Notice of Meeting and Agenda

Midlothian Council

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

Date: **Tuesday, 27 February 2024**

Time: **11:00**

Executive Director : Place

Contact:
Clerk Name: Democratic Services
Clerk Telephone:
Clerk Email: democratic.services@midlothian.gov.uk

Further Information:

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

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

Exclusion of Members of the Public

(A) TO CONSIDER RESOLVING TO DEAL WITH THE UNDERNOTED BUSINESS IN PRIVATE IN TERMS OF PARAGRAPHS 6, 9 AND 11 OF PART 1 OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973 - THE RELEVANT REPORTS ARE THEREFORE NOT FOR PUBLICATION; AND
(B) TO NOTE THAT NOTWITHSTANDING ANY SUCH RESOLUTION, INFORMATION MAY STILL REQUIRE TO BE RELEASED UNDER THE FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 OR THE ENVIRONMENTAL INFORMATION REGULATIONS 2004.

9 Private Reports

10 Date of Next Meeting

The next meeting will be held on Tuesday 26 March 2024 at 11am.

Minute of Meeting

Midlothian

Midlothian Council

Date	Time	Venue
Tuesday, 19 December 2023	11:00 am	Council Chambers, Midlothian House/Hybrid

Present:

Provost McCall (Chair)	Depute Provost Bowen
Councillor Parry (Council Leader)	Councillor Cassidy (Depute Council Leader)
Councillor Alexander	Councillor Curran
Councillor Drummond	Councillor Imrie
Councillor McEwan	Councillor McKenzie
Councillor McManus	Councillor Milligan
Councillor Pottinger	Councillor Russell
Councillor Scott (virtual)	Councillor Smaill
Councillor Winchester	Councillor Virgo

Religious Representatives:

Anne-Theresa Lawrie	Elizabeth Morton

In attendance:

Dr Grace Vickers, Chief Executive	Kevin Anderson, Executive Director Place
Morag Barrow, Director of Health & Social Care: Midlothian HSCP / Chief Officer to Midlothian IJB	Fiona Robertson, Executive Director Children, Young People & Partnerships
Alan Turpie, Legal and Governance Manager / Monitoring Officer	David Gladwin, Chief Financial Officer (Section 95 Officer)
Derek Oliver, Chief Officer Place	Saty Kaur, Chief Officer Corporate Solutions

Joan Tranent, Chief Officer Children's Services, Partnerships and Communities	Fiona Clandillon, Head of Development
Michelle Strong, Education Chief Operating Officer	Myra Forsyth, Continuous Improvement Manager
Claire Gardiner, Audit Scotland, External Auditors (Virtual) (Left at 11:23am)	Lynn Cochrane, Communications Team Leader
Gordon Pollock, Project Director Zero Waste Edinburgh and Midlothian	Gary Leadbetter, Democratic Services Officer
Lucy Roddie, Democratic Services Officer	Janet Ritchie, Democratic Services Officer

1. Welcome and Apology for Absence

The Provost welcomed everyone to this meeting of the Midlothian Council. A choir from King's Park Primary School was noted as being in attendance to sing Christmas carols, which they went on to do and were subsequently applauded before leaving the meeting.

The Provost advised that this meeting was open to the public and would be webcast live.

The Provost informed the meeting that this was the last meeting that Elizabeth Morton, Religious Representative, would be attending and wished them all the best in their retirement from Midlothian Council duties.

2. Order of Business

The Monitoring Officer, advised that per Standing Order 7.8, notices of meetings, which specifically includes the reports and reports to be considered, are to be published not less than 3 working days before the meeting. Reports were issued on Friday, 15 December 2023, for Items 8.1, 9.4 and 9.5 which therefore did not meet the test. In terms of Standing Orders, the Chair (the Provost) has the final decision as to whether the Items should be allowed as urgent business.

The Provost confirmed that Item 8.1 would be accepted as urgent business, but after consultation with the Group Leaders, prior to the meeting, chose not to accept Item 9.4 or Item 9.5.

Discussion from Members - It was raised that whilst Item 8.1 was circulated around Elected Members previously for the purposes of other Committees, there were then changes to this report before it was issued for the purposes of this meeting. It was raised that not enough time was provided to Elected Members to fully read and digest reports and papers prior to the meeting. It was requested that the number of reports and papers coming before the full Council meetings is controlled going forward, and that the Council Leader and the Chief Executive review this.

The Council Leader agreed with the above and stated that they had spoken with the Chair of the Standing Orders Working Group on this matter to determine if there is a way to formalise this and ensure Elected Members have sufficient time to consider reports and papers.

3. Declarations of interest

No declarations of interest were intimated at this stage of the proceedings.

4. Deputations

None received.

5. Minutes of Previous Meetings

Item No.	Report Title	Submitted by:
5.1	Minute of Meeting of Midlothian Council 21 November 2023	Executive Director Place
Outline and Summary of Discussion		
The Minute of Meeting and Private Addendum of Midlothian Council held on 21 November 2023 was submitted and approved as a correct record. Councillor Parry moved. Councillor McManus seconded.		
Decision		
Minute of Meeting and Private Addendum of Midlothian Council held on 21 November 2023 was approved.		
Action		
Democratic Services		

Item No.	Report Title	Submitted by:
5.2	Minute Volume Index	Executive Director Place
Outline and Summary of Discussion		
The following minutes were previously circulated to Elected Members and subsequently noted and/or the recommendations contained therein approved: • Minute of Police, Fire and Rescue Board of 21 August 2023 • Minute of Local Review Boady of 25 September 2023 • Minute of General Purposes Committee of 3 October 2023 • Minute of Cabinet of 24 October 2023 • Minute of Planning Committee of 31 October 2023 Moved by Councillor Parry. Seconded by Councillor Cassidy.		

Decision
Minute Volume Index noted.
Action
Democratic Services

Item No.	Report Title	Submitted by:
5.3	Action Log	Executive Director Place
Outline and Summary of Discussion		
It was requested that Action 4 – Capital Plan Prioritisation, remain open.		
Decision		
The Action Log was noted, with all actions recommended for closure to be closed except Action 4 which remains open.		
Action		
Democratic Services		

6. Questions to the Leader of the Council

None received.

7. Motions

None received.

8. Reports

Report No.	Report Title	Submitted by:
8.1	Annual Audit Report to Members and the Controller of Audit – year ended 31 March 2023	Audit Scotland, External Auditors, and Chief Financial Officer & Section 95 Officer
Outline and Summary of Discussion		
The Chief Financial Officer & Section 95 Officer introduced the report and explained that Claire Gardiner, Audit Scotland, would present the report. Midlothian Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. This report summarises the findings from the 2022/23 annual audit of Midlothian Council. The scope of the audit was set out in an annual audit plan presented to the June 2023 meeting of the Audit Committee. The Annual Audit Report comprises: • Significant matters arising from an audit of Midlothian Council's annual accounts.		

- Conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice:
    - Financial Management
    - Financial Sustainability
    - Vision, Leadership, and Governance
    - Use of Resources to Improve Outcomes
- Conclusions on Midlothian Council's performance in meeting is Best Value duties.

Claire Gardiner highlighted that Audit Scotland issued a clean audit opinion in October 2023 and the accounts were signed at that point to meet publication deadlines. Claire Gardiner noted that there were some significant adjustments made to the accounts, with the most significant being in relation to treatment of unfunded pensions, following the application of the asset ceiling which related to the unusual event of having a pension fund surplus.

Claire Gardiner further highlighted that there are ongoing challenges in relation to financial sustainability. In particular, it was noted that although reserves are increasing, a significant proportion of these is earmarked for specific purposes and therefore not necessarily usable.

The Provost thanked the Chief Financial Officer and Claire Gardiner for the report and opened it up to questions.

Councillor Parry thanked the External Auditors, the Chief Financial Officer, finance team and all Council Officers for the tremendous amount of work that was undertaken to complete the annual audit.

Decision

Elected Members noted the Annual Audit Report.

Action

Claire Gardiner, External Auditor, Audit Scotland, left the meeting at 11:23am.

Report No.	Report Title	Submitted by:
8.2	Treasury Management Mid-Year Review Report 2023/24	Chief Financial Officer & Section 95 Officer

Outline and Summary of Discussion

The Chief Financial Officer & Section 95 Officer presented the report. The purpose of this report is to inform Council of the Treasury Management activity undertaken during the first half of 2023/24 and the forecast activity for the second half of 2023/24 in accordance with the Treasury Management and Annual Investment Strategy approved in February 2023. It also provides an update to the Treasury and Prudential Indicators for 2023/24. Council should note that in accordance with the Prudential Code, a draft of the report was considered by Audit Committee on 5 December 2023, with the report approved by Audit Committee as presented.

Council is recommended to:

a) Note the report and the treasury activity undertaken in the period to 30 September 2023, as outlined in Section 5; b) Note the actual and forecast activity during the second-half of the year as outlined in Section 6; c) Approve the technical revisions to the Prudential Indicators in Section 7 of this report; d) Note the loans fund rate performance relative to other Scottish Local authorities, as outlined in Section 8, and the cash saving (compared to the Scottish Average) that the Treasury Management function brings to support the Council's in-year revenue budget. The Provost thanked the Chief Financial Officer for the report and opened it up to questions. Councillor Parry thanked the Chief Financial Officer and the finance team for the work undertaken on the activities outlined. Councillor Parry moved the report. Councillor Cassidy seconded.
Decision
Recommendations, as outlined above, were approved in full.
Action
Chief Financial Officer & Section 95 Officer

Report No.	Report Title	Submitted by:
8.3	Medium Term Financial Strategy 2024/25 – 2028/29	Chief Financial Officer & Section 95 Officer
Outline and Summary of Discussion		
The Chief Financial Officer & Section 95 Officer presented the report. This report provides Council with an update on development of the 2024/25 revenue budget, building on the report presented to Council on 10th October 2023 and looking ahead to Member engagement early in 2024 culminating in Council setting a balanced budget on Tuesday 27th February 2024. Key messages from recent UK and Scottish Government fiscal events are outlined along with the possible implications of these on the Scottish Government Budget for 2024/25 which is scheduled for Tuesday 19th December 2023. Recent developments relating to Employers Pension contributions for all groups of workers is discussed and the implications of these will be reflected in the projected 2024/25 base budget position and the remainder of the existing MTFS. Council is recommended to: a) Note that the Business Transformation Steering Group (BTSG) will continue to consider necessary measures to support delivery of a balanced Medium Term Financial Strategy (MTFS) before any policy recommendations are presented to Council. b) Note that the financial outlook remains challenging for this term of Council and recall the recommendation in the External Auditors report in 2022 that "*as a matter of urgency, officers and elected members need to work together*		

to develop and agree the medium-term financial strategy and progress the Council's transformation plans".

c) Note that the projected budget gap for 2024/25, as presented to Council on 10th October 2023, incorporating planned use of service concession retrospection was projected to be £7.272 million, rising to a projected £34.677 million by 2028/29.
d) Note the position relating to the UK Government's Autumn Statement and the expected impact on the Scottish Budget.
e) Note the update on Employer Pension contributions.
f) Otherwise, note the remainder of the report.

The Provost thanked the Chief Financial Officer for the report and opened it up to questions.

Discussion from Members - it was requested that briefing sessions are set up in January, on a cross-party basis, to look at the financial settlement and the capital plan prioritisation.

It was stated that consideration should be given to setting a target for when decisions on the capital plan prioritisation need to be taken and noted that a decision was needed on the capital plan prioritisation before a budget can be set.

It was stated that a lot of the budget is non-recurring funding and that it is important to clearly understand what the budget challenges are for this year and for future years.

It was stated that at the last Audit Committee there was a useful discussion on the lag between Midlothian's population increasing and the Scottish Government recognising this in terms of the payments received. The Chief Financial Officer was asked to speak to this, particularly in relation to when the settlement from the Scottish Government will catch up in real terms with the population increase. The Chief Financial Officer noted that some of the census data will be reflected in the calculation of the settlement, and that the expectation is that this will increase Midlothian's share. How this relates to the floor is unclear. The Chief Financial Officer noted that another increase is expected in 2024/25 when the rest of the census data is reflected.

The Council Leader noted that they recently sent a letter to the Deputy First Minister making representations on this matter.

Decision
• Elected Members noted the report. • Briefing Sessions on financial settlement and capital plan prioritisation to be set up in January.
Action
Chief Financial Officer & Section 95 Officer

Report No.	**Report Title**	**Submitted by:**

8.4	Non-Domestic Rates Relief Policy	Chief Officer Corporate Solutions
Outline and Summary of Discussion		
The Chief Officer Corporate Solutions presented the report. Following the devolvement of powers to Local Authorities, from 1 April 2023 Midlothian Council can change its existing policy to potentially generate more revenue. This report sets out the proposal for a revised policy effective from 1 April 2024. Council is recommended to agree to implement the new policy with effect from 1 April 2024. The Chief Officer Corporate Solutions noted that Edinburgh Council administer the policy on Midlothian Council's behalf and their own policy has been changed, which may pose issues if Midlothian Council does not change their own. The Provost thanked the Chief Officer Corporate Solutions for the report and opened it up to questions. Councillor Parry moved the report. It was also requested that a review of the policy is undertaken in 6 months to 1 year to mitigate any unforeseen circumstances. Councillor McManus seconded the report.		
Decision		
• Recommendation, as outlined above, was approved in full. • Review of policy to be undertaken in 6 months – 1 year.		
Action		
Chief Officer Corporate Solutions		

Report No.	Report Title	Submitted by:
8.5	Rent Pressure Zone	Executive Director Place
Outline and Summary of Discussion		
The Executive Director Place presented the report. At the Council meeting held on 10 October 2023 members requested a report to be brought forward on rent pressure zones. To date, no Rent Pressure Zones (RPZ) have been established in Scotland despite several local authorities expressing interest in making use of the powers. Due to the level of data required to be submitted in a RPZ application local authorities have indicated that it may take several years to collate this evidence base. There is also a concern that the legislation does not sufficiently control rents as a RPZ would still allow increases above inflation and between tenancies changing. Council is recommended to note the report and to consider: a) if there is a requirement to progress additional work to establish a case for a Rent Pressure Zone as any administering of RPZ within Midlothian Council		

would require resource and potentially a software solution to be procured and configured, with resource implications to be assessed for full costings, or

b) decide that there is no present requirement to progress further.

The Executive Director Place noted that, in addition to the details provided in the report, they can further advise Elected Members that the secondary legislation for the new rental control measures will be published after the New Housing (Scotland) Bill receives assent. This Bill is to deliver stronger rights for tenants, greater protection from eviction and a national system of rent controls for the private rented sector (PRS). All Local Authorities will be required to carry out mandatory PRS rent screening, regardless of whether rent control is required.

The Executive Director Place noted that, in this respect, the Scottish Government have contacted Midlothian Council to ascertain whether it would be interested in participating in a pathfinder project to test the initial PRS rent screening process. The Scottish Government would then fund a 6-month post to test the broad rental market area. Those findings would help form legislation and guidance for the initial screening stage of rent controlled measures. Some exploratory discussions have taken place with the Scottish Government in this respect and agreed tentatively that Midlothian Council may be interested in taking part, although further information is required before a final decision can be taken. The Executive Director Place explained that officers will meet with the Scottish Government again in the new year and that the Scottish Government are hoping to start the project in the early months of 2024.

The Provost thanked the Executive Director Place for the report and queried whether they should have submitted a declaration of interest, given that they are a registered private landlord in Midlothian. The Monitoring Officer explained that the Provost should have declared an interest and that they should excuse themselves for the remainder of this Item.

The Provost left the meeting. The Deputy Provost took over as Chair for the remainder of this Item.

Discussion from Members – it was queried whether there was an obligation to carry out profiling of PRS, which will potentially be funded by a government-funded post. It was queried if a decision on whether Midlothian Council should do an RPZ is dependent on understanding the profile of the PRS, then perhaps it is best to wait until this is undertaken before a decision is taken. The Executive Director Place noted that there is no current requirement in terms of existing legislation for RPZ or data collection in terms of rent control. The Executive Director Place clarified that the Scottish Government are offering a temporary funded post as part of the 6-month pilot pathway project, which in turn would allow Midlothian Council to establish the baseline information for Midlothian. Thereafter, funding this would likely default to the Local Authority.

It was raised that in the report, 4.1 states that authorities must provide a profile of the PRS. The Executive Director Place noted that once the legislation is passed, this will become a requirement, but it is not currently.

Councillor McKenzie moved recommendation B in the report. Councillor Curran seconded.
Decision
Recommendation B, as outlined above, was approved.
Action
Executive Director Place

The Provost rejoined the meeting and took back over as the Chair.

<table>
<tr><th>Report No.</th><th>Report Title</th><th>Submitted by:</th></tr>
<tr><td>8.6</td><td>Annual Road Works Performance Report 2022/23</td><td>Chief Officer Place</td></tr>
<tr><td colspan="3">Outline and Summary of Discussion</td></tr>
<tr><td colspan="3">The Chief Officer Place presented the report. The purpose of this report is to highlight the excellent performance of the Council’s Roads & Transportation team in relation to their statutory functions for the co-ordination of all road works on the Council’s public road network, and to acknowledge the consistently high level of performance achieved from the perspective of the Scottish Road Works Commissioner. The latest Annual Performance Report 2022/23 for all 32 Scottish Local Authorities from the Scottish Road Works Commissioner shows that Midlothian Council’s Roads & Transportation Service has again achieved the top rating of “Well Managed” for the third year in a row.

Council is recommended to note and welcome the contents of the report.

The Provost thanked the Chief Officer Place for the report and opened it up to questions.

Discussion from Members – it was suggested that further investment in the road services plan and maintenance is required, going forward.

A question was raised whether Midlothian Council has ever considered using an identifying mark on potholes, if it has not been fixed immediately, to allow people to see it and understand that the Council are aware of it. The Chief Officer Place stated that they will take this away and look at this as part of the continuous improvement of road services and come back on this.

The Provost noted that gritters are on the national programme and can be tracked, and queried whether the pothole pro can be put on the national programme to monitor it.

It was raised that the public should report potholes on the Council website to get them fixed.</td></tr>
<tr><td colspan="3">Decision</td></tr>
<tr><td colspan="3">• Elected Members noted the report.
• Consider identifying marks for potholes as part of the continuous improvement of road services.</td></tr>
</table>

Action
Chief Officer Place

Report No.	Report Title	Submitted by:
8.7	Waste and Recycling Service Standards	Chief Officer Place
Outline and Summary of Discussion		
The Chief Officer Place presented the report and outlined the salient points. The Chief Officer Place commended the Waste and Recycling Service team for their performance. Council is recommended to approve the: i. adoption of the proposed Waste Service Standards and Waste Service Policies; and ii. acceptance of £2.2m grant funding offered by the Scottish Government's Recycling Improvement Fund, administered by Zero Waste Scotland. The Provost thanked the Chief Officer Place for the report and opened it up to questions. Discussion from Members – it was commented on the importance of contributing to achieving net zero targets and highlighted the possibility of creating income streams via waste recycling. Councillor Alexander moved the report. Councillor Cassidy seconded the report, noting that the policies would become statutory in 2025. In responding to a query from Members, the Chief Officer Place reported that changes to collection dates and opening times for recycling centres over the Christmas period were available on the Council website and communicated via social media. It was queried if there were any plans to adopt vehicle registration recognition technology. The Chief Officer Place reported that a proposal would be brought forward for Elected Member consideration via the ongoing waste services transformation work. Elected Members commended the team for their performance and gave thanks for their hard work.		
Decision		
Council approved: i. adoption of the proposed Waste Service Standards and Waste Service Policies; and ii. acceptance of £2.2m grant funding offered by the Scottish Government's Recycling Improvement Fund, administered by Zero Waste Scotland.		
Action		

Chief Officer Place

Report No.	Report Title	Submitted by:
8.8	Fleet and Plant Asset Replacement Plan	Chief Officer Place

Outline and Summary of Discussion

The Chief Officer Place presented the report. This report details the on-going fleet and plant requirements and an accelerated replacement plan to deliver the Council's operational activities whilst aiming to ensure its fleet is modern, efficient and fit for purpose mitigating significant current maintenance liabilities.

Council is recommended to note:

i. an accelerated capital investment of £4.67m from existing and future fleet capital budget allocations, to address a funding gap of £3.51m, for 2023-25.

The Provost thanked the Chief Officer Place for the report and opened it up to questions.

Councillor Alexander moved the report.

Discussion from Members – the acceleration of the capital investment was queried, in particular as to how this will allow operational planning if the funds are not there for future years at this moment in time, given that a lot of these vehicles are likely specialist with long lead-in times. The Chief Officer Place explained that this was to enable officers to mobilise the procurement of vehicles quickly to address the short-term impact currently being experienced on the revenue repairs budget. In terms of moving forward and returning to Council for additional capital allocation, this would be subject to the decisions made in relation to the Climate Action Plan.

It was queried whether financing methods are open to the Council to reduce the depreciation risk of vehicles. The Chief Financial Officer noted that depreciation is not a primary concern, as the charges that hit the General Fund are through the Loans Fund. The Chief Financial Officer noted that it is the financing method that is more pertinent to the budget deliberations. The Chief Financial Officer noted that there are options to lease vehicles, also explaining that there is change in the accounting code for leasing that can effectively capitalise elements of the lease, and this is being looked at as part of the financing options for the piece of work being discussed.

Concerns were raised in relation to whether the fleet will be sufficient to meet increased needs coming from the expansion of Midlothian through housebuilding, and whether the funds for expanding the fleet will be available, if needed. The Chief Officer Place noted that this would be looked at on a needs analysis and requests made through the appropriate internal governance arrangements, ultimately arriving at the capital plan and asset management board to then come back. As this would be additionality to the fleet as opposed to replacement, the Chief Officer Place explained that they would need to go through these channels to procure additional vehicles. The Chief Officer Place further explained that the current need was to look at replacing fleet vehicles.

Councillor Cassidy seconded the report.

It was queried whether the long-term running cost of running electric refuse collection vehicles and net zero ambitions had been considered. The Chief Officer Place noted that the consideration right now was that vehicles need replaced now, as maintenance costs were unsustainable. The Chief Officer Place explained that they would return with the report on the future fleet, which would be aligned to climate action goals.

It was raised that the fleet budget had not been increased for many years, stating this is the reason this issue has arisen. It was queried whether it would be prudent to add additionality at this stage.

The Chief Financial Officer responded that Elected Members are free to increase any budget through an amendment or the processes in place to consider the Council's budgets. The Chief Financial Officer further explained that the work needs to be done quickly and whilst the budget could be increased, the solution is unknown and so more work would need to be done, which does not address the need to replace fleet vehicles now.

Councillor Milligan moved an amendment to the report to add £3.5 million additionality to the fleet capital budget allocation from the reserves, rather than drawing it forward. Councillor Imrie seconded.

A query was raised in relation to the purpose of the amendment, as opposed to agreeing to the recommendation outlined within the report. The Chief Financial Officer explained that their understanding of the amendment is that the fleet asset management replacement budget would be increased by a figure contained within the table at section 3.7, although clarity would need to be given on what figure. This would be to reflect the potential incoming cost.

It was suggested to take this matter to BTSG to map out some of the financial needs of how the fleet might change and look at how to address the funding gap. The Chief Officer Place welcomed this, although noted that there is a significant need for the current matter to progress to offset the ongoing revenue impacts on maintenance and hire costs. The Chief Officer Place explained that after this matter is dealt with, they could come back to BTSG with climate options to be able to discuss and look at future funding mechanisms.

Councillor Virgo moved an amendment that the matter about increasing fleet capacity should be brought back to BTSG. Councillor Smaill seconded.

Councillor Alexander and Councillor Cassidy accepted Councillor Virgo's amendment and as such it became part of the substantive motion.

A vote was taken on the substantive motion (with Councillor's Virgo amendment included) and the amendment proposed by Councillor Milligan, with 11 votes for the motion and 7 votes for the amendment.

Decision
Recommendation, as outlined above, was approved, with the addition that considerations around increasing fleet capacity are brought to BTSG.
Action
Chief Officer Place

Report No.	Report Title	Submitted by:
8.9	Scottish Government Consultation Response - Education Reform: A Consultation on the provisions of the Education Bill	Executive Director Children, Young People and Partnerships

Outline and Summary of Discussion

The Executive Director Children, Young People and Partnerships presented the report. The purpose of this report is to advise Council on the consultation on the provisions of the Education Bill and how key stakeholders have informed the response on behalf of Midlothian Council.

Council is requested to delegate authority to the Executive Director Children, Young People and Partnerships to submit the Education Reform Consultation Response to the Scottish Government, on behalf of Midlothian Council.

The Provost thanked the Executive Director Children, Young People and Partnerships for the report.

The Monitoring Officer noted that although the report has been included in the pack from the date of issue, the consultation response itself which is annexed to the report, was only circulated on the morning of the meeting. The Monitoring Officer explained that it would therefore need to be accepted for consideration as urgent business under standing order 7.8. The Chair accepted the consultation response as urgent business.

Councillor Scott moved the report.

Discussion from Members - concerns were raised around the inadequate timeline allowed to complete the consultation and that there was a discussion at the cross-party group that responding to this consultation would be delegated to the cross-party group. It was raised that the draft consultation response was submitted without any Elected Members having had sight of it until the morning of the meeting. It was requested that, in relation to where the new education authority would be located, the wording should not be to seek clarity but to seek assurance that it will remain within Midlothian.

The Executive Director Children, Young People and Partnerships explained that, in regard to the cross-party group delegation point, they had advised that they would be seeking legal advice in terms of whether it was appropriate for cross-party group to sign off the response. The Executive Director Children, Young People and Partnerships explained that they were advised that report should come to Council and seek delegated authority to sign off the report.

Councillor Alexander seconded the report. It was requested that officers feed back to the Scottish Government about the brevity of the consultation time. It was stated that it would have been preferable if the cross-party group had been advised about the legal advice received. The Executive Director Children, Young People and Partnerships explained that the draft response had to be drafted quickly, as comments were able to be given up until the Wednesday/Thursday the week before this meeting. The Executive Director Children, Young People and Partnerships further explained that they had informed the Scottish Government about concerns with the brevity of the consultation period, although noted that they are mindful that parents, carers, staff and young people did participate in the national discussion. The Executive Director Children, Young People and Partnerships informed Elected Members that they had asked Head Teachers to work with their respective schools and submit individual school responses, and that they would follow up on this and confirm with Council that these have been submitted. The Executive Director Children, Young People and Partnerships confirmed they would be happy to strengthen the language ain the consultation response. The Executive Director Children, Young People and Partnerships also explained that there was no intent to exclude the cross-party group and explained that they seek every opportunity to engage with them and ensure their voice is heard. It was also stated that there has been a larger scale consultation with a significant response to it. It was queried what the legal impediment of circulating the draft response to the cross-party group was, stating that the draft response was submitted the previous day but circulated to Elected Members on the morning of this meeting. The Monitoring Officer explained that the legal impediment of the cross-party group signing this off was that the group is not a statutory body of the Council. Councillor Drummond moved that the language in the draft response is changed to seek assurances that the qualifications authority would remain in Midlothian. Councillor Pottinger seconded.
Decision
• Recommendation, as outlined above, was approved with the addition that the language in the consultation response should be strengthened to seek assurances that the qualifications authority would remain in Midlothian.
Action
Executive Director Children, Young People & Partnerships

The Provost adjourned the meeting at 13:00pm for lunch and reconvened the meeting at 13:20pm.

Report No.	Report Title	Submitted by:

8.10	Attainment Update for Midlothian in Primary and Secondary schools	Education Chief Operating Officer

Outline and Summary of Discussion

The Education Chief Operating Officer presented the report. The purpose of this report is to present the annual update on attainment for Midlothian on two key datasets: Achievement of Curriculum for Excellence Levels (ACEL) and Senior Phase Insight update. The Education Chief Operating Officer highlighted the salient points and noted there had been some improvement in attainment for most year groups for 2022/23 in comparison to last year and pre-pandemic levels. The Education Chief Operating Officer reiterated Midlothian Education Service's commitment to raising attainment for all learners. The Education Chief Operating Officer reported that an Elected Member briefing was planned for January 2024.

Council is recommended:

i. to note the progress, strengths and improvements of our children and young people's attainment in both primary and secondary schools as outlined in this Report.
ii. to note and acknowledge the strategies adopted to address areas for continuous improvement outlined in this Report.
iii. to congratulate all pupils, parents and staff on the significant improvements in attainment and achievement during session 2022/23.

The Provost thanked the Education Chief Operating Officer for the report and opened it up to questions.

Discussion from Members – Congratulations was extended to all parents, pupils and staff for the improvements in attainment and achievement during 2022/23, highlighting the context of the Covid-19 pandemic, cost of living crisis, the significant number of children living in poverty and the extensive waiting lists for access to child mental health support. It was noted that measures of attainment should not be based solely on academic performance. It was commented that leaving school at 16 may be appropriate for some young people and noted that it was possible to return to education in later life. It was suggested a longitudinal study from Primary 1 through to leaving school would be a useful indication of attainment.

There was positive comments on improvements made but also concerns regarding Midlothian's performance against comparators.

It was reported that recent school visits that had been undertaken by Elected Members had been overwhelmingly positive. It was commented that further work was required to improve parent engagement. It was acknowledged that there was room for improvement but there was confidence that appropriate strategies were in place to achieve this.

It was queried whether any tangible impact on reducing the attainment gap had been identified in relation to the Council's investment in digital technologies. In response, the Education Chief Operating Officer commented that the Council was reaping the rewards of investment in digital technologies. A number of inspections across both primary and secondary schools had commended the use of digital technologies and digital skills within the classroom. The Education Chief Operating

Officer spoke about the Council's ongoing investment in accessibility tools, such as Read and Write, to assist young people in overcoming literacy barriers. The Education Chief Operating Officer reported that the Read and Write tool had been rolled out to all families free of charge in October 2023, with high uptake.

In response to a comment from Elected Members regarding the reduction in attainment in S5 and S6, the Education Chief Operating Officer acknowledged further improvement was required and commented that scrutiny was being given to available datasets, including the correlation between attendance and performance.

Comments were made on the relationship between attainment and home life and noted the impact of child poverty and the cost of living crisis, and on the importance of viewing attainment holistically and partnership working across services.

Decision

Council:

i. noted the progress, strengths and improvements of our children and young people's attainment in both primary and secondary schools as outlined in this Report.
ii. noted and acknowledged the strategies adopted to address areas for continuous improvement outlined in this Report.
iii. congratulated all pupils, parents and staff on the significant improvements in attainment and achievement during session 2022/23.

Action

Education Chief Operating Officer

Report No.	Report Title	Submitted by:
8.11	Annual Procurement Report 2022/23	Legal and Governance Manager / Monitoring Officer

Outline and Summary of Discussion

The Legal and Governance Manager / Monitoring Officer introduced the report and outlined the salient points.

Council is asked to:

i. note the Annual Procurement Report on regulated procurements during 2022/23 to be published on the Council's website; and
ii. note the current and planned strategy development and transformation activity for 2023/24.

The Provost thanked the Legal and Governance Manager for the report and opened it up to questions.

Discussion from Members – it was commented that the Council could do more to benefit the community in relation to the awarding of contracts.

Decision

Council:

i. noted the Annual Procurement Report on regulated procurements during 2022/23 to be published on the Council's website; and
ii. noted the current and planned strategy development and transformation activity for 2023/24.

Action
Legal and Governance Manager / Monitoring Officer

Report No.	Report Title	Submitted by:
8.12	Rosewell to Auchendinny NCN 196 Pathway Upgrade	Chief Officer Place

Outline and Summary of Discussion

The Chief Officer Place introduced the report and outlined the salient points. The purpose of the report is to update Council on the outcome of the public consultation and next steps to progress the upgrade of the Rosewell to Auchendinny NCN 196 Pathway.

Council is recommended to note:
i. the significant numbers of responses to the public consultation; and
ii. the decision of Cabinet at its meeting of 28 November 2023 to approve the upgrade of the Rosewell to Auchendinny NCN 196 Pathway.

The Provost thanked the Chief Officer Place for the report and opened it up to questions.

Discussion from Members - the minute of Midlothian Council of 27 June 2023 was referred to and it was questioned whether when a public consultation had taken place that a further report was to be brought back to Midlothian Council for decision. It was suggested that as the report presented to the meeting of Midlothian Council today was for noting, that due democratic process had not been followed.

Councillor Milligan moved to reject the recommendations as outlined in the report and called for a full report to be brought back to the next meeting of Midlothian Council in February 2024. Councillor Imrie echoed Councillor Milligan's concerns and seconded the motion.

It was highlighted that the report had been presented to Cabinet and could have been 'called-in' to the Performance Review and Scrutiny Committee in accordance with the Council's Scheme of Administration.

Councillor Parry, seconded by Councillor Alexander, moved the report. The importance of moving the project forward for the benefit of Midlothian's residents was raised.

In response to a request for clarity on the governance position, the Monitoring Officer reported that at the meeting of Midlothian Council of 27 June 2023, Elected Members had approved a public consultation with a further report to be presented to a future meeting of Midlothian Council. The minute of the meeting of Midlothian

Council of 27 June 2023 was approved at the meeting of Midlothian Council on 29 August 2023. The minute as approved does not specifically retain the final decision to Council. The Monitoring Officer explained that the meeting webcast had been reviewed and confirmed that there was no specific reference to the report being brought back to Council for decision. As per the Council's Scheme of Administration, it is the remit of Cabinet to make decisions such as this. The outcome of the consultation was duly presented to the meeting of Cabinet on 28 November 2023. It is therefore the governance position that the wording of the minute of the meeting of Midlothian Council of 27 June 2023 does not specifically retain the decision making to Council, but rather that the outcome would be reported to Council. The reference to Cabinet was therefore competent.

It was suggested establishing a cross-party working group to review governance processes.

Councillor Milligan, seconded by Councillor Imrie, moved to reject the recommendations as outlined in the report and called for a full report, including options, to be brought back to the next meeting of Midlothian Council.

On an amendment to the motion, Councillor Parry, seconded by Councillor Alexander, moved to note the report.

On an amendment to the motion, Councillor Virgo, seconded by Councillor Parry, moved to note the report and to add a further recommendation, namely, that a cross-party working group be established to review governance processes. Councillor Alexander accepted Councillor Virgo's amendment and as such it became part of the substantive motion.

The Monitoring Officer confirmed that the amendment was competent, citing Standing Order 12.1, which states:

When the minutes of a Committee come before the Council it shall be competent for the Council, in respect of any matter referred but not delegated, to change that decision or refer the matter in whole or in part back to the Committee for further consideration.

On a vote being taken, 9 Elected Members voted for the motion and 9 Elected Members voted for the amendment. The Monitoring Officer advised that, in accordance with Standing Order 11.2 (iv), the Chair (the Provost) would have the casting vote. The Chair (the Provost) voted for the amendment. This then became the decision of the Council.

Decision

Council:

i. noted the significant numbers of responses to the public consultation; and
ii. noted the decision of Cabinet at its meeting of 28 November 2023 to approve the upgrade of the Rosewell to Auchendinny NCN 196 Pathway; and
iii. agreed to establish a cross-party working group to review governance processes.

Action
Chief Officer Place

The Public section of the meeting concluded at 14:16pm.

9. Private

Exclusion of Members of the Public

In view of the nature of the business to be transacted, the Committee 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 3, 6 and 14 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:-

9.1 Midlothian Energy Limited – Business Plan 2024-28, report by Executive Director Place

9.2 Acquisition of Land for an All through School Campus in Shawfair Town Centre from Network Rail, report by Executive Director Place

9.3 A701 Relief Road and A702 Spur Road – Phasing, report by Executive Director Place

Date of Next Meeting

The next meeting will be held on Tuesday, 27 February 2024 at 11:00am.

The meeting concluded at 15:06pm.

Midlothian Council Minute Volume

Midlothian

Presented to the Meeting of Midlothian Council on Tuesday, 27 February 2024

1 Minutes of Meetings submitted for Approval

2 Minutes of Meetings submitted for Consideration

Minute for Consideration

3 Minutes of Meetings submitted for Information

Action Log

Midlothian Council
Tuesday 27 February 2024
Item No 5.3

No	Date of meeting	Item No and Title	Action	Action Owner	Expected completion date	Comments
1	21/02/2023	Capital Plan Prioritisation	Refer approved Council report to BTSG on additional affordability scope and projects.	Executive Director Place	August 2023	**Recommended for closure -** Updates regularly provided to BTSG. A series of thematic BTSG sessions have been delivered over Oct/Nov 2023 and a report scheduled for December 2023 Council. Report re-presented to February 2024 Council.
2	19/12/2023	8.3 Medium Term Financial Strategy 2024/25 – 2028/29	Briefing Sessions on financial settlement and capital plan prioritisation to be set up in January 2024.	Chief Financial Officer & Section 95 Officer	January 2024	**Recommended for closure** – MTFS report presented to February 2024 Council.
3	19/12/2023	8.4 Non-Domestic Rates Relief Policy	Review of policy to be undertaken in 6 months – 1 year.	Chief Officer Corporate Solutions	No later than April 2025	

No	Date of meeting	Item No and Title	Action	Action Owner	Expected completion date	Comments
4	19/12/2023	8.6 Annual Road Works Performance Report 2022/23	Consider identifying marks for potholes as part of the continuous improvement of road services.	Chief Officer Place	April 2024	
5	19/12/2023	8.8 Fleet and Plant Asset Replacement Plan	Considerations around increasing fleet capacity to be brought to BTSG.	Chief Officer Place	June 2024	
6	19/12/2023	8.9 Scottish Government Consultation Response - Education Reform: A Consultation on the provisions of the Education Bill	Language in the consultation response to be strengthened to seek assurances that the qualifications authority, SQA, would remain in Midlothian.	Executive Director Children, Young People & Partnerships	TBC	**Recommend for closure:** consultation response submitted
7	19/12/2023	8.12 Rosewell to Auchendinny NCN 196 Pathway Upgrade	Establish a cross-party working group to review governance processes.	Executive Director Place	TBC	**Recommend for closure:** will be reviewed as part of the existing Cross Party Standing Orders Working Group

Midlothian Council Labour Group

Midlothian Council
Tuesday 27 February

<u>Notice of Motion</u>

"Midlothian Council recognises that climate change is causing an increasing number of extreme weather events that in many cases results in severe flooding across the world, including here in Scotland.

Therefore Council agrees that as a matter of priority

- Council officers commission an updated review of flood risk management
- Council officers present to Council no later than 27/08/24 a revised action plans to manage and mitigate flood risks
- Council officers present to Council no later than 27/08/24 an updated emergency response plan for flooding incidents

Moved

[redacted]

Councillor Russell Imrie

Seconded

[redacted]

Councillor Derek Milligan

Midlothian Council
Tuesday 27 February 2024
Item No 8.1

Financial Monitoring 2023/24 – General Fund Revenue

Report by David Gladwin, Chief Financial Officer and Section 95 Officer

Report for Decision

1 Recommendations

Council is recommended to:

a) Approve increased funding of £0.794 million for the Midlothian Integration Joint Board in 23/24 to cover unbudgeted pay costs (section 4.2);
b) Note projections of revenue costs and income in 2023/24 against budget;
c) Note the projected General Fund Reserve Balance at 31st March 2024;
d) Note recovery actions agreed by the Corporate Management Team in response to areas of projected overspend (section 3.3); and
e) Note the contents of this report.

2 Purpose of Report / Executive Summary

2.1 The purpose of this report is to provide Council with information on projections of performance against service revenue budgets in 2023/24 and to provide commentary on areas of material variance against budget. The budget performance figures as shown in Appendix B result in a projected net underspend of £0.128 million which is an improvement of £1.396 million from projections at quarter 2. The projected underspend represents 0.04% of the revised budget.

2.2 Projected overspends mainly relate to recurring areas of financial pressure or slower than planned delivery of savings measures. The Corporate Management Team have discussed these in depth and where possible, put in place recovery actions.

2.3 The projection of the General Fund balance at 31st March 2024 is £12.109 million, of which £1.677 million is earmarked for specific use and a further £1.260 million relates to a VAT claim not yet settled leaving a non-earmarked General Fund balance of £9.172 million.

Date: 2 February 2024
Report Contact: David Gladwin, Chief Financial Officer and Section 95 Officer
David.Gladwin@midlothian.gov.uk 0131 271 3113

3 Background

3.1 This report encompasses all performance against revenue budget for General Fund services including additional costs incurred and lost income as a consequence of the Covid-19 pandemic.

3.2 In response to the immediate and challenging financial outlook the Chief Executive, during the previous financial year, introduced a moratorium on non-essential spend and a freeze on non-essential vacancies. This moratorium remains in place.

Performance against budget

3.3 The main areas of projected overspend against budget at quarter 3 are outlined in tables 1 and 2 below also describing mitigating measures and next steps. Projections during a financial year are difficult in some areas and come with a degree of uncertainty.

Table 1: Material cost variances against budget

Budget	Overspend	Reason	Action Plan / Mitigating Measures	Next Steps
Pupil Transport	£1,034,000	Volume and value of school pupil transport invoices higher than budgeted.	In October, Council agreed a consultation on pupil transport and this is now underway. A root and branch review of Council Transport is underway as part of the Transformation Blueprint.	Pupil Transport update report to Business Transformation Steering Group (BTSG).
Fleet	£815,000	Ageing vehicles and higher volumes of external contracting than planned. External vehicle hire to support service continuity.	Areas of service have been re-provisioned. Cost containment measures in place. Fleet Maintenance Review underway. Multi-year Fleet Asset Management Plan being developed.	Fleet replacement for ageing and costly vehicles to maintain has been accelerated as approved by Council on Tuesday 21st November. Orders have been placed with suppliers.
Energy Consumption	£453,000	Unit prices for electricity as provided by Scotland Excel are higher than budgeted		
Destination Hillend	£483,000	Alpine Coaster not completed during 2023/24 due to delays with civil engineering works.	Project Team aim to accelerate the Alpine Coaster construction.	Regular update reports to governance forums.
Homelessness	£423,000	Service charge income	Improvement in void	Planned

		credited to the General for properties used to house homeless clients has reduced due to fewer temporary solutions in favour of permanent tenancies.	property turnaround times thus increasing available supply.	replacement of properties from future voids for temporary use purpose will improve service charge income position.
Additional Support Needs (ASN)	£341,000	Expensive out of authority placements and bespoke packages.	Creation of additional and improved infrastructure in Midlothian.	Continued development of ASN requirements in Learning Estate Strategy and the General Service Capital Plan.
Digital Software Costs	£265,000	Additional revenue costs as a consequence of a continued move to cloud based software.	A move to cloud-based software is a continuing trend and brings an additional revenue cost.	As assessment of future costs is complete and is reflected in future years budget projections.
Insurance	£211,000	Cost of Annual Premiums and higher than expected costs of existing claims.	Continual review of claims at the Risk and Resilience Group.	
Foster Care Allowance	£63,000	Cost of minimum Foster Care allowance exceeds Scottish Government funding		Fair funding discussions with the Scottish Government.

