield, Sciennes, James Gillespies) P3-P7	£13	£17	£30
Kirkliston Primary School (leaps and bounds)	£12.50	£19.50	
East Craigs Primary (leaps and bounds)	£12.50	£19.50	
Corstorphine Primary (leaps and bounds)	£12.50	£19.50	
Clermiston Primary	£12.50	£19.50	£32
Fox Covert Primary	£12.50	£19.50	£32
Broughton Primary School	£12	£15	£22
Wardie ASC P1 - P2	£9.10	£15.90	£25
Wardie ASC P3 - P7	£8.35	£15.90	£25
Greenside ASC	£12.50	£20	£29
Royal High Primary School (Oscars)	£8.40	£14	
Craiglockhart ASC	£8.50	£15	
Central Leith ASC	£9.50	£15.50	£23
Dalry ASC - GINGERGREAD	£20 per day *	£20 per day *	£20 per day **
Lorne ASC - GINGERGREAD	£20 per day *	£20 per day *	£20 per day **
St Cuthberts ASC - GINGERGREAD	£20 per day *	£20 per day *	£20 per day **
Tollcross ASC - GINGERGREAD	£20 per day *	£20 per day *	£20 per day **
Prestonfield ASC - GINGERGREAD	£20 per day *	£20 per day *	£20 per day **
North Edinburgh Childcare	£10.99	£15.26	£24.42
North Edinburgh Childcare (subsidised)	£9.77	£14.65	£19.54
Smile Childcare	£11.07	£15.12	£25
Smile Childcare (subsidised)	£9.18	£11.88	£21
Childcare Connections	£12	£15	£24
Childcare Connections (subsidised)	£10	£12.50	£20
Kidzcare (all subsidised)	£.8.50	£13.90	£19

** £20 per day or £35 (1 parent) or £46 (2 parent) p/wk*

*** £20 day or £65 (1 parent) or £75 (2 parent) p/wk*

<u>APPENDIX 4</u>

Current Providers Fee Structure as at August 2018

Nursery care

	Childcare Connections		Kidzcare		North Edinburgh Childcare		Smile Childcare	
0 - 2	N/A		34.65	**	32.71	39.17	28.34	34.56
2 – 3			**	**	29.87	36.33	*	*
3 - 5			**	**	31.77	38.23	*	*
	SUB	UNSUB	SUB	UNSUB	SUB	UNSUB	SUB	UNSUB

*Various reductions to full rate based on 600 or 1140 funded hours

**Kidzcare charge one low rate across all age groups

After School Care

	Childcare Connections		Kidzcare		North Edinburgh Childcare		Smile Childcare	
Mon - Thurs	10.00	12.00	8.50	***	9.77	10.99	9.18	11.07
Friday	12.50	15.00	13.90	***	14.65	15.26	11.88	15.12
Full day holiday	20.00	24.00	18.65	***	19.54	24.42	21.00	25.00
	SUB	UNSUB	SUB	UNSUB	SUB	UNSUB	SUB	UNSUB

**Kidzcare charge one low rate across service

APPENDIX 5

Method of Calculation for Remaining Income

The calculation requires adding all household income of child benefit, housing benefit, earnings, tax credits or child benefit and universal credit, then subtracting rent and childcare costs (the whole rent and childcare costs as any benefit had been counted in the income sum) from the income. Dividing the result by the number of people in the family provides a workable amount to use as a way of establishing the 'Remaining Income.'

In thinking about what level of weekly 'Remaining Income' should be used, the tables should be helpful. We made comparisons based on single parent families:

- with 2 or 3 children
- claiming Tax Credits or Universal Credit,
- working 14 or 35 hours
- paying council or private rent
- using (or not) after school childcare for an older sibling.

It seemed a reasonably common scenario to consider a parent who is seeking work having a primary school aged child (needing after school care), as well as the young children relevant to the application for subsidised childcare. In the calculations we used:

- the Living Wage
- Council rent of £94 per week based on the average for Edinburgh in Housing Review Account 2016/17
- private rent of £210 per week which is £24 per week over the LHA for a 3 bed home in Edinburgh
- childcare of £55 per week based on the Family and Childcare Trust figure of the cost of after school care for one child per week.

We used the inflated amount of LHA to establish the effect differences in rent made to household income. It only made a difference of an average of £7 per week, (though for a family on a low income that is still significant). The childcare made much more of a difference especially for those families receiving tax credits who were not entitled to help with childcare (i.e. working 14 hours per week).

Recommendations

The overwhelming evidence is that families receiving tax credits working under 16 hours per week (and therefore not entitled to help with child care costs) were the worst off. Families receiving Universal Credit and working under 16 hours were better off as under the Universal Credit regulations they can receive help with child care. The more children these families have the worse off they will be due to the Benefit Cap being imposed. Families working 35 hours, irrespective of receiving tax credits or universal credit, had similar incomes but this reduced per head as the number of children increased.

We would therefore suggest that one clear group of parents that should be eligible for subsidised childcare are those working under 16 hours per week particularly those receiving tax credits. For families working over these hours a threshold could be established based on and amount per head.

Examples of Remaining Income Scenarios for the purposes of benchmarking

Currently under Tax Credits (per week)

Family Size	Hours worked per week	Afterschool childcare?	Remaining Income per head of household per week (Council Property)	Remaining Income per head of household per week (Privately Rented Property)
3 Children				
Single parent with **3** children	35	No	£90	£82
Single parent with **3** children	14	No	£70	£64
Single parent with **3** children	35	✓	£86	£80
Single parent with **3** children	14	✓	£56	£51
2 children				
Single parent with **2** children	35	No	£115	£112
Single parent with **2** children	14	No	£89	£81
Single parent with **2** children	35	✓ (£55)	£111	£103
Single parent with **2** children	14	✓ (£55)	£71	£63

Under Universal Credit (per week)

Family Size	Hours worked per week	Afterschool childcare?	Remaining Income per head of household per week (Council Property)	Remaining Income per head of household per week (Privately Rented Property)
3 Children				
Single parent with **3** children	35	No	£92	£86
Single parent with **3** children	14	No	£78	£72
Single parent with **3** children	35	✓ (£55)	£90	£84
Single parent with **3** children	14	✓ (£55)	£76	£70
2 children				
Single parent with **2** children	35	No	£118	£110
Single parent with **2** children	14	No	£99	£91
Single parent with **2** children	35	✓ (£55)	£115	£107
Single parent with **2** children	14	✓ (£55)	£97	£89

Example Calculations

Scenarios 1 & 2 - *The mother receives tax credits works 14 or 35 hours per week.* The family consists of the mother and 3 children aged 11(m), 4(f) and 6 months (f). They live in a 3 bedroom house with private rent of £210 p/w. The LHA is £186.47. The mother works for £8.75 p/h and pays £55 per week for after school care for her son. The 2 girls are looked after by their gran

	14 hrs worked per week	35 hrs worked per week	
Child Tax Credit	117.18	117.18	
Working Tax Credit	0.00	55.36	
Housing Benefit	181.42	94.38	
Non Means Tested Benefits (e.g. Child Benefit)	48.10	48.10	
Net Income from Employment	122.50	273.15	
Total Income	469.20	588.17	
Less rent	-210.00	-210.00	
Less afterschool childcare	-55.00	-55.00	
Balance	204.20	323.17	
Balance divided by size of household = Remaining Income per week	**51.05**	**80.79**	

NB.

While this mother works under 14 hours per week she gets no help to pay for childcare from tax credit. If she lost the informal help with childcare she would be unable to work.

Scenarios 3 & 4 - *The mother receives Universal Credit and works 14 or 35 hours per week.*

	14 hrs worked per week	35 hrs worked per week	
Universal Credit	375.58	280.67	
Non Means Tested Benefits (e.g. Child Benefit)	48.10	48.10	
Net Income from Employment	122.50	273.15	
Total Income	469.20	588.17	
Less rent	-210.00	-210.00	
Less afterschool childcare	-55.00	-55.00	
Balance	£281.18	£336.92	
Balance divided by size of household = Remaining Income per week	**70.29**	**84.23**	

NB. As help is given towards childcare no many how many hours are worked this mother would be better off on universal credit, rather than on tax credits by £19 per week while working 14 hours per week.

Finance and Resources Committee

10:00a.m., Thursday, 7 March 2019

Greendykes North, Plots K&L Craigmillar – Proposed Disposal Strategy

Item number	8.2
Executive/routine	Routine
Wards	17 – Portobello/Craigmillar
Council Commitments	2, 3

1. Recommendations

1.1 That Committee:

1.1.1 Approves the disposal strategy for Greendykes North Plots K&L at Craigmillar, to Places for People on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources;

1.1.2 Notes the financial implications of agreeing with such a disposal; and

1.1.3 Instructs the EDI Board on the necessary steps to proceed with the disposal.

Stephen S. Moir

Executive Director of Resources

Contact: Graeme McGartland, Investments Senior Manager

Property and Facilities Management Division, Resources Directorate

E-mail: graeme.mcgartland@edinburgh.gov.uk | Tel: 0131 529 5956

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Greendykes North, Plots K&L Craigmillar – Proposed Disposal Strategy

2. Executive Summary

2.1 Plots K&L in the Greendykes area of Craigmillar remain in the ownership of PARC Craigmillar Limited following the transition strategy for the closure of EDI.

2.2 The plots provide the opportunity to assist with the delivery of the Council's target of 20,000 affordable homes.

2.3 On 1 November 2018, the Housing and Economy Committee approved the disposal of the sites to Places for People with the stipulation that a report on the financial consequences of the strategy be provided to the Finance and Resources Committee for approval.

2.4 This report outlines the financial implication of the approved strategy and seeks approval to continue with the disposal to Places for People.

3. Background

3.1 In 2002, PARC Craigmillar Limited (PARC) was formed as a joint venture between the Council and the EDI Group Limited. As part of the joint venture, the Council agreed to transfer 80 acres (32 hectares) of land in Craigmillar to PARC, a subsidiary company of EDI.

3.2 Planning permission, in principle, for Greendykes North was granted in 2006 and again in 2015. Greendykes is divided into eight development plots along with two plots allocated for new parks. A map showing the relationship of these plots to each other is set out in Appendix 1.

3.2.1 Greendykes North comprises plots D and J (being developed by Barratt Homes); plot G (being developed by 21st Century Homes); and plots K and L (PARC/City of Edinburgh Council).

3.2.2 Greendykes South comprises plots N, P, and Q which are being sold to Taylor Wimpey. The North Park is to be developed by PARC and the South Park by Barratt Homes and Taylor Wimpey.

3.3 On 2 November 2017, the Housing and Economy Committee approved the transition strategy for closing down EDI and moving projects and assets in house. Plots K and L are currently in the ownership of PARC but have been identified as assets to be transferred to the Council under the agreed transition strategy. Based on the existing masterplan the plots provide capacity for approximately 129 units.

3.4 On 29 August 2018, the EDI Board considered a paper on the proposed disposal strategy for plots K and L that involved a direct sale to Places for People (PfP) for mid-market rent product. The sites have a combined book value on PARC accounts of £3m. Following discussion, the Board “expressed concerns that (a) there was not a clear rationale for the Council engaging with a single purchaser rather than openly and transparently marketing the site and (b) the tenure mix was potentially not appropriate for a regeneration area.” Council officers were instructed to undertake a soft marketing exercise of the sites to explore other options for the disposal of the sites.

3.5 On 1 November 2018, the Housing and Economy Committee considered the development strategy for Plots K and L and approved to proceed with a conditional sale of the sites to Places for People (PfP) who have been successful in securing finance through the Scottish Government’s Mid-Market Rent Invitation Fund. The fund will utilise a Scottish Government loan to attract further equity investment.

3.6 The Committee also approved that in the event that discussions to secure additional funding though this route cannot be progressed to a successful conclusion, Council officers would seek to bring forward an alternative proposal to deliver affordable housing without grant subsidy alongside market housing at plots K and L.

3.7 Finally, the Committee approved that a further report would be taken to the Finance and Resources Committee seeking approval for the financial mechanics of the development strategy, and so that an instruction (from the Council as shareholder) can be provided to the EDI Board on necessary steps, which is the purpose of this report.

4. Main report

4.1 In order to report on the financial implications of the strategy, discussions have taken place with PfP on the preferred strategy who have submitted a high-level proposal to acquire the two plots.

4.2 PfP have considered the masterplan and propose a scheme of 124 units with 30 being for open market sale and 94 for mid market rent. The indicative receipt from this disposal would be circa £2.1m. This sale would be subject to normal market conditions such as detailed planning permission and would be subject to deductions for abnormal ground conditions following intrusive site investigation work.

4.3 The land value offered is considered appropriate for the development proposed. However, land values are typically a product of planning consent and demand. This, in turn, forms the basis of valuation based on a formula of land value = Gross

Development Value (GDV) less the cost of construction and developers profit, i.e., there is a direct relationship between the land value and what the land is used for.

4.4 The conditional level of receipt in the proposed sale to PfP is lower than would be expected should the site be placed on the market. This is because the disposal to PfP would deliver 72% affordable units on the site.

4.5 In undertaking the soft market testing exercise, as requested by the EDI Board, Council officers contacted housebuilders who they believed would be best suited to developing in the area.

4.6 Following these discussions, Heads of Terms were received from a national private sector housebuilder for the purchase of the site. Based on the masterplan the housebuilder has submitted a proposal for 123 units which would consist of 63 affordable apartments and 60 market sale/golden share apartments. The headline figure for this proposal is £2.4 - £2.5m.

4.7 Similar to the proposal from PfP, this bid would be subject to planning permission and deductions for abnormal ground conditions. This option would deliver a reduced number of affordable homes for low cost home ownership rather rent.

4.8 The housebuilder has confirmed that they would seek to deliver the development without the need for grant subsidy from the Council. Whilst the capital receipt would be greater from a disposal on this basis, the level of affordable accommodation would be less and it would not address need for rented housing. Whilst the developer has confirmed that this option could be amended to provide an element of affordable rented housing this would require an element of Council subsidy.

4.9 The soft market testing also involved discussions with housebuilders regarding the level of demand should the site be placed on the market for sale. Due to the level of affordable units that have been developed to date on the wider masterplan, it is not a planning requirement that plots K&L need to provide further affordable accommodation. However, the planning position does not take into account the Council's wider strategic requirement for 20,000 new affordable homes.

4.10 The testing has confirmed that there would be demand for the development of purely private sale accommodation and a gross price of between £3.5 and £4.0m could be expected. Whilst a considerably higher receipt, such a disposal would not assist with the delivery of the Council's affordable homes target.

4.11 A summary of the three options available for the disposal of the site is as follows:

Option	**Indicative Gross Price**	**Housing Delivery**	**Impact on Council Commitments**
Places for People	£2.1m	90 mid market rent, 30 for private sale	Delivery of 70% affordable housing for rent with no requirement for grant subsidy

Disposal to private sector housing Developer	£2.4 - £2.5m	63 affordable, 60 private sale/golden share	Delivery of above policy affordable housing for low cost home ownership, possibly some units for rent with Council subsidy
Disposal for Private Sale Units	£3.5- £4m	Circa 125 units for private sale	No affordable housing

4.12 In summary, the potential financial implications of proceeding with the preferred strategy are as set out in paragraph 4.11 above and can be directly attributed to the increased level of affordable housing tenure that the proposed strategy will deliver.

5. Next Steps

5.1 Following approval, the EDI Board will need to be instructed by the Council (as shareholder) to proceed with the strategy and Council officers, acting on behalf of the EDI, will to enter into a suspensive sale contract with Places for People.

6. Financial impact

6.1 The financial strategy for the closure of EDI was based on the market land value and the Council would forgo loan stock at this level in exchange for the plots. The Council is expected to realise £25.8m from the closure of EDI, representing the repayment of all outstanding loan stock and share capital coupled with a remaining dividend of £8.5m.

6.2 The preferred option is a sale to Places for People at a value of £2.1m. If this sale were to be made directly by PARC, it would result in net income of £1,621m once corporation tax and irrecoverable VAT is taken into account. This amount would be paid to the Council as a dividend when EDI group is wound up.

6.3 Alternatively, the land could be transferred to the Council for a market value of £3m for onward sale to Places for People at £2.1m. However, this would increase the level of corporation tax payable and would reduce the level of net income to the Council to £1,450m. This would also cause cash flow issues as the Council would incur a loss of £0.9m on the transaction until such time as PARC issued a dividend of £2.35m. In addition, the Council would incur VAT of £600,000, which would be only be recoverable provided that its partial exemption limits were not breached.

