

Cabinet Committee

Committee Room 2, 5th Floor, Fife House, North Street,
Glenrothes / Blended Meeting



Thursday, 25th August, 2022 - 10.00 a.m.

AGENDA

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1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest in particular items on the agenda and the nature of the interest(s) at this stage.
3. **MEMBERSHIP AND REMIT OF COMMITTEE** – Report by the Head of Legal and Democratic Services. 3 – 6
4. **APPOINTMENTS TO EXTERNAL ORGANISATIONS** – Report by the Head of Legal and Democratic Services. 7 – 9
5. **CITY OF DUNFERMLINE - MEMBERSHIP OF THE SCOTTISH CITIES ALLIANCE** – Joint report by the Head of Business and Employability Services and the Head of Communities and Neighbourhoods Service. 10 – 18
6. **REVENUE MONITORING - PROVISIONAL OUTTURN 2021-22** – Report by the Executive Director (Finance and Corporate Services). 19 – 36
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<p>The Committee is asked to resolve, under Section 50(a)(4) of the Local Government (Scotland) Act 1973, as amended, to exclude the public and press from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraph(s) 8 and 9 of part 1 of schedule 7A of the Act.</p>	
16. AFFORDABLE HOUSING PROGRAMME - 19 NEW HOUSES, ORDNANCE ROAD, CROMBIE – Report by the Head of Housing Services	106 – 114
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Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.

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18th August, 2022.

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25th August, 2022.

Agenda Item No. 3

Membership and Remit of Committee

Report by: Lindsay Thomson, Head of Legal and Democratic Services

Wards Affected: N/A

Purpose

To advise members of the membership and remit of the Cabinet Committee.

Recommendation(s)

The Committee is asked to note the report.

Resource Implications

None.

Legal & Risk Implications

None.

Impact Assessment

An EqIA is not required as the report does not propose a change to existing policies and practices.

Consultation

None.

1.0 Background

- 1.1 At its meetings on 19th May, 2022, Fife Council approved proposals to establish a cabinet and scrutiny model of political governance. As part of the new decision-making structures, it was agreed to establish a Cabinet Committee.
- 1.2 In accordance with the agreed political balance, the membership of the Cabinet Committee will comprise six Labour Strategic Spokespersons, nine SNP, four Liberal Democrat, two Conservative members and will include the Leader of the Administration, who shall act as Convener.

2.0 Membership

- 2.1 The membership of the Cabinet Committee (22 members) is –

Councillor David Ross (Labour) (Convener)
Councillor David Alexander (SNP)
Councillor Lesley Backhouse (SNP)
Councillor David Barratt (SNP)
Councillor Altany Craik (Labour)
Councillor John Beare (SNP)
Councillor James Calder (Liberal Democrat)
Councillor Fiona Corps (Liberal Democrat)
Councillor Linda Erskine (Labour)
Councillor Derek Glen (SNP)
Councillor David Graham (Labour)
Councillor Peter Gulline (Conservative)
Councillor Judy Hamilton (Labour)
Councillor Gary Holt (Liberal Democrat)
Councillor Cara Hilton (Labour)
Councillor Kathleen Leslie (Conservative)
Councillor Rosemary Liewald (SNP)
Councillor Carol Lindsay (SNP)
Councillor Jonny Tepp (Liberal Democrat)
Councillor Ross Vettraino (SNP)
Councillor Craig Walker (SNP)
Councillor Jan Wincott (Labour)

3.0 Remit of Cabinet Committee

- 3.1 The remit of the Cabinet Committee is: -

To discharge all of the Council's functions except those reserved to the Council and those matters specifically delegated to other committees or sub-committees, including the following matters:-

- exercising strategic leadership of the Council;
- promoting A Fairer Fife;
- developing and approving new policies consistent with the overall strategic approach of the Council and in particular, approving, setting targets and monitoring all decisions in relation to the Council's strategic priorities and where policies or decisions extend beyond the boundary of a single Area;

- reviewing and approving the main activities to achieve key outcomes and improvement priorities under the Plan for Fife (Local Outcome Improvement Plan) and the Council's policy and improvement priorities;
- monitoring and control of the Council's overall capital and revenue expenditure (including major capital projects), taking responsibility for all executive decisions within the budget and policy framework approved by the Council and considering all proposals or business cases which have increased financial consequences beyond the currently approved budget;
- facilitating and encouraging public participation and consultation and ensuring the effective communication of Council policies and strategies;
- developing community planning by working in partnership with relevant external organisations;
- recommending to the Council the budget strategy and strategic policy framework for consultation;
- maintaining oversight of the implementation of agreed City Deal Plans for Tay Cities and Edinburgh and South East Scotland;
- taking decisions which relate to the Council's role in membership of, or partnership with, external organisations beyond a single Area and making nominations as appropriate;
- approving responses to consultation papers issued by the Scottish or UK Government and outside organisations insofar as these have not been (a) included in the remit of other Committees; or (b) delegated to officers;
- ensuring political accountability for the Council's performance;
- monitoring the Council's scheme to promote equality and diversity;
- providing guidance and direction to Committees to ensure overall control of the Council's finances within approved budgetary limits and financial regulations and also in regard to scrutiny and performance management of functions within their remit;
- overseeing the management and use of all Council (including common good) assets and resources, and the development and implementation of the plans therefor including:-
 - finance;
 - physical assets (including land, buildings and other property) including a Corporate Asset Management Plan;
 - human resources (including the development and training strategy for elected members and employees);
 - information (including information technology); and
 - intellectual property.
- monitoring and reviewing the Council's approach to health and safety of Council employees and the obligations of the Council under Health and Safety legislation;
- considering any recommendations or report of any Investigating Committee appointed to investigate any matter in terms of the Scottish Joint Negotiating Committee for Local Authorities Services Disciplinary Procedure for Chief Executives;
- oversight of all functions concerning valuation and electoral registration;
- maintaining a strategic overview of civic affairs, twinning links and partnerships leading to civic, sporting, economic and cultural exchanges;

- with the exception of the Area Settlement Trusts and any other trusts with an impact on only one Area, all matters relating to the Council's role as Trustees under section 16 of the Local Government etc. (Scotland) Act 1994;
- maintaining oversight of workforce matters insofar as not delegated to the Head of Paid Service, including all matters relating to the Fife Pension Fund as regards the Council's role as employer including, for the avoidance of doubt, setting policies on early retirements;
- taking strategic decisions relating to the resourcing of, and co-ordination with, the Integrated Joint Board on health and social care matters;
- carrying out all matters relating to the Council's responsibilities as the statutory housing authority for Fife; and
- taking responsibility for scrutiny of matters of corporate policy including review of the Council's overall corporate and resource plans.

3.2 **Cabinet Committee Powers**

3.2.1 The Cabinet Committee shall have the following powers:

- to request or commission research or other studies on matters of policy or service provision;
- to establish working groups; and
- to refer matters to other committees, including Scrutiny and Area Committees, for their consideration.

Background Papers

List of Committee Powers

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25th August, 2022.
Agenda Item No. 4

Appointments to External Organisations

Report by: Lindsay Thomson, Head of Legal and Democratic Services

Wards Affected: All

Purpose

The purpose of this report is to ask the Cabinet Committee to agree member representation on those external organisations detailed in Appendix 1.

Recommendation(s)

The Committee is asked to agree member appointments to the organisations detailed in the Appendix 1 to this report.

Resource Implications

There are no direct resource implications arising from this report.

Legal & Risk Implications

External organisations have their own governance structures and members should seek advice from the Head of Legal and Democratic Services on any concerns they have on membership of the organisations. In particular, members may be subject to other legislation such as the Companies Acts (directors' responsibilities) and charity law.

Failure to make such appointments may mean the external organisation cannot function effectively or secure a quorum at meetings.

Impact Assessment

An EqIA is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

During the review carried out by Legal and Democratic Services, feedback was sought from organisations, officers and elected members previously appointed to ascertain if member appointment was still required.

1.0 Background

- 1.1 Following a review of member appointments to external organisations, the Council at its meeting on 9th June, 2022, agreed to nominate members to a number of external organisations, where Council representation is required. It also delegated appointment of those members to either the Cabinet Committee or relevant Area Committee. (*Previous Minute Reference – para. 20 of 2022 FC 34 – Fife Council of 9 June 2022 – refers.*)

2.0 Current position

- 2.1 Members are asked to consider the list of external organisations as set out in Appendix 1 and agree the members nominated to each of the organisations listed.

List of Appendices

1. External organisations requiring member appointment from the Cabinet Committee

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External Organisations Requiring Member Appointment from the Cabinet Committee

External Organisation	No of Members to be Appointed
Business Gateway Services (Fife)	1
Edinburgh and South East Scotland City Region Deal Elected Member Oversight Committee	2
Fife Access Forum	2
Fife Biodiversity Partnership	2
Fife Corporate Parent Board	2
Fife Economy Partnership	2
Fife Employment Access Trust	1
Fife Environmental Partnership	1
Fife Historic Buildings Trust	2
Fife Museums Forum	3
Fife Tourism Partnership	1
Industrial Communities Alliance	2
North Sea Commission	1
Nuclear Free Local Authorities Scotland	1
Opportunities Fife Partnership	1
Respite Fife	1
River Leven Trust	3
seescape (previously Fife Society for the Blind)	1
SCORRS (Scottish Council's Committee on Radioactive Substances)	1
Scottish Chamber Orchestra	1

City of Dunfermline – Membership of the Scottish Cities Alliance

Report by: Gordon Mole, Head of Business and Employability and Paul Vaughan, Head of Communities and Neighbourhoods Service

Wards Affected: All Wards

Purpose

Following the conferment of city status to Dunfermline, to approve Fife Council's membership of the Scottish Cities Alliance.

Recommendation(s)

It is recommended that the Committee:-

- (i) approves membership of Scottish Cities Alliance following the conferment of city status for Dunfermline in HM The Queen's Platinum Jubilee Civic Honours competition;
- (ii) notes the governance arrangements for the Alliance set out in section 2 of this report; and
- (iii) notes and comments upon the draft operational plan for 2022/2023 set out in Appendix One to this report.

Resource Implications

Membership of the Scottish Cities Alliance requires an annual membership contribution, currently £28,000 per year for each member of the Alliance. This will be met in 2022/2023 through Business & Employability existing service budgets and will require a recurring annual payment. Details of how resources are utilised are set out in section 1 of this report.

Legal & Risk Implications

There are no specific legal and risk implications associated with this report.

Impact Assessment

An Equalities Impact Assessment has not been completed and is not necessary at this stage, as the proposals within the report do not currently represent a change to policy. The Fairer Scotland Duty, which came into force on 1 April 2018, requires the Council to consider how it can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions. Membership of the Scottish Cities Alliance will enable a wider engagement in areas such as policy, low carbon (hydrogen technologies) and investment.

Consultation

The Head of Legal Services and Head of Finance have been consulted in the preparation of this report.

1.0 Background

- 1.1 Fife Council, supported by civic and community groups, submitted a bid into the competition for city status as part of HM The Queen's Platinum Jubilee celebration. In May 2022, the UK Government confirmed that Dunfermline had been granted city status, one of eight new cities in the United Kingdom and overseas territories and the first new city in Scotland since Perth's award in 2012.
- 1.2 With the conferment of city status, Fife Council has been invited to join the Scottish Cities Alliance, which acts as a representative and support body for Scotland's eight cities. The Alliance provides a resource across four workstreams – investment, policy, hydrogen and Smart Cities. Details of these programmes are set out in the draft operational plan, which forms Appendix One to this report.
- 1.3 The Scottish Cities Alliance was established in December 2011 following the publication of the Agenda for Cities "Scotland's Cities: delivering for Scotland" which sets out a vision for the Scottish Government and the Scottish cities to build further on the strengths and opportunities that exist within cities and their regions to attract investment, create growth and support Scotland's cities to compete internationally. Key achievements to date include:
 - Introducing cities to investors with collective funds of more than £10 billion.
 - Establishing a wide network of private sector investor contacts from a strong presence at key investment events including MIPIM Cannes, MIPIM UK and Expo Real.
 - Supporting the development of City Investment Plans which set out proposals for £10 billion of infrastructure investment in a complementary and ambitious investment pipeline, many of which provided the basis for City Region Deal bids.
 - Enhanced the attractiveness of Scotland's cities as smart and sustainable destinations for investment by the delivery of the £48 million Smart City ERDF Programme, creating 52 new innovative services and making 232 new data sets open and discoverable for innovation to date.
 - Positioned Scotland as one of Europe's leading early adopters of hydrogen technology, attracting £30 million of funding and investment to support the roll out of hydrogen refuelling infrastructure, buses, heavy duty vehicle and fuel cell electric train developments.
- 1.4 As a member of the Alliance, Fife Council will be able to engage in the four workstreams. An initial action will be attendance at the Alliance's Scottish Cities Week in London, where Dunfermline will be showcased as Scotland's newest city.
- 1.5 Responsibility for securing impact from the delivery of the Alliance's Operational Plan rests with the Alliance Core Team made up of the following officers:
 - Programme Director
 - Inward Investment Lead
 - Policy Lead
 - Project Officer
 - Admin and Finance Officer

- 1.6 Responsibility for employing the Core Team and providing financial, IT and HR support has sat with the Scottish Council for Development and Industry (SCDI). Ten years on from the establishment of the Alliance, the existing partners agreed earlier this year to review the employment, budget management and hosting arrangements for the Core Team to ensure the team was best placed to deliver for the partnership based on current operational priorities. As a result of this exercise, the employment and budget management responsibilities are in the process of being moved to Dundee City Council with the team taking up hot desking space available at the University of Strathclyde alongside a range of other organisations which can assist the team with the delivery of the programme including innovation centres, UK Catapults, Institute of Future Cities and the Fraser of Allander Institute.
- 1.7 At the outset of the Alliance in 2011, the Scottish Government allocated £7 million to the Alliance’s City Investment Fund which the partners have since used to deliver activity which meets the collaborative aims and ambitions of the partnership. The Cities Investment Fund is now largely spent, however, funding is secured to maintain the core elements of the programme via city and Scottish Government contributions through to March 2026 with the opportunity for the partners to contribute additional funding to specific programmes of work where appropriate.
- 1.8 The reinvestment approved by the Alliance’s Leadership Group in June 2021 to cover the current programme period 1st April 2022 – 31st March 2026 is based on contributions covering the Alliance Core Team and investment promotion activity as set out in Table One, below.

Table One – Scottish Cities Alliance Annual Operating Budget

Budget	Cities	Scottish Government	Cities 2022-2026	SG 2022-2026
Operational core team	£15,000	£105,000	£60,000	£420,000
Investment Promotion	£13,000	£91,000	£52,000	£364,000
Total	£28,000	£196,000	£112,000	£784,000

2.0 Governance

- 2.1 The strategic direction for the partnership is set by the Leadership Group made up of the Leaders of the Scottish city local authorities and the Cabinet Secretary with a portfolio responsibility for cities, Kate Forbes MSP. The Chair of the Leadership Group is a city leader elected for the duration of the local government term. Following the local government elections in May 2022, the Leadership Group confirmed the appointment of Cllr John Alexander, Dundee City Council as Chair.
- 2.2 To support delivery of the strategic programme set by the Leadership Group, the Alliance convenes regular meetings of:
- Local authority Chief Executives and Heads of National Agencies where discussions take place on the strategic policy leavers cities need to deliver sustainable and inclusive growth as well as coordinating/harnessing collective resources to deliver the programme;

- A Delivery Group, made up of senior offices responsible for Economic Development in cities and the cities team in Scottish Government which is focused on the operational deliver of the programme reporting into Leadership Group.

2.3 Protocols are in place covering the management of the Alliance partnership, the roles and responsibilities of different stakeholders as well as the management of the Alliance budget. The protocols are in the process of being updated to reflect the current operational arrangements in place for the new Operational Programme period 2022-2026, including the addition of Dunfermline as a member of the Alliance.

3.0 Issues and Options

- 3.1 As a member of the Alliance, Fife Council will be able to utilise Scottish Cities Alliance (SCA) resources to showcase investment opportunities, through a presence on the SCA website and attendance under the Alliance banner at investment events such as MIPIM. Activity will be led through the InvestFife team within Business & Employability, and a programme of activity will be developed. Activities are not restricted to the boundaries of Dunfermline.
- 3.2 In line with the draft operational plan for 2022-2026, Fife Council will engage in the three workstream priorities of investment, Smart Cities Scotland and policy and stakeholder engagement.
- 3.3 Officers have engaged with SCA officials on developing an understanding of the opportunities afforded through city status and have engaged with Perth and Kinross Council in that Council's learning journey of becoming a city.
- 3.4 Fife Council will work with the Alliance in sharing intelligence and strategic thinking in respect of addressing the role of cities as it applies to the Scottish Government National Strategy for Economic Transformation and UK Government Levelling Up white paper.
- 3.5 The conferment of city status for Dunfermline means that half of all Scottish cities fall within the two city regions which cover Fife, Tay Cities and Edinburgh and South East Scotland, enabling increased influence for these City Regions. There are no direct impacts on existing regional working arrangements.
- 3.6 The civic opportunities arising from city status will be addressed through the Communities and Neighbourhoods team and will link to economic and investment opportunities through work between the Community Manager, Tourism, Town Centre Development Unit and Economic Development teams.

4.0 Conclusions

- 4.1 Dunfermline's recognition as a city through the Platinum Jubilee Civic Honours competition in May 2022 will provide a range of opportunities for the city and more widely across Fife.
- 4.2 Scottish Cities Alliance has invited Fife Council to join the Alliance in line with the governance and protocol procedures of the Alliance.

- 4.3 The draft operational plan will be amended to include Dunfermline's city status and will be agreed at the first meeting of the SCA Leaders' group in September 2022.

List of Appendices

Appendix One: Draft Scottish Cities Alliance Operational Plan 2022-2026.

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Appendix One



Operational Plan - 2022-2026

Our Purpose

To support the inclusive economic growth of Scotland's cities and their regions by :

- Speaking powerfully with a single voice to compete successfully in global markets for investment and jobs.
- Raising the profile of Scottish cities as smart and sustainable destinations for investment.
- Informing policy to ensure that the Scottish cities and their regions remain globally competitive.

Achievements to Date

Since it was established in December 2011, the Alliance partnership has increased Scotland's seven cities' international profile and given impetus to innovation and fresh thinking. Our achievements to date include:

- Introduced cities to investors with collective funds of more than £10 billion.
- Established a wide network of private sector investor contacts from a strong presence at key investment events including MIPIM Cannes, MIPIM UK and Expo Real including Savills, Mott MacDonald, CBRE, Grant Thornton, ARUP, JLL, Robertson and Keppie.
- Supported the development of City Investment Plans which set out proposals for £10 billion of infrastructure investment in a complementary and ambitious investment pipeline, many of which provided the basis for future City Deal bids.
- Enhanced the attractiveness of Scotland's cities as smart and sustainable destinations for investment by the delivery of the £48 million "Scotland's 8th City – the Smart City" ERDF Programme, creating 52 new innovative services and making 232 new data sets open and discoverable for innovation to date.
- Positioned Scotland as one of Europe's leading early adopters of hydrogen technology, attracting £30 million of funding and investment to support the roll out of hydrogen refuelling infrastructure, buses, heavy duty vehicle and fuel cell electric train developments.

Changing Landscape

A number of policy developments have occurred since the Alliance was first established. These include the refresh of a number of Scottish Government strategies and forthcoming legislation related to the Alliance's areas of operation such as the manifesto commitments of the new city administrations, the development of City and Growth Deals, the UK's exit from the European Union, an accelerated focus at all levels of government on the importance of transitioning to a net zero carbon economy and an increased awareness of the disruption and opportunities to city economies from technological change.

While the economic effect of the pandemic has been marked, cities were experiencing a process of change prior to its onset. Now more than ever, working collaboratively provides an opportunity for the Alliance partners to deliver the best outcomes and support each other through sharing of knowledge and joining up the wider ecosystem of investment and job creation.

Our Operational Plan 2022-2026

The Operational Plan builds on the strengths of the existing programme through the attraction of new investment to Scotland's cities to deliver key development opportunities; accessing funding and resources to transition the city economies to smart, net zero carbon destinations for investors and businesses to locate; and providing a trusted route for partners to bring ideas to the table and create innovative collaborative projects of scale. The plan delivers on the aims and ambition of the National Strategy for Economic Transformation and is underpinned by analysis from the Fraser of Allander Institute's Scottish Cities Outlook report and the recommendations of the City Centre Recovery Taskforce. Importantly, the Plan continues to recognise the importance of partnership working both between cities and across city region partners to drive economic growth.

Partnership Working

Facilitating closer partnership working is fundamental to achieving the Alliance's ambitions to see increased inclusive economic growth across Scotland. Building on our success to date, the Alliance will continue to support cities to work closely with both the Scottish and UK Government and the national agencies to maximise the future economic potential of Scotland's seven cities and their regions. The Alliance partnership will further develop and strengthen its relationships with relevant international networks commensurate with the economic ambitions of the partners, and work with the private and academic sectors to develop opportunities to test innovative solutions and access the financing and skilled resources vital for the cities to remain globally attractive. Our partnership offering will be enhanced through the continued development of peer-to-peer network and capacity building offering for Alliance partners.

The Alliance's Operational Programme 2022-2026 will focus on 3 key areas:

Investment Promotion

Objective - To create investor confidence by providing a focal point for investors and promote a consistent message about the benefits of investing in our smart and sustainable cities.

Outcomes:

- Strengthen city investment propositions and collateral to a consistent market ready standard by 2023
- Increase the number of green investment opportunities in cities marketed as part of Scotland's Green Investment Portfolio by 2024
- Introduce cities to investors with collective funds worth more than £5 billion by 2026

Activities will include:

- Work with both the Scottish and UK Government and national agencies to develop the green investment pipeline and improve the quality of global market propositions across the cities, ensuring alignment with UN Sustainability Development Goals and ESG values.
- Maximise opportunities for the cities to build their network of private sector investor contacts connected to their investment priorities working closely with a wide range of stakeholders across academia, business and government.
- Target lead generation activity in important domestic and international markets, utilising Scotland House London as a hub for bespoke city investment activity.
- Assist cities to identify and understand their own specialist advantages within market sectors, and in partnership with SE and SDI, promote their unique strengths to external markets.
- Raise the profile of cities as destinations for investment via our website, investment prospectus, social media, blogs and in key investor publications.

Smart Cities Scotland

Objective – Advance the just transition of Scotland's cities to net zero carbon and digitally enabled economies, enhancing their attractiveness as investment destinations.

Outcomes :

- Complete the delivery of Scotland's 8th City – the Smart City ERDF Programme by 2023

- Enhanced public/private collaboration in the delivery of cities' net zero carbon and digitally enabled economies by 2025
- Demonstrate delivery across the 4 thematic areas of the Transition to Net Zero Carbon Action Plan by 2026

Activities will include:

- Accelerating the switchover to zero emission vehicles in city fleets and public transport through the development of innovative projects which are replicable across cities, identifying supply chain development, R&D and inward investment opportunities.
- Supporting the scale up of circular economy initiatives in cities through sharing learning across cities on innovation and stakeholder engagement, leveraging procurement to deliver circular outcomes and attracting investment in waste reprocessing services and facilities.
- Extending district heating (and cooling) systems in cities based on the standardised approach to low carbon heat planning policy with a focus on ensuring the future pipeline of projects is of a scale to be attractive to investors.
- Ensure all buildings under city ownership achieve energy efficiency targets, utilising city assets as testing sites for innovative technologies and developing ready-made “turnkey” solutions for financing and delivering energy efficiency retrofit.
- Complete delivery of Scotland’s 8th City – the Smart City ERDF Programme and maximise opportunities for future investment including the UK Shared Prosperity Fund.
- Stimulate and accelerate the maturity of the technology ecosystem across Scottish cities with a focus on post 16 education and training support, provision of physical co-location environments across cities for start-ups and promoting Scotland as a nation for high growth entrepreneurship.

Policy and Stakeholder Engagement

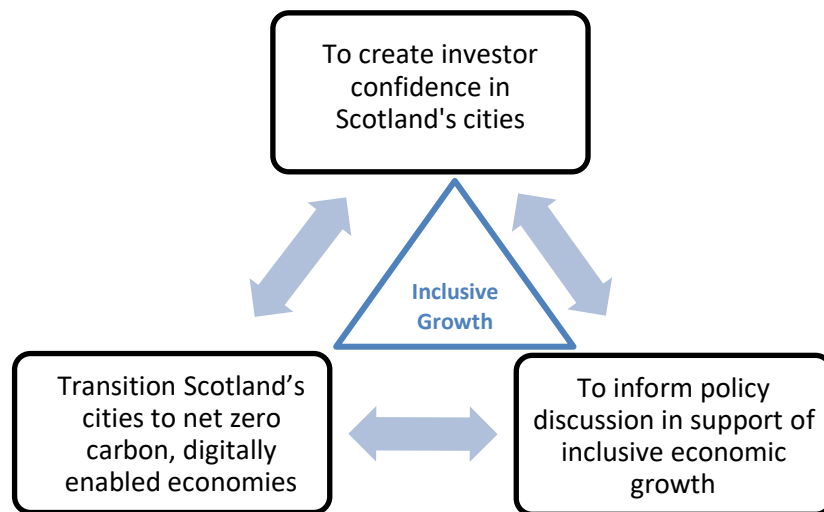
Objective - Work together on a common agenda to ensure the Scottish Cities and their regions have the levers and collaborative working arrangements to allow them to compete, innovate and support inclusive economic growth.

Outcomes :

- Position the cities to maximise opportunities from Levelling Up and UK Shared Prosperity Funding by 2024
- Better informed policy decisions around supporting and measuring economic, environmental and social impacts of city investment decisions by 2025
- Deliver a step change in the prosperity of Scotland’s city centres by 2026

Activities will include:

- Oversee delivery of the recommendations of the City Centre Recovery Taskforce, leveraging the support of the public, private and third sectors.
- Work closely with industry and academia to link the cities to the cutting-edge research, innovation and fresh thinking required to ensure Scotland’s cities reach their economic potential.
- Expand the Alliance’s peer-to-peer network offering to ensure the cities have access to data, intelligence and best practice from the UK and internationally.
- Develop a consistent approach across cities, government and agencies to jointly monitoring progress with delivery of key national targets including 2045 carbon reduction targets.
- Work with partners to inform post Brexit regional funding including new mechanisms to support the delivery of infrastructure and wider City and Growth Deal investments.



