

# Notice of Meeting and Agenda



## Midlothian Council

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

**Date:** Tuesday, 12 November 2019

**Time:** 11:00

**Executive Director : Place**

**Contact:**

Clerk Name: Verona MacDonald

Clerk Telephone: 0131 271 3161

Clerk Email: [verona.macdonald@midlothian.gov.uk](mailto:verona.macdonald@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

**5 Minutes**

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Minute of Meeting of Midlothian Council of 1 October 2019 submitted for approval as a correct record and;  
Minutes of Meetings for approval, noting, information and consideration of any recommendations contained therein (as per Minute Volume)

Minute Volume Index

4 - 5

**6 Questions to the Council Leader**

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None

**7 Motions**

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**7.1** Motion by Councillor Parry, seconded by Councillor Curran 6 - 6

**7.2** Motion by Provost, seconded by Depute Provost 7 - 7

**7.3** Motion by Councillor Cassidy, seconded by Councillor Alexander 8 - 8

**8 Public Reports**

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**8.1** Audit Committee - Proposed Changes to Scheduled Meetings - Report by Director, Resources 9 - 10

**8.2** Revision of Standing Orders - Elected Members' Working Group - Report by Director, Resources 11 - 12

<b>8.3</b>	The Edinburgh and South East Scotland City Region Deal Update - Report by Chief Executive	13 - 30
<b>8.4</b>	Financial Monitoring 2019-20 - General Fund Revenue - Report by Head of Finance and Integrated Service Support	31 - 54
<b>8.5</b>	Housing Revenue Account Revenue Budget and Capital Plan 2019-20 - Report by Head of Finance and Integrated Service Support	55 - 59
<b>8.6</b>	General Services Capital Plan 2019-2020 Quarter 2 Monitoring - Report by Head of Finance and Integrated Service Support	60 - 70
<b>8.7</b>	Treasury Management Mid Year Review 2019-2020 - Report by Head of Finance and Integrated Service Support	71 - 93
<b>8.8</b>	Garden Waste Charging - Review of Implementation - Report by Director, Resources	94 - 106
<b>8.9</b>	Creating and World Class Education System - Attainment and Achievement 2019 - Report by Schools Group Manager	107 - 113
<b>8.10</b>	School Estate Capacity and Pupil Intake Limits 2020-21 - Report by Director, Education, Communities and Economy	114 - 139
<b>8.11</b>	Early Learning and Childcare Expansion Update November 2019 - Report by Director, Education, Communities and Economy	140 - 152
<b>8.12</b>	Scottish Housing Regulator - Assurance Statement - Report by Joint Director, Health and Social Care	153 - 161
<b>8.13</b>	A Consultation on Scotland's National Transport Strategy - Report by Director, Resources	162 - 177

## **9 Private Reports**

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- 9.1** Senior Leadership Review - Report by Chief Executive
- 1. Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office holder, former office-holder or applicant to become an office-holder under, the authority.

## **10 Date of Next Meeting**

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The next meeting will be held on 17 December 2019

# Midlothian Council Minute Volume



**Presented to the Meeting  
of Midlothian Council  
on Tuesday, 12 November 2019**

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

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Midlothian Council 1 October 2019	3 - 14
Special Midlothian Council 22 October 2019	15 - 18

## **2 Minutes of Meetings submitted for Consideration**

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

Audit Committee 24 June 2019	19 - 26
General Purposes Committee 27 August 2019	27 - 36
Planning Committee 27 August 2019	37 - 44
General Purposes Sub-Committee 3 September 2019	45 - 48
Local Review Body 10 September 2019	49 - 56
Business Transformation Steering Group 16 September 2019	57 - 62
Appointments Committee 4 October 2019	63 - 66
Appointments Committee 15 October 2019	67 - 68
Appointments Committee 17 October 2019	69 - 70
Appointments Committee 22 October 2019	71 - 72
Appointments Committee 28 October 2019	73 - 74

## **3 Minutes of Meetings submitted for Information**

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

Midlothian Integration Joint Board 22 August 2019	75 - 82
Special Midlothian Integration Joint Board 12 September 2019	83 - 92
<b>Short Life Working Group</b>	
Cross Cutting Service Review - Sport and Leisure 3 April 2019	93 - 96

### **Notice of Motion**

#### **16 Days of Activism to End Violence Against Women and Girls**

Midlothian Council welcomes the global 16 Days of Activism against Gender-based Violence and 2019's theme "Orange the World: #HearMeToo; commends the many activists and organisations, both in Midlothian and across the world, that are providing frontline support for survivors, raising awareness of this important issue and working tirelessly to challenge the underlying attitudes and inequalities that perpetuate violence against women and girls;

This council also reaffirms its support for Equally Safe: Scotland's strategy to prevent and eradicate all forms of violence against women and girls; reflects on the advancements made as a participant of the Equally Safe at Work Accreditation Scheme; and agrees to promote its participation to employees as widely as possible.

The council also notes that Violence against Women is a societal issue and calls on communities everywhere to stand shoulder to shoulder in sending a clear message that violence against women and girls is never acceptable, and urges everyone in Midlothian to continue to challenge harassment and abuse, hold perpetrators to account for their behaviour and work together to build a Scotland where everyone can live equally safe."

Proposed By: Councillor Kelly Parry

Seconded By: Councillor Stephen Curran



25 September 2019

Item 7.2



Motion to Midlothian Council –

“Today, 12 November 2019, officers of Midlothian Council will receive from the Secretary of State for Defence, Rt. Hon Ben Wallace MP, a Gold Award which publicly recognises the Council’s commitment to the defence community.

The award recognises our activity under the Armed Forces Community Covenant in supporting Forces personnel, veterans and reservists, defining Midlothian as an exemplar employer supporting defence.

Midlothian Council in turn congratulates all our officers and staff who in the course of their duties continue to support the defence community as an integral and valued part of society, and have made this Award well earned”.

Proposed by:

Councillor Peter Smail (Provost)

Seconded by:

Councillor Margot Russell (Depute Provost)

22 October 2019



**SNP Group**

**Notice of Motion**

**Show Racism the Red Card**

Midlothian Council's leader will confirm in writing to 'Show Racism the Red Card' endorsing our support for this important campaign; and request a report back to Council explaining how this can be introduced to our learning community.

Many thousands of people from all over the world come to Scotland to live whether through choice or persecution and all are welcome. We should and need to stand together as a county and council to ensure this diversity is always welcome to all who settle in Scotland and Midlothian ensuring they are free from racism and sectarianism.

Proposed By: Councillor Colin Cassidy



Councillor Colin Cassidy

Seconded By: Councillor Dianne Alexander



Councillor Dianne Alexander

29 October 2019





## **Proposed Changes to Scheduled Meetings of the Audit Committee from December 2019 – December 2020**

### **Report by Director, Resources**

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

The purpose of this report is to seek the Council's approval for the following amendments to the scheduled meetings of the Audit Committee from December 2019 – December 2020:

- a) To rearrange the Audit Committee meeting scheduled for Tuesday 25 August 2020 to Monday 22 June 2020 at 11 am to consider the unaudited accounts 2019/20.
- b) To change the meeting time for the following Audit Committee meetings from 10 am to 11 am to accommodate Informal Sessions prior to each meeting.
  - 3 December 2019
  - 28 January 2020
  - 10 March 2020
  - 26 May 2020
  - 29 September 2020
  - 8 December 2020

#### **2 Background**

- 2.1 At the Audit Committee meeting on 24 September 2019, the Audit Committee considered and agreed to recommend to Council the approval of the amendments to the scheduled meetings of the Audit Committee from December 2019 – December 2020 as detailed above.
- 2.2 At the Audit Committee meeting on 24 June 2019, the Audit Committee approved its Annual Report 2018/19 including areas of improvement. As an opportunity to address the latter, Informal Sessions have been arranged prior to each meeting.

#### **3 Report Implications**

##### **3.1 Resource**

There are no direct resource implications arising from this report.

##### **3.2 Risk**

There are no risk implications arising from this report.

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

Not applicable

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

Not applicable.

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

Not applicable.

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

Not applicable.

### **4.8 Ensuring Equalities**

Not applicable.

### **3.9 Supporting Sustainable Development**

Not applicable.

### **3.10 IT Issues**

Not applicable.

## **4 Recommendation**

The Council is asked to approve the amendments to the schedule of meetings for the Audit Committee from December 2019 – December 2020 as follows:

- a) To rearrange the Audit Committee meeting scheduled for Tuesday 25 August 2020 to Monday 22 June 2020 at 11 am to consider the unaudited accounts 2019/20.
- b) To change the meeting time for all future scheduled Audit Committee meetings from 10 am to 11 am to accommodate Informal Sessions prior to each meeting.

### **Report Contacts:**

Janet Ritchie (0131 271 3158)  
janet.ritchie@midlothian.gov.uk

**15 October 2019**

**Revision of the Council's Standing Orders and associated documents –  
Short Life Elected Member Working Group****Report by Director, Resources****1 Purpose of Report**

The purpose of this report is to provide Council with an update following the first meeting of the Elected Member Working Group established to consider, review and report back with regard to Standing Orders and request the remit of the Group be extended to include a review of the composition of the Council, its Committees and Sub-Committees.

**2 Background**

**2.1** Standing Orders were last considered and approved by the Council on 19 December 2017. At that time, it was agreed an annual review, commencing 2019, would be undertaken. At the Council meeting on 25 June 2019, it was agreed that a Short Life Elected Member Working Group be established for the purposes of undertaking the review.

**2.2** The first meeting of the Short Life Elected Member Working Group took place on 30 September 2019. The Group agreed it wished to include within its remit a review of the Council, its Committees and Sub-Committees.

**3 Report Implications****3.1 Resource**

The resource implications relating to this report will be officer time on reviewing and producing amended documents and reports to Council.

**3.2 Risk**

The Standing Orders and associated documents provide the fundamental governance arrangements of the Council. If these are not reflective of the current ways of working, there is a potential for challenges to be made to decisions made by the Council, Cabinet and Committees. A review of the composition of the Council, its Committees and Sub-Committees was approved at the meeting of the Council on 25 June 2019 and the Working Group is seeking governance to include this within the review.

**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
- X None of the above

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

This report does not impact on the key priorities within the Single Midlothian Plan.

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

The report does not directly impact on Midlothian Council's performance and outcomes.

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

The report does not directly impact on actions and plans in place to adopt a preventative approach.

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

The report does not directly relate to involving communities.

### **3.8 Ensuring Equalities**

This report does not recommend any change to policy or practice and therefore does not require an Equalities Impact Assessment.

### **3.9 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

### **3.10 IT Issues**

There are no IT issues arising from this report.

## **4 Recommendations**

The Council is invited to:

- (a) amend the remit of the Short Life Elected Member Working Group on Review of Standing Orders to include the approved review of the composition of the Council, its Committees and Sub-Committees and once complete, report back to the Council on its findings or;
- (b) otherwise, determine how the review will take place.

**Date: 10 October 2019**

Report Contact:

**Verona MacDonald, Democratic Services Team Leader**

**[Verona.macdonald@midlothian.gov.uk](mailto:Verona.macdonald@midlothian.gov.uk)**

**0131 271 3161**

**Background Papers: Minute of Midlothian Council of 25 June 2019 - Revision of the Council's Standing Orders and Note of the Short Life Elected Member Working Group on the Review of Standing Orders held on 30 September 2019**

## Edinburgh and South East Scotland City Region Deal Update

### Report by Dr Grace Vickers, Chief Executive

#### 1.0 Purpose of Report

This report provides a further update to Members on progress towards implementation of the Edinburgh and South East Scotland City Region Deal; with particular reference to the Annual Report and Annual Conversation, as well as the early stages of preparation of a Regional Growth Framework. The report also provides an update of City Deal projects with direct impacts on Midlothian.

#### 2.0 Background

2.1 The most recent update report to Council was submitted on 12 February 2019 and, after consideration, Members agreed to:

- a) note the progress on the early stages of the implementation of the City Region Deal;*
- b) note the direct and indirect benefits to Midlothian which are expected to result from the terms of the City Region Deal;*
- c) note the extent of the previously agreed Midlothian capital budget allocation and revenue budget commitment; and*
- d) request further regular update reports on the progress of the City Deal as a whole, and on projects that are particularly relevant to Midlothian."*

2.2 A detailed background statement of the City Deal was provided in part two of that report to Council. By the way of a brief summary, the Regional City Deal is a partnership agreement signed in August 2018 under which the UK and Scottish Governments, together with the six Councils in the region (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders, and West Lothian), the universities/colleges, and the business and third sectors, have committed to a programme of projects of some £1.3 billion to drive forward sustainable inclusive growth across all parts of the region, with particular emphasis on growing the overall economy of the region whilst ensuring that all communities in the region, including those currently most disadvantaged, receive the benefits of that economic growth.

2.3 This overall aim of achieving sustainable inclusive growth is to be delivered through projects that are grouped under five main themes:

- **Data Driven Innovation** to increase productivity, and thereby increase levels of employment and income;
- **Employability and Skills** to develop the workforce that is already mainly resident in the region to access new job opportunities provided by an expanding economy;

- **Transport** connectivity improvements (as well as other infrastructure) to enable ease of travel across the region and particularly to maximise the accessibility of labour markets and education/training centres;
- **Housing** to meet demand within the region, particularly in the affordable sector;
- **Culture** related development to reinforce the role and standing of Edinburgh as a major cultural centre that can provide region-wide benefits.

**2.4** A full inventory of the individual projects and the extent of progress on each is provided in the form of a regularly updated 'Dashboard' prepared by the City Deal Project Management Office, based in the City of Edinburgh Council offices. A copy of the most recent 'Dashboard' is attached to this report at Appendix A.

**2.5** As previously reported to Council, at the top of the governance structure is the City Region Deal Joint Committee whose members are the Council Leaders of the six constituent local authorities together with representatives of the universities/colleges, business and third sectors. A City Region Deal Executive Board, comprising the Chief Executives of the six constituent authorities and senior level representatives of other partners reports directly to the Joint Committee.

### **3.0 Progress on the City Region Deal**

**3.1** The City Region Deal is a 15 year programme, although much of the actual investment is front-loaded into the first 10 years. Therefore, the programme is at an early stage in its implementation. Nevertheless, there has been significant progress, most particularly in the preparation and signing off of business cases for projects under the Data Driven Innovation and Integrated Regional Employability and Skills themes. More detail on these projects is included in the 'Dashboard' at Appendix A. In addition to the signing off of business cases under those themes, the Joint Committee, at its most recent meetings in March, June and September of this year, has also received updates on projects under the housing, transport and culture themes; as well as considering the context for preparation of a Regional Growth Framework.

**3.2** At its September meeting, the Joint Committee noted the preparation of the first Annual Report. Under the terms of the City Deal agreement, the City Region Deal partners are required to produce an annual report to assess how well the Deal is aligning towards the overall vision and inclusive growth outcomes for the city region. This is required to be submitted to Government. Accordingly, the first Annual Report was prepared, submitted to Government and, following approval, was published on 28 August 2019.

**3.3** The Annual Report notes progress between August 2018 and July 2019. It provides an overview, a financial statement, a governance statement, a summary of partners' approach, plans for monitoring and evaluation, and a short summary of progress on each project and programme. As noted above the Annual Report is able to document good progress across all themes, particularly in relation to Data Driven Innovation; and is able to demonstrate significant progress in establishing the new governance structure, including the creation of the Regional Enterprise Council, which advises the Joint Committee.

**3.4** The Annual Report also essentially forms an agenda for the required Annual Conversation between the City Deal partners and the UK and Scottish Governments. The meeting, at senior officer and senior civil servant level, took place on 12<sup>th</sup> September 2019. The City Deal partners were represented by the current chair and vice chair of the City Deal Executive Board as well as a senior representative of the regional higher and further education consortium. At the meeting both Governments indicated that they were encouraged with progress, mostly notably:

- the comprehensive business cases that have been approved;
- the work of the programme management office in developing, with Government, the monitoring and evaluation framework;
- the arrangements to ensure ease of flow of approved funding from Government to the accountable body (City of Edinburgh Council) and then on to partners; and
- the relationships that the Deal is helping to create and strengthen.

**3.5** The Governments also noted two areas for more focus and attention, these being improved communication on progress of the Deal to business communities and the general public; and the development of a Regional Growth Framework to ensure that there is a consistent regional approach to planning, housing, transport, and economic development, and which broadly aligns with current and emerging Government policy.

## **4.0 Regional Growth Framework**

**4.1** At its meeting on 3<sup>rd</sup> September 2019, the Joint Committee approved a report recommending the preparation of 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 at the heart of the City Region Deal. The need for a Regional Growth Framework is, in part, driven by three particular factors as set out below.

**4.2** Firstly, in respect of planning at a regional level, Members may recall that in May of this year, Scottish Ministers rejected the submitted Strategic Development Plan for South East Scotland (SESplan2). As a consequence, the current strategic plan (SESplan1) remains in force, yet is now more than five years old. It is relevant to note that the primary reason for rejection of SESplan2 was the inadequacy of transport appraisal of the impact of new development proposals. In 2019, Scottish Government has enacted new planning legislation which makes major changes to the planning system in Scotland. Of particular significance to strategic planning is the replacement of strategic development plans with regional spatial strategies. These strategies will be required to accord with the provisions of the statutory National Planning Framework No. 4 (NPF4) currently being prepared by Scottish Government for publication in mid-2020. The new Planning Act also requires NPF4 to include regional housing targets which the regional special strategies will need to address.



- 4.3** Secondly, in relation to transport there are significant changes. Scottish Government issued for consultation in July this year its draft National Transport Strategy which, in addition to a strong priority focus on sustainable travel, also places an emphasis on regions taking responsibility for addressing the particular transport issues and challenges for their respective areas. That region-centred approach is also being taken forward by Transport Scotland in its preparation of the Scottish Government's Strategic Transport Projects Review No. 2 (STPR2); whereby it has established Regional Transport Working Groups across Scotland, with the South East Scotland regional group being specifically based on the City Deal, and working closely with the City Region Deal Transport Appraisal Board as well as the Regional Transport Partnership (SEStrans).
- 4.4** Thirdly, whilst each of the six constituent Councils has a developed approach to promoting economic development in their area, with many common themes, there is not at present an overall economic strategy for the region. Recent changes in the operation of Scottish Enterprise to work significantly at a regional level can provide a further impetus towards a regional strategic approach.
- 4.5** Taking these three factors together suggests a reasonably compelling case for the preparation of a Regional Growth Framework under City Deal governance arrangements yet ensuring full integration with the work of existing regional groups including the strategic development planning authority (SESplan) and the regional transport partnership (SEStran). The RGF would be regarded as having a significant influence on the context of the Regional Spatial Strategy, and initial work on that strategy has recently been instigated by the SESplan Joint Committee.
- 4.6** In approving the preparation of the RGF, the City Region Deal Joint Committee agreed to the establishment of a project team to be led by a Programme Director, to work on the RGF to inform key local, regional, and national policy developments, most notably NPF4. Once prepared, the RGF would be reported to each City Deal partner Council for consideration. The Joint Committee also agreed governance arrangements for preparation of the RGF, and these include an Elected Member Oversight Committee to oversee both the RGF and the Regional Spatial Strategy, and to advise the City Region Deal Joint Committee. The Oversight Committee would consist of two Elected Members from each of the six Councils.

## **5.0 Midlothian Area Projects**

- 5.1** As noted in previous City Region Deal reports to Council, the majority of the projects, and particularly those relating to employment, skills and housing, are of a region-wide nature with expected benefits for all parts of the region. It has also been previously noted, that it is because of its central location within the region, and its proximity to Edinburgh, that Midlothian is close to the majority of the overall planned City Deal investment. Notwithstanding that, there are two projects which can be regarded as directly relating to Midlothian; these being the A720 Sheriffhall junction upgrade, and the A701/A702 road proposals as part of the Easter Bush project.



- 5.2 A720 Sheriffhall Junction Upgrade.** As the A720 is a trunk road Transport Scotland is undertaking this project as part of the Scottish Government's contribution to the City Region Deal. Transport Scotland has provided regular updates on this scheme, most recently to the City Deal Transport Appraisal Board in October 2019. It advised that the project is on target with publication of draft Orders by the end of 2019, although it is not currently advising of a project completion date for the scheme. As previously reported to Council, Scottish Government has allocated up to £120 million for this project. Transport Scotland have committed to provide regular updates on progress to the City Region Deal Joint Committee and Transport Appraisal Board.
- 5.3 A701 Relief Road/A702 Link Road.** This is an integral part of the wider Easter Bush project within the Data Driven Innovation theme. That project seeks to leverage existing world-class research institutes and commercialisation facilities to make Easter Bush a global location of Agritech excellence. This will involve a substantial amount of new development at Easter Bush as part of the ongoing programme of new and extended facilities by the University of Edinburgh and others in that area. For that development to have an acceptable level of strategic road access, it will require the implementation of the new A701 relief road/A702 link road as included in the Council's Midlothian Local Development Plan (2017). That road scheme has been agreed not only to ensure unconstrained road access to Easter Bush, but also to provide road capacity to accommodate additional demand arising from new housing developments in that A701 corridor, and to enable the existing A701 to become a dedicated route for public transport and a safer route for cyclists/pedestrians, known as an 'active travel' corridor. Recently completed ground investigations along the proposed route option alignment, commissioned by the Council, show that there are no significant constraints. The current projected date for completing the road scheme is 2022. Although the City Deal Easter Bush project includes the A701/A702 road scheme, the funding arrangements are identified separately in the business case. The total cost of the A701/A702 scheme is estimated at approximately £30m. Committed City Deal funding from Government amounts to £10.9m, release of capital funding from the Council's Capital Fund of £7.694m, with the remainder to come from developer contributions.
- 5.4** In addition, the Council has also commissioned work to establish a design and costing for the upgrade of the junction of the A702 with Bush Loan, which is a current constraint to further development at Easter Bush. It is expected that the upgrade of that junction can be included as part of the transport elements of the overall Easter Bush business case. Discussions are also taking place with SEStran and the University of Edinburgh in respect of the details of the 'active travel' corridor along the existing A701 road, for implementation once the new A701 relief road is open. It is intended that all of these discussions will be completed with firm costings identified prior to the scheduled sign off of the Easter Bush project business case by the City Region Deal Joint Committee at its March 2020 meeting.

## 6.0 Report Implications

### 6.1 Resource

At its meeting in June 2016 the Council approved in principle to set aside up to £12 million from the Capital Fund as a contribution to specific City Deal projects that would benefit Midlothian. Details of some of this capital funding towards the A701/A702 road scheme are provided at paragraph 5.3 above.

The majority of the revenue budget allocation of £50,000 is the Council's contribution to the costs of the central Project Management Office based at the offices of the City of Edinburgh Council, that Council being the appointed Accountable Body for the City Deal. All revenue costs are expected to be within the allocated budget for 2019/20.

### 6.2 Risk

The overall top three risks for the City Deal are set out on page one of the Dashboard at Appendix A. In relation to specific Midlothian based projects, the more recently established improved liaison arrangements with Transport Scotland will reduce potential risks to communications over the progress on the A720 Sheriffhall upgrade. In respect of the Easter Bush project there is an urgent need to work closely with all partners over the next few months, particularly the University of Edinburgh, Transport Scotland, and SEStran to ensure that all necessary information on the transport elements of the Easter Bush project is available to ensure sign off of the overall business case by the Joint Committee at the scheduled date of March 2020. Also, in relation to the A701/A702 road scheme, attention will need to be paid to the profiling of the spending of the Council's financial contribution to be aware of any potential upfront borrowing costs which may be consequent on the profile of committed funding contributions from developers.

### 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 Key Priorities within the Single Midlothian Plan

As a central aim of the City Region Deal is to achieve sustainable inclusive growth across the whole region, including all communities, it accords fully with the Single Midlothian Plan priorities of reducing the gaps in learning outcomes, health outcomes, and economic circumstances.

### 6.5 Impact on Performance and Outcomes

The impact of City Deal investment through projects and initiatives can be assessed through a range of indicators included within the business cases

and audit by others. For Midlothian, assessment can be made in relation to Single Midlothian Plan indicators.

## **6.6 Adopting a Preventative Approach**

The fundamental aim of the City 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.

## **6.7 Involving Communities and Other Stakeholders**

Proposals for the A701/A702 roads scheme were subject to extensive public consultation through the preparation of the Midlothian Local Development Plan. The A720 Sheriffhall junction proposals were the subject of consultation by Transport Scotland in 2016.

The signed City Deal document states under community engagement,

*“Throughout the process, engagement will take place with communities on projects and programmes. This will occur through existing statutory and informal community engagement structures, such as community planning, planning consultations and local authority budget engagement processes.”*

## **6.8 Ensuring Equalities**

At an overall collective level the City Deal partners have been engaging directly with the Equalities and Human Rights Commission to ensure that the terms of the City Deal ensure equalities; this is being co-ordinated through the Project Management Office. At Midlothian level an equalities assessment accompanied the report to Council in June 2018, and remains relevant.

## **6.9 Supporting Sustainable Development**

Sustainable place making, recognition of climate change and the low carbon agenda, and a sustainable regional economy are all central to the defined outcomes of the City Region Deal.

## **6.10 IT Issues**

None.

## **7.0 Summary**

### **7.1**

Although the City Region Deal is still in its early stages, the partners have made significant progress, as evidenced by the number of project business cases that have been signed off by the Joint Committee for implementation, as well as establishment of the governance structure including the Regional Enterprise Council, and work on the monitoring and evaluation framework. This has been recognised by both the UK and Scottish Governments in their assessment of the first Annual Report and at the first formal Annual Conversation. Furthermore, the City Region Deal is emerging as a sound basis for regional level working between the six Councils together with key partners in the further/higher education, business, and third sectors. This is particularly relevant at a time when policies, plans and projects are being developed at national level. The expectation is that the intended Regional Growth Framework will ensure that the collectively agreed strategy to address

key issues affecting the region in order to drive sustainable inclusive growth is both documented and promoted.

## **8.0 Recommendations**

### **8.1 Council is recommended to:**

- i) note the overall progress in these early stages of implementation of the Edinburgh and South East Scotland City Region Deal;
- ii) note the decision of the Edinburgh and South East Scotland City Region Deal Joint Committee on 3<sup>rd</sup> September 2019 to approve a project brief for the production of a Regional Growth Framework; and
- iii) require further regular update reports on the progress of the City Deal and preparation of the Regional Growth Framework, as well as on projects that are particularly relevant to Midlothian.

**31 October 2019**

**Report Contact:**

Ian Johnson, Head of Major Projects

T. 0131 271 3460

E. [ian.johnson2@midlothian.gov.uk](mailto:ian.johnson2@midlothian.gov.uk)

**Background Papers:** None



## Page 1: Dashboard

### Achievements and Milestones (see [Implementation Plan](#) for further information)

Achievement/Milestone	Date
Annual Conversation	12 Sep 19

### Financials Summary (see [Financial Summary](#) for further information)

\*Funding issued by Transport Scotland and SG Housing not included in this total

Total CRD grant £000	CRD grant drawdown to date £000	19-20 CRD Grant allocation	19-20 Grant drawdown
600,000	59,963	10%	£50.73m*
			£17.36m

Upcoming Milestones	Target Date	RAG
Establish Regional Growth Framework Team	Mid-Oct 19	Green
Workshop with RGF Team	28 Oct 19	Yellow
M&E Approach Finalised	Dec 19	Yellow

### Top 3 Risks (see [Risk Register](#) for full list of risks)

Risk	Impact	Likelihood	Severity	Resolution Plan or Mitigating Action	Risk owner
There is no regional strategy/framework to set up structures for future delivery of regional economic, spatial and transport plans.	3	4	12	<ul style="list-style-type: none"> <li>Regional Growth Framework proposal has been approved by Joint Committee.</li> <li>Resources for taking this forward have been by Directors Group.</li> <li>REC is being kept informed and will help to shape when appropriate.</li> <li>Elected members are being informed and briefed in all councils.</li> </ul>	Directors' Group
Insufficient PMO Resources	5	2	10	<ul style="list-style-type: none"> <li>Request for additional resources to be made to Executive Board when appropriate</li> <li>Progress reports, quarterly reporting and risk register to track progress towards deadlines and highlight potential delays to PMO before they arise.</li> <li>Use secondments and reallocate staff to City Region Deal activity when required.</li> <li>Re-assess capacity and skillsets regularly in line with changing requirements.</li> <li>Ensure the inclusion wider PMO network, for example drawing on project leads more, when required.</li> </ul>	Exec Board
Insufficient Resources from project leads	4	2	8	<ul style="list-style-type: none"> <li>Regular contact between PMO and other partners on projects and information required.</li> <li>Other partners to assist in developing business cases and reporting where capacity is low.</li> <li>Workshops to ensure that reporting requirements are understood and that there is buy-in.</li> <li>Many programmes are building in staff costs, and lead organisations are taking on risk for funding to help alleviate this issue.</li> </ul>	Exec Board



Overall Total			Project Name	2019 - 2020					Comments
Total Budget £000	CRD Grant Total £000	CRD Grant Claimed To Date £000		Grant Allocation £000	CRD Grant claimed (Q1-2) £000	Spend to date (Apr-Sep) £000	Forecast outturn £000	Forecast vs Allocation variance £000	
101,047	32,545	31,498	Bayes Centre	10,133	9,901	9,901	10,133	0	Forecast is based on profile as per full business case
22,469	22,469	96	National Robotarium	2,566	393	393	1,770	-796	
189,297	57,920	20,054	Edinburgh Futures Institute	13,770	5,227	5,227	13,770	0	
190,620	79,595	655	World Class Data Infrastructure	8,417	1,735	1,735	8,417	0	
84,610	49,205	0	Usher Institute	0	0	0	0	0	
42,596	17,366	0	Easter Bush	0	0	0	0	0	
30,000	10,900	0	Easter Bush Link Road - A701 & A702	0	0	0	0	0	
52,003	30,000	0	Food & Drink Innovation Hub	0	0	0	0	0	
49,425	35,000	0	Fife Industrial Innovation Investment	0	0	0	0	0	
29,050	15,000	0	Scottish Borders - Innovation Park	1,750	0	0	1,750	0	
<b>791,117</b>	<b>350,000</b>	<b>52,303</b>	<b>Total Research, development and innovation</b>	<b>36,636</b>	<b>17,256</b>	<b>17,256</b>	<b>35,840</b>	<b>-796</b>	
25,000	25,000	0	Integrated Regional Employability & Skills	3,250	103	103	2,291	-959	Some projects did not spend until Grant letter received
<b>25,000</b>	<b>25,000</b>	<b>0</b>	<b>Total IRES</b>	<b>3,250</b>	<b>103</b>	<b>103</b>	<b>2,291</b>	<b>-959</b>	
120,000	120,000	2,600	Sheriffhall Roundabout*	0	0	0	0	0	Transport Scotland hold budget Consultants currently working on proposal for TAB
36,000	20,000	0	West Edinburgh Transport Appraisal	2,000	0	0	70	-1,930	
<b>156,000</b>	<b>140,000</b>	<b>2,600</b>	<b>Total Transport</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>-1,930</b>	
44,990	20,000	0	IMPACT/Dunard Concert Hall	8,839	0	1,004	1,004	-7,835	The Council has been served with a petition for judicial review of the decision to grant planning permission
<b>44,990</b>	<b>20,000</b>	<b>0</b>	<b>Total Culture</b>	<b>8,839</b>	<b>0</b>	<b>1,004</b>	<b>1,004</b>	<b>-7,835</b>	
263,000	15,000	5,060	Housing Company**	5,192	0	1,232	5,192	0	Separate grant letter from SG Separate letters from SG for individual proposals. The allocation figure is based on the financial plan
50,000	50,000	0	Housing Infrastructure Fund**	12,500	0	0	0	-12,500	
<b>313,000</b>	<b>65,000</b>	<b>5,060</b>	<b>Total Housing</b>	<b>17,692</b>	<b>0</b>	<b>1,232</b>	<b>5,192</b>	<b>-12,500</b>	
<b>1,330,107</b>	<b>600,000</b>	<b>59,963</b>	<b>Total Programme</b>	<b>68,417</b>	<b>17,359</b>	<b>19,595</b>	<b>44,397</b>	<b>-24,020</b>	Shortfall of utilising grant funding

Note: Figures in red represent a forecast underspend against the Grant allocation

\* Funding issued by Transport Scotland. \*\* Funding issued by SG Housing



## Page 3: Guidance Notes for Project Updates

### Project Stages

Stage no.	Definition
1. Define	Business case being developed, and not yet approved by Thematic Board and Joint Committee.
2. Implement	Business case has been approved by Thematic Board and Joint Committee, and is being implemented. In a capital project, this may be construction; for skills projects this may be establishing a course or system.
3. Deliver	Project is in place and monitoring and evaluation is in framework to assess if it is achieving its objectives.
4. Legacy	Project has resulted in mainstreaming or improvements to business as usual (impact) that is generated beyond the funded period

### Red, Amber, Green

**T:** Status against **timeline** set out in business case/implementation plan; **B:** Status against **budget** set out in financial plan

RAG Status	Definition - Timeline	Definition - Budget	Action Required
Green	In line with business case/implementation plan	In line with financial plan.	No management action required
Amber	Delay is considered acceptable by PMO.	Within acceptable range.	Management action is in place by senior management to address issues, and project is being closely monitored.
Red	Delay is significant.	Outwith acceptable range.	Immediate action is required by senior management and relevant Boards as appropriate to address issues. Issues must be highlighted to Government.