7. Stakeholder/Community Impact

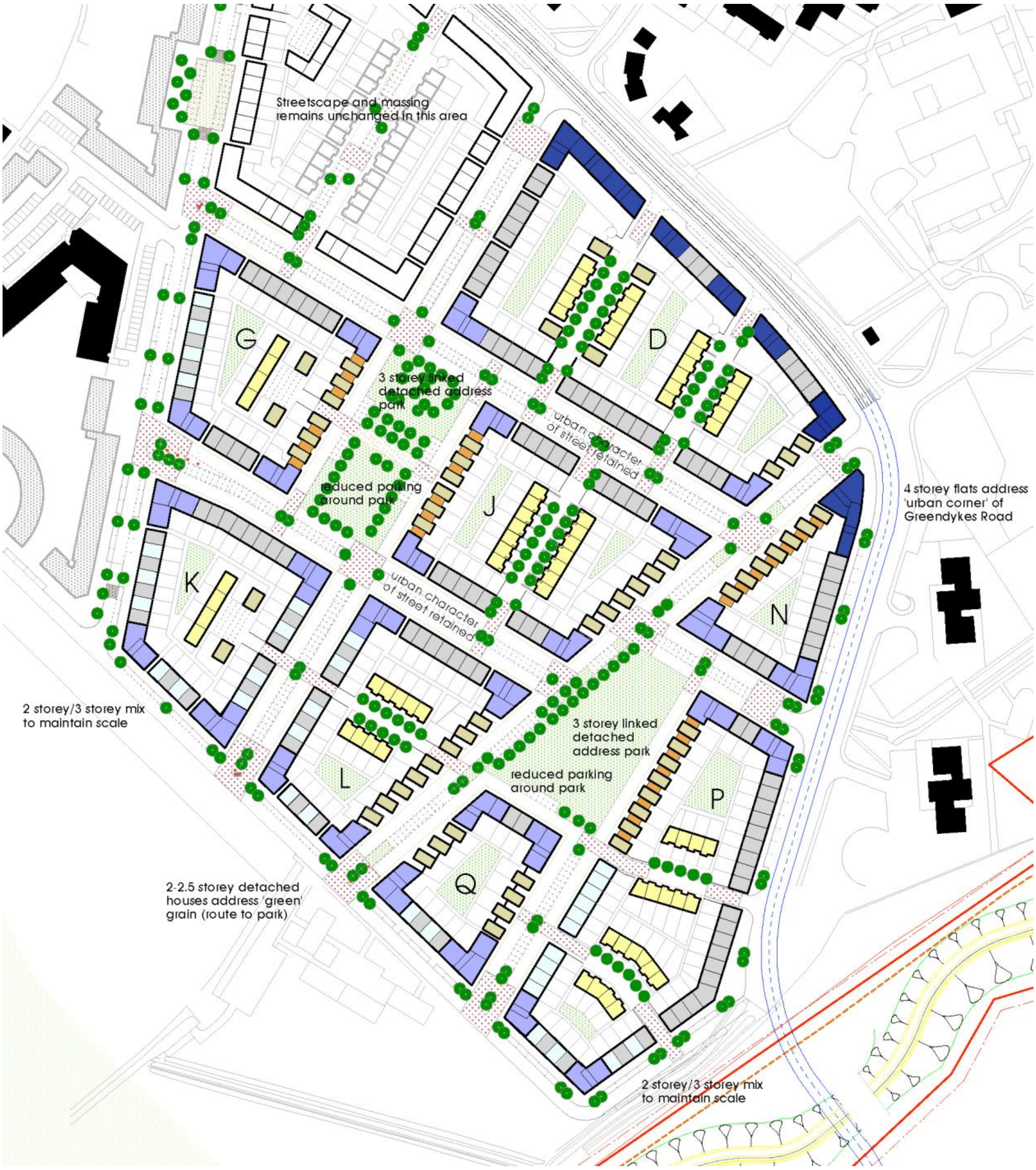
7.1 Ward elected members have been made aware of the recommendations of this report.

8. Background reading/external references

8.1 Housing Strategy – Craigmillar, Report to Housing and Economy Committee 1 November 2018.

9. Appendices

9.1 Appendix 1 – Location Plan


Streetscape and massing remains unchanged in this area
G
D
3 storey linked detached address park
urban character of street retained
reduced parking around park
J
4 storey flats address 'urban corner' of Greendykes Road
K
urban character of street retained
N
2 storey/3 storey mix to maintain scale
3 storey linked detached address park
reduced parking around park
L
P
Q
2-2.5 storey detached houses address 'green' grain (route to park)
2 storey/3 storey mix to maintain scale

Finance and Resources Committee

10:00a.m., Thursday, 7 March 2019

23 Cockburn Street, Edinburgh – Proposed Lease Extension

Item number	8.3
Executive/routine	Routine
Wards	11 – City Centre
Council Commitments	2, 3

1. Recommendations

1.1 That Committee:

1.1.1 Approves a 20 year lease extension to Stills Limited of 23 Cockburn Street, Edinburgh, on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

Stephen S. Moir

Executive Director of Resources

Contact: Graeme McGartland, Investments Senior Manager

Property and Facilities Management Division, Resources Directorate

E-mail: graeme.mcgartland@edinburgh.gov.uk | Tel: 0131 529 5956

Report

23 Cockburn Street, Edinburgh – Proposed Lease Extension

2. Executive Summary

2.1 The commercial unit at 23 Cockburn Street is let to Stills Limited for use as a visual arts and photographic centre.

2.2 The lease expires on 30 June 2019 and negotiations have taken place to agree the terms of a 20 year lease extension from that date.

2.3 The report seeks approval to grant a 20 year lease extension to Stills Limited on the terms and conditions outlined in the report

3. Background

3.1 The commercial premises at 23 Cockburn Street extends to 410.8 sq m (4,421 sq ft) or thereby, over four floors, and is shown outlined and hatched in red on the attached plan. Since 1994, Stills Limited, operating as the Stills Gallery, has been the tenant operating a visual arts and photographic centre. The current rent is £16,000 per annum

3.2 On 21 June 1994, the Economic Development and Estates Committee of the former District Council approved the lease of the property to Stills Limited on a 25-year lease at an initial rent of £16,000 per annum, subject to five yearly rent reviews. A two-year rent free period was granted, which was subsequently extended by a further 6 months to allow refurbishment of the property. Stills Limited were successful in raising funding in excess of £1.14m for works to the property and this expenditure was reflected in the original lease terms, including non-implementation of the rent reviews over the period of the lease.

3.3 The existing lease expires on 30 June 2019 and the tenant has requested that a lease extension be put in place.

4. Main report

4.1 The existing rent of £16,000 per annum is now considered to be concessionary in nature and reflects the circumstances in which the Council and Stills entered into the original lease in 1994. These circumstances are no longer relevant and it is considered that the current rent, which could be expected should the property be marketed, is £47,000 per annum.

4.2 In recognition of the substantial increase in rent to Stills Limited by moving away from a concessionary level, a phased increase has been offered over the first five years of the extension to reach the market rental level.

4.3 Whilst Stills Limited are keen to remain in the property, they are actively looking for alternative premises in the city. To provide flexibility, a break option will be included within the lease which will allow Stills Limited to terminate the lease at any time during the term, subject to a minimum of 6 months' notice.

4.4 The following terms have been offered to the tenant:

- Subjects: 23 Cockburn Street, Edinburgh;
- Lease Extension: 20 years from 1 July 2019 until 30 June 2039;
- Break Option: The tenant will have a break option at any time subject to providing not less than 6 months written notice;
- Rent:

Year 1	£23,000
Year 2	£29,000
Year 3	£35,000
Year 4	£41,000
Year 5	£47,000

- Rent Reviews: 5 yearly thereafter to Market Rental Value;
- Use: For use as an arts and creative industries venue, visual arts and photography centre, with gallery, training and production facilities, workshop space, shop and library;
- Repairs: Full repairing and maintaining obligation;
- Other terms: As contained in the subjects existing lease;
- Costs: Each party will be liable for their own costs.

4.5 The tenant has fulfilled all their legal and financial obligations in terms of the existing lease.

5. Next Steps

5.1 If Committee approval is granted, the Council will seek to enter into the lease extension with Stills Limited in accordance with the terms and conditions outlined within this report.

6. Financial impact

6.1 Agreeing the lease extension will result in an increase in rent to the General Property Account, on a phased basis over 5 years, to £47,000 per annum.

7. Stakeholder/Community Impact

7.1 Ward elected members have been made aware of the recommendations of this report.

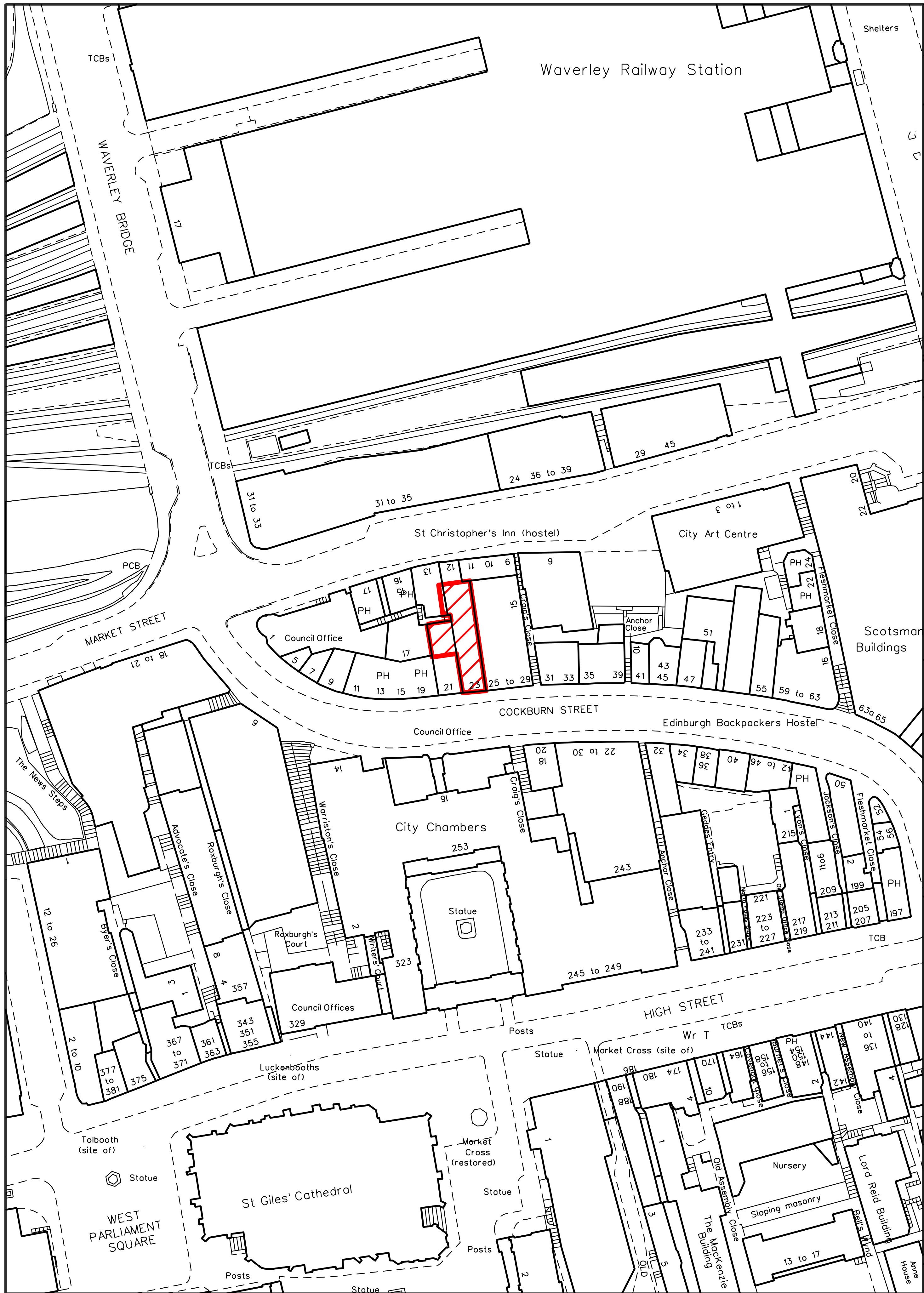
7.2 The impact on equalities has been considered. The Integrated Impact Assessment (IIA) checklist has been completed and the outcome is that a full IIA is not required for this report. This is a lease extension to a tenant who has occupied the property since 1994.

8. Background reading/external references

8.1 None

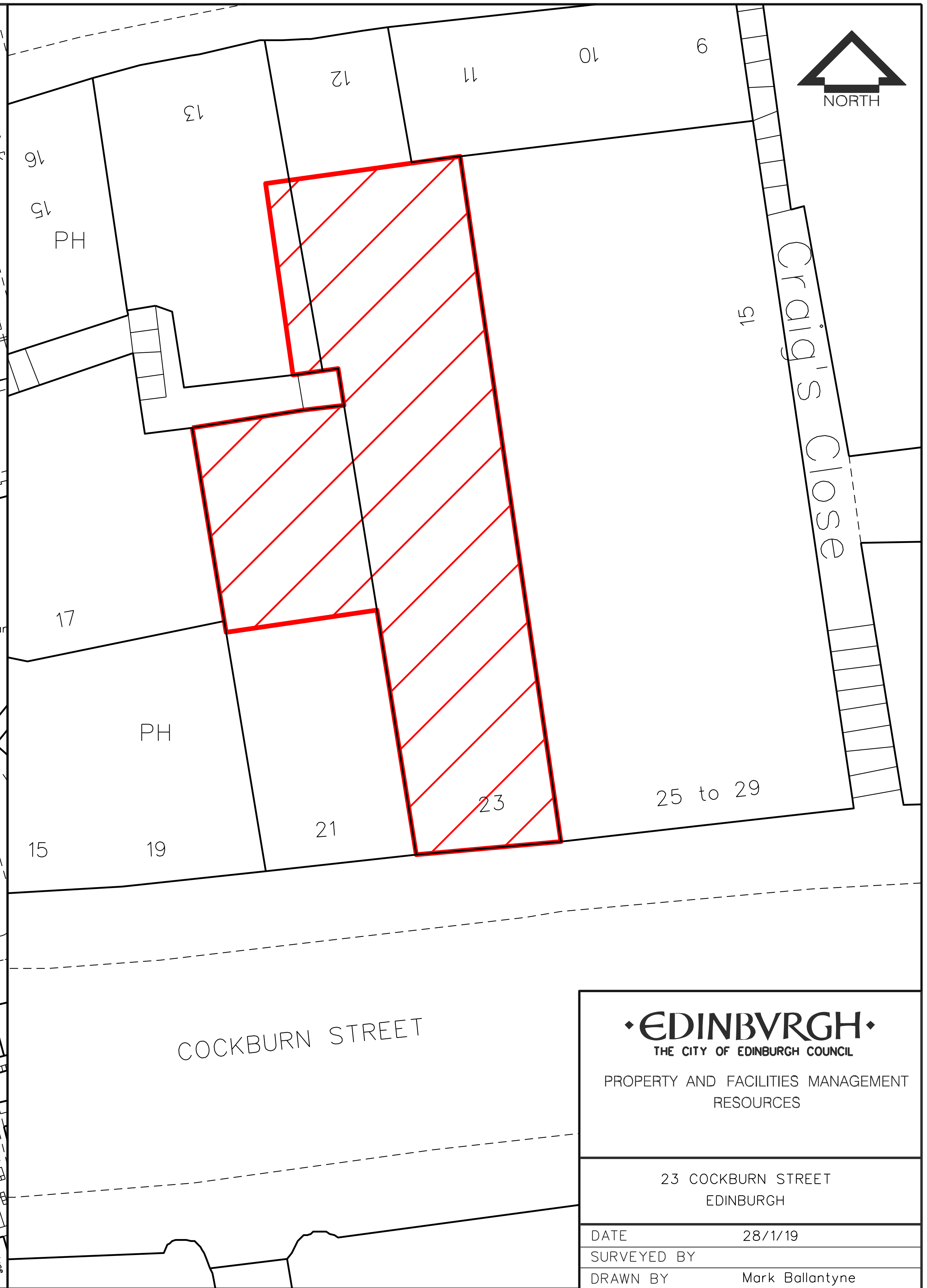
9. Appendices

9.1 Appendix 1 – Location Plan



LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE



SITE PLAN

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PROPERTY AND FACILITIES MANAGEMENT
RESOURCES

23 COCKBURN STREET
EDINBURGH

DATE	28/1/19
SURVEYED BY	
DRAWN BY	Mark Ballantyne
SCALE	N.T.S.
NEG. NO.	A3/2071

Finance and Resources Committee

10:00a.m., Thursday, 7 March 2019

City Chambers – Proposed New Lease of Part of Level 9

Item number	8.4
Executive/routine	Routine
Wards	11 – City Centre
Council Commitments	2, 3

1. Recommendations

1.1 That Committee:

1.1. Approves a new lease to Visit Scotland of rooms 9.42 and 9.43 on level 9 of the City Chambers on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

Stephen S. Moir

Executive Director of Resources

Property and Facilities Management, Resources Directorate

Contact: Mark Bulloch, Portfolio Manager - Investments

E-mail: mark.bulloch@edinburgh.gov.uk | Tel: 0131 529 5991

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

City Chambers – Proposed New Lease of Part of Level 9

2. Executive Summary

2.1 The Council has entered into a lease with VisitScotland for the former advice shop premises on the ground floor (level 5) of the City Chambers complex. Office space was subsequently identified that could be leased to VisitScotland to assist with their business needs resulting in additional income generation for the Council.