Table 2: Shortfalls against income targets in the Budget

Budget	Overspend	Reason	Action Plan / Mitigating Measures	Next Steps
Sport and Leisure	£664,000	Membership numbers, albeit increasing slightly in recent months, remain significantly lower than pre-pandemic. Non membership based Individual and group use remains lower than pre-pandemic.	Partly offset by reduced in-year running costs of £546,000. Externally commissioned options appraisal reported to BTSG with further work progressed.	Sport and Leisure update report was presented to BTSG on 4th December and a more detailed options paper will follow.
Trade Waste	£111,000	Income is lower than budgeted targets.	Review of Service.	Waste Recycling Transformation Options presentation to BTSG on 9th November. Further update to BTSG as part of Waste Review.
Cafes	£139,000	Income is lower than budgeted targets.	Review of offering embedded in Sport	Sport and Leisure update report to

			and Leisure update report.	be presented to BTSG on 4th December and a more detailed options paper will follow.

There also remains £1.043 million of Medium Term Financial Strategy cost reductions either to be finalised or fully implemented. A number of these are taking longer than planned to implement with an impact on the 23/24 financial position.

Underspends

- Loan Charges are projected to underspend by £3.519 million in 2023/24. There are three main factors:
    - Higher than forecast and more sustained periods of surplus cash related directly to timing of capital expenditure thus providing opportunity to generate some deposit income;
    - Delays in in longer-term borrowing due to availability of existing funding to support capital programmes in 2023/24; and
    - Higher than budgeted deposit income from cash-backed reserves due to a significant increase in interest rates during 2023/24 from those expected when the budget was set.
- With the exception of ASN, costs across the spectrum of learning settings for children and young people are lower than provided for in the budget mainly due to lower pupil numbers thus giving rise to a positive variance of £0.732 million. Pupil projections in the budget for the following academic year are finalised during base budget development work in December. In the 2023/24 academic year there has been a significant number of primary 1 deferrals and a lower than estimated number of children in Council run Early Years settings;
- The Council continues to hold some non-critical vacancies across the Council, partly to mitigate delivery of planned saving and partly as a financial discipline measure. Management measures are in place to review each vacancy before approving recruitment. The net projected impact in 2023/24 is £0.606 million;
- Fuel prices are now much lower than forecast when the 2023/24 budget was set giving rise to a projected underspend of £0.176 million;
- Income from roads construction charging exceeds budget by £0.195 million due to some large one-off receipts in 2023/24;
- Income from Planning fees exceeds budget by £0.181 million due to a large one-off receipt in 2023/24 and a higher than anticipated volume of applications.

3.4 The Corporate Management Team continue to meet to consider the financial position agreeing, alongside the continued financial discipline measures referenced in section 3.2, a range of recovery actions and clear timescales for these as outlined in tables 1 and 2 above.

Pay Costs and Funding

3.5 The pay offer for employees whose pay negotiations are covered by the Scottish Joint Council (SJC) trade unions and also for Chief Officials was agreed late in 2023. Backdated payments have been made to all affected staff.

3.6 Funding for 2023/24 pay costs involves an assumption of 3% in council budgets enhanced by a range of Scottish Government funding as follows:

- Revenue funding of £155 million equating to £2.662 million for Midlothian.
- A further funding package of £80 million nationally involving:
    - £22 million of Scottish Government Capital Grant to be converted to revenue;
    - £7 million funding previously set aside for the Child Abuse Compensation Scheme in 2023/24 used to fund pay and replaced in 2024/25;
    - £21 million Employability Funding. There are underspends in programmes across Scotland in 2023/24. These can be redistributed in 2023/24 and replaced in 2024/25.
    - £30 million Pupil Equity Funding using cross year flexibility between 2023/24 and 2024/25 for unspent balances in 2023/24 to fund pay. The Scottish Government will replace funding in 2024/25.
- Utilisation of Council Reserves in 2023/24 to the tune of £17.2 million nationally with funding being replaced by the Scottish Government in 2024/25.
- £10 million additional Council contribution.

3.7 Additional Council contributions of £27.2 million outlined in section 3.6 equates to approximately £0.490 million of additional cost for Midlothian and Council have funded this by approving a supplementary estimate in 2023/24.

3.8 Scottish Negotiating Committee for Teachers pay awards for the current financial year have been agreed and are fully funded in the budget.

4 Delegation of resources to Midlothian Integration Joint Board

4.1 The approved budget provided for the allocation of £56.593 million to the Midlothian Integration Joint Board (MIJB) for the provision of delegated services. Minor technical adjustments to this allocation during the year to date reduces the allocation to £56.544 million.

4.2 Additional pay funding received from the Scottish Government in 2023/24, as discussed in section 3.6 above, provides an opportunity to provide MIJB with additional in-year funding to contribute towards unbudgeted pay costs. A proportionate share of funding equates to £0.794 million and it is recommended that Council agree to increase funding to MIJB by this value. Approval will increase in-year MIJB funding to £57.338 million.

4.3 In accordance with the Integration Scheme the MIJB is required to deliver delegated services within the budget allocations from the Council and NHS Lothian and where any overspend is projected to put in place a recovery plan to address that. As a last resort the integration scheme allows for the MIJB to seek additional financial support from its partners, either by way of an additional budget allocation or by "brokerage" (provision of additional resources in a year which are repaid in the following year).

4.3 Financial Monitoring reports covering all of the MIJB activity are presented to the Integration Joint Board and are available on the committee management section of the Council website:-

[Midlothian Integration Joint Board (cmis.uk.com)]

5 General Fund Reserve

5.1 The projected balance on the General Fund as at 31 March 2024 is as follows:

	£ million	£ million
General Fund Reserve at 1 April 2023		**34.964**
Planned movements in reserves		
Application of Budgets carried forward from 2022/23 for use in 2023/24	(16.013)	
Utilisation of reserve to balance 2023/24 budget	(1.166)	
Supplementary Estimate for works at Mayfield Primary School and St Luke's Primary School	(0.060)	
Supplementary Estimate for Pay	(0.490)	(17.729)
Underspend per appendix 1		0.128
Updated Assessment of VAT Claims		(0.226)
Cross year funding for pay		(0.636)
Projected application of Transformation Blueprint funding		(1.392)
Projected application of earmarked reserve to fund Public Realm works		(3.000)
General Fund Balance at 31 March 2024		**12.109**

Figures above do not include cross-year flexibility whereby service budgets not used in the current financial year and eligible to be carried forward for use in the next financial year are held in the General Fund balance at 31st March and released back to service budgets on 1st April. These will be assessed at quarter 4.

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

	£ million
General Fund Balance at 31 March 2024	**12.109**
Earmarked for specific purposes	
To support Council Transformation Blueprint	(1.677)
General Reserve at 31 March 2023	**10.432**
VAT Windfall to be settled	(1.260)
Revised General Reserve at 31 March 2024	**9.172**

5.2 The Reserves Strategy approved by Council on 12th February 2019 requires Council to maintain an adequate level of General Reserve to provide a contingency for unforeseen or unplanned costs. In the financial context at that time Council approved the adoption of 2% of the approved budgeted net expenditure (excluding resources delegated to the IJB) to be considered a minimum. This now equates to £4.627 million. Council also agreed that where projections indicate that should the 2% minimum General Reserve balance be breached an immediate recovery plan be implemented to recover the position, failing which, the next available budget would need to provide for the reinstatement of reserve position.

5.3 At quarter 1 the anticipated settlement value of £6.839 million from the outstanding VAT claims was shown in the earmarked element of the General Fund Reserve. During quarter 2 one of the claims was settled to a value of £5.353 million which was £0.160 million more than anticipated and this is now included in the non-earmarked element of the General Fund Reserve. The second claim remains outstanding with recent projections showing a settlement of £1.260 million which is £0.387 million lower than previously anticipated.

5.4 The General Reserve is projected to be £9.172 million. This is £4.545 million is excess of minimum reserves strategy. Considering current financial pressures, the General Reserve must be viewed both in the context of £3.696 million of underlying service pressures in 2023/24 (Appendix B - General Fund Services Net Expenditure) and the latest Medium Term Financial Strategy (MTFS) projected gap of approximately £20.3 million through to 2028/29. Until there is significant progress towards a balanced MTFS it remains sound financial practice to maintain a buffer in the General Reserve to offset any further adverse performance against budget or delays in delivering savings measures.

6 Report Implications (Resource, Digital and Risk)

6.1 Resource

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

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

6.2 Digital

Increased reliance and investment in digital solutions and digital first solutions will be a key element of future plans.

6.3 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 reduces the risk of significant variances arising, and where they do arise they help to ensure that they are identified and reported on and that appropriate and robust remedial action is taken. The primary purpose of this report is to provide an assessment of performance against budget for the full year. The material variances detailed in the report highlight that the financial management and budgetary control arrangements require continual review and enhancement if financial risk is to be effectively mitigated during the year.

There are some areas where effective forecasting of spend against budget is hindered due to incomplete service information which in previous years has resulted in previously unreported or significantly adjusted variances at the financial year end. Financial Management CMT continues to consider these areas and supports actions to address the underlying issues and mitigate the risk associated with them. Information relating to the Building Maintenance Service has improved although there remains concern with its detail. Work is ongoing to resolve this issue. At this point it is expected that the Building Maintenance Service will show an on-budget position for 2023/24.

The financial projections are predicated on new burdens, including those arising from the Government's 100 day commitments to be fully funded. The position with outstanding pay awards and the potential for unfunded costs arising presents a significant risk to the Council's financial position.

The Council recognises the potential for compensation claims deriving from Scottish Government's Limitation (Childhood Abuse) (Scotland) Act 2017 which removes the three year time limit on claims of child abuse. Some claims will be historic and relate to Lothian Regional Council, Midlothian District Council or their predecessors and some will date post reorganisation and relate to Midlothian Council, and so presents a risk that would further reduce reserves from those currently projected. Further financial obligations may also arise as the implications associate with the The United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill, which has yet to secure Royal Assent, are more fully understood.

6.4 **Ensuring Equalities**

As changes to existing plans are developed the assessment of the impact of these proposals in relation to their impact on equalities and human rights will be carried out. This will help to ensure wherever possible that there are no negative impacts on equality groups or potential for infringement of individuals' human rights from the any of the proposals.

6.5 **Additional Report Implications**

See Appendix A

Appendices

Appendix A – Report Implications

Appendix B – Financial Table

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

The existing financial plans support the delivery of the key priorities in the Single Midlothian Plan. As the impact on the Council of the pandemic and recovery continues to unfold over the financial year any changes in the availability and allocation of resources will need to be considered in parallel to the actions proposed to continue to delivery key priorities.

A.2 Key Drivers for Change

Key drivers addressed in this report:

☒ Holistic Working
☒ Hub and Spoke
☒ Modern
☒ Sustainable
☒ Transformational
☒ Preventative
☒ Asset-based
☒ Continuous Improvement
☒ One size fits one
☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

☒ One Council Working with you, for you
☒ Preventative and Sustainable
☒ Efficient and Modern
☒ Innovative and Ambitious
☐ None of the above

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value.

A.5 Involving Communities and Other Stakeholders

The development of the Medium Term Financial Strategy reflects community consultation exercises carried out in 2019 and again in 2022 to help shape the drafting of the "Midlothian Promise" and the development of the Council's Longer Term Financial Strategy.

In addition there is continued engagement with the recognised Trade Unions on the financial position.

A.6 Impact on Performance and Outcomes

The Financial Strategy facilitates decisions on how Council allocates and uses its available resources and as such has fundamental implications for service performance and outcomes. The financial consequences of the pandemic will impact on the availability and allocation of resources in pursuit of key outcomes as set out in the Single Midlothian Plan for both the immediate and longer term and therefore the ability of the Council to continue to deliver services in a financial sustainable manner.

A.7 Adopting a Preventative Approach

Maintaining the effectiveness of the Financial Strategy will support the prioritisation of resources to support prevention.

A.8 Supporting Sustainable Development

There are no direct sustainability issues arising from this report and we will work to mitigate as far as feasible any sustainability issues which arise as a consequence of any of the changes to existing plans.

Appendix 1 - Financial table

MIDLOTHIAN COUNCIL

Appendix B

GENERAL FUND 2023/24

Performance against budget

Function	Approved Budget	Revised Budget Expenditure	Revised Budget Income	Revised Budget Net £	Outturn £	(Underspend) / Overspend £
Management and Members	1,677,915	1,844,460	0	1,844,460	1,875,460	31,000
Place						
Corporate Solutions	23,626,261	50,928,267	(24,573,513)	26,354,755	26,909,755	555,000
Place	40,506,069	60,867,555	(17,592,549)	43,275,006	46,229,006	2,954,000
Central Costs	1,198,871	4,138,672	0	4,138,672	4,349,672	211,000
People and Partnerships						
Midlothian Integration Joint Board	56,593,028	65,754,896	(8,417,325)	57,337,571	57,337,571	0
Non-Delegated Services - Sport and Leisure, Community Safety and Welfare Rights	421,250	1,172,926	(94,001)	1,078,925	1,071,925	(7,000)
Childrens Services, Partnerships and Communities	18,955,577	21,545,485	0	21,545,485	21,487,485	(58,000)
Education	120,906,768	150,041,649	(17,420,133)	132,621,515	132,631,515	10,000
Lothian Valuation Joint Board	581,659	581,659	0	581,659	581,659	0
Non Distributable Costs	898,936	898,936	0	898,936	898,936	0
GENERAL FUND SERVICES NET EXPENDITURE	265,366,334	357,774,504	(68,097,521)	289,676,983	293,372,983	3,696,000
Loan Charges	4,435,000	4,435,000	0	4,435,000	916,000	(3,519,000)
NDR Discretionary Relief	70,300	70,300	0	70,300	70,300	0
Investment Income	(110,736)	0	(110,736)	(110,736)	(285,736)	(175,000)
Allocations to HRA, Capital Account etc.	(5,414,898)	(5,419,273)	0	(5,419,273)	(5,419,273)	0
	264,346,000	356,860,531	(68,208,257)	288,652,274	288,654,274	2,000
less Funding:						
Scottish Government Grant	(191,629,000)	0	(199,439,951)	199,439,951	199,264,951	175,000
Council Tax	(62,836,000)	0	(62,836,000)	62,836,000	63,086,000	(250,000)
Transfer from Housing Revenue Account	(2,014,000)	2,014,000	0	2,014,000	2,069,000	(55,000)
Service Concessions - in-year	(2,608,000)	2,608,000	0	2,608,000	2,608,000	0
Service Concessions - retrospection	(4,093,000)	4,093,000	0	4,093,000	4,093,000	0
Utilisation of Reserves	1,166,000	358,874,531	(330,484,208)	24,362,323	24,234,323	(128,000)

Housing Revenue Account - Revenue Budget 2023/24 – 2024/25 and Capital Plan 2023/24 – 2026/27

Report by David Gladwin, Chief Financial Officer

Report for Decision

1 Recommendations

Council is recommended to:

- Approve the Housing Revenue Account (HRA) Capital Plan for 2024/25 - 2026/27 as detailed in Appendix D;
- Approve the HRA Revenue Budget for 2024/25;
- Note the indicative HRA Revenue Budget for 2025/26 and 2026/27 as detailed in Appendix E; and otherwise
- Note the remaining contents of this report.

2 Purpose of Report / Executive Summary

The purpose of this report is to provide Council with:

- A summary of expenditure and income to the end of quarter 3 in 2023/24 for the Capital Plan and a projected outturn for both the Revenue Account and Capital Plan for 2023/24;
- An update on the Capital Plan and Revenue budget 2024/25 - 2026/27.

The projected financial performance for 2023/24 is:

- Capital Investment in the year totalling £51.359 million;
- A net overspend of £0.124 million on the Revenue Account;
- A projected HRA general reserve at 31st March 2024 of £34.526 million.

The HRA Capital Plan 2024/25 - 2026/27 provides for:

- £151.385 million for Phases 2 - 5 of New Build Social Housing;
- £20 million for Housing- led Dalkeith Town Centre Regeneration;
- £27.908 million for investment in Energy Efficiency Standards in Social Housing; and
- £33.305 million for other investment in existing stock and off-market purchases.

The Revenue Budget Reflects:

- An update of the multi-year financial model;
- A 4.8% rent increase as approved at Council 21st Feb 2023;
- A projected HRA Reserve of £36.135 million at 31st March 2025, which will be required to finance the majority of approved investment commitment and is projected to reduce to £2.509 million at 31st March 2039.

Date: 17th January 2024
Report Contact: Lisa Young lisa.young@midlothian.gov.uk

3 Background

3.1 Capital Plan 2023/24

The Capital Plan Budget has been revised to reflect the current profile of spend as shown in Appendix B and capital investment in the year is projected to be £50.759 million. There is now a minor projected overspend of £0.007 million.

Scottish Government have awarded an additional £0.534 million grant towards the Council's investment in Net-zero in our Social Housing Stock, which was not previously budgeted for.

A project team is now in place for the Housing-led Dalkeith Town Centre project, which has budget of up to £20 million as referenced in the executive summary of this report. Whilst no material spend is projected to be incurred this financial year the outline business case is now starting to progress.

The construction industry across the UK has experienced unprecedented adverse market conditions, which led to significant rises in tender prices for a wide range of materials. There is evidence that inflation of between 10% and 15% beyond BCIS predictions was seen. Continued inflationary pressure provides a risk that the capital budgets provided for delivery of the New Social Housing project will need to be increased with a resultant impact on the funding strategy.

3.2 Revenue Account 2023/24

The underspend reported to Council on 21st November 2023 was £0.224 million. The forecast position has deteriorated by £0.348 million giving rise to a projected overspend at quarter 3 of £0.124 million against budget, as shown in Appendix C.

- This is due to an increase in both the average cost and volume of reactive repairs resulting in an increased cost of £0.256 million.
- Reflection of the most current new social housing delivery programme resulting in reduced rental income of £0.248 million.

Offset by:

- A reduction in the level of debt charges of £0.157 million. This is mainly due to the deferral of the total 2023/24 in-year borrowing requirement to later in the financial year than assumed at quarter two.

The HRA general reserve balance is projected to be £34.526 million at 31st March 2024 and this is committed to finance existing investment plans to 2038/39.

3.3 Capital Plan 2024/25-2026/27

The current approved Housing Revenue Account Capital Plan provides for investment of £234.598 million over the period 2024/25 – 2026/27, of which £151.385 million is earmarked for completion of Phase 3 – Phase 5 of the New Social Housing Programme.

Initially when the new build phase 3 - 5 budget was approved it was estimated this budget would deliver 1,540 units. The amount now estimated to be delivered is 972 units. The reduction is due to inflationary pressures associated with the costs of construction and a move to Passivhaus for some sites resulting in a higher construction cost per unit. The Passivhaus programme is paused at present for a cost benefit review.

Due to the Scottish Government's recent announcement, the level of Affordable Housing Supply Programme grant monies being made available in 2024/25 has reduced. There is a risk the Council might not be awarded the full grant monies budgeted for Phase 5 of the New Social Housing Programme, potentially further reducing the level of units that can be delivered through this phase. Details of the direct impact are not yet clear.

There is further potential to receive Scottish Government Social Housing Net-zero funding of £1.5 million in 2024/25, however this is yet to be approved so no budget provided for at this time.

The HRA Capital Plan is detailed in Appendix D and has been amended to reflect the latest estimated costs of ongoing and planned projects.

3.4 Revenue Account 2024/25

The HRA revenue model has been updated and projected forward to 2038/39 and reflects the revised Capital plan as well as the following key assumptions:

- The borrowing cost of the capital investment detailed in Appendix D together with estimated investment in existing properties over the remaining years of the projection.

- The impact on rental income stream as a result of a 4.8% rent increase for 2023/24 - 2025/26, longer-term assumption of 4.1% to 2031/32 to continue to support investment in EESSH and 1.30% thereafter.

- Projected provision for inflation over future years as per the available 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 continue to support the existing investment plans.

The revised revenue budget for 2023/24 and indicative budget for 2025/26 - 2026/27 is detailed in Appendix E.

4 Report Implications

4.1 Resource

There are no direct resource implications arising from this report.

4.2 Digital

There are no direct digital implications arising from this report.

4.3 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. This is mitigated by the adoption of a long-term financial strategy and modelling which demonstrates that existing investment commitments are sustainable.

There is also the risk of capital spend being lower than projected due to delays on projects, particularly in the current climate of disruptive factors in material supply chains, workforce supply, economic impacts, global conflicts that could result in lower debt charges causing the Housing Revenue Account Reserve balance to increase more than projected.

4.4 Ensuring Equalities

There are no equality issues arising directly from this report.

4.5 Additional Resource Implications

See Appendix A.

Appendices

Appendix A – Additional Resource Implications

Appendix B - Capital Plan 2023/24

Appendix C – Revenue Account 2023/24

Appendix D – Capital Plan 2024/25 – 2026/27

Appendix E – Revenue Account 2024/25 – 2026/27

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

☒ Holistic Working
☐ Hub and Spoke
☒ Modern
☒ Sustainable
☐ Transformational
☒ Preventative
☒ Asset-based
☒ Continuous Improvement
☒ One size fits one
☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

☒ One Council Working with you, for you
☒ Preventative and Sustainable
☒ Efficient and Modern
☒ Innovative and Ambitious
☐ None of the above

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value.

A.5 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities.

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

The report does not directly relate to adopting a preventative approach.

A.8 Supporting Sustainable Development

The report does not directly relate to supporting sustainable development.

MIDLOTHIAN COUNCIL

Appendix B

HOUSING REVENUE ACCOUNT CAPITAL PLAN 2023/24

	Revised Budget 2023/24 £'000	Actuals to Date £'000	Projected Outturn £'000	Variation (Under)/Over £'000
FUNDING				
Scottish Government Grants				
- Affordable Housing Supply Programme Funding	9,295	3,994	9,295	0
- Off Market Purchases Funding	1,543	1,213	1,543	0
- Social Housing Net-zero Funding	0	0	534	534
Council Tax on Second Homes	110	0	110	0
Borrowing Requirement	40,404	26,565	39,877	(527)
TOTAL AVAILABLE FUNDING	51,352	31,772	51,359	7

APPROVED EXPENDITURE	**£'000**	**£'000**	**£'000**	**£'000**
New Build Houses Phase 2 - Phase 5	35,375	22,503	35,375	0
Backdated Developer Contribution	875	0	875	0
Off Market Purchases	4,073	3,095	4,073	0
Aids & Adaptations	499	185	499	0
Environmental Improvements	100	13	100	0
BDHS Meters	20	0	20	0
Homelessness - Temporary Accommodation Provision	67	33	74	7
Scottish Housing Quality Standard				0
-Upgrade Central Heating Systems	1,677	865	1,677	0
-Energy Efficiency Standard for Social Housing (EESSH)	1,200	0	1,200	0
-Scottish Housing Quality Standards (SHQS) Repairs	7,466	5,078	7,466	0
TOTAL EXPENDITURE	51,352	31,772	51,359	7

MIDLOTHIAN COUNCIL

Appendix C

HOUSING REVENUE ACCOUNT 2023/24

	Revised Budget	Projected Outturn	Variation (Under)/Over
Average No of Houses	**7,636**	**7,378**	**(258)**
	£000's	**£000's**	**£000's**
Repairs and Maintenance			
General Repairs	7,492	7,956	464
Decant/Compensation	65	70	5
Grounds Maintenance	829	591	(238)
	8,386	**8,617**	**231**
Administration and Management	5,433	5,433	0
Loan Charges	14,484	13,627	(857)
Other Expenses	2,821	3,011	190
TOTAL EXPENDITURE	**31,124**	**30,688**	**(436)**
Rents			
Houses	32,819	32,258	561
Garages	647	647	0
Others	165	166	(1)
TOTAL RENTS	**33,631**	**33,071**	**560**
NET EXPENDITURE/(INCOME)	**(2,507)**	**(2,383)**	**124**

Movement in HRA Reserve

Opening HRA Reserve	**(32,143)**
Enhancement during 2023/24 as above	**(2,383)**
Reserve Earmarked to fund capital investment plans	**(34,526)**

MIDLOTHIAN COUNCIL

Appendix D

HOUSING REVENUE ACCOUNT CAPITAL PLAN 2024/25-2026/27

	Proposed Budget 2024/25 £'000	Proposed Budget 2025/26 £'000	Proposed Budget 2026/27 £'000
FUNDING			
Grants			
- Affordable Housing Supply Programme Funding	18,783	10,801	0
- Off Market Purchases Funding	715	715	110
Council Tax on Second Homes	113	116	119
Borrowing Requirement	83,443	81,827	35,856
TOTAL AVAILABLE FUNDING	103,054	93,459	36,085

APPROVED EXPENDITURE	**£'000**	**£'000**	**£'000**
New Build Houses Phase 2 - Phase 5	72,324	61,142	17,919
Backdated Developer Contributions	696	1,000	1,000
Housing Led Town Centre Regeneration	10,000	10,000	0
Off Market Purchases	1,950	1,950	265
Aids & Adaptations	519	529	537
Bonnyrigg District Heating Scheme Meters	1,280	0	0
Environmental Improvements	3,900	2,000	2,000
Scottish Housing Quality Standard			
-Upgrade Central Heating Systems	1,677	2,791	0
-Energy Efficiency Standard for Social Housing	6,445	10,573	10,890
-SHQS Upgrades	4,263	3,474	3,474
TOTAL EXPENDITURE	103,054	93,459	36,085

MIDLOTHIAN COUNCIL

HOUSING REVENUE ACCOUNT 2024/25-2026/27

Appendix E

	2024/25 Proposed Budget	2025/26 Indicative Budget	2026/27 Indicative Budget
Average No of Houses	**7,664**	**8,029**	**8,284**
	£000's	**£000's**	**£000's**
Repairs and Maintenance			
General Repairs	8,237	8,578	8,806
Decant/Compensation	71	73	74
Grounds Maintenance	603	614	624
	8,911	**9,265**	**9,504**
Administration and Management	5,537	5,643	5,750
Loan Charges	16,568	20,131	23,081
Other Expenses	2,856	2,949	3,038
TOTAL EXPENDITURE	**33,872**	**37,987**	**41,373**
Income			
Houses Rents	34,631	38,546	41,828
Garages Rents	677	723	738
Other Income	173	184	188
TOTAL RENTS	**35,481**	**39,453**	**42,754**
NET EXPENDITURE/(INCOME)	**(1,609)**	**(1,466)**	**(1,381)**
BALANCE BROUGHT FORWARD	**(34,526)**	**(36,135)**	**(37,601)**
BALANCE CARRIED FORWARD	**(36,135)**	**(37,601)**	**(38,981)**

General Services Capital Plan 2023/24 Quarter 3 Monitoring, and 2024/25 to 2027/28 Budgets

Report by David Gladwin, Chief Financial Officer & Section 95 Officer

Report for Decision

1 Recommendations

It is recommended that Council:

a) Note the inclusion of the projects listed in Section 3.1 in the General Services Capital Plan (GSCP).
b) Approve the adjustment to the project expenditure and funding budgets for the projects as outlined in Section 3.2.
c) Approve the addition of the new projects to the GSCP, as outlined in Section 3.3.
d) Note the changes to the GSCP in respect of the Learning Estate Strategy as outlined in Section 3.4 and as per the Capital Plan Prioritisation report.
e) Note the forecast outturn for 2023/24 for expenditure, funding and borrowing as outlined in Section 4.
f) Note the planned expenditure and funding levels in the GSCP for 2023/24 to 2027/28 (as outlined in Section 5 and shown in Appendices B and C), prior to reaching a financially sustainable outcome from the Capital Plan Prioritisation exercise.

2 Purpose of Report

The purpose of this report is to provide Council with:

- An update of the GSCP incorporating information on further additions to the Capital Plan for approval (Section 3).
- Information on the projected performance against budget for 2023/24 (Section 4).
- Forecast expenditure and income for the GSCP for 2024/25 through to 2027/28 (Section 5)
- Update on the Capital Fund (Section 6).

Date 07 February 2024
Report Contact:
Name Gary Thomson
Email gary.thomson@midlothian.gov.uk

3 Update of General Services Capital Plan

3.1 Projects presented for endorsement in the Plan.

The plan now incorporates the projects approved by Council on 19 December 2023 in respect of the following:

- **Recycling Improvement Fund**: Service & Transformational change in relation to kerbside recycling including new bins and an extended waste transfer shed at Stobhill Recycling Centre. Capital expenditure budget of £2.322 million to be fully phased in 2025/26 and fully funded by £2.322 million of external grant funding from Zero Waste Scotland's Recycling Improvement Capital Grant.

3.2 Adjustments to Existing Project Budgets

The plan now incorporates the adjustments to existing project budgets in respect of the following:

- **Vehicle & Plant Replacement Programme**: Acceleration of Capital Investment with £3.515 million of existing capital expenditure budgets in 2025/26, 2026/27 and 2027/28 brought forward to 2023/24 and 2024/25 to allow the Council to continue to deliver its operational activities whilst ensuring that its fleet remains modern, efficient and fit for purpose. Approved by Council on 19 December 2023.

- **Shawfair Town Centre Land Purchase**: Adjustment to funding budget to reflect Vacant & Derelict Grant Funding from Scottish Government (£3.667 million phased across 2023/24 and 2024/25) alongside Shawfair LLP Funding, with all project capital expenditure (£5.615 million) remaining fully externally funded. As approved by Council on 19 December 2023.

- **Millerhill Park Asphalt Park**: Additional £0.010 million of external funding, Millerhill Park developer contributions, to be allocated to part fund the new Millerhill community hub, as approved by Council on 21 November 2023.

- **Rosewell & Roslin Pump Tracks**: Update to the capital expenditure and funding budgets for both projects.
  - **Rosewell**: £0.090 million capital expenditure budget (replacing the existing £0.046 million capital expenditure budget), to be fully funded by £0.039 million of external developer contributions, £0.046 million of external Scottish Government Play Park Renewal 2023/24 Capital Grant, and £0.005 million of Member's Environmental Funds.
  - **Roslin**: £0.090 million capital expenditure budget (replacing the existing £0.059 million capital expenditure budget) to be fully funded by £0.049m of external developer contributions, £0.031 million of external Scottish Government Play Park Renewal 2023/24 Capital Grant, and £0.010 million of Member's Environmental Funds.

- **Dalkeith Thistle & One Dalkeith (Place Based Investment Fund 2)**: Men's shed to be relocated to One Dalkeith premises. Release of remaining £0.002 million expenditure budget for Dalkeith Thistle pavilion, replaced with additional £0.002 million expenditure budget for One Dalkeith's PBIF2 project.

3.3 Projects presented for endorsement in the Plan.

The following projects are presented for endorsement to be fully adopted within the GSCP:

<u>Capital Plan & Asset Management Board 30 January 2024</u>

- **Community Bus Fund 2023/24**: Purchase and installation of 37 Real Time Passenger Information signs as part of SEStrans region-wide upgrade project. £0.279 million capital expenditure budget, fully phased in 2023/24 and fully externally funded by Capital Grant funding from Scottish Government's General Capital Grant and Transport Scotland's Bus Partnership Fund.

3.4 Capital Plan Prioritisation

Presented elsewhere on today's agenda is the Capital Plan Prioritisation Report.

This exercise has been undertaken to reprofile the available resources in the GSCP with a list of recommended project changes to move towards an affordable GSCP.

As part of this, an agreed set of changes have been made to the GSCP in respect of the Learning Estate Strategy:

- **Bilston Primary** – Phase 3 Extension fully externally funded by developer contributions.
- Extension only for **Mauricewood Primary**, fully externally funded by developer contributions.
- Removal of the **King's Park Primary** refurbishment / extension
- Removal of the **Newtongrange Primary** refurbishment / extension
- Removal of **Gorebridge High School**
- Revised Scope for school provision to serve the **Shawfair & Danderhall catchments**, part externally funded by developer contributions.
- Bonnyrigg Primaries solution replaced with expansion of **Mount Esk & Hawthornden**, to be fully externally funded by developer contributions.
- Revision to level of developer contributions that can be applied to fund the **Woodburn Primary** extension and new **Easthouses Primary** projects.
- Inclusion of **Building Upgrades** required to support the revised Learning Estate Strategy.

The agreed changes to the LES as outlined above result in a reduction in the net borrowing requirement arising from the General Services Capital Plan of £80.521 million.

4 2023/24 Projection against budget

4.1 2023/24 Budget & Rephasing

The Capital Plan expenditure budget for 2023/24 as reported to Council at Quarter 2 on 21 November 2023 was £72.040 million, with a funding budget of £36.127 million and an in-year borrowing requirement of £35.913 million.

After accounting for the new projects and adjustments to project budgets as outlined in Section 3, the capital plan expenditure budget for 2023/24 is £73.700 million, funding budget is £37.987 million and in-year borrowing of £35.713 million.

Project expenditure budgets have been rephased based on the latest information available from Project Managers and Service Leads as noted in Table 1 below.

Table 1: Rephasing of project expenditure budgets

Project	Description of amendment to budget	Previous 2023/24 Budget £000's	Revised 2023/24 Budget £000's	2023/24 Budget Movement £000's
CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD				
Woodburn Primary School Extension	Reprogramming of external works (MUGA) to summer/autumn 2024	5,525	4,773	-752
Modular Units 2023/24	Completion of external works will fall into early part of 2024/25 financial year	2,483	2,200	-283
Beeslack Community High School Replacement	Programme extended due to further design work required following changes to scope of project prior to the RIBA Stage 2 approval. Construction cashflow revised to reflect construction process	4,481	1,303	-3,178
Penicuik High School Refurbishment	Programme slippage due to design development work. Fee drawdown from the external PM provided, replacing previous assumptions on drawdown	736	178	-558
Shawfair/Dalkeith High Schools	Programme slippage to reflect ongoing appraisal of scope	1,921	250	-1,671

Learning Estate Strategy – Development Budget	Rephasing to 2024/25 given re-prioritisation of Learning Estate	846	200	-646
ASSET MANAGEMENT PROGRAMME BOARD				
Digital Services Asset Management Plan	Refreshed asset management programme provided along with extension of life of existing front office and schools devices with SDD and RAM upgrades rather than full device replacement	2,041	766	-1,275
TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARD				
A701 & A702 Relief Road City Deal	Rephasing reflecting reprioritisation of project phasing and expenditure as reported elsewhere on today's agenda	995	500	-495
REGENERATION & DEVELOPMENT PROGRAMME BOARD				
Destination Hillend	Rephasing of project expenditure to reflect amended project programme	8,993	7,601	-1,392
Shawfair Town Centre Land Purchase	Timing of expenditure (matched in full by funding) now reflecting updated structure of land acquisition and back-to-back funding	5,615	4,615	-1,000
OTHER				
Assistive Technology & Analogue to Digital	There have been delays in being able to procure the necessary equipment through the Scotland Excel Digital Framework which is now expected to be in place by June 2024. The programme will therefore be accelerated in 2024-25 to make up for this delay with all equipment installed by December 2025	709	280	-429
Others	Minor variances	3,133	2,863	-270
Total		**37,478**	**25,529**	**-11,949**

This results in a rephased capital expenditure budget for 2023/24 of £61.751 million as shown in detail in Appendix B.

In line with this, the expected level of funding available to finance the plan has also been rephased from £37.987 million to £32.766 million, a decrease of £5.221 million.

This reduces the projected in-year borrowing requirement from £35.713 million to £28.985 million. The projected performance against budget for 2023/24 is shown in table 2 below:

Table 2: General Services Capital Plan Projected Performance against Budget 2023/24 – as at Quarter 3

Item	2023/24 Budget £000's	2023/24 Rephased Budget £000's	Actual To Q3 £000's	2023/24 Projected Outturn £000's	2023/24 Variance £000's	2023/24 Carry Forward £000's
Expenditure	72,040	61,751	22,177	61,235	-516	-11,949
Funding	36,127	32,766	11,065	32,360	-406	-5,221
Borrowing Required	**35,913**	**28,985**	**11,112**	**28,875**	**-110**	

4.2 Expenditure

Expenditure to Quarter 3 is £22.177 million with a projected expenditure outturn of £61.235 million, £0.516 million less than the rephased budget – which would exceed the original target of the release of contingencies of £0.506 million for 2023/24.

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

- **Modular Units 2023/24**: Units installed and external works tenders assessed. Release of £0.450m of project expenditure budget, with equal reduction in application of developer contributions.
- **St. Mary's PS / Burnbrae Early**: Release of remaining £0.011m of project budget – now complete.
- **Homecare**: Underspend of £0.055m as system now hosted so development budget can no longer be capitalised.

The expenditure to Quarter 3 (£22.177 million) equates to 36% of the forecast outturn expenditure (£61.235 million). This means that the remaining £39.058 million, or 64% of expenditure, is projected to be incurred by the end of the financial year, with only 31% of the financial year remaining.

The expenditure forecasts are based on the latest assessment of project expenditure by service leads and project managers. The risk in these forecasts is that expenditure is materially less than forecast, with overly optimistic forecasts from service leads and project managers resulting in underspends within the current financial year and/or rephasing from 2023/24 back to 2024/25.

The actual outturn position will be presented as part of the General Services Capital Plan – Outturn 2023/24 report to Council in June 2024, with prior reporting, challenge and assessment at Capital Plan & Asset Management Board.

4.3 Funding

The funding available to finance the Capital Plan in 2023/24 is expected to total £32.360 million, £0.406 million lower than the revised budget and reflecting the movement in funding to be applied as noted in Section 4.2, along with redetermination of an additional £0.044 million of General Capital Grant funding from the Scottish Government in Finance Circular 08/2023 dated 21 December 2023. Funding of £11.065 million has been received to 10 December 2023.

4.4 Borrowing

The original budgeted level of borrowing for 2023/24 was £62.888 million. This has been rephased at Quarter 1 and Quarter 2 (as previously reported to Council) and Quarter 3 (as outlined in Section 4.1 above) to a budgeted level of borrowing for 2023/24 of £28.985 million – a total reduction in the forecast level of borrowing of £33.903 million.

Based on the forecast outturn expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2023/24 is £28.875 million, which is £0.110 million less than the rephased Q3 budget.

The impact on the Council's borrowing costs is reflected in the Financial Monitoring 2023/24 General Fund Revenue report elsewhere on today's agenda.

5 Capital Plan 2024/25 to 2027/28

5.1 Rephasing of Project Expenditure & Funding

In addition to the rephasing of project expenditure and funding from 2023/24 to/from 2024/25 as reported in Section 3, expenditure and income forecasts covering the remainder of the period of the plan have been rephased to reflect the most recent information available from Project Managers and Service Leads.

However, it has been observed for a number of years that “rephasing” occurs beyond even these forecasts due to a variety of issues including but not limited to supply chain pressures, issues arising during the consultation process, and internal capacity issues. This remains an issue as the UK continues to be impacted by the supply chain issues associated with the UK leaving the European Union remain, and wider global inflationary pressures resulting from the exiting of the Covid-19 pandemic and the conflict in Ukraine, which have already had a material impact on construction costs and project programmes.

To address this, strengthened financial monitoring & governance procedures have been implemented by CP&AMB, which will ensure that significant variations can be captured and reported to Programme Boards and CP&AMB so that any variance to these forecasts can be reported at the earliest opportunity.

Capital expenditure budgets have been established for 2027/28 to reflect the inclusion of block budgets for the Council’s asset management strands, equating to £6.650 million, as follows:

Table 3: Asset Management Strand Block Budgets

Asset Management Strand	**2027/28 Budget £000’s**
Street Lighting	1,000
Footway & Footpaths	500
Road Upgrades	1,500
Fleet	1,500
Property	1,000
Assistive Technology	150
Total	**5,650**

In addition, expenditure budgets from later years for already approved Learning Estate Strategy and other projects which are expected to fall into 2027/28 have also been included. £0.180 million for Member’s Environmental Funds have also been included.

A target has been set in the Capital Plan for the release of project contingencies, with the annual target equating to 2.5% of prior year’s expenditure. Over the life of the plan, this equates to a total provision for the return of project contingencies of £11.040 million, based on a total of £470.899 million of capital expenditure. Project managers are therefore tasked with working within the approved budgets to deliver the release of contingencies in line with this.

5.2 Scottish Government General Capital Grant Funding

The General Capital Grant in Finance Circular 08/2023 issued on 21 December 2023 provides funding of £6.696 million for the 2024/25 financial year.

This is a reduction in General Capital Grant funding of c. 28% from 2023/24 levels and reflects Midlothian's share of the £430.287 million total General Capital Grant for Scottish Local Authorities (2023/24 value £590.000 million).

An element of the General Capital Grant has been earmarked to fully fund capital expenditure budgets for Contaminated Land (£0.070m) and Public Sector Housing Grants (£0.291m).

The planning assumption for the level of General Capital Grant funding from the Scottish Government over the period 2025/26 to 2027/28 is that the annual capital grant will be cash flat from 2023/24 levels, equating to £6.696 million per annum. Over the 4 year forward looking life of the plan (2024/25 to 2027/28), this equates to a reduction in General Capital Grant funding of £10.372 million, increasing the affordability pressure on the plan.

5.3 Borrowing

As a result of these revised expenditure and funding forecasts, the possible forecast expenditure and funding levels are as outlined in Table 4 below (with the level of borrowing shown for illustration purposes only), prior to reaching a financially sustainable outcome from the Capital Plan Prioritisation exercise.

Table 4: General Services Capital Plan 2023/24 to 2027/28

Item	**2023/24 Forecast Outturn £000's**	**2024/25 Budget £000's**	**2025/26 Budget £000's**	**2026/27 Budget £000's**	**2027/28 Budget £000's**	**Total Budget £000's**
Expenditure	60,935	74,519	99,150	83,661	43,832	**362,097**
Expenditure Projects under development	300	3,791	21,042	31,187	42,622	**98,942**
Total Expenditure	**61,235**	**78,310**	**120,192**	**113,668**	**86,454**	**459,859**
Funding	32,360	28,365	30,889	29,001	19,005	**139,621**
Borrowing Required	**28,875**	**49,945**	**89,303**	**84,667**	**67,449**	**320,238**

6 Capital Fund

The Capital Fund at the start of the 2023/24 financial year was £20.107 million. £7.694 million of this is currently committed to fund the A701 Relief Road / City Deal project, with a further £9.061 million committed to support capital investment across the wider General Services Capital Plan, including the utilisation of £2.533 million in 2023/24.

The forecast non-committed capital fund balance at 31 March 2023 is £3.229 million, as shown in table 5 below.

Table 5: Capital Fund

Item	Amount £000's
Balance at 01 April 2023	**20,107**
Forecast Capital Receipts 2023/24	350
Committed to fund City Deal Project	-7,694
Committed to support Capital Investment	-9,121
Developer Contributions earmarked for specific purposes	-473
Non-committed balance at 31 March 2024	**3,229**

7 Report Implications

7.1 Resource

The borrowing required to finance investment for fully approved projects and those under development in 2023/24 to 2027/28 is currently £320.238 million.

The implications of this borrowing requirement will be addressed as part of the General Services Capital Plan Prioritisation project, which is also presented on today's agenda.

7.2 Digital

There are no digital implications arising from this report.