### Inclusive Growth Score

	Definition
1.	Project's links with inclusive growth framework are being developed.
2.	Project's links with inclusive growth framework have been identified and are in the process of being implemented.
3.	Project's links with inclusive growth framework are being delivered and monitoring and evaluation is in place to assess impact.

### Partnership Working Score

	Definition
1.	Links have been identified with projects in other themes/with regional partners outwith City Region Deal.
2.	Links are being developed with projects in different themes/with regional partners outwith City Region Deal.
3.	Links are being exploited between this project and other themes/with regional partners outwith City Region Deal.



Project	Stage	Last Milestone	Next Milestone	T	B	IG	PW	Comments
Bayes Centre	Deliver	Sep 18: Opening	N/A	G	G	2	2	
National Robotarium	Implement	Jul 19: Stage 2 Concept Designs signed off by Project Executive Board.	Dec 19: Appointment of National Robotarium CEO	G	G	1	1	
Edinburgh Futures Institute	Implement	Start on site	Sep 21: Complete construction	A	G	2	2	Slippage in 2019/20 spend due to complexity of enabling works package
Usher Institute	Define	Aug 18: Deal agreement	Sep 19: Approve FBC	G	G	1	2	
Easter Bush	Define	Aug 18: Deal agreement	Mar 20: Approve FBC	G	G	1	1	
World Class Data Infrastructure	Implement	Start on site	Jul 20: Complete construction	G	G	2	2	

T: Timeline; B: Budget; IG: Inclusive Growth score; PW: Partnership Working score (see p.3 for definitions)





Project	Stage	Last Milestone	Next Milestone	T	B	IG	PW	Comments
Edinburgh Innovation Park (QMU Food and Drink Hub)	Define	Finalise specification for the procurement of specialist advice for the FBC.	<ul style="list-style-type: none"> <li>Conclude Section 75 agreement to permit the release of the planning permission – Aug 2019</li> <li>Meet with UKG rep at Scotland office to update on FBC progression – Aug 2019</li> <li>Award the tender for the procurement of specialist advice for the FBC – Sept 2019</li> <li>Determine the detailed planning application for the junction/ initiate the tendering process – Oct 2019.</li> </ul>	G	G	1	1	
Fife Industrial Innovation Investment (Fi3P)	Implement	Planning approval for first site	Planning permission for Project 2 (over due Q2 19/20)	G	G	1	2	<p>Mobilising resources into implementation phase. Discussions underway with University of Edinburgh to agree development opportunities based on the DDI programme impacts.</p> <p>Likely underspend on a project has been identified and options for reinvestment have been agreed by the Fife Council programme board. This change is within the agreed programme tolerances, no escalation or further action required.</p>
Central Borders Innovation Park	Implement	Design, procurement and construction of Phase 1 (ongoing)	Progressing with building design for Phase 2.	G	G	1	1	Finalisation of engagement with potential occupiers of buildings being procured under Phase 1.



Project	Stage	Last Milestone	Next Milestone	T	B	IG	PW	Comments
IRES Programme	Implement	Progress Monitoring & Evaluation Frameworks in place at programme and project level (June 19)	Programme evaluation to inform 2020 Annual Conversation	A	G	2	2	<ul style="list-style-type: none"> <li>Progress Monitoring &amp; Evaluation Frameworks operational.</li> <li>IRES Board next due to meet on 24 Oct with further partners reflection session planned for 22 Nov.</li> <li>IRES Board currently evaluating potential impact of changes in senior personnel at Board level. Also similar for PMO and implications for future direction of strategy.</li> </ul>
Integrated knowledge systems	Implement	Grant Agreement and Project Implementation Plan agreed	Updated implementation plan to be presented to next Delivery Advisory Group (Nov 2019)	A	G	2	2	<ul style="list-style-type: none"> <li>Grant Agreement and Project Implementation Plan agreed. Multi-agency IKS Development Advisory Group and project team established.</li> <li>Terms of Reference, project plan and forward meeting schedule agreed and discussions with MIS developers ongoing to inform system specification.</li> </ul>
Labour market analysis and evaluation	Implement	Grant Agreement and Project Implementation Plan agreed	Health and Social Care primary research to start Nov 2019.	A	G	2	2	<ul style="list-style-type: none"> <li>Grant Agreement and Project Implementation Plan agreed and LMA&amp;E group met twice in 2019-20.</li> <li>New member of staff appointed 2.5 days per week to help progress development and Labour Market seminar successfully held on 8<sup>th</sup> October attracted good range of partner involvement.</li> </ul>
Integrated employer engagement	Implement	Grant Agreement and Project Implementation Plan agreed	New staff team in place early Jan 2020	A	G	2	2	<ul style="list-style-type: none"> <li>Grant Agreement and Project Implementation Plan agreed with IEE Project Manager appointed and due to start 1 October.</li> <li>Job descriptions for new staff team approved and scheduled to be advertised 1 Oct.</li> </ul>



Project	Stage	Last Milestone	Next Milestone	T	B	IG	PW	Comments
Intensive family support	Implement	Project staff appointed and activities operational	Revised Implementation Proposal to be considered by IRES Board (Feb 2020)	A	A	2	2	<ul style="list-style-type: none"> <li>Capital City Partnership (CCP) provision of lead management and project development staffing with SLA being developed.</li> <li>Ongoing uncertainty of ESF funding impacting on service planning with alternative methods of service delivery being explored.</li> <li>Co-production and engagement activity with LA partners ongoing regarding similar delivery in their local areas and positioning of new service.</li> </ul>
Housing and Construction Infrastructure (HCI) Skills Gateway	Implement	Project staff appointed and activities operational	Year 1 Summary evaluation	A	G	2	2	<ul style="list-style-type: none"> <li>Project staff appointed and activities operational. Equality &amp; Diversity lead appointed jointly across DDI and HCI.</li> <li>4 Delivery Group meetings have taken place and new partnerships formed with SELECT (Electrical) for future jobs increase in this sector.</li> <li>Commencement of first projects underway including new pilot project review for bricklaying course.</li> </ul>
Data-Driven Innovation (DDI) Skills Gateway	Implement	Project staff appointed and activities operational	Year 1 Summary Evaluation	A	G	2	2	<ul style="list-style-type: none"> <li>Project staff appointed and activities operational. Equality &amp; Diversity lead appointed jointly across DDI and HCI.</li> <li>Data Education in Schools project progressing developments on four fronts including, Curriculum mapping for Data Science, National Progression Award in Data Science, Professional Development and the establishment of Knowledge Sharing Schools.</li> <li>New staff appointments for Data Education in Colleges, Data Education in Universities and Data training for Work initiatives.</li> </ul>
Workforce mobility (Concessionary travel)	Implement	Grant Agreement and Project Implementation Plan agreed	Project Manager Appointment (Feb 2020)	A	G	2	2	<ul style="list-style-type: none"> <li>Project Implementation Plan agreed and inaugural meeting of the WM Project Delivery Group due to be held on 30 Sep 2019.</li> <li>Project Manager job description finalised and progressing through job evaluation with Scottish Borders Council.</li> <li>SESTRAN involved and Project Lead to update TAB on recent progress.</li> </ul>



Project	Stage	Last Milestone	Next Milestone	T	B	IG	PW	Comments
A720 (Sheriffhall)	Define	Preferred option identified is a grade separated junction arrangement	Transport Scotland is currently taking forward the development and assessment of the preferred option with the view to publishing draft Orders later this year (2019) for formal comment.	A	A	1	1	.
West Edinburgh	Define	The development of a high-level WETA Project Delivery Plan is underway, and was reported to the Transport Appraisal Board (TAB) on 26 August.	Within 2-3 meeting cycles (around 6-9 months) of the TAB considering the Project Delivery Plan, greater clarity about the timeframe and process for further refining the long-list of proposals will emerge.	A	A	1	2	£37m of funding identified (£20m from Scottish Government and £17m from The City of Edinburgh Council), plus developer contributions (TBC).  WETA amounts to £110m, so the interventions are being prioritised.

T: Timeline; B: Budget; IG: Inclusive Growth score; PW: Partnership Working score (see p.3 for definitions)



Project	Stage	Last Milestone	Next Milestone	T	B	IG	PW	Comments
Dunard Centre	Implement	Appointment of the Contractor, selected through the procurement process, to deliver the Pre Construction Services	Commence the demolition of the existing annex building	A	A	2	2	On 30 July Nuveen (Edinburgh St James) submitted a petition for judicial review on CEC planning committee, decision to grant planning permission for the Dunard Centre. There is a risk to delivery timescales.

T: Timeline; B: Budget; IG: Inclusive Growth score; PW: Partnership Working score (see p.3 for definitions)

Project	Stage	Last Milestone	Next Milestone	T	B	IG	PW	Comments
Affordable housing	Deliver & Define	Report approved at JC on 3 Sep August	Scope opportunities & identify resources to progress workstream.	A	A	1	2	<ul style="list-style-type: none"> <li>Recent figures have revealed that between 2015/16 and 2018/19 regional partners have delivered over 10,000 completions with housing grant spend increasing from £70m to £130m over the same period.</li> </ul>
Strategic sites	Implement & Define	Report approved at JC on 3 Sep August	Scope opportunities & identify resources to progress workstream.	A	A	1	1	<ul style="list-style-type: none"> <li>Business cases for sites are at different stages of development.</li> <li>Opportunity to develop a strong, ambitious regional vision across the seven sites.</li> </ul>
Innovation & skills	Define	Report approved at JC on 3 Sep August	Scope opportunities & identify resources to progress workstream.	A	A	1	2	<ul style="list-style-type: none"> <li>Opportunity explore potential bid to the UK Government Industrial Strategy Challenge Fund - the transforming construction programme will be open to collaborative research &amp; development and demonstrator project applications from 5 August 2019.</li> </ul>
Infrastructure, funding and land assembly	Define	Report approved at JC on 3 Sep August	Dedicated 26 Nov Board to agree scope and progress workstream	A	A	1	1	<ul style="list-style-type: none"> <li>Opportunity to work strategically to understand capacity and constraints; share strategic plans and identify opportunities for strategic alignment and investment.</li> </ul>
Housing company	Deliver	First homes completed in Clermiston.	Homes under construction across various sites.	G	G	1	2	<ul style="list-style-type: none"> <li>The City of Edinburgh Council and Scottish Futures Trust will continue to share learning and financial models with partners, to explore regional delivery models.</li> </ul>

T: Timeline; B: Budget; IG: Inclusive Growth score; PW: Partnership Working score (see p.3 for definitions)

## **Financial Monitoring 2019/20 – General Fund Revenue**

### **Report by Gary Fairley, Head of Finance and Integrated Service Support**

#### **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 small net underspend of £0.432 million for the year which is 0.20% of the revised budget. Projections have improved by £0.921 million from quarter 1.

Although a small net underspend is reported, the Chief Executive continues to be very clear in her message that service overspends represent an unacceptable position. Detailed reviews of the service areas that are most significantly overspent have taken place and relevant senior officers have been tasked to deliver at pace recovery actions. It is anticipated that projected overspends in Customer and Housing Services, Commercial Operations and Property and Facilities Management will reduce as a consequence.

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 2 for the remainder of Council services are outlined below:

##### Projected Overspends

- a £2.565 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 £0.364 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 £3.597 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 £0.642 million. Clarity in both areas emerged once the 2019/20 budget was set and in the case of teachers pensions this was only very recently;
- The impact of vacant posts across the Council of £1.049 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 £0.416 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 £0.161 million;
- Family placements for children of £0.361 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 2 for the Adult Care element of MIJB are:

- The Community Care Resource Panel is projected to overspend by £1.126 million although this can be volatile given the fluidity of demand and potential high value of individual packages of care;
- Costs of £0.470 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 £0.135 million.

These are partly offset by some favourable movements:

- Vacant posts across areas of service of £0.330 million;



- Funding that is yet to be allocated to specific commitments of £0.185 million; and
- Income from service users that is £0.142 million in excess of budget.

The position will be reported to the MIJB on Thursday the 12th December. 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 £0.277 million is projected to be applied to support the ongoing transformation programme. There are commitments of £0.472 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.

## 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)	(0.277)	
Severance Costs (net of Capital Receipts Flexibility)	(0.286)	
Non Domestic Rates Revaluation Appeals	0.750	
Other	0.004	
		(0.299)
Underspend per appendix 1		0.432
<b>General Fund Balance at 31 March 2020</b>		<b>5.186</b>

During the last Non Domestic Rate (NDR) revaluation the rateable values of a number of Council owned properties, especially schools, increased considerably thus bringing an increased annual NDR bill. The Council appealed against a number of these and during quarter 2 received confirmation that a number of appeals were successful. The net financial impact will be rebate of approximately £0.250 million per annum for the current and previous 2 financial years. This is shown in table 2.5 above as an enhancement to reserves.

Projections at quarter 2 therefore show an improvement of £1.118 million in the General Fund Reserve from the position at quarter 1.

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>5.186</b>
<i>Earmarked for specific purposes</i>	
Budgets earmarked for Council Transformation	(0.472)
Enhancement to Reserves earmarked for training	(0.199)
<b>General Reserve at 31 March 2020</b>	<b>4.515</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 £4.515 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 is in place to secure further improvement in the financial position and that the non-essential vacancy freeze and the moratorium on non-essential spend remain in place; and otherwise
- b) Note the contents of the report.

24<sup>th</sup> October 2019

#### **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	1,822,488	(40,000)	1,782,488	1,807,488	25,000
<u>Education Communities and Economy</u>						
Children's Services	15,939,424	16,195,355	(82,999)	16,112,356	15,374,356	(738,000)
Communties and Economy	3,021,699	4,577,559	(2,627,368)	1,950,191	1,665,191	(285,000)
Education	94,319,873	111,828,409	(12,726,430)	99,101,979	98,997,979	(104,000)
<u>Health and Social Care</u>						
Midlothian Integration Joint Board - Adult Social Care - Delegated	42,652,072	59,295,594	(16,661,154)	42,634,440	42,634,440	0
Midlothian Integration Joint Board - Adult Social Care - Non-delegated	686,227	701,585	0	701,585	611,585	(90,000)
Customer and Housing Services	10,236,304	36,373,851	(25,597,529)	10,776,322	11,241,322	465,000
<u>Resources</u>						
Commercial Operations	12,905,451	16,736,230	(3,712,608)	13,023,622	13,678,622	655,000
Finance and Integrated Service Support	10,221,586	11,104,397	(397,915)	10,706,482	10,770,482	64,000
Properties and Facilities Management	14,021,429	21,863,516	(7,912,424)	13,951,093	14,357,093	406,000
Lothian Valuation Joint Board	534,441	534,441	0	534,441	534,441	0
Central Costs	310,315	619,295	0	619,295	874,295	255,000
Non Distributable Costs	1,338,436	1,338,436	0	1,338,436	1,338,436	0
<b>GENERAL FUND SERVICES NET EXPENDITURE</b>	207,851,434	282,991,155	(69,758,426)	213,232,729	213,885,729	653,000
Loan Charges	6,123,494	5,680,703	0	5,680,703	5,264,703	(416,000)
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	283,680,350	(70,164,846)	213,515,504	213,798,504	283,000
less Funding:						
Scottish Government Grant	(157,413,000)	216,000	(158,875,982)	159,091,982	159,733,982	(642,000)
Council Tax	(50,987,000)	0	(50,987,000)	50,987,000	51,060,000	(73,000)
<b>Utilisation of Reserves</b>	0	283,896,350	(280,027,829)	3,436,522	3,004,522	(432,000)

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	1,782,488	797,569	814,009
<u>Education Communities and Economy</u>			
Children's Services	16,112,356	7,265,438	6,072,668
Communties and Economy	1,950,191	532,364	1,418,324
Education	99,101,979	45,573,003	37,318,441
<u>Health and Social Care</u>			
Midlothian Integration Joint Board - Adult Social Care - Delegated	42,634,440	18,939,621	13,236,813
Midlothian Integration Joint Board - Adult Social Care - Non-delegated	701,585	321,605	151,170
Customer and Housing Services	10,776,322	4,969,443	8,150,910
<u>Resources</u>			
Commercial Operations	Item 8.4 13,023,622	5,630,843	3,642,454
Finance and Integrated Service Support	10,706,482	4,644,953	5,271,559
Properties and Facilities Management	13,951,093	6,209,935	6,131,858
Lothian Valuation Joint Board	534,441	246,665	274,257
Central Costs	619,295	256,172	256,172
Non Distributable Costs	1,338,436	557,679	624,325
<b>GENERAL FUND SERVICES NET EXPENDITURE</b>	<b>213,232,730</b>	<b>95,945,290</b>	<b>83,362,960</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	Additional information / Action taken
Employee Costs	One-off costs.	29	29	
Shared posts with East Lothian Council	A reduced requirement from East Lothian Council results in a lower than budgeted recharge.	12	12	Revised arrangements for shared services are part of the Medium Term Financial Strategy reported to Council in June 2019.
<b>Gross Overspend</b>		<b>41</b>	<b>41</b>	
<i>Offset by:</i>				
Vacancies and performance factor		(16)	(16)	Vacancies and part vacancies held to partially offset pressures.
<b>Net Overspend</b>		<b>25</b>	<b>25</b>	

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

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £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	A review of all taxi spend across Childrens Services, Adult Service and Education will commence during 2019/20. This will give a clearer picture of what is driving spend and what options exist to drive efficiencies.
	Rent and allowances for throughcare and aftercare clients.	0	28	Additional costs mainly relate to aftercare for clients aged 16 or over.
<b>Gross Overspend</b>		<b>36</b>	<b>56</b>	
<i>Offset by:</i>				

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
Family Placements	Placements previously with external agencies have now moved to Midlothian Carers resulting in a significant saving.	(183)	(361)	Whilst the number of children that are being accommodated have actually increased the vast majority of cases have been picked up by Kinship Carers.
	Windfall income has been received for the provision of adoption placements to another Local Authority.	(38)	(38)	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.	0	(192)	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)	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)	No impact on frontline services.
<b>Net Underspend</b>		<b>(350)</b>	<b>(738)</b>	

#### Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £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	The achievability of income targets will be reviewed as part of the 2020/21 budget setting process.
<b>Gross Overspend</b>		<b>18</b>	<b>20</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)	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



Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
				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)	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.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the service budget.	(49)	(19)	
<b>Net Underspend</b>		<b>(247)</b>	<b>(285)</b>	

### Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
Charging for Music Tuition	A projected under recovery on SQA charging to schools for Music tuition.	185	185	The position was recently considered by Business Transformation Steering Group with the agreed approach reported to Council on 1 <sup>st</sup> October 2019.
	The new charging policy expected to generate additional income but is projected to fall short of target.	62	62	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 secured.	915	915	Options are being progressed to deliver the remainder of the target including using underspends in schools as detailed below.
<b>Gross Overspend</b>		<b>1,162</b>	<b>1,162</b>	
<i>Offset by:</i>				
Schools	Schools are projected to underspend by £0.905 million. In accordance with current DSM rules allowing a carry forward of 1% totalling £0.219million would be allowed.	(967)	(905)	Within the £0.905 million is: 1) A 1% carry forward of £0.219 million; 2) An underspend of £0.112 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 available

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
				for consideration for contributing towards the Education Efficiency target.
Vacancies and Performance Factor	There are a number of vacancies across the Education service.	(273)	(284)	Strict vacancy control is applied with management action in place to minimise any impact on frontline service provision.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the service budget.	(57)	(77)	
<b>Net (Underspend)/ Overspend</b>		<b>(135)</b>	<b>(104)</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	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	<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>Uplifts for providers in respect of the increase in the Living Wage have almost all been applied and is reflected in projections.</p> <p>Processes are being 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 later this financial year, 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 £1.1137 and a projected underspend within Adult Services of £2.463 million.</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
				<p>The projected underspend within Older People's services offsets the projected overspend on Home Care (below) of £470k.</p> <p>An element of new monies provided in 2019/20 is being used to support respite availability.</p> <p>New fieldwork service arrangements will ensure ongoing reviews and focus on the redesign of services.</p>
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	<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. 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>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
Care Homes for Older People	Projected overspend on staffing at Newbyres Care Home due to the requirement to cover rotas.	145	135	A focus on absence management, and development of a Locum Bureau, should reduce this projected overspend as the financial year progresses.  This is offset by a strong income position which is included within service user income (as shown below).
Cowan Court Extra Care Housing	Projected overspend on care staff costs (£73k) and an agreed investment of £15k in the catering service, offset by other underspends within the service of £58k.	52	35	A staffing review is underway.
<b>Gross Overspend</b>		<b>1,584</b>	<b>1,766</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)	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)	A service review is underway.
Fieldwork Staffing	Savings from vacancies within the Fieldwork service following the implementation of the Fieldwork service review.	(141)	(118)	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)	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)	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)	No impact on frontline service.
Planning Officers	There is currently a vacant Older People's Planning Officer post	(51)	(57)	There are plans to recruit to this vacant post.
Additional Social Care Funding	The additional funding for 2019/20 with no specific commitments against is assumed to be offsetting the agreed savings target of £940k.  The estimated funding required for the uplift in Living Wage is less than the amount projected at quarter 1.	90	(185)	

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
	The delivery of savings is overseen by the Realistic Care Realistic Medicine Transformation Board, and forms part of a wider commitment to deliver a balanced budget. The use of additional funding will be considered by the IJB.			
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Adult and Social Care budget.	(68)	(134)	No impact on frontline service
<b>Net Overspend</b>		<b>818</b>	<b>666</b>	
	MIJB Recovery Plan	(818)	(666)	
<b>Adjusted Net Position</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	Additional information / Action taken
Community Safety	Following the service review there are a number of roles not filled.	(84)	(90)	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>	

#### **Customer and Housing Services**

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £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 investigated to reduce the requirement for Bed and Breakfast accommodation. These will not be in place this financial year resulting in a projected overspend against budget.	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 Tenancy Support contract for prevention and support services is being reviewed for cost effective options.</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
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	A further review of the service has been proposed to see where additional savings can be made and shared service options 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	A business case is being developed which will outline how transformational change in this area will be delivered.
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	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	The budget provided for an average 36 B and B places per week. Average occupancy is currently 44 places. Out of area placements are no longer taking place.  Increasing the support at Eastfield will further reduce the B and B spend. This is planned to be implemented by the end of the calendar year.
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 increase bad debt provision. It is anticipated this will again be encountered in 2019/20 but to a lesser extent.	75	75	The level of Housing Benefit overpayments reduced in 2018/19.
Housing – Savings Target unachieved	Savings proposals are being developed but will not be fully implemented in 2019/20.	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	Storage will only be provided for homeless households. This explains the movement between Q1 and Q2.
<b>Gross Overspend</b>		<b>1,023</b>	<b>953</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	(202)	(402)	During Q2 a further £200k was identified.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
	Revenue Account.			This will be adjusted in the 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)	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)	No impact on frontline service.
<b>Net Overspend</b>		<b>701</b>	<b>465</b>	

## Resources

### Commercial Operations

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
Land Services	Approved service reductions for reducing grass cutting standards and for reducing shrub bed maintenance have not yet been implemented.	100	100	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
	Income targets for activities and events at Vogrie Estate have not been achieved.	70	66	Additional activities and events are being held to increase income from the Vogrie Estate. A business plan is being developed.
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	Income does not flow evenly across the year and can spike during winter months.  A further review of the service will take place to explore improved income prospects.



Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
Vehicle Repairs	There is an increased need to send vehicles to external contractors for repair due to internal vacancies and specialised technology.  Vacant posts offsetting external costs.	0  0	120  (89)	Planned recruitment of apprentices will help change the overall skillset of the workforce which will reduce the need for external contractors.
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	A delivery plan is being developed for savings to be realised.
Charges for Bins and Boxes	Income targets from charging new housing developers of £110k have been agreed. Income of £77k has been received from Developers to date but only £8k of this relates to bins and boxes issues, or expected to be issued, in year.	102	102	There will be a time lag between receipt of income and provision of service which will make achievement of targets in early years more challenging.
Efficiency Targets	The approved efficiency target of £165k has been partially achieved.	67	67	Options are being developed to deliver the remaining target.
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	Uptake of the available service for non-domestic waste disposal from commercial activities is not being achieved.
Commercial Operations Service Review	A savings target of £630k has been set. £275k has been delivered to date with reviews currently progressing. The shortfall in 2019/20 is partially offset by vacancies held whilst reviews evolve.	36	104	The movement from Q1 is due to the mechanics vacancies being offset in Q2 against external vehicle repairs.
Bulky Uplift Income	Shortfall against approved income target.	19	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	There are some interested parties following the Public Interest Notice. Work continues to try and secure the outstanding target.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	72	47	
<b>Gross Overspend</b>		<b>644</b>	<b>888</b>	
<i>Offset by:</i>				

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
Street Lighting Electricity	Projections show that lower than budgeted consumption will result in an underspend.	0	(115)	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)	It remains to be seen if this will continue or if there will be behavioural changes which could reduce penalty income.
<b>Net Overspend</b>		<b>543</b>	<b>655</b>	

#### Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £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 £0.556 million have been secured with current plans projected to achieve a further £0.233 million leaving a shortfall of £0.321 million.</p> <p>To offset slippage in delivery strict control of vacancies continues and exceeds the performance factor target by £0.228m.</p>	145	321	<p>The projected shortfall is principally because of the implementation of actions targeted for Q1 and Q2 being behind schedule. Action has been taken to ensure that the measures in the delivery plan that are behind schedule are delivered in Q3.</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> <p>Strict vacancy control is applied to complement delivery of the ISS review.</p>
		(122)	(228)	

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Finance and Integrated Service Support budget.	9	(29)	No impact on frontline service.
<b>Gross Overspend</b>		<b>32</b>	<b>64</b>	

### Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
Sport and Leisure Bottom up Review	Proposals to deliver the approved savings target are still being considered.	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	(236)	
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	<p>Unbudgeted costs, mainly for Rates, relate to Dundas Buildings, Eskdail 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 - £36k;</li> <li>- Eskdail 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 plans to vacate Buccleuch House may mitigate these costs in the latter part of the year.</p>
Catering – functions, Vending and office	Based on costs and income to date it is projected that this area of the Catering Service may underachieve their net	82	84	Income generation potential has been affected by the requirement for service cover due to difficulty in

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Additional information / Action taken
service	income targets by £84k.  Vacancies are projected to result in an underspend of £80k	0	(80)	recruiting to School Catering vacancies. This has prevented expansion of external functions, events and the vending offering.
Energy Costs	Consumption forecasts for Newbattle Campus and Lasswade Campus exceed budget.	0	161	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 £73k.	71	73	More aggressive marketing took place prior to the summer period and this may help generate an improved position.
Holiday Clubs	Income targets of £50k have not been achieved. Holiday camp uptake for the summer was minimal.	50	50	A business case is being developed 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	Plans are being developed to implement the review in this financial year.
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	Plans are being 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	Energy costs exceed forecast. Further examination of costs is underway.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	40	42	
<b>Gross Overspend</b>		<b>632</b>	<b>483</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)	Replacement depot will not be in place before 2020/21.
<b>Net Overspend</b>		<b>555</b>	<b>406</b>	

## Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £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. The areas of increase are personal injury claims, property damage and vehicle damage associated with road conditions.	364	386	Claims are discussed at the Risk and Resilience Group to identify trends and possible mitigating measures.  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.
Central Costs – Developer Contribution Funding	Developer contribution funding to be applied annually to reduce the Unitary Charge payment for Newbattle.	(256)	(256)	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.
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 deliver approved savings but has slipped from the original target.	100	100	The slippage reflects the timing and profile of leasing contracts that were in place in May 2018 and also the lead time for an offer to be made to affected employees to secure changes in employee terms and conditions. The latter is now on target for conclusion on 1 <sup>st</sup> October 2019.
Central Costs – One-off	Services commissioned in accordance with Standing Order 19.2 to support investigations and associated costs.	25	25	
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)	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)	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)	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	



**Housing Revenue Account  
Revenue Budget and Capital Plan 2019/20****Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

The purpose of this report is to provide Council with a summary of expenditure and income to 6<sup>th</sup> October 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 20<sup>th</sup> August 2019.

**2.2 Revenue Account 2019/20**

The underspend reported to Council on the 20<sup>th</sup> August 2019 was £1.548 million. This has decreased £1.016 million to £0.532 million as shown in Appendix 2. This is due to:-

- A reduction to the Temporary Accommodation Service Charge income to the HRA with a corresponding increase in the charge allocated to the Homelessness Service of £0.200 million;
- Delays to temporary accommodation refurbishment at Jarnac Court and the New Social Housing Programme resulting in a further shortfall of rental income of £0.127 million;
- The inclusion of a provision of £0.925 million in respect of the initial estimate of costs as a result of the successful application for expenses to the court from the two other contractors involved in the Newbyres Crescent court action. The actual costs may vary and are dependent on the account of expenses submitted to the court for taxation (assessment) by the Auditor of the Court of Session.

Offset by:-

- Favourable interest rates resulting in reduced debt charges of £0.192 million.

The HRA reserve balance is projected to be £38.848 million at 31<sup>st</sup> March 2020. The longer term financial projections demonstrate that the majority of this will be required to finance existing investment

commitments to 2033/34. However a more comprehensive review of the model is underway and will be reported to Council later in the year.

### **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 £38.848 million at 31 March 2020, the longer term financial projections demonstrate that the majority of this will be required to finance existing investment commitments.

#### **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 £35.501 million;
- A net underspend of £0.532 million on the Revenue Account;
- The HRA reserve at 31<sup>st</sup> March 2020 is projected of £38.848 million.

#### **5 Recommendations**

Council is recommended to note the contents of this report.