2.2 The report seeks approval to grant a lease of office space on level 9 City Chambers to VisitScotland on the terms and conditions outlined in the report.

3. Background

3.1 On 16 August 2018, the Finance and Resources Committee approved the lease of the former advice shop premises on level 5 to VisitScotland or a new tourist information centre. This lease is due to commence on 4 April 2019.

3.3 Subsequent discussions identified the need for VisitScotland to occupy additional office accommodation close to the Tourist Information Centre. Available office space was identified in rooms 9.42 and 9.43 located above the new tourist information centre.

3.3 The accommodation, in total, extends to 213.09 sq m (2,294 sq ft) or thereby and is shown outlined red on the attached plan.

4. Main report

4.1 The following terms have been provisionally agreed:

- Subjects: Rooms 9.42 and 9.43 of City Chambers;
- Lease Term: Co-terminus with new lease of tourist information centre so likely to expire on 3 April 2029;
- Rent: £45,880 per annum (all-inclusive rate and includes provision for rent, non-domestic rates, utilities, insurance and repairs);

- Rent Reviews: Reviewed on each 5th anniversary, RPI lined with a minimum of 1% and maximum 3% increase at each review;
- Use: Office;
- Repairs: Tenant internal repairing. Council will retain control and responsibility for maintaining external and common parts of City Chambers;
- Rates: Included in all-inclusive rental charge;
- Utilities: Included in all-inclusive rental charge;
- Costs: Both parties to meet their own costs; and
- Other terms: As contained in a standard commercial lease.

4.2 Access and egress to rooms 9.42 and 9.43 will be provided from ground floor of 249 High Street, being the entry point for the tourist information centre

5. Next Steps

5.1 Should Committee approve this report, the Councils solicitors will be instructed to conclude all legal documentation.

5.1 Council officers will ensure rooms 9.42 and 9.43 are fully cleared and ready for occupation by VisitScotland.

6. Financial impact

6.1 A new rental income of £45,880 per annum will be generated for the General Property Account.

7. Stakeholder/Community Impact

7.1 Ward elected members have been made aware of the recommendations of this report.

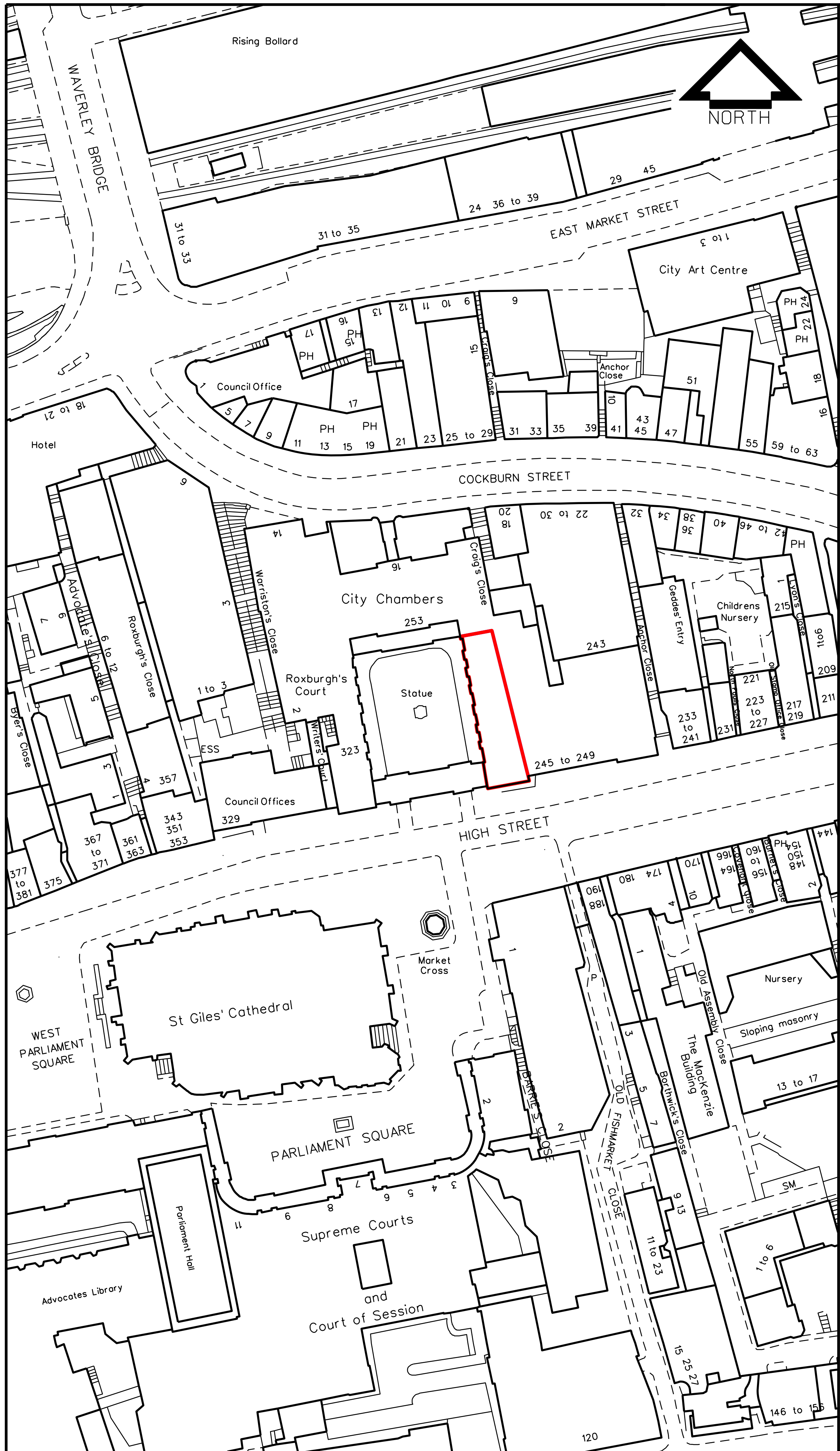
7.2 The impact on equalities has been considered. The Integrated Impact Assessment (IIA) checklist has been completed and the outcome is that a full IIA is not required for this report.

8. Background reading/external references

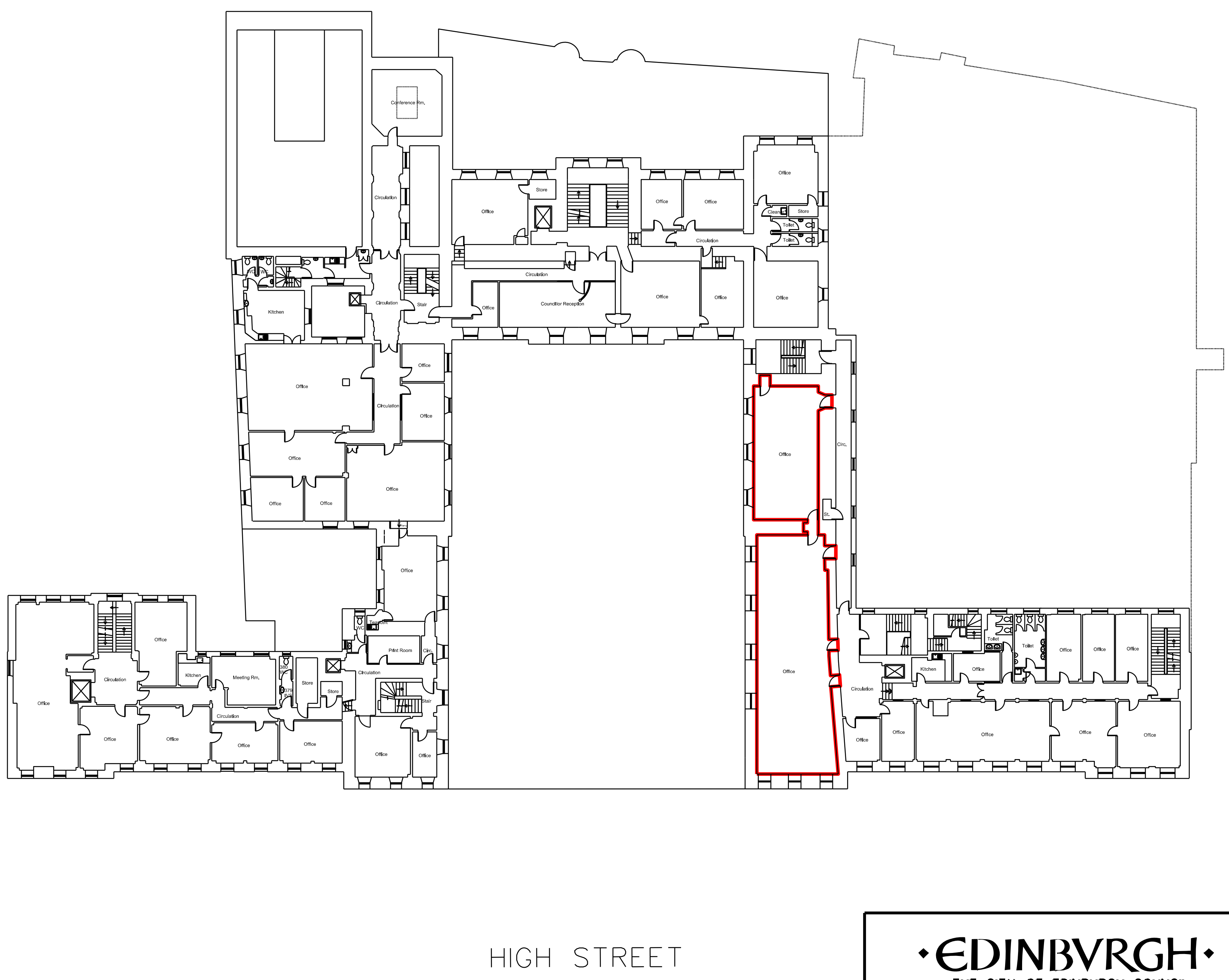
8.1 Finance and Resources Committee 16 August 2019 - Proposed New Lease of part of 249 High Street, Edinburgh (Advice Shop).

9. Appendices

9.1 Appendix 1 – Location Plan



LOCATION PLAN SCALE 1:1250



FLOOR PLAN SCALE 1:500

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THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMENT RESOURCES

Visit Scotland Occupation
3rd Floor - Level 9
City Chambers
249 High Street
Edinburgh

DATE	25/01/2019
SURVEYED BY	
DRAWN BY	F McDonald
FILE NO.	
NEG. NO.	NT 2573/A3/2045 B

Finance and Resources Committee

10.00am, Thursday 7 March 2019

Contract Award And Procurement Programme (Period 1 July to 31 December 2018)

Item number	8.5
Executive/Routine	**Routine**
Wards	
Council Commitments	

1. Recommendations

1.1 It is recommended that the Committee notes the contents of this report and the authorisations made under Delegated Authority. A further report will be submitted to the Committee in approximately six months' time.

Stephen S. Moir

Executive Director of Resources

Iain Strachan, Chief Procurement Officer

E-mail: iain.strachan@edinburgh.gov.uk | Tel: 0131 529 4930

Report

Contract Award And Procurement Programme (Period 1 July to 31 December 2018)

2. Executive Summary

2.1 This report updates the Finance and Resources Committee on the scope of contracts awarded across the Council in the period 1 July to 31 December 2018. This provides visibility of contracts awarded under Delegated Authority (value below the threshold requiring Committee approval), inclusive of direct contract awards not openly tendered due to specific circumstance permitted in regulation and those awarded following a waiver of the Council's Contract Standing Orders (CSOs). This report also seeks to provide the Committee with visibility of the forthcoming procurement programme in relation to expected higher value contracts across the Council.

3. Background

3.1 The Commercial and Procurement Services (CPS) Team, within the Finance Division, is responsible for fostering commercial and procurement efficiency, enabling best value across the Council. In support of this approach CPS:

- supports Directorates to procure goods, works and services (focus primarily on contracts of value of £25,000 and above); and
- provides governance, process and operational oversight for contracting and purchasing (including the Council's CSOs).

3.2 This commercial and procurement programme comprises significant volumes of both activity and stakeholders across the breadth of the Council. The scope of this function includes working with services in relation to:

- £540m of third party spend across the Council during 2017/18;
- Management of Contracts Register - 1197 live contracts (at 31 December 2018); and
- Approximately 6300 suppliers, 1200 requisitioners and 650 approvers on the Council's purchasing system (Oracle) at 31 December 2018.

3.3 Directorates are responsible for ensuring that contract information is regularly updated on the Council's Contract Register (accessible through the Orb and publicly). CPS regularly provides a list of expiring contracts and waivers to services for their review, to enable Executive Directors and Heads of Service to fulfil their responsibilities for all contracts tendered and subsequently awarded by their Directorates/Divisions. Commercial Partners within CPS work alongside divisional management teams and procurement delivery teams, as business partners, to support relationship management and to assist the contract planning process.

3.4 The Council's CSOs outline contract approval thresholds for goods, works and services, identifying both the level of award which can be undertaken and those with the authority to award.

3.5 In specific circumstances, direct awards can be undertaken, where it is not practically viable to 'tender' the requirement.

3.6 A waiver of CSOs to allow a contract to be awarded or extended without competitive tendering may also be required in certain circumstances. Inevitably, there will always be a need for a select number of waivers, however each is evaluated on its own merits and approval given only if fully justifiable and in the best interests of the Council. Such circumstances continue to be tightly controlled and scrutinised and will continued to be reported to Committee through this report.

3.7 This report also provides insight into forthcoming procurement activity for expected higher value contracts across the Council.

4. Main report

4.1 This report updates the Finance and Resources Committee of the scope of contracts awarded across the Council in the period 1 July to 31 December 2018 and provides visibility of the forthcoming procurement programme in relation to expected higher value contracts across the Council.[1]

4.2 The CSOs state that contracts above a threshold of £1m for supply of goods and services and £2m for works require approval from the Committee prior to award. A summary of contracts awarded under Delegated Authority, inclusive of those National Framework awards under provision CSO 12 (which allows for purchases under that framework subject to reporting the adoption of such frameworks on a six monthly basis in this report), is presented in Table 1 overleaf.

[1] Information as recorded on the Council's contract and waiver registers as at 06/01/2019.

Table 1 Contracts Awarded under Delegated Authority

Directorate	Total Contract Value 1 July – 31 December 2018
Chief Executive	£527,660
Communities and Families	£5,318,432
Health and Social Care	£9,384,227
Place	£16,650,715
Resources	£26,311,660
De Minimus Value Contracts (Under £25,000)	£796,917
	£58,989,611

4.3 A full breakdown of contracts awarded in period, inclusive of National Frameworks, is provided in Appendix 1. It is noted that given their de minimis value, contracts under the value of £25,000 have not been listed in Appendix 1. For information, there were a total of 64 contracts awarded with a value of less than £25,000.

