

# Notice of meeting and agenda



## Midlothian Council

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

**Date:** Tuesday, 27 September 2016

**Time:** 14:00 - 17:00

**John Blair**  
**Director of Resources**

**Contact:**

Clerk Name: Kyle Clark-Hay

Clerk Telephone: 0131 270 5796

Clerk Email: [Kyle.Clark-Hay@midlothian.gov.uk](mailto:Kyle.Clark-Hay@midlothian.gov.uk)

**Further Information:**

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

**Recording Notice:** Please note that this meeting will be recorded. The recording will be publicly available following the meeting, including publication via the internet. The Council will comply with its statutory obligations under the Data Protection Act 1998 and the Freedom of Information (Scotland) Act 2002.

## **1 Welcome, Introductions and Apologies**

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Including any apologies received from Members who are unable to attend

## **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 Declarations 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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No deputations received for consideration

## **5 Minutes of Previous Meeting**

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### **5.1 Minutes of meetings submitted for approval as a correct record:**

Note of Meeting of Midlothian Council of 16 August 2016

**5 - 14**

Addendum to Minutes of Meeting of Midlothian Council held on Tuesday 16 August 2016

### **5.2 Minutes of meetings for noting and consideration of any recommendations:**

Meeting of Cabinet of 31 May 2016

Meeting of Special Cabinet of 31 May 2016

Meeting of Performance Review and Scrutiny Committee 26 April 2016

Meeting of Special Performance Review and Scrutiny Committee of 8 June 2016 (1)

Meeting of Special Performance Review and Scrutiny Committee of 8 June 2016 (2)

Meeting of Police and Fire and Rescue Board held on 24 May 2016

## **6 Questions to the Council Leader**

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No questions submitted for consideration

## **7 Motions**

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- 7.1 Notice of motion - moved by Councillor Milligan and seconded by Councillor Muirhead
- 7.2 Notice of motion - moved by Councillor Bennett and seconded by Councillor Russell
- 7.3 Notice of motion - moved by Councillor Montgomery and seconded by Councillor Imrie

## **8 Public Reports**

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- 8.1 Revision of the Council's Standing Orders and associated documents - Report by Director, Resources **21 - 24**
- 8.2 Local Government Boundary Commission for Scotland Fifth Statutory Review of Electoral Arrangements - Report by Chief Executive **25 - 28**
- 8.3 Audit Committee Chair's Annual Report - Report by Director, Resources **29 - 54**
- 8.4 Financial Strategy 2017-18 to 2020-21 - Report by Head of Finance and Integrated Service Support **55 - 68**
- 8.5 Reserves Strategy - Report by Head of Finance and Integrated Service Support **69 - 74**
- 8.6 Financial Monitoring 2016-17 – General Fund Revenue - Report by Head of Finance and Integrated Service Support **75 - 90**
- 8.7 General Services Capital Plan 2016-17 to 2020-21 Report by Head of Finance and Integrated Service Support **91 - 104**
- 8.8 Housing Revenue Account - Capital Plan and Revenue Budget - 2016-17 to 2021-22 - Report by Head of Finance and Integrated Service Support **105 - 118**
- 8.9 Midlothian Integration Joint Board – Financial Assurance Update - Report by Head of Finance and Integrated Service Support **119 - 122**
- 8.10 TO FOLLOW - Borders Rail Update – Report by Chief Executive
- 8.11 Lothian Buses - CEC dividend request - update - Report by Head of Commercial Operations **123 - 130**

<b>8.12</b>	2016-17 Pre winter update - Report by Head of Commercial Operations	<b>131 - 160</b>
<b>8.13</b>	Update on the Implementation of Self Directed Support in Midlothian - Report by Joint Director, Health and Social Care	<b>161 - 168</b>
<b>8.14</b>	New Social Housing – Progress Report – Phase 2 and Phase 3 - Report by Head of Property and Facilities Management	<b>169 - 174</b>
<b>8.15</b>	TO FOLLOW - Strategic Development Plan for Edinburgh and South East Scotland – Report by Head of Communities and Economy	
<b>8.16</b>	Scottish Child Abuse Inquiry - Report by Director, Education, Communities and Economy	<b>175 - 180</b>
<b>8.17</b>	Proposed Development of a Play Strategy for Midlothian - Report by Director, Education, Communities and Economy	<b>181 - 186</b>
<b>8.18</b>	Additional Essential Works at Pentland House Penicuik - Report by Head of Customer and Housing Services	<b>187 - 196</b>
<b>8.19</b>	Consultation on a Child Poverty Bill for Scotland - Report by Director, Education, Communities and Economy	<b>197 - 204</b>

## **9 Private Reports**

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

There are no reports to be considered under private business

# Minute of Meeting



## Midlothian Council

Date	Time	Venue
16 August 2016	2pm	Council Chambers, Midlothian House, Buccleuch Street, Dalkeith

### Present:

Provost Wallace	Depute Provost Coventry
Councillor Johnstone – Leader of the Council	Councillor Constable – Depute Leader of the Council
Councillor Baxter	Councillor Bennett
Councillor Bryant	Councillor de Vink
Councillor Imrie	Councillor Milligan
Councillor Montgomery	Councillor Muirhead
Councillor Pottinger	Councillor Rosie
Councillor Russell	Councillor Young

### Religious Representatives (Non-voting observers for Education Business):

Mr V. Bourne	Rev. R. Halley
Mrs M. Harkness	

### In attendance:


## **1. Apologies**

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- 1.1 It was noted that apologies had been received from Councillor Parry.

## **2. Order of Business**

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- 2.1 The order of business was confirmed as outlined in the agenda that had been circulated.

## **3. Declarations of interest**

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- 3.1 The Provost requested that any Elected Member who had to declare an interest in a particular item to do so as the item arose.

## **4. Deputations**

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- 4.1 It was noted that no deputations had been received for consideration at this meeting.

## **5. Minutes of Previous Meetings**

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- 5.1 The minutes of the meeting of Midlothian Council on 17 May 2016 were submitted and approved as a correct record so moved by Councillor Rosie and seconded by Councillor Johnstone.
- 5.2 The minutes of the meeting of Midlothian Council on 28 June 2016 were submitted and approved as a correct record so moved by Councillor Johnstone and seconded by Councillor Constable.
- 5.3 The minutes of the Midlothian Integration Joint Board meeting of 16 April 2016 were presented to the Council for noting and consideration of any recommendations therein.

## **6. Questions to the Leader of the Council**

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- 6.1 It was noted that no questions had been submitted to the Leader for consideration.

## 7. Notices of Motions

Motion No.	Motion Title	Proposed by:	Seconded by:
7.1	<b>Racism, Xenophobia and Hate Crime</b>	<b>Councillor Baxter</b>	<b>Councillor Pottinger</b>

### Motion:

*We are proud to live in a diverse and tolerant society. Racism, xenophobia and hate crimes have no place in our country. Midlothian Council condemns racism, xenophobia and hate crimes unequivocally. We will not allow hate to become acceptable.*

*Midlothian Council commits to working with agencies and organisation to help ensure that local bodies and programmes have the support and resources they need to fight and prevent racism and xenophobia.*

*We reassure all people living in this area that they are valued members of the community.*

### Summary of discussion

The Council heard from Councillor Baxter who presented the motion and confirmed that he saw this as an opportunity to reaffirm Midlothian Council's commitment to diversity within Midlothian; reject messages of hate; and to reassure those living, working or visiting Midlothian irrespective of background, that they are welcome in Midlothian.

The Council then heard from Councillor Pottinger who spoke in support of the motion and highlighted the work of the Midlothian Council and its partner agencies to support diversity within Midlothian.

### Decision

The Council agreed to support the motion which was moved by Councillor Baxter and seconded by Councillor Pottinger.

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**Sederunt – The Provost confirmed, that following the Council meeting of 28 June 2016 and with the approval of Dr Mary Smith (who was Acting Chief Executive) he wrote to the Counsul General in France, Japan and Germany following the attacks in these countries.**

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## 8. Reports

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Agenda No.	Report Title	Presented by:
<b>8.1</b>	<b>Schedule of Meeting Dates 2016-17 – General Purposes Committee</b>	<b>Director, Resources</b>

### Outline of report and summary of discussion

The report was presented by the Director, Resources which sought to amend the schedule of meeting dates previously approved by the Council on 22 September 2015 in respect of two meetings of the General Purposes Committee.

Councillor Coventry moved that the recommendations within the report were accepted which was seconded by Councillor Johnstone.

### Decision

The Council agreed to:

- a) Amend the schedule of meeting dates of the General Purposes Committee by changing the meeting scheduled for 3 January 2017 as it falls on a public holiday to 31 January 2017 at 10 am;
- b) Amend the schedule of meeting dates by changing the meeting of the General Purposes Committee scheduled for 21 February 2017 to 28 March 2017 at 11 am to accommodate licensing applications which may require to be considered by the Committee; and
- c) Authorise the Director, Resources to make the necessary arrangements.

### Action

Director, Resources

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Report No.	Report Title	Presented by:
<b>8.2</b>	<b>Parking in Midlothian</b>	<b>Head of Commercial Operations</b>

### Outline of report and summary of discussion

The Council heard from the Head of Commercial Operations who informed the Council of the progress towards preparing an application to Scottish Government for decriminalised parking powers within Midlothian. Further the report provided Elected Members with details of further works that will be required to continue the process of introducing Decriminalised Parking within the Council area.

In moving that the recommendations in the report be accepted by the Council, Councillor Rosie highlighted his concerns in respect of reports of bad and inconsiderate parking in Midlothian particularly within town centres and around



schools and as such doing nothing was not an option for the Council.

Councillor Johnstone seconded the motion to accept the recommendations and highlighted the potential impact of bad parking practices in Midlothian.

The Council then heard from Councillor Imrie who moved an addendum to the recommendations as follows:

*The Council write to COSLA to obtain figures throughout Scotland to confirm how much this is costing Councils that are going down this particular route in relation to parking.*

Councillor Imrie further highlighted the cost impact to smaller Local Authorities against the climate of financial challenges.

Councillor Rosie was heard accepting the addendum that Councillor Imrie moved and this was seconded by Councillor Johnstone.

#### Decision

The Council agreed to:-

- a) Continue to support the view that decriminalised parking offers the most effective parking enforcement regime in the long term;
- b) Remedial works to signs and road markings be progressed, and approve a supplementary estimate of £100,000 in 2016/17;
- c) Allocate £200,000 in the annual revenue budget from 2017/18 onwards to cover the annual cost of operating a Decriminalised Parking Scheme;
- d) The Director, Resources to provide a further report to Council when the outcome of the feasibility study and outline business case are available;
- e) Council write to COSLA to obtain figures throughout Scotland to confirm how much this is costing Councils that are going down this particular route in relation to parking.

#### Action

Director, Resources

Report No.	Report Title	Presented by:
8.3	Participatory Budgeting	Director, Education, Communities and Economy

#### Outline of report and summary of discussion

The Council heard from the Director, Education, Communities and Economy who presented the report which sought to update Elected Members and request support for the development of Participatory Budgeting (PB) in Midlothian.

Councillor Bryant was heard in support of the recommendations and in particular highlighted the success of the pilot in Mayfield and Easthouses and further moved the recommendations were accepted.

Councillor Johnstone was then heard in support of Participatory Budgeting and further proposed the recommendations were accepted.

#### Decision

The Council agreed to:

- a) Note the policy approach of the Scottish Government to empower communities to participate in decisions on the allocation of resources;
- b) Note the update on Participatory Budgeting activity in Midlothian;
- c) Instruct the Services to Communities Board to identify existing budgets that could be made available for Participatory Budgeting;
- d) Instruct Officers to discuss further with Elected Members how they could most effectively distribute a proportion or all of their environmental budgets using a Participatory Budgeting approach; and
- e) Use any available Council funding to apply for match funding from the Community Choices fund in 2017/18 and beyond.

#### Action

Director, Education, Communities and Economy

Report No.	Report Title	Presented by:
<b>8.4</b>	<b>Strategic Development Plan for Edinburgh and South East Scotland – Proposed Plan</b>	<b>Head of Communities and Economy</b>

#### Outline of report and summary of discussion

The Council heard from the Head of Communities and Economy who delivered a report which presented the proposed Strategic Development Plan (SDP) No.2 for Edinburgh and South East Scotland (SESplan) and further requested ratification of the plan by Elected Members.

Councillor Bryant formally moved that the recommendations within the report were accepted and this was seconded by Councillor de Vink.

Councillor Milligan then moved,

*The Council is not in a position to take a decision on the ratification of the plan at this time and further request a seminar to discuss this further with Elected*

**Members.**

Councillor Milligan further highlighted his concerns in respect of the impact on medical facilities; education and infrastructure in Midlothian as a result of the proposals.

Councillor Baxter was then heard in agreement with Councillor Milligan's comments and specifically highlighted his concerns in relation to fracking. Councillor Baxter seconded Councillor Milligan's motion.

Councillor Montgomery was then heard highlighting his concerns in relation to the fact that the Penicuik Rail Link wasn't included within the plan and further highlighted his view that Midlothian should be more ambitious.

Councillor Bryant asked for confirmation of the ramifications of not accepting the plan which the Head of Communities and Economy provided.

Following this clarification, a vote was taken:

7 Councillors voted for the recommendations as contained in the report and moved by Councillor Bryant and seconded by Councillor de Vink and 9 voted against. 9 Councillors voted for the amendment moved by Councillor Milligan and seconded by Councillor Baxter and 7 voted against and therefore the amendment became the decision of the Council.

**Decision**

The Council agreed:

- a) Not to take a decision on the ratification of the proposed Strategic Development Plan for Edinburgh and South East Scotland at this time; and
- b) To a seminar being arranged for Elected Members to consider the matter further.

**Action**

Head of Communities and Economy

Report No.	Report Title	Presented by:
<b>8.5</b>	<b>Gorebridge Family Learning Centre</b>	<b>Director, Education, Communities and Economy</b>

**Outline of report and summary of discussion**

The Council heard from the Director, Education, Communities and Economy who presented a report dated 26 July 2016 which updated the Council on the projected cost of setting up a Family Learning Centre in the Gorebridge Beacon following the Council decision on May 2016 to approve the allocation of funding to support the Gorebridge Beacon Project.

Councillor Constable moved that the recommendations were accepted which was seconded by Councillor Johnstone.

Councillor Muirhead was further heard in support of the recommendations.
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<b>Decision</b>
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The Council agreed to:
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- |  |
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| <ul style="list-style-type: none"> <li>a) Note the projected additional cost of setting up a Family Learning Centre in the Gorebridge Beacon; and</li> <li>b) Allocate £70,000 from the Early Years Childcare grant for the additional costs for setting up the centre.</li> </ul> |
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<b>Action</b>
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Director, Education, Communities and Economy
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## 9. Exclusion of Members of the Public

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In view of the nature of the business to be transacted, the Council agreed that the public be excluded from the meeting during discussion of the undernoted item, as contained in the Addendum hereto, as there might be disclosed exempt information as defined in paragraphs 6 and 9 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:-

- (a) Paradykes and Roslin Primary Schools Update – Report by Director, Resources - approved





# Midlothian Council

## Labour Group

Item 7.1



**Midlothian Council**  
**Tuesday 27 September 2016**

### **Notice of Motion**

At a meeting of the Council's Performance and Scrutiny Committee held on Tuesday 7th September, when discussing a report from the Head of Adult Social Services on a Scottish Government cut to funding for the Mid and East Lothian Drug and Alcohol Project (MELDAP), Councillor Joe Wallace launched an unwarranted and highly inappropriate attack on veterans.

Council believes that this directly contradicts his role as Veteran's Champion which requires the post holder to actively promote the welfare of our veterans and consequently makes his position as Veteran's Champion and indeed Provost completely untenable.

Therefore Council agrees that

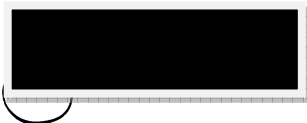
- 1 Councillor Wallace is no longer fit to continue in his role as Veteran's Champion and he should resign with immediate effect;
- 2 His role as Provost, given the ceremonial responsibilities of that post, particularly in relation to armed forces based in Midlothian, is also untenable and he should resign as Provost with immediate effect;
- 3 If Councillor Wallace fails to acknowledge these points and resign from both roles voluntarily, Council removes him from both posts with immediate effect.

Moved



Councillor Derek Milligan

Seconded



Councillor Jim Muirhead





# Midlothian Council

## Labour Group

Item 7.2



**Midlothian Council**  
**27 September 2016**

### Notice of Motion

21 October 2016 marks the 50<sup>th</sup> Anniversary of the Aberfan disaster, which saw 116 children and 28 adults tragically lose their lives when a coal bing collapsed and destroyed houses and the school in the village.

Council agrees to write to the Mayor of Merthyr Tudfyl on behalf of the people of Midlothian, a former mining area, to offer our ongoing condolences and assurance that their grief has not been forgotten.

Moved:



Councillor Alex Bennett

Seconded:



Councillor Margot Russell



# Midlothian Council

## Labour Group

Item 7.3

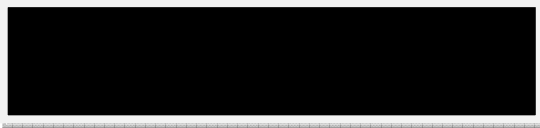


**Midlothian Council**  
**Tuesday 27 September 2016**

### Notice of Motion

Midlothian Council congratulates Team GB on their achievements in the Olympic and Paralympic Games in Rio de Janeiro, with Scotland's athletes making a major contribution towards the record medal haul including a silver from our own County's Para breast stroke swimmer Scott Quinn.

*Moved*



**Councillor Adam Montgomery**

*Seconded*



**Councillor Russell Imrie**



## **Revision of the Council's Standing Orders and associated documents**

### **Report by John Blair, Director, Resources**

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

The purpose of this report is to present the proposals for the revision of the Council's Standing Orders and associated documents (Scheme of Administration and Scheme of Delegation) to the Council. Further the Council is recommended to approve the proposed revisions to these documents.

#### **2 Background**

**2.1** The Council's Standing Orders and associated documents provide the governance for the way the Council operates.

**2.2** A review of the governance arrangements of the Council was identified as a key output of the Democratic Services Strategy and Plan which was approved by the Corporate Management Team on 2 December 2015.

**2.3** A key factor for the review of the Standing Orders and associated documents was the need for the governance arrangements of the Council to take account of new ways of working across the Council in light of the Management Review and subsequent changes to the Council Directorates. Coupled with this the review of the Standing Orders and associated documents has also provided the opportunity to regularise decisions of the Council that have affected the Standing Orders and associated governance.

**2.4** An Officer working group consisting of the Director, Resources, the Monitoring Officer and the Democratic and Document Services Manager reviewed the existing governance documents and have formulated revised Standing Orders and associated documents.

**2.5** Further work has been carried out by the Corporate Management Team and a short life working group was formed involving Elected Members.

**2.6** As a result of this work it is recommended that the Standing Orders and associated documents are reviewed on an annual basis with a report to be presented to Midlothian Council for approval at the Council meeting prior to the summer recess on an annual basis. This will allow ensure the governance of the Council is reflective of the operational and legislative requirements.

**2.7** The Council are recommended to approve the revised Standing Orders and associated documents.

### **3 Report Implications**

#### **3.1 Resource Implications**

There are no Resource implications in relation to this report.

#### **3.2 Risk Implications**

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.

#### **3.3 Policy Implications**

##### **Strategy**

There are no strategy implications arising from this report.

##### **Consultation**

No consultations have been undertaken in connection with this report, however, the Corporate Management Team were invited to review and comment on the proposed revisions and a short-life working group consisting of Elected Members have been involved in designing the final proposal.

##### **Equalities**

An equalities impact assessment is not required in connection with this report.

##### **Sustainability**

There are no sustainability implications arising from this report.

### **4 Recommendations**

The Council is invited to:

- (a) Review and approve the revised Standing Orders and associated documents;
- (b) Instruct the Director, Resources to publish the revised Standing Orders and associated documents; and
- (c) Instruct the Director, Resources to bring forward a review of the Council Standing Orders and associated documents to the Council meeting prior to the summer recess on an annual basis.

**Appendices:**

The revised documents have been circulated to Members separately

**1 September 2016**

Report Contact:

**Kyle Clark-Hay****Tel No 0131 270 5796**[Kyle.Clark-Hay@midlothian.gov.uk](mailto:Kyle.Clark-Hay@midlothian.gov.uk)





**Local Government Boundary Commission for Scotland Fifth Statutory Review of Electoral Arrangements – Final Decision for Midlothian by Scottish Ministers****Report by Chief Executive****1 Purpose of Report**

The purpose of this report is to inform Members of the final decision made by Scottish Ministers in regard to Midlothian in the Fifth Statutory Review of Electoral Arrangements carried out by the Local Government Boundary Commission for Scotland.

**2 Background**

**2.1** The Fifth Review of Local Government Electoral Arrangements by the Local Government Boundary Review Commission for Scotland commenced in February 2014. On 19 March 2015 the Review entered a consultation period with Councils. In respect of Midlothian the Commission proposed:

- *To improve overall forecast parity (for each ward);*
- *To adopt suggestions from Midlothian Council to amend the ward boundary at Gladstone's Gait, Bonnyrigg;*
- *To make no changes to Ward 1 - Penicuik, Ward 3 - Dalkeith, Ward 4 - Midlothian West and Ward 6 - Midlothian South;*
- *To make no changes to the number of Councillors in each ward; and*
- *To make no changes to ward names.*

**2.2** On 12 May 2015 the proposals were considered by Midlothian Council when it agreed:-

- (a) *That any detailed comments on the proposals be fed back to the Chief Executive by no later than Tuesday 19 May 2015;*
- (b) *To welcome the proposed ward boundary changes at Gladstone's Gait, Bonnyrigg; and*
- (c) *To otherwise note the proposals.*

### **3 Update and Scottish Ministers' Decision**

- 3.1** A further statutory public consultation period was held by the Boundary Commission ending on 22 October 2015 when no responses were received specifically relating to Midlothian. Accordingly, the Commission decided to retain their proposals as their final recommendations to Scottish Ministers.
- 3.2** On 14 September 2016 Scottish Ministers intimated that they had accepted the Boundary Commission's recommendations in respect of Midlothian and accordingly had laid before Parliament an Order to give effect to the recommendations - The Midlothian (Electoral Arrangements) Order 2016 – to come into force on 30 September 2016, and apply to elections held on or after 4 May 2017.

### **4 Report Implications**

#### **4.1 Resource**

There are minimal, if any, resource implications from the Boundary Commission recommendations.

#### **4.2 Risk**

There are no additional risks arising from the proposals.

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

Themes addressed in this report:

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

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

Not applicable.

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

Maintaining the *status quo* should have no impact.

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

Not relevant.

#### **4.7/**

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

The Local Government Boundary Commission for Scotland in reaching its recommendations carried out full public consultation proposals (via their interactive consultation portal and by inviting email/written submissions) in accordance with its statutory provisions.

#### **4.8 Ensuring Equalities**

The Commission in carrying out the Review aimed to ensure as far as possible electoral parity and to take into account of deprivation and population distribution.

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

Not relevant.

#### **4.10 IT Issues**

There are no IT issues arising as a consequence of the proposals in this report.

### **5 Recommendation**

- 5.1** The Council is asked to note the “*Local Government Boundary Commission for Scotland Fifth Statutory Review of Electoral Arrangements – Final Recommendations*” in respect of Midlothian which have been accepted by Scottish Ministers and which accord with the earlier decision of Midlothian Council made on 12 May 2015.

**15 September 2016**

**Report Contact: Allan R Brown, Elections Officer**

**Tel No: 0131 271 3255**

[allan.brown@midlothian.gov.uk](mailto:allan.brown@midlothian.gov.uk)

#### **Background Papers:**

- Local Government Boundary Commission for Scotland Fifth Statutory Review of Electoral Arrangements – Final Recommendations; and
- Letter dated, 14 September 2016, from Joe Fitzpatrick MSP, Minister for Parliamentary Business to Councillor David O'Neill, President, COSLA.



**Audit Committee Chair's Annual Report****Report by John Blair, Director, Resources****1 Purpose of Report**

The purpose of this report is to present the Audit Committee Chair's Annual Report for 2015/2016.

**2 Background**

**2.1** The Chair's report has been prepared in accordance with the Audit Committee Combined Code (2008) and the 2013 Chartered Institute of Public Finance and Accountancy (CIPFA) document "Practical Guidance for Local Authorities - Audit Committees".

**2.2** The Chair's report was considered and approved by the Audit Committee on 21 June 2016. The report is referred to Council for consideration.

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

There are no resource implications arising from this report

**3.2 Risk**

There are no risks associated with 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

The work of the Audit Committee over 2015/2016 has addressed each of these issues in respect of particular subjects.

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

The work of the Audit Committee over 2015/2016 has addressed each of these issues in respect of particular subjects.

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

The Management Action Plans approved by the Audit Committee over the year have improved performance and outcomes in a number of areas.

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

The Management Action Plans approved by the Audit Committee over the year have introduced measures to improve procedures in a number of areas to ensure good practice and accountability.

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

It was not considered necessary to consult with Communities and other Stakeholders in respect of this report.

### **3.8 Ensuring Equalities**

There are no equalities issues arising from this report.

### **3.9 Supporting Sustainable Development**

N/A

### **3.10 IT Issues**

N/A

## **4 Recommendations**

The Council is invited to consider the Annual report of the Independent Chair of the Audit Committee.

**Date 16 August 2016**

#### **Report Contact:**

Janet Ritchie Tel No. 0131 271 3158

[janet.ritchie@midlothian.gov.uk](mailto:janet.ritchie@midlothian.gov.uk)

#### **Background Papers:**

Annual Report from the Chairman, Year ended 31 March 2016

Appendix 1 - Audit Committee Self Assessment

Appendix 2 - Annual Governance Statement 2015/16

Appendix 3 - Core Areas of Knowledge

## **MIDLOTHIAN COUNCIL**

### **Audit Committee**

#### **Annual Report from the Chairman Year ended 31 March 2016**

#### **Introduction**

This Annual report has been prepared to inform Midlothian Council of the work carried out by the Audit Committee during the financial year. In preparing this report reference has been made to the requirements of the Audit Committee Combined Code (2008) and the 2013 Chartered Institute of Public Finance and Accountancy (CIPFA) document "Practical Guidance for Local Authorities - Audit Committees".

#### **Meetings**

The Committee met formally five times in the year. A briefing session is held between the Chairman and the Internal Audit Manager before each Audit Committee meeting. In addition the Chairman also meets with the Chief Executive, Director Resources, Head of Finance and Integrated Service Support (Section 95 Officer) and Internal Audit Manager before each Committee. The Chairman has also met Elected Members, Senior Officers and the External Auditors outside of these formal meetings.

Compared to the maximum possible 35 aggregate attendances at the Audit Committee of the permanent members of the Committee during 2015/16, 6 apologies for absence were received, representing an 81% attendance record.

#### **Membership**

The Audit Committee has a total of 8 members. There is an Independent Chair and from 22 September 2015 an Independent Voluntary Member was also appointed to the Committee. There are six Elected Members represented on the Committee (voting members). The quorum for meetings of the Committee of 3 Councillors was achieved at all meetings during the year. Five members of the Committee have private sector financial experience and related qualifications. The Chief Executive, the Director, Resources, Director, Education Communities and Economy, Director of Health and Social Care, and Head of Finance and Integrated Service Support are regularly in attendance; and other officers as appropriate. The Internal Audit team attended every meeting as did Grant Thornton, the Council's External Auditors.

#### **Governance**

The Committee operates under the Council's Standing Orders and its policy is to conform to the relevant CIPFA and Convention of Scottish Local Authorities

(COSLA) Codes and Position Statements, and recommendations for Best Practice. An assessment against these codes is shown at Appendix 1. In light of the CIPFA position statement, (issued in December 2013) alterations have been agreed to the Council's Standing orders in respect of the Audit Committee so as to continue in conformity with the CIPFA position (for example the need to assess value for money and approve the Audit Charter). These proposed changes, previously reported, require to be authorised, along with other changes to Standing Orders, by the full Council and this process is underway. The draft revised standing orders were presented to the Corporate Management Team on 22 March 2016 and they will be presented to Council in due course (including the revised Terms of Reference for the Audit Committee).

The Audit Committee Members were asked to complete a Core Knowledge Self Assessment in the prior year so that any training needs can be identified (Appendix 3). A training session will be held on 20 September 2016 with Grant Thornton, the External Auditors, to address any training needs.

The Committee is also conversant with Audit Scotland's reports on Midlothian and its publications generally regarding local government in Scotland. The Audit Committee receives regular reports from Council officers presenting the actions taken against these reports.

The Chairman and Committee Members have access to, and consult when appropriate, relevant publications of Audit Scotland, CIPFA, National Fraud Initiative (NFI), and relevant Accounting Standards. They also review the Council's Risk Management processes and Risk Registers, and monitor Internal Audit performance in terms of delivery of the Internal Audit Plan and the level of compliance against the Public Sector Internal Audit Standards.

The Members also review and have input to the Council's Annual Governance Statement (Appendix 2).

### **Assurance Framework**

The Annual Governance Statement is set out at Appendix 2. The table on page 5 of Appendix 2 sets out the actions proposed for 2016/17 to further improve the Council's assurance framework. These include: updating the procurement processes to comply with the new procurement legislation, updating the Code of Corporate Governance to comply with the new International Framework of Good Governance in the Public Sector, reviewing the Counter Fraud Policy and Whistle-blowing Policy and create a separate Anti-bribery and Corruption Policy to allow full compliance against the new CIPFA code of practice on "Managing the Risk of Fraud and Corruption", undertake a high level assessment of the Council's readiness in relation to the risks posed by Serious Organised Crime and Corruption, and ensure that disaster recovery plans have been adequately tested and to monitor the on-going testing for this.



## **Internal Audit**

The Internal Audit team has had a complement of 4 FTE employees for the majority of 2015/16. An internal assessment against the Public Sector Internal Audit Standards (PSIAS) was reported to the Audit Committee on 10 May 2016 and this showed compliance against the code. A comprehensive checklist accompanied the report which was based on the agreed Scottish Local Authority Chief Internal Audit Group format. Going forward there will be a system of reciprocal assessments within local government with the first external assessment of Midlothian to be undertaken in 2016/17.

Grant Thornton's external audit report, published in September 2015, found the Internal Audit function to be operating satisfactorily. Grant Thornton noted that "overall Internal Audit have completed their plan for 2014/15 as agreed with the Audit Committee and have provided detailed updates to Committee".

In December 2015, the Committee noted the output position of the Internal Audit function. There had been 474 recommendations made in the prior three years, with 90% of the recommendations reported by management as implemented or "on target" to be implemented by the agreed date. The outlying 10% are the subject of continuing follow-up. This reflects a similar position to the previous year's performance (reported in December 2014) where 636 recommendations had been raised and 92% of these were reported as complete by management. The Internal Audit section is to sample a number of issues that have been reported as closed during the year and aims to report this to the June 2016 Audit Committee.