**Date 16<sup>th</sup> October 2019**

**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	Item 8.9 £'000	£'000
<b>FUNDING</b>				
Net Receipts from Sales	0	15	15	15
Grants				
-Incentivising New Build	4,500	949	4,500	0
-Mortgage to Rent	114	0	0	(114)
-Buy Backs Funding	800	0	800	0
Council Tax on Second Homes	79	0	79	0
Developer Contributions	1,601	0	1,601	0
Borrowing Required	28,631	7,509	28,506	(125)
<b>TOTAL AVAILABLE FUNDING</b>	<b>35,725</b>	<b>8,473</b>	<b>35,501</b>	<b>(224)</b>

	£'000	£'000	£'000	£'000
<b>APPROVED EXPENDITURE</b>				
New Build Houses Phase 1	102	0	102	0
New Build Houses Phase 2	2,938	768	2,938	0
New Build Houses Phase 3	20,710	3,418	20,710	0
Buy Backs	2,900	1,462	2,900	0
Aids & Adaptations	420	156	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	248	1,003	0
-SHQS Repairs	5,428	2,208	5,428	0
<b>Total Expenditure</b>	<b>35,725</b>	<b>8,473</b>	<b>35,501</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	6,133	140
Decant/Compensation	82	82	0
Grounds Maintenance	654	661	7
	<b>6,729</b>	<b>6,876</b>	<b>147</b>
<b>Administration and Management</b>	4,998	4,998	0
<b>Loan Charges</b>	12,038	10,638	(1,400)
<b>Other Expenses</b>	3,222	3,484	262
<b>TOTAL EXPENDITURE</b>	<b>26,987</b>	<b>25,996</b>	<b>(991)</b>
<b>Rents</b>			
Houses	29,610	29,397	213
Garages	613	601	12
Others	1,218	984	234
<b>TOTAL RENTS</b>	<b>31,441</b>	<b>30,982</b>	<b>459</b>
<b>NET EXPENDITURE/(INCOME)</b>	<b>(4,454)</b>	<b>(4,986)</b>	<b>(532)</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>(38,848)</b>	<b>(532)</b>

## **General Services Capital Plan 2019/20 Quarter 2 Monitoring**

### **Report by Gary Fairley, Head of Finance and Integrated Service Support**

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

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

- An update of the General Services Capital Plan to incorporate new projects approved since the previous report to Council on 20 August 2018 and recommend further adjustments to expenditure and income budgets for projects already in the Capital Plan (Section 2);
- Information on rephasing of project expenditure & funding in 2019/20 (Section 3.1);
- Information on the projected performance against budget for 2019/20 (Section 3.2/3.3); and
- An update on the projected Capital Fund balance at 31 March 2020.

#### **2 New Projects**

##### **2.1 Adjustment 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:-

- **Early Years Projects:** Updated position on Early Years projects based on current programme. Net effect of reflecting the updated position is a rephasing of expenditure of £0.277 million from 2020/21 back to 2019/20, fully funded by Scottish Government Early Years Capital Grant. See separate report also on today's agenda;
- **Penicuik THI:** Increase in capital expenditure budget of £0.296 million, to fund the increase in the road resurfacing element of the project (£0.258 million) due to the presence of coal tar; and to augment the Public Realm works (£0.038 million) to provide additional match funding to optimise drawdown of Heritage Lottery Grant. Increase of £0.296 million in expenditure fully funded by already collected developer contributions. Reduction of £0.189 million in A701/A702 works expenditure budget, reflecting the reallocation of developer contributions to fund part of the overspend on the road resurfacing element of the Penicuik THI project.
- **Lawfield Primary School Extension:** Reduction in overall project budget of £0.124 million (from £0.610 million to £0.486 million as a result of only 1 classroom being required (as opposed to the original 2) due to lower than projected pupil numbers. Works fully phased in 2019/20;
- **Contaminated Land & Public Sector Housing Grants:** Adjustment of £0.023 million to expenditure budgets to reflect forecast outturn position. Fully funded by Scottish Government Capital Grant.

## 2.2 Projects presented for approval

The following new projects are being presented for inclusion in the General Services Capital Plan, all of which were approved by Capital Plan and Asset Management Board on 08 October 2019:-

- **Gorebridge Community Cares:** Refurbishment of the old Gorebridge Police Station building to become a base for Gorebridge Community Cares to set up a centre for families & young people. £0.050 million capital expenditure budget (equating to grant funding which will be provided to Gorebridge Community Cares) which will be funded by the release of £0.050 million of already collected Gorebridge Community Facility contributions;
- **Learning Estate Strategy:-**
  - **Tynewater Primary School:** Adapt existing library space to use as a classroom. Capital expenditure budget of £0.010 million funded by prudential borrowing;
  - **Burnbrae Primary School:** Adapt part of existing nursery space into general purpose space. Capital expenditure budget of £0.062 million funded by prudential borrowing.

## 2.3 Projects presented for approval in principle subject to Capital Plan & Asset Management Board Sign-off

In addition, further consideration has been given to the Learning Estate Strategy solution for Dalkeith, as follows:-

- **Woodburn Primary School:** Provision for extension to school of 3 classrooms and activity hall. Provisionally costed at £2.2 million, with detailed costings to be submitted to the next meeting of Capital Plan and Asset Management Board for consideration and final approval.

## 3 2019/20 Budget

The Quarter 1 monitoring position for the General Services Capital Plan for 2019/20 was presented to Council on 20 August 2019 and, after accounting for known rephasing of projects, budgeted for expenditure of £44.383 million and funding of £27.205 million, therefore giving a budgeted in-year borrowing requirement of £17.178 million.

The inclusion of the projects outlined in Section 2 above revises the budgets for expenditure and income in 2019/20 to £47.455 million and £27.433 million respectively, giving a revised budgeted in-year borrowing requirement of £20.022 million.

### 3.1 Adjustments to 2019/20 Budget

Expenditure and income forecasts for 2019/20 have been rephased based on the most recent information available. Material rephasing of project budgets are shown in Table 1 overleaf:-

Table 1: Rephasing of project expenditure budgets

Project	Description of amendment to budget	Previous Budget £000's	Revised Budget £000's	Budget Movement £000's
New Depot: EWiM Phase III	Objections from SEPA, who are requesting a further flood risk assessment, is holding up submission to Planning Committee.	1,709	100	-1,609
Destination Hillend	Interdependencies between the various new infrastructure elements are proving more complex than originally envisaged in relation to design, planning (e.g. the need to understand the development design and capacities for all services before installing utilities) have resulted in significant delay to programme in order to take a more measured and considered approach and management of risk. Programme being developed by design team will allow for full gateway review to ensure robust programme going forward, and will be reported to Council in due course. The delay to the project programme will impact on the timing of the receipts of the significant levels of income expected to be generated from this project, with a resulting impact on the medium term financial strategy.	1,994	656	-1,338
Gorebridge Connected	Unforeseen withdrawal of Gorebridge Community Development Trust as sub-lessee for the station café element of the project, resulting in a halt to project progress. Further report to be brought to Council to confirm next steps.	563	50	-513
Property Upgrades	Based on current provided programme.	1,620	1,171	-449
Learning Estate Strategy Project Additions	Further work being undertaken with regard to approach to primary school provision in Dalkeith.	816	408	-408
Vehicle & Plant Replacement Programme	The fleet asset management replacement programme is constantly under review with replacement of vehicles delayed where it is appropriate to do so.	2,334	1,956	-378
Digital Services Projects	Rephasing as a result of pressure on human resources to deliver originally planned suite of projects.	2,171	1,804	-366
Property Asset Management Programme Additions	Sport & Leisure upgrades requiring separate reports to Capital Plan Board and Council to progress.	208	62	-146
Rosewell Development Trust: Steading	Construction works progressing on site quicker than planning assumption.	764	1,064	+300
Cuiken Primary School	Construction works progressing on site quicker than planning assumption.	856	1,748	+892
Other	Minor variances.	2,326	1,989	-337
<b>Total</b>		<b>15,361</b>	<b>11,008</b>	<b>-4,353</b>

The rephasing of existing project budgets as outlined above revises the budgeted expenditure for 2019/20 from £47.455 million to £43.102 million for 2019/20 with a subsequent increase in future years budgets.

#### Funding

In line with this, the budgeted level of funding available to finance the plan has also been adjusted from £27.433 million to £28.181 million, with the increase reflecting additional Early Years Capital Grant funding being applied in 2019/20 along with additional developer contributions reflecting the increased pace of works at Cuiken and other primary school projects.

#### Borrowing

Based on the rephased expenditure and funding levels outlined above, the rephased budgeted borrowing required has decreased from £20.022 million to £14.921 million with a subsequent increase in future years' budgets.

### **3.2 Quarter 2 Projected Performance against Budget**

#### Expenditure

Expenditure to 15 September 2019 is £11.155 million with a projected expenditure outturn of £43.287 million. At this stage it is anticipated that budgets for the projects detailed in Appendix 1 will be fully spent in the current year with the following exceptions:-

Table 2: Adjustment to expenditure budget of projects

Item	Description	Original Project Budget £000's	Forecast Total Expenditure £000's	Projected (Underspend)/ Overspend £000's
<b>Modular Units Phase II</b>	<p><b>St. David's:</b> Overspend of £88k on the internal refurbishment/alterations in St. David's Primary to create Early Years space, due to removal of lowest tenderer and drainage issues that led to redesign work. Overspend funded by application of additional Early Years Capital Grant.</p> <p><b>Burnbrae:</b> Overspend of £30k due to required variations including fire sprinkler works, teaching walls and the introduction of a cleaner's store.</p>	1,130	1,248	+118
<b>Recovery Hub</b>	Overspend due to asbestos removal, full Mechanical & Engineering replacement and an increase in number of staff occupying the building	848	920	+72
<b>Hillend Preparatory Works</b>	Overspend due to additional scope of works required in relation to the Environmental Impact and Transport Impact Assessment reports required by Midlothian Council planning, archaeological and landscape officers and also by Transport Scotland, beyond the original scope of works tendered by Sweco.	60	81	+21
<b>Lasswade High School</b>	Final retention payment for the MUGA	0	14	+14
<b>Legend Leisure Management System</b>	Kiosks no longer required	169	119	-50
<b>Total</b>		<b>2,207</b>	<b>2,456</b>	<b>+186</b>



It is therefore expected that there will be a net overspend against budget for the year of £0.186 million.

### Funding

Funding received to 15 September 2019 is £9.261 million with a projected total funding available to finance the capital plan in 2019/20 of £28.181 million, in line with the rephased budget.

### Borrowing

The rephased budgeted level of borrowing for 2019/20 was £14.921 million. Based on the revised expenditure and funding levels as outlined above, the projected estimate of the level of borrowing required to fund the investment identified in Appendix 1 is £15.107 million. The impact of this on the Council's borrowing costs is reflected in the Financial Monitoring 2019/20 – General Fund Revenue report elsewhere on today's agenda.

## **3.3 Overall Position 2019/20**

Based on the above, the projected performance against budget for 2019/20 is shown in the table below:-

Item	2019/20 Budget At Q1 £000's	Rephased 2019/20 Budget At Q2 £000's	Actual To 15/09/19 £000's	2019/20 Projected Outturn £000's	2019/20 Variance £000's	2019/20 Carry Forward £000's
Expenditure	44,383	43,102	11,155	43,287	+186	4,353
Funding	27,205	28,181	9,261	28,181	0	0
Borrowing Required	17,178	14,921	1,893	15,107	+186	

## **4. Capital Fund**

The balance on the Capital Fund at 1 April 2019 was £20.168 million. Capital Receipts of £2.758 million are forecast to be received in 2019/20, with £2.437 million of the Capital Fund balance earmarked to fund the new Hopefield Primary School. 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.

## **5. Report Implications**

### **5.1 Resource**

The borrowing required to finance the planned investment in 2019/20 is projected to be £15.107 million. The loan charges associated with this

borrowing are reported to Council in the '*Financial Monitoring 2019/20 – General Fund Revenue*' report presented elsewhere on today's agenda.

## 5.2 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.

There is also a risk that the wrong projects are prioritised, however there is an additional risk that the revenue budget cannot afford the level of borrowing currently reflected.

There is a risk given the volume of construction work across the UK, Scotland and the Central Belt, and the current economic climate and uncertainty regarding Brexit, that projects costs more than originally budgeted and that supply issues drive the cost per square metre up beyond the SFT metric rate. Midlothian have delivered all recent schools projects under the SFT metric rate and the principles applied to previous and current projects in respect to scope, specification and value engineering will continue to be applied to future projects in order to mitigate against this risk.

## 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 Impact on Performance and Outcome

There are no issues arising directly from this report.

## 5.5 Adopting a Preventative Approach

There are no issues arising directly from this report

## 5.6 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

## 5.7 Ensuring Equalities

There are no equalities issues arising directly from this report.

## 5.8 Supporting Sustainable Development

There are no sustainability issues arising directly from this report.

## 5.9 IT Issues

There are no IT implications arising from this report.

## 6 Recommendations

Council is asked to:

- a) Approve the adjustments to the expenditure and income budgets for the following projects as outlined in Section 2.1: (a) Early Years Projects, (b) Penicuik THI, (c) Lawfield Primary School Extension, and (d) Contaminated Land & Public Sector Housing Grants;
- b) Approve the following projects for inclusion in the General Services Capital Plan as outlined in Section 2.2: (a) Gorebridge Community Cares, (b) Tynewater Primary School, and (c) Burnbrae Primary School;
- c) Approve in principle subject to Capital Plan & Asset Management Board scrutiny and final approval, the 3 class & activity hall extension to Woodburn Primary School as outlined in Section 2.3,
- d) Note the General Services Capital Plan Quarter 2 monitoring position for 2019/20;

**Date 21 October 2019**

### Report Contact:

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### Background Papers:

Appendix 1 – Detailed General Services Capital Plan Expenditure 2019/20

## Appendix 1

### Detailed General Services Capital Plan Expenditure 2019/20

	Rephased 2019/20 Budget	Rephased 2019/20 Budget	2019/20 Actual to P6	2019/20 Forecast Outturn Q2	2019/20 Variance Q2	2019/20 Carry Forward Q2
GENERAL SERVICES CAPITAL PLAN	Q1	Q2	£000's	£000's	£000's	£000's
Q2 MONITORING	£000's	£000's	£000's	£000's	£000's	£000's
<b>RESOURCES</b>						
<b>Finance &amp; Integrated Service Support</b>						
Newbattle Centre of Excellence	479	479	2	479	-	-
Business Applications	72	136	136	136	-	(64)
DS Corporate Solutions	185	105	25	105	-	80
Front Office - Hardware, Software & Services	331	396	396	396	-	(65)
Back Office - Hardware, Software & Services	313	200	20	200	-	113
Network, Software & Services	252	252	174	252	-	-
Schools - Hardware, Software & Services	538	236	56	236	-	302
Online Payments & Services	57	57	-	57	-	-
<b>Commercial Operations</b>						
Street Lighting Upgrades	1,464	1,464	399	1,464	-	-
Footway & Footpath Network Upgrades	456	456	62	456	-	-
Road Upgrades	1,554	1,554	247	1,554	-	-
Roads Asset Management Plan - Temple Gro	62	-	-	-	-	62
Cycling, Walking & Safer Streets Projects	172	172	-	172	-	-
Ironmills Park Steps	3	3	-	3	-	-
New recycling facility - Penicuik	0	0	-	0	-	-
Vehicle & Plant Replacement Programme	2,334	1,956	94	1,956	-	378
Outdoor Play Equipment - Rosewell	23	23	-	23	-	-
Outdoor Play Equipment - Gorebridge	20	20	-	20	-	-
Amiston Park Synthetic Pitch	1	1	-	1	-	-
Mauricewood Bing Cycling and Walking Path	8	8	1	8	-	-
Mauricewood Road Bus Shelter	13	13	9	13	-	-
Riverside Park Paths & Woodland	15	15	-	15	-	-
<b>Property &amp; Facilities Management</b>						
New Depot: EViM Phase III	1,709	100	20	100	-	1,609
Property Upgrades	1,620	1,171	280	1,171	-	449
Property - Poltonhall Astro & Training Area Re	93	-	-	-	-	93
Property - Penicuik Astro Resurfacing	62	62	-	62	-	-
Property - King's Park Tennis Courts Resurfac	16	-	-	-	-	16
Property - Penicuik Centre Flooring, Cardio &	31	-	-	-	-	31
Property - Lasswade Centre Flooring	6	-	-	-	-	6
Shawfair Town Centre Land Purchase	2,653	2,653	-	2,653	-	-
Purchase of 49 Abbey Road, Dalkeith	6	6	-	6	-	-
Hillend Preparatory Works	49	49	31	144	95	-
Destination Hillend	1,994	656	1	656	-	1,338
32-38 Buccleuch Street Ground Floor Redeve	175	175	13	175	-	-
Leisure Management System (Legend)	70	70	4	20	(50)	-
Cashless Catering	68	68	11	68	-	-
Non-Domestic Energy Efficiency Projects	172	172	(10)	172	-	-
<b>TOTAL RESOURCES</b>	<b>17,077</b>	<b>12,729</b>	<b>1,970</b>	<b>12,711</b>	<b>(18)</b>	<b>3,011</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						

	Rephased 2019/20 Budget	Rephased 2019/20 Budget	2019/20 Actual to P6	2019/20 Forecast Outturn Q2	2019/20 Variance Q2	2019/20 Carry Forward Q2
GENERAL SERVICES CAPITAL PLAN	Q1	Q2				
Q2 MONITORING	£000's	£000's	£000's	£000's	£000's	£000's
<b>EDUCATION, COMMUNITY AND ECONOMY</b>						
<b>Education - Early Years</b>						
Gorebridge Development Trust - Early Years			3	-	-	-
Hawthorn Centre	515	-	-	-	-	515
Rosewell Primary School Alteration	74	20	-	20	-	54
Mount Esk Nursery School	307	20	-	20	-	287
Hawthornden Primary School		377	-	377	-	(377)
King's Park Primary School	170	25	-	25	-	145
Rosewell Primary School New Build	127	377	-	377	-	(250)
Gorebridge Primary School	274	201	-	201	-	73
Vogrie Outdoor Early Learning Centre	40	100	-	100	-	(60)
Penicuik Outdoor Early Learning Centre	40	50	-	50	-	(10)
Catering kitchens	53	53	-	53	-	-
Settings' kitchens	9	9	-	9	-	-
Capital grants to partner providers	100	100	-	100	-	-
Roslin Primary School		188	-	188	-	(188)
Mauricewood Primary School		113	-	113	-	(113)
Tynewater Primary School		5	-	5	-	(5)
Woodburn Primary School		45	-	45	-	(45)
Lasswade Primary School		50	-	50	-	(50)
Scots Corner		13	-	13	-	(13)
Bilston Primary School		5	-	5	-	(5)
Newtongrange Primary School		13	-	13	-	(13)
Moorfoot Primary School		5	-	5	-	(5)
Loanhead Primary School		5	-	5	-	(5)
Cuiken Primary School		3	-	3	-	(3)
St Andrew's Primary School		5	-	5	-	(5)
<b>Education - Primary</b>						
New Gorebridge North Primary	177	177	-	177	-	-
Paradykes Primary Replacement	821	821	-	821	-	-
Roslin Primary Replacement	100	100	-	100	-	-
New Hopefield Primary School	9,309	9,309	4,504	9,309	-	-
New Danderhall Primary hub	5,186	5,186	1,311	5,186	-	-
Cuiken Primary School Extension	856	1,748	817	1,748	-	(892)
Sacred Heart Primary School Extension	1,842	1,842	527	1,842	-	-
Lawfield Primary Extension	302	481	11	481	-	(179)
Easthouses Primary School	500	500	43	500	-	-
<b>Education - Learning Estate Strategy</b>						
Woodburn Primary extension (1 class plus )	634	100	-	100	-	-
Woodburn Primary 3 classroom & activity hall extension	-	2,200	-	2,200	-	-
Tynewater Primary School	-	10	-	10	-	-
Bumbræ Primary School GP Space	-	62	-	62	-	-
Lasswade High - core facilities for 1600 pupils	189	189	-	189	-	-
Kings Park PS extension to 3 stream incl EY	489	244	-	244	-	244
Area 23 Primary School (Dalkeith/Easthouses)	327	163	-	163	-	163
Strathesk Primary one class extension	31	31	-	31	-	-
<b>Education - Secondary</b>						
Lasswade High School	-	-	14	14	14	-
Newbattle High School	331	331	35	331	-	-
<b>Education - General</b>						
Parent Pay	-	-	(7)	-	-	-
Saltergate Alterations Phase III - Playground Improvement	126	126	1	126	-	-
Saltergate Phase IV - Internal Alterations	31	31	19	31	-	-
Modular Units - Session 2017/18	329	329	137	329	-	-
Modular Units - Session 2018/19	553	553	124	671	118	-
<b>Children's Services</b>						
<b>Economy</b>						
Contaminated Land	100	77	49	77	-	23
Public Sector Housing Grants	234	234	79	234	-	-
Borders Rail - Economic Development Projects	63	20		20	-	43
East High Street Public Realm & Burns Monument	1	1		1	-	-
Gorebridge Connected	563	50	(67)	50	-	513
Penicuik THI	108	404	326	404	-	-
A701 & A702 Works	310	121	97	121	-	-
<b>Communities</b>						
Members Environmental Improvements	73	73	-	73	-	-
Participatory Budgets	100	90	-	90	-	10
Mayfield Town Centre Regeneration	40	20	-	20	-	20
Rosewell Development Trust	764	1,064	583	1,064	-	(300)
Gorebridge Community Cares	25	25	-	25	-	-
Town Centre Regeneration Fund	910	910	-	910	-	-
<b>TOTAL EDUCATION, COMMUNITY AND ECONOMY</b>	<b>27,133</b>	<b>29,405</b>	<b>8,605</b>	<b>29,536</b>	<b>132</b>	<b>(426)</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						

	Rephased 2019/20	Rephased 2019/20	2019/20	2019/20	2019/20	2019/20
GENERAL SERVICES CAPITAL PLAN	Budget	Budget	Actual	Forecast	Variance	Carry
Q2 MONITORING	Q1	Q2	to P6	Outturn Q2	Q2	Forward Q2
	£000's	£000's	£000's	£000's	£000's	£000's
<b>HEALTH AND SOCIAL CARE</b>						
<b>Adult &amp; Social Care</b>						
Assistive Technology	150	150	35	150	-	-
Travelling Peoples Site Upgrade	17	17	-	17	-	-
Homecare	28	28	-	28	-	-
Recovery Hub	483	483	480	555	72	-
Highbank Intermediate Care Reprovisioning	500	500	31	500	-	-
<b>Customer &amp; Housing Services</b>						
<b>TOTAL HEALTH AND SOCIAL CARE</b>	<b>1,178</b>	<b>1,178</b>	<b>546</b>	<b>1,250</b>	<b>72</b>	<b>-</b>
<b>COUNCIL TRANSFORMATION</b>						
Purchase to Pay	2	2	0	2	-	-
EWiM - Buccleuch House Ground Floor	17	-	-	-	-	17
City Deal	-	-	-	-	-	-
City Deal - Centres of Excellence	-	-	-	-	-	-
Entrepreneurial Council	-	-	-	-	-	-
<b>TOTAL COUNCIL TRANSFORMATION</b>	<b>18</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>-</b>	<b>17</b>
<b>GENERAL SERVICES CAPITAL PLAN TOTAL</b>	<b>45,406</b>	<b>41,638</b>	<b>11,155</b>	<b>41,407</b>	<b>186</b>	<b>2,601</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						

## **Treasury Management Mid-Year Review Report 2019/20**

### **Report by Gary Fairley, Head of Finance and Integrated Service Support**

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

The purpose of this report is to inform members of the Treasury Management activity undertaken during the first half of 2019/20, the forecast activity for the second half of 2019/20, an update to the Treasury and Prudential Indicators for 2019/20, and the link across to the Council's Capital Investment Strategy.

#### **2 Background**

##### Treasury management

The Prudential Code recommends that the main Treasury Management reports are presented to Audit Committee in advance of consideration by Council. However as the next scheduled Audit Committee meeting is on 3 December 2019 this mid-year report is being presented to Council today in advance of consideration by Audit Committee to both avoid delay in its consideration and to allow it to be considered at the same as the second quarter financial reports. Any comments arising from Audit Committee consideration of the report on 3 December 2019 will be reported to Council either by way of a separate report or as part of the minutes of Audit Committee.

In addition, Treasury Management training has been arranged for elected members on the 5<sup>th</sup> November 2019, with the training being run by the Council's treasury management advisers, Link Asset Services. In advance of this meeting, members will have a copy of this mid-year report, alongside the capital plan monitoring reports and financial monitoring – general fund revenue report, which will provide Members with the most up to date position on the Council's treasury management position, capital and revenue budgetary position in advance of the training workshop.

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a

guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

*“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

Council, on 12 February 2019, approved the Treasury Management and Annual Investment Strategy Statement for the financial year 2019/20.

### **3 Economic update for first half of 2019/20**

The key points from economic activity in the first half of 2019/20 are as follows:-

- Borrowing rates dropped to historically low levels, with longer term Public Works Loan Board (PWLB) rates almost halving to drop significantly below 2.00% from August 2019;
- Consumer Price Inflation has hovered around the Bank of England’s target of 2.00% during 2019, falling to 1.7% in August. It is likely to remain close to 2% over the next two years; however this is heavily dependent on the outcome of the Brexit negotiations;
- The Bank of England Base Rate has remained unchanged at 0.75% throughout the first half of the year. With so many variables over the coming months in relation to the outcome of Brexit and the likely general election, interest rate forecasts are subject to material change as the situation evolves;
- The expectation is that both new fixed term and variable rate investment opportunities and temporary loan rates will follow any movements in Base Rate.

An economic update for the first part of the 2019/20 financial year is included as Appendix 1. PWLB borrowing rates for the first half of the year are outlined in Appendix 2.



#### 4. Treasury Activity during first half of 2019/20

The main points arising from treasury activity in the year to 30 September 2019 were:-

- Taking advantage of the historically low PWLB rates in the latter part of the first half of the year, two new long term loans were sourced from PWLB on 25 September 2019 as follows:-
  - £10 million maturity loan with a 20 year tenor at a fixed interest rate of 1.76%;
  - £10 million maturity loan with a 50 year tenor at a fixed interest rate of 1.68%;
- Long term borrowing of £0.447 million matured, this being £0.316 million of Market Loans, £0.113 million of Salix loans and £0.018 million PWLB Annuities;
- The level of short term borrowing has been temporarily reduced to nil as a result of Capital Grant and Developer Contribution receipts during the summer;
- Two short term investments beyond a duration of 1 day were placed:-
  - £10 million fixed term deposit for 1 year, placed with Bank of Scotland on 26 June 2019, earning an interest rate return of 1.25%. In addition, the existing £20 million with Bank of Scotland on 175 days' notice at an interest rate of 1.13% was converted to a fixed term deposit for 1 year, also earning an interest rate return of 1.25%;
  - £10 million fixed term deposit for 18 months with Rushmoor Borough Council, earning an interest rate return of 1.15%;
- The average interest rate earned on external investments was 1.16%, exceeding the benchmark rate of 0.73%.

The Council's loan and investment portfolio as at 30 September 2019 is shown in tables 1 and 2 below (position at 31 March 2019 also shown for comparison):-

Table 1: Council's Loan Portfolio at 31 March 2019 and 30 September 2019.

Loan Type	31 March 2019		30 September 2019	
	Principal Outstanding £000's	Weighted Average Rate	Principal Outstanding £000's	Weighted Average Rate %
PWLB Annuity	674	8.90%	656	8.90%
PWLB Maturity	187,224	3.73%	207,224	3.37%
LOBO	20,000	4.51%	20,000	4.51%
Market Loans	19,464	2.68%	19,149	2.68%
Temporary Market Loans	9,000	0.78%	0	n/a
Other Loans	916	0.00%	803	0.00%
<b>Total Loans</b>	<b>237,279</b>	<b>3.60%</b>	<b>247,832</b>	<b>3.42%</b>
<b>Underlying Borrowing Requirement*</b>	<b>274,582</b>		<b>283,772</b>	
<b>Internal Borrowing</b>	<b>37,303</b>		<b>35,940</b>	

\* The Underlying Borrowing Requirement is the Capital Financing Requirement excluding the "Public Private Finance" (PPP) Contract Liabilities

Table 2: Council's Investment Portfolio at 31 March 2019 and 30 September 2019

Investment Type	31 March 2019		30 September 2019	
	Principal Outstanding £000's	Weighted Average Rate	Principal Outstanding £000's	Weighted Average Rate %
Money Market Funds	9,767	0.78%	23,012	0.73%
Bank Notice Accounts	49,985	1.00%	44,985	1.20%
Deposits with other Local Authorities	15,000	1.70%	25,000	1.48%
<b>Total Investments</b>	<b>74,752</b>	<b>1.11%</b>	<b>74,286</b>	<b>1.16%</b>

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields that has influenced PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

## 5. Expected Treasury Activity during second half of 2019/20

### Borrowing

Long term borrowing of £8.823 million will mature in the second half of 2019/20, this being £8.400 million maturity loan with PWLB, £0.317 million of Market Loans, £0.087 million of Salix loans and £0.019 million PWLB Annuities;

The £8.400 million maturity loan with PWLB which matures on 14 December 2019 has already been refinanced with new longer term PWLB borrowing as outlined in Section 4 above.

On 9 October 2019 the UK's Debt Management Office announced that with immediate effect, all long term loan rates available to Local Authorities from the Public Works Loans Board (PWLB) would be increased by 100bps (1.00%) on top of the existing loan terms. This now means that rates are now Gilts+180bps for all Local Authorities that qualify for the Certainty Rate, rather than the previous Gilts+80bps.

At the same time, the Government has legislated to increase its lending limit for PWLB loans from £85 billion to £95 billion to ensure that PWLB loans can continue to be offered to Local Authorities. A copy of this announcement is attached as Appendix 3.

This now places PWLB rates either level, or potentially higher, than other loan rates available in the marketplace. The Council, along with its Treasury advisers Link Asset Services, will monitor how the marketplace as a whole reacts to this change in PWLB margins and what products other private sector providers may be able to offer the Council.

The Council borrowed two £10 million maturity loans from PWLB in September 2019, in advance of the increase in rates outlined above to finance the Council's capital plans. Had the Council delayed the decision to borrow in September 2019 to a date beyond 9 October 2019, the impact on the Council's loan charges would have been an extra £200,000 per annum (£20,000,000 loan x 1% increase in interest rate). Based on the two loan tenors of 20 years and 50 years, this would have cost the Council £7 million more in interest costs over the lives of the loans.

It is expected that no further long-term borrowing will be sourced in the second half of 2019/20, and that temporary borrowing will be sourced to finance capital expenditure, taking advantage of the rates in this market sitting at less than the Bank of England Base Rate.

However, given the current forecasts of capital expenditure, as presented to Council elsewhere on today's agenda, and any revisions to these forecasts, for 2019/20 and beyond as previously reported to Council, consideration will be given to borrowing now (for capital expenditure beyond 2019/20) if it is determined that this would offer value compared with forward interest rate projections. Equally,

consideration will continue to be given as to whether any forward borrowing opportunities offer value (this would allow the Council to secure loans now at an agreed rate, to be drawn down at later dates when interest rates are forecast to be significantly higher, eliminating the majority of the cost of carry).

Appendix 4 provides forecasts for interest rates from the Council's Treasury Management advisor, Link Asset Services. The forward forecast rates, which incorporate the increase to the PWLB rates as outlined above, are in line with the Council's forward budgeted borrowing projections that have been incorporated into previous Medium Term Financial Strategy reports, which mitigates any pressure on the medium term financial strategy from increased loan charges.

### Investments

In accordance with the Code, it is the Council's priority to ensure security of capital, then liquidity, and finally to obtain an appropriate level of return which is consistent with the Council's risk appetite. As noted in Section 3 and detailed in Appendix 1, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line, or below, with the current 0.75% Bank Rate. The evolving position with regard to Brexit prompts a low risk and short-term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

£25.000 million of the Council's investments are held in fixed term deposits with other Local Authorities that mature in March 2020 and January 2021, £30.000 million in a fixed term bank deposit account that matures in June 2020, and £14.985 million in bank notice accounts (with the notice period equating to 180 days).

Day to day liquidity to meet cashflow requirements are sourced from the Council's three Money Market Funds, which operate on an instant access basis. Interest rates receivable from these funds fluctuate on a daily basis and broadly track the Bank of England Base Rate (with a slight lag following any base rate drop/increase due to the slightly longer tenor duration of these funds). As of 30 September, the interest rates across the three funds lay between 0.71% and 0.73%.

The Head of Finance & Integrated Service Support confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2019/20.

Given the current low interest rate environment, it is proposed that Council officers, in conjunction with Link Asset Services, continue to review the range of investment options available to the Council within its stated investment policy in the Treasury Management & Annual Investment Strategy approved by Council on 12 February 2019 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 updated list of approved Countries for Investments as at 30 September 2019 is included as Appendix 5).