The Operational Programme 2022-2026 sets out our priorities and programme activity. As an agile, flexible and adaptable partnership, we will continue to capitalise on opportunities that may arise during the period of the plan, following agreement with the partners.

Summary of Operational Outcomes

Operational Plan Summary	2022/23	2023/24	2024/25	2025/26
Investment Attraction	Strengthen city investment propositions to a consistent market ready standard by 2023	Increase the number of green investment opportunities in cities marketed as part of Scotland's Green Investment Portfolio by 2024		Introduce cities to investors with collective funds worth more than £10 billion
Smart Cities Scotland		Complete the delivery of Scotland's 8th City – the Smart City ERDF Programme	Enhanced public/private collaboration in the delivery of cities' net zero carbon and digitally enabled economies by 2025	Demonstrate delivery across the 4 thematic areas of the Transition to Net Zero Carbon Action Plan by 2026
Policy and Stakeholder Engagement		Position the cities to maximise opportunities from Levelling Up and UK Shared Prosperity Funding	Better informed policy decisions around supporting and measuring economic, environmental and social impacts of city investment decisions	Deliver a step change in the prosperity of Scotland's city centres

Revenue Monitoring – Provisional Outturn 2021-22

Report by: Eileen Rowand, Executive Director (Finance and Corporate Services)

Wards Affected: All

Purpose

The purpose of this report is to provide members with a strategic overview of Fife Council's finances and to report the provisional outturn position for 2021-22. The report also details the continued financial implications of COVID-19 and the impact of additional funding that has been provided for this purpose. Explanation has also been provided detailing the exceptional financial position that will be short term given the extent of the economic conditions being faced by the organisation.

Recommendations

It is recommended that members:-

- (i) note the scale and complexity of the financial impacts during the pandemic and the extent of additional funding provided over the course of the year;
- (ii) note the high-level financial position as detailed in this report;
- (iii) note that detailed monitoring reports will be submitted to the relevant Scrutiny Committees when it is practical to do so;
- (iv) approve the earmarking of balances for COVID-19 funding for use in future years; and
- (v) approve the suspension of the Budget Carry Forward Scheme for 2021-22.

Resource Implications

The financial consequences in responding to and recovering from COVID-19 have continued to be significant in 2021-22 and beyond. The financial consequences of COVID-19 have remained the same since the last report at a net total cost of £35m. This additional cost is being funded from a combination of both specific and general revenue grant funding as outlined in previous reports. Some of these costs are likely to continue into future years and funding has been earmarked from balances in recognition of this.

There is a provisional underspend of £7.357m across general fund services. This underspend, combined with additional items such as unused contingencies set aside in the early part of the year and additional grant funding received late in the year, have led to an overall contribution to balances of £58.974m. A large element of this is funding that will be needed to cover continuing financial consequences relating to COVID-19 and other inflationary pressures which have been evident over recent months. Although this is a significant contribution to the level of balances, the scale of financial pressures on the Council linked to the pandemic, supply chain problems and considerable inflationary cost pressures have never been as substantial. Work has been undertaken to review these cost pressures in the immediate term and

commitments have been revised as a result. The impact is detailed in Appendix 4 and demonstrates that taking these revised assumptions into account the forecast uncommitted balances is £31.758m in future years.

Legal & Risk Implications

There are no direct legal implications arising from this report.

There are significant financial risks on the horizon, with rapidly increasing inflation, pressure on wages and difficult supply chain conditions. These risks are coupled with uncertainty around future budgetary implications from both the UK and Scottish Governments

Impact Assessment

An EqIA is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

None.

1.0 Background

- 1.1 This report sets out the provisional outturn for 2021-22. This financial year has been yet another extraordinary year in financial terms as the Council has continued to recover from the COVID-19 pandemic and operate in a new environment as restrictions have now been lifted. The latter half of the year has also been impacted with a significantly changing economy, bringing rapidly increasing inflation and with it increased costs and challenges across supply chains and services as well as putting pressure pay costs going forward.
- 1.2 Whilst the organisation is facing a financially uncertain future, the provisional outturn for 2021-22 is favourable, providing one off resource which could be used to cushion the impact of rising costs in the very short term. One off funding from the Scottish Government as well as a change in accounting treatment for some ring-fenced grants have led to a sizeable contribution to balances of £58.974m. The positive balances position will provide the Council with a level of protection from these significant cost increases, but given balances are one off in nature, this will only be able to assist the Council's finances in the immediate term.
- 1.3 Section 2 of the report provides a high-level update in relation to the financial consequences during the year arising from COVID-19 and details what has changed since the previous report was considered.
- 1.4 Section 3 summarises the provisional outturn position for 2021-22 and reflects up to date estimated costs associated with recovery from the COVID-19 pandemic and the associated funding solutions. It also provides a summary of the main budget variances across Services and Directorates along with details of any significant movement in variances.

- 1.5 Progress on agreed savings is reported in Section 4
- 1.6 An update on the anticipated level of balances is contained in Section 5. Given the current level of cost increases and inflation, the commitments against balances have been reviewed to provide for the likely significant financial impact in the immediate term and the estimates have been revised accordingly. The Council is likely to see enormous cost increases in energy, fuel, other commodities and in construction. It is proposed to suspend the budget carry forward for this year in recognition that the financial consequences of COVID-19 which were outwith service control and have distorted the General Fund Services final outturn to a degree. The exception will be carry forward for Devolved School Management. Balances will be committed in line with Appendix 4.

2.0 Financial Pressures Update

COVID-19 Pressures

- 2.1 The final estimate of additional costs associated with COVID-19 has decreased slightly to £35.0m, however, the level of cost reductions has increased by £2.0 m meaning a net cost of £28.0m for general fund revenue and capital for the year. This, coupled with the additional costs relating to COVID-19 within the HRA of £3m, takes the overall net cost to the Council to £31.0m as detailed in the resource implications section of this report. Various funding streams are applied to these costs as detailed in the table at 2.7.
- 2.2 Funding for a significant proportion of these additional costs has been assigned to services and has been provided using either General Revenue Grant or specific grants claimed to meet some of the costs. The remainder is reflected in the service net expenditure.
- 2.3 The costs incurred to date reflect the shift throughout the financial year from being reactive to dealing with the pandemic and then moving towards recovery from restrictions and the associated support arrangements in place. Examples of significant costs incurred include Low Income Pandemic Payments, additional teaching and support staff and free school meals.
- 2.4 In addition, Council services continue to see a level of lost income as demand for services has not yet returned to pre-pandemic levels. The most notable items being loss of income in leisure and sports facilities, library and café facilities, parking fees and building services income.
- 2.5 All variances associated with COVID-19 are incorporated into the provisional outturn position for the Council and are reflected in the narrative in Section 3. The Council has acted as agent on behalf of the Scottish Government in administering a large volume of grants. However, this income and expenditure is not recognised in this report.
- 2.6 Updated estimates of future COVID-19 costs and financial consequences continue to be recognised as commitments against General Fund balances where they are assumed to continue into future years and are detailed in Appendix 4 and reflected in the narrative in Section 5.

2.7 The overall position in respect of COVID-19 has been summarised in the table below:

	General			
	Fund	HRA	Capital	Total
	£m	£m	£m	£m
Total Net Costs	25,412	3,322	2,453	31,187
Funded by:				
SG Funding Grants Carried forward	7,569	-	1,198	8,767
SG Funding 2021-22	9,157	-	1,255	10,412
FC Contingencies	94	-	-	94
Total Funding applied	16,820	-	2,453	19,273
Net Cost to the Council	8,592	3,322	-	11,914

Other financial pressures

2.8 The current global economic crisis is resulting in significant inflationary pressures which means the Council has been and will continue to experience increased costs and financial pressures, for example, the latest estimates indicate that there is a likely shortfall in budget of circa £6m in the coming year in relation to energy costs alone.

2.9 To deal with the immediate pressure in 2022-23, commitments against balances have been updated to recognise the unbudgeted increased costs that the Council is likely to face. Further details are provided in Section 5 of this report.

3.0 Revenue forecast – Main Variances

3.1 General Fund Services

This section provides narrative explaining the variances which are detailed in Appendix 1 and identifies where it is clear that these relate to COVID-19. As services respond to the pandemic and take corrective action to mitigate costs and recover services, it is becoming more difficult over time to distinguish between “normal” variances and those directly associated with COVID-19.

Overall, there is a forecast underspend of £7.357m across General Fund Services, which equates to 0.79% of budgeted expenditure. Additional COVID-19 funding allocated of £11.258m and Contingencies of £38.564m increase the underspend across all General Fund Services to £58.974m.

Appendix 1 details the provisional outturn and variances against the budget broken down across all General Fund Services. The following paragraphs provide a brief explanation of the main areas where there are variances of +/-£0.250m or 0.25%, whichever is the greater, between the budget and forecast expenditure and income.

The annual total expenditure budget, as shown in Appendix 1, has changed from £879.532m at December to £927.879m per Table below:-

	Total Expenditure £m
Current 2021-22 Budget (December)	879.532
Budgets Funded from/(to) Balances	
- COVID-19 Funding	2.015
- Carry Forward	(4.308)
- Transfer from Other Reserves	2.065
- Miscellaneous	0.549
Redetermination from SG	47.977
Capital Expenditure Financed from Current Revenue	0.020
Non-Domestic Rates - TIF	0.029
Current 2021-22 Budget (March)	927.879

The redeterminations in the table above include additional funding for COVID-19 expenditure as well as additional grant funding for Scottish Government priorities such as Care at Home Winter Planning, Interim Care Winter Planning, Teacher Induction Scheme and Social Care workforce uplift. Service expenditure budgets have been increased by the relevant amounts where appropriate.

3.1.1 **Education and Children's Services**

Directorate position:- Variance (£7.555m) underspend, movement (£4.037m)

Devolved School Management:- Variance (£3.625m) underspend, movement (£1.931m)

The provisional outturn reflects an underspend on employee costs of £5.708m, mainly due to vacant teaching and support staff posts. The underspend is partly offset by an overspend on Supplies and Services of £1.960m, due to increased spend on stationery, communications and computing equipment, as schools have utilised some of their underspends to supplement these areas in order to support pupils with remote learning. Costs in relation to additional teaching and support staff in response to COVID-19 are fully funded by income from Scottish Government and have no impact on the outturn variance.

The movement since the last report is mainly due to an increased underspend on teachers and support staff pay costs of £2.483m, and an increase in the projected overspend on supplies and services of £0.288m.

Non-DSM/Childcare:- Variance £2.145m overspend, movement (£0.653m)

The outturn position is reflective of a number of factors across the service. The overspends on long term absence and maternity across schools of £3.152m have been offset by underspends within employee costs across Nursery of £0.498m due to the timing of recruitment in the early years staff team and the delay to the implementation of 1140 hours provision due to COVID-19. Further underspends across services supporting schools which were unable to fully operate due to restrictions in schools such as MLPS (modern languages in Primary), counselling services, developing the young workforce and hungry for success of £0.935m also contribute to the outturn with further minor variances reflecting the difference. COVID-19 costs across the service relating to supply teaching cover, additional cleaning and catering costs, additional heating and ventilation measures and loss of income and unachieved savings included within the outturn are £7.343m in total, and

are funded by £6.112m of Scottish Government funding, leaving a net cost of COVID-19 of £1.231m included in the overspend.

The movement since the last report is due to a reduction in the underspend across Special Education of £0.500m due to higher than anticipated staffing costs in relation to pupil support and additional support in primary schools. This was offset by higher underspends in relation to costs in relation to the Education element of placements and other funding of £0.429m and lower than expected costs in Secondary for school transport of £0.503m.

Children and Families / Criminal Justice Service:- Variance (£6.075m) underspend, movement (£1.453m)

The position for the service reflects an underspend for Children and Families and Criminal Justice Services, mainly due to an underspend on employee costs of £1.293m within Children and Families due to staff turnover, and £7.406m in relation to the reduced number of purchased placements arising from the Belonging to Fife Strategy. These underspends are partly offset by overspends on Continuing Care of £1.039m, Family Placements such as kinship care and foster care of £1.576m, and Supported Lodgings of £0.388m. Additionally within Criminal Justice Services additional income of £0.517m which is provided to fund the support service functions for Criminal Justice is included in the outturn.

The movement since the last report is mainly due to lower than anticipated staffing costs in Children and Families of £0.509m, additional income received within Criminal Justice Service of £0.426m, and lower than expected net costs arising from spend on residential houses and other investment and professional fees of £0.526m.

3.1.2 **Health and Social Care**

Social Care:- Variance £0.000m overspend, movement NIL

Income was received from NHS of £3.762m for transfer of resource as agreed in the budget setting in March 2021.

The provisional outturn position for Fife Council Social Care is a breakeven position after a contribution to IJB reserves of £1.690m.

The main variances are an underspend of (£1.158m) on Adults Supported Living due to the Community Support Service remaining closed and the staff being utilised to provide cover for holidays and sickness within the Group Homes. Fieldwork has an underspend of £1.906m due to delays in the implementation of new projects (£1.064m), staffing vacancies (£0.392m), transport (£0.284m) and respite (£0.209m). Older People Residential and Day-care are underspent by £0.859m mainly due to staff vacancies and the current closure of day services. These are partly offset by an overspend on adult placements of £1.334m due to a greater number of adult packages having been commissioned than the budget available. The increased pay award has resulted in an overspend of £0.822m.

There is expenditure of £17.494m, inclusive of unachieved savings of £2.594m, related to COVID-19 and remobilisation costs and this was reported to the Scottish Government in May. These costs have been fully funded through the local mobilisation plans (LMP).

3.1.3 **Enterprise and Environment**

Directorate position:- Variance (£0.756m) underspend, movement (£3.016m)

Assets, Transportation and Environment:- Variance £2.451m overspend, movement (£1.180m)

There is a net overspend within Car & Lorry Parking of £0.726m and movement of £0.318m. This is due to an under recovery of income of £1.224m due to reduced levels of demand, because of the pandemic. The movement is primarily due to the anticipated improvement in Income in the last quarter of 2021/22 not materialising due to continuing restrictions in some areas.

Winter Maintenance has an overspend of £0.736m, a movement of £0.743m, this is primarily due to the cost of a relatively mild winter being higher than expected.

Building Services has an overspend of £1.293m. The overspend has been caused by the impact of COVID-19 health and safety measures on productivity, construction material supply issues related to the pandemic and the EU-Exit have also hampered performance, as well as COVID-19 related staff absence impact on productivity. Labour retention and recruitment difficulties have exacerbated the downturn in productivity. These market conditions have also impacted the Building Services supply chain and resulted in lower income than planned. The movement of (£1.891m) has been caused by changing guidance and the volatility of the variables at play in the construction industry at this time.

Corporate Stores and Managed Print and Document Service has a net under-recovery of income of £0.406m, this relates to a drop in demand for printed documents. This was offset by underspends in Client Services across the organisation.

Grounds Maintenance has an underspend of (£1.243m), a movement of (£1.093m), mostly caused by poor response to successive seasonal labour recruitment processes and resulting in an underspend on staff cost.

Sustainability has an overspend of £0.716m and movement of £0.699m due to an increase in the Landfill Aftercare provision of £0.447m as a result of increased inflation. Fife Council has signed certificates as a registered landfill operator stating that the Council will ensure that financial provision is maintained which includes aftercare of the landfill site. Fife Council will also pay an additional management fee to Fife Resource Solutions of £0.249m to cover additional in year pressures in relation to increased tonnage dealt with by FRS on behalf of the Council.

Economy, Planning & Employability:- Variance (£1.745m) underspend, movement (£0.374m)

The main reason for the underspend in the Business & Employability Service is £0.279m from vacancies and delayed recruitment across the service as well as fewer events relating to £0.213m on Tourism and Strategic Events as a result of the pandemic. Other underspend relates to £0.183m higher than expected one off income in relation to Economic Development land.

As previously reported, a further underspend materialised in Planning of £0.241m. This is a result of increased Planning fee income as the development industry continued to catch up and submit applications for delayed projects.

The development industry recovery was also evidenced in Building Standards fee income and resulted in £0.325m of additional income within Protective Services. Other underspend in Protective Services of £0.593m came from employee costs as a result of difficulties in recruitment.

The main reason for movement of £0.374m is from increased income from both Building Standards and Planning Fee income, due to higher than expected volume of applications received late in the financial year.

Property, Repairs & Maintenance:- Variance (£1.462m) underspend, movement (£1.462m)

The underspend and movement is due to a delay to many projects at the beginning of the financial year due to ongoing COVID-19 restrictions which limited access to buildings. Whilst it was hoped that more projects could be progressed later in the year to offset this reduction, this did not materialise.

3.1.4 **Communities**

Directorate position:- Variance £1.977m overspend, movement (£1.150m)

Housing & Neighbourhood Services:- Variance (£0.407m) underspend, movement £0.669m

Homelessness is underspent by (£0.228m), movement £0.950m. The demand for temporary accommodation and level of turnover in temporary accommodation increased significantly in 2020-21 at the beginning of the pandemic and has remained high in 2021-22. Although increased demand has meant increased expenditure in some areas such as rents payable and cleaning costs there have been significant improvements in voids costs and bad debts which have resulted in the underspend of £0.228m. The movement of £0.950m is due to a higher than anticipated cost of setting up a number of additional Scatter Flats in year to ensure that the homelessness service maintains a sufficient level of properties.

Private Landlords & HMO is underspent by (£0.114m), movement (£0.118m). This is due to underspends relating to vacant positions in year, overachievement of income in year and underspends on advertising costs. The remaining underspend and movement relates to smaller over & underspends across the service.

Communities & Neighbourhood:- Variance £3.078m overspend, movement (£0.794m)

The majority of the overspend is related to the impact of COVID-19. Fife Sports and Leisure Trust and Fife Cultural Trust both continue to suffer loss of income, and this is estimated to be in the region of £1.620m. This is a result of the Trusts not being able to fully operate and demand has not yet fully recovered, reducing their ability to generate income. In addition £0.060m support was provided to Fife Coast and Countryside Trust due to increased costs because of COVID-19. Council officers continue to work closely with these organisations to understand the short-term financial support they need. Community Use has lost income in the region of £0.996m and Halls and Centres have a reduction of £0.502m in income due to the continuing impact of closures resulting from COVID-19. The overspends are partially offset by Non-Domestic Rating Relief received of £0.823m as assistance to deal with the impact of COVID-19.

There are staffing underspends within Community Learning and Development of £0.297m due to vacancies and Anti-poverty of £0.473m due to a delay in recruitment. These underspends are offset by unachieved savings, £0.857m, of which £0.566m relate to current year savings and £0.291m from previously approved savings which remain across the service and have been delayed by the impact of COVID-19. There is an underspend of £0.316m from Social Inclusion Partnerships mainly as a result of making use of temporary funding streams available as a result of COVID-19. There are several smaller overspends across the service including £0.170m expenditure for Pittenweem Tolbooth repairs, £0.120m workforce change costs for Fife Coast & Countryside Trust and £0.213m which relates to Minto Woods and River Leven expenditure. External grant income will be received in 2022-23 to offset the Minto Wood and River Leven expenditure.

Customer & Online Services:- Variance (£0.694m) underspend, movement (£1.025m)

Revenues is underspent by (£0.432m), movement (£0.807m) which is due to an increase in income received from the HRA. The level of HRA income reflects the proportion of services provided by the revenues team to the HRA during 2021-22.

The remainder of the underspend and movement mainly relates to staffing vacancies across the service throughout the year and by making use of temporary funding streams available as a result of COVID-19. The service has delivered a number of COVID-19 initiatives in year including delivery of the Tenant Grant Fund, Self-Isolation Support Grants and the Self Isolation Assistance Service.

3.1.5 **Finance & Corporate Services**

Directorate position:- Variance (£1.015m) underspend, movement (£2.403m)

Directorate Service Managed position £1.496m overspend, movement (£0.705m)

The projected overspend within the F&CS Directorate mainly relates to the impact of COVID-19 (£1.774m). Included in these COVID-19 pressures are estimated costs that relate to home and remote working and the workstyles project (0.167m). The balance of this projected overspend is mainly due to project delays and delayed delivery of agreed savings (£1.441m).

There are various over and underspends across the F&CS Directorate that in total equate to a net underspend of £0.279m.

The movement relates to a reduction in COVID-19 pressures in 2021-22. Some of these costs relate to the workstyles project and will now be incurred in 2022-23 (£0.221m). There are also costs relating to equipment for remote working that are a Capital spend rather than Revenue (£0.180m).

Housing Benefits (£2.570m) underspend, movement (£1.757m)

The underspend relates to the bad debt provision for Housing Benefit Overpayments which has been revised after a review was undertaken following the Council's annual Audit report in 2021; and increased income from statutory penalties for both Council Tax and Non Domestic Rates this year after lower recovery in 2020-21 due to the pandemic.

The movement is due to higher than anticipated income from statutory penalties in the final few months of the year and the movement in bad debt provision was more favourable than anticipated. This was due to increased recovery of Housing Benefit Overpayments.

3.1.6 **Chief Executive**

Directorate position:- Variance (£0.008m) underspend, movement (£0.402m)

The Apprenticeship Levy is 0.5% of the Council's overall pay costs. The forecast was accurate at the last committee date where an anticipated overspend was forecast. Budget has now been provided to match full spend resulting in a movement of £0.402m.

3.1.7 **Other Variances**

Loan Charges – Variance (£1.795m) underspend, movement (£1.095m)

The underspend on Loan Charges is due to interest charges being less than anticipated at the time the budget was set. Interest costs are less than expected as a result of a reduced borrowing requirements combined with actual interest rates being less than forecast when setting the budget.

Previously, it was anticipated that additional borrowing would be required and that interest rates would continue to increase. The level of additional borrowing required was less than anticipated and the interest rates secured by the Council was less than forecast leading to a reduction in the overall loan charges.

Contingencies/Legislative Obligations – Variance (£38.564m) underspend, movement (£38.564m)

This budget predominantly represents specific funding set aside during the budget process to fund specific items. This includes items such as additional Scottish Government Grant and non-specific COVID-19 funding. During 'normal' financial years these funds are distributed to Services during the year as costs are known and incurred.

The significant level of variance represents earmarked grants, and additional Scottish Government funding via redetermination of settlement in respect of COVID-19 which although welcomed has not been fully utilised in 2021-22. This led to a resulting underspend which is making a significant contribution to balances.

Given that some of the funding was awarded late in the year, it was not feasible to utilise it all before the end of the financial year.

COVID-19 Funding:- Variance (£11.258m) underspend, movement £2.117m

The allocation of Scottish Government grant funding (£17.721m) for 2021-22 was general in nature and did not relate to any specific service, therefore it was agreed that it would be held centrally. Throughout the financial year some of this budget has been transferred to Services to cover the temporary investment previously agreed, the under recovery in Council Tax income and fund IT equipment required as a result of working from home.

3.1.8 **Financing**

Council Tax Income – NIL variance, movement (£1.000m)

Council tax income did not recover as a result of an increase in qualifying cases for council tax reduction from pre COVID-19 levels. However, funding was transferred from available COVID-19 funding to offset this reduction and results in a movement and a nil variance.

3.2 Housing Revenue Account

3.2.1 Housing Revenue Account:- £1m withdrawal from balances

Repairs & Maintenance is overspent £2.661m, movement £3.226m. The overspend and movement mainly relates to an increase in Responsive Repairs, Change of Tenancy and Local Estate Action costs towards the end of the year as the number of jobs completed has increased due to the relaxation of COVID-19 restrictions.

Supervision & Management Costs are overspent by £0.984m, movement £0.791m which mainly relates to charges from the General Fund. The charges reflect the level of service the General Fund has received in year.

The Cost of Borrowing is underspent in year by (£1.567m), movement (£0.465m). The Cost of Borrowing was reduced in year due to slippage on the HRA Capital Programme resulting in the level of borrowing required reducing in year.

There is an overspend on Voids of £0.402m which has been a result of properties remaining empty for longer periods of time due to social distancing measures put in place as a result of COVID-19. It is expected the VOIDS performance will improve as these measures are relaxed.

Bad Debts is underspent by (£0.799m), movement (£0.456m). Mainstream bad debts underspent by £0.550m in the year, movement (£0.550m). The remaining underspend relates to the Universal Credit and COVID-19 fund. Spend against these funds was prioritised in the year to maximise the support given to tenants in year.

Other Expenditure is overspent by £1.488m, movement of £0.884m. Of the total overspend £0.608m is due to a delay in a revised rental model for Hostels being implemented. The revised rental model will ensure that the income generated by hostels fully recovers the cost of providing hostels. Implementation of the revised model has been delayed due to wider reforms taking place across the Homelessness service which includes General Fund Housing Homelessness and HRA Hostels. Property Insurance costs increasing significantly to £0.821m in year resulting in an overspend of and movement of £0.515m. The remaining overspend & movement relates to smaller variances across Other Expenditure.

Dwelling Rents income overachieved by £0.259m in year, movement (£0.081m) due to additional properties becoming available to rent through the year due to the Affordable Housing Programme and property Acquisitions.

Due to the overspends and movements outlined above the final CFCR was £1.489m underspent, movement (£2.216m). There was also a £1m withdrawal from balances to help fund the additional costs incurred in year as COVID-19 measures relaxed as detailed in regard to the Repairs & Maintenance Overspend. The £1m withdrawal was part of the £1.5m in balances earmarked for the cost of COVID-19.

4.0 2021-22 Revenue Budget Savings Progress

4.1 Appendix 3 provides details of the achievements against the approved revenue budget savings for 2021-22 by Directorate.

- 4.2 The table demonstrates that overall, the Council will achieve 44% of 2021-22 budget savings. This is lower than in previous years as the ability of services to deliver savings on time has been significantly impacted in several areas as a direct result of the pandemic. However, services continue to deliver savings where possible in year but there is potential risk that delays could impact into the new financial year.
- 4.3 Directorates are working to deliver all savings as soon as this is possible and more detailed reports on the progress of savings will be presented to the relevant Sub-Committees as part of the Council's wider scrutiny and performance management reporting arrangements.

5.0 Balances

5.1 *General Fund Services*

5.1.1 Appendix 4 shows a forecast of the balances' position for General Fund Services over a three-year period with the level of approved commitments also detailed. The level of balances is unprecedented and comes as a result 2 years of significant financial uncertainty, coupled with a raft of additional funding being provided towards the very end of last financial year.

