

# Notice of Meeting and Agenda



## Midlothian Council

**Venue:** Council Chambers,  
Midlothian House, Dalkeith, EH22 1DN

**Date:** Tuesday, 11 February 2020

**Time:** 11:00

**Executive Director : Place**

**Contact:**

Clerk Name: Mike Broadway

Clerk Telephone: 0131 271 3160

Clerk Email: [mike.broadway@midlothian.gov.uk](mailto:mike.broadway@midlothian.gov.uk)

**Further Information:**

This is a meeting which is open to members of the public.

**Privacy notice:** Please note that this meeting may be recorded. The recording may be publicly available following the meeting. If you would like to know how Midlothian Council collects, uses and shares your personal information, please visit our website: [www.Midlothian.gov.uk](http://www.Midlothian.gov.uk)

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**1 Welcome, Introductions and Apologies**

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**2 Order of Business**

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Including notice of new business submitted as urgent for consideration at the end of the meeting.

**3 Declaration of Interest**

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

**4 Deputations**

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None received.

**5 Minutes**

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Minute of Meeting of Midlothian Council of 17 December 2019 submitted for approval as a correct record.

Minutes of Meetings for noting, information and consideration of any recommendations contained therein - Minute Volume attached.

Minute Volume Index 5 - 6

**6 Questions to the Council Leader**

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None received.

**7 Motions**

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**7.1** Motion by Councillor Smaill, seconded by Councillor Russell 7 - 8

**8 Public Reports**

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**8.1** Best Value Assurance - Improvement Action Plan Update - Report by Chief Executive 9 - 24

**8.2** Medium Term Financial Strategy - 2020-21 Budget - Report by Chief Officer Corporate Solutions (TO FOLLOW)

**8.3** Financial Monitoring 2019-20 General Fund Revenue - Report by Chief Officer Corporate Solutions 25 - 52

**8.4** Housing Revenue Account Revenue Budget and Capital Plan 2019-20 - Report by Chief Officer Corporate Solutions 53 - 58

<b>8.5</b>	General Services Capital Plan Quarter 3 Monitoring - Report by Chief Officer Corporate Solutions	59 - 74
<b>8.6</b>	Capital Investment Strategy Update - Report by Chief Officer Corporate Solutions	75 - 138
<b>8.7</b>	Treasury Management & Investment Strategy - Report by Chief Officer Corporate Solutions	139 - 168
<b>8.8</b>	Gorebridge Connected Project Update - Report by Director, Education, Communities and Economy	169 - 176
<b>8.9</b>	SESplan Ratification of 2020-21 Operating Budget - Report by Director, Education, Communities and Economy	177 - 190
<b>8.10</b>	Edinburgh and South East Scotland City Region Deal - Regional Growth Framework Members Oversight Committee - Report by Head of Major Projects	191 - 194
<b>8.11</b>	Glyphosate Weed Killer and the alternatives - Report by Executive Director Place	195 - 206
<b>8.12</b>	Council House Building Programme Progress Update February 2020 - Report by Executive Director Place	207 - 214

**(A) TO CONSIDER RESOLVING TO DEAL WITH THE UNDERNOTED BUSINESS IN PRIVATE IN TERMS OF PARAGRAPHS 6, 8 AND 9 OF PART 1 OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973 - THE RELEVANT REPORTS ARE THEREFORE NOT FOR PUBLICATION; AND**  
**(B) TO NOTE THAT NOTWITHSTANDING ANY SUCH RESOLUTION, INFORMATION MAY STILL REQUIRE TO BE RELEASED UNDER THE FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 OR THE ENVIRONMENTAL INFORMATION REGULATIONS 2004.**

## **9 Private Reports**

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- 9.1** Millerhill Low Carbon District Heating Project Preferred Bidder Appointment for Energy Partner - Report by Executive Director Place
- 6. Information relating to the financial or business affairs of any particular person (other than the authority).
- 9.2** Acquisition of land in Shawfair Town Centre from Network Rail - Report by Executive Director Place
- 8. The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.
  - 6. Information relating to the financial or business affairs of any particular person (other than the authority).
  - 9. Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the

acquisition or disposal of property or the supply of goods or services.

## **10      Date of Next Meeting**

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The next meeting will be held on 24 March 2020 at 11.00am.



# Midlothian Council Minute Volume



**Presented to the Meeting  
of Midlothian Council  
on Tuesday, 11 February 2020**

## **1 Minutes of Meetings submitted for Approval**

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Midlothian Council 17 December 2019	3 - 20
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## **2 Minutes of Meetings submitted for Consideration**

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### **Approved Minutes for Noting, Information and Consideration of any recommendations contained therein**

Special Cabinet 24 June 2019	21 - 22
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Performance Review and Scrutiny Committee 17 September 2019	23 - 30
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Planning Committee 19 November 2019	31 - 36
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Cabinet 26 November 2019	37 - 48
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Audit Committee 3 December 2019	49 - 56
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Appointments Committee 16 December 2019	57 - 58
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## **3 Minutes of Meetings submitted for Information**

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### **Approved Minutes of Outside Organisations to which Council appoints representatives**

No Minutes submitted for information.

## Midlothian Council

Council congratulates the Community Safety and Justice Working Group on the launch of ALISS, the Midlothian element of the Local Information System for Scotland. It is the most developed platform of its type to be launched so far in Scotland.

ALISS is a comprehensive one-stop-shop for citizens' enquiries relating to support service across housing, welfare health and community resources. It uses postcodes to focus on the relevant assistance.

Councillors and staff are encouraged to use the website link.

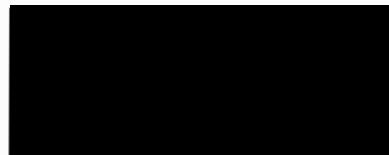
[www.aliss.org/](http://www.aliss.org/)

Proposed by:



Councillor Peter Smail

Seconded by:



Councillor Margot Russell

Date: 21 January 2020



## **Best Value Assurance Report – Improvement Action Plan Update**

**Report by: Dr Grace Vickers, Chief Executive**

### **1. Purpose of Report**

The purpose of this report is to provide Council with an update on the Improvement Action Plan put in place following publication of Midlothian's Best Value Assurance Report by the Accounts Commission on 4 July 2019 which was presented to Council on 20 August 2019.

### **2. Background**

**2.1** Audit Work to support the Best Value Assurance Report for Midlothian Council was carried out between January and March 2019. The audit focused on 5 key questions:

1. Does the council have clear strategic direction?
2. How well is the council performing?
3. Is the council using its resources effectively?
4. Is the council working well with its partners?
5. Is the council demonstrating continuous improvement?

**2.2** The audit work was carried out by a team of auditors and best value auditors from Ernst & Young and Audit Scotland and involved an extensive review of documentation and interviews with elected members, council officers and partners.

**2.3** The report notes that the Council has delivered a number of ambitious projects since the Council's previous Best Value report, in particular in relation to schools, community campuses, housing and transport. Other key points in the report include:

- The council still needs to focus on some key requirements for Best Value, including financial sustainability, financial management and transformation.
- There are risks around the council's successful delivery of change due to its past track record and the scale of the challenge in both the medium and longer term.
- Elected members need to work together to urgently agree the medium-term financial strategy and transformation programme.
- Performance across services is mixed and the council is among middle performing councils using benchmarking indicators.
- The council makes good use of data to understand and improve its performance.
- Partnership working continues to be a strength at the council.

**2.4** The report notes Accounts Commission Findings and a set of recommendations for the Council. The recommendations detailed below informed the development of the improvement action plan, an update of which is detailed in Appendix 1:

- As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the council's transformation plans.
- The council needs to develop and sustain more constructive relationships between members and between members and officers. It needs to implement effective cross-party governance arrangements to ensure that it delivers the medium-term financial strategy and transformation plans.
- The council needs to ensure that workforce planning reflects the medium-term financial strategy.
- The council should undertake a review of its capital programme, to ensure that the timeframes for delivery are achieved going forward and that monitoring and reporting mechanisms are enhanced to drive more accurate analysis and planning around capital work.
- The council need to continue to implement financial planning arrangements to address budget gaps, underpinned by robust financial budgeting and monitoring arrangements.
- The council should refine its vision in light of the outcome of consultation work through the Services with Communities transformation workstream and to ensure that it focuses its activity most effectively.
- Elected members need to exercise appropriate scrutiny at all times, take ownership for personal development plans and take up relevant training opportunities.
- The council should continue to build on positive elements of community empowerment. It should look to increase community ownership of local neighbourhood plans and work with communities to improve how they monitor progress.

### **3. Progress**

#### **3.1 Medium Term Financial Strategy**

The Council is ambitious for the future of Midlothian and our Vision is a Great Place to Grow. The development of the Medium Term Financial Strategy is an important step-change and one which will provide greater certainty for the local communities we serve and our employees.

The Medium Term Financial Strategy for Midlothian, covering three financial years, aims to provide a clear and concise overview in one place of future sustainability given the acute service demand pressures which the Council is facing and also outlines the important decisions which will need to be made in order make significant headway towards addressing the budget gaps which will need to be bridged though to 2022/23.

Good governance requires that organisational structures are kept under review to ensure that they are fit for purpose and in particular, that they are congruent with both the priorities set out in the Community Plan and the actions contained in the Council's Change and Transformation Programme, designed to achieve long term financial sustainability. It is therefore appropriate that as part of the Medium Term Financial Strategy the Council's management arrangements have been reviewed and a new Senior Leadership Team structure introduced.

The Single Midlothian Plan has 3 strategic aims: to reduce inequalities in learning, health and economic circumstances and also has 3 priority areas: Mayfield, Gorebridge and Woodburn. The plan is underpinned by 5 main pillars: Co-production, Localising, Modernising, Preventative Intervention and Capacity-Building. The 5 pillars of the Single Midlothian Plan will be embedded into the work of each of the senior leaders as core principles of practice and citizens and communities will be at the heart of what we do.

The following key drivers for change have also been introduced to support the necessary step-change required:



Fig 1: key drivers for change

### 3.2 Best Value Improvement Action Plan

Since the introduction of the improvement plan a number of actions supporting the recommendations have progressed including:

- Agreement of the Medium Term Financial Strategy and supporting transformation plans, with further work required by the Business Transformation Steering Group to identify solutions for the remaining budget gap.
- Discussions with members and officers to develop a broader Elected Member Development Programme supporting member roles and ongoing development areas using a range of delivery options including briefings, seminars and cross-party working groups.
- Development of a Member-Officer protocol

- Introduction of a centralised recording method for Elected Member development undertaken by individuals, working with Democratic Services and members support.
- Review and update report for the Council's Workforce Strategy presented to December Council.
- Financial Dashboard piloted successfully for Children's Services which will inform the roll out to all services and support the development of a dataset and Dashboard for use by Elected Members and senior officers.
- Implementation of a gateway review and reporting process by the Capital Plan and Asset Management Board
- Incorporation of Services with Communities programme within the One Council, working with you, for you transformation strand of the Medium Term Financial Strategy and work continuing with partners and communities to deliver the priorities within the Single Midlothian Plan. In addition the declaration of a climate emergency reflects the consultation findings from the 2040 Vision.
- Introduction of 'Pentana Browser' online reporting tool for Elected Members to support performance management and scrutiny requirements
- Ownership by communities of Neighbourhood Plans is progressing with a mechanism for reporting progress now in place

## **4 Report Implications**

### **4.1 Resource**

No additional resources are required as a result of this report, however future improvement planning actions will consider any future resource requirements.

### **4.2 Risk**

The Council has a statutory duty to respond to the published findings and the supporting improvement action plan responds to these duties in part.

### **4.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

### **4.4 Key Priorities within the Single Midlothian Plan**

Midlothian Council and its Community Planning Partners have made a commitment to treat the following areas as key priorities under the Single Midlothian Plan:

- Reducing inequalities in learning outcomes
- Reducing inequalities in health outcomes
- Reducing inequalities in economic circumstance



Best Value guidance identifies two cross-cutting themes which Best Value organisations should fully embrace across all activities by which they deliver their outcomes. The cross-cutting themes are Equality and Sustainability.

#### **4.5 Impact on Performance and Outcomes**

The duty of Best Value in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance,
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

The above considerations informed the Medium Term financial Strategy.

#### **4.6 Adopting a Preventative Approach**

The Best Value duty supports the need to consider preventative approaches where appropriate and possible.

#### **4.7 Involving Communities and Other Stakeholders**

The Best Value Assurance Report was produced following engagement with both officers and partners and following a significant review of documentation available, including documents from partners and communities.

#### **4.8 Ensuring Equalities**

Whilst equalities is a key requirement for Best Value organisations, there are no direct equalities issues to be considered for this report.

#### **4.9 Supporting Sustainable Development**

Sustainability is a key requirement for Best Value organisations and this informed the improvement action plan presented to Council.

#### **4.10 IT Issues**

There are no IT issues arising from this report.

### **5 Summary**

The Council recognises the need to deliver against the duty of Best Value and the supporting improvement action plan developed which seeks to address the areas for change and improvement identified within the BVAR and is committed to ensuring regular updates are provided to Council.

## **6 Recommendations**

Council is asked to:

- a) note the updated Best Value Improvement Action Plan
- b) note that a further progress report will be presented to June Council

### **Appendices: 1. Best Value Assurance Report: Midlothian Council Action Plan**

**Date: 20 January 2020**

**Report Contact: Myra Forsyth**

**Tel Number: 0131 271 3445**

**Email: [myra.forsyth@midlothian.gov.uk](mailto:myra.forsyth@midlothian.gov.uk)**

**Background Papers:      None**

## Appendix 1 - Best Value Assurance Report: Midlothian Council Action Plan





This Plan is based on recommendations identified in the Best Value Assurance Report (BVAR) published by the Accounts Commission on the 4 July 2019.






**1. As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the council's transformation plans.**


Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
BVAR 1.1	Medium Term Financial Strategy (MTFS) to be agreed by Council.	(see paragraphs 28, 64 – 65, 73 – 74, 130 – 132)	30-Jun-2019	✓	100%	<b>Q3 19/20: Complete.</b> The MTFS was approved at Council in June 2019 with further work being progressed to identify savings for the remaining budget gap	BTB BTSG; Chief Executive
BVAR 1.2	MTFS and Transformation Programme governance framework via BTSG to be agreed by Council.	(see paragraphs 28, 64 – 65, 73 – 74, 130 – 132)	30-Jun-2019	✓	100%	<b>Q3 19/20: Complete.</b> The MTFS was approved at Council in June 2019. Further work is now being progressed to agree a revised terms of reference looking towards longer term planning.	BTB BTSG; Chief Executive
BVAR 1.3	MTFS and supporting Transformation Programme plans, reporting and monitoring arrangements to be put in place.	(see paragraphs 28, 64 – 65, 73 – 74, 130 – 132)	31-Aug-2019	✓	100%	<b>Q3 19/20: Complete.</b> However, the Council is committed to continuous improvement and further work is underway in order to streamline reporting and monitoring processes.	BTB BTSG

**2. The council needs to develop & sustain constructive relationships between members & between members & officers. Implement effective cross-party governance arrangements, ensure that it delivers the medium-term financial strategy & transformation plans.**


Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
BVAR 2.1	All Elected Member development day – Roles and Responsibilities, Cross-party working group frameworks etc	(see paragraphs 22 – 25, 28, 74, 131 - 132)	31-Mar-2020		30%	<b>Q3 19/20:</b> Elected Member development planning discussions have been held with each Group and further engagement with individual members to inform the proposed programme and development needs going forward has been initiated. Collation of all member briefings, seminars and working groups is also being pulled into a central record to support the development of the wider programme.	Myra Forsyth
BVAR 2.2a	Elected Member and Officer Protocol developed	(see paragraphs 22 – 25, 28, 74, 131 - 132)	31-Aug-2019		100%	<b>Q3 19/20:</b> Proposal developed and approved by CMT and presented to September BTSG who asked that further consideration by members take place and additional information be provided by officers re existing multi-ward protocol.. Protocol will be progressed in Q4 as part pf BVAR 2.2b.	Myra Forsyth
BVAR 2.2b	Elected Member and Officer Protocol agreed and implemented	(see paragraphs 22 – 25, 28, 74, 131 - 132)	TBC		20%	<b>Q3 19/20:</b> Proposal developed and approved by CMT and presented to BTSG who asked that further consideration by members take place and additional information be provided by officers re existing multi-ward protocol.. Protocol will be progressed in Q4.	Myra Forsyth
BVAR 2.3	Refreshed Scrutiny Training/Guidelines/Checklist	(see paragraphs 22 – 25, 28, 74, 131 - 132) How Councils Work – Roles and Relationships: are you getting it right? Session • How Councils Work – Safeguarding Public Money: are you getting it right? Session • Delivering Best Value – joint Elected Member and Officer Session • Delivering a transformed Council/Midlothian – joint session	31-Mar-2020		10%	<b>Q3 19/20:</b> Elected Member development planning discussions have been held with each Group and further engagement with individual members to inform the proposed programme and development needs going forward has been initiated. Learning from the training and approach for Audit Committee members will inform wider scrutiny training for members.	Myra Forsyth; Jill Stacey

### 3. The council needs to ensure that workforce planning reflects the medium-term financial strategy.



Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
BVAR 3.1	Review and update the Council's Workforce Strategy and associated Service Workforce Plans to fit with the revised priorities and finances as per MTFS.	(see paragraphs 76 - 88)	31-May-2020		25%	<b>Q3 19/20:</b> Update report encompassing review and update of the workforce strategy was submitted to December 2019 Council meeting.  The target date was reset for the update of the associated service level workforce plans which will be progressed in Q4. Internal Audit follow-up of actions will be undertaken concurrently.	Dawn Farquhar
BVAR 3.2	Develop data analytics to support real time reporting for managers in relation to people and financial data	(see paragraphs 76 - 88)	31-May-2020		50%	<b>Q3 19/20:</b> People and Financial Dashboards - Revised workforce data is ready and awaiting the implementation and transition to the new leadership structure.  Financial Dashboard has now been piloted successfully for Children's Services and this has assisted in identifying areas where business processes need to be improved and where more detailed information is sought by managers (for example transport costs at client level rather than service level). Building on the Children's Services pilot to roll out to all services. Again there is merit in doing this as part of the transition to the new leadership structure and as such further work will be done to reflect this.	Dawn Farquhar/Gary Fairley
BVAR 3.3	Develop data analytics for a data set to support Elected Member and Officer understanding and decision making with regards to financial performance	(see paragraphs 76 - 88)	30-Jun-2020		25%	<b>Q3 19/20:</b> Financial Dashboard have now been piloted successfully for Children's Services and this has assisted in identifying areas where business processes need to be improved and where more detailed information is sought by managers ( for example transport costs at client level rather than service level) . Building on the Children's Services	Gary Fairley

Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
						pilot to develop a dataset and Dashboard for use by Elected members and senior officers. Again there is merit in doing this as part of the transition to the new leadership structure and as such further work will be done to reflect this.	
BVAR 3.4	Ensure workforce planning and profiles reflect the changing pressures on services due to the growing population	(see paragraphs 76 - 88)	30-Jun-2020		0%	<b>Q3 19/20:</b> As previously noted service level workforce plans will be progressed in Q4. Internal Audit follow-up actions will be undertaken concurrently.	HR Business Partners


**4. The council should undertake a review of its capital programme, to ensure that the timeframes for delivery are achieved going forward & that monitoring & reporting mechanisms are enhanced to drive more accurate analysis & planning around capital work.**

Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
BVAR 4.2	Re-establish Capital Programme Board framework and reporting responsibilities including Review of Capital Plan and programme to achieve more accurate forecasting and delivery	(see paragraphs 80 – 82)	30-Jun-2019		100%	<b>Q3 19/20: Complete.</b> Capital Plan and Asset Management Board has implemented a gateway review and reporting process (at this point for all projects over £1m). This has subsequently been complemented by the roll out of project flash reports to allow BTSG oversight of progress in delivering capital projects and to keep all members informed of progress in their ward. The gateway review process is designed to strengthen the overall governance of projects, provides a means to more effectively monitor projects against the agreed milestones and allows risks to be monitored and managed effectively. Whilst framework is in place work continues to ensure it is fully embedded across all £1m plus projects to ensure consistency.	Kevin Anderson

**5. The council need to continue to implement financial planning arrangements to address budget gaps, underpinned by robust financial budgeting and monitoring arrangements.**


Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
BVAR 5.1	Develop data analytics to support real time reporting for financial data and budget monitoring (see Actions 3.2/3.3)	(see paragraphs 75 – 79)	31-May-2020		50%	<b>Q3 19/20:</b> Financial Dashboard have now been piloted successfully for Children's Services and this has assisted in identifying areas where business processes need to be improved and where more detailed information is sought by managers ( for example transport costs at client level rather than service level) . Buigralding on the Children's Services pilot to roll out to all services. Again there is merit in doing this as part of the transition to the new leadership structure and as such further work will be done to reflect this.	Gary Fairley
BVAR 5.2	Refresh governance structure on the delivery of savings and in relation to MTFS following June Council.	(see paragraphs 75 – 79)	31-Aug-2019		100%	<b>Q3 19/20: Complete.</b> The MTFS was approved at Council in June 2019. Further work is now being progressed to agree a revised terms of reference looking towards longer term planning.	BTB BTSG

**6. The council should refine its vision in light of the outcome of consultation work through the Services with Communities transformation workstream and to ensure that it focuses its activity most effectively.**




Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
BVAR 6.1	MTFS informed by outcome of Our 2040 Vision exercise and the following 4 key themes from various consultation activities: •One Council: Working with you, for you •Preventative and	(see paragraph 19)	31-Aug-2019		100%	<b>Q3 19/20: Complete.</b> Following refresh of transformation and change programme the Services with Communities workstream sits within the One Council: Working with you, for you MFTS strand and a supporting programme of activity has been identified and is being taken forward by the	Annette Lang

Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
	Sustainable •Efficient and Modern •Innovative and Ambitious					<p>Strategic Service Redesign Manager. Consultations to be negotiated on appendix A of the MTFS to take place March/April 2020 onwards.</p> <p>The council and its partners are working to a shared vision for the area through the Single Midlothian Plan and continues to work with its communities to deliver improvements. It is currently taking action to further improve its relationships with the third sector. A draft Compact document with the third sector has been produced Dec 2019</p> <p>Vision being used to inform Third sector climate funding bid. Climate change prioritisation work underway based on 2040 vision. Midlothian Council has declared a climate emergency an a 4<sup>th</sup> key priority is being considered for community planning.</p> <p>Work has commenced on the expression in the 2040 vision consultation on ensuring a sense of belonging through gatherings. A draft community places strategy is being drafted.</p>	



**7. Elected members need to exercise appropriate scrutiny at all times, take ownership for personal development plans and take up relevant training opportunities.**


Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
BVAR 7.1	Develop an Elected Member Development Programme (including use of 360 Tool)	(see paragraphs 25, 59 – 62)	31-Mar-2020		30%	<p><b>Q3 19/20:</b> Elected Member development planning discussions have been held with each Group and further engagement with individual members to inform the proposed programme and development needs going forward has been initiated.</p> <p>Informal Sessions have been set up prior to each Audit Committee meeting with an associated development and self-evaluation programme over</p>	Myra Forsyth




Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
						12 months by CAE.	
BVAR 7.2	Introduce an Elected Member Learning and Development commitment and personal development plans?	(see paragraphs 25, 59 – 62)	31-Mar-2020		20%	<b>Q3 19/20:</b> Elected Member development planning discussions have been held with each Group and further engagement with individual members to inform the proposed programme and development needs going forward has been initiated.	Myra Forsyth
BVAR 7.3	Re-establish a central Training Records system for Elected Members	(see paragraphs 25, 59 – 62)	31-Mar-2020		40%	<b>Q3 19/20:</b> Engagement with Democratic Services and Members support has identified an initial approach to the development of a central recording system introduced with early entries reflecting January events. .	Myra Forsyth
BVAR 7.4	Improve the quality of reports to ensure they are readily understood and Elected Members are clear on what decisions they are being asked to make.	(see paragraphs 25, 59 – 62)	31-Mar-2020		50%	<b>Q3 19/20:</b> The transition to Pentana Online Browser in Q2 2019/20 for quarterly performance monitoring introduced more focussed reporting in terms of high lighting off target items and opened up elected members ability to drill down into the performance system more fully. Further work is planned to consider the wider reporting needs in relation to the decision making role of members.	Myra Forsyth

**8. The council should continue to build on positive elements of community empowerment. It should look to increase community ownership of local neighbourhood plans and work with communities to improve how they monitor progress.**

Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
BVAR 8.1	Introduce a formal mechanism for reporting against all Neighbourhood Plans	(see paragraphs 113 – 117)	30-Jun-2020		100%	<b>Q3 19/20: Complete</b> A mechanism for reporting NP progress is in place , with updates going to the Community planning working group	Alasdair Mathers
BVAR 8.2	Review community engagement, capacity and ownership of	(see paragraphs 113 – 117)	30-Jun-		50%	<b>Q3 19/20:</b> Community councils constitution allows for 16 year olds upwards to join, links have been	Alasdair Mathers

Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
	Neighbourhood Plans and potential opportunities for wider membership of community councils or formalising wider network of community groups		2020			made with Midlothian youth platform through the CPP planning process. CC's have taken ownership of neighbourhood plans in rural communities where they are now a standing item on agendas. Some CC's have co-opted community groups to membership through the powers in the revised constitutions. Federation and other third sector groups will be lead partners in review of NP processes.	
BVAR 8.3	Review possible declining trend in Citizens Panel questions: •Ability to influence decisions •Involvement in community and identify areas for improvement	(see paragraphs 113 – 117)	31-Dec-2019		100%	<p><b>Q3 19/20: Complete.</b> Areas for improvement have been identified, and actions have begun, see notes below:</p> <p>Adult Citizens panel returns reduced in this year's summer survey, but an additional 350 children and young people took part in a modified citizen's panel process. A refresh of panel members is now planned</p> <p>The review of neighbourhood planning is underway. This will consider the ways that communities can exert greater influence on the SMP. Discussions have been held with colleagues in Council about the new place planning rights under the Planning Act 2019, the new economic development strategy town centre regeneration goals, and the Public health "healthy places" initiative.</p> <p>Participatory budgeting approach to elected members local environmental improvement budget is underway in Dalkeith and Danderhall. 4 community asset transfers have now been agreed at council all have required community support, 3 formal participation requests have been received and dealt with; Town centre master planning in Mayfield is being led by 5 anchor community organisations supported by the Council.</p> <p>The Federation of community councils has been undertaking further training to increase their</p>	Alasdair Mathers

Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
						<p>capacity to represent residents. The Council undertook stakeholder consultation on the medium term financial strategy.</p> <p>A Place standard approach involving residents in defining core issues in their communities has been undertaken in Bonnyrigg, Mayfield, Gorebridge, Dalkeith and Penicuik so far. The Bonnyrigg place standard weekend engagement event involved slightly over 2500 people.</p> <p>The IJB undertook an extensive public engagement process to devise its most recent plan. Stakeholder joint planning groups continue to influence planning of adult health and social care services.</p> <p>The champions group of care experienced young people influence the planning of care services. The 100 day challenge on mental health support for young people resulted from survey work undertaken by Midlothian Youth platform and involved young people directly in redesigning services and support.</p> <p>Each parent council and pupil council is engaged in developing how learning is delivered. A formal participation request around the new Gorebridge Secondary school has been received and responded to. And early pre – formal consultation process has begun in relation to the A701 secondary school.</p> <p>Public engagement processes on Community Asset transfer have been undertaken in relation to Bonnyrigg After school club, Loanhead after school club and Bonnyrigg Rose Community Football Club asset transfer requests.</p> <p>Service user joint planning groups have participated in the delivery of a new Community Justice plan</p>	

Code	Action	Reference	Due Date	Status	Progress	Comment & Planned Improvement Action	Managed By
						<p>Service user joint planning groups have participated in the delivery of a new IJB delivery plan</p> <p>Third sector summits are held with IJB directorate, the third sector adult and youth and children's forums meet regularly with Council, the youth and children work group meet each week before the GIRFEMC board to agree points they wish to raise on the agendas and responses to proposals coming from CPP partners</p>	
BVAR 8.4	Review future models (as a result of reduced internal capacity) for working with communities in designing and delivering services	(see paragraphs 113 – 117)	30-Jun-2020		10%	<b>Q3 19/20:</b> Through the mechanism of Community Empowerment Act we will work with local communities/CPP/Community Councils to review Neighbourhood plans and link this to the capacity of Communities and learning staff team	Annette Lang; Alasdair Mathers

**Financial Monitoring 2019/20 – General Fund Revenue****Report by Gary Fairley, Chief Officer Corporate Solutions****1 Purpose of Report**

The purpose of this report is to provide Council with information on performance against revenue budget in 2019/20, details of the material variances and a projection of the General Fund Balance.

**2 Background****2.1 Budget Performance**

The projected budget performance figures shown in appendix 1 result in a net underspend of £1.081 million for the year which is 0.52% of the revised budget. Projections have improved by £0.649 million from quarter 2. This is mainly as a consequence of operational measures that have been implemented to contain in-year spend.

Although a net underspend is reported, the Chief Executive continues to be very clear in her message that service overspends represent an unacceptable position. The Chief Executive and the Chief Officer Corporate Solutions have implemented enhanced financial scrutiny arrangements for the Place Directorate. This includes establishment of a Budget Board to provide enhanced financial oversight and this supplements good practice in the People and Partnerships Directorate.

Detailed reviews of service areas that are most significantly overspent have taken place and relevant senior officers have been tasked to deliver at pace recovery actions. Projected overspends in Commercial Operations and Property and Facilities Management have reduced during Q3. Work continues to improve the financial position further in these areas and also in Customer and Housing Services.

To supplement information Appendix 1a provides detail of year to date budgets and actuals which is part of regular information provision to budget holders.

Section 2.2 of the report covers the position with the Midlothian Integration Joint Board. The main areas of variance projected at quarter 3 for the remainder of Council services are outlined below:

**Projected Overspends**

- a £2.576 million shortfall in delivering the package of £7.988 million of transformational, operational and service cost reductions and income generation measures as evidenced in detail in Appendix 2;

- Insurance settlements in excess of budget of £0.240 million as a consequence of the volume and some associated high values of claims on the Council received during the year.

These are partly offset by favourable movements totalling £3.927 million.

- Scottish Government funding for the teacher's pay award and for additional employer's superannuation costs for teachers exceeds the amount provided for in the budget by £0.620 million. Clarity in both areas emerged once the 2019/20 budget was set and in the case of teachers pensions this was only during Q2;
- The impact of operational control across the Council of £1.707 million. Strict vacancy control is in place and elements of the projected underspend mitigate some of the shortfall in delivering savings proposals;
- Homeless service charge income of £0.402 million for Pentland House. This was previously credited to the Housing Revenue Account;
- Re-phasing of three large projects in the General Services Capital Plan results in a reduced borrowing requirement in 2019/20 and consequently an underspend of £0.373 million in costs of servicing borrowing;
- Developer contribution funding of £0.256 million which contributes to annual contractual payments for the Newbattle Digital Centre of Excellence;
- Planning and Building Warrant fee income of £0.203 million;
- Family placements for children of £0.366 million as a consequence of more cost effective solutions being implemented where possible.

Detailed information on material variances is contained in appendix 2 which identifies each variance, explains why it happened, outlines what action is being taken to control variances and details the impact of that action.

## **2.2 Delegation of resources to Midlothian Integration Joint Board**

The approved budget provided for the allocation of £42.634 million to the Midlothian Integration Joint Board (MIJB) for the provision of delegated services.

The main areas of variance projected at quarter 3 for the Adult Care element of MIJB are:

- The Community Care Resource Panel is projected to overspend by £0.944 million although this can be volatile given the fluidity of demand and potential high value of individual packages of care;
- Costs of £0.350 million in excess of budget for the Home Care service and Midlothian Enhanced Rapid Response and

Intervention Team (MERRIT). A shortage of external supplier capacity continues to place pressure on internal resources; and

- Additional running costs for Care Homes for Older people of £0.146 million.

These are partly offset by some favourable movements:

- Vacant posts across areas of service of £0.329 million;
- Funding that is yet to be allocated to specific commitments of £0.256 million; and
- Income from service users that is £0.098 million in excess of budget.

The position will be reported to the MIJB on Thursday the 13th February. In accordance with the Integration Scheme the MIJB is required to put in place a recovery plan to address the projected overspend. At this time the expectation is that action by the MIJB will address the projected overspend and no provision has been made for an additional budget allocation from the council.

### **2.3 Council Transformation Programme**

In 2019/20 £0.281 million is projected to be applied to support the ongoing transformation programme. There are commitments of £0.468 million identified for future years.

The Reserves Strategy reported to Council on 12<sup>th</sup> February 2019 brought to Members attention the Capital Receipts Flexibility Scheme introduced by the Scottish Government in December 2018. Members approved recommendations to use scheme as the mechanism for funding applicable future severance and transformation costs. As a consequence uncommitted Council Transformation funding of is now included within the non-earmarked element of the General Fund.

### **2.4 Capital Receipts Flexibility Scheme**

The Scottish Government introduced a Capital Receipts Flexibility Scheme which permit councils, subject to meeting some clearly defined criteria, to use in-year Capital Receipts to fund transformational costs. In 2019/20 £0.509 million of severance costs have been incurred and this is shown in General Fund Movement in section 2.5. Work is underway to assess the applicability of all of this spend against Capital Receipts Flexibility Scheme criteria. Capital Receipts for 2019/20 are currently projected to be £2.758 million.

At this stage it is expected that service review work in Lifelong Learning and Employability (LLE) will meet the scheme criteria. Severance costs of £0.224 million of 2019/20 relate to this review and are shown below in section 2.5 as funded in this way. The LLE review released 12 staff at an average payback of 0.50 years whilst at the same time transforming the service.

## 2.5 General Fund Reserve

The projected balance on the General Fund as at 31 March 2020 is as follows:

	£ million	£ million
Reserve as at 1 April 2019		8.637
Less earmarked reserves utilised in 2019/20		(3.584)
<b>General Reserve at 1 April 2019</b>		<b>5.053</b>
<i>Planned movements in reserves</i>		
Supplementary Estimates	(0.490)	
Council Transformation Programme Costs (section 2.3)	(0.281)	
Severance Costs (net of Capital Receipts Flexibility)	(0.391)	
Non Domestic Rates Revaluation Appeals	0.750	
Other	0.004	
		(0.408)
Underspend per appendix 1		1.081
<b>General Fund Balance at 31 March 2020</b>		<b>5.726</b>

Projections at quarter 3 therefore show an improvement of £0.540 million in the General Fund Reserve from the position at quarter 2.

An element of the General Fund is earmarked for specific purposes and this is shown below:

	£ million
<b>General Fund Balance at 31 March 2020</b>	<b>5.726</b>
<i>Earmarked for specific purposes</i>	
Budgets earmarked for Council Transformation	(0.468)
Enhancement to Reserves earmarked for training	(0.199)
<b>General Reserve at 31 March 2020</b>	<b>5.059</b>

The Reserves Strategy approved by Council on 12 February 2019 needs the Council to maintain an adequate level of General Reserve to provide a contingency for unforeseen or unplanned costs and that in the current financial context approve the adoption of 2% of net expenditure (excluding resources delegated to the IJB) to be considered a minimum. This equates to £3.3 million. Council also agreed that where projections indicate that should the 2% minimum General Reserve balance be breached an immediate recovery plan be implemented to recover the position, failing which, the next available budget would need to provide for the restatement of reserve position.

The General Reserve of £5.059 million is above the minimum set in the Reserves Strategy but will only remain that way if there is no further adverse performance against budget or drawdown of reserves.



### **3 Report Implications**

#### **3.1 Resource**

The projected performance against budget set out in this report presents the initial projections for the year. Work continues within the Directorates to reduce projected overspends and to progress the delivery of approved savings.

Whilst this report deals with financial issues there are no financial implications arising directly from it.

#### **3.2 Risk**

Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the proper administration of their financial affairs.

The assessment of performance against budgets by services is underpinned by comprehensive financial management and budgetary control arrangements. These arrangements are central to the mitigation of financial risk.

Ensuring that adequate systems and controls are in place minimises the risk of significant variances arising, and where they do arise they help to ensure that they are identified and reported on and that appropriate and robust remedial action is taken. The primary purpose of this report is to provide an assessment of performance for the full year based on activity in the first half of the year. The material variances detailed in appendix 2 highlight that the financial management and budgetary control arrangements require continual review and enhancement if financial risk is to be effectively mitigated during the year.

Members are reminded that the information set out in the report and appendices is largely based on projections and will inevitably change over the second half of the year. Major change factors include the impact of adverse weather conditions and other unforeseen events.

#### **3.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

### **3.4 Impact on Performance and Outcomes**

The decisions taken to balance the budget will have fundamental implications for service performance and outcomes. The Council's Transformation Programme aims to minimise the impact on priority services.

### **3.5 Adopting a Preventative Approach**

The proposals in this report do not directly impact on the adoption of a preventative approach.

### **3.6 Involving Communities and Other Stakeholders**

No consultation was required.

### **3.7 Ensuring Equalities**

There are no equality implications arising directly from this report.

### **3.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

### **3.9 IT Issues**

There are no IT implications arising from this report.

## **4 Recommendations**

It is recommended that Council:

- a) Note that work continues to secure further improvement in the underlying financial position and that the non-essential vacancy freeze and the moratorium on non-essential spend remain in place;
- b) Note that delivery plans for remaining areas of savings that remain behind schedule will be developed during Q4;
- c) Note the enhanced financial scrutiny arrangements for the Place Directorate; and otherwise
- d) Note the contents of the report.