The Audit Committee considered and approved an Annual Assurance Report on the Internal Audit function submitted by the Internal Audit Manager for the financial year 2015/16. This report provided a summary of the work undertaken by the section in comparison to its plan and provided an overall opinion on the Council's system of control based on that work. This opinion was that overall the Council's framework of governance, risk management and control over the period 2015/16 was of a satisfactory standard and have been implemented and are monitored by management in line with Financial Directives, Council Policy and the other key essentials of a robust Internal Control Environment.

## **National Fraud Initiative**

Midlothian participate in the National Fraud Initiative led by Audit Scotland using data-matching techniques to identify potentially fraudulent activity involving social security payments and other entitlements, such as the Blue Badge disabled parking scheme. The work is ongoing but results so far identified a small number of overpaid benefits and discounts which suggest that the Council is not subject to widespread abuse.

## **Newbyres Housing**

The Audit Committee retain interest in the progress of potential litigation aimed at recovery of losses incurred by the Housing Revenue Account relating to advice given in the construction of 66 council residential properties, which have now been demolished in consequence of CO2 emissions and the absence of foundation membranes.

## **Newbyres Village Care Home**

The Audit Committee have noted an overspend position in 2015/16 of this Council-run care home. A material adverse variance against the staffing budget suggests that the cost base for the level of staffing required to provide care may have been underestimated. We are aware that the Council is focussed on achieving operational improvement and the Audit Committee will continue to monitor the situation to gain assurance that a normalised performance is occurring against appropriate measures.

## **Financial Monitoring and Financial Strategy**

The Committee has reviewed in 2015/16 regular reports submitted by the Head of Finance and Integrated Service Support in relation to Financial Monitoring, the General Services Capital Plan, Housing Revenue Account and the Financial Strategy.

The Committee has discussed (latest 15 March at quarter 3) the projected net overspend of £1.058m in relation to the General Fund Revenue Account for 2015/16 and has also reviewed the Financial Strategy for 2016/17 and the programmes to manage the projected financial gap (including approved savings, transformational programme, asset management and operational and financial discipline).

In 2014/15, the Council achieved Business Transformation savings of £0.9m compared to a revised target savings figure of £1.8m. Officers have assured us that savings involving early retirement for staff are achieving paybacks against cost which meet the requirements of the Voluntary Severance Early Release policy, and the programme as a whole is forecast to have further savings across a number of strands of work. The effectiveness of Business Transformation relative to cost remains under periodic review by the Audit Committee.

## **Progress Monitoring**

Internal Audit annually reviews whether a sample of recommendations has been implemented satisfactorily. In addition, a report is also prepared annually which details management's performance in closing issues by the agreed due date (as noted above). Both of these reports are presented to and discussed by the Audit Committee. In addition, specific matters are requested for follow-

up discussions at the point of initial discussion, as is required by the Standing Orders and evidenced through the Audit Committee minutes.

### **Effectiveness of Internal Controls**

The Committee has made several recommendations in 2015/16 and endorsed the recommendations made by the Internal and External Auditors. Recommendations made in respect of internal controls are monitored by the Internal Audit team. Additionally, the External Auditor reviews the effectiveness of the controls and systems.

Internal Audit reports directly to the Chief Executive, which strengthens the independence of the function. The External Auditor also noted in their September 2015 report that the Committee “is also well supported by Internal Audit, and by the Independent Chair, who provides additional perspective and financial expertise to the Committee”. The External Auditor’s review of IT controls in the 2014/15 audit report produced low-priority recommendations and identified that the controls operating were generally satisfactory. The issues identified in the review of IT controls are being followed up in the current year.

Although there is no specific caption in the Standing orders ([www.midlothian.gov.uk/download/downloads/id/61/standingorders](http://www.midlothian.gov.uk/download/downloads/id/61/standingorders)) at present which specifies that the Audit Committee should review best value (which is included in the revised version which still awaits Council approval), in practice this concept continues to determine the content of debates within the Audit Committee. In addition specific areas where unanticipated risks had been, or might be, encountered were discussed.

During the year, Internal Audit reports have identified weaknesses in the systems of internal control. Examples include: Developer Contributions where it was identified that there were monitoring weaknesses by the Council on when staged payments fall due and on the dates that contributions needed to be used by; the need to strengthen contractual relationships with third parties for specific programmes; and that some payments to subcontractors which fall under the Construction Industry Scheme were not treated appropriately.

Other reports submitted by Internal Audit have included: Commercial Lets, Payroll, Tendering of Contracts, House Rents, Early Years Partnership, Cashless Catering and Devolved School Management Budgets. These reports have been discussed by the Audit Committee and the recommendations made in the management actions plans have been endorsed. The Audit Committee has also requested follow up reports, to measure progress against the recommendations, on certain reviews including Following the Public Pound and Developer Contributions.

### **Financial Management and External Audit**

The Audit Committee reviewed and discussed Grant Thornton’s Annual Audit Report.

The principal discussion arose from a materially better-than-expected outturn. For the year ended 31 March 2015, when a £3.9m utilisation of reserves had been projected, the result was an improvement of £0.8m. This comprises an underspend of £3.2m and a positive income variance of £1.5m. On analysis, the spending variance is supported by a series of variances due to non-predictable favourable conditions (especially in Social Work and Adult Care).

There does not appear to be a systemic overconservative approach, but the Chairman of the Audit Committee has made himself available for further examination of forecasting methodology should there be subsequent significant variances ( whether positive or negative).

Uncommitted Reserves on the general fund account at 31 March 2015 were £12.84m, which is over 5% of net cost of services and above the level set out in the Council current reserves strategy. In real terms, the Council continues to face increases in demand and with restricted Scottish Government support, it continues to be the case that both efficiency gains and service reductions will be needed to ensure balancing of the revenue account in future years.

The Committee also reviewed favourably the Treasury management function. While the Council's cash deposit strategy for its reserves is supported by external professional advisors, caution was advised by the Committee as to the selection of overseas deposit-taking institutions.

## **Conclusion**

The Committee, in tandem with the Internal Audit function, has taken steps to streamline its workload by way of a more planned approach to subject scrutiny. It retains the flexibility to probe specific unanticipated problems, and increasingly views its work as related to assessing risks and not just enforcing good housekeeping as deficiencies become apparent, important though that function remains.

The Committee in 2016/17 will thus continue to question any perceived weaknesses in internal controls and will also focus on the Council's forward-looking strategy for stabilising the Consolidated Income and Expenditure account. In this a continuing emphasis on Value for Money harmonises the aims of balancing the Council's financial position while generating optimal public benefit from the Council's operations.

The Audit Committee has also been monitoring progress with the role out of the new Health and Social Care Integration Joint Board and has received an Internal Audit report on the financial assurance process undertaken over amounts delegated by the Council to the new Board. The Audit Committee will be involved in scrutinising the outturns from this in future years.

## Appendix 1

### Audit Committee Self Assessment

#### Audit Committee Purpose and Governance

Good practice questions	Yes	Partly	No
1. Does the authority have a dedicated audit committee?	Yes		
2. Does the audit committee report directly to full council? (Applicable to local government only)	Yes. All Audit Committee minutes are circulated to full Council for noting and approval of recommendations made.  An annual report is submitted by the Chair of the Audit Committee to full Council.		
3. Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Yes – ToR in place and periodically reviewed against CIPFA's best practice. Some changes were identified following an assessment against CIPFA Audit Committee - Practical Guidance for Local Authorities and a proposed new Terms		

	of Reference was developed and approved by the Audit Committee and Council. This has still to be written into the revised standing orders although we understand that this should be completed by the end of August 2016.		
4. Is the role and the purpose of the audit committee understood and understood across the authority?	Yes – role of committee is set out in Council’s standing orders. Senior Management and Elected Members have access to Standing Orders on the Council’s Intranet.		
5. Does the audit committee provide support to the authority in meeting the requirements of good governance?	Yes – committee carries out the role set out in the Terms of Reference contributing to the authority’s governance framework.		
6. Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Yes – Independent Chair does not have voting rights. Attendance at		

	meetings by senior management. Audit Committee minutes are submitted to full Council. The Chair of the Audit Committee produces an annual report to full Council which summarises the work of the Audit Committee and provides an opportunity for challenge.		
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### **Functions of the committee**

<b>Good Practice Questions</b>	<b>Yes</b>	<b>Partly</b>	<b>No</b>
7. Does the committee's terms or reference explicitly address all the core areas identified in CIPFA's position statement?			
▪ Good governance	Yes		
▪ Assurance framework	Yes		
▪ Internal audit	Yes		
▪ External audit	Yes		
▪ Financial reporting	Yes		
▪ Risk management	Yes		
▪ Value for money or best value		Partly. Revised ToR has this requirement.  Awaiting update of	

		new ToR to standing orders (action raised).	
▪ Counter Fraud and Corruption	Yes		
8. Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes. An annual report is produced by the Chair of the Audit Committee and provided to full Council for comment / review.		
9. Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to overtake them?		The Audit Committee's ToR has been adjusted to include Ethics, Treasury Management and specific services reviews. Awaiting update of new ToR to standing orders (action raised).	
10. Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A – coverage of core areas has not been found to be limited. If coverage was found to be limited an action plan would be put in place.		
11. Has the committee maintained its non-advisory role by not taking any decision-making power that is not in line with its core purpose?	Yes		



## **Membership and Support**

<b>Good Practice Questions</b>	<b>Yes</b>	<b>Partly</b>	<b>No</b>
12. Has an effective audit committee structure and composition of the committee been selected? This should include:			
<ul style="list-style-type: none"> <li>▪ Separation from the executive</li> </ul>			No. There are members of the Executive on the Audit Committee. However this is considered as difficult to avoid in a small Council and the Audit Committee operates with an independent Chair and independent member and there is therefore effective challenge.
<ul style="list-style-type: none"> <li>▪ An appropriate mix of knowledge and skills amongst the membership</li> </ul>	Yes. Comprises of Elected Members and 2 independent members (one of which is the Chair).		
<ul style="list-style-type: none"> <li>▪ A size of a committee that is not unwieldy</li> </ul>	Yes - membership limited to six elected members and independent chair and member.		
<ul style="list-style-type: none"> <li>▪ Where independent members are used, that they have been appointed using an</li> </ul>	Yes – person specification for chair		

appropriate process.	in place. Post was advertised and interviews undertaken by the Chief Executive and the Audit Manager.		
13. Does the chair of the committee have the appropriate knowledge and skills?	Yes – relevant and recent financial experience and a relevant accountancy qualification.		
14. Are arrangements in place to support the committee with briefings and training?	Yes. Elected members currently have access to a collective development programme and individual development discussions which cover a range of topics including specific training for those on scrutiny committees such as audit. In addition, at the request of members, as part of their development discussions for 2015, a further financial session is planned in the scheduled Elected Member Development		

	Programme.		
15. Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		Partly. Members are provided with standard induction training and manuals that cover a number of areas listed within the core knowledge and skills framework. Training has also been provided specifically to the Audit Committee on finance related areas. Elected members can also participate in the collective development and individual development programmes. An action has however been raised to undertake an assessment against the knowledge and skills framework	
16. Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief	Yes – Chief Executive, Directors and Section 95 Officer attends		

financial officer?	Audit Committee meetings. External and Internal Audit attend all Audit Committee meetings. Audit Committee pre-meetings in place with Chief Executive, Audit Manager, Chair of Audit Committee, Director Resources and Section 95 Officer.		
17. Is adequate secretariat and administrative support to the committee provided?	Yes		

### **Effectiveness of the committee**

<b>Good Practice Questions</b>	<b>Yes</b>	<b>Partly</b>	<b>No</b>
18. Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Yes. The Chair of the Audit Committee produces an annual report and presents to full Council.		
19. Has the committee evaluated whether and how it is adding value to the organisation?	Yes. The Chair of the Audit Committee produces an annual report and presents to full Council.	.	
20. Does the committee have an action plan to improve any areas of weakness?	Yes The following actions are to be included on		

	<p>the action plan:</p> <ul style="list-style-type: none"> <li>• update of Standing Orders; and</li> <li>• assessment against the core areas of knowledge and skills framework.</li> </ul>		
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Midlothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow public funds and the assets at its disposal to be safeguarded and used efficiently and effectively in pursuit of best value.

Elected Members and senior management are responsible for the governance of the business affairs of Midlothian Council. This includes: setting the strategic direction, vision, culture and values of the Council; and establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

In order to achieve this, the Council has developed a Code of Corporate Governance based on the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives' (SOLACE) framework and guidance on Delivering Good Governance in Local Government. The Code was reviewed and updated in 2013. The Council also has a number of officials in statutory posts who monitor governance and the supporting processes during the year. These are the Head of the Paid Service, the Monitoring Officer, the Chief Finance Officer and the Chief Social Work Officer.

The Code of Corporate Governance details 6 Principles and 18 elements of good Governance. A copy of the Local Code of Corporate Governance is on our website at [www.midlothian.gov.uk](http://www.midlothian.gov.uk). Elements included are:

- allocating responsibility for maintenance of proper financial records and accounts and for maintaining effective systems of internal control;
- appointing a Monitoring Officer with responsibility to ensure that the Council, its officers and Elected Members, maintain the highest standards of conduct;
- establishing a scheme of delegated powers;
- establishing and enforcing a code of conduct for officers;
- having effective scrutiny and challenge arrangements in place over officer and Council decisions;
- open and effective recording of Council decisions;
- risk management processes;
- whistle blowing and fraud prevention procedures and processes;
- providing induction and training for Elected Members and Council officers;
- encouraging individuals from all sections of the community to engage with the Council;
- undertaking equality impact assessments where required; and
- obtaining professional advice on matters that have legal or financial implications.

Midlothian Council's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government. The Chief Financial Officer has overall responsibility for the Council's financial arrangements and is professionally qualified and suitably experienced to lead the Council's finance function.

The Council is responsible for conducting each financial year, a review of the effectiveness of its governance framework, including risk management and the systems for internal control and financial control. The review of the effectiveness of the Council's governance framework is informed by:

- The work of the Corporate Management Team;
- The work of Council managers and Financial Services staff;
- The annual assurance questionnaires that are provided by all 8 Heads of Service;
- An annual review, by Internal Audit, of compliance with the Council's Local Code of Corporate Governance;
- The Audit Manager's annual report which is based on internal audit reports from across the range of Council services;
- Reports from the Council's external auditor; and
- Reports from other external review bodies, agencies and inspectorates.

The key governance arrangements and controls are set out in the local Code of Corporate Governance. Each year, using an assurance template, Internal Audit samples elements in the code to determine whether these are working effectively and that therefore the governance framework is working effectively.

In addition each Head of Service is required to undertake an annual self assessment of their area of responsibility using an assurance template where key elements of governance are examined.

Neither of these assessments highlighted any issues that would impact on the level of effectiveness of the Council's governance framework. A small number of improvements were identified and these are noted below in the action plan.

The statement has also been informed by the work undertaken by Internal Audit who, following the requirements of the Local Authority Accounts (Scotland) Regulations 2014, conducted an annual review of the effectiveness of the Council's system of internal control. The Internal Audit Manager concluded that based on the work undertaken in 2015/16 by the Internal Audit Section that overall, internal controls had been implemented and were being monitored by management in line with Financial Directives, Council Policies and the other key essentials of a robust Internal Control Environment.

The results from these reviews were presented to the May 2016 Audit Committee of the Council along with the Annual Governance Statement for approval.

The Head of Audit (the Audit Manager) has responsibility for the Council's Internal Audit function and reports functionally to the Audit Committee and operationally to the Chief Executive to allow appropriate independence. The Audit Manager is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

The Public Sector Internal Audit Standards (PSIAS) require that an external assessment be conducted at least once every 5 years by a qualified, independent



assessor from outside the organisation over the level of compliance against PSIAS by the Internal Audit Section. An external assessment was not undertaken in 2015/16 but will be undertaken in late 2016/17 as part of the reciprocal assessments by the Scottish Local Authority Chief Internal Auditors' Group (SLACIAG). However a self evaluation of compliance with the Public Sector Internal Audit Standards by Midlothian Council's Internal Audit Section was undertaken by the Internal Audit Manager. This evaluation demonstrated that the key elements of the Standards were complied with during the year. The Council's external auditor conducts an annual review of the effectiveness of the Council's Internal Audit Service and arrangements and reports its findings to the Council within its Annual Audit Report. The latest available assessment (2014/15) was satisfactory.

A number of risks were well managed in 2015/16 and this is demonstrated by the work undertaken in setting up the Integrated Joint Board and the launch of the Scottish Borders Rail Line.

A number of governance improvements were highlighted in the 2014/15 self assessment and progress has been made in 2015/16 on the following:

- having a positive impact on the key priorities of economic recovery and business growth; positive destinations for young people; and early years – getting it right for every Midlothian child;

This action has continued to be part of performance monitoring throughout the 2015/16 performance management and scrutiny cycle and reported to Cabinet and Performance Review and Scrutiny Committee with the end year update due as part of the quarterly reporting in late May, early June 2016. The Community Planning Partnership priorities for 2015/16 have shown steady improvement across Early Years, Positive Destinations and Economic Development and these areas will be further developed in 2016-19. The Community Planning Partnership have recently reviewed key priorities and whilst they continue to build on the work previously undertaken, the key priorities for the period 2016-19 are: reducing the gap in learning outcomes; reducing the gap in health outcomes; and reducing the gap in economic circumstances.

- the continued delivery of the approved financial strategy in what continues to be a challenging financial environment for Local Government. Ensuring that measures are developed and implemented to secure the necessary financial savings to balance future years' budgets;

This action is ongoing and updates are provided through regular reports to Council. The Council has already taken decisions in respect of its 2016/17 budget to address a budget shortfall of £7.6 million. Balancing future year's budgets will continue to be a focus of action over coming years.

□ continued development of risk management processes by aligning risk assessments with service planning and mitigation of risks associated with delivering the Council's outcomes;

In 2015/16, work has been undertaken on the Corporate Risk Register through a bench marking exercise with other local authorities and public sector organisations and the revised Corporate Risk Register has had input from the Corporate Management Team and Directors. A strategic risk profile approach has been used to identify current issues, emerging risks and opportunities. The Risk Manager is now reviewing operational risk registers with service managers, with support from Performance Officers, to assess current and emerging risks which will inform the Strategic Risk Profile. An assessment as to whether Risk Registers should be provided to Cabinet and Council, in addition to the Audit and Risk Committees is being undertaken, given that risk management can be used to help inform decision making and shaping strategy.

□ procurement reform arising from the Procurement Reform Bill and new EU Directives;

All procedures and processes are currently being updated to comply with the new procurement legislation, some elements of which are not due to be implemented until 2017.

□ continued compliance with the Public Services Network code of connection requirements;

The 2016/17 PSN Code of Connection was submitted to the Cabinet Office on 10 March 2016 for approval. It is likely that the Council will maintain ongoing PSN compliance.

□ responding to the impact of further Welfare Reform changes;

Action has been taken to mitigate the impact on households affected and also in the income to the Council but there are further changes with Universal Credit migration and Personal Independence Payments. There is no change in the strategic approaches guiding Midlothian Council's response to Welfare Reform, which is to mitigate against the impact of the effects within the capability and resources of the Council and its partners.

□ the Health and Social Care Integration agenda with the continued establishment of joint services;

The Midlothian Integration Scheme was approved by the Scottish Government on 27 June 2015 and has now been legally constituted with the first Board meeting of the Integrated Joint Board held on 20 August 2015. From 2016/17, the Integrated Joint Board takes on responsibility for delivery of the services delegated to it by Midlothian Council and NHS Lothian. The Integrated Joint Board at its meeting on 10 December 2015 approved its Strategic Plan and directions have now been issued to Midlothian Council and NHS Lothian on how these delegated funds should be used. A process

of financial assurance has been undertaken by the Section 95 Officer on amounts transferred to the Integrated Joint Board by Midlothian Council and a report on this process is also to be submitted to the Midlothian Audit Committee by the Internal Audit function of the Council.

□ The Midlothian Police and Fire and Rescue Board provides the local scrutiny and accountability for Police and Fire and Rescue services as outlined in the Police and Fire Reform (Scotland) Act 2012. This Board was newly established in February 2016 and training opportunities are currently being developed;

During 2015/16, a training workshop was held with the previous Safer Communities Board, Elected Members and partnership representatives from across the Community Safety and Community Planning Partnership who attended on the topic of Community Justice and proposals to change the remit of the Community Safety Partnership to incorporate Community Justice. The Board also received regular update reports on the new national model for Community Justice. A programme of training opportunities will be provided to members of the Police and Fire and Rescue Board, as the Police and Fire and Rescue Board provides the local scrutiny and accountability for Police and Fire and Rescue services as outlined in the Police and Fire Reform (Scotland) Act 2012.

Those actions which are underway but which have not yet been fully concluded (ie the Business Transformation Programme; Welfare Reform; Procurement and Risk Management) will continue to be progressed in 2016/17.

The following table sets out improvements to the governance framework which are to be progressed in 2016/17:

Area for Improvement	Proposed Action in 2016/17
Key priorities and Financial Strategy	To continue to progress the Council's key priorities and deliver the Financial Strategy
Procurement	To update all procedures and processes to comply with the new procurement legislation
Compliance with new Code of Corporate Governance	Updating the Code of Corporate Governance to allow full compliance with the new International Framework of Good Governance in the Public Sector
Compliance against the new CIPFA code of practice on Fraud and Corruption	Review the current Counter Fraud Policy and Strategy, Whistle-blowing Policy and create a separate Anti-bribery and Corruption Policy to allow full compliance against the new CIPFA code of practice on "Managing the Risk of Fraud and Corruption"
Adoption of audit recommendations	To adopt the recommendations made by Internal Audit on the areas where significant weaknesses in control have been identified during the year (including Developer Contributions and Business Gateway)
Serious Organised Crime and Corruption	Undertake a high level assessment of the Council's readiness in relation to the risks posed by Serious

	Organised Crime and Corruption. An improvement plan for recording, managing, and addressing areas of potential risk exposure has been developed and an Integrity Board will be convened to take this forward.
Disaster recovery plans	Ensure that disaster recovery plans have been adequately tested and to monitor the on-going testing of these.
Standing Orders	Updates are required to Standing Orders and the associated documents (Scheme of Administration and Scheme of Delegation) caused by the recent management review and subsequent changes to the Council Directorates

On the basis of the Council's assurance system, and the elements of governance at its disposal, we are satisfied that overall, Midlothian Council's systems of internal control, risk management and governance arrangements are of a satisfactory standard. We are aware of areas where improvements are required and steps will be taken in the forthcoming year to address these areas, allowing the Council to advance its corporate governance arrangements and seek continuous improvement.

**Signed:**

**Catherine Johnstone, Leader of the Council / Kenneth Lawrie, Chief Executive**

**Date:**

## Appendix 3

### Core Areas of Knowledge

Knowledge Area	Detail
Organisational	The governance structures of Midlothian Council and decision making processes. Knowledge of the organisational objectives and major functions of the Council.
Audit Committee Role and Function	The Audit Committee's role and function within the governance structures. Knowledge of the Audit Committee's terms of reference (standing orders) and accountability arrangements. Knowledge of the purpose and role of the Audit Committee.
Governance	<p>Knowledge of the six principles of the SOLACE / CIPFA Good Governance Framework (engaging with local people and other stakeholders to ensure robust public accountability; developing the capacity and capability of members and officers to be effective; taking informed and transparent decisions which are subject to effective scrutiny and managing risk; promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour; member and officers working together to achieve a common purpose with clearly defined functions and roles; and focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area).</p> <p>Knowledge of the local code of governance.</p>
Internal Audit	Knowledge of the Public Sector Internal Audit Standards and the Local Government Application Note. Knowledge of the arrangements for the Internal Audit Service and how the role of the head of audit is fulfilled.
Financial management and accounting	Awareness of the financial statements that Midlothian Council must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the Council meets the requirement of the role of chief financial officer, as required by CIPFA statement on the role of the chief financial officer in local government.
External Audit	Knowledge of the role and functions of external audit and who is undertaking this role. Knowledge of the key reports and assurance external audit will provide.
Risk Management	Understand the principles of risk management, including linkages to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members of the audit committee.

Counter-fraud	An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud management practice. Knowledge of the organisation's arrangements for tackling fraud.
Values of good governance	Knowledge of the seven principles of public life (Integrity, selflessness, objectivity, accountability, openness, honesty and leadership). Knowledge of the Council's key arrangements to uphold ethical standards for both members and staff. Knowledge of whistle blowing arrangements in the authority.
Treasury management	Effective scrutiny of treasury management (regulatory requirements, treasury risks, treasury management strategy, treasury policies and procedures).

**Financial Strategy 2017/18 to 2021/22****Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

This report provides Council with an update on the Financial Strategy encompassing the years 2017/18 to 2021/22.

It includes:-

- An update on future years Scottish Government Grant prospects;
- Updated budget projections rolled forward for 2017/18 to 2021/22;
- A sensitivity analysis reflecting the potential impact of different scenarios;
- An update on the existing and proposed change programmes aimed at addressing the projected budget shortfalls;
- An update on reserves.

**2 Background**

The core objective of the Financial Strategy is that of securing the Council's continued financial sustainability during what is expected to be an ongoing period of financial constraint coupled with continuing service demand pressures and increasing customer expectations.

On 28 June 2016 Council was provided with an updated assessment of projected budgets shortfalls through to 2020/21 which, based on the assumptions set out in that report, projected a budget shortfall for 2017/18 of £11.215 million rising to £36.931 million. After encompassing the savings targets for the change programme resulted in a remaining budget gap to be addressed of £7.740 million for 2017/18 rising to £28.671 million in 2020/21.

Scottish Government grant accounts for 80% of external funding. As in previous years the prospects for and the timing of future years grant settlements are a major factor which dominate the financial projections set out in this report and will continue to dominate the remainder of the budget setting cycle and future Financial Strategy reports. It will also dictate the timing of and the extent to which Council has to reshape and reduce service budgets in order to maintain financial sustainability.

**3 Scottish Government Grant Settlement**

The level of uncertainty in respect of the grant settlement has increase since the last Financial Strategy report was prepared as a consequence of outcome of the EU referendum.

There are two main factors which will influence the level of grant support Council might expect for 2017/18 and beyond. Firstly a range of economic factors will

influence the resources both the UK and Scottish Governments have at their disposal. The second will be the economic and fiscal policies and also spending priorities of both Governments. In addition 2017/18 will see a shift in the fiscal framework for Scottish Government, with greater dependence on its tax and revenue powers and so a lesser dependency on Barnett formula consequentials.

An assessment of the economic factors can be made based on the information published in the autumn from the Office of Budget Responsibility and also the UK Government's Autumn Statement. The impact of Scottish Government's spending priorities will only become fully apparent when its spending plans are published.

It is expected that The Chancellor of the Exchequer will publish his Autumn Statement on 23 November 2016 which will give the first indication of how the UK Government will change its spending plans in light of the decision to leave the E.U. Over the summer the Chancellor has been quoted as stating that he may use this to "reset" Britain's Economic Policy.

Thereafter The Scottish Government will publish its own spending plans with the expectation that these will only be for the year 2017/18. The latest indications are that the spending plans will be published some three weeks after the Autumn Statement, on or about 14 December 2016. The Finance Circular setting individual Council Grant settlements is also expected to be published on the same day. However, the Cabinet Secretary has not ruled out a possible delay until sometime in January 2017. Equally the timing of the Scottish Government announcement assumes that the Scottish Parliament's Finance Committee accepts such a late publication date.

Whilst earlier announcements are a possibility it would curtail the time available to Scottish Ministers develop their own spending plans and priorities. As such the most likely scenario is that we will have details of the UK Government's spending plans on 23 November 2016 and Scottish Government's plans and a Finance Circular with the Council's own grant settlement for 2017/18 on 14 December 2016.

As a consequence of the Scottish Government priorities of Health, addressing the Attainment Gap and Policing the indications are that the future years grant settlements will remain challenging. A recently published assessment by The Fraser of Allander Institute indicates that, other than resources for new legislative burdens, there is the potential for a 13.5% or £1 billion real terms reduction in Scottish Government Grant to Local Authorities by 2020/21, partly offset by a small real terms increase in Non Domestic Rate Income.

In cash terms this level of reduction equates to a net £1 million reduction in Government Grant support per annum. Accordingly the grant projections have been revisited and are now based on this revised central planning assumption. It is also expected that specific conditions and direction of resources will continue to be a feature of future years grant settlements.

It is stressed that the grant figures set out in table 2 below are only projections and will remain so until the Scottish Government budget and subsequent announcements on grant support are published later in the year.



## 4 Council Tax

The budget shortfalls set out in table 2 are based on the current Band D Council Tax of £1,210 and reflect the additional income from an increase in the number of properties and the anticipated income generated by the reform of Council Tax.

For Midlothian the reform of Council Tax Bands E to H is expected to generate £1.7 million. Table 1 below sets out the impact on Council tax levels for each band.

**Table 1: Increase in Council Tax Bands E-H**

	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
Equivalent No. of Dwellings	4145.3	2927.8	1861.3	158.6
Existing Council Tax	£1,478.89	£1,747.78	£2,016.67	£2,420.00
Increased Council Tax *	£1,585.10	£1,972.30	£2,371.60	£2,964.50
Increase *	£107.00	£224.52	£354.93	£544.50
Percentage Increase *	7.3%	12.8%	17.5%	22.5%

- Note this is before a 3% increase across all bands is applied.

In respect of the additional income, estimated at £109 million nationally, this will in effect be removed from the general grant provided to Councils with Government indicating that £9 million will be distributed to offset the additional Council Tax reduction costs with the remaining £100 million distributed based on Free School Meals eligibility directly to Schools. Accordingly at this point the Grand settlement figures have been amended to incorporate this change.

The Association of Directors of Education Scotland (ADES) view is that the distribution proposed by Government for the £100 million using free School meals data will disadvantage particular parts of the country. ADES have submitted an alternative approach to Government for consideration. Even under ADES alternative Midlothian's allocation would only be £0.806 million. As such the likelihood is that a majority of the additional Council Tax collected in would in effect be distributed to schools in other Council areas.

The manifesto also set out proposals to cap the annual increase for Council Tax to 3%. For Midlothian a 3% increase is estimated to generate £1.2 million per annum and would result in Band D Council Tax rising to £1,246 in 2017/18 and to £1,403 by 2021/22. Given the grant prospects set out in section 3 of this report the Financial Strategy incorporates a 3% increase to address the projected budget shortfalls.

## 5 Cost of Services

The assessment of the projected cost of services for 2017/18 to 2021/22 set out in this report is has been updated over the summer months and reflects the latest

information available. Table 3 provides an analysis of the principal year on year budget changes which include the following key assumptions and cost drivers:

- Pay inflation of 1% per annum. Council should note that The Local Government Workers Trade Unions have submitted a one year pay claim for 2017/18 of a flat £1,000 per annum across all grades. For Midlothian this equates to 4.5% and an indicative cost of £3.5 million. £2.700 million more than reflected in table 3;
- The cost of the Review of Pay and Grading and subsequent incremental pay progression;
- The impact of Pension Reform and anticipated changes in the Council's contribution towards employee pensions;
- That the Apprenticeship levy of 0.5% of the pay bill, which would equate to £0.500 million, is compensated by additional grant or other funding to offset its impact ;
- Contractual inflation linked to existing contractual conditions, many of which mirror pay inflation assumptions;
- An initial provision for future years costs of maintain pay levels for procured care services at or above the living wage;
- Impact of current demand for services;
- Demographic impact of future demand for services;
- Future interest rate forecasts provided by the Council's Treasury Advisers;
- Any new government policy requiring budgetary growth will be fully funded through increased Scottish Government grant;
- Council Tax income continues to grow in line with previous trends and planned future housing growth.