7.3 Risk

The construction materials supply chain has already been subject to unprecedented disruption through a combination of the Coronavirus (COVID-19) Pandemic, the UK leaving the European Union, the conflict in Ukraine and the global inflationary picture. The Construction Leadership Council (CLC) continues to report shortages of construction materials and forecasts this disruption to continue for the foreseeable future. Ongoing engagement with suppliers confirms that materials shortages, longer lead times and steep price increases are highly likely to continue to impact the supply chain.

This potentially exacerbates the inherent risk in the Capital Plan that projects will cost more than estimated thus resulting in additional borrowing or will be subject to significant delay.

Strengthened financial monitoring & governance procedures have been approved by CP&AMB, which will ensure that significant variations can be captured and reported to Programme Boards and CP&AMB so that remedial action can be taken to mitigate the risks.

In developing the strategy and taking cognisance of the longer term affordability gap it is clear that a number of potential projects which are currently included will only be able to be progressed if they can be delivered on a spend to save basis (i.e. where income or cost savings more than offset the cost of funding the investment) or where they can be delivered on a cost neutral basis or through alternative funding mechanisms. The proposed recommendations of the General Services Capital Plan Prioritisation project, included elsewhere on today's agenda, take cognisance of this.

The Capital Plan includes a provision for the return of contingencies of £11.040 million over the period 2023/24 to 2027/28, equating to 2.5% of all project expenditure. The risk is that projects throughout the plan are unable to deliver this which could be in part due to factors outwith the Council's control. Capital Plan & Asset Management Board will review the level of return of contingencies against the £11.040 million provision on an ongoing basis to ensure that projects can, where possible, deliver against this provision and that the provision continues to be appropriate.

7.4 Ensuring Equalities

There are no equalities issues arising directly from this report.

7.5 Additional Report Implications

See Appendix A.

Appendix A: Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable.

A.2 Key Drivers for Change

A.3 Key Delivery Streams

Themes addressed in this report:

☐ One Council Working with you, for you
☒ Preventative and Sustainable
☐ Efficient and Modern
☐ Innovative and Ambitious
☐ None of the above

A.4 Delivering Best Value

Actively managing priorities within the GSCP will ensure that capital investment required to ensure Midlothian Council's priorities as set out in the Single Midlothian Plan achieves Best Value.

A.5 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

A.6 Impact on Performance and Outcome

Actively managing priorities within the GSCP will ensure that capital investment required to ensure Midlothian Council's priorities as set out in the Single Midlothian Plan achieves shared outcomes.

A.7 Adopting a Preventative Approach

Not applicable.

A.8 Supporting Sustainable Development

Actively managing priorities within the GSCP will ensure that capital investment required to ensure Midlothian Council's priorities as set out in the Single Midlothian Plan are achieved in a financially sustainable way.

Background Papers:
Appendix B – Summary General Services Capital Plan 2023/24 to 2027/28
Appendix C – Detailed General Services Capital Plan Monitoring 2023/24 Quarter 3
Appendix D – Detailed General Services Capital Plan Expenditure 2023/24 to 2027/28

Appendix B: Summary General Services Capital Plan 2023/24 to 2027/28

GENERAL SERVICES CAPITAL PLAN 2023/24 to 2024/28	2023/24 Forecast Outturn £'000	2024/25 Budget £'000	2025/26 Budget £000's	2026/27 Budget £000's	2027/28 Budget £000's	Total Budget £'000
EXPENDITURE - PER PROGRAMME BOARD						
Children, Young People & Estates	28,516	42,362	93,017	99,690	75,636	**339,221**
Asset Management	14,190	17,205	12,312	9,470	10,423	**63,598**
Transport, Energy & Infrastructure	3,196	600	3,352	5,305	2,616	**15,069**
Regeneration & Development	12,990	13,707	7,191	1,386	0	**35,274**
Other	2,850	6,975	6,342	872	698	**17,737**
Provision for return of contingencies	-506	-2,539	-2,021	-3,055	-2,918	**-11,040**
Total Approved Expenditure	**61,235**	**78,310**	**120,192**	**113,668**	**86,454**	**459,859**
Total Fully Approved	60,935	74,519	99,150	83,661	43,832	**362,097**
Total Approved in Principle / Planned Learning Estate	300	3,791	21,042	30,007	42,622	**97,762**
Total Projects Fully Approved	**61,235**	**78,310**	**120,192**	**113,668**	**86,454**	**459,859**
FUNDING						
Government Grants - General Capital Grant	7,771	6,991	7,188	6,696	6,696	**35,342**
Government Grants - Early Years	4,328	3,665	662	0	0	**8,654**
Government Grants - Others	4,790	2,004	2,747	425	425	**10,391**
City Deal Funding (Scottish Government)	500	175	2,927	4,880	0	**8,482**
City Deal Funding (Capital Fund)	0	0	0	0	0	**0**
Transfer from Capital Fund to Capital Plan	2,473	0	0	0	0	**2,473**
Receipts from Sales	350	325	0	0	0	**675**
Receipts from Sales transferred to General Fund Reserve	-290	-325	0	0	0	**-615**
Land Transfers from HRA Applied to Capital Plan	0	0	0	0	0	**0**
CFCR	0	0	0	0	0	**0**
Developer Contributions - Learning Estate Strategy	9,069	14,192	16,587	16,079	9,547	**65,473**
Developer Contributions - Learning Estate Retrospective	750	750	750	750	750	**3,750**
Developer Contributions - A701/702	0	0	0	0	1,587	**1,587**
Developer Contributions - Other Projects	626	589	28	171	0	**1,414**
Other Contributions	1,994	0	0	0	0	**1,994**
Total Available Funding	**32,361**	**28,365**	**30,889**	**29,001**	**19,005**	**139,621**
Approved Borrowing Required	**28,875**	**49,945**	**89,303**	**84,667**	**67,449**	**320,238**
Government Grants - Learning Estate Investment Programme	0	0	11,518	0	39,165	**50,683**
Net Capital Cost to Council	**28,875**	**49,945**	**77,785**	**84,667**	**28,284**	**269,555**

Appendix C

Detailed General Services Capital Plan Monitoring 2023/24 Quarter 3

Budget is approved in principle - requires approval of OBC before budget is fully approved

GENERAL SERVICES CAPITAL PLAN Q3 Monitoring	Rephased 2023/24 Budget Q2 £000's	Rephased 2023/24 Budget Q3 £000's	2023/24 Actual to P9 £000's	2023/24 Forecast Outturn Q3 £000's	2023/24 Variance Q3 £000's	2023/24 Carry Forward Q3 £000's
CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD						
FULLY APPROVED PROJECTS						
Education - Primary						
Woodburn Primary 9 class & activity hall extension	5,525	4,773	1,514	4,773	-	752
Easthouses Primary School	15,723	15,723	5,377	15,723	-	-
Mayfield & St. Luke's School Campus	1,762	1,762	1,067	1,762	-	-
Burnbrae Primary - Conversion of ASN to GP Space	71	71	-	71	-	-
Modular Units 2023/24	2,483	2,200	1,616	1,750	(450)	283
Education - Secondary						
Beeslack CHS Replacement	4,481	1,303	646	1,303	-	3,178
Penicuik High School	736	178	13	178	-	558
Education - ASN						
Hawthornden Primary - ASN Unit	1,404	1,404	1,305	1,404	-	-
Education - Early Years						
King's Park Primary School	6	6	-	6	-	-
Settings/Catering Kitchens	150	150	104	150	-	-
Hawthorn Children & Families Centre Alteration	120	120	159	120	-	-
Mauricewood Primary School	46	46	6	46	-	-
Vogrie Outdoor Early Learning Centre	81	81		81	-	-
Other Outdoor Spaces	218	218	226	218	-	-
Education - Primary - Projects near completion						
Paradykes Primary Replacement	95	95	21	95	-	-
St. Mary's RC & Early Burnbrae Primary Schools	22	22	9	11	(11)	-
New Danderhall Primary hub	88	88	(53)	88	-	-
Sacred Heart Primary School Extension	30	30	30	30	-	-
Acoustic Upgrades	150	150	59	150	-	-
Education _ General						
Learning Estate Strategy: Development Budget	846	200	-	200	-	646
Burnbrae Primary School External Works	56	56	55	56	-	-
TOTAL - CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD	**34,094**	**28,677**	**12,155**	**28,216**	**(461)**	**5,417**

GENERAL SERVICES CAPITAL PLAN Q3 Monitoring	Rephased 2023/24 Budget Q2 £000's	Rephased 2023/24 Budget Q3 £000's	2023/24 Actual to P9 £000's	2023/24 Forecast Outturn Q3 £000's	2023/24 Variance Q3 £000's	Defer Delete £000's
PLANNED LEARNING ESTATE PROJECTS						
Education - Primary						
Kings Park PS upgrade to existing building	50	-	-	-	-	-
Mauricewood Refurbishment	50	-	-	-	-	-
Rosewell Primary School - extend to 2 stream	50	-	-	-	-	-
Education - Secondary						
Shawfair/Dalkeith High Schools	1,921	250	-	250	-	1,671
Education - ASN						
ASN Provision - Social Complex Needs	50	50	-	50	-	-
TOTAL - CYPP PLANNED LEARNING ESTATE PROJECTS	**2,121**	**300**	**-**	**300**	**-**	**1,671**
CYPP - OVERALL TOTAL	**36,215**	**28,977**	**12,155**	**28,516**	**(461)**	**7,088**

GENERAL SERVICES CAPITAL PLAN Q3 Monitoring	Rephased 2023/24 Budget Q2 £000's	Rephased 2023/24 Budget Q3 £000's	2023/24 Actual to P9 £000's	2023/24 Forecast Outturn Q3 £000's	2023/24 Variance Q3 £000's	2023/24 Carry Forward Q3 £000's
ASSET MANAGEMENT PROGRAMME BOARD						
Digital						
Business Applications	258	213	62	213	-	45
Front Office - Hardware, Software & Services	399	197	159	197	-	202
Back Office - Hardware, Software & Services	534	191	135	191	-	343
Network, Software & Services	652	128	50	128	-	524
Schools - Hardware, Software & Services	457	180	38	180	-	277
Recharge of Staffing	-	70		70	-	(70)
Digital: Equipped for Learning	2,373	2,388	737	2,388	-	(15)
Roads & Street Lighting						
Street Lighting and Traffic Signal Upgrades - New	1,276	1,276	756	1,276	-	-
Footway & Footpath Asset Management Plan - New	460	460	198	460	-	-
Road Upgrades - Asset Management Plan	1,483	1,483	578	1,483	-	-
Accelerated Roads Residential Streets	1,836	1,836	1,050	1,836	-	-
Roads: Potholes & Upgrades	1,100	1,100		1,100	-	-
Fleet						
Vehicle & Plant Replacement Programme	1,871	3,316	1,153	3,316	-	-
Property						
Property Upgrades	633	633	383	633	-	-
Open Spaces / Play Areas						
Ironmills Park Steps	7	7	-	7	-	-
Outdoor Play Equipment - Roswell	-	46	-	46	-	-
Roslin Wheeled Sports Facility	-	31	-	31	-	-
Mauricewood Road Bus Shelter	4	4	-	4	-	-
Millerhill Park Circular Path & Bicycle Pump Track	89	-	-	-	-	89
Millerhill Park Asphalt Path	90	100	-	100	-	-
Birkenside Play Equipment	72	72	-	72	-	-
Welfare Park, Newtongrange	39	-	-	-	-	39
Pump Track, North Middleton	2	2	(1)	2	-	-
Play Park Upgrades: Clarinda Gardens & Ironmills Park	51	51	-	51	-	-
Play Park Renewal 2021/22	9	9	5	9	-	-
Play Park Renewal 2023/24+	162	85	9	85	-	77
Nature Restoration Fund 2022/23	3	3	3	3	-	-
Nature Restoration Fund 2023/24	211	177	177	177	-	34
Contaminated Land	70	70	54	70	-	-
Sport & Lesiure						
Property - Poltonhall Astro & Training Area Resurfacing	37	37	25	37	-	-
Dalkeith Thistle - Pavilion Upgrade	6	6	2	4	(2)	-
Loanhead Memorial Park Pitch	4	4	-	4	-	-
Flotterstone Car Park Infrastructure & Charging	16	16	-	16	-	-
TOTAL - ASSET MANAGEMENT PROGRAMME BOARD	**14,204**	**14,192**	**5,572**	**14,190**	**(2)**	**1,545**
TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARD						
Transport						
A701 & A702 Relief Road City Deal Project	995	500	340	500	-	495
A7 Urbanisation	187	187	-	187	-	-
Cycling, Walking & Safer Streets Projects	1,190	1,190	345	1,190	-	-
Community Bus Fund	-	279	-	279	-	-
FCC Zero Waste - Heat Offtake Facility	1,040	1,040	-	1,040	-	-
TOTAL - TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARI	**3,412**	**3,196**	**685**	**3,196**	**-**	**495**
			23%			
REGENERATION & DEVELOPMENT PROGRAMME BOARD						
Regeneration						
Place Based Investment Fund 2021/22	311	311	21	311	-	-
Place Based Investment Fund 2022/23+	461	461	154	463	2	-
Development						
Destination Hillend	8,993	7,601	2,574	7,601	-	1,392
Shawfair Town Centre Land Purchase	5,615	4,615	61	4,615	-	1,000
TOTAL - REGENERATION & DEVELOPMENT PROGRAMME BOARD	**15,380**	**12,988**	**2,810**	**12,990**	**2**	**2,392**

GENERAL SERVICES CAPITAL PLAN Q3 Monitoring	Rephased 2023/24 Budget Q2 £000's	Rephased 2023/24 Budget Q3 £000's	2023/24 Actual to P9 £000's	2023/24 Forecast Outturn Q3 £000's	2023/24 Variance Q3 £000's	2023/24 Carry Forward Q3 £000's
OTHER (PROGRAMME BOARD NOT YET DEFINED)						
PLACE						
Digital						
Council Hybrid Meetings	52	52	48	52	-	-
Transport						
Food Waste Rural Routes	119	119	119	119	-	-
Property/Development						
Midlothian & Fairfield House Shower Upgrades	5	5		5	-	-
Public Sector Housing Grants	291	291	168	291	-	-
Penicuik THI: Public Realm Scheme	171	171		171	-	-
CCTV Network	444	444	10	444	-	-
2-4 West Street, Penicuik	48	48	9	48	-	-
EWiM - Buccleuch House Ground Floor	33	33		33	-	-
Millerhill Pavilion	23	23	16	23	-	-
PEOPLE & PARTNERSHIPS						
Education						
Free School Meal Provision	397	397	256	397	-	-
Children's Services						
Residential House for 5-12 year olds	76	76	3	76	-	-
Communities & Partnerships						
Members Environmental Improvements	221	221	89	221	-	-
Adult Social Care						
Assistive Technology	209	30	21	30	-	179
Analogue to Digital Transition	500	250		250	-	250
Homecare	55	55		-	(55)	-
Highbank Intermediate Care Reprovisioning	467	467	85	467	-	-
Day Care Centre	43	43		43	-	-
General Fund Share of Extra Care Housing	179	179	130	179	-	-
TOTAL NOT ALLOCATED TO PROGRAMME BOARDS	**3,334**	**2,915**	**955**	**2,860**	**(55)**	**429**
			33%			
SUBTOTAL - PRE RETURN OF CONTINGENCIES	**72,546**	**62,258**	**22,177**	**61,751**	**(516)**	**11,949**
Provision for Return of Contingencies	(506)	(506)	-	(516)	-	-
GENERAL SERVICES CAPITAL PLAN TOTAL	**72,040**	**61,751**	**22,177**	**61,235**	**(516)**	**11,949**

Appendix D

Detailed General Services Capital Plan Expenditure 2023/24 to 2027/28

Budget is a "Project Under Development" - requires approval of SOBC before budget is fully approved						23/24 to27/28
GENERAL SERVICES CAPITAL PLAN 2023/24 to 2027/28	**2023/24 F/cast O/T £'000**	**2024/25 Budget £000's**	**2025/26 Budget £000's**	**2026/27 Budget £000's**	**2027/28 Budget £000's**	**Total Spend £'000**
CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD						
FULLY APPROVED PROJECTS						
Education - Primary						
Woodburn Primary 9 class & activity hall extension	4,773	6,622	171	-	-	**11,566**
Easthouses Primary School	15,723	3,924	887	-	-	**20,533**
Mayfield & St. Luke's School Campus	1,762	10,268	27,226	5,954	662	**45,872**
Burnbrae Primary - Conversion of ASN to GP Space	71	-	-	-	-	**71**
Modular Units - 2023/24	1,750	283	-	-	-	**2,033**
Education - Secondary						
Lasswade High - Toilets & Changing to 1,800 Pupil Capacit	-	452	-	-	-	**452**
Beeslack CHS Replacement	1,303	12,819	30,443	46,644	22,319	**113,528**
Penicuik High School	178	2,329	13,248	17,085	10,033	**42,873**
Education - ASN						
Hawthornden Primary - ASN Unit	1,404	21	-	-	-	**1,425**
Education - Early Years						
Setting/Catering kitchens	150	350	-	-	-	**500**
Hawthorn Children & Families Centre Alteration	120	-	-	-	-	**120**
Mauricewood Primary School	46	100	-	-	-	**146**
Vogrie Outdoor Early Learning Centre	81	-	-	-	-	**81**
Other Outdoor Spaces	218	-	-	-	-	**218**
Education - Primary - Projects near completion						
Paradykes Primary Replacement	95	-	-	-	-	**95**
St. Mary's RC & Early Burnbrae Primary Schools	11	-	-	-	-	**11**
New Danderhall Primary hub	88	-	-	-	-	**88**
Sacred Heart Primary School Extension	30	-	-	-	-	**30**
Acoustic Upgrades	150	-	-	-	-	**150**
Education - General						
Learning Estate Strategy: Development Budget	200	1,402	-	-	-	**1,602**
Burnbrae Primary School External Works	56	1	-	-	-	**57**
TOTAL - CYPP FULLY APPROVED	**28,216**	**38,571**	**71,975**	**69,683**	**33,014**	**241,458**
GENERAL SERVICES CAPITAL PLAN 2023/24 to 2027/28	**2023/24 F/cast O/T £'000**	**2024/25 Budget £000's**	**2025/26 Budget £000's**	**2026/27 Budget £000's**	**2027/28 Budget £000's**	**Total Spend £'000**
PLANNED LEARNING ESTATE PROJECTS						
Education - Primary						
Bilston Primary School Extension	-	-	794	2,383	795	**3,972**
Mauricewood Primary School Extension	-	807	2,826	404	-	**4,037**
Hopefield Farm Primary 2 (HS12)	-	500	4,887	6,735	1,347	**13,469**
Bonnyrigg Catchment Primary Schools Expansion	-	-	-	-	-	**-**
St Davids Primary - Extension	-	784	1,338	245	-	**2,367**
Education - Secondary						
Shawfair/Dalkeith High Schools	250	1,500	10,370	20,240	40,480	**72,840**
Education - ASN						
Lasswade High - ASU	-	-	827	-	-	**827**
ASN Provision - Social Complex Needs	50	200	-	-	-	**250**
TOTAL - CYPP PLANNED LEARNING ESTATE PROJECT	**300**	**3,791**	**21,042**	**30,007**	**42,622**	**97,762**
CYPP - OVERALL TOTAL	**28,516**	**42,362**	**93,017**	**99,690**	**75,636**	**339,221**

GENERAL SERVICES CAPITAL PLAN 2023/24 to 2027/28	2023/24 F/cast O/T £'000	2024/25 Budget £000's	2025/26 Budget £000's	2026/27 Budget £000's	2027/28 Budget £000's	Total Spend £'000
ASSET MANAGEMENT PROGRAMME BOARD						
Digital						
Business Applications	213	235	60	105	-	**613**
Front Office - Hardware, Software & Services	197	160	400	543	325	**1,625**
Back Office - Hardware, Software & Services	191	55	80	80	80	**486**
Network, Software & Services	128	528	150	150	150	**1,106**
Schools - Hardware, Software & Services	180	356	266	519	804	**2,125**
Recharge of Staffing	70	110	90	129	136	**535**
Digital: Equipped for Learning	2,388	2,132	1,000	-	-	**5,520**
Roads & Street Lighting						
Street Lighting Upgrades	1,276	1,000	1,000	1,000	1,000	**5,276**
Footway & Footpath Network Upgrades	460	500	500	500	500	**2,460**
Road Upgrades	1,483	1,500	1,500	1,500	1,500	**7,483**
Accelerated Roads Residential Streets	1,836	-	-	-	-	**1,836**
Roads: Potholes & Upgrades	1,100	3,900	2,500	2,500	2,500	**12,500**
Roads Asset Management Plan - Temple Ground Stabilisat	-	309	-	-	-	**309**
Roads Asset Management Plan - B6372 Arniston Embankn	-	593	-	-	-	**593**
Fleet						
Vehicle & Plant Replacement Programme	3,316	3,571	-	-	984	**7,871**
Property						
Property Upgrades	633	1,000	1,530	1,530	1,530	**6,224**
Property Upgrades - LES	-	843	843	843	843	**3,374**
Waste Services						
Recycling Improvement Fund	-	-	2,322	-	-	**2,322**
Open Spaces / Play Areas						
Ironmills Park Steps	7	-	-	-	-	**7**
Outdoor Play Equipment - Rosewell	46	44	-	-	-	**90**
Roslin Wheeled Sports Facility	31	59	-	-	-	**90**
Mauricewood Road Bus Shelter	4	-	-	-	-	**4**
Millerhill Park Circular Path & Bicycle Pump Track	-	89	-	-	-	**89**
Millerhill Park Asphalt Path	100	-	-	-	-	**100**
Birkenside Play Equipment	72	-	-	-	-	**72**
Welfare Park, Newtongrange	-	39	-	-	-	**39**
Pump Track, North Middleton	2	-	-	-	-	**2**
Play Park Upgrades: Clarinda Gardens & Ironmills Park	51	-	-	-	-	**51**
Play Park Renewal 2021/22	9	-	-	-	-	**9**
Play Park Renewal 2023/24+	85	77	-	-	-	**162**
Nature Restoration Fund 2022/23	3	-	-	-	-	**3**
Nature Restoration Fund 2023/24	177	34	-	-	-	**211**
Contaminated Land	70	70	70	70	70	**350**
Sport & Lesiure						
Property - Poltonhall Astro & Training Area Resurfacing	37	-	-	-	-	**37**
Dalkeith Thistle - Pavilion Upgrade	4	-	-	-	-	**4**
Loanhead Memorial Park Pitch	4	-	-	-	-	**4**
Flotterstone Car Park Infrastructure & Charging	16	-	-	-	-	**16**
TOTAL - ASSET MANAGEMENT PROGRAMME BOARD	**14,190**	**17,205**	**12,312**	**9,470**	**10,423**	**63,599**
TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARD						
Transport						
A701 Relief Road: Bush Loan Junction	52	100	2,750	3,349	80	**6,331**
A701 Relief Road: A701 Active Travel Corridor	32	75	177	1,531	2,111	**3,926**
A701 Relief Road: Phases 3-8	416					**416**
A7 Urbanisation	187	-	-	-	-	**187**
Cycling, Walking & Safer Streets Projects	1,190	425	425	425	425	**2,890**
Community Bus Fund	279	-	-	-	-	**279**
FCC Zero Waste - Heat Offtake Facility	1,040	-	-	-	-	**1,040**
TOTAL - TRANSPORT, ENERGY & INFRASTRUCTURE F	**3,196**	**600**	**3,352**	**5,305**	**2,616**	**15,069**
REGENERATION & DEVELOPMENT PROGRAMME BOARD						
Regeneration						
Place Based Investment Fund 2021/22	311	-	-	-	-	**311**
Place Based Investment Fund 2022/23+	463	-	-	-	-	**463**
Development						
Destination Hillend	7,601	12,707	7,191	1,386	-	**28,885**
Shawfair Town Centre Land Purchase	4,615	1,000	-	-	-	**5,615**
TOTAL - REGENERATION & DEVELOPMENT PROGRAM	**12,990**	**13,707**	**7,191**	**1,386**	**-**	**35,274**

GENERAL SERVICES CAPITAL PLAN 2023/24 to 2027/28	2023/24 F/cast O/T £'000	2024/25 Budget £000's	2025/26 Budget £000's	2026/27 Budget £000's	2027/28 Budget £000's	Total Spend £'000
OTHER (PROGRAMME BOARD NOT YET DEFINED)						
PLACE						
Digital						
Council Hybrid Meetings	52	-	-	-	-	**52**
Transport						
Food Waste Rural Routes	119	-	-	-	-	**119**
Property/Development						
Midlothian & Fairfield House Shower Upgrades	5	-	-	-	-	**5**
Public Sector Housing Grants	291	291	291	291	291	**1,454**
Penicuik THI: Public Realm Scheme	171	-	-	-	-	**171**
CCTV Network	444	-	-	-	-	**444**
2-4 West Street, Penicuik	48	-	-	-	-	**48**
EWiM - Buccleuch House Ground Floor	33	-	-	-	-	**33**
Millerhill Pavilion	23	-	-	-	-	**23**
PEOPLE & PARTNERSHIPS						
Education						
Free School Meal Provision	397	-	-	-	-	**397**
Children's Services						
Residential House for 5-12 year olds	76	-	-	-	-	**76**
Communities & Partnerships						
Members Environmental Improvements	221	180	180	180	180	**941**
Adult Social Care						
Assistive Technology	30	100	226	226	227	**809**
Analogue to Digital Transition	250	714	100	-	-	**1,064**
Highbank Intermediate Care Reprovisioning	467	5,082	5,081	159	-	**10,789**
Day Care Centre	43	464	464	16	-	**987**
General Fund share of Extra Care Housing	179	144	-	-	-	**323**
TOTAL NOT ALLOCATED TO PROGRAMME BOARDS	**2,850**	**6,975**	**6,342**	**872**	**698**	**17,736**
SUBTOTAL - PRE RETURN OF CONTINGENCIES	**61,741**	**80,849**	**122,213**	**116,723**	**89,372**	**470,898**
Provision for Return of Contingencies	(506)	(2,539)	(2,021)	(3,055)	(2,918)	**(11,040)**
GENERAL SERVICES CAPITAL PLAN TOTAL	**61,235**	**78,310**	**120,192**	**113,668**	**86,454**	**459,858**

Treasury Management and Investment Strategy 2024/25 & Prudential Indicators

Report by David Gladwin, Chief Financial Officer & Section 95 Officer

Report for Decision

1 Recommendations

Council is recommended to:

a) Approve the restriction of the Authorised Limit to the value of the Capital Financing Requirement at 31 March 2025 (£534.105 million), pending finalisation of the General Services Capital Plan Prioritisation;

b) Note that there are no other material changes proposed to the Treasury Management and Investment Strategy (TMIS) for 2024/25 from the strategy currently in place, other than to update the Prudential Indicators (Section 5 and Appendix C), to reflect the revised capital plans.

c) Note the retention of the current approach for the repayment of loans fund advances as outlined in Section 6 and that any changes arising from the Scottish Government's consultation on the Amendment to the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 will be reflected in a revised TMIS if required; and

d) Accordingly approve the Treasury Management and Investment Strategy for 2024/25.

2 Purpose of Report/Executive Summary

The purpose of this report to Council is to provide an update on the implementation of the Council's TMIS 2023/24, and to make recommendations to facilitate consideration of the 2024/25 Strategy, the Prudential and Treasury indicators contained therein, and the approach to the statutory repayment of loans fund advances.

In accordance with the Treasury Management Code of Practice, the annual Treasury Management & Investment Strategy (TMIS) & Prudential Indicators report is required to be adequately scrutinised before being recommended to the Council. For Midlothian, this role is undertaken by the Audit Committee, with this report being approved as presented to Audit Committee on 29 January 2024.

Date: 07 February 2024
Report Contact: Gary Thomson, Senior Finance Business Partner
gary.thomson@midlothian.gov.uk

3. Update on implementation of TMIS for 2023/24

3.1 Borrowing

The Council's borrowing position as set out in the 2023/24 Treasury Management Mid-Year Review Report was £321.754 million at 31 March 2023, and six months later was £321.314 million on 30 September 2023.

The principal source of borrowing is the UK Debt Management Office's Public Works Loans Board (PWLB) and fixed rate loans are taken at a time and tenure which takes cognisance of the PWLB rates (derived from the UK Gilts market) and the management of maturity risk in the long term across the Council's loan portfolio.

The Council's loan portfolio, as at 17 January 2024, is shown in table 1 below:

Table 1: Current Loan Portfolio as at 17 January 2024

Loan Type	Principal Outstanding £000's	Weighted Average Rate
PWLB Annuity	452	8.91%
PWLB Maturity	284,128	2.90%
LOBO	20,000	4.51%
Market Loans	16,221	2.68%
Salix Loans	70	0.00%
Total Loans	**320,871**	**3.00%**

The repayment profile of this debt is shown in graphical and tabular form below:

Figure 1: Loan Maturity Structure

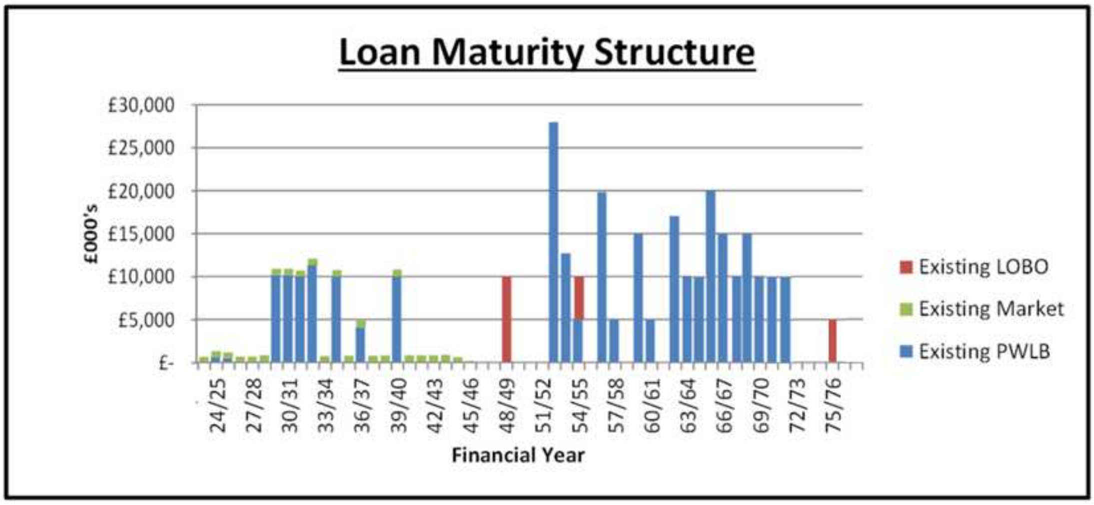


Table 2: Loan Maturity Profile

Financial Year	2023/24 Remaining £000's	2024/25-2025/26 £000's	2025/26-2027/28 £000's	2028/29-2032/33 £000's	2033/34-2037/38 £000's	2038/39+ £000's
Debt Maturing	0	1,426	2,795	45,136	32,239	239,275
% of total portfolio	0.00%	0.44%	0.87%	14.07%	10.05%	74.57%

As can be noted in the graph and table above, proactive Treasury Management by the Council in the last decade has placed the Council in an extremely strong refinancing position for its existing external debt portfolio, with only £4.221 million, or just 1.31%, of the Council's total Loan Portfolio of £320.871 million requiring refinancing over the current and forthcoming four financial years.

This extremely low short-term exposure to refinancing risk has put the Council in a strong position to plan its new borrowings in advance, take advantage of any dips in longer-term borrowing rates from PWLB (as demonstrated above) and other sources, and maintain a low weighted average coupon rate on external debt.

3.2 Deposits

The Council's position for funds on deposit fluctuates on a daily basis, with the 2023/24 Treasury Management Mid-Year Review Report setting out the position at 31 March 2023 of £113.982 million and six months later on 30 September 2023, at £111.344 million.

The position at 17 January 2024, as set out in Table 3 below, totals £72.416 million.

Table 3: Current Deposits as at 17 January 2024

Deposit Type	Principal Outstanding £000's	Weighted Average Rate
Bank Call Accounts	7,343	5.09%
Money Market Funds	35,073	5.32%
Bank Fixed Term Deposits	30,000	4.98%
Total Deposits	**72,416**	**5.15%**

The cash balances above represent the following:

- Funds held in Bank Fixed Term Deposits and Money Market Funds which are cash backing £65.073m of the Council's projected useable reserves (at 31 March 2024);
- A balance held in instant access bank accounts and Money Market Funds which are used for day to day liquidity to meet cashflow requirements;

The Council's current deposit portfolio is broadly reflective of the wider UK Local Authority position, as noted in the Treasury Management & Annual Investment Strategy Statement – 2024/25 Detailed in Appendix D, Section 4.4.

4. Treasury Management & Investment Strategy 2024/25

4.1 Main Objectives of TMIS 2024/25

The objectives of the current and proposed TMIS are:

- To secure long-term borrowing to fund capital investment, through locking in to long-term interest rates and de-risking the Council's Capital Financing Requirement (CFR);

- To ensure short-term liquidity to manage the Council's day-to-day cashflow. This is achieved through the utilisation of instant access Money Market Fund and Bank Accounts, with the amount held in these reflecting the Council's level of working capital and fluctuating throughout the year due to a number of factors.

- To cash back the Council's usable reserves.

No material changes are proposed to the current 2023/24 TMIS which was scrutinised by Audit Committee in January 2023 and approved by Council in February 2023, other than for the following:

a) Approve the restriction of the Authorised Limit to the value of the Capital Financing Requirement at 31 March 2025 (£534.105 million), pending finalisation of the General Services Capital Plan Prioritisation;

Similarly, no changes are recommended to the Permitted Investments.

More detail on the borrowing and investment strategy for 2024/25 is provided in Sections 4.2, 4.3 and 4.4 below.

4.2 Borrowing Requirement 2023/24 to 2027/28

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

The projected borrowing requirement arising from the Council's Capital Plans, the Midlothian Energy Limited (MEL) Shareholder Injection, and the maturing long-term loans that require to be refinanced, over the period 2023/24 to 2027/28 is shown in table 4:

Table 4: Total Borrowing Requirement over the period 2023/24 to 2027/28

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Total £000's
Capital Expenditure						
General Services	61,235	78,524	111,852	90,027	46,165	**387,803**
HRA	51,359	103,054	93,460	36,679	23,286	**307,838**
Total Capital Expenditure	**112,594**	**181,578**	**205,312**	**126,706**	**69,451**	**695,641**
Total Available Financing	-43,842	-48,190	-39,414	-20,582	-12,009	**-164,127**
Principal Debt Repayments	-9,206	-10,760	-11,670	-12,557	-14,195	**-58,388**
Capital Expenditure less available Financing	**59,546**	**122,628**	**154,228**	**93,567**	**43,157**	**473,126**
MEL Shareholder Injection	710	3,560	0	0	0	**4,270**
Maturing Long-term Loans	830	1,426	1,355	851	700	**5,162**
Total Borrowing Requirement	**61,086**	**127,614**	**155,583**	**94,418**	**43,857**	**482,558**

4.3 Borrowing Strategy for remainder of 2023/24 and 2024/25

Borrowing is undertaken to finance the Council's approved Capital plans and to do so in the most cost-effective way. As can been noted from Table 4 above the Council has a significant borrowing requirement across the current and forthcoming four financial years (2023/24 to 2027/28).

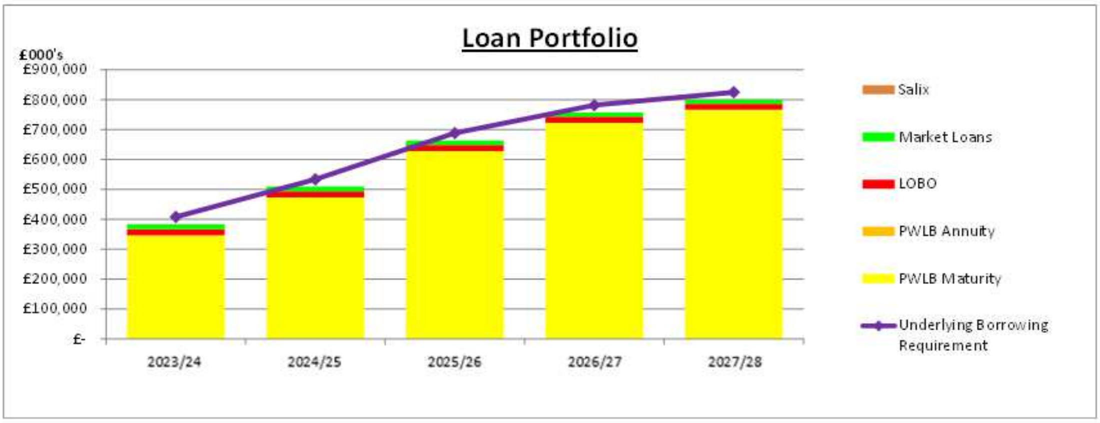
This TMIS provides for this capital investment to be underpinned by long-term borrowing, recognising the current interest rate environment, the significant borrowing requirement arising from the Council's capital plans, and the long term benefits of de-risking the delivery and affordability of these capital plans by locking into the certainty brought by PWLB fixed rate loans.

The Council's **external loan debt** at 31 March 2024 is projected to be **£382.917 million**. Based on the Council's historic and current approved Capital Plans, the **Underlying Borrowing Requirement (UBR) –** which is the Council's underlying need to borrow for capital purposes (excluding the long-term liability arising from PFI/DBFM projects) – at 31 March 2024 is expected to equate to **£407.917 million**.

This means that the Council is expected to be **£25.000 million (6%) under-borrowed** at the end of the 2023/24 financial year i.e. the Council has funded the majority (94%) of its underlying borrowing requirement as at 31 March 2024. In the current economic climate, this is a prudent approach which balances (a) de-risking the longer-term borrowing requirement at current longer term borrowing rates; against (b) the current year and forthcoming financial year budget projections. As noted in Section 3.1 above, the Council has an extremely low short-medium term exposure to refinancing risk and is therefore in a strong position to plan its new borrowing requirements in advance, taking advantage of any dips in longer-term borrowing rates from PWLB and other sources, and maintain a low weighted average coupon rate on external debt.

The **Underlying Borrowing Requirement** is projected to rise to **£825.057 million by 31 March 2028** – more than double the current Underlying Borrowing Requirement. The profile of this, and the projected external loan portfolio to fund the Underlying Borrowing Requirement over the period 2023/24 to 2027/28, is shown in graphical format below.

Figure 3: Loan Portfolio & Underlying Borrowing Requirement



Interest Rates

The current PWLB yield curve is bell shaped with the low point in the curve is at the 5 year mark (4.40%) with rates trending upwards towards the 20-30 year tenor (5.25%) before easing back slightly to sit at c. 5.10% in the 50 year duration. Current rates have generally eased off 30-40bps from levels reported at the time of the 2023/24 Treasury Management Mid-Year Review Report to Council, with no material change to the medium term forecast for rates.

The yield curve is expected to remain bell shaped over the short-medium term, with a gradual shift downwards of the entire curve by c. 40-60bps over the next 12 months and a further 40-50bps over the subsequent 12 months. This is forecast to bring longer-term borrowing rates down to between 4.10-4.60% by March 2025 and between 3.70%-4.20% by March 2026. Further commentary on this is provided in Appendix D Section 3.3.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

The funding of the Council’s in-year and forward CFR is typically for infrastructure with long asset lives (50-60 years), and the tenor of PWLB and market loans are typically drawn with this in mind.

Borrowing Strategy

Consideration for any new borrowing in the remainder of the 2023/24 financial year and during the 2024/25 financial year, to fund the Council’s in-year CFR, will seek to balance:

a) the security/certainty of current relatively high longer-term borrowing rates of upwards of 5.25% in the 30-50 year duration (which are forecast to drop by 60bps within one year and 100bps within 24 months) and the potential additional budgetary pressure that this brings in both the short/medium and longer term; with

b) the option to borrow initially for a shorter-term duration from PWLB or other markets, for 3 to 5 years (at say c. 4.40%), to allow the Council to fund the immediate in-year borrowing requirement. Based on current interest rate forecasts (see Appendix 3 Section 3.3), this would then allow the Council the option to refinance this borrowing at initial 3-5 year maturity with less expensive, longer term borrowing, e.g. a 45 to 47 year tenor in, say, 36 months at a forecast rate of c. 3.90%.

As noted in Section 3.1, the Council’s proactive Treasury Management over the last decade has put the Council in a strong refinancing position for its external debt portfolio which allows the Council to slot in shorter dated external borrowing into the current debt maturity profile to fund the current & forthcoming in-year borrowing requirements, to allow the Council to navigate past the current expected hump in longer-term borrowing rates.

It is expected that any further long-term borrowing that is undertaken during 2023/24 and 2024/25 to finance the current & future year capital plans will be sourced by drawing new PWLB loans at the Certainty Rate (which has been available to the Council since 2012 and is priced at Gilts+80bps), and/or the HRA rate. The HRA rate is available to all Councils to fund HRA capital expenditure, at a rate that is priced at Gilts+60bps. On 22 November 2023, the availability over which Councils can draw HRA rate borrowing from PWLB was extended to 30 June 2025.

Both the General Services and HRA capital programmes are being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour, and the ratios of financing costs to the net revenue streams. The Council's borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the medium-long-term. The impact particularly of the General Services Capital Plan Prioritisation – which will be reported to Council in February 2024 – will have a significant bearing on this.

Appendix D Section 3.3 provides forecasts for interest rates from the Council's Treasury Management advisor, Link Treasury Solutions Limited. Council officers, in conjunction with Link, will continue to monitor daily long-term borrowing rates in order to take advantage of any dips in the market or to de-risk any change in the medium-longer term forecast for gilt yields.

Forward Borrowing
The opportunity also continues to exist to consider further loans on a 'forward dealing' basis, and officers will continue to explore the viability of these loans as part of securing the long-term borrowing required to meet the Council's Underlying Borrowing Requirement.

Debt Rescheduling

As noted in the Mid-Year Review Report, now that the whole of the yield curve has shifted higher there may be opportunities for debt rescheduling in the remainder of the financial year.

This would involve the Council repaying loans prematurely (both market and PWLB) whilst high discount rates on premature repayment prevail.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous, and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling taking place would include:

- the generation of cash savings at minimum risk.
- to reduce the average interest rate.
- to amend the maturity profile and/or the balance of volatility of the debt portfolio.

Council officers will explore debt rescheduling opportunities with Link Treasury Solutions; with only prudent and affordable debt rescheduling that considers both the short and medium-longer term impact being considered.

4.4 Investment Strategy for remainder of 2023/24 and 2024/25

No changes are proposed to the Investment Strategy from that approved by Council in the 2023/24 TMIS.

Council should note that in parallel to securing its external borrowing to finance the capital financing requirement, the strategy means that Council should continue to cash back the Council's useable reserves. In doing so, the Council are able to continue to minimise the extent of under-borrowing and at the same time de-risk the Council's forward borrowing requirement; whilst also ensuring that all deposits are securely placed with high creditworthy counterparties, complying with the CIPFA Treasury Management Code principles of security, liquidity and then yield – in that order.