#### Expected Loan & Investment Portfolio at 31 March 2020

Taking all of the above into account, the expected loan and investment portfolio at 31 March 2020 is shown in Tables 7 and 8 below:-

Table 7: Council's forecast Loan Portfolio at 31 March 2020

Loan Type	31 March 2020	
	Principal Outstanding £000's	Weighted Average Rate
PWLB Annuity	637	8.90%
PWLB Maturity	207,224	3.37%
LOBO	20,000	4.51%
Market Loans	18,831	2.68%
Temporary Market Loans	20,000	0.75%
Other Loans	716	0.00%
<b>Total Loans</b>	<b>267,408</b>	<b>3.21%</b>
<b>Underlying Borrowing Requirement</b>	<b>314,618</b>	
<b>Internal Borrowing</b>	<b>47,210</b>	

Table 8: Council's forecast Investment Portfolio at 31 March 2020

Investment Type	31 March 2020	
	Principal Outstanding £000's	Weighted Average Rate
Money Market Funds	10,000	0.70%
Bank Notice Accounts	14,985	1.10%
Bank Fixed Term Deposit Accounts	30,000	1.25%
Other Local Authority Fixed Term Deposits	25,000	1.48%
<b>Total Investments</b>	<b>79,985</b>	<b>1.23%</b>

## 6. Prudential Indicators 2019/20

The following prudential indicators have been refreshed from those reported to Council on 12 February 2019 in the original Treasury Management and Annual Investment Strategy Statement 2019/20, based on the actual outturn for 2018/19 and the Council's Capital Plans for 2019/20 to 2022/23, and are shown in Table 9 (see also Appendix 6):-

Table 9: Prudential Indicators 2019/20 – Mid Year Update

Indicator	2019/20 Original Estimate £000's	2019/20 Current Position £000's	2019/20 Revised Estimate £000's
2019/20 Capital Expenditure	99,892	19,619	78,789
2019/20 Required Borrowing	61,093	9,190	43,613
2019/20 Underlying Borrowing Requirement*	346,056	283,772	318,195
2019/20 Gross External Borrowing	287,869	247,832	256,431
Operational Boundary – Borrowing	352,977	289,447	324,559
Authorised Limit – Borrowing	524,349	524,349	524,349
2019/20 Capital Financing Requirement**	428,888	366,604	401,027

\* Excludes "On balance sheet" PPP schemes.

\*\* Includes "On balance sheet" PPP schemes.

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. This was recommended to be £524.349 million in the Treasury Strategy report presented to Council on 12 February 2019 and subsequently agreed by Council.

## 7 Report Implications

### 7.1 Resource

Expenditure from Treasury Management activity i.e. loan charges, is reported in quarterly financial positions to Council, with Quarter 2 monitoring reflected in the Financial Monitoring 2019/20 – General Fund Revenue report that will be presented to Council on 12 November 2019.

## 7.2 Risk

As the Council follows the requirements of the CIPFA Code of Practice for Treasury Management, and the Prudential Code, there is a reduced level of risks involved in Treasury Management activities. Those risks that do exist are further controlled through written Treasury Management Practices which define the responsibilities of all staff involved and these have recently been reviewed and updated.

## 7.3 Single Midlothian Plan and Business Transformation

Themes addresses 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

## 7.4 Impact on Performance and Outcomes

The strategies 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.

## 7.5 Adopting a Preventative Approach

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

## 7.6 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.

## 7.7 Ensuring Equalities

There are no equality issues arising from this report.

## 7.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

## 7.9 Digital Issues



There are no Digital Services implications arising from this report.

## **8 Summary**

Treasury Management activity during the year to 30 September 2019 has been effective in minimising borrowing costs and maximising investment income within the parameters set by the strategy for the year.

No further long-term borrowing is forecast for the remainder of 2019/20, reflective of the borrowing undertaken in the first half of the year and the General Services and HRA capital plans reported elsewhere on today's agenda. Consideration will continue to be given to whether borrowing now (for capital expenditure beyond 2019/20) to secure historically low rates offers value compared with forward interest rate projections, and/or whether any forward borrowing opportunities offer value (this would allow the Council to secure loans now at an agreed rate, to be drawn down at later dates when interest rates are forecast to be significantly higher, eliminating the majority of the cost of carry).

The investment climate remains challenging given the low interest rate environment and creditworthiness concerns. Officers will continue to review the investment opportunities available to the Council.

The Prudential Indicators have been updated to reflect current capital expenditure and income projections.

## **9 Recommendations**

It is recommended that Council:-

- a) Note that this Treasury Management Mid-Year Report 2019/20 will be scrutinised by the Audit Committee at its next meeting on 3 December 2019 and that any comments arising from the Audit Committee's consideration of the report will be reported to Council either by way of a separate report or as part of the minutes of Audit Committee in order to fulfil its role on scrutiny of treasury management.  
Subject to the above:
- b) Note the report and the treasury activity undertaken in the period to 30 September 2019, as outlined in Section 4;
- c) Note the forecast activity during the second-half of the year as outlined in Section 5;
- d) Approve the revisions to the Prudential Indicators in Section 6 of this report.

**18 October 2019**

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**Appendices**

- Appendix 1: Economic Update for first part of 2019/20 financial year
- Appendix 2: PWLB Borrowing Rates 1 April 2019 to 30 September 2019
- Appendix 3: PWLB Borrowing Rates Announcement
- Appendix 4: Link Asset Services Interest Rate Forecasts
- Appendix 5: Approved Countries for Investments as at 30 September 2019
- Appendix 6: Prudential Indicators Detail

## Appendix 1: Economic Update for first part of 2019/20 financial year

### UK

This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing, (first week in October), the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU, including some additional clarification wording on the Irish border backstop, then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate when there is very little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in government departments and services annual expenditure budgets and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that the prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the **labour market**, despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than

115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the **political arena**, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

## USA

President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

## **Eurozone**

Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SPD coalition government.

## **China**

Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.

## **Japan**

Japan has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

## **World Growth**

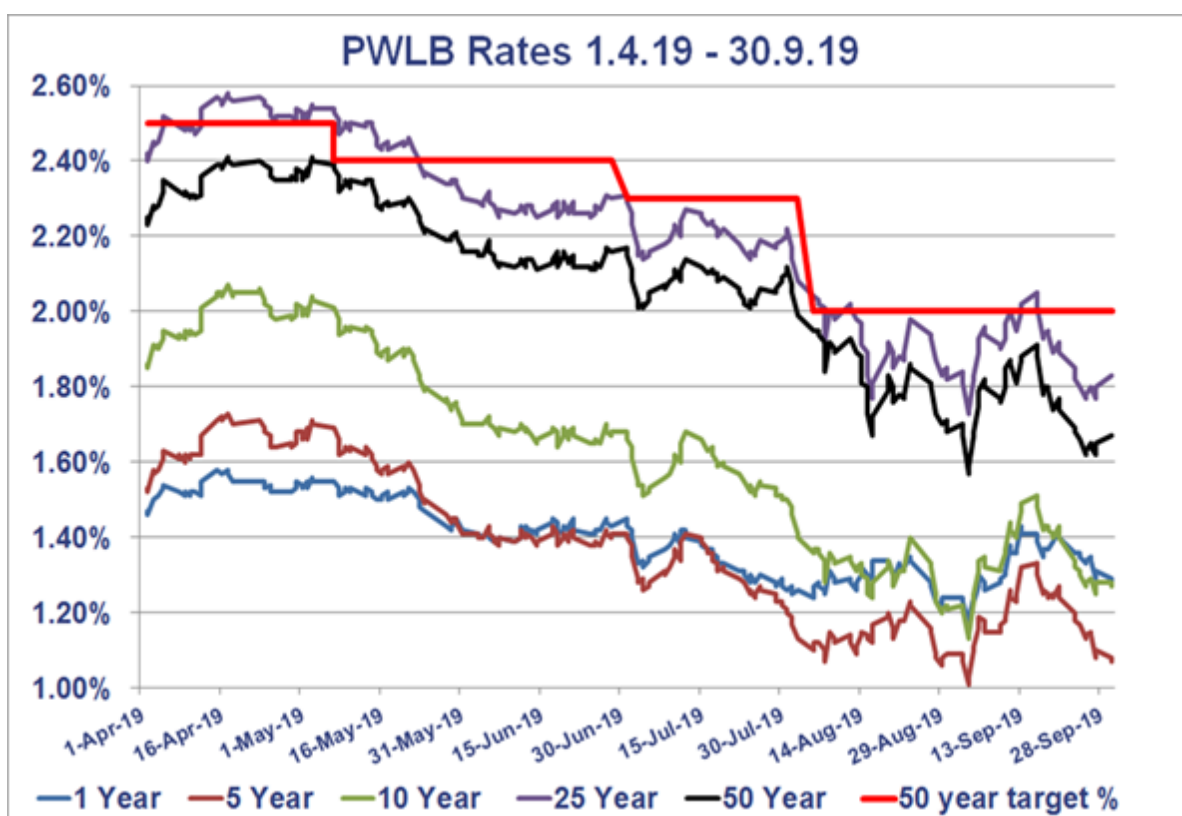
The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

## Appendix 2: PWLB Borrowing Rates 1 April 2019 to 30 September 2019

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date:

### PWLB certainty rates 1 April 2019 to 30<sup>th</sup> September 2019

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.01%	1.13%	1.73%	1.57%
Date	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.40%	1.37%	1.62%	2.20%	2.07%





## Appendix 3: PWLB Borrowing Rates Announcement



One Horse Guards Road  
London  
SW1A 2HQ

Dear Chief Finance Officer,

T 020 7270 5000  
E [certainty.rate@hmtreasury.gov.uk](mailto:certainty.rate@hmtreasury.gov.uk)

[www.gov.uk/hm-treasury](http://www.gov.uk/hm-treasury)

9 October 2019

### Public Works Loan Board (PWLB) interest rates

1. The Government recognises that the freedoms for local authorities to borrow under the Prudential Framework are fundamental to supporting local capital strategies and authorities' organisational objectives, including regeneration, supporting local growth and service delivery. The PWLB supports this activity by on-lending Government borrowing from the capital markets to local authorities to deliver capital investment.
2. The maximum net amount of PWLB loans that can be outstanding at any time is subject to a statutory limit. In order to ensure that lending continues to be available for local authorities that need it, the Government has legislated to increase the lending limit from £85bn to £95bn.
3. PWLB lending is offered at a fixed margin above the Government's cost of borrowing, as measured by gilt yields. The Treasury raised the margin over gilts to 100bps (one percentage point) in 2010, to better reflect the availability of capital finance, and lowered it to 80bps over gilts in 2013 for qualifying authorities.
4. Some local authorities have substantially increased their use of the PWLB in recent months, as the cost of borrowing has fallen to record lows. HM Treasury is therefore restoring interest rates to levels available in 2018, by increasing the margin that applies to new loans from the PWLB by 100bps (one percentage point) on top of usual lending terms.
5. This restoration of normal PWLB lending rates will apply to all new loans with immediate effect. The Government will monitor the impact of this change and keep rates policy under review.
6. As always, the Government will continue to work with individual authorities on a case-by-case basis if they have concerns over their financial position.

Signed,

Local Government & Reform Team, HM Treasury

## Appendix 4: Link Asset Services Interest Rate Forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.20	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.10	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.00	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

**Bond yields / PWLB rates.** There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.



What we have seen during the last half year is a near halving of longer term PWLB rates to completely unprecedented historic low levels. There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

### **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.

- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, The Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

#### Upside risks to current forecasts for UK gilt yields and PWLB rates:

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- **The Bank of England** is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

**Appendix 5: Approved Countries for Investments as at 30 September 2019****AAA**

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

**AA+**

- Finland
- U.S.A.

**AA**

- Abu Dhabi (UAE)
- Hong Kong
- France
- U.K.

**AA-**

- Belgium
- Qatar

## Appendix 6: Prudential Indicators Detail

### Prudential Indicator for Capital Expenditure

The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the budget:-

<b>Capital Expenditure by Service</b>	<b>2019/20 Original Estimate £000's</b>	<b>Current Position £000's</b>	<b>2019/20 Revised Estimate £000's</b>
Resources	16,273	1,970	12,711
Education, Community & Economy	25,203	8,628	29,742
Health & Social Care	4,605	546	1,250
Council Transformation	2	2	2
Provision for return of contingencies	-710	0	-417
HRA	54,519	8,473	35,501
<b>Total</b>	<b>99,892</b>	<b>19,619</b>	<b>78,789</b>

Forecast levels of capital expenditure on:-

- Resources has decreased by £3.562 million compared to budget, due to rephasing of projects from 2019/20 to 2020/21, in particular the rephasing of expenditure for the Vehicle & Plant Replacement programme, Destination Hillend, EWIM Phase III and the block Property Upgrades projects;
- Education, Community & Economy has increased by £4.539 million, due to the construction of Hopefield, Cuiken and Lawfield Primary Schools, and the construction of the Rosewell Development Trust hub, running as scheduled compared to the planning assumption that these projects would have an element of delay, and the inclusion of new projects at Woodburn, Tynewater and Burnbrae Primary Schools;
- Health & Social Care has decreased by £3.355 million reflecting the delay in the Highbank Intermediate Care Provisioning project as a result of the decision to delay the commencement of construction works until St. Mary's Primary School has been decanted to the new Hopefield Primary School;
- HRA has decreased by £19.018 million to reflect the rephasing of the Phase II to IV programmes.

### Prudential Indicator for the Financing of the Capital Programme & Borrowing

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (principal repayments). This direct borrowing need is also supplemented by maturing debt and other treasury requirements.

<b>Capital Financing</b>	<b>2019/20 Original Estimate £000's</b>	<b>Current Position £000's</b>	<b>2019/20 Revised Estimate £000's</b>
<b>Total Capital Expenditure</b>	<b>99,892</b>	<b>19,628</b>	<b>78,789</b>
Capital Grants	18,554	6,197	22,559
Capital Receipts	0	15	15
Capital Reserves	1,900	2,437	2,437
Developer/Other Contributions	10,104	2,321	10,164
<b>Total Financing</b>	<b>30,558</b>	<b>10,970</b>	<b>35,176</b>
<b>Borrowing Required</b>	<b>69,334</b>	<b>8,658</b>	<b>43,613</b>

Total expected financing has increased from £30.558 million to £35.176 million.

## **Garden Waste Charging: review of implementation**

**Kevin Anderson, Acting Director**

### **1 Purpose of Report**

This report reviews the steps that were taken to introduce a charge for the kerbside collection of garden waste, the challenges experienced the operational implications and financial results.

It proposes that the chargeable service continues in 2020 retaining the £35.00 per bin charge.

### **2 Background**

At its meeting of 13 February 2018, Council agreed to:-

*“Introduce a charge of £35.00 and to retain the seasonal garden waste collections.”*

At its meeting of 13 November 2018, Council agreed to approve the implementation plan as outlined in the report presented and asked Officers to report back on the implementation of the charge.

### **3 Implementation**

A cross-divisional team with experience across all Services was assembled to scope and plan the implementation of the charge and facilitate the design of the service.

This team met on a 2-weekly basis from June 2018 to create and deliver a project plan, design the service, purchase and test new technology and configure existing systems to manage the number of financial transactions expected.

Library staff were trained to be able to offer assistance to residents requiring help with making payment online.

Processes were put in place to record and analyse data to allow reporting via the Tableau system.

An external company was appointed to manage the printing and distribution of the bin stickers.

Marketing and promotional activities took place to promote subscription. Activities included lamp-post poster advertising, collection vehicle banners and social media activities.

A letter was sent to all Midlothian residents in January 2019 giving details of the new charge and advising residents that if they did not wish to pay the charge they could return their brown bin. The payment portal was available from early January 2019.

Details of the addresses which had paid were collated and passed to an external sticker production company who printed the bin stickers and mailed these directly to residents.

Unwanted brown bins were collected by Waste Services with damaged bins sent on for recycling and others returned to stock for reuse.

The final date for signing up to pay to ensure a collection in November was Monday 30 September, 2019.

## **4 Operational results**

### **4.1 Number of subscribers**

As at 30 September 2019, the uptake was 17,646 properties with 18,516 bins requested.

13,237 residents paid for the service in the initial payment phase.

Two thousand residents, 11% of all subscribers, visited their local library to receive assistance with paying online. This number reflects not only the necessity to provide their service, but the impact on the workload of existing staff.

Details of uptake are detailed in Appendix 1.

### **4.2 Overall tonnages collected**

A total of 6,036 tonnes of garden waste was collected in the period March to September 2018. In the same period in 2019, 5,007 tonnes were collected – a decrease of 17%.

It should be noted that the amount of garden waste collected in a particular month, or throughout the growing season is largely dependent on the weather.

There is a cost saving relating to the reduced garden waste disposal cost.

### **4.3 Tonnages collected at the kerbside**

A total of 6,280 tonnes of garden waste was collected at the kerbside in 2017/18.

From March to end September 2018, 5,149 tonnes of garden waste was collected at the kerbside. In the same period in 2019 3,764 tonnes of garden waste was collected – a decrease of 27%

See Appendix 2a.

### **4.4 Diversion of garden waste to Household Waste Recycling Centres**

Residents have been able to dispose of garden waste free-of-charge at the two Household Waste Recycling Centres.

From March to end September 2018, 887 tonnes of garden waste was collected from the Recycling Centres. In same period in 2019, 1,243 tonnes of garden waste was collected – an increase of 40%.

See Appendix 2b.

#### **4.5 Diversion of garden waste to the residual waste stream**

From March to end September 2018, 9,528 tonnes of residual waste was collected from the grey bins at the kerbside. In same period in 2019, 9,182 tonnes were collected – a decrease of 4%.

A 10% diversion of garden waste to the grey bin was expected. Whilst it is difficult to analyse how much garden waste has been diverted to residual waste disposal as a result of the garden waste charge, the cost approved in the November 2018 Council Report of £44,600 is assumed.

See Appendix 2c.

### **5 Financial report**

#### **5.1 Income**

##### **Service charge**

Uptake of the service was forecast at 50%.

The income expected, based on a charge of £35 per bin and 19,000 subscribing households, was £665,000.

To 30 September 2019 uptake was 17,646 households, 46% of eligible houses, with 18,516 bins requested. 774 houses have more than one brown bin.

The income generated was £648,060.

##### **End of life bins**

An income was expected to be realised from the recycling of end-of-life unwanted brown bins.

To 30 August, 2,514 brown bins were returned. 2,271 were sent for recycling.

The total income received was £8,052.

##### **Savings from reduced tonnage:**

1,184 fewer tonnes of garden waste was collected from March to end August 2019 against budget. This has resulted in a garden waste disposal saving of £48,418. Projecting this forward to include disposal savings in September, October and November, a disposal saving in the region of £50,000 could be achieved in total for 2019/20 and in future years.

As previously stated, any reduction in garden waste tonnage is not necessarily restricted to the introduction of the garden waste charge, but may be subject to other factors such as weather.



## **5.2 Costs:**

### **End-of-life bins**

The income from recycling end-of-life bins was off-set against the cost of collecting the unwanted bins.

The cost of removing unwanted bins currently stands at £17,190.

Consequently, the service requires the ongoing employment of a Grade 2 Collector/ Driver, referenced below.

### **Marketing**

The mailing to introduce the service and provide bin stickers cost £35,327.

Promoting the service including posters, lamp-post advertising boards, vehicle advertising panels and social media advertising cost £4,827.

### **Systems Development Work**

Significant systems development work was required to integrate existing internal systems to process the large number of transactions associated with the charge.

To enable online applications and payments, new technology had to be purchased and existing systems had to be configured and integrated. Jadu Paybridge was purchased to integrate our online forms with our payment system.

This cost £21,760 in the 2018/19 for consultancy, technology, integration of components, design, testing, training and project management plus an annual subscription to Paybridge.

Ongoing recurring costs of £6,000 are required for annual subscription to Paybridge.

A further £4,500 is required annually to support the high level of online financial transactions.

### **Disposal via residual waste**

As previously stated, although it is difficult to isolate the cost of garden disposal via the residual waste stream, the report assumes that those who have not subscribed to the garden waste service, may dispose of garden waste in this manner. As referenced in the 18/19 report approved by Council, this report assumes a similar diversion to residual at a cost of £44,600.

### **Staff resources**

Significant staff resources were required to implement the introduction of the charge.

The additional workload was managed by existing staff resources however it should be recognised that considerable additional pressures were put on existing teams. This included staff in Digital Services, Business Services, Waste Services, Library Services, Corporate Communications, and the Customer Services Teams.

To ensure robust infrastructure was in place to accommodate the number of online transactions expected, particular pressures were placed on Digital Services and Corporate Communications to identify, implement and test a workable solution that made sure residents could sign up easily.

In cases where customers had a particular issue, assistance was provided by staff in Customer Services, Library Services and Waste Services, often with a face-to-face interaction in order to achieve a satisfactory outcome.

The Communications Team also responded to a considerable number of Facebook queries.

### **5.3 Financial report**

The income received from introducing the charge is shown in the table below.

It should be noted that a proportion of payments received for the 2019 collection season fall into the 18/19 Accounts, so the term "Season 1" has been used to cover the whole period of payments and collections.

Table 1. Financial report

Item	Season 1 Budget per Council Report Nov 18	Season 1 Actual to Date + Forecast	Variance to 1819 Report	20/21+ per new report
Income Based on 50% Uptake	- 665,000	- 648,060	16,940	- 648,060
Systems Integration and Maintenance	10,500	10,500	-	10,500
Mailing to residents / Sticker Cost	19,000	35,327	16,327	25,015
Informational bin tags	910	908	- 2	910
Promotional materials	0	4,827	4,827	3,500
Income from end of life bins	- 20,900	- 8,052	12,848	- 4,831
Cost of collecting end of life bins	28,925	17,190	- 11,735	-
Garden Waste Disposal to grey bin	44,600	44,600	-	44,600
Saving From Reduced Tonnage to Green Waste	- 25,060	- 48,418	- 23,358	- 50,000
Collector/Driver (Gr2)	25,260	-	- 25,260	26,313
<b>NET TOTAL</b>	<b>- 581,765</b>	<b>- 591,178</b>	<b>- 9,413</b>	<b>- 592,053</b>

### 5.3 Savings achieved

The approved budget saving for Season 1 of the Garden Waste Chargeable Service agreed at Council on 13 November 2018 was £581,765.

To 30 September 2019 a net saving of £591,178 has been achieved.

A net saving in the region of £592,053 is expected in 2020/21 and thereafter, assuming no reduction in the number of subscribers and no change in the amount of garden waste collected.

## 6. Challenges experienced

The introduction of the service led to high levels of customer contact via the Contact Centre. A total of 4,324 contacts were received between 7 January and 30 September.

177 complaints about the introduction of the service were received. These can be summarised as below.

Table 2: Summary of complaints

Number of complaints	Category	Resolution
58	Method of payment	Steps were taken to contact customers to advise that assistance with online payment was available in local libraries, or that friends or family could make payment on their behalf.  All but two of these residents went on to make an online payment for the service.
7	Lack of concession rate	Council agreed that no concession were available.
12	Introduction of charge	Council agreed to introduce a charge.
100	Other / uncategorised.  These mainly related to the time take to remove unwanted bins but also included those who did not wish to pay for the service as leaves fell into their property from Council owned trees.	Removing unwanted bins was a one-off year one project. This number of complaints is not expected moving forward.

A further 411 complaints were received regarding bins being missed / not emptied and 159 regarding missed pull outs. Up to 30 September a

total of 189,798 separate collections have been made. This results in 0.3% of instances where a bin was not emptied as expected.

An individual response was provided to all complaints with staff working holistically across departmental teams to deliver an outcome focused result.

### **Address data**

A further issue with regard to the introduction of the service relates to the historic standalone nature of Service data, particularly in relation to mismatched address data between Waste Services and Planning and a difference between a customer's postal address and the address data held on the Gazetteer.

Invalid, missing or differences in address data resulted in a customer being temporarily unable to pay for the service. The effort to consolidate and update data has consumed considerable resource time across departments.

## **7. Implementation Plan 2020 and forward**

The last uplifts of garden waste in 2019 will take place between Monday 11 and Friday 22 November. It is planned that the service restarts on 16 March 2020.

An un-addressed leaflet will then be delivered by Royal Mail to all residents in January 2020 reminding residents to pay for the service and encouraging early subscription.

The online payment portal will be available in early January 2020.

Work is continuing to automate the integration of address data between the Service applications.

IT development work will be carried out to develop automated data transfers.

Processes and roles will be reviewed for delivering the service.

For those who do not have access to the internet, assistance and advice will be again be available at all council libraries through the provision of an 'Assisted Online' service to meet community need.

Marketing and promotional activities will take place to promote subscription. Activities will include lamp-post poster advertising, social media activities and posters and banners in community hubs and Council offices.

Details of the addresses who have paid will be collated and passed to an external sticker production company who will print the stickers and mail these directly to residents.

In order to receive a bin sticker before the first garden waste uplift, payment must be made by 23:59 hours on 20 February 2020.

Residents will be able to sign-up and pay to 12:00 hours on 30 September, 2020. No pro-rata rate will be available.

Work is progressing to determine how customer email addresses can be retained to allow residents to be advised of their last collection day

of the season and to advise how to sign up and pay in subsequent years.

The fixed term Collector/ Driver post (Grade 2) is to be made permanent.

## 8 Report Implications

### 8.1 Resource

This report proposes to continue the chargeable service with the £35 per bin charge remaining static for 2020 to encourage retention rates, and potential new subscribers.

This is expected to generate a net saving in the region of £592,053.

Internal staff and technology resources continue to be required including:

- Internet, database management, Civica and Paybridge to allow payments to be made and managed.
- Existing staff resources within Digital Services, Business Services, Library Services
- Staff resources within the Contact Centre in answering customer queries, and processing refunds
- Staff resources within Digital Services in automating the process of passing subscribing addresses to the sticker printing company
- Staff resources within Waste Services in collating collection routes, dealing with customer queries and issues relation to missed collections
- Staff resources within Corporate Communications to implement a communications plan to ensure maximum sign up.
- A dedicated Collector/Driver (Grade 2) to ensure timely replacement delivery and repair of all waste/recycling bins and boxes.

### 8.2 Risk

**Risk Causes:** Fewer households subscribe to the service resulting in a smaller income than predicted received.

**Risk Event:** There is a risk that fewer residents choose to subscribe to the chargeable service and will place their garden waste in their residual waste bin, or blue recycling bin, instead. Any changes to the current method of service delivery risk impacting the cost and delivery of the service, and the income level achieved.

**Risk Impact:** There is high risk that the Council's recycling performance will fall. There is a high risk that if a dedicated Collector / Driver is not appointed, customers will experience a long delay in receiving a replacement bin leading to complaints about the service.

**Actions to mitigate risk:**

A wide communications and marketing campaign to raise awareness of the charge and encourage registration.

There are wider reputational risks associated with system or payment failure, non-delivery of bins stickers, uplift of end-of-life bins or late replacement or damaged or broken bins.

To recruit a dedicated waste container Collector / Driver (Grade 2).

**8.3 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

**8.4 Key Priorities within the Single Midlothian Plan**

The budget projections indicate that in 2020/21, Council will have in the region of £592,053 available for the provision of services and the pursuit of key outcomes as set out in the Single Midlothian Plan.

**8.5 Impact on Performance and Outcomes**

Diversion of garden waste to the Recycling Centres will continue to be expected but loss of tonnage due to uptake of home composting will affect Midlothian Council's recycling performance.

The service also impacts on the performance and outcomes of other services eg; Contact Centre, Library Services, Corporate Communications, Digital Services and the Business Applications team due to queries, requests for assistance and processing payments and refunds.

**8.6 Adopting a Preventative Approach**

The measures being proposed alongside the new charge are intended to ensure that so far as reasonably practicable the recycling of garden waste will be maintained.

**8.7 Involving Communities and Other Stakeholders**

It is expected that the voluntary sector will be utilised to assist residents with the online payment for the service. Community Councils and community hubs are also expected to assist with promotion of the service as well as reporting feedback.

Community groups are to be encouraged to promote use of the internet to their service groups and users or to offer adult learning around internet use.

Customers are able to share bins with neighbours in flatted properties.

### **8.8 Ensuring Equalities**

An Equality Impact Assessment (EqIA) on the proposal to charge for garden waste collections was presented to Council in February 2018.

### **8.9 Supporting Sustainable Development**

There are no Sustainable Development issues as a consequence of this report.

### **8.10 IT Issues**

Significant development work has been undertaken by the Digital Services team along with Business Applications and the Web team for payment set up and the integration with both the Customer Relationship Management system and the Council's payment system.