Work will continue through the budget cycle to review and update the projections. This will include the projected forward purchasing prices for energy costs and the anticipated impact of contracts due for renewal during the period of this model.

The projected budget shortfalls reflecting the assumptions set out in sections 3 to 5 are therefore as follows:-

**Table 2: Budget Shortfalls 2017/18 to 2021/22– 27 September 2016**

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Cost of Services	202.936	209.021	216.776	224.024	231.597
Less: Council Tax	(43.450)	(44.100)	(44.750)	(45.400)	(46.050)
Less: Scottish Government Grant	(148.816)	(147.816)	(146.816)	(145.816)	(144.816)
<b>Budget Shortfall</b>	<b>9.858</b>	<b>17.105</b>	<b>25.210</b>	<b>32.808</b>	<b>40.731</b>

As Council is aware, significant elements of the budget are either fixed or are challenging to change for a number of reasons including:-

- Historic decisions, for example, loan charges and unitary charge contractual payments;

- Specific conditions, for example the maintenance of teacher numbers and teacher pupil ratio; and
- Growing demand for services through demographic pressures.

Whilst the projected cost of service provision, Council Tax and Scottish Government grant has been projected forward until 2021/22, the projections, are very much indicative, especially so for the later years, and will undoubtedly change. However the projections do provide Council with an assessment of the key factors which influence income and expenditure and the overall impact of these on the Council's financial position for future years and highlight the extent of the challenge ahead.

It is stressed that the cost of services set out in table 2 above and the analysis set out in table 3 are only projections based on an analysis of a range of information sources. The projections and planning assumptions on which they are based will be regularly updated and reported to Council as new information becomes available.

In broad terms the budget shortfalls set out in table 2 arise for the following reasons:

**Table 3: Analysis of Shortfalls – 27 September 2016**

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Opening Shortfall / (surplus)	<b>2.668</b>	<b>9.858</b>	<b>17.105</b>	<b>25.210</b>	<b>32.808</b>
Pay Inflation and Progression	2.350	1.893	2.344	2.297	2.451
Pensions Reform	0.350	0.000	0.000	0.000	0.000
Contractual Inflation	0.465	0.547	0.637	0.571	0.652
Demographics: Care	1.120	1.040	1.040	1.040	1.040
Demographics: School Rolls	2.098	2.260	2.770	2.798	3.083
Demand pressures: Children	0.000	0.324	0.024	0.024	0.024
School Estate Investment	0.311	0.381	1.126	0.033	0.036
Waste Disposal Costs	0.049	0.213	(0.285)	0.125	0.125
Non Domestic Rates	0.128	0.132	0.135	0.138	1.142
Borrowing Costs	0.864	(0.003)	(0.089)	0.123	(0.007)
Scottish Government Grant					
- Council Tax Reform	1.700	0.000	0.000	0.000	0.000
- Reduction	1.000	1.000	1.000	1.000	1.000
Council Tax Income	(2.850)	(0.650)	(0.650)	(0.650)	(0.650)
Other Movements	(0.395)	0.110	0.053	0.099	(0.973)
<b>Totals</b>	<b>9.858</b>	<b>17.105</b>	<b>25.210</b>	<b>32.808</b>	<b>40.731</b>

The principal movement from the figures set out in the 28 June 2016 report are as follows.

**Table 4: Movement from 28 June 2016 report – 27 September 2016**

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
<b>Shortfalls 28 June 2016</b>	<b>11.215</b>	<b>20.836</b>	<b>28.919</b>	<b>36.931</b>	-
Initial Projection for 2021/22					40.731
Pay Inflation and Progression	(0.550)	(1.896)	(2.850)	(3.393)	
Contractual Inflation	(1.198)	(2.365)	(3.490)	(4.730)	
Demographics: School Rolls	1.487	2.801	4.416	5.940	
Scottish Government Grant	(0.200)	(0.400)	(0.600)	(0.800)	
Council Tax Income	(2.250)	(2.300)	(2.350)	(2.400)	
Other	1.354	0.429	1.165	1.260	
<b>Shortfalls 27 Sept 2016</b>	<b>9.858</b>	<b>17.105</b>	<b>25.210</b>	<b>32.808</b>	<b>40.731</b>

## 6 Sensitivity Analysis

Given the level of uncertainty associated with the 2017/18 grant settlement and budget table 5 provides a sensitivity analysis reflecting the potential impact of different scenarios/outcomes for the two key aspects of the budget. The level of grant support and employee pay awards.

Scenario 1, a more optimistic scenario continues to assume a 1% pay award in each of the years together with a cash flat grant settlement. Otherwise all other assumptions remain as set out in section 3.

Scenario 2, a more pessimistic scenario assumes a 4.5% pay award for Local Government Staff and 2% for Teachers in 2017/18 reducing to 2% for all staff in later years and continues to assume a 3.3% reduction in government grant.

**Table 5: Sensitivity Analysis – 27 September 2016**

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
<b>Scenario 1</b>					
Central Assumption	9.858	17.105	25.210	32.808	40.731
Cash Flat Government Grant	(1.000)	(2.000)	(3.000)	(4.000)	(5.000)
<b>Amended Shortfall</b>	<b>8.858</b>	<b>15.105</b>	<b>22.210</b>	<b>28.808</b>	<b>35.731</b>
<b>Scenario 2</b>					
Central Assumption	9.858	17.105	25.210	32.808	40.731
Revised Pay Award Assumption	3.600	5.500	7.400	9.300	11.200
<b>Amended Shortfall</b>	<b>13.458</b>	<b>22.605</b>	<b>32.610</b>	<b>42.108</b>	<b>51.931</b>

As the scenarios demonstrate changes from the central planning assumption could have a dramatic effect on the projected budget shortfalls.

## 7 Change Programme

The strands of work that are necessary to address the projected budget shortfalls represent a change programme, encompassing:-

- The Delivering Excellence programme, incorporating the Shaping our Future consultations;
- The delivery of savings approved in 2016/17 and the continued control over expenditure in the current year;
- The Transformation programme;
- The EWiM programme;
- An updated Capital Strategy and Reserves Strategy;
- Operational savings encompassing financial discipline measures;
- The development of further savings options for 2017/18 and beyond.

### 7.1 Delivering Excellence

The Delivering Excellence framework approved by Council on 23 June 2015 supports the repositioning of services to ensure they have a greater emphasis on and achieve better outcomes for those most disadvantaged and vulnerable in the community. The framework focuses on reshaping service delivery as the most sustainable way to address the financial and service challenges and maintain financial sustainability.

The framework sets out an approach that provides the means to:

- Realise savings of the scale and magnitude required and to continue to deliver high quality services by engaging staff, partners, stakeholders and citizens to determine the nature of service delivery, the level of service standards and the method of delivering these services;
- To perform successfully in this environment, the Council will require to forward plan for the period beyond known financial settlements, to prioritise the services to be delivered and to clearly identify those services which will no longer be funded or indeed provided or may be provided through alternative mechanisms or approaches; and
- To ensure that there is achievement of the outcomes and priorities of the Council and Community Planning Partners.

Actions which contribute to the Financial Strategy continue to be developed through the framework. The Shaping our Future strand of the Delivering Excellence framework has focussed on engaging with the community and stakeholders on the challenge the Council faces and the current consultation will also provide a means to gauge public opinion on the service areas that the Council may have to change as it responds to the projected budget position.

## 7.2 Transformation Programme

The existing Transformation Programme is essential to the delivery of sustainable change and delivery of the Council's Financial Strategy. It remains a major focus with a continued drive towards delivering on the agreed outcomes and targets.

The future year's savings targets incorporated in the Financial Strategy are derived from those set out in the Council Transformation Programme update reports to Business Transformation Steering Group (BTSG) and are set out in table 6 below.

**Table 6: Council Transformation Programme Additional Savings – 27 September 2016**

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Children's Services (a)	0.532	0.806	0.806	0.806	0.806
Services to Communities	0.200	0.800	0.800	0.800	0.800
Education	0.329	0.560	0.595	0.595	0.595
Customer Service	0.175	0.175	0.175	0.175	0.175
Health & Social Care (b)	1.555	1.555	1.555	1.555	1.555
<b>Totals</b>	<b>2.791</b>	<b>3.896</b>	<b>3.931</b>	<b>3.931</b>	<b>3.931</b>

(a) 2017/18 figure updated from report to BTSG in August 2016

(b) Savings targets reported to Council 28 June 2016.

The savings targets set out in table 6 exclude those already reflected in the 2016/17 approved budget and are predicated on the outcomes of the reviews and any subsequent decisions taken by Council and so remain indicative.

## 7.3 Asset Management

The position remains as reported on 28 June 2016.

## 7.4 Capital Strategy and Reserves Strategy

The General Services Capital Plan report on today's agenda sets out the Capital Investment requirements for the period to 2021/22 and is reflected in the revenue budget forecast in this report. The proposed Reserves Strategy is also on today's agenda.

## 7.5 Operational Savings

The budget projections set out in tables 2 and 3 already reflect the operational savings reported in previous year's budgets. Further operational savings will be reflected in the projections as these are identified.

## 7.6 Savings Options

Taking cognisance of the extent of savings anticipated to secure a balanced budget for 2017/18 and the continued challenge for later years the Chief Executive has instructed each Director to bring forward as minimum savings proposals to bridge the budget shortfall of £5 million, £15 million in total for consideration by the Strategic Leadership Group (SLG) in September 2016. As previously indicated proposals, once agreed by SLG will then be presented to the Business Transformation Steering Group (BTSG) for their consideration before being presented to Council. The timetable agreed by Council on 28 June 2016 provides for these savings proposals to be considered by Council on 20 December 2016.

## 7.7 Summary of Financial Strategy

The final projections incorporating impact of the various strands of the Financial Strategy and assuming a 3% per annum increases in Council Tax are as follows.

**Table 7: Financial Strategy 2017/18 to 2021/22 – 27 September 2016**

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Budget Shortfall (Table 2)	9.858	17.105	25.210	32.808	40.731
Less Strands:					
Transformation Programme (7.2)	(2.791)	(3.896)	(3.931)	(3.931)	(3.931)
Asset Management (7.3)	0.000	0.000	(0.288)	(0.288)	(0.288)
Operational Savings (7.5)	0.000	0.000	0.000	0.000	0.000
Savings Options (7.6)	0.000	0.000	0.000	0.000	0.000
Council Tax Increase	(1.200)	(2.400)	(3.600)	(4.800)	(4.800)
<b>Remaining Budget Gap</b>	<b>5.867</b>	<b>10.809</b>	<b>17.391</b>	<b>23.789</b>	<b>31.712</b>

It is stressed that ultimately the achievement of savings will be dependent on decisions taken by Council.

## 8 Governance and Timetable

Each element of the Financial Strategy continues to have clear governance in place to ensure the timely delivery of the work stream, with proposals being reported through Business Transformation Steering Group and then to Council as appropriate.

Table 8 sets out the timetable which was agreed by Council on 28 June 2016 to support the delivery of the Financial Strategy and specifically the determination of the 2017/18 budget and Council Tax levels.

**Table 8: Timetable – Key Events**

<b>Date</b>	<b>Event</b>	<b>Action</b>
By October 2016	Development Work	<ul style="list-style-type: none"> <li>• Development of Change Programme and savings proposals by SLG.</li> <li>• Shaping our Future consultation ongoing.</li> </ul>
8 November 2016	Council	<ul style="list-style-type: none"> <li>• Consideration of update report</li> </ul>
November 2016	BTSG	<ul style="list-style-type: none"> <li>• Consideration of change Programme and savings options.</li> </ul>
20 December 2016	Council	<ul style="list-style-type: none"> <li>• Consideration of update report and consideration of savings options.</li> </ul>
7 February 2017	Council	<ul style="list-style-type: none"> <li>• Consideration of update report, reflecting grant settlement.</li> <li>• Recommendations to set Council Tax and determine a budget for 2017/18.</li> </ul>

Members are reminded that Council has a duty as set out in Section 93 of the Local Government Finance Act 1992 (as amended) to set its Council Tax and a balanced budget for the following financial year commencing 1 April by 11 March.

## **9 Focussing Resources to Key Priorities**

The Financial Strategy is designed to ensure that available resources are as far as possible targeted on delivery of improved outcomes, particularly against the key priorities of:-

- Reducing the gap in learning outcomes
- Reducing the gap in health outcomes
- Reducing the gap in economic circumstances

The Midlothian Community Planning Partnership continues to prioritise the available resources towards the delivery of the partnerships key priorities and the Financial Strategy sets out for partners the parameters the Council is working within and provides a means to better facilitate the sharing of budget and resource planning information. The Delivering Excellence framework and Transformation Programme have a key role in ensuring that resources are directed towards the priorities set out in the Midlothian Single Plan.

## **10 Reserves**

The Reserve Strategy is reported elsewhere on today's agenda.



## 11 Report Implications

### 11.1 Resources

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

### 11.2 Risk

Within any financial projections, there are a number of inherent assumptions in arriving at figures and budget provisions and therefore risks that may be faced if costs change or new pressures emerge. The following key risks and issues are highlighted in the context of this report:

- The economic outlook and decision by Scottish Government on future years grant settlements and grant distribution;
- Non-delivery or late delivery of planned savings, including those arising from reductions in the staffing establishment;
- Outstanding pay award settlements and the implications of the proposed National Living Wage;
- Impact of economic climate on range of factors including: inflation, interest rates, employment, tax and income levels, service demands;
- Cost pressures exceeding budget estimates;
- Impact of Welfare Reform and pension changes;
- The costs of implementation of national policies varying from the resources provided by government; and
- Capital investment requirements and associated cost.

The Financial Strategy aims to mitigate a number of these risks by setting out the key assumptions on which forward plans are based, and through the change programmes setting out the early identification of future saving proposals.

### 11.3 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

### 11.4 Impact on Performance and Outcomes

The Financial Strategy is central to the way Council allocates and uses its limited resources and as such has fundamental implications for service performance and outcomes. The budget projections indicate that in 2021/22 the Council will have available in the region of £190 million for the provision of services and the pursuit of key outcomes as set out in the Single Midlothian Plan.

### **11.5 Adopting a Preventative Approach**

Whilst the proposals in this report do not directly impact on the adoption of a preventative approach, an effective Financial Strategy in turn allows resources to be prioritised to support prevention.

### **11.6 Involving Communities and Other Stakeholders**

Shaping our Future, the consultation strand of the Delivering Excellence Framework has and will continue to focus on informing the community and other stakeholders of the financial and service challenges and to consult on a range of options as the change programme develops.

In addition, there continues to be engagement with the recognised Trade Unions on the Council's financial position and service challenges.

### **11.7 Ensuring Equalities**

There are no equality implications arising directly from this report. As part of the development of proposals to address the projected budget gaps EQIA's will be prepared.

An overarching EQIA encompassing the revenue budget for 2017/18 will be prepared and incorporated in the report considered by Council when it sets the 2017/18 budget and Council Tax.

### **11.8 Supporting Sustainable Development**

There are no direct sustainability issues arising from this report.

### **11.9 IT Issues**

There are no direct IT implications arising from this report.

## **12 Summary**

The report provides:-

- An update on future years Scottish Government Grant prospects;
- Updated budget projections rolled forward for 2017/18 to 2021/22;
- An sensitivity analysis reflecting the potential impact of different scenarios;
- An update on the existing and proposed change programmes aimed at addressing the projected budget shortfalls;
- An update on reserves.

## **13 Recommendations**

Council is recommended to:-

- a) Note the update in respect of the Scottish Government Grant Settlement as set out in section 2;
- b) Note the implication associated with the Council Tax reforms and the gap that will exist between revenues generated in the County and resources provided to Midlothian Schools;

- c) Note the updated projected cost of services, key assumptions and resultant budget shortfalls as set out in section 3 and continue to endorse the key assumptions on which the budget projections are based;
- d) Note the uncertainties and the potential impact of differing scenarios as set out in section 6;
- e) Note the role the current and developing strands of the Change Programme and relevant impact on the Financial Strategy as set out in tables 6 and 7;
- f) Note that the strands of the Change Programme will provide the means to identify options to address projected budget shortfalls;
- g) Note that the updated projections at this time indicate that a budget gap of £5.867 million for 2017/18 rising to £ 31.712 million by 2021/22, though these are heavily dependent on the assumptions detailed in the report;
- h) Otherwise note the contents of the report.

**Date** 15 September 2016

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## Reserves Strategy

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

#### 1 Introduction

The purpose of this report is to update Council on the useable reserves and set out a Reserves Strategy for Council's consideration.

#### 2 Background

Section 93 of the Local Government (Scotland) Act 1973 stipulated that in addition to a General Fund, Council may hold three other Funds, namely a Capital Fund, a Repairs and Renewal Fund and an Insurance Fund.

In addition to a General Fund, the Council has previously established a Capital Financial and Repair and Renewal Reserve.

The Capital Fund can be credited with the disposal proceeds of assets and any other sums the Council determines. It can only be utilised for financing capital expenditure or the repayment of loans fund principal.

The Repairs and Renewal Reserve may be credited with any sums the Council determines. It can be used to finance repairs, maintenance, replacement and renewal of fixed assets.

The Housing (Scotland) Act 1987 makes specific provision for Councils' to keep a Housing Revenue Account (HRA) and separately account for HRA income and expenditure. As a consequence the accumulated surplus on the HRA account is held as the HRA balance.

The actual useable reserves position as at 1 April 2016 and projected position for 31 March 2017 is as follows:

**Table 1: Useable Reserves – actual 1 April 2016 projected 31 March 2017**

	<b>1 April 2016 £m</b>	<b>31 March 2017 £m</b>
General Fund	24.625	14.810
Capital Fund	15.378	22.695
Repairs and Renewal Reserve	3.607	4.140
HRA Balance	24.913	28.917
	<u>£68.523</u>	<u>£70.562</u>

### 3 General Fund

Included in the projection is £2.177 million of commitments as follows:

**Table 2: General Fund Commitments as at 27 September 2016**

	£m
Resources earmarked for Council Transformation	2.150
Borders Rail Economic Development	0.027
	<u>£2.177</u>

The remaining £12.633 million is uncommitted and is available to meet unplanned or unforeseen costs.

Council, on 4 February 2014, agreed that a prudent level of General Reserve be around £8.000 million or 4% of net expenditure. This decision took cognisance of the challenging financial outlook and the financial and service risks faced by the Council.

Given the continuing challenging financial outlook, the uncertainty associated with future years grant settlements, pay awards and the economic impact of Brexit and also the potential costs to come from the historic child abuse enquiry, it is recommended that Council retains the contingency level at £8.000 million, approximately 4% of net expenditure.

Subject to this recommendation the 'available' General Fund reserves would therefore be £4.633 million.

As previously reported the financial outlook for 2017/18 and beyond will continue to be challenging both in terms of the financial pressures faced by the Council and also the continued uncertainty on key aspects of the budget, particularly government grant settlements.

Given the continued cost and service pressures and reducing grant support it is clear that the Council will need to implement significant service changes over the coming years. Experience shows that such significant change will take time to implement and may also require an initial investment to secure the necessary changes. In addition it is inevitable that the Council will require to further reduce staffing levels in certain areas and this in turn will incur one off costs associated with this.

Accordingly, it is considered prudent to set aside further resources to support change and in this respect Council is recommended to earmark a total of £4.000 million, approximately 2% of net expenditure, to support change and incorporate the current £2.150 million set aside for Council Transformation within this.

Approval of commitments from this Change Fund would continue to rest with Business Transformation Board and be based on the criteria that are currently used. For severance costs these will continue to require approval by Chief

Executive, Head of Finance and Integrated Service Support and relevant Director.

#### **4 Capital Fund**

It is recommended that the current policy of crediting all capital receipts for the disposal of assets to the Capital Fund continues. This strategy provides greater flexibility compared with the alternative of utilising receipts to fund capital expenditure particularly given the historically low cost of borrowing at the current time.

Currently £12.000 million of the Capital Fund is earmarked for Edinburgh and South East Scotland City Region Deal. The remainder is retained to provide for unforeseen capital expenditure and to provide flexibility between financial years.

As reported elsewhere on today's agenda, as part of the General Services Capital Plan report there are significant capital investment requirements over the coming years, some of which have still to be fully developed and the cost implications fully assessed.

The General Services Capital Plan report also highlights the restricted scope for additional capital investment to be made while remaining within the revised borrowing cap of £124 million. As such capital investment above the £124 million level would require to be funded by utilising the available balance in the Capital Fund and or by increased borrowing cap. The latter option would in turn increase the financial costs borne by the revenue budget so increasing the revenue budget shortfalls set out in the Financial Strategy report. Given the position the utilisation of the Capital Fund will be kept under review as part of the reassessment of the General Service Capital Plan.

#### **5 Repairs and Renewal Reserve**

Whilst the Repairs and Renewal Reserve is classified as a useable reserve, the projected balance of £4.140 million reflects the use of the Repairs and Renewal Reserve to properly account for the Council's two PPP contracts in accordance with the Accounting Code of Practice.

The balance represents payments made to the contractors which will be utilised to fund lifecycle asset replacement costs. As such the balance on the reserve is in itself not useable.

#### **6 HRA Reserve**

The HRA Reserve represents the accumulate surplus of income, principally rents, over expenditure.

The rents strategies adopted by this and previous councils has been to utilise income generated by rent increases to support significant investment in new social housing.

Based on the programme for Phase 3 Social Housing, it is projected that the HRA Reserve will peak in 2018/19 at £35.426 million and then reduces over the next 13 years as the reserve is utilised to defray the impact of the borrowing cost associated with the capital investment.

This leaves a contingent balance on the HRA Reserve of £2.114 million to meet unforeseen costs etc.

## 7 Investment of Reserves

The Council's Treasury Management and Investment Strategy sets out the governance arrangements and strategy for the investment of reserve balances.

The current approach is to 'cash back' the reserves and so seek appropriate investment opportunities in line with the Treasury Management and Investment Strategy.

## 8 Summary

Reflecting the recommendations set out above the projected position with useable reserves at 31 March 2017 would be as follows.

**Table 3: Projected Useable Reserves – 31 March 2017**

	<b>Total £m</b>	<b>Committed £m</b>	<b>Contingency £m</b>	<b>Available £m</b>
General Fund	14.810	4.027	8.000	2.783
Capital Fund	22.695	12.000	-	10.695
Repairs & Renewal Reserve	4.140	4.140	-	-
HRA Reserve	28.917	26.803	2.114	-
	<b>£70.562</b>	<b>£46.970</b>	<b>£10.114</b>	<b>£13.478</b>

The available balance on the General Fund would be available to support any additional cost pressures and supplementary estimates which arise in the current financial year and or budget pressures in future years.

The available balance on the Capital Fund would be available to support any additional or unforeseen capital expenditure pressures.

## 9 Report Implications

### 9.1 Resource

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



## 9.2 Risk

The Council faces significant financial and service risks, particularly those associated with continuing expenditure pressures, reducing resources coupled with uncertainties on future years grant settlements.

The recommendations in this report ensure that the Council maintains adequate reserves to help mitigate these risks and also secures resources to achieve the change necessary to ensure continued financial sustainability.

## 9.3 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

## 9.4 Impact on Performance and Outcomes

Whilst there is no direct impact, the Reserves Strategy and utilisation of reserves is a key component of the Council's Financial Strategy which in turn is central to the way Council allocates and uses its limited resources.

## 9.5 Adopting a Preventative Approach

Whilst the proposal in this report do not directly impact on the adoption of a preventative approach, an effective Reserves Strategy as part of the overall financial strategy in turn allows resources to be prioritised for support prevention.

## 9.6 Involving Communities and Other Stakeholders

The Corporate Management Team has been consulted on the proposed Reserves Strategy.

## 9.7 Ensuring Equalities

There are no equality implications arising directly from this report.

## 9.8 Supporting Sustainable Development

There are no implications arising directly from this report.

## 9.9 IT Issues

There are no implications arising directly from this report.

## **10 Recommendations**

Council is recommended to:

- a) Retain the General Fund contingency level at £8.000 million which is approximately 4% of net expenditure;
- b) Earmark a total of £4.000 million to support change, which will incorporate the current sums set aside for Council Transformation;
- c) Note that subject to recommendations (a) and (b) £2.783 million of General Fund Reserves would be available to utilise;
- d) Maintain the current arrangements for capital receipts and the Capital Fund; and
- e) Otherwise note the Reserves Strategy set out in the report.

**Date: 8 September 2016**

**Report Contact:**

Gary Fairley Tel No: 0131 271 3110

[gary.fairley@midlothian.gov.uk](mailto:gary.fairley@midlothian.gov.uk)

**Background Papers:**

**Financial Monitoring 2016/17 – 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 2016/17 and details of the material variances.

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

The detailed budget performance figures shown in appendix 1 result in a net overspend of £0.558 million which is 0.28% of the revised budget for the year.

The main areas of variance are outlined below:

**Pressures**

- Demand led pressures in Adult Social Care, particularly the Community Care Resource Panel and in Home Care packages. They are currently projected to overspend by £0.751 million but this can be volatile given the fluidity of demand and potential high value of individual packages of care;
- Running costs for Care Homes for Older people of £0.228 million;
- Slippage in the opening of Pentland House which has put additional pressure on Bed and Breakfast budgets for Homeless clients. An overspend of £0.229 million is currently projected;
- Loan charges are currently projected to be £0.283 million over budget due to less slippage in the General Services Capital Plan than anticipated;
- Achievement of Council Transformation Targets for procurement savings and for tactical reductions in contracted hours has slipped and is projected to overspend by £0.300 million.

**Favourable Movements**

- Demand for Residential and Day Care placements for children is lower than budgeted and some high value placements are now being provided in a different way. Spend in this area is £0.912 million less than the budget of £3.900 million but is very volatile in its nature;
- A continued growth of properties in Midlothian will generate an improvement on budget of £0.452 million for Council Tax Income.

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 Council Transformation Programme

Council approved utilisation of £5.868 million of General Fund Reserve to fund costs associated with the ongoing transformation programme.

At the report date £3.265 million of this has been applied with future commitments of £0.453 million identified for 2017/18 and 2018/19. This leaves £2.150 million as uncommitted.

## 2.3 General Fund Reserve

The projected balance on the General Fund as at 31 March 2017 is as follows:

	£ million	£ million
Reserve as at 1 April 2016		24.625
Less earmarked reserves utilised in 2016/17		(5.947)
<b>General Reserve at 1 April 2016</b>		<b>18.678</b>
<i>Planned movements in reserves</i>		
Planned Utilisation	(2.668)	
Supplementary Estimates	(0.273)	
Council Transformation Programme Costs	(0.315)	
One-off costs of VSER	(0.042)	
Other	(0.012)	
		(3.310)
Overspend per appendix 1		(0.558)
<b>General Fund Balance at 31 March 2017</b>		<b>14.810</b>

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

	£ million
<b>General Fund Balance at 31 March 2017</b>	<b>14.810</b>
<i>Earmarked for specific purposes</i>	
Budgets earmarked for Council Transformation	(2.150)
Borders Rail Economic Development Opportunities	(0.027)
<b>General Reserve at 31 March 2017</b>	<b>12.633</b>

The uncommitted General Fund Reserve at 31 March 2017 is £12.633 million. A separate report on the Reserves strategy is included on today's agenda. A prudent level of uncommitted reserves is seen to be between 2% and 4% of net expenditure which equates to between approximately £4 million and £8 million. The General Reserve held exceeds this level. However there may be additional one-off costs associated with service transformation and workforce reduction and the reserve may also be required as a buffer to offset any further slippage in the achievement of planned savings.

### **3 Report Implications**

#### **3.1 Resource**

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 remedial action is taken where possible. The primary purpose of this report is to provide information on historic performance, however 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.

#### **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 note the contents of this report and consider the financial position in the context of the Financial Strategy for 2017/18 to 2021/22.

5th September 2016

**Report Contact:**

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**Background Papers:**







## Appendix 1

### Midlothian Council

#### General Fund Overview 2016/17

Function	Revised Budget £	Outturn £	(Underspend) / Overspend £
Management	1,638,068	1,638,068	0
<u>Education Communities and Economy</u>			
Childrens Services	15,515,336	14,707,336	(808,000)
Communities and Economy	4,423,089	4,613,089	190,000
Education	83,457,562	83,567,562	110,000
<u>Health and Social Care</u>			
Adult Social Care	38,562,722	39,140,722	578,000
Customer and Housing Services	12,274,820	12,157,820	(117,000)
<u>Resources</u>			
Commercial Services	16,060,065	16,167,065	107,000
Finance and Integrated Service Support	12,272,867	12,523,867	251,000
Properties and Facilities Management	13,709,334	13,713,334	4,000
Lothian Valuation Joint Board	555,551	555,551	0
Central Costs	2,031,647	2,143,647	112,000
Non Distributable Costs	1,338,436	1,338,436	0
<b>GENERAL FUND SERVICES NET EXPENDITURE</b>	201,839,497	202,266,497	427,000
Loan Charges	6,582,639	6,865,639	283,000
Investment Income	(300,475)	(300,475)	0
	(2,165,748)	(1,865,748)	
Council Transformation Programme savings target	( )	( )	300,000
	(4,842,334)	(4,842,334)	
Allocations to HRA, Capital Account etc.	( )	( )	0
	201,113,579	202,123,579	
	9	9	1,010,000
less Funding:			
	151,516,000	151,516,000	
Scottish Government Grant	0	0	0
Council Tax	40,600,000	41,052,000	(452,000)
<b>Utilisation of Reserves</b>	8,997,579	9,555,579	558,000



**Financial Monitoring 2016/17 – General Fund Revenue – Material Variances****Education, Communities and Economy****Children's Services**

<b>Description of Variance</b>	<b>Reason for Variance</b>	<b>Quarter 1 £000</b>	<b>Additional information / Action taken</b>
Employee performance factor	Non achievement of performance factor offset by some part vacant posts.	181	
Supernumerary staff within the practice teams	High levels of demand are currently being experienced requiring the use of supernumerary agency staff.	94	Service Management will review the need for these posts on a regular basis. A new service structure will be implemented in December 2016.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Children's Services budget.	3	No impact on frontline service.
<b>Gross Overspend</b>		<b>278</b>	
<i>Offset by:</i>			
Residential and Day Education Placements	The requirement for residential placements is lower than anticipated and provided for in the budget. Demand for new placements was low for the first half of the 2016 calendar year.	(912)	This represents a 24% underspend on the Multi Agency Resource Group budget of £3.9 million. The group continue to challenge new demand to keep costs under control and has recently been successful in its work to progress children in secure placements to allow them to move to other forms of care.
Family Placements	Slippage in plans for the usage of additional Scottish Government Grant.	(174)	The service is developing plans to utilise this funding. This will take place alongside the implementation of the new service structure during the course of 2016/17.
<b>Net Underspend</b>		<b>(808)</b>	

## Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Building Standards Income	There was an artificially high level of income received in 2015/16 as a result of changes to Building Regulations in October 2015. This created a high level of application activity before the new regulations came into force. As a result the numbers and related fee income of warrants in 2016/17 are lower than budgeted.	84	The income received for Building Warrants is highly variable and is influenced by the timings of building works.
Planning Income	Applications for planning consent are lower than budgeted.	64	The income received for planning applications is highly variable and is influenced by the timing of major developments.
Landlord Registration income	Fewer registrations are due to be renewed in 2016/17 than budgeted.	25	Registrations run in a three year cycle.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Communities and Economy budget.	17	No impact on frontline service.
<b>Gross Overspend</b>		<b>190</b>	

## Education

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Lifelong Learning and Employability Income	The Skill Development Scotland Employability Fund has been reduced nationally by 40%. As a consequence Midlothian's funding was significantly reduced for 2016/17.	167	
Vacancies and Performance Factor	Non achievement of employee performance factor.	36	
<b>Gross Overspend</b>		<b>203</b>	
<i>Offset by:</i>			
PPP Contracts	Insurance costs are lower than provided for in the contract which leads to a refund from the contractor.	(67)	Windfall Income.
	Contractual refund of funding paid to cover reparation of malicious damage that was not utilised.	(17)	This will be addressed in the 2017/18 budget setting process.