21st January 2020

#### **Report Contact:**

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#### **Background Papers:**

GENERAL FUND OVERVIEW 2019/20

Function	Approved Budget	Revised Budget Expenditure	Revised Budget Income	Revised Budget Net £	Outturn £	(Underspend) / Overspend £
Management and Members	1,664,177	2,020,022	(40,000)	1,980,022	2,001,022	21,000
<u>Education Communities and Economy</u>						
Children's Services	15,939,424	16,271,644	(149,465)	16,122,179	15,423,179	(699,000)
Communties and Economy	3,021,699	4,834,292	(2,883,611)	1,950,681	1,573,681	(377,000)
Education	94,319,873	111,719,713	(12,726,038)	98,993,675	98,993,675	0
<u>Health and Social Care</u>						
Midlothian Integration Joint Board - Adult Social Care - Delegated	42,652,072	59,424,128	(16,849,337)	42,574,792	42,574,792	0
Midlothian Integration Joint Board - Adult Social Care - Non-delegated	686,227	701,930	0	701,930	589,930	(112,000)
Customer and Housing Services	10,236,304	36,165,607	(25,341,529)	10,824,078	11,301,078	477,000
<u>Resources</u>						
Commercial Operations	12,905,451	16,690,841	(3,755,791)	12,935,050	13,335,050	400,000
Finance and Integrated Service Support	10,221,586	11,411,875	(408,915)	11,002,959	11,023,959	21,000
Properties and Facilities Management	14,021,429	22,230,840	(8,228,811)	14,002,028	14,303,028	301,000
Lothian Valuation Joint Board	534,441	534,441	0	534,441	534,441	0
Central Costs	310,315	969,090	0	969,090	1,021,090	52,000
Non Distributable Costs	1,338,436	1,619,542	0	1,619,542	1,544,542	(75,000)
<b>GENERAL FUND SERVICES NET EXPENDITURE</b>	207,851,434	284,593,966	(70,383,498)	214,210,468	214,219,468	9,000
Loan Charges	6,123,494	5,680,703	0	5,680,703	5,307,703	(373,000)
NDR Discretionary Relief	70,300	70,300	0	70,300	70,300	0
Investment Income	(406,420)	0	(406,420)	(406,420)	(406,420)	0
Savings Targets	(223,000)	(46,000)	0	(46,000)	0	46,000
Allocations to HRA, Capital Account etc.	(5,015,808)	(5,015,808)	0	(5,015,808)	(5,015,808)	0
	208,400,000	285,283,161	(70,789,918)	214,493,243	214,175,243	(318,000)
less Funding:						
Scottish Government Grant	(157,413,000)	0	(159,460,994)	159,460,994	160,080,994	(620,000)
Council Tax	(50,987,000)	0	(50,987,000)	50,987,000	51,130,000	(143,000)
<b>Utilisation of Reserves</b>	0	285,283,161	(281,237,912)	4,045,248	2,964,249	(1,081,000)



# MIDLOTHIAN COUNCIL

## GENERAL FUND OVERVIEW 2019/20

## Appendix 1a

Function	Full Year Revised Budget	Year to Date Revised Budget	Year to Date Actuals
Management and Members	1,980,022	1,229,149	1,349,944
<u>Education Communities and Economy</u>			
Children's Services	16,122,179	11,076,216	10,292,849
Communities and Economy	1,950,681	1,100,546	2,029,418
Education	98,993,675	68,873,194	58,371,552
<u>Health and Social Care</u>			
Midlothian Integration Joint Board - Adult Social Care - Delegated	42,574,792	27,310,827	23,866,899
Midlothian Integration Joint Board - Adult Social Care - Non-delegated	701,930	463,748	179,113
Customer and Housing Services	10,824,078	7,503,499	11,347,436
<u>Resources</u>			
Commercial Operations	12,935,050	8,809,167	7,001,671
Finance and Integrated Service Support	11,002,959	7,385,945	7,670,932
Properties and Facilities Management	14,002,028	9,449,361	9,761,481
Lothian Valuation Joint Board	534,441	369,998	411,387
Central Costs	969,090	670,908	670,908
Non Distributable Costs	1,619,542	892,287	879,622
<b>GENERAL FUND SERVICES NET EXPENDITURE</b>	<b>214,210,467</b>	<b>145,134,844</b>	<b>133,833,213</b>



**Financial Monitoring 2019/20 – General Fund Revenue – Material Variances****Management and Members**

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Employee Costs	One-off costs.	29	29	29	
Shared posts with East Lothian Council	A reduced requirement from East Lothian Council results in a lower than budgeted recharge.	12	12	12	Revised arrangements for shared services are part of the Medium Term Financial Strategy reported to Council in June 2019 and further explained in detail to Council in December 2019.
<b>Gross Overspend</b>		<b>41</b>	<b>41</b>	<b>41</b>	
<i>Offset by:</i>					
Vacancies and performance factor		(16)	(16)	(20)	Vacancies and part vacancies held to partially offset pressures along with some windfall income for Internal Audit work for LEADER.
<b>Net Overspend</b>		<b>25</b>	<b>25</b>	<b>21</b>	

**Education, Communities and Economy****Children's Services**

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Non-residential services commissioned and provided for Children with and without disabilities	Taxi costs for children without disabilities	36	28	6	A review of all taxi spend across Childrens Services and Education is underway. This will give a clearer picture of what is driving spend, what options exist for efficiencies and the outcome that taxis are only used when there is no other alternative available.
	Rent and allowances for throughcare and Continuing Care service users.	0	28	57	Additional costs mainly relate to aftercare for clients aged 16 or over. This area of spend will increase going

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					forward and this is incorporated in the Medium Term Financial Strategy.
<b>Gross Overspend</b>		<b>36</b>	<b>56</b>	<b>63</b>	
<i>Offset by:</i>					
Family Placements	Placements previously with external agencies have now moved to Midlothian Carers resulting in a significant saving.  Windfall income has been received for the provision of adoption placements to another Local Authority.	(183)  (38)	(361)  (38)	(366)  (25)	Whilst the number of children that are being accommodated have actually increased the vast majority of children are being cared for in Kinship Care Placements. At this stage it is too early to say if this is a growing trend but one that will continue to be monitored.
Residential and Day Education Placement	There are fewer placements than provided for in the budget but there has been an increase during Q3.	0	(192)	(93)	Individual placements can be both uncertain and expensive. As a consequence there is a risk of the forecast changing significantly during the remainder of 2019/20.
Vacancies and performance factor	There is a forecast underspend mainly resulting from vacant posts in the Early Intervention and Prevention service and also vacant day-time posts in the residential houses.	(119)	(171)	(195)	In anticipation of further savings targets in 2020/21 strict vacancy control is applied across the service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the service budget.	(46)	(32)	(83)	Limited impact on frontline services.
<b>Net Underspend</b>		<b>(350)</b>	<b>(738)</b>	<b>(699)</b>	



## Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Pest Control and Trading Standards income targets	Legislative changes in Trading Standards over recent years have made income targets harder to achieve and there is a shortfall in achieving Pest Control income targets.	18	20	18	The achievability of income targets has been reviewed as part of the 2020/21 budget setting process.
<b>Gross Overspend</b>		<b>18</b>	<b>20</b>	<b>18</b>	
<i>Offset by:</i>					
Planning and Building Warrant Income	Income from Building Warrant and Planning applications is higher than expected at this stage in 2019/20.	(154)	(161)	(203)	Approval has been given to appoint a temporary Building Standards Inspector to ensure performance standards are maintained during a period of significant growth in housing development throughout Midlothian. However, due to pressure nationally it is proving difficult to recruit to this position but the service manager will explore options. This is to be funded from additional income receipts and this is reflected in projections. Planning income is currently in line with budget.
Vacancies and Performance Factor	The number of vacancies across the service exceeds the performance factor.	(62)	(125)	(144)	There are currently vacancies in Economic Development, Planning and Trading Standards. These vacancies are having an impact on service delivery which is being managed by the services. It has proved difficult to recruit to Planning Services, Trading Standards and Building Standards which is not just a local issue but down to a lack of experienced staff nationally.
Income	Windfall income.	(9)	(9)	(19)	Income in excess of budget from various sources including private water grant, residential caravan parks and Landlord registrations.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the service budget.	(40)	(10)	(29)	
<b>Net Underspend</b>		<b>(247)</b>	<b>(285)</b>	<b>(377)</b>	

## Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Charging for Music Tuition	A projected under recovery on SQA charging to schools for Music tuition.  The new charging policy expected to generate additional income but is projected to fall short of target.	185  62	185  62	170  74	The position was recently considered by Business Transformation Steering Group with the agreed approach reported to Council on 1 <sup>st</sup> October 2019.  Work continues to increase uptake.
Efficiency Target	An efficiency target of £1.279 million was budgeted for Education. To date £0.364 million has been achieved.	915	915	915	One-off underspends elsewhere in Education cover the remaining target in 2019/20. Options to deliver the target permanently are being explored.
<b>Gross Overspend</b>		<b>1,162</b>	<b>1,162</b>	<b>1,159</b>	
<i>Offset by:</i>					
Schools	Schools are projected to underspend by £1.187 million. In accordance with current DSM rules allowing a carry forward of 1% totalling £0.158 million would be allowed.	(967)	(905)	(1,187)	Within the £1.187 million is: 1) A 1% carry forward of £0.158 million; 2) An underspend of £0.055 million in schools in excess of the allowable 1% carry forward; and 3) Budget of £0.574 million not allocated to schools under the DSM scheme and £0.356 million of one-off savings. These contribute towards the 2019/20 Education Efficiency target.
Vacancies and Performance Factor	There are a number of vacancies across the Education service.	(273)	(284)	(5)	Strict vacancy control in Central Education departments is applied with management action in place to minimise the impact on frontline service provision. The value of measures in place to mitigate the 2019/20 efficiency target is in excess of target and can partly contribute to 2020/21 mitigation whilst work continues to develop options for permanent delivery.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the service budget.	(57)	(77)	33	
<b>Net Underspend</b>		<b>(135)</b>	<b>(104)</b>	<b>0</b>	

## Health and Social Care

In accordance with the Integration Scheme the Midlothian Integration Joint Board is required to put in place a recovery plan to address the projected overspend. At this time the expectation is that action by the MIJB will address the projected overspend so no provision has been made for an additional budget allocation for services delegated to MIJB in respect of Adult Social Care. The variances are noted below for information but are not taken into account in calculating the Council's reserves position.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Community Care Resource Panel	There are significant demands for services across all demographic profiles. Work on reviews of packages of care continues. The number of young people coming through transitions with complex needs means that managing spend within budget remains challenging.	1,022	1,126	944	<p>The budget amounts to around £33 million, is heavily influenced by demand and subject to demographic pressures. Individual packages of care can be complex and can exceed £0.100 million per annum. As a consequence projections can be volatile.</p> <p>Processes have been implemented to ensure that reduced and ceased packages of care are properly reflected on Mosaic. This will lead to more accurate information on which to determine projected spend.</p> <p>An upgrade of the Mosaic system, scheduled for June 2020, should lead to the freeing up of staff time. This will allow for more work to be done to ensure that data on in-year spend on care packages is more accurate.</p> <p>Within the overall position there is a projected underspend within Older People's services of £1.366 and a projected overspend within Adult Services of £2.310 million. The projected underspend within Older People's services offsets the projected overspend on Home Care (below) of £0.350 million.</p> <p>An element of new monies provided in 2019/20 is being used to support respite availability.</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					New fieldwork service arrangements will ensure ongoing reviews and focus on the redesign of services.
Home Care / Midlothian Enhanced Rapid Response and Intervention Team (MERRIT)	<p>Additional employee costs due to the volume of care packages being provided. There remains a shortage of external supplier capacity which results in continued pressure to address package of care requirements from internal resources.</p> <p>There is also high absence over the whole service which is being managed in line with the maximising attendance policy.</p>	365	470	350	<p>This service supports the aspiration to shift the balance of care and support people to live in their own homes for as long as possible. The pressures on the budget are a reflection of the capacity issues within the external market, with additional demand currently met by the internal Home Care service.</p> <p>A focus on absence management has successfully reduced sickness absence levels, having a positive impact on the service. Plans in place include development of a locum bureau, running additional carer academies and fleet car use to reduce some travel costs.</p> <p>The projected overspend is offset by an underspend in the Older Peoples resource panel budget as shown above. This position supports a shift in the balance of care, keeping older people safe in their homes and community for as long as possible.</p> <p>A service review of MERRIT carers has commenced which, through a new model of care, will support a reduction in "on-call" costs.</p>
Care Homes for Older People	Projected overspend on staffing at Newbyres Care Home and Highbank Intermediate Care due to the requirement to cover rotas.	145	135	146	<p>There continues to be a focus on absence management and development of a Locum Bureau which will drive down costs.</p> <p>This position is partially offset by a strong income position which is included within service user income (as shown below).</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Cowan Court Extra Care Housing	Projected overspend on care staff costs (£95k) offset by other underspends within the service (£58k).	52	35	48	A staffing review is underway.
<b>Gross Overspend</b>		<b>1,584</b>	<b>1,766</b>	<b>1,488</b>	
<i>Offset by:</i>					
Service User Income	Contributions from service users towards their care packages are higher than provided for in the budget.	(166)	(142)	(98)	No impact on frontline service.
Cherry Road/CAT Team/Shared Lives	Savings from vacancies within the CAT Team and Shared Lives and an underspend on supplies and services.	(152)	(155)	(196)	A service review is underway.
Fieldwork Staffing	Savings from vacancies within the Fieldwork service following the implementation of the Fieldwork service review.	(141)	(118)	(89)	Recruitment to posts is ongoing.
Public Protection	Scottish Government Funding provided specifically for Adult Support and Protection requirements. Some spend relevant to this funding is in the form of care packages and is met from the Resource Panel budget.	(120)	(146)	(146)	This underspend offsets care and support costs related to protection issues.
Joint Equipment Store / Aids and Adaptations	Projected spend for 2019/20 for both areas of spend is less than budgeted.	(91)	(96)	(133)	These are demand led budgets thus spend can be volatile.
Criminal Justice	An element of Scottish Government Funding is used to fund the management and administration of this service.	(67)	(67)	(59)	No impact on frontline service.
Planning Officers	There is currently a vacant Older People's Planning Officer post	(51)	(57)	(44)	There are plans to recruit to this vacant post.
Additional Social Care Funding	<p>The additional funding for 2019/20 with no specific commitments against it is assumed to be offsetting the agreed savings target of £940k.</p> <p>The delivery of savings is overseen by the Midlothian Integration Joint Board, and forms part of a wider commitment to deliver a</p>	90	(185)	(256)	

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
	balanced budget. The use of additional funding will be consider by MIJB.				
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Adult and Social Care budget.	(68)	(134)	(140)	No impact on frontline service
<b>Net Overspend</b>		<b>818</b>	<b>666</b>	<b>327</b>	
	MIJB Recovery Plan	(818)	(666)	(327)	
<b>Adjusted Net Position</b>		<b>0</b>	<b>0</b>	<b>0</b>	

#### **Adult Social Care – Not Delegated to IJB**

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Community Safety	Following the service review there are a number of roles not filled.	(84)	(90)	(112)	The Community Safety retained team element has now transitioned into the redesigned Community Safety and Justice Team.
<b>Net Underspend</b>		<b>(84)</b>	<b>(90)</b>	<b>(112)</b>	

## Customer and Housing Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Homelessness – Savings Target Unachieved	Proposals are proceeding to convert a property in Jarnac Court into temporary HMO accommodation and other initiatives are being taken forward to reduce the requirement for Bed and Breakfast accommodation. These will not all be in place this financial year resulting in a projected overspend against budget.	240	240	240	<p>Spend on Bed and Breakfast will be reduced through this approach. In addition there is provision within the HRA Capital Plan for new build temporary accommodation.</p> <p>The savings target will not be achieved within current programme. An implementation plan will be prepared for BTSG on 9<sup>th</sup> March 2019 setting out options for realistic cost savings in 2020/21 and 2021/22,</p>
Revenues Service – Planned Savings	The outstanding delivery target is £306k. Slippage of achievement in 2019/20 can be partially offset by some one-off DWP monies and vacancies within the service.	172	172	144	A further review of the service has been proposed to see where additional savings can be made and shared service options, as reported to Council in December 2019, are being considered.
Customer Services Transformation Strand	An outstanding target from previous years of £0.177 million for the Customer Services Transformation strand was carried forward into 2019/20. At this stage it is anticipated none of this will be achieved in 2019/20.	177	177	177	Delivery of the outstanding savings target in this area is being assessed as part of a due diligence review of the Medium Term Financial Strategy.
Service Management – Planned Savings and Agreed efficiency target	A general efficiency target of £138k and the service management target of £71k have yet to be delivered. In 2019/20 this is partially offset by savings associated with the vacant Head of Service post.	157	152	157	A review of the service needs to be carried out to highlight where the savings can be made.
Homelessness accommodation	Demand for placements exceeds budget.	112	80	181	<p>The budget provided for an average 36 B and B places per week. Average occupancy is currently 50 places.</p> <p>Delays accessing self-contained temporary accommodation due to void timescales resulted in increased demand for emergency accommodation for family households. An external voids contractor has since been appointed to resolve that issue.</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					There are several other actions being undertaken to achieve a significant reduction in expenditure on homelessness including a revised Housing Allocation policy, additional temporary accommodation provision, Housing First and the New Build Programme.
Housing Benefit Overpayments Provision	In 2018/19 a higher number and value of outstanding invoices relating to Housing Benefit overpayments was experienced giving rise to an increased bad debt provision. It is anticipated this will again be encountered in 2019/20 but to a lesser extent.	75	75	75	The level of Housing Benefit overpayments reduced in 2018/19 and continues to reduce in 2019/20.
Housing – Savings Target unachieved	Savings proposals are being developed but will not be fully implemented in 2019/20.	57	57	57	It is planned to drive more Housing services on-line and through a range of digital services and platforms. Further transformation is required to develop and promote digital services to adopt a mobile first approach for online customers.
Homelessness Storage	Storage facilities provided for homeless households' furniture and goods.	33	0	0	Storage no longer provided for new homeless households. This explains the movement between Q1 and Q2.
<b>Gross Overspend</b>		<b>1,023</b>	<b>953</b>	<b>1,031</b>	
<i>Offset by:</i>					
Homelessness Service Charge Income	Service charge income for Pentland House is now allocated to the Homeless service rather than the Housing Revenue Account.	(202)	(402)	(402)	During Q2 a further £200k was identified.  This is reflected in the draft 2020/21 budget.
Customer Services Vacancies	There are still a number of posts to be filled following the recent review of the service.	(67)	(72)	(105)	Management action is in place to minimise any impact on frontline service provision.  The review of library opening hours as part of the 19/20 cost savings has now been agreed and implemented as of the 1 <sup>st</sup> October.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Customer and Housing Services budget.	(53)	(14)	(47)	No impact on frontline service.
<b>Net Overspend</b>		<b>701</b>	<b>465</b>	<b>477</b>	



## Resources

### Commercial Operations

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Land Services	<p>Approved service reductions for reducing grass cutting standards and for reducing shrub bed maintenance have not yet been implemented.</p> <p>Income targets for activities and events at Vogrie Estate have not been achieved.</p> <p>Strict vacancy control and pursuit of income generating opportunities in excess of budgeted.</p>	100	100	100	<p>The maintenance of floral displays at war memorials has been continued which results in an overspend of £25,000. In addition grass maintenance standards have been continued which will result in an estimated overspend of £75,000</p> <p>Additional activities and events are being held to increase income from the Vogrie Estate. A business plan is being developed and will be presented to BTSG on 9<sup>th</sup> March 2019</p> <p>(155) This mitigates the bulk of the projected overspend</p>
Income from Burials	Income received from internments and purchase of lairs and monuments is considerably lower than recent years thus indicating a projected shortfall in achieving income targets.	0	178	151	<p>Income does not flow evenly across the year and can spike during winter months.</p> <p>A further review of the service will take place to explore improved income prospects.</p>
Vehicle Repairs	<p>There is an increased need to send vehicles to external contractors for repair due to internal vacancies and specialised technology.</p> <p>Vacant posts offsetting external costs.</p>	0	120	145	<p>Planned recruitment of apprentices will help change the overall skillset of the workforce which will reduce the need for external contractors.</p> <p>(81)</p>
Review of travel arrangements associated with the grey fleet.	A budget reduction of £150,000 in 2017/18 was approved but limited savings have been secured. To date £35k has been achieved.	115	115	115	Options for further savings in this area will be considered as part of the delivery plan supporting the newly approved Staff Travel policy.
Charges for Bins and Boxes	Income targets from charging new housing developers of £110k have been agreed.	102	102	102	There will be a time lag between receipt of income and provision of service which will make achievement of

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
	Income of £77k has been received from Developers to date but only £8k of this relates to bins and boxes issued, or expected to be issued, in year.				targets in early years more challenging. A review of deliverability is underway.
Efficiency Targets	The approved efficiency target of £165k has been partially achieved.	67	67	67	Options are being developed to deliver the remaining target and will be presented to BTSG on 3 <sup>rd</sup> February 2020.
Charge for Commercial Waste at Stobhill Community Recycling Centre	An income generation target of £35k was approved for 2018/19 with a further £15k in 2019/20. Take-up of the new service has been minimal.	48	48	49	Uptake of the available service for non-domestic waste disposal from commercial activities is not being achieved. A review of deliverability is underway.
Waste Disposal Charges	Unbudgeted Charges from the Energy from waste contractor (FCC) relating to residual waste that cannot be treated in the plant and must be landfilled.	0	0	34	This situation is being explored in depth with FCC.
Trade Waste	Shortfall in income from customers.	0	0	34	The external market is competitive making it difficult to attract and retain customers.
Bulky Uplift Income	Shortfall against approved income target.	19	15	15	The income budget is £96k of which £14k relates to an additional target in 2018/19.
Advertising on Council Vehicles	Achievement of the £15k target has slipped.	15	15	15	There are some interested parties following the Public Interest Notice. Work continues to try and secure the outstanding target and progress will be reported to BTSG on 3 <sup>rd</sup> March 2020.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	72	47	55	
<b>Gross Overspend</b>		<b>608</b>	<b>784</b>	<b>711</b>	
<i>Offset by:</i>					
Street Lighting Electricity	Projections show that lower than budgeted consumption will result in an underspend.	0	(115)	(142)	The replacement of traditional lamps with LEDs through the capital program is resulting in reduced consumption of electricity.
Parking Fines / Parking Charges	It is anticipated that income from parking fines and paid parking will generate more than provided for in the budget.	(101)	(118)	(118)	It remains to be seen if this will continue or if there will be behavioural changes which could reduce penalty income.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Commercial Operations Service Review	A savings target of £630k has been set. £272k has been delivered to date with reviews currently progressing. The shortfall in 2019/20 is offset by vacancies held whilst reviews evolve.	36	104	(51)	Movement between Q2 and Q3 is a consequence of further vacancies.
<b>Net Overspend</b>		<b>543</b>	<b>655</b>	<b>400</b>	

#### Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Integrated Service Support Review	<p>The ISS savings to be achieved in 2019/20 total £1.110 million, £0.410 million from savings targets brought forward and a further £0.700 million from an increase in the savings targets agreed as part of the 2019/20 budget.</p> <p>At this point savings of £0.626 million have been secured with current plans projected to achieve a further £0.069 million leaving a shortfall of £0.414 million.</p> <p>To offset slippage in delivery strict control of vacancies continues and exceeds the performance factor target by £0.358m.</p>	145	321	414	<p>The majority of posts held through vacancy control will crystallise into permanent savings at the conclusion of service reviews and will contribute to delivery plan targets.</p> <p>The net position is a projected shortfall of £0.056m mainly due to the implementation of planned actions for Q1 and Q2 being behind schedule.</p> <p>In addition to mitigating shortfall through strict vacancy and spend control (as shown below) the delivery plan is constantly reviewed to identify further changes which can support the delivery of the £1.110 million target. This activity includes the deletion of vacant posts from the establishment, securing additional service income, delivery of further business process efficiencies and a zero base review of non-staffing budgets to secure financial discipline.</p>
		(122)	(228)	(358)	

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					Strict vacancy control is applied to complement delivery of the ISS review.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Finance and Integrated Service Support budget.	9	(29)	(35)	No impact on frontline service.
<b>Gross Overspend</b>		<b>32</b>	<b>64</b>	<b>21</b>	

#### Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Sport and Leisure Bottom up Review	Proposals to deliver the approved savings target are still being considered.	200	200	200	Service costs and structures have been reviewed in detail during the service review with viable proposals to deliver approved savings to be submitted to the cross-party working group.
	In the meantime vacancies and the moratorium on non-essential spend offsets the in-year overspend.	0	(170)	(250)	
EWiM planned building closures	Evolving plans for buildings that were earmarked for sale or demolition as part of approved EWiM projects have resulted in anticipated revenue savings not materialising.	132	119	115	<p>Unbudgeted costs, mainly for Rates, relate to Dundas Buildings, Eskdaill Court, Jarnac Court and Penicuik Town Hall.</p> <p>The breakdown of these costs between buildings is as follows:</p> <ul style="list-style-type: none"> <li>- Dundas Buildings - £32k;</li> <li>- Eskdaill Court - £31k;</li> <li>- Jarnac Court - £32k; and</li> <li>- Penicuik Town Hall - £20k.</li> </ul> <p>The Council either continue to operate from these buildings or have plans to develop them. Accelerating</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					plans to vacate Buccleuch House may mitigate these costs in the latter part of the year.
Catering – functions, Vending and office service	Based on costs and income to date it is projected that this area of the Catering Service may underachieve their net income targets by £84k.	82	104	81	Income generation potential has been affected by the requirement for service cover due to difficulty in recruiting to School Catering vacancies. This has prevented expansion of external functions, events and the vending offering.
	Vacancies are projected to result in an underspend of £200k	0	(80)	(200)	Recruiting to and retaining staff within the service remains challenging.
Energy Costs	Consumption forecasts for Newbattle Campus and Lasswade Campus exceed budget.	0	161	122	Further examination of meter values and costs is underway.
Non School Catering	Based on costs and income to date it is projected that community cafes may underachieve their net income targets by £50k.	71	53	50	More aggressive marketing took place prior to the summer period and has helped generate an improved position.
Holiday Clubs	Income targets of £50k have not been achieved. Holiday camp uptake for the summer was minimal.	50	50	50	A business case will be presented to BTSG on 8 <sup>th</sup> March 2020 to deliver the income target.
Sport and Leisure Management Review	A full year savings target of £152,000 was approved with £45,000 effective from 2019/20. It is not anticipated that the 2019/20 target will be achieved.	0	45	45	Following implementation of the new Executive Leadership team the Sport and Leisure Management review is progressing at pace and is projected to make a saving of approximately £0.200 million. Once this is in place delivery of remaining savings proposals will progress.
Property and Facilities Management Service Review	A savings target of £240k has been set. £110k has been delivered to date or is in place for 2019/20 with reviews currently progressing. The shortfall in 2019/20 is partially offset by vacancies held whilst reviews evolve.	39	7	119	Plans will be developed to implement the review in this financial year.
Energy Costs	Council approved a saving in energy costs in 2019/20 from closure of seven PPP primary schools during school holidays. This has been partially implemented.	18	18	18	Energy costs exceed forecast. Further examination of costs is underway.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	40	(24)	28	
<b>Gross Overspend</b>		<b>632</b>	<b>483</b>	<b>378</b>	
<i>Offset by:</i>					
Hopefield Resource Centre	Slippage in the capital project will result in planned running costs in 2019/20 not being incurred. This is partially offset by savings for Bonnyrigg Garage that will not now be achieved.	(77)	(77)	(77)	Replacement depot will not be in place before 2020/21.
<b>Net Overspend</b>		<b>555</b>	<b>406</b>	<b>301</b>	

#### Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional Information / Action taken
Central Costs – Insurance	During Q1 there was a higher than usual volume of new and re-opened claims against the council. Some of these were high in value. During Q3 settlement was received for Waterfall Pavilion and some provisions also decreased in value.	364	386	240	Claims are discussed at the Risk and Resilience Group to identify trends and possible mitigating measures. Training on defensibility of claims for services is planned.
Central Costs – Developer Contribution Funding	Developer contribution funding to be applied annually to reduce the Unitary Charge payment for Newbattle.	(256)	(256)	(256)	As insurers and loss adjusters review the detail of each claim it is possible that the provisions made will either reduce or disappear. This may ease pressure.
Staff Travel	Savings relate to the cessation of the car leasing scheme and also changes to terms and conditions for those staff designated retention users. The car lease scheme was closed to new entrants in May 2018 and an implementation plan is now in place to	100	100	40	Clarity on the applicability of this funding occurred after the 2019/20 budget was set. This is now included in the Medium Term Financial Strategy.  The slippage reflects the timing and profile of leasing contracts that were in place in May 2018 and also the

Central Costs – One-off	<p>deliver approved savings but has slipped from the original target.</p> <p>Services commissioned in accordance with Standing Order 19.2 to support investigations and associated costs.</p>	25	25	28	<p>lead time for an offer to be made to affected employees to secure changes in employee terms and conditions. The new policy is now in place.</p>
Loan Charges	Re-phasing of the General Services Capital Plan results in lower financing costs of borrowing than provided for in the budget.	(267)	(416)	(373)	Borrowing costs are delayed but not avoided.
Scottish Government Grant	Distribution of funding to cover teacher's pay inflation and also increased employers pension contributions exceeds the planning assumption when the budget was set.	(607)	(642)	(620)	The Teachers pay award was agreed after the 19/20 budget was set and there is new information from the government on funding the council will receive for Teachers pension changes.
Council Tax Income	A continued growth in Band D equivalents results in a higher than budgeted Council Tax yield.	44	(73)	(143)	The continued growth in Band D equivalents is factored into Council Tax income budgets for future years.
Savings Targets	An income generation of £0.046 million was agreed in the 2018/19 budget. A business case for delivery is being developed.	46	46	46	





**Housing Revenue Account  
Revenue Budget and Capital Plan 2019/20****Report by Gary Fairley, Chief Officer Corporate Solutions****1 Purpose of Report**

The purpose of this report is to provide Council with a summary of expenditure and income to 27<sup>th</sup> December 2019 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2019/20.

**2 Background****2.1 Capital Plan 2019/20**

The Capital Plan Budget has been revised to reflect the current profile of spend as shown in appendix 1. There are no material changes to the variance last reported to Council 12<sup>th</sup> November 2019.

**2.2 Revenue Account 2019/20**

The underspend reported to Council on the 12<sup>th</sup> November 2019 was £0.536 million. This has increased by £0.461 million to £0.997 million as shown in Appendix 2. This is due to:-

- The actual claim in respect of the application for expenses to the court from the two other contractors involved in the Newbyres Crescent court action is £0.358 million lower than the initial estimate last reported to Council, although work is still ongoing to attempt to reduce the liability further;
- A reduction in the borrowing requirement due to delays in the tendering process and various remediation works for the New Social Housing Programme and early receipt of Scottish Government Affordable Housing Supply Programme funding as well as favourable interest rates of £0.152 million.

Whilst the HRA reserve balance is projected to be £39.313 million at 31<sup>st</sup> March 2020 the majority of this is set aside to fund existing investment commitments to 2034/35. The longer-term financial projections demonstrate that there is only a small element of the total reserve, which is available as a contingency to fund unforeseen expenditure.

### **3 Report Implications**

#### **3.1 Resource**

There are no direct resource implications arising from this report.

#### **3.2 Risk**

The principal risks are around the issue of affordability, ensuring that the investment in new build and the existing stock can be made without having to impose unacceptable increases on weekly rents.

Whilst the HRA reserve balance is projected to be £39.313 million at 31<sup>st</sup> March 2020, the majority of this is set aside to fund existing investment commitments with longer-term financial projections demonstrating that there is only a small element of the total reserve, which is available as a contingency to fund unforeseen expenditure.

#### **3.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☒ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

#### **3.4 Impact on Performance and Outcomes**

This report links to the Corporate Priority 1a. "Provide quality, affordable housing including increasing homelessness accommodation".

#### **3.5 Adopting a Preventative Approach**

There are no issues arising directly from this report.

#### **3.6 Involving Communities and Other Stakeholders**

No external consultation has taken place on this report.

#### **3.7 Ensuring Equalities**

There are no equality issues arising directly from this report.

#### **3.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

#### **3.9 IT Issues**

There are no IT issues arising directly from this report.

#### **4 Summary**

The summarised projected financial performance for 2019/20 is:

- Capital Expenditure of £29.915 million;
- A net underspend of £0.997 million on the Revenue Account;
- The HRA reserve at 31<sup>st</sup> March 2020 is projected of £39.313 million.

#### **5 Recommendations**

Council is recommended to note the contents of this report.

**Date 17<sup>th</sup> January 2020**

**Report Contact:**

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**Background Papers: HRA Capital Plan and Revenue Budget**



## HOUSING REVENUE ACCOUNT CAPITAL PLAN 2019/20

	Revised Budget	Actuals to Date	Projected Outturn	Variation (Under)/Over
	£'000	£'000	£'000	£'000
<b>FUNDING</b>				
Net Receipts from Sales	0	15	15	15
Grants				
-Incentivising New Build	6,824	1,801	6,824	0
-Mortgage to Rent	114	0	0	(114)
-Buy Backs Funding	1,720	960	1,720	0
Council Tax on Second Homes	79	0	79	0
Developer Contributions	1,609	0	1,609	0
Borrowing Required	19,793	10,817	19,668	(125)
<b>TOTAL AVAILABLE FUNDING</b>	<b>30,139</b>	<b>13,593</b>	<b>29,915</b>	<b>(224)</b>

	£'000	£'000	£'000	£'000
<b>APPROVED EXPENDITURE</b>				
New Build Houses Phase 1	102	27	102	0
New Build Houses Phase 2	1,290	827	1,290	0
New Build Houses Phase 3	14,222	5,132	14,222	0
Buy Backs	5,300	3,550	5,300	0
Aids & Adaptations	420	202	420	0
Homelessness - Mortgage to Rent	224	0	0	(224)
Homelessness - Temporary Accommodation Provision	700	213	700	0
Bonnyrigg District Heating Scheme Gas Meters	1,300	0	1,300	0
Scottish Housing Quality Standard				
-Upgrade Central Heating Systems	1,003	430	1,003	0
-SHQS Repairs	5,578	3,212	5,578	0
<b>Total Expenditure</b>	<b>30,139</b>	<b>13,593</b>	<b>29,915</b>	<b>(224)</b>

# MIDLOTHIAN COUNCIL

## HOUSING REVENUE ACCOUNT 2019/20

## Appendix 2

	Revised Budget	Projected Outturn	Variation (Under)/Over
Average No of Houses	6,962	6,955	(7)
	£000's	£000's	£000's
<b>Repairs and Maintenance</b>			
General Repairs	5,993	6,160	167
Decant/Compensation	82	82	0
Grounds Maintenance	654	672	18
	<b>6,729</b>	<b>6,914</b>	<b>185</b>
<b>Administration and Management</b>	4,998	4,998	0
<b>Loan Charges</b>	12,038	10,485	(1,553)
<b>Other Expenses</b>	3,222	3,137	(85)
<b>TOTAL EXPENDITURE</b>	<b>26,987</b>	<b>25,534</b>	<b>(1,453)</b>
<b>Rents</b>			
Houses	29,610	29,397	213
Garages	613	601	12
Others	1,218	987	231
<b>TOTAL RENTS</b>	<b>31,441</b>	<b>30,985</b>	<b>456</b>
<b>NET EXPENDITURE/(INCOME)</b>	<b>(4,454)</b>	<b>(5,451)</b>	<b>(997)</b>
<b>BALANCE BROUGHT FORWARD</b>	<b>(33,862)</b>	<b>(33,862)</b>	<b>0</b>
<b>BALANCE CARRIED FORWARD</b>	<b>(38,316)</b>	<b>(39,313)</b>	<b>(997)</b>

**General Services Capital Plan 2019/20 Quarter 3 Monitoring, and 2020/21 to 2023/24 Budgets****Report by Gary Fairley, Chief Officer, Corporate Solutions****1 Purpose of Report**

The purpose of this report is to provide Council with:-

- An update of the General Services Capital Plan incorporating information on further additions to the Capital Plan for approval (Section 2);
- Information on the projected performance against budget for 2019/20 (Section 3);
- Forecast expenditure and income for the General Services Capital Plan for 2019/20 through to 2023/24 (Section 4)
- Update on the capital fund (Section 5).

**2 Update of General Services Capital Plan****2.1 Approved Projects**

Since the previous report to Council on 12 November 2019, the following projects have received approval by Council for inclusion in the General Services Capital Plan.

**Council 1 October 2019**

- **A701 High School:-** Construction of new High School at the A701 site as a replacement for the existing Beeslack High School Establishment of initial capital expenditure budget of £0.500 million to facilitate the development of this priority project, funded initially from a combination of Prudential Borrowing and already collected developer contributions. Funding from Scottish Government through SFT with funding model still to be fully developed.

**Council 17 December 2019**

- **Low Emission Zone: Edinburgh & Midlothian:** Various Low Emission Zone mitigation measures including the upgrading of bus shelters on radial routes in Edinburgh, installation of rapid electrical charging equipment at Sheriffhall Park, the purchase of electric pool cars and the provision of a toucan crossing on the A6106 Old Dalkeith Road included a widened footpath. Capital expenditure budget of £0.813 million fully funded by Scottish Government grant.

## 2.2 Projects presented at today's Council meeting for approval

The following projects, or amendment to existing project budgets, are being presented to Council on today's agenda for approval in the General Services Capital Plan:-

- **Learning Estate Strategy:** Inclusion in the Plan for the following projects, *in principle*, with approval to proceed for each project being subject to a detailed report on each project being presented to the Capital Plan and Asset Management Board using the Gateway Review approach (which would also require being subsequently presented to Council for approval):-

Facility	Nature of Works	Capital Expenditure Budget £000's	Funding £000's	Phasing Of Expenditure
Kippielaw Primary School	New 2 stream (15 class) primary school	14,756	9,398*	2022/23-2024/25
Hopefield Farm 2 Primary School	New 2-stream (15 class) primary school on the Hs12 site	13,469	13,470*	2022/23-2024/25
Mauricewood Primary School	Refurbishment of existing school and extension to 3 stream (22 class) primary school	9,923	6,667*	2020/21-2024/25
King's Park Primary School	Refurbishment of existing school and extension to 3 stream (22 class) primary school	7,449	0	2020/21-2022/23
Rosewell Primary School	Extension to 2 stream (15 class) primary school	7,647	7,111*	2022/23-2024/25
Newtongrange Primary School	Refurbishment of existing school and extension to 2 stream (15 class) primary school	2,581	2,119*	2021/22-2022/23
St. David's Primary School	4 classroom extension	1,639	1,153* 389**	2020/21-2021/22
Penicuik High School	Complex Needs to be established in the community wing at Penicuik High School	250	0	2020/21
Burnbrae Primary School	Internal refurbishments: convert nursery to General Purpose space	67	0	2020/21
<b>Total</b>		<b>57,779</b>	<b>40,308</b>	

\* Developer Contribution Funding

\*\* Early Years Funding



## 2.3 Projects Presented for Inclusion in the Plan

The following new projects are being presented for inclusion in the General Services Capital Plan:-

- **Roslin Wheeled Sports Facility:** A wheeled sports facility in Roslin Park which can be used by mountain bikes, scooters and skateboards and will have access for wheelchair users. Capital expenditure budget of £0.060 million approved by Capital Plan and Asset Management Board on 19 November 2019, funded £0.049 million by already collected developer contributions and £0.011 million of community fundraising.

## 2.4 Adjustments to existing project budgets

The following adjustments to existing project expenditure and income budgets are being presented for inclusion in the General Services Capital Plan:-

- **Digital Services Projects:** Following review of the contractual arrangements for Microsoft Office, Mosaic & Idox, it has been identified that the full solution for each of these needs to be classified as revenue expenditure, resulting in the following capital expenditure budgets requiring to be removed from the capital plan:-

Software/solution	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Microsoft Office	308	308	308	308
Idox	73	0	0	0
Mosaic	105	0	0	0
<b>Total</b>	<b>486</b>	<b>308</b>	<b>308</b>	<b>308</b>

Software/solution	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Front Office – Hardware, Software & Services	280	280	280	280
Back Office – Hardware, Software & Services	185	28	28	28
Business Applications	21	0	0	0
<b>Total</b>	<b>486</b>	<b>308</b>	<b>308</b>	<b>308</b>

- **OPAS:** Following receipt of the tenders for the project, the entire solution is classified as revenue expenditure and as such the existing £0.228 million capital expenditure budget (phased £0.057 million in 2019/20 and £0.171 million in 2020/21) requires to be removed from the Capital Plan;
- **Penicuik THI:** Additional expenditure budget of £0.106 million phased in 2020/21 for the Stonework & Roof element of the Penicuik Town Hall Penicuik THI Priority Project, fully funded by £0.106 million of National Heritage Lottery Fund and Historic Environment Scotland funding, complementing the Scottish Government Town Centre Capital Fund money secured for the project.

### 3 2019/20 Projection against budget

#### 3.1 2019/20 Budget

The 2019/20 capital plan budget of £43.254 million, has been rephased to £38.002 million (a decrease of £5.252 million) to account for updated expenditure profiles provided in the period, as shown in the table below:-

*Table 2: Rephasing of project expenditure budgets*

<b>Project</b>	<b>Description of amendment to budget</b>	<b>Previous 2019/20 Budget £000's</b>	<b>Revised 2019/20 Budget £000's</b>	<b>2019/20 Budget Movement £000's</b>
<b>Shawfair Town Centre Land Purchase</b>	Based on current agreed Heads of Terms with Shawfair LLP which now includes staged payments in 2019/20, 2020/21 and 2021/22 (fully funded through back-to-back agreement with Shawfair LLP)	2,653	150	-2,503
<b>Woodburn Primary School</b>	Placement of pupils at neighbouring schools has facilitated the required opening date for the new Woodburn Primary School to be delayed to August 2020	2,200	500	-1,700
<b>Early Years Grant Funded Projects</b>	Rephased to reflect revised project delivery timescales and amendments to plan for expansion of capacity in light of updated information on individual settings' potential and parental choice	1,950	442	-1,508
<b>Property Upgrades</b>	Unable to progress number of projects due to lack of resource	1,171	645	-526
<b>Town Centre Regeneration Fund</b>	Work has commenced on all projects with all work expected to be complete over the forthcoming 6-9 month period which will result in expenditure being incurred in 2020/21, which will still meet the deadlines set by Scottish Government	910	455	-455
<b>Lasswade High School Expansion</b>	Difficulty in finding an acceptable location for the special needs provision has resulted in delay to commencement of project	189	0	-189
<b>Saltersgate Playground Alterations</b>	Works now due to start in April 2020	126	0	-126
<b>Burnbrae Extension, St. David's &amp; Mayfield</b>	Projects progressing quicker than expected	553	794	+241
<b>Rosewell Development Trust</b>	Construction progressing on site with no delays, and expected completion in April 2020. Remainder of Council grant funding will be released in 2019/20	1,064	1,385	+321
<b>Danderhall hub</b>	Progress with construction continues to perform ahead of planning assumption	5,186	6,367	+1,181
<b>Others</b>	Minor variances	2,952	2,962	+10
<b>Total</b>		<b>18,954</b>	<b>13,702</b>	<b>-5,252</b>

In line with this, the expected level of funding available to finance the plan has also been rephased and totals £23.900 million, a decrease of £4.281 million.

This reduces the projected in-year borrowing requirement from £15.073 million to £14.102 million. The projected performance against budget for 2019/20 is shown in table 3 below:-

**Table 3: General Services Capital Plan Projected Performance against Budget 2019/20 – as at Quarter 3**

Item	2019/20 Budget £000's	2019/20 Rephased Budget £000's	Actual To 08/12/19 £000's	2019/20 Projected Outturn £000's	2019/20 Variance £000's	2019/20 Carry Forward £000's
<b>Expenditure</b>	43,254	38,002	18,865	37,642	-360	-5,252
<b>Funding</b>	28,181	23,900	12,445	23,900	0	-4,281
<b>Borrowing Required</b>	<b>15,073</b>	<b>14,102</b>	<b>6,420</b>	<b>13,742</b>	<b>-360</b>	

### 3.2 Expenditure

Expenditure to 08 December 2019 is £18.865 million with a projected expenditure outturn of £37.642 million, an underspend of £0.360 million against the revised budget of £38.002 million.

At this stage it is anticipated that budgets for the projects detailed in Appendix 2 will be fully spent in the current year other than for the following:-

- **Loanhead hub:** Release of £0.321 million of project contingencies. Final retention payment to be made and final account expected to be closed off prior to 31 March 2020, with any remaining contingencies returned at that point;
- **Gorebridge Development Trust:** Final retention payment made by the Trust to the Contractor, resulting in a final account with a project underspend of £0.037 million against Council's funding share of £1.077 million;
- **Arniston Park Synthetic Pitch:** Project now complete with a £0.002 million saving against £0.045 million budget

### 3.3 Funding

The funding available to finance the Capital Plan in 2019/20 is expected to total £23.900 million, in line with the revised budget of £23.900 million. Funding of £12.445 million has been received to 08 December 2019.

### 3.4 Borrowing

The budgeted level of borrowing for 2019/20 is £13.742 million. Based on the forecast expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2019/20 is in line with budget at £13.742 million. The impact on the Council's borrowing

costs is reflected in the Financial Monitoring 2019/20 General Fund Revenue report elsewhere on today's agenda.

## **4 Capital Plan 2020/21 to 2023/24**

### **4.1 Rephasing**

In addition to the rephasing of project expenditure and funding from 2019/20 to/from 2020/21 as reported in Section 3, expenditure and income forecasts covering the remainder of the period of the plan have been rephased to reflect the most recent information available from project managers and service leads. These expenditure and income forecasts are the budgets that project managers and service leads are working towards as targets.

However, it has been observed for a number of years that “rephasing” occurs beyond even these forecasts due to a variety of issues including but not limited to supply chain pressures, issues arising during the consultation process, and internal capacity issues. To address this, any new project that is proposed to be included in the General Services Capital Plan that is over £1 million in expenditure must first complete a Gateway Review report to the Capital Plan & Asset Management Board. A note of the Gateway Review requirements are included in Appendix 3. The Gateway Review process will allow the Capital Plan & Asset Management Board to scrutinise both the project budget and programme, from the very outset of each project's life, and will help mitigate against the rephasing seen across the General Services Capital Plan in previous years. In addition to an initial Gateway Review report, Project Managers will be required to carry out a Gateway Review at each of the key milestones in their project's life, to ensure that the project scope, budget and programme forecasts remain accurate.

In advance of this process becoming fully embedded in the General Services Capital Plan budget setting, high level planning assumptions have been included for all projects where total expenditure for that project exceeds £1 million. This has considered, for each project in turn, the current progress of the project, the current in-house and external capacity to deliver projects, expected delays, and estimates of other delays that may occur such as those that arise during the consultation process. These assumptions are reflected in the expected profile of expenditure for each project as outlined in Appendix 2.

It should be noted that Service Leads and Project Managers will still be monitoring their project expenditure budgets against the original budgeted expenditure forecasts they have provided. This information will be used to assist in-year and future year rephasing of project expenditure during quarterly General Services Capital Plan monitoring, outturn and future year budget setting reports.

## 4.2 Expenditure

In addition to the inclusion of new projects listed in sections 2.1-2.3, the adjustments to project budgets listed in section 2.4, and the rephrasing of project expenditure as noted in section 3.1 and 4.1, the plan has also been extended by one year to cover the financial year 2023/24, with project expenditure budgets and asset management plan budgets updated accordingly. Expenditure budgets of £33.571 million in 2023/24 have been added to the plan, including the following additions to the Council's core asset management plans:-

<b>Asset Management Strand</b>	<b>2023/24 Budget £000's</b>
Digital Services	2,000
Business Applications	300
Street Lighting/Traffic Signals	1,000
Road Upgrades	1,500
Footways & Footpaths	500
Property Upgrades	1,000
Assistive Technology	150
<b>Total</b>	<b>6,450</b>

The forecast level of expenditure over the life of the plan therefore totals £241.312 million.