5.1.2 The opening General Fund balance brought forward at 1 April 2021, including earmarked balances, was £121.697m. This was exceptionally high due to the large amount of late grant funding received in 2020-21 to address the impact of the pandemic.

Adjustments to balances in year

5.1.3 During the course of the audit of the 2020-21 financial statements, External Audit challenged the accounting treatment of Scottish Government grants for provision of Early Learning and Childcare. As a result, the treatment has changed and instead of recognising the funding as a Revenue Receipt in Advance and as a liability on the balance sheet, the Accounting Code of practice requires that the income is recognised immediately. An audit adjustment was made and the grant is now held in balances to be used in future years. This increased the surplus for 2020-21, providing a further contribution to balances of £14.338m, increasing the Opening Balance to £136.035m. Given the nature of the grant, the unspent element has been treated as an earmarked reserve.

5.1.4 Funding was transferred from the General Fund Balances to fund commitments including items carried forward at the end of 2020-21 such as Roads Maintenance, Local Community planning and anti-poverty budgets. Contributions have also been made to balances for Energy Management projects and Council tax from Second Homes. The net contribution from balances being £14.260m.

5.1.5 There has been a transfer into the general fund balances of £2.065m from other statutory reserves, namely Capital Receipts unapplied and the Insurance Fund. These transfers have then been utilised to fund expenditure from balances for transformation projects and expenditure related to insurance claims which are financed by the insurance fund. The costs are all in service expenditure but met by reserves.

5.1.6 The level of underspend of £58.974m provides a contribution to balances taking the estimated General Fund balance level to £182.814m. Given the substantial levels of additional grant funding contributing to this balance, it is proposed that these are earmarked to fund the purpose for which they were provided, including the continuing costs associated with recovery from the pandemic in line with the agreed updated financial plan in September 2021.

Earmarked and Commitments against Balances

5.1.7 Balances of £98.467m are earmarked in 2022-23 for specific items such as grant received and carried forward, Energy Management Fund, Council Tax Second Homes and COVID-19.

The commitments against COVID-19 funding reflected in Appendix 4 have been provided in more detail and phased in line with anticipated timing. These include additional investment previously agreed as part of the Revenue Budget 2021-24 and short-term investment agreed earlier this financial year which spanned two years.

5.1.8 Ongoing costs associated with recovery have also been reflected over the coming years. Examples of these costs include additional teaching staff, cleaning costs, PPE and some continued loss of income due to demand not yet returning to pre-pandemic levels.

5.1.9 In addition, current global and national economic conditions, means the council faces increased costs in respect of inflation on commodities, utilities and construction. These estimates have been reviewed and it is proposed that the resulting cost increases are earmarked, in the immediate term from COVID-19 funding carried forward from both 2020-21 and 2021-22.

5.1.10 Previous decisions regarding funding of inflationary pressures associated with Adam Smith Creative Hub, Cupar Care Home and the SWIFT replacement programme have also been reflected as commitments.

5.1.11 After taking account of all commitments against balances, the level of uncommitted balances at 31 March 2025 is expected to be £31.758m which equates to approximately 3% of the revenue budget.

5.1.12 Uncommitted balances are held to mitigate against financial risks which are not planned for or included in the medium-term financial strategy. Examples of where balances could be called upon include settling of legal claims and disputes, or responding to one-off “shocks” such as reductions in funding, or unplanned increased costs, for example rising inflation, which can then be factored into future budget planning. As part of the budget planning process a financial risk register is maintained.

HRA Balances

5.1.13 As a result of overspends on HRA, there is a utilisation of balances of £1.000m taking the level of HRA balances to £7.005m. The Housing Revenue Account (HRA) Consultative Budget 2022-23 presented to this committee on 4th November approved a minimum reserves policy of 2% of the mainstream annual rent income budget which equates to £2.5m. Proposals for the use of HRA reserves in 2022-24 were also approved which included £1.500m for the cost of COVID-19 mitigation and £2.5m for the Transitional Affordable Housing Programme 2022-24. The Community & Housing Services Sub Committee on 3rd February 2022 approved £1.5m to be

used on improving Estates Management in 2022-23. After taking these commitments into account, the level of uncommitted balances is £3.005m which is above the policy minimum.

6.0 Conclusions

- 6.1 Whilst the outturn position is favourable, over the year the economic conditions have changed dramatically and the Council is facing an extremely uncertain financial future. Cost increases as a result of rapidly increasing inflation are a real risk in the coming year and potentially beyond. The significant contribution to balances of £58.974m at the end of 2021-22 will provide a level of one off protection from the significant financial shock resulting from rapidly increasing inflation. Whilst this is a positive position, the level of financial risk and inflation is beyond that seen in decades. The positive balances position will provide the Council with a level of protection from these significant cost increases, but given it is one off in nature, will only be able to assist the Council's finances in the immediate term.
- 6.2 Considering the estimated impact of continuing financial consequences of COVID-19 and the impact of inflation, and a review of all earmarked balances and commitments, the uncommitted level of balances is estimated at £31.758m in future years.
- 6.3 In line with the agreed approach set out in the General Fund Revenue Budget 2021-24, the unused COVID-19 government funding has been earmarked to assist with the ongoing costs of the pandemic and recovery. There continues to be a high degree of uncertainty going forward. Balances can only be used once and it is important that we continue to focus on a sustainable level of core funding and take decisions wisely on how we use balances without adding to our ongoing commitments in future years.
- 6.4 The provisional outturn for the Council's Housing Revenue Account in 2021-22 is an overspend of £1.000m which reduces the level of HRA balances. The level of HRA balances now being £7.005m. As noted in para 5.1.11, after proposed use of balances are taken into account, the level of uncommitted balances is £3.005m which is above the policy minimum.

List of Appendices

1. General Fund Revenue Summary 2021-22
2. Housing Revenue Account Summary 2021-22
3. Approved Savings 2021-22
4. Summary of Balances

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FIFE COUNCIL
GENERAL FUND REVENUE SUMMARY 2021-2022

	Annual Budget £m	Provisional Outturn £m	Annual Variance £m	Previous Committee Annual Variance £m	Movement £m
EDUCATION & CHILDREN'S SERVICES					
Education (Devolved)	212.970	209.345	(3.625)	(1.694)	(1.931)
Education (Non Devolved)	108.002	110.147	2.145	2.798	(0.653)
Children and Families/CJS	64.370	58.295	(6.075)	(4.622)	(1.453)
	385.342	377.787	(7.555)	(3.518)	(4.037)
HEALTH & SOCIAL CARE					
Health & Social Care	183.745	183.745	0.000	2.528	(2.528)
Additional Scottish Government funding	0.000	0.000	0.000	(2.528)	2.528
	183.745	183.745	0.000	0.000	0.000
ENTERPRISE & ENVIRONMENT					
Assets, Transportation and Environment	87.976	90.427	2.451	3.631	(1.180)
Economy, Planning and Employability	12.956	11.211	(1.745)	(1.371)	(0.374)
Property Repairs and Maintenance	15.119	13.657	(1.462)	0.000	(1.462)
	116.051	115.295	(0.756)	2.260	(3.016)
COMMUNITIES					
Housing & Neighbourhood Services	12.967	12.560	(0.407)	(1.076)	0.669
Communities & Neighbourhood	43.239	46.317	3.078	3.872	(0.794)
Customer & Online Services	13.698	13.004	(0.694)	0.331	(1.025)
	69.904	71.881	1.977	3.127	(1.150)
FINANCE & CORPORATE SERVICES					
Assessors	1.814	1.712	(0.102)	(0.027)	(0.075)
Finance	4.696	5.286	0.590	0.852	(0.262)
Revenue & Commercial Services	14.809	14.808	(0.001)	(0.119)	0.118
Human Resources	5.075	5.190	0.115	0.258	(0.143)
Business Technology Solutions	16.770	17.645	0.875	1.226	(0.351)
Legal & Democratic Services	3.939	3.958	0.019	0.011	0.008
	47.103	48.599	1.496	2.201	(0.705)
Miscellaneous	0.564	0.623	0.059	0.000	0.059
Housing Benefits	0.663	(1.907)	(2.570)	(0.813)	(1.757)
	48.330	47.315	(1.015)	1.388	(2.403)
CHIEF EXECUTIVE					
Chief Executive	0.293	0.261	(0.032)	(0.029)	(0.003)
Corporate and Democratic Core	2.698	2.722	0.024	0.423	(0.399)
	2.991	2.983	(0.008)	0.394	(0.402)
SERVICE TOTALS	806.363	799.006	(7.357)	3.651	(11.008)
ADDITIONAL ITEMS					
Loan Charges (including interest on revenue balances)	60.123	58.328	(1.795)	(0.700)	(1.095)
Capital Expenditure Financed from Current Revenue	11.571	11.571	0.000	0.000	0.000
Contingencies	38.564	0.000	(38.564)	0.000	(38.564)
COVID Funding	11.258	0.000	(11.258)	(13.375)	2.117
	121.516	69.899	(51.617)	(14.075)	(37.542)
TOTAL EXPENDITURE	927.879	868.905	(58.974)	(10.424)	(48.550)
FINANCED BY:					
General Revenue Grant	(605.234)	(605.234)	0.000	0.000	0.000
Non Domestic Rates	(135.792)	(135.792)	0.000	0.000	0.000
Council Tax Income	(172.593)	(172.593)	0.000	1.000	(1.000)
Budgets transferred to/(from) Balances (previous years carry forwards etc)	(14.260)	(14.260)	0.000	0.000	0.000
TOTAL INCOME	(927.879)	(927.879)	0.000	1.000	(1.000)
CONTRIBUTION (TO)/FROM BALANCES	0.000	(58.974)	(58.974)	(9.424)	(49.550)

FIFE COUNCIL
HOUSING REVENUE ACCOUNT SUMMARY 2021-2022

	Annual Budget £m	Provisional Outturn £m	Annual Variance £m	Previous Committee Annual Variance £m	Movement £m
BUDGETED EXPENDITURE					
Repairs and Maintenance	35.735	38.396	2.661	(0.565)	3.226
Supervision and Management	17.105	18.102	0.997	0.193	0.804
Funding Investment					
Cost of Borrowing	28.964	27.396	(1.568)	(1.103)	(0.465)
Revenue Contribution (incl CFCR)	31.572	29.847	(1.725)	0.578	(2.303)
	<u>113.375</u>	<u>113.741</u>	<u>0.365</u>	<u>(0.897)</u>	<u>1.262</u>
Voids	2.134	2.536	0.403	0.414	(0.011)
Housing Support costs	(0.405)	(0.478)	(0.073)	(0.079)	0.006
Garden Care Scheme	0.385	0.399	0.014	0.004	0.010
Bad or Doubtful Debts	2.944	2.144	(0.800)	(0.344)	(0.456)
Other Expenditure	9.652	10.966	1.314	0.603	0.711
Covid Expenditure	0.000	0.012	0.012	0.001	0.010
	<u>128.086</u>	<u>129.321</u>	<u>1.235</u>	<u>(0.298)</u>	<u>1.533</u>
FINANCED BY					
Dwelling Rents (Gross)	(120.954)	(121.213)	(0.259)	(0.178)	(0.081)
Non Dwelling Rents (Gross)	(3.438)	(3.492)	(0.054)	(0.053)	(0.000)
Hostels - Accommodation charges	(2.300)	(2.337)	(0.037)	(0.089)	0.052
Other Income	(1.393)	(1.278)	0.115	0.118	(0.003)
	<u>(128.086)</u>	<u>(128.321)</u>	<u>(0.235)</u>	<u>(0.202)</u>	<u>(0.033)</u>
CONTRIBUTION (TO)/FROM BALANCES	0.000	1.000	1.000	(0.500)	1.500

**FIFE COUNCIL
APPROVED SAVINGS FOR 2021-22**

Directorate	Savings Target £m	Actual £m	(Under) / Over £m	Achieved %
Education & Childrens Services	0.145	0	-0.145	0%
Enterprise & Environment	0.863	0.703	-0.160	81%
Communities	0.822	0.256	-0.566	31%
Finance & Corporate Services	0.745	0.175	-0.570	23%
	2.575	1.134	-1.441	44%

FIFE COUNCIL
BALANCE - GENERAL FUND SERVICES

	2021-22 £m	2022-23 £m	2023-24 £m	Future Years £m
Balance at 1 April 2021	(121.697)	(182.814)	(75.398)	(50.066)
ELC 1140 Funding (Audit Adjustment)	(14.338)			
Revised Balance at 1 April 2021	(136.035)			
Budgets transferred (to)/from balances	14.260			
Transfers from Other Statutory Reserves	(2.065)			
Add Overall budget variance 2021-22 (Appendix 1)	(58.974)			
Estimated General Fund Balance at 31 March	(182.814)	(182.814)	(75.398)	(50.066)
Earmarked Balance				
Devolved School Management		3.625		
Energy Management Fund		1.462		
Council Tax - Second Homes		8.331		
SG Specific funding		31.810		
Specific Carry Forwards		4.308		
COVID-19 Funding:				
Additional Investment agreed P&C September 2021		1.950		
Business Support & Low Income Household		5.368		
Continuing Financial Consequences of COVID-19		21.027	8.118	4.059
COMIS/SWIFT delay			2.185	
Inflation - Supplies & Services		7.600	1.700	
Capital Construction Inflation :-				
Cupar Care Home		1.279		
Adam Smith Creative Hub		1.800		
Unallocated		9.907		
Total Earmarked	0.000	98.467	12.003	4.059
	(182.814)	(84.347)	(63.395)	(46.007)
Commitments against balance				
Budget Carry Forward Scheme	0.000			
Change Programme			5.000	5.000
Dempgraphics/Pay/Pensions		5.000	6.000	7.000
Fife Job Contract		0.300	0.300	0.216
Mid-Fife Economic Development		0.023		
Levelling Up Funding		0.225		
Barclay Funding - Assessors		0.147	0.029	0.033
Workforce Change		2.000	2.000	2.000
Election		0.937		
Baby Ashes Memorial		0.250		
Other Commitments		0.067		
Total Commitments	0.000	8.949	13.329	14.249
Estimated uncommitted balance at 31 March	(182.814)	(75.398)	(50.066)	(31.758)

BALANCE - HOUSING REVENUE ACCOUNT

	2021-22 £M	2022-23 £M	2023-24 £M	Future Years £M
Balance at 1 April 2021	(8.005)	(7.005)	(7.005)	(5.505)
Add Overall budget variance 2021-22 (Appendix 2)	1.000			
Estimated Balance at 31 March	(7.005)	(7.005)	(5.505)	(3.005)
Earmarked Balance				
Estates Management Improvement		1.500		
Transitional Affordable Housing			2.500	
	0.000	1.500	2.500	0.000
Estimated uncommitted balance at 31 March	(7.005)	(5.505)	(3.005)	(3.005)

Capital Investment Plan Update – Provisional Outturn 2021-22

Report by: Eileen Rowand, Executive Director (Finance and Corporate Services)

Wards Affected: All

Purpose

The purpose of this report is to provide a strategic financial overview of the Capital Investment Plan, and to advise on the provisional outturn for the 2021-22 financial year.

Recommendations

The Cabinet Committee is asked to note:-

- i) the provisional outturn position, that the level of financial risk appears to be increasing and also note the mitigating actions for the major projects within the Capital Investment Plan;
- ii) the provisional outturn position for the 2021-22 Capital Investment Plan and
- iii) that budget variances will be managed by the appropriate Directorate in conjunction with the Investment Strategy Group.

Resource Implications

The level of slippage in this reporting period is £27.972m which is an increase of £2.717m, while the level of financial risk associated with supply chain difficulties and increasing costs of materials and labour continues. The impact of rising prices could have a more significant impact in future years once projects are in implementation and completion stages.

Legal & Risk Implications

Potential risks include the continuing issues associated with delay in supply of some materials, the impact of rising inflation on costs of construction, the possibility of future waves of COVID-19 reducing capacity to complete some projects on time and availability of funding streams for larger capital projects e.g. Developers Contributions. Further explanation of the current risks is contained in section 2.2.

Impact Assessment

An EqIA is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

Financial projections are agreed in consultation with each Directorate and are based around the expected progress and delivery of individual projects.

1.0 Background

- 1.1 The purpose of this report is to advise members of the high level provisional outturn position for the Council's Capital Investment Plan (the Plan) for the financial year 2021-22. The report also highlights the projected outturn position for major projects over £5.000m along with any potential risks associated with these projects. Explanation is provided at Section 2.1 where there is deemed to be a greater level of financial risk linked to major projects. The Plan covers capital expenditure on all Council Services including Housing, which is managed as a separate programme.

2.0 Issues

2.1 Major Projects

- 2.1.1 Appendix 1 provides a summary of the major projects within the Plan. There are 20 projects in this category with an overall budget of £714.014m.
- 2.1.2 At this stage, cost estimates suggest that there could be an overspend of £16.967m across the major projects in the programme, which is an increase from that previously reported. Much of the variance relates to "Opportunities for All" theme. Current estimates for Dunfermline Learning Campus indicate that there is a significant level of increased cost of around £11.075m due to the impact of construction inflation and the requirement to design the building to net zero standards. Two reports were presented to Policy and Co-ordination Committee in April outlining the progress to date and confirming the financial position.
- 2.1.3 Additional budget has been agreed for the Cupar home of £1.279m due to additional construction cost increases. There is however a high risk that this cost is going to increase further due to continuing construction cost increases and an emergent need for a new electrical sub-station. It is also possible that the budgetary requirement for Anstruther will be at a similar level as Cupar due to its similar size and design specification. These risks continue to be monitored as the project progresses.
- 2.1.4 Templehall Community Hub is projected to be £3.379m over current budget. This project is in its initial stages and feasibility studies are underway for site options and design of the proposed building. External funding opportunities such as "Levelling Up Funding" and "Regeneration Capital Funding" are being pursued to increase the funding available for the project. The project will be linked to a housing regeneration opportunity in the locality.

2.2 Potential Risks and Issues

- 2.2.1 There is a risk across the Capital Investment Plan that both the timing and the costs of projects continue to be adversely affected as a result of the current economic climate following the response to COVID-19, EU-Exit and current geo political risks in Europe. Throughout the programme issues are continuing to be identified in relation to the supply of construction materials which are resulting in delays to projects, which in turn could lead to increased slippage and increased costs. However, the overall future impact of this is difficult to predict with any degree of certainty and the provisional outturn in this report for 2021-22 relate to projects that are currently in progress with contracts that are already agreed. That said, monitoring of the impact of any additional costs, impact on timescales and associated risks is ongoing. The known impact on timing of delivery of projects has been built in to the rephased plan and the overall scale of any additional costs or further delays will be kept under review in future reports and also through the upcoming review of the Capital Investment Plan.

- 2.2.2 COVID-19 restrictions have eased, however, there remains a risk that new variants emerge which could impact on project delivery in future years. These potential risks cover all aspects of the capital plan including both General Fund and the HRA.
- 2.2.3 The Council's approved Capital Plan includes £202m investment in respect of Secondary Schools in West Fife, which includes Dunfermline Learning Campus (DLC) and the Inverkeithing High School replacement. The budgets for the projects reflect the funding arrangements of the Scottish Government's Learning Estate Investment Plan, which requires the Council to fund the up-front cost of construction, with Government support coming in the form of a revenue contribution based on the achievement of outcomes. This investment is intended to address both school condition, and the need for additional school places arising from housing development. The risks associated with the project relate to the potential impact of inflation on construction costs, the cost pressure arising from the requirement to design the schools to net zero, and the potential risks in the market around the availability and supply of labour and materials to complete the schools within the required timescale (August 2024 and August 2026 respectively). A workshop for members of this committee was provided recently to provide a deeper understanding of the funding mechanism involved and the associated risks.
- 2.2.4 Within Early Learning and Childcare (ELC) the delivery date of August 2020 was removed by the Scottish Government considering the impact of COVID-19. The new implementation date was confirmed as August 2021, however, there are 3 projects still to be completed. The final project will be completed by March 2023. The provision of 1140hrs for these projects remaining is being provided through decant solutions until the new facilities are operational. The completion of projects currently on site are slightly delayed due to issues with supply of materials, and the impact of inflation on materials costs.
- 2.2.5 It should also be noted that work has been underway to estimate the likely costs to the Council of delivering the Scottish Government policy intention of Free School Meal expansion. It will be critical that funding is forthcoming to cover these costs. There has been no further update on this from Scottish Government since the last report.

2.3 **Financial Performance – 2021-22 Total Expenditure - Provisional Outturn**

Appendix 2 provides a summary by capital theme of provisional expenditure and income for 2021-22 showing the total reprofiled expenditure budget of £191.777m and provisional spend of £163.805m in the 2021-22 financial year, £27.972m slippage across the plan. Comparable expenditure for the previous 3 years was £138.473m (2020-21), £175.104m (2019-20) and £144.083m (2018-19).

3.0 **Budgets and Funding**

3.1 **Budget**

The Capital Investment Plan 2021-31 was approved by Fife Council in March 2021. At the end of each financial year, any budget which has not been spent is rolled forward into the next financial year as slippage. Services are asked to re-profile their project budgets in light of this slippage and the result of this can be seen in the movement from the approved budget to the current budget as detailed in Appendix 2.

The changes to the approved plan are summarised below and are the result of an increase in grant funding/other contributions. The change below followed agreed governance processes and have been agreed by the Investment Strategy Group, chaired by the Head of Finance.

	Total Expenditure £m
Capital Investment Plan as at Dec 2021	180.896
CFCR	4.396
Increased Grant and Contribution Income	6.485
Current Capital Investment Plan as at Mar 2022	191.777

3.2 Expenditure

Expenditure variances are projected across all Directorates, the most significant being: -

3.2.1 Opportunities for All

Education £1.688m

There is advancement of £4.596m associated with the Dunfermline Learning Campus (DLC). This reflects the early commencement of the site enabling works and reprofiling of the construction spend. The project is currently highlighting a significant financial risk of up to £11.1m, and approaches to managing the additional cost pressure are being pursued as outlined in the report presented to P&C Committee in April 2022.

Within Building Fife's Future programme, the new Madras College has been delivered and is fully operational. There are currently underspends identified of £1.704m, resulting from lower than anticipated pressures resulting from the impact of COVID-19 and savings in the cost of ICT equipment.

Slippage under Early Learning and Childcare (ELC) of £0.619m is a result of slight delays due to issues with supply of materials, and the impact of inflation on materials costs.

There is slippage of £0.732m under Primary School Development, which is due to delays in the installation of a 2 classroom modular unit at McLean PS as a result of site conditions requiring grouting of mining works. The rest of the slippage under this theme is around Wormit PS project, which has been delayed due to a re-tendering exercise. Both are now due to be delivered by August 2022.

Health and Social Care (£2.178m)

There has been significant supply chain disruption which has led to delays in sourcing materials for the Methil care home replacement project. This has led to an expected completion date of December 2022, which is an 8 month delay, and slippage of £2.237m. This has been partially offset by advancement of expenditure on Anstruther and Cupar replacement care homes of £0.221m.

3.2.2 Thriving Places

Economy, Planning and Employability (£1.866m)

Town Centres Regeneration slippage relates in part to a substantial additional time delay to complete initial site investigations and professional support resource at Dunfermline Gap Site and there is £0.194m slippage as a result. Progress at the Kirkcaldy Volunteers Green project has been affected due to supply chain issues for materials resulting in slippage of £0.312m.

Other Town Centre project slippage relates to the Scottish Government funded projects as follows; Inner Court, Cupar £0.297m slippage due to third-party negotiations on acquisition of land and property, which are now completed. Adam Smith refurbishment experienced slippage of £0.185m due to import of specialist equipment supply chain delays and slippage on the Cowdenbeath Town House repurposing of £0.160m was due to delay in construction caused by COVID.

As previously reported, slippage on Vacant & Derelict Land funded projects of £0.426m is a result of a delay in the start of construction at The Avenue, Lochgelly, due to the non-availability of a contractor.

Asset & Transportation & Environment (£0.960m)

Sustainable Transport - (£0.395m) slippage

The slippage relates to two programmes. Path & Cycleways (£0.168m) due to on-going dialogue with Sustrans on the design specifications and final layouts and Levenmouth Reconnected (£0.170m) as grant applications are currently being assessed and prioritised for approval.

Strategic Transport Intervention Programme (STID) - (£0.565m) underspend

The slippage relates to various projects: - Pitreavie Roundabout Signalisation (£0.261m) was delivered under budget as a result of the tender price being less than the design estimate and the cycleway element of this scheme (£0.108m) was funded from the Cycling, Walking, Safer Routes Grant, which will free up the Section 75 funding to deliver the other STID projects. There was further slippage of (£0.314m) due to delays with detailed designs/site investigations/planning applications on Bothwell Gardens Signal Replacement and Northern Link Road.

Area, Community and Corporate Development (£2.185m)

Slippage of £1.203m for Sport & Leisure facilities, includes £0.400m delays to the Cowdenbeath Leisure Centre Phase 2 project due to additional funding being sought. The project is anticipated to commence in Summer 2023. Project plans for work at Lochore Meadows Phase 2 have recently been approved at Committee meaning that the construction work is due to start later in 2022 resulting in £0.500m of slippage in 2021-22. The project is being redesigned & retendered with anticipated start on site at the end of 2022. The remaining slippage relates to Rockgelly £0.137m due to snagging issues.

Slippage of £0.331m within Improving Health through Sport & Leisure is predominantly due to late delivery of 3 play park projects in the Cowdenbeath Area, which are now due to commence in 2022. The delay in progress is due to securing third party funding, reevaluating the resourcing of the projects and consultation with communities. Slippage of £0.258m within Countryside programme for Blackburn Restoration (£0.213m), Green Infrastructure (£0.108m) River Leven restoration.

Backburn and Green Infrastructure, both projects are underway and expenditure will be incurred in 2022-23. Delays to the River Leven programme have resulted in slippage of £0.113m this project will commence in 2023-24. Other slippage across the service includes £0.146m slippage for Fife Tourism Infrastructure Programme, projects across Fife have been identified and expenditure will be reprofiled over a number of years as it involves many smaller project components which are reliant on partner agreement and £0.160m for the Golf Depot Hub which has now been delayed due to the excessive costs to deliver the project.

3.2.3 Inclusive Growth and Jobs

Economy, Planning and Employability (£1.415m)

Infrastructure work at Levenmouth Business Park has slippage of £0.487m due to finalising the necessary legal agreement in respect of a servitude to install a surface water outfall over land in third party ownership.