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Education Service budget.	(9)	No impact on frontline service.
<b>Net Overspend</b>		<b>110</b>	

## **Health and Social Care**

### **Adult Social Care**

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Community Care Resource Panel	Assessed needs are currently more than budgeted. The budget is £30 million, demand led and subject to demographic pressures. Individual packages of care sometimes in excess of £100k per annum and as a consequence projections in this area can be volatile.	497	An underlying over-commitment of around £900k at the start of the financial year has been partially addressed through the review of high cost packages. A review team is in place and has begun work to review existing packages of care with a view to reducing the existing level of commitments whilst still meeting critical and substantial need and also keeping in year spend within budget. At this stage it is too early to factor in any reductions arising from the review.
Home Care / Midlothian Enhanced Rapid Response and Intervention Team (MERRIT)	Additional employee costs due to the volume of care packages being provided.	254	The service continues to prioritise hospital discharges. There are currently some additional complexities associated with moving packages of care to external providers.
Care Homes for Older People	Projected overspend on running costs, including cleaning materials and first aid supplies, at both Highbank and Newbyres.	108	Additional supply costs associated with increased complexity of residents. A review of budgets is now underway.
	Projected overspend on staffing costs to cover gaps in the rota.	120	Sickness absence levels at Highbank have been high particularly at the start of the financial year. Managers are working closely with HR to address this issue and some improvements have been seen. Plans are underway to recruit to the locum bureau to ensure that when extra staff are required this can be done in the most cost effective manner.
<b>Gross Overspend</b>		<b>979</b>	

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
<i>Offset by:</i>			
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.	(150)	No impact on frontline service but underspend offsets care and support costs related to protection issues.
Learning and Development	Spend continues to be constrained to counter pressures elsewhere in the service.	(128)	No impact on frontline service and offsets cost of essential cover for front-line staff with mandatory training requirements.
Joint Equipment Store and Aids and Adaptations	Demand is currently less than budgeted but spend level tends to vary over the course of the year.	(79)	No impact on frontline service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Adult Social Care budget.	(44)	No impact on frontline service.
<b>Net Overspend</b>		<b>578</b>	

#### Customer and Housing Services

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Homelessness accommodation	Specialist treatment required in the conversion works to reuse Pentland House have led to delays in the project, with completion now targeted for 1 <sup>st</sup> December 2016. The full saving against the Bed and Breakfast budget will therefore not be made.	229	The budget provided for an average 82 B and B places per week until 1 <sup>st</sup> August 2016 and 36 spaces thereafter once Pentland House was available for use. Average occupancy is currently 79 places.
Other non material variances	Miscellaneous over and underspends covering the remaining areas of the Customer and Housing Services.	13	No impact on frontline service.
<b>Gross Overspend</b>		<b>242</b>	
<i>Offset by:</i>			
Housing Benefit Subsidy	It is anticipated that income will be higher than budgeted for.	(193)	The 2016/17 budget was set based on the experience of previous years. However, in 2016/17 the subsidy receivable is now anticipated to be higher.
Customer Services Staffing	Customer Services is currently under review so current vacancies are being held until the review runs its course.	(123)	It is anticipated that vacancies will be filled once the review reaches its later stages.

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Revenues Service Vacancies	Vacancies in the Revenues Processing Team that were unfilled for a period or remain unfilled in addition to some maternity savings.	(43)	No impact on frontline service.
<b>Net Underspend</b>		<b>(117)</b>	

## Resources

### Commercial Services

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Waste Disposal Charges	Movement in tonnage and price.	119	Market conditions in the recycling market have resulted in issues with disposing of recyclate. A report to Council on 9 <sup>th</sup> February 2016 covered this in more detail and efforts continue to resolve the situation.  This is partly offset by lower than anticipated residual tonnages in the early part of the year.
Burials Income	Income from lairs and interments is lower than anticipated at this stage in the year.	90	The number of burials can vary throughout the year.
Taxi-cards	The taxi-card scheme was closed to new entrants in 2015/16 but usage by remaining participants is higher than budgeted.	26	
Other non-material variances	Miscellaneous variances covering the remaining areas of the service.	16	No impact on frontline service.
<b>Gross Overspend</b>		<b>251</b>	
<i>Offset by:</i>			
Staff Vacancies	Vacancies across the service have exceeded the performance factor.	(76)	This predominantly relates to Waste Services due to changes in the service provided and delays in recruiting to new posts.
Fuel Costs	Waste Services vehicles have lower fuel usage than was anticipated when setting the budget.	(68)	This will be reflected in future years budgets.
<b>Net Overspend</b>		<b>107</b>	

## Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Mi-Future	The costs of staff in SWITCH during the year are projected to exceed budget.	130	6 months budget is moved to Switch with displaced employees. The Mi-Future team continues to work towards a satisfactory resolution for each employee in SWITCH and when compared to severance costs SWITCH remains a cost effective solution.  As at 30 <sup>th</sup> June 2016 there were 22 people in SWITCH on placements, some of whom are funded by services.
Central Postages	The volume and cost of postages exceeds budget.	49	Despite changing suppliers and securing better prices the volume and mix of postages continues to exceed budget. Work continues to address this by reducing postage volumes, avoiding all unnecessary postage costs and maximising compliance with contractual requirements.
Photocopying	Costs associated with the new centralised Council wide contract are greater than estimated due to higher than anticipated volume of use.	33	A review of activity is underway with the aim of minimising volumes and reducing reliance on paper in accordance with EWIM principles.
Bank Charges	The shift towards electronic payments has led to increased transaction costs.	24	A review of bank charges is underway with the aim of negotiating lower rates with service providers.
Occupational Health	A change to the external provider has resulted in an unexpected cost.	15	The previous provider was very competitive but is no longer operating. Budgets for future years will be revised to incorporate the new terms.
<b>Gross Overspend</b>		<b>251</b>	



## Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Loanhead Leisure Centre – loss of income	Loanhead Leisure Centre will close temporarily in January 2017 before re-opening as part of the new Loanhead Community Hub in August 2017.	34	Work is ongoing to identify alternative locations for various activities and classes currently held at the centre.
<b>Gross Overspend</b>		<b>34</b>	
<i>Offset by:</i>			
Catering Staffing	Difficulty recruiting to vacant posts.	(30)	Efforts continue to recruit to vacant posts targeting entry level applicants where appropriate.
<b>Net Overspend</b>		<b>4</b>	

## Other

Description of Variance	Reason for Variance	Quarter 1 £000	Additional Information / Action taken
Loan Charges	The 2016/17 budget provided for planned slippage in the General Services Capital Plan. To date slippage has been less than planned.	283	
Central Costs	Insurance costs – an increase in the likely settlement costs of existing claims.	112	Detail of these claims is being reviewed and any mitigating action required will be put in place.
Transformation Savings - Procurement	A target of £350k for procurement savings was set for 2015/16 which mainly reflected slippage in targeted savings for previous years. It is projected that £200k of this will be achieved.	150	Procurement plans are currently being refreshed and this may identify further savings in 2016/17.  Contract savings have been made or are planned for 2016/17 which impact on the Capital Account and the Housing Revenue Account.
Transformation Savings – Tactical Reductions in contracted hours	The target of £150k will not been achieved in 2016/17	150	Progress in taking forward a voluntary reduction in hours initiative and promoting flexible retirement options have been delayed because of the focus on low pay. Work in the remainder of the year is expected to deliver a part year saving.
Council Tax Income	A continued growth in Band D equivalents results in a higher than budgeted Council Tax yield.	(452)	The continued growth in Band D equivalents will be factored into Council Tax income budgets for future years.



## **General Services Capital Plan 2016/17 to 2020/21**

### **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 incorporating the rephasing of projects from the 2015/16 outturn position and new projects approved since the previous report to Council on 08 March 2016;
- Information on further additions to the Capital Plan for approval;
- Information on the projected performance of the General Services Capital Plan against budget for 2016/17;
- Forecast expenditure and income for the General Services Capital Plan for 2016/17 through to 2021/22.

#### **2 Update of General Services Capital Plan for rephasing and new projects approved**

##### **2.1 Rephasing**

The General Services Capital Plan presented to Council on 24 March 2016 allowed, over the period 2016/17 to 2020/21, for expenditure of £81.914 million, funding of £47.697 million, and a total borrowing requirement of £34.216 million, phased as shown in table 1 below:-

**Table 1: General Services Capital Plan as approved 08 March 2016**

<b>Item</b>	<b>2016/17 Budget</b>	<b>2017/18 Budget</b>	<b>2018/19 Budget</b>	<b>2019/20 Budget</b>	<b>2020/21 Budget</b>	<b>Total Budget</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Expenditure</b>	29,615	17,468	12,708	11,451	10,671	<b>81,914</b>
<b>Funding</b>	11,065	9,965	10,429	8,636	7,602	<b>47,697</b>
<b>Borrowing Required</b>	<b>18,550</b>	<b>7,503</b>	<b>2,279</b>	<b>2,815</b>	<b>3,069</b>	<b>34,216</b>

The General Services Capital Plan outturn position for 2015/16 was presented to Council on 28 June 2016 and reported a net rephasing of expenditure of £2.596 million from 2015/16 to 2016/17 and a net rephasing of funding from 2015/16 to 2016/17 of £0.001 million. Appendix 1 provides detailed rephasing of expenditure on an individual project level.

This revises the overall levels of expenditure, funding and borrowing required over the period 2016/17 to 2020/21 as shown in table 2 overleaf.

**Table 2: General Services Capital Plan including rephasing from 2015/16**

Item	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	Total Budget
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Expenditure</b>	32,211	17,468	12,708	11,451	10,671	<b>84,510</b>
<b>Funding</b>	11,066	9,965	10,429	8,636	7,602	<b>47,698</b>
<b>Borrowing Required</b>	<b>21,145</b>	<b>7,503</b>	<b>2,279</b>	<b>2,815</b>	<b>3,069</b>	<b>36,812</b>

## 2.2 Approved Projects

Since the report to Council on 08 March 2016, the following projects have received approval by Council for inclusion in the General Services Capital Plan.

- **City Deal:** Council 28 June 2016 approved the set-aside of £12.000 million from the Capital Fund for City Deal projects. This Capital Expenditure and the funding from the Capital Fund needs to be reflected in the Capital Plan;
- **EWiM Phase 3:** Relocation of various Council assets/services to the economic development site at Hopefield. £9.786 million budget approved by Council 17 May 2016;
- **Former Hopefield Primary School:** A new 2-stream Primary School on the former Hopefield Primary site. £9.769 million budget approved by Council 17 May 2016. Funded by £5.233 million of Developer Contributions and £1.974 million Insurance Recoveries with remaining £2.562 million funded by prudential borrowing;
- **Gorebridge Community Development Trust:** Additional funding due to re-tendering exercise for contractor, along with requirement to fit out part of building for Surestart. £0.286 million total budget approved by Council 17 May 2016 & 16 August 2016. Funding of £0.170 million from Scottish Government Early Years Grant with remaining £0.116 million to be funded by prudential borrowing;
- **Straiton Bing Site Investigation:** Site Investigation at Straiton Bing. £0.070 million budget approved by Council 17 May 2016. Requires to be fully funded by prudential borrowing.

## 2.3 Projects presented for approval

Since the report to Council on 08 March 2016, the following new projects are being presented for inclusion in the plan:-

- **Homecare:** Replacement of existing Homecare system (OLM CareFirst), with new fit-for-purpose system. Budget of £0.110 million. Requires to be fully funded by prudential borrowing. Agreed by CMT 07 May 2014;
- **SWAN Programme:** Scottish Wide Area Network (SWAN) connectivity services and digital infrastructure to create improved

and efficient public network services. Budget of £0.558 million agreed by CMT 20 April 2016. Requires to be fully funded by prudential borrowing;

The inclusion of these projects revises the overall levels of expenditure, funding and borrowing required over the period 2016/17 to 2020/21 as shown in table 3 below.

**Table 3: General Services Capital Plan including Projects Approved / for Approval**

Item	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	Total Budget
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Expenditure</b>	35,366	24,026	23,847	20,508	13,342	<b>117,090</b>
<b>Funding</b>	11,735	13,586	15,476	15,531	10,494	<b>66,822</b>
<b>Borrowing Required</b>	<b>23,631</b>	<b>10,440</b>	<b>8,371</b>	<b>4,977</b>	<b>2,848</b>	<b>50,267</b>

### 3. 2016/17 Projection against budget

#### 3.1 2016/17 Budget

The 2016/17 Capital Plan expenditure budget of £35.366 million, as outlined in Table 3 above, already reflects a forecast element of rephasing in the 2016/17, and subsequent years', budgets, as reported in Section 5 of the "General Services Capital Plan 2015/16 to 2020/21" report to Council on 22 September 2015, with the same rephasing planning assumption maintained in the "General Services Capital Plan 2015/16 to 2020/21" report to Council on 08 March 2016.

This budget of £35.366 million for 2016/17 has been further rephased to £35.954 million to account for updated expenditure profiles provided in the period, particularly for the Paradykes & Roslin Primary School projects. It is therefore expected that there will be a rephasing of expenditure of £0.698 million from 2017/18 back to 2016/17.

In line with this, the expected level of funding available to finance the plan has also been rephased and totals £13.994 million, an increase of £2.259 million which reflects the rephasing of developer contributions and the NHS share of the Loanhead hub project.

This reduces the projected in-year borrowing requirement from £23.631 million to £21.959 million. The projected performance against budget for 2016/17 is shown in table 4 overleaf:-

**Table 4: General Services Capital Plan Projected Performance against Budget 2016/17 – as at Quarter 1**

Item	2016/17 Budget £000's	2016/17 Rephased Budget £000's	Actual To Period 4 £000's	2016/17 Projected Outturn £000's	2016/17 Variance £000's	2016/17 Carry Forward £000's
<b>Expenditure</b>	35,366	35,954	7,061	35,954	0	-698
<b>Funding</b>	11,735	13,994	2,977	13,994	0	
<b>Borrowing Required</b>	23,631	21,959	4,084	21,959	0	

### 3.2 Expenditure

Expenditure to date is £7.061 million with a projected expenditure outturn of £35.954 million. At this stage it is anticipated that budgets for the projects detailed in Appendix 3 will be fully spent in the current year.

### 3.3 Funding

The funding available to finance the Capital Plan in 2016/17 is expected to total £13.994 million, in line with the rephased budget. Funding of £2.977 million has been received to date.

### 3.4 Borrowing

The budgeted level of borrowing for 2016/17 is £23.631 million. Based on the forecast expenditure and funding levels, the revised estimate of the level of borrowing required to fund the investment identified in Table 4 is £21.959 million, a reduction of £1.672 million. The impact on the Council's borrowing costs is reflected in the Financial Monitoring 2016/17 General Fund Revenue and Financial Strategy 2017/18 to 2020/21 reports elsewhere on today's agenda.

## 4. Future Years Capital Budgets – Pressures

A planning assumption was included in the Capital Plan report to Council on 08 March 2016, to allow for an “unallocated budget” in 2016/17 through to 2020/21 to provide a prudent estimate of the likely levels of capital spend required to manage the Council's core asset bases of Property, Roads, Street Lighting, Footway & Footpaths, Vehicles and Digital Services equipment.

Since the report to Council on 08 March 2016, further work has been undertaken to progress the development of full asset management plans and the associated investment requirements for the Council's core asset bases. Whilst this work is currently still ongoing, for the purposes of forward planning the following provisional sums are proposed for inclusion within the General Services Capital Plan. These provisions will be subject to further review and refinement with final requirements presented to Council in due course.

**Table 5: Core Asset Bases: Asset Management Plans  
Additional Investment Requirements**

<b>Asset strand</b>	<b>Provisional Additional Investment Requirement 2017/18 to 2021/22 £000's</b>	<b>Notes</b>	<b>Indicative Plan Received/ Costed</b>
Vehicle & Plant Replacement Programme	10,274	Variable annual profile over period 2017/18 to 2021/22	Yes
Road Upgrades	4,000	Annual budget of £1 million	No
Street Lighting Upgrades	4,000	Annual budget of £1 million	No
Property Upgrades	4,000	Annual budget of £1 million	No
Footways & Footpaths	2,500	Annual budget of £0.5 million	No
Digital Services	8,759	Variable annual profile over period 2017/18 to 2021/22	Yes
<b>Total</b>	<b>33,533</b>		

In addition to the above, expenditure and income forecasts have been rephased based on the most recent information available, and the estimated level of funding available in 2021/22 has been forecast. These are included in the table below.

**Table 6: General Services Capital Plan 2016/17 to 2021/22**

<b>Item</b>	<b>2016/17 Budget</b>	<b>2017/18 Budget</b>	<b>2018/19 Budget</b>	<b>2019/20 Budget</b>	<b>2020/21 Budget</b>	<b>2021/22 Budget</b>	<b>Total Budget</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Expenditure</b>	35,953	22,867	22,867	21,869	14,072	10,444	<b>128,073</b>
<b>Funding</b>	13,994	13,791	15,579	15,501	10,494	7,854	<b>77,213</b>
<b>Borrowing Required</b>	<b>21,959</b>	<b>9,076</b>	<b>7,288</b>	<b>6,368</b>	<b>3,578</b>	<b>2,590</b>	<b>50,860</b>

More details are provided in Appendix 2.

## **5. Capital Fund**

The Capital Fund at the start of the 2016/17 financial year was £15.378 million. Capital Receipts of £7.318 million are forecast to be received in 2016/17 (£0.232 million to Period 4), and will be transferred to the capital fund. This will increase the balance in the Capital Fund to £22.696 million as at 31 March 2017. The short-medium term strategy for the utilisation of the Capital Fund is considered in the "Reserves Strategy" report to Council elsewhere on today's agenda.

For the EWIM Phase 3 project, whilst the capital receipts were netted off ("defrayed") against the capital expenditure in order to support the

Business Case, it is more prudent and appropriate to credit any capital receipts to the capital fund rather than defray capital expenditure given both (a) the historically low interest rate environment and (b) the gap between the timing of the expenditure incurred and the realisation of the receipts.

## 6 Overall Cap on Debt Outstanding

The projected level of debt outstanding, based on the expenditure and income assumptions outlined in Table 6, and net of any forward funded projects, is shown in Table 7 below:-

**Table 7: Debt outstanding net of any forward funded projects**

Item	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£000's	£000's	£000's	£000's	£000's	£000's
Debt Outstanding 01 April	99,959	118,286	123,430	126,730	129,213	128,758
Borrowing arising from Capital Plan	21,959	9,076	7,288	6,368	3,578	2,590
Debt Repayments	-3,632	-3,932	-3,988	-3,885	-4,033	-3,987
<b>Debt Outstanding 31 March</b>	<b>118,286</b>	<b>123,430</b>	<b>126,730</b>	<b>129,213</b>	<b>128,758</b>	<b>127,361</b>
<b>Less: Net debt on Forward Funded projects</b>						
Bilston Primary School	-1,881	-1,217	-225	0	0	0
Gorebridge North Primary School	-4,011	-3,491	-2,951	-2,391	-1,811	-1,231
Paradykes Primary School	-1,564	-2,313	-2,650	-2,490	-2,310	-2,130
Hopefield Primary School	0	-499	-1,482	-1,044	-252	0
<b>Debt Outstanding 31 March exc. Forward Funded projects</b>	<b>110,830</b>	<b>115,910</b>	<b>119,422</b>	<b>123,288</b>	<b>124,385</b>	<b>124,000</b>
<b>Agreed Cap</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>
<b>Headroom</b>	<b>13,170</b>	<b>8,090</b>	<b>4,578</b>	<b>712</b>	<b>-385</b>	<b>0</b>

The previous Council approved cap on debt outstanding is £114.000 million, net of the debt outstanding on any projects that are forward funded (e.g. where the Council build the asset and recover monies from e.g. developers).

Given the revised treatment of the capital receipts associated with the EWiM Phase 3 project (as noted in Section 5 above), it is proposed to make a technical adjustment to the cap to reflect the gross capital expenditure for the EWiM project, rather than the previously approved net capital expenditure position for this project. This would revise the



cap on the level of debt outstanding on the General Services Capital Plan to £124.000 million.

As can be noted from the table above, the overall level of debt outstanding (net of forward funded projects) as at 31 March 2022 is projected to remain within this revised cap of £124.000 million.

However, based on the current expenditure and funding assumptions, there is limited headroom within the cap (£1.100 million of “unallocated” capital expenditure over the life of the capital plan – see Appendix 2) and therefore any new investment requirements being brought forward over the life of the plan will require to be evaluated to ensure the appropriate prioritisation of projects to ensure that the overall level of debt outstanding remains within the £124.000 million cap. The loan charges presented to Council in the Financial Strategy report elsewhere on today’s agenda are based on the overall level of debt outstanding remaining within the cap of £124.000 million as noted in Table 7 above, and therefore any capital expenditure that results in the level of debt outstanding rising above this cap will result in a corresponding increase in the level of loan charges.

It is therefore proposed that over the course of the autumn, officers shall continue to review the level of the cap, the additional investment requirements arising from the developing asset management plans, and the prioritisation of any new projects, to ensure that the overall level of debt outstanding remains affordable.

## **7. Report Implications**

### **7.1 Resource**

The borrowing required to finance the planned investment in 2016/17 to 2021/22 is currently £50.860 million. The loan charges associated with this borrowing are reported to Council in the Financial Monitoring 2016/17 General Fund Revenue and Financial Strategy 2017/18 to 2020/21 reports presented elsewhere on today’s agenda.

### **7.2 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.

As noted in Section 6, there is limited headroom within the £124.000 million cap on the level of debt outstanding and therefore limited headroom for additional capital expenditure that will not result in additional loan charges. This risk is exacerbated through the lack of fully developed asset management plans, with only provisional sums for the Council’s 6 core asset bases (Property, Roads, Street Lighting, Footway & Footpaths, Vehicles and Digital Services equipment) currently included in the capital plan. In order to mitigate this risk it is proposed that over the course of the autumn, officers review the level of the cap, the additional investment requirements arising from the developing asset

management plans, and the prioritisation of any new projects, to ensure that the overall level of debt outstanding remains affordable.

### **7.3 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

### **7.4 Impact on Performance and Outcome**

There are no issues arising directly from this report.

### **7.5 Adopting a Preventative Approach**

There are no issues arising directly from this report

### **7.6 Involving Communities and Other Stakeholders**

No external consultation has taken place on this report.

### **7.7 Ensuring Equalities**

There are no equalities issues arising directly from this report.

### **7.8 Supporting Sustainable Development**

There are no sustainability issues arising directly from this report.

### **7.9 Digital Services Issues**

There are no Digital Services implications arising from this report.

## **8 Recommendations**

Council is asked to:

- a) Note the General Services Capital Plan Quarter 1 monitoring position for 2016/17;
- b) Approve the projects as outlined in Section 2.3 to be added to the General Services Capital Plan;
- c) Approve the allocated expenditure and funding in the General Services Capital Plan 2016/17 to 2021/22 (as shown in appendices 2 and 3);
- d) Note that based on the current forecasts and provisional sums, that the level of debt outstanding is forecast to be £124.000 million at 31 March 2022;
- e) Note that the capital receipts associated with the EWiM Phase 3 project shall be credited to the Capital Fund and therefore a technical adjustment is required to amend the cap on the level of debt outstanding to £124.000 million (from £114.000 million).

**Date 15 September 2016**

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**Background Papers:**

Appendix 1 – Material Rephrasing of Budgets from/to 2015/16 to/from 2016/17

Appendix 2 – Summary General Services Capital Plan 2016/17 to 2021/22

Appendix 3 – Detailed General Services Capital Plan Expenditure 2016/17 to  
2021/22

## Appendix 1

### Material Rephasing of Budgets from 2016/17 back to 2015/16

Project	Amount  £000's	Notes	Subject to review as part of Asset Management Plan
Gorebridge North Primary School	440	Earlier start on site by contractor than anticipated	
Digital Services Projects – Various	127	Asset Management project and replacement brought forward due to number of failing \ end of life assets	Yes
Street Lighting Upgrades	122	Acceleration of 2016/17 programme due to urgent need to replace columns on A701 Edinburgh Road, Penicuik	Yes
Paradykes & Roslin Primary Schools Preparatory Works	39	Earlier than anticipated completion of tender process	
New Recycling Facility – Penicuik	33	Fees & surveys carried out as a result of issues arising from planning process	
Others	7		
<b>Total</b>	<b>768</b>		

### Material Rephasing of Budgets from 2015/16 forward to 2016/17

Project	Amount  £000's	Notes	Subject to review as part of Asset Management Plan
Property Upgrades inc. Lighting/ Lightning	872	Delays to tendering process	Yes
Vehicle & Plant Replacement Programme inc. Waste Collection Vehicles	532	Review of lifespan of plant equipment with subsequent delay to retender process. Longer lead in time for number of vehicles	Yes
Newbattle Centre Preparatory Works	345	Rephasing of road access element due to delays to project from ESA10	
Purchase of 7 Eskdail Court	285	Refit of building now to be carried out in 2016/17 with completion by end of October 2016.	
Assistive Technology	205	Reduction in equipment provided to domestic properties due to standardization of telecare model	Yes
Digital Services Projects – Various	170	Number of projects have been rescheduled due to SWAN Project and Asset Management replacement work being given priority. Implementation of Service Now (Helpdesk) and milestone payments delayed to June 2016	
Woodburn Family Learning Centre	158	Delay due to longer than anticipated design & scoping for the internal works for the shop element of the project	
Footway & Footpath Networks	122	Delays due to inclement weather and phasing of works to e.g. work around school holidays	
Website Upgrade	114	Project to go live July 2016 – majority of spend in April-June 2016	
Installation of Geogrid – Barleyknowe Lane	68	Delay to commencement of works	
Cycling, Walking & Safer Streets	53	Appointment of iBike Officers in 2016/17	
Online Payments for Schools	45	Project implementation in full in 2016/17	
20mph Limits	40	Delay to commencement of works due to investigations on existing signage/markings requiring being carried out	
Vogrie Car Park Barriers	33	Delay to tender process commencing	
Buccleuch House Ground Floor	33	Delay due to knock on impact from other EWIM projects	
Others	289		
<b>Total</b>	<b>3,364</b>		

## Appendix 2

### Summary General Services Capital Plan 2016/17 to 2021/22

<b>GENERAL SERVICES CAPITAL PLAN 2015/16 to 2021/22</b>	<b>2016/17 Budget £'000</b>	<b>2017/18 Budget £'000</b>	<b>2018/19 Budget £'000</b>	<b>2019/20 Budget £'000</b>	<b>2020/21 Budget £'000</b>	<b>2021/22 Budget £'000</b>	<b>Total Budget £'000</b>
<b>EXPENDITURE</b>							
Resources	12,251	8,119	11,460	14,452	11,822	9,142	<b>67,245</b>
Education, Community & Economy	22,892	14,651	7,358	1,267	0	0	<b>46,167</b>
Health & Social Care	482	98	150	150	150	203	<b>1,232</b>
Council Transformation	328	0	3,900	6,000	2,100	0	<b>12,328</b>
Unallocated	0	0	0	0	0	1,100	<b>1,100</b>
<b>Total Approved Expenditure</b>	<b>35,953</b>	<b>22,867</b>	<b>22,867</b>	<b>21,869</b>	<b>14,072</b>	<b>10,444</b>	<b>128,073</b>
<b>FUNDING</b>							
Government Grants	7,658	8,122	8,122	7,660	6,842	6,842	<b>45,247</b>
Receipts from Sales transferred to Capital Fund	7,318	6,442	0	0	0	0	<b>13,760</b>
Transfer from Capital Fund to Capital Plan	-7,318	-6,442	3,900	6,000	2,100	0	<b>-1,760</b>
Developer Contributions	4,012	3,833	3,362	1,841	1,552	1,012	<b>15,612</b>
Other Contributions	2,325	1,835	195	0	0	0	<b>4,355</b>
<b>Total Available Funding</b>	<b>13,994</b>	<b>13,791</b>	<b>15,579</b>	<b>15,501</b>	<b>10,494</b>	<b>7,854</b>	<b>77,213</b>
<b>Approved Borrowing Required</b>	<b>21,959</b>	<b>9,076</b>	<b>7,288</b>	<b>6,368</b>	<b>3,578</b>	<b>2,590</b>	<b>50,860</b>