## **9 Recommendations**

Council is recommended to: -

- a) Note the project to design and implement the service by multi-disciplinary teams working holistically across the Council
- b) Note Midlothian Council's first instance of a large scale online payment service was implemented successfully
- c) Note the income achieved from the successful introduction of a garden waste charging scheme.
- d) Note the complaints received and the mitigation measures taken.
- e) Retain the charge of £35.00 per bin in 2020 and to add this to the Fees and Charges register.
- f) In line with the Council's 'Digital by Design' vision, the principal method for full upfront payment remains online
- g) To appoint a dedicated Collector / Driver with responsibility for all bin deliveries and repairs

**Date** 12 November 2019

### **Report Contact:**

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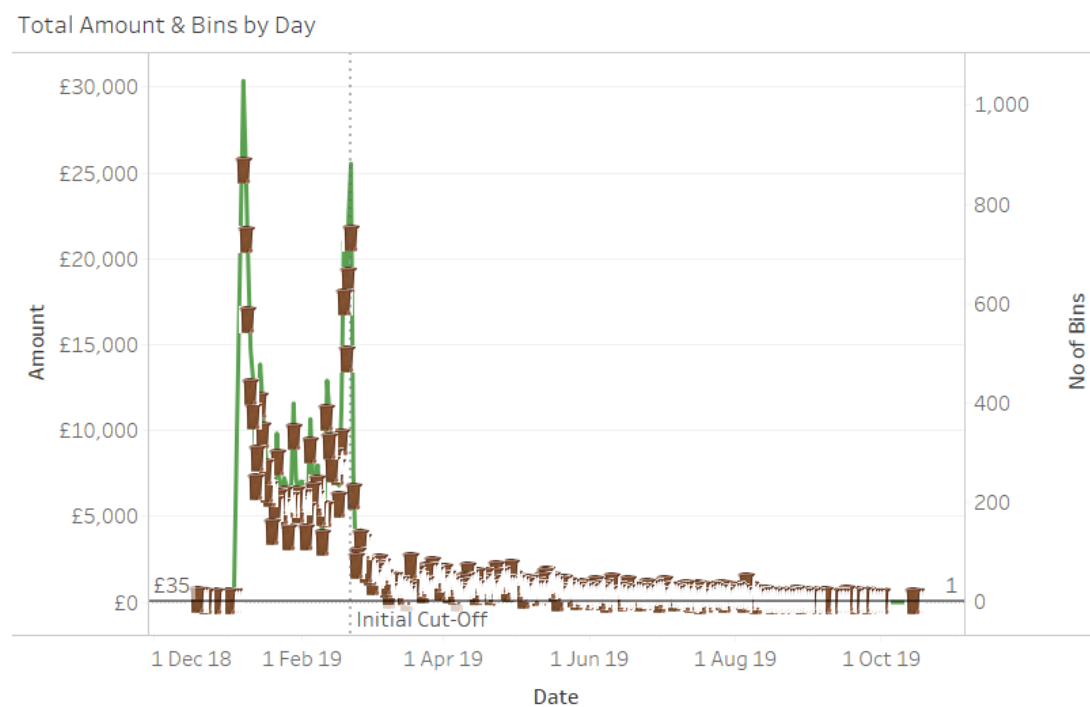
### **Background Papers:**

Garden waste charging: implementation and impact mitigation measures  
Report to Council, Tuesday 13 November 2018

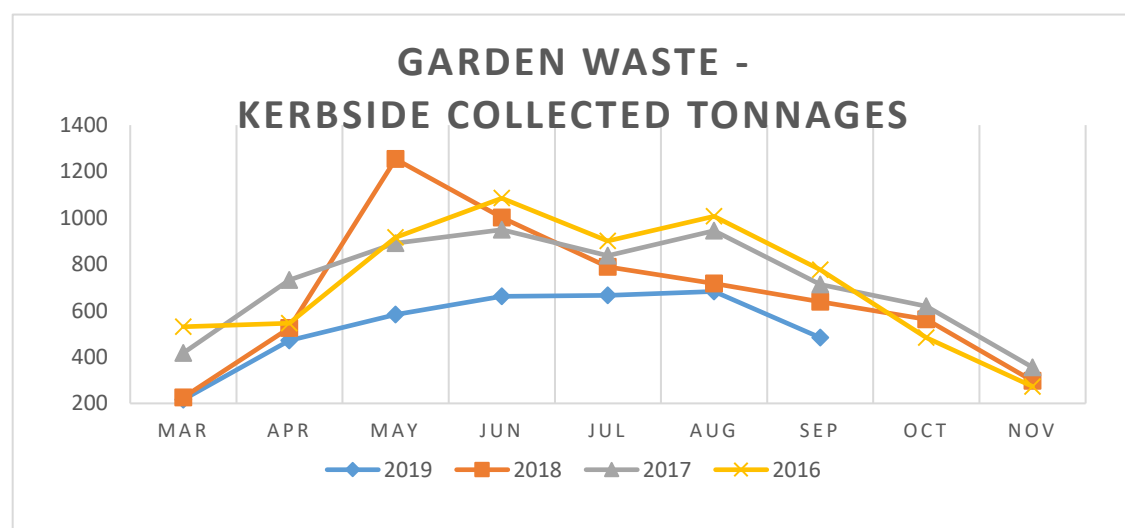


## Appendices:-

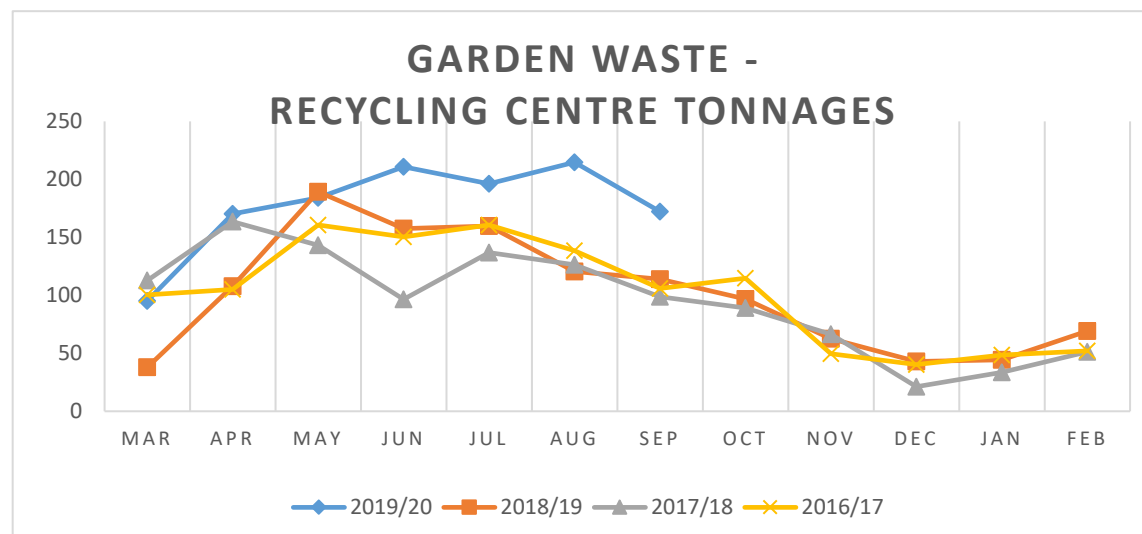
### Appendix 1: Uptake by date



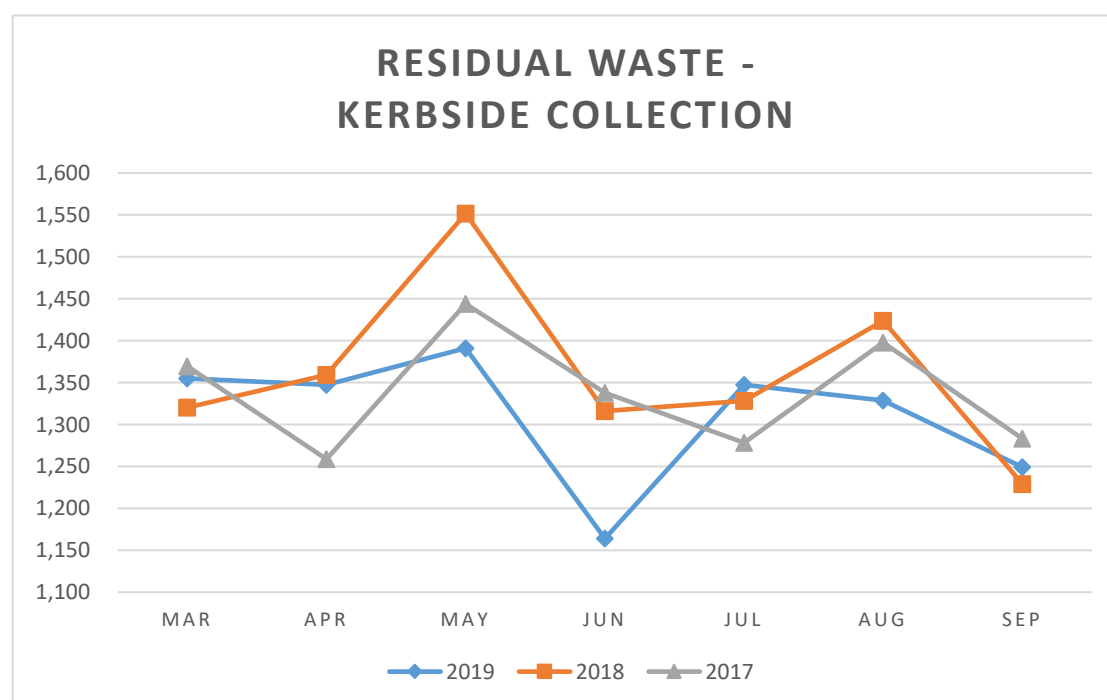
### Appendix 2a: Tonnages collected at the kerbside



## Appendix 2b: Diversion of garden waste to Household Waste Recycling Centres



## Appendix 2c: Diversion of garden waste to the residual waste stream



**Creating a World Class Education System through Excellence and Equity:  
Attainment and Achievement 2019****Report by Andrew Sheridan – Schools Group Manager ASN, Inclusion & Secondary****1. Purpose of Report**

The purpose of this report is to provide an overview of attainment and aspects of achievement for session 2018-19 from Midlothian Schools, including what we are going to do to continue to improve.

**2. Introduction**

Attainment information in Scotland continues to be focused on the use of the senior phase benchmarking tool known as Insight. This national attainment data base has two key release dates. An initial release in September takes into account all qualifications sat by young people within the Scottish Credit and Qualifications framework for the session past and this is captured in the local benchmark data. At that stage the National Benchmark data will only show the past sessions data for the schools leaver cohort from S4, S5 and S6. The national benchmark data section is not updated until February of the following year in order to confirm all relevant pupil leaver data.

In terms of analysis of attainment and achievement performance the Education Authority now publishes two statistical reports to schools - called the School Statistical Report (SSR). The first of these is sent to Schools in early October (SSR 1) after the formal September Insight release and discussion centres on the School's local benchmark data which shows how well each stage cohort – S4 to S6 have done across the range and level of qualifications. This report also looks at CfE level 3 and 4 attainment in literacy and numeracy by the end of S3 to help improve later outcomes during the senior phase. Discussions at individual school meetings will feed into school planning and target setting.

In February a second report – SSR 2 goes to schools and focuses on the National Benchmarks which shows how well the school's leavers have done at each respective stage S4, S5 and S6. The discussions with schools at this point focuses on areas such as literacy and numeracy to see how well equipped their leavers are to go onto sustained and positive destinations, as well as considering overall levels of attainment and the types of destinations young people are achieving.

An important part of attainment analysis for Secondary Schools is to compare themselves to their Virtual Comparator (VC) which you will see referenced in this report. The VC is a sample population drawn from the national cohort of pupils. The pupils are selected so they have similar key characteristics to the school population and this provides a fairer and more useful comparison. The Authority also has a virtual comparator based on its characteristics. Where the national average is described it represents the average for all the Scottish students who sat the qualification at that level. This is a larger and more diverse group than the VC

population and caution should be used in comparing our small cohorts with national cohorts as that affects statistical significance.

This report will consider both National and Local Benchmark data for 2018/19 under the various measures.

## 2.1

### **Improving Attainment in Literacy and Numeracy- CfE Level outcomes**

- At P1 stage (Early Years level CfE) all measures have maintained strong results against the National comparator from 2017/18 to 2018/19 across all SIMD bands. The greatest improvement was in Writing where the number of children achieving Early Level increased by 2%.
- At P4 stage 3 of the 4 measures (Listening and Talking, Numeracy and Writing) have increased from last year although not statistically significantly, Reading has dropped from 79% to 74% across the cohort. Our pupils receiving Free School Meals and PEF funding have shown strong CFE results across the range of measures. The greatest increase coming in Listening and Talking with a 7% increase.
- At P7 for PEF funded children there has been an overall improvement over the last 3 years, Listening and Talking +15%, Numeracy +17%, Reading +9% and Writing +14%. Across the whole P7 school cohort numbers have stabilised in line with National figures, the only significant change coming in Numeracy +3%.
- At S3 results were higher for all measures across the whole School cohort, our PEF funded pupils showing improvement in Listening and Talking +10%, Reading +10%, Writing +12% and numeracy dropping 6%.

### **What are we going to do next in order to continuously improve?**

- Continue rigorous support and challenge to schools re their tracking and monitoring systems including links to longitudinal progress over time for year groups
- Continue to promote the work of the QAMSOs to support planning and holistic assessment towards achievement of a level, based on use of Literacy and Numeracy Benchmarks. Baseline information gathered across all settings and action plans in place. Targeted support in literacy and numeracy.
- Continue rigorous support and challenge to ELC settings.
- Train and support HTs in the use of the BGE Benchmarking Tool to support them to look outwards
- Discuss strategies for schools with students in SIMD bands where attainment may have dropped slightly or is static.
- Ensure there is a focus on protected groups as a separate scrutiny measure to ensure equity of access to the curriculum.

## 2.2

### **Improving attainment in literacy and numeracy: the percentage of pupils attaining literacy and numeracy at SCQF level 4 and SCQF level 5: The national measures for literacy and numeracy show the following key strengths:**

- Attainment in level 4 Literacy has improved up from 88.95% to 90.06%, this is broadly in line with the VC and continues to show a positive trend. Attainment in level 4 Numeracy is slightly down 88.95% to 87.73% however this remains above the VC.
- Attainment in level 5 Literacy is significantly up from 67.89% to 71.85% Numeracy also shows a positive improvement from 54.43% to 59.01%

**The local benchmark measures for literacy and numeracy show the following key strengths**

- S5 Literacy and Numeracy at level 4: Literacy continues to remain static just below the VC, and Numeracy continues to show an ongoing positive trend above the VC.
- S6 Literacy and Numeracy at level 4: This shows a small positive trend, which is slightly below the VC.
- S6 Literacy and Numeracy at level 5: This also shows a small positive trend however also remains slightly below the VC,

**What are we going to do next in order to continuously improve?**

- To ensure performance in literacy and numeracy exceeds the virtual comparator and national average, we will analyse progress from P7 into S1 and S1 into S3 in terms of attainment as indicated by CfE level outcomes for literacy and numeracy by the end of S3 (Level 3 and Level 4 in Curriculum for Excellence). We will also analyse how that impacts on outcomes in S4 and S5 literacy and numeracy assessment at Level 4 and 5 on the SCQF.
- We will evaluate policies and systems in schools that: develop better teaching, learning and assessment, support high quality tracking and monitoring and interventions that have a good impact on learner outcomes.
- Develop practitioner enquiry in Schools that leads to collaborative work and sharing good practice in teaching literacy and numeracy.

**2.3**

**Improving attainment for all: the average total tariff score of pupils based on the attainment of the lowest 20%, middle 60% and highest 20% by performance**

Tariff scores are points awarded for a particular qualification on the Scottish credit and Qualifications Framework (SCQF). Factors such as the level of study and the grade awarded affect the points attached to the qualification. E.g. A Higher award attracts more tariff points than a National 5 award. A National 5 C pass will attract less points than an A pass in the same course. The data considered in this section is an average of the total tariff scores for the Midlothian cohort.

- Average total tariff scores for the lowest performing 20% of leavers' shows positive 3yr progression from 146pts in 2015 to 158pts in 2018, an overall improvement of 12pts. This is higher than the virtual comparator performance of 143pts.
- Average Total tariff scores for the middle performing 60% of leavers' shows positive 3yr progression from 786pts in 2015 to 813pts in 2018, an improvement of 27pts. This is higher than the virtual comparator performance of 778pts.
- Average Total tariff scores for the highest performing 20% of leavers' shows positive progression from 1746pts in 2015 to 1833pts in 2018, an improvement of 87pts. This is higher than the virtual comparator performance of 1821pts.

**What are we going to do next in order to continuously improve?**

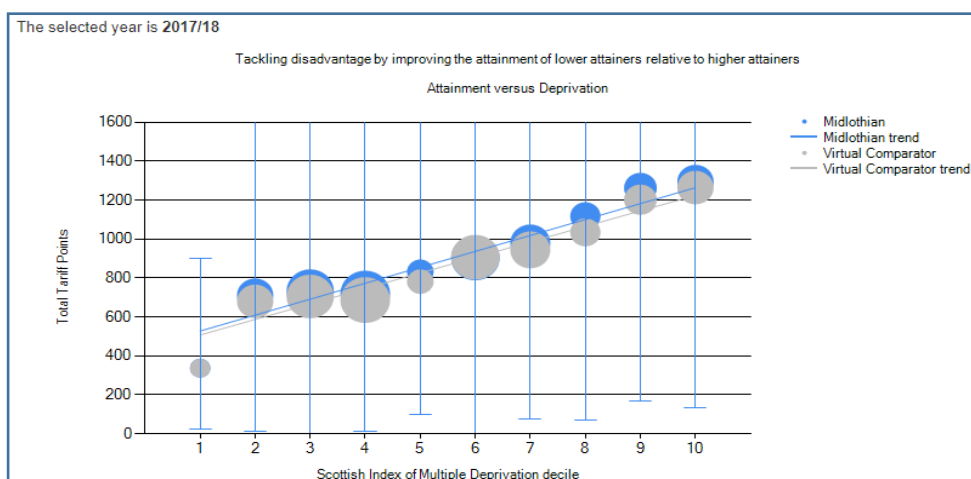
- Implement a range of targeted curricular strategies and wider achievement opportunities in order to maximise tariff scores.
- In particular, work within the BGE curriculum phase will focus on improving how formative assessment impacts on challenge and progression in learning and better prepares students for studying National 5 (SCQF level 5) and Higher (SCQF Level 6) courses.
- Wider achievement courses that offer other possible learner pathways will be audited to ensure they attract tariff points and lead to progression into higher level courses on the SCQF framework.

## 2.4

**Attainment vs. deprivation: tackling disadvantage by improving the attainment of lower attaining pupils relative to higher attaining pupils based on the average total tariff score, by decile, using the Scottish Index of Multiple Deprivation.**

**The national measures for attainment vs deprivation show the following key strengths**

- Midlothian leavers are broadly attaining above or in line with other similar leavers across the country, with an improving trend.
- In 2017/18 Midlothian performance was better than the virtual comparator for all deciles with the exception of SIMD 1&6 which are almost identical.



## 2.5

### Breadth and Depth Measures

To complement the data provided by benchmarking measures, Insight also provides local course measures. In this report the Breadth and Depth Course Measure is used to provide data on the percentage of pupils gaining awards at specific levels by the end of each year stage. This data, when used in conjunction with benchmarking measures provides a richer measure of the progress and performance of Midlothian Schools. Generally, over the last 5 years we have been on par with our Virtual Comparator in most breadth and depth measures at S4 and S5 but there has been some positive trends for some stages. All schools need to target their breadth and depth measures if they are to significantly improve their attainment. The current measure is generally satisfactory in terms of the comparison with the Virtual Comparator but disappointingly static over the five last years.

**The following key strengths are seen at each stage:**

#### S4

- 5 or more at level 3 is significantly higher than the VC.
- 5 or more at level 4 remains above the VC.
- 5 or more at level 5 has a positive trend but is slightly lower than the VC.

**What are we going to do next in order to continuously improve?**

- Overall 5 year trends are neutral or slightly positive across 1, 3 or 5 awards or more at Levels 3 to 5 of the SCQF and we need to improve the static trend.

- To do this we need to target the middle 60% of cohorts through: a continued focus on coursing and presentation levels that challenge learners to progress, ensure robust tracking and monitoring are in place and work closely with parents and carers to address underperformance.
- Improve the overall quality of learning and teaching at all stages using best evidence teaching and learning strategies and impact coaches in schools to promote practitioner enquiry.
- All breadth and depth measures should be targeted to be at least in line with the Virtual comparator (VC).

## **S5**

- 3 or more at level 6 is showing a positive 5yr trend, although slightly lower than the VC.
- 5 or more at level 5 and level 6 is remains in a positive trend but slightly below the VC.

### **What are we going to do next in order to continuously improve?**

- As for S4 we will target the middle 60% of cohorts through: a continued focus on coursing and presentation levels that challenge learners to progress, ensure robust tracking and monitoring are in place and work closely with parents and carers to address underperformance.
- Improve the overall quality of learning and teaching at all stages using best evidence teaching and learning strategies and impact coaches to promote practitioner enquiry.
- All breadth and depth measures should be targeted to be at least in line with the Virtual comparator (VC).

## **S6**

- 1, 3 & 5 at level 6 remain in a positive trend.
- 1, 2 & 3 at level 7 are in line with the VC.

### **What are we going to do next in order to continuously improve?**

- As for S4 and S5 we will target the middle 60% of the cohort through: a continued focus on coursing and presentation levels that challenge learners to progress, ensure robust tracking and monitoring are in place and work closely with parents and carers to address underperformance.
- Improve the overall quality of learning and teaching at all stages using best evidence teaching and learning strategies and impact coaches to promote practitioner enquiry.
- Develop support strategies to ensure high achieving students do not disengage from S6 courses after receiving unconditional offers through UCAS.
- All breadth and depth measures should be targeted to be at least in line with the Virtual comparator (VC).

## **2.6**

### **Positive Destinations**

#### **The data shows the following key strengths:**

- The February 2019 release of insight data showed Midlothian's initial positive destinations at 94.35%. This included a record percentage of leavers going onto Higher Education - 34.11%, up 3% on last year and 5% on 5 years ago. This has

closed the gap on our virtual comparator at 37.92% and National comparator at 41.16%.

- 1 in 3 (33%) of our leavers now go straight into Employment, above the Virtual (24%) and National (23%)
- Positive destinations itself (94.35) above the Virtual and on par with National figures.

#### **What are we going to do next in order to continuously improve?**

- Carry out close analysis of destination trends in the Midlothian context to ensure that young people are accessing options post school that are providing good pathways for lifelong learning particularly with regard to skills for life and work.
- An ambitious target of 96% has been set for initial destinations in 2018/19.

### **3 Report Implications**

#### **3.1 Resource**

The Educational Leadership Team, all Head Teachers and staff are fully committed to reducing the educational attainment gap. The key National Improvement Framework (NIF) priorities will remain a key focus.

#### **3.2 Risk**

Addressing inequalities by reducing the attainment gap is of significant importance in order to improve the life chances of children and young people in our care.

#### **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 Key Priorities within the Single Midlothian Plan (SMP)**

GIRFEC 5: Our people will be successful learners, confident individuals, effective contributors and responsible citizens.

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

To close the gap by improving 'attainment vs deprivation' and 'attainment for all' outcomes for children and young people. It is noted that the narrative around closing the gap is problematic and that to close the educational act relies on a number of other key inequalities e.g. health and income, to close as well. In some sections of the report the term reduce has been used to acknowledge and signify this difficulty.

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

The Education (Scotland) Act 2016 aims to take preventative action in order to close the attainment vs. deprivation gap by implementing key policies and programmes which are designed to target support to children and young people from disadvantaged communities. Local Authorities are also required to produce and implement a National Improvement Framework Plan.



### **3.7 Involving Communities and other Stakeholders**

All Head Teachers update their Parent Councils on progress in terms of attainment and all schools publish their Standards and Quality Reports for Parents and other stakeholders.

### **3.8 Ensuring Equalities**

The recommendations in this report should continue to promote equity of attainment for disadvantaged children and young people and support the steps being taken toward narrowing the attainment gap by imposing duties on Education authorities and the Scottish Ministers in relation to reducing pupils' inequalities of educational outcome together with a duty to report on progress.

### **3.9 Supporting Sustainable Development**

There are no impacts arising from this report.

### **3.10 IT issues**

Full implementation of the Digital Learning Strategy which was approved by Council would assist schools to implement the digital solutions required to reach the targeted attainment outcomes and deliver 21<sup>st</sup> Century information technology knowledge and skills.

## **4. Recommendations**

- To note the improvements in performance outlined in this report, some of which are significant.
- To endorse the areas for continuous improvement outlined in this report.
- To congratulate pupils, parents and staff on the improvements in attainment and achievement during session 2018-19 highlighted in this report.
- Note that a meeting of Council with Secondary Head Teachers will be held on Wednesday 11 December 2019 at 10.00am to allow further discussion of attainment and achievement in our Secondary Schools.

**24 October 2019**

#### **Report Contact:**

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Tel No 0131 271 3701

**School Estate Capacity and Pupil Intake Limits - School Session 2020/21****Report by Dr Mary Smith, Director, Education, Communities and Economy****1 Purpose of Report**

This report provides Council with an update on the school estate capacity, confirms the requirement for additional school capacity to be provided by August 2020 and informs Council of the pupil intake limits required for the school session starting in August 2020 and the implications for pupil placement.

**2 Background**

- 2.1 In September 2017 Council agreed in principle the elements of the Learning Estate Strategy (LES) required to meet the essential learning estate requirements over the period through to 2023 and instructed officers to undertake further work on the financial implications of the strategy so that these could be considered as part of the Council's Capital Strategy and General Services Capital Plan report. This work is progressing but is not yet complete and in the meantime the LES has been updated to take account of a number of developments, the most significant of which are housing development masterplans and social housing sites which are not reflected in the Midlothian Local Development Plan.
- 2.2 Consequently we are now planning a third non-denominational primary school for Mayfield/Easthouses to be located on the former site of Newbattle High School, and a third non-denominational primary school for Dalkeith to be located on a site in Kippielaw. Planning for the Easthouses school is underway and it will provide additional capacity from August 2021. Planning for the Dalkeith primary school is progressing more slowly and could at best be built by August 2022 which leaves the Dalkeith area short of primary school capacity for a further three years.
- 2.3 As the financial governance for the overall Learning Estate Strategy is not yet in place a number of projects have been agreed in the interim to address immediate capacity requirements.
- 2.4 In June 2017 Council had approved provisions in the General Services Capital Plan to progress planning of the extensions to Cuiken and Sacred Heart Primary Schools and to allow the procurement and installation of modular units to provide additional early years' capacity at Mayfield Nursery School, Burnbrae and Danderhall Primary Schools, and to provide additional primary capacity at Lasswade and St David's Primary Schools. The provision of additional primary class space at St David's is to enable some of the existing school space to be converted to an Early Learning and Childcare setting.

- 2.5 In June 2018 Council approved provisions in the General Services Capital Plan for the extension of Cuiken Primary School and the extension and refurbishment of Sacred Heart Primary School including the expansion of Early Years provision at Sacred Heart. Both projects have now progressed to construction, the Cuiken extension is scheduled to be completed in November 2019 and Sacred Heart by the end of June 2020.
- 2.6 In December 2017 Council approved provisions in the General Services Capital Plan to provide:
- two additional classrooms using prefabricated units at Burnbrae Primary School, which are now in place;
  - space for three additional classrooms at the Mayfield School Campus by incorporating the library space and undertaking some refurbishment;
  - pre-school space at St David's Primary School by refurbishing part of the school.
- The work at the Mayfield Campus and St David's Primary School is underway but both projects have suffered numerous delays and it is difficult to predict with any certainty when these will be completed. Nevertheless the school capacity numbers used in this paper assume that the work will have been completed by August 2020.
- 2.7 A provision for the cost of adding two classrooms to Lawfield Primary School was included in the General Services Capital Plan by Council on 13 November 2018. Education Service subsequently decided that one additional classroom would suffice and this work is underway and scheduled to be completed this year.
- 2.8 The construction of the Hopefield School Campus is nearing completion and this will provide additional capacity for Burnbrae Primary School during the 2019/20 school year.
- 2.9 Since August 2017 the Council has provided home to school transport for pupils residing in the Loanhead area who choose to attend Beeslack High School rather than Lasswade, which is their catchment secondary school. This has had some success in easing the pressure of pupil numbers at Lasswade with approximately 20% of pupils attending Loanhead and 35% attending Paradykes Primary Schools opting to attend Beeslack in 2019/20. However, pupil numbers attending Lasswade remain above 1,500 and we intend to address the shortfall in some of the schools core facilities so the school can continue to accommodate its current pupil numbers.

### **3 Intake August 2020**

- 3.1 Pupil enrolment for the 2020/21 school session gets underway with pupil registration week commencing on 18 November 2019 and schools will complete the registration of catchment pupils in the first week of December. We have brought forward to 20 December Midlothian's closing date for receipt of placing requests, although the national deadline remains 15 March 2020, and decisions on those requests will be made and communicated by letter to parents/carers during April. The placing request appeal panel will meet in May to consider appeals in respect of placing requests which have been refused.

- 3.2 The progress of house building in parts of Midlothian is continuing to generate significant growth in pupil numbers. This combined with parental placing requests for certain schools with limited capacity means that pupil intake limits are required in order to safeguard places for pupils to be able to attend their catchment primary school.
- 3.3 The Council's approach to pupil placement is to provide a place for every pupil at one of their catchment schools and to grant placing requests for siblings whenever this is possible. Where catchment schools are over-subscribed the pupil placement process reserves places at neighbouring schools to ensure every pupil is afforded the opportunity to attend a local school. Maintaining this commitment is becoming increasingly challenging with the growth in pupil numbers we are experiencing and the consequent pressure on school capacities.
- 3.4 For August 2020, the primary schools where the number of P1 pupils residing in their catchment exceeds P1 intake capacity are Burnbrae, Cornbank, Danderhall, Glencorse, Gorebridge, Lawfield, Mayfield, Paradykes, Rosewell and Woodburn Primary Schools.

**Table 1: Primary non-denominational schools' catchment numbers & intake limits**

<b>School Name</b>	<b>Catchment P1s</b>	<b>P1 Intake Limit August 2020</b>
Bilston Primary School	24	30
Bonnyrigg Primary School	60	60
Burnbrae Primary School	101	90
Cornbank Primary School	61	50
Cuiken Primary School	39	60
Danderhall Primary School	57	47
Glencorse Primary School	17	14
Gore Glen Primary School	57	60
Gorebridge Primary School	64	60
Hawthornden Primary School	48	55
King's Park Primary School	72	75
Lasswade Primary School	46	60
Lawfield Primary School	83	60
Loanhead Primary School	24	30
Mauricewood Primary School	53	55
Mayfield Primary School	65	50
Moorfoot Primary School	8	14
Newtongrange Primary School	49	56
Paradykes Primary School	72	60
Rosewell Primary School	37	25
Roslin Primary School	25	38
Stobhill Primary School	33	33
Strathesk Primary School	48	55
Tynewater Primary School	21	33
Woodburn Primary School	149	100

<b>Total</b>	<b>1,313</b>	<b>1,270</b>
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**Table 2: Primary denominational schools' catchment numbers & intake limits**

<b>School Name</b>	<b>* Catchment P1</b>	<b>P1 Intake Limit August 2020</b>
Sacred Heart RC Primary School	219	20
St Andrew's RC Primary School	210	25
St David's RC Primary School	299	25
St Luke's RC Primary School	147	33
St Margaret's RC Primary School	146	14
St Mary's RC Primary School	255	33
St Matthew's RC Primary School	37	10
	<b>1,313</b>	<b>160</b>

**\*Total Number of Catchment – P1**

- 3.5 For most schools we anticipate that decisions to attend a denominational school, or to defer entry to primary school or make placing requests will bring the P1 intake numbers down to manageable levels. It is only at Woodburn Primary School that we estimate a shortfall in catchment places.
- 3.6 The estimated number of catchment P1 pupils for Woodburn is 149, allowing for a number of deferrals and a significant number choosing to attend St David's, and a number of placing requests, principally to King's Park and Tynewater, we estimate that there will be 102 catchment P1 pupils for Woodburn and a total pupil roll of 583 pupils. In order to accommodate this number of pupils in appropriately sized classes the school will operate at 24 classes and to do so will require two additional classrooms and ancillary spaces. In addition in order to timetable two hours per week of meaningful PE for each class the school requires a second activity hall.
- 3.8 The intake at denominational schools will be managed with the application of pupil intake limits and by giving first priority to those who have a declared affinity with the Roman Catholic faith. We do not anticipate that the number of qualifying pupils wishing to attend these schools will exceed their intake capacities.
- 3.9 The secondary schools where the number of S1 pupils residing in their catchment exceeds S1 intake capacity are Lasswade and Newbattle. This will be reduced by the numbers who choose to attend St David's and there is also capacity across the other three secondary schools. Pupil enrolment will be managed by use of intake limits, proactive management of placing requests and early engagement with parents and schools on the optimal placement of S1 pupils for August 2020.

**Table 3: Secondary schools catchment numbers & intake limits August 2020**

<b>School Name</b>	<b>Catchment S1</b>	<b>Register S1</b>	<b>S1 Intake Limit</b>
Beeslack High School	77	76	160
Dalkeith High School	246	180	200
Lasswade High School	311	291	300
Newbattle High School	244	228	240
Penicuik High School	148	148	180
St David's RC High School		103	160
	<b>1,026</b>	<b>1,026</b>	<b>1,240</b>

Pupils attending one of Midlothian's denominational schools in P7 are initially registered to attend St David's RC High School. No account has been made here for pupils residing in East Lothian for whom St David's is their catchment denominational school.

- 3.12 The 2020 pupil enrolment process is at an early stage, the full extent of the pressure on each school's capacity will not be known until mid-March, which is the national closing date for receipt of placing requests, and by which time decisions will have been taken about deferred entry. However we will have a better picture by the end of January when pupil registration should be completed and we will have a good indication of numbers of placing requests.
- 3.13 As in previous years pupil intake for August 2020 will be assessed regularly, ensuring effective management of the pupil placement process by taking account of placing requests and reserving places in neighbouring schools to provide places for pupils whose catchment school is over-subscribed. Intake limits based on schools' intake capacity will be applied as necessary in order to prevent schools from becoming overcrowded and we will if necessary bring an update report to a future meeting of Council.

#### **4 Pupil Placement Guidelines**

The policy guidelines on Admission to Primary and Secondary Schools have been updated to take effect for the process of admitting pupils for the forthcoming school session – Appendix 5.