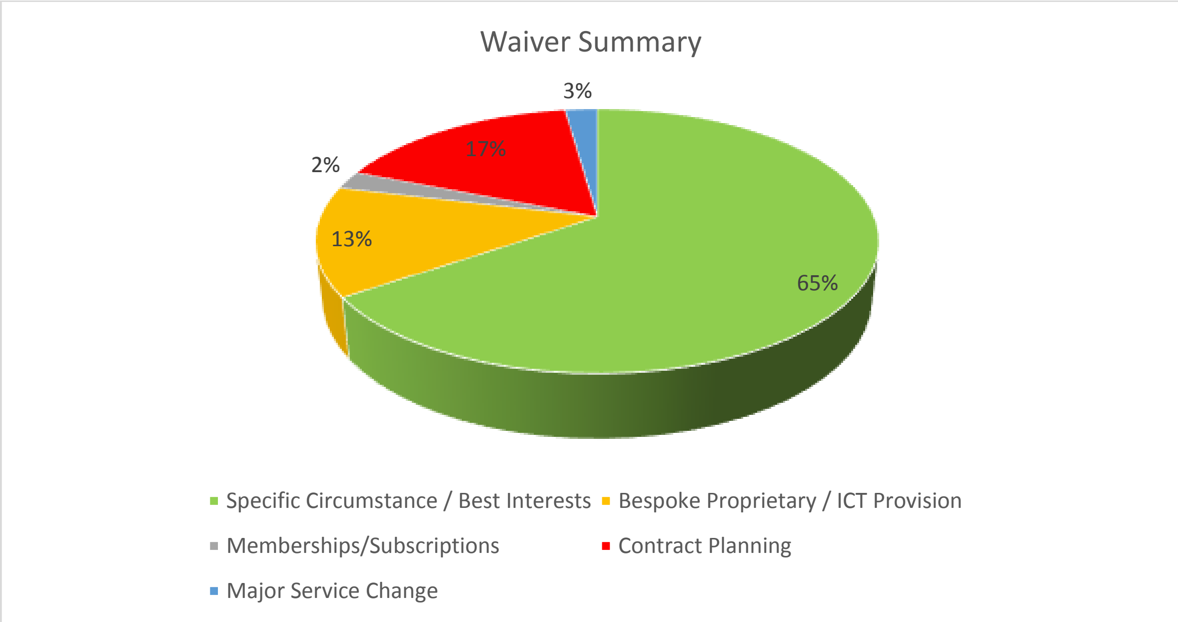
4.4 The report also offers insight in respect of those contracts awarded under waiver arrangements (both under Delegated Authority and through Committee approval) of the Council's CSOs, these are summarised by directorate in Table 2 below.

Table 2 Contracts Awarded under the Waiver of Standing Orders

Directorate	Total Value of Waivers under Delegated Authority 1 July – 31 December 2018	Total Value of Waivers by Committee Approval 1 July – 31 December 2018
Chief Executive	£55,897	-
Communities and Families	£1,544,371	£4,827,279
Health and Social Care	£462,314	£3,323,543
Place	£1,912,860	£3,007,058
Resources	£1,197,911	£11,974,036
De Minimus Value (Under £5,000)	£92,630	-
	£5,265,983	**£23,131,916**

4.5 Appendices 2 and 3 provide the detail and financial value of contracts awarded under waiver of Council CSOs. It should be noted that in several cases the expected spend, as determined by the service area, may be below the value of the waiver granted. Given their de minimis value, waivers under the value of £5,000 have not been listed in Appendix 2. For information, there are a total of 24 Waivers awarded with a value of less than £5,000 which account for £92,630 in total.

4.6 To enable greater understanding of the background to waivers across the Council, CPS has enabled capture of associated management information in this regard. The chart below details reasoning (based on the background and justification detail provided by the service area) for the waivers in period, noting that only a limited percentage (17%) primarily relate to contract planning, historically a concern of the Committee. The majority of waivers recorded relate to specific circumstances where services required at a certain point in time dictate that a direct award is in the Council's best interests. Given the breadth of services delivered across the Council, the reasons for these are numerous and varied, with further detail in terms of the requirement for each waiver listed within Appendix 2.



4.7 With regard to the value of waivers, the majority continue to be of a relatively low to moderate value, with 40% of waivers below £10,000 rising to 67% of waivers below £25,000.

4.8 CPS will continue to monitor and challenge submitted waivers to ensure continuing compliance with the CSOs. The Waivers and Contract Register provides the required visibility of spend enabling CPS to highlight to directorates where plans for procurement require to be put in place without delay.

4.9 To enable greater insight into the forthcoming procurement programme in relation to higher value contracts across the Council, the top twenty (by value) is detailed within Appendix 4. It should be noted this is based on current knowledge and is subject to change as each individual procurement strand progresses.

5. Next Steps

5.1 A further report will be submitted to the Committee in approximately six months' time.

6. Financial impact

6.1 Through a robust procurement approach, proactive management of contract cycles, aggregating spend and carrying out competitive procurement where appropriate, this should continue to support commercial efficiency and achieve best value for Council contracts.

7. Stakeholder/Community Impact

7.1 Service areas have been consulted on their expiring contracts, waivers and suppliers in the collation of this report. On an ongoing basis, the CSOs outline the appropriate measures of consultation and approval that must be sought from officers or committee for each waiver, dependent on the expected value.

7.2 Due to the significant volumes of activity and numbers of stakeholders involved in purchasing and procuring goods, services and works, CPS relies on services to provide accurate information through their Contract Register entries and timely requests for procurement assistance. To mitigate against any risks in this area, data is reviewed for accuracy and reliability in consultation with services.

7.3 A waiver denotes a departure from the CSOs. There may be an increased risk if the Council has departed from European Union (EU) or Procurement Reform Act requirements. However, each waiver is scrutinised on its own merits in this context and requires appropriate checks and balances both within the directorate concerned and corporately, and is only approved if justifiable given the circumstances or permitted in accordance with EU or obligations.

7.4 Co-production resource and timescales require to be factored in to overall timescales for services to re-procure contracts to ensure early planning and avoidance of waiver requirements.

7.5 There are no equalities or sustainability impacts directly arising as a result of this report.

8. Background reading/external references

8.1 Contract_Awards_and_Procurement_Programme_(Period_1_January_-_30_June_2018) – Report to Finance and Resources Committee, October 2018

9. Appendices

Appendix 1 – Contracts awarded under Delegated Authority
Appendix 2 – Contracts awarded under the Waiver of CSOs by Delegated Authority
Appendix 3 – Contracts awarded under the Waiver of CSOs by Committee approval
Appendix 4 – Procurement Programme – Anticipated High Value Procurements Across the Council

Appendix 1 – Contracts awarded under Delegated Authority

The following relate to the period 1 July – 31 December 2018.

Supply of Goods and Service Contracts

Date	Directorate	Chief Executive	
	Supplier	**Contract Description**	**Value**
09/07/2018	Newspaper Licensing Authority	Subscription for the Newspaper Licensing Authority (NLA)	£35,000
25/07/2018	Public-i Group Limited	Webcasting Services via Webcasting Services Framework Agreement	£164,290
06/09/2018	Progressive Partnership Ltd	Market Research Edinburgh People Survey 2018-2022	£235,840
01/11/2018	Modern Mindset Ltd	Committee Scheduling - Electronic document and management system	£92,530
			£527,660

Date	Directorate	Communities and Families	
	Supplier	**Contract Description**	**Value**
03/07/2018	Dunedin School	Educational services to young people with additional needs	£82,000
04/07/2018	Safe Families for Children (Scotland)	Family support volunteer service.	£739,500
17/07/2018	Borders College	SVQ3 Social Services (Children and Young People) and Assessor Services - Delivery of Qualifications	£230,760
17/07/2018	City of Glasgow College	SVQ3 Social Services (Children and Young People) and Assessor Services - Delivery of Qualifications	£230,760
17/07/2018	North Edinburgh Childcare	SVQ3 Social Services (Children and Young People) and Assessor Services - Delivery of Qualifications	£230,760
20/07/2018	Borders College	Internal Verifier Service for SVQ3 Social Services (Children and Young People)	£230,760
07/08/2018	The Welcoming Association	Syrian Refugee English Language Teaching and Cultural Integration Support	£244,800
07/08/2018	Saheliya	Syrian Refugee English Language Teaching and Cultural Integration Support	£140,400
21/08/2018	Scottish Police Authority	Contributions Towards the Public Protection Office	£47,944
24/08/2018	LEAPS	Advice and Support to Accessing Higher Education	£70,000
30/08/2018	Action For Children	Provision of Residential care to a young person	£347,000
03/09/2018	Swanton Care & Community Limited	Provision of Residential care to a young person	£89,000

05/09/2018	JMT Care Services Ltd	Continuity of the Provision of Service for children in the care system.	£77,310
25/09/2018	The Action Group	Provision of Residential care to a young person	£90,436
25/09/2018	Enable Scotland	Provision of Residential care to a young person	£223,000
25/09/2018	Enable Scotland	Provision of Residential care to a young person	£298,000
28/09/2018	Action For Children	Provision of Residential care to a young person	£447,700
09/10/2018	Drake Music Scotland	Music Project in special schools - Youth Music Initiative funding agreement with Creative Scotland	£30,000
09/10/2018	National Youth Choir of Scotland	National Youth Choir of Scotland	£57,760
10/10/2018	Borders College	Provision of SVQ3 Social Services (Children and Young People)	£90,000
10/10/2018	Fife College	Provision of SVQ3 Social Services (Children and Young People)	£95,700
22/10/2018	Dunedin School	Education service to secondary school aged children that have additional support needs	£570,000
30/10/2018	South London and Maudsley	Membership for MST – licensed training and specialist support services	£53,500
05/11/2018	Four Square Scotland	Edinburgh's Domestic Abuse Services – Community Based Support	£80,384
13/11/2018	Alere Toxicology Plc	Laboratory Test Kits and Screening for Controlled and Illegal Drugs	£372,480
10/12/2018	Edinburgh Development Group	Transition Support for Children and Young People Leaving School	£34,172
21/12/2018	Ecosse Sports Ltd t/a Replay Maintenance	Provision of Maintenance and Operational Inspection of School Synthetic 3G and 2G pitches.	£114,306
			£5,318,432

Date	Directorate	Health and Social Care	
	Supplier	**Contract Description**	**Value**
31/07/2018	Framework – Multiple Supplier	Scotland Excel (SXL) National Framework Agreement for the supply of social care agency workers	£9,120,000
27/08/2018	Matrix Fife	Upholstery contract for chair coverings	£90,000
27/09/2018	Alzheimer Scotland-Action on Dementia	Extension of Alzheimer's Scotland Contract - Core 1 and Core 3	£174,227
			£9,384,227

Date	Directorate	Place	
	Supplier	**Contract Description**	**Value**
04/07/2018	Colorado Construction & Engineering Ltd	Framework Agreement for Supply of Natural Stone Paving Products – Lot 1	£302,548
04/07/2018	Jewson Supply Partnerships	Framework Agreement for Supply of Natural Stone Paving Products – Lot 2	£455,316
06/07/2018	Balfour Beatty Civil Engineering Ltd	Burnshot Bridge Design via SCAPE Framework	£112,875
12/07/2018	Fife College	Modern Apprenticeship in Hospitality Supervision and Leadership at SCQF level 7	£38,400
03/08/2018	Framework – Multiple Supplier	National Eastern Shires Purchasing Organisation (UK) (ESPO) Framework for Heavy Catering Equipment	£900,000
10/08/2018	Urbis Schreder Limited	Edinburgh Conservation Lantern via Framework	£677,725
17/08/2018	Sweco UK Holding Limited	Workplace Travel Planning	£117,924
27/08/2018	Jacobs Engineering UK Ltd	City Centre Transformation - Support Services via SXL Framework	£524,427
27/08/2018	Turner & Townsend Infrastructure	Edinburgh City Centre Transformation Project - Project Management Services via SXL Framework	£135,000
31/08/2018	Easy Heat Systems Limited	EPC Surveys under the SXL Energy Efficiency Framework	£28,100
07/09/2018	SXL Framework - ICL UK (Sales) Ltd J.C. Peacock and Co. Ltd	National SXL framework for Winter Maintenance – Bulk Rock Salt and Bagged Salt	£1,200,000
10/09/2018	Colin Devenney Plant Ltd	General Maintenance of CEC Reservoirs	£39,230
14/09/2018	Thomas & Adamson	Project Management Fountainbridge via Professional Services Framework – Phase 3	£642,339
17/09/2018	iCOM Works Ltd	Tenant Discount Scheme	£195,403
18/09/2018	Collective Architecture	Architectural Services Granton Waterfront via Professional Services Framework	£315,963
18/09/2018	Gardiner and Theobald LLP	Quantity Surveying Services Granton Waterfront via Professional Services Framework	£315,963

28/09/2018	Field And Lawn Limited	Christmas Lighting and Trees	£305,490
12/10/2018	World Cities Culture Forum	Membership - World Cities Forum	£26,820
16/10/2018	Swarco UK Ltd	Supply and Installation of Electric Vehicle Infrastructure via ESPO Framework	£63,883
17/10/2018	Facultatieve Technologies Ltd	Maintenance of Crematoria Equipment via Yorkshire Purchasing Organisation (UK) (YPO) Framework	£70,360
17/10/2018	Matthews Environmental Solutions Limited	Maintenance of Crematoria Equipment via YPO Framework	£80,250
18/10/2018	Synergie Training Limited	Training in the Requirements of the Construction Design and Management (CDM) Regulations 2015	£30,000
19/10/2018	Bloom Procurement Services Ltd	Street Lighting Design Services	£143,399
31/10/2018	Arcadis LLP	Laser scanning services of the low bridges within Edinburgh	£36,793
09/11/2018	Progressive Partnership	Public engagement towards: City Mobility Plan, City Centre Transformation, Low Emission Zones	£28,713
15/11/2018	Energy & Compliance Limited	Energy Performance Certificates via SXL Framework	£67,390
23/11/2018	Metcraft Lighting Limited	Heritage Lanterns – Lot 3 Market Street	£234,025
23/11/2018	Metcraft Lighting Limited	Heritage Lanterns – Lot 4 - Charlotte Square	£424,340
23/11/2018	Metcraft Lighting Limited	Heritage Lanterns – Lot 5 – Edinburgh Gallery	£77,110
23/11/2018	Zeta Specialist Lighting Ltd	Heritage Lanterns – Lot 6 – Edinburgh Victoria	£175,560
30/11/2018	LeasePlan UK Ltd	Lease of Electric Vehicles (4 No.) – Grant Funded	£46,616
30/11/2018	Inchcape Fleet Solutions Ltd	Lease of Electric Vehicles (10 No.) – Grant Funded	£109,174
30/11/2018	Aecom Limited	Tram Extension, Active Travel Route Appraisal and Design – via Professional Services Framework	£48,140
			£7,969,276

Date	Directorate	Resources	
	Supplier	**Contract Description**	**Value**
12/07/2018	ExecSpace Limited	Conference and Meeting Venue Bookings	£140,000
19/07/2018	Gerald Eve LLP	External specialist services relating to non-domestic rates	£331,980
15/08/2018	Deutsche Pfandbriefbank AG	Investment Borrowing Services	£245,000
21/08/2018	Andy McKinnell Limited	Independent Professional Observer Service for Lothian Pension Fund	£154,000
14/09/2018	Thomas & Adamson	Project Management Services Fountainbridge via Professional Services Framework – Phase 4	£718,171
20/09/2018	Langstane Press Limited	Provision & Installation of Storage and Seating South West Office	£30,054
01/10/2018	SXL Framework - Multiple Supplier	Washroom Solutions and Products / Services	£900,000
05/11/2018	Hymans Robertson	Actuarial Services for Lothian Pension Fund	£922,512
20/11/2018	PJs Foods Ltd	Supply and Distribution of Prepared Sandwiches via NHS Framework	£329,139
29/11/2018	Copyright Licensing Agency	Licence permitted scanning and reproduction of materials subject to copyright	£27,824
18/12/2018	Arlingclose Limited	Treasury Management Advisory Services	£150,000
20/12/2018	Antalis Limited	Specialist Paper Services	£280,000
			£4,228,680

Works Contracts

It is noted there were no works contracts awarded by Chief Executive, Communities and Families or Health & Social Care Directorates.