## 4.3 Funding

The planning assumption for the level of General Capital Grant funding from the Scottish Government over the period 2020/21 to 2023/24 is that the grant will be cash flat at 2019/20 levels, equating to £8.836 million per annum. The exact level of General Capital Grant funding for 2020/21 will not be known until the Local Authority share of the Scottish Government Budget is published on 6 February 2020.

The funding of the plan has also been extended by one year to cover the financial year 2023/24, with income budgets updated accordingly. Income budgets of £13.568 million in 2023/24 have been added to the plan.

Overall, the funding available to finance the planned expenditure therefore totals £131.540 million. A more detailed breakdown is shown in Appendix 1.

## 4.4 Borrowing

As a result of these revised expenditure and funding forecasts, the forecast level of borrowing over the period 2019/20 to 2023/24 is £109.772 million.

**Table 4: General Services Capital Plan 2019/20 to 2023/24**

<b>Item</b>	<b>2019/20 Budget</b>	<b>2020/21 Budget</b>	<b>2021/22 Budget</b>	<b>2022/23 Budget</b>	<b>2023/24 Budget</b>	<b>Total Budget</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Expenditure</b>	37,642	63,765	62,397	43,936	33,571	<b>241,312</b>
<b>Funding</b>	23,900	41,790	37,774	14,508	13,568	<b>131,540</b>
<b>Borrowing Required</b>	<b>13,742</b>	<b>21,975</b>	<b>24,624</b>	<b>29,428</b>	<b>20,003</b>	<b>109,772</b>

## 5. Capital Fund

The Capital Fund at the start of the 2019/20 financial year was £20.168 million. £2.437 million of this is earmarked to fund the new Hopefield Primary project in 2019/20 (utilising the insurance receipt), with a further £7.694 million currently earmarked to fund City Deal projects

£9.513 million of receipts from sales are expected to be transferred into the capital fund across the period 2019/20 to 2023/24.

In addition to the use of the remainder of the Capital Fund balance to support investment identified in the Capital Plan, consideration will also be given to the Capital Receipts Flexibility Scheme to use Capital Receipts to fund severance costs associated with service redesign.

## 6. Report Implications

### 6.1 Resource

The borrowing required to finance the planned investment in 2019/20 to 2023/24 is currently £109.772 million and is reflected in the medium term financial strategy.

### 6.2 Risk

The inherent risk in the Capital Plan is that projects will cost more than estimated thus resulting in additional borrowing. The monitoring procedures ensure that significant variations are reported at an early stage so that remedial action can be taken to mitigate this risk.

An additional risk is the timing of capital expenditure being delayed and the failure to deliver new assets and infrastructure on time. In addition, overly aggressive projections of expenditure being incurred may lead to borrowing being taken in advance of need. The rephasing assumptions outlined in Section 4.1 have been included in the plan to reflect a more realistic assessment of the timing of capital expenditure, based on historic evidence, and therefore mitigate the potential for borrowing to be taken in advance of need.

In developing the strategy and taking cognisance of the longer term affordability gap it is clear that a number of potential projects which are currently included will only be able to be progressed if they can be delivered on a spend to save basis (i.e. where income or cost savings more than offset the cost of funding the investment) or where they can be delivered on a cost neutral basis. In addition it will be challenging to progress potential additional projects such as Dalkeith town centre redevelopment and master planning proposals for Newtongrange and Stobhill unless these are on a spend to save basis.

### **6.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

### **6.4 Impact on Performance and Outcome**

There are no issues arising directly from this report.

### **6.5 Adopting a Preventative Approach**

There are no issues arising directly from this report

### **6.6 Involving Communities and Other Stakeholders**

No external consultation has taken place on this report.

### **6.7 Ensuring Equalities**

There are no equalities issues arising directly from this report.

### **6.8 Supporting Sustainable Development**

There are no sustainability issues arising directly from this report.

### **6.9 Digital Services Issues**

There are no Digital Services implications arising from this report.

## 7 Recommendations

Council is asked to:

- a) Approve the addition of the projects listed in Section 2.1 to be added to the General Services Capital Plan: (a) A701 High School and (b) Low Emission Zone: Edinburgh & Midlothian
- b) Approve the addition of the nine Learning Estate Strategy projects totalling £57.779 million of capital expenditure listed in Section 2.2 to be added to the General Services Capital Plan in principle, with each to be subject to a Gateway Review report to be presented to Capital Plan & Asset Management Board in order to receive a recommendation for full approval in the General Services Capital Plan;
- c) Approve the inclusion of the Roslin Wheeled Sports Facility as outlined in Section 2.3 to be added to the General Services Capital Plan;
- d) Approve the adjustment to the digital and customer service led project budgets and the Penicuik THI project budget as outlined in Section 2.4;
- e) Approve the revised expenditure and funding levels in the General Services Capital Plan 2019/20 to 2023/24 (as shown in appendices 1 and 2).

**Date 28 January 2020**

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**Background Papers:**

Appendix 1 – Summary General Services Capital Plan 2019/20 to 2023/24

Appendix 2 – Detailed General Services Capital Plan Expenditure 2019/20 to 2023/24

Appendix 3 – Gateway Review Requirements for all capital projects over £1 million



## Appendix 1: Summary General Services Capital Plan 2019/20 to 2023/24

<b>GENERAL SERVICES CAPITAL PLAN</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total</b>
<b>2019/20 to 2023/24</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'001</b>	<b>£'000</b>
<b>EXPENDITURE</b>						
Resources	9,643	22,158	22,429	23,017	11,585	<b>88,832</b>
Education, Community & Economy	26,784	36,173	23,676	15,448	22,766	<b>124,848</b>
Health & Social Care	1,213	1,214	7,473	1,724	318	<b>11,941</b>
Council Transformation	2	5,161	10,414	5,308	0	<b>20,884</b>
Provision for return of contingencies	0	-941	-1,594	-1,560	-1,098	<b>-5,194</b>
<b>Total Approved Expenditure</b>	<b>37,642</b>	<b>63,765</b>	<b>62,397</b>	<b>43,936</b>	<b>33,571</b>	<b>241,312</b>
<b>FUNDING</b>						
Government Grants - General Capital Grant	11,105	8,957	8,957	8,957	8,957	<b>46,933</b>
Government Grants - Early Years	2,560	6,799	7,004	466	0	<b>16,828</b>
Government Grants - Others	1,695	1,415	0	0	0	<b>3,109</b>
Schools for the Future Funding Rounds	0	0	0	0	0	<b>0</b>
City Deal Funding (Scottish Government)	0	5,126	5,774	0	0	<b>10,900</b>
City Deal Funding (Capital Fund)	0	0	7,694	0	0	<b>7,694</b>
Receipts from Sales	2,758	2,305	4,450	0	0	<b>9,513</b>
Receipts from Sales transferred to Capital Fund	-2,758	-2,305	-4,450	0	0	<b>-9,513</b>
Transfer from Capital Fund to Capital Plan	2,437	2,000	3,000	2,000	0	<b>9,437</b>
Land Transfers from HRA Applied to Capital Plan	0	2,120	0	0	0	<b>2,120</b>
Developer Contributions - GSCP Committed	5,904	4,581	1,942	814	2,186	<b>15,427</b>
Developer Contributions - LES New	0	7,165	2,978	1,846	2,000	<b>13,988</b>
Developer Contributions - A701/702	0	425	425	425	425	<b>1,700</b>
Developer Contributions - Other Projects	0	0	0	0	0	<b>0</b>
Other Contributions	199	3,203	0	0	0	<b>3,402</b>
<b>Total Available Funding</b>	<b>23,900</b>	<b>41,790</b>	<b>37,774</b>	<b>14,508</b>	<b>13,568</b>	<b>131,540</b>
<b>Approved Borrowing Required</b>	<b>13,742</b>	<b>21,975</b>	<b>24,624</b>	<b>29,428</b>	<b>20,003</b>	<b>109,772</b>

## Appendix 2

### Detailed General Services Capital Plan Expenditure 2019/20 to 2023/24

GENERAL SERVICES CAPITAL PLAN 2019/20 to 2023/24	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Spend £'000
<b>RESOURCES</b>						
<b>Finance &amp; Integrated Service Support</b>						
Newbattle Centre of Excellence	479	43	-	-	-	521
Business Applications	192	82	39	8	333	654
DS Corporate Solutions	105	274	321	254	333	1,289
Front Office - Hardware, Software & Services	116	357	381	155	333	1,343
Back Office - Hardware, Software & Services	16	485	549	840	333	2,224
Network, Software & Services	252	377	449	238	333	1,649
Schools - Hardware, Software & Services	236	896	877	1,008	333	3,350
Online Payments & Services	-	-	-	-	-	-
F&ISS Transactions	6	-	-	-	-	6
Civica Automation	55	-	-	-	-	55
<b>Commercial Operations</b>						
Street Lighting Upgrades	1,464	1,000	1,000	-	-	3,464
Street Lighting and Traffic Signal Upgrades - New	-	-	-	1,186	1,000	2,186
Footway & Footpath Network Upgrades	456	500	500	-	-	1,456
Footway & Footpath Asset Management Plan - New	-	-	-	913	500	1,413
Road Upgrades	1,554	1,500	1,500	-	-	4,554
Roads Asset Management Plan - New	-	-	-	2,443	1,500	3,943
Roads Asset Management Plan - Temple Ground Stabi	-	309	-	-	-	309
B6372 Ariston Embankment Stabilisation	-	-	-	593	-	593
Zero Waste Capital Contribution	-	7,380	-	-	-	7,380
Cycling, Walking & Safer Streets Projects	172	98	108	204	120	702
Ironmills Park Steps	-	7	-	-	-	7
New recycling facility - Penicuik	0	-	-	-	-	0
Vehicle & Plant Replacement Programme	1,980	1,866	1,876	1,639	1,414	8,775
Outdoor Play Equipment - Rosewell	-	46	-	-	-	46
Outdoor Play Equipment - Gorebridge	2	38	-	-	-	40
Roslin Wheeled Sports Facility	-	60	-	-	-	60
Mauricewood Bing Cycling and Walking Path	4	4	-	-	-	8
Mauricewood Road Bus Shelter	13	-	-	-	-	13
Riverside Park Paths & Woodland	-	30	-	-	-	30
Birkenside Grass Pitch Drainage	-	12	18	-	-	30
Open Spaces - Midlothian Wide Play Areas	-	-	-	338	-	338
Low Emission Zone Edinburgh & Midlothian	407	407	-	-	-	813
<b>Property &amp; Facilities Management</b>						
Stobhill Depot Upgrade	0	-	-	568	-	568
New Depot: EWiM Phase III	100	370	4,000	4,000	1,014	9,484
Property Upgrades	645	1,000	1,000	-	-	2,645
Property Asset Management Plan - New General	-	-	-	593	500	1,093
Property Asset Management Plan - New Carbon Reduc	-	-	-	593	500	1,093
Property - Poltonhall Astro & Training Area Resurfacing	-	-	464	-	-	464
Property - Penicuik Astro Resurfacing	62	247	-	-	-	309
Property - King's Park Tennis Courts Resurfacing	-	-	82	-	-	82
Property - Penicuik Centre Flooring, Cardio & Equipme	-	-	155	23	23	200
Property - Lasswade Centre Flooring	-	-	33	64	115	212
Property - Gorebridge Leisure Centre	-	-	7	41	67	115
Property - Loanhead Centre	-	-	-	2	144	145
Property - Shawfair Leisure/Library Provision	-	-	-	2,411	2,411	4,822
Shawfair Town Centre Land Purchase	150	3,050	2,115	-	-	5,315
Purchase of 49 Abbey Road, Dalkeith	6	6	-	-	-	12
Hillend Preparatory Works	81	-	-	-	-	81
Destination Hillend	656	1,000	6,956	4,903	278	13,793
32-38 Buccleuch Street Ground Floor Redevelopment	175	175	-	-	-	351
Leisure Management System (Legend)	20	-	-	-	-	20
Cashless Catering	68	68	-	-	-	135
Non-Domestic Energy Efficiency Projects	172	172	-	-	-	344
Demolition of Danderhall Primary	-	300	-	-	-	300
<b>TOTAL RESOURCES</b>	<b>9,643</b>	<b>22,158</b>	<b>22,429</b>	<b>23,017</b>	<b>11,585</b>	<b>88,832</b>
Those projects shaded are included in the Capital Plan "in principle" and require a report to Capital Plan & Asset Management Board and/or Council in order to achieve full adoption in the General Services Capital Plan						

	2019/20	2020/21	2021/22	2022/23	2023/24	Total
EDUCATION, COMMUNITY AND ECONOMY	Budget	Budget	Budget	Budget	Budget	Spend
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Education - Early Years</b>						
Gorebridge Development Trust - Early Years	21	-	-	-	-	21
Hawthorn Centre	-	250	500	-	-	750
Rosewell Primary School Alteration	-	20	-	-	-	20
Mount Esk Nursery School	20	-	-	-	-	20
Hawthornden Primary School	-	490	1,470	-	-	1,960
King's Park Primary School	-	312	930	466	-	1,708
Rosewell Primary School New Build	-	377	1,131	-	-	1,508
Easthouses primary school	-	565	1,696	-	-	2,261
Gorebridge Primary School	-	804	-	-	-	804
Vogrie Park	100	150	-	-	-	250
Penicuik Estate	10	190	-	-	-	200
Catering kitchens	-	373	427	-	-	800
Settings' kitchens	9	90	41	-	-	140
Capital grants to partner providers	100	1,200	200	-	-	1,500
Roslin Primary School	-	754	-	-	-	754
Mauricewood Primary School	50	265	135	-	-	450
Tynewater Primary School	-	20	-	-	-	20
Woodburn Primary School	45	-	-	-	-	45
Lasswade Primary School	50	-	-	-	-	50
Scots Corner	55	20	-	-	-	75
Bilston Primary School	-	20	-	-	-	20
Newtongrange Primary School	-	50	-	-	-	50
Moorfoot Primary School	-	20	-	-	-	20
Loanhead Primary School	-	5	-	-	-	5
Cuiken Primary School	3	-	-	-	-	3
St Andrew's Primary School	-	5	-	-	-	5
Other Outdoor Spaces	-	80	80	-	-	160
Remaining Balance	-	-	227	-	-	227
<b>Education - Primary</b>						
New Gorebridge North Primary	177	-	-	-	-	177
Paradykes Primary Replacement	500	-	-	-	-	500
Roslin Primary Replacement	100	-	-	-	-	100
New Hopefield Primary School	9,309	678	-	-	-	9,987
New Danderhall Primary hub	6,367	9,005	837	100	-	16,309
Cuiken Primary School Extension	1,748	65	-	-	-	1,813
Sacred Heart Primary School Extension	1,842	1,943	101	-	-	3,886
Lawfield Primary Extension	481	-	-	-	-	481
Easthouses Primary School	500	9,813	2,314	578	-	13,205
Woodburn Primary extension (1 class plus)	100	-	-	-	-	100
Woodburn Primary 3 class & activity hall extension	500	1,500	200	-	-	2,200
Tynewater Primary School	10	-	-	-	-	10
Bumbræ Primary School GP Space	62	-	-	-	-	62
<b>Education - Learning Estate Strategy</b>						
Area 23 Primary School (Dalkeith/Easthouses)	-	-	1,476	4,427	7,378	13,280
Hopefield Farm Primary 2 (HS12)	-	-	1,347	4,041	6,735	12,122
Mauricewood Refurbishment	-	875	1,024	1,046	4,831	7,776
Kings Park PS upgrade to existing building	-	1,490	4,842	1,117	-	7,449
Rosewell Primary School - extend to 2 stream	-	-	-	1,912	3,823	5,735
Newtongrange refurb & expansion to 2 stream	-	-	1,549	1,032	-	2,581
Lasswade High - core facilities for 1600 pupils	-	675	1,238	-	-	1,913
St Davids Primary - 4 class & EY extension	-	546	1,093	-	-	1,639
Penicuik High School Refurbishment/Extension	-	250	-	-	-	250
Strathesk Primary one class extension	-	31	183	92	-	305
Bumbræ PS - convert nursery to GP space	-	67	-	-	-	67
<b>Education - Secondary</b>						
Lasswade High School	14	-	-	-	-	14
Newbattle High School	331	331	-	-	-	662
A701 High School	250	250	-	-	-	500
<b>Education - General</b>						
Saltergate Alterations Phase III - Playground Improvem	-	253	-	-	-	253
Saltergate Phase IV - Internal Alterations	31	31	-	-	-	63
Modular Units - Session 2017/18	329	329	-	-	-	657
St. David's EY, Bumbræ Extension, Mayfield Campus A	794	312	-	-	-	1,106
<b>Children's Services</b>						
<b>Communities &amp; Economy</b>						
Members Environmental Improvements	73	73	73	73	-	293
Contaminated Land	77	186	186	186	-	635
Public Sector Housing Grants	280	198	198	198	-	874
Borders Rail - Economic Development Projects	20	105	-	-	-	125
East High Street Public Realm & Burns Monument	0	-	-	-	-	0
Gorebridge Connected	(19)	-	-	-	-	(19)
Penicuik THI	350	257	-	-	-	607
Mayfield Town Centre Regeneration	20	60	-	-	-	80
Participatory Budgets	90	190	180	180	-	640
A701 & A702 Works	121	121	-	-	-	242
Rosewell Development Trust	1,385	-	-	-	-	1,385
Gorebridge Community Cares	25	25	-	-	-	50
Town Centre Regeneration Fund	455	455	-	-	-	910
<b>TOTAL EDUCATION, COMMUNITY AND ECONOMY</b>	<b>26,784</b>	<b>36,173</b>	<b>23,676</b>	<b>15,448</b>	<b>22,766</b>	<b>124,848</b>
<i>Those projects shaded are included in the Capital Plan "in principle" and require a report to Capital Plan &amp; Asset Management Board and/or Council in order to achieve full adoption in the General Services Capital Plan</i>						

<b>GENERAL SERVICES CAPITAL PLAN</b>						
<b>2019/20 to 2023/24</b>	<b>Budget</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Spend</b>
						<b>£'000</b>
<b>HEALTH AND SOCIAL CARE</b>						
<b>Adult &amp; Social Care</b>						
Assistive Technology	130	170	222	474	150	1,145
Homecare	28	28	-	-	-	55
Recovery Hub	555	17	-	-	-	572
Highbank Intermediate Care Reprovisioning	500	1,000	7,251	1,250	168	10,169
<b>Customer &amp; Housing Services</b>						
<b>TOTAL HEALTH AND SOCIAL CARE</b>	<b>1,213</b>	<b>1,214</b>	<b>7,473</b>	<b>1,724</b>	<b>318</b>	<b>11,941</b>
<b>COUNCIL TRANSFORMATION</b>						
Purchase to Pay	2	2	-	-	-	4
EWiM - Buccleuch House Ground Floor	-	33	-	-	-	33
City Deal	-	5,126	10,414	5,068	-	20,607
City Deal	-	-	-	240	-	240
<b>TOTAL COUNCIL TRANSFORMATION</b>	<b>2</b>	<b>5,161</b>	<b>10,414</b>	<b>5,308</b>	<b>-</b>	<b>20,884</b>
<b>GENERAL SERVICES CAPITAL PLAN TOTAL</b>	<b>37,642</b>	<b>64,706</b>	<b>63,992</b>	<b>45,496</b>	<b>34,669</b>	<b>246,505</b>
Provision for Return of Contingencies	-	(941)	(1,594)	(1,560)	(1,098)	(5,194)
GSCP + CIS Total inc. Return of Contingencies	37,642	63,765	62,397	43,936	33,571	241,312
<i>Those projects shaded are included in the Capital Plan "in principle" and require a report to Capital Plan &amp; Asset Management Board and/or Council in order to achieve full adoption in the General Services Capital Plan</i>						

### **Appendix 3: Gateway Review Requirements for all Capital Projects over £1 million**

- **Detailed programme/timeline to be provided:-**
  - Listing key milestones (design/consultation/planning (all stages)/tender/construction);
  - Include lead-in times;
  - Include contingencies/delays/time-led optimism bias where appropriate;
  - All interdependencies to be listed (*use Highbank & link to St. Mary's / Hopefield as example*);
  - Vacant site planning – engagement with Elected Members.
- **Detailed cost plan to be provided:-**
  - Confirmation that scope of project has been signed off by client;
  - Detailed information regarding the proposed GIFA/area of new facility (benchmarked?) and rate/m2 (benchmarked?);
  - Elemental breakdown of capital expenditure based on standard RICS cost plan – to RIBA Stage 3/4;
  - Confirmation of approach to contingency/risk and optimism bias where applicable;
  - Inflation assumptions used/applied;
  - List of any exclusions and reasons for exclusions;
  - Link across to other Council services – Digital etc.
- **Options Appraisal:-**
  - If applicable, to Treasury Green Book standard;
  - Sensitivity analysis undertaken.
- **Procurement Route:-**
  - Detail of proposed approach to procurement route and confirmation of rationale for choosing preferred procurement route.
- **Budget Implications:-**
  - Capital expenditure budget requirements;
  - Realistic phasing of capital expenditure on a monthly basis based on programme;
  - Capital receipt forecasts & proposed approach to marketing/masterplanning site (where applicable) – linked to programme/timeline;
  - Annual revenue expenditure budget requirements including loan charges;
  - Any start up / one-off revenue resource requirements;
  - Confirmation of changes to staffing
  - Annual revenue income forecasts – benchmarked, and market testing information provided;
- **Risk:-**
  - Identify risks related to delivery of project;
- **Equality Assessment:-**
  - Required at early stage to ensure all issues flagged early in process



**Capital Investment Strategy - Update****Report by Gary Fairley, Chief Officer Corporate Solutions****1 Purpose of Report**

To present an update of the Council's Capital Investment Strategy which sets out the longer term investment which supports delivery of the Single Midlothian Single Plan and the Midlothian Local Development Plan.

**2 Introduction**

As part of the continued development of the Council's strategic financial planning and in line with best practice the Council's first Capital Investment Strategy, covering a ten year period, was approved by Council on 13 November 2018.

This update includes a number of revisions, the most material of which is to reflect the refinement and update of the Learning Estate Strategy which is the subject of a separate report also on today's agenda. The updated Capital Investment Strategy which is attached as Appendix 1 reemphasises the ambitious investment programme for essential infrastructure, the majority of which is unavoidable, together with identified sources of funding over a ten year period.

**3 Background**

The Capital Investment Strategy is based on the themes of the Midlothian Local Plan and identifies the investment required to achieve outcomes over a ten year period. The Capital Investment Strategy is structured around the key themes of Sustainable Growth, Getting it Right for Every Midlothian Child, Adult Health and Integrated Social Care, Community Safety and Improving Opportunities in Midlothian. In addition there is a general theme for Council Service Provision. Under each of these themes, projects and developments are identified which will most closely support the achievement of future outcomes.

The strategy is a key document in the Council's overall financial strategy linking to the five year Capital Plans and the strategy for the revenue budget. It is also key in the Council's overall strategy in that it integrates with the delivery of the infrastructure required for the Midlothian Local Development Plan and delivery of the Strategic Housing Investment Plan (SHIP) and the associated Rents Strategy.

The Strategy and particularly the investment plans articulated within it are not static. It is recognised that the position will continue to change and be refined and in this regard members should note the work that is overseen by the Capital Plan and Asset Management Board to more fully develop asset management plans for all classes of assets and so ensure the Capital Strategy incorporates adequate provision to ensure these assets remain fit for purpose. Alongside this, work continues to identify and provide for the investment which is essential to support a reduction in the Council's carbon footprint, whether by reducing energy consumption or transitioning the vehicle fleet to greener alternatives.

The Strategy also recognises the importance of investment to support a growing community through investment in additional school capacity, other facilities and infrastructure. Investment is also essential to support the recently approved Economic Development Framework and whilst the Strategy incorporates the City deal projects, plans are in development to secure an increased provision of accommodation for a range of commercial accommodation, particularly for incubator units to support business start-ups and inward investment in Midlothian.

It demonstrates a recognition of the significant resources required to deliver the vision for the Council and is a mechanism for indicating the longer term funding requirements and to support the prioritisation of investment.

Members may recollect that when the Capital Strategy was approved in 2018 a separate Capital Strategy Guidance Supplement was also approved and now forms a key part of the Council's suite of financial governance documents. It covers arrangements for:-

- The capital investment and disposal appraisal process;
- How the capital requirements will be prioritised;
- The capital programme decision making;
- How the Council will procure its capital projects;
- How the Council will measure the performance of the capital programme;
- Arrangements for the Capital Plan and Asset Management Plan Board.

It continues to be difficult to fully anticipate the local authority environment particularly given the short term nature of grant settlements, a new and evolving model of government support for school estate investment and the inherent uncertainty associated with longer term projections. As such the later years of the strategy represents aspiration and expectation rather than certainty.

## **4 Report Implications**

### **4.1 Resource**

The updated Capital Investment Strategy spans a ten year period and is intended to reflect the Council's ambition over that period. It sets out the longer term expenditure and funding and the potential borrowing implications of these.



Ideally the Council will want to have in place an affordable and deliverable ten year Capital Investment Strategy which can then be fully reflected in the regular update of the Council's rolling five year Capital Plans.

Including projects already included in the approved Capital plans the strategy incorporates projects with an estimated total value of £925 million, £561 million for General Fund, as summarised in Appendix 2 and £264 million for HRA, as summarised in Appendix 3. The HRA element is fully funded, principally by borrowing supported by future year's rental income.

There remains an affordability gap to be bridged over the life of the Capital Strategy. At this point the indications are that the borrowing associated with the Capital Investment Strategy can be contained within the projected provision in the revenue budget through to 2022/23. Thereafter indications are that there would need to be an increase in the proportion of the revenue budget which is set aside to meet borrowing costs based on the projects included in the strategy which will bring inevitable funding challenges for the remainder of the revenue budget. Accordingly, there remains an affordability gap over the ten year life of the plan and work will continue to find ways to address this.

This work will be led by the Capital Plan and Asset Management Board with proposed changes reflected in future updates to the strategy and also reported to Business Transformation Steering Group reflecting its revised remit.

Table 1 below summarises the funding position for general services for each of the years. At this time the funding assessment provides for the planned utilisation of the Capital Fund and future capital receipts to support investment with the retention of a minimum balance for the Capital Fund of £5 million to provide for unforeseen capital investment needs.

**Table 1 – General Services Affordability 2019/20 to 2029/30**

<b>Year</b>	<b>Total Investment £000's</b>	<b>Total Funding £000's</b>	<b>Borrowing Requirement £000's</b>
<b>2019/20</b>	37,642	(23,900)	13,742
<b>2020/21</b>	66,970	(42,992)	23,978
<b>2021/22</b>	82,266	(45,622)	36,643
<b>2022/23</b>	77,045	(27,589)	49,456
<b>2023/24</b>	42,107	(16,938)	25,169
<b>2024/25</b>	47,282	(33,984)	13,298
<b>2025/26</b>	69,267	(49,666)	19,600
<b>2026/27</b>	93,749	(50,886)	42,862
<b>2027/28</b>	14,967	(22,907)	(7,940)
<b>2028/29</b>	12,506	(24,870)	(12,364)
<b>2029/30</b>	17,367	(22,346)	(4,979)
<b>Total</b>	<b>561,168</b>	<b>(361,700)</b>	<b>199,467</b>

In updating the strategy and taking cognisance of longer term affordability it is clear that a number of potential projects which are currently included will only be able to be progressed if they can be delivered on a spend to save basis (i.e. where income or cost savings more than offset the cost of funding the investment) or where they can be delivered on a cost neutral basis. There are also projects within the Learning Estate that will only be able to progress with additional funding awards through the Schools for the future programme.

#### **4.2 Risk**

The Capital Investment Strategy mitigates against the risk of capital investment not being aligned to the delivery of the Council's priority outcomes.

#### **4.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

#### **4.4 Key Priorities within the Single Midlothian Plan**

The strategy supports the delivery of all of the Single Midlothian Plan's priorities.

#### **4.5 Impact on Performance and Outcomes**

Sustainable investment in the asset base is essential to service performance and delivery of outcomes.

#### **4.6 Adopting a Preventative Approach**

Sustainable investment in the asset base is essential to securing a preventative approach.

#### **4.7 Involving Communities and Other Stakeholders**

The strategy reflects the essential infrastructure arising from the Strategic Housing Investment Plan and Local Plan, both of which were subject to extensive consultation.

#### **4.8 Ensuring Equalities**

The Integrated Impact Assessment completed for original strategy identifies a range of positive benefits associated with the development of the strategy and the projects it contains. That assessment continues to be applicable.

#### **4.9 Supporting Sustainable Development**

Sustainable investment in the asset base is essential to supporting sustainable investment.

#### **4.10 IT Issues**

The strategy includes investment to sustain the Council's digital asset base.

### **5 Summary**

The Capital Investment Strategy sets out an ambitious investment programme for essential infrastructure over a 10 year period. This is at a higher level than the rolling five year Capital Plans for both General Fund Services and Housing Revenue Account (HRA).

### **6 Recommendations**

It is recommended that Council:-

- a) Welcomes and adopts the updated Capital Investment Strategy which sets out the an ambitious and exciting investment programme f or the county and which is attached as appendix 1 to this report;
- b) Notes the areas of further development as outlined in the report;
- c) Note that strategy incorporates projects with an estimated total value of £925 million, £561 million for General Fund, as summarised in Appendix 2 and £264 million for HRA, as summarised in Appendix3;
- d) Note that work continues to address the affordability of the strategy for General Fund services over the ten year life of the plan. This work is led by the Capital Plan and Asset Management Board with oversight provided by recent revisions to the remit of the Business Transformation Steering Group;
- e) Notes that it is difficult to fully anticipate the local authority environment over such a long period so the later years of the strategy represents aspiration and expectation rather than certainty particularly given the affordability gap for the projects currently identified and costed;
- f) Otherwise note the report.

**Date: 23 January 2019**

**Report Contact:**

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**Background Papers:**

**Appendix 1: Capital Investment Strategy 2019/20 to 2029/30**

**Appendix 2: General Services Capital Strategy 2019/20 to 2029/30**

**Appendix 3: HRA Capital Strategy 2019/20 to 2029/30**





# CAPITAL INVESTMENT STRATEGY 2020 – 2030

Midlothian

A Great Place to Grow

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January 2020

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## Foreword

The South East of Scotland is recognised as a key area for economic and population growth within Scotland with Midlothian Council projected to be the fastest growing Council in Scotland.

Population growth in Midlothian over the next 10-15 years will see Midlothian's 0-15 year's population increase at 20% and the 75+ year's population increase at 100% between 2014 and 2039. Failure to resource and plan for these rises will significantly impact the Council's ability to fulfil its statutory obligations in relation to these age groups and the needs of the whole community.

This growth brings opportunities and supports the Council vision of being 'A Great Place to Grow'. As a growing Council this brings the opportunity to redevelop parts of Midlothian, improve infrastructure with a focus on area targeting, improving economic opportunities, improving education and health outcomes.

This growth creates the opportunity to meet the housing need with 25% of new homes being built in the affordable housing sector, in addition to the expansion in Council House building. This construction will also directly support employment in construction. Wherever possible, new housing will be located close to good community facilities, shops and employment opportunities, with efficient and high quality public transport connections. New development shall be of high quality, balancing a desire for good contemporary design with respect for the area's heritage. The established community will benefit as much as possible from growth, through new affordable homes, enhanced employment prospects, improved facilities and the development of green networks with opportunities for leisure and recreation. Midlothian will continue to have a close relationship with the capital city for employment and services, supported by improvements in transport provision, not least Borders Rail. The natural and built environment will be protected and be an attraction and inspiration to its communities and visitors alike.

Recognising its responsibilities to both existing and new residents, Midlothian Council will work with its communities and partners to ensure that prosperity, quality of life and wider sustainable development principles are central to its planning decisions.

Midlothian Council's targeted investment is in supporting our greatest resource: Midlothian's people. Recent and continuing investment in our school estate is helping to address educational attainment rates and give our young people an opportunity for a great start towards future careers. This Capital Investment Strategy brings together many strands of the Council's activities to build upon our past successes and drive forward in a co-ordinated and achievable manner for the benefit of Midlothian and its citizens.

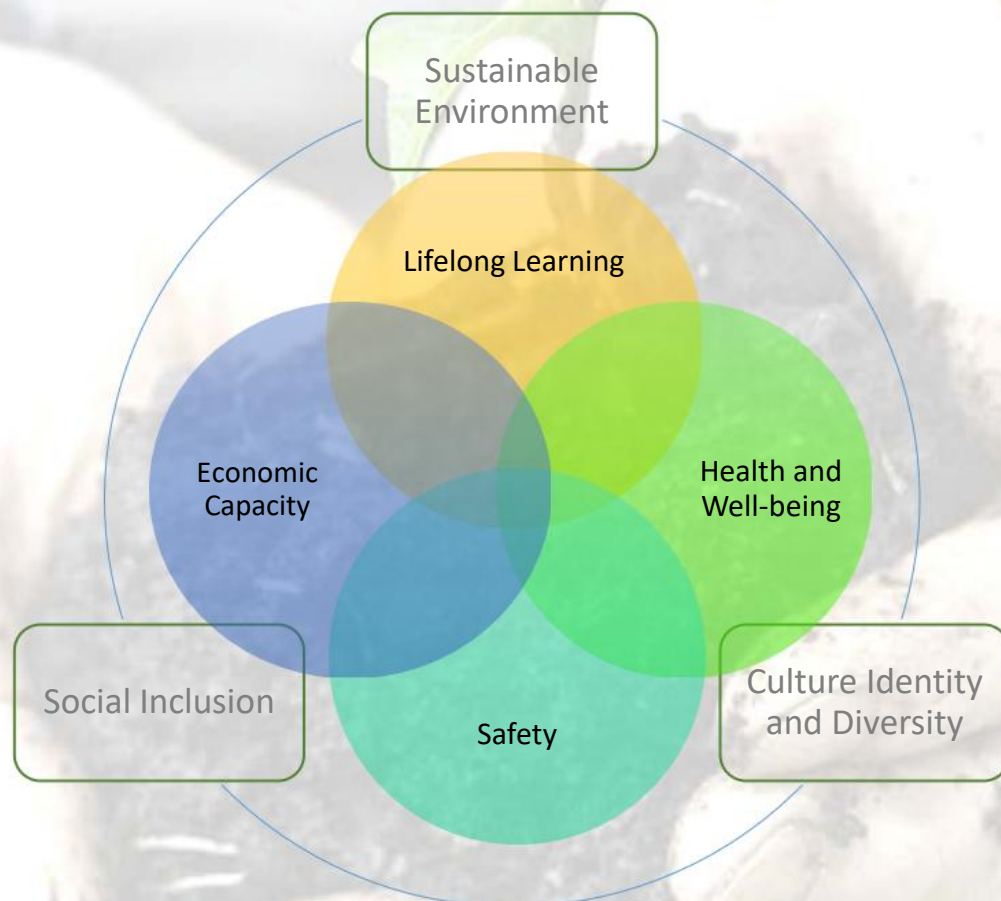






## Midlothian - A Great Place to Grow

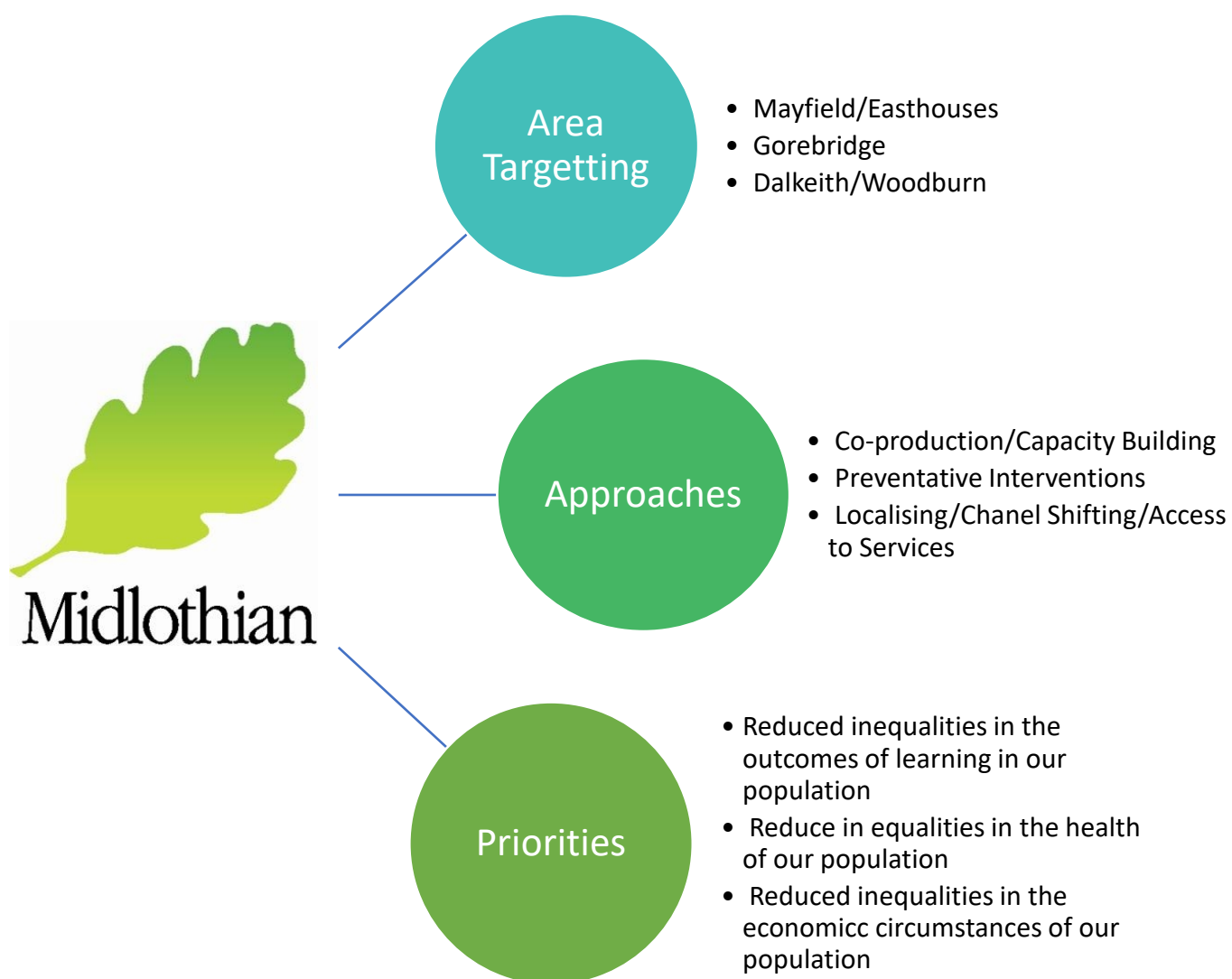
Midlothian has committed to a longstanding aspiration for the area to be framed around Sustainable growth, social inclusion and quality of life. This has underpinned the change seen across the area through the priorities of the Community Planning Partnerships and as reflected in our Single Midlothian Plan. The underlying vision of these partnerships has remained relevant:



## Context and Vision

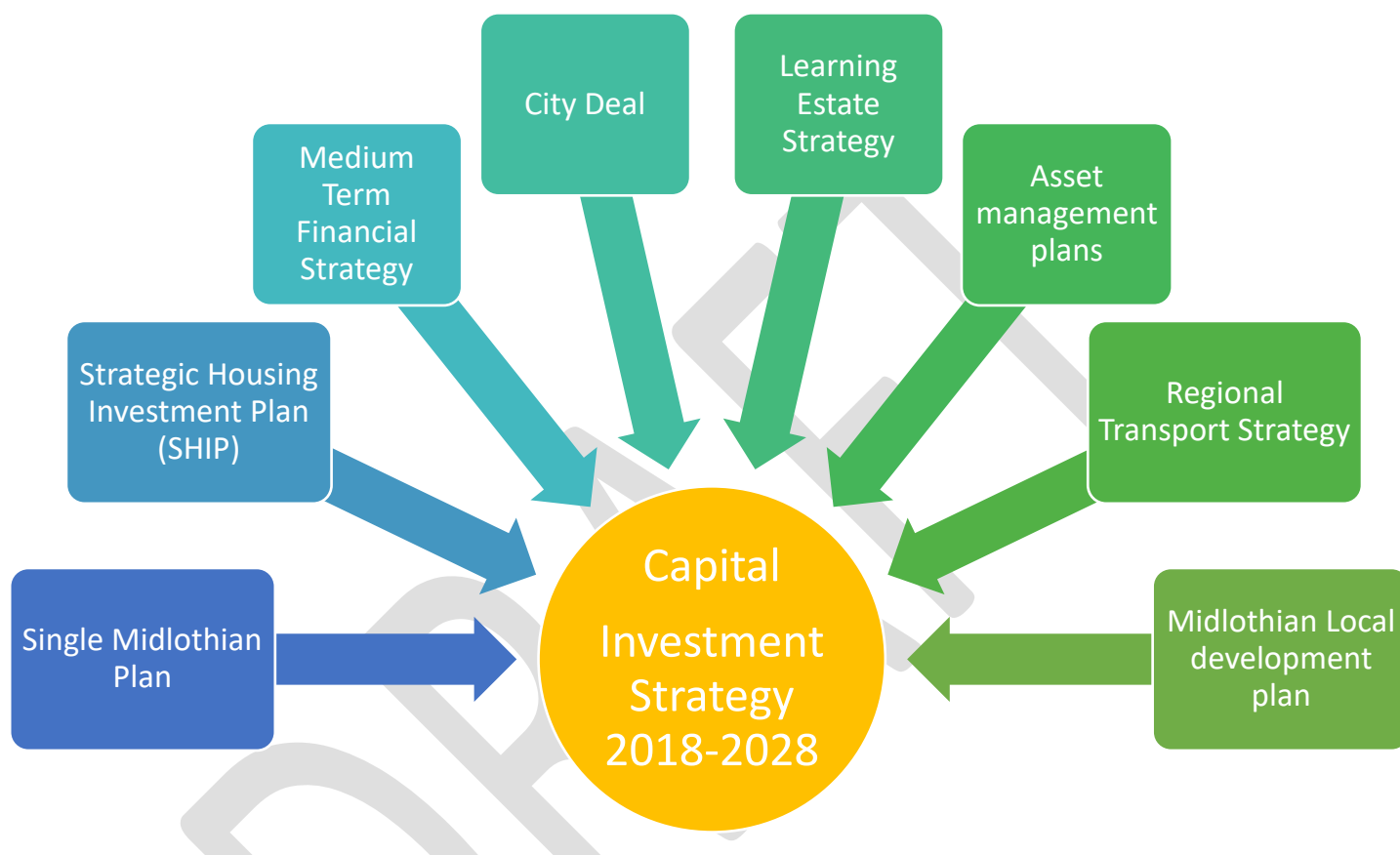
Midlothian Council delivers its priorities through the Community Planning Partnership (CPP) and the Single Midlothian Plan. Taking into consideration evidence regarding the comparative quality of life of people living in Midlothian, it is clear that less well-off residents experience poorer health, have fewer or no choices in how they use low incomes, and also that there is a proven relationship between these factors and their learning. Education is generally the best route out of poverty.