#### **5 Works to provide additional capacity at Woodburn Primary School**

- 5.1 The plan to meet the growing demand for primary pupil places across Dalkeith is to provide a third non-denominational primary school. This is however at least three years away and in the interim additional capacity is required at Woodburn Primary School. All 22 classrooms at Woodburn are currently in use and the school is struggling to provide two hours per week of PE for every class with only one activity hall.
- 5.2 Midlothian's updated space requirements specifies a requirement for two activity halls in a three stream school in order to allow a school of this size to timetable two hours of PE per week for 22 classes. This is the standard that has been applied to the design of the new primary school buildings in Danderhall and Easthouses.
- 5.3 On the basis that the new school in Easthouses, which neighbours Dalkeith, will have available capacity from August 2021 we have assumed that we can limit Woodburn's intake for the subsequent two years. We have also assumed that the additional Dalkeith primary school will be in place by August 2023 and that Woodburn's intake numbers will reduce naturally for a number of years following that. Consequently we estimate that the school requires 3 additional teaching spaces for a period of eight years.
- 5.4 We have reviewed with the Head Teacher the availability of space and layout of the school and have concluded that the best option is to provide a separate building



with three classrooms and an activity hall, located close to the existing school building. The best location may be where the current multi use games area (MUGA) is located and if this is progressed the MUGA would need to be relocated.

- 5.5 Property Services provided an outline concept cost estimate for these works which comes to £2.2million, appendix 1. There is an allowance of £525,000 in the capital plan for the provision of two temporary classrooms at Woodburn Primary School. It is proposed to replace that with a budget of £2.2million for the provision of a unit which includes three classrooms and an activity hall.
- 5.6 Time is very short and at a minimum the school requires the additional teaching spaces to be available for the start of the 2020/21 school year. We therefore propose that plans for the extension are completed and submitted for planning permission immediately. At the same time the method of delivery is agreed and detailed costings submitted to the Capital Plan and Asset Management Board for approval in November.

## **6 Report Implications**

### **6.1 Resource**

Most of the resources required to provide the school capacity needed for the 2020/21 school session have been identified previously and budgets are in place. However, the requirements to address capacity at Woodburn Primary School are only now being finalised. There is an allowance of £525,000 in the capital plan for the provision of two temporary classrooms at Woodburn Primary School. It is proposed to replace that with a budget of £2.2million for the provision of a unit which includes three classrooms and an activity hall.

Resources will also be required in a number of schools in 2020/21 to fit out additional classrooms with ICT equipment. We will work with Property Services, Digital Services and Finance to complete specification of works and ensure that appropriate budgets are established as part of the development of the 2020/21 budget and if necessary bring a further report back to Council.

### **6.2 Risk**

There is a risk that the Council will not have a place for every pupil at their catchment school which is mitigated by the application of limits on pupil intake and the proposals to put in place additional capacity by August 2020.

There is a significant risk that the additional capacity identified in this report will not be delivered before the commencement of the coming school session in August 2020. Contingency plans will be developed once detailed delivery programmes for each school site are provided.



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

Key priority: Reducing the gap in learning outcomes.

GIRFEMC outcomes: Children and young people are supported to be healthy, happy and reach their potential; Inequalities in learning outcomes have reduced.

### **6.5 Impact on Performance and Outcomes**

The aim of this paper supports the priority to reduce the inequalities in learning outcomes by improving the quality of learning and teaching, leading to raised levels of achievement and attainment, by providing every child with the opportunity to attend school in their local community.

### **6.6 Adopting a Preventative Approach**

The Council's approach to pupil placement adopts a preventative approach by maximising the opportunities for pupils to attend school in their local community.

### **6.7 Involving Communities and Other Stakeholders**

This report informs Council of the potential impact on communities arising from pressure on school places.

### **6.8 Ensuring Equalities**

This paper informs Council of the impact of managing pupil admissions in line with national and local policy and procedure.

### **6.9 Supporting Sustainable Development**

The sustainability issues relating to this report relate to the sufficiency of schools places particularly in areas of housing development, the provision of additional capacity is being taken forward via the Delivery Plan for the School Estate coupled with the School Catchment Review Programme.

### **6.10 IT Issues**

There are no IT issues arising directly as a result of this report. The IT requirements arising in order to put in place the additional capacity for each school will be identified as part of the development of the project specifications. The budget required to fully equip the additional classes for August 2019 will be developed in liaison with Digital Services and presented in a future report to Council.

## 7 Recommendations

Council is requested to:

1. Approve the provision of an extension to Woodburn Primary School as detailed in paragraphs 5.4 and 5.5;
2. Note the intake limits for primary schools in Section 3 tables 1 and 2;
3. Note the intake limits for secondary schools in Section 3 table 3;
4. Note progress with the works underway to meet the school capacity required in 2020/21 and the importance of these being delivered in time.
5. Note the updated policy guidelines on admission to primary and secondary schools.

**24 October 2019**

**Report Contact:** Sandra Banks

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### Appendices

- Appendix 1 Woodburn Primary School Extension Concept Cost Plan
- Appendix 2 Projected Primary Pupil Numbers – August 2020
- Appendix 2 Projected Secondary Pupil Numbers – August 2020
- Appendix 3 Pupil Census 2019
- Appendix 4 Policy Guideline – Admission to primary and secondary schools

### Background Papers:

Learning Estate Strategy 2017-2047, Midlothian Council 26 September 2017

## Appendix 1

CONCEPT COST PLAN (v1) Option 1 PROPOSED INTERNAL ALTERATIONS AND EXTENSIONS WOODBURN PRIMARY SCHOOL						
<b>Date</b>	<b>12th April 2019</b>					
<b>Gross Internal Floor Area (m2)</b>						775
<b>Construction Period (months)</b>						12
<b>Baseline</b>	Q2 2019					326
<b>Projection</b>	Q4 2019					333
<b>Inflation Index</b>						0.02147
Baseline is Cost Plan date - Projection is mid-point construction						
<b>Project information (examples below - delete/amend as necessary):</b>						
1	New 4 classroom Teaching Unit extension in size approx 380m2					
2	New Activity Hall with associated changing rooms and circulation space new build					
ref	Description	Unit	Quantity	Rate (£)	Total Cost (£)	Cost Per m2 (£)
	<b>Facilitating Works</b>					
a	None	m2		120.00	-	0.00
	<b>Internal Alterations</b>					
b	Reconfigured Learning Support Area 58.5m2	Item	1	25,655.00	25,655.00	33.10
c	Internal Street Teaching Space	Item	1	21,000.00	21,000.00	27.10
d	New Library Space	Item	1	9,950.00	9,950.00	12.84
e	New Meeting Pod	Item	1	2,369.50	2,369.50	3.06
	<b>New Buildings &amp; Extensions</b>					
f	Construct New Activity Hall 395m2	m2	395	1,900.00	750,500.00	968.39
g	Procurement and Installation of 4 Classroom Teaching Units	m2	380	1,584.00	601,920.00	776.67
	3 classroom TU with office and toilet accom £1584.00 m2 (St David's)					
h	Hard playground area/paths	m2	1500	75.00	112,500.00	145.16
	<b>Non standard/extra over items/provisional allowances (if known)</b>					
1	Enhanced kitchen facilities - allowance for refurbishment already included in rates - based on advice from Margaret McK	item	1	20,000.00	20,000.00	25.81
4	Loose furniture & fittings (excl bleachers/sound stage eqt)	m2	395	50.00	19,750.00	25.48
5	Bleachers seating	item	0	10,000.00	-	0.00
6	Sound stage equipment	item	0	5,000.00	-	0.00
22	Enhanced T&C of M&E systems i.e. flushing of pipe work etc	item	1	5,000.00	5,000.00	6.45
	<b>Works Cost</b>			sub-total	<b>1,568,644.50</b>	<b>2,024.06</b>
i	Preliminaries		<b>12.00%</b>		188,237.34	242.89
				sub-total	<b>1,756,881.84</b>	<b>2,266.94</b>
j	Contingencies		<b>7.00%</b>		122,981.73	158.69
				sub-total	<b>1,879,863.57</b>	<b>2,425.63</b>
k	Design Development		<b>3.00%</b>		56,395.91	72.77
				sub-total	<b>1,936,259.48</b>	<b>2,498.40</b>
l	Professional Fees (standard design team fees incl internals)		<b>10.00%</b>		193,625.95	249.84
	Additional surveys, fees and charges etc:					
16	DS support costs - new build (check - to be based on DS advice)	m2	775	40.00	31,000.00	40.00
17	DS support costs - alteration and refurbishment (check - to be based on DS advice)	item	0	40.00	-	0.00
	<b>Total Cost</b>			total	<b>2,160,885.42</b>	<b>2,788.24</b>
m	Inflation Provision		<b>2.15%</b>		46,399.38	59.87
	<b>Concept Cost Plan Total</b>				<b>2,207,284.80</b>	<b>2,848.11</b>

## Appendix 2

## Projected Primary Pupil Numbers – August 2020

	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>P4</b>	<b>P5</b>	<b>P6</b>	<b>P7</b>	<b>Total</b>
Bilston Primary School	24	17	12	17	14	13	7	<b>104</b>
Bonnyrigg Primary School	56	60	55	60	58	63	64	<b>416</b>
Burnbrae Primary School	90	78	80	78	67	62	62	<b>517</b>
Cornbank St James Primary School	43	47	35	45	37	35	26	<b>268</b>
Cuiken Primary School	33	45	35	34	35	34	26	<b>242</b>
Danderhall Primary School	56	39	46	51	43	38	41	<b>314</b>
Glencorse Primary School	7	0	0	2	2	3	3	<b>17</b>
Gore Glen Primary School	47	48	39	34	23	12	14	<b>217</b>
Gorebridge Primary School	55	52	38	33	43	54	56	<b>331</b>
Hawthornden Primary School	35	31	39	56	46	52	37	<b>296</b>
King's Park Primary School	75	66	68	67	66	71	63	<b>476</b>
Lasswade Primary School	42	53	51	56	50	65	57	<b>374</b>
Lawfield Primary School	60	31	48	57	48	56	45	<b>345</b>
Loanhead Primary School	27	26	28	23	25	26	30	<b>185</b>
Mauricewood Primary School	53	54	39	43	52	44	51	<b>336</b>
Mayfield Primary School	50	36	44	40	47	41	39	<b>297</b>
Moorfoot Primary School	7	13	7	10	13	14	8	<b>72</b>
Newtongrange Primary School	40	51	58	45	41	51	56	<b>342</b>
Paradykes Primary School	64	46	39	40	42	39	31	<b>301</b>
Rosewell Primary School	28	15	17	12	16	23	24	<b>135</b>
Roslin Primary School	26	24	42	26	30	27	28	<b>203</b>
Sacred Heart Primary School	22	19	17	22	21	16	20	<b>137</b>
St Andrew's Primary School	25	21	18	25	24	22	23	<b>158</b>
St David's Primary School	25	25	25	26	31	29	31	<b>192</b>
St Luke's Primary School	36	31	29	31	33	27	26	<b>213</b>
St Margaret's Primary School	3	7	7	4	7	7	3	<b>38</b>
St Mary's Primary School	14	16	23	14	14	27	25	<b>133</b>
St Matthew's Primary School	5	6	5	13	6	9	12	<b>56</b>
Stobhill Primary School	27	32	29	30	28	28	23	<b>197</b>
Strathesk Primary School	38	35	38	50	50	52	44	<b>307</b>
Tynewater Primary School	33	45	27	29	27	32	19	<b>212</b>
Woodburn Primary School	102	98	88	79	79	72	65	<b>583</b>
	<b>1,248</b>	<b>1,167</b>	<b>1,126</b>	<b>1,152</b>	<b>1,118</b>	<b>1,144</b>	<b>1,059</b>	<b>8,014</b>

## Appendix 3

## Projected Secondary Pupil Numbers – August 2020

	<b>S1</b>	<b>S2</b>	<b>S3</b>	<b>S4</b>	<b>S5</b>	<b>S6</b>	<b>Total</b>
Beeslack High School	125	130	144	116	107	77	699
Dalkeith High School	183	155	161	188	147	70	904
Lasswade High School	294	287	285	283	253	178	1,580
Newbattle High School	202	220	185	165	177	88	1,037
Penicuik High School	139	123	113	101	93	68	637
St David's RC High School	130	140	138	110	104	64	686
<b>Grand Total</b>	<b>1,073</b>	<b>1,055</b>	<b>1,026</b>	<b>963</b>	<b>881</b>	<b>545</b>	<b>5,543</b>

## Notes

1. Pupils attending one of Midlothian's denominational schools in Primary 7 are assumed to be catchment for St David's RC High School.
2. St David's RC High School S1 catchment pupils include an estimate for East Lothian resident pupils.
3. The Beeslack and Lasswade estimated catchment pupil numbers assume 30% of pupils attending Loanhead and 40% attending Paradykes Primary Schools opt to attend Beeslack.

## Appendix 4

## Pupil Census 2019

	P1	P2	P3	P4	P5	P6	P7	Total
Bilston Primary School	17	12	17	14	13	7	10	90
Bonnyrigg Primary School	60	55	60	58	63	64	54	414
Burnbrae Primary School	78	80	78	67	62	62	60	487
Cornbank St James Primary School	47	35	45	37	35	26	32	257
Cuiken Primary School	45	35	34	35	34	26	37	246
Danderhall Primary School	39	46	51	43	38	41	41	299
Glencorse Primary School	0	0	2	2	3	3	2	12
Gore Glen Primary School	48	39	34	23	12	14	16	186
Gorebridge Primary School	52	38	33	43	54	56	41	317
Hawthornden Primary School	31	39	56	46	52	37	43	304
King's Park Primary School	66	68	67	66	71	63	60	461
Lasswade Primary School	53	51	56	50	65	57	62	394
Lawfield Primary School	31	48	57	48	56	45	23	308
Loanhead Primary School	26	28	23	25	26	30	30	188
Mauricewood Primary School	54	39	43	52	44	51	52	335
Mayfield Primary School	36	44	40	47	41	39	25	272
Moorfoot Primary School	13	7	10	13	14	8	12	77
Newtongrange Primary School	51	58	45	41	51	56	53	355
Paradykes Primary School	46	39	40	42	39	31	46	283
Rosewell Primary School	15	17	12	16	23	24	15	122
Roslin Primary School	24	42	26	30	27	28	25	202
Sacred Heart Primary School	19	17	22	21	16	20	12	127
St Andrew's Primary School	21	18	25	24	22	23	24	157
St David's Primary School	25	25	26	31	29	31	25	192
St Luke's Primary School	31	29	31	33	27	26	24	201
St Margaret's Primary School	7	7	4	7	7	3	5	40
St Mary's Primary School	16	23	14	14	27	25	16	135
St Matthew's Primary School	6	5	13	6	9	12	4	55
Stobhill Primary School	32	29	30	28	28	23	32	202
Strathesk Primary School	35	38	50	50	52	44	52	321
Tynewater Primary School	45	27	29	27	32	19	22	201
Woodburn Primary School	98	88	79	79	72	65	60	541
<b>Grand Total</b>	<b>1,167</b>	<b>1,136</b>	<b>1,157</b>	<b>1,127</b>	<b>1,150</b>	<b>1,073</b>	<b>1,021</b>	<b>7,834</b>

	S1	S2	S3	S4	S5	S6	Total
Beeslack High School	130	144	116	119	113	54	676
Dalkeith High School	155	161	188	163	71	67	805
Lasswade High School	287	285	283	281	263	184	1,583
Newbattle High School	220	185	165	197	113	74	954
Penicuik High School	123	113	101	103	97	61	598
St David's RC High School	140	138	110	116	85	59	648
<b>Grand Total</b>	<b>1,055</b>	<b>1,026</b>	<b>963</b>	<b>979</b>	<b>742</b>	<b>499</b>	<b>5,264</b>

## POLICY GUIDELINES

### *Admission to Primary and Secondary Schools*

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## PLACING IN SCHOOLS

### • 1.0 LEGAL BACKGROUND

The admission of pupils to both primary and secondary schools is defined in terms of the Education (Scotland) Act 1980. Key points to note are:

- Parents/carers have the right to request admission to the school of their choice.
- Such a request must be in writing and is known as a placing request.
- The Council has a duty to accede to this request, except in certain circumstances specified in the Act.
- The Council has a duty to inform parents/carers of their right to make a placing request and to provide certain prescribed information in order to assist parents/carers in making their choice of school.

Catchment areas have been designated for all Midlothian primary and secondary schools. The parents/carers of all children known to the Council to be due to enrol for the first time in a primary school or transfer from a primary to a secondary school shall be given information about their catchment school options and notified of their right to request an alternative school.

For all other stages, the onus is on the parent to make enquiries regarding alternative school placement for their child(ren). A parent may submit a placing request for her/his child in a school at any stage.

### 1.1 Denominational Education

In Midlothian all denominational schools are Roman Catholic.

A child does not need to be Catholic to enrol in one of our Roman Catholic primary schools or secondary school. However, in the event of a school being oversubscribed, priority will be given to applicants in the following order:

- catchment children who have a declared affinity with the religious beliefs of the school.
- children from other Midlothian catchments who have a declared affinity with the religious beliefs of the school.
- catchment children who have a sibling attending the school.
- all remaining catchment children.
- all other applicants.

Please note however, that while those who have a sibling who will be attending the school will be given priority over those who do not, a sibling attending the nursery class will not be taken into account.

Priority may be given to applicants, based on additional information provided, at the Council's discretion.

## **1.2 Parents wishing a Gaelic Medium Education**

Gaelic medium education for Midlothian resident pupils is currently provided by the City of Edinburgh Council. Midlothian Council will provide home to school transport for pupils enrolled in Gaelic medium education.

Currently parents wishing to have their child/ren educated in the Gaelic medium should make a placing request for the Gaelic medium primary school, Bun-sgoil Taobh na Pàirce, in Edinburgh. To apply for a place in P1 parents should complete a placing request form available on the City of Edinburgh Council website. Further information can be found at:

[www.edinburgh.gov.uk/info/20256/school\\_places/484/gaelic\\_in\\_schools](http://www.edinburgh.gov.uk/info/20256/school_places/484/gaelic_in_schools)

Parents can request that the Council carries out an assessment for the need for Gaelic medium primary education to be provided within the Council area. Further information and an assessment request form are available from the following website:

[www.gov.scot/Publications/2017/02/1442/downloads](http://www.gov.scot/Publications/2017/02/1442/downloads)

## **1.3 Children with Additional Support Needs**

In line with legislation we have a policy of including children with additional support needs in mainstream schools where possible. Some children may be educated in specialist schools/classes.

Further information about additional support needs is available from the Additional Support for Learning Officer, whose contact details are given at the end of this document.

## **1.4 Home to School Transport**

A pupil may receive free transport if they attend their catchment school and their home address is more than two miles from the school based on the shortest safe walking distance. A pupil may also receive free transport if the Council has placed them in a non-catchment school due to a catchment school being full. From August 2017 pupils resident in Loanhead who make a successful placing request for S1 at Beeslack High School will also be eligible for free transport.

A pupil will not receive free transport if they attend a non-catchment school as a result of a placing request being granted.

## **1.5 Composite Classes**

Composite classes are part of the normal organisation in many primary schools and can have a maximum of 25 pupils. Age is the main criterion for selecting pupils for composite classes. Normally composite classes will have a minimum of four pupils from each year stage.



Please refer to Professional Practice Paper 7 for further guidance.

## **1.6 Team Teaching**

Team teaching is where two teachers teach a class that has more than the maximum number of pupils for that particular stage. Where the number of pupils exceed this team teaching may be implemented.

The maximum size of a P1 class size is 25, a P2 or P3 class is 30 and a P4, P5, P6 and P7 class is 33 pupils.

## **1.7 Children living under shared care**

Where parents are separated the address of the parent with whom the child resides for the majority of their time per week and is in receipt of child benefit for the child, is used to determine the catchment area. If the shared care arrangement is a 50/50 split between the parents, the parents will be asked to provide proof such as a legal agreement. If the Council is satisfied that the care is equally shared, the parents will be given the opportunity to choose which of the catchment schools at which to register.

# **2.0 ARRANGEMENTS FOR PRIMARY SCHOOLS**

## **2.1 Enrolment procedures for entry to primary school**

Enrolment procedures commence at the beginning of November each year.

## **2.2 Press advertisements**

In October each year Pupil Placement will place an advertisement in the local press, advising parents/carers of any child eligible to begin primary education that they should, by a specified date, register their child at their catchment school. Registering a child does not automatically ensure that a place will be made available; this will be determined when all information is collated and examined.

Parents/carers will be advised that, even if they wish to make a placing request for a non-catchment school, they must first register their child at the catchment school.

## **2.3 Contact with parents/carers**

At the same time, Pupil Placement will contact the parents/carers of all children eligible to begin primary education and who attend a nursery school, nursery class or a children's centre in Midlothian by letter. Head Teachers should ensure that copies of the school handbook are available for any parent requesting one.

## **2.4 Eligibility**

Any child whose fifth birthday falls between 1 March in any year and the last day of the following February can start primary school on the first day of the autumn term, (known as the commencement date).

An exception to these procedures may be where children who have been admitted to primary education by another authority subsequently become resident in Midlothian. In such cases, the Head Teacher should consult her/his appropriate Schools Group Manager before deciding whether to admit the child.

## **2.5 Choosing a school**

Pupil Placement will issue information informing parents/carers of their rights to choose a school when they write to the parents/carers of eligible children. Any parent/carer wishing to make a placing request should obtain a Placing Request application form. It is not essential that parents/carers use the form but they must make the request in writing to the Pupil Placement Section within Education, Communities and Economy. It is essential, however, that parents/carers initially register their child at their catchment school.

See section 4 for information on placing requests.

## **2.6 Access to information**

Parents/carers should have access to information about the schools in which they are interested. This will generally be contained in the school prospectus or handbook, copies of which should be available from the school and on the school website. In addition, the Council produces guidelines on admission to Midlothian schools called Placing in Schools, which is available on our website at [www.midlothian.gov.uk/info/879/school\\_places/32/apply\\_for\\_a\\_school\\_place](http://www.midlothian.gov.uk/info/879/school_places/32/apply_for_a_school_place)

## **2.7 Registration of catchment children**

Primary Head Teachers may wish to publicise registration arrangements through their own local channels if they feel this is appropriate so that as many parents/carers as possible are encouraged to register their children at this time. During the registration period Head Teachers should only register those children who are normally resident in the catchment area.

Head Teachers should ensure that catchment children are correctly identified; a Council Tax bill, Child Benefit letter, Tax Credit Award notice or recent utility bill is normally adequate proof. If the pupil does not attend a Midlothian Council nursery class/school, their birth certificate or passport should be seen as well. It is the address of the parent or carer which is relevant; the address of other family members or a child minder with whom the child may occasionally reside is not relevant.

Please note that registration does not guarantee a place at a catchment school.

See section 1.7 for children living under shared care.

## **2.8 Enrolment of catchment children**

The Pupil Placement Section will collate the registration information obtained from each school and use this to determine whether there is sufficient capacity to accommodate all catchment children. Where there is insufficient capacity, priority will be given in the following order:

- children who have been prioritised based on individual circumstances.
- children with a declared affinity with the religious beliefs of the school (Denominational schools).
- children who will have siblings attending the school at the same time.
- then all remaining catchment children.

If there are more children than places available in any category, proximity of home to school and/or ease of travel will normally be used. A sibling attending the nursery class at the same time will not be taken into account.

Parents/carers will be advised by letter, sent by the Pupil Placement Section by 30<sup>th</sup> April, whether they have been granted a place at their catchment school. Those children who have been granted a place will be automatically enrolled at the school.

Once the place is offered it will not be withdrawn unless the place was obtained using false information or the family change address before the start of the school year.

Those who have not been granted a place at their catchment school will have a place allocated at the Midlothian school nearest to their home with places available. They will be given the option to make a placing request to another school, if they so wish. The pupil will be placed on a waiting list for the catchment school in order of priority and, should a place become available, parents/carers will be contacted by Pupil Placement.

## **2.9 Change of address**

Children who move, or are moving before the start of the school year, will have a place reserved in their non-denominational or denominational catchment school based on their address at the start of the school year. This is subject to places being available and where proof of change of address has been received by the end of February. Acceptable proof of change of address is a signed tenancy agreement or letter from a solicitor confirming missives have been concluded. The Council may ask for further proof following the move and pupil registration may be subject to this proof being provided.

## **2.10 Phased entry arrangements**

Head Teachers may wish to phase the P1 intake over a period. If this is done, all children eligible for admission should be admitted by the second week of the new

school session. However, a parent may require the authority to accept a child from the commencement date.

Head Teachers may also choose to limit P1 pupils to part day attendance in the early stages but such arrangements should not extend beyond the second week of the new school session. Any request from a parent for a child to be in full time attendance should normally be granted. Certain children may require special consideration to be in full time attendance, for example due to medical or family circumstances. In such cases, Head Teachers should consult their appropriate Schools Group Manager regarding arrangements for these children.

### **2.11 Deferred entry to primary school**

In Scotland, children usually start primary school in the year during which they have their 5th birthday. This means that in primary 1 classes, children are usually aged between 4½ and 5½ years. Where a child does not start school at the expected August start date for their year group, it is called deferred entry to primary school.

If your child's 5th birthday falls between mid-August (the day after the school commencement date) and December 31<sup>st</sup>, you have a legal right to defer their entry into Primary 1 until the following August when they are nearer 6 years old. However, this does not mean that your child is automatically entitled to a funded early learning and childcare place. If Midlothian Council agrees that deferring entry into Primary 1 is in your child's best interests, it can choose to provide a funded early learning and childcare place. Alternatively, the additional year of early learning and childcare can be funded by the parent where the Council does not agree that there will be significant educational benefit to the child from an additional year in nursery.

If your child has their 5<sup>th</sup> birthday between 1<sup>st</sup> January and 28<sup>th</sup>/29<sup>th</sup> February they are also entitled to defer entry to school, should their parents wish it and they are guaranteed to receive a funded early learning and childcare place. This is guaranteed because councils receive funding from the Scottish Government for places for these children.

The parent/carer should contact the nursery their child attends for information and advice about deferring their child. The child should register at one of their catchment area schools even if a deferral is going to be requested. The nursery will, in discussion with parents/carers, provide advice on the best starting date for the child.

### **2.12 Early admission**

The Council does not have a duty to educate a child who is not of school age. Parents/carers of these children may make a request for early admission. The professional view of the authority is that nursery education is the most appropriate form of education for children who have not reached school age.

The Council has delegated the responsibility of granting early admission to the Director, Education, Communities and Economy, but this will only be considered if it can be established that refusal would harm a child's education in the long term.

When applying for early admission, parents/carers should provide evidence to support their case, including written evidence wherever possible. Members of staff should not provide letters of support to parents/carers.

There is no right of appeal once a decision has been reached on requests for early admission as the child is not of school age.

### **3.0 ARRANGEMENTS FOR SECONDARY SCHOOLS**

#### **3.1 Eligibility**

Pupils will normally transfer to secondary school at the end of a seven year course of primary education. If, in the opinion of the Head Teacher or other professional advice, there are exceptional circumstances which would make it inadvisable to transfer a child, the appropriate Schools Group Manager should be consulted before a final decision is made.

Pupils attending a non-denominational primary school will be allocated a place at their catchment non-denominational secondary school, if they attend a denominational primary school they will be allocated a place at St David's RC High School. If the parents wish to request their other catchment secondary school they should complete a placing request form and return it to the Pupil Placement section.

#### **3.2 Transfer between primary and secondary schools**

Pupil Placement will provide Head Teachers with details of which school each child will be transferring from/to.

Head Teachers of primary schools should ensure that detailed information on each pupil is forwarded to the appropriate secondary school. This information will normally include:

- an assessment of the pupil's attainment in mathematics and language
- comments on ability and attainment in other curricular areas, e.g. science, art, music
- comments on special interests and aptitudes
- an indication of the pupil's personal attributes and information about their background which may influence their attitude and performance in school work
- the Pupil Progress Records (PPR), updated to the end of the last session of primary education
- the Pupil Profile, which is completed by the pupil.

### **3.3 Primary-secondary liaison**

Secondary schools will normally have an established liaison programme with their associated primary schools which will include other initiatives to ease the transition between primary and secondary stages.

### **3.4 Induction programmes**

Secondary Head Teachers should also arrange for parents/carers and incoming pupils to visit their school at an appropriate time, prior to transfer. Full information on the school should be sent at the start of the summer term to all parents/carers of pupils transferring to the school.

### **3.5 Enrolment procedures**

All parents/carers of P7 pupils resident in Midlothian, who attend a primary school in Midlothian, will receive written confirmation from Pupil Placement in November that a place has been reserved at their catchment secondary school, based on their home address. Parents/carers will also be advised of their right to make a placing request.

See section 4 for information on placing requests.

Midlothian pupils are enrolled in their destination secondary schools through the transfer of their details from their primary schools; secondary schools only need to enrol those pupils from outwith Midlothian whose placing requests have been granted.

### **3.6 Allocation of Catchment Secondary School Places**

The Council will normally give the highest priority to children living in the catchment area of a school. In the event of a school having more catchment children than places available, priority will be given in the following order:

- children who have been prioritised based on individual circumstances;
- children with a declared affinity with the religious beliefs of the school (Denominational schools);
- children who will have siblings attending the school at the same time;
- children who attend an associated primary school;
- all remaining catchment children.

If there are more children than places available in any category, proximity of home to school and/or ease of travel will normally be used.

If a place at a catchment school is not available, parents/carers will be offered a place at the nearest Midlothian secondary school to their home address with places available. They will be given the option to make a placing request to another school, if they so wish. The pupil will be placed on a waiting list for the catchment school in order of priority and, should a place become available, parents/carers will be contacted by Pupil Placement.

Once the place is offered it will not be withdrawn unless the place was obtained using false information or the family change address before the start of the school year. Children who are offered a place at their preferred catchment school will be enrolled automatically.

### **3.7 Parents wishing a Gaelic Medium Secondary Education**

Gaelic Medium Secondary Education for Midlothian resident pupils is currently provided by the City of Edinburgh Council. Midlothian Council will provide home to school transport for pupils enrolled in Gaelic Medium Education in Edinburgh.

Parents wishing to have their child/ren educated in the Gaelic Medium should make a placing request for the Gaelic Medium Unit at James Gillespie High School in Edinburgh. Further information can be found at:

[www.edinburgh.gov.uk/info/20256/school\\_places/484/gaelic\\_in\\_schools](http://www.edinburgh.gov.uk/info/20256/school_places/484/gaelic_in_schools)

### **3.8 Intake numbers**

Pupil Placement will inform secondary school Head Teachers of the number of catchment pupils that will be transferred from primary schools and any intake limits that may apply. They will also be informed on a regular basis of numbers of any non-catchment requests which have been received and catchment requests out to other schools.

Throughout this period, secondary school Head Teachers should discuss with the Pupil Placement Section any factors that may affect the school's ability to accommodate the projected S1 intake.

### **3.9 Issue of school handbooks**

- Head Teachers must arrange for the appropriate number of school handbooks to be forwarded to their associated primary schools for issue during November. Delays in issuing the handbook should be avoided as parents/carers are legally entitled to this information 28 days before the closing date for receipt of applications, which is in December each year. The handbook should also be made available on the school website.

### **3.10 Press advertisement**

In October each year Pupil Placement will place an advertisement in the local press, advising parents/carers of any Midlothian child eligible to begin secondary education that their child will be automatically enrolled in their catchment secondary school, unless a placing request is made for another school.



## 4.0 Making a Placing Request for a Non-Catchment Primary or Secondary School

All parents/carers have the right to request a place for their child in a non-catchment school; this is called a placing request. It is the Council's statutory duty to grant placing requests where there are places available, except in certain circumstances which are set out in The Education (Scotland) Act 1980.

If the child is starting primary or secondary school in August and the parent/carer wants them to attend a non-catchment school, they may make a request by completing a Placing Request. The form is available from the catchment school that you register your child at, for secondary school from the primary school your child is attending or from the secondary school you wish to request. Form is also available on our website at

[www.midlothian.gov.uk/info/879/school\\_places/145/apply\\_for\\_a\\_non-catchment\\_school](http://www.midlothian.gov.uk/info/879/school_places/145/apply_for_a_non-catchment_school).

If the child is at any other stage of their education parents/carers should contact the Head Teacher of the school of their choice.

If the child has additional support needs the right to make a non-catchment placing request includes the right to request a special school or special class. Parents/carers who wish to make this kind of placing request should discuss their choice of school with the child's lead professional before making their request.