Date	Directorate	Place	
	Supplier	**Contract Description**	**Value**
02/07/2018	McGill Electrical Limited	Lead Water Pipe Replacement	£150,000
03/07/2018	MacKenzie Construction Ltd	Bonaly Road Pedestrian Crossing Points	£101,613
06/07/2018	McGill Electrical Limited	Kitchen & Bathroom Upgrades via Housing Asset Management (HAM) Framework	£1,573,003
06/07/2018	McGill Electrical Limited	Kitchen & Bathroom Upgrades via Housing Asset Management (HAM) Framework	£1,616,452
16/07/2018	VolkerLaser Ltd	St Marks Bridge Refurbishment Works	£309,142
23/07/2018	MW Groundworks Ltd	Roseburn Play Park Area	£74,160
08/08/2018	I & H Brown Limited	Removal of waste soils from Ingliston sites	£930,626
08/10/2018	BCA Insulation Ltd	Cavity Wall Insulation - Energy Efficiency Contractors via SXL framework	£856,000
08/10/2018	BCA Insulation Ltd	Internal Wall Insulation - Energy Efficiency Contractors via SXL framework	£223,631

10/10/2018	Framework Response Building Maintenance Services (Scotland) Limited & Clark Contracts Ltd	Back up Joinery Repairs Framework for Housing Property	£490,668
31/10/2018	Sers Energy Solutions (Scotland) Limited	External Wall Insulation - Energy Efficiency Contractors via SXL framework	£450,750
07/11/2018	Sers Energy Solutions (Scotland) Limited	External Wall Insulation - Energy Efficiency Contractors via SXL framework	£1,816,500
08/11/2018	McGill Electrical Limited	Cables Wynd Boiler Improvements	£88,894
			£8,681,439

Date	Directorate	Resources	
	Supplier	**Contract Description**	**Value**
02/07/2018	James Breck Ltd	Roof and Chimney Repairs - 453-463 Lawnmarket & 2 Lady Stair's Close	£47,546
03/07/2018	WQS (UK) Ltd	Water Quality Works Water - Treatment & Legionella via Contractor Works Framework	£176,521
03/07/2018	WQS (UK) Ltd	Water Quality Works Water - Treatment & Legionella via Contractor Works Framework	£183,005
04/07/2018	John G Mackintosh Ltd	Electrical Mains Board Replacement via Contractor Works Framework	£99,278
09/07/2018	FES Ltd	Mechanical Works - Services Upgrade via Contractor Works Framework	£138,360
18/07/2018	FES Ltd	Boiler replacement works via Contractor Works Framework	£288,242
19/07/2018	McLaughlin and Harvey Limited	Internal alterations and reconfiguration, Bankhead Depot via Contractor Works Framework	£112,445
19/07/2018	FES Ltd	Fire Alarm upgrade via Contractor Works Framework	£61,721
19/07/2018	FES Ltd	Fire Alarm upgrade via Contractor Works Framework	£109,362
20/07/2018	P1 Solutions Ltd	Tynecastle Nursery external landscaping via External Works Framework	£96,497
20/07/2018	Maxi Construction Ltd	Refurbishment works via Contractor Works Framework	£1,374,350
26/07/2018	Morris & Spottiswood Ltd	Toilet refurbishment works via Contractor Works Framework	£165,590
30/07/2018	Pratt Bros. (Edinburgh) Limited	Mains board replacement via Contractor Works Framework	£48,364
09/08/2018	Maxi Construction Ltd	School refurbishment works via Contractor Works Framework	£1,441,979
14/08/2018	Morris & Spottiswood Ltd	School refurbishment works via Contractor Works Framework	£1,141,519
16/08/2018	FES Ltd	Mechanical services upgrade via Contractor Works Framework	£192,464
20/08/2018	Maxi Construction Ltd	School refurbishment works via Contractor Works Framework	£1,732,392
21/08/2018	James Breck Ltd	Sciennes Primary School - Roof Works via Contractor Works Framework	£64,375

23/08/2018	Ashwood Scotland Ltd	Murrayburn Primary school - Boiler Replacement Works via Contractor Works Framework	£331,282
28/08/2018	Morris & Spotiswood Ltd	Gracemount Primary School - Refurbishment works via Contractor Works Framework	£1,315,366
31/08/2018	Maxi Construction Ltd	Duncan Place resource centre - refurbishment works via Contractor Works Framework	£1,760,752
31/08/2018	Morris & Spotiswood Ltd	Refurbishment works - Fox Covert Primary School via Contractor Works Framework	£1,151,254
11/09/2018	McGill and Co Ltd	Boiler replacement works - Ferrylee OPH via Contractor Works Framework	£227,911
11/09/2018	James Breck Ltd	Roof works - Craigentinny Community Centre via Contractor Works Framework	£451,336
13/09/2018	Souness & Boyne Interior Contracts Ltd	Refurbishment works - Trinity Primary School via Contractor Works Framework	£992,635
13/09/2018	Ashwood Scotland Ltd	Refurbishment works via Contractor Works Framework	£318,947
24/09/2018	Ashwood Scotland Ltd	Refurbishment works - Craiglockhart Primary School via Contractor Works Framework	£1,406,343
30/10/2018	Daltons Demolitions Ltd	Demolition of Powderhall Depot via Framework	£419,023
13/11/2018	Northern Light Stage and Technical Services Limited	Electrical Specialist works via Contractor Works Framework	£123,507
15/11/2018	McLaughlin and Harvey Limited	Asset Management works via Contractor Works Framework	£1,207,035
16/11/2018	Cornhill Building Services Ltd	Sciennes Primary School - Roof Works via Contractor Works Framework	£584,365
27/11/2018	FES Ltd	Mechanical Installation works via Contractor Works Framework	£736,549
27/11/2018	Pratt Bros. (Edinburgh) Limited	Viewforth Children Centre improvements via Contractor Works Framework	£126,465
28/11/2018	Ashwood Scotland Ltd	Echline Primary School - Refurbishment, roofing, windows, etc via Contractor Works Framework	£1,825,314
07/12/2018	Maxi Construction Ltd	St Mary's Refurbishment and Windows via Contractor Works Framework	£673,789
10/12/2018	Portakabin (Scotland) Limited	Tynecastle Nursery TU relocation to Sight Hill Primary School via Contractor Works Framework	£155,854
18/12/2018	P1 Solutions Ltd	Enabling works for St Crispin's School via Contractor Works Framework	£169,680
22/12/2018	Allsports Construction and Maintenance Ltd	Construction of Sports Pitch in South Queensferry	£631,563
			£22,082,980

Appendix 2 – Contracts awarded under the Waiver of CSOs by Delegated Authority

The following relate to the period 1 July – 31 December 2018.

Waiver No.	Directorate	Chief Executive	
	Supplier	**Justification for waiver**	**Value**
Waiver 1336	Eidyn Care Ltd	Personal support package required to enable duties to be carried out.	£40,000
Waiver 1355	APSE	Membership for benchmarking and performance information from across the UK, sole supplier.	£7,902
Waiver 1365	Delib LTD	Best interests, subscription to Citizen Space - recording and promoting consultation activity.	£7,995
			£55,897

Waiver No.	Directorate	Communities and Families	
	Supplier	**Justification for waiver**	**Value**
Waiver 1305	Barnardos Scotland	Interagency fees - looked after children, where services could not be provided through existing SXL Framework.	£27,000
Waiver 1310	J K Cameron	Legal support in complex case to ensure long term security of a child in adoptive placement.	£19,798
Waiver 1318	Alere Toxicology Plc	Best interest of the Council, short term provision of drug testing service, utilising external funding.	£25,000
Waiver 1322	R. Amey, V. Dul-Marmolejo, S. Ellerington and J. McGrath	Support to a young person with additional needs that cannot be provided in-house and considered necessary to guarantee the continuity of the pupil's education.	£40,000
Waiver 1323	Caritas Care Limited	Interagency fees - looked after children, where services could not be provided through existing SXL Framework.	£27,500
Waiver 1329	Bothy Bikes Limited	Specialist equipment essential for programme delivery to outdoor centre. Best value option for this service need.	£8,000
Waiver 1335	Scottish Police Authority	Council contribution towards the Public Protection Office	£7,404
Waiver 1338	GTS Solutions CIC	Short term extension to allow consolidation with other Council contracts, best value.	£58,047
Waiver 1358	J.W. Jack	Continuity of service provision for school transport until the end of the school session, best interests of service.	£5,230
Waiver 1367	Advanceworx	Website annual maintenance, outdoor learning; proprietary rights.	£21,600
Waiver 1375	Dr L. MacKinlay	Best interest, specialist psychological assessment, within the required timescales.	£6,142

Waiver 1388	W F Howes	Library online service, access to over 6,000 newspapers and magazines from 100 countries. Sole provider.	£32,745
Waiver 1389	Tatty Bumpkin Edinburgh West	Specialist physical activity programme for children not available via contracted suppliers.	£5,320
Waiver 1391	Spartans Football Academy	Best interest of the Council to support vulnerable young people using Pupil Equity Funding (PEF).	£11,400
Waiver 1394	Mercurytide	Sole provider, development work to online payments website.	£25,000
Waiver 1398	Columba 1400	Sole provider of this service to meet Council requirements.	£15,000
Waiver 1403	Alere Toxixology Ltd	Best interest of the Council, short term provision of drug testing service, until new tender process finalised.	£8,833
Waiver 1408	Richmond's Hope	Play therapy to bereaved children and young people, continuity of provision, best interests.	£48,350
Waiver 1411	K Edwards, D Briggs, L Mackinlay, K Dalrymple, S Reynolds, A Russell, E Kemp	Specialist independent psychological assessment, looked after and accommodated children.	£100,000
Waiver 1416	Stepping Stones	Extension to current contract to ensure service provision, childcare, individual and group support, best interests.	£43,921
Waiver 1418	Scottish Rugby Union PLC	One off venue hire due to limited number of suitable venues which could accommodate specific requirements.	£5,022
Waiver 1419	North Edinburgh Childcare	SQA accredited training provider, best interests.	£44,043
Waiver 1423	Triple P	Supplier has exclusive rights to provide training in their delivery.	£9,780
Waiver 1430	Peeple	Specialist parenting programme training, property rights.	£10,080
Waiver 1432	Barnardos Scotland	Specific expertise in addressing child exploitation issues, staff training and support.	£55,512
Waiver 1441	Jack Kane Community Centre	Charity with established community link and partnership working, best interests.	£14,700
Waiver 1445	ESP Scotland Ltd	Parent Council were responsible for obtaining the funding and selecting the service	£7,787
Waiver 1446	Complete Storage & Interiors Ltd	Replacement of lockers to match existing in school building.	£9,350
Waiver 1447	Skills Skool Ltd	Accredited training for additional qualifications and better outcomes for young people.	£11,850
Waiver 1449	The Tablet Academy	Bespoke, interactive and intensive programme to develop and implement robust learning and teaching using ICT.	£13,500

Waiver 1450	Royal Voluntary Service	Best interest to provide continuity of support for housebound service users of libraries.	£20,640
Waiver 1452	K. Edwards	Best interest, specialist psychological assessment, within the required timescales.	£6,800
Waiver 1453	EdICT	Bespoke IT System to measure attainment in schools	£44,000
Waiver 1455	Edinburgh Leisure	Local family swimming lessons for disabled children, developed with the Council.	£35,626
Waiver 1456	The Yard	Family play provision for disabled children, Council part funds, remainder is self-funded by provider.	£17,500
Waiver 1458	Gateway Shared Servcies	Management of schools' work placements programme, continuity of provision until new contract procured.	£88,500
Waiver 1460	University of Edinburgh	Research project as a joint venture, expertise in the field of languages education, best interests.	£10,000
Waiver 1467	WMD Private Hire	Unique and extenuating circumstances relating to child's needs, capacities and continuity of service.	£5,250
Waiver 1469	Osiris Educational	Best interest of council for teacher training funded by PEF, scope to join PEF framework at next entry point.	£20,000
Waiver 1472	Barnados	Support to children in schools, established working relationship with provider, external funding.	£45,000
Waiver 1473	Xn Leisure Systems Ltd	Licensing and maintenance of the leisure management information (IT) system.	£6,299
Waiver 1480	APCOA Parking UK Ltd	Annual Payment for carpark passes for staff who require use of private car to undertake duties.	£6,727
Waiver 1484	TOK (Scotland) Ltd	Specific learning and support for children in deprivation, provided via Pupil Equity Funding	£6,735
Waiver 1485	Action For Children	Play scheme for children with challenging behaviour, contracted provider unable to deliver service.	£60,000
Waiver 1490	Adapt Scotland Ltd	Bespoke therapeutic diadic psychotherapy training programme to Council foster carers	£8,550
Waiver 1503	Eagle Couriers	Labelling and delivery of Libraries 'Get Up & Go' magazines, sole supplier of specific requirement.	£5,000
Waiver 1505	JMT Fostering	Foster Care for children with severe disabilities, continuity of service until new contracts in place.	£110,130
Waiver 1506	Credo Care Ltd	Foster Care for children with severe disabilities, continuity of service until new contracts in place.	£122,300
Waiver 1507	Barnardo's Scotland	Short term extension until tender process complete.	£62,400
Waiver 1508	Barnardo's Scotland	Residential service for short breaks for children with disabilities	£145,000
			£1,544,371

Waiver No.	Directorate	Health and Social Care	
	Supplier	**Justification for waiver**	**Value**
Waiver 1364	Good Governance Institute	Best interests, governance review within Edinburgh Integration Joint Board (EIJB).	£24,000
Waiver 1371	Bellevue Church	Lease space to provide a meeting place facility for adults with learning difficulties in local community.	£5,000
Waiver 1381	Scottish Nursing Guild	Short term specialist nursing to provide continuum of care, best interests.	£245,000
Waiver 1382	Jontek Ltd	Community Alarm Telecare Service (CATS), annual maintenance of ‘Answerlink’ system, proprietary rights.	£91,000
Waiver 1402	Reed Specialist Recruitment	Agency service to vacant position essential for catering provision to Care Home.	£14,000
Waiver 1414	PinPoint Ltd	Community Alarm Telecare Service (CATS), print and distribution of mailshot for customers.	£10,000
Waiver 1435	Spotlight Support C.I.C.	Support to adults with a learning disability to access further education resources.	£32,500
Waiver 1439	Shift8 Limited	Single source supplier of niche IT products for dementia patients. Part external funding.	£6,000
Waiver 1454	Shift8 Limited	Single source supplier of niche IT products for dementia patients. Part external funding.	£12,000
Waiver 1479	Legal Services Agency Ltd	Short term extension, financial guardianship for adults with incapacity, until new arrangements in place.	£22,814
			£462,314

Waiver No.	Directorate	Place	
	Supplier	**Justification for waiver**	**Value**
Waiver 1326	Airwave Solutions Ltd	Radio terminals consistent and interoperable with partner organisations for use in emergency incidents.	£53,598
Waiver 1327	Freight Transport Association Ltd	Short term extension to tachograph services to allow Council to meet its operator's licence commitments, until such time as new digital system in place.	£23,500
Waiver 1334	Lothian Buses PLC	Short term extension to existing supported bus service until new Framework Agreement is in place.	£241,500
Waiver 1337	M McKenzie	Short term contract to allow the Council to maintain its wood waste recycling service until new contract in place.	£40,000
Waiver 1340	Willis Towers	Short term extension, experience of insurance markets and knowledge of Council Agreement, best value.	£6,000
Waiver 1341	Heart of Midlothian Football Club	No practical alternative given the venue chosen for this Planning Inquiry.	£5,800
Waiver 1342	Click Netherfield Ltd	Bespoke display used exclusively within the Museum of Edinburgh, to match existing.	£10,235