## Appendix 3

### Detailed General Services Capital Plan Expenditure 2016/17 to 2021/22

GENERAL SERVICES CAPITAL PLAN	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
2016/17 to 2021/22	Budget	Budget	Budget	Budget	Budget	Budget	Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>RESOURCES</b>							
<b>Customer Services</b>							
Front Office - Device & Interactive Asset Upgrades	481	265	1,787	2,496	2,355	2,264	9,648
Back Office - Anti Virus Upgrades	0	0	49	26	0	0	75
Back Office - Server Replacement	26	28	88	32	0	0	175
Back Office - UPS Devices	1	-1	0	0	0	0	0
Network Enterprise - Network Connection	0	0	0	0	0	0	0
Network Enterprise - Network Assets (Power & Data)	157	81	44	0	0	0	282
IGS - Compliance - Data Encryption	0	0	15	8	0	0	23
IGS - Compliance - PCI	39	0	0	0	0	0	39
Disaster Recovery	0	0	0	0	26	14	40
Service Desk - ITMIS Service Improvement	150	0	0	0	0	0	150
Committee Management System	3	0	0	0	0	0	3
Paperless Meetings	16	0	0	0	0	0	16
Business Application Upgrades inc. mobile working	139	0	0	0	0	0	139
Interactive White Board Replacement	813	0	0	0	0	0	813
SWAN Programme	208	350	0	0	0	0	558
<b>Commercial Operations</b>							
Street Lighting Upgrades	728	650	1,000	1,000	1,000	1,350	5,728
Street Lighting LED Upgrade (Salix Funded)	0	0	0	0	0	0	0
Footway & Footpath Network Upgrades	1,122	325	500	500	500	675	3,622
Road Upgrades	1,524	975	1,175	1,000	1,000	1,350	7,024
Millerhill Access Road / Site Services	0	0	0	0	0	0	0
Zero Waste Capital Contribution	0	0	0	4,481	2,413	0	6,894
Cycling, Walking & Safer Streets Projects	189	59	32	0	0	0	279
Ironmills Park Steps	185	0	0	0	0	0	185
Emily Bing	13	0	0	0	0	0	13
New recycling facility - Penicuik	281	0	0	0	0	0	281
Waste Collection Vehicles	140	361	195	0	0	0	696
Food Waste Collection	0	0	0	0	0	0	0
Vehicle & Plant Replacement Programme	1,492	2,157	2,313	1,707	2,957	2,139	12,766
Electric Vehicles - Powerpoint Installation	73	0	0	0	0	0	73
Install Geogrid - Barleyknowe Lane	68	0	0	0	0	0	68
Loanhead Memorial Park	5	0	0	0	0	0	5
20mph Limits	12	28	0	0	0	0	40
Vogie Car Parking Barriers	33	0	0	0	0	0	33
Webcasting Council, Cabinet & Committee Meetings	0	0	0	0	0	0	0
<b>Property &amp; Facilities</b>							
Stobhill Depot Upgrade	569	0	0	0	0	0	569
Stobhill Depot Replacement	1,631	2,120	3,262	2,202	571	0	9,786
Straiton Bing Site Investigation	0	70	0	0	0	0	70
Property Upgrades inc. Lighting/Lightning	1,866	650	1,000	1,000	1,000	1,350	6,866
Purchase of 7 Eskdail Court, Dalkeith	285	0	0	0	0	0	285
Primary 1-3 Free School Meals	3	0	0	0	0	0	3
<b>TOTAL RESOURCES</b>	<b>12,251</b>	<b>8,119</b>	<b>11,460</b>	<b>14,452</b>	<b>11,822</b>	<b>9,142</b>	<b>67,245</b>

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
<b>EDUCATION, COMMUNITY AND ECONOMY</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Spend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Early Years</b>							
Woodburn Family Learning Centre	180	0	0	0	0	0	180
Gorebridge Development Trust (EYG Funded)	100	0	0	0	0	0	100
Gorebridge Development Trust	116	0	0	0	0	0	116
Gorebridge Development Trust (EYG Funded)	70	0	0	0	0	0	70
Further Early Years Provisions	0	1,154	692	231	0	0	2,077
<b>Primary</b>							
New Bilston Primary	3,573	54	0	0	0	0	3,627
New Gorebridge North Primary	4,703	72	0	0	0	0	4,775
Corbank Primary Extension	19	0	0	0	0	0	19
St Andrews Primary Extension	-18	0	0	0	0	0	-18
Newtongrange Primary Extension	20	0	0	0	0	0	20
Paradykes & Roslin Primaries Preparatory Works	436	-51	0	0	0	0	385
Paradykes Primary Replacement	8,500	5,226	1,364	0	0	0	15,090
Roslin Primary Replacement	3,243	2,782	627	0	0	0	6,652
Former Hopefield Primary School	500	4,438	3,977	855	0	0	9,769
<b>Secondary</b>							
Lasswade High School inc. 2nd MUGA	577	286	154	0	0	0	1,017
Newbattle High School Preparatory Works	395	407	544	182	0	0	1,528
Newbattle High School - Future Extension	0	0	0	0	0	0	0
<b>General</b>							
Online Payments for Schools	45	0	0	0	0	0	45
Bright Sparks	0	0	0	0	0	0	0
PPP1 Land Acquisition	27	0	0	0	0	0	27
<b>Children and Families</b>							
<b>Planning &amp; Development</b>							
Environmental Improvements	280	281	0	0	0	0	561
Property Asset Management System	6	0	0	0	0	0	6
East High Street Public Realm & Burns Monument	120	0	0	0	0	0	120
<b>TOTAL EDUCATION, COMMUNITY AND ECONOMY</b>	<b>22,892</b>	<b>14,651</b>	<b>7,358</b>	<b>1,267</b>	<b>0</b>	<b>0</b>	<b>46,168</b>
<b>HEALTH AND SOCIAL CARE</b>							
<b>Adult &amp; Social Care</b>							
Assistive Technology	355	98	150	150	150	203	1,105
Travelling Peoples Site Upgrade	17	0	0	0	0	0	17
Homecare	110	0	0	0	0	0	110
<b>Customer &amp; Housing Services</b>							
<b>TOTAL HEALTH AND SOCIAL CARE</b>	<b>482</b>	<b>98</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>203</b>	<b>1,232</b>
<b>COUNCIL TRANSFORMATION</b>							
Purchase to Pay	21	0	0	0	0	0	21
EDRMS	0	0	0	0	0	0	0
EWiM	0	0	0	0	0	0	0
EWiM Phase 2	0	0	0	0	0	0	0
Online Housing Applications	27	0	0	0	0	0	27
Corporate Telephony Services Upgrade	9	0	0	0	0	0	9
EWiM - Buccleuch House Ground Floor	33	0	0	0	0	0	33
Website Upgrade	239	0	0	0	0	0	239
City Deal	0	0	3,900	6,000	2,100	0	12,000
<b>TOTAL COUNCIL TRANSFORMATION</b>	<b>328</b>	<b>0</b>	<b>3,900</b>	<b>6,000</b>	<b>2,100</b>	<b>0</b>	<b>12,328</b>
<b>UNALLOCATED</b>							
Unallocated	0	0	0	0	0	1,100	1,100
<b>TOTAL UNALLOCATED</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,100</b>	<b>1,100</b>
<b>GENERAL SERVICES CAPITAL PLAN TOTAL</b>	<b>35,954</b>	<b>22,867</b>	<b>22,867</b>	<b>21,869</b>	<b>14,072</b>	<b>10,444</b>	<b>128,073</b>



**Housing Revenue Account  
Capital Plan and Revenue Budget 2016/17 – 2021/22****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 on the Housing Revenue Account (HRA) Capital Plan and Revenue Budget for 2016/17 – 2021/22;
- An update on the projected outturn against budget for 2016/17.

**2 Background****2.1 Capital Investment – New Social Housing Phase 2 & Phase 3**

The HRA Capital plan allowed for investment of £59.898 million for Phase 2 of the New Social Housing Programme. Five sites have since been completed and a programme is in place for a further nine sites including the Newbyres Crescent rebuild. Spend to 31<sup>st</sup> March 2016 was £21.508 million and projected spend for 2016/17 to 2021/22 is £38.390 million.

On 15<sup>th</sup> December 2015 Council approved a 5% rent increase from 2016/17 to 2018/19, this increase will allow for investment of £36 million for Phase 3 of New Social Housing, this will allow approximately a further 240 units to be built.

**2.2 Capital Investment - Other**

Elsewhere on today's agenda is a report discussing the options associated with essential works at Pentland House. This report assumes the recommended Option 3 will be approved therefore a cost of £0.138 million has been incorporated within the HRA Capital Plan.

The remaining elements of the HRA Capital Plan are detailed in appendix 1 and have been amended to reflect the latest estimated costs of ongoing and planned projects. There are no material changes to these.

**2.3 Updated Capital Plan**

The changes described above are reflected in the Capital Plan for 2016/17 to 2021/22 and are detailed in appendix 1 which shows total investment of £119.392 million with a net borrowing required over the period of £113.412 million.

## 2.4 Revenue Expenditure

The HRA revenue model has been updated and projected forward to 2030/31 and reflects the revised Capital plan as well as the following key assumptions:

- The borrowing cost of the capital investment detailed in appendix 1 together with estimated investment in existing properties over the remaining years of the projection;
- The impact on rental income stream as a result of the implementation of Universal Credit;
- Projected provision for inflation over future years as per GDP Deflator and BCI Tender Prices Index;
- The longer-term requirement that the rents for new build properties will converge with that of the existing stock.

These together with a number of other minor adjustments to the previous financial projections confirm that the HRA can support the existing investment plans. Over the period 2016/17 to 2030/31 HRA Revenue expenditure is expected to total £545 million with a projected working balance of approximately £2.114 million at 31<sup>st</sup> March 2031. This equates to 0.39% of this total expenditure.

However, affordability is heavily dependent on the future year's rents strategy, Council on 15<sup>th</sup> December 2015 agreed a rent increase of 5% from 2016/17 to 2018/19 and the long term forecast incorporated in the model assumes rent increases in future years of 3%.

The revised revenue budget for 2016/17 and indicative revenue budget for 2017/18 – 2021/22 are detailed in appendix 2.

## 2.5 Capital Plan and Revenue Account Projected Outturn 2015/16

At this stage there are no material variances to be reported for 2016/17 for Capital and Revenue. A further update will be provided to Council in November.

## 3 Report Implications

### 3.1 Resource

The projected cost for Phase 2 and Phase 3 of the New Social Housing Programme for 2016/17 to 2021/22 is £38.390 million and £36 million respectively. Investment for other Capital Investment projects is expected to be £45.002 over this period with a net borrowing requirement of £113.412 million.

### 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. The longer term financial modelling undertaken demonstrates that the current capital plan is affordable but sensitive to movement in the following variables:-

- Future years rent strategy will affect the affordability of the Capital Plan;
- Inflation and interest rates.

Regular monitoring is in place to manage the financial and project risks. This ensures that any cost changes are identified and the implications assessed and reported promptly.

### **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 HRA Capital Plan for 2016/17 to 2021/22 provides for:

- £38.390 million for Phase 2 of New Social Housing;
- £36 million for Phase 3 of New Social Housing;
- £45.002 million for investment in existing stock.

The Revenue Budget Reflects:

- A comprehensive update of the financial model;
- A projected HRA reserve of £27.981 million at 31<sup>st</sup> March 2022, which will be required to finance the majority of the existing investment commitment and is projected to reduce to £2.114 million at 31<sup>st</sup> March 2031.

## **5 Recommendations**

Council is recommended to:-

- Approve the revised HRA Capital Plan for 2016/17 to 2021/22 as detailed in Appendix 1;
- Approve the revised HRA Revenue Budget for 2016/17 and note the Indicative Revenue Budget for 2017/18 to 2021/22 as detailed in Appendix 2;
- Note the Projected Outturn against revised Budget for The HRA Revenue Account and Capital Plan for 2016/17.

**Date 16<sup>th</sup> August 2016**

**Report Contact:**

Name Lisa Young Tel No 0131-271-3111

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





Appendix 1

**HOUSING REVENUE ACCOUNT CAPITAL PLAN 2016/17 -  
2021/22**

	<b>Revised Budget 2016/17 £'000</b>	<b>Proposed Budget 2017/18 £'000</b>	<b>Proposed Budget 2018/19 £'000</b>	<b>Proposed Budget 2019/20 £'000</b>	<b>Proposed Budget 2020/21 £'000</b>	<b>Proposed Budget 2021/22 £'000</b>
<b>FUNDING</b>						
Net Receipts from Sales	2,155	0	0	0	0	0
Grants						
-Incentivising New Build	764	0	0	0	0	0
-Mortgage to Rent Subsidy	168	168	168	168	168	168
-Buy Backs Funding	300	0	0	0	0	0
Council Tax on Second Homes	118	121	124	127	130	133
Developer Contributions	1,000	0	0	0	0	0
Borrowing Required	17,944	37,656	26,803	19,139	6,413	5,457
<b>TOTAL AVAILABLE FUNDING</b>	<b>22,449</b>	<b>37,945</b>	<b>27,095</b>	<b>19,434</b>	<b>6,711</b>	<b>5,758</b>

<b>APPROVED EXPENDITURE</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
New Build Houses Phase 1	162	0	0	0	0	0
New Build Houses Phase 2	13,019	19,997	5,089	285	0	0
New Build Houses Phase 3	0	10,000	14,000	11,000	1,000	0
Buy Back Properties	1,603	0	0	0	0	0
Aids & Adaptations	300	308	316	324	332	340
Energy Assistance	1,000	2,400	2,400	2,500	0	0
Homelessness - Mortgage to Rent	303	303	303	303	303	303
Homelessness - Pentland House Refurbishment	472	0	0	0	0	0
Homelessness - Midfield House Refurbishment	39	0	0	0	0	0
Scottish Housing Quality Standard						
-Upgrade Central Heating Systems	650	1,448	1,498	1,536	1,590	1,629
-Kitchen Replacement Programme	201	0	0	0	0	0
-Sanitary Ware Replacement Programme	950	0	0	0	0	0
-Future Works	3,750	3,489	3,489	3,486	3,486	3,486
<b>Total Expenditure</b>	<b>22,449</b>	<b>37,945</b>	<b>27,095</b>	<b>19,434</b>	<b>6,711</b>	<b>5,758</b>



Appendix 2

**HOUSING REVENUE ACCOUNT REVENUE BUDGET 2016/17 - 2021/22**

	<b>2016/17 Revised Budget</b>	<b>2017/18 Indicative Budget</b>	<b>2018/19 Indicative Budget</b>	<b>2019/20 Indicative Budget</b>	<b>2020/21 Indicative Budget</b>	<b>2021/22 Indicative Budget</b>
<b>Average No of Houses</b>	<b>6,864</b>	<b>6,992</b>	<b>7,179</b>	<b>7,301</b>	<b>7,304</b>	<b>7,307</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Repairs and Maintenance</b>						
General Repairs	5,400	6,307	6,542	6,804	7,061	7,328
Decant/Compensation	40	41	42	43	45	47
Grounds Maintenance	574	604	632	655	681	708
	<b>6,014</b>	<b>6,952</b>	<b>7,216</b>	<b>7,502</b>	<b>7,787</b>	<b>8,083</b>
<b>Administration and Management</b>	4,842	4,934	5,028	5,171	5,368	5,573
<b>Loan Charges</b>	8,649	9,478	11,240	15,191	16,854	17,887
<b>Other Expenses</b>	2,488	2,887	3,510	4,874	4,638	5,240
<b>TOTAL EXPENDITURE</b>	<b>21,993</b>	<b>24,251</b>	<b>26,994</b>	<b>32,738</b>	<b>34,647</b>	<b>36,783</b>

**Income**

Houses Rents	24,882	26,712	28,644	30,547	30,774	31,470
Garages Rents	529	556	584	613	619	638
Other Income	586	614	644	676	683	703
<b>TOTAL RENTS</b>	<b>25,997</b>	<b>27,882</b>	<b>29,872</b>	<b>31,836</b>	<b>32,076</b>	<b>32,811</b>
<b>NET EXPENDITURE/(INCOME)</b>	<b>(4,004)</b>	<b>(3,631)</b>	<b>(2,878)</b>	<b>902</b>	<b>2,571</b>	<b>3,972</b>
<b>BALANCE BROUGHT FORWARD</b>	<b>(24,913)</b>	<b>(28,917)</b>	<b>(32,548)</b>	<b>(35,426)</b>	<b>(34,524)</b>	<b>(31,953)</b>
<b>BALANCE CARRIED FORWARD</b>	<b>(28,917)</b>	<b>(32,548)</b>	<b>(35,426)</b>	<b>(34,524)</b>	<b>(31,953)</b>	<b>(27,981)</b>

# MIDLOTHIAN COUNCIL

Item 8.8

## Appendix 3

### HOUSING REVENUE ACCOUNT CAPITAL PLAN 2016/17

	Revised Budget	Actuals to Date	Projected Outturn	Variation (Under)/Over
	£'000	£'000	£'000	£'000
<b>FUNDING</b>				
Net Receipts from Sales	2,155	1,000	2,155	0
Grants				
-Incentivising New Build	764	764	764	0
-Mortgage to Rent	168	0	612	444
-Buy Backs Funding	300	0		
Council Tax on Second Homes	118	0	118	0
Developer Contributions	1,000	0	1,000	0
Borrowing Required	17,944	1,948	17,800	(444)
<b>TOTAL AVAILABLE FUNDING</b>	<b>22,449</b>	<b>3,712</b>	<b>22,449</b>	<b>0</b>

	£'000	£'000	£'000	£'000
<b>APPROVED EXPENDITURE</b>				
New Build Houses Phase 1	162	(99)	162	0
New Build Houses Phase 2	13,019	1,903	13,019	0
Buy Backs	1,603	265	1,603	0
Aids & Adaptations	300	93	300	0
Energy Assistance	1,000	22	1,000	0
Homelessness - Mortgage to Rent	303	0	303	0
Homelessness - Pentland House				
Refurbishment	472	0	472	0
Homelessness - Midfield House				
Refurbishment	39	0	39	0
Environmental Works - McNeill Terrace	0	(27)	0	0
Scottish Housing Quality Standard				
-Kitchen Replacement	650	149	650	0
-Upgrade Central Heating Systems	201	22	201	0
-Sanitary Ware Replacement Programme	950	282	950	0
-SHQS Repairs	3,750	1,102	3,750	0
<b>Total Expenditure</b>	<b>22,449</b>	<b>3,712</b>	<b>22,449</b>	<b>0</b>



**MIDLOTHIAN COUNCIL****HOUSING REVENUE ACCOUNT 2016/17****Appendix 4**

	<b>Revised Budget</b>	<b>Projected Outturn</b>	<b>Variation (Under)/Over</b>
<b>Average No of Houses</b>	<b>6,864</b>	<b>6,864</b>	<b>0</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Repairs and Maintenance</b>			
Decant/Compensation	5,400	5,400	0
General Repairs	40	40	0
Grounds Maintenance	574	574	0
	<b>6,014</b>	<b>6,014</b>	<b>0</b>
<b>Administration and Management</b>	4,842	4,842	0
<b>Loan Charges</b>	8,649	8,649	0
<b>Other Expenses</b>	2,488	2,488	0
<b>TOTAL EXPENDITURE</b>	<b>21,993</b>	<b>21,993</b>	<b>0</b>
<b>Rents</b>			
Houses	24,882	24,882	0
Garages	529	529	0
Others	586	586	0
<b>TOTAL RENTS</b>	<b>25,997</b>	<b>25,997</b>	<b>0</b>
<b>NET EXPENDITURE/(INCOME)</b>	<b>(4,004)</b>	<b>(4,004)</b>	<b>0</b>
<b>BALANCE BROUGHT FORWARD</b>	<b>(24,913)</b>	<b>(24,913)</b>	<b>0</b>
<b>BALANCE CARRIED FORWARD</b>	<b>(28,917)</b>	<b>(28,917)</b>	<b>0</b>



**Midlothian Integration Joint Board – Financial Assurance Update****Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of the Report**

The purpose of this report is to give a final update on financial assurance work carried out in relation to the delegation of resources to the Integration Joint Board (the Board) from 1 April 2016.

**2 Background**

Financial resources were delegated to the Board from 1 April 2016 and directions regarding the use of the budgets were issued to the Council and NHS Lothian on 31 March 2016.

In June 2016 Council received a report from the Joint Director, Health and Social Care on Adult Care and Health Budget Setting 2016-17 which gave an update on progress towards agreeing the NHS element of the budget and discussed future arrangements for agreeing and managing efficiencies. It included an update on the use of the Social Care Fund and on the financial pressures which drive the necessity for transformation of services to ensure sustainability moving forward.

**3 Current Position**

The Board, at its meeting on 18 August 2016, agreed to accept NHS Lothian's formal offer, which was issued on 14 June 2016, subject to certain caveats as follows:

- That the Set Aside financial pressures are supported by NHS Lothian
- That the Partnership will manage within its Health Budgets, with further discussions required around the support for the GP Prescribing budget
- That the health budget setting model remains indicative until a final baseline position is agreed
- That the prescribing budget setting model for 17/18 is clarified and agreed with the Partnership.

It was further agreed that the Board would seek an appropriate risk sharing agreement with the Council.

With both elements of its budget for 2016-17 now agreed, this allows the Board to move forward and begin its financial planning for 2017-18 and beyond.

The Financial Monitoring 2016-17 report elsewhere on today's agenda includes details of the continuing financial pressures within the Adult and Social Care budget and the actions being taken to address these.

## **6 Report Implications**

### **6.1 Resources**

There are no resource implications arising directly from this report. The report deals with the financial assurance work undertaken in relation to the delegation of resources to the Board from 1 April 2016.

The Adult and Social Care budget represents the functions delegated and this budget, amounting to £37.086 million, has been delegated to the Board from 1 April 2016.

The Council continues to provide service support to the work of the Board and there is a commitment to continue this support going forward. There will be no charge for these support services.

### **6.2 Risk**

The Council and NHS Lothian continue to manage risk according to their own established policies and arrangements are being developed to manage these risks through the Board arrangements. The directions of the Board will bring a new facet to the risks and these will be managed by the Board.

The ongoing work being undertaken on financial assurance will identify and address the financial risks which are inherent in the new arrangements.

Council and NHS Lothian financial pressures will impact on the resources available to the Board at the same time as demographic pressures increase demand for services. Pressures in relation to the impact of the living wage on service providers and the raising of the charging threshold are being managed. NHS Lothian's overall financial position continues to rely on non-recurrent budgets to fund ongoing services.

The future development of pan-Lothian services will be dependent on IJBs across Lothian working together effectively. There is a risk that this work will be dominated by the larger IJBs.

### **6.3 Policy**

#### **Strategy**

The creation of new arrangements for Health and Social Care is consistent with one of the key findings of the Christie Commission that "public services work effectively together to achieve outcomes".



**Consultation**

Consultation has taken place with the Chief Officer and Chief Financial Officer of the Integration Joint Board.

**Equalities**

There are no equalities issues arising from this report.

**Sustainability**

There are no environmental sustainability issues arising from this report.

**IT Issues**

There are no IT issues arising from this report.

**7 Summary**

Delegation of financial resources to the Board took effect from 1 April 2016. Agreement has been reached on the resources delegated in 2016-17, with the NHS Lothian element being subject to certain caveats. Financial assurance will be an ongoing process as IJBs, Councils and NHS Lothian work together going forward.

**8 Recommendations**

Council is recommended to

- 8.1 Note this final update on the financial assurance process in relation to the delegation of financial resources to Midlothian Integration Joint Board.
- 8.2 Note that ongoing work on financial assurance will be subsumed as business as usual within the Financial Services team.

**31 August 2016**

**Report Contact:**

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**Lothian Buses - City of Edinburgh Council Request for Extraordinary Dividend - Update****Report by Ricky Moffat, Head of Commercial Operations****1 Purpose of Report**

This report provides the Council with an update on the discussions held with City of Edinburgh Council, East and West Lothian Council's and Lothian Buses following the Council meeting on Tuesday 22 March 2016.

**2 Background****2.1 At its meeting of Tuesday 22 March 2016 the Council agreed to:-**

- a) Note the request from City of Edinburgh Council to Lothian Buses for an extraordinary dividend over the period 2017 – 2020 to be considered.*
- b) Note that concern has been raised directly with Lothian Buses in terms of the potential impact this could have on service delivery in Midlothian.*
- c) Note Lothian Buses commitment to continued fleet investment and its network of services.*
- d) Agree that the Director Resources will provide a further update report*

**3 Update****3.1 City of Edinburgh Council Motion**

At its meeting of 19 November 2015 the City of Edinburgh Council considered a report on the Edinburgh Tram extension which raised the possibility of an extraordinary dividend of £20m being received from Lothian Buses during the period of the next business plan covering 2017 - 2020. In considering this report City of Edinburgh Council approved a motion which instructed the Chief Executive of the City of Edinburgh Council to;

“write to Lothian Buses to request details of any impacts such an extraordinary dividend would make on their future transport strategy, fleet modernisation plans, the likelihood of future fare increases, loss of other transport initiatives (hidden opportunity costs), and the confidence or otherwise of their ability to ensure the company can continue to meet its liabilities”.

**3.2 Lothian Buses Shareholding**

Lothian Buses are wholly owned by the four former Lothian Authorities, with a shareholding as follows;

<b>Authority</b>	<b>Share holding</b>	<b>Holding</b>
Edinburgh	5,824,000	91.01%
Midlothian	350,000	5.47%
East Lothian	200,000	3.12%
West Lothian	25,000	0.40%
<b>TOTAL</b>	<b>6,399,000</b>	<b>100.00%</b>

Following representations by Midlothian Council and East and West Lothian Council's, Lothian Buses agreed to establish a Sub Regional Board with the first meeting being held on 14 May 2014.

### **3.3 Local Authority Meeting**

A meeting was held on Monday 25 April 2016 at the headquarters of Midlothian Council. Unfortunately City of Edinburgh Council leader extended his apologies for this meeting. However, both East Lothian and West Lothian Council leaders shared Midlothian's concerns the impact of Lothian Buses achieving City of Edinburgh's call for an extra ordinary dividend could have on the company and potentially its effect within the respective communities.

At the conclusion of this meeting the three authorities agreed to issue a joint letter to City of Edinburgh Council expressing their concerns. (This letter is included at Appendix 1)

### **3.4 Lothian Buses Sub Regional Board Meeting**

At the meeting of the Lothian Buses Sub Regional Board held on the 30 June 2016, Jim McFarlane the General Manager of Lothian Buses stated that any dividend could only be made if the company has the financial strength to do so. He further stated that it was his intention to write to City of Edinburgh Council to advise that meeting this expectation is less likely, particularly given issues linked to congestion in the City and the impact on tour buses and subsequently fare income.

### **3.5 Response from City Of Edinburgh Council**

In response to the letter outlined in 3.3 above an email was received from Andrew Burns, Leader of City of Edinburgh Council dated 27 July 2016 (included as Appendix 2).

This response confirms that City of Edinburgh Council share the concerns expressed by the other Lothian authorities. It is further stated that "If the City of Edinburgh Council thought that this Lothian Buses request would undermine "growth potential by placing demands to provide dividends over and above those which the

business can sustain" .... then we most certainly would not have made the request in the first place".

The City of Edinburgh Council are awaiting a response from Lothian Buses before considering this matter further at a Council meeting in September 2016.

## **4 Report Implications**

### **4.1 Resource**

There are no direct resource implications as a consequence of this report.

### **4.2 Risk**

The risk to the Council is the potential impact on services within the Midlothian Council area. Any reduction in services would impact on people who travel for leisure or work purposes.

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

Themes addressed in this report:

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

### **4.4 Impact on Performance and Outcomes**

There is no direct impact on performance and outcomes as a consequence of this report.

### **4.5 Adopting a Preventative Approach**

By highlighting the Council's concerns directly with Lothian Buses, the former Lothian Authorities including City of Edinburgh Council there has been an opportunity to ensure that future service provision is not compromised as a consequence of the request from City of Edinburgh Council for an extraordinary dividend.

### **4.6 Involving Communities and Other Stakeholders**

Discussions at this stage have involved Lothian Buses, East Lothian, West Lothian, and City of Edinburgh Councils.

### **4.7 Ensuring Equalities**

At this time there are no equality issues. However if services were to be affected in the future there would be a need to consider this issue at that time.

#### **4.8 Supporting Sustainable Development**

The provision of suitable bus services is fundamental to ensuring that sustainable transport is available for the travelling public in Midlothian.

Any restrictions on current and potentially future services would impact on Midlothian's vision as a thriving and growing area.

#### **4.9 IT Issues**

There are no direct IT issues as a result of this report.

#### **5.0 Summary**

This report is bringing to Councils attention the discussions and correspondence relating to the request from City of Edinburgh Council to Lothian Buses for an extraordinary dividend of £20m over the period 2017 – 2020. At this stage all parties namely Lothian Buses and City of Edinburgh Council have confirmed that meeting City of Edinburgh's request could only take place if it does not impact on the operation of Lothian Buses.

#### **6.0 Recommendations**

Council is requested to:-

- Note the discussions that have taken place to date
- Note the comments from both Lothian Buses and City of Edinburgh Council that meeting City of Edinburgh Council's request for an extraordinary dividend could only happen if it did not affect the operation of Lothian Buses
- Agree that the Director Resources will provide a further update report when information is available.

**23 August 2016**

**Report Contact:** Ricky Moffat  
ricky.moffat@midlothian.gov.uk

Tel No 0131 561 5306

#### **Background Papers**

#### **Appendices**

Appendix 1 Letter dated 8 July 2016 to City of Edinburgh Council

Appendix 2 Email dated 27 July 2016 from City of Edinburgh Council

*Councillor*  
*Catherine Johnstone*  
*Council Leader*

Ward 6  
Midlothian South

Midlothian Council  
Midlothian House  
Buccleuch Street  
Dalkeith  
EH22 1DJ

Midlothian

8 July 2016

Councillor Andrew Burns  
Leader of City of Edinburgh Council  
City Chambers  
Edinburgh  
EH1 1YJ

Dear Andrew

At a Midlothian Council meeting it was agreed that I liaise with my colleagues in the shareholding councils of West Lothian and East Lothian to discuss the proposal by Edinburgh Council to have an extra-ordinary dividend from Lothian Buses. It was also agreed that we advise Edinburgh Council of our concerns.

We are concerned that an erosion of the profits of Lothian Buses will greatly affect the ability of Lothian Buses Board to maintain services in our communities and to properly maintain and replace their fleet. Further, recent events have shown Lothian Buses capacity to develop their business in East Lothian to replace the wholesale withdrawal of First Scotland East's operations in the area. A similar withdrawal from Midlothian by First Scotland East occurred only a few years ago and again, Lothian Buses presence and development was of great reassurance. Undermining this growth potential by placing demands to provide dividends over and above those which the business can sustain is, we feel, unreasonable.

It is accepted that presently Lothian Buses only operate one service in West Lothian and this is primarily for the use of their employees. However, no commercial operations can be guaranteed as permanent under a deregulated regime and the possibility of large scale commercial service withdrawals here, and elsewhere, cannot be ruled out. In such circumstances we strongly wish to have Lothian Buses in a position where it can in future act in a similar manner to that which is about to provide vital service replacements for East Lothian residents.

We look forward to your reconsidering your proposal of an extra-ordinary dividend and hope you now understand why your neighbouring councils have concerns. I anticipate hearing from you soon.

Yours sincerely

CATHERINE JOHNSTONE

C.c. Councillor Willie Innes, Leader East Lothian Council  
Councillor John McGinty, Leader West Lothian Council

[www.midlothian.gov.uk](http://www.midlothian.gov.uk)





**From:** Andrew Burns [redacted]  
**Sent:** 27 July 2016 17:27  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** FW: Lothian Buses

Catherine (Willie/John)

Many thanks for your letter, as per the first attachment, and many apologies for the delayed response due to Annual Leave.

I completely understand the concerns being expressed, and indeed share them. If the City of Edinburgh Council thought that this Lothian Buses request would undermine "growth potential by placing demands to provide dividends over and above those which the business can sustain" ... then we most certainly would not have made the request in the first place.