All deposits will be placed with high creditworthy counterparties in accordance with the approved creditworthiness policy as outlined in Appendix B, with a tenor reflective of the expected drawdown of useable reserve forecasts, and at a yield commensurate with this.

The list of Permitted Investments in Appendix B also remains unchanged from that approved by Council in the 2023/24 TMIS.

As required by the CIPFA Treasury Management Code, Local authorities "must not borrow to invest for the primary purpose of financial return." Midlothian Council does not and has not borrowed to invest for the primary purpose of financial return.

Environmental, Social and Governance (ESG) in credit and counterparty policies (Treasury Management Practice 1)

As noted in the 2023/24 TMIS, the inclusion of ESG criteria continues to be an emerging area in the Local Authority environment which will require ongoing monitoring.

For the 2024/25 financial year, the Council's priorities of security, liquidity and then yield remain paramount and unchanged (and in that order), with ESG criteria an added 4th element to consider in the decision making process.

For short term investments with counterparties, this Council utilises the Link creditworthiness service which uses the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which in themselves include analysis of ESG factors, and specifically the "G" element, when assigning ratings. Of the 3 elements of ESG, the most important element when considering treasury deposits is the Governance aspect – given the majority of treasury deposits undertaken by Midlothian Council are naturally short dated in duration, poor governance can have a more immediate impact on the financial circumstances of an entity and potential for a default event that could impact the amount of principal returned on the deposit.

Those financial institutions viewed as having poor/weak corporate governance are generally less well credit rated in the first instance or have a higher propensity for being subject to negative rating action, and the Council's existing creditworthiness policy will therefore take this into account.

Environment and Social factors are also important but relate more to the long-term impact. Council should note that in relation to the security aspect of Treasury deposits, placing an undue weight on the Environmental and Social factors in the decision making process could have an adverse effect of limiting the list of potential counterparty options, thus decreasing diversification. This could then in turn lead to a widening of credit (security) criteria, or those with a stronger "ESG" performance, in order to restore a balance of diversification across the deposit portfolio, potentially increasing credit risk – and placing the cornerstone of prudent investing at risk.

The inclusion of ESG criteria therefore remains an area which requires ongoing review. Council officers, in conjunction with the Council's treasury advisers Link, will therefore continue to monitor and assess ongoing developments and emerging standards in this area, and methods in which the Council can incorporate ESG factors into our creditworthiness assessment process, and report back to Council accordingly.

5 Prudential Indicators – Midlothian Council

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

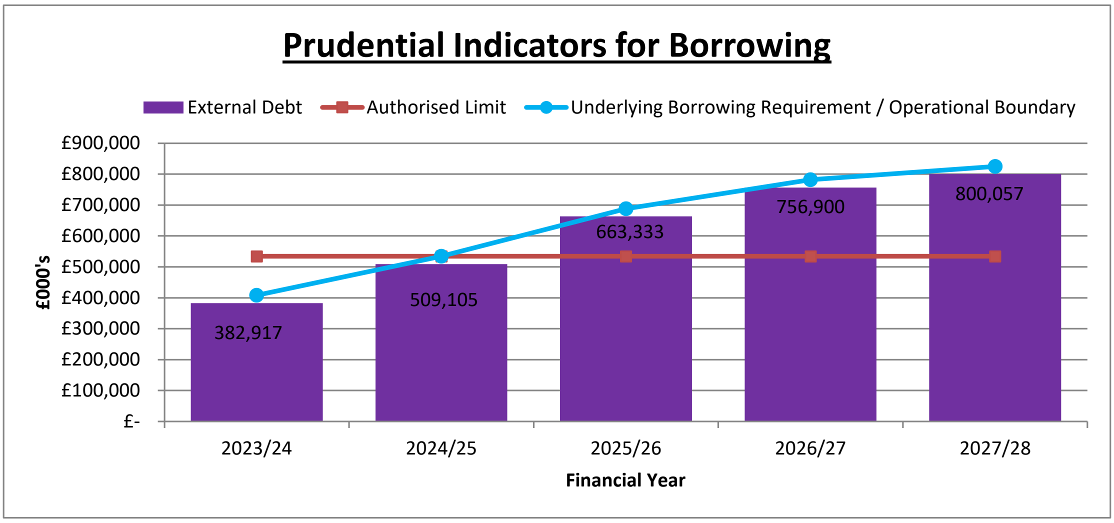
The Prudential Indicators that Councils need to consider relate to both actual, historic outcomes, and future estimated outcomes (covering the same period as the Council's Capital Plans), as follows:

- Actual outcomes for 2022/23.
- Revised estimates of the 2023/24 indicators; and
- Estimates of indicators for 2024/25 to 2027/28.

The Prudential Indicators required by the Code are listed individually in Appendix C.

The key Prudential Indicators relating to the Underlying Borrowing Requirement, the expected Gross External Debt, and the proposed Authorised Limit, are shown in graphical format below.

Figure 4: Prudential Indicators for Borrowing



The Capital Financing Requirement (CFR) denotes the Council's underlying need to borrow for capital purposes. The CFR includes borrowing arising as a result of the Council's Capital Plans, plus the long-term liability arising from the Council's PPP/DBFM contracts. The **Underlying Borrowing Requirement** as shown in Figure 4 above strips out the latter of these (long-term liability arising from the Council's PPP/DBFM contracts) from the CFR.

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

The Authorised Limit for Borrowing for the 2024/25 financial year has been calculated to equate to the maximum value of the Underlying Borrowing Requirement in 2024/25. This equates to £534.105 million as outlined in Table 5 below.

Table 5: Authorised Limit for Borrowing: Calculation

Authorised Limit for Borrowing	**Amount £000's**
CFR – General Services (31 March 2025)	214,646
CFR – HRA (31 March 2025)	319,459
Proposed Authorised Limit for Borrowing	**534,105**

Council is therefore asked to approve an authorised limit for borrowing of £534.105 million.

6 Statutory repayment of loans fund advances

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

The TMIS retains the methodology adopted in 2023/24 – that is as follows:

6.1 New Assets

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

6.2 Prudent Repayment of Loans Fund Advances

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

In line with the policy adopted in 2023/24, the Asset Life method shall be used for those assets in Table 6.

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

Infrastructure	**Current Loans Fund Advance Period**
New Primary Schools/Extensions	60
New Leisure Centres	60
New Offices	60
Road Upgrades	50
Street Lighting Columns	50
Structures/Bridges	50
Footway/Cyclepaths	50
Town Centre Environmental Improvements	50
New Care Homes	45
Children's Play Equipment	20

* *Average loans fund advance length*

The annual repayments under the “Asset Life” method for those asset classes as noted above will be calculated using the asset lives and will use the annuity method, to ensure consistency of approach with the Statutory method for all other asset classes (see below). The annuity interest rate that will be used to calculate loans fund principal repayments under the “Asset Life” method will be the in-year loans fund rate, which for 2023/24 is currently estimated to be 2.29%.

For all other asset classes, the policy will be to maintain the practice of previous years and apply what is termed “the Statutory Method” – following the principles of Schedule 3 of the Local Government (Scotland) Act 1975 – with all loans fund advances being repaid by the annuity method. The annuity rate that is proposed to be applied to the loans fund repayments varies and will be the in-year loans fund rate, reflecting the Council’s current loan and investment portfolio. The loans fund rate for 2023/24 is forecast to be 2.29%

Whilst neither the Depreciation nor the Funding/income profile methods are currently proposed, Council officers will continue to monitor whether it is appropriate to use this for future capital projects.

6.3 Scottish Government Consultation

The Scottish Government issued a formal consultation on 28 November 2023 on the Amendment to the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. This consultation outlined proposed changes to the methodology for the repayment of loans fund advances. The consultation closed on 22 December 2023 with Midlothian Council, the Scottish Local Authority Directors of Finance Group, and Link Treasury Solutions Limited amongst those submitting formal responses to the consultation. Consultation on the Amendment to the 2016 Regulations remains ongoing and the outcome of any changes to these Regulations will be reflected in a revised 2024/25 TMIS if required.

7. Report Implications

7.1 Resource

There are no direct resource implications arising from this report.

7.2 Digital

None

7.3 Risk

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

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

7.4 Ensuring Equalities

There are no equality issues arising from this report.

7.5 Additional Report Implications

See Appendix A.

Appendices
Appendix A – Report Implications
Appendix B - Permitted Investments
Appendix C - Prudential Indicators
Appendix D - Treasury Management & Annual Investment Strategy Statement – 2024/25 Detailed

Appendix A: Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable.

A.2 Key Drivers for Change

A.3 Key Delivery Streams

Themes addressed in this report:

- ☐ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☐ Efficient and Modern
- ☐ Innovative and Ambitious
- ☐ None of the above

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value.

A.5 Involving Communities and Other Stakeholders

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

A.6 Impact on Performance and Outcomes

The strategies to be adopted are an integral part of the corporate aim to achieve Best Value as they seek to minimise the cost of borrowing by exercising prudent debt management and investment. This in turn helps to ensure that the Council's capital expenditure is sustainable in revenue terms.

A.7 Adopting a Preventative Approach

Not applicable.

A.8 Supporting Sustainable Development

Not applicable.

Permitted Investments Appendix B

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

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

Link Asset Services Colour Code	**Maximum Suggested Duration for Investment**
Yellow	6 years*
Dark Pink	6 years**
Light Pink	6 years**
Purple	2.5 years
Blue	1.25 years***
Orange	1.25 years
Red	7 months
Green	120 days
No colour	Not to be used

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

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

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

Note that the maximum suggested durations listed above have been extended by 1 year (when compared to the suggested maximum durations provided by Link) for the Yellow, Dark Pink, Light Pink categories (and so to 6 years); the Purple category by 6 months to 2.5 years; the Blue and Orange categories by 3 months to 1.25 years; the Red category by a month to 7 months, and the Green category by 20 days to 120 days. This is to allow flexibility around these durations on the margins e.g. the placement of a 13 month fixed term deposit for a counterparty rated Orange or Blue. A thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Link, against any enhanced value to the portfolio, will be undertaken prior to the placement of any deposit.

1.1 Deposits

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	Term	No	**100%**	**6 months**
Term deposits – local authorities	--	Term	No	**100%**	**5 years**
Call accounts – banks and building societies	Green	Instant	No	**100%**	**1 day**
Term deposits / Notice Accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**

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

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
UK nationalised banks – Call accounts	Blue	Instant	No	**100%**	**1 day**
UK nationalised banks – Term Deposits / Notice Accounts	Blue	Term	No	**100%**	**1.25 years**
UK nationalised banks – Fixed term deposits with variable rate and variable maturities: - Structured deposits	Blue	Term	No	**100%**	**1.25 years**
Non-UK(high sovereign rated country) nationalised banks – Call accounts	Green	Instant	No	**100%**	**1 day**
Non-UK (high sovereign rated country) nationalised banks:- Term Deposits / Notice Accounts	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**
Non-UK (high sovereign rated country) nationalised banks:- Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**

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

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

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

1.4 Securities issued or guaranteed by governments

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

1.5 Securities issued by corporate organisations

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	**100%**	**Up to 6 yrs** **Up to 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**
Commercial paper other	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	**100%**	**Up to 6 yrs** **Up to 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**
Floating rate notes	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	**100%**	**Up to 6 yrs** **Up to 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**
Corporate Bonds other	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	**100%**	**Up to 6 yrs** **Up to 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**

1.6 Other

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Local authority mortgage guarantee scheme.	Blue	Term	No	**50%**	**5 years**
Loans to Third Parties	n/a	Term	No	**£25m**	**25 years**
Subordinated Debt Subscription to Newbattle Centre SPV	n/a	Term	No	**£0.326m**	**22 years**
Midlothian Energy Limited	n/a	Term	No	**£10.2m**	**n/a**

Treasury Risks and Mitigating Controls for each type of investment are as outlined in the Treasury Management & Annual Investment Strategy Statement – 2023/24 Detailed – Appendix 5.3. The Council's Treasury Management Practices have also been updated in line with the new CIPFA Prudential and Treasury Management Codes which were approved by Audit Committee on 6 December 2022.

Prudential Indicators Appendix C

1. Prudential Indicators for Affordability

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

1.1 Estimates of Ratio of Financing Costs to Net Revenue Stream

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

Ratio of Financing Costs to Net Revenue Stream						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
General Services	0.38%	0.76%	2.40%	4.37%	5.62%	5.95%
HRA	36.03%	42.78%	48.13%	52.14%	55.01%	56.97%

The figures above are based on the current General Services and HRA Capital Plans.

1.2 HRA Ratios

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

HRA Debt as a % of Gross Revenue						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 209,129	£ 242,715	£ 319,459	£ 393,890	£ 422,290	£ 437,008
HRA Revenues £000's	32,165	32,492	34,719	38,546	41,828	43,276
Ratio of HRA Debt to Revenues %	650%	747%	920%	1022%	1010%	1010%

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

HRA Debt per Dwelling						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 209,129	£ 242,715	£ 319,459	£ 393,890	£ 422,290	£ 437,008
Number of HRA dwellings	7,372	7,470	7,675	8,029	8,284	8,289
Debt per dwelling £	£ 28,368	£ 32,492	£ 41,623	£ 49,058	£ 50,977	£ 52,721

1.3 Net Income from Service & Commercial Investments as a proportion of Net Revenue Stream

A new indicator, which is a requirement of the new Prudential Code, identifies the ratio of net income from service and commercial investments as a proportion of the net General Services revenue stream.

Net Income from Service Investments as a proportion of Net Revenue Stream						
%	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual £000's	Estimate £000's	Estimate £000's	Estimate £000's	Estimate £000's	Estimate £000's
Income from Service Investments	34	34	34	34	34	34
Net Revenue Stream	254,015	257,849	259,731	261,670	263,667	265,723
%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%

2. Prudential Indicators for Capital Expenditure

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

2.1 Estimated Capital Expenditure

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

Capital Expenditure	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
General Services						
Children, Young People & Estates	£ 5,300	£ 28,516	£ 40,862	£ 82,647	£ 79,450	£ 35,156
Asset Management	£ 11,439	£ 14,190	£ 17,205	£ 12,312	£ 9,470	£ 10,423
Transport, Energy & Infrastructure	£ 551	£ 3,196	£ 2,314	£ 5,425	£ 1,956	£ 2,723
Regeneration & Development	£ 1,059	£ 12,990	£ 13,707	£ 7,191	£ 1,386	£ -
Other	£ 5,014	£ 2,850	£ 6,975	£ 6,342	£ 872	£ 698
Provision for return of contingencies	£ (41)	£ (506)	£ (2,539)	£ (2,064)	£ (3,107)	£ (2,834)
Total General Services	**£ 23,322**	**£ 61,235**	**£ 78,524**	**£ 111,852**	**£ 90,027**	**£ 46,165**
Total HRA	**£ 51,710**	**£ 51,359**	**£ 103,054**	**£ 93,460**	**£ 36,679**	**£ 23,286**
Combined Total	**£ 75,032**	**£ 112,594**	**£ 181,578**	**£ 205,312**	**£ 126,706**	**£ 69,451**

2.2 Financing of Capital Expenditure

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

Capital Expenditure and Available Financing	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Capital Expenditure						
General Services	£ 23,322	£ 61,235	£ 78,524	£ 111,852	£ 90,027	£ 46,165
HRA	£ 51,710	£ 51,359	£ 103,054	£ 93,460	£ 36,679	£ 23,286
Total	**£ 75,032**	**£ 112,594**	**£ 181,578**	**£ 205,312**	**£ 126,706**	**£ 69,451**
Financed by:						
Capital receipts	£ 3	£ 60	£ -	£ -	£ -	£ -
Capital grants	£ 20,203	£ 28,759	£ 34,047	£ 27,113	£ 8,762	£ 7,121
Capital reserves	£ 3,000	£ 2,473	£ -	£ -	£ -	£ -
Developer/Other Contributions	£ 5,353	£ 12,549	£ 14,143	£ 12,301	£ 11,820	£ 4,978
Net financing need for the year	**£ 46,473**	**£ 68,752**	**£ 133,388**	**£ 165,898**	**£ 106,124**	**£ 57,352**

2.3 Estimated Capital Financing Requirement

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

Capital Financing Requirement (CFR)						
	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Capital Financing Requirement						
CFR – General Services	£ 138,532	£ 165,202	£ 214,646	£ 294,444	£ 359,610	£ 388,049
CFR – HRA	£ 209,129	£ 242,715	£ 319,459	£ 393,890	£ 422,290	£ 437,008
CFR – PFI Schemes	£ 92,433	£ 88,739	£ 84,815	£ 80,661	£ 76,277	£ 71,663
Total CFR	**£ 440,094**	**£ 496,656**	**£ 618,920**	**£ 768,995**	**£ 858,177**	**£ 896,720**
Movement in CFR	**£ 37,230**	**£ 56,562**	**£ 122,264**	**£ 150,074**	**£ 89,183**	**£ 38,543**
Movement in CFR represented by						
Net financing need for the year (previous table)	£ 46,473	£ 68,752	£ 133,388	£ 165,898	£ 106,124	£ 57,352
MEL Shareholder Injection	£ -	£ 710	£ 3,560	£ -	£ -	£ -
Less Scheduled Debt Amortisation	£ (5,762)	£ (9,206)	£ (10,760)	£ (11,670)	£ (12,557)	£ (14,195)
Less net PFI Finance Lease Principal Payments	£ (3,481)	£ (3,694)	£ (3,924)	£ (4,154)	£ (4,384)	£ (4,614)
Movement in CFR	**£ 37,230**	**£ 56,562**	**£ 122,264**	**£ 150,074**	**£ 89,183**	**£ 38,543**

3. Prudential Indicators for Prudence

3.1 Net Borrowing Requirement

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

Net Borrowing Requirement						
	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
External Debt						
Debt at 1 April	£ 323,271	£ 321,753	£ 382,917	£ 509,105	£ 663,333	£ 756,900
Actual/Expected change in Debt	£ (1,518)	£ 61,164	£ 126,188	£ 154,228	£ 93,567	£ 43,157
Other long-term liabilities (OLTL) at 1 April	£ 95,914	£ 92,433	£ 88,739	£ 84,815	£ 80,661	£ 76,277
Actual/Expected change in OLTL	£ (3,481)	£ (3,694)	£ (3,924)	£ (4,154)	£ (4,384)	£ (4,614)
Actual/Expected Gross Debt at 31 March	**£ 414,186**	**£ 471,656**	**£ 593,920**	**£ 743,994**	**£ 833,177**	**£ 871,720**
The Capital Financing Requirement	**£ 440,094**	**£ 496,656**	**£ 618,920**	**£ 768,995**	**£ 858,177**	**£ 896,720**
Under / (over) borrowing	**£ 25,908**	**£ 25,000**	**£ 25,000**	**£ 25,000**	**£ 25,000**	**£ 25,000**
Deposits						
Cash & Cash Equivalents	£ 15,982	£ 25,000	£ 25,000	£ 25,000	£ 25,000	£ 25,000
Short-Term Investments	£ 98,000	£ 70,000	£ 57,000	£ 57,000	£ 57,000	£ 57,000
Total Deposits	**£ 113,982**	**£ 95,000**	**£ 82,000**	**£ 82,000**	**£ 82,000**	**£ 82,000**

4. Prudential Indicators for External Debt

4.1 Operational Boundary

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

For this Council:-

- the Operational Boundary for Borrowing has been calculated to equate directly to the value of the CFR for General Services and HRA combined, over the current financial year and the following 4 financial years (2023/24 to 2027/28); and
- the Operational Boundary for Other Long-Term Liabilities has been calculated to equate directly to the in-year CFR for Other Long-Term Liabilities, given the known contractual provisions for the repayment of debt within the Council's two PPP agreements.

Operational Boundary					
	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Operational Boundary - Borrowing	£ 407,917	£ 534,105	£ 688,334	£ 781,900	£ 825,057
Operational Boundary - Other long term liabilities	£ 88,739	£ 84,815	£ 80,661	£ 76,277	£ 71,663
Total	**£ 496,656**	**£ 618,920**	**£ 768,995**	**£ 858,177**	**£ 896,720**

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

4.2 Authorised Limit of Total External Debt

This indicator sets the limit for total external debt.

The Authorised Limit for Borrowing for the 2024/25 financial year has been calculated to equate to the maximum value of the Underlying Borrowing Requirement in 2024/25. This equates to £534.105 million as outlined below.

Authorised Limit for Borrowing	
	£000's
CFR - General Services at 31 March 2025	£ 214,646
CFR - HRA at 31 March 2025	£ 319,459
Authorised Limit for Borrowing	**£ 534,105**

5. Prudential Indicators for Treasury Management

5.1 Upper limits on Fixed and Variable Interest Rates

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

Upper Limits on Exposure to Fixed and Variable Interest Rates 2024/25	
Interest rate exposures	**Upper Limit**
Limits on fixed interest rates based on gross debt	100.00%
Limits on variable interest rates based on gross debt	30.00%
Limits on fixed interest rates based on investments	100.00%
Limits on variable interest rates based on investments	100.00%

5.2 Maturity Structure of Borrowing

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

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

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

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

Maturity Structure of Borrowing 2024/25		
Maturity structure of fixed interest rate borrowing 2024/25	**Lower**	**Upper**
Under 12 months	0.00%	50.00%
12 months to 2 years	0.00%	50.00%
2 years to 5 years	0.00%	50.00%
5 years to 10 years	0.00%	50.00%
10 years to 20 years	0.00%	50.00%
20 years to 30 years	0.00%	50.00%
30 years to 40 years	0.00%	50.00%
40 years to 50 years	0.00%	50.00%
50 years and above	0.00%	50.00%
Maturity structure of variable interest rate borrowing 2024/25	**Lower**	**Upper**
Under 12 months	0.00%	30.00%
12 months to 2 years	0.00%	30.00%
2 years to 5 years	0.00%	30.00%
5 years to 10 years	0.00%	30.00%
10 years to 20 years	0.00%	30.00%
20 years to 30 years	0.00%	30.00%
30 years to 40 years	0.00%	30.00%
40 years to 50 years	0.00%	30.00%
50 years and above	0.00%	30.00%

5.4 Total Principal Sums Invested for Periods Longer than 365 Days

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

Principal Sums Invested for > 365 Days		
Limit		£70m

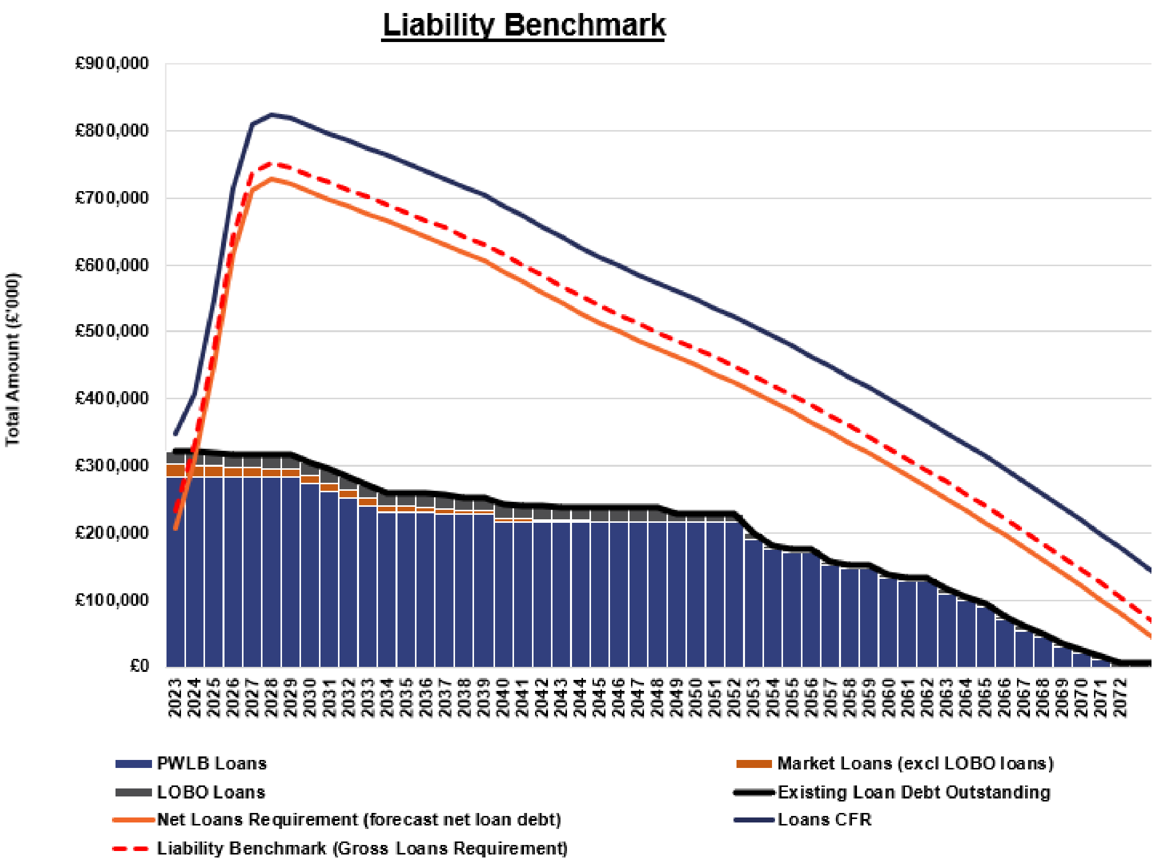
The current strategy as outlined in the body of these reports is to continue to cash-back the Council's balance sheet reserves. It is expected that the majority of this will be in the form of fixed term deposits and/or certificates of deposit. Given expected reserve forecasts and the current interest rate environment, in particular the short-medium term forecast for the Council's Capital Fund and HRA Reserve, the limit for prinicipal sums invested for > 365 days has been retained at £70m.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access accounts and money market funds.

5.5 Liability Benchmark

The "Liability Benchmark" identifies future borrowing needs across the short, medium and longer terms, against the maturity profile of the Council's existing loan portfolio.

The Council's Liability Benchmark in graphical format is as shown below.



There are four components to the Liability Benchmark: -

1 **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years – shown as the stacked bar elements of the figure above.

2 **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.

3 **Net loans requirement**: this shows the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows (drawdowns/enhancement of reserves) forecast.

4 **Liability benchmark (or gross loans requirement)**: this equals net loans requirement plus short-term liquidity/working capital allowance.

The Liability Benchmark Indicator identifies the Council's expected future capital financing requirement, as driven by the Council's approved Capital Plans – and therefore the Council's future borrowing needs; along with how this matches to the existing debt maturity profile. It is therefore a key tool to support the financing risk management of the capital financing requirement.

As can be noted from the figure above, the Council has a significant borrowing requirement (which equates to £482.558 million) in the short-medium term, arising as a direct result of the Council's approved Capital Plans. The proposed approach to securing this borrowing need for the 2024/25 financial year is outlined in the main body of this report, Section 4.3.

The Liability Benchmark also outlines the profile of the Council's CFR over the medium-long term, against the Council's existing debt portfolio maturity profile. As can be seen from the figure above, the profile of the CFR movements in the medium-long term broadly matches the movements in the Councils external debt portfolio over this period.

The Debt Liability Benchmark will assist the Council with plotting the tenor of borrowing to finance the Council's approved capital plans that is undertaken in the remainder of 2023/24 and the forthcoming 2024/25 period, to ensure that this aligns with the Council's future expected CFR profile and Liability Benchmark projections, taking into account the profile of existing loan maturities as identified in the figure above.

Appendix D

Treasury Management Strategy Statement

and Annual Investment Strategy

Midlothian Council
2024/25

INDEX

1 INTRODUCTION

1.1 Background

The main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. As such, the second part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are deposited with low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any loans to third parties, commercial investment initiatives or other non-financial investments will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure),and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a capital strategy report, which provides the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

a) **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:
   - the capital plans (including prudential indicators) for 2023/24 to 2027/28;
   - a policy for the statutory repayment of debt, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy (how the investments and borrowings are to be organised) for 2024/25, including treasury indicators; and
   - a permitted investment strategy for 2024/25 (the parameters on how investments are to be managed).

b) **A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the actual treasury strategy is meeting the strategy outlined in advance of the year, or whether any policies require revision.

c) **An annual treasury outturn report** – This provides details of a selection of actual prudential and treasury indicators for the previous financial year and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee with this report presented to Audit Committee on 29 January 2024 and approved as presented.

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

Capital issues

- the capital expenditure plans and the prudential indicators (Section 2 of this report);
- The policy for the statutory repayment of loans fund advance (Section 2.4 of this report).

Treasury management issues

- policy on use of external service providers (Section 1.5);
- the current treasury position (Section 3.1);
- treasury indicators which limit the treasury risk and activities of the Council (Section 3.2);
- prospects for interest rates (Section 3.3);
- the borrowing strategy (Section 3.4);
- policy on borrowing in advance of need (Section 3.5);
- debt rescheduling (Section 3.6);
- the investment strategy (Section 4.1); and
- creditworthiness policy (Section 4.2).

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and The Scottish Government Local Authority (Capital Finance & Accounting) (Scotland) Regulations 2016.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsibe for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

Organisations need to consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download. This was presented to members of the Audit Committee and Council as part of the Council's Treasury Management 2021-22 Mid-Year Review Report.

A formal record of Knowledge & Skills Schedule has been developed as part of the Council's Treasury Management Practices. This will be periodically reviewed to assess suitability, and updated to reflect ongoing training, knowledge and skills gained. Similarly, a formal record of the treasury management/capital finance training received by members will also be periodically reviewed and updated.

1.5 Treasury management consultants

The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2027/28

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

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below summarises the Capital Expenditure forecasts:-

Table 1: Capital Expenditure	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
General Services						
Children, Young People & Estates	£ 5,300	£ 28,516	£ 40,862	£ 82,647	£ 79,450	£ 35,156
Asset Management	£ 11,439	£ 14,190	£ 17,205	£ 12,312	£ 9,470	£ 10,423
Transport, Energy & Infrastructure	£ 551	£ 3,196	£ 2,314	£ 5,425	£ 1,956	£ 2,723
Regeneration & Development	£ 1,059	£ 12,990	£ 13,707	£ 7,191	£ 1,386	£ -
Other	£ 5,014	£ 2,850	£ 6,975	£ 6,342	£ 872	£ 698
Provision for return of contingencies	£ (41)	£ (506)	£ (2,539)	£ (2,064)	£ (3,107)	£ (2,834)
Total General Services	**£ 23,322**	**£ 61,235**	**£ 78,524**	**£ 111,852**	**£ 90,027**	**£ 46,165**
Total HRA	**£ 51,710**	**£ 51,359**	**£ 103,054**	**£ 93,460**	**£ 36,679**	**£ 23,286**
Combined Total	**£ 75,032**	**£ 112,594**	**£ 181,578**	**£ 205,312**	**£ 126,706**	**£ 69,451**

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

Table 2: Capital Expenditure and Available Financing	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Capital Expenditure						
General Services	£ 23,322	£ 61,235	£ 78,524	£ 111,852	£ 90,027	£ 46,165
HRA	£ 51,710	£ 51,359	£ 103,054	£ 93,460	£ 36,679	£ 23,286
Total	**£ 75,032**	**£ 112,594**	**£ 181,578**	**£ 205,312**	**£ 126,706**	**£ 69,451**
Financed by:						
Capital receipts	£ 3	£ 60	£ -	£ -	£ -	£ -
Capital grants	£ 20,203	£ 28,759	£ 34,047	£ 27,113	£ 8,762	£ 7,121
Capital reserves	£ 3,000	£ 2,473	£ -	£ -	£ -	£ -
Developer/Other Contributions	£ 5,353	£ 12,549	£ 14,143	£ 12,301	£ 11,820	£ 4,978
Net financing need for the year	**£ 46,473**	**£ 68,752**	**£ 133,388**	**£ 165,898**	**£ 106,124**	**£ 57,352**

Note: The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for (financed), will increase the CFR.

The CFR does not increase indefinitely, as annual repayments from revenue need to be made which reflect the useful life of capital assets financed from borrowing. From 1st April 2016, Local Authorities may choose whether to use scheduled debt amortisation (loans pool charges) or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme already include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £95.914m of such schemes within the CFR. The Council is asked to approve the CFR projections below:

Table 3: Capital Financing Requirement (CFR)

	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Capital Financing Requirement						
CFR – General Services	£ 138,532	£ 165,202	£ 214,646	£ 294,444	£ 359,610	£ 388,049
CFR – HRA	£ 209,129	£ 242,715	£ 319,459	£ 393,890	£ 422,290	£ 437,008
CFR – PFI Schemes	£ 92,433	£ 88,739	£ 84,815	£ 80,661	£ 76,277	£ 71,663
Total CFR	**£ 440,094**	**£ 496,656**	**£ 618,920**	**£ 768,995**	**£ 858,177**	**£ 896,720**
Movement in CFR	**£ 37,230**	**£ 56,562**	**£ 122,264**	**£ 150,074**	**£ 89,183**	**£ 38,543**
Movement in CFR represented by						
Net financing need for the year (previous table)	£ 46,473	£ 68,752	£ 133,388	£ 165,898	£ 106,124	£ 57,352
MEL Shareholder Injection	£ -	£ 710	£ 3,560	£ -	£ -	£ -
Less Scheduled Debt Amortisation	£ (5,762)	£ (9,206)	£ (10,760)	£ (11,670)	£ (12,557)	£ (14,195)
Less net PFI Finance Lease Principal Payments	£ (3,481)	£ (3,694)	£ (3,924)	£ (4,154)	£ (4,384)	£ (4,614)
Movement in CFR	**£ 37,230**	**£ 56,562**	**£ 122,264**	**£ 150,074**	**£ 89,183**	**£ 38,543**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

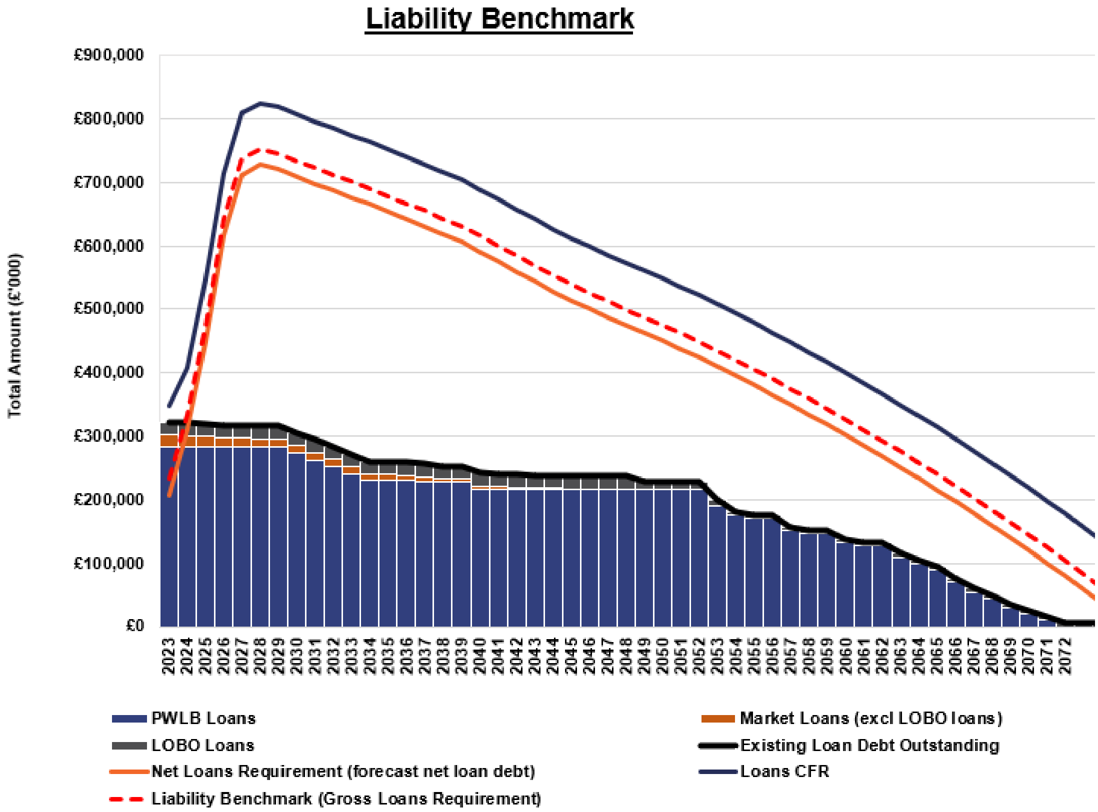
2.3 Liability Benchmark

A third prudential indicator is the Debt Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the Liability Benchmark: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.
3. **Net loans requirement**: this shows the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows (drawdowns/enhancement of reserves) forecast.

4 **Liability benchmark (or gross loans requirement)**: this equals net loans requirement plus short-term liquidity/working capital allowance.



2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Table 4: Balance Sheet Resources						
Reserve	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
HRA Balances	£ 32,143	£ 34,384	£ 35,762	£ 37,087	£ 38,367	£ 39,100
General Fund Balances	£ 9,877	£ 7,000	£ 5,000	£ 5,000	£ 5,000	£ 5,000
Earmarked reserves	£ 24,317	£ 4,399	£ 2,000	£ -	£ -	£ -
Provisions	£ 4,138	£ 4,000	£ 3,900	£ 3,800	£ 3,700	£ 3,600
Capital Fund	£ 20,107	£ 17,984	£ 10,290	£ 10,290	£ 10,290	£ 10,290
Total Reserves / Core Funds	**£ 90,582**	**£ 67,767**	**£ 56,952**	**£ 56,177**	**£ 57,357**	**£ 57,990**
Working capital*	£ 49,308	£ 52,233	£ 50,048	£ 50,823	£ 49,643	£ 49,010
Under/over borrowing	£ 25,908	£ 25,000	£ 25,000	£ 25,000	£ 25,000	£ 25,000
Expected investments	**£ 113,982**	**£ 95,000**	**£ 82,000**	**£ 82,000**	**£ 82,000**	**£ 82,000**

**Working capital balances shown are estimated year-end; these may be higher mid-year*

2.5 Statutory repayment of loans fund advances

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

It is proposed to retain the methodology adopted in 2023/24 – that is as follows:-

New Assets

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

Prudent Repayment of Loans Fund Advances

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

In line with the policy adopted in 2023/24, the Asset Life method shall be used for those assets in Table 6.

Table 5: Asset Classes to adopt the "Asset Life" method

Infrastructure	**Current Loans Fund Advance Period**
New Primary Schools/Extensions	60
New Leisure Centres	60
New Offices	60
Road Upgrades	50
Street Lighting Columns	50
Structures/Bridges	50
Footway/Cyclepaths	50
Town Centre Environmental Improvements	50
New Care Homes	45
Children's Play Equipment	20

* *Average loans fund advance length*

The annual repayments under the "Asset Life" method for those asset classes as noted above will be calculated using the asset lives and will use the annuity method, to ensure consistency of approach with the Statutory method for all other asset classes (see below). The annuity interest rate that will be used to calculate loans fund principal repayments under the "Asset Life" method will be the in-year loans fund rate, which for 2023/24 is currently estimated to be 2.21%.

For all other asset classes, the policy will be to maintain the practice of previous years and apply what is termed "the Statutory Method" – following the principles of Schedule 3 of the Local Government (Scotland) Act 1975 – with all loans fund advances being repaid by the annuity method. The annuity rate that is proposed to be applied to the loans fund repayments varies will be the in-year loans fund rate, reflecting the Council's current loan and investment portfolio. The loans fund rate for 2023/24 is forecast to be 2.21%

Whilst neither the Depreciation nor the Funding/income profile methods are currently proposed, Council officers will continue to monitor whether it is appropriate to use this for future capital projects.

3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Treasury management portfolio position

The overall treasury management portfolio as at 31 March 2023 and for the position as at 17 January 2024 are shown below for both borrowing and investments.

Table 6: Portfolio Position 31 March 2023 and 17 January 2024

Loan Type	31 March 2023		17 January 2024	
	Principal Outstanding £000's	Weighted Average Rate	Principal Outstanding £000's	Weighted Average Rate
PWLB Annuity	505	8.91%	452	8.91%
PWLB Maturity	284,128	2.90%	284,128	2.90%
LOBO	20,000	4.51%	20,000	4.51%
Market Loans	16,886	2.68%	16,221	2.68%
Salix Loans	235	0.00%	70	0.00%
Total Loans	**321,754**	**3.00%**	**320,871**	**3.00%**
Deposit Type	**31 March 2023**		**17 January 2024**	
	Principal Outstanding £000's	Weighted Average Rate	Principal Outstanding £000's	Weighted Average Rate
Bank Call Accounts	2	3.80%	7,343	5.09%
Money Market Funds	15,980	3.96%	35,073	5.32%
Bank Fixed Term Deposits	86,000	3.93%	30,000	4.98%
Bank Certificates of Deposit	10,000	2.85%	-	0.00%
Other Local Authorities	2,000	1.60%	-	0.00%
Total Deposits	**113,982**	**3.80%**	**72,416**	**5.15%**

The Council's forward projections for borrowing and investments are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 7: Net Borrowing Requirement

	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
External Debt						
Debt at 1 April	£ 323,271	£ 321,753	£ 382,917	£ 509,105	£ 663,333	£ 756,900
Actual/Expected change in Debt	£ (1,518)	£ 61,164	£ 126,188	£ 154,228	£ 93,567	£ 43,157
Other long-term liabilities (OLTL) at 1 April	£ 95,914	£ 92,433	£ 88,739	£ 84,815	£ 80,661	£ 76,277
Actual/Expected change in OLTL	£ (3,481)	£ (3,694)	£ (3,924)	£ (4,154)	£ (4,384)	£ (4,614)
Actual/Expected Gross Debt at 31 March	**£ 414,186**	**£ 471,656**	**£ 593,920**	**£ 743,994**	**£ 833,177**	**£ 871,720**
The Capital Financing Requirement	**£ 440,094**	**£ 496,656**	**£ 618,920**	**£ 768,995**	**£ 858,177**	**£ 896,720**
Under / (over) borrowing	**£ 25,908**	**£ 25,000**	**£ 25,000**	**£ 25,000**	**£ 25,000**	**£ 25,000**
Deposits						
Cash & Cash Equivalents	£ 15,982	£ 25,000	£ 25,000	£ 25,000	£ 25,000	£ 25,000
Short-Term Investments	£ 98,000	£ 70,000	£ 57,000	£ 57,000	£ 57,000	£ 57,000
Total Deposits	**£ 113,982**	**£ 95,000**	**£ 82,000**	**£ 82,000**	**£ 82,000**	**£ 82,000**

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25.

The Chief Financial Officer & Section 95 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

For this Council:-

- the Operational Boundary for Borrowing has been calculated to equate directly to the in-year value of the CFR over the current and following 4 financial years (2023/24 to 2027/28); and
- the Operational Boundary for Other Long-Term Liabilities has been calculated to equate directly to the in-year CFR for Other Long-Term Liabilities, given the known contractual provisions for the repayment of debt within the Council's two PPP agreements.