There is also slippage of £0.928m in the Fife i3 Programme funded through the Edinburgh and South East Scotland City Region Deal. The Levenmouth Business Units project is delayed due to a dependency on supporting aforementioned infrastructure project activity at Levenmouth Business Park resulting in £0.305m slippage. Works planned on the next phase at Queensway Industrial Estate, Glenrothes were assumed for 2021/22 but have slipped to 2022/23 due to the delay in receiving cost plans from the third party occupying the site, resulting in slippage of £0.190m. Other slippage of £0.375m has emerged on the City Region Deal funded element of Industrial Development at The Avenue, Lochgelly relating to the availability of the contractor referred to in paragraph 3.2.2.

3.2.4 Maintaining Our Assets – Rolling Programmes

Education (£1.041m)

Slippage has been due to a number of projects at the end of the financial year being approved and due for completion in 2022-23.

Asset & Transportation & Environment (£7.406m)

Fleet – Purchase of Vehicles and Equipment slippage of (£2.255m) is due to the worsening issues in the supply chain. Vehicles started to be delivered early in 2022/23 financial year.

Structures Infrastructure – (£2.298m) slippage. The slippage is a result of delays across various projects, Broad Street, Cowdenbeath (£0.204m), Leven Railway Bridge (£1.170m), Inverie Burn (£0.062m), Glen Bridge (£0.265m) and Woodside Underpass (£0.583m). These projects have slipped as a result of programme delivery delays due to external factors such as extended consultation for alternative design solutions and legal agreements, utility diversion which have delayed the tendering of works contracts.

Traffic Management – (£1.110m) slippage. The slippage is a result of programme delays relating to the pandemic. There is a backlog of 2020/21 schemes which have yet to be delivered and this impacted the delivery of the 2021/22 programme.

Street Lighting – (£0.617m) slippage. The slippage is a result of the limited availability of external contractors.

Climate Change Adaptation - (£1.055m) slippage. The slippage relates to delays across various projects, Riggs Place, Cupar (Retaining Wall replacement - £0.184m), Kinnessburn Flood Prevention Scheme (£0.100m), Haugh Park Flood scheme (£0.060m), Aberdour Footbridge (£0.162m), Pittenweem Fish Market Chiller (£0.202m) and Flood Alleviation Measures (£0.229m). These projects have slipped as a result of programme delays for alternative design solutions, environmental surveys/investigations and extended consultation.

Property Services - Advancement of £0.556m. This is partly related to the scope of works required being greater than originally anticipated and partly due to increasing material and labour costs due to COVID-19 and EU-Exit. The identification of essential roofing works required at the Adam Smith Theatre were not originally provided for within the scope of the original project which is part of the Communities Capital programme.

Area, Community and Corporate Development (£0.622m)

Majority falls within Parks Development Projects (£0.612m) and relates to Playpark renewal funding of £0.344m received, projects have been identified and expenditure will be incurred in 2022-23. Delays to Castle Terrace Play Area project has led to slippage of (£0.125), the project has now progressed to the consultation process and expenditure for this will be incurred in 2022-23. Delay with Lade Braes Path Improvement (£0.110m) due to rephasing of works.

Finance and Corporate Services (£0.886m)

The main areas of slippage relate to Servers and Storage £0.221m, Corporate Wi-Fi £0.400m and the refresh programme for IT devices across the organisation £0.320m. The specifications of the corporate Wi-Fi requirements are reliant on the LAN upgrade. As the LAN upgrade will not be complete until 2022-23, the spend on the Corporate Wi-Fi will slip into 2022-23. Priority has been given to the procurement of the relevant IT devices for the Workstyles Project, therefore the normal refresh programme has been delayed. In addition to this, there are currently longer lead times to procure IT devices.

3.2.5 Maintaining Our Assets – Specific Programme

Asset & Transportation & Environment (£0.773m)

Landfill Sites – Slippage of (£0.761m) The majority of the variance relates to an unsuccessful grant funding decision in 2021/22. An application was submitted to the Recycling Improvement Fund, which is being managed by Zero Waste Scotland, which was aimed at improving the existing infrastructure, resulting in an improvement of material quality from the collection of co-mingled garden and food waste, to assist existing recycling rates. Although the bid has been unsuccessful to date, funding options continue being explored.

Finance and Corporate Services (£1.134m)

There is a slippage of £1.127m that relates to the LAN Upgrade. There are currently longer lead times to procure and implement IT kit, therefore the LAN upgrade will not be complete until 2022-23.

3.2.6 Housing Revenue Account (£8.598m)

There is slippage of £2.555m relating to Energy Efficiency projects which were delayed as a result of COVID-19. Work is expected to progress in this area in 2022-23 and will form part of the larger Energy Efficiency Standards for Social Housing (EESH 2) project which will run from 2023-32. There is also slippage of £7.139m relating to several site-specific projects across the HRA which are delayed until 2022-23, also as a result of COVID-19. These projects include improvement works in Hostels, Travellers sites and regeneration works across Fife. Although a number of projects have been delayed those that are on site are progressing well.

There is an advancement of spend relating to Component Replacement of £3.338m. There had been some difficulties in year in acquiring the necessary materials to complete component replacement works but due to the service prioritising works that can be completed a number or were advanced in year to ensure the SHQS component replacement programme remains on track.

There is slippage of £1.656m relating to the Affordable Housing Programme this is due to some sites being delayed until 2022-23. The total project budget for the Affordable Housing programme is £30.044m and due to the nature of the programme it is common for some sites to either advance or slip during each individual financial year.

The HRA holds regular High Level Capital Board Meetings with Building Services to ensure that the level of potential spend is maximised in year and ensure any outstanding projects begin as early as possible.

3.3 **Total Income**

Capital expenditure is funded from several income sources, some of which contribute specifically to individual projects in the plan. These income sources are Capital Financed from Current Revenue (CFCR), Scottish Government Specific Capital Grant and other grants and contributions (e.g. lottery funding). Appendix 2 shows that there is a total income budget of £79.826m against a forecast of £66.896m giving a projected variance of £12.929m.

Within this variance is an under recovery of Scottish Government specific grant of £1.350m. This is in relation to subsidy which is provided by the Scottish Government for property acquisitions made by the Housing Revenue Account. At the time the budget was set, it was anticipated that all acquisitions would attract Government Subsidy, but as the year has progressed several Group Homes have been acquired for which no subsidy is payable leading to the current adverse variance.

The variance in relation to Other Grants and Contributions is due to a delay in funding for the Reception Hall at the Anaerobic Digestion Plant which is now expected to be received next year and delays in the drawdown of Developers Contributions which will now take place in future years of the plan.

The final CFR total is also less than anticipated at the time the budget was set. This is due in the main to the drawdown of the insurance receipt in respect of Woodmill High School not taking place in the current year. Negotiations are still ongoing with our insurers, and this will not be drawdown until the final settlement is agreed.

3.4 Total Funding

Within the total funding section of Appendix 2, the other income such as General Capital Grant and Capital Receipts are not specifically related to any capital project but is funding for the plan overall. The adverse variance of £7.932m for Capital Receipts is in respect of the sale of Madras College which will now take place during 2022-23. This underachievement of income is offset by the advancement of the transfer of the site of the Elgin Street Depot to the Housing Revenue Account at an agreed value of £1.200m.

The final National Trust Housing loan was repaid earlier than anticipated resulting in a variance of £10.143m in the current year.

The balance of required funding in the year is met from borrowing through the Council's Loans Fund.

4.0 Conclusions

- 4.1 Against the current total expenditure budget of £191.777m, the Council is showing provisional spend of £163.805m in the financial year and slippage of £27.972m.
- 4.2 This level of provisional expenditure demonstrates continued progress on the delivery of a wide range of capital projects. Major capital investment by Fife Council continues, however there is still a level of uncertainty associated with speed of delivery and future costs.
- 4.3 There are 20 projects within the Plan which have a value of £5.000m or greater. The overall budget for these projects is £714.014m, the Council is showing projected spend of £730.981m and an estimated overspend of £16.967m.
- 4.4 Where significant variances arise, these are reviewed by the Investment Strategy Group in conjunction with the appropriate Directorate and reflected in any future capital plan reports.

List of Appendices

1. Major Capital Projects Total Cost Monitor
2. Monitoring Report by Capital Theme

Background Papers

None

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FIFE COUNCIL
 CAPITAL INVESTMENT PLAN 2021-31
 TOTAL COST MONITOR - MAJOR CAPITAL PROJECTS

Appendix 1

	Service	Original Approved Budget £m	Current Project Budget £m	Total Projected Outturn £m	Variance £m	Variance %	Current Project Status	Expected Project Completion Date
Opportunities for All								
Madras College - Langlands	E&CS	50.170	59.952	59.952	0.000	0.00%	Current Project	2021-22
Dunfermline Learning Campus	E&CS		111.025	122.100	11.075	9.98%	Current Project	2027-28
Extension Secondary School - Viewforth	E&CS	5.989	6.335	6.969	0.634	10.00%	Future Project	2025-26
New Secondary School - Glenrothes /Glenwood	E&CS	27.532	78.937	78.937	0.000	0.00%	Future Project	2028-29
Methil Care Home	H&SC	6.620	7.277	7.403	0.126	1.73%	Current Project	2022-23
Cupar Care Home	H&SC	5.580	7.879	7.879	0.000	0.00%	Current Project	2023-24
Anstruther Care Home	H&SC	6.145	6.595	7.879	1.284	19.47%	Feasibility	2024-25
		102.036	278.000	291.118	13.118	4.72%		
Thriving Places								
Glenrothes District Heat	ATE	10.320	9.449	9.449	0.000	0.00%	Current Project	2020-21
Northern Road Link East End	ATE		10.950	10.950	0.000	0.00%	Preparatory Works	2026-27
Western Distributer Road	ATE		10.326	10.326	0.000	0.00%	Future Project	2028-29
Northern Road A823	ATE		8.568	8.568	0.000	0.00%	Preparatory Works	2025-26
Abbeyview Integrated Hub	Communities	1.500	7.506	7.506	0.000	0.00%	Current Project	2023-24
Templehall Community Hub	Communities	1.500	9.004	12.383	3.379	37.52%	Current Project	2025-26
		13.320	55.803	59.181	3.379	6.05%		
Inclusive Growth and Jobs								
Fife Interchange Business Units - Phase 1 & 2	EPES	8.129	11.027	11.027	0.000	0.00%	Current Project	2024-25
John Smith Business Park Business Units	EPES	3.644	5.517	5.517	0.000	0.00%	Future Project	2026-27
		11.773	16.544	16.544	0.000	0.00%		
Housing Revenue Account								
Affordable Housing	Housing	281.869	331.879	331.879	0.000	0.00%	Current Project	2022-23
		281.869	331.879	331.879	0.000	0.00%		
Maintaining Our Assets								
West Fife Depot	ATE	4.525	8.041	8.511	0.470	5.84%	Current Project	2019-20
Leven Railway Bridge & Bawbee Bridge	ATE	2.279	8.247	8.247	0.000	0.00%	Preparatory Work	2023-24
Local Area Network	BTS	7.200	7.200	7.200	0.000	0.00%	Current Project	2022-23
Balwearie High School	E&CS	8.300	8.300	8.300	0.000	0.00%	Future Project	2024-25
		22.304	31.788	32.258	0.470	1.48%		
Grand Total		431.302	714.014	730.981	16.967	2.38%		

**FIFE COUNCIL
CAPITAL INVESTMENT PLAN 2021-22
MONITORING REPORT**

Appendix 2

Capital Theme	Approved Budget £m	Current Budget £m	Actual to Date £m	Provisional Outturn £m	Provisional Variance £m	Provisional Outturn as % of Plan
Opportunities for All	26.491	37.989	37.661	37.661	(0.328)	99%
Thriving Places	14.089	12.866	7.855	7.855	(5.010)	61%
Inclusive Growth and Jobs	10.536	5.963	4.548	4.548	(1.415)	76%
Maintaining Our Assets - Rolling Programmes	33.678	42.943	32.662	32.662	(10.281)	76%
Maintaining Our Assets - Specific Programmes	8.931	9.325	7.185	7.185	(2.140)	77%
Housing Revenue Account	74.780	82.492	73.894	73.894	(8.598)	90%
Corporate Items	0.200	0.200	0.000	0.000	(0.200)	0%
TOTAL EXPENDITURE	168.705	191.777	163.805	163.805	(27.972)	85%
Scottish Government Specific Capital Grants	(3.391)	(4.626)	(3.276)	(3.276)	1.350	71%
Other Grants and Contributions	(25.147)	(26.632)	(22.907)	(22.907)	3.725	86%
Capital Financed from Current Revenue (CFCR)	(42.009)	(48.567)	(40.713)	(40.713)	7.855	84%
TOTAL INCOME	(70.547)	(79.826)	(66.896)	(66.896)	12.929	84%
TOTAL NET EXPENDITURE	98.158	111.951	96.908	96.908	(15.043)	87%
Scottish Government General Capital Grant	(25.013)	(26.336)	(26.336)	(26.336)	0.000	100%
Capital Receipts	(1.473)	(10.403)	(2.471)	(2.471)	7.932	24%
NHT Loan Repayments	(1.963)	(0.187)	(10.330)	(10.330)	(10.143)	5520%
Borrowing from Loans Fund - General Fund	(41.794)	(35.611)	(22.141)	(22.141)	13.471	62%
Borrowing from Loans Fund - HRA	(32.421)	(39.414)	(35.631)	(35.631)	3.784	90%
TOTAL FUNDING	(102.664)	(111.951)	(96.908)	(96.908)	15.043	87%

Budget 2023-26 Update

Report by: Eileen Rowand, Executive Director (Finance and Corporate Services)

Wards Affected: All

Purpose

The purpose of this report is to provide the Cabinet Committee with an update on the General Fund Revenue Budget for 2023 onwards following the Scottish Government's Resource Spending Review (RSR) and the impact on our financial planning assumptions and our planned approach to achieve a sustainable budget.

Recommendation(s)

Cabinet Committee are asked to note:

- (i) the impact of the RSR on previously published financial planning assumptions;
- (ii) the continued uncertainty around these planning assumptions; and
- (iii) the planned approach to achieve a sustainable budget for 2023-24 and future years.

Resource Implications

The report identifies significant resource implications that have to be considered in the planning of the service change plans and the budget for 2023-24 and future years.

Legal & Risk Implications

It is a statutory requirement for the Council to set a balanced budget.

Impact Assessment

An EqlA is not required for this report.

Consultation

None in relation to this report.

1.0 Background

- 1.1 Following the Council setting its budget on 24th February 2022, there remained an indicative budget gap for 2023-24 and 2024-25 of £16.9m rising to £29.3m respectively. Using the same assumptions, the budget gap would rise again for 2025-26 up to £43.1m. However, due to the continued demise of the overall economic climate which has been exasperated by the invasion of Ukraine, these assumptions were optimistic and have since been reviewed.
- 1.2 Whilst reviewing our budget planning assumptions, we also considered any impacts resulting from the Scottish Government's Resource Spending Review (RSR) published on 31st May 2022.

2.0 Scottish Government - Resource Spending Review

- 2.1 In summary, the Resource Spending Review (RSR) provides a flat line (in cash terms) of revenue funding for Local Government for the next 3 years (2023-2026) with the inclusion of the £120m included at Stage 1 of the 2022-23 Budget Bill being baselined.
- 2.2 This implies total General Revenue Grant (GRG) which includes specific grant and Non-Domestic Rates income will total at least £721.6m for Fife for the next 3 years. However, total funding and expectations around policy delivery will not be confirmed until the Scottish Budget is announced in December. This brings an element of risk that Local Government may be expected deliver new policies within an already challenging flat cash settlement. There is a further risk in that not all funding from other Scottish Government's portfolios will transfer to Local Government to deliver on additional priorities, as this has not yet been confirmed.
- 2.3 As per usual practice, Fife's share will likely deviate from the £721.6m mentioned above, based upon our overall share calculated once all needs-based indicators used within the overall funding distribution methodology are updated including application of the floor funding mechanism.
- 2.4 The Cabinet Secretary for Finance and Economy acknowledged the challenges facing the Scottish Economy, particularly in relation to rising inflation, price increases and the cost-of-living crisis but stated that the public sector is required to be more efficient in light of this challenging outlook. This is against a backdrop of substantial savings being delivered over the last 10 years of which many were driven out through efficiencies.
- 2.5 In terms of public sector reform, including Local Government, this will be asked to specifically focus on:-
 - Digitalisation;
 - Maximising revenue through public sector innovation.
 - Reform of public sector estate;
 - Reform of the public body landscape; and
 - Improving public procurement.
- 2.6 These areas form a clear direction from the Scottish Government for where they expect Local Government to drive out further efficiencies and work collaboratively across sectors. Councils have, for many years, focused on these areas and have driven out substantial savings. Future opportunities to identify further efficiency savings need to be considered in this context.

- 2.7 In terms of the strategy that will be adopted, it is proposed that we advance a dual approach for the coming years. A short-term focus of realigning budgets reflecting areas of underspend and other short-term opportunities that recognize current circumstances for the forthcoming year. This would then provide time and space to develop a longer-term more fundamental change planning approach to ensure that the Council continues to be financially sustainable. If the financial settlement is worse than anticipated there may be a need to use reserves to balance the budget on a one-off basis.
- 2.8 The RSR states a fair commitment to work but also seeks to reduce the overall Local Government workforce to pre- pandemic levels (less but higher paid jobs). Work advanced to date suggests that the increase in the Local Government workforce is due to new policy initiatives such as the expansion of early years learning and Teachers.
- 2.9 Scottish Government has reiterated that pay is a devolved matter for Local Government but with a flat cash base this will be extremely challenging in the current economic climate as well as the constraining impact of some policy decisions relating to workforce e.g., Pupil Teacher Ratio and H&SC demand.
- 2.10 There is an extremely wide gap between the current pay offer, approx. 3.5% for all staff and the latest claims from staff Trade Unions, which range from 4.1% to 10%. Recent national negotiations with other areas of workforce, e.g. Network Rail, NHS, etc. will only exacerbate this position. Although provision of has been made in the Council's budget model, this still requires a reduction in jobs in order to deliver a balanced budget.
- 2.11 The Scottish Government has recently announced a £140m funding package to contribute towards a national pay deal for 2022-23. It is assumed that this funding is for the whole workforce including H&SC staff. Taking cognisance of this funding, the latest pay offer is 3.5% based upon the maximum deemed affordable between all Councils and the contribution from Scottish Government.
- 2.12 Overall inflation (CPI) is currently 9.4%¹ (as at June 2022), matching the highest level recorded in 40 years, with some predications projecting a rise to 11% by the end of this year. This is extremely challenging as it impacts on all areas of service delivery, however, when we look at specific areas of expenditure, current levels of inflation are particularly concerning e.g. Food – 9.8% , Transport – 15.2%.

3.0 Impact on Budget Gap

- 3.1 All of the points raised in earlier sections of this report have been taken into consideration whilst calculating the impact on our published indicative budget gap.
- 3.2 A significant issue that has been taken into consideration in the modelling is the fact that the current inflationary pressures as well as a potential increase in pay beyond that budgeted, will impact on the current year's financial position. To take account of this, the modelling has incorporated an estimate for these additional costs which will impact on the balanced budget position for 2022-23 and also impact on the recurring costs moving forward.

¹ *Consumer Prices Index (CPI) as at June 2022 by Category*

3.3 Detailed below is a summary of the updated budget gap. It is clear that solutions will need to be found within 2022-23 in order to deal with the financial challenge. The purpose of reporting a gap in the current year is to demonstrate the impact of the current financial challenges in future years. Such an example is pay, although current pay negotiations are in respect of 2022-23, this does have an impact on our base costs for 2023 onwards, impacting the budget gap. The gap reported below, does not take cognisance of the recently announced funding from the Scottish Government, however as a proxy, from Fife's share approx. £8m will may be available to contribute to the gap.

	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Assumed Budget Reduction	15,940	30,735	45,569	60,842

3.4 Although the Council has significant reserves as reported in the financial outturn report on this agenda, these cannot be utilised as a sustainable solution to close this budget gap as they are one-off in nature. There are significant commitments earmarked against reserves and they can only be used once to fund one-off cost pressures. In addition, the Council maintains a financial risk register to capture financial risks which may come to fruition and require a level of balances to be held to deal with those risks. The register is reviewed on a regular basis and reported annually as part of the budget setting process.

3.5 A summary of the main changes in budget planning assumptions are detailed at appendix A.

4.0 Strategy to Close Gap

4.1 CET have considered our response to the extreme financial challenge for the forthcoming years and have agreed to adopt a dual approach:-

- **Year 1 (2023-24)** - A short-term approach focused on identifying areas of potential budget reduction across Directorates has been initiated. Finance Business Partners and working with Directorate Leadership Teams to identify areas where budget reductions can be applied on an evidence basis, e.g. trends indicating continued underspends, substitute funding streams, change in approach to vacancy management etc. This is likely to lead to budget realignment and recognizes the underlying underspend position on service budgets that is highlighted in the financial outturn report on this agenda.
- **Year 2 onwards** – A longer-term change planning approach which will focus on Service and Directorate redesign which will also explore how we further integrate work across the Council and with Partners, with a stronger focus on People & Place. Collectively we have agreed that there is a need to accelerate system change and to align our efforts to our priority outcomes.

4.2 Updates on both these approaches will be provided to members in future reports.

5.0 Capital Strategy and Investment Plan

- 5.1 Work will soon begin on reviewing the Council's Capital Strategy to ensure that the strategy is in line with the refreshed Plan 4 Fife. The strategy will inform the Capital Investment Plan. Members will have an opportunity to contribute to the development of the Capital Strategy with a view to agreeing the updated strategy in February, 2023.
- 5.2 The current economic conditions bring significant financial uncertainty and pressure on projects and resources agreed within the Capital Investment plan. The plan is reviewed on a biannual basis and work has already begun to review the profiling, likely costs and delivery timescales for current and approved projects. This work will complement the overall review of the plan.
- 5.3 Given the inflationary pressures in the construction industry, work will be undertaken to test the likely financial impact on projects already contained in the current plan and the results will be tested against affordability criteria and will be shared with members toward the end of the year.

6.0 Conclusion

- 6.1 The previously published indicative budget gap has been updated to reflect the more realistic financial challenge that the Council faces in the coming years and work is continuing at pace to provide a sustainable response to the challenge.
- 6.2 The financial outlook is extremely challenging and significant change will need to be advanced in order to safeguard the financial sustainability of the Council.
- 6.3 A dual approach is being adopted for the short and medium-term to ensure financial sustainability. A short-term corporate led approach to address 2023-24 will be advanced which will provide space to develop a fundamental approach to change for the medium to longer term.

List of Appendices

- A. Summary of main changes in budget planning assumptions

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Budget Gap Assumptions

	Indicative Assumptions - Feb 2022				Updated Assumptions - August 2022			
	2022-23	2023-24	2024-25	2025-26	2022-23	2023-24	2024-25	2025-26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revised Budget Gap	0	16,919	29,301	43,095	15,940	30,735	45,569	60,842
Assumptions								
Inflation:								
Pay & Pension Inflation	2.50%	2.50%	2.50%	2.50%	5.00%	2.50%	2.50%	2.50%
Inflation	2.50%	2.50%	2.50%	2.50%	7.00%	6.00%	3.00%	3.00%
Demographic Growth	0	0	0	0	0	0	0	0
Reduction in Funding Assumptions:	-1.00%	-1.00%	-1.00%	-1.00%	0.00%	0.00%	0.00%	0.00%
Council Tax	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health & Social Care Partnership Reduction	0.00%	-1.00%	-1.00%	-1.00%	0.00%	0.00%	0.00%	0.00%

25th August, 2022.
Agenda Item No. 9

Leading Economic Recovery (LER) Action Plan: Progress Update (June 2022)

Report by: Gordon Mole, Head of Business and Employability

Wards Affected: All Wards

Purpose

To provide members with a six-monthly update on progress against actions identified within the Leading Economic Recovery Action Plan agreed by Policy & Coordination Committee on 4 March 2021 as part of Fife Council's wider Reform & Recovery Programme.

Recommendation(s)

It is recommended that the Committee:

- (i) consider and comment on progress in relation to actions identified within the Leading Economic Recovery (LER) Action Plan;
- (ii) recognise continuing uncertainties in terms of the economic impact of the Covid-19 pandemic, consequences of the EU Exit, and associated government responses to both;
- (iii) note that the outcomes of the Leading Economic Recovery workstream (which formed part of the Council's wider Reform & Recovery Programme) have fed into the recent refresh of the Plan4Fife; and
- (iv) note that the LER Board, established as part of the recent review of Fife Partnership governance arrangements, is currently supporting a wider-ranging review of the Fife Economic Strategy, which is expected to be completed by autumn 2022. The refreshed strategy will effectively replace the short-term LER Action Plan that was developed in response to the economic impact of the Covid-19 pandemic.

Resource Implications

There are no immediate resource implications associated with this report. Funding solutions will need to be identified and developed in line with new or extended allocations of funding from Scottish and UK Governments and other external sources. The Business and Employability Service received additional revenue and capital funding within the 2021/22 budget to support economic recovery for key sectors and advancement of capital schemes to enable economic growth.

Legal & Risk Implications

There are no specific legal and risk implications associated with this report.

Impact Assessment

An Equalities Impact Assessment has not been completed and is not necessary at this stage, as the proposals within the report do not currently represent a change to policy. The Fairer Scotland Duty, which came into force on 1 April 2018, requires the Council to consider how it can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions.

Consultation

The development of the proposals within the action plan have been the subject of consultation with a designated elected member working group (comprising members of the Council's Economy, Tourism, Strategic Planning and Transportation Sub-Committee); key officers within Business and Employability; and key officers supporting work on associated Reform and Recovery Programme workstreams. The work also draws upon ongoing engagement with external stakeholders through existing and recently established channels of communication.