Indeed, the request is still very much under active (and extremely careful) consideration --- and I do want to illustrate that point by attaching various documents (4):

1. The initial report which went before our Full Council on 19<sup>th</sup> November 2015
2. The 'approved' Coalition Motion from that November 19<sup>th</sup> 2015 Council Meeting
3. The subsequent letter from our Chief Executive to Jim McFarlane at Lothian Buses
4. The following report which went before our subsequent Full Council on 10<sup>th</sup> December 2015 ... the approved Council-position on that occasion is as at paragraph 1.1 of the Report; and the related letter-response from Lothian Buses to our Chief Executive (of 30<sup>th</sup> November 2015) is at Appendix A – this response makes it clear that a further update will come before the City of Edinburgh Council around September 2016

I hope this documentation is all of assistance in expanding on the full background to this issue – and I can only re-iterate that if the City of Edinburgh Council believed that this request would undermine "growth potential by placing demands to provide dividends over and above those which the business can sustain" ... then we would not have made the request in the first place --- and, in addition, as the letter-response referenced above makes clear, we await further feedback from Lothian Buses as part of their 2017-2020 Strategic Plan; all of which will be reported back to our Full Council around September 2016.

Thanks for taking the time to raise these concerns with me directly – and please don't hesitate to come back to me if you need any further clarification.

Andrew

Andrew Burns | Council Leader & Labour Councillor for the Fountainbridge/Craiglockhart Ward

[redacted]



**2016/17 Pre-Winter Update****Report by Ricky Moffat, Head of Commercial Operations****1 Purpose of Report**

At its meeting of 4 November 2014 Council were advised of the resources that were available to the Council to deal with effects of normal to severe winters.

This report updates Council on the plans in place for the forthcoming winter season and advises of the financial implications of providing the current level of service.

**2 Background**

- 2.1** The severe winters of 2009/10 and 2010/11 have been reported previously to Council. The winters of 2011/12 and 2013/14 were mild by comparison, however the winter of 2012/13 whilst not as cold as 2009/10 and 2010/11, there were more days of snow which led to some disruption of the road network but did not have any significant impact on the delivery of key public services across Midlothian.

The winter of 2015/16 was relatively mild when compared to the winters experienced at the start of the decade.

Whilst there were a few snow days, with the exception of one day when the actual weather forecast information provided by the Met Office was incorrect there was generally minimal disruption to the travelling public and there was no significant impact on the delivery of key services across Midlothian.

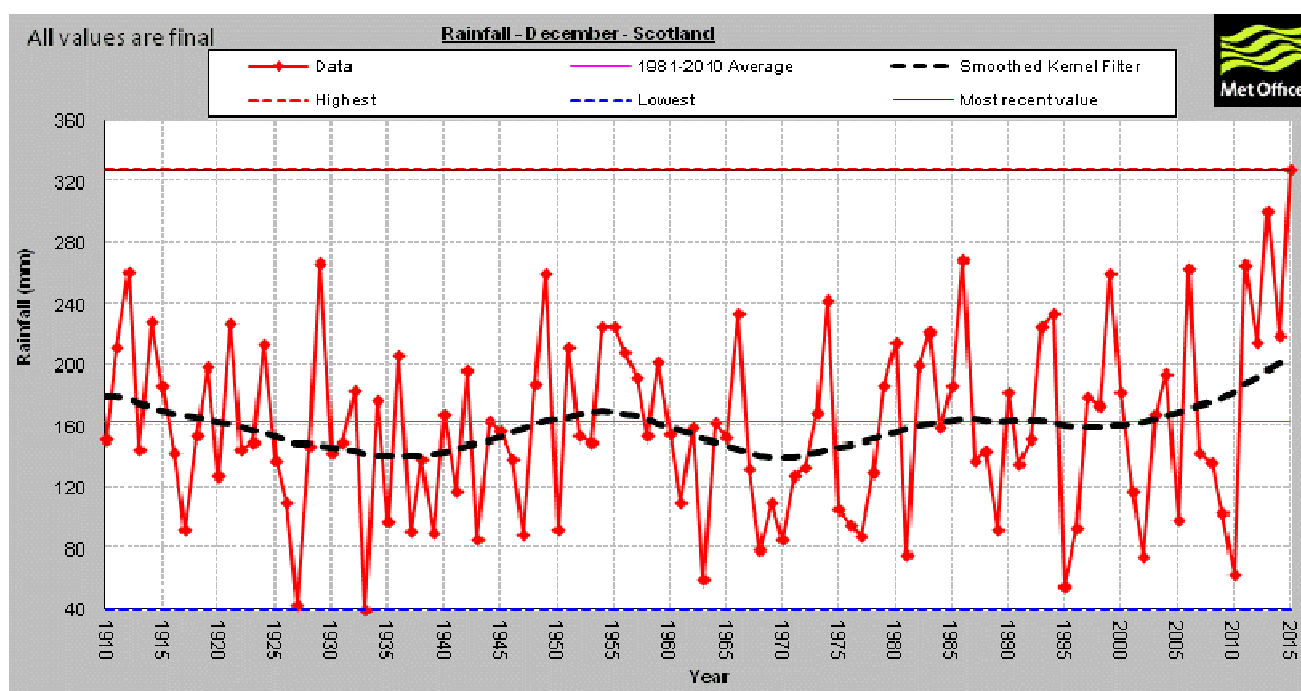
However there were higher levels of rainfall experienced, with December 2015 being one of the wettest on record.

Through December the UK was in a warm and moist tropical air mass for most of the month, bringing unseasonably mild conditions to England and Wales, although Scotland and Northern Ireland were colder at times, particularly in the second week. It was also exceptionally wet and often windy, with frequent deep depressions and frontal systems - including storms Desmond, Eva and Frank - bringing record-breaking rainfall over much of Scotland.

Scotland normally has precipitation on 12 days in any given December, this compares to 25 days when rain fell during December 2015, which was more than double the normal.

The table below from the Met office shows the recorded rainfall in Scotland since 1910. This shows that in four out of the last five years

rainfall during December has been above the average with 2015 being the highest recorded to date. It is also worth noting that since 2000 there has been a consistent increase in average rainfall during December.



Road Services utilised its core staffing complement of 36 operatives to treat the road and footpath network during periods of adverse weather. There are 27 items of plant and vehicles available to provide the winter service based at the Fushiebridge Depot. When required these resources are supplemented through the use of Council staff within Land and Countryside Services, Property Maintenance and Waste Services. In addition through a Winter Framework contract companies are engaged through competitive tendering via the Council's procurement process.

The Midlothian Council Winter Service Policy and Operational Plan states that:

*'The purpose of this Winter Service Policy and Plan is to demonstrate that Midlothian Council has taken such steps as it considers reasonable to prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads, to fulfil its' Statutory responsibilities as defined in Section 34 of the Roads (Scotland) Act 1984.*

*Furthermore this plan takes into consideration the recommendations set out in the Code of Practice (July 2005), 'Well Maintained Highways' (Code of Practice), Appendix H, Winter Service Practical Guidance. Given that the Code of Practice is only making recommendations, it should be noted that Midlothian Council may deviate in certain ways to meet local conditions.'*

The Winter Service Policy also states:

*'Given the scale of financial and other resources involved in delivering the winter service it is not reasonable either to:*

- *Provide the same service on all parts of the network*
- *Ensure running surfaces are kept free of ice and snow at all times, even on treated parts of the network*

Accordingly Midlothian Council Road Services have in place operational procedures to deliver an efficient and effective winter service in accordance with the Winter Service Policy and Operational Plan.

The Winter Service Policy and Operation Plan include details of the carriageway and footway priority hierarchy and route plans. Copies of the route plans are held at Fushiebridge Depot and Midlothian House, Dalkeith and are based on the following categories.

### **Carriageway Priorities**

Priorities are as follows:-

- Priority Routes:** Important principal roads and bus routes – to hospitals, ambulance depots, fire stations and local danger spots (e.g. very steep hills)
- Secondary Routes:** Cross routes, connecting routes and accesses into industrial areas.
- Tertiary Routes:** Residential areas, other unclassified roads.

Note: Details of these routes can be found on Council's website via the following link;

[www.midlothian.gov.uk/downloads/download/199/midlothian\\_priority\\_gritting\\_routes](http://www.midlothian.gov.uk/downloads/download/199/midlothian_priority_gritting_routes)

### **Footway Priorities**

Priorities are as follows:-

- Priority Routes:** Agreed 'access routes' to schools, health clinics, and town centres.
- Secondary Routes:** Footways on hills and connecting footways
- Tertiary Routes:** Flat lying and residential areas

It should be noted that during periods of snowfall, it is likely that it will be several days before treatment is provided on tertiary routes, due to the length of Priority and Secondary routes to be cleared prior to treating tertiary routes.

A copy of the Winter Service Policy and Operational Plan can be found in Appendix A.

In addition to treating the road and footpath network during the winter period, Road Services have in place a Winter Service Level Agreement to cover other essential services.

The Winter Service Level Agreement can be found in Appendix B

This Service Level Agreement covers the following:-

- Social Work Buildings
- Educational Establishments
- Access for Additional support needs pupils (at their home address)
- Access for other vulnerable residents in Midlothian (at their home address)
- Public Buildings
- National Health Service facilities within the Midlothian Area. This service is at the request of NHS Lothian following a successful pilot scheme during the 2012/13 winter season and continues for 2016/17.

Road Services have the in-house resources to meet the demands of a 'normal' winter which typically equates to an average of 7 days of snowfall. However, given the recent historic severe weather events it has been determined that additional resources be placed on standby to deliver the service level agreement and to meet public expectations.

### **Care for People in Emergencies**

The Midlothian Care for People Group was established as part of the Lothian and Borders Strategic Co-ordination Group.

During previous winters, successful partnership working has been undertaken between Midlothian Council, NHS Lothian, the emergency services and the voluntary sector. These arrangements remain in place to respond to the needs of those who may be at risk in the event of severe weather.

The following are key areas of activity of the Care for People Group in preparing for winter emergencies.

- Care providers have plans in place to ensure that car home support services can be reprioritised to meet the needs of individual service users who are at greatest risk.
- Close liaison with NHS facilitating the continuing discharge of patients from hospital during adverse weather conditions.

- Plans are in place to ensure continuing access for staff, goods and services to care establishments in adverse weather conditions.
- Plans to identify other individuals in the community not currently in receipt of care services who may be placed at risk in the event of adverse weather conditions.

The plan includes arrangements to make contact with such households and with the support of local voluntary and community groups to provide practical help and support including shopping, collecting prescriptions, clearing footpaths etc.

- Develop resilience plans with community councils and local communities so that they are better able to respond to their needs. Bulk bags of a salt/grit mix are made available to local community group when snow is forecast greater than 10cm. However, it should be noted that only half of these bags were used during 2012/13 and these have not been utilised in recent years.
- In relation to Health and Social Care, the Midlothian Health and Social Care Partnership continues to jointly plan for managing winter, with a particular focus on admission avoidance, supporting discharge and ensuring that support and care for the most vulnerable members of the community can be delivered throughout the winter period. The key actions to support this work include increased capacity within Homecare, expansion of Midlothian Enhanced Rapid Response and Intervention Team (MERRIT) with particular focus on patients with Chronic Obstructive Pulmonary Disease (COPD) as well as additional capacity for weekend service delivery and extensive local flu campaign across health and social care staff with emphasis on increased uptake of vaccinations by care at home and care home workers.

### **3 Report Implications**

#### **3.1 Resource**

Road Services take the lead role on winter maintenance across the Council. The co-ordination and management of all operational resources across the Council is undertaken from the Fushiebridge Depot to provide a response in line with the Winter Service Policy and Operational Plan and Service Level Agreement. The Director, Resources on behalf of the Corporate Management Team has also establishes standby arrangements to ensure management cover is in place during holiday periods.

The following table details the budget and spend levels associated with the Winter Maintenance Service in recent years.

Financial Year	Expenditure Type	Amount
2008/09	Actual	£1,162,000
2009/10	Actual	£1,743,000
2010/11	Actual	£2,832,000
2011/12	Actual	£869,000
2012/13	Actual	£1,557,000
2013/14	Actual	£788,000
2014 /15	Actual	£1,159,000
2015 /16	Actual	£921,000

The winter maintenance revenue budget for 2016/17 is £998,000 which is based on the likelihood of 7 days snow clearing and 120 occasions of salt treatment to the roads and footpath network during the mornings and evenings.

The salt usage by the Council over the last five years has been as follows:

Year	Usage
2009/10	7,600 tonnes
2010/11	6,600 tonnes
2011/12	2,900 tonnes
2012/13	6,500 tonnes
2013/14	2,850 tonnes
2014/15	4,808 tonnes
2015/16	4,230 tonnes

Currently the Council has a salt stock holding capacity of 5000 tonnes. 3800tonnes of this salt can be stored in the dome at Fushiebridge with another 1200 tonnes stored under sheeted cover at Butlerfield Industrial Estate or at the road side depot near the main Fushiebridge depot. Salt supplies are available using suppliers through the Scotland Excel contract. It is anticipated that we will hold at least 3000 tonnes of salt in the dome at Fushiebridge prior to 1 November 2016.

The winter code of practice recommends the following 'resilience' levels of salt stocks

PERIOD	STOCK
1 October – 31 October	950 tonnes
1 November (pre season stock)	2500 tonnes
1 November – 1 March (minimum stock at any time)	1400 tonnes
1 March – 30 April	950 tonnes

### 3.2 Risk

There are several risk implications attributed to the delivery of the Winter Service Policy and Operational Plan and The Roads (Scotland) Act 1984 places a duty on local authorities to

*“take such steps as they consider reasonable to prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads”.*

The Code of Practice for winter recommended and endorsed by the Scottish Government and COSLA states that Councils should adopt



and publicise its winter service operational plan which defines treatments based on a determined hierarchy. This Council's hierarchy is set in accordance with the Code of Practice and is publicised annually in advance of winter.

When comparing the extent of the road and footpath network treated with other local authorities, this Council generally compares well. In that regard and taking into account the actual hierarchy treated, it is reasonable to assume that reasonable steps have been taken to prevent snow and ice endangering the safe passage of pedestrians and vehicles.

Notwithstanding that however, increasing either the length of network treated or the level of treatment would further reduce the risk of potential successful accident claims, to which a lack of treatment can be cited by claimants as a contributory factor.

Additionally there are significant risks to the Council in relation to the continuity of education, the identification of a support for the most vulnerable persons in the community, the financial performance of income generating facilities including Leisure Centres arising from severe weather disruption.

A further risk to the Council is that of reputation. Public expectations have been raised in recent years with the increase in service delivery during the adverse periods of winter. As such there is a risk to the Council's reputation should there be a reduction in the level of service and response provided.

This has been shown where the public have, in some instances been very critical of the Council's performance, particularly in relation to the expectations outlined previously

To that end the Winter Service Policy Operational Plan seeks to mitigate this risk by carrying out those duties in an effective manner.

There is also a financial risk as outlined in the table below. Should the weather be similar to 2008/09, 2009/10 and 2012/13, there is a risk of significant overspend.

Should the weather be similar to 2010/11 and the level of service is maintained then the financial risk to the Council could approach a £2million overspend, thus putting significant strains on already constrained Council budgets.

The cost implications are dependent on the level of service and can be summarised as follows:-

<b>Service Provided</b>	<b>Normal Winter</b>	<b>Winter based on 2012-13</b>	<b>Severe winter (similar to 2010/11)</b>
Routine gritting of the road network	£330,600	£342,000	£398,000
Routine gritting of footway network	£105,000	£140,000	£175,000
Routine gritting of car parks	£40,000	£50,500	£60,000
Snow clearing of the road network	£112,000	£320,000	£560,000
Snow clearing of footway network	£105,000	£375,000	£560,000
Snow clearing of car parks	£6,650	£14,250	£22,800
Removal of snow from the network	--	--	£400,000
Grit bins	£16,000	£24,000	£56,000
Community group bulk bags	--	£2,350	£4,700
Snow clearing around public buildings	--	£12,600	£42,000
Snow clearing for vulnerable persons	--	£12,600	£42,000
Standing charge for dedicated equipment, standby etc	£250,000	£250,000	£250,000
<b>Totals</b>	<b>£965,250</b>	<b>£1,543,300</b>	<b>£2,570,500</b>

### 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

Community Safety – Death and Injury on Midlothian Roads, Protecting Midlothian's Children.

Sustainable Growth – Support the local economy, Promote and develop active and sustainable travel and transport.

### 3.5 Impact on Performance and Outcomes

The ability of people and goods to move about is vital to ensure that normal business continues within Midlothian during adverse weather periods. Any restriction on the Winter Service would have an impact on that ability to continue to operate as normal as possible.

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

The provision of an acknowledged good Winter Service ensures that the people and goods are able to move around as much as reasonably practicable.

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

Consultation has been undertaken with officers from all divisions to determine the relative priorities and response as detailed in the Service Level Agreement.

NHS Lothian were consulted regarding provision of a co-ordinated level of service.

Subsequent to an initial trial in 2012/13, NHS Lothian have awarded Road Services a contract to continue this service to all NHS facilities within Midlothian on a shared services basis.

### **3.8 Ensuring Equalities**

The Service Level Agreement and consultation in previous winters has identified those persons at greatest risk within Midlothian's communities along with an appropriate response.

### **3.9 Supporting Sustainable Development**

There is a potential issue relating to the financial sustainability of delivering the current Winter Service Policy Operational Plan and Service Level Agreement.

### **3.10 IT Issues**

There are no IT implications associated with the proposals outlined in this report.

## **4 Summary**

The recent winters have provided a variety of challenges for the Council. This resulted in many issues and services requests that have been considered and incorporated into the Winter Service Policy and Operational Plan and Service Level Agreement.

## **5 Recommendations**

Council is requested to adopt and publish the Winter Service Policy and Operational Plan for the 2016/17 winter season.

**31 August 2016**

**Report Contact:**

Mark Rankine      Tel No: 0131 270 5734  
[mark.rankine@midlothian.gov.uk](mailto:mark.rankine@midlothian.gov.uk)

**Background Papers:**

Council report Tuesday 4 November 2014, Severe Weather – 2014/15 Pre-Winter Update

Appendices

Appendix A   Winter Service Policy and Operational Plan 2016- 2017

Appendix B   Winter Service Level Agreement 2016 – 2017





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**Appendix A**

# **Winter Service Policy and Operational Plan**

## **2016 – 2017**

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**Introduction**



The purpose of this Winter Service Policy and Plan (This Plan) is to demonstrate that Midlothian Council has taken such steps as it considers reasonable to prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads, to fulfil its' Statutory responsibilities as defined in Section 34 of the Roads (Scotland) Act 1984.

Furthermore this plan takes into consideration the recommendations set out in the Code of Practice (July 2005), 'Well Maintained Highways' (Code of Practice), Appendix H. Given that the Code of Practice is only making recommendations, it should be noted that Midlothian Council may deviate in certain ways to meet local conditions. It should be noted that a new code of practice is due to be published during 2016 with relevant guidance and no longer making recommendations. Midlothian Council will take cognisance of this guidance and adapt or amend their Winter Policy accordingly.

### **Content**

- 1. Winter Service and Weather Emergencies**
- 2. Purpose, Objectives and Statutory Basis**
- 3. Winter Service Policy**
- 4. Winter Service Operational Plan**
- 5. Network Hierarchy and Route Planning**
- 6. Decisions and Management Information**
- 7. Resources and Operational Issues**
- 8. Winter Service Training and Development**
- 9. Plant, Vehicles, Materials and Resilience**
- 10. Information and Publicity**
- 11. Post Snow Inspection and Maintenance**
- 12. Other Weather Emergencies – Climate Change / Contingency**

### **Winter Service and Weather Emergencies**



Winter service is not deemed an emergency service as it deals with regular, frequent and reasonably predictable occurrences of low temperatures, ice and snow.

Whilst the effects of climate change are likely to result in an increased frequency and intensity of severe weather events, these have been taken into account in winter service planning.

This Plan is likely to have relevance in emergency planning for dealing with extreme weather conditions, as such this plan should be read in conjunction with Midlothian Council's Severe Weather Plan.

The resources available during the winter period can also be utilised during a severe weather event such as floods and storms.

### **Purpose, Objectives and Statutory Basis**

Section 34 of the Roads (Scotland) Act 1984 states 'a road authority shall take such steps as it considers reasonable to prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads'.

The Purpose of this Plan is to discharge those duties however it should be noted that the Code of Practice states;

'Given the scale of financial and other resources involved in delivering the winter service it is not reasonable either to:

- Provide the same service on all parts of the network

- Ensure running surfaces are kept free of ice and snow at all times, even on treated parts of the network

This Plan can contribute significantly to the core objectives set out in the code. The Plan also contributes to the delivery of some outcomes for the Authority, to comply with the requirements of the Roads Scotland Act and comply with the recommendations as laid out in the Code of Practice

Appendix H, H1.5 states, 'It is suggested that authorities and other winter service providers review their policies and practices against content in this document with a view to identifying and explaining any significant variance and where appropriate, develop time tabled implementation plans for the adoption of detailed national best practice and guidance.

To that end the winter policy will be subjected to annual review to take account of the code of practice, current available financial resources and to ensure a consistent approach with other partner authorities in the ELBF shadow joint committee.





### Winter Service Policy

Midlothian Council recognises its duties under the Roads (Scotland) Act 1984, the Local Government in Scotland Act 2003 and the recommendations made in the Code of Practice.

The purpose of this policy seeks to discharge those duties and provide transparent and consistent guidance for staff and stakeholders during winter or any other severe weather period within the Midlothian Council Area.

Midlothian Council has undertaken consultation with stakeholders to take account of their views.

Furthermore Midlothian Council has taken steps in the winter service operational plan to ensure the corporate objectives of the authority are supported by this Policy.

#### Policy Service Standards

1. Keep agreed priority routes and main bus routes free from snow and ice as far as reasonably practicable.
2. Clear agreed road and footway 'Access Routes' to all schools and education establishments within Midlothian during periods of snow.
3. Support facilities management staff within school grounds during periods of prolonged snow conditions, as required and as resources are available.
4. Support social / care centres in clearing pedestrian access routes in and around facilities.
5. Maintain waste collection services as far as possible, set up local collection points when and if conditions allow.
6. Treat NHS facilities within Midlothian as part of the priority route hierarchy and provide hand crews to clear footways and pedestrian access areas.\*\*
7. Support local community groups by providing bulk bags of salt / grit at pre agreed locations during periods of prolonged snow conditions.

\*\* This service is carried out on a collaborative working agreement in place for all NHS Lothian facilities within the Midlothian Area, however, this does not include the Bonnyrigg Community Hospital where only assistance with snow clearing is required.



### Winter Service Operational Plan

This Winter Service Operational Plan has been developed to take account of the requirements of Appendix H of the Code of Practice to provide a dynamic and interactive plan that can meet changing circumstances.

Midlothian Council has an agreed and defined route priority hierarchy to ensure that maximum use is made of the available resources as follows:

#### Carriageway Priorities

- |                     |   |
|---------------------|---|
| 1 Priority Routes:  | Important principal roads and bus routes – to hospitals, ambulance depots, fire stations and local danger spots (e.g. very steep hill.) |
| 2 Secondary Routes: | Cross routes, connecting routes and accesses into industrial areas.   |
| 3 Tertiary Routes:  | Residential areas, other unclassified roads.  |

#### Footway Priorities

- |                     |  |
|---------------------|--|
| 1 Priority Routes:  | Agreed 'access routes' to schools, health clinics / medical centres, and town centres. |
| 2 Secondary Routes: | Footways on hills and connecting footways.   |
| 3 Tertiary Routes:  | Flat lying and residential areas   |

These routes will be treated in accordance with the treatment matrix. Midlothian Council's defined treatment route plans for carriageways and footways for pre-treatment and snow conditions are based upon the general maintenance hierarchy but adapted to take account of the factors identified in the Code of Practice and local conditions and priorities.

The Code of Practice recognises that during periods of severe weather it is reasonable that Midlothian Council may only treat a minimum network (priority routes only) to allow passage on these routes. Secondary and tertiary routes may not be treated until all Priority routes are clear.

Midlothian Council carriageway and footway treatment routes can be found on Midlothian Council's website



### Network Hierarchy and Route Planning

Midlothian Council has allocated a network hierarchy rating to all roads within the area based on the Code of Practice. This hierarchy rating has been utilised along with the available resources to determine the route planning for treatment during winter to ensure as far as is reasonably practicable Midlothian Council discharges its duties under the Road (Scotland) Act 1984.

### Decisions and Management Information

Midlothian Council takes full advantage of decision support systems and services from the 'Met office' and 'Vaisala' to enable timely, efficient and accurate decision making.

The decision making process and recording Management Information of Winter Service operations is carried out in accordance with the Winter Service Manual and Procedures document.

Midlothian Council continually monitors performance during service delivery and responds to changing conditions or network incidents by analysing the treatment reports and feedback from stakeholders to ascertain where any improvements can be made as part of the annual review process of this document.

### Resources and Operational Issues

Midlothian Council has available resources from the in house Roads Operations service based at Fushiebridge depot. Roads Operations manage and provide the winter / weather service throughout the year.

Roads Operations have agreements with Land and Countryside Services, Building Maintenance Services, Facilities Management and Waste Services to utilise available additional resources during periods of snowfall and other severe weather events.

In addition to the above, through a framework contract, Roads Operations have a number of companies and equipment at their disposal during the winter to assist with winter and other duties on an as required basis.

A full list of the available resources is held by the Roads Operations and Asset Manager. This also shows where all resources are deployed and to what end.



The Roads Operations and Asset Manager has undertaken consultation with colleagues in Education, Social Services, Travel Team, Leisure Services, Customer Services and local community groups to establish agreed service levels to deal with the many conflicting priorities of each service, matched to the available resources.

This co-ordination and collaboration Service Level agreement is held by the Roads Operations and Asset Manager.

### Winter Service Training and Development

Midlothian Council ensures that all HGV personnel involved in the winter service plan, are trained and experienced to demonstrate competence in delivery of their duties. Other winter service staff will have or are being trained by the Roads Operations Supervisor based at Fushiebridge depot.

In general all Roads Operations staff are trained to SVQ level 2 as a minimum.

An annual evaluation and review of training requirements is undertaken by the Roads Operations Supervisor to ensure all staff have the appropriate vocational and health and safety training / qualifications. Any identified training will be completed prior to the start of the winter season. Although some evidence based training and assessment can only take place during winter operations. A record of all training is held by the Roads Operations Supervisor at Fushiebridge Depot.

Midlothian Council carries out periodic exercises to test plans for responding to severe weather events, these exercises are usually carried out in early October, to ensure all equipment is operational and all staff are aware of their duties.

### Plant, Vehicles, Materials and Resilience

#### Plant

- 9 number Mini tractors c/w snow scraper and gritter – Fushiebridge
- number JCB 3CX shovels and 2 number JCB 2CX shovels – Fushiebridge
- 2 number Renault tractors c/w scraper and gritter – Stobhill
- Other plant will be made available from framework contract partners.

#### Vehicles

- number, 17t HGV gritters c/w snow scraper
- number, 26t HGV gritters c/w snow scraper and 2 Hi Capacity 'V' ploughs
- number, 3.5t gritter
- number, 6t pick-up trucks, 2 with a gritter
- 2 number, 4x4 pick-up trucks with gritters and snow scrapers



All of the above are based at Fushiebridge Depot

- number 3.5t pick-up truck with gritter based at Stobhill depot

All other pick-up's and vans based at Stobhill depot will be utilised along with the available framework contract partners vehicles listed.

### Materials

Midlothian Council obtains salt supplies for de-icing through the Scotland Excel (SE) contract, using Cleveland Potash as the main supplier, with other suppliers available through the SE framework. Regular contact is maintained between the supplier and the Council to ensure that the supply is treated as a service rather than a simple commodity purchase.

In periods of extreme or prolonged conditions it may be necessary to obtain supplies from out-with the existing contracts and Midlothian Council will use this option as required and in collaboration with the Edinburgh, Lothian's and Borders Forum (ELBF) collaborative working arrangements.

Stocks of road salt and grit are controlled by the Roads Operations and Asset Manager. A minimum stock of 3000t of 6mm low moisture salt is held prior to 1<sup>st</sup> November at Fushiebridge in the Salt dome, further deliveries will be utilised as required throughout the winter period. This stockholding will be used for the road and footway network as well as the NHS facilities.

This stock of salt is subject to routine reporting on use and current levels to the Scottish Government and may be sequestered to provide mutual aid to other authorities. As such it is prudent to instigate conservation measures during periods of prolonged snowfall or low temperatures (i.e. mixing salt with grit, using grit only on footways and grit bins). This will be carried out in accordance with Appendix H of the Code of Practice.

This includes a stock of salt to be used in School grounds. This will also be managed by the Roads Operations and Asset Manager to monitor use.

A stock of 0/4mm grit will be available through the framework contract covering aggregates and this material is available from a number of local suppliers..

A supply of salt / grit mix from the main stock holding, for use by footway clearing crews is held at the following locations.

- Tillicoultry Quarries, Newtongrange Plant – Framework Contract Partner
- Crummock's Yard, Butlerfield Industrial Estate - Framework Contract Partner



- Weesweep's Yard, Butlerfield Industrial Estate - Framework Contract Partner
- Stobhill depot, Newtongrange

These stocks ensure that footway clearing crews are able to go direct to their designated routes from their place of work, thus speeding up operational response times.

In addition to salt and grit, there is a stock of 4000 litres of a de-icing solution held. This solution is suitable for treatment down to minus 18 degrees Celsius and will be utilised using a vehicle mounted spray bar to treat known problem areas at these very low temperatures.

The weighbridge installed at Fushiebridge depot ensures the accurate recording of salt stock and usage, to allow accurate reporting to the Scottish Government.

### **Resilience**

Resilience of salt stock is monitored by Transport Scotland based on Appendix H of the Code of Practice. The level of resilience in the past has been used to determine delivery priorities of top up salt supplies to Local Authorities and Trunk Road Operators.

Midlothian Council did not require any additional supplies during 2010 /11, 2011/12 or 2012 /13 and will again reduce this risk in 2016 – 2017 by having a pre season stock holding of at least 3000t and the instigation of salt conservation measures. These measures proved very effective in maintaining a 24 hour service at all times during the severe weather of 2010 -2011 and 2012 - 2013.

### **Information and Publicity**

Prior to the start of winter Midlothian Council will publish information regarding the winter service provision. A self help leaflet will also be available in public buildings to assist members of the public.

The Communications and Marketing Unit will advise the Emergency Management Team on both public and general stakeholder response to any incident and on the public messages to be broadcast across the communications channels at the Council's disposal. This role includes liaising closely with public communications leads at the Scottish Government and other category one responders as part of the public communications subgroup of the Strategic Co-ordinating Group.



If the incident is sufficiently serious and far-reaching, members of the Communications and Marketing Unit will be seconded to the lead agency, normally the Police, for an unspecified time as part of the mutual aid arrangements.

The communications channels include: the Council's Contact Centre, media relations, stakeholder relations in terms of voluntary organisations, Mid TV, [www.midlothian.gov.uk](http://www.midlothian.gov.uk), Facebook and Twitter.

The Communications and Marketing Unit will ensure regular and appropriate communications at least daily and more frequently depending on the incident and the Council's continuing response. Staff are available to be called out 24 -7.