Table 8: Operational Boundary

	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Operational Boundary - Borrowing	£ 407,917	£ 534,105	£ 688,334	£ 781,900	£ 825,057
Operational Boundary - Other long term liabilities	£ 88,739	£ 84,815	£ 80,661	£ 76,277	£ 71,663
Total	**£ 496,656**	**£ 618,920**	**£ 768,995**	**£ 858,177**	**£ 896,720**

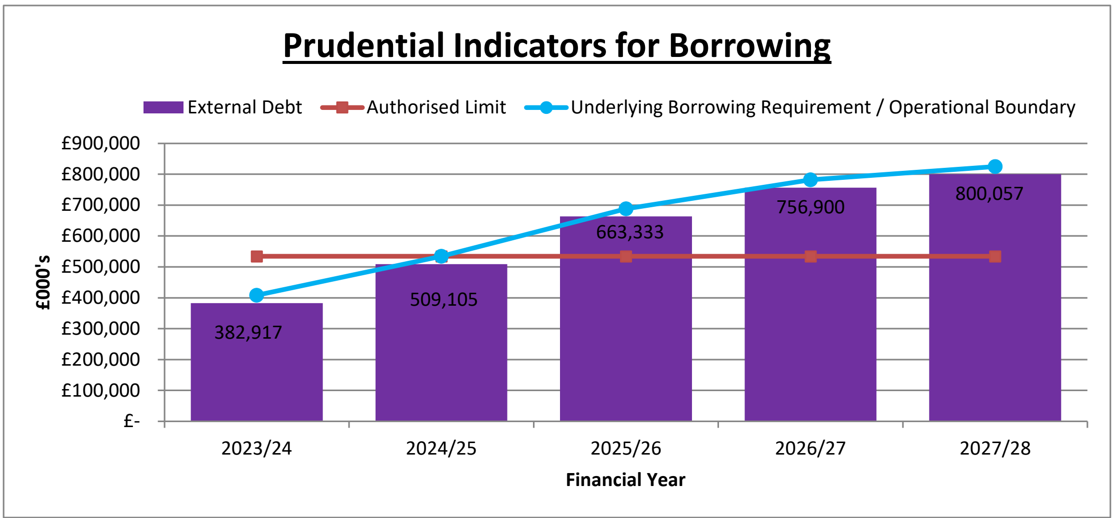
The authorised limit for external debt

This indicator sets the limit for total external debt.

The Authorised Limit for Borrowing for the 2024/25 financial year has been calculated to equate to the maximum value of the Underlying Borrowing Requirement in 2024/25. This equates to £534.105 million as outlined below.

Table 9: Authorised Limit for Borrowing

	£000's
CFR - General Services at 31 March 2025	£ 214,646
CFR - HRA at 31 March 2025	£ 319,459
Authorised Limit for Borrowing	**£ 534,105**



3.3 Prospects for interest rates

The Council has appointed Link Group, Link Treasury Services Limited as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts for certainty rates, gilt yields plus 80 bps on 8 January 2024.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

At its 14th December meeting, the Bank of England's Monetary Policy Committee (MPC) kept rates on hold for the third time in a row, pushing back against the prospect of near-term interest rate cuts. The vote in favour of keeping rates on hold was 6-3.

However, recent softer wage and inflation data (annual CPI is currently 3.9%) mean that markets have moved significantly in the direction of Link's November interest rate forecast, pricing in a first rate cut in Q2 2024. Link now expects Bank Rate to be cut to 4.25% by the end of 2024 and 3% by the end of 2025. The low point of the interest rate cycle is also expected to be 3%.

Regarding the Bank of England, it continued to sound hawkish last month. Indeed, the evidence of subsiding price pressures did not dissuade the more hawkish members of the Monetary Policy Committee (MPC) – Catherine Mann, Megan Greene and Jonathan Haskel – from again voting to raise interest rates by 25 basis points (bps). The MPC maintained its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it reiterated that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time".

At the time of the meeting, the Bank did not appear to have taken any comfort from subsiding price pressures in the US and the Eurozone either, saying that measures of inflation persistence are higher in the UK than in other major advanced economies. And its statement that relative to developments in the US and the Eurozone "measures of wage inflation were considerably higher in the UK and services price inflation had fallen back by less so far". Nonetheless, even if the Bank would prefer to cut interest rates after the Fed and the ECB, Capital Economics' forecast for the CPI measure of inflation to drop below 2% by April, and for core inflation to drop below 2% only three months later, adds further grist to the mill that rates will be cut sharply in the second half of 2024 if not before.

Since the December rate decision, the Bank's hawkish bias has also not prevented the markets from forming a view that rates will be falling soon. Accordingly, swap rates and gilt yields have reduced significantly over the past month despite a partial rebound upwards since the turn of the year. This will have the effect of ensuring upcoming mortgage rate resets (c400k per quarter) will be somewhat lower than they were through the second half of 2023. Indeed, it is noteworthy that the Halifax house price index has recently moved into positive territory after registering only a slight fall in house prices from their peak in the summer of 2022.

Looking further afield, we suspect the wider economy may only endure the lightest of recessions or, possibly, not at all. The Bank's November Quarterly Monetary Policy Report saw it revise down its Q3 and Q4 GDP forecasts for 2023 and its annual forecast for 2024 from 0.4% to 0.0% (2023 stayed at 0.5%). But it could be this outlook underestimates the robustness and resilience of the UK economy, particularly considering upward revisions to GDP stemming from the pandemic years.

There are, of course, significant risks to Link's central forecast. First, it is likely still the early days of the Gaza-Israel conflict, and a meaningful and prolonged shift up in oil prices from $75 per barrel to something closer to $120 would keep inflation higher for longer. Furthermore, the UK domestic labour market is still having to contend with very low unemployment (4.2%) and the total number of job vacancies is only a little below one million. It is unlikely that a fundamental overhaul of immigration policy, with a view to addressing staff shortages in various sectors of the economy, is going to be a priority regardless of the current/future government, so keeping a lid on wages is going to be a tough challenge even if some of the more recent signs are that wage growth is moderating (still c7% y/y).

Regarding PWLB rates, movement in the short part of the curve has reflected the revised Bank Rate expectations to a large degree, whilst medium to longer-dated PWLB rates will remain influenced not only by the outlook for inflation, but by the market's appetite for significant gilt issuance. Indeed, although Link have a slightly lower starting point for the envisaged reduction in short and medium dated gilts, they now forecast the 10, 25 and 50 years part of the curve to stay a bit higher than earlier forecasts from 2023/24.

Furthermore, a General Election is expected in the next year, so Government fiscal policy may potentially loosen at the same time as the Bank's monetary policy is still trying to take momentum out of the economy. That may mean that Bank Rate stays elevated for a little longer than Link's central forecast.

Of course, what happens outside of the UK remains critical to movement in gilt yields as well. The ECB has made it clear that policy tightening is at, or close to, the terminal rate (currently 4%), whilst the US FOMC has held its Bank Rate equivalent in the range of 5.25% - 5.5%.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

Link's current central forecast for interest rates expects rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, Link's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

The overall balance of risks to economic growth in the UK is even.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

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

- Despite the tightening in Bank Rate to 5.25%, the Bank of England allows inflationary pressures to remain elevated for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

Link expect the MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat on-going inflationary and wage pressures, even if they have dampened somewhat of late. Link do not think that the MPC will increase Bank Rate above 5.25%.

A more detailed interest rate view and economic commentary is provided at appendix 5.1.

3.4 Borrowing strategy

Borrowing is undertaken to finance the Council's approved Capital plans and to do so in the most cost-effective way. As can been noted from Table 4 above the Council has a significant borrowing requirement across the current and forthcoming four financial years (2023/24 to 2027/28).

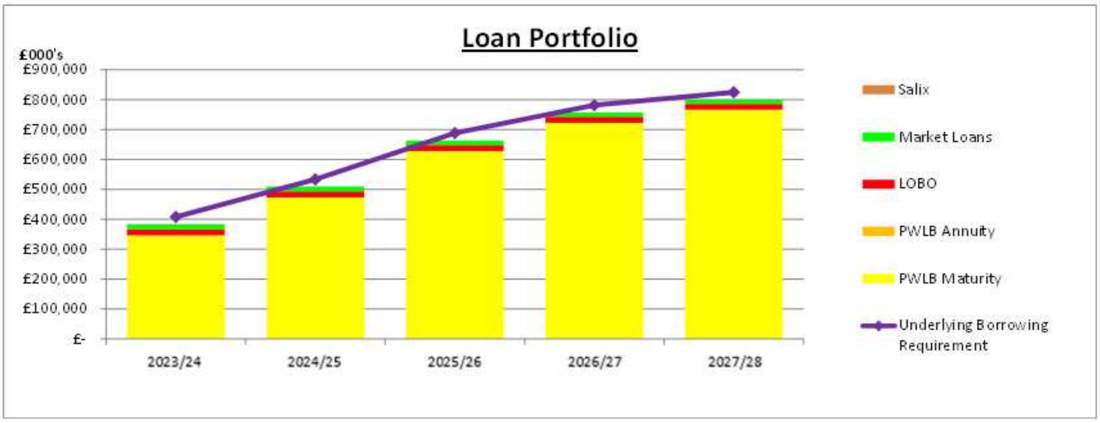
This TMIS provides for this capital investment to be underpinned by long-term borrowing, recognising the current interest rate environment, the significant borrowing requirement arising from the Council's capital plans, and the long term benefits of de risking the delivery and affordability of these capital plans by locking into the certainty brought by PWLB fixed rate loans.

The Council's **external loan debt** at 31 March 2024 is projected to be **£382.917 million**. Based on the Council's historic and current approved Capital Plans, the **Underlying Borrowing Requirement (UBR) –** which is the Council's underlying need to borrow for capital purposes (excluding the long-term liability arising from PFI/DBFM projects) – at 31 March 2024 is expected to equate to **£407.917 million**.

This means that the Council is expected to be £25.000 million (6%) under-borrowed at the end of the 2023/24 financial year i.e. the Council has funded the majority (94%) of its underlying borrowing requirement as at 31 March 2024. In the current economic climate, this is a prudent approach which balances (a) de-risking the longer term borrowing requirement at current longer term borrowing rates; against (b) the current year and forthcoming financial year budget projections. The Council has an extremely low short-medium term exposure to refinancing risk and is therefore in a strong position to plan its new borrowing requirements in advance, taking advantage of any dips in longer-term borrowing rates from PWLB and other sources, and maintain a low weighted average coupon rate on external debt.

The **Underlying Borrowing Requirement** is projected to rise to **£825.057 million** by 31 March 2028 – more than double the current Underlying Borrowing Requirement. The profile of this, and the projected external loan portfolio to fund the Underlying Borrowing Requirement over the period 2023/24 to 2027/28, is shown in graphical format below.

Figure 3: Loan Portfolio & Underlying Borrowing Requirement



Interest Rates

The current PWLB yield curve is bell shaped with the low point in the curve is at the 5 year mark (4.40%) with rates trending upwards towards the 20-30 year tenor (5.25%) before easing back slightly to sit at c. 5.10% in the 50 year duration. Current rates have generally eased off 30-40bps from levels reported at the time of the 2023/24

Treasury Management Mid-Year Review Report to Council, with no material change to the medium term forecast for rates.

The yield curve is expected to remain bell shaped over the short-medium term, with a gradual shift downwards of the entire curve by c. 40-60bps over the next 12 months and a further 40-50bps over the subsequent 12 months. This is forecast to bring longer-term borrowing rates down to between 4.10-4.60% by March 2025 and between 3.70%-4.20% by March 2026. Further commentary on this is provided in Appendix 3 Section 3.3.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

The funding of the Council's in-year and forward CFR is typically for infrastructure with long asset lives (50-60 years), and the tenor of PWLB and market loans are typically drawn with this in mind.

Consideration for any new borrowing in the remainder of the 2023/24 financial year and during the 2024/25 financial year, to fund the Council's in-year CFR, will seek to balance:-

a) the security/certainty of current relatively high longer-term borrowing rates of upwards of 5.25% in the 30-50 year duration (which are forecast to drop by 60bps within one year and 100bps within 24 months) and the potential additional budgetary pressure that this brings in both the short/medium and longer term; with

b) the option to borrow initially for a shorter-term duration from PWLB or other markets, for 3 to 5 years (at say c. 4.40%), to allow the Council to fund the immediate in-year borrowing requirement. Based on current interest rate forecasts (see Appendix 3 Section 3.3), this would then allow the Council the option to refinance this borrowing at initial 3-5 year maturity with less expensive, longer term borrowing, e.g. a 45 to 47 year tenor in, say, 36 months at a forecast rate of c. 3.90%.

As noted in Section 3.1, the Council's proactive Treasury Management over the last decade has put the Council in a strong refinancing position for its external debt portfolio which allows the Council to slot in shorter dated external borrowing into the current debt maturity profile to fund the current & forthcoming in-year borrowing requirements, to allow the Council to navigate past the current expected hump in longer-term borrowing rates.

It is expected that any further long-term borrowing that is undertaken during 2023/24 and 2024/25 to finance the current & future year capital plans will be sourced by drawing new PWLB loans at the Certainty Rate (which has been available to the Council since 2012 and is priced at Gilts+80bps), and/or the HRA rate. The HRA rate is available to all Councils to fund HRA capital expenditure, at a rate that is priced at Gilts+60bps. On 22 November 2023, the availability over which Councils can draw HRA rate borrowing from PWLB was extended to 30 June 2025.

Both the General Services and HRA capital programmes are being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour, and the ratios of financing costs to the net revenue streams. The Council's borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the medium-long-term. The impact particularly of the General Services Capital Plan Prioritisation – which will be reported to Council in February 2024 – will have a significant bearing on this.

Council officers, in conjunction with Link, will continue to monitor daily long-term borrowing rates in order to take advantage of any dips in the market or to de-risk any change in the medium-longer term forecast for gilt yields.

Forward Borrowing
The opportunity also continues to exist to consider further loans on a 'forward dealing' basis, and officers will continue to explore the viability of these loans as part of securing the long term borrowing required to meet the Council's Underlying Borrowing Requirement.

Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates for borrowing based upon the gross debt position, and variable interest rates for investments based upon the total investment position;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates for both borrowing and investments;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Upper Limits on Exposure to Fixed and Variable Interest Rates 2024/25	
Interest rate exposures	**Upper Limit**
Limits on fixed interest rates based on gross debt	100.00%
Limits on variable interest rates based on gross debt	30.00%
Limits on fixed interest rates based on investments	100.00%
Limits on variable interest rates based on investments	100.00%

Maturity Structure of Borrowing 2024/25		
Maturity structure of fixed interest rate borrowing 2024/25	**Lower**	**Upper**
Under 12 months	0.00%	50.00%
12 months to 2 years	0.00%	50.00%
2 years to 5 years	0.00%	50.00%
5 years to 10 years	0.00%	50.00%
10 years to 20 years	0.00%	50.00%
20 years to 30 years	0.00%	50.00%
30 years to 40 years	0.00%	50.00%
40 years to 50 years	0.00%	50.00%
50 years and above	0.00%	50.00%
Maturity structure of variable interest rate borrowing 2024/25	**Lower**	**Upper**
Under 12 months	0.00%	30.00%
12 months to 2 years	0.00%	30.00%
2 years to 5 years	0.00%	30.00%
5 years to 10 years	0.00%	30.00%
10 years to 20 years	0.00%	30.00%
20 years to 30 years	0.00%	30.00%
30 years to 40 years	0.00%	30.00%
40 years to 50 years	0.00%	30.00%
50 years and above	0.00%	30.00%

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sum borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates (as detailed in Section 3.2) and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

As noted in the Mid-Year Review Report, now that the whole of the yield curve has shifted higher there may be opportunities for debt rescheduling in the remainder of the financial year.

This would involve the Council repaying loans prematurely (both market and PWLB) whilst high discount rates on premature repayment prevail.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling taking place would include:

- the generation of cash savings at minimum risk;
- to reduce the average interest rate;
- to amend the maturity profile and/or the balance of volatility of the debt portfolio.

Council officers will explore debt rescheduling opportunities with Link Group, Link Treasury Services Limited; with only prudent and affordable debt rescheduling that considers both the short and medium-longer term impact being considered.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Council's investment policy implements the requirements of the following: -

- Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010);
- CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code");
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above regulations and guidance place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. The Council applies **minimum acceptable credit criteria** in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that are permitted investments authorised for use in appendix 5.2. Appendix 5.3 expands on the risks involved in each type of investment and the mitigating controls.

5. **Lending limits**, (maturity tenors), for each counterparty will be set through applying the matrix table in Section 4.2 (maturity durations).

6. Investments will only placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

7. Lending per **Country** and **Institution** will be set through the application of the criteria in Section 4.3 (amounts).

8. **Transaction limits** are set for each type of investment in appendix 5.2.

9. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in sterling.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by Link Group, Link Treasury Services Limited. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:-

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:-

Table 14: Recommended Maximum Durations for Investments

Link Asset Services Colour Code	Maximum Suggested Duration for Investment
Yellow	6 years*
Dark Pink	6 years**
Light Pink	6 years**
Purple	2.5 years
Blue	1.25 years***
Orange	1.25 years
Red	7 months
Green	120 days
No colour	Not to be used

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

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

*** *Applies only to nationalised or semi-nationalised UK Banks*

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

The Link Group, Link Treasury Services Limited creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be (Fitch or equivalents):-

- Short term rating F1;
- Long term rating A-.

There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group, Link Treasury Services Limited creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately;
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to the Council by Link Group, Link Treasury Services Limited. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Country and sector limits

The Council has determined that it will only use approved counterparties from the UK, or approved counterparties from other countries with a minimum sovereign credit rating of AA- from Fitch.

The list of countries that qualify using the above criteria as at the date of this report are shown in Appendix 5.4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The Council will avoid a concentration of investments in too few counterparties or countries by adopting a spreading approach to investing whereby no more than £30 million will be invested in Lloyds Banking Group and the NatWest (Royal Bank of Scotland) Group, £15 million in any other UK counterparty, and £15 million in any one counterparty, group or country outwith the UK.

4.4 Investment strategy

Current Deposits

As at 17 January 2024, the Council's deposits were as follows:-

Counterparty	**Amount £000's**	**Security *Long/Short Term Rating** *(Colour)*****	**Liquidity**	**Yield**	**UK Local Authority Investment*** £000's**
MMF Aberdeen	5,279	AAAmmf *(Yellow)*	Instant Access	5.28%	516,393
MMF Federated	14,951	AAAmmf *(Yellow)*	Instant Access	5.32%	1,059,536
MMF LGIM	14,843	AAAmmf *(Yellow)*	Instant Access	5.33%	291,934
Handelsbanken AB Call Account	7,343	AA/F1+ *(Orange)*	Instant Access	5.09%	142,698
National Westminster Bank plc	15,000	A+/F1 *(Blue)*	Start: 08 Mar 2023 End: 08 Mar 2024	4.80%	578,003
National Westminster Bank plc	15,000		Start: 01 Jun 2023 End: 28 Feb 2024	5.15%	
Total	**72,416**				**2,588,564**

** Credit Rating from Fitch*
*** Colour represents maximum recommended duration for investment per Link Group, Link Treasury Services Limited Credit Scoring methodology – see Appendix 2.*
**** As at 31 December 2023*

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

While an element of cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable;
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations
The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25% in Q4 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Long term later years	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and expected usable reserve forecasts, and are based on the availability of funds after each year-end.

The Council is asked to retain the following treasury indicator and limit: -

Principal Sums Invested for > 365 Days		
Limit		£70m

The current strategy as outlined in the body of these reports is to continue to cash-back the Council's balance sheet reserves. It is expected that the majority of this will be in the form of fixed term deposits and/or certificates of deposit. Given expected reserve forecasts and the current interest rate environment, in particular the short-medium term forecast for the Council's Capital Fund and HRA Reserve, the limit for prinicipal sums invested for > 365 days has been retained at £70m.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access accounts and money market funds.

4.5 Investment risk benchmarking

The Council will use an investment benchmark to assess the investment performance of its investment portfolio of 6 month SONIA compounded. The Council also participates in Investment Benchmarking groups with Link Group, Link Treasury Services Limited whereby performance with other Benchmarking club members and the wider Scottish and UK Local Authority Investment benchmarking is compared.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 Appendices

1. Economic background
2. Treasury Management Practice 1 – Permitted Investments
3. Treasury Management Practice 1 – Credit and Counterparty Risk Management
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 95 officer

5.1 APPENDIX: Economic Background

The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.

The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

As the growing drag from higher interest rates intensifies over the next six monthsthe economy is expected to continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government financial support packages have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

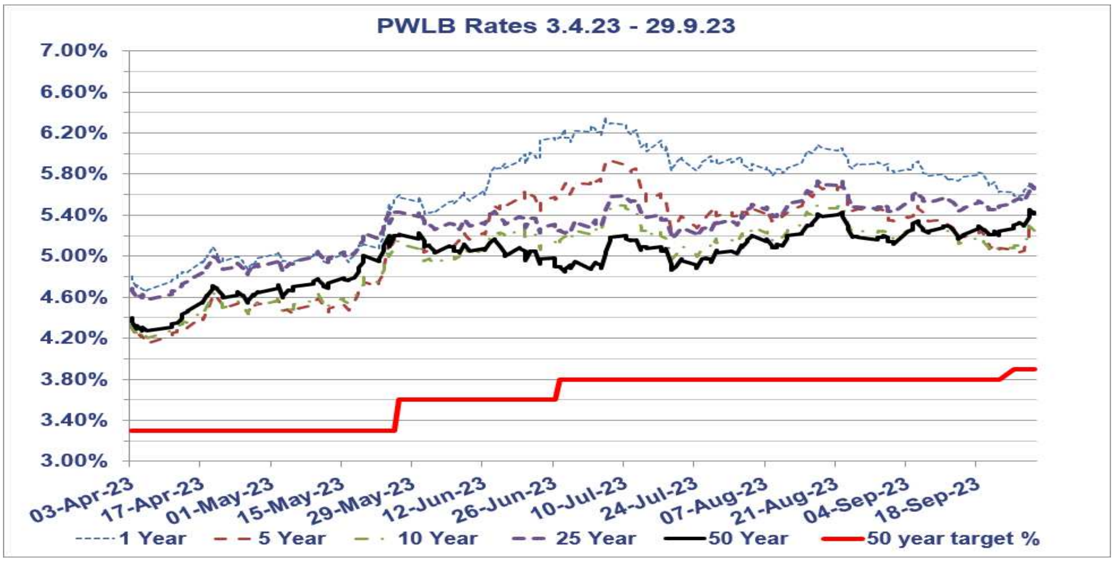
CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.

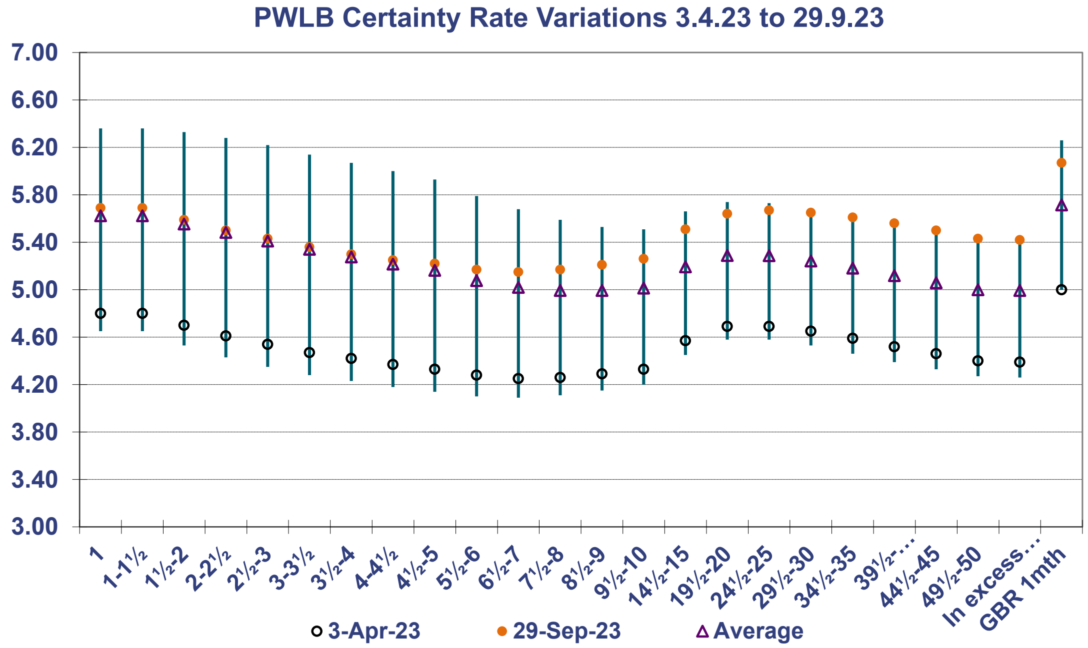
In its latest monetary policy meeting on 13 December 2023, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

5.2 APPENDIX: Treasury Management Practice (TMP1): Permitted Investments

This Council is asked to approve the following forms of investment instrument for use as permitted investments as set out in tables 1.1-1.4.

Treasury risks

All the investment instruments in tables 1.1-1.4 are subject to the following risks:-

1. **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.

2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a. cash may not be available until a settlement date up to three days after the sale b. there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer. The column in tables 1.1-1.4 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

3. **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long term increase in value.

4. **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report (see Section 3.4).

5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Controls on treasury risks

1. **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See Sections 4.2 and 4.3.

2. **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk:** this authority does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value.

4. **Interest rate risk**: this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See Section 4.4.

5. **Legal and regulatory risk:** this authority will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations.

Unlimited investments

Regulation 24 states that an investment can be shown in tables 1 / 2 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category. The authority has given the following types of investment an unlimited category: -

1. **Debt Management Agency Deposit Facility**. This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

2. **High credit worthiness banks and building societies**. See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £15 million can be placed with any one institution or group at any one time, other than the Bank of Scotland or Royal Bank of Scotland where the limit is £30 million.

Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted'.

1. DEPOSITS

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

a) **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.

b) **Term Deposits – Local Authorities.** They are quasi-Government bodies with low counterparty and value risk. Typical deposit terms vary from 1 month to 2 years, with longer term deposits offering an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and typically higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date other than with agreement of the counterparty, at which point penalties would typically apply.

c) **Call accounts with high credit worthiness banks and building societies.** See Section 4.2 for an explanation of this authority's definition of high credit worthiness. These typically offer a much higher rate of return than the DMADF and now that measures have been put in place to avoid over reliance on credit ratings, the authority feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. There is instant access to recalling cash deposited (or short-dated notice e.g. 15-30 days). This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit (see 1d below). However, there are a number of call accounts which at the time of writing, offer rates 2 – 3 times more than term deposits with the DMADF. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

d) **Term deposits with high credit worthiness banks and building societies.** The objectives are as for 1c. These offer a much higher rate of return than the DMADF and deposits made with other Local Authorities (dependent upon term) and, similar to 1c, now that measures have been put in place to avoid over reliance on credit ratings, the authority feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. This is the most widely used form of investing used by local authorities. The authority will ensure diversification of its portfolio of deposits ensuring that no more than £15 million is invested with any (non-nationalised) UK counterparty, and no more than £15 million is invested with any other non-UK counterparty, group or country. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

e) Fixed term deposits with variable rate and variable maturities (structured deposits). This encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide greater flexibility to adopt new instruments as and when they are brought to the market.

2. DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF UK GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of UK Government backing through either direct (partial or full) ownership. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

a. **Call accounts.** As for 1c. but UK Government stated support implies that the UK Government stands behind these banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. This authority feels this indicates a low and acceptable level of residual risk.

b. **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for 1d. but Government ownership partial or full implies that the UK Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers this indicates a low and acceptable level of residual risk.

c. **Fixed term deposits with variable rate and variable maturities (structured deposits).** As for 1e but UK Government stated support implies that the UK Government stands behind eligible banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. This authority feels this indicates a low and acceptable level of residual risk. This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide greater flexibility to adopt new instruments as and when they are brought to the market.

3. COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

a. **Government liquidity funds.** These are the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.

b. **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.

c. **Ultra Short Dated Bond Funds .** These funds are similar to MMFs, can still be AAA rated but have Variable Net Asset Values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

d. **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.

e. **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

4. SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills..

a. **Treasury bills.** These are short term bills (up to 12 months, although none have ever been issued for this maturity) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

b. **Gilts.** These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

c. **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.

d. **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.

e. **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

5. SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a. **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

6. OTHER

a. **Local Authority Mortgage Scheme.** Authorities who are participating in the Local Authority Mortgage Guarantee Scheme (LAMS) may be required to place a deposit with the mortgage provider(s) up to the full value of the guarantee. The deposit will be in place for the term of the guarantee i.e. 5 years (with the possibility of a further 2 year extension if the account is 90+ days in arrears at the end of the initial 5 years) - and may have conditions / structures attached. The mortgage provider will not hold a legal charge over the deposit.

b. **Loans to third parties** – This would involve the Council borrowing from the PWLB/markets and onward lending to Registered Social Landlords to enable them to access lower cost loans and kickstart developments of affordable mid-market homes. The risk associated with such an investment would be mitigated by an assessment of the counterparty in advance of any loan being granted and through the application of a premium on the loan rate. Interest would be paid by the RSL over the term of the loan, with repayment of principal upon the earlier of 10/20 years or at the point of house sales. The Council will also request that a standard security is taken over the property which would allow the Council to require the sale of the homes to another landlord, providing greater risk mitigation.

c. **Subordinated Debt Subscription to the SPV set up to deliver the Newbattle Centre project –** this involved the Council subscribing £332,806 of subordinated debt to the SPV that was set up to deliver the Newbattle Centre project (2 year construction and 25 year operational contract length). The length of the investment is 25 years with the subscription made at operation commencement of the contract. The repayment profile will comprise 81% of the principal remaining invested until the final two years of the contract. The risk associated with this type of investment will be mitigated through an annual assessment as a minimum to review the holding of such debt, and whether the exposure to risk arising from the investment has changed over the period.

d. **ESCO:** Midlothian Energy Limited (MEL) Joint Venture between Midlothian Council and Vattenfall to deliver energy supply to Shawfair using heat supplied from the Millerhill Energy from Waste plant and related projects.

Table 1: Permitted Investments

1.1 Deposits

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period	Max Transaction Value
Debt Management Agency Deposit Facility	UK Government	Term	No	**100%**	**6 months**	**n/a**
Term deposits – local authorities	Quasi-UK Government	Term	No	**100%**	**5 years**	**£15m**
Call accounts – banks and building societies	Green	Instant	No	**100%**	**1 day**	**£15m**
Term deposits / Notice Accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**

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

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period	Max Transaction Value
UK nationalised banks – Call accounts	Blue	Instant	No	**100%**	**1 day**	**£30m**
UK nationalised banks – Term Deposits / Notice Accounts	Blue	Term	No	**100%**	**2 years**	**£30m**
UK nationalised banks – Fixed term deposits with variable rate and variable maturities: - Structured deposits	Blue	Term	No	**100%**	**2 years**	**£30m**
Non-UK (high sovereign rated country) nationalised banks – Call accounts	Green	Instant	No	**100%**	**1 day**	**£15m**
Non-UK (high sovereign rated country) nationalised banks:- Term Deposits / Notice Accounts	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**
Non-UK (high sovereign rated country) nationalised banks:- Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**

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

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

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period	Max Transaction Value
Government Liquidity Funds	AAA	Instant	No	**100%**	**1 day**	**£15m**
Money Market Funds CNAV	AAA	Instant	No	**100%**	**1 day**	**£15m**
Money Market Funds LVNAV	AAA	Instant	No	**100%**	**1 day**	**£15m**
Money Market Funds VNAV	AAA	Instant	No	**100%**	**1 day**	**£15m**
Ultra Short Dated Bond Funds with a credit score of 1.25	AAA	T+1 to T+5	Yes	**100%**	**1 week**	**£15m**
Ultra Short Dated Bond Funds with a credit score of 1.5	AAA	T+1 to T+5	Yes	**100%**	**1 week**	**£15m**
Bond Funds	AAA	T+2 or longer	Yes	**50%**	**2 days**	**£15m**
Gilt Funds	AAA	T+2 or longer	Yes	**50%**	**2 days**	**£15m**

1.4 Securities issued or guaranteed by governments

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max %?£m of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	Yes	**100%**	**6 months**
UK Government Gilts	UK sovereign rating	Sale T+1	Yes	**100%**	**50 years**
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	Yes	**100%**	**50 years**
Sovereign bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	Yes	**100%**	**50 years**
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	Sale T+1	Yes	**100%**	**50 years**

1.5 Securities issued by corporate organisations

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period	Max Transaction Value
Certificates of deposit issued by banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Sale T+1	Yes	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**
Commercial paper other	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**
Floating rate notes	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**
Corporate Bonds other	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**

1.6 Other

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Local authority mortgage guarantee scheme.	Blue	Term	No	**50%**	**5 years**
Loans to Third Parties	n/a	Term	No	**£25m**	**20 years**
Subordinated Debt Subscription to Newbattle Centre SPV	n/a	Term	No	**£0.326m**	**22 years**
ESCO	n/a	Term	No	**£10.2m**	**n/a**

5.3 APPENDIX: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Midlothian Council Permitted Investments, Associated Controls and Limits

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
Cash type instruments			
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	As shown in Appendix 5.2.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	As shown in Appendix 5.2.
c. CNAV, LVNAV and VNAV Money Market Funds (MMFs) **(Low to very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMF has a “AAA” rated status from either Fitch, Moody’s or Standard & Poors.	As shown in Appendix 5.2.
d. Ultra Short Dated Bond Funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the Ultra Short Dated Bond Fund has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Link Group, Link Treasury Services Limited overlaid. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b), (c) and (d) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Link Group, Link Treasury Services Limited overlaid. On day to day investment dealing, this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures	As shown in Appendix 5.2.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available colour band / credit rating to provide additional risk control measures. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) (Low to medium risk depending on period & credit rating)	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b), (c) and (d) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Link Group, Link Treasury Services Limited overlaid. On day to day investment dealing, this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
j. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available colour band / credit rating to provide additional risk control measures. Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
Other types of investments			
k. Loans to third parties	Using the example of a loan to a RSL, these would be medium risk investments, exhibiting higher risks than categories (a)-(f) above. They are also highly illiquid and are only repaid at the end of a defined period of time (up to 20 years) or on the sale of a property, whichever is the earlier.	The risk associated with such an investment would be mitigated through the application of a premium on the loan rate. The Council will also request that a standard security is taken over the property which would allow the Council to require the sale of the homes to another landlord, providing greater risk mitigation.	£25m
l. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	Per Existing
m. Local Authority Mortgage Scheme (LAMS)	These are service investments at market rates of interest plus a premium.		As shown in Appendix 5.2.
n. Subordinated Debt Subscription to Newbattle Centre SPV	These are investments that are exposed to the success or failure of individual projects and are highly illiquid.	The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project's term.	As shown in Appendix 5.2.
o. ESCO	These are investments that are exposed to the success or failure of individual projects and are highly illiquid.	The Council is in a joint venture partnership and therefore party to the governance and controls within the project structure. As such the Council is	As shown in Appendix 5.2.

		well placed to influence and ensure the successful completion of the project's term	

The Monitoring of Deposit Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link Group, Link Treasury Services Limited, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Financial Officer & Section 95 Officer, and if required new counterparties which meet the criteria will be added to the list.

5.4 APPENDIX: Approved countries for investments

Based on the lowest available rating as at 07.02.2024

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France
- U.K.

5.5 APPENDIX: Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Committee

- reviewing treasury management reports, the treasury management policy and procedures, and making recommendations to the responsible body.

5.6 APPENDIX: The treasury management role of the section 95 officer

The S95 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above;
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following:-
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Midlothian Council
Tuesday 27 February 2024
Item No 8.5

Foster Carer Additional Funding

Report by Joan Tranent, CSWO and Chief Officer, Children's Services

Report for Decision

1 Recommendations

Council are asked to approve additional funding for foster carers as highlighted within the report.

2 Purpose of Report/Executive Summary

This report advises of additional financial requests that have been requested by foster carers:

- A 5.5% increase in fostering fees for 2024/25
- All foster carers move from Level 1 fees to Level 2 fees following a one-year probationary period.

- The two items mentioned below are for noting only as they shall be incorporated within base budget and have been accepted and approved.

  - An increase in mileage payments from 45p per mile to 61p per mile.
  - Reinstate birthday and Christmas allowance for each child and an agreed amount to go towards holiday activities.

Date: **31/01/2024**
Report Contact: Joan.tranent@midlothian.gov.uk

3 Background

3.1 Midlothian foster carers are a much-valued resource within children's services. They allow children and young people to remain living within Midlothian close to family, friends and within their local community, which is a key recommendation of the work of the Promise. Locally and nationally, there is a shortage of foster carers despite repeated recruitment campaigns, and within Midlothian we have struggled to increase our numbers of carers.

3.2 In September 2023 the Care Inspectorate arrived to inspect our fostering services, they identified areas for improvement around managers engagement with foster carers and the need to establish and promote positive relationships. Following on from this, regular meetings have been arranged so that we can hear the voice of carers. Over the course of several months the service manager and team leader have met with foster carers to re-establish these relationships and listen to what their concerns and issues are.

3.3 On the 18th of October 2023 the Scottish Government wrote to all local authorities to advise that they had agreed a Scottish Recommended Allowance (SRA) for foster carers and kinship carers across Scotland. The funding allocation given to Midlothian is less than the amount required to pay all carers the SRA. The shortfall of around £65k is expected to be made up by local authorities. The letter is clear that the allowance covers 16 core elements of care including birthday and Christmas allowances and holiday money. In Midlothian we made the decision to stop paying enhancements to carers for these elements as we understood they were now covered within the new Scottish Recommended Allowance.

3.4 The carers met with the Service Manager and Team Leader and shared their unhappiness at this decision advising that we were the only local authority within Scotland to take this approach. Having consulted with our carers we are asking that these elements are reinstated as additional payments. **This action is for noting as we have discussed at CMT and approval granted**.

3.5 Carers also asked that their mileage payments were increased so that they were being paid the same as social workers an increase from 45p per mile to 61p per mile. **Again this is for noting only as this was accepted and aligns with Midlothian Policy for all employees**.

3.6 As part of the inspection improvement plan, we agreed to re visit the different levels foster carers are paid at. We are requesting that all carers begin their fostering career at a probationary period (previously level 1 and move to a standard payment (previously level 2) following the one-year probationary period providing they undertake relevant training and their first year review highlights no concerns. This will incur a cost of £89k.

3.7 In 2023 we reviewed the foster carers fees and agreed a backdated 5% rise in their fees. Carers are now requesting that a further 5.5% rise is offered as part of the 2024/25 budget negotiations. We have liaised with our neighbouring local authorities to benchmark our fees. Edinburgh are offering a 1% rise for 24/25 and East Lothian are offering no rise in their fees and have not done so since 2016.
If this rise were approved, we would be one of the highest paying local authorities for fees within Scotland. This could bring us many benefits with regard to more foster carers wishing to come to Midlothian to foster. A 5.5% rise in fees would result in an additional £57k.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

Foster carers are a very valued resource and one that we are finding it increasingly difficult to recruit into. Whilst this is not unique to Midlothian, we do need to recruit more carers. Our demographics evidence that more 0–15 year olds will be residing within our communities which in turn will almost certainly result in increased demand on what is a limited resource. Failure to recruit will result in more expensive external placements for children and young people. The average cost of an external foster placement is around £52k compared to £24k for a local foster placement. We also need to offer competitive fees as we are competing against large private companies who offer larger fees and other incentives that we are unable to match.

In essence we require an additional **£146k** within the children’s services budget to meet the need of the above requests.

4.2 Digital

None

4.3 Risk

Failure to agree to some or all the above requests could result in foster carers leaving and moving to private agencies. This in turn will result in significant cost increases as we shall have to accommodate children and young people out with Midlothian. These cost increases will also have to take cognisance of additional travel costs for families and workers and most likely additional education costs. On a human level the risk is great in that we shall be taking children and young people out of their local communities to reside far away from family, friends and those people and places that are important to them. This does not align with our commitment to The Promise.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

The report will require a change to policy within the fostering team with regard to fostering levels and payment if approved.

4.4 Additional Report Implications

See Appendix A

Appendices

Appendix A – Additional Report Implications

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

☒ Holistic Working
☐ Hub and Spoke
☒ Modern
☒ Sustainable
☐ Transformational
☒ Preventative
☐ Asset-based
☒ Continuous Improvement
☐ One size fits one
☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

☒ One Council Working with you, for you
☒ Preventative and Sustainable
☒ Efficient and Modern
☐ Innovative and Ambitious
☐ None of the above

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value

A.5 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities.

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Not applicable

Midlothian Council
Tuesday 27 February 2024
Item No 8.6

Council Tax charges on second homes and empty properties

Report by Saty Kaur, Chief Officer Corporate Solutions

Report for Decision

1 Recommendations

Council is asked to:

- Agree to apply a 100% increase in respect of Council Tax charges for second homes as proposed in 3.8.
- Agree that no discount be applied for empty properties as referred to in 3.12 and 3.13.
- Agree to extend the initial six-month grace period on empty homes referred to in 3.12 for up to a maximum of an additional six months, therefore in total up to 12 months grace period can be applied as proposed in 3.13.
- Delegate authority to the Executive Director Place to apply the discretionary six-month extension to the grace period on empty properties referred to in 3.12, on a case-by-case basis following recommendation from the Chief Officer Corporate Solutions as proposed in 3.13.

2 Purpose of Report/Executive Summary

To provide Council with information on the recent legislative change on Council Tax charges for second and empty homes and present a recommended policy for approval.

Date Friday 26 January 2024

Report Contact:
Saty Kaur, Chief Officer Corporate Solutions

Saty.Kaur@midlothian.gov.uk

3 Background

3.1 On 14 December 2023, Scottish Parliament agreed amendments[1] to the current legislation, resulting in new powers enabling Local Authorities to increase the amount of council tax payable on second homes by a levy up to 100%, which brings this in line with the current 100% levy already applied to empty homes.

3.2 In relation to empty homes there is also specific provision in the amended legislation for any property which has been unoccupied for at least 12 months, has been purchased by a new owner within the past six months, and which a local authority is satisfied is the subject of repairs or renovations with a view to improving the property. These properties will not be subject to 100% increase (levy) and the Council can also grant a discount of between 10% - 50% or no discount i.e. owners pay the standard Council Tax rate. The Council also have discretion to extend the period for which the exclusion from 100% levy applies, where they consider that it is appropriate to do so, for example, in order to enable works to be completed.

3.3 Local Authorities will be able to effect these changes from 1 April 2024. Therefore prior to the commencement date, Council are required to determine its policy on these new powers.

Main Report

<u>Second Homes</u>

3.4 A second home is a home which is furnished and lived in for at least 25 days in a 12-month period but is not someone's sole or main residence. Currently Local Authorities have the discretion to apply a discount of between 10% to 50% to Council tax charges for second homes or apply no discount.