Waiver 1347	Winning Moves UK Limited	'Monopoly' brand, sole suppliers who can provide this specific advertising service, best interests.	£54,000
Waiver 1350	Concept Life Sciences	Short term extension until new in-house equipment available, costs recoverable, best interests.	£25,000
Waiver 1360	The Financial Times Limited	Best interest subscription to support investment intelligence	£9,000
Waiver 1361	SeatGeek Entertainment	Software support costs, ticketing; proprietary rights.	£10,794
Waiver 1373	Wood plc	Best value advice in regard to completion of testing and commissioning process - Millerhill waste plant.	£25,000
Waiver 1374	The Indigo House Group	Best interests, provision of Rapid Rehousing Transition Plan in short timescale.	£20,000
Waiver 1380	Rhino Wash	Short term extension until this vehicle wash equipment (across a number of sites) is competitively tendered.	£23,750
Waiver 1385	Dynniq	Annual maintenance and support to Council's Urban Traffic Control (UTC) system, proprietary rights.	£12,840
Waiver 1399	Now Wireless Limited	Best interest to maintain business continuity - ICT hardware and software support to traffic system.	£7,500
Waiver 1400	FCC Recycling (UK) Ltd	Third-party payment ensuring provision of WREN grant for development of new play area, Leith Links.	£10,745
Waiver 1401	City Health Clinic Edinburgh Ltd	Short term extension to contract to support Council statutory duties, until new contract in place.	£95,000
Waiver 1409	Changeworks Recycling	Short term, provision of confidential waste service due to incumbent provider ceasing to operate.	£14,000
Waiver 1412	DK Smith & Son Stone Masons	Urgent masonry works from trusted supplier, time constraints.	£5,148
Waiver 1413	StudioArc	Specialist exhibition design company, Scott Monument, refurbish and re-image museum room.	£19,450
Waiver 1417	Systematic Instruments	Purchase of instrument for dietary fibre analysis, patented equipment via sole supplier.	£35,000
Waiver 1421	J.W. Jack	Continuity of service provision for school transport until the end of the school session, best interests of service.	£8,000
Waiver 1422	Dawson Plant Hire	Short term extension of plant hire for continuity, future sourcing via SXL Framework, best interests.	£55,000
Waiver 1425	STORM ID	Best interest to ensure continued maintenance and hosting of Council website.	£7,500
Waiver 1426	Allans Magic	Bespoke learning package, third party funding.	£22,000
Waiver 1429	Shimadzu	Sole supplier, one off laboratory equipment purchase.	£102,818
Waiver 1436	Siemens Mobility Ltd	Short term extension to contract, to provide continuity of service until tender process is complete.	£200,000

Waiver 1437	Citylets - Optilets Pro	Sole provider of this type of data relating to private, agency and housing association letting.	£15,000
Waiver 1440	Envirocenter Limited	Land purchase contractual terms require use of this specific supplier.	£36,370
Waiver 1444	Scottish Historic Building Trust	Collaborative group of which the Council is a member, leading procurement of consultant.	£25,000
Waiver 1459	Wood plc	One-off financial consultancy for Millerhill Project	£24,000
Waiver 1462	Power Data Associates	Street lighting meter administration, continuity of support from main supplier in market.	£21,000
Waiver 1463	B.R. Hallworth Ltd	Bespoke ICT Maintenance requirement relating to Tram vehicle priority at traffic signals.	£22,000
Waiver 1464	Torus Design Limited	Temporary cover to a staff position as contracted supplier unable to provide.	£49,950
Waiver 1465	Changeworks Recycling	Extension to contract as interim solution until service area is in place to take service in-house, best interests.	£140,000
Waiver 1466	Arcus Consultancy Services	Time-bound consultancy support to provide expertise in micro-hydro construction projects.	£106,730
Waiver 1476	Heart of Midlothian PLC	Hosting of 'Best Bar None' Award initiative, costs funded through the fees granted to participating authorities.	£5,000
Waiver 1478	Trusted Directory Services Ltd	Short term extension to Trusted Trader scheme until completion of new tender process, best interests.	£8,500
Waiver 1481	ESRI (UK) Ltd	Annual maintenance fee for bespoke IT software	£10,786
Waiver 1482	Natural History Conservation	Specialist conservator works to whale bone in Meadows, limited suppliers and availability.	£32,196
Waiver 1483	Redcliffe Press Limited	Partnership arrangement to deliver specific exhibition catalogue for City Art Centre.	£10,100
Waiver 1487	Hamilton Waste and Recycling Ltd	Interim arrangement for mattress recycling following change of policy at new Millerhill Depot, sole provider.	£90,000
Waiver 1499	Avery Weigh-Tronix	Maintenance of software by supplier of weighing scales at Seafield Waste Transfer Station, proprietary rights.	£45,000
Waiver 1500	Sansom & Company	Partnership arrangement to deliver specific artwork and brochure to accompany art exhibition	£13,050
Waiver 1502	Insite Energy	Metering / billing services for new affordable homes at Greendykes until long term contractual solution in place.	£10,000
Waiver 1514	ABM Facility Services Scotland Limited	Cleaning of cultural venues, short term extension until tender process is complete.	£105,000
			£1,912,860

Waiver No.	Directorate	Resources	
	Supplier	**Justification for waiver**	**Value**
Waiver 1312	LearnPro Limited	Learning platform - NHS Lothian staff access to essential learning in care settings - security & GDPR testing.	£22,742
Waiver 1325	Deaf Action	Short term to ensure Council compliance with equalities obligations and consistent quality of service to all citizens including the BSL community.	£28,000
Waiver 1343	Scene One Search and Selection Limited	Short term extension to ensure continuity and mitigate risk of delay relating to Asset Management Strategy.	£55,000
Waiver 1345	The Electoral Comission	Relocation costs of Electoral Commission, relating to Lothian Chambers lease surrender, best interests.	£9,958
Waiver 1346	Greenscape Grounds Maintenance Ltd	Short term contract extension until new tender complete, costs recoverable through service charge accounts.	£5,046
Waiver 1348	AES (Scoltand) Ltd	Limited specialist providers available in short time-frame, best interests.	£10,350
Waiver 1362	RHT Scotland	Best interests, purchase of good quality second hand furniture for a fraction of new prices.	£8,500
Waiver 1363	Kings Security Solutions Ltd	Closed protocol system, repair and replace external security door and associated electronic locking system.	£5,945
Waiver 1378	Rutherford Cross	Best interests, recruitment to specialist posts where myjobscotand was not successful.	£24,500
Waiver 1379	Adam Appointments	Best interests, recruitment to specialist posts where myjobscotand was not successful.	£24,500
Waiver 1390	Brenntag UK & Ireland	Specialist swimming pool hygiene training course not available from any other supplier.	£8,000
Waiver 1393	REED	Staff via agency which could not be provided by Council contracted provider.	£21,888
Waiver 1397	Link Treasury Services LTD	Short term extension for continuity in relation to Fleet Review advice, best interests.	£7,875
Waiver 1404	Yakara Limited	Best interests, short term until this Council Tax texting service contract moves under Council's CGI contract.	£24,999
Waiver 1410	SHE Software Ltd	Best interest to maintain system and provide continuity until alternative software is implemented.	£9,597
Waiver 1415	Scene One Recruitment	Continuity of specialist consultancy supporting the Asset Management Strategy, best interests.	£128,000
Waiver 1427	ePrint	Hosting of software product by provider procured through Xerox Managed Print Service contract.	£5,950
Waiver 1428	Oracle Corporation UK Ltd	Business continuity extension, on demand system for High Risk Cases.	£9,072
Waiver 1433	Olsson Fire & Risk	Pilot report, fire assessment for public buildings arising from the J Cole report into PPP.	£20,675

Waiver 1434	FTSE Russell	Main benchmark index data provider required by Lothian Pension Fund 's oversight body.	£43,140
Waiver 1438	Training Byte Size	Short term extension to allow time to evaluate current provision and to plan for future need.	£7,000
Waiver 1448	Midland Human Resources	Software licensing of existing IT system.	£56,500
Waiver 1457	Inframation Limited	Sole provider of data to support management of the Lothian Pension Fund's portfolio.	£5,000
Waiver 1461	Midland Human Resources	Extension of scope to existing contract for use of analytics on Human Resources IT system.	£13,650
Waiver 1470	Brenntag UK & Ireland	Specialist staff training in operation and maintenance of swimming pools, sole provider.	£5,000
Waiver 1471	Ernst & Young	Additional financial analysis by existing supplier relating to Lothian Pension Fund, best interests.	£12,375
Waiver 1488	Crystal Ball Limited	Lone worker tracker package supporting staff health & safety, short term until new contract in place.	£8,160
Waiver 1489	Linkedin Corporation	Access to passive recruitment market enabling the Council to identify candidates for 'hard to fill' vacancies.	£8,000
Waiver 1498	Team Netsol	Maintenance of legacy IT system relating to Housing Benefit and Council Tax from previous ICT Partner.	£115,200
Waiver 1501	Midland HR	Short term contract extension to Midland iTrent until contract novated to CGI.	£182,211
Waiver 1509	Clyde & Co (Scotland) LLP	Legal expertise in relation to Personal Injury claims against the Council.	£250,000
Waiver 1512	Wider Plan Ltd	Continuation of the Salary Sacrifice Childcare scheme which has now closed to new members, best interests.	£14,078
Waiver 1513	Hanover Scotland Housing Association Ltd	Venue hire with specific IT and training facilities for mandatory/legislative learning for H&SC staff.	£20,000
Waiver 1516	Cotterill	Short term extension to the supplier of gifts for 'Long Service Award', expected to cease in 2019.	£22,000
Waiver 1517	J. Shearer	Travelling Gallery development review, funded by Creative Scotland, managed by the Council.	£5,000
			£1,197,911

Appendix 3 – Contracts awarded under the Waiver of CSOs by Committee approval

The following relate to the period 1 July – 31 December 2018.

Waiver No.	Directorate	Health and Social Care	
	Supplier	**Justification for waiver**	**Value**
1518	Various Suppliers - Framework	Support delivery of Health and Social Care services whilst strategic reviews and service redesign take place.	£3,323,543

Waiver No.	Directorate	Communities and Families	
	Supplier	**Justification for waiver**	**Value**
1468	Change Grow Live	Continue provision in supporting people in the criminal justice system pending the outcome of review by NHS Lothian, a main contributor to the contract.	£311,279
1497	Various Suppliers - Framework	Utilising non-contracted accommodation (critical to the Council's delivery of temporary accommodation to homeless individuals and families) to meet statutory obligations, until new contracted provision in place.	£4,516,000
			£4,827,279

Waiver No.	Directorate	Place	
	Supplier	**Justification for waiver**	**Value**
1491	Ineo, Bridge Radio, OFCOM and Arqiva	Permit ongoing Bustracker system operation and maintenance until such time as new system tender process and implementation complete.	£1,000,000
1492	Changeworks	Allow completion of ongoing projects relating to Housing energy consultancy services.	£187,058
1494	Glendale Grounds Management Ltd	Short term extension to allow these services to be aligned and tendered in parallel with similar services undertaken by the Council.	£850,000
1495	Orbis protect Ltd	Strategic alignment of services 'similar' in nature, to ensure efficient future use of resources to meet changing needs of the Council.	£750,000
1496	R. Cartwright, L. Murray & S. Quinn	Short term contract extensions to ensure continuity of support, guidance and execution of the Service Improvement Plan to completion 30 April 2019.	£220,000
			£3,007,058

Waiver No.	Directorate	Resources	
	Supplier	**Justification for waiver**	**Value**
Waiver 1493	Various Suppliers - Framework	Property Repair and Maintenance. Provide sufficient time to procure new services following a period of significant change in the shape and scope of the service delivery.	£11,700,000
1431	Zurich Municipal	Short term renewal of engineering inspection (statutory compliance) until scope of future provision is confirmed through the Repairs and Maintenance (R&M) project review which has been subject to delays.	£274,036
			£11,974,036

Appendix 4 – Procurement Programme – Anticipated Regulated Procurements Across the Council

Note: the names of the projects are working titles only. The projects are at different stages of development and therefore subject to change.

Project / Requirement	Services/ Goods/ Works S/G/W	Directorate	Anticipated Value (Range)	Estimated Award Date
Edinburgh Shore Development	W	Place	£5m and above	2020/21
Housing Property Capital Framework – Domestic repairs, fabric repairs, other trades	W	Place	£5m and above	Nov 2019
Housing Framework – to provide additional mechanism for future housebuilding contracts	W	Place	£5m and above	May 2019
Asset Management – service for repairs and maintenance of council facilities	S/W	Resources	£5m and above	Oct 2019
Trade Materials and associated services	G/S	Place	£5m and above	Dec 2019
Supply of Electricity	G	Resources	£5m and above	Mar 2019
St Crispins new build	W	C&F	£5m and above	Apr 2019
Early years programme – works to support increased nursery capacity	S/W	C&F	£5m and above	May 2019
Education & HSC Transport Framework	S	Place	£5m and above	May 2019
Housing Property Framework	W	Place	£5m and above	Nov 2019
City Centre West End Cycle Link	W	Place	£5m and above	Nov 2019
Carers Services	S	HSC	£5m and above	Jan 2020
Silverlea – sheltered housing	W	Place	£5m and above	Nov 2019
Framework options for children's disability services under SDS Options 2 or 3	S	C&F	£2m up to £5m	Aug 2019
Holiday Activity Programme	S	C&F	£2m up to £5m	Oct 2019
Bustracker system	S	Place	£2m up to £5m	May 2019
Bridges and Structures Framework	W	Place	£2m up to £5m	Nov 2019
Hire of Plant	S	Resources	£0.5m up to £2m	Mar 2019
British Sign Language services for interpretation and translation support	S	Resources	£0.5m up to £2m	Sep 2019
Lift and Escalator Inspections	W	Place	£0.5m up to £2m	Aug 2019
Over 80 additional projects at early engagement stage	S/G/W	Various	From £25k and above	2019/20

Finance and Resources Committee

10.00am, Thursday 7 March 2019

Health and Safety Performance in 2018

Item number	8.6
Executive/routine	
Wards	All
Council Commitments	

1. Recommendations

1.1 Committee is recommended to review and note health and safety progress and performance in 2018.

Stephen S. Moir

Executive Director of Resources

Contact: Dr Susan N Tannahill, Council Health and Safety Manager

E-mail: susan.tannahill@edinburgh.gov.uk| Tel: 0131 553 8336

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Report

Health and Safety Performance in 2018

2. Executive Summary

2.1 The focus in 2018 was to deliver the Council Health and Safety Strategy and Plan for 2018-2020, which was approved by the Finance and Resources Committee in March 2018.

2.2 Good progress has been made in 2018 to improve the Council's health and safety performance across all 6 key priority areas set out in the strategy, building on progress in previous years.

2.3 The key area of focus in 2018 was to support people at all levels to ensure they are suitably trained and informed. Improvements were also made across all priority areas, with a focus on life safety risks including fire, asbestos, and water safety (incl. *Legionella*).

2.4 The Council achieved a further 18% reduction in the number of RIDDOR[1] reportable employee injuries, which represent the most serious incidents. In the past 4 years, the Council has achieved a 53% decrease which is very positive.

2.5 However, whilst it is encouraging that the incident statistics and other metrics including employers' liability claims experience shows an improving picture, the findings from health and safety audits, health and safety and fire safety reviews, incident investigations, whistleblowing investigations, and feedback from our Trades Unions continue to highlight several areas for improvement, which are addressed locally with specialist support where necessary from Corporate Health and Safety.

3. Background

3.1 The Council has duties under the Health and Safety at Work etc. Act 1974, and subordinate legislation, to ensure as far as is reasonably practicable the health, safety and welfare of its employees and others who could be affected by its undertaking.

3.2 The purpose of this report is to update on progress and performance in relation to health and safety in 2018.

[1] Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

4. Main report

4.1 The Council Health and Safety Strategy and Plan, setting out the Council's health and safety aims for 2018-2020, was approved by the Finance and Resources Committee in March 2018. This supports the delivery of the Council's Business Plan by ensuring that our people and third parties, including members of the public, contractors, service users and pupils, are safe.

4.2 In 2018, the Council made good progress across all 6 key priority areas set out in the Council Health and Safety Strategy and Plan 2018-2020, as below.

4.3 Risk Management and Legal Compliance

4.3.1 The Council Health and Safety Policy was amended with minor changes following consultation with Trades Unions and stakeholders, and was approved by the Corporate Policy and Strategy Committee in May 2018.

4.3.2 A new sub-policy for Water Safety (incl. *Legionella*) was approved by the Corporate Policy and Strategy Committee in May 2018, following consultation with Trades Unions and stakeholders. The sub-policies for Asbestos and Fire Safety were also reviewed.

4.3.3 Each of the Directorates were supported with their Health and Safety Plans which were introduced for the first time in 2018. These set local operational priorities for health and safety. Support was also given to refresh the local health and safety risk profiles which are designed to identify key risks.

4.3.4 Council and NHS Lothian health and safety policies and procedures were mapped to understand the health and safety controls in each respective organisation for key risks. A prioritised action plan to implement joint procedures is now in place.