In addition to the above the Service Level Agreement states that the Midlothian Council Contact Centre may be required to operate on a 24 hour basis during any severe weather period. This will be agreed between the Head of Commercial Operations and the Head of Customer and Housing Services.

### **Post Snow Inspection and Maintenance**

Once the snow has been removed from the road and footway network, the Roads Inspectors will inspect the network to ascertain defects in need of repair.

These inspections will be carried out generally in accordance with the Code of Practice and the Council's Inspection and Recording Procedures.

It should be noted that due to the potential volume of defects caused by the conditions, it may not be possible to adhere to the timescales for inspection and subsequent repairs of Category 1(CAT1) defects as laid out in the Code of Practice.

Midlothian Council will however, allocate additional resources at their disposal to the repair of identified defects to mitigate as far as is reasonably practicable any delays in repairing CAT 1 defects.

Midlothian Council will also check and replenish all public grit bins as soon as resources allow during and following the completion of snow clearance operations.

Furthermore all vehicles and plant will be cleaned, lubricated, checked / inspected and repaired as required following the completion of snow clearing operations

A debriefing session will be held at an appropriate time and place, involving representatives from all personnel and stakeholders to review the winter service operational plan.





### Other Weather Emergencies – Climate Change

Midlothian Council recognises that Climate change and in particular the previous periods of prolonged cold weather in 2009/10 and again in 2010/11 have an impact on the ability to deliver services. It should be noted that December 2015 was the wettest December on record.

As such this operational plan can be implemented at any time of year to deliver a service during any period of severe weather, including floods and storms.

Additional supplementary resources are available to this end such as;

- 1 no Gully Motor
- no pumps, various sizes
- 1 no towing jetter
- Various Emergency response equipment, generators, lighting and the like.

This can be augmented with additional pumps and tankers from external parties on the framework contract, should conditions dictate.

### Contingency Planning

Contingency planning for severe weather or any other major event is covered by the Emergency Plan and / or the Severe Weather plan, which should be read in conjunction with this plan.

Although as previously stated the resources and response available for winter can be readily utilised for other severe weather events.

**Mark Rankine**

**Roads Operations and Asset Manager**

**August 2016**





# Winter Service Level Agreement

Roads Operations and Asset Manager  
Midlothian Council  
2016 -2017

Road Services based at Fushiebridge depot will manage and carry out all gritting / snow clearing requirements to discharge Midlothian Council's duties under the Roads (Scotland) Act 1984, as laid out in the Winter Service Policy and Operational plan.

## **Routine Gritting**

**Roads:** All priority and secondary routes will be treated as per the decision and treatment matrix to suit forecast conditions. 8 HGV gritters are allocated to these routes to carry out treatment as required by the conditions. Tertiary and residential roads will only be treated during prolonged cold conditions.

**Car Parks:** Most public car parks are gritted between 5am and 7am using 2 number mini gritters mounted on pick-up trucks.

**Footways:** Mini tractors with rear mounted gritters are allocated to Penicuik, Loanhead, Dalkieth, Bonnyrigg, Mayfield, and Gorebridge to treat town centre areas of footways and some routes to schools. These treatments will be carried out generally from 5am. Land and Countryside Services staff may assist.

**PPP2 Schools:** Land Services provide a routine gritting service to these properties as part of the facilities management contract. They are treated using mini gritters mounted on pick-up trucks, normally from 5am. Land Services have access to salt through the central stockholding. Road Services will deliver this to Stobhill in 10t loads as requested by the Land and Countryside Manager.

Road Services have provided Land and Countryside Services staff with snow shovels and long handled steel shovels to allow them to carry out their duties.

**Dalkeith Campus:** As per PPP2 schools

**Snow Sports Centre:** The centre is responsible for routine gritting within the facility.

**Grit Bins:** All public grit bins will be filled by a dedicated grit bin crew with a salt / grit mix prior to the end of October and will be replenished as required. It should be noted that there will be 1 crew allocated to grit bins during the winter period to top up grit bins as requested by the public.

**NHS Facilities:** All access roads, car parks and pedestrian access paths will be gritted prior to 8am as per the road priority routes. This excludes the Community Hospital in Bonnyrigg which is gritted by their in house facilities management company.

## **Snow Conditions (up to 10cm)**

**Roads:** All priority routes will be cleared of snow and treated with salt/grit before any treatment takes place on secondary or tertiary routes. This service using HGV snow plough / gritters will be in operation 24 hours a day until conditions are sufficiently clear along with improving weather conditions. The HGV's based at Fushiebridge may be supplemented by framework contractor vehicles as required by the Roads Operations and Asset Manager.

**Car Parks:** The mini gritters will treat car parks after they have been ploughed by either a shovel or framework contractor snow plough, as required.

**Footways:** Mini tractors will be out from 5am on the first day of snow, clearing town centre footways and routes to schools in Penicuik, Dalkeith, Bonnyrigg, Mayfield, Gorebridge and Loanhead. These tractors will remain working on footways throughout the days as conditions dictate. Land and Countryside Services staff may assist.

In addition there will be 48 no, 3 man hand clearing crews removing snow and gritting footways throughout Midlothian. These crews will come from Land and Countryside Services staff and the framework contract partners.

These crews will start outside School entrances and work through defined agreed priority, secondary and then tertiary routes.

**PPP2 Schools:** As per gritting, with the addition of 2 no 90hp tractors with scraper and gritter attachments to clear snow from access roads and car park areas.

**Dalkeith Campus:** As per PPP2 schools.

**Schools:** Facilities Management (FM) staff will clear snow and grit agreed routes within the school boundary.

Road Services have provided grit bins to all school properties and will maintain these bins throughout the winter using a salt stockpile obtained for Education.

**Grit Bins:** As per routine gritting.

**Snow Sports Centre:** Road Services will assist with an HGV gritter / plough as part of the priority routeing when available. One of the 90hp tractors from Land and Countryside Services will also attend to clearing snow from the centre.

**Stobhill Depot:** Waste Services staff will use the large shovel based at Stobhill depot to clear snow from the roads and parking areas around the facility. Land and Countryside Services will grit / salt the depot with their mini gritter as required.



**NHS Facilities:** As per routine gritting but includes snow clearing at the Bonnyrigg Community Hospital

### **Severe Weather / Snow (greater than 10cm lying)**

**Roads:** As per snow conditions, although there will be additional resources brought in to assist the Roads Service HGV's on priority routes using framework partners.

Focus will remain on priority routes only until these routes are clear and weather conditions improve. Thereafter secondary routes will be treated until clear and only then will tertiary routes receive treatment.

Depending upon the prevailing road conditions - shovels and haulage vehicles from framework partners may be brought in to remove snow to ease the passage of vehicles. This snow will be taken to designated stockpile sites.

**Car Parks:** The mini gritters will treat these car parks after they have been ploughed, as required.

Mechanical shovels from framework partners will be used to clear car parks.

**Footways:** As per snow conditions, with the addition of a mini excavator to assist each 3 man crew.

**Grit Bins:** As per snow conditions.

**Community Groups:** In addition to the public grit bins there is list of agreed locations with local community group where a bulk bag of grit will be placed for their use in the local area. Building Maintenance Services hi-ab will assist in the delivery of these bulk bags.

**PPP2 Schools:** As snow conditions.

**Dalkeith Campus:** As per snow conditions.

**Schools:** As per snow conditions however, HGV snow ploughs or mechanical shovels will clear the access into the school grounds and a car parking area. Playgrounds will NOT be cleared as a priority. Where possible, snow will be removed to stockpile locations, as resources become available.



**Snow Sports Centre:** Land and Countryside Services will provide a 90hp tractor with scraper and gritter attachments to assist in keeping the centre open.

**Leisure Centres:** All Leisure centre grit bins will be filled by Road Services prior to the end of October. Any requests for re-filling must be made at least 24 hours before this becomes necessary.

Leisure centre staff will be responsible for keeping access points clear and gritted.

Road Services have provided snow shovels, long handled steel shovels and wheel barrows to each leisure centre to assist them in their duties

### **Severe Weather / Snow (greater than 10cm lying) cont'd**

A Land and Countryside Services Tractor with scraper and gritter attachments will assist in clearing Loanhead and Penicuik Leisure centres after clearing the snow sports centre.

**NHS Facilities:** As per snow conditions, if conditions dictate then Building Maintenance Services (BMS) staff will assist in clearing and gritting access points and footways within medical facilities. – As per the list of facilities issued to BMS

Road Services have provided BMS with snow shovels and long handled steel shovels to assist in their duties

**Social / Care Facilities:** BMS crews will clear around all social / care facilities as per list provided to Building Services Manager, crews are to liaise with facility manager to ensure all access points and fire escapes are clear.

Aaron House will be assisted with snow clearance when the HGV plough is available.

**Public Buildings:** BMS crews will clear around all Public buildings as per supplied list, after completion of clearing around social / care facilities

When and if waste collection services are suspended, Waste Service staff will assist BMS to carry out snow clearing and gritting around Public Buildings as listed – (list provided to the Waste Services Manager).

Road Services have provided snow shovels and long handled steel shovels to Waste Services staff to assist in their duties.



The Waste Services Manager will be responsible for the provision of suitable vehicles to provide 3 man crews to clear the snow. Upon completion of clearing listed facilities the Waste Services manager will liaise with the Roads Operations and Asset Manager to obtain additional workload.

**Waste Services:** Should waste collections be suspended and central location collection points instigated, Roads Services will provide a mechanical shovel or plough to clear the designated areas to assist in this service. Liaison will be between the Waste Services Manager and the Roads Operations and Asset Manager.

**Stobhill Depot:** Waste services staff will use the large shovel based at Stobhill to clear snow from the roads and parking areas around the facility. Land Services will grit / salt the depot with their mini gritter as required.

**Public / School Transport:** The majority of bus routes are on main priority treatments routes and will be cleared as a priority.

Identified locations where there are issues with pinch points / abandoned vehicles restricting bus routes, will see parking restrictions invoked as required. The Police will assist Travel Team staff in removing vehicles causing an obstruction. Roads Services will place out 'no waiting' cones at these identified locations prior to any snowfall, this decision when to implement this arrangement will be forecast based.

Road Services will provide the Travel Team with a dedicated shovel / plough to assist in clearing any identified problem areas to improve the movement of public transport.

The Travel Team Manager will appoint a member of his staff to co-ordinate communication with the bus operators and the Roads Service teams to ensure problems are identified early and current information is available to the bus operators.

The School transport co-ordinator will identify to the Roads Duty Officer any problems with school transport and where available, resources will be allocated to assist.

### **Communications:**

All winter communications between services should be through the Roads Operations and Asset Manager or the email [winterroadsdutyofficer@midlothian.gov.uk](mailto:winterroadsdutyofficer@midlothian.gov.uk)



During periods of severe weather the Road Services depot telephone 0131 270 5730 will be diverted to the Contact Centre (CC) by agreement with the Head of Customer and Housing Services. The Roads Operations and Asset Manager will update the CC on current operations so that this message can be relayed to the public.

The Roads Operations and Asset Manager will update via email the 'Weather group' when forecasts of severe weather are issued. This group consists of the Emergency Management Team (EMT), the contact centre, Emergency Planning staff and operational managers.

The contact centre will be issued with a 2 way radio to allow direct contact with the night shift operative as required.

### **SALT Stocks:**

The Roads Operations and Asset Manager will procure sufficient salt supplies for Road Services to discharge their duties under the Roads (Scotland) Act 1984.

These stocks will ONLY be used for the road and footway network with reports on usage being submitted to the Scottish Government.

ALL other services will be responsible for ordering and storing their own supplies of salt / grit.

In this regard, if services provide their annual requirements, to the Roads Operations and Asset Manager by April of each year, supplies will be ordered in on their behalf. You will need to provide a total amount of salt required, a storage location and a cost code for recharge. This will be recharged at the current contract rate in force. Any transport costs will be similarly charged at the current contract rate.

If there are specific supply arrangements to be made these must be advised to the Roads Operations and Asset Manager by April each year.

Any requests for salt made after April of each year may NOT be dealt with due to supplier requirements and it will be up to each service to procure their own supplies.

**ICICLES:** BMS will inspect and monitor public buildings and council housing during severe weather and will make arrangements for dealing with any ICICLES that may cause a danger to the public.





## **Update on the Implementation of Self Directed Support in Midlothian**

### **Report by Eibhlin McHugh, Joint Director Health and Social Care**

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

To provide an update on the progress made with implementation of Self Directed Support (SDS) in Midlothian.

#### **2 Background**

##### **2.1** The Self Directed Support (Scotland) Act 2013 introduced more choice and flexibility in how individuals receive social care support reflecting a goal of delivering better outcomes for individuals and communities.

The SDS act required local authorities to offer 4 options to individuals who are eligible to receive social care:

- Option 1 – A direct payment to allow an individual to arrange their own support. An individual can use their direct payment to employ personal assistants, or purchase equipment and services.
- Option 2 – The individual chooses the support organisation and the council arranges support
- Option 3 – The individual asks the local authority to arrange the support
- Option 4 – A mixture of the first three options

Whichever SDS option is selected individuals must be eligible to receive support and funds can only be use to meet the outcomes agreed in the care plan.

##### **2.2** In addition to introducing choice about how support is provided the Act required the local authority must make sure it adheres to the following values (Respect, Fairness, Freedom, Safety and Independence and ensure it has due regard to the statutory principles of Collaboration, Informed Choice, Participation & Dignity and practice should be informed by the principles of Innovation, Risk Enablement and Responsibility.

#### **3 Progress to Date**

##### **3.1** In order to support the implementation of Self Directed Support a project team was set up to co-ordinate the work necessary to ensure that Midlothian Council meets its obligations under the act. This work is being overseen by a Project Board, whose membership includes Heads of Service, service user / carer representatives and representatives from voluntary organisations. The work completed to date has focused on ensuring the necessary policies, procedures and

working practices are in place to meet Midlothian Council's obligations. This work has included:

- Developing Self Directed Support policies for both Adults and Children's Services
- Developing resource allocation tools in order to provide consistent allocation of social care budget for individual cases
- Establishing detailed procedures to allow individuals to choose providers under option 2
- Developing practice around assessments to ensure that assessments are outcome focussed and support individuals to have greater choice and control over how their support is provided
- Piloting different ways of providing support in order to identify more innovative ways of meeting individual's outcomes
- Keeping abreast of national developments and best practice in other local authorities in order to Midlothian Council

### **3.2** There is evidence that SDS is changing how individuals receive support:

- There is a increase in the number of individuals choosing direct payments for their support (although this has been offset by a number of people in receipt of a direct payment moving to receive their support by option 2)
- There has been a significant uptake of SDS option 2 and in particular by individuals choosing care at home providers through option 2
- There is evidence of increased creativity in the provision of support and individuals outcomes being met by non – traditional support

## **4 Current Implementation Plan**

### **4.1** It is recognised by Scottish Government that the implementation of SDS will take a number of years to fully embed the changes the Act introduces. Consequently despite the progress made to date the work to fully implement SDS is ongoing. The current implementation plan focuses on the following objectives:

#### **4.2 *Adult Community Care***

- Continue to strengthen outcomes focussed practice in relation to social work assessment and care planning
- Increase creativity and flexibility in support planning to ensure individuals receiving support benefit from more choice and control
- Embed SDS in commissioning processes to ensure services commissioned by Midlothian Council are delivered in line with SDS values and principles
- Support development of Health and Social Care Information Hub to enable individuals to have easier access to information about support available in the Midlothian area

- Ensure public information, policies and processes are updated to reflect SDS policy

#### **4.3 Children and Families**

- Implementation of personal outcomes approach to assessment across Children and Families services
- Increase creativity and flexibility in support planning (with a particular focus on children affected by disabilities)
- Support the development of respite services to ensure incorporation of SDS principles
- Ensure public information, policies and processes are updated to reflect SDS
- Examine how SDS should be applied in relation to young people leaving care

### **5 Challenges and Issues**

**5.1** There are some aspects of the implementation of SDS continues to be challenging both in Midlothian and nationally. One of the challenges that has been recognised nationally is need to develop a shared understanding of SDS and how it fits within the wider Health and Social Care system. Within Midlothian this is being addressed through the involvement of health professionals in the SDS development work.

**5.2** A further challenge is the impact of pressure on social care budgets. While SDS aims to increase the choice and control that individuals have over their support this needs to be done within existing budgets. In some cases this has led to a perception that local authorities are not offering support in line with SDS principles whereas in many cases support is not being offered as the individual was not eligible for social care funding.

#### **5.3 Waiving of Charges for Carers**

A key issue that has been identified nationally is SDS waiving of charges for carers regulations. Local authorities currently have a power, not a duty, to provide support for carers. While Local Authorities can charge for social care support they provide to individuals (subject to financial assessment), SDS regulations require the local authority to waive charges when support is provided to carers. There is some ambiguity as to when these regulations apply, specifically in relation to charging for replacement care (care provided when the carer is not available). COSLA has also highlighted concerns that no additional funding was made available to offset the loss of charging income to Local Authorities.

**5.4** Midlothian Council is using its powers to provide limited support for carers who have been assessed as needing and being eligible for support. This support is non chargeable. In most cases addition support will also be available under an assessment for the cared for person, however this support would be chargeable. This has led to increased financial pressures as a result of reduced charging income and an increase in the volume of requests for support for carers.

## 6 Report Implications

### 6.1 Resource

Work related to the implementation of SDS is being funded from Scottish Government funding allocated for this purpose.

### 6.2 Risk

There are a number of risks associated with the implementation of SDS in Midlothian. These are outlined in the following table:

<b>Risk</b>	<b>Actions being taken to mitigate risk</b>
SDS does not get embedded as business as usual activity	<ul style="list-style-type: none"> <li>• Project plans emphasise working towards business as usual</li> <li>• Working ongoing with planning managers to embed in commissioning processes</li> </ul>
Competing initiatives result in SDS implementation being de-prioritised	<ul style="list-style-type: none"> <li>• Senior management commitment to SDS implementation</li> <li>• Ensure, where possible, SDS development complement other development initiatives</li> </ul>
SDS procedures become overly bureaucratic and a barrier to the implementation	<ul style="list-style-type: none"> <li>• Strategy is to keep procedures as flexible and simple as possible</li> </ul>
Approach to support provision continues to be service led	<ul style="list-style-type: none"> <li>• Work continuing to promote outcome focussed approaches and innovation and creativity in support planning</li> </ul>
Risk averse approach to practice limits innovation and creativity in support planning	<ul style="list-style-type: none"> <li>• Project plan has task to develop risk enablement approaches</li> </ul>
Waiving of charges for carers results in unbudgeted financial expenditure	<ul style="list-style-type: none"> <li>• Uptake of support of carers being monitored</li> <li>• Participation in national working groups that are discussing funding with Scottish Government.</li> </ul>

### 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

The implementation of SDS has been incorporated within both the Single Midlothian Plan and service plans.

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

The relatively new nature of the SDS legislation means that performance monitoring frameworks are still being developed. Performance reporting to Scottish Government and the annual Service User and Carer Survey now collect and report on information related to SDS.

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

Through the implementation of SDS we are required to adopt changes in practice and a more co-productive approach to engaging the person and their wider support network to plan their support. There is evidence that this has a direct impact on the success and sustainability of a person's care plan and on a preventative basis can reduce the need for on-going intervention from social work

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

There is representation from health and social care professionals, the voluntary sector, users and carers on the SDS Programme Board. As work continues to embed SDS as a 'business as usual' activity, communities and other stakeholders will be involved through existing engagement forums.

#### **6.7 Ensuring Equalities**

As part of the work being undertaken to update policies and processed equalities impact assessments will be completed.

#### **6.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

#### **6.9 IT Issues**

There are no IT issues associated with this report.

### **7 Summary**

Midlothian has been making good progress in the implement of Self Directed Support that is resulting in a change in practice and culture related to the provision of social care support. Work is now focussing on ensuring that Self Directed Support is embedded within the normal working practices of Midlothian Council.

### **8 Recommendations**

It is recommended that the progress being made with the implementation of Self Direct Support in Midlothian Council is noted.

**Date 5<sup>th</sup> September 2016**

#### **Report Contact:**

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[graham.kilpatrick@midlothian.gov.uk](mailto:graham.kilpatrick@midlothian.gov.uk)

#### **Background Papers:**









## **New Social Housing – Progress Report – Phase 2 and Phase 3**

### **Report by Garry Sheret, Head of Property and Facilities, Resources**

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

Following the last Update Report to Cabinet on 23 August 2016, this Report describes in more detail the way forward for the Council House Building Programme Phase 2 and outlines new proposals for Phase 3. The aim of the report is to obtain Council approval for the next steps including the proposed sites and procurement strategy.

#### **2 Background**

##### **2.1 Phase 2 Housing**

The current status of the Phase 2 project is 267 committed/completed homes with a further 75 targeted for Newbyres replacement housing, totalling 342 homes. The current target based on remaining budget available and proposed sites is forecast at 420 homes, leaving 80 homes still to complete.

To complete the project, various additional sites have been considered, as many of the sites previously approved by Council in 2012 are no longer considered viable as detailed in Table 1 below.

This report therefore proposes a list of sites which can be evaluated for both Phase 2 and Phase 3 as detailed in Table 2 below.

Table 1 - Sites omitted from September 2012 Report.

<b>SITE</b>	<b>ADDRESS</b>	<b>REASON FOR EXCLUSION</b>
20b	Gorton Road, Rosewell	Planning concerns, Core path, expensive ground remediation
26	Buccleuch St, Dalkeith	EWiM development
31	Edgefield Road Bing, Loanhead	Significant ground conditions
52	Blackcot Road, Mayfield	Environmental concerns and significant ground conditions
57	Rosewell Road (old Hopefield PS)	Education use
58	Eskdale Drive	Site sold
101	Edinburgh Road, Penicuik	Now utilised for Temporary housing accommodation
6/24/25	Oak Place	High existing levels of social housing provision in Mayfield

### **3 Proposal**

#### **3.1 Phase 2 Housing**

The remaining sites will be constructed utilising the Phase 2 housing framework currently in place. The framework's expires in July 2017 however there is an option to extend this for a further year to July 2018. All remaining Phase 2 sites proposed are able to progress to award before the extended July 2018 expiry.

This report proposes to extend the Phase 2 Design and Build Framework. This will achieve best value from favourable contract rates attached and the use of an established process which avoids additional costs associated with preparing a new procurement vehicle. The new contracts would be allocated using mini competitions for each site – a process already established within the existing framework agreement. Whilst Procurement highlight the potential key risk associated with this Phase 2 Framework, Contractors are unlikely to tender competitively for design and build competitions where there are greater numbers of tenderers and they have lower chance of success.

#### **3.2 Phase 3**

Capability remains within the Phase 2 framework to build an estimated further £5m of housing if it can be awarded prior to the expiry of the extended Phase 2 framework.

In view of the success of the Phase 2 framework and the ability to utilise technique this without delay and/or additional procurement, the initial procurement strategy for Phase 3 is to utilise the existing framework to maximise its potential and to ensure remaining sites which cannot be procured via the framework are procured via a further strategy to provide seamless transition. This is likely to be individual or grouped sites as insufficient sites remain to complete to make it worthwhile to create a framework. A further report will be presented to address the finalisation of this strategy.

The sites still remaining to be developed would be packaged for open tender. Sites would be selected based on their early availability and preferred status in line with Housing's requirements.

Table 2 - sites proposed for Phase 2 and 3

PROPOSED SITES			
SITE NUMBER	APPROX NUMBERS	SITE NAME AND TOWN	KNOW AS
19	10	Polton Avenue Road, Bonnyrigg	
20A	18	Gorton Road, Rosewell	Gorton Road
23	10	Woodburn Terrace, Dalkeith	
39	12	Crichton Drive, Pathhead	Garage lock ups
51C	25	Stobhill Road, Gorebridge	Greenhall site
53	50	Morrids Road, Newtongrange	Site adjacent to Newbattle High School
109	50	Conifer Road, Mayfield	Bryans Primary School
110	35	Clerk Street, Loanhead	Former Library Headquarters/Social Work Offices
111	18	Eastfield Farm Road, Penicuik	Former Edinburgh Crystal site/Strathesk Primary School
112	40	High Street, Bonnyrigg	Bonnyrigg Depot
113	0	Polton Street, Bonnyrigg	Dundas Buildings
114	24	Moorfoot Place, Bonnyrigg	St Mary's Primary School
115	6	Castelaw Terrace, Bilston	Castlelaw lock ups
116	35	Newmills Road, Dalkeith	Former Dalkeith High School
47	20	Kirkhill Road, Penicuik	
Affordable housing e.g. Shawfair	47	Danderhall	
<b>TOTAL</b>	<b>400</b>		

The procurement strategy options to complete the remainder of Phase 3 units considered were as follows:

- Establish a further framework similar to Phase 2
- Tender separately (or grouped) sites
- Continue Design AND Build as for Phase 2 or alternatively explore traditional or schedule of rates alternatives

In view of the small number of sites expected to remain to be tendered to complete Phase 3 it is proposed to avoid the implementation of another Framework. The remaining sites could be grouped to reduce start up times and fees. This would mitigate the element of risk associated with low levels of competition and promote best value. The tender grouping could be arranged by size to attract the most suitable contractor and in accordance with the Scottish Government's policy to promote Small to Medium Enterprises. The key elements of the proposal are:

- (a) Complete and extend the Phase 2 Framework within a 25% capped extension and in line with the available budget which will utilise part of the Phase 3 budget.
- (b) Achieve sanction of proposed sites for the remainder of Phase 2, extend Phase 2 Framework and completion of Phase 3. Site Investigations and relevant Surveys relating to those sites likely to proceed within the next two years will be used to inform costs / design / remediation and risks. Further Site Investigations will be procured once later sites are confirmed. This reduces the risk of abortive costs should the legislation change regarding Environmental Health matters.
- (c) Continue the use of existing house types with suitable revisions to achieve required legislative changes since 2012 including Planning and Building Regulations.
- (d) Prepare the detailed procurement documents relating to mini competitions as part of the Phase 2 Framework and award works to a main contractor, dependant upon further analysis of which will best suit the Council requirements to deliver and control development.
- (e) Prepare design and detailed tender information for selected sites as a basis of providing detailed information which will be used for the overall Contractor procurement and also promoting the potential for earlier start on site.

### **3.2 Anticipated Timescale:**

Preparation of preliminary Desktop Studies has already commenced Council approval of sites will trigger the more extensive Site Investigation work. A wide range of consultations have been held and responses are being co-ordinated.

Desktop studies appointment	Commence September 2016
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Site investigations appointment	Commence October 2016
Mini competition within Phase 2 Framework	Commence October 2016
Phase 3 procurement	Commence October 2016
Earliest potential Construction Start on Site	September 2017

#### **4.1 Resource**

All the costs of employing the necessary members of staff are included in the budgets for the three phases of the housing project.

#### **4.2 Risk**

This Phase 3 project will have a programme-wide risk register prepared and maintained as well as risk registers and issues logs for each of the individual Builds within it.

#### **4.3 Policy**

##### **Strategy**

The proposed works are in line with the Council's Social Housing Strategy and accord with Midlothian Council's Corporate Priority; Objective 1a.

##### **Consultation**

Consultations continue with the relevant parties.

##### **Equalities**

This report is not proposing any new services, policies, strategies or plans (or significant changes to or review of them) and therefore has not been assessed for equalities implications.

##### **Sustainability**

The new build house programme will comply with all current building regulations and follows best practice in line with the Council's policies on the environment.

### **5 Summary**

This report proposes the continuation and extension of Phase 2 Framework and completion of Phase 3 using separate or grouped open tenders.

### **6 Recommendations**

Midlothian Council is recommended to:

- a) Agree to the extension to the Phase 2 Framework
- b) Agree to the anticipated timeframes as set out in section 3.2.
- c) Approve progress of site investigative works and surveys.
- d) Authorise the Director to review the list of preferred sites should there be any restrictions which impact the effectiveness of any of the initial listed sites for development.
- e) Approve the proposed procurement arrangements as set out in the report.

**6 September 2016**

**Report Contact:**  
**Garry Sheret**  
**0131 561 5249**

**Scottish Child Abuse Inquiry  
Draft (Limitation (Childhood Abuse) (Scotland) Bill****Report by Mary Smith, Director, Education, Communities and Economy****1. Purpose of Report**

- 1.1** The purpose of the report is to provide an update on the progress made by Midlothian Council in preparing for the Scottish Child Abuse Inquiry and to raise awareness of the financial impact of the Proposed Draft (Limitation (Childhood Abuse) (Scotland) Bill.
- 1.2** A previous report was submitted to Council on 11<sup>th</sup> August 2015.

**2. Background**

- 2.1** The Inquiry officially began on 01 October 2015 and is estimated to last for at least four years, or such other period specified by Scottish ministers. The overall aim of the Inquiry is to raise awareness of the abuse of children in care and provide an opportunity for public acknowledgement of the suffering of those children who have been abused in care by establishing a national public record and by investigating:
- The nature and extent of abuse;
  - The extent to which responsible institutions failed in their duty of care;
  - How abuse continues to affect victims in the long term.
- 2.2** On 21 October 2015, the Council received a letter from Susan O'Brien QC, Chair of the Inquiry, requesting that the Council take immediate action to preserve records in its care which might be sought by the Inquiry at a later date. It was also recommended that the Council begin setting up a process for 'identifying and organising' these records. As part of the process, Councils were asked to record and evidence steps taken to identify and protect records.
- 2.3** The Inquiry covers the term of 'living memory' and relates to the management of individual children in care or residential settings, the management and operation of homes and residential schools, and the Council's policies and practices for the care of children and young people.
- 2.4** 'Children in care' are defined as children in institutional residential care such as children's homes, secure care units, young offenders' institutions, boarding schools, state funded school hostels, healthcare establishments providing long term care, any other kind of long term residential care, and foster care.
- 2.5** In addition to the Inquiry, the Scottish Government is proposing to remove the 3 year limitation period from civil actions for damages for personal injury for in-care survivors of historical child abuse. The Scottish Government has drafted a Bill [Limitation (Childhood Abuse) (Scotland) Bill 2016] to remove this limitation period and it is anticipated this will be passed by the Scottish Parliament in 2017.

- 2.6** A dedicated Project Team are tasked with identifying children's homes in Midlothian over the last 100 years and researching historic legislation. Other actions include:
1. Record Audit: reviewing the Council's existing paper and electronic recordkeeping systems to identify relevant records and map them to residential establishments. This also includes, where possible, noting the Council's historic recordkeeping policies, such as retention schedules.
  2. Cataloguing/Indexing: checking and updating existing recordkeeping systems for accuracy and consistency, enabling effective information retrieval when requested by the Inquiry.
  3. Ascertaining the succession and insurance position in relation to potential historic child abuse claims.
  4. Ascertaining and agreeing Midlothian Council's legal position/ approach in dealing with the potential historic child abuse claims.
- 2.7** The Project Team regularly reports to the Project Sponsor; Mary Smith, Director of Education, Communities and Economy and the Council Management Team. Council staff are kept informed of progress and any actions required through regular briefings.