1.0 Background

- 1.1 The 2020 global Covid-19 pandemic has had an unprecedented economic impact, the full scale of which has still to emerge. This has, to some extent, been further exacerbated by the impact of UK exit from the European Union at the end of 2020. Financial support from both the UK and Scottish governments has helped to mitigate the immediate impact of the pandemic on businesses, but restrictions to everyday life have posed a challenge to business recovery over the past two years, particularly in relation to the tourism, hospitality, sport, leisure and cultural sectors.
- 1.2 The Leading Economic Recovery (LER) Action Plan was approved by Policy and Co-ordination Committee on 4 March 2021 at a special meeting focussing on outputs from key workstreams within the Reform and Recovery Programme.
- 1.3 The focus of the LER Action Plan was to provide a short-term response, over a 12-18 month period, to the economic impact and uncertainties arising from the Covid-19 pandemic and UK exit from the EU.
- 1.4 The six key actions identified within the LER Action Plan are to:
 - provide signposting, advice, guidance and support to local businesses;
 - stimulate economic demand / support access and mobility;
 - protect local employment;
 - continue to make the case and actively lobby for additional funding and investment;
 - support and deliver investment-led economic growth; and
 - optimise the role of the Council, and its partners, within the local economy in relation to Community Wealth Building (CWB).

- 1.5 This report provides members with a six-monthly update on progress in relation to the agreed Leading Economic Recovery Action Plan – this being the third update to the end of June 2022. A previous update (to December 2021) was reported to Economy, Tourism, Strategic Planning and Transportation Sub-Committee in March 2022.
- 1.6 Section 2, below, provides a summary overview of progress along with some relevant data on current economic conditions. A full update on the Action Plan is included under Appendix One of this report.
- 1.7 It should be noted that the sixth of the action points (above), relating to Community Wealth Building, is being taken forward as a separate workstream alongside Leading Economic Recovery within the Reform and Recovery Programme. As such, the detail of this activity is no longer covered by the LER Action Plan and is the subject of separate reports to the appropriate committee(s).

2.0 Overview of Progress

- 2.1. The following paragraphs highlight key aspects of progress on each of the six LER Action Plan themes as of June 2022.

Action 1: Providing signposting, advice, guidance & support to local businesses

- 2.2. During 2021-22, Business Gateway Fife supported a total of 603 business start-ups, the highest number for the year across all Scottish local authority areas. Over the course of the year, support was provided to a total of 2,744 businesses in Fife.
- 2.3. Business Gateway Fife has returned to full pre-Covid productivity of front-facing services. Workshops and webinars continue to be delivered online, which has proven to be very efficient and is complementary to the national Digital Boost programme supporting online trading and digital adaptation. Business Development Reviews have been conducted across the relationship-managed businesses to assess current needs, which has helped with understanding the demand for services, potential gaps and future opportunities and has informed the proposed suite of services to be delivered with the support of the UK Shared Prosperity Fund.
- 2.4. The Council's Economic Development team and Business Gateway Fife remain committed to supporting businesses with the latest news on funding and grant opportunities. Fife Council business support products are now live on the national funding website www.findbusinesssupport.gov.scot. The website provides businesses with one point of call for all funding across Fife and Scotland.
- 2.5. Fife Council Economic Development Team is currently using £1.2m of Scottish Government LACER (Local Authority COVID Economic Recovery) funding to deliver a Net Zero Transition Fund that provides SME's in Fife with a grant of up to £3k to support any measures which will help them progress towards net zero carbon emissions. The Net Zero Transition Fund will be open to applications until either the end of March 2023 or until the available funding is fully allocated.
- 2.6. Phase 2 of the improvements to the InvestFife website are now complete, with work now progressing on Phase 3 development that includes customer relationship tools to improve the customer journey. Since June 2021, the website has 11,844 users visit, with the bounce rate (exits from the site without viewing pages) reduced from 59.17% in 2020/2021 to 6.49% in 2021/2022. Between June 2021 and June 2022 the website has also had a total of 89,291 page views.

- 2.7. Work is ongoing to review strengths and challenges within Fife's key business sectors. A recent survey of Fife's construction sector highlights that these businesses are still focussed on issues associated with the UK exit from the EU and associated disruption to supply chains. Ongoing support for the construction sector includes leadership events around strategic change, opportunities in relation to public sector procurement contracts and frameworks and engagement with businesses through the Supplier Development Programme to help them successfully compete for contracts.

A sustainability health check of Food & Drink sector businesses in Fife was carried out in spring 2022 and the results have informed the development of new programmes of support to assist these businesses to continue to develop sustainable business practices and support the transition to Net Zero carbon emissions. Projects to increase engagement with primary producers are being developed to assist with diversification and the development of innovative and economically and environmentally sustainable production processes. Economic Development is also working closely with the Food4Fife partnership to develop their Sustainable Food Strategy and has supported a very successful round of trade show attendances has been supported during 2022, with Fife food & drink producers taking part in Speciality & Fine Food Fair, the Royal Highland Show and the 150th Open Championships at St Andrews.

- 2.8. Economic Development and Procurement delivered a successful Meet-the-Contractor event in April 2022 to showcase opportunities associated with the Halbeath Learning Campus and the Westfield Energy Plant supply chains. A Meet-the-Buyer event is also being planned for Fife Business Week in November 2022.

Action 2: Stimulating economic demand / supporting access and mobility

- 2.9. Support for the Scotland Loves Local Gift Card remains relatively low in Fife, as it has in other parts of Scotland. Options to reinvigorate take-up are being considered. The Kirkcaldy Gift Card scheme, led by Love Oor Lang Toun, has been renewed for a further year. Burntisland, Kinghorn, Dunfermline and Leven are also currently participating in the [Totally Locally Fiver Fest](#) campaign to further encourage support for independent local businesses.
- 2.10. Work has progressed on the development of place-based investment proposals for key town centres in line with new government funding programmes, with the approval of a £2.75m investment in eight projects to be taken forward in 2022-23. The projects include: St Margaret's House in Dunfermline; a Leven place-making project between the new railway station and existing bus station; site enabling for a major project in Kirkcaldy; and the allocation of improvement grants to third parties for capital works. Difficulties continue to be experienced in the delivery of projects at present, however, due to global issues around availability of materials and rapidly increasing costs.
- 2.11. The second phase of public realm improvements on Kirkcaldy waterfront, including a project to reinvigorate the community greenspace at Volunteers Green, started on site in July 2022.
- 2.12. The new Maygate Exchange enterprise hub in Dunfermline is set to open during August offering high-tech office space for individuals and small businesses.
- 2.13. Work ongoing on Inverkeithing built heritage programme, with the contract to restore and refurbish the Grade A listed Town House now on site.

- 2.14. The latest round of Town Centre Building Improvement Grant scheme for 2022-23 has now opened. Grants are for £6k to £9k, with a 90% maximum intervention.
- 2.15. A new Town Centre Business Energy Efficiency and Digital Grant Fund has been launched in partnership with Greener Kirkcaldy/Cosy Kingdom.
- 2.16. The latest STEAM figures for 2021 show a significant improvement in tourism compared to 2020, but still well below the pre-pandemic figures from 2019.
1.747 million people visited Fife in 2021, up 53.7% on figure of 1.136million for 2020, but still 37.5% below the pre-Covid figure of 2.795million for 2019.
The economic impact of tourism in 2021 was £277.83m, up 95.1% on 2020 (£142.44m), but still 22.2% down on the pre-Covid figure of £357.09m for 2019.
Total employment supported by tourism in Fife for 2021 was 4,343 FTE, up 41.0% on 2020 (3,080 FTE), but still 20.9% down on 2019 (5,487 FTE).
- 2.17. A successful in-person Fife Tourism Conference was held at Dean Park Hotel in Kirkcaldy in March 2022, with digital skills highlighted as a key theme. The new Welcome to Fife QR code was launched at a networking reception attended by over 60 tourism businesses held at the Jack Vettriano exhibition in Kirkcaldy Galleries in June 2022. The QR code allows visitors to Fife to quickly access tourism information via their mobile phones.
- 2.18. The 150th Open Golf Championship at the Old Course, St Andrews was successfully delivered in July 2022 and attracted a record attendance of around 290,000 visitors. The event showcased Fife to a global audience and provided a significant post-pandemic boost to international tourism. An evaluation of the event will take place later this year to capture economic impacts.
- 2.19. Many major tourism events in Fife have been able to take place again this year for the first time since 2019. These include: the 200th Fife Agricultural Show at Cupar (20 May); the Jack Vettriano Early Years Exhibition at Kirkcaldy Galleries (17 June - 23 October); Crail Food Festival (17th-19th June); the British Superbike Championship at Knockhill (18-19 June); Ceres Highland Games, (25 June); the Langtoun Jazz Festival, Kirkcaldy (24-26 June); the East Neuk Festival (29 June – 3 July); the British Touring Car Championship at Knockhill (30-31 July); and Pittenweem Arts Festival (6-13 August)
- 2.20. Post-pandemic, Fife Council support for events has now returned to a focus on in-person events, with an emphasis on sustainability and achievement of a higher level of visitor impact from outwith Fife. To date, seven events are being supported by the Council's strategic events fund in 2022.
- 2.21. Fife College is currently training members of staff to become World Host trainers in order to enable delivery of courses to recommence in autumn 2022, with three initial sessions planned to establish demand.

Action 3: Protecting local employment

- 2.22. A soft launch of the new Culture of Enterprise (CoE) 'Race to Zero' interactive simulation game based on economy, energy and social management was held with a P7 transition group of pupils at St Columbus RC High School, Dunfermline on 23rd June. This new project will be showcased to all Fife high schools next term.

- 2.23. Fife Council delivers two Foundation Apprenticeship frameworks: one on Social Services and Healthcare; and one on Children & Young People. Covid-19 restrictions have had a significant impact on course delivery for the 2022 cohort in relation to opportunities to access workplace experience, which was mitigated as far as possible through the development of online virtual placements. Going forward, face-to-face work placements will return and the virtual placements created will be utilised to enhance learning for students. Currently 110 young people have applied to join the next cohort of the two Foundation Apprenticeships in Children and Young People and Social Services and Healthcare. The courses run for one year and students are supported by an Employability Officer, with one day per week spent in the classroom and one day per week on placement.
- 2.24. Fife Council's Employability team is also currently running a programme called AIMS (Access to Industry & Meta Skills). The programme currently focuses on Social Services Children & Young People, and Social Services & Healthcare, with participants able to complete an industry-recognised SCQF Level 6 qualification. Participants also have the opportunity to undertake a relevant SVQ Level 2 qualification along with a 3-day work placement in a relevant sector.
- 2.25. 2021-22 marked the final year of the SDS-funded Employability Fund programme. This work provides targeted support to clients experiencing multiple barriers to employment and makes the link to employer opportunities. The contract supported a total of 138 programme starts for the year, all of which were successfully delivered, with a positive outcome rate of 49.3%.
- 2.26. There were 1,756 Modern Apprenticeship starts in Fife in 2021-22. This was 45.7% higher than for 2020-21 and 97.9% of the pre-Covid figure for 2019-20.
- 2.27. The Fife Job Contract (FJC) continues to provide a single portal for Employer Recruitment incentives which are promoted across the No One Left Behind (NOLB) partnership, with frontline staff encouraged to utilise this funding to tailor job opportunities for the clients they support, as well as encouraging employers to offer opportunities for people furthest removed from the labour market. Since 1st April 2022 a total of 76 vacancies have been approved under FJC funding with 46 filled. A further 146 jobs have been approved under Long-Term Unemployed funding with 70 currently filled, 59 pending recruitment and a further 17 to be sourced.
- 2.28. Fife Council's Employability Service engages with social enterprises and third sector provisions to support the delivery of the 'Best of You', 'Innov8', 'Training Academy' and 'FEAT' programmes. The 'Best of You' programme links directly with Education Service to support young people in their final year in secondary education who are care experienced, have or are at risk of offending behaviours and other complex barriers to work. 'Innov8' supports people of all ages who have disengaged due to mental health issues. 'Training Academy' is for people of all ages taking their first steps on the employability pathway. 'FEAT' is a programme supporting young parents with mental health issues. During 2021-22 a total of 283 people were supported into paid jobs and apprenticeships with external, third sector and Fife Council placements through Employer Recruitment Incentive investment, with 104 of these opportunities arising between January and June 2022 and a further 12 young people registered to undertake Modern Apprenticeships.

Action 4: Continuing to make the case for additional funding and investment in Fife

- 2.29. Annual updates to Local Area Economic Profiles were considered by each of the seven area committees during January and February 2022. The profiles were further updated in May 2022 as an elected member induction resource following the Scottish local government elections.
- 2.30. The UK government published its Levelling Up White Paper on 2nd February 2022. The strategy brings together all existing schemes under 12 'national missions'. Most of these extend to the whole of the UK, although it is noted that some touch upon a number of policy areas covered by devolved powers in Scotland and Wales.
- 2.31. Separate detailed reports covering the Council's approach to UK Levelling Up Fund bids and UK Shared Prosperity Fund Investment Plan requirements are to be considered at Cabinet Committee on 25 August 2022.
- 2.32. The Scottish Government's new National Strategy for Economic Transformation (NSET) was published in March 2022. It sets out an overarching vision of a well-being economy and ambitions of a Fairer, Wealthier, and Greener Scotland, underpinned by five key policy programmes and a sixth programme promoting a culture of delivery. The priorities identified within the new strategy are to be delivered within the context of existing resources.
- 2.33. A refresh of the Fife Economic Strategy is currently in progress, supported by work undertaken by the new Fife Partnership LER Board to review Fife's economic recovery priorities. It is expected that the strategy will be completed by Autumn 2022 following appropriate engagement with elected members and other key stakeholders.
- 2.34. The Forth Ports, Fife, Falkirk and City of Edinburgh Councils' proposal for a Firth of Forth Green Freeport was submitted to UK and Scottish Governments on 20th June. A total of five Scottish bids were submitted (Clyde; Aberdeen & Peterhead; Inverness & Cromarty Firth; Firth of Forth; and Orkney) and a decision is expected in late Summer 2022.
- 2.35. Babcock International, University of Edinburgh, University of Strathclyde, Fife College, Fife Council, Scottish Enterprise and Skills Development Scotland officially launched the Arrol Gibb Innovation Campus (AGIC) proposition at Babcock's Rosyth facility on 22 April 2022. Part of the Edinburgh and South East Scotland City Deal, the collaboration will see development of leading expertise in five core capabilities on one site: large-scale advanced manufacturing, composites, robotics, nuclear manufacturing & digital shipbuilding. A Foreign Direct Investment (FDI) World Forum visit to the site took place on 9th May 2022. The first new facility within the AGIC, the new £4.6m Fastblade rapid testing facility for tidal turbine blades developed by Babcock International and the University of Edinburgh at Babcock's Rosyth site in Fife as part of the Edinburgh & SE Scotland City Deal was officially opened by UK Govt Minister for Scotland Malcolm Offord on 16th May 2022.
- 2.36. Work is also currently ongoing on the reviews of the Fife Employment Land Strategy (FELS); Local Development Plan (LDP2); and Local Transport Strategy (LTS).

Action 5: Supporting and delivering investment-led economic growth

- 2.37. Work on the Fife Industrial Innovation Investment (Fife i3) Programme continues to progress, funded via the Edinburgh & South East Scotland City Region Deal. Seven new business units at Dunnikier Business Park in Kirkcaldy were completed in November 2021 and have now been let to five tenants. Construction of 15,000 sq.ft of new-build business units at West Way in Dalgety Bay is due for completion at the end of August 2022. Site servicing works at Fife Interchange North have been completed. Site remediation works to development land at the Industrial Park, Lochgelly have also been completed.
- 2.38. Progress is continuing on the Eden Campus development at Guardbridge (part of the Tay Cities Region Deal). Work is ongoing on the enterprise ecosystem buildings. The business case has been approved for the D'arcy Thomson Digital Simulator, which is now commissioned within Walter Bower House. A Heads of Terms agreement is currently being finalised for the proposed Enterprise Hub facility. The new 1MW solar farm at the Eden Campus development was officially unveiled on 18 May 2022. The ground solar photovoltaic development - backed by a Scottish Funding Council loan and supported by the Vacant and Derelict Land Fund from the Scottish Government and Fife Council - will provide electricity to the campus and help to further reduce the university's overall carbon footprint by approximately 5%.
- 2.39. Levenmouth Reconnected Large Grant Application funding of £714,253 has been approved for seven enhanced specification business units at Levenmouth Business Park (at Muiredge). Confirmation on the outcome of a funding bid to support ground remediation works to support the expansion of Mountfleurie Industrial Estate is still awaited. Both projects used existing approved Vacant & Derelict Land Fund monies as match funding for Levenmouth Reconnected Programme awards.
- 2.40. Delivery of the 5-year Inverkeithing Built Heritage Regeneration Programme is ongoing. Works are underway at the Town House and good initial progress is being made. Tender documents are being prepared for the main public realm works, which will be tendered late summer/early autumn 2022. There is, however, a significant risk that build costs will be in excess of available budget, despite making considerable savings by ordering the natural stone early. Contingency measures, including investigation of alternate funding streams, are being investigated to offset any impact.
- 2.41. Work has been ongoing to investigate options for the next Fife Council heritage-led regeneration programme. An expression of interest is to be lodged with Historic Environment Scotland by the end of July 2022, with Buckhaven and Kincardine identified as proposed locations.
- 2.42. Roads Construction Consent has now been secured for the Cupar Inner Court and Bonnygate project. Kingdom Housing continue to finalise property acquisition in the Inner Court with the disposition now approved by Registers of Scotland and transfer of land expected imminently. This will unlock demolitions and further ground investigations (including a community archaeological assessment) prior to development of the site.

Action 6: Optimise the role of the Council, and partners, on Community Wealth Building

- 2.43. Community Wealth Building (CWB) has been highlighted within the Plan4Fife refresh as a key underpinning approach to support delivery of the three priorities of Leading Economic Recovery, Addressing Climate Change, and Tackling Poverty & Preventing Crisis. The development of a CWB approach is now being taken forward as a distinct workstream, with progress now reported separately from the Leading Economic Recovery Action Plan.

3.0 Conclusions

- 3.1 The economic impact of the Covid-19 pandemic and consequences of the United Kingdom's exit from the European Union are extremely difficult to unravel and continue to create longer-term economic uncertainties.
- 3.2 This has now been further exacerbated by global issues around surging energy costs and worker shortages, which have seen the UK, and other countries, facing a rapid increase in the rate of inflation and associated cost-of-living-crisis.
- 3.3 In the UK, the potential risk of a major increase in unemployment following the end of the CRJS furlough scheme in September 2021 has not materialised. Instead, we have seen unprecedented levels of job vacancies across all business sectors.
- 3.4 In May 2022 there were more job vacancies than unemployed people in the UK for the first time since records began. Labour market data for the three months from March to May 2022 shows that the employment rate in Scotland of 75.4%, and unemployment rate of 3.5%, are on a par with the UK as a whole and that, on the basis of these headline metrics at least, the labour market is back to where it was pre-pandemic.
- 3.5 Concerns regarding the emergence of the Omicron variant at the end of 2021 have largely been offset by the success of vaccination and booster programmes, with a further booster programme for the over-50s recently announced for autumn 2022. The removal of all remaining Covid-19 restrictions in Scotland on 21 March 2022 has brought a cautious optimism that we are now beginning to learn to live with the virus and are now moving into a recovery phase. However, Covid-19 infection rates in Scotland remain high and the situation continues to be closely monitored.
- 3.6 More worrying, at present, is the fact that the UK, along with other countries, is now facing a cost-of-living crisis. UK inflation, the rate at which prices rise, jumped to 9.4% in the 12 months to June 2022 – the fastest increase in 40 years. Fuel prices have soared in recent months, driven by the war in Ukraine and moves by the European Union to reduce its dependence on Russian oil. Typical household energy bills rose by an unprecedented £700 a year in April and are forecast to climb again in October. Petrol and diesel prices have hit record highs. Food prices have increased at the fastest rate since March 2009 and may not peak until next year. In an attempt to stem inflation, the Bank of England has increased interest rates from 0.1% in December 2021 to 1.25% in June 2022 - the highest level in 13 years - with fears this may increase to 2% or more in the next year.

- 3.7 In terms of supporting the local economy and local businesses, the Council has moved from a mainly responsive phase back to largely business as usual status, with officers continuing to closely monitor ongoing developments and the response of UK and Scottish governments.
- 3.8 The current LER Action Plan identifies appropriate short-term interventions to support the local economy in Fife over the 12-18 months from January 2021, with the latest progress update showing effective delivery of these actions.
- 3.9 Recent publication of the UK Government Levelling Up White Paper (February 2022) and the Scottish Government's National Strategy for Economic Transformation (March 2022) has set out new post-pandemic national economic policy direction.
- 3.10 There are, however, a number of political uncertainties ahead which may further impact on economic policy direction. These include the appointment of a new Conservative Prime Minister following the resignation of Boris Johnson, the subsequent possibility of an early General Election and Scottish Government proposals for a second Scottish Independence Referendum in October 2023.
- 3.11 Officers will continue to monitor ongoing economic and political developments closely to assess the potential implications for the current refresh of the Fife Economic Strategy and to advise members accordingly.

List of Appendices

None

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:

- Fife's Economic Strategy 2017-2027
- FC Leading Economic Recovery Action Plan (Dec 2020)
- FC Leading Economic Recovery (LER) Action Plan - Progress Update (Jun 2021)
- Recovery & Renewal: Plan for Fife 2021-24 Update (Aug 2021)
- Fife Business Base Report (Dec 2021)
- Fife Local Area Economic Profiles Report (Dec 2021)
- FC Leading Economic Recovery (LER) Action Plan - Progress Update (Dec 2021)
- UK Government White Paper on Levelling Up the UK (Feb 2022)
- Scottish Government National Strategy for Economic Transformation (Mar 2022)

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25th August 2022.
Agenda Item No. 10

Fife's UK Shared Prosperity Investment Plan

Report by: Ken Gourlay, Executive Director (Enterprise and Environment)

Wards Affected: All

Purpose

This report sets out the steps taken to develop Fife's UK Shared Prosperity Investment Plan and seeks retrospective endorsement for the Plan that was submitted to UK Government for the 1st August, 2022 deadline.

Recommendations

It is recommended that the Cabinet Committee:-

- (1) endorse the approach to developing the UKSPF Investment Plan set out in this report. As mentioned in Paragraph 1.6, due to the Local Government Elections, there were no Committees during the development period so the priorities of the Plan4Fife 2017-27 and its Recovery and Renewal Plans 2021 – 2024 have formed the basis of the UKSPF Investment Plan;
- (2) retrospectively approve the Interventions for 2022/23 set out in Appendix 1. Paragraph 3.5 sets out the approach, i.e. to allocate the UKSPF to each Investment Priority based on the historical investment levels for EU Funding for similar activities in a "typical" year for that funding. This meant up to 50% for People & Skills, up to 29% for Supporting Local Businesses and at least 21% for Communities and Place;
- (3) approve the proposed governance, the prioritisation principles, allocations by UKSPF Investment Priority and process to confirm interventions for 2023/24 and 2024/25 as set out in Sections 3,4 and 5. Note that this aligns with the Governance arrangements for the Plan4Fife;
- (4) note that the revised Investment Plan will be submitted to the Cabinet Committee in February 2023 to approve interventions for 2023/24 and 2024/25;
- (5) note that there will be Annual Reviews of the UKSPF and reports of progress, in Quarter 2 of each financial year. Note that the UK Government requires these by Fife's four UK Parliamentary Constituencies; and
- (6) delegate to the Executive Directors (Finance and Corporate Services) and (Enterprise and Environment) to complete the negotiations with the UK Government on the terms of the Investment Plan to enter into the Legal Agreement to secure the funding.

Resource Implications

Financial - the grant is for mainly revenue expenditure which is additional to that which is already or would otherwise be allocated to the 2022/23 budget and must not be used as substitute for existing allocated spend or be transferred to Fife Council's Revenue or Capital Funds.

The funding allocation is conditional on agreement of the Investment Plan. To meet the challenging investment deadline of 31st March 2023, it is proposed that officers begin delivery at risk from 31st August. Agreement of the Investment plan and payment of the funding to the Council is anticipated in October 2022. The risk that the Investment Plan is not agreed is very low.

It is anticipated that through the proposed UKSPF Investment Plan there will be elements of spend to save, increasing resilience to Climate Change, improving both urban fabric and infrastructure, therefore preventing damage to property and lives and reducing ongoing maintenance costs.

It is imperative that revenue consequences for projects delivered using this funding are manageable and/or mitigated against.

Human – it is forecast that 12 FTEs are required to deliver the UKSPF Interventions in 2022/23. These will be allocated from the Council, from partners and subcontractors, from existing resources. The requirement will increase in future years of the UKSPF Investment Plan. More information on the implications will be included in the revised Investment Plan for 2023/24 and 2024/25.

Legal & Risk Implications

It is expected that project work will be completed and/or contracts signed, legally committed to and/or commenced within financial year 2022/23. Any unused portion of the grant, if not re-profiled by the local authority to other eligible projects, which meet the conditions and ambitions of the fund, will be repayable to the UK Government.

The funding allocation is conditional on agreement of the Investment Plan. To meet the challenging investment deadline of 31st March, it is proposed that officers begin delivery at risk from 31st August. Agreement of the Investment plan and payment of the funding to the Council is anticipated in October 2022. The risk that the Investment Plan is not agreed is very low.

The UKSPF is mainly revenue but also a minimum amount of capital. This is a minimum of 10.4% in Year 1, 12.5% in Year 2 and 17.9% in Year 3. It can be used to finance local authority capital investment for projects in places, that meet the needs and aspirations of communities. The Grant may also be used to fund, subject to stringent conditions, third party capital expenditure, either directly or through the provision of grants to third parties (public sector bodies, private sector, third sector bodies or individuals) which would, if incurred by the local authority, be considered as capital expenditure.

The expectation that any UKSPF grants would be awarded through competitive processes or commissioning. All financial assistance must comply with the requirements of the Statutory Guidance on the United Kingdom Subsidy Control Regime. All Minimal Financial Assistance (MFA) must follow the statutory assessment requirements. Any Financial Assistance must meet the four Limb tests, be exempt or be in the public interest. An initial assessment by Intervention to be delivered in 2022/23 is included in the UKSPF Investment Plan.

The terms of the Legal Agreement with the UK Government and their monitoring and reporting requirements will not be known until later in 2022.

Impact Assessment

An EqIA and summary form has been completed for the Interventions to be delivered in 2022/23 and included in the UKSPF Investment Plan. A Fife Environmental Impact Assessment will be considered as part of the development of relevant individual projects.

The Fairer Scotland Duty, which came into force on 1 April 2018, requires the Council to consider how it can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions. Both the Plan for Fife and Fife's UKSPF Investment Plan align with this Duty in their commitment to working towards achieving Inclusive Growth and Jobs and Thriving places.