As a result the current top priorities for the Council are set out below in the Map of the Community Planning Partnerships below:



## Context and Vision

As recommended in the Accounts Commission report by Audit Scotland, This Capital Investment Strategy sits centrally within the Council's future planning activities and in doing so has to reflect the demands of each strategy to ensure positive outcomes are achieved at the right time for the maximum benefit to Midlothian.



The Capital Investment Strategy sets out the vision for capital planning within the following Single Midlothian Plan themes:



**Sustainable Growth in Midlothian**



**Getting it Right for Every Midlothian Child**



**Adult Health and Integrated Social Care**



**Community Safety**



**Improving Opportunities in Midlothian**

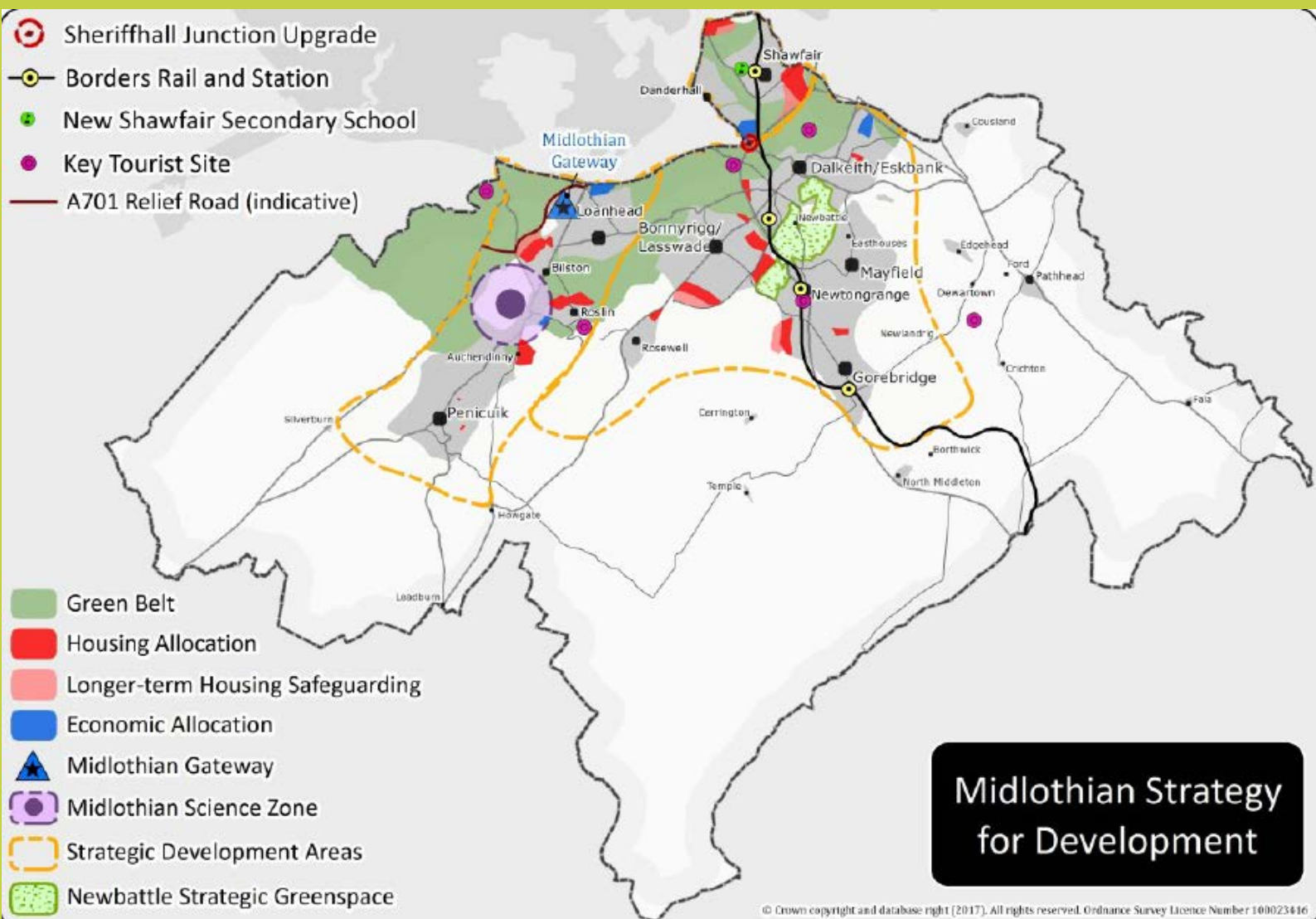


**Service Provision**

## Sustainable Growth in Midlothian

The Sustainable Growth theme's overarching objective will be to contribute to the delivery of the Midlothian Local Development Plan 2017-2027. The Strategic aims being to:

- Implement the requirements of the Strategic development Plan for South East Scotland (SESplan);
- Contribute to the delivery of successive Midlothian Single Outcome Agreements;
- Support the development of a vibrant, competitive and sustainable local economy;
- Safeguard and enhance Midlothian's natural and built heritage, which sustains the quality of life of its communities;
- Response robustly to the challenges of mitigating climate change and adapting its impacts;
- Provide positively for development which secures long-term social, economic and environmental benefits for existing and new residents, and not just short-term gain;
- Identify and implement a Green Network for Midlothian consistent with national and regional green network projects and;
- Help ensure that Midlothian is a welcoming and enriching place to live, work and visit.



Sustainable place-making factors and the wider principles of sustainable development provide the basis for the environmental, social and economic objectives that sit under our Local development plan. These objectives are set out below.

### Social Objectives

- Provide an adequate supply and mix of housing suited to local needs, including affordable housing.
- Secure active and sustainable transport options for existing communities and future growth areas, and promote opportunities for walking, cycling and public transport, including links to shared open spaces.
- Create new and/ or extended communities that are more self-contained with local access to jobs, services and facilities and a strong neighborhood focus.
- Seek agreements and partnerships with developers and agencies to ensure delivery of infrastructure, affordable housing, facilities and environmental enhancement.
- Improve access opportunities to public open space and to Midlothian's countryside.

### Environmental Objectives

- Protect Midlothian's built and historic environment from inappropriate development.
- Avoid coalescence and the loss of community identity. Protect and enhance the countryside and rural environment, the landscape setting of towns and villages, and open space generally.
- Ensure careful integration of new building into the landscape.
- Prioritise the reuse of brownfield land over the development of Greenfield, especially Green Belt, land and the efficient use of land generally.
- Direct new development to locations which minimize the need to travel, particularly by private car.
- Promote sustainable energy solutions where this can be achieved in a manner acceptable in terms of the environment.
- Seek to achieve a high quality of design in all new development, including measures to promote community safety, low and zero-carbon technologies and resilience to the impacts of a changing climate.
- Safeguard and enhance biodiversity and take full account of development impact on the water environment whilst consideration being taken for its improvement.

## Economic Objectives

- Support Midlothian's growing economy by creating quality and sustainable business locations.
- Deliver Business Gateway support services, and promote local procurement, to encourage the expansion of existing local businesses and the creation of new ones.
- Identify new economic and commercial opportunities to provide local jobs and help reduce out-commuting.
- Seek the early implementation of strategic transport and other physical and digital infrastructure projects, including the roll-out of high speed broadband, and ensure that efficient use is made of existing and new infrastructure.
- Develop and promote tourism with a clear focus on activities, built heritage and the rural environment.

### Focusing on Economic Growth

Much has already been achieved in recent years to transform the Midlothian economy and ensure that it is a catalyst for growth in the wider region, and we remain committed to maximising opportunities for inclusive economic growth.

In Midlothian we have established a number of key sectors including life sciences, healthcare, digital technology and creative industries. More needs to be done, however, to unlock further growth in these sectors and to realise the potential that exists in industries such as energy services and tourism.

Promoting economic growth is the primary objective of Midlothian's Economic Growth Strategy 2020-2025. The strategy sets out our commitment to grow Midlothian's economy in the context of local and national policy and corresponds to the Scottish Government's Economic Strategy. It is also a central objective of the Community Planning Partnership's Single Midlothian Plan.

We recognise the need to do things differently. To achieve this, we have identified strategic priorities which will be embedded in our actions going forward:

1. **Innovation** – we will identify challenges, be proactive in finding solutions, be sustainable in our actions and be resilient to change;
2. **Inclusion** – we will ensure community benefit is achieved through our ambition to grow Midlothian's economy. We will work with our education providers, businesses and partner agencies to develop and harness the skills of our citizens to create a strong economic base;
3. **Partnership working** – we will continue to foster our partnerships and engage with our stakeholders to enable good growth and inclusivity and enhance the reach and impact of our messaging;
4. **Ambition** – we will recognise and capitalise on the opportunity that exists for Midlothian by creating a platform for digital development, internationalisation and new channels for inward investment.





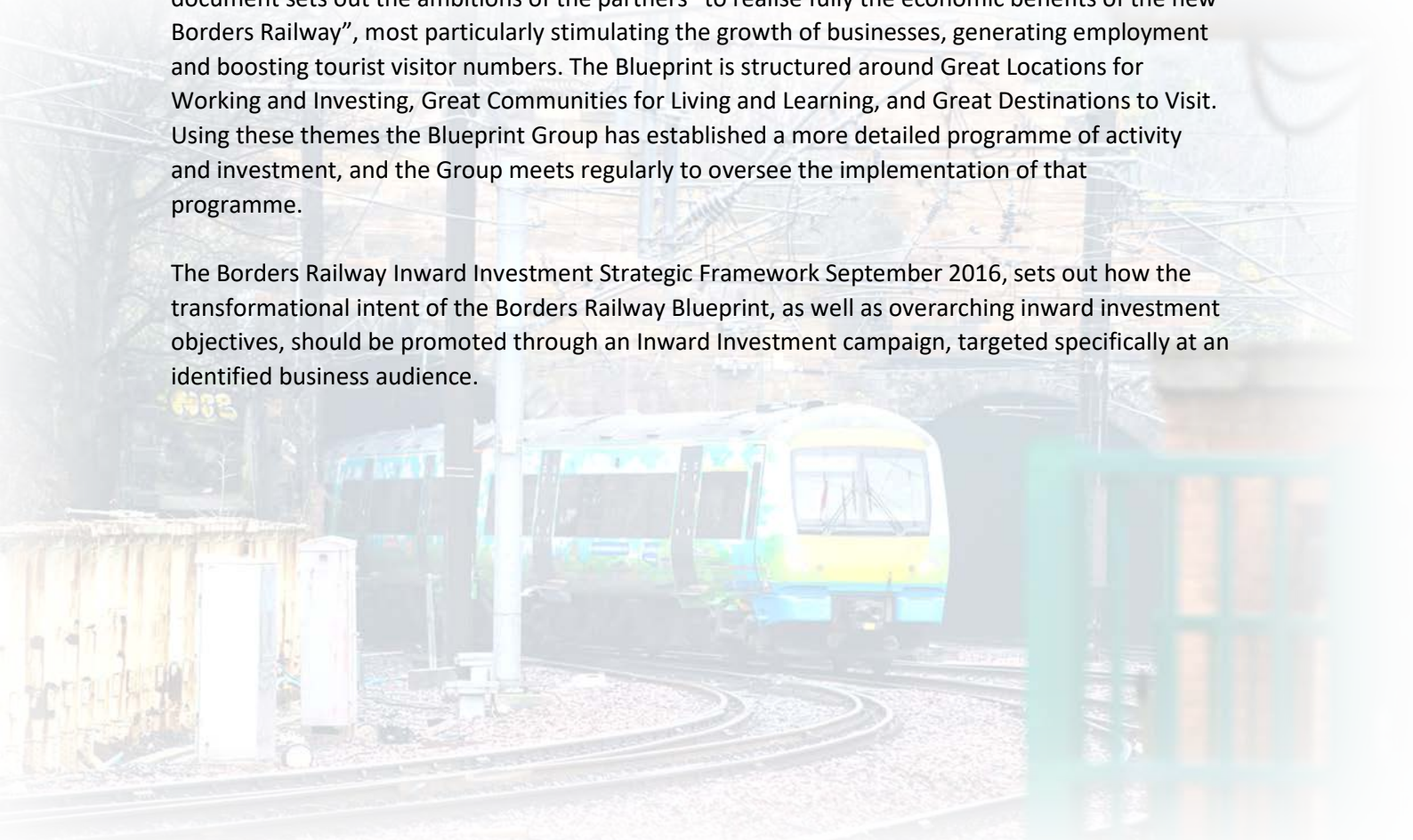
The Borders Railway linking Edinburgh, Midlothian and the Scottish Borders opened in September 2015, the project is a major investment providing additional travel opportunities for the people of Midlothian with four new stations at Shawfair, Gorebridge, Newtongrange and Eskbank. In addition The Borders railway is breathing new life into the economies of Midlothian, the Scottish Borders and Edinburgh, offering fantastic opportunities for Business, investment and employment.

The line provides ready access to education/training at Edinburgh College, Borders College and Queen Margaret University with improved access to the labour markets in Edinburgh and the Borders and is a catalyst for housing growth.

Over the next few years, the Edinburgh city region is expected to see significant economic and population growth, along with rising tourism volumes, a diversifying business base and increased demand for skills. The Borders Railway will help regenerate our priority Communities through which the railway passes.

**“Borders Railway – Maximising the Impact: A Blueprint for the Future”** was published by the ‘Blueprint Group’ of partners comprising Scottish Government, the Scottish Borders, Midlothian and City of Edinburgh Councils, Transport Scotland, Scottish Enterprise and VisitScotland. The document sets out the ambitions of the partners “to realise fully the economic benefits of the new Borders Railway”, most particularly stimulating the growth of businesses, generating employment and boosting tourist visitor numbers. The Blueprint is structured around Great Locations for Working and Investing, Great Communities for Living and Learning, and Great Destinations to Visit. Using these themes the Blueprint Group has established a more detailed programme of activity and investment, and the Group meets regularly to oversee the implementation of that programme.

The Borders Railway Inward Investment Strategic Framework September 2016, sets out how the transformational intent of the Borders Railway Blueprint, as well as overarching inward investment objectives, should be promoted through an Inward Investment campaign, targeted specifically at an identified business audience.



## Borders Railway Corridor Masterplans

Following the opening of the Border Rail, the Government supported Borders Rail Blueprint programme has resulted in the preparation of two Masterplans aimed at enhancing the economic and regeneration benefits that reopening of the rail line could bring.

Extensive consultation took place as part of both masterplans including local residents, businesses, land owners and community Councils.

The resulting Masterplan proposals have been subject to an Economic Impact Assessment which demonstrated that the plans would support significant financial benefits to Newtowngrange and Midlothian as a whole. The Assessment estimates that £20.2 million GVA per annum would be added to the economy and 447 jobs could be generated across Midlothian if the proposals in both plans were implemented.

### Newtowngrange Town centre

The masterplan focuses on regeneration of a specific area of Newtowngrange village centre and proposals include provisions for:

- Community Hub and new Church centre at the heart of the village.
- New mixed tenure housing in an accessible location.
- Retail provision
- Enhanced and improved public realm
- In doing so seeks to create animation, footfall and strong connectivity to the Station and Mining Museum.

### Stobhill / Lady Victoria

The masterplan provides a heritage lead mixed use regeneration scheme which focuses on the inclusion of:

- The creation of a tourism orientated commercial/retail development which enhances the rich heritage of the National Mining Museum and complements the village centre retail uses.
- Potential employment opportunities created by the provision of retail and commercial space and industrial units
- Mixed tenure residential development of varying sizes and types.
- Open area and green space with strong pedestrian and cycling routes linking to the village centre, rail station and the wider area.



## Sustainable growth

### Industrial Unit Starts Ups

In support of the Council's Economic Development Strategy, plans are in development to secure an increased provision of accommodation for a range of industrial units and in particular incubator units to support business starts up and inward investment to Midlothian. Initial plans identify potential council sites of approximately 2000sqm on which a limited supply of new purpose built workshop units could be developed.

Proposals to develop new industrial and Business units would encourage economic activity and support local employment. Any new units would seek to meet high standards of physical sustainability and minimise the impact on the environment.

### Easter Bush Development

The UK Government and the Scottish Government will provide up to £350m of capital funding over a fifteen-year period to support the development of Data storage and analysis technology that will allow large datasets to be brought together, in a secure environment, from public and private sector organisations. This data analysis repository will allow the development of new products and services within key sectors. It will be based at the University of Edinburgh's UK's National Supercomputer Centre at Easter Bush in Midlothian and will be connected to a region-wide Internet of Things (IoT) network. Five research, development and innovation sectoral hubs across the regions will draw on the data repository and support activity in key sectors including a Scaled-up incubation space for bioscience businesses and specialist facilities at **Easter Bush Midlothian**, delivering alignment with the Roslin Institute's research excellence in agritech and extensive industry partnerships.

The business and major science-based academic, research and manufacturing facilities based at Easter Bush will not only enhance the economy of Midlothian and the wider region but will also be a crucial contribution to the Scottish economy.

## Sustainable Growth in Midlothian

### Edinburgh and South East Scotland City Region Deal

The Edinburgh and South East Scotland City Region comprises the six local Authorities of City of Edinburgh, Fife, East Lothian, **Midlothian**, Scottish Borders and West Lothian. It is one of the most prosperous and productive UK regions and includes Scotland's iconic capital city, recognised worldwide for its culture, history and Architecture.

A key driver for the investment in this deal is the opportunity to address inclusion across the region. However, Prosperity and success is not universal across the region as **21% of children are living in poverty; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skill jobs**. The deal will address these issues, create new economic opportunities, and is expected to provide up to 21,000 new jobs. The region's new skills programme, alongside improved transport and housing provision, will ensure that businesses and communities across the region will benefit and will be given the chance to take advantage of these exciting new opportunities.

The City Region Deal is a mechanism for accelerating growth by pulling in significant government investment. By investing funding in infrastructure, skills and innovation the economic performance will be significantly improved, which will not only generate funds to pay back this initial investment but also draw in significant additional funding from the private sector.

The A701/A702 road improvements including the junction with the A720 City Bypass is a critical part of delivering the Easter Bush development and will benefit from funding through City Deal. The Midlothian Local Development Plan includes proposals for a new road relieving traffic congestion on the existing A701 and to provide a new link road between the A703 and the A702. The existing A701 would be upgraded as a primary route for public transport, walking and cycling, while the new A702 spur road would provide improved access from the strategic road network to the Easter Bush campus.

## Sustainable Growth in Midlothian

### Midlothian Campus of Edinburgh Science Triangle

Biotechnology and bioscience are identified by the Government as having significant potential for economic growth and job creation. The development of this sector in Midlothian is focused around The Midlothian Science Zone in the A701 Corridor where a specialised science, research and technology cluster incorporates six out of the eight science parks and research facilities that comprise the Edinburgh Science Triangle. Within the cluster, the Midlothian BioCampus (Gowkley Moss), Scotland's first dedicated national bio-manufacturing campus, was recently designated as one of the five life science Enterprise Areas in Scotland, demonstrating the importance of this sector in this location and providing a further impetus to growth prospects in the A701 Corridor. Development of the sector is locally, strategically, nationally and internationally important and it is therefore a priority of the Midlothian Local development Plan to protect and promote its growth in this locality.

Enterprise Areas were established by the Government to stimulate key sectors of the Scottish economy and create jobs. A range of incentives are available, including discounted business rates (up to 100%); enhanced capital allowances for investment in plant and machinery; a streamlined planning application process; high speed broadband connections; international promotion and marketing; and skills and training support. The MLDP acknowledges the Enterprise Area as a positive intervention in the promotion and development of bioscience facilities at The Midlothian Science Zone. Through *Ambitious Midlothian*, it is promoting the creation of a Business Improvement District (BID) at The Midlothian Science Zone to enhance collaboration between companies and to market the area as a bioscience location.

There have been significant investments at The Midlothian Science Zone in recent years such as the University of Edinburgh's Royal (Dick) School of Veterinary Medicine (including the small and large animal teaching hospitals) and the Easter Bush Research Consortium. A *Bush Framework Masterplan* has been prepared through partnership working to help guide future development on the site, and investment in the infrastructure required to maximise its growth potential.





## Destination Hillend

Plans are currently being developed to transform Midlothian's Snowsports facility into a year round tourist attraction. The proposals for **"Destination Hillend"** represent a significant expansion of the existing Snowsports centre which is anticipated to generate significant revenues from the investment and also secure the centres future as a centre of excellence for artificial skiing and snowboarding. The development located on the northern slopes of the Pentland Hills is an important asset as a recreational and educational resource utilised by many local schools and host to competitions of an international standing.

The Councils vision for Hillend is:

*"To create a year round destination offering multi activity leisure, associated retail and tourist accommodation for all the family: which will draw visitors from Midlothian, central Scotland and nationally: and enhance and safeguard the future of Hillend including the Snowsports centre and much more"*





Proposals for this exciting development include hotel development opportunities, camping and wigwam sites, related retail units, food court kiosks and restaurant facilities. Additional leisure and fun activities such as an Alpine coaster, Hilo activity dome with high ropes and soft play, Funslope upgrade and extension and Zipline.

The development will create a major tourist destination bringing increased visitor number and significant economic benefits to the local Midlothian area, generating income to be reinvested into Council Services.





## Sustainable Growth in Midlothian

### Operational Property Portfolio

The Property and Estates teams deliver suitable and efficient operational property for the delivery of Council services including offices, community centres, libraries, residential care homes and depots. A strategic capital investment plan ensures that appropriate capital investment is made in the operational property portfolio to provide and maintain high quality, safe, suitable and energy efficient premises. Major capital investment is also made in the school estate to deliver new build and refurbished educational facilities.

Capital investment in the ongoing property rationalisation programme ensures operational properties are operating efficiently. Through intensification of use of these properties other properties have become surplus to requirement. These surplus properties are sold, transferred to the community via the community asset transfer process or demolished. Capital investment on property rationalisation has, and will continue, to reduce the Council's property costs.

Our Estates team will continue to work on maximizing the utilisation of the Council's property portfolio including progressing sites for the building of additional social housing. This will stimulate new business and attract employment opportunities to Midlothian.

### Building Energy

Energy consumption across the entire Midlothian Council buildings portfolio continues to be monitored on a monthly basis. Accurate monitoring capacity has been further enhanced due to an extension in the number of automatic read meters installed and improvements in data capture enabling remote monitoring of the meter readings by the Council's Energy Team. Further smart meters, capturing gas supplies in a number of buildings have been progressed, and more are planned for the years ahead.

There has been a two year light replacement programme in the majority of schools.

Building asset rationalisation under the EWIM project through the closure, demolition and selling of properties have had a beneficial effect on energy consumption resulting in fewer emissions.



## Our Place – Environmental Quality

Midlothian's Country Parks situated at Hillend, Dalkeith, Vogrie and Roslin Glen play an important role in providing outdoor recreation in locations that are in relative close proximity to Midlothian's towns and villages. They provide for more concentrated and intensive recreational use than other parts of Midlothian's countryside and are key destinations in terms of the Midlothian Green Network. The Capital Strategy incorporates a provision for the replacement of play equipment in at Vogrie and other parks throughout the county.

In addition we will continue the restoration of our green space to provide a framework which both enhances Midlothian's image and thus making Midlothian an attractive and vibrant place to visit, while at the same time creates an environment which contributes to the health and wellbeing of our citizens.



## Green Spaces

There is strong evidence for the health and wellbeing benefits from “green exercise” - a term which encompasses ways of using the outdoor and contact with nature to foster better health. This covers activities including walking, cycling, gardening, volunteering outdoor learning and play as well as just enjoying being in the green environment and nature.

**There are a number of key areas which we will deliver:**

- Improve the quality of parks and open space through design to encourage use and maximize the potential to enhance health and well-being.
- Link into the school estate in terms of maximizing play opportunities and open space management.
- Develop a Green Health Partnership with key stakeholders including Scottish National Heritage and Forestry Commission etc. in order to promote a number of initiatives including green prescribing and influence facility design of open spaces and parks.
- Core path and Green Circular Development to encourage walking and cycling etc.
- Embedding of our recently developed Sport and Leisure Activity Strategy.
- Deliver specific projects in relation to active lives, play and sport including the installation of Outdoor Fitness equipment at King George V Park. Specific projects include the refurbishment of Play areas across Midlothian.





## Sustainable Travel & Transportation

The Midlothian Council Travel Plan 2017/21 demonstrates how Midlothian Council has applied national, regional and local policy to its own operations, in support of transport policy across Scotland. Occupying a key location in Scotland's Central belt, and as a result of its location next to Edinburgh, Midlothian is subject to substantial growth pressures. One of the key issues that emerged at the consultation stage for the Council's Local Transport Strategy (LTS) is the potential for this to ultimately damage the local economy and environment. As the largest employer in Midlothian, travel connected with the Council's operation has the potential to exacerbate or ameliorate this situation.

Midlothian Council is a member of SEStran, one of 7 regional transport partnerships in Scotland 2008-2023. In 2008 the Regional Transport Strategy (RTS) was submitted to Scottish Ministers for approval. It forms a blueprint for transport development in South East Scotland for the 21st century and sets out core work for the next 15 years. The RTS outlines a commitment to the development of travel plans by its local authority members and others. To support the RTS in the delivery of travel plans, SEStran has produced a travel plan strategy with the following aims:

- to increase use and awareness of travel plans in the SEStran region.
- to increase the use of Tripshare Sustran, a web-based system encouraging car sharing.
- to promote sustainable transport more generally (especially where of relevance to travel plans).

Midlothian Councils Travel Plan supports the following strategic actions and obligations on:

Outcomes and priorities for the Council and its partners in the Single Midlothian Plan include environmental limits are better respected in relation to waste, transport, climate change and biodiversity. People are able to look after and improve their own health and wellbeing and live in good health for longer. Investing in our people and our infrastructure in a sustainable way.

Climate Change (Scotland) Act 2009 – The Scottish Government has set an overall target of at least an 80% reduction in Scotland's carbon emissions by 2050, with an interim target of at least 42% reduction by 2020.

The Council is a signatory to Scotland's Climate Change Declaration, which commits to achieving a significant reduction in greenhouse gas emissions from its own operations, including travel and transportation.

Midlothian Council has also been working to promote the health of employees in a variety of ways through the Healthy Working Lives Scheme. Travel and transportation are a priority in the Council's Healthy Working Lives Statement of Intent in relation to the environment. In 2013, the Council achieved its first Gold award which has been renewed in 2016. This Travel Plan contributed to achieving that award.



The Lothian Joint Physical and Complex Disability Strategy recognises that disabled people require an accessible environment. This Travel Plan contributes to maintaining and improving accessibility for disabled people and the wider community in terms of our own operation, whilst reducing environmental impacts.

City deal will deliver major investments to ensure that the regions are served by world class infrastructure. The SESplan cross boundary study of the region has helped to show where transport investment will be most effectively targeted. The Scottish Government will invest up to £120m to support improvements to the A720 City Bypass principally for the grade separation of Sheriffhall roundabout.

The A701/A702 construction scheme and junction with the A720 will also receive funding through City Deal as part of the Easter Bush development. The Midlothian Local Development Plan includes proposals for a new road relieving traffic congestion on the existing A701 and to provide a new link road between the A703 and the A702. The existing A701 would be upgraded as a primary route for public transport, walking and cycling, while the new A702 spur road would provide improved access from the strategic road network to the Easter Bush campus.

We will continue to work with the City Deal partners, Transport Scotland and SEStran to bring forward proposals to consider the best option to ensure sustainable modes of transport contributes to improving the environment and reducing congestion. We will look to invest in the road network to maintain and improve road safety. Midlothian Council will continue to work with other organisations (transport and economic development related) to improve Midlothian's connectivity to the rest of Scotland and beyond.

## Sustainable travel – Midlothian's Local transport Strategy

Through Midlothian Council's Local transport strategy, we are seeking to develop an active travel network to promote sustainable travel and give priority to walking, cycling and public transport initiatives and developments over provision for car-based travel. The network will be a combination of existing and planned routes and infrastructure which would include:

- **safer routes to school;**
- **re-prioritised road space to support walking and cycling;**
- **dedicated routes to encourage walking and cycling to work, and for recreation and leisure;**
- **the proposed Midlothian Green Network and Core Paths network;**
- **the integration of new and existing housing and economic development; contributions towards cross-boundary/long distance recreation and commuting routes;**
- **the development and extension of the National Cycle Route Network; and facilities for visitors and tourists.**
- **A continuing provision to replace road surfacing and footways and the replacement of street lighting which has reached the end of its design life.**

## Vehicle Fleet & Plant

A modern Fleet that is fit for purpose and reduces the environmental impact of the councils transport activities plays a vital role in supporting all departments in delivering their operations.

Fleet tracking software continues to assist the Council in maximising the efficiency of its fleet vehicles in operation. Further efficiencies in operation and maintenance of vehicles will be achieved with the move to a super depot and the introduction of new fleet management software and improved maintenance facilities. The size of the fleet remains under review, ensuring that the number of vehicles in operation is matched with service requirements. Ongoing cycles of fleet vehicle replacement include consideration of environmental credentials and compliance with Euro engine standards. There are 14 electric vehicles in the fleet. The majority of the fleet have Euro 5 engine standards and all new vehicles meet Euro 6 engine standards. Going forward vehicles the latest Euro engine standards will be applied to all new vehicle purchases. There are currently 18 Ultra Low Emission Vehicles (ULEV) in Fleet.





## Recycling & Waste Management – Zero Waste Project

The Council is committed to achieving the targets set out by the Scottish Government in Scotland's Zero Waste Plan and Midlothian is signed up to The Household Recycling Charter. A joint Midlothian/City of Edinburgh Council Recycling and Energy Recovery Centre (RERC) at Millerhill to treat kerbside collected residual waste became operational in 2019. The joint project aids both Councils to meet Zero waste targets and also produce energy for the National grid.

The plant can incinerate around 135,000 tonnes of household residual waste and a further 20,000 tonnes of commercial waste every year. It will generate sufficient electricity to satisfy the energy demands of up to approximately 32,000 households.

A separate facility, which takes all of the food waste collected by the partner councils, is in operation on the neighboring site to the RERC. These new facilities treat both food and non-recyclable waste, creating renewable energy in the process, which will help both authorities contribute to the national recycling target of 70% by 2025 and the national landfill diversion target of 95% by 2025.

In addition Midlothian Council is developing a comprehensive waste strategy that will further inform the direction of travel in relation to waste services for the foreseeable future. This will focus on the Household Recycling Charter and associated Code of Practice which the Council is a signatory to, in an effort to ensure that legislative recycling levels can be achieved and that materials separated for recycling continue to be taken by the market.



## Street Lighting

Street lighting provides many benefits to Midlothian including reducing crime and the fear of crime, preventing night time injury or accidents and promoting economic development by supporting a 24 hour economy.

In order to maintain current service levels the Council aims to provide lighting which meets the requirements of a dynamic and modern Midlothian combined with the correct equipment to minimize energy and maintenance demands and to provide a safe and robust electrical infrastructure. The benefits of this will be to reduce energy costs and consumption, carbon usage and maintenance costs as well as reducing light pollution.

LED upgrades have taken place over 25% of the street lighting network. On the more recent upgrades the LED have been dimmed by 30%. A trial is ongoing with lights being dimmed by 10% at 10pm and 50% between 12am-5am. Through capital investment there is an ongoing column replacement programme that replaces the old galvanised steel with aluminium columns with upgrades to LED at the same time. All new housing developments are installing LED lanterns with Central Management Systems. New LED traffic systems are being installed with SELV (safety extra low voltage).

As infrastructure projects expand, and with new developments in technologies we need to ensure that our infrastructure is fit for purpose and most importantly of all, safe for use. To meet these demands, we will invest in further energy efficient LED lighting throughout Midlothian as well as investing in new electrical networks and supporting infrastructure.

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## Roads

The Council recognizes the benefit derived from completing permanent, structurally robust repairs to roads and utilizes a road programme developed in accordance with national asset management standards. The programme sets out to complete preventative maintenance work designed to improve road surfaces prior to structural failure and seal the surface to water ingress while the condition is still suitable for lower depth surfacing interventions.

The rolling maintenance programme aims to balance the benefits of whole life cost extension and the resilience of asset condition to achieve the Councils service standards objectives.

Roads continue to improve opportunities within Midlothian and work with regional/national partnerships in delivering key transport projects including the progress of the A701.





2017 Mid-Year population estimates there are 19,254 children and young people aged 0-17 years living in Midlothian. This represents 21.4% of our total population of 90,090.

Getting it right for every child (GIRFEC) is a national approach in Scotland to improve the outcomes, support and wellbeing of our children and young people by offering the right help at the right time. Midlothian Council and partners have framed long terms outcomes set out as follows:

- **Every child in Midlothian has the best start in life and is ready to succeed**
- **The life chances for Midlothian's children, young people and families at risk have improved**
- **Our people are successful learners, confident individuals, effective contributors and responsible citizens**

An ongoing commitment to delivery of the best possible educational outcomes includes investment in the Primary and Secondary school estates. The Scottish Government's commitment to increasing nursery hours will also drive an increased need for enhanced or new facilities throughout Midlothian.

## Getting it Right for Every Child in Midlothian

### Schools for future

Midlothian remains committed to the creation of a world-class education system, We have developed a **learning estate strategy aimed at delivering Excellence and Equity** by reducing inequalities and delivering improved outcomes for all Midlothian's children and young people. Our focus is on reducing inequalities, improving levels of educational attainment and enabling children with additional and complex needs to access high quality services. The service promotes targeted support towards early years and addresses the key issues which can act as barriers to children achieving their full potential.

To fully implement our ambition to create a world-class education system through excellence and equity the following core principles are embedded into the learning estate strategy:

- Promoting excellence and equity by delivering a more equitable distribution in learning opportunities by ensuring that every one of our children has the right to aim for excellence and to attain excellence in multiple ways
- Interrupting the cycle of poverty by school hubs having a role at the heart of their community to help address the inequalities that reduce life chances;
- Getting it right for every Midlothian child by utilising the school estate to deliver early intervention strategies through, where possible, the co-location of services together with a family learning approach;
- Taking a community based approach to building schools which meet the needs of communities and enhance the lives of all those who live in those communities.

To realise our ambitions for Midlothian's children and young people, we plan to develop our school estate and homes which provide care to some of the most vulnerable children in the area. Our vision is to signal the high value we place on learning and care. We want our schools to be places which people and communities will enjoy using and are proud of;

which are well designed, maintained and managed and which encourage continuous engagement with learning; which are far more than just 'educational establishments' whose quality of environment supports an accessible range of services and opportunities and which enrich the communities they serve and the lives of learners and families.







## First centre for Excellence at Newbattle

Newbattle Community Campus is Midlothian's first centre for Excellence. The campus which opened in May 2018, offers students from across Midlothian the chance to gain digital industry skills from film and video production to programming, coding, games developments, robotics and graphic design.

The centre was awarded "Development of the Year" (Public Building) at the Scottish property Awards in 2019. The award was received for the development that has contributed most to the improvement of a local community.



## Education - Our Key Priorities

**Over the next 10 years our key priorities will be focused in the following areas:**

### Early Years

The Scottish Government has made a commitment to increase funded Early Learning and Childcare provision from 600 hours to 1140 hours by August 2020. This requirement has a direct and immediate impact on our estate, and this project is a priority for our capital spend plans.

A detailed plan for the expansion of early learning and childcare from the current entitlement of 600 hours to 1140 hours by 2020 has been developed. The expansion is being phased in from 2017/18 and will reach full capacity in 2020/21. The plan incorporates Council provisions, partner providers (private, third sector and voluntary nurseries) and childminders, and will offer affordability, accessibility, flexibility and quality to parents and carers. The Scottish Government has confirmed the funding that the Council will receive to support this expansion.

The expansion plan will be iterative and will change as the needs of people who will be parents of 2, 3 and 4 year old children in 2020 are gathered, feasibility studies are carried out and quotes received, recruitment and training of staff progresses, and important guidance on partner providers, childminders and funding follows the child are published by the government. The expansion plan is closely aligned with the Learning Estate Strategy to ensure that learning estate planning takes into account the increased early years provisions required, that the expansion plan takes up the opportunities for efficient use of resources presented by the works required to the school estate in the short term, and is sustainable in the long term.



## Getting it Right for Every Child in Midlothian

### Primary School Estate

The number of primary pupils generated from established housing across the county attending Midlothian primary schools equates to 190 pupils for every 1,000 houses. The number is higher for new housing, which generates between 300 and 470 primary pupils for every 1,000 houses. In recent years we have experienced these higher numbers of pupils coming forward from new housing development in areas such as Bonnyrigg and Mayfield. The effect of this is more rapid pupil growth as a result of new housing than we had originally expected. However we anticipate that when the new developments mature the pupil numbers will eventually fall back to the established primary pupil product of 190 pupils for every 1,000 houses. This presents a challenge for planning the provision of school capacity.

These factors indicate that a newly built development with 1,000 houses would initially generate 470 pupils, if 90% attend a non-denominational school, that would require a two-stream school, however to maintain full use of that school's capacity would require a community with over 2,000 homes.

Midlothian's preferred model of primary school provision has been a two stream school, designed with capacity to accommodate 60 pupils at every stage of Primary 1 to Primary 7, a total of 420 primary pupils. However, in areas of significant growth the learning estate strategy is based on a three-stream model where the population requires this, for example in Bonnyrigg, Dalkeith and Shawfair.

In addition the learning estate strategy cautions against the building of single stream primary schools moving forward. A single stream primary school has the capacity to accommodate 30 pupils at every stage of Primary 1 to Primary 7, a total of 210 primary pupils. It is becoming increasingly challenging to attract Head Teachers to single stream schools and the growing population in Midlothian would mean that a combination of two, but preferably three stream schools would be the model moving forward.

The 2015 census reports that around 10% of Midlothian's population identified themselves as Roman Catholic, while the analysis of pupils attending Midlothian primary schools in 2016 shows that 898 pupils (12.4%) choose to attend a denominational school. Of these only 337 children are Roman Catholic, spread across the seven denominational primary schools in Midlothian.

Using 10% to estimate the number of Roman Catholic children of primary school age equates to 47 denominational pupils for every 1,000 new houses and 23 denominational pupils for every 1,000 established houses. These smaller numbers mean that a newly built community would need to have about 9,000 houses to require a two-stream denominational school, and to maintain full use of that school's capacity would require a community with over 18,000 houses. The numbers required to support a single stream denominational school would be a community with 4,500 newly built homes and the community would need to grow to 9,000 homes to maintain full use of that school's capacity.

## Secondary School Estate

The numbers of secondary pupils generated from established housing across the county attending Midlothian non-denominational schools equates to 130 pupils for every 1,000 houses. The number is higher for new housing, which we estimate generates between 200 and 330 secondary pupils for every 1,000 houses. These numbers are based on experience to date and on the traditional delivery model for secondary curriculum, which may change as Curriculum for Excellence becomes more established.

The 2013 Scottish School Estate Statistics show that only 1 out of 365 secondary schools has a roll over 1,800 pupils. Using these parameters indicates that for a Midlothian community to be able to sustain a secondary school with no less than 750 pupils, it should have at least 6,000 houses. It also indicates that a community with more than 13,000 houses is going to generate more pupils than would be seen as optimum for one secondary school.

Views from Midlothian's group of secondary school head teachers vary but there is universal agreement that, in the Midlothian context, schools below 750 pupils are undesirable due to the consequent restrictions in curricula choices, and overall sustainability. The group also felt there were benefits in larger schools being able to attract high calibre staff from a wider pool of candidates as a career pathway would lead to a bigger school with more responsibilities and opportunities. There was general agreement that an upper limit of about 1,800 pupils would achieve a reasonable balance.

Therefore this strategy proposes a secondary school estate with schools of no fewer than 750 pupils moving forward and no larger than 1,800 pupils.

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## Learning Estate Strategy – Short and Longer Term requirements

The Councils Learning Estate Strategy which links the Midlothian Local Development Plan to the School estate strategic plan (2017-2047), sets out Midlothian's short and longer term requirements of our school estates. Short and Long terms requirements for each learning community and the estate to meet the needs of children and young people are set out below:

### Shawfair Cluster

We estimate that house building in Danderhall and the wider Shawfair area will increase pupil numbers to over 700 pre-school and 2,450 primary aged pupils.

In February 2017 Council agreed to replace Danderhall Primary School with a new three-stream replacement school on the current school site by August 2020. Additional school capacity is set out below:

- A new Shawfair town centre 3 stream Primary school required by 2026.
- A new Shawfair Newton village 3 stream Primary School required by 2032.
- Expansion to Town Centre School plus 1 stream by 2040.
- Shawfair special needs provision by 2026.
- A new Shawfair secondary school will be required at Shawfair by 2026.

## Dalkeith

We estimate that pupil numbers will increase to approximately 440 pre-school, 1,540 primary and 1,200 secondary aged pupils. Projections show that this will require two additional streams of primary school capacity and an extension to 1,200 places at Dalkeith High School.

Requirements include a new two stream primary school in Dalkeith, an extension to Woodburn Primary School, refurbishment and extension of King's Park and St David's, and a 150 place extension to Dalkeith High School. Requirements are set out below.

- Extend Dalkeith high school to accommodate 400 pupils by 2029.
- Upgrade Kings Park Primary school by 2021.
- Upgrade and EY expansion required at St David's Primary by 2020.
- New Dalkeith Primary School (2 stream) by 2023.
- Woodburn Primary School extension by 2020.

## Newtongrange, Gorebridge and Mayfield

We estimate that pupil numbers will increase to approximately 900 pre-school, 3,200 primary and 2,500 secondary aged pupils. Projections show that this will require five streams of additional primary school capacity and an additional secondary school.

Requirements include a new 1,200 place secondary school in Gorebridge, new two stream primary schools at Easthouses and at Redheugh, capable of expansion to 3-stream, the refurbishment and extension of Newtongrange to bring it up to full 2-stream as well as smaller extensions to Lawfield and St Andrew's. In addition requirements for the replacement of the Mayfield School Campus including Mayfield and St Luke's Primary Schools and Mayfield Nursery School. Requirements for this area are set out below.