3.5 Midlothian Council currently applies a discount of 10% (except for purpose-built holiday homes and job-related properties where a 50% discount applies).

3.6 As of 1 April 2024, Local Authorities have powers to increase the Council Tax payable on second homes by a levy of up to 100%.

---

[1] **Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013/45 as amended by Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023/389**

3.7 It is anticipated that the introduction of the 100% levy would incentivise sales of second homes to bring them back into use as main residences therefore reducing the potential additional income that would be generated. To provide an illustration of potential additional revenue, Table 1 details the number of second homes in Midlothian and what the impact of a 100% increase in Council Tax would be, using the figures for the last three financial years (noting that 2023/24 financial year figures are based on the property numbers as of end December 2023 and assumed to remain static to the 31 March 2024).

	No of properties		
Council Tax Band	**2021/22**	**2022/23**	**2023/24**
A	-1	0	0
B	8	11	6
C	17	9	12
D	21	33	17
E	9	9	8
F	4	4	5
G	1	1	3
H	0	0	0
Total no of properties	59	67	51
Potential additional Council Tax billed (annual total) (£)	**75728.84**	**93175.50**	**99197.98**
Potential additional income (at average 97% collection rate)			**96222.05**

*Table 1 – Second homes at 100% levy (2021/22-2023/24) *illustrative purposes only*

3.8 Council are asked to agree to implement a 100% increase or levy of the Council Tax payable for all second homes, with the exception of purpose-built holiday homes and job-related properties which will still be subject to a 50% discount.

3.9 The intention of this proposal is to encourage second homes to be brought back into use as main residential properties, helping to alleviate the current housing crisis. Furthermore, fully occupied homes in Midlothian will generate income through local spend, participation in local life and can regenerate communities whereas vacant/long term empty properties can be less visually appealing.

<u>Empty properties</u>

3.10 Where a property has been unoccupied for a continuous period of more than twelve months and is not actively being marketed for sale or let, the Council can apply a levy of up to 100% (deemed as long-term empty properties). If the property is being actively marketed for sale or let, then the 100% levy can only be applied where the property has been unoccupied for two years or more.

3.11 Currently, Local Authorities are required to apply a 50% discount to Council Tax, for six months after sale, to an empty property that requires major repair work or structural alterations to make it habitable. The discount only applies where a property is undergoing (or has undergone) major repair work or structural alteration and is unhabitable as a consequence. Where a property prior to sale had been a long-term empty property and is then unoccupied due to renovations or repairs that are not of a structural nature, a new owner is required to pay a Council Tax premium with no discount applied.

3.12 As of 1 April 2024, in respect of the new regulation, the position for any property that has been unoccupied for at least 12 months, has been purchased by a new owner within the past six months, and which the Local Authority is satisfied is the subject of repairs or renovations with a view to improving the property is as follows for a period of six months:

i. The Council cannot increase the amount of council tax payable by up to 100% for the unoccupied property**.** i.e. apply the levy
ii. The Council can grant a discount of between 10 to 50% to the standard rate
iii. The Council can grant no discount to the standard rate so the standard rate applies
iv. The Council can agree to extend the levy exclusion period, if for example, the works are continuing. It should be noted that if the Council extend the levy exclusion period, then it can also choose to extend any discount that is in place (i.e. if (ii) has been applied then this can also be granted during the extension period)

3.13 Council are asked to agree that:

a) During the first six months, as the 100% Council Tax levy does not apply, no further discount will be applied to the property i.e. adopt (iii) above.
b) Any extensions (as per (iv) above) would only be for a maximum of 12 months and would be at the discretion of the delegated authority of the Executive Director Place, on a case-by-case basis following recommendation from the Chief Officer Corporate Solutions.

3.14 It should be noted that, at the time of writing this report, work is ongoing between Scottish Parliament and Local Government to produce joint guidance on the circumstances in which the grace period will apply and types of work that will be included under repairs or renovations. The regulations, however, state that ultimately it will be for Local Authorities to be satisfied the repairs or renovations are being undertaken with a view to improving the property.

3.15 Furthermore, it is important to note that in terms of the Council Tax (Exempt Dwellings) Order 1997 a dwelling house which is incapable of, and is not, being lived in because it is being structurally repaired, improved or reconstructed is exempt from Council Tax .and not affected by the amended regulations.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

No additional staffing resource is required to administer the recommended policy in this report. Communication and administration of the recommended policy can be delivered from existing resources in Corporate Solutions.

Table 1 illustrates the potential additional annual income that may be generated based on a static position as of December 2023. The actual income generated can only be realised after the policy is implemented.

4.2 Digital

No implications.

4.3 Risk

Councils are facing significant housing and financial challenges. The recommended policy aims to alleviate these. To do nothing would continue to put pressure on already strained services and increase the associated risks aligned to these pressures.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

A separate IIA has been drafted assessing the impacts of the recommended policy presented for approval. This can be found in Members Library. If the policy is not agreed in full, the IIA will be revised to reflect the Council decision.

4.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendix A – Additional Report Implications

A.1 Key Priorities within the Single Midlothian Plan
Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

- ☐ Holistic Working
- ☐ Hub and Spoke
- ☐ Modern
- ☐ Sustainable
- ☐ Transformational
- ☒ Preventative
- ☐ Asset-based
- ☐ Continuous Improvement
- ☐ One size fits one
- ☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- ☐ One Council Working with you, for you
- ☐ Preventative and Sustainable
- ☐ Efficient and Modern
- ☐ Innovative and Ambitious
- ☒ None of the above

A.4 Delivering Best Value
Not applicable

A.5 Involving Communities and Other Stakeholders
The changes to Council Tax second homes and empty properties were previously subjected to national consultation. The consultation analysis can be viewed here: Council tax for second and empty homes, and thresholds for non-domestic rates: consultation analysis - gov.scot (www.gov.scot)

A.6 Impact on Performance and Outcomes

The recommended policy aims to reduce the pressure on the current housing crisis. Having a safe and affordable home contributes to better outcomes for communities.

A.7 Adopting a Preventative Approach
The recommended policy aims to generate additional income for the Council, which contributes to reducing the current financial pressures.

A.8 Supporting Sustainable Development
Not applicable

Midlothian Council
Tuesday 27 February 2024
Item No 8.7

Fees and Charges 2024/25

Report by Saty Kaur, Chief Officer Corporate Solutions

Report for Decision

1 Recommendations

Council are asked to:

- Agree to the officer recommendations for new, revised and frozen charges as outlined within the report; and
- Note the final agreed fees and charges register will be published on the Council's website.

2 Purpose of Report/Executive Summary

This report provides Council with the proposed fees and charges table for 2024/25 for consideration and approval.

Date Tuesday 30 January 2024

Report Contact:
Saty Kaur, Chief Officer Corporate Solutions

Saty.Kaur@midlothian.gov.uk

3 Main Report

3.1 Fees and charges are reviewed annually and presented to Council as part of annual budget setting. The proposed fees and charges table for 2024/25 can be found online for review. Some charges are statutory, and these are noted on the register. As and when the statutory bodies issue the revised charges these will be actioned for these fees. Other charges are subject to inflationary uplifts (as requested by Council in 2023/24) and are noted on the register.

3.2 Below is a summary of where discretionary charges have been reviewed and has resulted in officer recommendations to introduce new charges, changes from the review and charges that remain frozen, and the rationale for these recommendations.

New charges proposed to be introduced

Building Standards – introduction of fees for non-statutory services

3.3 At its meeting of 21 February 2023, Council agreed to the introduction of fees for Building Standards for non-statutory duties. Within the fees and charges register for 2024/25, these now include:

- Application for Midlothian Council's acceptance of sports ground capacity less than 5,000 spectators – Non-Designated Sports Ground. For a sports ground that **has not** had confirmation previously from Midlothian Council (£189.00)
- Application for Midlothian Council's acceptance of sports ground capacity less than 5,000 spectators – Non-Designated Sports Ground. Applies to year 1 of 3-yearly confirmation cycle for a sports ground that has had confirmation previously from Midlothian Council (£126.00)
- Application for Midlothian Council's acceptance of sports ground capacity less than 5,000 spectators – Non-Designated Sports Ground. Applies to years 2 and 3 of 3-yearly confirmation cycle for a sports ground that has had confirmation previously from Midlothian Council (£63.00)

Council is asked to note that the other charges in relation to Building Standards are statutory. Scottish Government wrote to Councils on 9 February 2024 to advise on the changes to fee levels and associated discounts for Certification of Design and Construction. A number of changes are being introduced to the building standards system through the work of the Building Standards Futures Board Programme. The increase in fees is part of a planned 3-year model to increase fees annually, dependent on the outcome from monitoring, reporting, and auditing of the application of increased building warrant fee income at local authority level in support of increased verification service capacity and will be subject to Ministerial approval. These changes will take effect from 1 April 2024.

Waste – Bulky uplifts – new costs

3.4 The current charging structure for bulky uplifts has been reviewed and a new set of charges proposed in line with other local authorities after benchmarking carried out with neighbouring authorities and the Local Government Benchmarking Framework (LGBF) group.

Due to the additional costs associated with the collection and disposal of waste upholstered domestic seating (WUDS) containing Persistent Organic Pollutants (POPs) i.e. sofas, armchairs, upholstered dining chairs as well as beanbags and footstools, Waste & Recycling Services propose amending the current charging structure for kerbside bulky waste collections to cover these costs.

It is proposed that from 1 April 2024, the charge for bulky waste collections of upholstered seating would be dependent on the individual item/s that are required to be uplifted. This will be based on the cost for both collection (size/weight and staff time required) and the additional disposal charge.

As the wood or metal in the frame or legs of POPs waste (sofas etc) can no longer be extracted for recycling, and crushing of POPs waste must be undertaken in a negative pressure environment to prevent release of particles to the environment, the disposal cost for upholstered seating is higher than for other bulky waste items.

The existing bulky waste uplift charge (2023/24) is £27 for up to seven items. Fridges and freezers are individually charged at £27 per appliance. This charge was initially introduced to cover the cost of “de-gassing” these appliances.

It is proposed that the existing charges change as follows:

- £27.00 for **up to seven items** with rise to £30 for **up to six items** – the equivalent of £5 per item
- Fixed fee of £40 for larger/heavier items such as range cookers, exercise machines or pianos will rise to £60 per item
- £27.00 charge for fridge/freezer per item is raised to £30.00 item.

New charges proposed are:

- 2 seater sofa (per item) (size up to 180cm in length) - £30.00
- 3 seater sofa (per item) (size over 180cm in length) - £40.00
- corner sofa (per item) - £50.00
- other large domestic appliance (per item) - £30.00
- Mattress, divan bed, Armchair (up to 2 items) - £30.00

Short term lets licensing – new charges proposed

3.5 Two new charges are proposed for secondary letting:

- Additional charge (per additional room/guest): greater than 12 bedrooms or greater than 24 guests - £55.00
- Additional charge (per additional room/guest): greater than 12 bedrooms or greater than 24 guests - Fee to consider material change - £33.00

Two new charges are proposed for home sharing/home letting:

- Additional charge (per additional room/guest): greater than 4 bedrooms or greater than 9 guests - £55.00
- Additional charge (per additional room/guest): greater than 4 bedrooms or greater than 9 guests - Fee to consider material change - £33.00

Review of existing charges

Parks and Greenspace – review and uplift of existing charges

3.6 A review of events charges for events that occur in the Council's Parks and Greenspaces has taken place in 2023/24. Benchmarking has been undertaken and it is proposed to increase charges between 10 – 100% for activities in this service area. The proposed new prices will bring Midlothian in line with neighbouring authorities.

It is also proposed to reduce the charges for ranger led activities to a schedule that is more streamlined and standardised.

Permits – review and uplift of existing charges levied at developers

3.7 A review of permit charges has been carried out in 2023/24. With the exception of footway crossing permits and access protection marking, all other permits are mainly aimed at developers and/or commercial businesses.

Benchmarking was undertaken with neighbouring authorities. From a sample of permits benchmarked, Midlothian sit above average in comparison to its neighbouring authorities for Temporary Traffic Regulation Orders (TTROs), skip permits, cabin, scaffolding. Edinburgh charges are higher than Midlothian whilst East Lothian and Scottish Borders are lower.

In comparison against the LGBF group, charges for skip permits, cabin, scaffolding are either in line with these authorities or just below average with the exception of TTROs where Midlothian is above average.

Due to the different scale of charges for excavations it is not possible to carry out a direct comparison. However, charges are similar to those charged by other authorities.

It is proposed to increase charges to align with Edinburgh Council's permit charges and range from a 10% increase to 250% for some permit requests.

Dalkeith Car Parking Charges – proposed increase of charges

3.8 It is proposed to increase these for St Andrew St and North Wynd:

- Up to two hours – was £1.00. Proposed new charge is £1.50
- 3 hours – was £2.00. Proposed new charge is £3.00
- 4 hours – was £4.00. Proposed new charge is £5.00
- 10 hours – was £10.00. Proposed new charge is £12.00

Charges for car parking have remained static since introduction (North Wynd July 2011 and St Andrew St February 2012). Benchmarking was carried out with neighbouring authorities and the LGBF group where data was available. Except for Edinburgh Council, increasing charges would put Midlothian above all other authorities.

Pest Control – review and uplift of existing charges and new charges

3.9 Council, at its meeting of 21 March 2023 agreed to pest control treatments within domestic tenancies to be funded through the Housing Revenue Account.

It should be noted there have been no increases to pest control charges since 2020/21. Pest control charging structure has been reviewed in 2023/24 and new charges proposed now cover the cost of providing the service. This results in an increase in charging from -1% to 195%.

Two new charges are:

- Rats/ mice - additional visits (should the initial treatment programme requires to be extended beyond 3 visits to site) (cost per visit) - £40.00
- Survey of residential garden area regards rodents (this does not include a treatment plan) - £40.00

Zoo licences

3.10 All zoos that are open to the public, with or without charge, on seven or more days in a twelve-month period need a licence from their local authority to operate. A zoo is defined as any establishment where animals of wild species are exhibited to the public. Circuses and pet shops are excluded from this definition.

The Zoo Licensing Act 1981 sets out different timetables for new licence over a 4yr period and thereafter renewals over a 6yr period.

Benchmarking carried out with other authorities show that Midlothian are significantly undercharging for Zoo or Small Zoo licences. Charges reviewed and increased to cover the cost of providing the service, which has resulted in increases ranging from 12% to 850%:

- Application for grant or renewal of Zoo licence (4-year term) – currently £80.00, proposed new charge £760.00
- Application for grant or renewal of "small zoo" licence (4-year term) - currently £80.00, proposed new charge £445.00

- Significant alteration of a Zoo licence – currently £80, proposed new charge £90.00
- Transfer of a Zoo licence – currently £73.00, proposed new charge £90.00

Environmental Health – review and uplift of existing charges and new charges

3.11 Benchmarking carried out with neighbouring authorities show Midlothian are undercharging for animal licensing and stray dog fees. Charges increased to an average charge across those authorities:

- Licence fees for animal boarding - commercial boarding – current fee £140.00, proposed new fee £250.00
- Breeding of animals (dogs, cats or rabbits) – current fee £140.00, proposed new fee £250.00
- Pet shops – current fee £140.00, proposed new fee £250.00
- Stray dogs - Regulatory fee to be paid by the person claiming to be the owner (additional to all expenses) – **new charge** of £25.00 is proposed under the Environmental Protection (stray dogs) Regulations 1992, reg 2.
- Stray dogs collected on days 1-3 – current fee £17.00, proposed new fee £36.00
- Stray dogs collected after day 3 would rise to £17.00 plus £7.00 day thereafter

Immigration certificates – revised and increased costs – Environmental Health Officers carry out an inspection of the identified residential property that will be accommodated to ensure that the house is of suitable repair and size for the current and anticipated people who will live there i.e. the house needs to meet the tolerable standard and with the additional proposed no of (usually) family members coming through immigration, will not be overcrowded. A report is prepared and issued following the inspection and this report is submitted as part of the visa application process. The uplift in costs is to cover the actual cost of the work in conducting the inspection and preparing and issuing the report: current fee £115.00, proposed new fee £150.00.

There is a separate quick turnaround fee which is effectively a 50% surcharge – this is levied in cases where fast response is being asked for. This is in response to the team finding that applicants were contacting them at the last minute requiring immediate inspection because of deadlines in the visa application process. Therefore, a fast-track immigration certificate is also listed for those required within 4 working days of request (50% surcharge on usual fee) – current fee £173.00, proposed new fee £225.00.

Although reports are necessary for the visa application process this is not considered to be statutory work.

Other change is the Food Hygiene Certificate, for premises looking for a premises licence under Section 50 of the Licensing (Scotland) Act 2005 – current fee £108.00, proposed new fee £125.00.

Trading Standards – Weights and Measures – review and uplift of existing charges and new charges

3.12 New charging structure for weights fees, introduces 3 categories dependent of weight. Designed to ensure the cost to re-calibrate a weight is less than purchasing a new weight. Charges proposed are benchmarked against other authorities that provide a similar service. This results in some changes of between 10% to 42% increase and a new charge introduced:

- Weights and Measures Equipment Test Fees (weights fee) 1g - 500g – current fee £8.00, proposed new fee £10.00
- Weights and Measures Equipment Test Fees (weights fee) 1kg - 5kg – current fee £10.80, proposed new fee £12.00
- Weights and Measures Equipment Test Fees (length fee) – current fee £11.20, proposed new fee £16.00
- Weights and Measures Equipment Test Fees (weights fee) 10kg - 25kg or 1mg - 500mg – **new fee proposed** £15.00

Waste – New housing developments

3.13 This charge is associated with a new build house – set of bins and boxes (incl. food waste recycling). Charges include delivery, bin stickers and calendar). It is proposed to increase the charge from £104.00 to £200.00 (90% increase).

These charges are aimed at property developers only. Developers are charged for the costs of providing waste and recycling containers for new build housing. This covers the initial capital purchasing cost of the containers, delivery and administration.

As the Council makes plans to move to 'twin stream' for the collection of recycling (paper/card collected in one bin), the future cost of an additional bin has been factored into the proposed increase in charge. To note: charges have been based on the average Scotland Excel price for wheeled bins and containers at cost recovery.

Council, when it acts as a property developer, will also be subjected to these costs.

3.14 Garden Waste

In February 2023, Council agreed to uplift garden waste charges to £40/year, to take effect in year 2024/25. It is proposed to uplift this to £42 for 2025/26 year.

Council should note that as the promotion for garden waste sign commences in January of each year, any change to charges needs to be agreed in this financial year to take effect for next.

Library Services

3.15 Minimal changes within the library service to include an increase to laminating charges, an increase to local studies research and the removal of charging for a lost membership card (adult).

Registrars

3.16 Minimal uplifts to ceremony charges to bring these in line with neighbouring Local Authorities.

Street naming and numbering

3.17 With the exception of the charge for single developments all other charges are services aimed at property developers. Council should note that Midlothian is already one of the highest charges in this service; however, recognising that Midlothian is the fastest growing local authority in mainland Scotland, it is proposed to further increase these charges:

- Naming of a new street – current charge £360.00, proposed charge £500.00
- Naming/Numbering of New Properties or Alterations to existing buildings: 1 property – current charge £120.00, proposed new charge £150.00
- Naming/Numbering of New Properties or Alterations to existing buildings: 2 - 5 properties – current charge £300.00, proposed new charge £420.00
- Naming/Numbering of New Properties or Alterations to existing buildings: 6-10 properties – current charge £420.00, proposed new charge £600.00
- Naming/Numbering of New Properties or Alterations to existing buildings: 11-20 properties – current charge £600.00, proposed new charge £840.00
- Naming/Numbering of New Properties or Alterations to existing buildings: 21-50 properties – current charge £900.00, proposed new charge £1260.00
- Naming/Numbering of New Properties or Alterations to existing buildings: 51-100 properties – current charge £1200.00, proposed new charge £1680.00
- Naming/Numbering of New Properties or Alterations to existing buildings: 101 plus properties (Plus additional £45 per plot) – current charge £1700.00, proposed new charge £2380.00
- Allocation of a house name or renumbering/change of address – current charge £120.00, proposed new charge £150.00

No changes to charges

No changes – Catering Services

3.18 It is proposed to freeze the following charges within Catering Services:

- School meals (Primary, Secondary and Adult Meals) - No increases proposed due to cost of living crisis. Primary 1 to 5 receive free school meals and Primary 6 and 7 will follow in future.
- Café, Vending and Basket Service – pending review of café options which is included in the Transformation Blueprint Theme 5 Commercialisation

No changes – Bonnyrigg District Heating Scheme

3.19 It is not proposed to change the charges at present.

No changes – Travel and Fleet Services

3.20 It is proposed to freeze the charge for non-entitled travel school bus pass currently at £245.00. This will be reviewed as part of the Home to School Transport sprint contained within the Transformation Blueprint.

No changes - Health Living Services

3.21 Charges across all leisure services are frozen. There will be an external review of charges and memberships and, when that is completed, a full report will be brought to Council outlining any suggested changes to charges. This is part of the Transformation Blueprint.

No changes - Health and Social Care – Adult Social Care

3.22 Midlothian Health and Social Care Partnership are currently undertaking work to review its charging policy and eligibility criteria. This will require benchmarking and need to take account of the still pending funding settlement for 2023-24 directed by the Scottish Government and agreed by Midlothian Council and NHS Lothian. Consequently, it is proposed that a further report on Social Care charges will be brought to Council at a future date.

Lifelong Learning and Employability Classes – uplift and freezes

3.23 No increases are proposed for Code A courses (all levels except retired rate) due to the need to increase adults with qualifications, particularly for employability purposes as well as increase uptake.

Similarly, no increases are proposed for codes C to F with the exception of rates for retired people (those who do not qualify for concessionary rate e.g. on some kind of top up benefit). Rates have been benchmarked against City of Edinburgh and still sit below their charge of £48.30 for retired code C.

In addition, it is proposed to increase cost of weekend/short courses in line with benchmarking information with City of Edinburgh and cost of delivery.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

Each service is individually responsible for implementing the recommended fees and charges. Charges are aligned to cost recovery so it is not anticipated that any additional resource will be required to implement. The approved fees and charges register will be published on the Council's website.

4.2 Digital

The Customer Service Platform project is ongoing and a key output from this is to rollout online payment processes that are available 24/7. The review of fees and charges has identified a number of areas that would benefit from an online payment option to improve the customer experience, reduce staff time processing manual payments and allow for greater visibility on income and volumes of transactions. These service areas will be added to the existing workplan and progressed through the 2024/25 financial year.

4.3 Risk

The Council is facing significant financial pressure. The report outlines the rationale for the proposed changes to fees and charges. To do nothing would present significant risk in some areas where, for example, maintaining current charges with no increase means cost recovery is not being achieved; and in other areas where to do nothing would result in a missed opportunity to generate income for the Council.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

A separate IIA has been produced for the recommendations and will be revised following approval at Council to include any changes from the recommendations. Following on from this, where a change to fees and charges results in a policy change or redesign of existing process, the service area that is responsible for this will complete a more detailed IIA at the point of policy development/process redesign. The IIA is available for review in Members Library.

4.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix B – Background information/Links

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

☐ Holistic Working
☐ Hub and Spoke
☐ Modern
☐ Sustainable
☐ Transformational
☐ Preventative
☐ Asset-based
☒ Continuous Improvement
☐ One size fits one
☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

☐ One Council Working with you, for you
☐ Preventative and Sustainable
☐ Efficient and Modern
☐ Innovative and Ambitious
☒ None of the above

A.4 Delivering Best Value

Not applicable

A.5 Involving Communities and Other Stakeholders

All service areas listed in the fees and charges register have been consulted to inform the recommended changes.

A.6 Impact on Performance and Outcomes

Not applicable

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Not applicable

APPENDIX B

Register of charges 2024/25 for publication – available to review on the Council's website: Fees and charges for 2023-24 | Fees and charges register | Midlothian Council

Medium Term Financial Strategy – 2024/25 to 2028/29

Report by David Gladwin, Chief Financial Officer & Section 95 Officer

Report for Decision

1 Recommendations

a) Note that the financial outlook remains challenging for this term of Council and recall the recommendation in the External Auditors report in 2022 that "*as a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans*".
b) Note the position relating to Scottish Government funding for Councils in 2024/25 and the associated grant settlement for Midlothian Council.
c) Note that the projected budget gap over the life of the Medium Term Financial Strategy (MTFS) through to 2028/29, assuming Council support all recommendations as shown in table 6, is £20.882 million.
d) Approve a freeze in Council Tax rates for 2024/25 thus accepting the Scottish Government Grant offer of £2.870 million to support a freeze. Council Tax bandings are shown at Appendix B.
e) Approve the 2024/25 budget as shown in table 6 and in Appendix D noting that it contains neither utilisation nor enhancement of reserves other than £4.093 million of one-off funding relating to retrospective service concessions.
f) Approve an allocation to Midlothian Integration Joint Board (MIJB) for 2024/25 of £60.866 million in respect of delegated services (subject to final confirmation of the distribution of Scottish Government Funding).
g) Note that a further MTFS report with updated financial projections and a specific focus on progress with Transformation Blueprint work will be presented to Council no later than 25th June 2024.
h) Note that ongoing work on Capital Plan Prioritisation, including the updating of asset management plans, will be finalised and presented to Council no later than 25th June 2024.
i) Otherwise, note the remainder of the report.

2 Purpose of Report / Executive Summary

2.1 The main purpose of this report is to provide Council with the budget position for 2024/25 to allow discharge of their statutory duties to set a balanced budget for 2024/25. The report also provides budget projections for financial years 2025/26 through to 2028/29.

2.2 Commentary is provided to Members on the latest position on Scottish Government funding for Midlothian Council in 2024/25 and government timescales to finalise this.

2.3 Recent developments relating to Employers Pension contributions for all groups of workers is discussed and the implications of these are reflected in the 2024/25 base budget position and the remainder of the MTFS.

2.4 Council approved savings proposals and future planning assumptions around the use of service concession retrospection partially bridge the projected budget gap over the term of the MTFS. However, the use of one-off measures to balance budgets does not contribute to the underlying financial challenge of matching recurring expenditure and income to reach a financially sustainable position for Midlothian Council.

2.5 The budget position for 2024/25 is balanced after reflecting recommendations made in this report and in items 8.5, 8.6 and 8.7 on today's agenda. A budget gap of £20.888 million is projected through to 2028/29.

Wednesday 14th February 2024

Report Contact: David Gladwin, 0131 271 3113

david.gladwin@midlothian.gov.uk

3 Background / Main Body of Report

3.1 The aim of the MTFS is to provide a multiyear financial strategy aligned to the Council's Strategic Plans. It seeks to support the Council in fulfilling its statutory duty to set a balanced budget and determine Council Tax levels annually with a key aspect being ongoing financial sustainability for the Council where recurring costs are matched by recurring income.

3.2 Council and officers are reminded of a recommendation of the external Auditor that "*as a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans"*. The auditor also observed that "*The Council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding of the ongoing impact of Covid and other financial pressures*".

3.3 The approval of the MTFS in June 2019 was an important step-change and one that provided greater certainty for local communities and for employees. It allowed the Council to shift from having to consider savings every year at February Council meetings to planning for the medium term and in turn securing continued financial sustainability.

3.4 As a result, the approval of the MTFS and, on the recommendation of the BTSG, the subsequent approval of the 2020/21 & 2021/22 budgets ensured that the Council secured strategic budgets which invested in Midlothian to help it fulfil its potential to be a great place to grow.

3.5 The MTFS also provided a strong foundation on which the Council has been able to build its response to the financial impact of the COVID pandemic. It was against this backdrop that a corporate solution for 2022/23 was developed to support the delivery of the last budget determined by the previous Council.

3.6 The pandemic has accelerated financial challenges, exacerbated by very challenging inflationary pressures. There are some difficult choices ahead as Midlothian Council try to deliver services within available budget alongside sustained demographic growth from being the fastest growing local authority in Scotland. As a result, there is a significant funding gap that will impact on what services the Council can continue to deliver and how they are delivered. Reprioritisation and redesign is crucial to balancing the financial position. The approved budget for 2023/24 included some areas of efficiency and service reduction whilst recognising the importance of driving transformation outlined in the Transformation Blueprint as quickly as possible.

3.7 Council last considered the MTFS on 19th December 2023 where budget projections were discussed with particular focus on recent fiscal events and the emerging position on employers' pension contributions.

Statutory Responsibilities of Councillors

3.8 Full Council has a statutory duty, as set out in Section 93 of the Local Government Finance Act 1992 (as amended), to set Council Tax and a balanced budget for the following financial year by 11th March.

3.9 Members should note that legislation contains no specific requirement for a Council to set its budget at the same time as setting its Council Tax. This is because it is implicit in setting the Council Tax that the income it raises needs to be sufficient to fund the balance of expenditure not otherwise funded from government grant, fees, reserves etc.

3.10 It is therefore implicit in legislation that Council Tax income funds the gap between income and expenditure. Accordingly, in determining a budget, Council needs to identify the gap between expenditure and income and if no other action is taken to redress any shortfall Council Tax has to be set at a rate that will do so. As a consequence, Council Tax decisions should not normally be taken in advance of other budget decisions.

3.11 Members should also continue to note that in terms of Section 112 of the Local Government Finance Act 1992 (as amended) it is an offence for members to participate in any vote in respect of setting Council Tax where the member has unpaid Council Tax. Accordingly, at the Council meeting on 27th February members would be required to disclose if this section of the act applies to them and subsequently not vote on any question with respect to the matter.

Scottish Government Funding - Local Government Finance Circular 8/2023

3.12 The Scottish Budget was announced on Tuesday 19th December 2023 with the provisional Local Government Finance Circular issued on Thursday 21st December. Consultation on the circular took place during January 2024 and informed the next stages of the parliamentary process. Stage 1 of the Budget Bill passed on Thursday 8th February, stage 2 is planned for Tuesday 20th February and stage 3 (final) on Tuesday 27th February. The Local Government Financial Order Debate is scheduled for Wednesday 28th February.

Scottish position

3.13 Total cash funding for 2024/25 shown in Finance Circular 8/2023 is £13,883.109 million which is a £522.934 million increase on the published 2023/24 position in Finance Circular 3/2023. Table 1 below provides details.

Table1: All Scotland Aggregated Funding Totals

	2023/24	2024/25	Cash Change
	£m	£m	£m
Revenue	12,651.734	13,245.100	593.366
Capital	708.441	638.009	(70.432)
Total	**13,360.175**	**13,883.109**	**522.934**

Revenue Funding

3.14 To reach a meaningful comparison between financial years it is necessary to compare numbers on the same basis. New and recurring funding provided to Councils during 2023/24 should be reflected in the starting figure and new funding provided in 2024/25 should be excluded. Analysing figures in this manner shows a core cash cut to revenue funding of £62.7 million.

3.15 Converting cash values to real terms figures is not an exact science illustrated by various commentators concluding slightly differently. Nonetheless, what is clear to all is a significant real terms reduction in funding for Local Government in 2024/25 with no additional funding for pay and other inflation or for service demand pressures.

3.16 The Scottish Government have provided Councils with funding for 2024/25 to support new expenditure commitments as shown in table 2 below.

Table 2: 2024/25 new commitments

Commitments (national funding)	£m
Free School Meals	4.5
Real Living Wage (£12ph) in Adult Social Care for PVI	230.0
Personal and Nursing Care for Older People	11.5
Discretionary Housing Payments	6.8
Council Tax Freeze	147.3
Total	**400.1**

3.17 The Scottish Budget also made a change to Non Domestic Rates (NDR) poundage for Intermediate rated (levied on properties with a rateable value from £50,001 to £100,000) and higher rated (levied on properties with a rateable value over £100,000) properties. The poundage rate for both categories increased by 6.7%.

Impact of Finance Circular 8/2023 on Midlothian Council

3.18 Finance Circular 8/2023 distributes £12,878.251 million revenue funding to local authorities with the remaining £366.849 million undistributed at this stage. Table 3 below shows Midlothian's share of distributed amounts and estimated shares of undistributed.

Table 3: Midlothian Council shares of Scottish Government Grant

	Scotland £m	**Midlothian £m**
Distributed funding		
General Revenue Funding	9,547.264	180.389
Non Domestic Rates	3,068.000	34.834
Ring-Fenced Grants	262.987	3.682
Total	**12,878.251**	**218.905**
Undistributed funding		
General Revenue Funding	366.849	5.476
Non Domestic Rates (NDR)	0	0
Ring-fenced Grants	0	0
Total	**366.849**	**5.476**
Total Scottish Government Funding	**13,245.100**	**224.381**

3.19 Table 3 excludes funding of £147.3 million that the Scottish Government have offered Councils to support a Council Tax freeze in 2024/25 (sections 3.24 – 3.27 below).

3.20 It was expected that the published results from the 2022 census would result in a refresh of some of the indicators used in Scottish Government Grant calculations with an improved relative position for Midlothian Council. This was indeed the case and table 4 below shows the distributional gains.

Table 4: Impact of 2022 Census and updating of other indicators

GAE Service Grouping (note 1)	*£m*
Education	1.550
Social Work - Children	0.241
Social Work - Adults	0.610
Roads and Transport	(0.171)
Leisure and Recreation	0.130
Cleansing and Environment	0.213
Other	(0.002)
Growth in Midlothian Share of National Funding	**2.571**

Note 1 - Individual GAE lines (80+) are recalculated each year based on updated indicators.

Further distributional gains are expected in 2025/26 once full census results are incorporate into calculations.

3.21 In 2023/24 Midlothian contributed £3.069m to the Floor which was set at 0.25% below the average level of Local Authority revenue grant change. The Deputy First Minister (DFM) has discretion to choose where to set the floor but tends to work within agreed parameters of 0.25% to 0.75% as agreed by CoSLA Leaders. Growing Councils, like Midlothian, have continued to illustrate how the floor works against increasing service demand.

3.22 The annual average change in grant for Councils in 2024/25 was a reduction of 0.54%. The DFM has provisionally set the floor at 0.5% thus ensuring that the maximum percentage reduction any Council can receive is 1.04%. In 2024/25 Midlothian contributes £2.445 million to the floor. A floor of 0.25%, as seen in the 2023/24 settlement, would have resulted in a £2.988m contribution and a floor of 0.75% would have resulted in a contribution of £2.065. Whilst movement on the floor brings financial benefit to Midlothian Council it remains the case that the vast majority of additional funding for a growing population is re-distributed.

3.23 Despite a cash terms cut of £62.7 million in revenue funding to Councils in 24/25 (section 3.14), upsides in distribution result and movement in the floor, Midlothian Council see a marginal cash increase in funding.

Council Tax Freeze

3.24 On the 17th October 2023 the First Minister announced that Council Tax is to be frozen for financial year 2024/25. Discussions have taken place between Councils and Government on the precise details of this particularly on the level of financial support the Scottish Government will provide to Councils. The average Council Tax rise across Scotland in 2023/24 was 5.3%. Midlothian's increased by 5%.

3.25 National funding of £147.3 million is available to support a Council Tax freeze. Funding is calculated to equate to a 5% increase (increased Council Tax yield less additional costs of the Council Tax Reduction Scheme). Indicative shares were provided on 11th January with Midlothian receiving £2.870 million. This value has now been confirmed.

3.26 Every 1% increase in Council Tax generates additional income of approximately £0.630 million thus 5% equates to £3.150 million. A 5% increase in Council Tax Reduction Scheme costs equates to approximately £0.260 million. The net impact is £2.890 million which is £0.020 million different from Scottish Government funding leading to a conclusion that funding provided for Midlothian equates to fractionally less than 5%.

3.27 The Scottish Government have confirmed that Council Tax funding provided in 2024/25 for the purposes of freezing Council Tax will be baselined into General Revenue Grant in future years for those Councils which freeze Council Tax.

Local Government Finance Settlement Conditions

3.28 There are some conditions attached to the settlement set out in Finance Circular 8/2023 and in accompanying and subsequent letters from the DFM and Scottish Government Cabinet Secretaries. The letter received from the DFM on 19th December 2023 is attached for information at Appendix C. Key areas to note are:

- Integration Joint Boards - "The funding allocated to Integration Authorities for Free Personal and Nursing Care and adult social care pay in commissioned services should be additional and not substitutional to each council's 2023-24 recurring budgets for adult social care services that are delegated." And "Where there is evidence funding is not passed across to be used for the policy intent, the Scottish Government reserves the right to look at reclaiming this."
- Ring-Fencing – "Our offer to baseline £564.1m of education funding is conditional upon the agreement that, by the end of March 2024, the assurance framework being sought by the Cabinet Secretary for Education and Skills is in place and that the new joint Education Assurance Board has been established."
- Council Tax Freeze – "We will seek agreement of councils freezing their Council Tax in 2024-25."
- Funding for Teachers – "We will provide further detail related to the maintenance of teacher numbers…and the conditions around the £145.5 million allocated for this purpose once we have finalised the process that is currently underway relating to this year (2023/24) teacher numbers".

3.29 On the 8th February 2024 The DFM provided Councils with further advice relating to the Scottish Government position on the school workforce advising that the Cabinet Secretary for Education and Skills will shortly be writing to confirm the position on funding for school workforce in 2023/24 and 2024/25.

Budget Projections

3.30 The projected net cost of services for 2024/25 has been continually refined to reflect new or changing information particularly relating to inflationary forecasts. The current year's budget as approved on 21st February 2023 was reliant on £5.259 million of one-off funding measures as presented in table 5 below.

Table 5: Underlying budget gap for 2023/24

One-off Measures in 2023/24 Budget	**£m**	**£m**
Utilisation of uncommitted earmarked reserves	1.166	
Service Concession retrospection	4.093	
Underlying Budget Gap for 2023/24		**5.259**

3.31 Early indicative budget projections for 2025/26 and beyond as shown in table 6 below are predicated on assumptions related to Scottish Government Grant, pay and other inflation and Council Tax growth. They also assume continuation of the current structure of public services in Scotland. Projections for 2025/26 through to 2028/29 have been updated from those presented to Council in December 2023 to reflect updated assumptions on pay and pension costs, demographic pressures, inflation and debt charges to support capital investment and will be developed in more detail for inclusion in the next update to Council on the MTFS. Detailed service budgets are shown at Appendix D.

Table 6: Financial Outlook 2024/25 to 2028/29 – Analysis of Change

	2024/25 £m	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**
Opening gap for the year	**5.259**	**3.502**	**9.295**	**13.959**	**16.913**
Budget Changes					
Staffing – pay inflation and salary progression	5.338	5.394	5.556	5.723	5.895
Lothian Pension Fund Employers contribution	(3.888)	0.000	0.000	0.000	0.000
Contractual inflation and indexation	0.595	0.591	0.558	0.561	0.563
Loan Charges	1.025	4.713	2.347	0.369	0.811
Energy Inflation	1.357	0.209	0.215	0.220	0.225
Demographic Pressures	2.703	1.227	1.234	1.240	1.248
Non Domestic Rates	0.427	0.174	0.178	0.183	0.187
Digital Cloud-based solutions	0.638	0.150	0.150	0.150	0.150
Other	0.571	(0.642)	(0.182)	0.022	0.167
Expenditure Increases	**8.766**	**11.816**	**10.056**	**8.468**	**9.246**
Council Tax – Property Growth	(1.350)	(1.628)	(1.479)	(1.553)	(1.630)
Council Tax – 5% increase	0.000	(3.363)	(3.601)	(3.861)	(4.138)
Non Domestic Rates income from empty premises	(0.250)	0.000	0.000	0.000	0.000
Destination Hillend Net Income	(0.259)	(0.100)	(0.100)	(0.100)	(0.100)
Scottish Government Grant					
Consolidation of capital funding for pay	(2.069)	0.000	0.000	0.000	0.000
Council Tax freeze funding	(2.870)	0.000	0.000	0.000	0.000
Floor	(0.600)	0.000	0.000	0.000	0.000
Other	(1.145)	0.000	0.000	0.000	0.000
Gross Income Increases	**(8.543)**	**(5.091)**	**(5.180)**	**(5.514)**	**(5.868)**
Budget Gap to Address	**5.482**	**10.227**	**14.171**	**16.913**	**20.291**
Approved savings measures	(1.980)	(0.932)	(0.212)	0.000	0.000
Budget Gap	**3.502**	**9.295**	**13.959**	**16.913**	**20.291**
Service Concessions	(4.093)	(4.093)	(4.093)	(4.091)	0.000
(Surplus) / Gap	**(0.591)**	**5.202**	**9.866**	**12.822**	**20.291**
Recommendations					
Funding for MIJB pay (3%)	0.664	0.664	0.664	0.664	0.664
Council Tax Income on 2nd Homes	(0.100)	(0.100)	(0.100)	(0.100)	(0.100)

Foster Care Fees and allowance progression	0.146	0.146	0.146	0.146	0.146
Fees and Charges	(0.119)	(0.119)	(0.119)	(0.119)	(0.119)
Revised (Surplus) / Gap	**0.000**	**5.793**	**10.457**	**13.413**	**20.882**

3.32 Council last considered MTFS projections in December 2023. The report outlined a budget gap of £7.272 million in 2024/25 rising to £34.677 million by 2028/29 but did reference some potential material changes to these projections relating to Employers Pension Contributions. Projections include the additional impact in 2024/25 of savings approved in setting the 2023/24 budget on 21st February 2023 and are shown in table 7 below.

Table 7: Impact in 2024/25 of approved savings

	2024/25 £m
Shift customer engagement online	(0.065)
Hybrid working – rationalisation of the office estate	(0.167)
Increase garden waste fee	(0.026)
Location and vehicle advertising	(0.015)
1% DSM budget	(0.207)
Transformation of the school week	(1.500)
Total	**(1.980)**

3.33 On 14th November 2023 a letter was received from the Scottish Public Pensions Agency (SPPA) indicating an increase in the employer contribution rate to 26% from 23%. This applies to all teachers employed by Councils that are members of the occupational pension scheme. The principal reason for the increase was described as the impact of the UK Government's decision to reduce the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate. This increased rate will result in a significant cost increase for Councils estimated at £1.777 million for Midlothian in 2024/25 but, in the Chief Secretary to the Treasury's statement announcing the change, the UK Government committed to providing funding for increases and, for Scotland, the Barnett formula will apply. It is expected that funding will flow through the Local Government Finance Settlement but there is a risk that funding will only partially meet the additional cost thus adding to existing budget gaps. Figures in table 6 above assume that all of the £1.777 million additional cost in 2024/25 will be matched by funding.

3.34 Draft results from the triennial revaluation of Lothian Pension Fund (LPF) were received on 24th November 2023. These were presented to the Pension Committee on Tuesday 5th December 2023 as part of the Funding Strategy Statement for the next three years, prior to a period of consultation and a final decision in March 2024. The funding position of LPF as at 31st March 2023 is 157% (assets as a percentage of liabilities). At 31st March 2020 the funding position was 104%.