4.3.5 The Health and Safety pages on the Council's intranet, the Orb, were redesigned, an A-Z directory of documents was created, and improvements were made to the search functionality. The new-look pages went live in July 2018, with very positive feedback.

4.3.6 New and updated guidance was developed for fire safety, first-aid, lone-working, display screen equipment and incident reporting. Advice cards for action to take in the event of a needlestick injury were also introduced.

4.3.7 The new guidance on incident reporting clarified responsibilities and timescales for reporting incidents. In conjunction with the new guidance, a near-miss[2] reporting form was introduced to make it quicker and easier for staff to report near-misses. This was supported with a near-miss campaign, with posters, workshops, and computer desktop wallpaper.

[2] A near miss is an incident that could have resulted in injury or ill health, but did not.

4.3.8 The Corporate Health and Safety Team contributed to the development of the new Contract Management Handbook, in collaboration with Commercial and Procurement Services. Discussions are also underway to improve collaboration with contract owners regarding contractor safety.

4.3.9 Independent fire safety reviews were carried out at 10 properties, and fire risk assessments were carried out by an external specialist for the Corporate buildings. This work has highlighted areas for improvement, including fire risk assessment. In response, a Fire Improvements Action Plan has been developed. The newly appointed Fire Strategy Manager will lead its implementation.

4.4 Leadership and Accountability

4.4.1 Roles and responsibilities for the management of water safety (incl. *Legionella*) were clarified and set out in the Council Water Safety Policy, published in June 2018.

4.4.2 Preparation is underway for the bi-annual Health and Safety Conference on 17 May 2019 which will focus on the theme of health and safety culture, including health and wellbeing.

4.5 Competence

4.5.1 To support safety conversations and leadership by the Wider Leadership Team (WLT), the IOSH Leading Safety training was delivered to 98 WLT members over 15 courses in 2018. The feedback was very positive, and plans are underway to provide a choice of either the accredited IOSH course or a more tailored shorter internal course for the next tiers. These courses will be available from 2019.

4.5.2 A training needs analysis for health and safety is well underway in each Service Area. The analysis considers the training needs of individual roles, and key safety functions carried out by staff. Once completed, the proposed training will be shared with the Trades Unions for their feedback. The analysis has already identified the need for 5 new health and safety courses which will be introduced in 2019.

4.5.3 A comprehensive Corporate Health and Safety Training Programme was delivered in 2018. The number of courses delivered increased from 134 in 2016 to 244 in 2018 due to increased demand, and increased resource within the Corporate Health and Safety team, with the role now filled for the lead trainer for health and safety. The number of participants continued to rise from 1232 in 2016 to 1958 in 2018 (59% increase). To increase participation, bite sized refresher sessions were also introduced for the first time on a range of topics including risk assessment, fire wardens, and needlestick and blood borne viruses. The increase in training provision has improved health and safety awareness, which in turn will positively contribute to the reduction in injuries.

4.5.4 Throughout the year, there was an increased focus on tailoring the face to face training courses to meet local needs for staff. More courses were also delivered in locality venues to improve their accessibility.

4.5.5 The uptake in e-learning modules in 2018 continued to improve. In 2016 the number of modules completed was 1918 but declined in 2017 due to the cancellation of the externally sourced materials and the rewriting of in-house materials. The number of modules completed in 2018 rose to 1980, improving awareness about key health and safety risks.

4.5.6 A review of external health and safety training courses delivered or facilitated by HR is underway, which will identify any areas for improvement.

4.6 Engagement and Collaboration

4.6.1 Regular meetings between Corporate Health and Safety and health and safety representatives from UNISON, Unite and EIS were held, recognising the important role of accredited safety representatives. The meetings helped to ensure that any operational health and safety matters of concern were addressed more quickly and effectively.

4.6.2 In October 2018, UNISON withdrew their support from the Waste and Cleansing Health and Safety Working Group and the Place Health and Safety Group due to concerns about the lack of local engagement with the Trades Unions. Work is being undertaken, in consultation with the Trades Unions, to re-establish these groups as Health and Safety Committees under the Safety Representatives and Safety Committees Regulations 1977. A review of all health and safety groups is also underway as part of a planned governance and assurance review.

4.7 Measurement

4.7.1 Quarterly fire safety performance dashboards were introduced, with support from Property and Facilities Management, to provide oversight on fire safety performance. The dashboards contain leading and lagging metrics including information on fire safety incidents, fire alarm activations, and findings from internal and external fire safety inspections. These are in addition to the suite of quarterly health and safety dashboards produced for the Council and Directorates, which provide oversight on health and safety incident statistics, enforcement action, audits, and training.

4.7.2 Benchmarking was carried out with 7 other Councils in Scotland for injury statistics in 2017. Compared with a similar exercise carried out in 2016, the Council continues to compare favourably with other Councils for RIDDOR reportable employee injuries (2nd out of 8 – no change since 2016), and for employee injuries it was 3rd out of 7 (up one place since 2016). The top causes of employee injuries were broadly consistent across all Councils: violence and aggression, manual handling, and slips, trips and falls. Several of the other Councils had shown improvement in their violence and aggression incident statistics.

4.7.3 An analysis of violence and aggression incidents in schools was carried out, focusing on special and primary schools with high numbers of violence and aggression injuries to identify opportunities for further improvements.

4.7.4 The procurement exercise for an online incident reporting software system is underway. Due to procurement and ICT timescales, the existing contract was extended by one year. A new contract with the existing supplier or new supplier is scheduled to be in place by summer 2019, and the system rolled out by autumn 2019.

4.8 Governance and Assurance

4.8.1 Improvements were made to the health and safety audit process. Pre- and post-audit meetings are now held for all audits, with clear terms of reference. Auditee guidelines were also developed, which set out expectations of the audit process and the roles of the auditor and auditee.

4.8.2 Following the depletion of one of the Health and Safety Adviser posts, the audit planning methodology was revised to take account of the reduced level of resource. This was approved by the Council Health and Safety Group in May 2018.

4.8.3 Health and safety audit actions have been tracked on Pentana Performance (software system) since July 2018. This will provide greater visibility on open/overdue audit actions and will facilitate reporting. Guidance and training on the use of Pentana has been provided to key stakeholders.

4.8.4 Sixty-six health and safety audits were carried out in 2018, as part of the rolling Corporate Health and Safety Audit Programme. These included audits of services, buildings, thematic audits (passenger lifts, personal emergency evacuation plans and equipment, pesticides, and asbestos management) and contractor audits.

4.8.5 Audits of Craft Design Technology (CDT) in schools and Overseas Travel, which were planned for Q4 2018 have been carried over to Q1 2019. There were also several audit reports from Q4 which were not completed within the quarter and these will be issued in Q1 2019. The overdue audits and late reporting can be attributed in part to the transition to a new team structure and resourcing for the assurance programme which will continue to be monitored.

4.8.6 PwC carried out an audit of health and safety management within Waste and Cleansing in April 2018. The audit identified a number of moderate health and safety control gaps, the majority of which had already been identified by Corporate Health and Safety but had not yet been actioned. There were also some areas of good practice identified.

4.8.7 Fire Safety and Water Safety Standing Groups were established in April 2018.

4.8.8 An Edinburgh Health and Social Care Partnership Health and Safety Group was established in January 2018, with representatives from the Council and NHS Lothian. The group now meets on a quarterly basis.

4.9 Health and Safety Performance in 2018

4.9.1 The Council achieved an 18% decrease in the number of RIDDOR reportable injuries to employees in 2018 compared with the final figure for the previous year (which included some late reporting). These represent the more serious injuries that we are required to report to the Health and Safety Executive (HSE). This reduction builds on the decreases achieved in 2017, 2016 and 2015. In the past four years, the Council has achieved an overall 53% decrease in the number of reportable injuries to employees.

4.9.2 Whilst there has been a decrease in the overall number of RIDDOR reportable injuries to employees in 2018, there was an increase in in major/'specified' injuries (such as fractures) in 2018. There were 11 (65%) due to slips, trips and falls, 4 of which were due to winter weather, and 3 due to slipping on fruit.

4.9.3 There were 1755 employee injuries, and 748 excluding assaults. The employee injury rate for 12 months is 9.4 per 100 and 4.0 excluding assaults. This indicates an increase in employee injuries and compares with 8.4 per 100 employees (12% increase) and 3.4 excluding assaults (18% increase) in 2017, respectively. The campaigns throughout 2018 to promote incident reporting is considered a contributory factor for the increase.

4.9.4 Violence and aggression/assaults continues to be the top cause of employee injury within the Council and accounted for 57% of all injuries to employees. The majority (93%) of these injuries were in schools, and mostly in relation to learners with additional support needs. In 2018, there was a 22% increase in injuries due to violence and aggression in special schools, whilst in primary schools there was a slight decrease. Procedures are in place in each school for recording and reporting of physical harm, and key information is now displayed in staffrooms, including the flowchart for reporting a violent incident. Arrangements are also in place at school and authority level for regular monitoring and concerns are followed up. Special schools with a relatively high number of incidents have been provided with additional support from specialist staff within the Council, with a focus on de-escalation techniques. Environmental adaptations are underway in a further three schools to reduce the number of incidents resulting from challenges created by the learning environment. The implementation of new procedures linked to Risk Management and Reduction and Relationships, Learning and Behaviour will also support strategies to decrease the incidence of physical incidents in schools.

4.9.5 Employee related near miss reporting saw an impressive threefold increase up to 378, compared with 121 in 2017. This is attributed to making it easier for staff to report near misses, and the launch of new reporting guidelines and near-miss campaigns.

4.9.6 Analysis of the claims experience over the last five years is encouraging and suggests that there may be a downward trend in the number of claims being submitted. Notably, the employers' liability claims experience takes some time to mature as claims may be submitted up to three years after the occurrence of injury. The Council bears the first £150,000 of each claim (the excess) and in addition the cost of investigating and dealing with claims, backfilling posts when employees are absent due to injuries and ill health can be significant.

4.9.7 Housing Property retained the Royal Society for the Prevention of Accidents (RoSPA) Gold medal in 2018. This award is based on an organisation's health and safety performance assessed against the judging criteria.

4.9.8 The Council won the Operational Award at the 2018 Alarm Risk Awards held in Manchester. This was in recognition of the self-assurance framework in Communities and Families, developed by a cross-functional team including Corporate Health and Safety.

4.9.9 It is concerning that during a review by the Health and Safety Executive (HSE) of asbestos in schools they identified an inadequate assessment of the presence, type and condition of asbestos, prior to carrying out refurbishment works above ceiling voids in a school in August 2018. As a result, they served an Improvement Notice. The Council is co-operating with the HSE investigation and is committed to ensuring the health and safety of its staff and others, and will continue to identify areas for improvement including the lessons learnt from this review.

4.9.10 It is encouraging that the incident statistics and employers' liability claims experience shows an improving picture. However, the findings from health and safety audits, health and safety and fire safety reviews, incident investigations, whistleblowing investigations, and feedback from our Trades Unions continue to highlight several areas for improvement, which are addressed locally with specialist support where necessary from Corporate Health and Safety.

4.9.11 The Council has legal obligations to ensure the health and safety of its staff and others, and the consequences of not doing so not only impact negatively on individuals and their families and society, but can have significant cost implications for the Council. For example, the average penalty for health and safety offences in 2017/18 was £147,000 per case, excluding legal costs. Other costs include compensation and associated legal costs, absence costs, plus the associated reputational damage.

5. Next Steps

5.1 Delivery of the 2018-2020 Strategy and Plan will be the key area of focus in 2019, in addition to providing specialist health and safety support for any unplanned circumstances and investigations.

6. Financial impact

6.1 The staffing cost for the Corporate Health and Safety team in 2018 was lower than budgeted for due to unfilled roles during the year, and ongoing difficulties with filling advertised roles. One Health and Safety Advisor role was deleted from the structure in 2018; the cost saving will be used to part fund the new Fire Strategy Manager role within Property and Facilities Management.

6.2 The annual renewal cost of the electronic incident reporting system was c. £8,000.

6.3 The cost of delivering the accredited IOSH Leading Safely Course for WLT was £5,000 (£50 per head).

7. Stakeholder/Community Impact

7.1 There is ongoing consultation and engagement with Trades Unions and stakeholders.

7.2 The potential impact of failure to manage health and safety and welfare includes: death, injury, ill health, in addition to legal liabilities, regulatory censure, financial losses, business disruption and reputational damage.

7.3 There are no adverse equality impacts arising from this report.

7.4 There are no adverse sustainability impacts arising from this report.

8. Background reading/external references

8.1 Council Health and Safety Strategy and Plan 2018-2020.

9. Appendices

None.

Finance and Resources Committee

10:00am, Thursday, 7 March 2019

Proposed New Lease of Land for a Community Garden at Broomhouse, Edinburgh

Item number	8.7
Executive/routine	**Routine**
Wards	**7 – Sighthill / Gorgie**
Council Commitments	44

1. Recommendations

1.1 That Committee approves the grant of a new 15-year lease to The Broomhouse Centre & Enterprises on the terms and conditions outlined in this report and on such other terms and conditions to be agreed by the Executive Director of Resources.

Stephen S. Moir

Executive Director of Resources

Contact: Claire Donaldson, Graduate Surveyor/Technician

E-mail: claire.donaldson@edinburgh.gov.uk | Tel: 0131 529 5772

Report

Proposed New Lease of Land for a Community Garden at Broomhouse, Edinburgh

2. Executive Summary

2.1 The Broomhouse Centre & Enterprises has interest in developing an area of vacant greenspace in Broomhouse for the use as a community garden. This report seeks approval to grant a 15-year lease to The Broomhouse Centre & Enterprises on the terms and conditions outlined in this report.

3. Background

3.1 The Edible Estates initiative was developed to promote urban regeneration and advance community development within social housing estates. This has been principally achieved through establishing community food growing projects on the shared, underutilised greenspace areas in these estates.

3.2 The Edible Estates initiative was set up by Re:Solution, a project design, management and development practice for urban greenspace. Re:Solution, with the partnership of community anchor organisations, collaborate with local established community groups to deliver community gardens and food growing models in their neighbourhoods.

3.3 The Broomhouse Centre & Enterprises (BCE) is a community development trust supporting community led development in the Broomhouse, Parkhead and Sighthill areas of Edinburgh. Following the Edible Estates framework, the BCE has brought forward a design proposal for developing a greenspace site in Broomhouse for use as a community garden.

3.4 The BCE has requested a long lease on the site to satisfy external funding opportunities from, but not limited to, The Climate Challenge Fund. The site is held on the Housing Revenue Account (HRA). It is currently vacant and consists of an enclosed area of grass land extending to 330 sqm, or thereby. It is situated to the rear of Broomhouse Market and residential properties along Broomhouse Place North and Broomhouse Grove, Edinburgh, as outlined on the location plan at Appendix 1.

4. Main report

4.1 Planning permission for the change of use to a community garden with raised beds, shed and polytunnel was granted on 17 August 2018 (ref: 18/03204/FUL).

4.2 As a standalone site, the suitability of the identified HRA greenspace as a prospective location for Council housing development is minimal given the small site area. The site is currently underutilised and is not maintained to a high standard. Leasing the area will relieve the Council of the cost of maintaining the land for the period of the lease.

4.3 The level of rent contained in the terms and conditions below is based on similar lettings of land for community garden use.

4.4 Heads of Terms have been provisionally agreed for a new 15-year lease on the following main terms and conditions:

Tenant:	The Broomhouse Centre & Enterprises;
Term of lease:	15 years;
Rent:	£250 per annum;
Rent Free:	There will be an initial two year rent free period to cover set up costs;
Rent Reviews:	At the end of the fifth and tenth years, from date of entry, to market value for community garden use;
Break Options:	Both Landlord and Tenant shall be entitled, by giving not less than six months' notice, to terminate the lease at the end of the fifth and tenth years, from date of entry;
Use:	The Tenant shall use the subject property as a community garden and for no other purpose;
Repair/Maintenance:	Tenants full repairing and insuring obligation.

5. Next Steps

5.1 If Committee approval is granted, the Council will seek to enter into a new lease with The Broomhouse Centre & Enterprises in accordance with the terms and conditions stated within this report.

6. Financial impact

6.1 The Council's (minimal) maintenance burden will be reduced as The Broomhouse Centre & Enterprises will be responsible for all maintenance costs, rates and other outgoings associated with the subject property.