- Expansion to Gorebridge primary by 2020.
- New primary required in Easthouses (2 stream) by 2021.
- Newtongrange primary to be brought up to 2 stream by 2021.
- Mayfield School Campus replacement.
- Redheugh new 2 stream primary School by 2024.
- Gorebridge Secondary School by 2025.
- Extension to St Andrews Primary by 2030.





## Bonnyrigg, Loanhead and Lasswade

We estimate that pupil numbers will increase to approximately 900 pre-school, 3,200 primary and over 2,500 secondary aged pupils. Projections show that this will require four streams of additional primary school capacity and approximately 1,000 additional secondary school places.

Our current assumptions are that we will build a new secondary school on the A701 which would replace Beeslack and provide for pupils from Loanhead, Paradykes and Rosewell as well as Bilston and Roslin. We have provided for an extension to Lasswade High School to bring its capacity up to 1,800 pupils. We have provided for a new 2-stream primary school at Hopefield Farm 2, a 3-stream replacement for Lasswade Primary School and an extension to Rosewell Primary School which would bring it up to 2-stream. We have also provided for the replacement of Mount Esk Nursery in a building linked with Hawthornden Primary School and made allowance for refurbishment of St Matthew's Primary School.

- Extend Lasswade High School to accommodate 1600 pupils by 2020a and 1800 pupils by 2033.
- Convert nursery space at Burnbrae primary school, Add EY provision at Hawthornden Primary School and expand Rosewell EY by 2021.
- Hopefield Farm 2 primary (Hs12) and Extend Rosewell primary school to 2 stream by 2023.
- Lasswade primary 3 stream replacement by 2026.

## Penicuik

We estimate that pupil numbers will increase to approximately 750 pre-school, 2,600 primary and 2,000 secondary aged pupils. The projection for secondary aged pupils increases to 2,800 with the inclusion of Loanhead, Paradykes and Rosewell. Projections show that this will require three streams of additional primary school capacity and approximately 200 additional secondary school places, 1,000 additional places when we include pupils from Loanhead, Paradykes and Rosewell.

There are requirements for a new 1,200 place secondary school on the A701 corridor to replace Beeslack High School, which would include a special needs provision, and the refurbishment and extension of Penicuik High School to 1,200 places. We have allowed for an extension to Mauricewood Primary School to bring it up to 3-stream. We have also allowed for extensions to Bilston and Roslin Primary Schools to bring them up to 2-stream as well as a smaller extension to Strathesk Primary School. Requirements set out below.

- Mauricewood EY and extension to 3 stream by 2024.
- A701 secondary and A701 special needs provision by 2023.
- Penicuik High school refurbishment by 2025.
- Bilston Primary School extension to 2 stream and Strathesk Primary one class extension by 2026.
- Roslin primary expand to 2 stream by 2027.

## Penicuik A701 School

Funding support has been granted by the Scottish Government under the new schools investment programme for a new community campus. The replacement of Beeslack Community High School (A701 School) would allow Midlothian Council to build a new learning campus immediately adjacent to Edinburgh University's Easter Bush Campus. This new campus would become a specialist learning facility operated by Midlothian Council in partnership with Edinburgh University. This facility would not only support education delivery in the local area but act as knowledge centre and training campus to support and improve education delivery across Scotland. Our partnership with Edinburgh University would look to develop a knowledge base across building design, curriculum design and teaching methods that would be used to influence the wider programme and teaching content / delivery across Scotland.

The project will act as a catalyst to economic development of the Straiton Corridor and will build on the success of the other community schools already delivered across Midlothian Council's estate.

## Midlothian's Digital Learning Strategy

Midlothian has a clear vision and strategy for Digital Learning. As a result, Midlothian will take full advantage of the opportunities offered by technology to equip our children and young people with the knowledge and digital skills essential for learning, life and work in the 21st century.

Midlothian's Digital Learning strategy is central to the Council's aim of delivering a world class education system. It is closely aligned with Scottish Government's policy and advice on digital learning and it also articulates with key national and local priorities including:

- Scotland's National Improvement Framework for Education (2016)
- The Scottish Attainment Challenge (2016)
- Midlothian's *Delivering Excellence* programme
- Visible Learning

Midlothian's strategy covers 4 key aspects associated with learning in the digital age Curriculum, learning and teaching; Leadership and professional learning; Digital participation; and Infrastructure.

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## Children's Homes and ongoing support

Local Authorities have a duty to provide accommodation for children in certain circumstances. Most children benefit from remaining locally where they can retain contact with family, friends and school. The Care Inspectorate registers and inspects both residential and foster care provision and care providers are expected to meet the standards in order to retain their registration.

From 1 April 2015, under new provisions in part 11 of the Children and Young People (Scotland) Act 2014, Continuing Care entitles a young person, born after 1 April 1999 and looked after in foster, kinship or residential care, to remain in their care placement up to their 21st birthday. Providing ongoing care and support is challenging and requires investment and collaboration across services to ensure the placement is appropriate to the needs of the young person, and others within their community.

## Conclusion

A well-managed estate of schools and residential houses is of collective value to everyone in our communities. Across our Learning Estate Strategy we aim to deliver schools and residential houses whose conditions support and embrace their functions. This signals to all users that learning and caring for our children and young people is highly valued and therefore our learning and caring environments are priorities for investment for the Education and Children's Services and Midlothian Council.



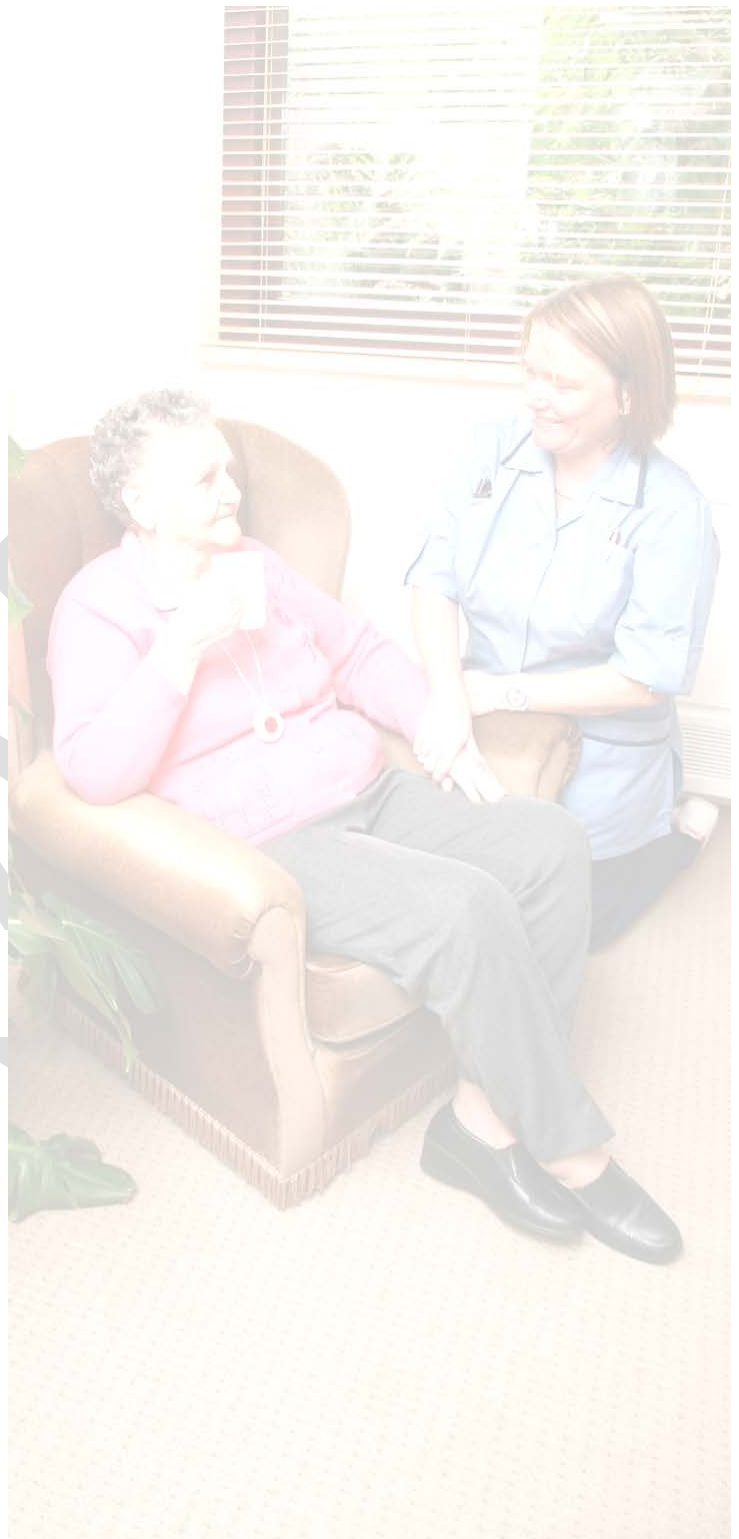


## Adult Health and Integrated Social Care

Between 2016 and 2026, the population of Midlothian is projected to increase from 88,610 to 100,410. This is an increase of 13.3%, which compares to a projected increase of 3.2% for Scotland as a whole. Midlothian is projected to have the highest percentage change in population size out of the 32 council areas in Scotland.

From 2014-16. Life expectancy in Midlothian is higher than at Scottish average for both males and females. Life expectancy in Midlothian was higher for females (81.4 years) than for males (77.9 years). Male life expectancy has rapidly increased in the last 10 years.

By 2035, the proportion of people in Midlothian over the age of 65 years will have grown to a quarter of the total population. While many older people enjoy good health there will inevitably be increased pressure on health and care services and on unpaid carers.



## Adult Health and Integrated Social Care

### Midlothian Health and Social Care Partnership

The Public Bodies (Joint Working) (Scotland) Act 2014 required NHS Boards and Local Authorities to integrate the planning and delivery of certain adult health and social care services. The Midlothian Integration Joint Board (IJB) was established on 1st April 2016 to plan, oversee and deliver adult health and social care services through the Midlothian Health and Social Care Partnership.

The Midlothian Health and Social Care Partnership consists of Midlothian Council, NHS Lothian, partners from the third sector and independent providers of health and social care services. The main purpose of integration was, and continues to be, to improve the wellbeing of people who use health and social care services, particularly people whose needs are complex and require support from both health and social care services.

**The creation of a new Health and Social Care Partnership provides an opportunity for the most significant change in decades to how health and care is delivered. It is important that we grasp this opportunity to transform service delivery and achieve the Partnership's vision of:**

***“People in Midlothian will lead longer and healthier lives by getting the right advice, care, and support, in the right place, at the right time.”***

**We will aim to achieve this ambitious vision by:**

- placing greater emphasis on supporting people to recover and return home
- working with the whole person
- improving patient pathways
- exploring ways of using new technologies
- working together with carers and local communities
- developing stronger partnerships with a range of public, private and voluntary agencies

The Capital Investment Strategy will support the delivery of these priorities as part of an integrated approach to the provision of health and social care services alongside NHS Lothian and other partners. A Midlothian Health and Social Care Partnership Property Strategy has been developed to inform the capital programme of both organisations as well as the Midlothian Council Housing Strategy.

#### **Key Objectives:**

The H&SC property strategy is intended to ensure that the Integrated Joint Board (IJB) has:

- The capacity to respond to the growing population
- The scope to develop more integrated services
- New housing models to provide more cost effective health and care services
- Buildings which are fit for purpose

## Current property assets delivering social care services

The following buildings are own and maintained by the Council to provide Services for Health and Social care.

- Cherry Road Day Centre for people with Learning Disabilities
- Highbank Intermediate Care Centre for Older people
- Newbyres Residential Care Home for Older people
- Cowan Court Extra Care Housing for Older people

In addition to these properties a range of activities are undertaken in other Council buildings. Weight management groups are held in Leisure Services as is the Midlothian Active Choices programme. Activity groups for people with learning disability use Penicuik Town Hall as well as a number of non-Council buildings – bowling clubs etc. Council libraries provide locally accessible information on a wide range of health and social care issues. They have also become a local supply source for hearing aid batteries and are developing a hearing aid repair service.

## Shared accommodation across Health, Social care and the Voluntary Sector:

The current arrangements for co-location of health and social care staff have been managed on a reciprocal basis with no financial transactions for property costs. The main logistical issue has been the provision of suitable IT access.

- Health and Social Care Headquarters at Fairfield House Midlothian Council
- Mental Health Team at the Old Bonnyrigg Health Centre
- Joint Dementia Team at Bonnyrigg Health Centre
- MERRIT (Rapid Response and Hospital at Home) at Bonnyrigg Health Centre
- Newbyres Care Home which now includes a small nursing team

Staff in the Voluntary Sector from at least 10 local organisations are increasingly co located in health and care settings including Fairfield House, 8 Health Centres and Cherry Road. The appropriate access to IT equipment is vital to making these arrangements effective.

## Current Capital Projects within Health and Social Care

### Recovery Hub

The objective of strengthening links between mental health and substance misuse services led to a bid for capital funding from Midlothian Council. Following a feasibility study funded by NHS Lothian the Council agreed to allocate funding and a project plan was developed and implemented. In June 2019 the Number 11 Recovery Hub was completed and now fully operational with key services co-located providing an integrated approach to services in Mental Health, Substance Misuse and Services for Offenders. Through service redesign we are now providing greater opportunity to improve outcomes for people with mental health needs, substance misuse needs, and people involved in the criminal justice system.

Following on from the decision to develop the Recovery Hub options are being explored to provide more suitable accommodation in Old Bonnyrigg Health Centre for two voluntary organisations Health in Mind and Women's Aid.

### Newtongrange Clinic

The refurbishment of a clinic in Newtongrange was successfully completed providing a branch surgery for the Newbattle Medical Practice.

### Learning Disability Premises Loanhead

Funding approved in 2019 to adapt inpatient premises in Loanhead for people with learning disabilities into residential and respite care facilities.

## Future Property requirements for investment

**Intermediate Care:** The gradual expansion of intermediate care facilities in Highbank has proved a key component of the shift towards rehabilitation and consequent reduction in the reliance upon of residential care in particular. However, Highbank was built as a residential home and despite some refurbishment it is not a particularly suitable environment for intermediate care. New build premises are required and, as part of such a development, there would ideally be scope for day care facilities currently located on a short-term basis in the Community Hospital.

**Learning Disability Service:** The development of joint teams has been possible because of capacity freed up in local health centres. The number 11 Recovery Hub will allow further collocation of health social care and voluntary organisations. Another service that lends itself to co-location and eventually joint management is Learning Disabilities.

**Health Centres:** The projected significant growth in population in Midlothian requires future planning for Health Centre expansion as detailed below.

- Shawfair (2023)
- Newtongrange Clinic replacement (2025)
- Increase Health Centre capacity in Rosewell/South Bonnyrigg

**Dental Practices:** House-building may reduce access to NHS dental services in Midlothian. There are 16 dental practices across Midlothian offering a combination of NHS and private dental services. There is currently not a reported issue of access to NHS dental services but there is a risk that as the population increases that there will be insufficient capacity for NHS dental services unless the existing dental practice can expand (both staffing and buildings). Further analysis of this is required. If expansion is not possible, the population increase may lead to practices changing their business model and withdrawing from NHS provision as demand for private provision increases. This would widen health inequalities. To mitigate this risk the IJB and NHS Lothian should develop additional dental facilities in Midlothian that would provide NHS dental services. Further work is required with the local dental providers to assess the impact and their ability to absorb population growth.

**Voluntary Sector Hub:** Adult Social Care provides a high proportion of services through contracts commissioned with the Voluntary Sector; 35% of total budget is deployed in this way. A number of services are located in inappropriate accommodation. There are also potential efficiencies to be gained by enabling sharing of reception and back office support services. The development of a Voluntary Sector Hub may lend itself to a cross-Council approach.

## Community Safety



Community Safety is essential to the quality of life of people in Midlothian. The Community Safety and Justice Partnership embraces a range of issues including crime prevention; antisocial behaviour; drug and alcohol misuse; domestic abuse; road safety; fire safety and accident prevention. It is about ensuring everyone has the right to live in safe and secure communities, feeling safe and with reduced incidence of crime. The Partnership aims to support and manage offenders in the community in such a way as to reduce re-offending and arrange services so that offenders may access and use them.

The Partnerships' key aim is **to ensure Midlothian is a safe place to live, grow up, work and visit**. To achieve this aim the Partnership works towards the following outcomes:

- Fewer people are victims of crime, abuse or harm
- People feel safe in their neighbourhoods and homes
- Our communities take a positive role in shaping their future

The Partnership focuses on prevention, early intervention and diversionary activity at the same time as providing a problem solving approach to community safety and antisocial behaviour issues. Key to this approach is the recognition that solutions to specific problems are sometimes area based rather than solely issue based.

The Community Safety and Justice Partnership is responsible for driving forward work towards the national priority to achieve safer and stronger communities and reduce reoffending. The partnership links closely and seeks to build on the work of the Scottish Community Safety Network and Building Safer Communities Programme.





Supporting vibrant sustainable communities requires investment in Midlothian's housing and community infrastructure

### Strategic Housing Investment Plan

The Local Housing Strategy (LHS) is a statutory requirement under the Housing Scotland Act 2001. The strategy is the Councils' primary strategic document for the provision of housing and housing related services, and covers a 5 year period. The current strategy is based on an independent housing needs demand study, which has been endorsed by the Scottish Government as being robust and credible. The LHS is embedded in the Council's Community Partnership Planning Framework.

The LHS links to Community Planning and the Midlothian Single Outcome Agreement. The links between these documents make clear the aspirational outlook being taken by Midlothian Council to ensure that delivering better housing options contributes to wider community needs such as impacting on community safety, poverty and other social issues. Building sustainable and supportive communities is key to fulfilment of the Council Plan.

In addition to the priority areas for housing investment, it is essential to improve housing choice across neighborhoods to support vibrant sustainable communities. The Council must also ensure provision for the requirements of people with particular housing needs such as fully adapted wheelchair housing and works with the Health and Social Care Partnership to provide for community care needs.

**The Local Housing Strategy's strategic vision for housing in Midlothian is that:**

**“All households in Midlothian will be able to access housing that is affordable and of good quality in sustainable communities”**

In order that this vision is realised, the Local Housing Strategy must ensure that the following outcomes are realised within the five year period of the Strategy. These outcomes are:

- Households have improved housing options across all tenures.
- Homeless households and those threatened with homelessness are able to access support and advice services and all unintentionally homeless households will be able to access settled accommodation.
- The condition of housing across all tenures is improved.
- The needs of households with particular needs will be addressed and all households will have equal access to housing and housing services.
- Housing in all tenures will be more energy efficient and fewer households will live in, or be at risk of, fuel poverty.

*To note: The Local Housing Strategy is currently being updated however the overall vision priorities and outcomes are likely to continue forward.*

The Strategic Housing Investment Plan (SHIP) is the key statement of affordable housing development priorities within the local authority area. Midlothian Council, together with RSL partners and the Scottish Government have provided affordable or subsidised housing options for 2,414 homes in Midlothian during the last 10 years.

The Midlothian Strategic Housing Investment Plan 2020/21 – 2024/25 identifies the priorities for the development of affordable housing and where development will be undertaken over the next 5 years. It details potential sites for 2,456 new affordable homes to be built during the next 5 years to meet the increasing level of housing need in Midlothian. This will not only ensure best value in the use of resources but also ensure the delivery of the right mix of houses in the most pressured areas.

## Affordable Housing Investment Priorities

In order to identify suitable investment priorities Council Officers have worked with Housing Associations, private developers and it's own Finance, Estates and Construction teams to discuss the level of housing need in the region, the level of demand for different tenures of affordable housing and the mix of suitable house sizes and types in order to agree a five year programme of development.



### **Key housing investment areas in Midlothian that are being supported through the City Region Deal include:**

- Supporting a 10 year affordable housing programme across the region with Scottish Government grant funding.
- Supporting local authority borrowing and share financing risk of infrastructure delivery for key development sites.
- Provision of a £50 Million housing infrastructure fund of predominantly private sector loans to be spent on projects that will unlock housing in strategic development sites across the region.
- Collaborating to develop innovative approaches to increasing the use of offsite construction methods.
- The potential to establish a council-owned regional housing company to deliver mid market and private rented sector housing.

### **Council Development Priorities**

The priorities for proposed Council projects to deliver 1000 houses over the next 5 years are:

- 30 development projects are proposed by the Council over the next 5 years
- 19 of the 30 projects are considered high priority while 11 are medium priorities. There are no projects judged to have a low priority.
- Most projects with the highest priority scores are highlighted for commencement in the short term while many with medium priorities are for the later years and it is expected that scores for the later sites will increase due to constraints being resolved, such as planning permission being granted.
- One of the developments is for Open Market Purchases which involves Midlothian Council purchasing properties that are for sale on the open market to then use as council housing.

### **RSL Development Priorities**

The priorities for proposed RSL projects over the next 5 years are:

- 22 development projects are proposed by RSLs over the next 5 years.
- 12 of the 16 projects are high priority while 5 scored as medium priority and 5 projects scored with a low priority.
- 5 RSLs have indicated their plans to develop during this period including:
  - Melville Housing Association (7 projects)
  - Castle Rock Edinvar (11 projects)
  - Viewpoint (2 projects)
  - Dunedin Canmore (1 project)
  - Ark Housing Association – (1 project)
- There are 8 further projects where the registered Social Landlord acting as a developer has not yet been confirmed. It is likely that these sites will either be taken forward by Midlothian Council or one of the RSLs who are currently building new homes in Midlothian.
- A further 4 sites for affordable housing development have been identified for development that do not require funding from Midlothian's Affordable Housing Supply programme. These sites are not required to be assessed for priority due to their being no grant funding requirement.

## Social Housing Quality Standards (SHQS) and Energy Efficiency Standard for Social Housing (EESH)

All housing projects in Midlothian have maximized and will continue to maximize the opportunities for energy efficiency and reduction in fuel poverty. Both the Council and RSLs are working towards ensuring that properties in Midlothian meet the Energy Efficiency Standard for Social housing (EESH).

In order for the Council to meet current SHQS standards there is provision in The HRA Capital Plan over the next 10 years to 2027/28 for £38.305 million to maintain the housing stock at the SHQS level.

## Community Infrastructure

Where possible allowances will be made in future capital plans to give local communities the opportunity to allocate a proportion of capital spend to address local infrastructure issues.

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## The Loanhead Centre Community Development

The £15.4 million facility was developed in partnership with Scottish Future Trust, Midlothian and NHS Lothian through the integrated joint board.

The project delivered a Community Campus incorporating Paradykes Primary School and replacement facilities such as after school/wrap around care, library, medical centre, early year's provision and external work. The site also includes the existing leisure centre and part of King George's field. The development has enhanced the Loanhead area by creating a high quality, community asset comprising an iconic, energy efficient and welcoming campus with associated infrastructure that provides a focal point for the area. The Loanhead Centre was supported with funding from the Scottish Government's Regeneration Capital Grant Fund.

The centre was awarded the "Community Development Project of the Year" at the Scottish Property Awards in 2018. The new Loanhead Centre community project was delivered in partnership with the community using a 'done with' rather than 'done to' approach.



## Service Provision

### Digitally-led transformation/Customer Service

As one of the fastest growing areas in Scotland, Midlothian has a projected population increase of 23.1 % by 2039 compared with 2014. Accordingly the Council cannot support more customers using the current resources, systems and processes.

Customer self-service can help deliver some key services without customers dealing directly with a member of staff and could truly transform the way we deliver services.

We can be a leader in the delivery of online services and there is still significant potential to transform the way we work. Our Digital Strategy Group is currently managing a portfolio of projects, which could help deliver additional online customer services:

- Customer Relationship Management (CRM)
- MyAccount authentication and single sign on
- Online housing applications
- SEEMIS (parent portal)
- Review of online payments provider
- Online payments

It is recognised that additional components are required to have a complete customer online experience and these include:

- A Customer Portal (where a customer logs on through our website is recognised and can complete a customer journey which is truly a transactional end to end customer journey)
- Integration with back end systems (e.g. Council Tax, housing, etc.)

The creation of an agreed roadmap to secure future technical sustainability of our online customer presence will:

- Provide the tools and resources to transform Midlothian into a true 'Digital by Default' organisation
- Maximise efficiencies which can be made from implementing a mature, end to end solution for customers
- Require robust governance through the Customer Service Project Board of a project/programme of work which may span 3-4 years
- Not deliver In-house process efficiencies immediately and will require processes to change to realise savings in time

## Funding Strategy

The Council has ambitious plans for Midlothian. This Capital Strategy details over £925 million of investment projects within Midlothian. Appendix 1 and 2 of this strategy provides an overview of the expenditure, funding, and borrowing associated with these investment projects for general fund and HRA Services.

The following key assumptions have been made in arriving at the expenditure, income and affordability gap set out in appendix 1 &2

- The incorporation of the Loans Fund Review carried out in 2018 which has created significant borrowing headroom for General Fund Projects.
- The General Fund Revenue Budget provision for debt financing is maintained at £7.3m plus population growth
- The current HRA rents strategy
- Government grant projections include a provision for population and inflation growth
- A range of value engineering targets for projects of up to 5% across strands along with a provision for return of contingencies (5%)
- The utilization of the Capital Fund, retaining a £5m capital reserve
- Price inflation (based on the BCIS for Scotland)

The City Deal is a major component of the next decade's projects specifically the Council leading on the A701/2 Project with funding from Developers, City Deal funding from Governments and a Council injection of up to £6.7 million.

General and specific grants from the Scottish Government will continue to underpin the Council's Capital Plan going forward.

Given the affordability gap there will have to be further prioritisation with some projects being dropped and also an increasing emphasis on collaborative and partnership initiatives, whilst also looking at how Council contributions can unlock other funding sources to help the overall development of Midlothian.

The Council will continue to review its revenue position to provide support for capital projects and will particularly do so where there are spend-to-save or prudential borrowing opportunities.

On housing provision, there will continue to be close liaison with Scottish Futures Trust on developing solutions which meet Midlothian's requirements.

## Governance

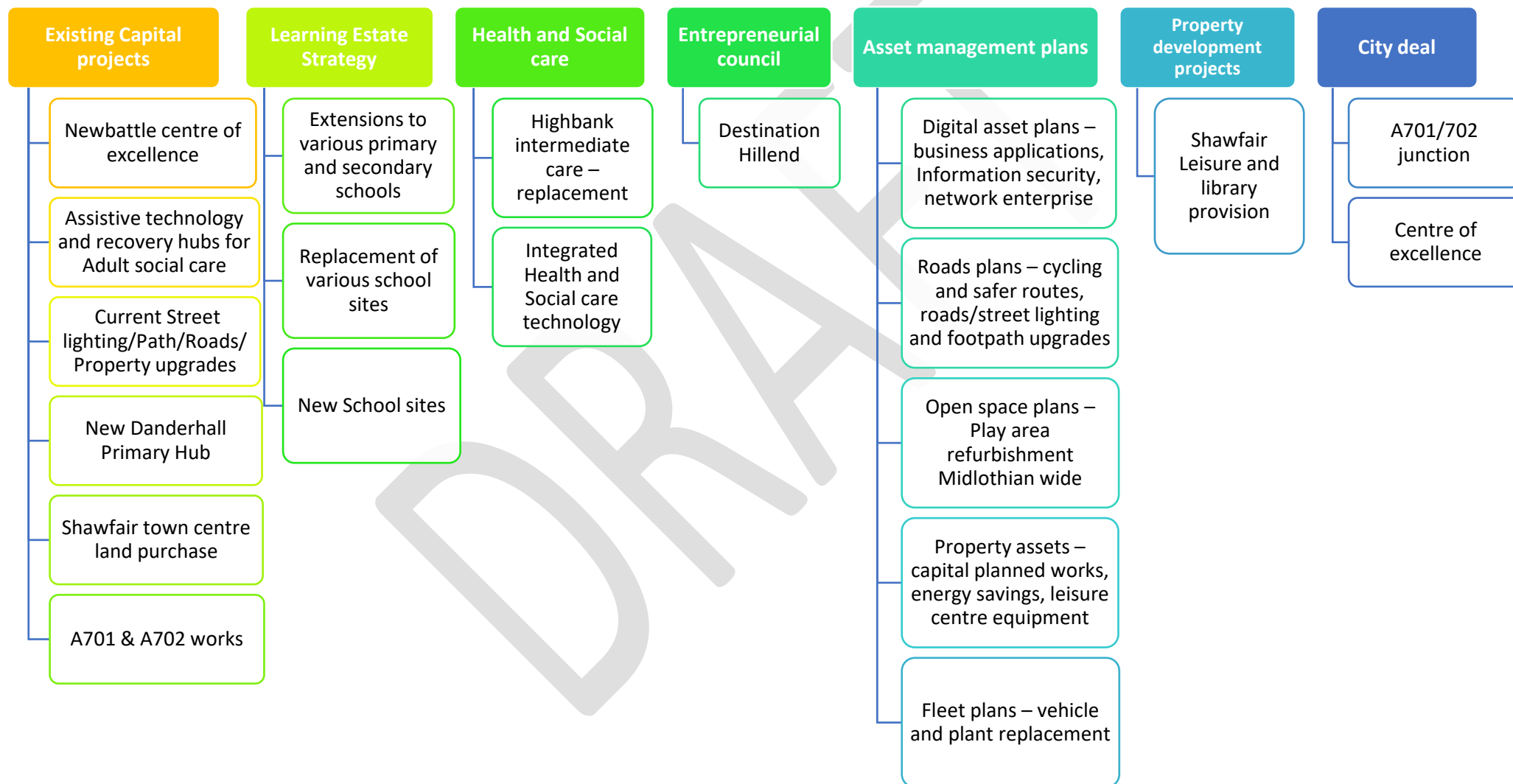
The Council's five year Capital Plans will continue to be updated on an annual basis and approved by Council.

The Capital Investment Strategy will be fully updated every five years, but will be reviewed and refreshed more regularly to ensure its continued alignment with the Council's priorities.

All individual capital projects will continue to be approved by Council. The supplement at appendix 3 attached to this Strategy provide fuller details on the Governance and approval process for Capital Projects.

## General Services Capital Plan 2019/20 to 2029/30

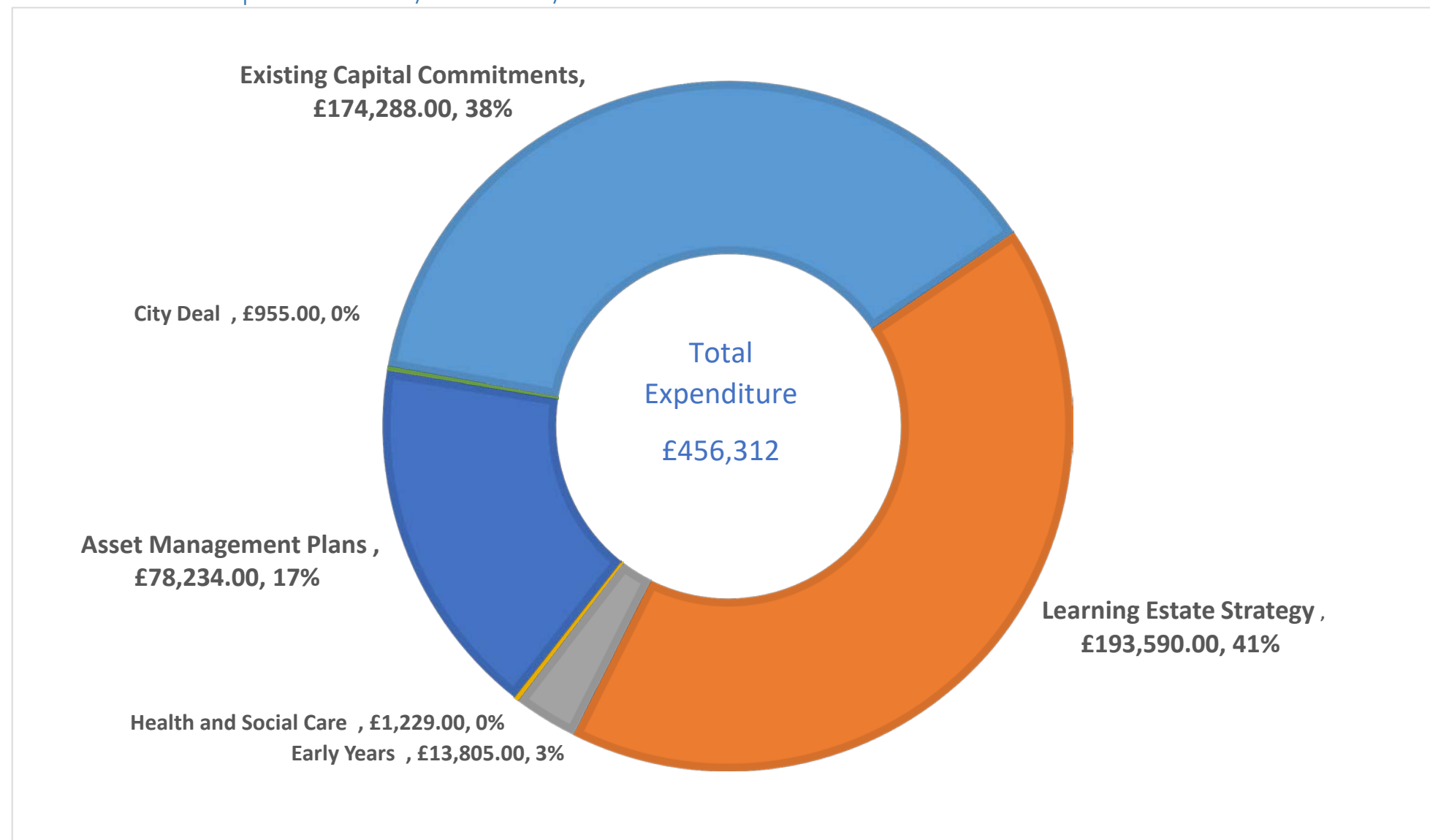
Summary of high level investment activity Capital Plan.



To note this is not an exhaustive list but indicates the high level investment projects.

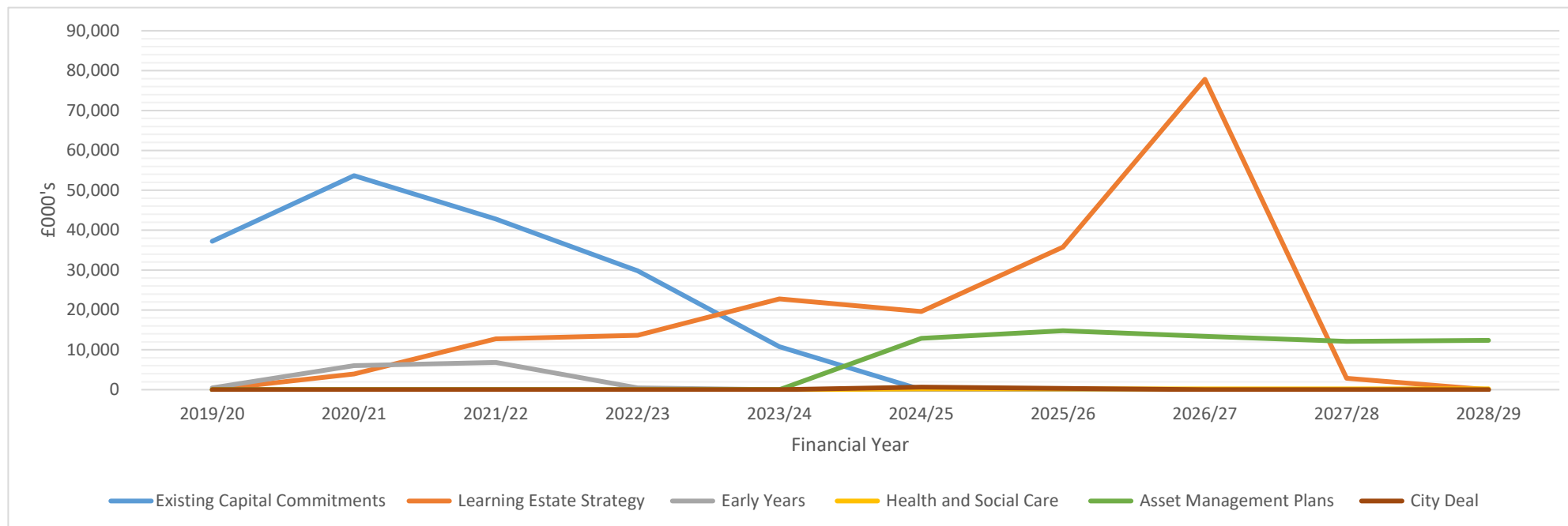


## General Services Capital Plan 2019/20 to 2029/30



\*Total Expenditure Includes -5,789 for the provisions for return of Contingencies.