Consultation

The Head of Legal and Democratic Services and the Head of Finance have been consulted during the preparation of this report.

Extensive consultation has taken place across Council Services, with Community Managers and with partners to develop the UKSPF Investment Plan and prioritise the Interventions for 2022/23.

1.0 Background

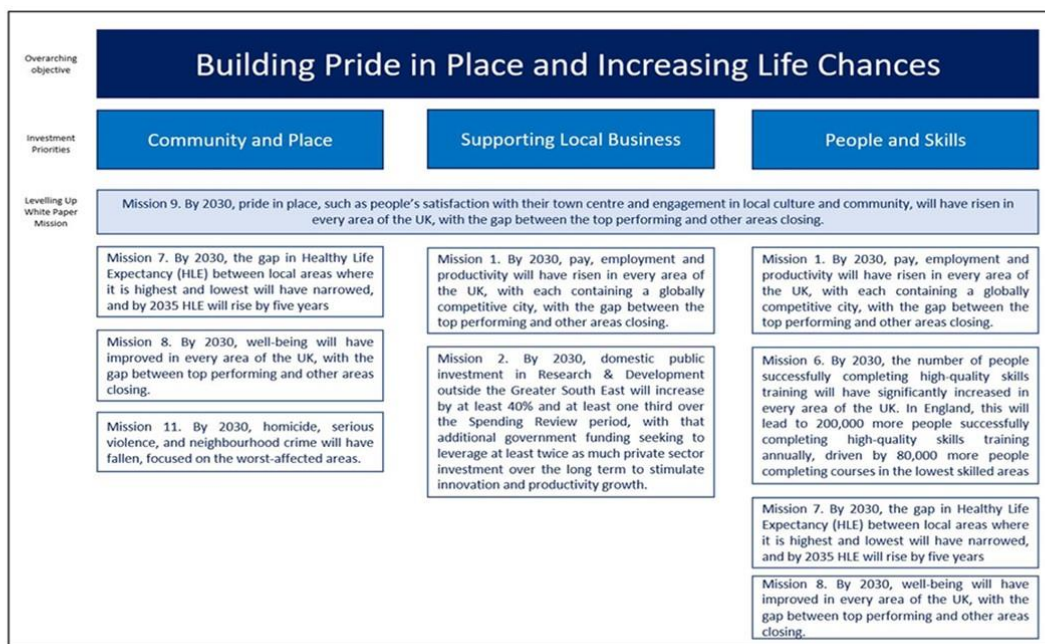
- 1.1 The UK Shared Prosperity Fund (UKSPF) prospectus was published on 13 April 2022 alongside details of the three-year funding allocations. Fife has a conditional allocation of £13.4 million. Fife Council, as lead authority, had to submit an Investment Plan by 1st August 2022. This is predominantly a revenue grant scheme, with an element of capital funding. This starts at a minimum 90:10 revenue to capital split in 2022/3, increasing to 80:20 by 2024/25. The Multiply Funding is ringfenced for numeracy interventions. The funding allocation is as follows:

Funding Allocation	2022-23	2023-24	2024-25	Total
UKSPF Allocation excluding Multiply	£1,348,174	£2,696,348	£7,064,433	£11,108,955
Multiply Allocation	£701,051	£808,904	£808,904	£2,318,859
Total UKSPF Allocation	£2,049,225	£3,505,252	£7,873,337	£13,427,814

- 1.2 The UKSPF is designed to succeed and improve on EU structural Funding. However, it is not a direct replacement because it focuses on UK priorities and is intended to give local areas greater say in investments, with direct accountability to elected local leaders. As a delegated fund, places identify and build on local strengths and needs, focusing on building pride in place through three investment priorities. Local Authorities are expected to demonstrate that they have actively reached out to local MPs, to provide advice on the Investment plan and ongoing involvement in a local partnership group. The Investment Plan needs to

demonstrate ongoing local consensus for the plan through a local partnership group. The Fife Partnership includes the partners expected by the UK Government to meet the local partnership requirements. Local strength and needs are set out in the Plan4Fife 2017-27, and its Recovery and Renewal Plans approved in 2021. These were developed after extensive consultation, including by the Fairer Fife Commission. The theme “Inclusive Growth & Jobs” is mostly closely aligned to the levelling up missions.

- 1.3 There are some key differences between the EU funds that Fife historically received and the UKSPF. The UKSPF is a 3-year programme (EU 7 years), based on allocated funds. Investment is restricted to a menu of interventions but flexible to respond to local needs. No match funding is needed. The UKSPF is allocated to individual local authorities, but they are also encouraged to work regionally. Revenue and Capital spend is brought together into one fund, but the main capital funding to level up is through the competitive Levelling Up fund. Five bids have been submitted by Fife Council for that Fund.
- 1.4 The overarching aim of UKSPF is “building pride in place and increasing life chances” through three core investment priorities: communities and place, supporting local business and people and skills. It is a central pillar of the UK Government’s Levelling Up agenda and is a significant component to achieving the Levelling Up Missions, as set out in the illustration below:



- 1.5 To access UKSPF funding, an investment plan must be submitted by Fife Council, as the lead local authority, to the UK Government for its approval. This needs to set out how the UKSPF will be delivered and what local priorities it will support. This includes identifying local opportunities and challenges, which will inform the selection of measurable outcomes and interventions under each investment priority. Interventions can be chosen from a menu of 50 different options. Bespoke local interventions may also be identified where a clear theory of change is provided to support this. The Investment Plan must be developed and managed collaboratively with local and national partners. These are the same one that are partners in the Fife Partnership Board and the delivery of the Plan4Fife. Additionally, the UK Government and MPs must become part of the governance processes.

- 1.6 The Investment Plan requires the funding allocation to be broken down against the interventions which most closely meet the challenges and opportunities of Fife. During 2021, the Council and the Fife Partnership reviewed the Plan4Fife and agreed Recovery and Renewal Priorities for Fife. These are a strong fit with the UK Shared Prosperity objectives and missions. Due to the Local Government Elections, there were no Committees during the development period, so these priorities have formed the basis of the UKSPF Investment Plan. The Investment Plan also required evidence on current performance against these priorities. The indicators that report on the Plan4Fife and to develop the Local Community Plans for each Area have been used to produce the challenges facing Fife.
- 1.7 Sitting along this evidence base, a set of principles has also been identified to inform the prioritisation of activity areas. These principles are:
- **Ensuring Flexibility** – the list of the 50 UKSPF Interventions for Scotland cover a wide spectrum of potential activities; some have a broad focus while others are narrower and are limited to a single activity. Interventions have therefore been identified to allow of a broader set of activities to come forward to ensure maximum flexibility is built into the programme from the start. This will enable UKSPF to adapt to changing circumstances and flex to meet new needs. An example of this is support for social enterprise, there is a specific intervention focused solely on delivering this activity, however, delivery of this is also possible under an intervention that provides for much broader business support activity, which tactically has been proposed to be selected instead, still allowing for social enterprise provision to come forward but not restricting an amount of funding just for this. There is a risk that larger numbers of smaller interventions would also result in more money being spent on individual project management and less on front line delivery, and so prudent programme management is to select a few, wide ranging interventions that permit flexibility. This flexibility will also apply during delivery where demand for intervention activities is lower than forecast.
 - **Maximising Synergies** – there is a broad set of interventions that can be supported by UKSPF, much broader than the EU funding it replaces. There are also significant linkages between the different priorities and interventions, to ensure we make the utmost use of limited resources we will ensure judicious commissioning of activity to maximise synergies, ensuring projects brought forward deliver multiple impacts and outcomes.
 - **Addressing funding gaps** – ensure it will fund programmes that complement, provide added value, and do not duplicate other activity. UKSPF should be focused on where there are clear gaps in funding availability and in the provision of activity. For example, to supplement No One Left Behind funding for People & Skills Investment Priority.
 - **De-risking annualised funding** - the UK Government has made it clear that the annual allocation of grant needs to be spent in year otherwise it will have to be given up and lost to the area. The allocation for this financial year (2022/23) is £2,049,225, this includes a minimum capital spend of 10.4%. To ensure this is committed and defrayed before the end of March 2023, work has been undertaken to identify activities that can start and spend this year, without prejudicing the allocation and take-up of UKSPF in future years.

- **Net Zero** – regardless of whether they are focused on specific low carbon interventions or adaptation to Climate Change, such as increasing green skills, business energy efficiency measures or increasing community resilience, all activities are expected to contribute towards net zero targets and reduction in CO2 emissions.
- 1.8 A golden thread through the UKSPF Investment Plan for Fife is a focus on achieving Inclusive Growth and Jobs in the local economy that should benefit everyone and shouldn't pass people and places by. This is the Fairness Theme in the Plan4Fife that most closely matches the Investment Priorities for the UKSPF. The UKSPF Investment will therefore focus on improving investment, growth and participation by businesses, people, and communities, particularly in the Mid-Fife area, with activity under all Investment Priorities and Interventions contributing to this.
- 1.9 COSLA and Scottish Government reviewed the menu of interventions for Scotland during the development of the UKSPF. This was to ensure that the local Investment Plans align with and support delivery of the National Strategy for Economic Transformation (NSET), published in March 2022. Work is underway to develop delivery plans for its priorities. These are likely to be available in the autumn of 2022. There is no new funding to deliver the National Strategy for Economic Transformation, rather existing funding will be reprioritised and realigned to enable its delivery. To transform the way in which the Government (Local and Central) and business listen to, support and work with each other.
- 1.10 Fife Council has also committed to deliver a Regional Economic Strategy for Tay Cities Region and a Regional Prosperity Framework for Edinburgh & South East of Scotland City Region. In Scotland, the UK Government aims to support delivery through Regional Economic Partnerships where this is the preference of local areas. These regional geographies build on the successful City and Regional Growth Deal partnerships.
- 1.11 The Guidance for the UKSP Funding includes a menu of outputs and outcomes, high level requirements for reporting by intervention, place (including UK Parliamentary Constituency) and engagement with Fife's MPs and UK Government Civil Servants. The detail on the monitoring and evaluation requirements is not yet available.

2.0 Evidence Base and Opportunities

- 2.1 The evidence base was developed using existing Local Government Performance measures used to report on the Plan4Fife, where available and relevant to the UKSPF aims and missions. SLAED (Scottish Local Authority Economic Development) indicators supplemented these. A profile was produced for each of Fife's four UK Parliamentary Constituencies as a baseline for the UKSPF Investment Plan. The draft Strategic Assessments for each Area Committee provided evidence on Community perceptions of where improvement is needed using the National Place Standard and the People's Panel in 2022. Assessments for each Area Committee using the Scottish Index of Multiple Deprivation (SIMD) 2020 also provided evidence on employment and Income deprivation. The evidence reinforced the ambitions from the Plan4Fife. The Area evidence was produced to assist with the development of Local Community Plans later in 2022.

2.2 The following is a summary of the evidence base, identifying key challenges and emerging priority areas of focus for UKSPF, set out under the Fund's three investment priorities in the Investment Plan.

Investment Priority	Challenges	Opportunities
Communities & Place	<p>Accelerate the reduction in CO2 emissions.</p> <p>Increase Community Empowerment.</p> <p>The impact of Covid restrictions on Tourism and the Visitor Economy.</p> <p>The impact of Covid restrictions on Town Centres</p>	<p>To lower Fife's carbon emissions in line with national targets (75% by 2030 from 1990 baseline).</p> <p>Increase community capacity to tackle climate change</p> <p>Greater resilience to climate change.</p> <p>Fife's communities and individuals are more involved in local decision making and helping to plan and deliver local services.</p> <p>Greater number of social enterprises</p> <p>Increased local procurement by Fife's Anchor Institutions</p> <p>Fife has year on year increases in visitor numbers and tourism spend.</p> <p>Revived and repurposed town centres. Fife's main town centres stand out as attractive places to live, work and visit.</p> <p>Our public services are more joined up and acting 'one step sooner'</p> <p>Fife's communities and individuals are more involved in local decision making and helping to plan and deliver local services.</p>
Supporting Local Businesses	<p>To reduce CO2 emissions area wide per capita, particularly for the industrial/commercial sectors that accounted for 47% of total emissions for Fife in 2019.</p> <p>Low business birth rate, low business density, poor productivity, especially in Mid Fife.</p>	<p>To lower Fife's levels of carbon emissions in line with national targets (75% by 2030 from 1990 baseline).</p> <p>Increased community capacity to tackle climate change</p> <p>Greater resilience to climate change.</p> <p>Economic activity and employment in mid-Fife are catching up with the rest of Fife and Scotland.</p>

Investment Priority	Challenges	Opportunities
	<p>Weak levels of investment in innovation (all businesses, including tourism sector and within Town Centres)</p>	<p>Economic activity and employment in Fife are improving faster than in the rest of Scotland.</p> <p>Business numbers recovered to pre-pandemic levels.</p> <p>Required strategic investment achieved.</p> <p>Greater number of social enterprises.</p> <p>Year on year increases in visitor numbers and tourism spend.</p> <p>Revived and repurposed town centres.</p>
<p>People & Skills</p>	<p>Ensuring the transition to net zero is Just and Fair.</p> <p>High levels of Economic Inactivity, number of claimants of out of work benefits.</p> <p>Participation rates for Young People 16-24.</p> <p>Hard to fill vacancies and skills shortages.</p> <p>Numeracy levels</p>	<p>To lower Fife's levels of carbon emissions in line with national targets (75% by 2030 from 1990 baseline).</p> <p>Greater resilience to climate change.</p> <p>Economic activity and employment in mid-Fife are catching up with the rest of Fife and Scotland. This includes participation by 16-24 year olds.</p> <p>Economic activity and employment in Fife are improving faster than in the rest of Scotland.</p> <p>Fife has lower levels of poverty in line with national targets.</p> <p>Increased recruitment from under-represented and deprived communities</p> <p>Maximise incomes and reduce cost barriers to participation</p> <p>More Fife employers paying the living wage</p> <p>Greater number of social enterprises.</p> <p>Our public services are more joined up and acting 'one step sooner'</p>

Investment Priority	Challenges	Opportunities
		Fife's communities and individuals are more involved in local decision making and helping to plan and deliver local services.

3.0 Investment Priorities and Interventions

- 3.1 A UKSPF Investment Plan was produced by officers using the Drafting Template (Version 2) published by the UK Government in May 2022. The Investment Plan summarises the information that Fife Council submitted through the UKSPF application portal. The Portal closed to investment plan submissions on 1st August 2022. Only local authorities can submit an Investment Plan. The audience for this UKSPF Investment Plan is internal and external. It is a document that can be shared with officers and elected members, partner organisations and national agencies, to communicate the contents of the Fife Investment plan to them.
- 3.2 There are three investment priorities for the UKSPF set out by the UK Government.
- The Communities and Place investment priority will enable places to invest to restore their community spaces and relationships and create the foundations for economic development at the neighbourhood-level. The intention of this is to strengthen the social fabric of communities, building pride in place.
 - The Supporting Local Business investment priority will enable local areas to fund interventions that support local businesses to thrive, innovate and grow.
 - Through the People and Skills investment priority, places can use the UKSPF funding to help reduce the barriers economically inactive people face to employment and support them to move towards employment and education. Places can also target funding into skills for local areas to support employment and local growth.
 - Multiply is part of the People and Skills investment priority. However, the funding allocation is ringfenced for this priority. The overall objective of Multiply is to increase the levels of functional numeracy in the adult population across the UK, including more adults achieving maths qualifications or participating in numeracy courses. It aims to improve labour market outcomes, for example, fewer numeracy skills gaps reported by employers, and an increase in the proportion of adults that progress into employment and/or education, and increased adult numeracy across the population.
 - The Council intends to allocate up to 4% of the UKSPF allocation for administration costs. This is the maximum permitted.

3.3 Given the issues identified, the spend profile that must be achieved and the ability of projects to deliver, the following broad list of interventions are being considered for inclusion within the Investment Plan to respond to known issues and to have impact across Fife’s communities. These interventions are both capital and revenue in nature as well as representing combinations of grant schemes, specific interventions, and programmes of activity. It should also be noted that some activities will fit under more than one theme. The table below provides an indication of interventions being considered so far:

Investment Priority	Indicative Interventions
Communities and Place	Public and active travel network improvements. Develop and deliver Natural capital improvements. Strengthen Climate Resilience for communities and their assets Develop the visitor economy Town Centre improvement and animation Increase volunteering in Communities
Supporting Local Business	Business support offer, specialist advice, for start-ups and existing businesses Business grant scheme for improvements Green grant scheme Innovation support (advice and grants) for businesses Funding support to Town Centre and Tourism businesses to innovate
People and Skills	Volunteering to encourage participation Adult skills and specialist employability support Young people’s offer Numeracy programme

3.4 The Project Selection Process for 2022/23. Once the UKSPF Prospectus was published by the UK Government, the Community Managers, Community Investment, Community Learning & Development teams, officers in Business & Employability Services, Climate Change and Partnerships, Sustainable Transport & Parking and Opportunities Fife Partners were asked to submit bids for relevant activities by Intervention. This was focused on activities that could be delivered in 2022/23 but also the bigger picture for future years. For both 2022/23 and future years, bids vastly exceeded the allocation.

- 3.5 The approach was to allocate the UKSPF to each Investment Priority based on the historical investment levels for EU Funding for similar activities in a “typical “year. This meant up to 50% for People & Skills, up to 29% for Supporting Local Businesses and at least 21% for Communities and Place. Supporting Local Business is still able to invest EU Funding during 2022/23 so all the bids did not require the full allocation. Any surplus has been allocated to the Communities & Place priority to reflect the overarching objective. The same proportions were used to deduct a proportion of the administration costs from each Theme including Multiply. Appendix 1 summarises the UK Shared Prosperity Investment Plan 2022/23 activities and allocations.
- 3.6 For the People and Skills Investment Priority all the investment undertaken by the partners in Opportunities Fife is determined using a commissioning approach. The commissioning will adopt the Framework for No One Left Behind activities 2022-2025 approved by Fife Council in March 2022 to ensure alignment and additionality with Scottish Government funding.
- 3.7 For Supporting Local Businesses, the delivery of the interventions will be through Business Gateway Fife or directly by Fife Council. Awards of grant to individual beneficiaries will be by competition. Award criteria will align with and be additional to other funding for the intervention. The Scottish Government, national agencies and local authorities are undertaking a review of the delivery of economic development activities to implement the National Strategy for Economic Transformation (NSET) during 2022/23. This is expected to result in a realignment of existing funding to deliver the NSET priorities.
- 3.8 For the Communities and Place Investment Priority, much of the early activity is feasibility and development work linked to delivery of a Just Transition to net zero, resilience to Climate Change and to reduce CO2 emissions. The outputs from this work will include design of an approach for the selection of implementation projects. Projects to regenerate Fife’s town centres, the tourism sector or to support community organisations will be awarded by competition.
- 3.9 The Plan4Fife 2021-24 sets out how Fife’s community planning partners aim to work with Fife’s communities to build back better and renew public services. To do this, the partners intend change the way they work and deliver their services. The partners have agreed Four Principles for Public Service Renewal that will also be used to prioritise projects and award funding. This includes working as a team around people and place that will drive funding priorities within the Investment Priorities.
- 3.10 It is recommended that the allocation of UKSPF between Investment Priorities (excluding Multiply) is amended in Years 2 and 3 based on the requirement for increased investment in Communities & Place and Supporting Local Businesses to implement the Council’s Climate Emergency Action plan and Climate Resilience Recovery and Renewal Plan. It is also recommended that the Opportunities Fife Partnership continues to use the No One Left Behind Commissioning Framework 2022-2025 to prioritise funding between client groups, climate resilience skills and to improve value for money. The following table illustrates the impact of this recommendation:

Theme	2022/23		2023/24		2024/25		Total	
	%	Value	%	Value	%	Value	%	Value
Communities & Place	34%	£457,754	25%	£674,087	33%	£2,331,263	31%	£3,463,104
Supporting Local Businesses	16%	£216,331	25%	£674,087	33%	£2,331,263	29%	£3,221,682
People & Skills	50%	£674,087	50%	£1,348,174	34%	£2,401,907	40%	£4,424,168
Total	100%	£1,348,174	100%	£2,696,348	100%	£7,064,433	100%	£11,108,955

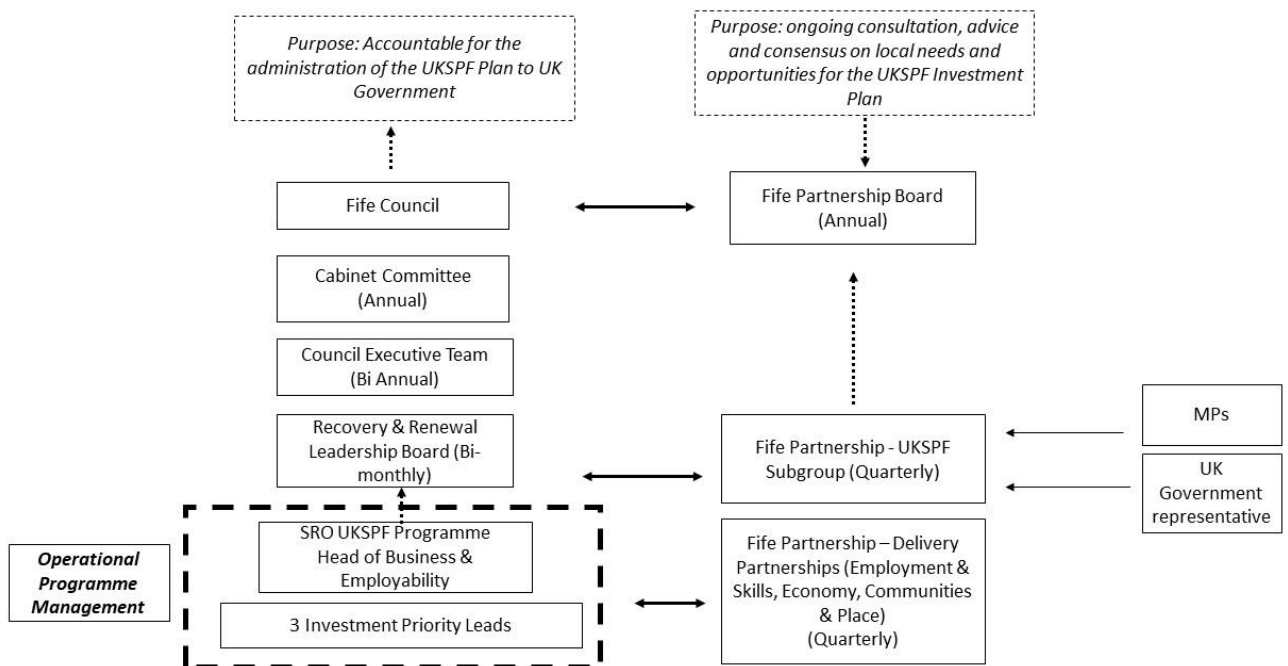
3.11 There is a change control process required by the UK Government. The Council will be able to change the budget between interventions in each Investment Priority without any UK Government consent. However, to move budget between the Investment Priorities, changes are capped to 30% or £5m, whichever is the greater, during the term of the Investment Plan. There is also change control for the outputs (to reduce them) – up to 20% for the total outputs for the overall Investment Plan and up to 40% for each intervention.

4.0 Governance and Engagement

- 4.1 The delivery and governance for Fife's UKSPF Investment Plan will align with the approach for delivery of the Plan4Fife and its Recovery & Renewable Plans 2021 - 24. Leadership and oversight roles and responsibilities will extend to include consultation and advice on the Investment Priorities within the UKPSF Investment Plan.
- 4.2 Fife Council is the lead local authority accountable for the design and delivery of the UKSPF Investment Plan. This will comply with the Governance arrangements agreed by the Council in May 2022. It falls within the functions of the Cabinet Committee.
- 4.3 However the UK Government expects that Fife's MPs will provide advice on the UKSPF Investment Plan, both in its design and ongoing delivery through regular reviews. The investment plan needs to demonstrate local consensus for the plan through a local partnership group. If it does not, the UK Government reserve the right to defer sign off until broad consensus is secured. Access to local insight and expertise is considered essential to respond with the right solutions. The local partnership will form an essential part of monitoring and reporting over the duration of the UKSPF Investment Plan.

- 4.4 The Recovery and Renewal Leadership Group will be the Partnership group with overall responsibility and accountability for the UKSPF Investment plan. The Recovery and Renewal Leadership Group’s members are appointed from other partnerships to represent all ambitions and outcomes. It is accountable to the Fife Partnership Board. A sub-group of the Fife Partnership will be consulted for advice. All of Fife’s MPs and UK Government representatives will be invited to be part of Fife Partnership Subgroup to comply with the UKSPF requirements. The Scottish Government is already engaged in the Plan4Fife and the Fife Partnership.
- 4.5 An operational management group, managed by the Senior Responsible Owner for the UKSPF Investment Plan, the Head of Business & Employability services, including Leads for the Investment Priorities and the UKSPF programme manager will be responsible for the operational management. Communities of Practice for each Priority will co-ordinate activity across organisational boundaries, to realise outputs/outcomes by intervention.
- 4.6 Delivery Partnerships of the Fife Partnership, tasked with delivering relevant elements of the Plan4Fife 2017-2027, will be consulted and provide advice on delivery of the UKSPF Investment Plan. These include employment (The Opportunities Fife Partnership), economy (Fife Economy Partnership) and Communities & Place (a subgroup of the Renewal & Recovery Leadership Group).
- 4.7 The proposed governance arrangements are set out in the illustration below:

Governance Structure for UK Shared Prosperity Fund, Fife



- 4.8 UK Government require that lead local authorities work with a diverse range of local and regional stakeholders, civil society organisations, employer bodies responsible for identifying local skills plans and businesses or business representative groups to achieve Fund outcomes in their areas. Local partners should support lead local authorities for each place to develop an investment plan. The Plan4Fife is developed in this way. Once plans are approved, partners should be asked to provide advice on strategic fit and deliverability – taking care to avoid conflicts of

interest. This will ensure that UKSPF investments complement other activities in the area and meets UKSPF and local objectives. The structure outlined in paragraph 4.5 is intended to meet these requirements.

- 4.9 The existing regional governance structures established as part of the City Region Deal processes for Edinburgh and South East of Scotland and Tay Cities regions will oversee regional collaboration interventions within Fife’s UKPSF Investment plan. These include Joint Committees and Management Boards.