3.35 The Funding Strategy Statement recommends suspension of the Contribution Stability Mechanism which currently allows for an annual 0.5% increase or decrease in employer percentage contributions. It also recommended contribution rates for financial years 2024/25 – 2026/27 reduce from the current rate of 22.2% to 17.6% for Midlothian Council for all three years. The cost reduction in 2024/25 amounts to £3.888 million and this is recurring.

3.36 Loan charges are projected to increase in 2024/25 from those seen in the 2023/24 budget but by a much smaller value than previously estimated. In-year 2023/24 loans costs are considerably lower than budget due to slower than planned capital expenditure, a consequential reduced need to borrow and continued higher rates of deposit return for cash balances. This situation will continue into 2024/25 but to a lesser extent but will become much more challenging into later years of the MTFS. The ongoing Capital Plan Prioritisation exercise is addressing this challenge.

3.37 Budget projections previously modelled a 3% increase in Council Tax as a planning assumption whilst recognising that elected members were very likely to increase rates more than 3% to allow setting of a balanced budget. Funding for a Council Tax freeze of approximately 5% is now included in budget projections.

3.38 Some additional cost pressures exist in 2024/25. They mainly relate to the impact inflation continues to have on energy prices and contracts with embedded inflationary clauses. In addition a continued move from on premise digital provision to cloud-based provision brings with it a cost change from capital to revenue expenditure.

3.39 Demographic pressures remain a significant funding challenge for a fast-growing Midlothian. Statutory school places and an associated pressure from young people with additional support needs is a key challenge with costs ranging from specific infrastructure expansion to day-to-day service provision costs.

3.40 Key MTFS assumptions for 2025/26 to 2028/29 include:

- 3% for pay inflation (maximum affordability level for the Council with the assumption that if settled at a higher rate the cost will be funded by additional Scottish Government grant).
- Council Tax Band D increase of 5% per annum.
- Cash flat Scottish Government Grant.
- Loan charges are only provided for approved projects. included in the General Services Capital Plan.
- Additional Scottish Government policy commitments will be fully funded.
- Flexibility will be afforded by the Scottish Government for the Council to transform services without stipulation or direction.

Council Tax and National Non-Domestic Rates legislation

3.41 Devolution to Councils of Non-Domestic Rates Empty Property Relief (EPR) provides Councils with power to end or reduce existing discounts for buildings that have been empty for six months. Council on 19th December approved an amended policy allowing a surcharge of 100% where applicable. Additional income in 2024/25 is estimated to be £0.250 million.

3.42 A Scotland-wide consultation on Council Tax for second homes and empty properties closed on 11th July 2023. Legislation has now been passed to allow a doubling of the full rate of Council Tax on second homes and bring this into line with long-term empty premises. This will give rise to additional recurring income of approximately £0.100 million if Council choose to amend policy in line with recommendations presented at agenda item 8.6 on today's agenda.

Fees and Charges

3.43 A review of existing fees and charges is complete and is presented to Council today at agenda item 8.7. Approval of recommendations will result in the generation of additional income. Some of this will simply contribute to the achievement of existing budgeted income targets. In addition to this it is estimated that an additional £0.117 million will be collected. Achievement of this will be monitored closely during 2024/25.

Transformation Blueprint

3.44 Officers continue to progress work embedded in the Transformation Blueprint approved by Council on 27th June 2023. Updates on work are being provided to BTSG as quickly as possible. Delivery of transformation in this way is the key action in delivering a balanced MTFS and in turn a financially sustainable Council. A further MTFS report will be presented to Council no later than 25th June 2024 to allow elected members to consider savings options.

Midlothian Integration Joint Board (MIJB)

3.45 The Chief Officer and the Chief Financial Officer of MIJB are being kept updated on the Council's budget position and have also shared the Board's own challenging financial forecasts both in 2023/24 and looking forward. Scottish Government guidance on Council funding parameters for IJB's is outlined at section 3.28 above.

3.46 The proposed budget to be delegated to MIJB is £60.866 million and is made up as shown in table 8 below.

Table 8 - MIJB budget offer for 2024/25

	£m
2023/24 Approved Funding	**56.593**
Additional 2023/24 funding for pay costs	0.794
Other minor adjustments	(0.024)
Revised 2023/24 funding	**57.363**
Recurring cost reduction from Employers Superannuation reduction	(0.669)
New Scottish Government Funding	
£12 per hour living wage payment for private, voluntary and independent commissioned providers	3.344
Uplift to Free Personal Nursing Rates	0.164
Total	**60.202**
Funding for 3% pay increase	0.664
Proposed offer to MIJB for 2024/25	**60.866**

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

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

4.2 Digital

The adoption of digital solutions is a central strand of the MTFS.

4.3 Risk

Within any financial projections there are inherent risks in making assumptions to arrive at figures and also a risk of costs changing significantly or new pressures emerging.

The following key risks and issues are highlighted in the context of this report:

- Uncertainly over the Scottish Government's and Council's financial position.
- The economic outlook and decision by Scottish Government on future years grant settlements and grant distribution.
- Impact of further UK Government budget announcements and any associated policy revision.
- The risk to service provision and service users associated with a continued decline in available resources to fund services.
- Future years Public Sector pay policy and current and future year pay award settlements.
- Actual school rolls varying from those provided for in the budget.
- The impact of the wider economic climate on range of factors including: inflation, interest rates, employment, tax and income levels and service demands.

- Cost pressures, particularly demographic demand, exceeding budget estimates.
- The reform of public services and the implications for the National Care Service (Scotland) Bill.
- The impact of any changes to benefits.
- The cost of implementing national policies varying from resources provided by Government.
- Potential liabilities arising from historic child abuse.
- The financial sustainability of MIJB.
- The affordability of borrowing to support capital investment; and
- Ability to continue to meet the expectations of communities within a period of fiscal constraint.

Developing and updating a MTFS is key to support the mitigation of a number of these risks by setting out the key assumptions on which forward plans are based.

The risk of not having a balanced MTFS is the potential elimination of available reserves, which in turn would severely limit the Council's ability to deal with unforeseen or unplanned events and also the imposition of significant cuts at short notice with limited opportunity for consultation. Early agreement of the measures required to balance the 2025/26 budget is crucial.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

The MTFS together with the resource allocation measures which will support financial sustainability will, as far as the constraint on resources allow, be developed within the context of the Council's priorities, ensuring as far as possible that resources are directed towards the key priorities of reducing inequalities in learning, health and economic circumstance outcomes.

The MTFS will continue, as far as is possible, to reflect Midlothian Council's commitment to the ethos of the Equality Act 2010 with careful consideration of the interests of the most vulnerable in our communities through the preparation of equality impact assessments.

Individual EQIA's will be published in respect of future policy savings measures and an overarching EQIA will be published alongside them.

4.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix B – Council Tax Bandings
Appendix C – Letter from Deputy First Minister to CoSLA President (19 December 2023)
Appendix D – Service Budgets

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

The MTFS facilitates decisions on how Council allocates and uses its available resources and as such has fundamental implications for delivery of the key priorities in the Single Midlothian Plan. It helps ensure that resources are available to continue to delivery key priorities.

A.2 Key Drivers for Change

Key drivers addressed in this report:

☒ Holistic Working
☒ Hub and Spoke
☒ Modern
☒ Sustainable
☒ Transformational
☒ Preventative
☒ Asset-based
☒ Continuous Improvement
☒ One size fits one
☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

☒ One Council Working with you, for you
☒ Preventative and Sustainable
☒ Efficient and Modern
☒ Innovative and Ambitious
☐ None of the above

A.4 Delivering Best Value

The report does not directly impact on delivering Best Value.

A.5 Involving Communities and Other Stakeholders

The development of the MTFS provides for public engagement.

In addition, there has been and will continue to be, engagement with the recognised Trade Unions on the Council’s financial position and the development of the MTFS.

A.6 Impact on Performance and Outcomes

The MTFS facilitates decisions on how the Council allocates and uses its available resources and as such has fundamental implications for service performance and outcomes. The financial consequences of the pandemic have impacted on the availability and allocation of resources in pursuit of key outcomes as set out in the Single Midlothian Plan for both the immediate and longer term and therefore the ability of the Council to continue to deliver services in a financial sustainable manner.

A.7 Adopting a Preventative Approach

An effective Strategic plan supported by a MTFS will support the prioritisation of resources to support prevention activities.

A.8 Supporting Sustainable Development

There are no direct sustainability issues arising from this report and work will take place to mitigate any sustainability issues which arise as a consequence of the MTFS.

APPENDIX B

MIDLOTHIAN COUNCIL

Council Tax for Financial Year 2024/25

This statement gives details of the 2024/25 Council Tax payable in respect of a chargeable dwelling in each of the valuation bands specified in Section 74(2) of the Local Government Finance Act 1992 determined in accordance with Section 74(1) of the Act (as amended) **Based on Band D Council Tax of £1,514.73.**

Band	Range of Values From £	To £	Band D Proportion	Council Tax £
A	-	27,000	240/360	1,009.82
B	27,001	35,000	280/360	1,178.12
C	35,001	45,000	320/360	1,346.43
D	45,001	58,000	360/360	1,514.73
E	58,001	80,000	473/360	1,990.19
F	80,001	106,000	585/360	2,461.44
G	106,001	212,000	705/360	2,966.35
H	212,001	upward	882/360	3,711.09
Z	-	-	-	841.52

Deputy First Minister and Cabinet Secretary for Finance
Shona Robison MSP

Scottish Government
Riaghaltas na h-Alba

F/T: 0300 244 4000
E: scottish.ministers@gov.scot

Councillor Morrison
COSLA President
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

Copy to: Councillor Steven Heddle
The Leaders and Chief Executives of all Scottish
local authorities

19 December 2023

LOCAL GOVERNMENT SETTLEMENT 2024-25

Today I formally set out the Scottish Government's proposed Budget for 2024-25 to the Scottish Parliament. Further to the budget statement I write now to confirm the details of the local government finance settlement for 2024-25.

This draft budget prioritises supporting people through the cost-of-living crisis, investing in our frontline public services, and tackling the climate emergency head-on. It focuses on our three missions:

- Community - Delivering efficient and effective public services
- Equality - Tackling poverty and protecting people from harm
- Opportunity - Building a fair, green and growing economy

This Budget comes at a difficult fiscal period for Scotland. The economic conditions for the 2024-25 Scottish Budget are set to remain challenging as inflationary and pay pressures continue to impact on households, businesses and public bodies. The funding provided by the UK Government in the Autumn Statement fell far short of what we needed. Scotland needed more money for infrastructure, public services and fair pay deals. Instead, the Autumn Statement delivered a real terms reduction in the total block grant. The UK Government have not inflation-proofed their Capital Budget which is forecast to result in a 9.8% real terms cut in our UK capital funding over the medium term between 2023-24 and 2027-28.

It is also important to recognise the positive change in the relationship between the Scottish Government and local government. On 30 June of this year we signed the Verity House Agreement which set out our vision for a more collaborative approach to delivering our shared priorities for the people of Scotland. We agreed to change the way we work together, building a relationship on mutual trust and respect; focusing on achievement of better

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

INVESTORS IN PEOPLE We invest in people Silver
disability confident LEADER

outcomes; and consulting and collaborating as early as possible in policy areas where local government has a key interest.

We committed to regularly reviewing councils' powers and funding, with the expectation that services will be delivered at a local level unless agreed otherwise; and to develop a framework for collecting and sharing evidence to ensure progress is maintained.

We also undertook to agree a new Fiscal Framework governing how local authorities' funding is allocated, reducing ring-fencing and giving greater control over budgets to meet local needs. On Thursday 14 December we jointly published an update on the development of this fiscal framework and our officials will continue to work together to develop this further. We also wish to work with COSLA through the development of that Fiscal Framework to ensure the distribution arrangements for the settlement continue to meet the needs of our remotest communities and changing population. In this regard, I am open to considering adjusting the funding floor percentage ahead of the Local Government Order and would welcome any views on this or other elements of distribution as part of the consultation to the order due to publish on Thursday 21 December."

As part of our discussions with you on the new fiscal framework we will also seek to increase discretion for local authorities to determine and set fees and charges locally. This will include continuing our joint work to agree next steps following the recently closed consultation on building warrant and verification fees, and a consultation on planning fees to launch in early 2024. We also intend to explore with local government options in respect of other fees and charges which are currently levied locally but set nationally, with a view to further empowering councils in these areas.

The intention is that the indicative allocations to individual local authorities for 2024-25 will be published in a Local Government Finance Circular on Thursday 21 December. That circular will begin the statutory consultation period on the settlement.

The total funding which the Scottish Government will make available to local government in 2024-25 through the settlement will be over £14 billion for the first time should all 32 councils agree to freeze council tax. This includes:

- An additional £6m to support the expansion of Free School Meals;
- An additional £11.5m to support the uprating of Free Personal and Nursing Care rates;
- Additional funding of £230m to deliver a £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts;
- An additional £6.8m for Discretionary Housing Payments
- £145.5m to continue to maintain teachers and support staff (on which further detail will follow) as well as £242m to support teacher pay uplifts;

This excludes funding for teacher pension contributions. As you are aware there will be an increase in the employer contribution rate in the Scottish Teachers' Pension Scheme. The rate is set to increase from 23% to 26% from 1 April 2024, following the conclusion of the 2020 scheme valuation. The UK Government have publicly stated that the funding will be allocated to individual UK Government departments in Spring 2024. Scottish Ministers will make decisions on funding allocations once the UK Government funding position is clearer and the implications for consequentials are understood.

Discussions with COSLA are also underway to finalise the costs of delivering the £12 per hour minimum pay commitment for PVI providers delivering children's social care, bringing this in line with ELC and adult social care. Following discussions with COSLA, and approval through the formal financial governance process, our aim is to provide additional funding in 2024-25 for children's social care.

The funding allocated to Integration Authorities for Free Personal and Nursing Care and adult social care pay in commissioned services should be additional and not substitutional to each Council's 2023-24 recurring budgets for adult social care services that are delegated. This means that, when taken together, Local Authority adult social care budgets for allocation to Integration Authorities must be £241.5 million greater than 2023-24 recurring budgets to ensure funding from Health and Social Care Portfolio contributes to meeting outcomes in this area. Where there is evidence funding is not passed across to be used for the policy intent, the Scottish Government reserves the right to look at reclaiming this.

Within the Verity House approach, Scottish Government and Local Government are committed to developing a joint overarching framework of outcomes, accountability and monitoring. It is envisaged that this framework will be finalised by spring 2024. In the meantime, this settlement includes almost £1 billion of funding which has been baselined into the General Revenue Grant, as part of our commitment under the Verity House Agreement to remove ring-fencing and increase funding flexibilities to local authorities, subject to agreeing the detail set out below. As I have advised the COSLA President, Vice President and Resources Spokesperson in our pre-budget engagement, the baselining exercise has required us to restate the fiscal position for prior years to meet Parliamentary expectation on budget presentation. In light of this restatement, I have asked my officials to provide the necessary data to ensure that the reconciliations are clearly understood by COSLA.

The baseline proposals will deliver flexibilities across Social Care, Education, Social Justice, Net Zero and Justice. The detail of the individual lines is set out in the Annex to this letter.

In return, our expectation is that Councils will continue to deliver all statutory and contractual commitments associated with the relevant funding. In relation to the funding for Social Care being baselined we expect the continued payment of the living wage to adult social care staff in commissioned services, with Councils benefitting from flexibility on how that is delivered locally.

Alongside this, we expect that local government will continue in good faith to engage in a range of discussions about future policy direction. Given the joint work required to progress the delivery of the National Care Service, and the positive progress made so far, we expect this to continue, with every effort being made to reach agreement on outstanding matters in relation to arrangements for the chairs of local boards, direct funding and consistency of delegation.

Our offer to baseline £564.1m of education funding is conditional upon the agreement that, by the end March 2024, the assurance framework being sought by the Cabinet Secretary for Education and Skills is in place and that the new joint Education Assurance Board has been

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

INVESTORS IN PEOPLE We invest in people Silver
disability confident LEADER

established. In light of the £521.9 million of early learning and childcare (ELC) funding which is being baselined, I am also seeking your agreement to commit publicly to exploring options for a national indicative rate or range of rates for the ELC PVI sector to secure their financial sustainability in future years.

Further discussion on flexibility on other Education funding lines will take place within the Education Assurance Board once it is operational. Our expectation is also that Councils will continue to honour the existing joint agreement on provision of free school meals on a universal basis to primary 4, 5 and special school pupils, building upon our earlier agreement with respect to universal provision to primary 1 to 3 pupils.

This baselining is an initial step in the process of embedding the Verity House Agreement and is not a one-off event. I have emphasised the need for further movement in Budget 2025-26 to my Cabinet colleagues and over the coming months we will be identifying further lines which could be considered and put forward for baselining supported by the outcomes, accountability and monitoring framework to be agreed in the coming months.

The Scottish Government is committed to working in partnership with Local Government to deliver a national freeze on Council Tax in 2024-25. We have engaged closely with you to discuss the parameters and principles for identifying funding to support this commitment and will continue discussions during the coming months to reach agreement. Consequently, we have set aside £144 million to fund a freeze in Council Tax across each of Scotland's 32 local authorities. The funding earmarked is equivalent to a 5% increase in Council Tax nationally, taking into account the average rise to Council Tax in 2023-24, whilst recognising that inflationary pressures have eased in the last 12 months.

The funding represents the Council Tax revenue that might have been raised (net revenue), and excludes the forgone revenue associated with the increased cost of the Council Tax Reduction scheme, and other deductions (gross revenue), which Council Tax rises would have caused. On this basis we will seek the agreement of councils to freezing their Council Tax in 2024-25, and as I have indicated this week, I remain open to continued dialogue as to how we might best achieve that.

In respect of the statutory accounting framework and discussions on its robustness over the past number of years, I can also confirm that I have no plans in the immediate future to commence the Capital Accounting Review which was proposed in the Resources Spending Review in May 2022.

Should all councils agree to freeze Council Tax, the 2024-25 Local Government Settlement of over £14 billion offers an increase equivalent to 6.0% in cash terms since the 2023-24 budget. It continues to provide local government with a funding settlement that is both fair and affordable, under the most challenging of circumstances. Critically, in the face of a worst-case scenario Autumn Statement and amongst all the difficult decisions in the Budget, we have increased the Local Government Settlement's share of the discretionary budget.

I acknowledge that this Budget cannot deliver the resources all our partners will want. I am under no illusions about the challenging fiscal environment we face across all of our public services, not only this year but in years to come. This Budget addresses key priorities, targets resources on low-income households and paves the way for future investment in this

Parliament. It treats local authorities fairly and consistently with other portfolios. Scottish Ministers have had to take difficult decisions which have allowed us to prioritise funding and invest in the areas which have the greatest impact on the quality of life for the people who call Scotland home.

I look forward to working with COSLA in the year ahead to deliver our shared priorities and to continue to fully implement the Verity House Agreement.

Shona Robison

SHONA ROBISON

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE We invest in people Silver
disability confident LEADER

FUNDING BASELINED IN 2024-25

Funding Line	**Proposal (£m)**
Local Heat and Energy Efficient Strategies	2.4
Community Justice Partnership Funding	2.0
Living Wage	333.5
Blue Badge	0.72
Free Personal and Nursing Care	42.3
Former Housing Support Grant	1.0
Free period products in schools and public places	4.9
Early Learning and Childcare Specific Revenue Grant	521.9
Free School Meals	42.2
Total (£m)	**£950.92**

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

INVESTORS IN PEOPLE We invest in people Silver
disability confident LEADER

Appendix D

MIDLOTHIAN COUNCIL

REVENUE BUDGET 2024/25 SUMMARY

SERVICE FUNCTION	2024/25 £
Management and Members	1,701,791
People and Partnerships	
Childrens Services	20,171,442
Education	144,725,521
Midlothian Integration Joint Board	60,866,354
Non-delegated services - Community Safety And Welfare Rights	710,635
Place	
Place	43,290,284
Corporate Solutions	25,455,179
Joint Boards	581,659
Non Distributable Costs	898,936
GENERAL FUND SERVICES NET EXPENDITURE	**298,401,801**
Loans Charges	5,460,091
Investment Income	(110,736)
Centrally Held Budget Provisions	(299,919)
Service Concessions in-year saving	(2,796,000)
Allocations to Housing Revenue Account, Capital Account	(5,433,237)
NET EXPENDITURE	**295,222,000**
Impact on General Reserves	0
Utilisation of Reserves – Retrospective Service Concessions	4,093,000
Council Tax Income	64,686,000
Scottish Government Grant	226,443,000
TOTAL FUNDING	**295,222,000**

Bus Partnership Fund Grants Awarded, Fund freeze and Community Bus Fund Award

Report by Kevin Anderson, Executive Director - Place

Report for Decision

1 Recommendations

It is recommended that Council:

a. Agree to accept the award of £178,336.80 from the Bus Partnership Fund (BPF) for the purchase of 24 upgraded Real Time Passenger Information screens, in 2023/24. as part of a SEStran region-wide upgrade project.

b. Note the announcement of a freeze to the BPF in 2024/25,

c. Note the completion of the BPF funded Orbital routes study, appended to this report.

d. Note work by officers to explore other funding opportunities to support delivery the appraised measures from the Orbital study.

e. Note the need to form a strategic view of the sustainability of bus services in Midlothian and officers will scope out the work required.

f. Approve acceptance of £101,000 Transport Scotland's Community Bus Fund grant award and allocates the £101,000 grant award to purchase 13 real-time passenger information screens as part of a SEStran region-wide upgrade project.

2 Purpose of Report/Executive Summary

The report provides detail of a BPF award of £178,336.80 for adding 24 Real Time Passenger Information screens to the Council estate, this year. This brings the total BPF awarded to Midlothian to £480,336.80.

The report advises of a freeze to the BPF in 2024/25. Following the Scottish Budget announcement on 19 December 2023, Transport Scotland has notified all BPF recipients by letter on 16 January 2024 of the freeze.

The report summarises the outcomes of the BPF funded 'Orbital' study (now complete) and confirms that officers will explore all possible external funding sources to deliver the appraised measures.

The report notifies Council of the intention to develop a strategic view of approaches to sustaining local bus services in Midlothian. Engagement with bus operators will be through the Midlothian Bus Alliance.

Finally, this report describes the source and rationale for the granting of £101,000 Community Bus Fund money to the Council. The report proposes that the grant be used to purchase 13 real time passenger information signs to replace old signs which will be obsolete in March 2024 when the controlling system is switched off.

Date: 27 February 2024
Report Contact:
Anna Herriman, Strategic Transport Planning Manager

anna.herriman@midlothian.gov.uk

Tel: 07385 461 272

Background

3.1 In 2020, the Scottish Government announced £500m support for targeted bus priority measures on local and trunk roads, to reduce the negative impacts of congestion on bus services and address the decline in bus patronage. The Bus Partnership Fund (BPF) was established, and two competitive funding rounds were held in June 2021 and February 2022. A further 'Quick Wins' funding round was available throughout 2023/24. The total BPF disbursed across Scotland so far is £26.9m.

3.2 The BPF was also designed to complement new powers in the Transport (Scotland) Act 2019, enabling local authorities to work in partnership with bus operators to develop and deliver more ambitious schemes that incorporate bus priority measures and lead to the establishment of Bus Service Improvement Partnerships (BSIP). Applications to the BPF needed to show evidence of partnership work towards a future BSIP.

3.3 The Bute House Agreement and Programme for Government 2022/23 included a commitment to establish a "Community Bus Fund (CBF) to support local transport authorities to improve local public transport in their areas. The fund will support local authorities to explore the full range of options set out in the Transport (Scotland) Act 2019, including municipal bus services."

Main Report

<u>Bus Partnership Fund Freeze</u>

3.4 Midlothian Council has been successful in attracting nearly £5M from BPF, first from Round 2 (reported to Council on 21 March 2023) and also, through a 'Quick Wins' round, detailed further within this report. The two funded sets of activity are as follows:

BPF Funding Awards to Midlothian Council		
BPF Funding Round	**Funded activity**	**Funding Amount £**
Round 2, September 2022	Develop options for four bus routes, identified by the Midlothian Bus Alliance (MBA)	302,000.00
'Quick Wins' round, January 2024	Install 24 x Real Time Passenger Information Signs at £7,430.70 each	178,336.80
Total BPF Funding Awarded		**480,336.80**

3.5 On 16 January 2024, Transport Scotland wrote to the Council confirming that the £0.5Bn value BPF will be frozen in financial year 2024/25, due to budgetary constraints. The letter received, at Appendix B, thanks the Council and partners for work to date, noting there is now “an opportunity to recast bus priority projects within the wider work to be undertaken to deliver on (Transport Scotland’s) vision for the Future of Public Transport”. Funding for the project activity summarised in table 1 is committed for the remainder of this current financial year.

Real Time Passenger Information Screens and BPF ‘Quick Win’ Grant

3.6 The availability of Real Time Passenger Information (RTPI) plays a significant role in increasing bus patronage in both urban and rural areas, improving social inclusion, and improving accessibility to employment opportunities and healthcare. In the south east of Scotland, RTPI is available for the main operators, however operators, Local Authorities and SEStran all recognise the need to make real time information available to passengers across the region.

3.7 The City of Edinburgh Council, SEStran and contractor, Journeo, are jointly developing a new, common regional RTPI system to improve the information provided on the screens incorporating multiple transport operator (bus, rail & tram) data and scheduled information. This will replace the current RTPI signage and software system, which becomes obsolete on 31st March 2024, with no further software upgrades. Midlothian currently has 44 RTPI sign sites; and several of the old units are no longer functioning.

3.8 To upgrade the RTPI signs as quickly as possible, four signs have been replaced as part of a SEStran pilot roll-out, and a further 13 are proposed for upgrade through a Community Bus Fund grant. The BPF ‘Quick Wins’ award of £178,336.80**,** for 24 RTPI signs (inclusive of installation and maintenance) makes a substantial and time critical improvement to the RTPI network for bus passengers in Midlothian. The purchases, utilising the SEStran Framework, will be completed within 2023/24.

Community Bus Fund

3.9 £5 million capital was distributed through the General Capital Grant for distribution to all local authorities on a per capita basis, based on levels of transport poverty to support the fund objective of improving local public transport in areas of rural deprivation. On this basis Midlothian Council was allocated a £101,000 share of the £5m total grant fund.

3.10 It is proposed that the £101,000 Community Bus Grant be allocated to the purchase of 13 RTPI signs at a cost of £96,603. The proposed RTPI will be delivered utilising SEStran Framework (CT2119). The contract owner is City of Edinburgh Council and Midlothian Council have direct call off access. The framework delivers 5-year turn-key solution with unit price being inclusive of installation, maintenance, and communications.

3.11 The combined CBF, BPF and funded SEStran RTPI works will leave a balance of 3 units to be replaced in future.

Orbital Bus Study, and implications of the freeze on delivery of orbital measures

3.12 The award of £302,000 (reported to Council on 21 March 2023) carried out an appraisal study into bus priority measures on four east-west routes in Midlothian. The work was conducted by consultants Aecom and is now complete. The four routes studied are:

- Corridor 1: A6094 Whitecraig to A6094 Eskbank;
- Corridor 2: B6392 Eskbank to A772 Gilmerton Junction;
- Corridor 3: A7 Gorebridge to A7 Danderhall; and
- Corridor 4: A6094 Eskbank to A701 Straiton

3.13 The Executive Summary of the Orbital Study provided at Appendix B, provides details of 'Options packages' of appraised measures for each corridor that would help improve bus priority, and in turn, bus journey times. An early costing indicates the delivery of all measures on all four routes of just over £5.6M. This early estimate includes a 44% optimism bias applied to measures involving some construction activity.

3.14 Proposed measures that include a construction element are realistically now deliverable in the medium-term (3-7 years), so there is a possibility that developer contributions may provide a source of funding. Nevertheless, officers will continue to liaise closely with Transport Scotland to identify any new prospective funding streams. Officers will also explore opportunities to re-package Midlothian measures as part of wider projects should this lead to their delivery, and benefit for Midlothian passengers.

3.15 Appraised measures such as road lining or new signage may instead be deliverable in-house, as part of any future planned road works. In fact, this has already happened at Lothian Street, Bonnyrigg, where new double yellow lines have helped reduce the impact of uncontrolled parking on bus movement.

Future sustainability of bus services in Midlothian

3.16 The sustainability of bus services across Midlothian communities remains an ongoing concern for communities, the Council, and bus operators. There is a need to develop a strategic view of existing and new approaches to sustaining local bus services across all settlements, and engagement with bus operators is key to this. Therefore, it is recommended that a study be progressed, with ongoing engagement with bus operators achieved through the continued role of the Midlothian Bus Alliance.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

The BPF Orbital Study and the purchase of RTPI signs are both fully externally funded through capital grants and therefore the delivery of this infrastructure has no net borrowing requirement to the Council. RTPI infrastructure will be installed by a framework contractor, therefore no additional internal resource is required. Funds to support a study into sustainability of bus services will be met from existing Place resources.

4.2 Digital

The RTPI system is a standalone system, replacing a previous standalone system managed by SEStran. As such there is no crossover with internal digital services.

4.3 Risk

Failure to conduct the RTPI screen upgrades will risk public criticism when current units become obsolete on 31st March 2024.

Lack of future funding sources will impact on the speed of delivery of identified bus priority measures.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

All new RTPI assets offer enhanced clarity and are angled in such a position they can be easily seen by all, including wheelchair users. The Orbital Bus Study reviewed the equalities impact of all proposed packages of measures.

4.5 Additional Report Implications

Appendices

Appendix A – Additional Report Implications
Appendix B – Midlothian Orbital Bus Corridors Study - Executive Summary
Appendix C – Letter from Transport Scotland, 16 January 2024

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

A.2 Key Drivers for Change
Key drivers addressed in this report:

- ☐ Holistic Working
- ☒ Hub and Spoke
- ☐ Modern
- ☒ Sustainable
- ☒ Transformational
- ☒ Preventative
- ☒ Asset-based
- ☐ Continuous Improvement
- ☐ One size fits one
- ☒ None of the above

A.3 Key Delivery Streams
Key delivery streams addressed in this report:

- ☒ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☐ Efficient and Modern
- ☒ Innovative and Ambitious
- ☒ None of the above

A.4 Delivering Best Value
The report does not directly impact on Delivering Best Value

A.5 Involving Communities and Other Stakeholders
In summer 2022 and spring 2023, engagement activity was delivered by Aecom, to obtain public and stakeholder feedback on proposed bus priority improvements identified through the bus corridors study. This, and previous reports to Council (21 March 2023) mean there is an awareness of funded activity in the wider public domain.

Key stakeholders within the Midlothian Bus Alliance will be advised of the freeze.

A.6 Impact on Performance and Outcomes
The report does not directly impact on Midlothian Council's performance and outcomes.

A.7 Adopting a Preventative Approach
Not applicable

A.8 Supporting Sustainable Development
Not applicable

AECOM

Midlothian Orbital Bus STAG

Executive Summary

Case for Change, Preliminary Appraisal and Detailed Appraisal

Midlothian Council

June 2023

Delivering a better world

Executive Summary

Introduction

In May 2022 AECOM was commissioned by Midlothian Council, in partnership with the regional transport partnership for South East Scotland, SEStran, to conduct a study based on Scottish Transport Appraisal Guidance (STAG) for four bus corridors within Midlothian:

- Corridor 1: A6094 Whitecraig to A6094 Eskbank;
- Corridor 2: B6392 Eskbank to A772 Gilmerton Junction;
- Corridor 3: A7 Gorebridge to A7 Danderhall; and
- Corridor 4: A6094 Eskbank to A701 Straiton.

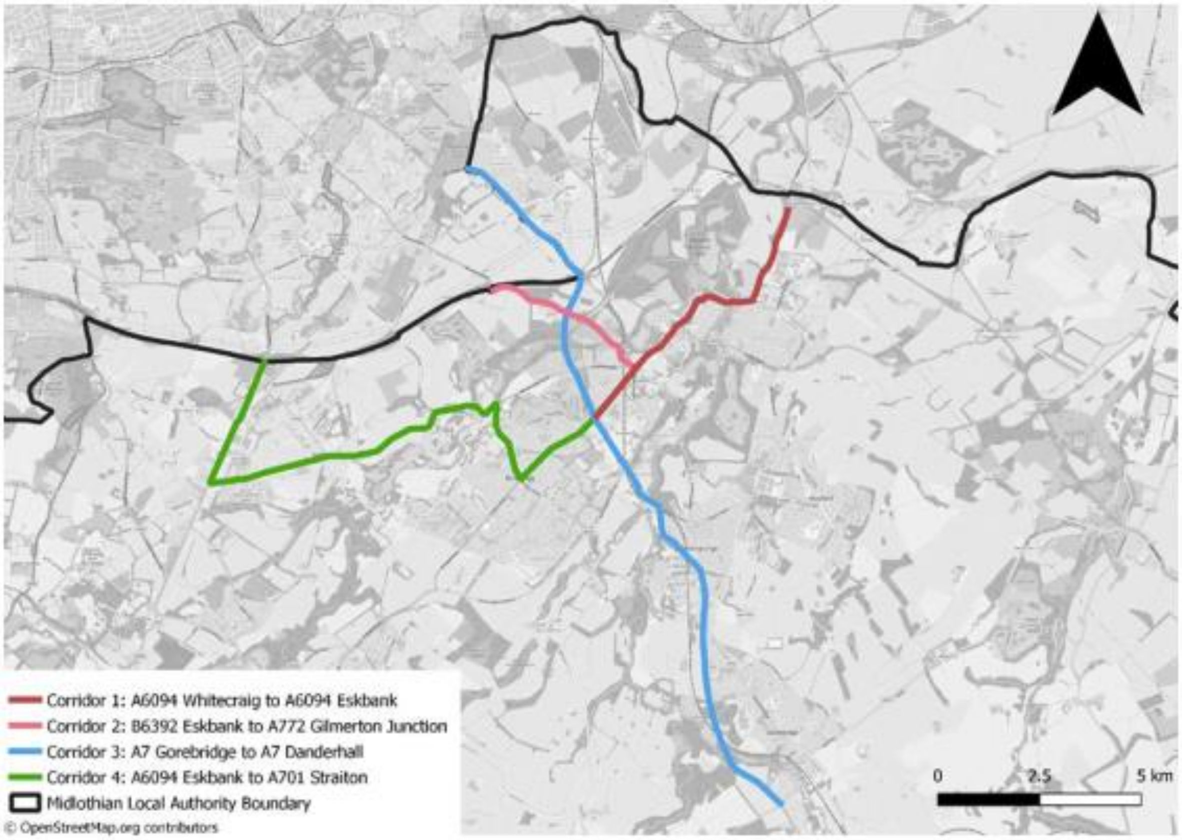


Figure E-1: Study Corridors

The corridors traverse many of Midlothian's largest settlements, including Loanhead, Lasswade, Bonnyrigg, Eskbank, Dalkeith, Newtongrange and Gorebridge. The routes operate through several key junctions, including Eskbank Road Roundabout, Sheriffhall Roundabout, Eskbank Toll and Gilmerton Road Roundabout.

The principal objective of the study, which is being funded through Transport Scotland's Bus Partnership Fund (BPF), is to develop and appraise options to enhance bus priority on each of the corridors to reduce bus journey times and improve bus journey time variability for trips within Midlothian and to neighbouring local authorities.

The study has been undertaken by means of a focussed and proportionate STAG appraisal (comprising Initial Appraisal: Case for Change, Preliminary Options Appraisal and Detailed Options Appraisal), building on the existing body of work from the initial funding application submitted by the Midlothian Bus Alliance to the BPF in 2021.

Policy Context

The study has taken cognisance of the latest transport and planning policy landscape. At the national level, there is a strong focus on promoting sustainable travel, including bus, as captured in the Second Strategic Transport

Projects Review (STPR2), the Fourth National Planning Framework (NPF4), the Infrastructure Investment Plan, and the Second National Transport Strategy (NTS2) with its emphasis on prioritising transport improvements based on application of the Sustainable Travel and Sustainable Investment Hierarchies. The Climate Change (Scotland) Act 2019 emphasises the use of sustainable travel through set targets such as: reductions in all greenhouse gases of 75% by 2030 and 90% by 2040, as well as a reduction in car kilometres of 20% by 2030. The bus network has an important role in helping to meet net zero targets and to lower emissions across the transport sector, which also supports the vision of the Cleaner Air for Scotland Strategy.

Similar policies are reflected at the regional and local level, which promote the important role bus must play in achieving net zero targets, particularly given forecasted population growth across the region, particularly in Midlothian. The SEStran Regional Transport Strategy supports the transition to a sustainable, post-carbon transport system; facilitate healthier travel options; widen public transport connectivity and access across the region; and support safe, sustainable efficient movement of people, all of which align with the STPR2 Case for Change for Edinburgh and South East Scotland. The promotion and delivery of options that increase the use of sustainable transport options, including bus, would support the aspirations of a range of local policies, including the Midlothian Local Development Plan, Midlothian Active Travel Strategy, Midlothian Council Travel Plan, and the Single Midlothian Plan.

Socio-Economic Context

Midlothian is forecast to be the fastest growing local authority in Scotland based on population growth, which will bring associated challenges for the transport network. The key socio-economic trends in the area can be summarised as follows:

- Between 2011 and 2020, the population of Midlothian increased by 12.0%. Over the same period, Scotland's population rose by 3.2%[1].
- Midlothian is projected to have the highest percentage change in terms of population out of all the 32 council areas in Scotland between 2018 to 2028 (13.8%)[2].
- Within Midlothian 57.6% of the population are aged between 16 and 59, which is lower than the Scotland-wide proportion (59.6%)[3].
- Midlothian has a slightly higher than Scotland average Economically Active Population (EAP) at 71% compared to 69%. Around 56% of the population in Midlothian work full- or part-time.[4]
- Car / Van availability in Midlothian is higher than the Scottish average (75.2% compared to 69.5% across Scotland)[5].
- Mode of travel to work in Midlothian is car-dominated, with 63.5% of trips made by car, which is slightly higher than the Scotland average of 62.4%. Travel by car is particularly dominant in Gorebridge, where it represents 67.6% of journeys to work[6].
- Distance travelled to work varies across the study area with most people residing in Danderhall and Loanhead (86% and 81% respectively) working within 10km of their home, compared to Gorebridge where only 50% work within 10km[7].
- The Scottish Index of Multiple Deprivation (SIMD) shows areas of high deprivation in parts of Dalkeith, Mayfield, Bonnyrigg and Gorebridge.
- General Health across the study area is in line with the Scottish average. Bonnyrigg has the highest levels of good health (84%) compared with the lowest of Danderhall (80%)[8].

[1] Scotland Census 2011 and Mid-2020 Estimate Population, National Records of Scotland
[2] National Records of Scotland, available in Profile of Midlothian 2021, Midlothian Council at
[3] 2011 Scottish Government Census, https://www.scotlandscensus.gov.uk
[4] 2011 Scottish Government Census, https://www.scotlandscensus.gov.uk
[5] 2011 Scottish Government Census, https://www.scotlandscensus.gov.uk
[6] 2011 Scottish Government Census, https://www.scotlandscensus.gov.uk
[7] 2011 Scottish Government Census, https://www.scotlandscensus.gov.uk
[8] 2011 Scottish Government Census, https://www.scotlandscensus.gov.uk

Key Problems and Opportunities

Problems and opportunities have been identified through a review of the initial BPF application and consideration of the extent to which problems and opportunities remain valid through updated data analysis; a review of available up-to-date information to identify any other problems and opportunities for consideration; and engagement with the public and key stakeholders, including Midlothian Council, SEStran and local bus operators. The following problem themes were identified in the study area; the relevant corridor is noted in brackets.

- **Congestion and delays, leading to longer journey times for buses and journey time variability issues (all corridors):** The identification of sections of corridors experiencing congestion has been supported by Automatic Vehicle Location (AVL) data provided by bus operators. This demonstrated that buses experience congestion in the following areas: Dalkeith Town Centre; Eskbank Road Roundabout; Eskbank Toll; Bonnyrigg Toll; Lasswade Road / Wadingburn Road junction; and A701 at Straiton. This is not an extensive list and further locations have been reported through stakeholder and public engagement.

- **Right turn movement causing bus congestion (Corridor 1)**, including at Buccleuch Street / High Street in Dalkeith town centre.

- **Uncontrolled on-street parking causing longer bus journey times (Corridors 1 and 4):** This leads to buses frequently having to stop when there is oncoming traffic before overtaking stationary vehicles. This has been identified as a problem at the A6094 Bonnyrigg Road in Eskbank, A6094 Lothian Street and A768 The Loan.

- **Constrained movements at Eskbank Toll due to roundabout geometry, making it difficult for buses to manoeuvre (Corridors 1 and 2):** The constrained geometry of the six-armed roundabout can be difficult for large vehicles such as buses to manoeuvre as they typically require a larger portion of roundabout to be clear before manoeuvring, thus reducing gaps in traffic for buses to enter the roundabout.

- **Rapid growth and development in Midlothian adding pressure to the transport network (all corridors):** Midlothian is forecast to be the fastest growing local authority in all of Scotland in terms of population percentage growth because of new development, particularly large-scale residential development, including on or close to the four corridors.

- **High proportion of travel to work by car, contributing to congestion and medium and high risk of transport poverty (all corridors):** A higher than average proportion of people in Midlothian travel to their place of work by car compared to the national average. This contributes to a high number of vehicles on the road, leading to greater levels of congestion experienced by all vehicles, including buses. Transport Poverty is also an issue identified in Midlothian. This is based on a tool developed by Sustrans which defines transport poverty by car availability, household income and access to services by public transport. Risk associated with transport poverty can impact people's ability to travel around and to access key services.

- **Bus access to A7 from Stobhill Road causing longer bus journey times (Corridor 3):** Bus services can experience delay when turning right from Stobhill Road onto the A7. This junction is not signalised and difficulties arise as a result of the dominant flow of traffic on the A7.

The key opportunities in the study area can be summarised as follows:

- **Improve east-west connectivity** in Midlothian by public transport and encourage development of new bus services and **increase public transport accessibility** through improved punctuality and reduced journey time variability of bus services. Linked to this is an opportunity to install more bus stops, for example on the A7 and A772 / B6392 as new development is built out.

- **Contribute to National Transport Strategy objectives:** The NTS2 sets out the Scottish Government's vision for transport over the next twenty years, which is supported by four priorities to Reduce Inequalities, Take Climate Action, Help deliver Inclusive Economic Growth and Improve our Health and Wellbeing. BPF and options promoted through this study provides an opportunity to positively contribute towards delivering on these priorities in Midlothian.

- **Greater partnership working:** The BPF and establishment of the Midlothian Bus Alliance to guide and inform the development of this study has enabled greater partnership working between bus operators and local authorities, which in turn should deliver bus priority improvements for the benefit of bus passengers and residents in Midlothian.