### What will happen when a placing request is made to Midlothian Council?

The following information applies if a placing request is made for a child to a Midlothian Council school.

The closing date for placing requests for starting Primary 1 or Secondary 1 in August is December. The Council will still consider the request if it arrives after this date but before 15 March, the national cut off date. Placing requests received after 15 March will be considered but there may be no places left at the school of choice.

The parent/carer should receive acknowledgement of their application within fourteen days of receipt by Pupil Placement. The Council will keep the placing request form until the national closing date and will then consider it along with all the other placing requests received before the closing date.

Members of staff should not provide letters of support to parents/carers.

## 4.1 Restriction or limitation of places

The Council will give the highest priority to children living in the catchment area of a school. Places remaining after catchment children are enrolled will be available for non-catchment children.



### Placing Requests

When there are more placing requests than places available the Pupil Placement Panel will consider all requests along with supporting information and documentation. The Pupil Placement Panel have the authority to prioritise individual applications, therefore it is important that parents/carers provide all relevant information in support of their request. This may include, in no particular order, medical evidence and reports from other services or agencies involved with the child, additional support needs, bullying, racial harassment, child or parental medical conditions.

Priority will be given to applicants in the following order:

- children who have been prioritised based on individual circumstances
- children who are resident in Midlothian's catchment with declared affinity with the religious beliefs of the school (Denominational schools).
- children who are resident in Midlothian's catchment who will have siblings attending the school will be given priority over those who do not. A sibling attending the nursery class will not be taken into account.
- children who are resident in Midlothian's catchment and who do not have a sibling attending the school at the same time.
- children who are resident outside Midlothian's catchment with declared affinity with the religious beliefs of the school (Denominational schools).
- children who are resident outside Midlothian's catchment who will have siblings attending the school will be given priority over those who do not. A sibling attending the nursery class will not be taken into account.
- all other applicants.

### **Other relevant factors that may be taken into account**

The following relevant factors may be taken into account however they do **not** guarantee that a request will receive priority or agreement.

- attendance at an associated primary school (for requests in S1)
- attendance at the primary school nursery class (for requests in P1)
- proximity of home to school and/or ease of travel

If there is more than one placing request in any of the above groups then the shortest, safe walking distance from home to school is normally used to decide priority within each group.

Once a pupil has completed a proper admission to the school they will not be asked to transfer to another school against the wishes of their parents/carers in order to admit a pupil who has moved into the catchment area.

A proper admission is one made under the policy of the Council based on correct information from the parents/carers.

**Please note that, if a placing request is granted, the child's place at their catchment school may be allocated to another child. If, after a placing**

**request has been granted, a parent changes their mind and wishes their child to attend their preferred catchment school, a place may not be available.**

## **4.2 Refusing a placing request**

If the Council refuses a placing request a letter will be sent to the parent/carer which gives the reasons for the decision. The Education (Scotland) Act 1980 sets out the reasons why a placing request may be refused.

The main reasons are:

- an extra teacher would have to be employed.
- the Council would have spend a significant amount to extend or alter the accommodation at, or facilities provided in connection with, the school.
- an extra teacher would have to be employed, or additional class formed, at a future stage of the child's education.
- the number of children at the school would exceed the school's capacity.
- to reserve places at the school for children moving into the catchment area.
- the order and discipline in the school would be seriously affected i.e. through overcrowding.
- the educational wellbeing of pupils at the school would be seriously affected i.e. through overcrowding or exceeding the relevant maximum class size.
- the child's education would be affected because the education at the school requested is unsuitable.

## **4.3 What happens if the Council refuses a request?**

If a placing request is refused, the parent/carer has the right of appeal. Appeals must be lodged, in writing, no later than 28 days after the refusal letter being sent. Details of how to make an appeal will be in the refusal letter sent to the parent/carer.

In Midlothian appeals are heard by the Education Appeals Committee. The Education Appeals Committee is independent of the Education, Communities and Economy Directorate. This is a formal legal process and further information will be sent on receipt of the appeal.

### **Primary school placing request**

If a place at the requested primary school is not available, a place will be reserved at the preferred catchment primary school that the child has been registered at. However if no place is available at the preferred catchment school, then a place will be allocated at the nearest school with places available (if the preferred school was a denominational school then a place will be allocated at the denominational catchment school if possible). A waiting list will be formed for the requested school and/or catchment school and, should a place become available, the parent/carer be contacted. The waiting list will operate until the end of the summer term.

### **Secondary school placing request**

If a place at the requested secondary school is not available, a place will be reserved at the catchment secondary school. However if no place is available at the catchment secondary school, then a place will be allocated at the nearest

school with places available. A waiting list will be formed for the requested school and/or catchment school and, should a place become available, the parent/carer will be contacted. The waiting list will operate until the end of the summer term.

#### **4.4 Placing Requests for Children with Additional Support Needs**

The parents/carers of children recorded as having additional support needs also have the right to make a placing request. If the Council refuses the request, parents/carers are given a statement of the reasons for the decision and have the same rights of appeal as those previously mentioned.

Under the terms of the Education (Additional Support for Learning) (Scotland) Act 2009, if parents/carers have been refused a placing request for a child with a coordinated support plan (CSP) or to a special school, a mediation service is available to families of children with additional support needs and they have the right to appeal the decision. Appeals are dealt with by the Additional Support Needs Tribunal for Scotland. Details of who to send your appeal to will be in the refusal letter we send you.

#### **Contact Details**

Pupil Placement  
Midlothian Council  
Education, Communities and Economy  
Fairfield House  
8 Lothian Road  
Dalkeith  
EH22 3ZG

Telephone: (0131) 271 3733

Email: [pupil.placement@midlothian.gov.uk](mailto:pupil.placement@midlothian.gov.uk)

Additional Support for Learning Officer  
Midlothian Council  
Education, Communities and Economy  
Fairfield House  
8 Lothian Road  
Dalkeith  
EH22 3ZG

Telephone: (0131) 271 3689

Email: [asl.officer@midlothian.gov.uk](mailto:asl.officer@midlothian.gov.uk)

## **Early Learning and Childcare Expansion Update November 2019**

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

### **1 Purpose of Report**

- 1.1** The purpose of this report is to provide an update on progress with the expansion in early learning and childcare (ELC) to 1140 hours and to advise of allocation of the capital funding received from the Scottish Government to deliver the additional capacity required.

### **2 Background**

- 2.1** The Children & Young People (Scotland) Act 2014 increased the number of hours of free early learning and childcare provided to parents and carers from 475 hours per year to 600 hours and introduced an entitlement for certain 2 year olds, both in 2014. In June 2019 secondary legislation was passed which increases the number of funded hours to 1140 from August 2020. Previous reports to Council have set out the changes and challenges to the council in implementing the expansion as well the revenue and capital funding distribution to Midlothian from the Scottish Government. There are now 9 months remaining until implementation in August 2020.

### **3 Projecting Demand**

- 3.1** As advised in previous reports to Council, the planning for the expansion has been embedded in the Learning Estate Strategy to ensure a joined-up approach and enable maximum efficiency.
- 3.2** The population projections used to forecast the number of children entitled to places uses the same methodology as the Learning Estate Strategy and are based on the number of children attending each school in each year plus a calculation of the number of children who will come forward from recent and planned house building (the Pupil Product). Each year the Primary 1 enrolment is analysed and combined with the most up to date house building programme to update the pupil population projections. This analysis has just been completed following the 2019/20 P1 intake and has resulted in a reduction of around 5% in the number of children forecast as requiring places in early learning and childcare in the next few years. Council will recall discussion in previous papers around the difference in the population projection figures used by the council and those used by Scottish Government to determine the revenue funding to local authorities. The council's new projections are closer, but still above, those used by Scottish Government. Detailed planning of staffing and other revenue expenditure using these new projections is now taking place and a further update on this will be provided to members.
- 3.3** The legislation requires 1140 hour places to be available within the local authority area, however parents of course prefer places in a particular area due to factors such as proximity to home, relatives with a care role, work or study.

- 3.4** Analysis of the population in the learning communities in Midlothian and the uptake of places in 2016 identified that there is a significant movement of population to take up ELC places. The updated population projection figures confirm this with around 27% more children taking up places in the Dalkeith Learning Community than live in it, although the 2019 survey of parents and carers suggests this may reduce by over half. It is difficult to forecast at what level this will continue following the implementation of the increased hours therefore the planning for expansion has made an allowance for it.
- 3.5** Parents and carers can be assured that their children will receive the same quality of ELC no matter which provider they choose as all funded providers will need to meet the National Standard. This is an important message for parents as, with the reduction in the number of children who can be accommodated in many council settings as a result of the increase in hours, children will transition in to Primary 1 from a variety of funded providers. **The traditional expectation of children attending a school setting for their pre-school year will no longer apply as parents will be choosing a provider for the model of delivery that best suits their needs.**
- 3.6** In September and October 2019 a survey was carried out to gather information on the needs and likely choices of parents and carers when 1140 hours becomes universal. 439 completed responses were received and analysis is being carried out. The findings will be used to ensure that the final expansion plan follows the community's needs as much as possible. Initial findings include a shift in preference from all year provision to term time, 39% of respondents advised they need more than 1140 hours of childcare per year, and a notable proportion of respondents (15% for 3 and 4 year olds, more for 2 year olds) said they would take up half or less of the hours, although this may reduce as 1140 hours becomes embedded.
- 3.7** Children start Primary 1 between the ages of 4 years and 6 months old and 5 years and 6 months old. All children who are still 4 at the start of the school year can be deferred and start Primary 1 the following year. The youngest children, with a birthday in January or February, are automatically entitled to another year of funded ELC. For children with a birthday between the start of the school year in August and the end of December, additional funded ELC is at the discretion of the local authority. In previous years around 9% of each year group of children in Midlothian defer, over 100 per year. **The Scottish Parliament recently passed a motion to review the financial implications of funding ELC for all deferred children.** While the full impact of this will be addressed in due course, it highlights a risk that the recent publicity around deferrals, together with the increase in hours (removing a financial incentive for parents to start their child at primary school), may result in an increase in the number of deferrals requested for 2020/21. If these were to be agreed by the council it would increase demand for ELC places.

## **4 Capital Expenditure**

- 4.1** The council received £2.831m in capital funding from the Scottish Government to deliver the expansion in early learning and childcare hours from 475 to 600, and will receive £16.528m to deliver 1140 hours. **Appendix 2** sets out how this funding has been allocated.
- 4.2** A number of settings have been able to increase their registered capacity through changes in practice, changing the use of spaces or as a result of changes in the floor area requirements per child. In some cases these have required minor works. These variations have increased capacity by 66 places

in total so far with more planned. Other projects have already been completed or are under construction: the modular units at Mayfield Nursery School; using an adjacent room at Lasswade Primary School; the new St Mary's RC Primary School and Burnbrae Early; the replacement Danderhall Primary School; the refurbishment of Sacred Heart RC Primary School; refurbishment to create an ELC setting at St David's RC Primary School.

- 4.3** A table setting out the 2016/17 capacity and the capacity under 1140 hours is included in **Appendix 1**. Note that the staff:child ratio changes from 1:10 under 600 hours to 1:8 under 1140 hours, so settings will move to capacities in multiples of 8.

- 4.4** Projects of note which have just opened or are opening shortly:

#### **Vogrie Outdoor Early Learning and Childcare Setting**

The setting opened on the 23<sup>rd</sup> of October and has been initially registered for 42 places with the intention to expand to 80 by August 2020. As it will operate all year two children can be accommodated per one registered place so Vogrie will provide spaces for 84 then 160 children. The setting will use areas within the walled garden for reception as the children arrive, growing, harvesting and cooking plants and the polytunnel as a shelter/quiet space. A learning pavilion will be installed adjacent to the walled garden as a base and the children will explore and make use of the wide range of environments, activities and opportunities available in the park. A staff base will also be provided.

The walled garden offers a tremendous facility for the setting: located by the car park for easy drop off and pick up; sheltered from high winds (access to some areas of the park will need to be restricted during high winds due to the potential for falling branches); ideal growing conditions for a variety of plants; potential for insect farms/bee keeping. The Council's Commercial Services will continue to use the area immediately inside the gate for storage of materials and equipment and the modern greenhouses and other growing areas will remain available for other purposes. Many of the aspects of the walled garden that make it ideal for use as part of the ELC setting apply equally to potential commercial uses and this will be explored in a future paper presented to Council. Early years will pay a let fee to Land and Countryside to offset the loss of opportunity for the areas used as well as contributing to the cost of operating the park. When the setting is established and has 160 children attending, some will be dropped off by their parents/carers and others will be transported from local settlements. This will increase the park's profile across Midlothian and increase footfall, increasing its attractiveness to businesses.

#### **Scots Corner Early Learning and Childcare Setting**

Midlothian Council met with the Ministry of Defence (MoD) in late 2018 to discuss possible options for a new nursery within Scots Corner community centre, which is situated close to Glencorse Barracks. Having seen the facilities and their potential, the council was keen to work in partnership with the MoD to facilitate a setting run by the council in one section of the building that is run and managed by the 2 SCOTS Unit Welfare team. Several progress meetings have since taken place enabling this exciting project to move forward. Midlothian Council has signed the Armed Forces Covenant and the excellent Covenant relationships have underpinned the progress of the ELC setting. Scots Corner ELC will operate under a different model, designed to best respond to the particular needs of the Armed Forces Community, while also serving the needs of the wider community: open 50 weeks of the year; earlier opening; later closing; retention of some places so



they are available for Armed Forces families posted into the area at short notice; sessions available to purchase; places available for children from age two.

This unique setting will work closely with families to develop the all-important family learning approach and challenge and develop current areas of practice in supporting Armed Forces families throughout their early learning journey and beyond. The setting will open in early 2020. The development of Scots Corner ELC and the partnerships that have enabled it to progress are excellent examples of the Armed Forces Covenant in action in Midlothian.

### **Mount Esk Nursery School/Hawthornden Primary School**

Mount Esk will be relocated to a new-build setting on the grounds of Hawthornden Primary School, including making provision for a Family Learning Centre. It will continue to operate as a stand-alone nursery school.

### **Hawthorn Family Learning Centre**

Hawthorn presents an opportunity to work in partnership with Children and Families to deliver an ELC Education setting within Hawthorn, starting small and increasing its registered capacity for August 2020 (following a minor refurbishment). A review is being undertaken to establish the shape of services required in the future, engaging with the community and linked with Mayfield In It Together and the town centre masterplanning. Appropriate time must be allowed for this process in order to ensure that this investment best meets the needs of the community into the future and therefore the long-term facility will be delivered after 2020/21.

The General Services Capital Plan has been amended to allocate £1.508m of ELC expansion funding, based on providing a replacement building for 80 ELC places (which would also provide for some additional registered capacity based on the outdoors for 3-4 year olds).

### **Penicuik Outdoor Early Learning and Childcare Setting**

A site has been identified and a feasibility study is being undertaken. The site offers a fantastic opportunity to work in partnership with a local growers' association and the Penicuik Estate to offer a range of experiences and activities for children, engaging with the community. Subject to the outcome of the feasibility study it is intended to open by August 2020 and provide 40 places.

### **King's Park Primary School**

The current setting will be refurbished to provide additional temporary capacity for August 2020. The long-term best solution for the school is to provide a new facility elsewhere on the site and appropriate time must be allowed to thoroughly work through this solution as it is a complex and compact site. The additional temporary capacity will continue to provide places in the Dalkeith area until the new Dalkeith primary school is completed, when the refurbished areas will become available to the school for other purposes.

## **4.5 Capital Grant Funding Scheme**

- 4.6** Ten applications were received from eight funded providers, with a total project value in excess of £3m with £2.2m of that requested as grant funding. The scheme was set up with a total fund available of £1.5m, plus allowances were made for internal costs and contingencies. There was potential to adjust the quantum of funding up or down depending on the applications and how they interacted with the council's expansion plans and local circumstances.

- 4.7** There was a wide range of applications by way of the type of project, geographical area, cost and funding applied for, with project costs ranging from £27k to £1.2m. The scheme was deliberately open to allow for range of project types and values to be submitted and therefore the requirements for detailed plans and quotations was not prescriptive at the first stage.
- 4.8** The initial appraisal of the applications identified three projects where, although each had their own merits, the proposals were declined as they were not in areas with a predicted need for additional capacity to meet the legislative requirements of 1140 hours in 2020.
- 4.9** The remaining seven projects, from six organisations and totalling 453 places and an indicated £1.3m of funding from the scheme, have been taken through to the next stage. Subject to the caveats described below, all of these projects will be funded. Due to the variability of detail provided in the initial applications these projects are being funded to carry out a feasibility study to progress the projects to the point where there have certified programmes of works with costs, planning permission and building warrant. As each feasibility study is completed and hence more robust costs received, each project will undergo a final appraisal and, if approved, the final level of funding from the scheme will be determined. Successful projects will then be funded as expenditure is incurred, in line with progress on site.
- 4.10** The additional capacity at funded providers enabled through the capital grant scheme represents a significant proportion of the places required to successfully deliver the expansion as well as considerably enhancing the flexibility and choice available to parents. The council's support to these funded providers will be increased in order to assist with delivering the projects for August 2020.
- 4.11 Capital Return**
- 4.12** The Scottish Government has advised that any funding which is not used for the purposes of delivering the ELC expansion by 31 March 2022 must be repaid. In order to make best use of the capital funding in a sustainable way, aligned with the Learning Estate Strategy, and to best meet the needs of Midlothian's communities, the expansion plan proposes that some of the capital funding is allocated to projects where the expenditure will run on beyond this date. In some cases this will require expenditure on temporary additional capacity before the long-term solution is delivered, for example King's Park Primary School. In others it will allow time for full engagement with communities and alignment with other activities, for example Hawthorn Children and Families Centre. Officers will request permission from the Scottish Government to retain expansion capital funding for specified projects beyond 31 March 2022 where this is necessary to deliver the best long-term solution for Midlothian's communities.

## **5 Contingency Planning**

- 5.1** Overall the expansion plan is expected to make available 17% more places than the projection population of entitled children in 2020/21. This overprovision allows flexibility and choice for parents, for more children coming forward than expected (including children from other local authority areas), children taking up places in a different learning community to the one they live in, and an increase in deferrals from Primary 1. It must be recognised that a number of



new and replacement schools will be completed in the next few years and their ELC capacity has been specified at the level that will be required when the schools are full in years to come. In the first few years they will not be full and to use all of their capacity to deliver the expansion would lead to insufficient places being available as the school roll increases.

- 5.2 Although capital investment is required to deliver the increased capacity local authority settings will be staffed in line with demand and places with funded providers are paid on a per-child basis therefore the revenue expenditure will be in proportion to the number of children rather than the number of physical places.
- 5.3 As set out in previous papers to Council, the Scottish Government used National Records for Scotland 2014-based population projections when determining the distribution of funding to local authorities. The projections for Midlothian were lower than that used for the Learning Estate Strategy and hence the planning for expansion. Midlothian's revised projections following the 2019/20 Primary 1 intake are lower, but still above the 2014-based figures. They are closer to the NRS's 2016-based projections. The Scottish Government has advised that a review of the quantum and distribution of funding from 2022/23 onwards has begun. Careful planning and reviewing of staffing structures and funded provider places along with ongoing monitoring of revenue expenditure will seek to ensure that the council remains within the funding provided to 2021/22.
- 5.4 A variety of infrastructure contingency options have been identified that will be implemented if projects are delayed or uptake in an area is higher than that predicted, such as additional rooms which could be used, changes in opening patterns, increased use of outdoors, buildings which could be adapted as temporary accommodation, settings which could change temporarily or permanently, in whole or in part, to operate all year. The modular unit at Burnbrae will be retained as an additional provision that could be relatively quickly moved to another location (where a suitable site is available).
- 5.5 These contingencies will take time to implement therefore take up will be carefully monitored going forward in order to trigger contingency plans in time to deliver capacity where it is needed. A portion of the capital funding has been set aside for this.
- 5.6 A range of routes into a career in ELC have been offered by the council so as to maximise filling of the additional posts required to deliver the expansion. HNC training was offered to staff across the council, five tranches of Modern Apprentices were recruited and Senior Childcare Development Workers and Childcare Development Workers were recruited directly. One further tranche of Modern Apprentices will be recruited in 2019/20 before the steady state level of recruitment is established under the new hours. Recruitment of early years' staff will continue at a high rate across Scotland at both local authority and funded provider settings as implementation proceeds. The Scottish Childminding Association have been contracted to support, train and bring into partnership childminders in Midlothian.

## **6 Delivery to Date: the Transition to 1140 Hours**

- 6.1 The council is offering an increasing proportion of ELC places at 1140 hours as August 2020 approaches. 1140 hour places are very attractive to some parents and carers, for example those who are paying for additional childcare hours. As a result the offer of 1140 hour places must be carefully balanced across and

within council, private and voluntary settings and childminders in order to try to reduce the number of children moving from one setting or childminder to another, particularly where this may leave a provider financially unsustainable. The number of 1140 hour places offered must also take into account the funding available to the council and the ongoing requirement to have 600 hour places available in the county for eligible children, preferably within their community. During this transition phase 1140 hour places are allocated in line with criteria which prioritise children in order of need.

**6.2** There are constraints that limit the ability to make more 1140 hour places available during academic year 2019/20, including:

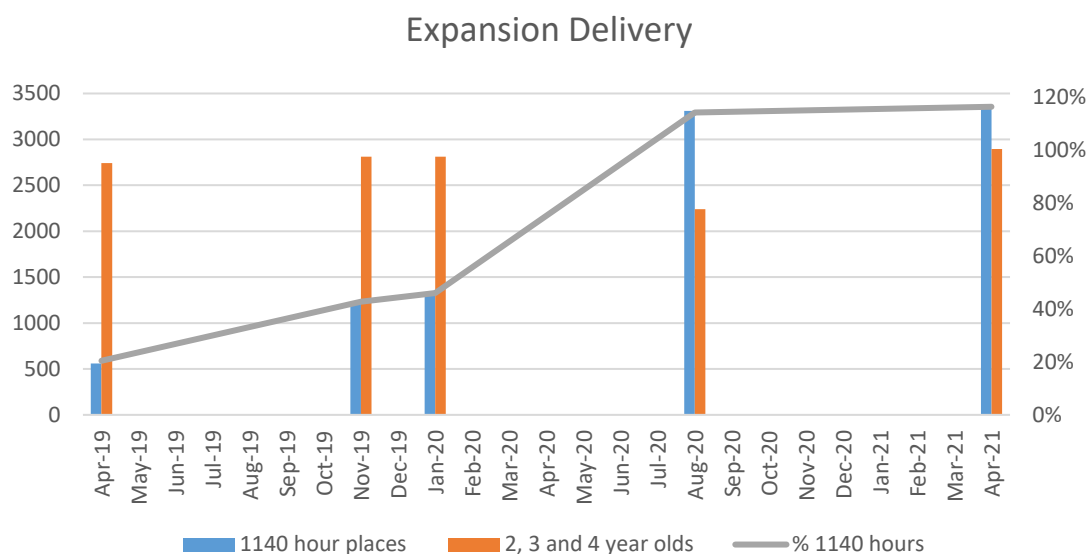
- At sessional council settings, one 1140 hour place replaces two 600 hour places
- The legislative requirement to have 600 hour places available remains
- A number of projects are in progress which will deliver additional physical capacity from 2020 (Burnbrae Early, St Mary's, Danderhall and Sacred Heart Primary Schools etc.)
- The expansion in funded providers' capacity enabled by the capital grants scheme projects will be delivered through the year
- The Modern Apprentices training and staff recruitment is phased in (in line with the capacity to deliver training and mentoring)
- Ongoing work to bring more childminders in to partnership with the council
- The funding provided by the Scottish Government

**6.3** The table and graph below has been updated since the report to May Council set out progress towards implementation in Midlothian. As can be seen, the number of 1140 hour places available in August 2019 was below the planned level as a result of delays in works at some settings. These are now programmed to all be in place in early 2020. The number of children entitled to ELC has been updated to the revised projections as discussed above.

	<b>April 2019</b>	<b>August 2019 (planned)</b>	<b>November 2019 (actual)</b>	<b>January/February 2020 (planned)</b>	<b>By end 2020/21 (planned)</b>
<b>Children entitled to ELC*</b>	<b>2,742</b>	<b>2,812</b>	<b>2,812</b>	<b>2,812</b>	<b>2,896</b>
<b>1140 hour places - council</b>	<b>392</b>	<b>946</b>	<b>886**</b>	<b>950</b>	<b>1,946</b>
<b>1140 hour places – funded provider settings and childminders</b>	<b>169</b>	<b>328</b>	<b>319</b>	<b>344</b>	<b>1,428</b>
<b>% of places which are 1140 hours</b>	<b>20%</b>	<b>46%</b>	<b>43%</b>	<b>46%</b>	<b>117%</b>

\* This is the peak number entitled to a place from March to June, the number entitled to a place in August is around three quarters of this and increases each month until March.

\*\* Some settings that were scheduled to open in August were delayed and opened/will open in October and January/February.



(In order to show the progression of 1140 hour places as proportion of the number of children entitled at November and January 2020 the graph shows the peak number of children entitled in the year, i.e. from April 2020. At August 2020 the graph shows the number entitled that month.)

- 6.4** From August 2020 children will receive a meal during each ELC session that they attend. As part of the piloting of 1140 hour places during 2019/20 meals have been provided for children receiving 1140 hours at most council settings as well as at funded providers. As a result the council's catering service has served 21,000 meals to ELC children at council settings between the start of term in August and the October break. This roll out will continue as the number of 1140 hour places increases. The hot meals in particular will be of benefit to those children who may not get a hot meal at home.

## 7 Financial Information

- 7.1** The funding provided by the Scottish Government for the implementation of 1140 hours was detailed in the paper 2020 Vision for Early Years, Early Learning and Childcare Expansion Plan to Council 26 June 2018. **Appendix 2** sets out the capital funding and plans for expenditure.

## 8 Resource Implications

- 8.1** The resource implications are discussed earlier in this paper.

## 9 Risk

- 9.1** There are two main strands of risk to the successful delivery of expansion, covering both council settings and funded provider settings and childminders: insufficient physical capacity; insufficient staff. These, and the risk of an increase in deferrals, have been discussed earlier in this paper. The paper to May 2019 Council advised of a change to the council's admission policy which reduces the peak number of children entitled to a place each year, while still fulfilling legislative requirements. A further update on revenue expenditure and funding will be provided to Council, addressing the risk arising as a result of the population projection figures used by the Scottish Government in distributing the revenue funding for expansion.

## 9.2 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

## 9.3 Key Priorities within the Single Midlothian Plan

The expansion is relevant to all of the GIRFEMC outcomes for 2017/18 to 2019/20:

- Children in their early years and their families are being supported to be healthy, to learn and to be resilient
- All Midlothian children and young people are being offered access to timely and appropriate support through the named person service
- All care experienced children and young people are being provided with quality services
- Children and young people are supported to be healthy, happy and reach their potential
- Inequalities in learning outcomes have reduced

## 9.4 Impact on Performance and Outcomes

The expansion will impact upon all five of the GIRFEMC outcomes.

## 9.5 Adopting a Preventative Approach

The provision of high quality, flexible, accessible and affordable Early Learning and Childcare is by its very nature preventative, and sets the foundation upon which future outcomes for children as they grow up and progress through the education system and then onto adulthood are based.

## 9.6 Involving Communities and Other Stakeholders

Communication and engagement is ongoing as the implementation progresses, including newsletters, social media and the survey of parents and carers discussed earlier.

## 9.7 Ensuring Equalities

This report provides an update on progress towards the implementation of a Scottish Government policy.

## 9.8 Supporting Sustainable Development

The balance of offer to parents and carers between council settings and funded provider settings and childminders both during the transition and once 1140 hours is universal aims to ensure that funded providers are financially sustainable, with the overall spend projected to increase considerably. As set out in the paper to May 2019 Council, the hourly rate paid to funded providers for 600 hour places during 2019/20 was increased in order to maintain their sustainability during the transition.

## 9.9 IT Issues

IT requirements are addressed at an individual project level.

## 10 Recommendations

It is requested that Council:

- 10.1** Note the progress towards implementation of the expansion to 1140 hours of early learning and childcare.
- 10.2** Instruct officers to request permission from the Scottish Government to retain expansion capital funding for specified projects beyond 31 March 2022 where this is necessary to deliver the best long-term solution for Midlothian's communities.
- 10.3** Instruct officers to complete planning in relation to revenue expenditure and funding and provide an update to Council.