5.0 Next Steps and Programme Delivery

- 5.1 The UK Government has suggested that the first Investment Plans will be approved from October 2022. It will be a tight timescale to deliver this year’s allocation of funding and ensure the grant is fully maximised before the end of March 2023, therefore it is proposed to start delivering activities from 1st September 2022. This will be through a range of mechanisms, including grant calls, commissioning, and procurement, depending on the most suitable route for the activity.
- 5.2 There will be two priorities: to ensure the grant is fully maximised before the end of March 2023 and to develop the investment priorities for 2023/24 and 2024/25 to take into account the National Strategy for Economic Transformation delivery priorities and the Local Community Plan priorities. Indicative key communication and engagement activities include:

Date	Activities
2022	
September	Mobilise delivery teams, begin commissioning, and procurement of UKSPF activities for 2022/23.
October	Approval of UKSPF Investment Plan, agree Legal Agreement for funding with UK Government. Payment of Grant for 2022/23.
November / December	Review proposals for 2023/24 and 2024/25, with the National Strategy for Economic Transformation delivery priorities and the Local Community Plan priorities.
2023	
January	Endorsement of any changes to the Investment Plan by the Recovery and Renewal Leadership Group
February	Cabinet Committee approval of changes. Fife Partnership – UK SPF Subgroup approval
May	Six monthly reporting expenditure, outputs/outcomes, and milestones (by intervention, by place including UK Parliamentary Constituencies) to UK Government
July	Confirmation from Department Levelling Up, Housing & Communities (DLUHC) to changes to the Investment Plan. Annual payment of grant for 2023/24.

6.0 Conclusions

- 6.1 The UKSPF prospectus launch, and confirmation of local allocations provided an opportunity to develop an Investment Plan which best delivers against the Plan4Fife Recovery and Renewal ambitions and opportunities, including addressing the Fairness ambition of Inclusive Growth and Jobs.
- 6.2 A robust evidence base and opportunity assessment has identified the preferred interventions and outcomes, this has been developed in a collaborative process, engaging with a broad range of stakeholders during election restrictions and recess.
- 6.3 Next steps are for the UK Government to endorse the Investment plan for 2022/23, to ensure the grant is fully maximised before the end of March 2023 and to review the investment priorities for 2023/24 and 2024/25 to take into account the National Strategy for Economic Transformation delivery priorities and the Local Community Plan priorities that will emerge in Autumn 2022.

List of Appendices

1. UK Shared Prosperity investment Plan 2022/23 activities

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

- Policy & Co-ordination Committee, March 2022, No One Left Behind 2022-23 Commissioning Framework
- Fife Partnership Board, August 2021, Plan For Fife Update: A Plan For Recovery And Renewal
- Policy & Co-ordination Committee, June 2021, Plan for Fife – A Plan for Renewal.
- Economy, Tourism, Strategic Planning & Transportation, June 2021, Mid Fife Economic Prospectus and Action plan.
- UKSPF Investment Plan for Fife (issued separately)

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Appendix 1: UK Shared Prosperity investment Plan 2022/23 activities

Summary

Communities & Place	£457,754
Supporting Local Businesses	£216,331
Supporting People & Skills	£674,087
Total	£1,348,172
Multiply	£ 701,053
Total Allocation	£2,049,225

Intervention No	Description	Value	Lead Service
Communities & Place			
S1	Town Centres development activities	£226,535	Business & Employability/ Communities
S8	Volunteering support (extend CRF project)	£25,000	Communities
S2	Climate Place roll out - Climate Literacy training	£10,000	Climate Change & Partnerships, Planning
S11	Feasibility Studies – Levenmouth area bus network; Natural Capital; Promotion of visitor economy post-covid	£145,000	Roads & Transportation, Climate Change & Partnerships, Business & Employability
S11	Contributions to Regional Feasibility Studies	£32,500	Climate Change & Partnerships, Planning, Business & Employability
Administration costs		£18,719	
Communities & Place Total		£457,754	
Supporting Local Businesses			
S15	SME Development Grants	£25,000	Business & Employability
S19	Start-up Grants and Contracted Advisory Support	£60,000	Business & Employability
S22	Social Economy	£3,000	Business & Employability
S27	Feasibility Studies (Council's land & property assets, Employment Land Strategy)	£120,000	Business & Employability
Administration costs		£8,331	
Supporting Local Businesses Total		£216,331	
People & Skills			
S31/36	Adult/specialist provision	£130,000	Opportunities Fife Partnership
S33	Volunteering & Enrichment	£140,000	Opportunities Fife Partnership
S39	Young person's offer	£367,037	Opportunities Fife Partnership
S36	Contribution to Regional Project (Green Skills)	£10,000	Business & Employability
Administration costs		£27,050	
Supporting People & Skills Total		£674,087	
Multiply		£673,184	
Administration costs		£ 27,869	
Multiply total		£701,053	Communities
Total		£2,049,225	

Capital Investment in 2022/23

- Town Centre Development £141,210
- Minimum required is £140,210

Levelling Up Fund Update

Report by: Ken Gourlay, Executive Director (Enterprise and Environment)

Wards Affected: All.

Purpose

The purpose of this report is to provide members of the Cabinet Committee with an update on the bids made to the UK Levelling Up Fund on 2nd August 2022.

Recommendation(s)

It is recommended that Committee:-

- (1) notes the Bids submitted to the competitive UK Levelling Up Fund for a Fife transport bid and four Constituency bids on 2nd August 2022;
- (2) endorse the changes to the Bid for the North East Fife Constituency where the Park and Ride at Tay Bridge was substituted and to the Bid for Glenrothes and Central Fife where the two path projects were combined into a single submission; and
- (3) delegate to the Executive Director (Finance and Corporate Services) and the Executive Director (Enterprise and Environment) to complete the Legal Agreements with the UK Government in the event any of the Bids are successful.

Resource Implications

The Bids were developed with a cross-Council officers' group supported by external consultants, based on indicative designs and costs for the projects. There was £364k funding awarded by the UK Government and Fife Council for this activity. Costs to date are £149k, leaving £225k available for external consultants' costs and design costs in 2022/23.

For most projects (with the exception of the Transport Bid), the funding required for detailed designs, costs and Statutory consents are part of the Levelling Up bids. The Transport projects are now undertaking the detailed design activities, funded by Fife Council. The Bids also include the costs for project managers where they can be capitalised.

The requirement for match funding from the Council's Capital Plan has been assessed for each individual project in the Bids. These are existing allocations in the Capital Plan. Any projects exceeding £5m would require ISG and Cabinet Committee approval to commit this funding.

There are several community-led projects that are part of the Constituency Bids. The project owner is responsible for securing its matched funding. The Council is not under any requirement to fund any shortfall that may arise as a result of inflation in construction costs for these projects. Inflation of 15% and Contingency of 5% have been included in each Bid. In the event inflation exceeds these, value engineering will have to take place to reduce the scope of what can be delivered.

One project includes non-recoverable VAT as part of its project costs. The others are able to reclaim the VAT.

Legal & Risk Implications

Only local authorities are eligible to apply for Levelling Up funding. However, several community-led projects are part of the Constituency Bids. If successful, the Council will act as “accountable body” for these projects. The Council will submit grant claims and reports on behalf of the project owner. A back-to-back legal agreement will be required to pass on the grant conditions to the project owner, so that the Council’s risk is minimised.

All the grant funding must comply with the Statutory Guidance on the United Kingdom Subsidy Control Regime Subsidy Control Act 2022. Financial assistance will be considered a subsidy where it satisfies all four of the ‘limbs’ of the test set out in the Guidance. Public realm/transport improvements are exempt. Financial assistance for economic activities such as the development of business property may be compliant if it delivers public policy objectives. Initial assessments have been carried out as part of the Bid process, but the guidance will continue to apply during delivery and use of the asset, such as the requirement for competitive procurement of contractors or operators. The Council will be responsible for compliance with the Guidance as part of its Accountable Body role for all projects.

All financial risks lie with the project owner. If costs increase or a project fails to draw down the grant by the end of the funding period (March 2025), there will be no additional Levelling Up grant available. Given the Council’s budget constraints, the Council will not be able to close any funding gap for the projects. Rigorous project management processes will be used to ensure that these risks are managed throughout each project.

Delegated authority to submit the Bids was secured from Policy & Co-ordination Committee in November 2021. The second round closed for applications on 2nd August 2022, so five Bids were submitted in line with that approval.

The process is competitive, with the highest scoring bids being awarded funding, subject to final Ministerial decision. The UK Government has allocated a proportion of the overall funding to Scotland and also seeks to spread the investment across the investment themes. The decision for round one was made as part of the Autumn Statement in 2021, a similar timescale is anticipated for round two. Any delay in the decision, means shorter delivery timescales. There must be some draw down of grant in 2022/23.

There is also risk attached to the requirement for “shovel-ready” projects. This generally means to have detailed designs and all Statutory consents in place, so they are ready to start construction once the grant decision is made. This can take 6/8 months and requires around £150,000 - £300,000 of investment depending on the scale of the project. Given the number of projects, the Council cannot justify this speculative investment for all of these until the outcome of the funding application is known. The delivery period is therefore reduced by this time.

Impact Assessment

The projects at various stages of development and do not represent any change to Council policies or processes. A preliminary Equalities Impact Assessment has been carried out as part of the Bid process. This is a continuous process as they complete their design, deliver the construction works and move into operations. Projects must also demonstrate their carbon assessment and management as part of this process. All activities will comply with all Equal Opportunities/Fairer Scotland Duty policies and obligations.

Consultation

The cross-Council project group includes Roads & Transportation, Business & Employability, Communities and Neighbourhoods and Finance. Several projects have been developed from community consultation exercises carried out over recent years such as charettes. Consultation has taken place with Fife's MPs and during 2021 with elected members.

1.0 Background

- 1.1 The UK Levelling Up Fund (UKLUF) was announced in March 2021 as part of the UK Government's Budget process and Levelling Up agenda. It was one of the new UK wide funds launched using the powers conferred to the UK Government through Sections 50 and 51 of the UK Internal Market Act 2020.
- 1.2 It is a £4.8 billion capital fund (with a minimum of £800m allocated to the devolved nations) which will support investment projects with up to £20 million of funding. The fund will run until March 2025. Bids should have local MP support and decisions on successful bids will be made by the UK Government. The fund is highly competitive and there is no guarantee of funding for the bids and their projects. Package bids can be submitted for up to three projects; however, the weakest project determines the success of the overall bid.
- 1.3 The funding focuses on three investment themes:
 - smaller transport projects that make a genuine difference to local areas (or larger transport schemes such as road network investments);
 - town centre and high street regeneration; and
 - support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets.
- 1.4 Bids in Scotland can only be submitted by a local authority, with the number of bids being dependent on the number of MPs in each area. An additional bid can be submitted for a transport bid. Fife can therefore submit up to five applications. Bids and constituent projects should have the support of local stakeholders and partners. The Fife MPs have formally supported the bids.

- 1.5 There is a system of geographical prioritisation whereby the UK Government has devised an index that puts each local authority into one of three categories of need. The indicators used relate to economic recovery and growth; improved transport connectivity; and regeneration. Fife has been placed in the second priority category so its bids must be highly competitive. The White Paper on the Levelling Agenda was published in January 2022 and the Bids have been aligned with its missions.
- 1.6 The criteria for round two was not significantly changed from round one. Submission was by an online Portal. Copies of the submissions are available from the author of this report if requested. Any successful bids must be made public on the Council's website. Civil Servants indicated that there was no guarantee of a round three. If there was, with bids in July 2023, there would be a very short timescale for delivery of the projects by March 2025. Therefore, round two is expected to be substantially oversubscribed and extremely competitive.
- 1.7 In terms of Transport, the bid is focused on assets controlled by the Council and linked to agreed transport priorities. This package of asks is linked to the strategic priorities in the Plan4Fife 2017-2027, and its Recovery and Renewal plans 2021-2024.
- 1.8 In terms of the Town Centre Recovery projects, these are focused on building on existing community engagement and action plans, previous regeneration investments and expanding this to tackle prominent derelict buildings and looking to repurpose them for different Town Centre uses. The projects aim to recover footfall and visitor numbers.
- 1.9 In terms of Cultural regeneration, there is a focus on Community-owned projects. This means the Council acts as "accountable body" for the funding and the Community group as the project owner and deliverer. These could be higher risk to the Council so groups with a proven track record in delivery, with existing feasibility studies and business plans have been the priority.

2.0 Issues and Options

- 2.1 Waiting for round two to open has given officers more time to develop high quality bids that have a greater chance of being successful. However, this call is more competitive as a round three is not guaranteed. An additional risk is that the bids have been based on concept designs and indicative costs rather than fully design and consented projects due to the costs of undertaking this activity.
- 2.2 As reported to Committee in November 2021, in developing the project ideas, officers have had to take cognisance of the funding criteria and the deliverability due to the tight timescale of the UK Levelling Up Fund. Only structural interventions linked to economic priorities are considered a legitimate ask. Officers have also taken into consideration the linkages with the Plan4Fife, Fife's Economic Strategy, Local Development Plan, Local Community Plans and Town Centre Action plans. The Strategic Assessments for each Area have informed the challenges for each Constituency, as the basis for the "Case for Change".
- 2.3 The proposed projects have been based on agreed priorities with local communities developed over several years through community visioning exercises and are able to be taken forward within the challenging timeframe. They draw on the expertise of established partners such as Fife Historic Buildings Trust. In terms of each Constituency bid, these are focused on one of the three themes outlined in paragraph 1.3, i.e. Town Centre Regeneration, Cultural Regeneration or Transport.

The UK Government guidance is that each programme of investment is to be considered across no more than three geographic sites. There also needs to be a link through each of these to the unifying theme as they must deliver to the same outcomes. For example, digital connectivity projects are not eligible.

- 2.4 For the projects that have not been submitted for Levelling Up Funding, this does not mean that they are not worthy projects but rather they are considered not to be deliverable in the timeframe identified by the UK Government, or they may be better delivered through another route, e.g. Scottish Government Place Based Investment funding. The projects must also fit with the Council's financial strategy, such as not to increase revenue costs for the Council.
- 2.5 The unifying theme for the Dunfermline and West Fife bid is town centre regeneration with three projects: Dunfermline High Street streetscape including the gap site; St Margaret's House and the Friary Building, Inverkeithing. The outputs will be an improved cultural offer; enhanced townscapes more attractive to visitors, community led and designed buildings. Measured through increased numbers of visitors to the towns and stay longer, spending more.
- 2.6 The unifying theme for the Kirkcaldy and Cowdenbeath bid is community run, hubs acting as enterprise//training centres for start-ups with flexible spaces, including those with requirements for workshop/ creative space. The centres will incorporate training space and will be complemented by with integrated support services and single door, access to services. The three projects are Burntisland Burgh Chambers; Cowdenbeath Town House and the Templehall Community hub, Kirkcaldy. The outputs will be: Enhanced townscapes more attractive to visitors, Community led and designed buildings and an improved cultural offer. Measured through increased numbers of visitors to the towns who stay longer, spending more.
- 2.7 The unifying theme for the Glenrothes bid is town centre regeneration with two projects: Glenrothes Riverside Park and part of the Levenmouth active travel network including the River Leven riverside path network (phase 1). The outputs will be an improved recreation offer, enhanced townscapes more attractive to visitors and community led and designed leisure assets. Measured through increased numbers of visitors to the towns who stay longer, spending more.
- 2.8 The unifying theme for the North East Fife bid is three new visitor hubs: Sustainable Silverburn, Leven, Tay Bridge Park and Choose and the Forgan Arts Centre, Newport-on-Tay. The outputs will be an improved arts, cultural, heritage offer more attractive to visitors, community led and designed, more visitors travelling by public transport and active travel. Measured through increased numbers of visitors to the Constituency who stay longer, spending more.
- 2.9 The unifying theme for the Transport bid is Improved Climate Resilience particularly flooding, to encourage active travel and improve the resilience of freight and bus routes focusing on Mid Fife. The three projects are: Flooding/ B981 Den Burn Bridge repairs in Cardenden; A955 Bawbee and rail Bridges repairs in Leven; and A907 Lyn Burn Bridge/ Culvert replacement/Grange Road Link Road Bridge / Kingseat (Whitefield) bridge expansion in Dunfermline. The outputs will be improved resilience, increased active travel and better journey times. Measured through frequency of flood events, trips by active travel modes and journey times.
- 2.10 The main challenge in delivering the bids will be resources to deliver them within the demanding timetable set by the UK Government. This cannot be quantified or mobilised until we know how many bids are successful, if any. The human resource requirements could be significant so, where possible, the Council intends

to use national delivery frameworks such as Scape and external partners willing to assist such as Fife Historic Buildings Trust. Where staff costs can be capitalised, they are included in the Bids. The resource requirements will be reviewed once the decision on the successful bids is made in the Autumn and appropriate resource plans put in place.

- 2.11 Ensuring accessibility and the transition to net zero carbon buildings also adds complexity and cost to the projects and bids. Assessment of the accessibility, carbon footprint and mitigating measures will form part of the detailed, technical designs and Statutory consents for each project. It will also determine the procurement and any value engineering required.

3.0 Summary of the Bids to UK Levelling Up

- 3.1 Five bids were submitted to the UK Levelling Up Fund which closed for round two on 2nd August 2022. It is a competitive fund with a three staged approach to assessment and decision making.

- **Stage 1 Gateway**

The first stage is a pass/fail gateway. Information regarding bid eligibility must be supplied, including all necessary documentation.

- **Stage 2 Assessment and shortlisting bids**

Bids will be assessed against the criteria set out in the prospectus to deliver a shortlist of the strongest bids. To create a shortlist, applications will be assessed at the bid level against Index of Priority Places (Fife is priority 2), Strategic Fit, the Economic Case and Deliverability.

- **Stage 3 Decision making**

Once bid assessment and moderation has concluded, and the shortlist is drawn up, Ministers will make funding decisions. In making these decisions, Ministers may take account of additional considerations such as ensuring a reasonable thematic split of approved projects (e.g. across regeneration and town centre, transport and culture and heritage).

- 3.2 The following table summarises the Bids submitted in Round 2.

	Theme	Match Funding from Fife Council's Capital Plan	Total Leverage (Including Fife Council)	LUF Ask	Total Investment	B.C.R (Benefit Cost Ratio)
North East Fife Bid			£9.23m	£19.89m	£29.12m	4.26
Silverburn	Culture	£2.00m	£8.02m	£8.35m	£19.89m	4.67
Tay Bridge P&R	Transport		£0.83m	£9.47m	£10.30m	2.85
Forgan Arts	Culture		£0.38m	£2.06m	£2.44m	5.39

	Theme	Match Funding from Fife Council's Capital Plan	Total Leverage (Including Fife Council)	LUF Ask	Total Investment	B.C.R (Benefit Cost Ratio)
Glenrothes & Central Fife Bid			£11.46m	£19.4m	£30.87m	4.14
Riverside Park, Glenrothes	Regeneration	£0.11m	£0.11m	£4.98m	£5.08m	2.74
Levenmouth Connectivity	Transport	£1.31m	£11.35m	£14.43m	£24.47m	4.47
Kirkcaldy & Cowdenbeath Bid			£11.00m	£12.23m	£23.23m	1.86
Burntisland Burgh Chambers	Culture		£0.00m	£5.75m	£5.75m	1.75
Cowdenbeath Town House	Regeneration		£0.50m	£1.67m	£2.17m	3.34
Templehall Community Hub	Culture	£9.00m	£10.50m	£4.80m	£15.30m	1.69
Dunfermline & West Fife Bid			£1.53m	£17.69m	£19.23	2.96
City Centre	Regeneration		£0.57m	£8.87m	£9.44m	7.44
St Margaret's	Culture		£0.43m	£3.52m	£3.95m	1.62
Friary Inverkeithing	Culture	£0.51m	£1.53m	£5.30m	£5.82m	2.96
Transportation Bid			£2.87m	£19.99m	£22.86m	2.62
Cardenden	Transport	£0.30m	£0.42m	£2.79m	£3.21m	0.25
Leven	Transport	£0.97m	£1.29m	£7.09m	£8.38m	1.04
Dunfermline	Transport	£1.17m	£1.15m	£10.10m	£4.28m	4.28
Total Levelling Up Bids		£15.87m	£36.09m	£89.2m	£125.29m	

4.0 Conclusions

- 4.1 This report provides members with information on the Bids submitted to the UK Levelling Up Fund under delegated authority secured from Policy and Co-ordination Committee in November 2021. This had its second-round bid deadline on 2nd August 2022.
- 4.2 This report outlines the decision process for the UK Government and the estimated timescales for a decision. It also outlines the risks and potential resource requirements for delivery, depending on whether or not any bids are successful.
- 4.3 If any of the Fife Bids are successful, the Executive Director (Finance and Corporate Services) and the Executive Director (Enterprise and Environment) will complete the Legal Agreements with the UK Government to start delivery in 2022/23.

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

Policy & Co-ordination Committee, November 2021, Item 8: Levelling Up Fund Update

[Agenda Policy and Co-ordination Committee 4th November 2021.pdf](#)

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25th August, 2022.
Agenda Item No. 12

Strategic Commissioning Update

Report by: Carrie Lindsay, Executive Director (Education and Children's Services)

Wards Affected: All

Purpose

This report provides a summary of the progress in strategic commissioning activity including plans associated with the next stage of work and recommendations for grant awards for the remainder of 2022-23 in respect to Service brief 2a and 6.

Recommendation(s)

It is recommended that Committee:

- (i) note the progress and comment on the proposals to further develop the programme of work associated with strategic commissioning in Children's Services for 2022/23 and onwards.
- (ii) approve the recommendations for grant awards for 2022-23 in respect to organisations associated with service brief 2a (£400,000) and 6 (£178,298) for the remaining 6 months; and
- (iii) approve the recommendation for grant award for 2022-23 for DAPL of £63,000 for the remaining 6 months.

Resource Implications

The total grant budget for 2022-2023 remains **£4,837,861**. An additional £350,000 is funded from the Alcohol & Drug Partnership for service brief 6 as part of a joined-up approach to commissioning. The Committee, on 1st March 2022, approved full year grant awards for all organisations and service briefs, apart from those organisations associated with service brief 2a and 6 who were awarded 6 months grant awards.

Appendix 1 details recommendations for awards for organisations associated with service brief 2a and 6 for this financial year.

Legal and Risk Implications

All awards for support are subject to compliance with Fife Council's Monitoring and Evaluation Framework which requires that they are reviewed on an annual basis as part of the Council's ongoing commitment to ensuring organisations are meeting the terms of their Service Level Agreement.

Impact Assessment

An EqIA and summary was previously submitted in the report to Committee on 1st March 2022 and there has been no significant change to the position

Since the last update report to Committee on 1st March 2022, there has continued to be ongoing monitoring of Service Level Agreements by link officers as part of the Monitoring & Evaluation Framework. In addition to this, further meetings have been held with organisations associated with service brief 2a and 6 to support evaluation of the new partnership models. This has involved review of monitoring frameworks and regular meetings with all organisations to assess the effectiveness and efficiency of the delivery models within the available budget. The Strategic Commissioning group has continued to meet to monitor spend in relation to these grant awards and wider strategic commissioning. Membership is multi-agency and includes elected members.

1.0 Introduction

- 1.1 The Education and Children's Services (E&CS) Sub Committee on 1st March 2022 approved recommendations for funding for all organisations previously identified as category 2 and 3 i.e., those who had evidenced the ability to enhance support in terms of the new service briefs and for grass root organisations with a long history in delivering services across communities in Fife. This shift was required in relation to a strategic needs assessment and a changed profile of care in Fife. Category 1 organisations were those identified as requiring further time to establish new partnership models or requiring a fuller review of the current offer. All other organisations successful in the grant application process in 2021 received full grant awards for 2022-23.
- 1.2 The report also provides a summary of work undertaken to support the development of new models within the context of the 2 outstanding service briefs (2a and 6) which focus on early support to families with young children and support to children and young people affected by substance use.

2.0 Progress Update

- 2.1 As noted the Strategic Commissioning Group comprises of multi-agency representation including elected members, which has shaped and influenced the programme of work within the context of a framework for commissioning. This group also has membership from Fife Voluntary Action.
- 2.2 During 2020/21, the framework for Commissioning and strategic needs assessment work was completed leading to the development of new service briefs aligned to the priorities of the Children & Families strategy Belonging to Fife. More recently, there has been a focus on mapping of Third sector services to understand more fully the range and focus of current services across Fife, alongside funding streams available.
- 2.3 Priorities for the Strategic Commissioning Group have focused on a review of the current commissioning model against national legislation: consideration of other commissioning approaches/ models in comparative Local Authority areas and identifying improvement actions within the context of the current Monitoring & Evaluation framework.

- 2.4 The Terms of Reference for the Children's Services Strategic Commissioning group have been updated to ensure there is greater clarity regarding overall governance and transparency of decision making.
- 2.5 A workshop was held in June with members of the strategic commissioning group to further develop the programme of work. The workshop focused on Fife's approach to co-design and co-development within the context of developing a local commissioning approach informed by the experience of children, young people and families leading to a more agile and flexible model. The priority areas identified from the workshop that will now be progressed involve the following key areas:
- Governance arrangements including the need to agree a Single Point of Contact and parameters for new funding and reporting arrangements
 - Review of processes and systems to monitor and evaluate commissioned services
 - Review of resources (staff) within Education & Children's Services and wider council to ensure there is a robust team to effectively drive forward the commissioning strategy.
 - A stronger focus on participation within the commissioning strategy, exploring models that have been effective and can be transferrable to Fife.
- 2.6 The above priorities will be progressed between August-October and reported to the Strategic Commissioning group to identify key actions and any funding implications to support this transformational activity. A further report will be tabled at Cabinet Committee providing an update on the progress and outcomes.
- 2.7 The main area of activity has continued to involve organisations associated with service briefs 2a and 6. The last report to Committee highlighted the early progress that had been established in respect to the 3 organisations developing a partnership model for brief 2a (Homestart, The Cottage, Fife Gingerbread- known as The Early Years Collective- EYC). Information was also provided on progress in relation to the partnership between Barnardo's and Clued Up in respect to brief 6. Discussions with DAPL have also been ongoing since the last update to Committee
- 2.8 At the last Committee, the issue of funding was highlighted on the basis that the partnership models were projecting expenditure that exceeded the budget envelopes of both service briefs. For the remainder of this financial year the total award required to deliver the key components of brief 2a is £400,000 and for brief 6 is £178,298. Additional investment of **£146,596** which has been successfully secured from the whole family wellbeing fund for service brief 2a, as one year one off funding,
- 2.9 Discussion has also been held with DAPL who, although are not part of the partnership arrangement with Barnardo's and Clued Up, are an organisation whose offer has been assessed within the context of service brief 6. Meetings have also been held with colleagues in Education and the ADP in respect to DAPL based on a review of funding allocated to the organisation for school counselling. This has concluded that there needs to be much closer alignment and coherence within the school counselling offer to children and young people who could benefit from counselling due to substance use issues. Currently access to school counselling for this group of C&YP is through separate funding despite the model of delivery being the same and positioned at a universal level.