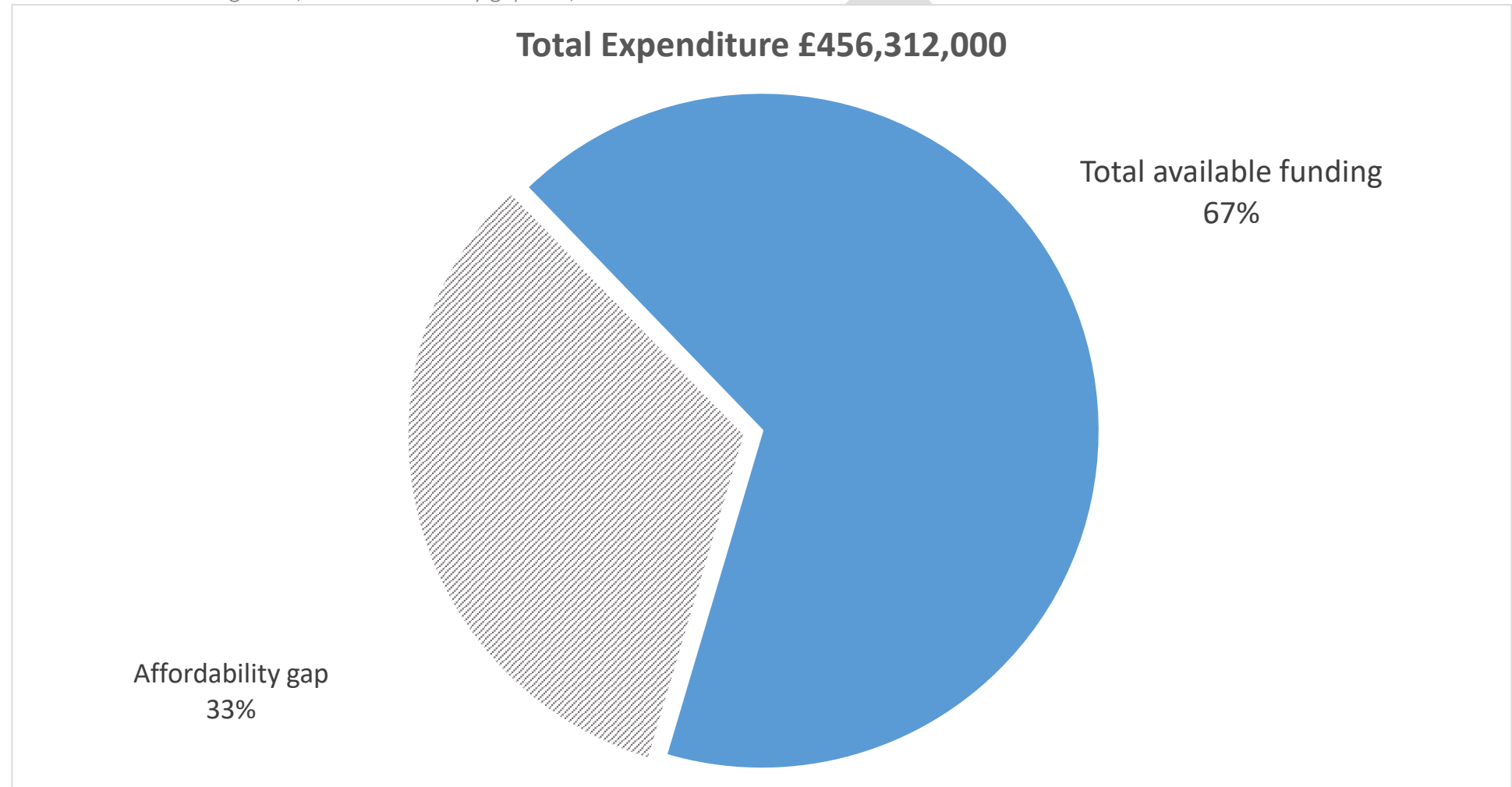
## General Services Capital Plan 2019/20 to 2029/30



	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	
Existing Capital Commitments	37,200	53,666	42,813	29,804	10,805	0	0	0	0	0	0	£174,288.00
Learning Estate Strategy	0	3,933	12,751	13,666	22,766	19,573	35,764	77,829	2,837	0	4,471	£193,590.00
Early Years	442	6,060	6,837	466	0	0	0	0	0	0	0	£13,805.00
Health and Social Care	0	0	0	0	0	191	197	202	209	213	217	£1,229.00
Asset Management Plans	0	0	0	0	0	12,879	14,786	13,363	12,088	12,399	12,719	£78,234.00
City Deal	0	0	0	0	0	648	307	0	0	0	0	£955.00

## Funding Position

Total Available funding £304,865 - Affordability gap £37,792





<b>CAPITAL STRATEGY - Indexed</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	
<b>AS AT 11/02/2020</b>	<b>3.1%</b>	<b>3.7%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>4.1%</b>	<b>3.1%</b>	<b>2.1%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	
<b>GENERAL SERVICES CAPITAL PLAN</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total</b>
<b>2019/20 to 2029/30</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>EXPENDITURE</b>												
Existing Capital Commitments	37,200	53,666	42,813	29,804	10,805	0	0	0	0	0	0	<b>174,287</b>
Early Years (Scottish GovernmentCapital Grant Funded)	442	6,060	6,837	466	0	0	0	0	0	0	0	<b>13,805</b>
Learning Estate Strategy - approved "in principle"	0	3,933	12,751	13,666	22,766	6,881	0	0	0	0	0	<b>59,997</b>
Learning Estate Strategy - 2024/25 and beyond	0	0	0	0	0	12,692	35,764	77,829	2,837	0	4,471	<b>133,593</b>
Learning Estate Strategy - subject to SFT/SG Funding	0	3,311	19,866	33,109	8,536	14,796	19,142	3,828	1,914	0	0	<b>104,503</b>
Health and Social Care	0	0	0	0	0	191	197	202	209	213	217	<b>1,230</b>
Entrepreneurial Council Projects	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Asset Management Plans												
Digital	0	0	0	0	0	3,108	3,170	3,235	3,296	3,364	3,431	<b>19,604</b>
Roads	0	0	0	0	0	5,459	5,650	4,958	5,384	5,546	5,713	<b>32,710</b>
Fleet	0	0	0	0	0	1,606	4,550	1,884	1,907	1,945	1,984	<b>13,876</b>
Open Spaces	0	0	0	0	0	790	358	2,194	373	380	388	<b>4,483</b>
Property	0	0	0	0	0	2,163	1,310	1,350	1,390	1,432	1,476	<b>9,121</b>
<b>Asset Management Sub Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,126</b>	<b>15,038</b>	<b>13,621</b>	<b>12,350</b>	<b>12,667</b>	<b>12,992</b>	<b>79,794</b>
Other Property Development Projects	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
City Deal	0	0	0	0	0	648	307	0	0	0	0	<b>955</b>
Provision for Return of Contingencies	0	0	0	0	0	-1,053	-1,182	-1,732	-2,344	-374	-313	<b>-6,997</b>
												<b>0</b>
<b>Total Expenditure</b>	<b>37,642</b>	<b>66,970</b>	<b>82,266</b>	<b>77,045</b>	<b>42,107</b>	<b>47,282</b>	<b>69,267</b>	<b>93,749</b>	<b>14,967</b>	<b>12,506</b>	<b>17,367</b>	<b>561,168</b>
<b>FUNDING</b>												
Government Grants - General Capital Grant	11,105	8,957	8,957	8,957	8,957	8,957	8,957	8,957	8,957	8,957	8,957	<b>100,675</b>
Government Grants - Early Years	2,560	6,799	7,004	466	0	0	0	0	0	0	0	<b>16,828</b>
Government Grants - Others	1,695	1,415	0	0	0	0	0	0	0	0	0	<b>3,109</b>
Schools for the Future Funding Rounds	0	1,308	7,848	13,080	3,370	5,830	7,537	1,507	754	0	0	<b>41,235</b>
City Deal Funding (Scottish Government)	0	5,126	5,774	0	0	0	0	0	0	0	0	<b>10,900</b>
City Deal Funding (Capital Fund)	0	0	7,694	0	0	0	0	0	0	0	0	<b>7,694</b>
Receipts from Sales	2,758	2,305	4,450	0	0	0	0	0	0	0	0	<b>9,513</b>
Receipts from Sales transferred to Capital Fund	-2,758	-2,305	-4,450	0	0	0	0	0	0	0	0	<b>-9,513</b>
Transfer from Capital Fund to Capital Plan	2,437	2,000	3,000	2,000	0	0	0	0	0	0	0	<b>9,437</b>
Land Transfers from HRA Applied to Capital Plan	0	2,120	0	0	0	0	0	0	0	0	0	<b>2,120</b>
Developer Contributions - GSCP Committed	5,904	4,581	1,942	814	2,186	0	0	0	0	0	0	<b>15,427</b>
Developer Contributions - LES New	0	7,165	2,978	1,846	2,000	18,772	32,747	39,997	12,771	15,488	12,964	<b>146,727</b>
Developer Contributions - A701/702	0	425	425	425	425	0	0	0	0	0	0	<b>1,700</b>
Developer Contributions - Other Projects	0	0	0	0	0	425	425	425	425	425	425	<b>2,550</b>
Other Contributions	199	3,097	0	0	0	0	0	0	0	0	0	<b>3,296</b>
<b>Total Available Funding</b>	<b>23,900</b>	<b>42,992</b>	<b>45,622</b>	<b>27,589</b>	<b>16,938</b>	<b>33,984</b>	<b>49,666</b>	<b>50,886</b>	<b>22,907</b>	<b>24,870</b>	<b>22,346</b>	<b>361,700</b>
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total</b>
<b>BORROWING REQUIRED</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>			<b>£'000</b>
<b>Total Expenditure</b>	37,642	66,970	82,266	77,045	42,107	47,282	69,267	93,749	14,967	12,506	17,367	<b>561,168</b>
<b>Total Available Funding</b>	23,900	42,992	45,622	27,589	16,938	33,984	49,666	50,886	22,907	24,870	22,346	<b>361,700</b>
<b>Borrowing Required</b>	<b>13,742</b>	<b>23,978</b>	<b>36,643</b>	<b>49,456</b>	<b>25,169</b>	<b>13,298</b>	<b>19,600</b>	<b>42,862</b>	<b>(7,940)</b>	<b>(12,364)</b>	<b>(4,979)</b>	<b>199,467</b>





HOUSING REVENUE ACCOUNT CAPITAL PLAN	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
2019/20 to 2029/30	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>EXPENDITURE</b>												
New Social Housing												
Phase 1 and Phase 2	1,392	11,562	5,860	271	0	0	0	0	0	0	0	19,085
Phase 3 and Phase 4	14,222	53,852	48,534	17,572	6,492	6,492	0	0	0	0	0	147,164
<b>New Social Housing Sub Total</b>	<b>15,614</b>	<b>65,414</b>	<b>54,394</b>	<b>17,843</b>	<b>6,492</b>	<b>6,492</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>166,249</b>
Scottish Housing Quality Standards Works	6,581	5,125	5,115	4,903	5,413	5,086	3,486	3,486	3,012	7,290	3,400	52,897
Buy Backs	5,300	3,600	0	0	0	0	0	0	0	0	0	8,900
Temporary Accommodation Provision	700	4,334	2,000	0	0	0	0	0	0	0	0	7,034
Environmental Improvements	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Other	1,720	655	666	677	688	700	712	724	737	750	763	8,792
<b>Total Expenditure</b>	<b>29,915</b>	<b>81,128</b>	<b>64,175</b>	<b>25,423</b>	<b>14,593</b>	<b>14,278</b>	<b>6,198</b>	<b>6,210</b>	<b>5,749</b>	<b>10,040</b>	<b>6,163</b>	<b>263,872</b>
<b>FUNDING</b>												
Government Grants - Affordable Housing	6,824	4,574	3,748	4,930	0	0	0	0	0	0	0	20,076
Government Grants - Buy Backs	1,720	720	0	0	0	0	0	0	0	0	0	2,440
Government Grants - Others	0	114	114	114	114	114	114	114	114	114	114	1,140
Receipts from Sales	15	0	0	0	0	0	0	0	0	0	0	15
Developer Contributions	1,609	0	0	0	0	0	0	0	0	0	0	1,609
Other Contributions	79	81	83	85	87	89	91	93	95	97	99	979
<b>Total Available Funding</b>	<b>10,247</b>	<b>5,489</b>	<b>3,945</b>	<b>5,129</b>	<b>201</b>	<b>203</b>	<b>205</b>	<b>207</b>	<b>209</b>	<b>211</b>	<b>213</b>	<b>26,259</b>
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total Expenditure</b>	29,915	81,128	64,175	25,423	14,593	14,278	6,198	6,210	5,749	10,040	6,163	263,872
<b>Total Available Funding</b>	10,247	5,489	3,945	5,129	201	203	205	207	209	211	213	26,259
<b>Supported Borrowing - within revenue budget</b>	19,668	75,639	60,230	20,294	14,392	14,075	5,993	6,003	5,540	9,829	5,950	237,613
	-	-	-	-	-	-	-	-	-	-	-	-



## **Treasury Management and Investment Strategy 2020/21 & Prudential Indicators**

### **Report by Gary Fairley, Chief Officer Corporate Solutions**

#### **1 Purpose of Report**

In accordance with the 2017 Treasury Management Code of Practice, the annual Treasury Management & Investment Strategy & Prudential Indicators report is required to be adequately scrutinised before being recommended to the Council. For Midlothian, this role is undertaken by the Audit Committee, with this report being presented to Audit Committee on 28 January 2020 prior to consideration by Council on 11 February 2020.

The purpose of the report to Council is to seek the agreement of Council to the Treasury Management and Annual Investment Strategies for 2020/21, the Prudential and Treasury indicators contained therein, and the approach to the statutory repayment of loans fund advances, following this scrutiny by the Audit Committee.

Members should note that the Council do not yet have our capital grant settlement figure and are unable to finalise our budget position at this time, therefore the forecast figures for the Capital Financing Requirement, Authorised Limit and Borrowing Requirement are subject to change following the publication of the grant settlement.

#### **2 Treasury Management & Investment Strategy 2020/21**

##### **2.1 Current Loan and Investment Portfolio**

The Council's current loan and investment portfolio, as at 28 January 2020, is shown in tables 1 and 2 below:-

Table 1: Current Loan Portfolio as at 28 January 2020

<b>Loan Type</b>	<b>Principal Outstanding £000's</b>	<b>Weighted Average Rate</b>
PWLB Annuity	637	8.90%
PWLB Maturity	198,824	3.40%
LOBO	20,000	4.51%
Market Loans	18,831	2.68%
Salix Loans	803	0.00%
<b>Total Loans</b>	<b>239,096</b>	<b>3.44%</b>

Table 2: Current Investment Portfolio as at 28 January 2020

Investment Type	Principal Outstanding £000's	Weighted Average Rate
Bank Call Accounts	0	n/a
Money Market Funds	11,041	0.73%
Bank Notice Accounts	44,985	1.20%
Other Local Authorities	25,000	1.58%
<b>Total Investments</b>	<b>81,026</b>	<b>1.22%</b>

## 2.2 Borrowing Requirement 2019/20 to 2023/24

The Council's capital plans contain projections of capital expenditure and income over the forthcoming financial years. Any expenditure not financed directly by income, requires funding through borrowing.

The projected borrowing requirement arising from the Council's Capital Plans, and the maturing long-term loans that require to be refinanced, over the period 2019/20 to 2023/24 is shown in table 3 below:-

Table 3: Total Borrowing Requirement over the period 2019/20 to 2023/24

	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	Total £000's
<b>Capital Expenditure</b>						
General Services	37,642	63,765	62,398	43,937	33,571	<b>241,313</b>
HRA	29,915	81,128	64,175	25,423	14,593	<b>215,234</b>
<b>Total Capital Expenditure</b>	<b>67,557</b>	<b>144,893</b>	<b>126,573</b>	<b>69,360</b>	<b>48,164</b>	<b>456,547</b>
Total Available Financing	-34,147	-47,279	-41,719	-19,637	-13,769	<b>-156,551</b>
Principal Debt Repayments	-8,563	-9,182	-10,969	-12,768	-13,216	<b>-54,697</b>
<b>Capital Expenditure less available Financing</b>	<b>24,847</b>	<b>88,432</b>	<b>73,885</b>	<b>36,955</b>	<b>21,179</b>	<b>245,299</b>
Maturing Long-term Loans	9,219	9,230	1,471	1,465	830	<b>22,215</b>
<b>Total Borrowing Requirement</b>	<b>34,066</b>	<b>97,662</b>	<b>75,356</b>	<b>38,420</b>	<b>22,009</b>	<b>267,514</b>
Borrowing secured	-20,000	0	0	0	0	<b>-20,000</b>
<b>Total Remaining Borrowing Requirement</b>	<b>14,066</b>	<b>97,662</b>	<b>75,356</b>	<b>38,420</b>	<b>22,009</b>	<b>247,514</b>

Note these are draft, awaiting an update post grant settlement. The total level of borrowing noted above is required to meet the capital investment previously approved by Council for both the General Fund and HRA Capital Plans.

## 2.3 Borrowing Strategy for remainder of 2019/20 and 2020/21

Long-term borrowing rates from the Debt Management Office's (DMO) Public Works Loans Board (PWLB) were subject to a 100bps increase applied across the tenor curve by the UK's Debt Management Office in October 2019. Despite this, medium-long term borrowing rates from both the PWLB and other market providers are currently still sitting just above historical lows and significantly below historical averages. Whilst the Council has already secured long-term borrowing for financial year 2019/20, as can be noted from Table 3 above the Council has a significant borrowing requirement across the forthcoming 4 financial years (2020/21 to 2023/24).

The current low Bank of England base rate level of 0.75% and the expectation that any base rate rises will follow a shallow upward trajectory in the short-medium term, means that continued utilisation of temporary borrowing within the Council's overall loan portfolio would continue to provide a cost-effective solution to the Council. The quantum of this will continue to be assessed against the backdrop of potential long term costs if the opportunity is missed to take PWLB or other market loans at low medium-long term rates, particularly given the projected gradual rise in PWLB rates.

Part of the Council's borrowing requirement over the current and forthcoming four financial years has already been secured through the drawdown of two £10 million maturity loans from the PWLB in September 2019, prior to the 100bps increase applied by the DMO.

It is expected that the majority of the remaining borrowing requirement to fund capital expenditure incurred in the remainder of 2019/20 and through to 2023/24 shall be sourced from a blend of internal borrowing, further temporary borrowing and by locking in to longer term PWLB borrowing to manage longer term cost and risk for the loan portfolio. However, the opportunity continues to exist to consider further loans on a 'forward dealing' basis, and officers will continue to explore the viability of these loans throughout the remainder of 2019/20 and into 2020/21.

The projected under-borrowing position as at 31 March 2020 is £40.428 million. This means that the Council have funded an equivalent amount of capital expenditure on new assets through internal resources / working capital, and have not committed to fixed long term borrowing to fund this capital expenditure through loans from external counterparties. Other options available to the Council would be to borrow a further £40.428 million from external loan providers to fully finance the capital investment which would result in an additional cost to the revenue budget; or to mature the existing £69.985 million of deposits that are cash backing the Council's reserves and defer equivalent long term borrowing over the current and forthcoming financial years, until the reserves are utilised. Whilst this may result in savings against the Council's current loan charges in the short term it will expose the Council to a significant risk in the

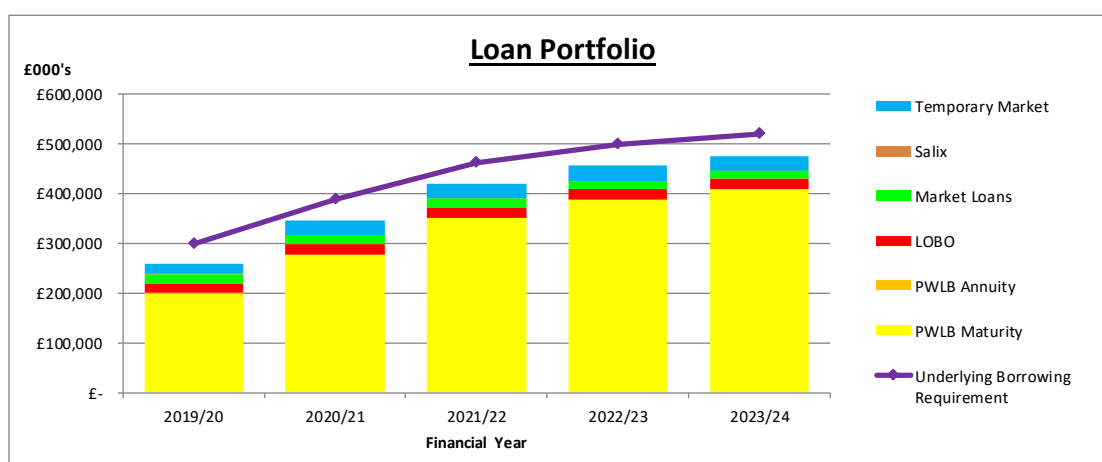
medium to long term by having over £100 million exposure to interest rate and refinancing risk.

In the current climate, Council officers have assessed that the current under-borrowed position is a prudent approach which balances (a) the short-medium term cashflow benefit and saving to the revenue budget of using internal resources / working capital at a lower cost against (b) the longer-term risk of not locking into longer-term borrowing at still historically low longer term borrowing rates, particularly against the backdrop of the recent 100bps increase in PWLB rates applied by the DMO without any prior notice.

Officers will ensure that any loans taken are drawn to match the existing maturity and projected capital expenditure profiles as closely as possible, that proposed interest rates continue to sit below forward interest rate projections, and that the overall borrowing remains within the Authorised Limit proposed below.

Any other borrowing undertaken in advance of need would be supported by a business case which will appraise the anticipated savings in borrowing costs (from expected increases in rates later in the year / in forthcoming years) against the carrying cost associated with borrowing in advance of need.

The Council's projected loan portfolio over the period 2019/20 to 2023/24 is shown in graphical format below.



## 2.4 Investment Strategy

The position on potential investment opportunities remains broadly as reported to Council in the Treasury Management Mid-Year Update report on 12 November 2019.

The investment environment within which the Council seeks to invest its cash reserves remains challenging, with the continued scrutiny over the creditworthiness of counterparties resulting in an ever tighter counterparty list. At the same time, the low 0.75% Bank of England base rate dictates low returns of typically c. 1% for a 12 month fixed term deposit.



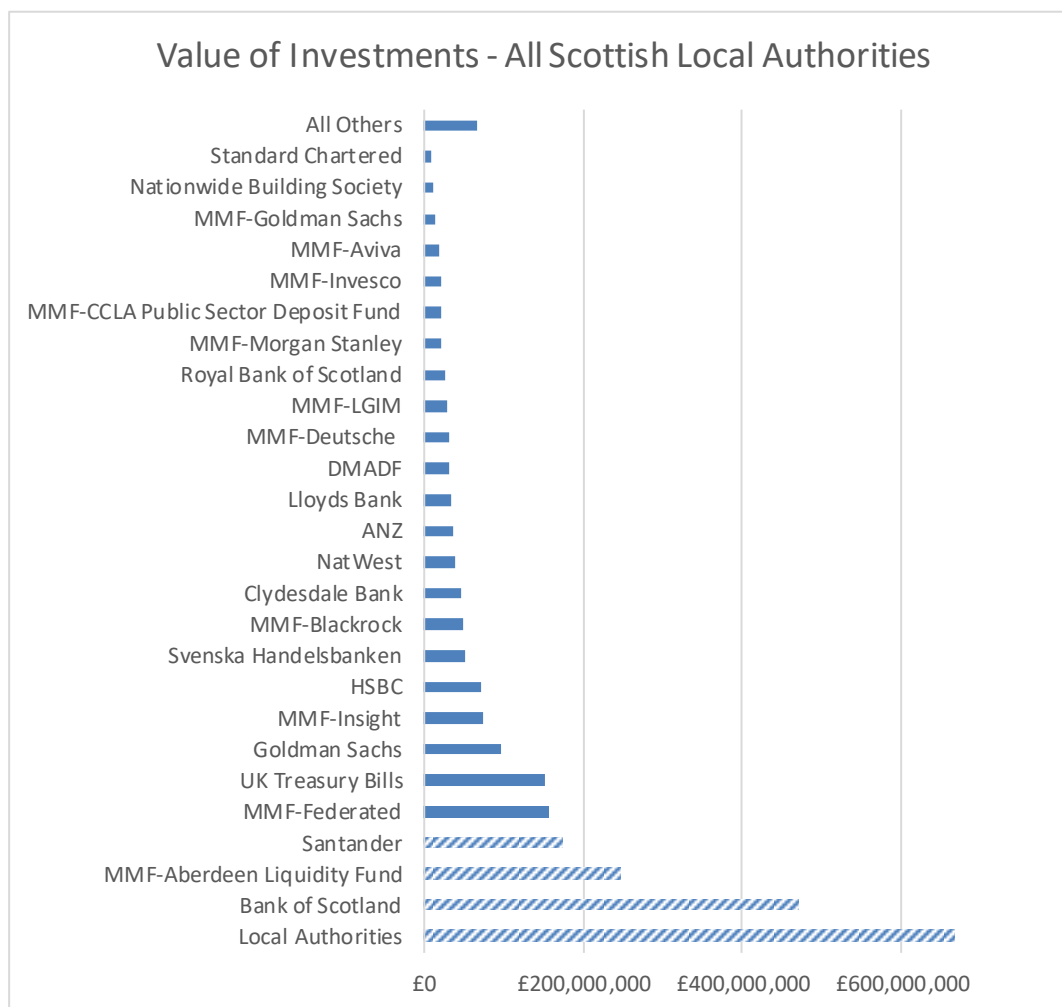
The Council currently has £69.985 million of short-term investments which have the primary aim of cash backing the Council's reserves. These are detailed in Appendix 1.

In addition, the Council currently holds £11.041 million in instant access accounts with Money Market Funds, earning a return as at the date of writing of 0.73%. These investments have the primary purpose of ensuring short-term liquidity for the Council in order to manage its day-to-day cashflow needs.

The amount held in Money Market Funds broadly reflects the Council's level of working capital and fluctuates throughout the year due to a number of factors, including cashflow fluctuations throughout the month (e.g. payrolls/council tax receipts), receipt of Scottish Government general capital (for example, £6.928 million Early Years Revenue grant funding from Scottish Government on 1 August 2019, £6.300 million Early Years Capital Grant funding from Scottish Government on 30 August 2019 and £2.042 million for new social housing 10 January 2020), general revenue and specific grants, grants from other external parties, receipt of developer contributions, and the impact of borrowing to finance the Council's capital plans and any subsequent rephasing of expenditure within these plans. The amount held in Money Market Funds throughout the current financial year is shown in Table 4 below:-

<b>Month</b>	<b>Minimum £000's</b>	<b>Average £000's</b>	<b>Maximum £000's</b>
<b>April</b>	5,276	10,252	18,353
<b>May</b>	9,985	16,590	26,742
<b>June</b>	8,973	23,142	30,089
<b>July</b>	5,516	12,056	17,947
<b>August</b>	6,569	18,422	27,218
<b>September</b>	5,743	11,620	26,218
<b>October</b>	23,712	29,267	36,998
<b>November</b>	21,608	29,055	32,731
<b>December</b>	6,890	18,067	27,158

Attached below is a graph showing the total level of investments held by 31 of the 32 Local Authorities in Scotland. Counterparties that the Council currently have investments with are shown as a hatched bar.



Council officers, in conjunction with Link Asset Services will continue to review the range of investment options available to the Council, within the proposed Permitted Investments included as Appendix 2, in order to select only the most creditworthy counterparties to ensure the security of Council funds, and from that list select the range of investment products that offer best value to the Council's investment portfolio.

An alternative investment strategy would be to deposit funds directly with the UK Government's Debt Management Account Deposit Facility (DMADF). All deposits with the UK DMADF would be guaranteed by HM Government and therefore have a direct claim on HM Government / the equivalent of a sovereign double-A credit rating.

Rates payable by the DMADF range from 0.50% for an overnight deposit to 0.51% for a 6 month deposit.

Were the Council to switch the entirety of its £69.985 million deposits that are currently invested with other counterparties into DMADF 6 month deposits, this would result in a loss of income to the Council of £0.490 million per annum.

### 3 Prudential Indicators

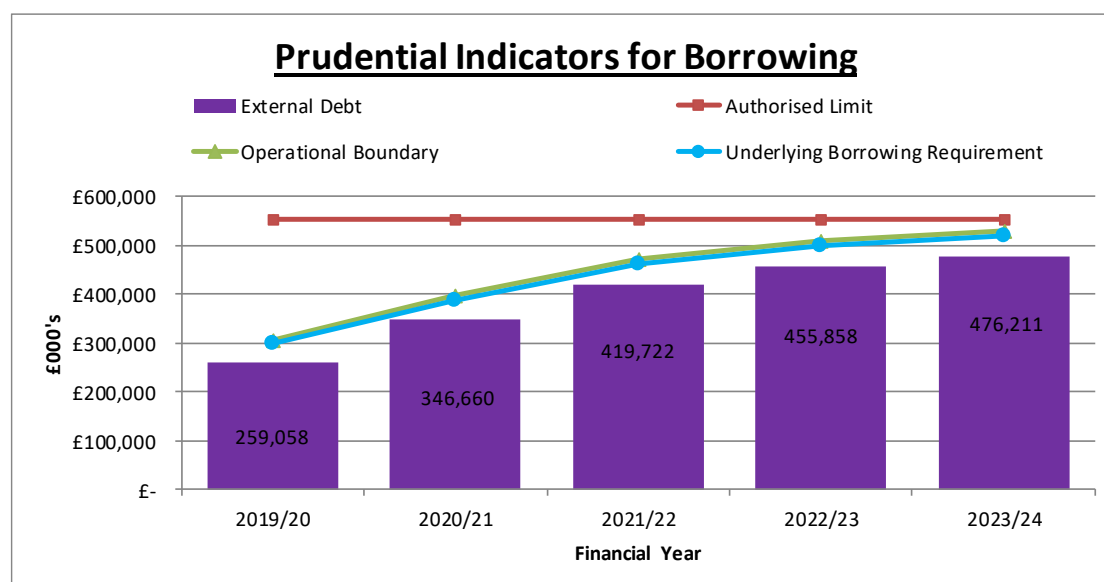
#### Prudential Code for Capital Finance in Local Authorities

The Prudential Code for Capital Finance in Local Authorities requires that Councils can demonstrate that their Capital Plans are affordable, prudent and sustainable, taking into account the financial provisions made in current and future revenue budgets; and that Treasury Management decisions are taken in accordance with good practice.

The Prudential Indicators that Councils need to consider relate to both actual, historic outcomes, and future estimated outcomes (covering the same period as the Council's Capital Plans), as follows:-

- Original indicators and actual outcomes for 2018/19;
- Revised estimates of the 2019/20 indicators; and
- Estimates of indicators for 2020/21 to 2023/24.

The Prudential Indicators required by the Code are listed individually in Appendix 3. The key indicators relating to external borrowing are shown in graphical format below.



The **Capital Financing Requirement (CFR)** denotes the Council's underlying need to borrow for capital purposes. The CFR includes borrowing arising as a result of the Council's Capital Plans, plus the long-term liability arising from the Council's two PPP contracts. The **Underlying Borrowing Requirement** strips out the latter of these (long-term liability arising from the two PPP contracts) from the CFR.

The **Authorised Limit for Borrowing** represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It is the expected maximum borrowing need with some headroom for unexpected movements.

The Authorised Limit for Borrowing has been calculated by taking the maximum value of the CFR over this year and the next 4 financial years (2020/21 to 2023/24), with the total forecast level of capital receipts and developer contributions added back to this figure (given the inherent

uncertainty regarding the timing and value of these receipts/contributions). This is shown in table 5 below.

Table 5: Authorised Limit for Borrowing: Calculation

<b>Authorised Limit</b>	<b>Amount £000's</b>
CFR – General Services (31 March 2024)	200,736
CFR – HRA (31 March 2024)	319,202
Unrealised Capital Receipts/Developer Contributions 19/20	1,591
Forecast Capital Receipts & Developer Contributions 20/21-23/24	30,277
<b>Proposed Authorised Limit</b>	<b>551,806</b>

Council will therefore be asked to approve an adjustment to the authorised limit for borrowing to £551.806 million, if market conditions support this action. This would have the effect of securing lower costs for future years but care would be taken to ensure that the cost of carry from borrowing early is minimised and that the maturity structure of all debt is sufficiently robust to ensure that the CFR at 31 March 2024 remains achievable.

The authorised limit therefore reflects a level of borrowing which, while not desired, could be afforded but is not sustainable.

#### **4 Statutory repayment of loans fund advances**

Under the Local Government Finance Circular 7/2016, Council is now required to set out its policy for the statutory repayment of loans fund advances prior to the start of each financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

Audit Committee is therefore asked to scrutinise the approach and methodology to the statutory repayment of loans fund advances and the accounting policies that dovetail together with this, prior to these being proposed and presented to Council on 11 February 2020.

##### **4.1 New Assets**

In accordance with Finance Circular 7/2016, for all advances made in relation to the provision of a new asset, the policy will be to defer the commencement of the first principal repayment of the loans fund advance until the financial year following the one in which the asset is first available for use.

##### **4.2 Loans Fund Review: Options for Prudent Repayment**

Finance Circular 7/2016 then provides a variety of options to Councils for the profiling of the repayment of each loans fund advance, so long as the principle of prudence is maintained. There are 4 options available: (a) Asset Life method; (b) Statutory method; (c) Depreciation method; and (d) Funding/income profile method.

The guidance states that Councils should be consistent when applying options; however Councils do not need to select one single option and may select different options for different capital schemes/asset classes.

(a) Asset Life method

Council officers, in conjunction with Link Asset Services, have therefore undertaken a comprehensive review of the Loans Fund accounting arrangements to assess the approach to how Loans Fund advances should prudently be repaid.

As a result of this, for those asset classes outlined in table 6 below, the Asset Life method is proposed to be adopted for the repayment of General Fund loans fund advances from 2020/21. This ensures that the repayment of the loans fund advance is reasonably commensurate with the period and pattern over which the capital expenditure provides benefits to the community and reflecting the economic benefit of assets that are now lasting longer than originally assumed, and that the period of the repayment of the loans fund advance is the same as the useful life recognised for that asset component in the Council's statutory Annual Accounts.

Table 6: Asset Classes to adopt the "Asset Life" method

<b>Infrastructure</b>	<b>Current Loans Fund Advance Period*</b>	<b>Proposed Loans Fund Advance Period</b>
New Primary Schools/Extensions	50	60
New Leisure Centres	39	60
New Offices	25	60
Road Upgrades	29	50
Street Lighting Columns	26	50
Structures/Bridges	26	50
Footway/Cyclepaths	30	50
Town Centre Environmental Improvements	20	50
New Care Homes	33	45
Children's Play Equipment	9	20

*\* Average loans fund advance length*

As part of the Loans Fund Review, historic debt repayments were also reviewed to assess whether the repayment methodology applied to historic loans fund advances was still the most prudent option. As a result of this review, officers are recommending that the historic General Fund loans fund advances for the asset classes as noted in Table 6 above should also be repaid using the Asset Life method, to ensure that in line with future loans fund advances, the payments made to date can be assessed as prudent and to ensure that the repayments reasonably reflect the period over which the community receives the economic benefit of assets that are now lasting longer than originally assumed. This also ensures that the Council is not charging the borrowing cost associated with the provision of new assets to the revenue account too early (which would reduce the level of revenue budget available to support service provision).

The annual repayments under the "Asset Life" method for those asset classes as noted above will be calculated using the asset lives and will use the annuity method, to ensure consistency of

approach with the Statutory method for all other asset classes (see 4.2(b) below). The annuity interest rate that will be used to calculate loans fund principal repayments under the “Asset Life” method will be the in-year loans fund rate, which for 2019/20 is currently estimated to be 3.10%.

(b) Statutory method

For all other asset classes, the policy will be to maintain the practice of previous years and apply what is termed “the Statutory Method” – following the principles of Schedule 3 of the Local Government (Scotland) Act 1975 – with all loans fund advances being repaid by the annuity method. The annuity rate that is proposed to be applied to the loans fund repayments will be the in-year loans fund rate, reflecting the Council’s current loan and investment portfolio. The loans fund rate for 2019/20 is forecast to be 3.10%

(c) Depreciation method

Whilst this method is not currently proposed, Council officers will continue to monitor whether it is appropriate to use this for future capital projects.

(d) Funding/income profile method

Whilst this method is not currently proposed, Council officers will continue to monitor whether it is appropriate to use this for future capital projects.

### **4.3 Outcome of Review**

Applying the Asset Life method as outlined in Section 4.2(a) above results in a reduction in loans fund principal repayments over the life of the medium term financial strategy which can help support higher levels of capital expenditure at a time where resources are stretched significantly and the Council is experiencing an unprecedented level of demographic growth with resultant capital investment requirements, in particular through the evolving Learning Estate Strategy requirements.

The Asset Life method is the approach that the majority of councils are migrating towards for the statutory repayment of loans fund advances, with these Councils achieving similar outcomes to those set out in this paper.

## **5 Other issues**

### **5.1 Treasury Management Practices**

The Chief Officer Corporate Solutions is responsible for updating Treasury Management Practices. These are reviewed on a regular basis and were reported as part of the Treasury Management Mid-Year Review Report 2017/18 presented to Council on 07 November 2018.

### **5.2 Performance Indicators 2018/19 – comparison with other Scottish Local Authorities**



The Treasury Management Forum collates performance indicators for all Scottish Local Authorities. The indicators relating to financial year 2018/19 have been published and once again demonstrate the continuing effectiveness of the Treasury function in maximising efficiency in Treasury Management activity, with the Council continuing to have one of the lowest weighted average borrowing & investment (loans fund) rate across all Scottish mainland authorities for the sixth year out of the last eight financial years. Appendix 4 outlines the loans fund rate for each Scottish Local Authority in 2018/19.

Were the internal loans fund rate to have equated to the Scottish weighted average of 3.83%, this would have generated loan charges in 2018/19 of £18.5m. The Council's actual 2018/19 loan charges for General Services and HRA were £16.5m, representing a cash saving (compared to the Scotland average) of £2.0m in 2018/19.

## **6. Report Implications**

### **6.1 Resources**

There are no direct resource implications arising from this report.

### **6.2 Risk**

The strategies outlined in this report are designed to maintain the effectiveness of the overall risk management arrangements for Treasury activity. Providing the limits outlined in the strategies are observed they will support the controls already in place in the Treasury Management Practices within which the treasury function operates.

The Prudential Indicators contained in Appendix 3 maintain the effectiveness of the overall risk management of Capital Investment and Treasury Management.

### **6.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☐ Business transformation and Best Value
- ☒ None of the above

### **6.4 Impact on Performance and Outcomes**

The strategies to be adopted are an integral part of the corporate aim to achieve Best Value as they seek to minimise the cost of borrowing

by exercising prudent debt management and investment. This in turn helps to ensure that the Council's capital expenditure is sustainable in revenue terms.

## **6.5 Adopting a Preventative Approach**

The proposals in this report do not directly impact on the adoption of a preventative approach.

## **6.6 Involving Communities and Other Stakeholders**

Although no external consultation has taken place, cognisance has been taken of professional advice obtained from Link Asset Services, the Council's appointed Treasury Consultants.

## **6.7 Ensuring Equalities**

There are no equality issues arising from this report.

## **6.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

## **6.9 Digital Issues**

There are no IT issues arising from this report.

## **7 Summary**

The Treasury Management and Investment Strategies outlined in this document, and in the detailed document that has been placed in the Member's Library / uploaded to the Council's Committee Management System, have been formulated to comply with the revised Codes of Practice and relevant Regulations and provide the framework for achieving best value in the management of the Council's borrowing and investment portfolios.

## **8 Recommendations**

The Audit Committee will be invited to comment on this report before the final report is presented to Council. As such, the following recommendations are in draft:-

- a) Approve the Treasury Management and Investment Strategy for the 2020/21 financial year, as detailed in Section 2 of this report;
- b) Approve the list of Permitted Investments outlined in Appendix 2;
- c) Adopt the Prudential Indicators contained in Appendix 3 of this report;
- d) Approve an adjustment to the Authorised Limit for Borrowing to £551.806 million (as shown in Section 3) if market conditions indicate that this is prudent;

- e) Note that the policy to repay loans fund advances for those asset classes outlined in Table 5 in Section 4.2(a) will be to use the “Asset Life” method, using an annuity approach with an interest rate equating to the in-year loans fund rate;
- f) Note that the policy to repay loans fund advances as outlined in Section 4.2(a) will be applied both prospectively and retrospectively to all loans fund advances made since 31 March 1996;
- g) Note that the policy to repay loans fund advances for all other asset classes will be the “Statutory method” as outlined in Section 4.2(b), using an annuity approach with an interest rate equating to the in-year loans fund rate;

Date:- 28 January 2020

**Report Contact:-**

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**Background Papers:-**

Appendix 1: Current Short-term Investment Portfolio

Appendix 2:- Permitted Investments

Appendix 3:- Prudential Indicators

Appendix 4: Performance Indicators 2018/19

Appendix 5:- Treasury Management & Annual Investment Strategy  
Statement – 2020/21 Detailed – uploaded to Members Library  
on the Committee Management System



## Appendix 1: Current Short-term Investment Portfolio

Counterparty	Amount £000's	Product	Security Long/Short Term Rating* (Colour)**	Liquidity	Yield
Bank of Scotland PLC	30,000	Fixed term deposit	A+/F1 (Orange)	Start: 26/06/19 Maturity: 26/06/19	1.25%
Santander UK plc	14,985	Notice account	A+/F1 (Red)	180 days' notice	1.10%
Warrington Borough Council	10,000	Fixed term deposit	AA (Yellow)	Start: 21/03/18 Maturity 23/03/20	1.00% Year 1 / 1.70% Year 2
Plymouth City Council	5,000	Fixed term deposit	AA (Yellow)	Start: 28/03/18 Maturity 30/03/20	1.00% Year 1 / 1.70% Year 2
Rushmoor Borough Council	10,000	Fixed term deposit	AA (Yellow)	Start: 22/07/19 Maturity 22/01/21	1.15%
<b>Total</b>	<b>69,985</b>				<b>1.20%</b>

\* Credit Rating from Fitch

\*\* Colour represents maximum recommended duration for investment per Link Asset Services, Treasury Solutions Credit Scoring methodology – see Appendix 2.





## Permitted Investments

## Appendix 2

The Council uses the Link creditworthiness service. This utilises credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poors, along with credit watches, outlooks, CDS spreads and country sovereign ratings in a weighted scoring system with an end product of a series of colour coded bands which indicate the relative creditworthiness of counterparties for investment.

These colour codes are used by the Council to determine the maximum suggested duration for investment with that counterparty. These are as follows:-

<b>Link Asset Services Colour Code</b>	<b>Maximum Suggested Duration for Investment</b>
Yellow	6 years*
Dark Pink	6 years**
Light Pink	6 years**
Purple	3 years
Blue	2 years***
Orange	2 years
Red	8 months
Green	120 days
No colour	Not to be used

\* *Note the yellow colour category is for:- UK Government Debt, or its equivalent, Money Market Funds (MMF's), and collateralised deposits where the collateral is UK Government Debt*

\*\* *Dark Pink for Ultra Short Dated Bond Funds with a credit score of 1.25; Light Pink for Ultra Short Dated Bond Funds with a credit score of 1.5*

\*\*\* *Only applies to nationalised or semi-nationalised UK banks*

Note that the maximum suggested durations listed above have been extended by 1 year (when compared to the suggested maximum durations provided by Link) for the Yellow, Dark Pink, Light Pink, Purple, Blue and Orange categories, to allow flexibility around these durations on the margins e.g. the placement of a 13 month fixed term deposit for a counterparty rated Orange or Blue. Equally, the maximum suggested duration for the Red category has been extended by a month to 8 months, and the maximum duration for the Green category has been extended by 20 days to 120 days, on the same basis. A thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Link, against any enhanced value to the portfolio, will be undertaken prior to the placement of any deposit.

## 1.1 Deposits

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	Term	No	100%	6 months
Term deposits – local authorities	--	Term	No	100%	5 years
Call accounts – banks and building societies	Green	Instant	No	100%	1 day
Term deposits / Notice Accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Term	No	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 120 days Not for use
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 120 days Not for use

## 1.2 Deposits with counterparties currently in receipt of government support / ownership

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
UK nationalised banks – Call accounts	Blue	Instant	No	100%	1 day
UK nationalised banks – Term Deposits / Notice Accounts	Blue	Term	No	100%	2 years
UK nationalised banks – Fixed term deposits with variable rate and variable maturities: - Structured deposits	Blue	Term	No	100%	2 years
Non-UK (high sovereign rated country) nationalised banks – Call accounts	Green	Instant	No	100%	1 day
Non-UK (high sovereign rated country) nationalised banks:- Term Deposits / Notice Accounts	Yellow Purple Blue Orange Red Green No Colour	Term	No	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 120 days Not for use
Non-UK (high sovereign rated country) nationalised banks:- Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 120 days Not for use

If forward deposits are made, the forward period plus the deal period equate to the maximum maturity period.

### 1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Government Liquidity Funds	AAA	Instant	No	100%	1 day
Money Market Funds CNAV	AAA	Instant	No	100%	1 day
Money Market Funds LVNAV	AAA	Instant	No	100%	1 day
Money Market Funds VNAV	AAA	Instant	No	100%	1 day
Ultra Short Dated Bond Funds with a credit score of 1.25	AAA	T+1 to T+5	Yes	100%	5 days
Ultra Short Dated Bond Funds with a credit score of 1.5	AAA	T+1 to T+5	Yes	100%	1 week
Bond Funds	AAA	T+2 or longer	Yes	50%	2 days
Gilt Funds	AAA	T+2 or longer	Yes	50%	2 days

### 1.4 Securities issued or guaranteed by governments

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max %?£m of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	Yes	100%	50 years
UK Government Gilts	UK sovereign rating	Sale T+1	Yes	100%	50 years
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	Yes	100%	50 years
Sovereign bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	Yes	100%	50 years
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	Sale T+1	Yes	100%	50 years

## 1.5 Securities issued by corporate organisations

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 100 days Not for use
Commercial paper other	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 100 days Not for use
Floating rate notes	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 100 days Not for use
Corporate Bonds other	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 100 days Not for use

## 1.6 Other

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Local authority mortgage guarantee scheme.	Blue	Term	No	50%	5 years
Loans to Third Parties	n/a	Term	No	£25m	25 years
Subordinated Debt Subscription to Newbattle Centre SPV	n/a	Term	No	£0.333m	25 years
Property Funds	n/a	T+4	Yes	50%	15 years

## 1. Prudential Indicators for Affordability

These indicators provide an indication of the impact of the capital investment plans on the Council's overall finances.

### 1.1 Estimates of Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of Financing Costs to Net Revenue Stream						
%	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
<b>General Services</b>	3.07%	2.99%	3.19%	3.37%	3.53%	3.77%
<b>HRA</b>	36.90%	34.89%	35.17%	39.78%	40.77%	42.67%

The figures above are based on the latest Capital Plans presented to Council.

### 1.2 HRA Ratios

The following indicator identifies the ratio of overall debt on the HRA account compared to annual house rent revenue.

HRA Debt as a % of Gross Revenue						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 163,303	£ 178,072	£ 248,241	£ 301,323	£ 313,191	£ 319,202
HRA revenues £000's	£ 29,397	£ 30,248	£ 32,790	£ 34,723	£ 35,621	£ 35,512
Ratio of debt to revenues %	556%	589%	757%	868%	879%	899%

The following indicator identifies the ratio of overall debt on the HRA account per HRA dwelling.

HRA Debt per Dwelling						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 163,303	£ 178,072	£ 248,241	£ 301,323	£ 313,191	£ 319,202
Number of HRA dwellings	6,927	6,972	7,088	7,403	7,793	£ 7,985
Debt per dwelling £	£ 23,575	£ 25,541	£ 35,023	£ 40,703	£ 40,189	£ 39,975

## 2. Prudential Indicators for Capital Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 2.1 Estimated Capital Expenditure

This indicator shows the gross capital spend included in the relevant capital plans.