6.2 All insurance liabilities will be met by The Broomhouse Centre & Enterprises, along with the Council's surveying and legal costs incurred during the preparation of the lease.

7. Stakeholder/Community Impact

7.1 Resident consultation was carried out by way of door to door surveys in the targeted neighbourhood. The community garden proposal received positive feedback, with many residents showing interest in participating in the project.

7.2 The Broomhouse Centre & Enterprises and local residents will receive support from Edible Estates founder organisations during the initial set up of the community garden, until the project becomes established.

7.3 Council housing officers from the south west neighbourhood office have been consulted throughout the process and are in support of the project.

7.4 Ward elected members have been made aware of the recommendations of this report.

7.5 The impact on equalities has been considered. The Integrated Impact Assessment (IIA) checklist has been completed and the outcome is that a full IIA is not required for this report. There will be a positive benefit on equality and rights through this project which aims to improve the community integration and services in this area. There is no negative impact on the environment given the services provided by the proposed community garden serve a local neighbourhood.

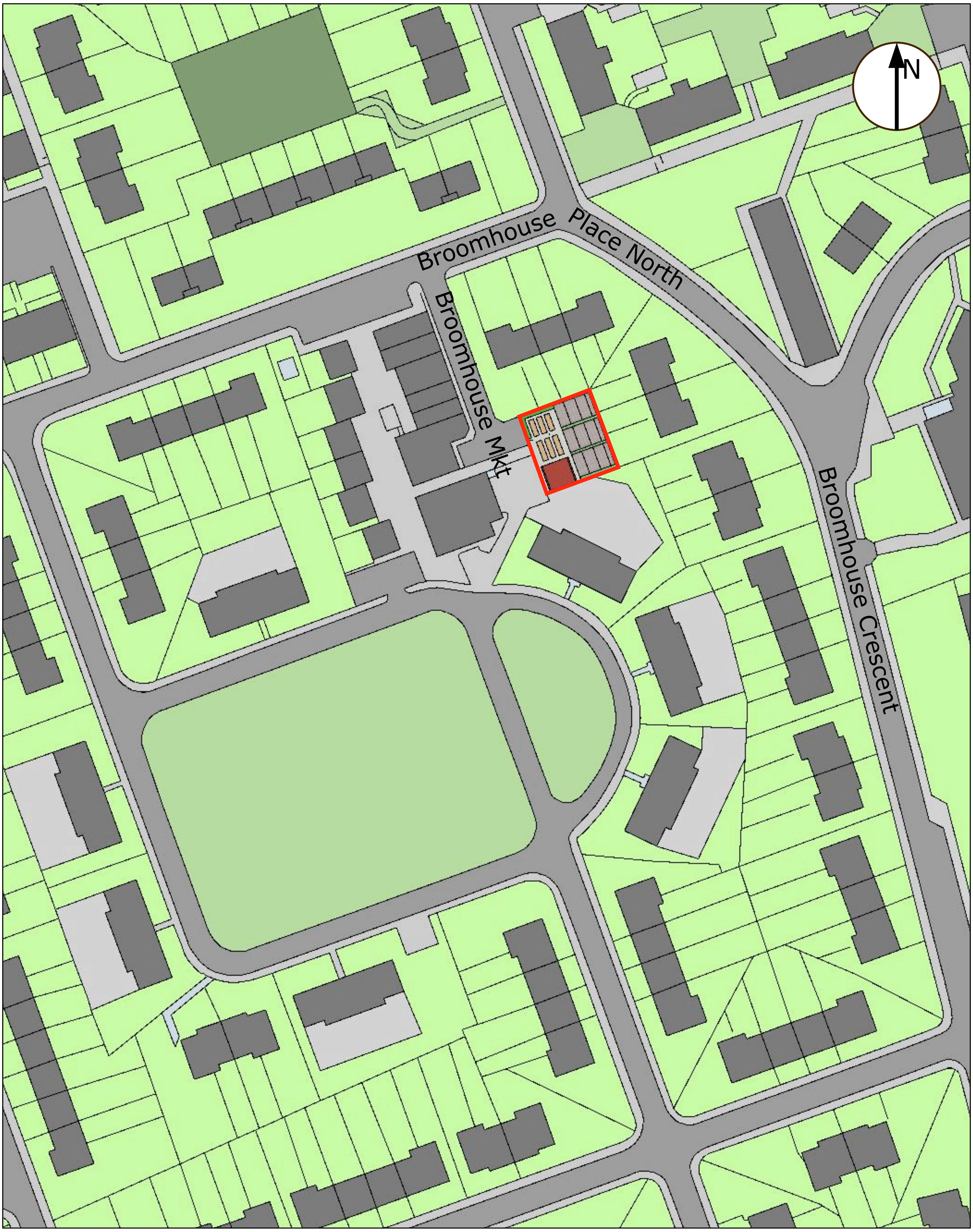
8. Background reading/external references

8.1 None

9. Appendices

9.1 Appendix 1 – Location Plan

Edible Estates	Contact:	Greig Robertson 0781 729 2464
Broomhouse Home Farm	Date:	28/6/2018
Location Plan	1:1250	



Finance and Resources Committee

10.00am, Thursday, 7 March 2019

Proposed Sale - Ravelston Park Pavilion, Craigcrook Road, Edinburgh EH4 3RU

Item number	8.8
Executive/routine	**Routine**
Wards	**5**
Council Commitments	32, 33, 35, 39

1. Recommendations

1.1 That Committee approves the disposal of Ravelston Park Pavilion, Craigcrook Road, Edinburgh, to Blackhall Community Trust on the terms set out in this report and on such other terms and conditions to be agreed by Executive Director of Resources.

Stephen S. Moir

Executive Director of Resources

Contact: Brian Paton, Estates Surveyor

E-mail: brian.paton@edinburgh.gov.uk | Tel: 0131 469 5228

Report

Proposed Sale - Ravelston Park Pavilion, Craigcrook Road, Edinburgh EH4 3RU

2. Executive Summary

2.1 This report seeks authority to dispose of Ravelston Park Pavilion located at Craigcrook Road, Edinburgh to Blackhall Community Trust on the terms outlined in the report. The proposed sale is a Community Asset Transfer under Part Five of the Community Empowerment (Scotland) Act 2015.

3. Background

3.1 Ravelston Park Pavilion is currently leased on an internal insuring and repairing basis to Blackhall Nursery. The lease duration is 12 months and is renewed annually on 31st October. The passing rental is £500 per annum.

3.2 Blackhall Community Trust (BCT) are applying for a Community Asset Transfer (CAT) of Ravelston Park Pavilion in order to build a new community hub for the Blackhall community and space for a new early learning and childcare centre (for the community-run charity Blackhall Nursery). On completion of the transfer, BCT would be the landlord of the building and Blackhall Nursery the anchor tenant.

3.3 Ravelston Park is included on the Common Good Register and the pavilion is currently designated as inalienable common good. In order to allow the sale to proceed, the Council require to obtain Court of Session approval to change the common good designation. The Council and BCT will enter into an agreement whereby BCT will fund Council legal fees and court costs in respect of court approval. The sale will be conditional on the removal of the inalienable common good status.

3.4 Ravelston Park Pavilion was declared surplus in 1999 and since then has been used as a community run nursery with some community use outwith nursery opening hours. The property has been progressively modernised to form the current layout, with extensions added in 2001, 2003 and 2008, funded by a number of Scottish Government and European capital grants. The current lease arrangement commenced in 2010.

4. Main report

4.1 BCT was formed in 2017 to explore the improvement of Ravelston Park Pavilion to better meet the needs of the community and nursery. Their aim is to create a fit for purpose space, owned and run by the community, which will provide facilities for use by local people of all ages together with suitable space for Blackhall Nursery to expand its provision to meet new Scottish Government requirements for Early Learning and Childcare.

4.2 BCT submitted a Community Asset Transfer request under Part Five of the Community Empowerment (Scotland) Act 2015 to purchase the property. In accordance with Council policy on Community Asset Transfers, a panel was convened to consider BCT's expression of interest, comprising stakeholders, councillors and community groups. The panel's recommendation was for BCT to develop their stage 2 (Sustainable Business Case) submission, which incorporates a business case, valuation, refurbishment plans, and evidences need thorough community consultation.

4.3 The stage 2 application was received, and the proposal was assessed by the Operational Estates Team in accordance with the Community Asset Transfer policy scoring matrix. The result was a strong to a very strong submission. The panel reconvened to consider the submission and it was decided via a unanimous vote to approve the application.

4.4 The terms provisionally agreed for the disposal of the property are as follows:

Purchaser:	Blackhall Community Trust
Price	£11,750
Suspensive Conditions	The offer is conditional upon removal of inalienable common good status (BCT to fund Council legal fees and Court costs).
Fees	The purchaser is to meet the Council's reasonable legal fees and Property and Facilities Management's administration fee.

5. Next Steps

5.1 Should Committee approve the transfer request, a decision notice will be issued in accordance with the terms of the Community Empowerment (Scotland) Act 2015, setting out the terms noted above and inviting BCT to offer to purchase the property on the agreed terms. The applicant is then afforded a minimum statutory period of at least 6 months in which to make their offer. The Council, funded by BCT, would also take action to pursue the removal of the inalienable common good status through the Courts.

5.2 Should Committee be minded to reject the asset transfer request, the applicant has a statutory right to have the decision reviewed by the Council and, should the review be unsuccessful, a subsequent right of appeal to Scottish Ministers.

6. Financial impact

6.1 Should the proposal proceed a capital receipt of £11,750 will be received. The financial year in which the receipt will be received is dependent upon the Common Good restriction being successfully removed by the Court of Session.

6.2 The applicant obtained an opinion on market value of the property of the amount of £12,500. The Council commissioned their own valuation from framework consultants, which gave a market value of £19,000. In addition to providing comparable sale evidence, the Council's valuers assessed the premises as a commercial nursery, noting the existing business is trading with very low profit or loss making and is being run as a registered charity. The valuers noted a commercial operator could achieve a higher level of trade but would have to spend significant capital on the property to bring it up to a high standard of business. The valuers were of the opinion that a commercial operator would view the business as closed.

6.3 Given the proposed scheme's alignment to Council commitments, it is considered that a sale price of £11,750 is justified in this instance. It aligns with the following commitments:

32. Double free early learning and childcare provision, providing 1,140 hours a year for all 3 and 4-year olds and vulnerable 2 year olds by 2020.

33. Make early years provision more flexible to fit families' needs and provide additional resources to families so that no children are educationally disadvantaged when they start formal schooling.

35. Improve access to libraries and community centres making them more digital and delivering them in partnership with local communities.

39. Put exercise at the heart of our health strategy by increasing access to sport and leisure facilities

6.4 The proposed sale price has also been considered in relation to The Disposal of Land by Local Authorities (Scotland) Regulations 2010, which provides that where the disposal (or lease) is for a consideration less than the best that can reasonably be obtained, a Local Authority can dispose of the asset, provided it follows certain steps:

6.4.1 It appraises and compares the costs and dis-benefits of the proposal with the benefits;

6.4.2 It satisfies itself the proposed consideration for the disposal in question is reasonable; and

6.4.3 It determines that the disposal is likely to contribute to the promotion or improvement of any one of: economic development or regeneration, health, social well-being, or environmental well-being, of the whole or any part of the area of the local authority or any person in the local authority area.

6.5 The proposals align with Council commitments and contributes to these criteria and therefore the proposed sale price is considered justifiable.

7. Stakeholder/Community Impact

7.1 Consultation was undertaken through the CAT advisory panel. The panel consisted of various stakeholders, councillors and community groups which ensured broad analysis and guidance and eventual approval of the application. Participants in the panel included ward members, representatives of Blackhall Primary School, Community Ownership Support Service, the Minister of Blackhall St Columba's Church and Council estates team officers.

7.2 As part of the CAT Stage 2 Business Case Submission, BCT have consulted widely in the community with regards to the future use of Ravelston Park Pavilion. Detail on the consultations undertaken can be found in the BCT Business Case which is available for reading using the link at 8.1 below.

7.3 The appropriate ward members have been informed of the recommendations contained within this report.

7.4 The impact on sustainability has been considered. There is no negative impact on the environment as the result of the proposed sale.

8. Background reading/external references

8.1 CAT Stage 2 Submission:

http://www.edinburgh.gov.uk/downloads/download/2753/ravelston_park_pavillion

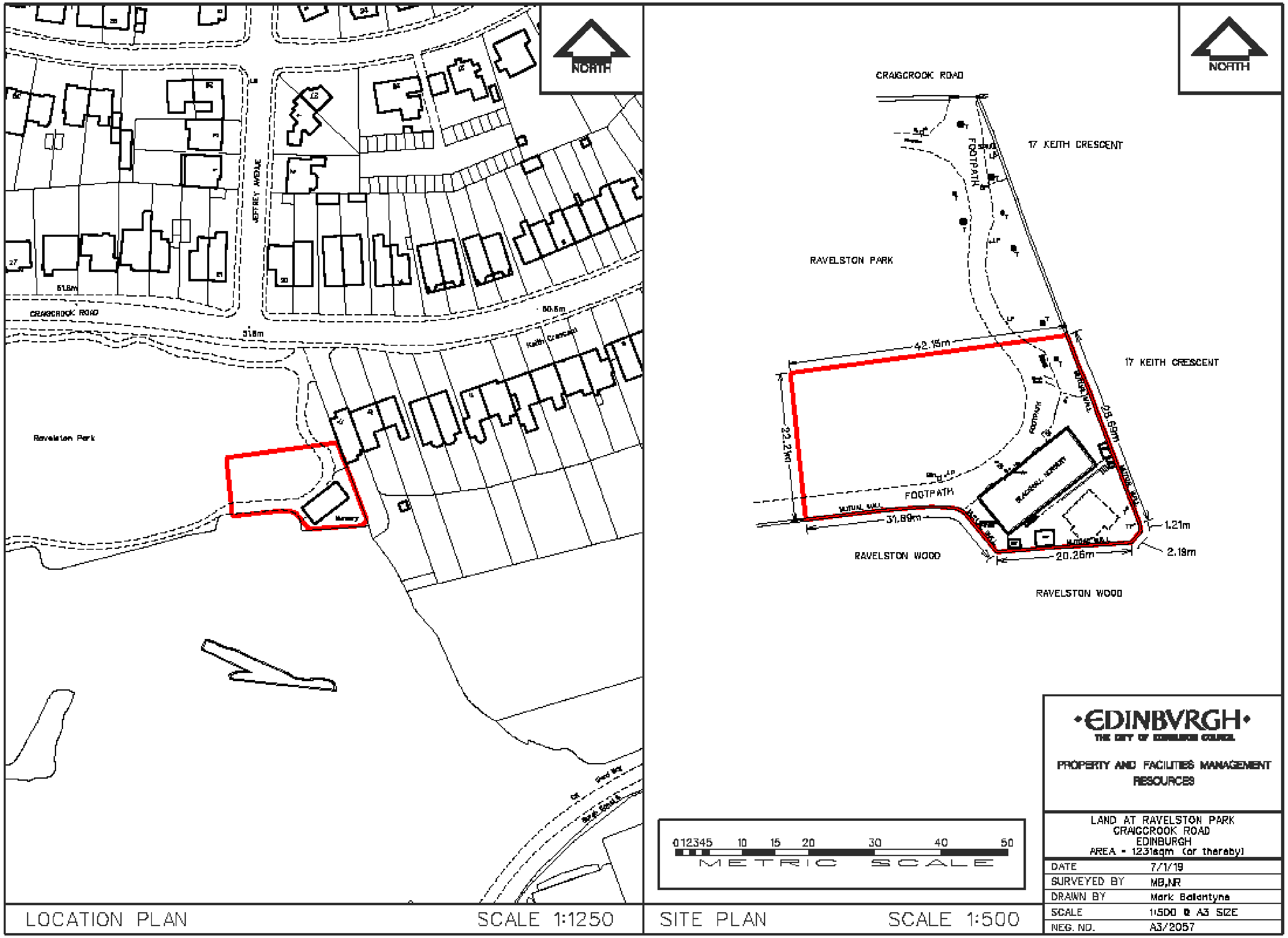
8.2 Community Asset Transfer Policy:

http://www.edinburgh.gov.uk/info/20029/have_your_say/772/community_asset_transfer

9. Appendices

9.1 Appendix 1 – Location Plan.

APPENDIX 1



THE CITY OF EDINBURGH COUNCIL