- 2.10 Monitoring data submitted by DAPL evidenced that due to the specialist nature of the service the core provision of counselling does not align with the main components in service brief 6. Analysis of data held within children’s services, and more recent scrutiny of data for the school counselling service, confirms most referrals **(90%)** come through Universal Pathways with only **(10%)** of referrals through intensive pathways.
- 2.11 However, the operating model for both funding streams is the same and it is recommended that access to school counselling should be available across the continuum of need including children affected by substance use.
- 2.12 On this basis, it is recommended that DAPL receive a further award of £63,000 for the period of October 2022 – March 2023 which will allow the organisation to continue to provide a service to young people referred through intensive referral pathways. As part of a more joined up and integrated approach to strategic commissioning, discussions have been held with colleagues leading work in respect to Our Minds Matter and the ADP with the aim of commissioning a broader range of evidence based therapeutic interventions, with simpler, more accessible referral routes.

Brief	Budget Envelope	Amount Approved for March 2022-Sept 2023 from ECS Budget	Recommended Awards for Oct 22 to March 23 from ECS Budget	Total annual award from ECS Budget	Additional Funds from aligned Commissioning Streams	Total Combined Award
2A	£800,000	£546,586	£400,000	£946,586	£146,586 (WFWF)	£1,093,172
6	£650,000 (£300,000 ECS Commissioning Budget & £350,000 from ADP Budget)	£203,422 (in addition £349,752 was approved from ADP Monies, making the total annual award at this point £553,174)	£178,298	£381,720	£349,752 (ADP Monies)	£731,472
DAPL	As above	£125,000	£63,000	£188,000	Nil	£188,000

3.0 Summary

- 3.1 The programme of work associated with strategic commissioning in Fife continues to be a priority and responsive to the changing profile of need in Fife. Since March there has been a refocusing on the role and function of the strategic commissioning group to ensure principles of best practice are being applied and adopted in Fife, within the context of ongoing service co development and co- design. A set of key actions will now be progressed to further strengthen the activity of the strategic commissioning group, to develop a model of local commissioning to improve outcomes for children, young people, families, and communities in Fife in a transformative way and at pace.

- 3.2 The Strategic Commissioning group will continue to develop proposals for 23/24 to ensure the services provided through the third sector meet the needs of children and families in the current climate and aim to bring service briefs 2a and 6 into budget within the next 6 months.
- 3.3 The report to Committee in March recommended full year grant wards for category 2 and 3 organisations and organisations successful in the grant application process for new service briefs. However, further assessment was required in respect to organisations associated with brief 2a and 6. Since March, this work has been intensive, and progress reported to the Strategic Commissioning group. The detail is covered in this report.

4.0 Conclusion

- 4.1 The priorities identified at a strategic level will be taken forward and further scrutiny will also be given to resource implications to be able to progress this transformational agenda within the context of a localised commissioning model.
- 4.2 It is recommended that 6-month awards for the remainder of this financial year are approved for service brief 2a and 6. Work will continue to test and evaluate new models for both service briefs with a commitment to ongoing review of budgets. Transitional funding for DAPL is also recommended with a commitment to progress a new service brief.

List of Appendices

1. Detail of grant awards for brief 2a and 6 (October to March)

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1. Detail of grant awards for brief 2a and 6 (October to March)

Awards for Brief 2A

Organisation	Amount Awarded from ECS Budget March 2022-Sept 2022	Recommended awards from ECS Budget Oct 2022-March 2023	Additional Amount to be requested from WWF Budget	Total award for 2022-2023
The Cottage	£173,727	£127,200	£46,527	£347,454
Fife Gingerbread	£107,799	£78,800	£28,999	£215,598
Homestart Dunfermline	£50,346	£36,800	£13,546	£100,692
Homestart East Fife	£36,981	£27,200	£9,781	£73,962
Homestart Glenrothes	£45,528	£33,200	£12,328	£91,056
Homestart Kirkcaldy	£47,117	£34,400	£12,717	£94,234
Homestart Leven	£41,452	£30,400	£11,052	£82,904
Homestart Cowdenbeath	£43,636	£32,000	£11,636	£87,272
Totals	£546,586	£400,000	£146,586	£1,093,172

Awards for Brief 6

Organisation	Amount Approved from ECS Budget March to Sept 2022	Recommended award from ECS Budget for Oct 22 – March 23	Total Award
Clued Up	£105,348	£105,348	£210,696
Barnardos	£98,074	£72,950	£171,024
Total	£203, 422	£178,298	£381,720

Award to DAPL

Organisation	Amount Approved from ECS Budget March to Sept 2022	Recommended award from ECS Budget for Oct 22- March 23	Total Award
DAPL	£125,000	£63,000	£188,000

Resettlement of Vulnerable People in Fife

Report by: John Mills, Head of Housing Services

Wards Affected: All

Purpose

This report follows the former Policy and Co-ordination Committee Briefing on the 10th March, 2022 outlining the proposed commitment to welcome Ukrainian Refugees to Fife. This report broadens the focus to all strands of Resettlement Work and places this in a national context to support detailed consideration of the Fife Resettlement approach with a focus on the Ukrainian response.

Recommendations

Members are asked to:

- (i) agree the continued focus on private sector sponsors as the primary accommodation resource in Fife;
- (ii) agree to identifying a number of longer-term empty Council properties to be entered into the matching programme; and
- (iii) agree the development of a longer-term housing approach with RSLs and Private Sector landlords for all streams of resettlement activity.

Resource Implications

Fife's participation in previous Resettlement / Refugee schemes have been funded by the UK Government and has been cost neutral to the Council. Based on UK and Scottish Government commitments to CoSLA and Local Authorities, Housing & Finance Services are confident that Resettlement Schemes will continue to be funded on this basis and are committed to operating within funding availability.

Legal & Risk Implications

The UK Government announced in Parliament on 28th February and 1st March 2022 that it would extend visa opportunities for Ukrainian Refugees to come to the UK. Scottish Government created the Scottish Super Sponsorship Route in early March. Ukrainians already settled in the UK can bring family members into this country. Routes currently enable refugees leave to remain for 3 years, or 12 months, depending on the route taken.

Impact Assessment

Fife is currently experiencing significant pressures on housing and support services. Any pledge in relation to Ukrainian resettlement and wider resettlement schemes would require to be fully impact assessed based on information available.

Consultation

Consultation has been completed with the Chief Executive, Leader, Housing and Building Services Spokesperson and CoSLA.

1.0 Introduction

- 1.1 Fife has a positive reputation and experience in responding to significant humanitarian and other crises which date back to the original Afghan Relocation Programme in 2014. The March 2022 Briefing to Elected Members set out a range of challenges associated with the Ukrainian situation in terms of the pace, volume and complexity of the humanitarian programme required.
- 1.2 Since then, the situation has become more complex due to the implementation of the Scottish Super Sponsor Scheme and the growth of Welcome Hub / Hotel type accommodation options across Scotland. The initial reliance on private hosts / sponsors is currently fragile, raising several significant challenges in scoping accommodation options and the support requirement in the short and longer term.
- 1.3 Fife is currently supporting several humanitarian / resettlement programmes in relation to the evacuation from Afghanistan, the various Ukrainian Visa Routes, Unaccompanied Asylum-Seeking Young People and the UK Resettlement Scheme (legacy of the Syrian Resettlement Scheme) with different and low-level commitments to each Scheme. This also includes providing Wrap Around Support Services to hotel type accommodation in four locations in different parts of Fife with the potential for this to increase further.
- 1.4 The Council and its partners need to build capacity to access accommodation and staff resilience to cope with the unprecedented pressures associated with the current, complex Resettlement Schemes operating in Fife.

2.0 The Current National Position

- 2.1 The national response to the Humanitarian / Resettlement Programmes is co-ordinated by CoSLA's Strategic Migration Partnerships (SMPs). This supports a co-ordinated and collective response to the diverse set of challenges arising in response to various events across the world. Fife has a strong presence on the SMP and continues to play a proportionate role in providing a warm welcome to those arriving in the area through established as well as new routes and processes.
- 2.2 The war in Ukraine, which started in February 2022, led the UK Government to launch the Family Visa and Homes for Ukraine Programmes based on a specific model of accommodation and support reliant on private sector hosts. A few days later, the Scottish Government implemented the Scottish Super Sponsorship Scheme. The detail and Guidance underpinning the Homes for Ukraine Scheme and the Scottish Super Sponsor Scheme are different but there are some common principles:-
 - A significant reliance on private / charitable accommodation provision in the form of hosts / sponsors which require to be checked by the appropriate local authority services
 - Matching processes which rely on arrivals effectively matching themselves with hosts (Homes for Ukraine) with the Scottish Super Sponsor Scheme supported by a national matching service
 - Local Authorities being funded to provide support services on a similar basis to previous resettlement schemes
 - Accommodation offers expected to be short term with no clear plan around longer-term accommodation or support needs

- 2.3 By early July 2022, Scotland had welcomed 7,286 refugees with 4,666 under the Scottish Super Sponsor Scheme and up to 31,000 potentially expected in the coming months as broken down below (published on 29th July, 2022). The total number of Visas listed does not include those entering via the Family Visa Scheme where information is far less clear. In these circumstances, there is no direct obligation on local authorities, but households are still presenting for help'
- Homes for Ukraine confirmed applications sponsored by the Scottish Government (Super sponsor or Devolved Government Sponsor): 35,754 (up 2% from 35,085 on 19 July)
 - Homes for Ukraine confirmed applications (private sponsors route): 4,589 (up 1% from 4,532)
 - Homes for Ukraine confirmed applications (sponsored by the Scottish Government and private sponsor route): 40,343 (up 2% from 39,617)
 - Homes for Ukraine visas issued sponsored by the Scottish Government (Super sponsor or Devolved Government Sponsor): 26,587 (up 12% from 23,811 as at 19 July)
 - Homes for Ukraine visas issued (private sponsors route): 4,101 (up 2% from 4,013)
 - Homes for Ukraine total visas issued (sponsored by the Scottish Government and private sponsor route): 30,688 (up 10% from 27,824)
- 2.4 The Scottish Super Sponsor Scheme was suspended on the 13th July for 3 months in recognition of the pressures on the system and services. The Scottish Government is currently undertaking a formal review of the Scheme with the outcome imminently anticipated. The Scheme in Fife is characterised as:
- a heavy reliance on hotel type accommodation for evacuees from Afghanistan and those arriving from Ukraine within the Scottish Super Sponsor Scheme commissioned by UK and Scottish Governments.
 - evidence of Family Visa scheme arrivals requiring additional support on a crisis response basis
 - A high attrition rate of private sector households and others that had expressed an interest in hosting / sponsorship following local checks and processes. This has reduced potential capacity from over 800 offers across both Schemes to around 350.
 - Pressures on very short term and longer-term accommodation options.
- 2.5 Currently, council officers have focussed on maximising the private sector offers of accommodation and providing support to hosts/sponsors, but Local Authorities are being encouraged to assess all potential options for longer term accommodation.
- 2.6 On 8th August 2022, all Local Authority Chief Executives in Scotland were contacted by the Director General Communities of the Scottish Government. The request sought information on potential short-term accommodation options across the Council in view of the current rate of arrival of 1,300 refugees each week into Scotland. A similar letter has been written to Chief Executives of Health Boards in Scotland.

3.0 Accommodation and Staffing Options

- 3.1 Fife Resettlement services are co-ordinated by the Resettlement Core Group, a multi-agency group of officers brought together to co-ordinate and support services to a range of vulnerable persons coming to Fife led by Housing Services. This recognises that appropriate housing options and support are the platform to wider integration activity.
- 3.2 The current Schemes vary considerably from previous Resettlement Approaches on the basis that very little is known about households at the point of arrival. This presents significant challenges in delivering effective help and support. The Core Group has made an approach to Scottish Government looking for the establishment of a longer term, sustainable Welcome Hub as a focus for Resettlement operations but this has not happened. Hotel bookings are currently short term and dynamic which is problematic and resource intensive.
- 3.3 There has also been a focus on the private sector 'Expressions of Interest' given the pressures on local authority and Registered Social Landlord stock. This represents a different model of service delivery and approach. However, the national mismatch between arrivals and accommodation options requires further support from local authorities with Chief Executives being asked to consider identifying mainstream social rented tenancies, properties in the private rented sector, long term empty homes and other options.
- 3.4 The pressures on the housing system locally and nationally cannot be understated with the numbers approaching homelessness services and using temporary accommodation growing on an ongoing basis. Fife's situation is exacerbated by the ongoing implementation of the legal decision requiring the reprovisioning of temporary accommodation and suppressed turnover of council and FHR partner accommodation in the post pandemic period.
- 3.5 Housing Services are looking at the approaches being adopted in other LA areas to identify cluster properties with a view to providing the best quality integrated support in the community. A number of out of management council properties have been identified and are being investigated for this use. These properties would not detract from the general HRA allocations pool available to assist homeless people, reprovision temporary accommodation and transfer applicants.
- 3.6 In relation to staffing resources required to support the various resettlement schemes in Fife, the Core Group is operationally supported by a small team of 9 housing staff and housing support from Link Living. Additional support is provided through Health, Education and ESOL services. What has become clear over the past few weeks is that additional staff are required to ensure that the Council has enough capacity and sufficient resilience to cope with the increasing demands of the Resettlement Programme.
- 3.7 In light of this need, Communities Directorate are seeking staff volunteers from a range of community and support backgrounds to support the Resettlement Team, with the option of a wider trawl across the Council being considered on an ongoing basis.

4.0 Conclusions

- 4.1 Fife has a strong track record of positively assisting refugees and other displaced people and will continue to co-ordinate a comprehensive offer to vulnerable people. The Core Group has the appropriate partners and has the expertise to make the proposal a continuing success in terms of outcomes for the vulnerable people involved but would welcome an accommodation base to co-ordinate Ukrainian and wider resettlement activity.
- 4.2 The pressures on the housing sector are well documented so the focus on host / sponsor offers is the key focus, however, the numbers involved suggest that further work needs to be done to address the short- and longer-term needs associated with resettlement work in general.

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Voluntary Sector Recurring Grants: North East Fife Tenants & Residents Federation (NEFTRF) supplementary grant (3 years 2022/23 – 2024/25)

Report by: John Mills, Head of Housing Services

Wards Affected: All

Purpose

The purpose of this report is to request Cabinet approval to award North East Fife Tenants & Residents Federation (NEFTRF) a supplementary grant for the purpose of expanding their services to include an accessible shopfront location in Cupar for 3 years. The report details the funding requested and recommended by Housing Services.

Recommendations

It is recommended that Committee:

1. notes the work undertaken between NEFTRF and Housing Services Tenant Participation Team to reach agreement on service provision to be commissioned; and
2. agrees the level of funding being recommended for the period of the 3-year lease (2022 – 2025).

Resource Implications

The initial core grant of £29,045 for the organisation's services was approved by Council in the budget meeting of February 2022.

The supplementary grant for the shopfront premises will be met within existing HRA resources and policy commitments.

Legal & Risk Implications

The initial grant of £5k for the lease has been issued to NEFTR using existing delegated powers to grant fund up to £5k by the Executive Director. The risk of not awarding the requested supplementary grant would result in a diminution of NEFTR's capacity to do face2face advice and support work to assist tenants and residents affected by poverty.

Impact Assessment

An EqIA has not been completed and is not necessary as the report does not propose a change to existing housing policies or programmes.

Consultation

Housing Services Tenant Participation Team and the NEFTRF Board have been working in partnership to agree to extend services to vulnerable council tenants and other citizens. The former Convener and Vice-Convener of Community & Housing Services Sub-Committee were consulted on the request for grant and the reason for it.

1.0 Background

- 1.1 North East Fife Tenants & Residents Federation (NEFTRF) is an umbrella voluntary organisation providing independent tenant and residents' participation and representation services across North East Fife area (Taybridgehead, St. Andrews, Cupar, Howe of Fife and East Neuk).
- 1.2 The recurring grant for the organisation's core services was approved by Committee in February 2022, totalling £29k.
- 1.3 During this period, work was ongoing to investigate the possibility of a shopfront location in North East Fife to enable NEFTRF to carry out their tenant and resident services on a front facing basis. Premises were identified in Cupar with a 3-year lease by the Federation's Chairperson and a quick decision by NEFTRF and Housing Services had to be made in April 2022 to secure the premises.
- 1.4 The current premises used by the Federation is shared with the existing Sheltered Housing Tenants Lounge at Blallowan Park in Cupar. This location is not accessible for other tenants in Cupar and NE Fife.
- 1.5 A supplementary grant application from NEFTRF was supported by Housing Services in April 2022. In the absence of an available Committee due to the proximity of the local government elections, the recommended supplementary grant was approved by the Executive Director (Communities) using existing delegated powers to grant fund up to £5k by the Executive Director. This approval permitted initial grant payment to be made to allow NEFTRF to secure the required premises.
- 1.6 Cabinet approval is now sought to approve the supplementary grant for the required 3-year lease period.

2.0 Grant recommendation for 3-year lease period (2022– 2025)

- 2.1 The level of rant grant required is £11,000 per year for 3 years, May 2022 – April 2025. The total grant request and recommendation for the 3-year lease period is £33,000.
- 2.2 **Work of NEFTRF**

The main aims of NEFTRF are to:

 - Represent the interests of tenants and residents and encourage community participation
 - Promote rights to improve housing conditions, amenities and environment
 - Achieve maximum tenant participation and encourage formation of new groups
 - Support existing members, associations, and Tenant & Residents Associations (TRAs)
 - Co-operate with Fife Council and other organisations
 - Uphold equal opportunities
- 2.3 The accessible, central location and available meeting space within the premises will support and expand the work carried out by NEFTRF, including:
 - Increasing footfall and therefore participation levels
 - Providing practical advice, assistance and information and signposting individual tenants and member groups to relevant organisations

- Assisting local groups and individual tenants to influence local issues, through training, information, advice and practical support
- Promoting scrutiny of housing services through active participation of their members in the Fife Tenants Scrutiny Panel, HRA scrutiny activity and producing the Annual Return on the Charter.
- Working with Housing and other Services to encourage community involvement through local walkabouts, area action plans and community activities.
- Providing "welcome packs" to new tenants
- Raising awareness of the Federation, implementing an outreach programme to increase community participation and engagement.
- Responding to relevant national consultations
- Representing members views at the Fife Tenants Forum and other strategic partnerships.
- The Federation is keen to expand their services to develop anti-poverty work, including a focus on fuel poverty, as well as exploring opportunities to combat social isolation.

3.0 Conclusion

- 3.1 Housing Services recommend Cabinet approve the extension of NEFTRF's grant funding at the level requested with a 12-months review of operations prior to the grant being paid out in 2023/24.

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Housing Revenue Capital Account: Property Acquisitions to March 2025

Report by: John Mills, Head of Housing Services

Wards Affected: All

Purpose

This report seeks members' agreement to increase the acquisition of housing in the private sector for the period 2022-2025.

Recommendation(s)

Members are asked to agree that:

- (i) Housing, Estates and Legal Services work to mitigate increasingly pressurised operational requirements to enhance access to housing by purchasing enough properties to meet increasing housing need and demand during the period 2022-25; and
- (ii) Services work to acquire sufficient properties beyond the current target of 50 properties agreed by Council in February 2022.

Resource Implications

The resources requirements set out in this report have been accounted for in the HRA Business Plan 2021 and reflect the requirements of the HRA Medium Term Financial Strategy agreed by the former Policy and Co-ordination Committee in January 2019.

There is no additional financial resource implication as all purchases will be made within the agreed HRA capital budget for 2022-2025. The agreed HRA capital budget for property acquisitions is £13.519m. This budget figure is the gross budget with the housing subsidy from the Scottish Government of £40k per property being netted off.

Subject to members' agreement, the HRA capital Plan 2023-26 will be reviewed to ensure that there is sufficient capital budget available to support a higher number of acquisitions in 2024-25. The HRA Capital Budget 2023-26 will be reported to Council in February 2023.

Legal & Risk Implications

All relevant legal requirements and risk implications have been considered in providing the HRA Business Plan 2021 and in determining the HRA Medium Term Financial Strategy agreed by the Policy and Coordination Committee (24th January, 2019).

Impact Assessment

There is no requirement for an EQIA as the proposed enhanced programme of acquisitions does not constitute a change of policy.

Consultation

Consultation with the Housing & Building Spokesperson has taken place. Finance Services have been consulted about the availability of HRA capital to fund an enhanced acquisition programme over this period.

1.0 Introduction

1.1 The Council last revised Property Acquisitions Policy in September 2020. The Policy is designed to assist the Statutory Housing Authority in Fife to acquire specific housing properties, working to a series of 5 criteria to increase the overall HRA housing stock available for social rent. The criteria are:

1. Resolve a Homeless Situation / Prevent Homelessness, including accelerating the reduction of children in temporary accommodation.
2. To help meet housing need where there are significant pressures and limited opportunities to build new homes.
3. To facilitate Estate Action or Regeneration Schemes.
4. To facilitate New Build Schemes.
5. To meet specific housing needs.

1.2 Members should note that the property acquisitions activity by the Council does not constitute an addition to the overall provision of new affordable houses in Fife, but it does add to the overall number of council houses available for letting through the council's housing allocations policy.

2.0 Background and Current Position - Property Acquisitions 2022/23

2.1 Table 1 outlines progress that is being made on property acquisitions for the financial year 2022/23.

Table 1 – Current acquisitions progress at 5 July 2022

Number of Property Acquisitions	Purchases Legally Completed	Purchases Legally Committed	Potential Purchases in Pipeline	Total
2022/23 Target 50	31	9	13	53

The current year's target has been met. The implication of not enhancing the Council's ability to acquire properties would be a suspension of activity in this financial year and the deployment of housing staff in the Team to other parts of Housing.

2.2 Table 2 outlines the number of properties purchased/in process by Area.

SWF	Cowdenbeath	Dunfermline	Kirkcaldy	Glenrothes	Levenmouth	NEF	Total
3	11	8	14	3	4	10	53

Property acquisitions are aligned to local unmet needs and availability of property opportunities.

2.3 Table 3 outlines the existing HRA capital budget for property acquisitions 2022-2025

Financial Year	2022/23	2023/24	2024/25	Total Budget
Budget £m	5.0	5.0	3.519	13.159

3.0 Sheriff Judgement on Temporary Accommodation

- 3.1 Since the outbreak of the Pandemic, demand for permanent accommodation has increased dramatically and the number of homeless households occupying temporary accommodation has grown significantly. Most of the temporary accommodation provided by the Council is furnished properties in the community and these were let on a temporary Occupancy Agreement. Offers of permanent housing from the Council were then made in the form of the Scottish Secure Tenancy.
- 3.2 The Fife Occupancy Agreement for scatter flats (temporary accommodation) was challenged by SHELTER, Scotland and, in March 2022, a Sheriff at Kirkcaldy Sheriff Court ruled that the Occupancy Agreement was flawed. This judgement means that all homeless households prior to 22nd April 2022 are now effectively Scottish Secure Tenants.
- 3.3 This decision has significant implications and places increased pressure on the pool of HRA stock available for both mainstream allocations and on sustaining the availability of temporary accommodation to meet the Council's statutory homelessness duties. It is now essential that all housing opportunities are maximised to meet the increasing demand.
- 3.4 The Council is implementing a 12-months Temporary Accommodation Reprovisioning Plan agreed by Heads of Service to meet the legal requirements of the Sheriff Court Judgement. A key part of the Plan is to convert scatter flats into Scottish Secure Tenancies while ensuring that homeless people are settled where they need to be and in the type of property that meets their housing needs. As the conversion to a secure tenancy proceeds, the scatter flat requires to be reprovisioned with a property from the HRA letting pool to maintain the stock of temporary accommodation.
- 3.5 This reprovisioning inevitably reduces the number of empty properties that can be allocated normally through the allocations policy. Unless the Council can bring additional empty houses into the letting stock, the Area Housing Teams will struggle to meet local housing needs from the Fife Housing Register.

4.0 Property Acquisitions Progress and Costs

- 4.1 The Council is currently not buying sufficient properties to meet operational requirements. The heightened pressure on the supply of housing options both in terms of homeless allocations and Fife Housing Register housing lists will continue to increase during the period 2022-25.
- 4.2 The purchase of an adequate number of properties will form an essential part of the delivery of housing options for homeless people and other housing applicants. As shown at Table 1 above, the current target of 50 properties has already been achieved for 2022/23. It is proposed to continue to acquire properties throughout 2022/23 and beyond to contribute to the available housing stock.
- 4.3 Housing Services work to a target of acquiring properties at £80k-100k per unit. The cost of £106k includes purchase price plus any LBTT Tax, Legal Fees, Registration Fees and the cost of any SHQS works required to bring the property into use.
- 4.4 Each property acquisition attracts subsidy from the Scottish Government of £40k per property making the average net cost for the HRA £40k-£60k.
- 4.5 The increased number of required properties will be delivered within the remaining £13.5m budget already agreed for years 2022-2025. Advancement will be utilised where required for years 2022/23 and 2023/24. No additional budget is being sought at this stage. The need for additional budget in future years will be considered and tested for affordability as part of the HRA 2022 Business Plan which is currently underway. Any requirement for additional borrowing will be brought to Council in February 2023 as part of the HRA draft capital budget.

5.0 Conclusions

- 5.1 Demand for homeless accommodation has increased dramatically and the number of households occupying temporary accommodation has grown significantly since 2020. This is in addition to an increasing number of Fife Housing Register applicants.
- 5.2 It is essential that all housing opportunities are utilised to increase the stock of available properties, including the increased purchase of properties in line with the current Property Acquisitions Policy and within the HRA Capital Budget allocation for 2022-2025.

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:

- Property Acquisitions Policy (as amended in September 2020)

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