### **3. Inquiry - Potential risks based on findings from the independent Jersey Care Inquiry**

- 3.1** In preparation for the Inquiry we explored the learning from the findings of other Inquiries. The recent experience of the Jersey Care Inquiry into Historic Abuse was useful in terms of the challenges they encountered both in relation to preparation and future resource implications.
- 3.2** The Jersey Care Inquiry was expected to take about 1 year and the total costs were estimated at £6m. In fact the Jersey Care Inquiry lasted for 4 years and the budget was eventually increased to £23m in March 2015. As with other Inquiries the direct costs and timescales were significantly more than initially thought.
- 3.3** Another major contributor towards delay was the challenges associated with document volume and document disclosure. The nature of the documents requested was that they contained matters which needed to be redacted before being made public. This is a time consuming and costly process and directly contributed towards the Jersey Care Inquiry timescales and increased costs. While this task can be carried out by Midlothian Council in-house the additional pressure on existing resources cannot be underestimated.
- 3.4** Another important factor was the vulnerability of victim witnesses which made the scheduling of evidence difficult. Equally as important was that staff; past and present, required support.
- 3.6** The Jersey Care Inquiry found that the Media was a constant presence and significantly influenced the process. There were a number on 'unknowns' and issues that emerged from documents, including evidence that were not previously anticipated.
- 3.7** Compensation claims was a running theme throughout the Jersey Care Inquiry. The Jersey approach was to set up a Compensation Scheme (Historic Abuse Redress Scheme). The Scheme deals directly with all the claims for compensation.



## **4 Financial impact of the Limitation (Childhood Abuse) (Scotland) Bill**

- 4.1** The Financial impact of the Limitation (Childhood Abuse) (Scotland) Bill is currently being drafted by Scottish Government. It is anticipated that the Bill will only contain provision to lift the current time bar for compensation claims by survivors of child abuse.
- 4.2** Scottish Government officials have been unable to confirm an exact timescale for the Bill, but have indicated that there is a Ministerial Commitment for it to go before the Scottish Parliament in this Parliamentary year and most likely this would be at the start of 2017.
- 4.3** The draft Bill will apply to all civil action cases of historical childhood abuse. Given the role of local authorities in providing and placing children in care, this will apply to local authorities in Scotland.
- 4.4** A briefing note on the Bill submitted to the CoSLA on 19 August 2016 concluded that it was impossible to assess the scale of claims which may come forward as a result of the removal of the time bar. It suggested more Victims will come forward as the legislation is rolled out and will submit claims for compensation ("Claimants"). The briefing note concluded it may not be unreasonable to expect 5,000 Claimants who will be entitled to compensation as a result of this legislation.
- 4.5** Based on a pro rata calculation of 5,000 claims, the Council could be liable for approximately £2m in compensation costs. This figure does not take into account further costs to the Council in terms of the legal expenses of the Claimants and the Council's own legal expenses in dealing with the claims.
- 4.6** A particularly sensitive issue is that of liability. Local Government has gone through a number of reforms since 1964 and how liability flows through those reforms is a complex legal issue. It is very possible that cases could emerge where there is a dispute about which council is liable dependant on geographical boundary changes. Other aspects of liability could include decisions made by one council to place a child or young person in a care setting or family in another council area. The question of joint liability might arise here.
- 4.7** There could be other unintended financial consequences from the Bill. In particular, councils may find that their insurance premiums increase to account for the change in legislation.

## **5. 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

### **5.1 Impact on Performance and Outcomes**

The outcome of the Inquiry could mean Residential Care homes and Foster Care could become a focus within this Inquiry if there are reported incidents of abuse within these settings. Given that Local Authorities have difficulties in recruiting foster carers the findings from this Inquiry could have a negative impact upon future recruitment campaigns. Equally, residential staff may feel an enhanced scrutiny if

historical stories of abuse within old residential establishments are reported in the press.

## **5.2 Adopting a Preventative Approach**

The Council's Project Team is tasked with the managing of the overall project to ensure the Council is ready to assist the Inquiry, ready to deal with future claims in an efficient manner, and as far as possible, minimise legal costs and expenses.

The Inquiry is progressing and is fully supported by Midlothian Council. We will endeavour to reassure our service users that our foster carers and residential staff strive to offer a safe, nurturing and caring environment for our children and young people to live in. The level of scrutiny of these areas of practice is already extensive and this will continue as we move forward to mitigate the risk as much as possible of future incidents of abuse occurring in such settings.

## **5.3 Involving Communities and Other Stakeholders**

The Inquiry team will continue to meet and appropriately signpost those who make a report of Abuse. Midlothian Council has a link on its website so that agencies can support those who have suffered abuse and their families.

## **5.4 Ensuring Equalities**

As this Inquiry centres on people, EqlAs/Integrated Impact Assessments will be carried out at each point of reporting and major stages in the project'. Accordingly, there is a completed EqlA that accompanies this report.

## **5.5 Supporting Sustainable Development**

The Inquiry will consider whether further changes in practice, policy or legislation are necessary in order to protect children in care in Scotland from such abuse in the future.

## **5.6 IT Issues**

Ensuring our website is up to date with relevant support agencies to support those who may have suffered abuse and their families. We may need to identify whether we have sufficient software to support the redaction task.

## **6. Summary**

**6.1** Midlothian Council prepared for the Scottish Child Abuse Inquiry at an early stage and because of this has made significant progress. Members of the Project Team are key drivers in the national discussion and in sharing findings from a Scottish perspective. We are at the forefront of much of the work in relation to meeting the requirements for documentation; redaction, file mapping, service services and importantly identifying gaps and militating against these.

**6.2** Midlothian recently committed supplementary expenditure to the 16/17 budget and increase to the 2017/18 budget to meet the increasing demands of the Inquiry at this stage.

- 6.3** Midlothian Council fully supports any actions to remove the barrier to seeking justice for survivors of historical childhood abuse. However, the impact the proposed legislation will have cannot be underestimated.
- 6.4** Although this is very difficult to quantify, particularly due to the sensitive nature of the claims. It is also difficult to estimate the value of any claims that could be brought. . However we are able to gauge some of these costs based on the experience of other inquiries and the projections made by a range of professional groups.
- 6.5** Recent estimates based on the information provided by Directors of Finance would suggest Midlothian Council may be liable for £2 million in compensation claims although legal cost could be considerably more. Given the fiscal challenges Midlothian Council is currently experiencing, the financial burden is a significant issue.

## **7. Recommendations**

Council is asked to note

- a. the significant work already carried out in Midlothian,
- b. the future need for additional resources; legal advice; administrative duties; compensation claims; media management; victim witnesses supports, all of which are unknown at this stage,
- c. members of the Project Team will continue to engage with the appropriate national and local forums.

**Date: 5<sup>th</sup> September 2016**

### **Report Contacts:**

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## Proposed development of a Play Strategy for Midlothian

Report by Mary Smith, Director Education Communities and Economy.

### 1. Purpose of Report

To provide an update on the progress of developing a Play Strategy for Midlothian and to agree to the Play Strategy being produced.

### 2. Background

The Scottish Government published Scotland's first National Play Strategy in June 2013. This set out a vision for play and highlighted the Scottish Governments role in ensuring a happy, healthy childhood and its importance in children's development. Their vision is

Play is fundamental to children and young people's quality of life but first and foremost it is a child's right and one which the [UN Convention on the Rights of the Child](#) (UNCRC) is keen to see actively applied. The Scottish Government has responsibility for implementing the UNCRC in Scotland, addressing the UNCRC Committee's recommendations appropriate to local requirements. One of the ways in which they will be implementing it is through the Play Strategy.

- 2.1 One of the tasks from the Scottish Governments Play Strategy Action plan is the development of a Play Policy and play strategy action plan in every Local Authority.
- 2.2 To achieve the above task the intention is for Midlothian Council through the Childcare and Workforce Development Officer, Early Years Team, to work closely with Midlothian Association Play (MAP) to develop a Council-wide Play Strategy.
- 2.3 A report was presented to CMY in November 2014 and a cross Council and voluntary sector working group was set up with the aim: to create a Play Strategy for Midlothian which would work towards making Midlothian a great place to play for all children and young people.
- 2.4 The Midlothian Play Strategy has been developed along with an Action plan to take forward its implementation. A further meeting will be held with the Head Teacher Executive to plan for the implementation of the Strategy at school level.
- 2.5 The reporting on the progress of implementing the action plan will be done through the Early Years sub group of the GIRFEC Board which reports to the Community Planning Partnership Board.

There will also be the development of a Midlothian Play Forum that will monitor the implementation of the action plan and provide support to developing play opportunities for children and Young People and families in Midlothian. The Play Forum will look to include representation from Primary and Secondary schools, Health, Land and Countryside as well as the voluntary sector.

### **3. Report Implications**

The aim of the Play Strategy is to raise the profile of Play across Midlothian and to ensure all departments of the Council who play a role in this are able to assess the impact and effect on children's play on decisions made.

In the wider context, Scottish Government say play matters because play is crucial to Scotland's wellbeing socially, economically and environmentally. The implementation of the Play Strategy in Midlothian is designed to link the national aspirations for play to our local context.

#### **3.1. Resource**

Funding is being made available from the Early Learning & Childcare budget for the launch. This will include production and launch the document. The launch is planned at Midlothian Association of Play's annual Conference on 19 November 2016. Further funding will be required to implement the actions but funding the funding will be part of the tasks associated with each action. Further funding may be required to implement all the actions and this will be monitored and reported to the Girfec Early Years group.

#### **3.2. Risk**

The development of a nation which values play as a life-enhancing daily experience for all children and young people; in their homes, nurseries, schools and communities is part of the vision of the Scottish Government. To help achieve this every Local Authority is being encouraged to produce its own local Play Strategy and Action Plan.

If Midlothian does not engage with this initiative it may be seen as not supporting play as an essential part of healthy, happy children.

#### **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 benefits of Play are well documented and play is an essential element of children's development. Play is crucial in ensuring that we achieve the long and medium term objectives set out in the Single Midlothian Plan: every child in Midlothian has the best start in life and is ready to succeed; children in their

early years and their families are being supported to be healthy, to learn and to be resilient.

This work also ties in with the Single Midlothian Plan's GIRFEMC outcome of children and young people are supported to be healthy, happy and reach their potential

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

The successful implementation of a Play Strategy could further improve the quality of children's lives across Midlothian and help with child health and education. Improving children's readiness to learn will help to raise their educational attainment and ultimately improve positive destinations and contribute to the economic wellbeing of Midlothian.

As a result it will also have an impact on the six agreed national priorities of Single Outcome Agreements

- economic recovery and growth
- employment
- early years
- safer and stronger communities, and reducing offending
- health inequalities and physical activity
- outcomes for older people

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

The provision of high quality play opportunities strongly aligns with the National Getting it Right for Every Child (GIRFEC) and Early Years agendas. Play also links to our work towards the Early Years Collaborative stretch aims, Building the Ambition, the National Parenting Strategy, the Child Poverty Strategy and Curriculum for Excellence.

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

Consultation has been carried out with all stakeholders including: children, parents and professionals working with children. Further consultation will be included as part of the task for implementing the Action Plan. A further meeting will be held with the Head Teacher Executive to plan for the implementation of the Strategy at school level.

### **3.8 Ensuring Equalities**

The provision of play opportunities is a universal service. One of the Themes of the Play Strategy is Play for All looks to ensure all children and young people have equality of opportunity to access play with the support they require.

### **3.9 Supporting Sustainable Development**

Assessments will be carried out as the policy is drafted/of any specific proposals such as building new play parks

### **3.10 IT Issues**

No IT issues.

#### **4. Summary**

Midlothian has developed a Play Strategy and Action Plan in line with the Scottish Government action for all Local Authorities to implement a Play Strategy Action Plan.

This is an opportunity to strengthen our commitment to making Midlothian a great place to play. “By investing in all our children and young people now we can strengthen their ability to achieve their full potential” - Play Strategy for Scotland.

#### **5. Recommendations**

- (a) Note the content of this report
- (b) Agree in principle contents of the Midlothian Play Strategy and Action Plan
- (c) Agree the monitoring and reporting structure for the Play Strategy and Action Plan

Date 2 Sept 2016

Report Contact: Laurence McIntosh Tel: 0131 271 3695  
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#### **Background papers**

- Midlothian Play Strategy and Action Plan
- Play Strategy for Scotland: Vision and Action Plan  
<http://www.scotland.gov.uk/Topics/People/Young-People/early-years/parenting-early-learning/play>
- EQIA







**Additional Essential Works at Pentland House, Penicuik.****Report by: Kevin Anderson, Head of Customer and Housing Services.****1 Purpose of Report**

This report is to inform Council of unforeseen essential works required to be carried out as part of the current refurbishment project at Pentland House, Penicuik. The report advises on the technical and financial implications of the proposed works including additional resources and materials required and details the anticipated time scales.

**2 Background**

**2.1** Following Cabinet approval on 18 November, 2014 for the reuse of former care home at Pentland House for temporary accommodation to accommodate homeless households, the partial refurbishment works are currently being undertaken to convert the building to a fully compliant House of Multiple Occupation (HMO) to reduce the number of homeless households currently residing in bed and breakfast establishments.

**2.2 Current project status**

The works carried out so far match the initial programme and have progressed well over the past few weeks. The project scope of works required includes;

- Full electrical refurbishment of existing small power and lighting.
- Upgrading of all External escape doors, internal pass doors and fire doors.
- Upgrading of existing lounges to communal kitchen areas.
- Upgrading of existing bathrooms and shower rooms.
- Creation of a small number of self contained flats.
- Re – commissioning of existing boilers and hot water system.

**2.3 Specialist works**

Prior to any works being carried out to Pentland House an Asbestos Survey was carried out to the entire building by a specialist contractor. The results from the survey highlighted that all ceilings throughout the building were served with an Artex coating and that insulated Asbestos panelling served the service runs to the corridors.

The initial plan was to have the specialist contractor remove the insulated asbestos panelling under fully controlled conditions; remove completely all existing light fittings, smoke detectors and the like and to have them install MDF pads in their location.

## **2.4 Unforeseen essential works required**

On removal of the insulated asbestos panelling it was found that the underside of the concrete floors within the building were served with a 50mm thick layer of polystyrene, to lessen heat dispersal from the electric heating elements within the concrete floor slabs, for the under-floor heating.

## **2.5 Refurbishment compliance**

To comply with current Building Standards requirements each bedroom, kitchen, lounge and corridor in the building must provide a certain period of resistance against fire. All the partition walls within Pentland House are brick built and therefore provide enough resistance against fire between neighbouring apartments and common areas.

## **2.6 Issues with in situ polystyrene**

Since the inclusion of the polystyrene at time of construction complied with statutory legislation, subsequent construction research over the years has proven that polystyrene of this type will expel dangerous gasses such as Styrene and Benzene when exposed to heat and fire. In these circumstances there is a high probability that residents and staff may be exposed to toxic gasses during the 'safety' fire resistance period.

## **2.7 In situ polystyrene and Building Standards compliance**

There is no requirement within the Building Standards legislation to remove polystyrene insulation as part of refurbishment works, however, Council's Building Standards service agreed that 'best practise' should be followed in these circumstances, where the polystyrene is removed in its entirety.

## **2.8 Options available**

There are 3 options proposed to address the issue;

### **2.8.1 Option 1**

As there is no requirement under Building Standards legislation to remove polystyrene during refurbishment works, the Council could leave the polystyrene in place along with the Artex ceilings and revert to the initial plan of installing MDF pads at existing fitment locations.

### **2.8.2 Option 2**

Again, given that there is no requirement under Building Standards legislation to remove polystyrene during refurbishment works, the Council would have to engage a specialist contractor to encapsulate the existing polystyrene and Artex ceiling by over sheeting all affected ceilings with fire retardant plasterboard.

This would negate the requirement for MDF pads to new fitments however, further fire stopping measures would need to be adopted to seal all edges, abutments and the like of the over sheeting. The pipe boxing to all rooms would need to be fire rated also at time of works.

### **2.8.3 Option 3**

Under 'best practise' the Council would engage the specialist contractor remove the Artex ceilings along with all existing timber framework and polystyrene complete and dispose from site. Midlothian Council operatives would re-frame the ceilings; install new efficient (fire retardant) insulation to the underside of the concrete floors then re-plasterboard. Again, this would negate the need for MDF pads for new fitments. As with option 2, the pipe boxing to all rooms would need to be fire rated also at time of works.

## **3 Report Implications**

### **3.1 Resource**

**3.1.1** The associated costs for each option detailed above are;

- Option 1: £3,783
- Option 2: £60, 735
- Option 3: £138,065

The separate cost plan appendix provides the detailed breakdown for each option. There is sufficient provision in the HRA Capital reserves to meet the respective cost options.

### **3.2 Risk**

#### **3.2.1 Risk involved with Option 1**

The risk involved with leaving the ceiling void make-up as is, is that in the event of a break out of fire the polystyrene will become exposed to heat and fire rapidly due to the lack of existing fire resistance between the apartments, communal areas and their ceiling voids. The main risk being exposure to toxic gasses during the 'safe' fire resistance period.

#### **3.2.2. Risk involved with Option 2**

Risk involved with encapsulating the existing ceiling voids is that the Council cannot guarantee that all gaps and voids will be filled sufficiently with Intumescent materials to stop heat or fire from reaching the polystyrene.

In addition, the Council would need structural calculations carried out to recommend retro – fit anchors required to the existing timber framing to carry the additional weight of fire retardant plasterboard.

**3.2.3 Risk involved with Option 3:** The risk involved with option 3 is measured as negligible. All reasonable steps will have been taken to eliminate all practicable risk of fire spreading.

## **4 Summary**

- 4.1** This report has identified the project particulars; its current status in terms of works completed to date; findings after removal of asbestos containing materials; options available including any associated risk and the financial implications regards resources for each option.

## **5 Recommendations**

Council is recommended to approve Option 3 as the most effective and best safeguard to address the issues detailed in the report.

**Date:** 19 August 2016

**Report Contact:**

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**Appendix:** Option cost estimates







**Project: Pentland House HMO Accommodation**

**Date**

**: 17 August 2016**

**COST REPORT - REMOVAL OF POLYSTYRENE INSULATION**

-

-

-

**Description**

**Unit**

**Qty**

**Rate**

**£  
TOTAL**

**RELATES TO GROUND & FIRST FLOOR ONLY - ASSUMED NO ACTION TO TOP FLOOR**

**Option 1**

Leave the polystyrene in place, apply MDF pads to light fittings and sounders, box in service runs to corridors with MDF and hope that no fire breaks out. Apply respatex to pipe boxes in bedrooms.

1 Box in revice runs with class 0 MDF

m

54

£19.50

£1,053.00

2 Pads - in costs already

3 Respatex to pipeboxes in bedroom - 1 sheet each room

nr

26

£105.00

£2,730.00

TOTAL COST OR OPTION 1					£3,783.00
Option 2					
Asbestos contractor to over sheet the existing ceilings with 15mm Fireline board, applying a fire retardant caulk to the perimeter of all board joints and abutments with walls, Ames Tape all. Engineer would need to spec retro-fit anchors to hold the existing timber framework in place with the additional weight of 15mm fire line board. Apply respatex to pipe boxes in bedrooms.					
New Armstrong grid ceilings to be installed to 6nr bathrooms.					
1	15mm fire line board	m2	646	£18.00	£11,628.00
2	Ames tape finish to plasterboard	m2	646	£11.00	£7,106.00
3	Allowance for anchorage 3 per m2	nr	1938	£3.00	£5,814.00
4	Engineers fees	sum	1	£750.00	£750.00
5	Calk edges intumiscent mastic	m	2800	£10.80	£30,240.00
6	Pipe boxes to all rooms would need to be clad complete in class 'O' MDF or similar and all sealed to the underside of the coffers.	nr	37	£61.00	£2,257.00
7	New Armstrong Ceilings to bathrooms	nr	6	£490.00	£2,940.00
TOTAL COST FOR OPTION 2					£60,735.00
Option 3					
Asbestos contractor to remove the existing artex coated ceilings, framing and polystyrene complete and dispose of. MLC could install new framing and 50mm class 'O' insulation to underside of coffers, sheet with 12.5mm plain back plasterboard then Ames Tape - Engineer to specify anchor type, gusset plates and the like to the new framing (inc fee's). Pipe boxes to all rooms would need to be clad complete in class 'O' MDF or similar and all sealed to the underside of the coffers. Allowance to be made for lifting and relaying flooring if possible - if not e/o for replacing flooring to areas not already catered for in main cost plan.					

1	Remove artex coatings, framing and polystyrene	sum	1	£84,000.00	<b>£80,400.00</b>
2	50mm class 'O' Kingspan insulation and specialist adhesive - see link in email to kingspan kooltherm K7	m2	730	£20.60	<b>£15,038.00</b>
3	12mm plasterboard & framing (This to include engineers fee's and e/o cost for specialist anchors and the like)	m2	730	£21.00	<b>£15,330.00</b>
	Allowance for anchorage 3 per m2	nr	2190	£3.00	<b>£6,570.00</b>
4	Engineers fees	sum	1	£750.00	<b>£750.00</b>
5	Ames tape finish to plasterboard	m2	730	£11.00	<b>£8,030.00</b>
6	Pipe boxes to all rooms would need to be clad complete in class 'O' MDF or similar and all sealed to the underside of the coffers.	nr	37	£61.00	<b>£2,257.00</b>
7	Extra cost of decoration per room	nr	37	£150.00	<b>£5,550.00</b>
8	Lifting flooring - wont relay as it is stuck down	nr	15	£25.00	<b>£375.00</b>
9	E/O for replacing flooring to areas not already catered for in main cost plan	nr	15	£251.00	<b>£3,765.00</b>
<b>TOTAL COST FOR OPTION 3</b>					<b>£138,065.00</b>



## **Consultation on a Child Poverty Bill for Scotland**

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

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

- 1.1 The purpose of this report is to inform the Council of the Scottish Government's Consultation on a Child Poverty Bill for Scotland, and seek approval for the Council's response as set out in Appendix 1.

#### **2 Background**

- 2.1 In July 2015, the UK Government announced their intention to repeal significant proportions of the Child Poverty Act 2010 via the Welfare Reform and Work Bill. They proposed to replace the four income-based targets with measures on worklessness and educational attainment and to rename the legislation the Life Chances Act.
- 2.2 Scottish Ministers disagreed with this approach; in particular, the removal of targets, and the use of alternative measures that do not take income into account. In the Scottish Government's view, this represents a shift towards characterising poverty as a lifestyle choice rather than addressing the social and economic drivers that cause people to fall into or remain in poverty.
- 2.3 In May 2016 the UK was examined on its performance under the UN Convention on the Rights of the Child (UNCRC). The UN Committee noted "serious concern" regarding the UK Government's repeal of the child poverty targets.
- 2.4 The Scottish Government requested an opt-out from the UK Government's approach and worked to bring forward amendments to the Bill repealing all parts of the 2010 Act that imposed any duty on Scottish Ministers, and sought legislative consent from the Scottish Parliament. The UK Government's Welfare Reform and Work Bill was passed with the requested amendments in March 2016, meaning that the Scottish Government is now in a position to bring forward proposals for a Scottish approach to tackling and measuring child poverty.
- 2.5 The consultation seeks feedback on the Scottish Government's proposals for a Child Poverty Bill. The proposals include:
- Enshrining in legislation an ambition to eradicate child poverty
  - Reinstating statutory income-based targets to reduce the number of children living in poverty
  - Placing a duty on Scottish Ministers to develop a Child Poverty Delivery Plan, and to report annually on their progress towards delivering that plan.

The full consultation can be viewed at:  
[www.gov.scot/Publications/2016/08/7185](http://www.gov.scot/Publications/2016/08/7185). The deadline for comment is the 30 September 2016.

### **3 Report Implications**

#### **3.1 Resource**

The consultation on a proposal to prepare a Child Poverty Bill has no direct resource implications for Midlothian Council at this point in time. If a draft Bill is developed the Council will have an opportunity to carefully scrutinise the resource implications.

#### **3.2 Risk**

Responding to a Scottish Government proposal to prepare a Child Poverty Bill carries minimal risk.

#### **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)**

The proposal to prepare a Child Poverty Bill endorses the SMP priority of Getting it Right for Every Midlothian Child (GIRFEMC).

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

There is a body of evidence that shows that reducing child poverty improves their life chances, for example the Joseph Rowntree Foundation literature review “Costs of Child Poverty for Individuals and Society”. The proposal to prepare a Child Poverty Bill will embed a preventative social policy approach.

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

The GIRFEMC Board and Improving Opportunities Midlothian Group have been invited to comment on this consultation response.

The Government’s proposal to prepare a Child Poverty Bill is supported by a national communications and engagement strategy. Organisations across Scotland are also being encouraged to respond to this consultation.

### 3.7 Ensuring Equalities

The Government's consultation on the proposal to prepare a Child Poverty Bill will need to go through rigorous legislative processes including a full equality impact assessment. Reducing child poverty will have a positive impact on reducing inequalities.

### 3.8 Sustainability

None

### 3.9 IT Issues

None

## 4 Summary

The Consultation on a Child Poverty Bill for Scotland reflects the ambition of the Scottish Government to eradicate child poverty. The proposals are at the beginning of the legislative cycle and a transformational economic policy will be needed to meet this ambitious policy ambition. A robust measurement framework will also be needed to ensure ongoing national and local political accountability. The Council should wholeheartedly support the development of a Bill that aims to eradicate child poverty. Once a draft Bill is developed the Council will have an opportunity to further scrutinise the implications for Midlothian. An effective Child Poverty Bill will help ensure that the best interests of the child are maintained by reducing the number of families living in poverty.

## 7 Recommendations

It is recommended that Council:

- i) Notes the Scottish Government's proposals to develop a Child Poverty Bill for Scotland; and
- ii) Approves the Council's response to the Child Poverty Bill for Scotland, as set out at Appendix 1 to this report.

**Date 05 September 2016**

**Report Contact:**

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## Appendix 1 – Child Poverty Consultation Draft Response





**1. Do you agree with the Scottish Government including in statute an ambition to eradicate child poverty?**

We welcome the Government's ambition of eradicating child poverty. We share the Concerns of the UN Committee on the Convention on the Rights of the Child regarding the UK Government's decision to repeal significant parts of the Poverty Act (2010). The Scottish Government should develop a progressive approach to reducing child poverty. This will help ensure that the issue of child poverty has a high political profile in Scotland.

We feel there is an opportunity for the Scottish Government to develop a statute that will lead to the eradication of child poverty. The statute should include a practical set of achievable outcomes so that this ambition can be achieved.

**2. What are your views on making income targets statutory?**

We support the reinstatement of statutory income targets. There is a direct link between low income families and children's educational, health and wellbeing outcomes. Making income targets statutory will help ensure there is political accountability for reducing child poverty. We look forward to the development of a transformational economic strategy that will demonstrate how these income targets will be met nationally.

**3. How do you think the role of the Ministerial Advisory Group on Child Poverty can be developed to ensure that they play a key role in developing the legislation?**

A Ministerial Advisory Group on Child Poverty could play an important role in promoting accountability through the monitoring of child poverty levels in Scotland. They could also play a role in highlighting good practice, identifying gaps and commissioning research.

It is difficult to make an informed assessment on the current state of play of the Ministerial Advisory Group because of the limited information available about their activities. For example, the most recent minutes available on the Government's [website](#) were from the 20 August 2014.

We would welcome a discussion on how the Ministerial Advisory Group could develop links locally to help share practice and inform legislation.

**4. How do you think links between the national strategy and local authorities could be improved? Do you think that local authorities themselves should be producing strategies or reporting on child poverty activity? Is there anyone else that should be measuring or reporting on child poverty?**

There is an opportunity for increased local authority engagement with the national strategy. Local authority child poverty leads could provide a useful conduit to families and communities that experience poverty. These links would enhance the opportunity for those experiencing poverty to have a meaningful input into the development of the national strategy.

Any new local authority reporting requirements should make use of existing community planning reporting frameworks. Midlothian has a child poverty strategy that is subject to scrutiny through the Local Audit Network. Local authorities could play a lead coordinating role in developing measurement frameworks for reporting child poverty. A reporting approach must involve a range of stakeholders such as the NHS, the third sector and faith based groups. It is important that any strategy identifies the range of existing data and uses this as the basis for a reporting structure. Locally we have found it hard to access up-to-date data from the Department for Work and Pensions; it would be helpful if, as part of the Scotland Act (2016) negotiations, this could be reviewed to see if the data could be made more readily available.

**5. What are your views on the income based measures of poverty proposed for Scottish child poverty targets? For example, are there any additional income-based measures you think we should also use (and if so, why)? Are there any alternative approaches to measuring income – for example, as used in other countries – that you think could apply in Scotland?**

We welcome the application of income based measures for Scottish child poverty targets. An additional income-based measure should be the application of welfare sanctions to households with children, and what level of child poverty impact assessment is taken when benefits are reviewed.

**6. What are your views on the Scottish Government's proposals for the levels of child poverty that the targets will be set at?**

It will be very difficult to achieve the child poverty target of eliminating relative child poverty without a transformational economic strategy. The targets for absolute poverty, material deprivation poverty and persistent poverty should be set as low as 0%, in order to achieve the Government's policy ambition of completely eradicating child poverty in Scotland. It will also be important to set shorter term targets to help maintain political buy-in and momentum.

**7. What are your views on the Scottish Government's proposal to set targets on an after housing costs basis? For example, are there any disadvantages to this approach that we have not already considered?**

The consultation paper considers the key advantages and disadvantages to measuring child poverty on a Before Housing Costs or After Housing Costs basis; we have no further comment at this point.

**8. What are your views on the Scottish Government's proposal to set targets that are expected to be achieved by 2030?**

We recognise that eradicating child poverty requires long term planning and appropriate target setting which differentiates between nationally and locally achievable targets. It is also important to develop a robust data collection system and a reporting framework that will enable target setting on a much shorter term basis. Short term targets should be in place to complement the 2030 target; this will help maintain political momentum and accountability.

**9. What are your views on the proposal that Scottish Ministers will be required by the Bill to produce a Child Poverty Delivery Plan every five years, and to report on this Plan annually?**

We would welcome annual Ministerial accountability against a Child Poverty Delivery Plan. It will be important that the Plan can evidence a reduction in child poverty and demonstrate tangible improvements to the lives of children experiencing poverty.

**10. Do you have any suggestions for how the measurement framework could usefully be improved? For example, are there any influencing factors that are not covered by the measurement framework? Or are there any additional indicators that could be added?**

The measurement framework could be improved by including more localised income and employment measures. Reducing the time lag between data being gathered and being made publicly available could improve agencies ability to intervene when children are experiencing or, at risk of significant poverty.

Other health related proxy measures exist that could be used to assess child poverty, for example dental decay amongst children. The focus of the measurement framework should be on the quality, validity and frequency of the data collection.

**11. Do you have any additional views on a Child Poverty Bill for Scotland?**

The government should revise 'household income' as the measure for assessing child poverty. A more robust assessment tool is needed to adequately determine the level of poverty a household experiences. This measure should take into account other characteristics such as numbers of resident children, disability, caring responsibilities and household debt.