**Date: 12 November 2019**

**Report Contact:**

**Julie Fox, Schools Group Manager, (Early Years)**

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[Julie.Fox@midlothian.gov.uk](mailto:Julie.Fox@midlothian.gov.uk)

**Background Papers:**

2020 Vision for Early Years, Early Learning and Childcare Expansion Plan presented to Council on 7 November 2017

2020 Vision for Early Years, Early Learning and Childcare Expansion Plan to Council 26 June 2018

Early Learning and Childcare Expansion Update and Admission Policy to Council 7 May 2019

## 11 Appendix 1

Setting	2016/17 capacity	2020/21 capacity	Notes
Bilston Primary School	30	32	Term time. The increase in registration has been done
Bonnyrigg Primary School	60	64	Term time. The increase in registration will be requested for August 2020
Burnbrae Primary School	60	144	Term time. April 2020
Cornbank St James Primary School	50	56	Term time. Done
Cuiken Primary School	60	64	Term time. August 2020
Danderhall Primary School	50	144	Term time. Easter 2021
Easthouses primary school	-	144	Term time. August 2021
Gore Glen Primary School	60	56	Term time. N/a
Gorebridge Primary School	60	56	Term time. N/a
Gorebridge standalone	-	64	Term time. August 2020
Hawthorn Children & Families Centre	-	40	All year. 16 from January 2020, 40 by August 2020. Future capacity to be determined.
Hawthornden Primary School	-	120	Term time. August 2020. Rehouses Mount Esk Nursery School and Family Learning Centre
King's Park Primary School	60	104	Term time. August 2020
King's Park Primary School 2	-	96	Term time. August 2021. Replaces current KPPS setting when new Dalkeith PS opens
Lasswade Primary School	32	56	Term time. Done
Lawfield Primary School	60	64	Term time. Done
Loanhead Primary School	30	40	Term time. Done
Mauricewood Primary School	40	72	Term time. Registered for 44, increase to 72 by August 2021.
Mayfield Nursery School	60	120	Term time. Registered for 100, additional 20 by August 2020
Moorfoot Primary School	18	24	Term time. August 2020
Mount Esk Nursery	60	64	Term time. Done. To be rehoused at Hawthornden Primary School
Newtongrange Primary School	60	64	Term time. August 2020
Paradykes Primary School	50	48	Term time. N/a
Rosewell Primary School	30	96	Term time. Registered for 44. Increase to 80 by August 2021
Roslin Primary School	40	96	Term time. Registered for 44, increase to 80 by August 2020
Sacred Heart Primary School	20	64	Term time. August 2020
Scots Corner	-	34	All year. Includes 2 year olds. Opening early 2020.
St Andrew's Primary School	20	32	Term time. Done

St David's Primary School	-	32	Term time. By February 2020, intending to achieve 40
St Mary's Primary School	30	48	Term time. April 2020
Stobhill Primary School	30	32	Term time. Done
Strathesk Primary School	60	56	Term time. N/a
Tynewater Primary School	20	32	Term time. Done
Woodburn Primary School	80	80	Term time. N/a
Penicuik outdoor setting	-	40	Term time. August 2020
Vogrie outdoor setting	-	80	All year. Opened October 2019 at 42, increase to 80 by August 2020
<b>Total physical capacity</b>	<b>1230</b>	<b>2,458</b>	<b>Total children who can be accommodated 2,612</b>

## 12 Appendix 2

<b>Early Years Funding:-</b>	<b>14/15</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>Total</b>
Early Years Childcare 3&4 year olds Adjust (800 hours)	471	506	516							<b>1,493</b>
Additional 2 Year Olds (800 hours)	686	652								<b>1,338</b>
1140 Hours Expansion				528						<b>528</b>
2018-19 Early Years Funding					5,400	6,300	4,300			<b>16,000</b>
<b>Total</b>	<b>1,157</b>	<b>1,158</b>	<b>516</b>	<b>528</b>	<b>5,400</b>	<b>6,300</b>	<b>4,300</b>	<b>-</b>		<b>19,359</b>
<b>Released:-</b>										
Woodburn Family Learning Centre		(147)	(181)	-	-	-	-			<b>(328)</b>
BrightSparks		(257)	-	-	-	-	-			<b>(257)</b>
Gorebridge Beacon - EYG Surestart build costs		-	-	(100)	-	-	-	-		<b>(100)</b>
Gorebridge Beacon - EYG Surestart fit		-	-	(32)	(33)	(5)	-	-		<b>(70)</b>
Early Years Pilot - Mayfield Family Outreach Centre		-	-	(20)	-	-	-			<b>(20)</b>
Modular Units - Phase I (Bbrae/Dhall/Mayfield/ St. David's Phase I)		-	-	(9)	(1,253)	(52)		-		<b>(1,314)</b>
Modular Units - Phase I adjusted budget (Bbrae/Dhall/Mayfield/St. Dav		-	-	(3)	(284)	(52)		-		<b>(339)</b>
St. David's Internal Reconfigurations		-	-	-	(22)	(388)				<b>(410)</b>
Hopefield Early Years		-	-	-	-	(963)	-	-		<b>(963)</b>
Danderhall hub		-	-	-	-	(381)	(518)	(232)		<b>(1,131)</b>
Sacred Heart Primary		-	-	-	(30)	(278)	(300)	(16)		<b>(624)</b>
<b>Total Released (Committed)</b>		<b>(403)</b>	<b>(181)</b>	<b>(164)</b>	<b>(1,623)</b>	<b>(2,117)</b>	<b>(819)</b>	<b>(247)</b>	<b>-</b>	<b>(5,555)</b>
<b>Uncommitted</b>	<b>1,157</b>	<b>755</b>	<b>335</b>	<b>364</b>	<b>3,777</b>	<b>4,183</b>	<b>3,481</b>	<b>(247)</b>	<b>-</b>	<b>13,804</b>
<b>Capital Investment Strategy</b>										
Hawthorn Centre					-	-	(150)	-	(1,508)	<b>(1,658)</b>
Rosewell Primary School Alteration					-	(20)	-	-	-	<b>(20)</b>
Mount Esk Nursery School					-	(20)	-	-	-	<b>(20)</b>
Hawthornden Primary School					-	(490)	(1,470)	-	-	<b>(1,960)</b>
King's Park Primary School					-	(38)	(263)	(905)	(452)	<b>(1,658)</b>
Rosewell Primary School New Build					-	(377)	(1,131)	-	-	<b>(1,508)</b>
Easthouses primary school (Newbattle HS)					-	-	(313)	(1,250)	-	<b>(1,563)</b>
Gorebridge standalone					-	(201)	(603)	-	-	<b>(804)</b>
Vogie Outdoor ELC					-	(100)	(150)	-	-	<b>(250)</b>
Penicuik Outdoor ELC					-	(50)	(150)	-	-	<b>(200)</b>
Catering kitchens					-	(53)	(320)	(427)	-	<b>(800)</b>
Settings' kitchens					-	(9)	(56)	(75)	-	<b>(140)</b>
Capital grants to partner providers					-	(100)	(600)	(800)	-	<b>(1,500)</b>
Roslin Primary School					-	(188)	(565)	-	-	<b>(754)</b>
Mauricewood Primary School					-	(113)	(338)	-	-	<b>(450)</b>
Tynewater Primary School					-	(5)	(15)	-	-	<b>(20)</b>
Woodburn Primary School					-	(45)	-	-	-	<b>(45)</b>
Lasswade Primary School					-	(50)	-	-	-	<b>(50)</b>
Scots Corner					-	(55)	(20)	-	-	<b>(75)</b>
Bilston Primary School					-	(5)	(15)	-	-	<b>(20)</b>
Newtongrange Primary School					-	(13)	(38)	-	-	<b>(50)</b>
Moorfoot Primary School					-	(5)	(15)	-	-	<b>(20)</b>
Loanhead Primary School					-	(5)	-	-	-	<b>(5)</b>
Cuiken Primary School					-	(3)	-	-	-	<b>(3)</b>
St Andrew's Primary School					-	(5)	-	-	-	<b>(5)</b>
Contingency					-	-	-	(227)	-	<b>(227)</b>
<b>Total Released (Committed)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,950)</b>	<b>(6,211)</b>	<b>(3,683)</b>	<b>(1,960)</b>	<b>(13,804)</b>
<b>Uncommitted</b>	<b>1,157</b>	<b>755</b>	<b>335</b>	<b>364</b>	<b>3,777</b>	<b>2,232</b>	<b>(2,729)</b>	<b>(3,931)</b>	<b>(1,960)</b>	<b>-</b>



## **Scottish Housing Regulator - Assurance Statement**

### **Report by Morag Barrow, Joint Director Health and Social Care**

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

To seek approval for the submission of the first Annual Assurance Statement as requested by the Scottish Housing Regulator.

#### **2 Background**

- 2.1 The Scottish Housing Regulator is the independent regulator of social landlords in Scotland and regulates 192 social landlords including the 32 Scottish local authorities. It was established in 2011 as an independent body directly accountable to the Scottish Government to regulate registered social landlords (RSL's) and local authority housing and homelessness services. The Regulator does this by assessing and reporting on social landlord's delivery of services, RSL's financial well-being and standards of governance and where necessary, the Regulator will intervene to secure improvements. In February 2019 the Scottish Housing Regulator published a revised Regulatory Framework to assist local authorities and RSLs in understanding what they need to do in order to comply with Regulatory requirements.
- 2.2 One of the additional requirements is that from 2019 all registered social landlords must submit an Assurance Statement which details the level of compliance with the Scottish Housing Regulator's Regulatory Framework.
- 2.3 The Annual Assurance Statement, or self-assurance process undertaken, is not intended to demonstrate that a social landlord's performance is outstanding in all areas. Instead, the aim is that landlords can demonstrate confidence that appropriate systems, evidence, relationships and engagement with stakeholders are in place. Producing the Annual Assurance Statement will ensure elected members, tenants and other service users are as well informed as they can be about how the performance of the Council as a landlord, and if a significant problem were to arise it would be identified and addressed.
- 2.4 Subject to Council approval, a form of wording has been set out in Appendix 1 which has been signed by Councillor Stephen Curran, Housing Portfolio Holder and submitted to the Scottish Housing Regulator. Appendix 2 provides a summary of the key evidence base for demonstrating that Midlothian Council is compliant with the

regulatory requirements that is set out in Chapter 3 of the Regulatory Framework published by the Scottish Housing Regulator.

### **3 Report Implications**

#### **3.1 Resource**

There are no resource implications relating to this Report.

#### **3.2 Risk**

Not providing an Assurance Statement would mean that Midlothian Council are not complying with the requirements set out by the Scottish Housing Regulator.

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

Themes addressed in this report are:

- ☒ 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 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 the health of our population
- Reducing inequalities in the outcomes of learning in our population
- Reducing inequalities in the economic circumstances of our population

The themes addressed in this report impact on the delivery of the Single Midlothian Plan outcome particularly in terms of priorities in relation to the delivery of affordable housing, homelessness and health and social care outcomes.

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

Undertaking the process of developing an Assurance Statement ensures that Midlothian Council continues to meet outcomes in terms of housing and homeless services and services to gypsy/travellers.

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

By submitting a statement demonstrating compliance with the requirements of the Scottish Housing Regulator this reduces the risk of the need for intervention or further inspection activity.

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

Stakeholders including tenants, tenants groups, housing applicants and other service users are provided with various opportunities to

consult and scrutinise a wide range of policy and performance information relating to Midlothian Councils performance as a landlord. Members of Midlothian Tenant Panel have been consulted regarding this report.

### **3.8 Ensuring Equalities**

An Equality Impact Assessment has not been undertaken in regard to the Assurance Statement, however the evidence section in Appendix 2 does acknowledge that key policies and procedures are subject to an Equality Impact Assessment.

### **3.9 Supporting Sustainable Development**

Not applicable.

### **3.10 IT Issues**

None.

## **4 Recommendations**

It is recommended that Council agree to the submission of the Assurance Statement to the Scottish Housing Regulator and the publication of this Statement.

**Date: 22 October 2019**

**Report Contact:**

Name Stephen Clark

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[stephen.clark@midlothian.gov.uk](mailto:stephen.clark@midlothian.gov.uk)

## Appendix 1

### Our Annual Assurance Statement



Midlothian Council complies with the regulatory requirements set out in the Regulatory Framework set out by the Scottish Housing Regulator. This includes that Midlothian Council:

- Achieves all the standards and outcomes set out in the Scottish Social Housing Charter for tenants, people who are homeless and other service users.
- Complies with our legal obligations relating to housing and homelessness, equality and human rights, and the safety of tenants and residents.

The Annual Assurance Statement will be considered at the meeting of our Council on 12 November 2019. Elected Members have been provided with evidence which demonstrates that Midlothian Council is compliant with the Regulatory Framework.

I sign this statement on behalf of Midlothian Council.

Councillor Stephen Curran  
**Portfolio folder for Customer Services and Housing**

## Appendix 2

Assurance Required	Evidence
Prepare an Annual Assurance Statement in accordance with published guidance from the Scottish Housing Regulator.	Committee Report and Appendices and there is a link on the housing pages at <a href="http://www.midlothian.gov.uk">www.midlothian.gov.uk</a>
Make the Annual Assurance Statement available to tenants and other service users.	Link on housing pages at <a href="http://www.midlothian.gov.uk">www.midlothian.gov.uk</a>
Notify the Scottish Housing Regulator during the year of any material changes to the assurance in its Annual Assurance Statement.	There are no material changes to report at present.
Have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.	<p>There is a range of evidence to support this, including:</p> <ul style="list-style-type: none"> <li>- Corporate Policies and Procedures</li> <li>- Policies relating to Housing Services, Building and Maintenance Services and Construction and Design</li> <li>- Performance Reporting Data</li> <li>- Stock condition survey data</li> <li>- Housing Law and Equality and Diversity Training</li> <li>- Staff Training</li> </ul>

Assurance Required	Evidence
<p>Notify the Scottish Housing Regulator of safety matters which have been reported to or investigated by the Health and Safety Executive (HSE) or reports from other regulatory or statutory authorities or insurance providers, relating to safety concerns.</p>	<p>A team within Midlothian Council provide provides guidance on all aspects of health and safety as required. The Scottish Housing Regulator would be advised of Health and Safety matters.</p> <p>There are specific policies covering issues such as asbestos and lone working arrangements.</p>
<p>Make the Scottish Housing Regulator's Engagement Plan with Midlothian Council available and accessible to tenants and service users.</p>	<p>Link provided via <a href="http://www.midlothian.gov.uk">www.midlothian.gov.uk</a></p>
<p>Submit Annual Return of the Charter to the Scottish Housing Regulator in accordance with published guidance.</p>	<p>Submitted prior to 31<sup>st</sup> May 2019</p>

Assurance Required	Evidence
<p>Involve tenants, and where relevant, service users in the preparation and scrutiny of performance information and:</p> <ul style="list-style-type: none"> <li>- Agree the approach with tenants and ensure that it is meaningful and gives tenants a real say in the assessment of performance</li> <li>- Publicise the approach to tenants</li> <li>- Ensure the approach to involving tenants and other service users can be verified</li> <li>- Involve other service users in an appropriate way</li> </ul>	<p>Midlothian Tenant Panel and other tenant groups have been involved in scrutiny activity in order to determine what information was most important for tenants and service users.</p> <p>Following the initial publication of Midlothian Council's Annual Return all tenants were Surveyed asking for their feedback on the layout of the report and feedback on their thoughts on how well Midlothian Council was performing. Information is provided in the tenant newsletter in terms of how to provide feedback on the performance information. This exercise will be repeated again in the next tenant newsletter.</p>
<p>Report performance to tenants and other service users no later than October each year:</p> <ul style="list-style-type: none"> <li>- Agree format of performance reporting with tenants and ensure accessible with plain and jargon free language</li> <li>- Provide assessment of performance in delivering Charter outcomes which are relevant to Midlothian Council</li> <li>- Include relevant comparison including previous years, other landlords and with national performance;</li> <li>- Set out how we intend to address areas for improvement;</li> <li>- Give tenants and service users a way to feedback views on style and form of reporting.</li> </ul>	<p>Performance information is provided via the annual newsletter and via the Midlothian Council website. A range of further performance measures are published quarterly and statistical information is also provided to the Scottish Government regarding statistics such as homelessness and new build starts and completions.</p> <p>The Report provides a comparison with a smaller peer group of Councils which are similar in size and geographical circumstances to Midlothian. It also compares the Councils performance with the national average and notes if performance has improved or deteriorated since the previous year. A narrative is also provided.</p> <p>For tenants interested in understanding performance information in greater depth, Midlothian Council works with the Scottish Housing Network who provide an assessment of performance and consider key areas of performance and areas to address. An annual benchmarking event is held which all members of Midlothian Tenant Panel are invited and are encouraged to provide feedback via a range of methods.</p>

Assurance Required	Evidence
Make Scottish Housing Regulator report on our performance easily available to tenants including online	Link provided within the Newsletter and online at <a href="http://www.midlothian.gov.uk">www.midlothian.gov.uk</a>
Ensure effective arrangements and a policy for whistleblowing for staff and Elected Members.	Whistleblowing Policy is in place.
Make Whistleblowing policy easily available and promote its existence.	<p>The Whistleblowing Policy for staff and elected members is published on Midlothian Councils intranet.</p> <p>There are also policies accessible to members of the public in relation to whistleblowing, fraud and corruption, and anti-bribery. These policies are all available at <a href="http://www.midlothian.gov.uk">www.midlothian.gov.uk</a>. Concerns can be reported anonymously via the website.</p>
Make information on reporting any significant performance failures available to our tenants	Leaflets on reporting significant performance failures are available in Buccleuch House reception and also via a link on the Council website.
Provide tenants and other service users with the information they need to exercise their right to complain and seek redress, and respond to tenants within the timescales outlined in our service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).	Complaint reporting is included in Midlothian Council's Annual Charter Return. Information on complaints is also reported and published on a quarterly basis.



Assurance Required	Evidence
<p>Each landlord must ensure it has effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO guidance.</p>	<p>Complaints data is considered at the Monthly Managers Meeting for the Customer Services and Housing Section.</p> <p>In addition feedback on a wide range of policies and procedures are undertaken and information on complaints that have been upheld have led to revisions to policy and procedures in order that they are appropriate and fair to tenants and service users.</p>
<p>Have assurance and evidence the Housing Service considers equality and human rights issues properly when making decisions, in the design and review of internal and external policies, and in our day to day service delivery.</p>	<p>All new policies and procedures that are being reviewed need to take account of equalities issues. These will be considered as part of an Equality Impact Assessment. In addition equalities considerations are a standing item for consideration in all Reports being considered by Elected Members and the Corporate Management Team.</p> <p>There is a wide range of equalities data and Midlothian Council's Equality Plan available at <a href="http://www.midlothian.gov.uk">www.midlothian.gov.uk</a></p>
<p>To comply with these duties, landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, housing applicants, homeless households, gypsy/travelers, Elected Members and staff.</p>	<p>Midlothian Council collects data relating to protected characteristics for the specified groups.</p>

## **A Consultation on Scotland's National Transport Strategy**

### **Report by Kevin Anderson, Acting Director Resources**

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

Transport Scotland (the Scottish Government's transport agency) are consulting on a new National Transport Strategy for Scotland.

The purpose of this report is for elected members to consider and approve a response to the consultation. The consultation period ran from 31 July to 23 October 2019. Due to the available timescale, the attached response has been submitted to Transport Scotland with a caveat that it is 'subject to Council approval'.

The consultation response indicates the predicted benefits and issues that may result in Midlothian and outlines funding, legislation and other means required to implement the policy outcomes. The consultation response is Appendix A.

#### **2 Background**

- 2.1** The response welcomes the vision as aspirational and forward looking but highlights a lack of specific action regarding death and injury on Scotland's roads. There is also a concern that Scotland's Climate Change targets will be difficult to achieve without large scale investment in strategic and local transport networks.
- 2.2** The imbalance of funding between the trunk road and local road network are mentioned in the section about priorities and outcomes.
- 2.3** Problems associated with growing electric vehicle use are considered in the 'Drive to net-zero emissions' section proposing that government set up an electric charging utility company to manage private charging where residents don't have in-curtilage parking and require to cross over and have equipment in the public highway.
- 2.4** Additional active travel funding is welcomed but concerns over competitive funding requirements, match funding and ensuring all sustainable modes are taken into account are highlighted.
- 2.5** Borders Railway is welcomed and overdue. To ensure that high quality infrastructure and future proofing is included when considering further investment to the rail network is essential.
- 2.6** We also make comparisons with Europe and a need for a more efficient transport system across Scotland. Benchmarking against other countries is suggested.
- 2.7** Low emission zones are discussed with suggestions that ways of reducing emissions from older/polluting vehicles should be expanded.
- 2.8** Community engagement is required and ways to engage fully with the general public rather than specific groups is highlighted.

- 2.9** The processes involved in justifying projects and the length of time between identifying the issue and implementing a solution is discussed in comparing this process with other countries as the benchmark.

### **3 Report Implications**

#### **3.1 Resource**

There are no resources required.

#### **3.2 Risk**

It is imperative that the views of local authorities are considered in national strategies.

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

The transport network is a key economic enabler. Safety and climate change are also key to Midlothian.

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

National Strategy should inform local performance and outcomes.

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

National Strategy should inform local performance and outcomes.

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

This is a consultation response to Transport Scotland (Scottish Government)

#### **3.8 Ensuring Equalities**

The Strategy will be assessed as a national policy document.

#### **3.9 Supporting Sustainable Development**

The Strategy will aim to lower carbon emissions.

### 3.10 IT Issues

There are no IT issues associated with this report.

## 4 Recommendations

Council is recommended to approve the proposed consultation response

**22 October 2019**

**Report Contact:** Lindsay Haddow  
[lindsay.haddow@midlothian.gov.uk](mailto:lindsay.haddow@midlothian.gov.uk)

Tel No 0131 271 3501

### **Background Papers:**

<https://www.transport.gov.scot/media/45149/national-transport-strategy-draft-for-consultation-july-2019.pdf>

## **About you**

Item 8.13

Please indicate how you wish your response to be handled and, in particular, whether you are content for your response to be published. If you ask for your response not to be published, we will still take account of your views in our analysis but we will not publish your response, quote anything that you have said or list your name. We will regard your response as confidential, and we will treat it accordingly.

To find out how we handle your personal data, please see our privacy policy <https://beta.gov.scot/privacy/>

### **What is your name?**

Lindsay Haddow

### **What is your email address?**

Lindsay.haddow@midlothian.gov.uk

### **Are you responding as an individual or an organisation?**

☐

Individual

☒

Organisation

### **What is your organisation?**

If responding on behalf of an organisation, please enter the organisation's name here.

Midlothian Council

### **If responding on behalf of an organisation, please indicate which category best describes your organisation.**

- |                                     |                                  |
|-------------------------------------|----------------------------------|
| <input checked="" type="checkbox"/> | Local Authority                  |
| <input type="checkbox"/>            | Third sector or Community Groups |
| <input type="checkbox"/>            | Private Sector                   |
| <input type="checkbox"/>            | Regional Transport Partnership   |
| <input type="checkbox"/>            | Transport Operator               |
| <input type="checkbox"/>            | Academia/education               |
| <input type="checkbox"/>            | Other Public sector              |
| <input type="checkbox"/>            | Other                            |

If other, please specify.

**The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:**

- ☐ Publish response with name
- ☐ Publish response only (without name)
- ☐ Do not publish response

We are providing a response that is subject to council meeting for any elected member approval or amendments.

**Information for organisations only:**

The option '*Publish response only (without name)*' refers only to your name, not your organisation's name. If this option is selected, the organisation name will still be published.

If you choose the option '*Do not publish response*', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- ☒ Yes
- ☐ No

## **Overview**

The consultation is on the new draft National Transport Strategy (NTS) for Scotland, which aims to set out a compelling vision for the future of transport for the next twenty years.

## **Why we are consulting**

We are consulting on the new draft National Transport Strategy to help determine whether the Strategy's Vision, Priorities and Outcomes are the right ones for our transport network for the next twenty years. We want to know if the policies contained in the Strategy are the right ones to help deliver it, and how the Strategy can continue to support what works well and address what does not work so well in our transport system. Your views will be key in helping to shape the kind of transport we want for the next two decades.

## **NTS Consultation questions**

### **Section A: The Vision, Priorities and Outcomes Framework**

#### **Vision**

We will have a sustainable, inclusive and accessible transport system, helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.

**Four priorities shown in bold**, each with three outcomes

#### **Promotes equality**

Will provide fair access to services we need  
Will be easy to use for all  
Will be affordable for all

#### **Takes climate action**

Will adapt to the effects of climate change  
Will help deliver our net-zero target  
Will promote greener, cleaner choices

#### **Helps our economy prosper**

Will get us where we need to get to  
Will be reliable, efficient and high quality  
Will use beneficial innovation

#### **Improves our health and wellbeing**

Will be safe and secure for all  
Will enable us to make healthy travel choices  
Will help make our communities great places to live

Q1: Is the Vision that is set out for the National Transport Strategy the right Vision for transport policy over the next 20 years?

Yes ☒ No ☐

Please explain your answer

The vision is aspirational and forward looking.

Whilst safety is mentioned in 'Improves our health and wellbeing', it appears to be lost in the overall transport system reference to 'incidents'. This would appear to play down the relevance of the injury and death rates on Scotland roads. Road Safety for all users specifically sustainable transport users should be a high priority and should be identified as such in the National Transport Strategy.

Climate change targets will be difficult to meet if major changes to the national and local transport networks are not facilitated.

There is concern that funding is not allocated adequately and specifically towards tram, train and bus networks across the country. Smaller local authorities will need financial support and resource to access and develop a sustainable transport network.

Q2a: Are the Priorities and Outcomes that the Strategy is trying to achieve the right Priorities and Outcomes for transport policy over the next 20 years?

Yes ☒ No ☐

Please explain your answer

Yes with the exception of highlighting death and injury on Scotland's roads. This must be high priority particularly for vulnerable road users and in conjunction with a shift to sustainable modes. In not highlighting this specifically there is a danger that at regional and local levels, resource and funding is reduced.

Q2b: Are some of these Priorities and Outcomes more important than others or are they equally important?

Please explain your answer



All are of equal importance but must be funded at respective national, regional and local levels. The National Transport Strategy should explore the current and future imbalance in funding between the trunk roads operated by Transport Scotland and the local roads network operated by local authorities. An effective local roads network is essential to enable people, communities and businesses to thrive and prosper.

Q3: Are the Challenges the Strategy highlights in Chapter 3, the key Challenges for transport, or are there others the Strategy should focus on?

Please explain your answer

### **Drive to net-zero emissions**

Whilst walking, cycling and public transport networks are key, the use of electric vehicles and other sustainable vehicles is essential. LEZ areas will encourage this change.

The statistics regarding the willingness of people to change to electric vehicle use is good news however the practicalities to access and operate these are key. There are issues with the basics regarding electric charging points, specifically, and conflict with planned legislation in allowing householders to cross the public footpaths. This could be alleviated if a utility company was set up to take ownership and whilst this could be deemed a localised issue and one of detail, it is something that could be resolved at national level facilitating change.

### **Active Travel Delivery**

The rise in active travel funding is welcomed. The process and procedure however is proving detrimental in a number of ways.

- Competition and application processes may work well for large or city councils, however resource in smaller councils means that opportunities are not equitable across the country.
- Most Councils in Scotland now have Active Travel Strategies that have been through rigorous consultation processes with local community groups, active travel organisations and the general population to arrive at an agreed active travel network. Although future development can provide part of the network through the planning process, a large part of the network will not be achieved in the short term due to limited resources to achieve the strict criteria for active travel infrastructure funding via Sustrans.
- Match funding again is something that smaller councils struggle with and applying for match funding from other organisations/funding streams often results in issues with non- aligned application dates and the results of successful applications not meeting parallel timeframes for match funding. Sources for match funding also appear to be diminishing.
- The model used for marketing, training and persuasion (soft measures) works far better than that for infrastructure. The difference being funding is allocated to each council and the submission is about ensuring that expenditure, objectives and outcomes are correct. Match funding issues are still problematic.
- Applications for infrastructure are highly cycling centric. Pedestrian improvements are hard to justify and public transport, in particular bus priority, do not feature. There are other conflicts with cycling design that counter road safety and don't take into account speed, volume and, or public awareness of priority, in practice. Funds and design standards and guidance should take all of this into account and seek to prioritise all sustainable modes safely.
- 

### **Increase in rail travel**

The Borders Railway is welcomed. However, it is disappointing that a new railway would not be electrified, twin tracked and future proofed for extensions and expansion at the outset. To enjoy economic benefit from Scotland's strategic transport network, adequate investment must be made as Scotland appears to be behind in comparison to European if not worldwide counterparts.

## **Section B: The policies to deliver the NTS**

Through the process to develop the National Transport Strategy, 14 policies have been identified that will deliver its Priorities and Outcomes and address the Challenges. These are listed below:

- plan our transport system to cope with the effects of climate change
- continue to improve the reliability, safety and resilience of our transport system
- embed the implications for transport in spatial planning and land-use decision making
- integrate policies and infrastructure investment across the transport, energy and digital system
- provide a transport system which enables businesses to be competitive domestically, within the UK and internationally
- provide a high-quality transport system that integrates Scotland and recognises our different geographic needs
- improve the quality and availability of information to enable better transport choices
- embrace transport innovation that positively impacts on our society, environment and economy
- improve and enable the efficient movement of people and goods on our transport system
- provide a transport system that is equally accessible for all
- improve access to healthcare, employment, education and training opportunities to generate inclusive sustainable economic growth
- support the transport industry in meeting current and future employment and skills needs
- provide a transport system which promotes and facilitates travel choices which help to improve people's health and wellbeing
- reduce the transport sector's emissions to support our national objectives on air quality and climate change

Q4a: Are these the right policies to deliver the Priorities and Outcomes of the National Transport Strategy? Please explain your answer

As in the previous answer reducing death and injury on Scotland's roads does not appear to have high enough priority.

The opportunity/ability to embed the implications for transport in spatial planning and land use decision making will be key to ensuring further environmental assessment of necessary physical transport interventions (via LDP and project EIA at planning application stage) and delivering sustainable development.

In the context of climate change and emissions generated by the transport sector there should be a policy which advocates the urgency to achieve greater modal shift, including options to incentivise such a step change and how to adapt to changing requirements of different age/mobility groups.

Q4b: Are some of these policies more important than others or are they equally important?

Please provide details.

Given the references throughout the document to climate change and acknowledgement that the transport section is the largest source of greenhouse gas emissions in Scotland perhaps the first and last policies on the list could be combined into one and be the overarching priority.

Also as in the previous answer reducing death and injury on Scotland's roads does not appear to have high enough priority.

The opportunity/ability to embed the implications for transport in spatial planning and land use decision making will be key to ensuring further environmental assessment of necessary physical transport interventions (via LDP and project EIA at planning application stage) and delivering sustainable development.

In the context of climate change and emissions generated by the transport sector there should be a policy which advocates the urgency to achieve greater modal shift, including options to incentivise such a step change and how to adapt to changing requirements of different age/mobility groups.

## **Section C: Transport governance – democracy, decision-making and delivery**

Q5a: Are there specific decisions about transport in Scotland that are best taken at the national level (e.g. by Transport Scotland or the Scottish Government), at a regional (e.g. by Regional Transport Partnerships), or at a local level (e.g. by Local Authorities)?

Please explain your answer, by providing examples of where you believe transport related decisions should be taken.

Projects such as trams, trains, and major bus routes should be dealt with at a national or regional level in order that routes are not subject to restrictions of local authority boundaries.

Electric Vehicles – charging points, see previous answer

A National freight quality partnership scheme should be considered, rather than various independent local schemes operating. Such a scheme should target the largest and most polluting fleets operating in Scotland.

Whilst LEZs aim to tackle air pollution, it is considered that the concept be expanded in a sensible, programmed and proportionate way to gradually phase out the older / more polluting vehicles throughout Scotland.

Q5b: Should local communities be involved in making decisions about transport in Scotland? If so, how should they be involved, and on which specific issues should they be involved in making decisions on?

Please explain your answer, by providing examples of which transport decisions local communities should be involved in, also suggesting how they should be involved

Wider Community engagement is difficult as pressure groups and interested parties are heard and the general public are not as involved.

Communities should clearly be taken through the consultation process but care must be taken to ensure that the general population rather than pressure groups, land owners and the views of people directly affected are not taken as a general public view.

## Section D: The Strategy as a whole

Q6: Does the National Transport Strategy address the needs of transport users across Scotland, including citizens and businesses located in different parts of the country?

Yes ☒ No ☐

Please explain your answer

## Section E: Looking ahead

Q7a: What aspects of the transport system work well at the moment?

Please provide details

Unfortunately, Scotland does seem to have a less impressive and less efficient integrated transport system than the majority of Europe.

Q7b: What practical actions would you like to see the National Transport Strategy take to encourage and promote these?

Please provide details

Targeted investment, benchmarking against other countries. A sustainable transport system that is not seen as second rate to private vehicles.

Q8a: What aspects of the transport system do not work well at the moment?

Please provide details

Speed and efficiency of trains  
Lack of trams especially in the East  
Congested trunk road (City Bypass)  
Underfunded maintenance of roads, footpaths and cycleways.  
This impacts on sustainable transport as much if not more than private vehicles.

Q8b: What practical actions would you like to see the National Transport Strategy take to improve these?

Please provide details

Targeted investment.

Q9: Chapter 6 of the Strategy sets out immediate actions the Scottish Government will take in three key areas: Increasing Accountability; Strengthening Evidence; and Managing Demand. Is there anything you would like to say about these actions?

Please provide details.

Strategic transport projects are taking increasingly longer to put in place due to the processes surrounding accountability. Streamlining this process perhaps by benchmarking with other countries may improve this. This will also save costs.

Q10: Is there anything else you would like to say about the National Transport Strategy?

Please provide details

## Section F: Strategic Environmental Assessment (SEA)

Q11: What are your views on the accuracy and scope of the information used to describe the SEA environmental baseline set out in Section 5 of the SEA Environmental Report? (Please give details of additional relevant sources)

The information covers all the SEA categories and includes references to acknowledged published and publicly available sources.

Q12: What are your views on the predicted environmental effects as set out in chapter 6.3 of the SEA Environmental Report?

The NTS is a policy document. It is not a framework for funding or for prioritising infrastructure interventions. In this context the strategy is limited in its ability to assess the likely environmental effects beyond the identification of an assumed set of issues and possible outcomes. That said the matters it does raise are perfectly valid and rightly, related to the Climate Change emissions reduction targets. The publication of the revised STPR along with replacement LDPs will provide the chance to reflect the environmental impact of some of these issues/scenarios more clearly, together with any associated mitigation measures.

Q13: What are your views on the proposals for mitigation and monitoring of the environmental effects set out in chapter 6.5 and 7 of the SEA Environmental Report?

Agree and support the mitigation and monitoring measures identified, particularly the focus on actions designed to support a reduction in Greenhouse Gas emissions and the closer integration between land use and transport planning. Given that the transport sector is the largest source of Greenhouse Gas emissions it is imperative that an effective monitoring system is in place to record change and identify future action. On this last point it would prudent to at least acknowledge the role of monitoring to inform and feed into subsequent reviews of the strategy, either in line with the agreed review period and/or as and when required.



Q14: Is there anything else you would like to say about the SEA Environmental Report?

N/A

Thank you for your time and your contribution.

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