Capital Expenditure						
	2018/19 Actual £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's	2022/23 Estimate £000's	2023/24 Estimate £000's
<b>General Services</b>						
Resources	£ 10,326	£ 9,643	£ 22,158	£ 22,429	£ 23,017	£ 11,585
Education, Community & Economy	£ 7,327	£ 26,784	£ 36,173	£ 23,676	£ 15,448	£ 22,766
Health & Social Care	£ 558	£ 1,213	£ 1,214	£ 7,473	£ 1,724	£ 318
Business Transformation	£ (2)	£ 2	£ 5,161	£ 10,414	£ 5,308	£ -
Provision for Return of Contingencies	£ -	£ -	£ (941)	£ (1,594)	£ (1,560)	£ (1,098)
<b>Total General Services</b>	<b>£ 18,209</b>	<b>£ 37,642</b>	<b>£ 63,765</b>	<b>£ 62,398</b>	<b>£ 43,937</b>	<b>£ 33,571</b>
<b>Total HRA</b>	<b>£ 14,718</b>	<b>£ 29,915</b>	<b>£ 81,128</b>	<b>£ 64,175</b>	<b>£ 25,423</b>	<b>£ 14,593</b>
<b>Combined Total</b>	<b>£ 32,927</b>	<b>£ 67,557</b>	<b>£ 144,893</b>	<b>£ 126,573</b>	<b>£ 69,360</b>	<b>£ 48,164</b>

### 2.2 Financing of Capital Expenditure

This indicator shows how the Capital Expenditure forecasts are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure and Available Financing						
	2018/19 Actual £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's	2022/23 Estimate £000's	2023/24 Estimate £000's
<b>Capital Expenditure</b>						
General Services	£ 18,209	£ 37,642	£ 63,765	£ 62,398	£ 43,937	£ 33,571
HRA	£ 14,718	£ 29,915	£ 81,128	£ 64,175	£ 25,423	£ 14,593
<b>Total</b>	<b>£ 32,927</b>	<b>£ 67,557</b>	<b>£ 144,893</b>	<b>£ 126,573</b>	<b>£ 69,360</b>	<b>£ 48,164</b>
<b>Financed by:</b>						
Capital receipts	£ 3,304	£ -	£ 2,120	£ -	£ -	£ -
Capital grants	£ 23,329	£ 23,919	£ 27,704	£ 25,597	£ 14,467	£ 9,071
Capital reserves	£ -	£ 2,437	£ 2,000	£ 10,694	£ 2,000	£ -
Developer/Other Contributions	£ 2,498	£ 7,791	£ 15,455	£ 5,428	£ 3,170	£ 4,698
<b>Net financing need for the year</b>	<b>£ 3,796</b>	<b>£ 33,410</b>	<b>£ 97,614</b>	<b>£ 84,854</b>	<b>£ 49,723</b>	<b>£ 34,395</b>

### 2.3 Estimated Capital Financing Requirement

This indicator measures the Council's maximum underlying need to borrow for capital purposes and other long term liabilities over the next three years.



Capital Financing Requirement (CFR)						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Capital Financing Requirement</b>						
CFR – General Services	£ 111,336	£ 121,414	£ 139,677	£ 160,480	£ 185,567	£ 200,736
CFR – HRA	£ 163,303	£ 178,072	£ 248,241	£ 301,323	£ 313,191	£ 319,202
CFR – PFI Schemes	£ 85,135	£ 82,832	£ 80,359	£ 77,703	£ 74,849	£ 71,782
<b>Total CFR</b>	<b>£ 359,774</b>	<b>£ 382,318</b>	<b>£ 468,277</b>	<b>£ 539,506</b>	<b>£ 573,607</b>	<b>£ 591,720</b>
<b>Movement in CFR</b>	<b>£ 26,020</b>	<b>£ 22,544</b>	<b>£ 85,959</b>	<b>£ 71,229</b>	<b>£ 34,101</b>	<b>£ 18,112</b>
<b>Movement in CFR represented by</b>						
Net financing need for the year (previous table)	£ 3,796	£ 33,410	£ 97,614	£ 84,854	£ 49,723	£ 34,395
Less Scheduled Debt Amortisation	£ (8,369)	£ (8,563)	£ (9,182)	£ (10,969)	£ (12,768)	£ (13,216)
Less PFI Finance Lease Principal Payments	£ 30,163	£ (2,303)	£ (2,473)	£ (2,656)	£ (2,854)	£ (3,067)
<b>Movement in CFR</b>	<b>£ 25,590</b>	<b>£ 22,544</b>	<b>£ 85,959</b>	<b>£ 71,229</b>	<b>£ 34,101</b>	<b>£ 18,112</b>

### 3. Prudential Indicators for Prudence

#### 3.1 Net Borrowing Requirement

This indicator shows the amount of external borrowing required to finance the current debt outstanding on capital projects.

Net Borrowing Requirement						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
<b>External Debt</b>						
Debt at 1 April	£ 257,302	£ 237,277	£ 259,058	£ 346,660	£ 419,722	£ 455,858
Actual/Expected change in Debt	£ (20,025)	£ 21,781	£ 87,602	£ 73,062	£ 29,101	£ 23,053
Other long-term liabilities (OLTL)	£ 54,972	£ 85,135	£ 82,832	£ 80,359	£ 77,703	£ 74,849
Actual/Expected change in OLTL	£ 30,163	£ (2,303)	£ (2,473)	£ (2,656)	£ (1,832)	£ (1,831)
<b>Actual/Expected Gross Debt at 31 March</b>	<b>£ 322,412</b>	<b>£ 341,890</b>	<b>£ 427,019</b>	<b>£ 497,425</b>	<b>£ 524,694</b>	<b>£ 551,929</b>
<b>The Capital Financing Requirement</b>	<b>£ 359,774</b>	<b>£ 382,318</b>	<b>£ 468,277</b>	<b>£ 539,506</b>	<b>£ 573,607</b>	<b>£ 591,720</b>
<b>Under / (over) borrowing</b>	<b>£ 37,362</b>	<b>£ 40,428</b>	<b>£ 41,258</b>	<b>£ 42,081</b>	<b>£ 48,913</b>	<b>£ 39,791</b>
<b>Investments</b>						
Cash & Cash Equivalents	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 10,000
Short-Term Investments	£ 69,985	£ 69,985	£ 69,985	£ 69,985	£ 69,985	£ 69,985
<b>Total Investments</b>	<b>£ 79,985</b>	<b>£ 79,985</b>	<b>£ 79,985</b>	<b>£ 79,985</b>	<b>£ 79,985</b>	<b>£ 79,985</b>

## 4. Prudential Indicators for External Debt

### 4.1 Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed and will be the focus of day to day treasury management. Typically, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

For this Council:-

- the Operational Boundary for Borrowing has been calculated to equate directly to the value of the CFR for General Services and HRA combined, over the current financial year and the following 4 financial years (2018/19 to 2023/24); and
- the Operational Boundary for Other Long-Term Liabilities has been calculated to equate directly to the in-year CFR for Other Long-Term Liabilities, given the known contractual provisions for the repayment of debt within the Council's two PPP agreements.

Operational Boundary						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Operational Boundary - Borrowing	£ 274,639	£ 299,486	£ 387,918	£ 461,803	£ 498,758	£ 519,938
Operational Boundary - Other long term liabilities	£ 85,135	£ 82,832	£ 80,359	£ 77,703	£ 74,849	£ 71,782
<b>Total</b>	<b>£ 359,774</b>	<b>£ 382,318</b>	<b>£ 468,277</b>	<b>£ 539,506</b>	<b>£ 573,607</b>	<b>£ 591,720</b>

Should the Operational Boundary be breached, for example as a result of a decision taken to borrow in advance (should market conditions indicate that it is prudent to do so), this will be reported to Council at the next available opportunity.

### 4.2 Authorised Limit of Total External Debt

This indicator sets the limit for total external debt.

In an active Treasury Management policy it is sometimes prudent to borrow in advance of need if interest rates are expected to rise.

In order to continue to service the ongoing external debt and finance the current capital programmes the Council needs to increase its external borrowing to £476.211 million by 31 March 2024. Within the Capital Plans, there are assumptions regarding capital receipts and developer contributions which when applied to the Council's capital plans reduce the Council's borrowing requirements. However, the realisation of these capital receipts and developer contributions carry inherent uncertainty around both the timing and value of each receipt/contribution, given that they are largely dependent upon economic and market activity which are outwith the Council's control. Therefore, in order to calculate the Authorised Limit for Borrowing, these capital receipts and developer contributions have been added to the Capital Financing Requirement, to give the Council flexibility to fully borrow in advance of need (if market conditions support this action) should these receipts and contributions be unable to be realised in the short term. This therefore reflects a level of borrowing which, while not desired, could be afforded but is not sustainable.

Council is therefore asked to approve that, rather than restrict borrowing to £259.058 million for 2019/20, £346.660 million for 2020/21, £419.722 million for 2021/22, £455.858 million for 2022/23, and £476.211 million for 2023/24, that permission be granted to borrow up to the 2023/24 Authorised Limit for Borrowing of £551.806 million as shown in the table below), if market conditions support this action.

Adopting this approach will secure lower costs for future years but care will be taken to ensure that the cost of carry is minimised and that the maturity structure of all debt is sufficiently robust to ensure that the Capital Financing Requirement at 31 March 2024 remains achievable.

Table 10: Authorised Limit						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Authorised Limit - Borrowing	£ 551,806	£ 551,806	£ 551,806	£ 551,806	£ 551,806	£ 551,806
Authorised Limit - Other long term liabilities	£ 85,135	£ 82,832	£ 80,359	£ 77,703	£ 74,849	£ 71,782
<b>Total Debt</b>	<b>£ 636,941</b>	<b>£ 634,638</b>	<b>£ 632,165</b>	<b>£ 629,509</b>	<b>£ 626,655</b>	<b>£ 623,588</b>

Reconciliation of calculation of Authorised Limit for borrowing:-

Reconciliation of Authorised Limit for Borrowing	
	£000's
CFR - General Services at 31 March 2024	£ 200,736
CFR - HRA at 31 March 2024	£ 319,202
Capital Receipts 2019/20 unrealised to date	£ 385
Capital Receipts 2020/21 to 2023/24	£ 2,000
Developer/Other Contributions 2019/20 Unrealised to date	£ 1,206
Developer/Other Contributions 2020/21 to 2023/24	£ 28,277
<b>Authorised Limit for Borrowing</b>	<b>£ 551,806</b>

## 5. Prudential Indicators for Treasury Management

### 5.1 Upper limits on Fixed and Variable Interest Rates

This indicator limits the amount of external debt that may be held at fixed or variable rates. These limits are proposed to be as follows:-

Upper Limits on Exposure to Fixed and Variable Interest Rates 2020/21			
Interest rate exposures			Upper Limit
Limits on fixed interest rates based on gross debt			100.00%
Limits on variable interest rates based on gross debt			30.00%
Limits on fixed interest rates based on investments			100.00%
Limits on variable interest rates based on investments			100.00%

### 5.2 Maturity Structure of Borrowing

This indicator sets the upper and lower limits of the time scales within which external debt may be held.

The Treasury Management Code of Practice now requires that LOBO's with a call date in the next 12 months are classified as short-term borrowing rather than longer-term (10 year+) borrowing.

In addition, the Code also recommends that where an authority's debt is typically very long term (i.e. for a period of greater than 10 years), that authorities should break down the period in excess of 10 years into several ranges, for example 10 to 20 years, 20 to 30 years, etc.

With the above in mind, the proposed upper and lower limits for each maturity band are shown below, with the overall aim to ensure a spreading approach to avoid a cluster of high value loans maturing/requiring refinancing within a short period of time.

Maturity Structure of Borrowing 2020/21		
Maturity structure of fixed interest rate borrowing 2020/21	Lower	Upper
Under 12 months	0.00%	50.00%
12 months to 2 years	0.00%	50.00%
2 years to 5 years	0.00%	50.00%
5 years to 10 years	0.00%	50.00%
10 years to 20 years	0.00%	50.00%
20 years to 30 years	0.00%	50.00%
30 years to 40 years	0.00%	50.00%
40 years to 50 years	0.00%	50.00%
50 years and above	0.00%	50.00%
Maturity structure of variable interest rate borrowing 2020/21	Lower	Upper
Under 12 months	0.00%	30.00%
12 months to 2 years	0.00%	30.00%
2 years to 5 years	0.00%	30.00%
5 years to 10 years	0.00%	30.00%
10 years to 20 years	0.00%	30.00%
20 years to 30 years	0.00%	30.00%
30 years to 40 years	0.00%	30.00%
40 years to 50 years	0.00%	30.00%
50 years and above	0.00%	30.00%

5.4 Total Principal Sums Invested for Periods Longer than 365 Days

This indicator relates to the total level of investments held for periods longer than 365 days.

Principal Sums Invested for > 365 Days		
Limit		£70m

The current strategy as outlined in the body of these reports is to cash-back the Council's balance sheet reserves. It is expected that the majority of this will be in the form of 12 month fixed term deposits and/or certificates of deposit; however the Council currently have two fixed term deposits with other Local Authorities, with an original maturity period of 2 years, which offer security of funds along with a higher yield as a result of longer duration. With this in mind, the limit for principal sums invested for > 365 days has therefore been set at £70m to give the Council flexibility to extend the duration of deposits that are cash-backing the Council's reserves.





Authority	Interest	Expenses	Loans Fund
West Dunbartonshire	2.683%	0.094%	2.770%
Dumfries & Galloway	3.000%	0.045%	3.050%
Perth & Kinross	3.006%	0.049%	3.055%
Midlothian	3.090%	0.030%	3.120%
Aberdeenshire	3.240%	0.030%	3.270%
East Lothian	3.230%	0.040%	3.270%
North Lanarkshire	3.490%	0.050%	3.540%
Inverclyde	3.610%	0.040%	3.650%
Fife	3.620%	0.050%	3.670%
Dundee City	3.660%	0.035%	3.695%
East Dunbartonshire	3.670%	0.050%	3.720%
Falkirk	3.650%	0.090%	3.740%
Argyll & Bute	3.715%	0.078%	3.800%
Aberdeen City	3.800%	0.020%	3.820%
West Lothian	3.800%	0.060%	3.860%
East Renfrewshire	3.700%	0.180%	3.880%
South Lanarkshire	3.870%	0.070%	3.940%
Glasgow City	3.970%	0.030%	4.000%
Highland	3.970%	0.040%	4.010%
South Ayrshire	3.890%	0.120%	4.010%
North Ayrshire	4.003%	0.089%	4.090%
Scottish Borders	4.070%	0.030%	4.100%
Renfrewshire	4.030%	0.080%	4.110%
East Ayrshire	4.070%	0.080%	4.150%
Stirling	4.060%	0.100%	4.160%
Moray	3.990%	0.200%	4.190%
Angus	4.28%	0.070%	4.350%
Edinburgh City	4.625%	0.030%	4.660%
Clackmannanshire	4.818%	0.097%	4.915%



## **Gorebridge Connected – Project Update**

### **Report by Dr Mary Smith, Director, Education, Communities and Economy**

#### **1 Purpose of Report**

**1.1** The purpose of this report is to update Council on the Gorebridge Connected project and set out:

- what the project has delivered and how much money has been spent on the project; and
- how the expenditure on the project will be funded.

#### **2 Background**

**2.1** Council Members will be aware through reports to Council on 26 June 2018, 12 February 2019 and 25 June 2019 of the Gorebridge Connected project that followed the Gorebridge Conservation Area Regeneration Scheme (CARS). The Gorebridge Community Development Trust was the Council's partner in the development of the CARS and Gorebridge Connected projects.

**2.2** These previous reports identified that Gorebridge Connected comprised the following three interlinked projects:

- Hunter Square public realm enhancement;
- Redevelopment of the former Gorebridge Railway station building; and
- the Link Project – a heritage trail project connecting Hunter Square, Gorebridge train station and the remains of Newbyres Castle.

**2.3** The restoration of the former train station building would have involved the ground floor of the former station building being converted to a café/restaurant, with shop and a multi-use space, and the second floor being converted to open plan office space. An extension would have been made to the first floor of the building to accommodate a bike rental and repair operation. The restored train station building would have been operated and run by the Gorebridge Community Development Trust. The operation was intended to have provided full and part-time employment and volunteering opportunities. A key role of the project would have been to help draw people into Gorebridge and the surrounding area, from both Gorebridge and beyond, particularly from the Borders Railway line.

## Funding Sources

- 2.4** In order for the Gorebridge Connected project to proceed £1,642,981 of funding was secured. The funding sources for this £1,642,981 were:
- £1,038,000 from the Scottish Government Borders Railway Blueprint Programme for the public realm improvements at Hunter Square, the refurbishment of the former Gorebridge train station building and the Link Project;
  - £199,981 from the EU and Scottish Government funded LEADER programme, which supports rural economic development and supports rural communities, for the former Gorebridge train station building;
  - £130,000 from the Railway Heritage Trust for the former Gorebridge train station building;
  - £125,000 from the Council's General Services Capital Plan budget for Borders Rail – Economic Development Projects; and
  - £150,000 of developer contributions collected by the Council from development in Gorebridge.
- 2.5** In addition to the above, £41,000 was available from the Gorebridge CARS project for public realm improvements at Hunter Square in the Gorebridge Conservation Area.

## Gorebridge Community Development Trust Withdrawal

- 2.6** On 20 August 2019 the Gorebridge Community Development Trust informed Midlothian Council with extreme disappointment that it would be withdrawing from the project to restore the former Gorebridge train station building. The board of the Trust informed the Council they did not consider the business case for the project to be viable and had concerns regarding start-up costs for the project. The business case for the project was prepared by the previous board of the Trust. The board of the Trust said they did not wish to revisit a similar experience to that which they had with establishing The Beacon in Gorebridge.

## **3 Gorebridge Connected - Work Undertaken and Project Update**

- 3.1** Work had started on implementing the Gorebridge Connected project during the financial year 2017/2018. At the time of the withdrawal of the Gorebridge Community Development Trust on 20 August 2019, the public realm work component of Gorebridge Connected at Hunter Square was complete and under budget. The Link Project (heritage trail) was also under budget and complete, with the exception of the installation of an interpretative information panel that would have been put outside the restored station building.
- 3.2** Following the withdrawal of the Gorebridge Community Development Trust, a decision was taken to stop work on the station restoration project to stop further expenditure.

- 3.3** Following this decision to stop work on the former train station building the grant funders LEADER (£199,981) and the Railway Heritage Trust (£130,000) withdrew their funding. None of their grant funding had been drawn down from them and used on the project. If a new station project were to come forward, then a fresh application could be made to the Railway Heritage Trust. There is no guarantee though it would be successful. The LEADER funding was Scottish Government and EU funding. It is unknown what, if any, LEADER successor there may be. Parties contacting the Council with any interest in pursuing a project at the station building have been advised to contact the building owner, Network Rail.
- 3.4** At that time of the Trust's withdrawal on 20 August 2019, the Gorebridge Connected project was, and remains, at the following, stage:
- Hunter Square public realm heritage enhancement scheme – **Status: Complete**. This included new yorkstone paving, traffic calming with road resurfacing, public space, bus stop, cycle racks and tree planting -
  - Redevelopment of the former Gorebridge Railway station building into a "Railway Café and Gallery";
    - detailed planning permission granted on 30 July 2018 for the proposed uses (ref. 18/00377/DPP);
    - listed building consent granted on 30 July 2018 for the works (ref. 18/00378/LBC);
    - site and building investigation work had been undertaken;
    - final designs were being progressed to allow submission for building warrant and to enable the project to go out to tender for construction;
    - no lease for the former station building had been signed between the Council and its owners, Network Rail;
    - no construction contract for the restoration of the station building had been let;
  - The Link Project (heritage trail) – **Status: Complete** (with the exception of an interpretative information panel that had been planned for siting outside a restored station building). This includes information panels at The Beacon, Hunter Square and Newbyres Castle, heritage plaques on Main Street and Hunterfield Road, and development of a heritage trail provided to the Gorebridge Community Development Trust.
- 3.5** The Council has had discussions with Network Rail about their future intentions for the vacant former station building.

## **4 Gorebridge Connected Project Expenditure**

- 4.1** The table below sets out the current expenditure on the three components of the Gorebridge Connected project.

<b>Expenditure on component projects of Gorebridge Connected</b>	<b>£ cost</b>
Hunter Square public realm	Final estimate £481,000  (£41,000 to be funded by Gorebridge CARS project)
Former Gorebridge Railway station building	Final expenditure estimated at approximately £70,000
Link Project (heritage trail)	£14,560
	<b>Total Cost Estimate £566,000</b>

### Hunter Square Public Realm

- 4.2** The project is complete and under budget at a cost of approximately £481,000. The final cost will be calculated for year end 2019/2020. Of that approximate £481,000, £41,000 was funded from the Gorebridge CARS project as a contribution to public realm enhancement at Hunter Square.

### Gorebridge Station Project Restoration

- 4.3** At the time of writing this report the fees and costs are being finalised. Final costs are being sought from elements of the project design team and Network Rail. The current committed expenditure on the project is almost £64,000. The final cost for work spent on the former station building restoration project is expected to be approximately £70,000.
- 4.4** As identified in paragraph 3.4 of this report, a lot of detailed work has been prepared and in the Council's possession. This includes a planning and listed building consent, site and building investigation work and reports, and detailed drawings and building design and engineering work.

### Link Project

- 4.5** The project is complete and under budget at a cost of £14,560.

## **5 Report Implications**

### **5.1 Resource**

The below table sets out the estimated final spend on the Gorebridge Connected project.

<b>Expenditure</b>	<b>Budget £000's</b>	<b>Actual Cost £000's</b>	<b>Variance £000's</b>
Hunter Square public realm	518	440	-78
Former Gorebridge Railway station building	1,045	70	-975
Link Project (heritage trail)	100	15	-85
<b>Total</b>	<b>1,663</b>	<b>525</b>	<b>-1,138</b>

The Gorebridge CARS project provided £41,000 of funding toward the total Hunter Square public realm cost of £481,000.

Paragraph 2.4 sets out that £1,038,000 from the Scottish Government Borders Railway Blueprint Programme was secured by the Gorebridge Connected project for the public realm improvements at Hunter Square, the refurbishment of the former Gorebridge train station building and the Link Project. It is proposed to utilise £525,000 of this Blueprint grant funding to fund the £525,000 of costs incurred on the project to date in full.

Using the Scottish Government Borders Railway Blueprint Programme funding to meet these costs in full is considered to be the best use of this money to maximise the benefit of the funding for Gorebridge. Subject to confirmation this may leave a further £513,000 of further Blueprint funding that can be used to fund further projects in the Gorebridge area. Council officers will need to investigate if the unused remaining Blueprint money can be used on projects in Gorebridge.



In addition, £150,000 of Developer Contributions which were allocated to Gorebridge Connected have not been required to be used and will also be available to support projects and capital investment in the Gorebridge area in the forthcoming financial years, further enhancing the benefit to Gorebridge.

Council officers will therefore engage with relevant stakeholders and elected members over the coming months to establish the best use of this funding.

Utilising the Blueprint funding to meet the total costs incurred to date for the project, will also mean that the £125,000 of prudential borrowing funding currently allocated to the Gorebridge Connected project is no longer required, which will therefore lower the overall borrowing costs for the Council, and support the wider capital investment requirements the Council has.

Finally, paragraph 3.3 sets out that following the decision to stop work on the former Gorebridge train station building, the grant funders LEADER (£199,981) and the Railway Heritage Trust (£130,000) withdrew their funding. To date, none of their funding had been drawn or applied to fund any of the project costs.

## **5.2 Risk**

Following the Gorebridge Community Development Trust's decision to withdraw from the former station building restoration project, the Council ceased work on the project to stop further expenditure.

## **5.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

## **5.4 Key Priorities within the Single Midlothian Plan**

Investment in comprehensive improvement of town centres in Midlothian directly addresses economic inequalities, and can arrest and reverse their decline.

## **5.5 Impact on Performance and Outcomes**

As set out in sections 2 to 4 of this report.

## **5.6 Adopting a Preventative Approach**

This report sets out that following the decision by Gorebridge Community Development Trust to withdraw from the former station building restoration project, a decision was taken to stop work on the project to reduce the risk and financial exposure to the Council.

## **5.7 Involving Communities and Other Stakeholders**

The Council worked with the Gorebridge Community Development Trust in delivering the Gorebridge CARS project and developing the Gorebridge Connected project. The proposals for Gorebridge Connected were subject to public engagement.

The Council engaged with the Gorebridge Community Development Trust when they informed the Council they wished to withdraw from the project to restore the former Gorebridge train station.

## **5.8 Ensuring Equalities**

This report does not relate to a new / revised policy / service change / budget change. It is therefore considered that undertaking an Equalities Impact Assessment (EqIA) in relation to this report is not necessary.

## **5.9 Supporting Sustainable Development**

Investment in town/village centres can help create more vibrant and vital centres which are contributors to a more sustainable economic and physical environment. The work completed in the Gorebridge Connected project represents significant investment in the public realm of central Gorebridge. A restored former train station building would add to the attractiveness and vibrancy of Gorebridge and surrounding area as a place and destination.

This report does not relate to the adoption by the Council of a strategic document and Strategic Environmental Assessment' ('SEA') legislation does not apply to this report.

## **5.10 IT Issues**

There are no IT implications from this report.

# **6 Summary**

- 6.1** The report sets out that two of the three components of the Gorebridge Connected project, the Hunter Square public realm enhancement and Link Project heritage trail, are complete and were delivered under budget. The third component, the restoration of the former Gorebridge station building, has not progressed following the withdrawal of the Council's community partner, the Gorebridge Community Development Trust in August 2019. Approximately £70,000 will have been spent on the project to restore the former Gorebridge station building. No contract had been let for the restoration of the former station building and no lease for the building had been entered into between the building owners, Network Rail, and the Council. From the work undertaken on the station building restoration project the Council is in receipt of planning and listed building consent for the building, site and building investigation work and reports, and detailed drawings and building design and engineering work. Using the Scottish Government Borders Railway Blueprint Programme funding to meet in full the costs of the Gorebridge Connected project is considered to be the best use of this money. It maximises the benefit of the funding for Gorebridge through the range of work delivered by the project. Council officers will explore whether remaining Blueprint grant funding can be used for other projects in Gorebridge.

## **7 Recommendations**

**7.1** Council is asked to note the content of this report, and in particular that:

- the Hunter Square public realm enhancement and Link Project (heritage trail) components of the Gorebridge Connected project are complete and were delivered £0.163 million (26%) under their £0.618 million budget;
- the costs, set out in paragraph 4.1 of this report, expended on the three components of the Gorebridge Connected project;
- work has stopped on Gorebridge Connected, including the station restoration project, and it will now be removed from the Council's General Services Capital Plan. However, the Council remains in contact with the building's owners, Network Rail, regarding the future of the former Gorebridge train station building;
- no construction contract has been let for the restoration of the former station building and no lease for the building has been signed between the Council and Network Rail;
- Scottish Government Borders Railway Blueprint Programme money will be used to fund in full the costs incurred on the three strands of the Gorebridge Connected project;
- the withdrawal of Leader (£199,981) and Railway Heritage Trust (£135,000) funding;
- £0.125 million of prudential borrowing currently allocated to the project is no longer required;
- Council officers will explore whether remaining Scottish Government Blueprint funding (£513,000) can be used for other projects in Gorebridge; and
- that there are £0.150 million of Developer Contributions that have not been applied to the Gorebridge Connected project and can be used to support future projects in Gorebridge.

**21 January 2020**

**Report Contact:**

Grant Ballantine, Lead Officer Conservation and Environment

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Tel No 0131 271 3429

**Background Papers:** None



**Strategic Development Plan for Edinburgh and South East Scotland  
(SESplan): Ratification of 2020/21 Operating Budget**

Report by Dr Mary Smith Director of Education, Communities and Economy

**1 Purpose of Report**

- 1.1 The purpose of this report is to present the minutes of the SESplan Joint Committee meeting of 25 November 2019 and to seek ratification for the SESplan operating budget for 2020/21.

**2 Background**

- 2.1 SESplan is the Strategic Development Plan for Edinburgh and South East Scotland and covers six Council areas including City of Edinburgh, East Lothian, Midlothian, West Lothian, the Scottish Borders and the southern half of Fife. SESplan works in partnership with the six member authorities to prepare the strategic vision for the region. The plan is also used to inform local development plans. However, this is subject to change following the 2019 Planning Act which is being enacted in stages – a new National Planning Framework (NPF4) is scheduled for adoption in late 2021 and guidance on Regional Spatial Strategies is scheduled to be published in late 2021. NPF4 and a Regional Spatial Strategy will replace SESplan.
- 2.2 At its meeting of 25 November 2019 the Joint Committee considered a report on the current operating budget and approved the operating budget for 2020/21. The Joint Committee, in accordance with established procedures, requires the member authorities to ratify the budget decisions. The minute of the SESplan Joint Committee meeting of 25 November 2019 is attached to this report as Appendix A, and the associated SESplan Joint Committee Finance Report is attached as Appendix B.

**2019/20 Budget**

- 2.3 The operating budget for 2019/20, approved in November 2018, estimated a total expenditure of £183,248. The updated position at November 2019 estimated expenditure of £18,064 resulting in a forecast underspend of £165,184, which represents a 90% saving on the approved budget for the year. The budget variance is a consequence of; the absence of a SESplan core team (in part because of the uncertainty surrounding strategic planning matters arising from the Planning Act 2019) and by deferring transport modelling and appraisal work to support the preparation of Supplementary Guidance on Cross Boundary Developer Contributions (no longer required in its proposed form following the rejection of SESplan2 by Scottish Ministers in May 2019).

- 2.4 As a consequence of the significant projected underspend in 2019/20 the SESplan Joint Committee, at its meeting of 25 November 2019, approved a £30,000 rebate (£5,000 to each of the six member authorities).

#### 2020/21 Approved Operational Budget

- 2.5 The budget for 2020/21 sets out total expenditure of £84,000. Using reserves and underspend from 2019/20 it is proposed that nil contributions are made by the SESplan member authorities in 2020/21.
- 2.6 The work of SESplan is being resourced from the six member authorities and project managed by the SESplan Project Board (which comprises the Planning Managers from the six authorities). Other fixed costs related to rents payable, travel and mobile line rental will be zero as there will be no dedicated SESplan core team. The proposed spend of £15,500 includes; the running and maintenance costs of Objective Connect (the SESplan document management system), the online SESplan consultation portal and the operation and running of the SESplan email and web site. These costs together with the Audit costs of £3,500 (incurred by Audit Scotland) will remain consistent with 2019/2020.

#### SESplan Operational Budget Going Forward

- 2.7 Future operating budgets will be required to be reviewed against the implementation of the 2019 Planning Act and any operational matters arising from SESplan working with The Edinburgh and South East Scotland Regional City Deal Joint Committee/Programme Office.

### **3 Report Implications**

#### **3.1 Resource**

Using reserves and savings from 2019/20 means that there is a nil contribution for SESplan member authorities in 2020/21. This may not be the case in future financial years subject to the outcome of the ongoing planning review. Furthermore there has been a rebate of £5,000 in 2019/20.

#### **3.2 Risk**

There is no risk associated with ratifying the nil contribution budget for 2020/21. Budget issues will continue to be reviewed as the Planning Act is implemented.

#### **3.3 Single Midlothian Plan and Business Transformation**

The development plan process is relevant to the themes of adult health, care and housing; Improving opportunities in Midlothian; and sustainable growth.

#### **3.4 Key Priorities within the Single Midlothian Plan**

The Strategic Development Plan provides the spatial land use and development framework for the SESplan area. It also provides a framework for the preparation and adoption of the next Midlothian Local Development Plan. Both documents are vital components in ensuring



economic growth and business support opportunities across Midlothian.

### **3.5 Impact on Performance and Outcomes**

The Strategic Development Plan is prepared in partnership with the five other SESplan partner Councils and once approved forms the basis for the preparation of the second Midlothian Local Development Plan (MLDP) in due course.

### **3.6 Adopting a Preventative Approach**

The SDP provides strategic guidance and forward planning for investment in future growth and development in the wider city region, including Midlothian, over the period from 2013 to 2032 (SESplan1). Together with the MLDP, it will help to inform the future spending priorities of the Council and its community planning partners as well as other public, private and voluntary sector bodies.

### **3.7 Involving Communities and Other Stakeholders**

The latest Development Plan Scheme (No. 11) outlined the progress of SDP2 preparation as of March 2019, the engagement activities undertaken throughout the process and the further steps to be taken if the plan was to be approved. Unfortunately SESplan2 was rejected by Scottish Ministers. Based on the SESplan2 decision and the Planning Act 2019 there are current no scheduled SESplan engagement activities planned.

### **3.8 Ensuring Equalities**

The SDP Main Issues Report and Proposed Plan were the subject of an Equalities and Human Rights Impact Assessment, approved by the SESplan Joint Committee and ratified by the member Councils.

### **3.9 Supporting Sustainable Development**

The SDP is subject to Strategic Environmental Assessment (SEA). A post adoption SEA Statement will be prepared following approval of the plan by Ministers.

### **3.10 IT Issues**

There are no IT issues arising from this report.

## **4 Recommendations**

### **4.1 Council is recommended to:**

- a) note the minutes of the SESplan Joint Committee meeting of 25 November 2019;
- b) note that updated forecast expenditure of £18,064 against the approved SESplan operating budget for 2019/20; and
- c) ratify the 2020/21 SESplan operating budget of £84,000 (funded from SESplan reserves – with a nil contribution from member authorities including Midlothian).

**Date:** 31 January 2020

**Report Contact:** Peter Arnsdorf, Planning Manager  
Tel No 0131-271-3310  
[peter.arnsdorf@midlothian.gov.uk](mailto:peter.arnsdorf@midlothian.gov.uk)

**Background Papers:**

SESplan Joint Committee minute of meeting of 25 November 2019 and the associated SESplan Joint Committee finance report.



## **MINUTE of MEETING of the SESplan JOINT COMMITTEE**

held in the Diamond Jubilee Room, City Chambers, Edinburgh

on Monday, 25th November, 2019 at 2.00 p.m.

**Present:** Councillor John Beare, Fife Council (Convener)  
Councillor Altany Craik, Fife Council  
Councillor Maureen Child, City of Edinburgh Council  
Councillor Neil Gardiner, City of Edinburgh Council  
Councillor Jim Goodfellow, East Lothian Council  
Councillor Norman Hampshire, East Lothian Council  
Councillor Russell Imrie, Midlothian Council  
Councillor Peter Smaill, Midlothian Council

**Apologies:** Councillor Stuart Bell, Scottish Borders Council  
Councillor Tom Miers, Scottish Borders Council  
Craig McCorriston, West Lothian Council  
Councillor Dom McGuire, West Lothian Council  
Councillor Cathy Muldoon, West Lothian Council

**In**

**Attendance:** Iain McFarlane, City of Edinburgh Council  
Paul Lawrence, City of Edinburgh  
Robin Edgar, East Lothian Council  
Pam Ewen, Fife Council  
Peter Arnsdorf, Midlothian Council  
Ian Aikman, Scottish Borders Council  
Brian Frater, Scottish Borders Council  
Fiona McBrierty, West Lothian Council  
Wendy MacGregor, Fife Council (Clerk)

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### **1. ORDER OF BUSINESS AND ANY URGENT MATTERS**

The Convener confirmed that he was not aware of any urgent business and that the order of business was as per the agenda.

2./

2. **DECLARATIONS OF INTEREST**

None.

3. **MINUTES OF THE PREVIOUS MEETING HELD ON 30<sup>th</sup> SEPTEMBER, 2019**

The minute of meeting of 30<sup>th</sup> September, 2019 had been circulated.

**DECISION**

The Committee APPROVED the minute as a correct record subject to an amendment to include Councillor Altany Craik, Fife Council under apologies for absence.

4. **MATTERS ARISING**

The Convener advised that matters arising in relation to the SESplan Budget and Regional Spatial Planning update, would be dealt with under items 6 and 8 on the agenda.

5. **SESPLAN OPERATING BUDGET: 2019/20 AND 2020/21 BUDGET**

There had been circulated a report by Pam Ewen, SESplan Board Chair presenting an update on the SESplan Operating Budget for 2019/2020 and setting out the SESplan Operating Budget for 2020/21 for Joint Committee approval.

**DECISION**

The Committee AGREED -

1. to note the updated forecast expenditure against the approved operating Budget for 2019/20 set out in Appendix 1 to the report;
2. to approve a rebate of £5,000 per each of the six constituent councils within the current 2019/20 financial year;
3. to approve the updated Operating Budget for 2020/2021 set out in Appendix 1 to the report;
4. to note that member contributions for financial year 2020/2021 were nil;
5. to note that member authorities would be required to ratify item 3 of the decision;
- 6./

6. to note that an Operating Budget for 2021/2022 would be brought to a meeting of the SESplan Joint Committee in late 2020; and
7. to request that the SESplan Board review the 2020/2021 Operating Budget costs for IT Hardware, Software and Maintenance and Audit/Professional Fees and to consider whether there is a more cost effective way of delivering the services.

## **6. LIAISON WITH SCOTTISH GOVERNMENT**

Peter Arnsdorf gave a verbal update on discussions with officials from the Scottish Government.

### **DECISION**

The Committee AGREED -

1. to note that a meeting with Scottish Government officials would take place on 17<sup>th</sup> December, 2019; and
2. to note that a briefing would be provided to the Committee after the meeting on 17<sup>th</sup> December, 2019.

## **7. REGIONAL SPATIAL PLANNING: UPDATE ON PROGRESS**

There had been circulated a report by Pam Ewen, SESplan Board Chair presenting an update on progress of areas of work being taken forward to inform future regional spatial planning.

### **DECISION**

The Committee AGREED –

1. to note the work areas being progressed;
2. to note that the six SESplan constituent Councils are in agreement to work in a regional grouping to progress an indicative regional spatial strategy through a Regional Growth Framework to inform NPF4, noting that the whole of Fife Council would be within this area;
3. that an update to the Committee members on emerging regional work, including transport and planning will be provided; and
4. that a briefing is arranged with Committee members in February 2020 on Edinburgh City Council's City Plan, and progress with the Regional Growth Framework.

8. **APPOINTMENT OF CONVENER AND VICE CONVENER 2020-2022**

There had been circulated a report by Fiona McBrierty, West Lothian Council, setting out a proposal for the appointment of the Convener and Vice-Convener of the SESplan Joint Committee over the two-year period from 1 January 2020 to 31 December 2021 for agreement.

DECISION

The Committee agreed the appointment of Councillor Russell Imrie, Midlothian Council, as Convener, and Councillor Norman Hampshire, East Lothian, as Vice-Convener of the SESplan Joint Committee for the period 1st January 2020 to 31st December 2021.

9. **JOINT COMMITTEE DATES 2020**

DECISION

The Committee agreed the following dates for meetings in 2020: Monday, 30th March; and Monday, 21st September.

10. **AOCB**

On behalf of the Committee members, Convener, Councillor Russell Imrie, Midlothian Council, conveyed his gratitude and appreciation to Councillor John Beare during his appointment as Joint Committee Convener and to Pam Ewen, Fife Council, as SESplan Board Chair for their work and excellent leadership skills over the period 2018/19.

Councillor John Beare, Fife Council, acknowledged that Brian Frater, Scottish Borders Council would be retiring from his position in 2020 and had been a member of the SESplan Joint Committee since its establishment. On behalf of the Committee, Councillor Beare wished Brian Frater well for his future retirement.

*The meeting concluded at 3.00 p.m.*





The Strategic Development Planning Authority  
for Edinburgh and South East Scotland

SESPLAN JOINT COMMITTEE

25 NOVEMBER 2019

FOR DECISION

## ITEM 6 – SESplan Operating Budget: 2019/20 and 2020/21 Budget

Report By: Pam Ewen, Chief Officer Planning, Fife Council and SESplan Board Chair

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### Purpose

This report presents an update on the SESplan Operating Budget for 2019/2020 and sets out the SESplan Operating Budget for 2020/2021 for Joint Committee approval.

### Recommendations

It is recommended that the SESplan Joint Committee:

1. Note the updated forecast expenditure against the approved Operating Budget for 2019/2020 set out within Appendix 1 to this Report;
2. Approve a rebate of £5,000 per each of the six constituent Councils within the current 2019/20 financial year;
3. Approve the updated Operating Budget for 2020/2021 set out within Appendix 1 to this Report;
4. Note that member contributions for financial year 2020/2021 are nil;
5. Note that member authorities will be required to ratify decision 3 above; and,
6. Note that an Operating Budget for 2021/2022 will be brought to a meeting of the SESplan Joint Committee in late 2020.

### Resource Implications

It is projected that significant savings will be achieved this financial year as SESplan continues to operate through the SESplan Board, Joint Committee and a virtual team across the constituent authorities. A projected expenditure of £18,064 and a saving of £165,184 is forecast for 2019/2020. To manage the reserve a £30,000 rebate, if Recommendation 2 above is approved, will reduce the reserve balance to £130,187 at 31 March 2020. Appendix

One to this report builds in the projection based on the recommended rebate. Total expenditure for 2020/2021 is projected to be £84,000. As a consequence of the reserves built up in 2019/2020 and the further savings and staffing assumptions outlined below for 2020/2021, it is proposed that nil contributions are made by the SESplan member authorities in 2020/2021.

### **Legal and Risk Implications**

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The budget for 2020/2021 is allocated in principle with a focus on consultancy fees given the future governance arrangements for SESplan. Future Operating Budgets will be required to be reviewed against the provisions of the Planning (Scotland) Act 2019 and the associated secondary legislation as it is published and further details are known.

### **Policy and Impact Assessment**

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No separate impact assessment is required.

## **1. Background**

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- 1.1 The SESplan Financial Rules set out that Operating Budgets for the next financial year should be proposed by the SDP Manager, approved by the SESplan Joint Committee and that decision ratified by the member authorities by the end of December.
- 1.2 In compliance with these rules, the SESplan Joint Committee at its meeting on the 26 November 2018 agreed to approve the Operating Budget for 2019/2020.

## **2. SESplan Operating Budget 2019/2020**

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- 2.1 The latest position on the SESplan Operating Budget for 2019/2020 as at November 2019 is included as Appendix 1.
- 2.2 Traditionally the largest spend by SESplan has been on staffing. As set out in Appendix 1, the approved Operating Budget 2019/2020 includes a total staffing budget of

£75,000. However, as SESplan continues to operate through the Board, Joint Committee and a virtual team across the constituent authorities, significant savings have been achieved this financial year. The absence of a SESplan core team and no requirement to provide a dedicated staffing resource or associated office costs results in a forecasted £91,684 underspend of fixed costs. The only fixed cost expenditure projected to be incurred this financial year relates to existing ongoing contracts for the online consultation portal (which hosts SESplan documents); the SESplan IT and web site provider; and the annual external auditing of SESplan accounts.

2.3 The approved 2019/2020 Operating Budget also includes an allowance of £73,500 for technical support/variable costs. As highlighted above, due to the absence of a core team and that SESplan is not within a plan preparation phase, no technical support/variable costs are projected to be incurred within 2019/2020.

2.4 The total expenditure within 2019/2020 is projected to be £18,064, which set against a budget of £183,248 results in a projected variance (underspend) of £165,184. This has resulted in the constituent authorities not being required to contribute the £60,000 income budgeted for in this financial year. Additionally, given the significant level of savings to assist in managing the reserve within the 2019/20 period, a rebate to each of the six constituent Councils of £5,000 would reduce the reserve by £30,000, as set out in Recommendation 2. This would also provide an opportunity for Councils to assist in collaboratively resourcing work on regional spatial planning through the Regional Growth Framework. The projected reserve at 31 March 2020 as set out in Appendix One is £130,187.

### **3. SESplan Operating Budget 2020/2021**

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3.1 As detailed in Appendix 1, the budget for 2020/2021 is allocated in principle with a focus on consultancy fees given the future governance arrangements for SESplan. The consultant fees are projected as £65,000 which reflects the total technical support/variable costs budget for undertaking any regional spatial planning consultancy work.

3.2 Staffing assumptions for 2020/2021 reflect the existing governance arrangements, with SESplan continuing to operate through the Board, Joint Committee and virtual team across the constituent authorities. This will continue to achieve significant operating cost savings. Again, as in 2019/2020, the only fixed cost expenditure projected to be incurred in 2020/2021 relates to existing ongoing contracts for the online consultation portal; the SESplan IT and web site provider; and the annual external auditing of SESplan accounts. Total fixed cost expenditure is projected to be £19,000.

3.3 As detailed in Appendix 1, the Budget for 2020/2021 sets out total expenditure of £84,000. Using the reserves built up in 2019/2020 and on the further savings and staffing assumptions outlined above, it is proposed that nil contributions are made by the SESplan member authorities in 2020/2021. This will result in a usable reserve balance going into 2020/2021 of £130,187 which is in excess of the one month's operating costs target reserve.

#### **4. SESplan Operating Budget Going Forward**

4.1 Future Operating Budgets will be required to be reviewed against the provisions of the Planning (Scotland) Act 2019 and the associated secondary legislation as it is published and further details are known.

#### **Appendices**

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Appendix 1: 2019/2020 Operating Budget, Forecast and Variance and 2020/2021  
Operating Budget

#### **Report Contact**

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Pam Ewen, Chief Officer Planning, Fife Council

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## Appendix 1: 2019/2020 Operating Budget, Forecast and Variance and 2020/2021 Operating Budget

DESCRIPTION	19/20 Budget	19/20 Projection	19/20 Variance	20/21 Budget
Staff	75,000	0	(75,000)	0
Training	1,000	0	(1,000)	0
Rents Payable (Including Service Charge)	4,292	0	(4,292)	0
Travel	1,500	0	(1,500)	0
IT Hardware,Software and Maintenancer)	15,500	14,564	(936)	15,500
Mobile Line Rental	206	0	(206)	0
Audit/Professional Fees	3,400	3,500	100	3,500
Miscellaneous	8,850	0	(8,850)	0
<b>Total Fixed Costs</b>	<b>109,748</b>	<b>18,064</b>	<b>(91,684)</b>	<b>19,000</b>
<b>Technical Support</b>				
Printing/Photocopying Costs	4,000	0	(4,000)	0
Consultant Fees	65,000	0	(65,000)	65,000
Postages/Franking	500	0	(500)	0
Advertising/Marketing	4,000	0	(4,000)	0
Other Services (Contingency 10%)	0	0	0	0
<b>Total Variable Costs</b>	<b>73,500</b>	<b>0</b>	<b>(73,500)</b>	<b>65,000</b>
<b>Total Expenditure</b>	<b>183,248</b>	<b>18,064</b>	<b>(165,184)</b>	<b>84,000</b>
Contribs/Rebates To/From Other LA'S	(60,000)	30,000	90,000	0
Interest On Revenue Balances	0	0		0
<b>Total Income</b>	<b>(60,000)</b>	<b>30,000</b>	<b>90,000</b>	<b>0</b>
<b>Net</b>	<b>123,248</b>	<b>48,064</b>	<b>(75,184)</b>	<b>84,000</b>
Usable Reserve balance (at 31 March 2019 Budgeted £197,979/actual £178,251)	197,979	178,251		130,187
Take from/(add) to Reserves	123,248	48,064		84,000
Usable Reserve balance (at 31 March 2019 Budgeted £197,979/actual £178,251)	74,731	130,187		46,187
Usable reserves as % of expenditure	41%	721%		55%
Target Reserve (1 month's operating costs)	15,271	1,505		7,000
(Shortfall)/Surplus on target reserve of 1month's operating costs	59,460	128,682		39,187



**Edinburgh and South East Scotland City Region Deal :  
Regional Growth Framework Elected Members Oversight Committee****Report by Dr Grace Vickers, Chief Executive****1 Purpose of Report**

- 1.1** This report recommends Council to appoint two Members to sit on the Edinburgh and South East Scotland City Region Deal Regional Growth Framework Elected Members' Oversight Committee.

**2 Background**

- 2.1** Council has received regular reports on the progress of the City Region Deal, the most recent being to the meeting of Council on 12 November 2019. That report summarised the aims, objectives and governance structure of the City Region Deal, and current progress in these early stages of this 15-year programme. Council noted the decision of the City Region Deal Joint Committee on 3 September 2019 to prepare a Regional Growth Framework (RGF) in order to assist delivery of greater alignment across planning, housing, transport and economic development, and thereby maximise the regional inclusive growth outcomes that are central to the City Region Deal. The report to this Council in November 2019 also noted other relevant issues supporting the preparation of a RGF, notably the emerging national planning and transport policies and strategies, as well as the absence of a definitive regional economic strategy.
- 2.2** The report to Council in November 2019 also informed that the Joint Committee had agreed governance arrangements for the preparation of the RGF, which includes the formation of an Elected Members' Oversight Committee (EMOC). This Committee would oversee the preparation of the RGF, as well as subsequent preparation of the Regional Spatial Strategy, and comprise members with relevant portfolio responsibilities in matters of planning, transport, housing and economy. The EMOC would advise and recommend to the City Region Deal Joint Committee. That Joint Committee would have ultimate responsibility for approving the RGF, but only once each of the City Region Deal partner Councils had agreed the content of the RGF. The EMOC is to comprise two Councillors from each of the six partner Councils (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian).
- 2.3** As the work to prepare the RGF will relate closely to that of the regional planning partnership (SESplan) and the regional transport partnership (SEStran) there would be merit in considering for appointment those Councillors who represent Midlothian Council on the SESplan Joint Committee and the SEStran Board. Those representatives are currently Councillors Imrie and Smail.



### **3.0 Preparation of the Regional Growth Framework**

- 3.1** There are clearly demonstrable benefits which can be realised from the preparation of a RGF; providing a context for City Region Deal investment projects, establishing a regional economic strategy, and providing a positive statement of regional strategic intent to influence emerging national policies and strategies, particularly in relation to planning and transport.
- 3.2** The nature of the RGF document and its preparation is under consideration and will need to be a matter for the EMOC to examine at an early date. As it will be a critically important statement, and one which will provide direction to the preparation of the subsequent Regional Spatial Strategy, the role of elected members will be significant. A particular consideration will be the need to ensure the inclusive nature of the RGF, through genuine regional partnership working not only within the governance structure of the City Region Deal, but also with bodies at national level such as Scottish Enterprise and Transport Scotland, and at regional level including the partnerships for transport (SEStran) and planning (SESplan). In addition, greater awareness of the City Region Deal within our communities, and genuine engagement on the RGF will need to be an integral part of the process.

### **4.0 Report Implications**

#### **4.1 Resources**

At present, there is no indication that preparation of the RGF, including the governance arrangements, will require any additional budget contributions from partner Councils and bodies. This assumes that there is existing staff resource within the partner Councils to support the preparation of the RGF. As the programme for preparation of the RGF is only at an initial stage this matter of resource requirements will need to be kept under review.

#### **4.2 Risk**

The need for, and benefits of a RGF have been articulated within this report. Given the significance of the document, insufficient elected Member involvement would represent a notable risk to the relevance and significance of the document.

#### **4.3 Single Midlothian Plan and Business Transformation**

- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth

#### **4.4 Key Priorities within the Single Midlothian Plan**

The RGF will further assert and develop the central aim of the City Region Deal to achieve sustainable inclusive growth across the region, including all communities. It therefore fully accords with the Single Midlothian Plan priorities of reducing the gaps in learning outcomes, health outcomes and economic circumstances.

#### **4.5 Impact on Performance and Outcomes**

The impact of City Deal investment will be monitored and evaluated through a defined process currently being prepared by the City Region Deal partners in discussion with Government officials for sign off formally by the Joint Committee. That can provide information on impact at both regional and, in conjunction with indicators in the Single Midlothian Plan, at local level in this area.

#### **4.6 Adopting a Preventative Approach**

The fundamental aim of the City Region Deal is to achieve inclusive growth across the whole region including the more disadvantaged communities, thereby arresting and reversing economic decline; particularly in the areas of skills, employability and housing. The RGF can reinforce this aim and its intended outcomes.

#### **4.7 Involving Communities and Other Stakeholders**

See paragraph 3.2 above.

#### **4.8 Ensuring Equalities**

An equalities impact assessment will need to be considered as an accompaniment to the RGF. In respect of this report the equalities assessment for the impact of City Region Deal in Midlothian prepared in June 2018 remains relevant.

#### **4.9 Supporting Sustainable Development**

Sustainable place making, recognition of climate change and the low carbon agenda, together with a sustainable regional economy are all central to the defined outcomes of the City Region Deal; and will need to be reflected in the RGF.

#### **4.10 IT Issues**

None

## **5.0 Summary**

- 5.1** As articulated in this report, there are good reasons to support the preparation of a Regional Growth Framework within the context of the City Region Deal. The RGF will not only provide that context for City Region Deal investment, but will also provide an up to date regional strategy which takes account of, and aligns with extant and emerging planning, economy and transport policies/strategies at national and regional level. The RGF will therefore be a particularly significant document, requiring essential elected member oversight in its preparation; with such oversight being provided by all of the City Region Deal local authority partners.

## **6.0 Recommendations**

- 6.1** Council is recommended to:
- i) appoint this Council's two current representatives on the regional planning partnership (SESplan) Joint Committee, and the regional transport partnership (SEStran) Board to represent Midlothian Council on the Regional Growth Framework Elected Members Oversight Committee; and
  - ii) require regular update reports on the progress of the preparation of the Regional Growth Framework as well as progress on the City Region Deal.

**27 January 2020**

### **Report Contact:**

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**Background Papers:** None

## **Glyphosate Weed Killer and the alternatives**

### **Report by Kevin Anderson, Executive Director Place**

#### **1 Purpose of Report**

This report is to inform Council of actions and options following the amended motion agreed on 7 May, 2019 and the subsequent report on 'Glyphosate Weed Killers' to Midlothian Council on 25 June, 2019. At this time the Council agreed to cease using glyphosate weed killers on Council-owned land with the exception of invasive species such as Giant Hogweed and Japanese Knotweed, etc., whilst honouring the contracts entered into regarding ground maintenance on non- Council owned land provided there is no net additional cost incurred.


The initial moratorium on the use of glyphosate in May, 2019 was agreed due to concerns for the environmental impact on bees.

#### **2 Background**

##### **2.1 The Glyphosate product**

Information sourced from the Health & Safety Executive details that Glyphosate is the active substance in many herbicides (weed killers) and is widely used around the world. It is a non-selective, systemic herbicide/weed killer and was first used in the UK in 1976.

Since it is approved for use in many countries, it has been subject to extensive testing and regulatory assessment in the EU, USA and elsewhere and by the World Health Organisation

Glyphosate is currently approved for use as a herbicide (weed killer) in the EU. Approval was granted in 2002, based on a review of mammalian toxicology, ecotoxicology and other data. Further detailed information about the EU regulatory process with respect to Glyphosate can be found on the Official Journal of the European Union 

The UK Government considers that the regulatory process for authorising plant protection products is a robust system. The authorisation process takes into account all scientific knowledge available.

All products which contain glyphosate must be individually authorised in Member States. Applicants for authorisation must show that their products are effective, humane and pose no unacceptable risks to people or the environment. If their products were to pose such risks, they would not be authorised; or if such effects were discovered later, they would be withdrawn.

Neither the EU's assessment of glyphosate as an active substance nor the UK's assessments of applications for authorisation of products which contain it have found the substance unacceptable for use.

The risks associated with the use of pesticides in amenity areas such as parks are specifically considered as part of the authorisation process.

Legally enforceable conditions of use are imposed on the way products can be applied to ensure the public are not exposed to levels of pesticides that would harm health or have unacceptable effects on the environment. It is important that users (or those who cause or permit others to use pesticides) not only comply with the authorised conditions of use but also use products in a responsible and sustainable fashion. The responsible use of pesticides in amenity areas as part of an integrated programme of control can help deliver substantial benefits for society. These include: management of conservation areas, invasive species and flood risks; access to high quality sporting facilities; and safe public spaces (for example, by preventing weed growth on hard surfaces creating trip hazards), industrial sites and transport infrastructure

The weed killer products that the Council previously used may have varied however the main chemical used was glyphosate. This is not a poison but a trans-locative herbicide, which is a hormone weed killer. Glyphosate kills the roots as well as the foliage of the plant by translocation. (The movement of materials from leaves to other tissues throughout the plant)

Once the application has dried (e.g. about ten minutes after it has been sprayed) advice is that it is then safe for children and animals. The Council utilised products with a low hazard rating. The contractor we employ for streets and pavements also used a glyphosate with a low hazard rating. In fact the adjuvant (chemical carrier) in the weed killer is the most likely thing to affect dogs and this would only be in the period when it is still wet.

## **2.2 Previous working Practice**

The previous working practice was to undertake two sprays of glyphosate per annum on:

- Streets and Pavements
- Hardstanding
- Grass edges
- Shrub Beds

In 2019 only one spray was completed prior to the ban in all areas with the exception of streets and pavements where no applications took place.

## 2.3 Herbicide usage

- The Land and Countryside section have halved the usage of Herbicides in the Past 4 years (mainly Glyphosate)
- There were plans to further limit applications on grass edges last season which would have reduced our herbicide usage further.

## 2.4 Issues

Issues arising from the lack of maintenance due to the Glyphosate ban have been as follows:

- Increase in complaints and enquiries received
- Accidents (slips and trips) caused by weed growth
- Damage to infrastructure
- Major deterioration of the visual aesthetics of Midlothian amenity space
- Relatives concerns expressed over the weed growth in Cemeteries, regarded as a lack of respect.

An extract from a National level APSE report noted that the key issues appear to be:

### **Key Issues:**

- Following the publication of a report from the International Agency for Research on Cancer (IARC) in 2015 which found that glyphosate was “a probable human carcinogen”, there has been a great deal of debate across the world as to whether the herbicides which include glyphosate are safe to use.
- This debate has been heightened by recent court rulings in the United States which have awarded multi-million dollar damages to citizens who have claimed continued use of glyphosate has caused them to develop cancer.
- National agencies across the world have declared glyphosate to be safe to use, suggesting it poses no threat. However some countries have now decided to ban glyphosate or severely curtail its use.
- Regarding the UK, it continues to say glyphosate based products are safe to use, but local authorities now find themselves caught between legal advice and the moral question of knowing there have been successful claims that glyphosate has caused cancers.

## 2.5 Usage by other organisations

The only other Authority in Scotland with a ban on the use of Glyphosate appears to be ‘Highland Council’. They also banned the use of this product in June 2019.

Edinburgh Council have restricted the use of Glyphosate however they still use Glyphosate to treat streets and pavement.

The Scottish Government has arranged a seminar on the use of Glyphosate and other herbicides for Amenity managers on the 4<sup>th</sup> of February that the Land and Countryside manage will attend.

### **3 Concerns Raised over bees**

A new study published in a reputable journal finds that Monsanto's global weed killer harms honey bees. The paper 'Glyphosate perturbs the gut microbiota of honey bees' reports that bees fed glyphosate at concentrations chosen to mimic environmental levels lose beneficial gut bacteria, which then leaves them vulnerable to deadly infections. Glyphosate is, now facing fresh demands for a ban based on this new research.

The suggestion is that this new study is flawed and fails to address whether changes observed in the bees gut microbiome play any part in its health or that glyphosate is responsible for anything at all.

This is 1 study out of 800 studies that have been undertaken.

<https://www.pnas.org/content/115/41/10305>

The science and evidence shows that glyphosate is safe when used correctly.

The conclusion reached by regulatory bodies around the world, including the EU's two leading regulatory bodies – the European Food Safety Authority (EFSA) and the European Chemicals Agency (ECHA) is that glyphosate is safe when used correctly.

### **4 Operational issues**

The suspension of the use of Glyphosate is causing the Council's Land and Countryside service operational issues as there is not a suitable herbicide alternative on the market.

### **5 Report Implications**

#### **5.1 Resource**

Spend on weed control based on two glyphosate applications is approximately £112k per annum (22k streets and pavements, 90k Landscape Areas).

The following table represents the options open to Council for alternative methods to glyphosate application and sets out the additional cost requirement:



Option	Narrative	Total	Additional Revenue Cost				Capital Cost Plant & Machinery
			Labour	Materials	Vehicle Costs	External Contractor	
A) Glyphosate Applications	Revert to previous working practices, with planned limited use.	-					
B) Targeted Spraying of Streets & Pavements	Utilising the sole contractor in Britain to use infrared light detection to provide targeted as opposed to general application, on streets and pavements. This does not apply to other Landscaping areas. The additional £10k cost is subject to tender.	10,000				10,000	
C) Alternative Product Application	Replacing two glyphosate sprays annually with Five Katoun Gold sprays resulting in poorer maintenance standards, and are proven to kill Bees. Alternatives to glyphosate herbicide are limited and are considered less effective.	163,227	75,648	80,451	7,128		
D) Sweeping & Cleaning of Streets & Pavements	A trial was undertaken in the Gorebridge area for sweeping and cleaning pavements and streets. These are the costs pro rated up for the whole of Midlothian. The aesthetics of Midlothian would improve but would cause damage to infrastructure degradation i.e to sandstone walls. Annually, 5 sweeps would be required to achieve a good standard. This would also require the capital cost of a new sweeper. (2 Sweeps annually would cost £137k.)	341,914	303,331	10,000	28,583		98,250
E) Community Involvement	Encouraging community groups to maintain areas under the coordination of a full time Grade 6 employee. There would be additional £5k of costs for communications materials. This may require the removal of shrub bed areas to reduce the maintenance requirement.	37,500	32,500	5,000			
F) Other non-chemical Methods	Options such as Electric Weed Control, foam streaming and hot water treatment are all considered expensive, labour intensive and produce generally poor results of a limited duration, with West Lothian Council citing an increase in costs 18 fold. All would require capital expenditure. These additional revenue and capital costs can be looked into for further details if required. Notably, these methods are also lethal to bees.	1,800,000					
G) Strim Grass Edges	Grass edges to be strimmed rather than weed killed. Two sprays would be replaced with seven strims, annually. This would provide for a good standard of aesthetics.	92,547	83,503	8,000	1,044		
F) Bark and mulching of Shrub Beds, and Hand Weeding	The requirement to bark would occur every three years, with the bark suppressing the weeds, allowing for more efficient hand weeding. The previous labour time spent spraying would instead be utilised to hand weed. The downside is that standards would be reduced compared to those previously achieved.	53,069				53,069	

## 5.2 Risk

There is a risk that banning the use of Glyphosate when the weight of scientific evidence and the guidance from National and International bodies suggest the product is safe to use may bring the Council into disrepute.

The standards of maintenance particularly of shrub beds across Midlothian have and will continue to deteriorate without the use of glyphosate. There is a risk that the alternative weed killers will not work. The fact that they do kill bees may also bring us into disrepute.

Costs in manual operations will increase with a continued suspension on the use of Glyphosate.

The lack of additional funding to finance the alternative weed killing, bark mulching, hand weeding and sweeping required to replace the use of glyphosate will result in poorer standards, damage to infrastructure, additional claims for slips and falls and a very poor aesthetic image for Midlothian.

### **5.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☒ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

### **5.4 Key Priorities within the Single Midlothian Plan**

This report does not impact on the key priorities within the Single Midlothian Plan.

### **5.5 Impact on Performance and Outcomes**

The report directly impacts on Midlothian Council's performance and outcomes. Failure to re instate glyphosate usage or fund alternative methods of maintenance will result in the aesthetics of Midlothian looking very poor and effect community safety and wellbeing.

### **5.6 Adopting a Preventative Approach**

The report highlights the need for a preventative approach to stop the degradation of infrastructure and the removal of slip and trip hazards resulting in higher costs for the Council in the long term.

### **5.7 Involving Communities and Other Stakeholders**

The lack of maintenance in 2019 has resulted in some gorilla gardening groups taking on some maintenance tasks and some cemetery visitors hand weeding around their family headstones. Community involvement and encouragement will prove beneficial even if alternative methods and funding of maintenance are adopted.

### **5.8 Ensuring Equalities**

The frail, the very young, elderly and those with a disability can be impacted by a lack of weed maintenance of our streets and pavements as there have been associated reports of slips and trips becoming more common place.

### **5.9 Supporting Sustainable Development**

Weeds need to be removed to stop damage to infrastructure, to avoid trip hazards for residents and maintain the aesthetics of Midlothian.

Failure to ensure this maintenance is carried out is not sustainable in the long term.

## **5.10 IT Issues**

There are no IT issues arising from this report.

## **6 Summary**

- Glyphosate most efficient, cost effective and effective weed killer available
- Our Glyphosate usage has been dramatically reduced and can be reduced further.
- Integrated approach most logical way forward
- Alternative weed killers provide no direct replacement to Glyphosate
- Alternative weed killers will kill bees and are potentially more harmful to staff if they come into contact with them
- Change to alternatives will be costly
- Sweeping of streets and pavements could replace glyphosate usage on streets and pavements however this will be costly
- Alternative weed control such as hot water or foaming treatments are very expensive and not as effective.
- Some community involvement in maintaining shrub beds may be possible.
- Strimming grass edges rather than weed killing is an option however this is costly
- Bark mulching shrub beds and hand weeding is an option however costs will increase and overall aesthetics will diminish.

## **7 Recommendations**

### **Council is recommended to:**

- Agree to the reintroduction of Glyphosate, and that the Council continues to use herbicides with a low hazard rating where possible to safe guard the Public, staff, insects and the environment.
- that Land and Countryside section is tasked with reducing the application levels
- that the Land and Countryside section reviews future best practice advising Council of alternative products that are more environmentally friendly as they become available in the future.
- That the land and Countryside section be tasked with trialling other methods such the use of edger's & mechanical weeders.

**21 January 2020**

### **Report Contact:**

Kevin Anderson                      Tel No 0131 271 3102  
Executive Director- Place  
[kevin.anderson@midlothian.gov.uk](mailto:kevin.anderson@midlothian.gov.uk)

## **Background information**

### **Options**

#### **a) Glyphosate applications**

Reverting to the previous working practices, with planned limited use. Alternatives to the use of Glyphosate herbicide are limited and there is no suitable alternative. Most other weed killers have been withdrawn from the market, as they are less environmentally friendly.

Alternatives to Glyphosate, which we are aware of, are more likely to be hazardous to wildlife and particularly bees foraging on weeds. They are also far less effective and more expensive. Hot water, Foam, steam procedures are all lethal to bees and the chemical alternatives to glyphosate all also have a bee warning on the labelling.

#### **b) Targeted spraying of streets and pavements**

Reduced application to streets and pavements with the use of equipment with infrared light detection that only apply the herbicide to weeds present is possible rather than making a general application to all surfaces and edges.

There is currently one contractor in Britain offering this service.

#### **c) Alternative Herbicide Products**

There are no direct weed killer replacements for Glyphosate. Other weed killers only burn or damage the foliage of weeds and fail to control perennial weeds with a tuberous root such as docks and dandelions.

According to product label information of these herbicide products they are far more hazardous to staff, the public and to bees.

Issues with organic products:

Pungent smell

Good Personal Protective Equipment is essential

Repeated applications required i.e. 5 applications rather than 2

Regrowth from unaffected root system

These products will harm insect life they come into contact with

The Spraying options currently are:

Kurtail Gold (glufosinate-ammonium to be discontinued)

Finale (glufosinate-ammonium to be discontinued)

Katoun Gold (Pelargonic Acid)

New Wave (Horticultural vinegar)

Garlon ultra (hazard rating!)

We have trialled the Pelargonic acid and the horticultural vinegar and found that their effects are very limited as they provide limited initial kill and no lasting control of established weeds.

Trial Areas were treated with Katoun Gold & Vador (Horticultural Vinegar)

Operational staff reported:

- Limited signs of the Katoun Gold having much effect.
- Needs temperatures above 15 degrees to be effective
- The product will kill bees
- Standards would also be poor in comparison to previous maintenance standards.

Alternative weed killer product costs are high

Product	Cost	container size	Cost Ha	
New Way	£28.00	5litre	£560.00	Alternative product
Katoun Gold	£140.00	5 Litre	£630.00	Alternative product
Galup	£24.50	5 Litre	£24.50	Glyphosate
CDA Glyde	£29.20	5 Litre	£58.40	Glyphosate

### **Alternatives to the use of herbicides**

#### **d) Sweeping and cleaning of streets and pavements**

A trial has been undertaken of sweeping and cleaning of pavements and streets in the Gorebridge area. This improved the aesthetics of the area and removed a few years' worth of detritus build up. We would recommend that this task is undertaken on 5 occasions per annum. This is costly in comparison to previous glyphosate applications.

This would improve the aesthetics of Midlothian but cause some infrastructure degradation e.g. to sandstone walls.

#### **e) Community involvement**

Encourage gorilla gardening groups and other community groups to maintain areas. We can continue to ask cemetery visitors to hand weed the channels around headstones. This may require the introduction of best kept area competitions etc. This may also require the removal of some shrub areas to reduce the maintenance requirement.

If this was to be developed across Midlothian then there would be a requirement to have an additional staff post to coordinate and promote this.

#### **f) Other non-chemical Methods**

There are options including:

- Electric weed control
- Foam streaming
- Hot water treatment

These options are very costly and would require a very large capital investment in equipment. This is not considered a viable option at this time.

#### **g) Strim grass edges**

Grass edges could be strimmed rather than weed killed. The two spays would ideally need replaced by seven strims a season. i.e. once a fortnight. Aesthetically this would look much better.

However if the frequency was dropped the aesthetics would deteriorate and standards would drop with areas only looking neat immediately after they have been strimmed.

#### **h) Bark mulch the shrub beds and hand weed.**

Barked beds will provide some weed suppression and make hand weeding more practical and less time consuming. The previous 586 hours per annum spent spraying could be utilised to hand weed. Please note that standards would be poorer than those previously achieved. Bark mulch could be applied on a three year cycle.

### **Background Papers:**

Key links:

HSE 'Frequently Asked Questions about Glyphosate'  
<http://www.hse.gov.uk/pesticides/topics/using-pesticides/general/glyphosate-faqs.htm>

Bayer's 'Let's talk about glyphosate' pages:  
<https://www.bayer.com/en/glyphosate-roundup.aspx> and these lead on to more pages and resources

European Food Safety Authority  
<https://www.efsa.europa.eu/en/topics/topic/glyphosate>

EFSA on 'Facebook Science'  
<https://www.youtube.com/watch?v=ivQ0Ph9OWZU>

Glyphosate Task Force [www.glyphosate.eu](http://www.glyphosate.eu)

Amenity Forum [www.amenityforum.co.uk](http://www.amenityforum.co.uk)

Edinburgh Council report [1 November 2016](https://democracy.edinburgh.gov.uk/CeListDocuments.aspx?CommitteeId=136&MeetingId=4747&DF=01%2f11%2f2016&Ver=2)  
<https://democracy.edinburgh.gov.uk/CeListDocuments.aspx?CommitteeId=136&MeetingId=4747&DF=01%2f11%2f2016&Ver=2>



# Amenity Management in Scotland: *Setting the Standard*



Scottish Government  
Riaghaltas na h-Alba  
gov.scot



**Tuesday 4 February 2020**

SASA, Roddinglaw Road, Edinburgh, EH12 9FJ

## Programme

09.45 **Registration and networking** (tea and coffee available)

**Chair: Prof Gerry Saddler, Chief Plant Health Officer for Scotland and Head of SASA**

10.30 **Welcome**

10.35 **Opening Address**  
**Minister for Rural Affairs and the Natural Environment**

10.50 **HSE Update**  
An overview of the regulatory landscape and the principles of sustainable pesticide use.

11.15 **Amenity Forum update**  
An introduction to the work of the Amenity Forum followed by a focus of the challenges and opportunities for the amenity sector going forward.

11.40 **Scottish Government update**  
Outlining the current policy landscape and some of the ongoing work of the Scottish Government.

12.05 **Local Authority view**  
Highlighting the challenges faced by local authorities in the current climate of concerns about the safe use of chemical control methods.

12.30 **Lunch**

**Chair: Prof John Moverley OBE, Chairman of the Amenity Forum**

13.30 **Breakout Session: completing an integrated management plan**  
An introduction to the Amenity Forum's new online toolbox and integrated weed management plan template.

14.30 **A holistic approach to managing weeds, pests & diseases**  
Including the importance of balancing a chemical control with other management methods.

14.55 **Where Next?**

15.15 **Conclude**

**Prof Gerry Saddler**  
**Mairi Gougeon, MSP**

**Tracey Ware**  
HSE

**Prof John Moverley OBE**  
Amenity Forum

**Dr Jackie Hughes**  
Scottish Government

**Wayne Priestley**  
APSE

**Steve Hewitt**  
Amenity Forum

**Dr Ruth Mann**  
STRI

Open discussion  
(facilitated by John Moverley)





**Council House Building Programme  
Progress Update February 2020****Report by Kevin Anderson, Executive Director, Place****1 Purpose of Report**

To update the Council on the status of the overall housing programme on approved sites and proposed new sites for the Council building programme and other initiatives for the target delivery.

**2 Housing Building Programme and Planned Works****2.1 Council Housing Programme – Phase 1 & 2 Sites**

The first phase provided 864 additional houses within Midlothian over a period of 7 years with a total budget of £108,700,000 and is now complete.

Phase 2 targeted providing a further 412 additional homes within Midlothian with a budget of £77,121,000 funded from the Housing Revenue Capital Account and Scottish Government grant funding.

A total of 289 units (167 homes not included in 1,000 home target) have been constructed to date.

**2.3 Council Housing Programme - Phase 3 & 4 Sites**

Phase 3 & 4 is targeting a further 789 additional homes within Midlothian with a budget of £171,374,000 which comprises the balance from Phases 1 & 2 of £34,116,000 and the balance funded from the Housing Revenue Capital Account and Scottish Government grant funding.

The following Phase 3 & 4 sites have commenced on site;

- Site 47 Kirkhill, Penicuik delivering 21 homes, completion August 2020
- Site 53 Morris Road delivering 79 units – enabling works altering utility supplies commenced – main works planned to follow on June 2020
- Site 110 Clerk Street, Loanhead delivering 28 homes, completion September 2020
- Site 115 Castlelaw Terrace, Bilston delivering 10 homes, completion March 2020.

- Site 118 Shawfair, Danderhall delivering 47 homes under a turn-key arrangement with Bellway Homes. Commenced January 2020.
- Site 134, Paradykes, Loanhead delivering 21 homes under a turn-key arrangement with Barratt Homes. Commenced on site November 2019. Completion September 2020.
- Site 144: Roslin delivering 13 homes under a turn-key arrangement with Barratt Homes. Commenced on site January 2020.

The following Phase 3 & 4 sites will commence on site in 2020;

- Site 26 – 32/38 Buccleuch Street, Dalkeith – delivering 10 homes. Demolition of existing building completed. Likely site start in December 2020.
- Site 32/34 Newbyres – delivering 75 homes - delayed due to ongoing IMT requests for further gas testing and monitoring outwith the control of Midlothian Council. It is intended that recent design solution proposals will allow commencement of works on site in 2020.
- Site 39 Crichton Avenue, Pathhead – delivering 10 homes. Contractor appointed. Site start anticipated January/February 2020.
- Site 109 Conifer Road, Mayfield – 72 homes – currently held up due to Scottish Water infrastructure capacity issues which are outwith Council control – the revised date of commencement is late 2020.
- Site 116 Newmills Road, Dalkeith – 92 homes comprising 40 extra care flats and 8 extra care bungalows together with 44 new homes for rent. Contractor appointed under two stage tendering with enabling works (not requiring planning) enabling works starting on site earliest March 2020. Main works to follow on
- Site 114 Old Dundas/St Marys PS site – Intermediate Care Facility and 30 Extra care homes planned on combined site – currently under design development – demolition to commence asap after St Marys relocation to new Hopefield PS followed by Site Investigations – main works start on site expected December 2020
- Site 117 Hopefield Yard, Bonnyrigg – 16 homes Site start anticipated December 2020
- Site 122 81 High Street, Bonnyrigg – delivering 20 homes – demolition completed. Site investigation to follow on. Start on site envisaged December 2020
- Site 128 Shawfair – delivering 48 homes under a design & build contract arrangement with MacTaggart & Mickel – site start to be confirmed but anticipated Autumn 2020
- Site 131 Hopefield, Bonnyrigg - retail unit plus planned 21 homes – commencement on site expected September 2020
- Site 130 Phase 1 Old Newbattle HS site – delivering 75 homes – at early design stage – likely start on site December 2020
- Site 140 Dalhousie Mains, Bonnyrigg - delivering 70 homes under a design & build contract arrangement with Springfield Homes – site start to be confirmed but anticipated mid-2020

Based on the above an additional 552 homes commence on site in 2020. Of these, four sites (totalling 131 homes) are procured in contract with a developer (procuring the affordable element).

It is anticipated that the bulk of the larger sites listed above will be procured via a two-stage tender process with a Design and Build procurement method. The benefits of this are

- 1) Reduced tendering costs – making it more attractive to the marketplace – gaining greater interest and more competition/better value
- 2) the introduction of the contractor at an earlier stage in the design process using a collaborative approach addressing technical challenges and speedier programme delivery.

Utilisation of the Scotland Excel (SXL) Housing Framework is also being considered however. A site will be chosen to pilot this as an alternative delivery solution. In addition, where it may be deemed more suitable, smaller sites or sites that may involve refurbishment could potentially be tendered via traditional bills of quantities and tender pricing.

A masterplan is proposed for the former Newbattle High School (Site 130 – Phase 2) site to identify the options for a mix of tenures on this site in addition to 75 new council housing units (Phase1). This will be coordinated with the Learning Estates Strategy and the proposed new primary school on the adjacent site. Mixed tenure housing provides a more sustainable approach to placemaking.

## **2.4 Sites for development following Council building closures**

- Site 121 Stobhill Depot affordable provision (50 homes) - any plans for this site are currently on hold pending resolution of other sites such as prospective Hopefield Resource Facility
- Site 114 (St Mary's Primary School), Bonnyrigg (30 homes) - referred to above.

## **2.5 Proposed Affordable Housing Provision from External Developers**

As noted above it is proposed to either enter into land purchase/Design & Build contracts with these developers or purchase completed houses from external developers as a procurement route to achieve completed homes as soon as possible.

Sites with Developers for completed home purchases (turn-key) or Land Purchase/Building D & B Contracts are located at:

### **Sites progressing 2020**

- Site 118 Danderhall, Shawfair – Bellway (47 homes)
- Site 128 Shawfair - Mactaggart and Mickel (48 homes)
- Site 134 Paradykes Loanhead – Barratt Homes (21 homes)
- Site 140 Dalhousie Mains, Bonnyrigg – Springfield (70 homes)
- Site 144 Roslin – Barratt (13 homes)

### **Future potential sites (tbc)**

- Site 146 Wester Cowden, Dalkeith – Bellway (27 homes)
- Site TBC Shawfair – Barratt (33 homes)
- Site TBC Shawfair – Stewart Milne (28 homes)
- Site TBC Auchendinny – Avant Homes (units tbc)
- Site TBC Penicuik – Cala (units tbc)

## 2.6 Grant Funding

Officers continue to pursue available grant monies to assist in land purchases/construction of Council housing in Midlothian. More detail on grant funding is available in Midlothian's Strategic Housing Investment Plan. Regular meetings with the Scottish Government are undertaken to update programme and ensure spend is maximised.

## 2.7 HRA Rent Setting

In February 2018 Midlothian Council agreed a 3% per annum rent increase to all council housing (including temporary accommodation and garage rents) for the period April 2019 until March 2022. A consultation will take place in 2021 with tenants and housing list applicants over the rent strategy for April 2022 and beyond. Prior to this it is proposed that rental charges for temporary accommodation and garages are reviewed. In order to ensure transparency over HRA expenditure a change to these rents will require consultation with tenants and service users before any decision is taken.

## 2.8 Temporary Accommodation Rents

A report published by the Chartered Institute of Housing in 2019 noted that:

"The average cost of a temporary furnished flat in Scotland is £318.94 per week but depending on the location, type of accommodation and whether support services are provided, can cost up to £494.38."

Temporary accommodation is generally more expensive than council housing because of higher void turnover, repairs and furnishings & fixtures to temporary properties. In addition, between 2005 and 2010 in Midlothian, 139 of self-contained temporary flats and houses were purchased by the Council for use as temporary accommodation and it was necessary that the rent charges for these units reflected the additional cost of purchasing properties without placing a burden on other council house tenants.

Recent research including *Temporary Accommodation in Scotland, Social Bite* (2018) and *Transforming the Use of Temporary Accommodation in Scotland* (2018) recognises that the high cost of temporary accommodation can cause significant disadvantages to a homeless household. This includes:

- Many homeless households who are employed cannot afford the cost of homeless accommodation.

- Many homeless households living in temporary accommodation who want to work or seek training or further education are disadvantaged in doing so because of the cost of their accommodation.
- Due to significantly higher rents homeless households are at risk of accruing high debt levels in the event they are unable to pay their rent.

Consequently a recommendation from the Housing and Rough Sleeping Action Group is that Rents should be set at a level similar to the Local Housing Allowance rate in order to provide a more equitable system and provide a clearer path for people to move on from Temporary Accommodation. The table below shows the current monthly rent for a 2 bedroom furnished temporary accommodation and the proposed change.

The new rent level would mirror the rents charged for new build properties, reflecting the higher costs for managing temporary accommodation. In addition, depending on the type of accommodation a homeless household resides in, a service charge will continue to apply to temporary accommodation which covers things like housing support, furnishing, grass cutting etc. It is not proposed that this service charge is amended.

**Table 1: Current and Proposed Monthly Rents for Temporary Accommodation**

Current Monthly Rent	£623
Proposed Monthly Rent	£360

## 2.9 Lock Up Garage Rents

Midlothian Council owns 700 lock up garages across Midlothian (usually located within council estates). At present approximately 220 lock ups are vacant. Midlothian Council does consider the demand for garages and where it has been possible has made use of the land for new build development. At present there are three existing garage sites which are being used to build new build housing on in Phase 2 and 3 of development in Pathhead, Bilston and Dalkeith. In addition demolition of the garage site has been proposed at Stone Place, Mayfield due to lack of demand and risk of vandalism.

It is likely that the cost of lock up garages has become a disincentive to tenants or residents in the area renting these units – a tenant would currently pay £698.88 per year. Non- council tenants can also rent a lock up but they incur a further 20% charge for VAT. The effective use of lock-ups can be beneficial in reducing vandalism and easing parking pressures in an estate. The table below shows that Midlothian lock up rents are very high in comparison to other local authorities and sets a proposed change to the rental charge.

**Table 2: Lock Up Garage Rents**

<b>Current</b>	£13.44
<b>Proposed</b>	£7.73
<b>Glasgow</b>	£5.55
<b>Stirling</b>	£7.42
<b>Aberdeen</b>	£7.57
<b>Fife</b>	£8.61
<b>Dundee</b>	£8.77

### **3 Report Implications**

#### **3.1 Resource**

All the costs of employing the necessary members of staff are included in the project budgets.

#### **3.2 Risk**

The risk of failure to achieve the Council's target of 1,000 homes by March 2022 due to lack of available sites and availability timescales is being mitigated by the proposed purchase of sites, the purchase of completed houses from Developers and open market acquisitions. It is also proposed to continue the delivery of new homes as quickly as possible by inviting open tenders from a wider number of contractors than previously through the Framework. The adoption of the Two Stage tendering approach allows earlier engagement with contractors and offers earlier start/completion on site. The SXL Housing Framework is also to be utilised and tested as an alternative delivery model.

In terms of proposed consultation on changing rents for both temporary accommodation and lock up garages, a financial projection has been undertaken to determine the affordability of these changes in the long-term. Financial projections confirm that the proposed changes can be implemented without having a detrimental impact on the maintenance programme of existing buildings or current or potential new build programmes beyond 2022.

#### **3.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- Adult Health Care and Housing
- Sustainable Growth

#### **3.4 Impact on Performance and Outcomes**

The proposed works support the Council's Local Housing Strategy and accord with Midlothian Council's Corporate Priorities.

#### **3.5 Adopting a Preventative Approach**



Reviewing and utilising different procurement options in order to promote early delivery.

### **3.6 Involving Communities and Other Stakeholders**

Consultations internally and externally continue to be carried out with all appropriate stakeholders ensuring input/comment on the proposed layouts / house types and mix. This will be undertaken for the additional sites.

### **3.7 Ensuring Equalities**

An Equalities Impact Assessment was completed for Midlothian Council's Strategic Housing Investment Plan 2020/21 – 2024/25. This document, which is updated annually, sets out all new affordable housing investment plans in Midlothian (including assessing need and demand for housing including specialist housing provision).

### **3.8 Supporting Sustainable Development**

The new build housing programme will comply with all current building regulations and follow best practice in line with the Council's policies on the environment. A number of meetings have been held to review and discuss "zero carbon footprint" and incorporate passivhaus construction opportunities across all new housing sites. Future involvement of BMS and other stakeholders in any of these initiatives is fundamental to their success and the merits of each site will be addressed as appropriate.

### **3.9 IT Issues**

Building Information Modelling is being utilised to deliver the projects. Models exist for the generic house types and flat types. It is proposed that these models will be used for the completion of all Phases. Additional technology has been adopted for Site 116 Newmills Road allowing 3-dimensional "fly through" of the site and buildings thus allowing staff and public a better understanding of how the completed development will look. This has already been presented at a recent Planning Public Consultation which was well received by the public.

## **4 Recommendations**

Council is recommended to:

- a) Note the content of this report and the progress made on Phases 2 to 4.
- b) Note the new sites proposed to complete Phase 3 and Phase 4
- c) Note the proposals to acquire houses from private developers.
- d) Agree to a consultation on proposed changes to rents for temporary accommodation and lock up garages.

**30 January 2020**

**Report Contact: Greg Vettrano, Capital Contracts Manager**