- **Opportunities associated with other schemes / projects:** As well as opportunities around encouraging modal shift, there are opportunities to ensure that any bus priority measures either form part of or are complementary to ongoing transport schemes being progressed in Midlothian. This includes: A701 Relief Road, part of the rationale for the new road is to relieve pressure from the existing A701 corridor and thus support road space reallocation; A7 Urbanisation Scheme, which proposes to implement segregated walking and cycling facilities along the A7 between Gilmerton Road Roundabout in the north and Newtongrange in the south; Sheriffhall Grade Separation, where there are proposals to upgrade the roundabout to be grade separated; and Dalkeith town centre regeneration, where Midlothian Council is updating the regeneration masterplan for Dalkeith, including the potential for pedestrianisation. Midlothian Council is also currently undertaking a review of current speed limits in the local authority area which may have benefits in creating safer environments for pedestrians and cyclists, including potential bus users.
- **Encourage modal shift,** including targeting increased uptake of bus use in areas of Midlothian where significant new development is planned.
- **Quick Wins:** There are opportunities to build on the benefits of Quick Win sites identified as part of the Edinburgh Corridors Bus Partnership Fund workstream.
- **Bus Priority Technology:** Innovations have been made in bus priority at traffic signals, allowing buses to operate more efficiently. Technology is available which permits buses which are behind schedule to be given priority, providing an opportunity for a reduction in journey time variability.
- **Match in Kind:** Through the BPF there is an expectation to leverage other bus service improvements as part of the wider partnership offer. Match in kind proposals will be developed as options continue to progress, through dialogue with partners, including local authorities, SEStran and bus operators.

Transport Planning Objectives

Based on the problems and opportunities identified across the study area, the aspirations of stakeholders, and taking cognisance of the latest transport policy landscape, Transport Planning Objectives (TPOs) have been developed to guide the development and assessment of options emerging from this study. An initial set of TPOs were developed at the Case for Change stage, which have subsequently been refined and modified at preliminary and detailed appraisal stages following discussions with stakeholders including Transport Scotland.

For this study, the following TPO has been developed which focuses on journey time reduction, with sub-TPOs developed for each of the four corridors with specific targets as below:

- TPO 1: Reduce bus journey times in the AM and PM peak periods across each study corridor on sections where interventions are proposed between 2022 and 2030.
    - TPO 1.1: Reduce bus journey times in the AM and PM peak periods by 30% on sections of Corridor 1 where interventions are proposed between 2022 and 2030.
    - TPO 1.2: Reduce bus journey times in the AM and PM peak periods by 40% on sections of Corridor 2 where interventions are proposed between 2022 and 2030.
    - TPO 1.3: Reduce bus journey times in the AM and PM peak periods by 50% on sections of Corridor 3 where interventions are proposed between 2022 and 2030.
    - TPO 1.4: Reduce bus journey times in the AM and PM peak periods by 30% on sections of Corridor 4 where interventions are proposed between 2022 and 2030.

Options

In line with STAG, a long list of options was generated ahead of the Preliminary Options Appraisal stage, based on a range of sources including a review of existing strategy / policy documents, study team option identification following site visits, and a review of options generated from stakeholder and public engagement. The latter included stakeholder workshops, a Study Tour, 1-2-1 calls with key stakeholders and use of the Placecheck Tool, which allowed members of the public to provide comments and thoughts on potential options. This process generated **111 options**.

The long list of options was then cleaned to remove duplicate options and options which were located outside of a study corridor and therefore not in scope for this study. Following the cleaning process **97 options** remained across the four corridors.

Options were then sifted based on their performance against:

- Study TPOs;
- Deliverability criteria – feasibility, affordability and public acceptability;
- Scope / eligibility for BPF funding; and
- Position in the Sustainable Investment Hierarchy and Sustainable Transport Hierarchy.

Following the sifting process **31 options** remained across the four corridors. In addition to those options that were ‘sifted in’ for further appraisal, **40 options** were identified for consideration as complementary measures. Sifted in options were subsequently grouped into four Option Packages, one for each study corridor.

The four Option Packages contain a range of individual options, hereafter referred to as option measures. These measures consist of different categories, which have been developed for the purpose of presenting concise Option Package titles. Examples of the type of measures which sit under each category are presented in Table E-1 below, followed by the Option Package titles.

Table E-1: Summary of Categories and Examples of Measures

Category	Examples of Measures
New Infrastructure	Refers to bus lanes which require carriageway widening
Traffic Light Priority[9]	Refers to traffic light priority for buses at existing or new signals
Road Space Reallocation	Refers to bus gates or the reallocation of road space to support bus lanes
Signing and Lining	Refers to review of existing parking provision to address on-street parking; or modifying bus lanes operating times (new and existing bus lanes) to operate from 7am – 7pm as a minimum
Redesign of Bus Stops	Refers to removing laybys at bus stops, where appropriate, thus reducing time for buses to re-join the carriageway

The final Option Packages taken forward to appraisal were as follows:

- Option Package 1: Measures to improve bus priority on Corridor 1 A6094 Whitecraig to A6094 Eskbank, including Road Space Reallocation, Redesign of Bus Stops, Traffic Light Priority and Signing and Lining;
- Option Package 2: Measures to improve bus priority on Corridor 2 B6392 Eskbank to A772 Gilmerton, including New Infrastructure, Signing and Lining and Redesign of Bus Stops;
- Option Package 3: Measures to improve bus priority on Corridor 3 A7 Gorebridge to A7 Danderhall, including New Infrastructure, Traffic Light Priority, Signing and Lining and Redesign of Bus Stops;
- Option Package 4: Measures to improve bus priority on Corridor 4 A6094 Eskbank to A701 Straiton, including Road Space Reallocation, Traffic Light Priority, Signing and Lining and Redesign of Bus Stops.

Preliminary Options Appraisal

The four Option Packages made up of sifted in option measures were appraised in line with the guidance for Preliminary Options Appraisal. As noted above, in addition to sifted in options, a further 40 options were identified as potential complementary measures. These were not appraised but consideration was given to what benefit (if any) they would provide each of the Option Packages. Complementary measures include options such as enforcing parking measures and bus lanes, supporting electric vehicle (EV) charging facilities, improving access to bus stops, adding pedestrian crossings and reviewing bus timetables. There is potential for some of these complementary measures to be identified and funded as match in kind measures.

[9] Referred to as ‘ITS’ in early reporting. Reference to ‘ITS’ has been replaced with ‘Traffic Light Priority’ in the package titles, to allow more specificity.

Option Packages were appraised against the five STAG Criteria (Environment; Climate Change; Health, Safety & Wellbeing; Economy; and Equality & Accessibility) using a seven-point scoring scale (major benefit / moderate benefit / minor benefit / neutral / minor negative impact / moderate negative impact / major negative impact).

Option Packages were also assessed against TPOs and Deliverability Criteria[10]. In addition, consideration has been given to the extent to which the Option Packages align with established policy objectives, including those at the local, regional and national level, and performance against Transport Scotland's Policy Assessment Framework (PAF) objectives, which includes objectives related to health and wellbeing, climate change, inclusive economic growth and reducing inequalities. Interdependencies and potential alternatives between option measures (for example more than one option measure at the same location) and links with other schemes such as the A7 Urbanisation Scheme, Proposed Sheriffhall Upgrade, A701 Relief Road and Dalkeith Town Centre Regeneration, were also considered.

Overall, all four Option Packages performed positively against the assessment criteria, with Option Packages 1, 3 and 4 performing more strongly due to greater evidence of congestion on those corridors. Following the Preliminary Appraisal all four Option Packages were taken forward for further consideration at Detailed Appraisal stage.

Option Packages

Following further option development and assessment work undertaken prior to Detailed Appraisal stage, including the development of junction models to assess the impacts of interventions and consideration of where options sit in relation to the Sustainable Investment Hierarchy (particularly where more than one option remained at the same location), several measures were sifted out. The final list of "Retained" measures which form part of the four Option Packages at detailed appraisal stage are presented in Figure E-2.

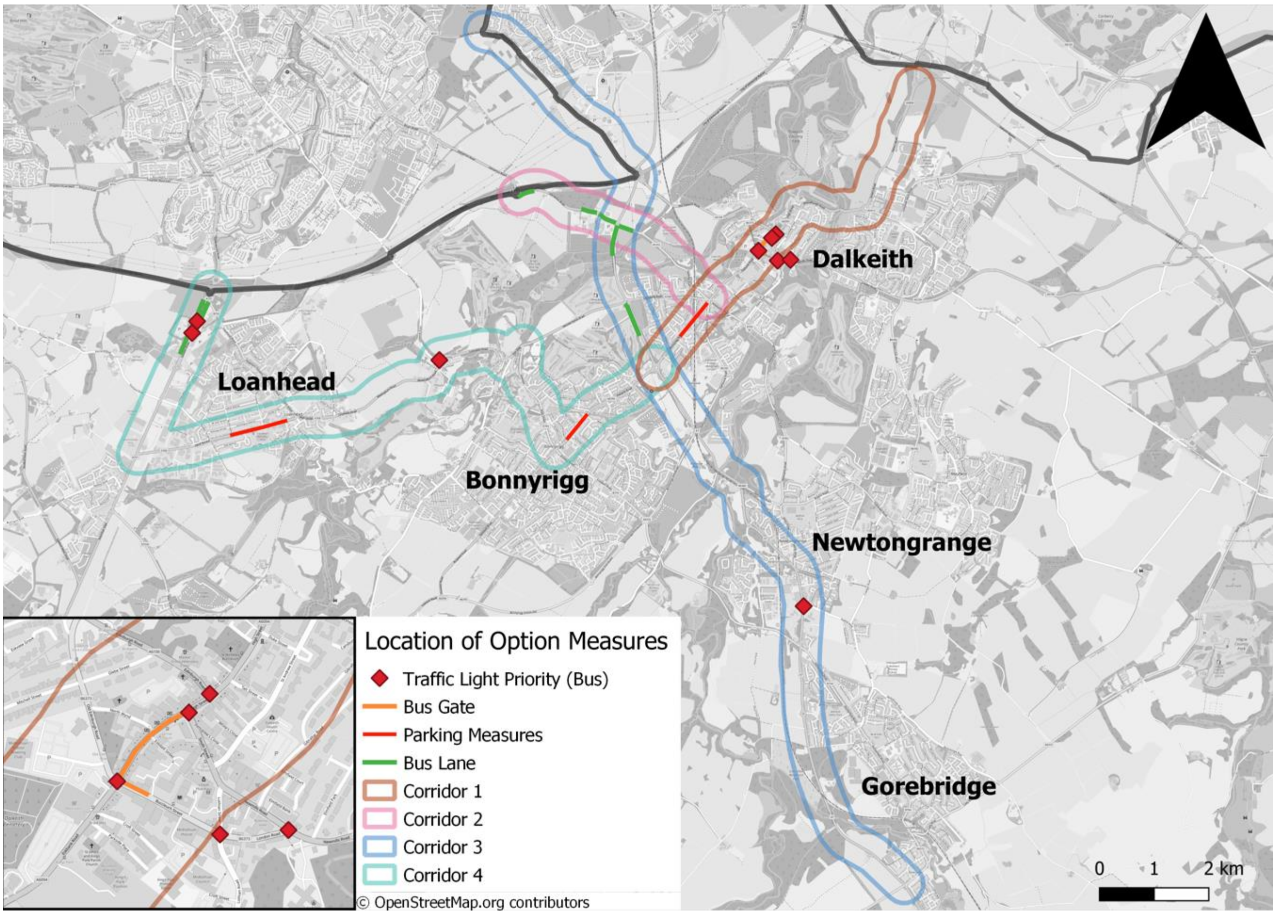


Figure E-2: Location of Option Measures by Corridor

[10] Deliverability criteria have been given a risk score (Low, Medium, High).

Detailed Options Appraisal

The Detailed Appraisal stage involved further development of Option Packages, including high-level design work to enable cost estimates to be prepared and further assessment of deliverability, risks and impacts to be undertaken. A qualitative appraisal was undertaken, supported by quantitative analysis where appropriate. Like the Preliminary Appraisal, each Option Package was appraised against TPOs (one TPO remained, with specific targets per corridor) and STAG criteria using the seven-point assessment scale, and deliverability criteria (feasibility, affordability and public acceptability) which were assessed based on risk. In addition, each Option Package was assessed from a public spending perspective to inform the anticipated Cost to Government. A summary of the performance of the Options Packages against the appraisal criteria is presented below.

Transport Planning Objective

The four Option Packages were appraised against their respective sub-TPO, which focuses on journey time reduction. Option Packages 1, 3 and 4 are considered to have a moderate benefit against the TPO through implementation of bus priority measures targeted at the most congested areas of the network. Option Package 2 has scored as having a minor benefit against the TPO. Median speed relative to speed limit outputs suggest that congestion is identified less on this corridor compared to other corridors; as such, although measures will provide bus journey time benefits these are considered to be more limited compared to other option packages.

Environment

The Option Packages were assessed according to the impacts they might have on Biodiversity and Habitats; Geology and Soils; Land Use; Water, Drainage and Flooding; Air Quality; Historic Environment; Landscape; and Noise and Vibration, using a largely map-based, qualitative approach.

None of the measures included as part of Option Package 1 would be anticipated to require additional land take. Whilst the introduction of bus gates would require road space reallocation this would be expected to involve redesigning the existing road carriageway and so would not take from natural areas. The overall impact of Option Package 1 on biodiversity and habitats; geology and soils; land use; water, drainage and flooding; landscape; historic environment would be expected to be neutral / negligible. Option Package 1 would be expected to have a minor benefit to air quality owing to provision of traffic light priority, which would improve the reliability of bus services, and through implementation of bus gates and measures to address on street parking. Option Package 1 would not involve any new infrastructure and it is considered the impact against noise and vibration during operation would be neutral / negligible.

Option Package 2 has the potential to have an overall minor negative impact against biodiversity and habitats given potential impacts of bus lane options. The overall impact of Option Package 2 on geology and soils; land use; water, drainage and flooding; and noise and vibration would be expected to be neutral. Whilst Option Package 2 would involve the introduction of new infrastructure to the landscape through new bus lanes, it is considered that the changes would be of such a scale and similar in characteristic to the existing road networks. Furthermore, at this stage, the overall impact on landscape would also be expected to be neutral / negligible. Similarly, given the requirement to widen the existing road network to accommodate the proposed bus lanes, there would be potential for both direct and indirect adverse effects on heritage assets in the study area, however at this stage the overall impact is assessed as neutral / negligible. Option Package 2 would be expected to encourage more people to travel by bus through provision of enhancements to reduce bus journey times and improved reliability, thus leading to fewer car trips, with an associated minor benefit on local air quality.

Option Package 3 would be anticipated to perform similar to Option Package 2, achieving a neutral / negligible impact across many of the Environmental sub-criteria. It has the potential for a minor negative impact on biodiversity and habitats because of measures to provide a bus lane on the A7 northbound approach to Gilmerton Road Roundabout and northbound approach to Melville Dykes Roundabout. It is possible that new signals at A7 / Stobhill Road may lead to more frequent sounds associated with vehicles stopping and starting at the signals on the A7 and thus lead to some localised minor negative impact against Noise and Vibration. Like Option Package 2, it would be expected that more people would be encouraged to travel by bus through provision of enhancements to reduce bus journey times and improve reliability, thus leading to fewer car trips, with an associated minor benefit on local air quality.

Given that works are restricted to changes to the current road network and located within the existing carriageway, Option Package 4 would be anticipated to perform in a similar manner to Option Package 1, achieving a neutral / negligible impact across many of the Environmental sub-criteria. It would be expected that more people would be encouraged to travel by bus through provision of enhancements to reduce bus journey times and improve reliability, thus leading to fewer car trips, with an associated minor benefit on local air quality.

Climate Change

Greenhouse Gas Emissions

In the short-term, greenhouse gas emissions would occur due to construction activities undertaken to deliver each of the Option Packages, including indirect emissions from the manufacture and transportation of materials and emissions from fuel combusted by construction plant and vehicles, where new infrastructure is required, for example carriageway widening.

As the measures do not promote car movements and are anticipated to reduce congestion experienced by buses, each of the option packages would be considered to have a moderate benefit against net zero targets and greenhouse gas emissions; with potential for Option Packages which include bus lanes (Option Packages 2, 3 and 4) to have a larger benefit. Further work would be required to understand what impact the reallocation of road space to provide bus lanes associated with Option Package 4 would have on non-bus traffic.

Vulnerability to the Effects of Climate Change

Measures included within the Option Packages have the potential more generally to be vulnerable to the effects of climate change impacting the road network. However, new infrastructure would be designed to adapt to the potential effects of climate change and reduce vulnerability. The overall impact would be expected to be neutral for all Option Packages.

Potential to Adapt to the Effects of Climate Change

Given the nature of the measures, each Option Package would be considered to have a neutral impact against the potential to adapt to the effects of climate change.

Economy

Each of the Option Packages would be anticipated to provide benefits against the Transport Economic Efficiency (TEE) criteria by introducing bus priority that would reduce bus journey times for users and improve bus journey time reliability. Option Packages 1, 3 and 4 are considered to have a moderate benefit against this criterion and Option Package 2 is considered to have a minor benefit. A cost-benefit analysis based on the potential minimum journey time savings estimated for each Option Package is captured under Section 3.8 Cost to Government in the Detailed Appraisal report.

Wider Economic Impacts refer to any economic impacts which are additional to transport user benefits; a qualitative appraisal against the criteria has been undertaken. Each of the Option Packages provide bus priority, helping to reduce bus journey times and reduce the journey time variability of services. By reducing congestion, the Option Packages provide economic benefits by reducing journey times and journey time variability, allowing bus users to better plan journeys. Journey times to a range of opportunities and services, including employment, education, healthcare and leisure would be reduced, thus supporting the local economy. Access to employment is particularly important and there are employment sites across the study area, such as Dalkeith town centre and Straiton Retail Park, as well as locations close to the study corridors such as at Easter Bush. There are also large employment sites in City of Edinburgh. There is potential for areas with higher levels of unemployment to benefit from the proposed measures, particularly if access to employment sites is improved.

Overall, Option Packages 1, 3 and 4 are considered to have a moderate positive impact against this criterion, with Option Package 2 considered to provide a minor benefit owing to less congestion identified on the corridor, thus reducing the benefit.

Health, Safety and Wellbeing

Accidents

Option Packages 2, 3 and 4 propose dedicated lanes for buses, which may encourage increased bus service levels along the corridors and therefore attract more users to travel by bus, owing to the potential for reduced journey times and reduced journey time variability. Bus lanes remove potential conflict between buses and other road users; which would be expected to have a positive impact on road safety and reduce the number of accidents occurring, including on approaches to junctions and through junctions. The overall benefit is considered to be moderate against these Option Packages.

Option Package 1 includes provision of traffic light priority at existing signals in Dalkeith town centre. This has the potential to deliver reduced journey times and reduced journey time variability, which in turn would be anticipated to encourage people to use bus services along this route and therefore have a minor beneficial impact on road safety and accidents. Bus gates would also be considered to have a benefit against this criterion by reducing the likelihood of collision between pedestrians / cyclists and motorised traffic.

Security

The bus priority measures for each of the four Option Packages include the redesign of bus stops, potentially including better lighting, which may improve the security of passengers waiting for buses, while measures which attract increased bus use could also increase passive surveillance. It should be noted however that such measures would likely be delivered through match in kind investment. Overall, the impacts of the Option Packages against the criterion have been assessed to be neutral.

Health Outcomes

Although none of the specific measures captured under the Option Packages promote improved health, they would be likely to provide indirect benefits, largely as a result of modal shift to sustainable modes of transport and the potential to make communities more attractive, providing benefits against Health Outcomes. For each Option Package it is considered that the overall benefit would be neutral.

Access to Health and Wellbeing Infrastructure

The provision of bus gates, traffic light priority and new bus lanes is anticipated to provide improved journey times and reduced bus journey time variability and thus each of the Option Packages would provide a minor benefit with regards to improving Access to Health and Wellbeing Infrastructure such as GP surgeries and health centres.

Visual Amenity

Overall, it is considered that each of the Option Packages would have a neutral impact against Visual Amenity. None of the Option Packages require significant new infrastructure, thus limiting their impact on visual amenity. New lanes / carriageway widening for bus lanes (Option Packages 2 and 3) have the potential to have the greatest impact, albeit adverse impacts would be minimal given they would be located next to existing carriageways.

Equality and Accessibility

Public Transport Network Coverage

The Option Packages would not directly impact on Public Transport Network Coverage, and therefore overall impacts of each of the options against this criterion has been assessed to be neutral.

Active Travel Network Coverage

It is anticipated that the four Option Packages would have a neutral impact against the criteria to increase Active Travel Network Coverage, given the focus of measures in each of the Option Packages is on delivering enhanced bus priority.

Comparative Access by People Group

All four Option Packages would be likely to have minor positive impacts in terms of Comparative Access by People Group by improving transport inclusivity for commonly disadvantaged groups and those in more restricted user groups in particular, for example, those without access to a private vehicle for travel.

Comparative Access by Geographical Location

Areas of deprivation have been identified in parts of Dalkeith, Bonnyrigg, Loanhead, Mayfield and Gorebridge, which includes parts of Corridors 1, 3 and 4. Bus priority measures proposed on these corridors have the potential to benefit people residing in the most deprived areas the most, particularly measures such as bus lanes which could provide the greatest benefits in terms of bus journey times and reliability owing to provision of near free flow conditions. Measures that are not located in or close to the most deprived data zones still have a potential to benefit people residing in these areas by reducing journey times and reducing bus journey time variability. All Option Packages therefore have potential to have a minor benefit in terms of Comparative Access by Geographical Location.

Affordability

As none of the Option Packages directly propose changes to the affordability of buses, the overall impact on Affordability has been assessed to be neutral.

Deliverability

Feasibility

All Option Packages are considered to be technically feasible as measures proposed represent 'tried and tested' approaches to delivering bus priority. It is noted however that specific measures would require further detailed investigation and feasibility assessment prior to implementation; for example, to identify any utilities or landowner issues which may impact option feasibility, undertaking a road safety audit to confirm suitability of proposed sites to remove bus laybys and to understand the impact of road space reallocation measures (i.e. bus lanes and bus gates) on wider traffic; reallocation measures in particular have the potential to impact the operational feasibility of options. Accordingly, at this stage of the appraisal, Option Packages 1 and 4 are considered to present a medium risk in terms of their feasibility rating and Option Packages 2 and 3 are considered to present a low risk.

It is also noted that ongoing projects in Midlothian have the potential to impact on the feasibility of the Option Packages considered in this study, including A7 Urbanisation, A701 Relief Road, Dalkeith Town Centre Regeneration and the proposed upgrade at Sheriffhall. These projects will continue to be taken into consideration going forward through continued engagement with relevant teams within Midlothian Council. Midlothian Council is also currently undertaking a review of speed limits throughout the local authority, which could lead to changes in speed limits on some roads.

Affordability

Option Packages 1 and 4 would be expected to present an overall low risk in terms of Affordability, although there are likely to also be costs associated with Traffic Regulation Orders (TROs) and consultation required for road space reallocation options. Option Packages 2 and 3 would be expected to have an overall medium risk in terms of Affordability, attributable to the bus lane measures requiring carriageway widening, and uncertainties related to utilities and land ownership, together with the requirement for new traffic signals at A7 / Stobhill Road and the higher number of bus stops for potential redesign / removal as part of Option Package 4.

Public Acceptability

Public Acceptability has primarily been informed by an online survey (which was live for a four week period in April / early May) and a drop in session held in Dalkeith in May 2023. In broad terms, each of the Option Packages are considered to present a low risk in terms of public acceptability noting that respondents supported the options presented owing to their positive impact on reducing bus journey times and journey time variability. There are however some specific measures within the packages which present a higher risk. This is primarily in relation to road space reallocation options (bus gates in Option Package 1 and bus lanes in Option Package 4), which could potentially have a negative impact on non-bus road users; impacts which would need further detailed assessment through modelling at a later stage.

A summary of scores against STAG Sub-Criteria at Detailed Appraisal stage is presented below.

Table E-2: Summary of STAG Scoring (Detailed Appraisal)

STAG Criteria	Option Package 1	Option Package 2	Option Package 3	Option Package 4
Environment				
Biodiversity and Habitats	0	-	-	0
Geology and Soils	0	0	0	0
Land Use (including Agriculture and Forestry)	0	0	0	0
Water, Drainage and Flooding	0	0	0	0
Air Quality	+	+	+	+
Historic Environment	0	0	0	0
Landscape	0	0	0	0
Noise and Vibration	0	0	0	0
Climate Change				
Greenhouse Gas Emissions	+ +	+ +	+ +	+ +
Vulnerability to the Effects of Climate Change	0	0	0	0
Potential to Adapt to the Effects of Climate Change	0	0	0	0
Economy				
Transport Economic Efficiency	++	+	++	++

Wider Economic Impacts	++	+	++	++
Health, Safety and Wellbeing				
Accidents	+	+ +	+ +	+ +
Security	0	0	0	0
Health Outcomes	0	0	0	0
Access to Health and Wellbeing Infrastructure	+	+	+	+
Visual Amenity	0	0	0	0
Equality and Accessibility				
Public Transport Network Coverage	0	0	0	0
Active Travel Network Coverage	0	0	0	0
Comparative Access by People Group	+	+	+	+
Comparative Access by Geographic Location	+	+	+	+
Affordability	0	0	0	0

Table E-3: Summary of Deliverability Criteria Scores (Detailed Appraisal)

STAG Criteria	Option Package 1	Option Package 2	Option Package 3	Option Package 4
Deliverability Criteria				
Feasibility	Medium	Low	Low	Medium
Affordability	Low	Medium	Medium	Low
Public Acceptability	Medium	Low	Low	Medium

Statutory Impact Assessments

Consideration has been given to the performance of each Option Package in terms of the Statutory Impact Assessment criteria, including completion of an EqIA, and all four Option Packages would be expected to have an overall positive impact. Bus priority measures could provide benefits for groups with protected characteristics who depend on public transport for their journeys and are less likely to have access to a car. This includes children, young people, women, disabled people and older people, people from ethnic minority groups and people at risk of deprivation. More reliable and quicker public transport options could help to improve connectivity to key services such as employment, education, healthcare and shopping for these groups.

Cost to Government

The estimated capital costs associated with each Option Package is presented within Table E-4.

Table E-4: Indicative Cost to Government[11,12]

Cost Element	Option Package 1	Option Package 2	Option Package 3	Option Package 4
Construction Sub-Total	£130,700.00	£938,700.00	£676,400.00	£579,700.00
Optimism Bias (44%)	£57,500.00	£412,900.00	£297,700.00	£255,100.00
Construction Sub-Total (Inclusive of Optimism Bias)	£188,200.00	£1,351,600.00	£974,100.00	£834,800.00
Design (10%)	£18,900.00	£135,200.00	£127,700.00	£83,500.00

[11] Costs exclude further investigation / survey, land purchase, relocation of utilities, structures, retaining walls, enhanced drainage, path lighting etc.
[12] Note that cost estimates for signal options (bus priority at Dalkeith town centre; Lasswade Road / Wadingburn Road; A701 / Straiton Park & Ride; and A701 / Straiton Park Way signals) have been provided by Midlothian Council's signal maintenance contractor do not include a breakdown of costs. Similarly, a breakdown of costs has not been provided for new signals at A7 / Stobhill Road junction. Therefore, two sub-totals have been provided; one for non-signal options, which include a breakdown of costs (see row "Sub-Total (excluding signal options)" and sub-total for signal options (see row "Sub-Total (Signal options only)". Note that cost estimates have been rounded for the purpose of this exercise.

Cost Element	Option Package 1	Option Package 2	Option Package 3	Option Package 4
Placemaking and Landscaping (5%)	£9,400.00	£67,500.00	£48,700.00	£41,600.00
Site Supervision and Project Management (10%)	£18,900.00	£135,200.00	£97,400.00	£83,500.00
Traffic Management (10%)	£18,900.00	£135,200.00	£97,400.00	£83,500.00
Monitoring and Evaluation (5%)	£9,400.00	£67,500.00	£48,700.00	£41,700.00
Protection of existing utilities (10%)	£18,900.00	£135,200.00	£97,400.00	£83,500.00
Sub-Total (excluding signal options):	£282,600.00	£2,027,400.00	£1,491,400.00	£1,252,100.00
Sub-Total (Signal options only)	£160,000.00	N/A	£330,000.00	£120,000.00
TOTAL (all options, including signals)	**£442,600.00**	**£2,027,400.00**	**£1,821,400.00**	**£1,372,100.00**

The total cost estimate across the four Option Packages is **£5,663,500.00**.

A Cost Benefit Analysis has been undertaken focused on the monetised bus journey time benefits estimated for each Option Package. As part of this journey time impact, demand calculations and benefit cost ratio calculations have been undertaken. The following BCRs have been generated for each Option Package:

- Option Package 1: 15.60
- Option Package 2: 0.64
- Option Package 3: 2.33
- Option Package 4: 13.93

It is noted that Option Packages 1 and 4 generate very positive BCRs. This is in part due to disbenefits to other road users not being calculated. It is also in part owing to the lower cost estimate associated with the packages; this is due to measures included in these packages primarily relating to signing and lining, whereas Option Packages 2 and 3 include more costly options related to carriageway widening for bus priority lanes. Full details of the process undertaken to generate BCRs is summarised in the Detailed Options Appraisal report.

Risk and Uncertainty

Consideration of risk and uncertainty is essential throughout project development. The risk management process involves inputs from all appropriate stakeholders, and it is recommended that Transport Scotland, SEStran and Midlothian Council, together with bus operators and other key stakeholders as appropriate, are involved in discussions. At this stage it is uncertain what legal and planning issues may arise in relation to land ownership, specifically where planning approval or powers are required. This particularly applies to Option Packages 2 and 3 which include measures to widen the existing carriageway to provide bus lanes. It is noted that land ownership has not been investigated as part of this study. Detailed ground investigation would require to be undertaken to establish any specific risks prior to the preferred Option Package/s being progressed, particularly where land take / carriageway widening is required. Potential risks and uncertainties have also been identified in terms of levels of financial support and stakeholder support to progress interventions beyond this STAG stage.

Monitoring and Evaluation

For the purposes of this study, base case information would be developed and agreed with Midlothian Council, Transport Scotland, SEStran, bus operators and other partners, as appropriate, during the period immediately prior to completion / operation of the Option Package(s).

It is not possible at this stage to be specific about the nature of the process evaluation. It is likely that there would be a need to provide data which would measure changes in the baseline parameters, such as bus passenger counts, mode choice surveys and importantly bus journey time data (available through AVL data), together with junction performance where these are impacted by the measures, and safety and environmental parameters.

Before the monitoring programme is agreed upon, consideration must be given to the actual availability of data, practicalities from collecting new data, its format, whether it will properly reflect the indicators proposed and cost of obtaining it. Indicators and targets should be subject to regular reviews to ensure that they continue to properly reflect the performance of the project against its objectives, throughout the monitoring period.

Conclusions and Recommendations

Following a process of option development, review and appraisal, four Option Packages were taken forward for detailed appraisal against the study TPO, STAG criteria and deliverability criteria. Overall, the assessment has identified that each of the four Option Packages would be anticipated to have positive impacts against the assessment criteria and address the study TPO by delivering bus priority measures that would reduce bus journey times, and in turn reduce bus journey time variability, particularly during the peak morning and evening travel periods.

While several the bus priority measures within the Option Packages would be suitable for early delivery, such as traffic signal priority measures, it should be noted that further assessment is required to confirm the feasibility of specific measures. For example, for those measures which include road space reallocation, modelling would be required to understand their impact on wider traffic, road safety audits would be required to confirm suitability of bus laybys for removal, while for measures to address on street parking, these will require TROs and further consultation.

Bus, Accessibility & Active Travel
Bettina Sizeland

E:Bettina.Sizeland@transport.gov.scot
E: buspartnershipfund@transport.gov.scot

TRANSPORT SCOTLAND
CÒMHDHAIL ALBA

Derek Oliver
Chief Officer Place
Midlothian Council
By e-mail Derek.Oliver@midlothian.gov.uk

Your ref:

Our ref:
BPF013

Date:
16 January 2024

Dear Derek,

Bus Partnership Fund Update

I am writing to you on behalf of your Bus Partnership Fund (BPF) to provide you with an update on the BPF following the recent budget announcement.

We have provided £26.9 million of funding for bus priority through the BPF through two rounds of funding, the first in June 2021 and subsequent round in February 2022. Through the Partnership working undertaken by yourselves in Local Authorities, in collaboration with Bus Operators and others, this has delivered bus priority improvements on the ground and robust business cases across a number of Partnership areas.

However, I am writing to inform you that given the budgetary constraints faced the BPF will be paused for 2024-25. Please be assured that fund spend will proceed as planned for 2023-24 to complete the delivery of the bus infrastructure underway for the benefit of passengers and operators and conclude business case work planned that could inform future investment.

This pausing presents an opportunity to recast bus priority projects within the wider work to be undertaken to deliver on our vision for the Future of Public Transport. This builds on the Fair Fares Review work that is planned to be published in early 2024.

In this context we will continue to make the case for bus priority projects which could be supported as part of an integrated approach to bus service improvement. This will be assisted by the robust business cases produced through the BPF. As you will be aware this already highlights the opportunities for an integrated place-based approach and in many Partnership areas considers the needs of active travel and bus together to meet shared outcomes.

We have welcomed the Partnership working that is on-going to support the bus priority work undertaken through the BPF to date. In many areas these have provided a valuable forum for discussion and work beyond BPF. We trust that these will continue for the benefit of those involved, and ultimately passengers.

As you are aware the Scottish Government encourages all local transport authorities to consider the full range of tools available to them under the 2019 Act, to ensure that everyone has accessible public transport regardless of where they are in Scotland and we look forward to the continued Partnership working demonstrated through the BPF to support you in this.

Finally, I would like to extend my thanks to you, your fellow officers and the wider Partnership for the work and dedication that has gone into the BPF supported projects and business cases. The work undertaken will be valuable in informing future investment decisions.

Yours sincerely,

B Sizeland

Bettina Sizeland
Director, Bus, Accessibility and Active Travel

c.c. Anna Herriman, Keith Fisken, Craig Cameron, Amy Phillips

'Midlothian on the Move' Draft Strategy for Consultation and new bids to the Active Travel Infrastructure Fund

Report by Kevin Anderson, Executive Director- Place

Report for Decision

1 Recommendations

It is recommended that Council:

a. Agrees to public consultation on the draft 'Midlothian on the Move' Strategy (Active Travel Strategy - ATS) 2024-34, commencing in March 2024.

b. Agrees to receive a further report in summer 2024 presenting the Council with the final ATS for adoption.

c. Agrees to extend the validity of the previous ATS to 2024 providing coverage for ongoing projects, until the new ATS is adopted,

d. Notes that due to short timescales, four bids totalling £899,000 were submitted on 2 February 2024 to the Active Travel Infrastructure Fund (ATIF) for 100% of the costs of school route improvements on Morris Street, Nivens Knowe/A701, Carlops Road and Sherwood Crescent.

e. Agree the proposals for the four projects as set out in paragraph 3.19.

f. Agrees expenditure of up to £899,000 in the General Services Capital Plan, subject to successful ATIF grant award(s) by Transport Scotland, to be fully phased in 2024/25.

2 Purpose of Report/Executive Summary

2.1 This report seeks approval for the next steps in finalising a new Active Travel Strategy (ATS). It is needed to secure external funding for the projects within the new ATS. Approval is also sought to extend the end date of the previous ATS, giving interim coverage to its projects under development.

2.2 The report also details the submission of four bids to the new Active Travel Infrastructure Fund (ATIF) on 2 February, for which approvals to accept and spend from the Capital Plan are sought, if the bids are successful.

Date: 27/02/2024

Report Contact:
Anna Herriman, Strategic Transport Planning Manager

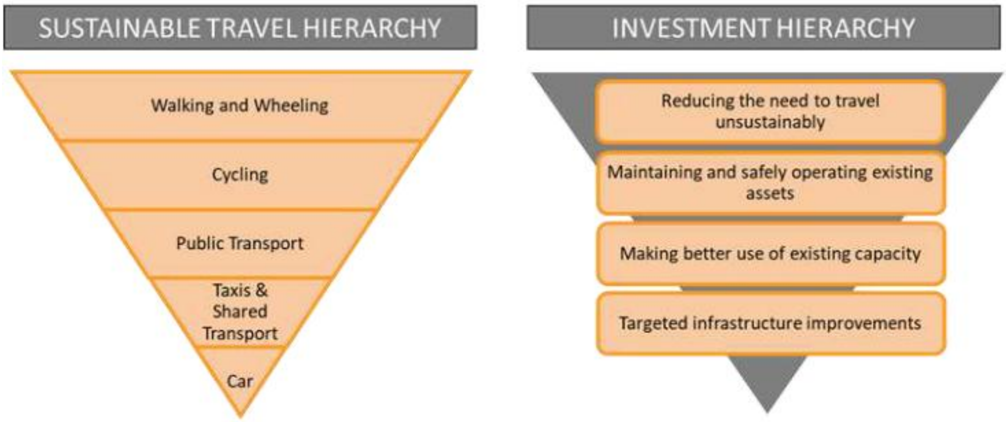
anna.herriman@midlothian.gov.uk

3. Background

Importance of Active Travel funding as part of sustainable transport

3.1 The Scottish Government (SG) has set a legal target of a reduction in car kilometres of 20% by 2030, through the The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The Act requires governments at all levels to contribute to the reduction through long-term, sustainable transport planning and better use of existing assets. The Act emphasises the use of sustainable travel (Active travel and public transport) in achieving the target.

3.2 Three key national policies set out the need for well-planned sustainable transport in the context of land use and wider societal outcomes. These are the National Transport Strategy (NTS2), Climate Change Plan (2020 Update) and National Planning Framework (NPF4). All three reinforce the application of new hierarchies to planned investment in transport, as follows:



3.3 £320M p.a. of Scotland's Transport Budget is committed to developing and delivering Active Travel (AT) interventions, to make journeys safer and more appealing for those travelling without a car. From 2024/25, transitional funding arrangements apply – including the new, competitive ATIF funding stream. By attracting funds, Councils can deliver sustainable transport projects that provide better health outcomes for people as well as providing better access to local amenities.

3.4 Councils must now demonstrate they have an approved Active Travel Strategy (ATS) in place (or are finalising one) to apply for new funding streams. This must conform to new guidelines issued by Transport Scotland in 2023. Councils must also demonstrate there is sufficient management capacity and appropriate governance in place to deliver on new projects.

Main Report

<u>'On the Move Midlothian 2024-34: Our Active Travel Strategy for Everyone'</u>

3.7 A new Midlothian ATS has been drafted in-house, in accordance with new guidelines. It reflects public input and feedback gathered from informal engagement events held since 2021. The working title of the draft ATS, "On the Move Midlothian 2024-34: Our Active Travel Strategy for Everyone" follows local feedback that the terminology 'Active Travel' needs to be shown as inclusive. A copy of the draft strategy is included at Appendix B.

3.8 "On the Move Midlothian" requires a full public consultation exercise, to check priorities and to ensure there is strong buy-in to proposals. This is particularly important as the strategy aims to make day-to-day journeys for everyone safer by walking, wheeling and cycling – whether these are journeys to school, shops, community centres or to bus stops and train stations. "On the Move Midlothian". By enabling more active day-today journeys the Council can make a positive contribution to national Climate Change targets.

3.9 A public survey will be 'open' for a period of 12 weeks from March, with online survey accessible from the Council's Consultation Hub. For those without digital access, hard copies of the survey and printed copies of the draft strategy will be available in all libraries.

3.10 Following public consultation, feedback will be analysed, and a final draft produced, with final graphics, for reporting to Council by Quarter 3 of 2024/25.

<u>Resourcing the delivery of the ATS and other Sustainable Transport projects</u>

3.11 As part of the 'Midlothian on the Move' Strategy, a ten-year delivery programme has been developed, to ensure the phasing of projects is realistic and deliverable. The 10-year delivery programme will be reviewed annually. Construction ready projects will be added to the Capital Programme once funding can be confirmed and appropriate governance approvals are in place.

3.12 Dedicated and consistent staffing deliver focussed strategies that include multi-year projects. The ATS requires officers with experience of developing funding bids, managing, and monitoring funded projects, and industry standards.

3.13 The benefit to the Council to date since February 2022 includes funding receipt - including £226,000 from the competitive Places for Everyone (PfE) fund in 2022/23 (an outcome to 2023/24 bids is still unknown), as well as the development of the new ATS, and wider contributions to sustainable transport, including supporting Planning, Roads, and other services as required.

<u>Extending the 'Midlothian Active Travel Strategy 2018-2021' to 2024</u>

3.14 Midlothian's previous ATS 2018-2021 was agreed in 2017. It's approved action plan included medium-term projects for that were set for delivery by 2028 and longer-term projects beyond that. Many projects remain relevant and are subsumed into the new ATS; others are in the early stages of development.

Extending the validity of the previous ATS, just until the new, compliant strategy is finalised, would provide policy coverage for these, including:

- the A7 corridor from Newtongrange to Sherriffhall, focussing on active and public transport connectivity,
- connector routes for walking and wheeling in Easthouses,
- studies for active travel along the A701 corridor north of Gowkley Moss junction.

3.15 Further, earlier ATS projects are under early development, with bids for feasibility studies including for Sherriffhall Park and Ride connections to the Wisp and Connecting Bush Loan Road to Seafield Moor Road.

Active Travel Infrastructure Fund Applications

3.16 As part of the transitional arrangements for Active Travel Funding, the Council was advised in the second half of December of the new ATIF fund for construction ready projects of over £100,000 value each, in 2024/25. This means if awarded, delivery will be progressed with urgency.

3.17 Four eligible projects exist within Midlothian that will make a significant improvement to safety on routes to schools, as outlined in the table below:

Table 1: Summary of the four ATIF proposals submitted 2 February 2024

Project Location	**Description**	**£ 2024/25**
Morris Road, Easthouses	Improved pedestrian walking and crossing facilities and cycling crossing at the New Easthouses Primary School.	321,000
East-west crossing Routes to Beeslack High School at Nivens Knowe Road and A701, Loanhead	Improved crossing facilities on key roads linking Loanhead to Beeslack High School	300,000
Carlops Road, Penicuik	Improved crossing facilities	141,000
Sherwood Crescent, Bonnyrigg	Improved crossing facilities	127,000
Total value of ATIF bids		**899,000**

3.18 The ATIF bids closed on 2 February 2024. With a very short lead-in time, officers completed four bids to deliver the projects in Table 1. An outcome is expected towards the turn of the financial year, and acceptance of any funding offers would be subject to Council approval recommended in this report.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

The proposed capital expenditure of £0.889m would be fully funded by £0.889m of external capital grant funding from Transport Scotland's Active Travel Infrastructure Fund (ATIF) and as such would not give rise to any loan charges implications.

4.2 Digital

None

4.3 Risk

The recommendations and proposals outlined within this report seek to mitigate or manage the risks to the Council set out below.

Not progressing with consultation on the new ATS will miss gathering necessary public input, including from equalities interests, into a key strategy.

Not completing the new ATS will prevent the Council from making bid proposals to Active Travel funding streams, meaning less funding is identified for Midlothian communities, especially in relation to other Council areas.

Not extending the validity of the previous active Travel strategy 2018-2021 would risk projects being taken forward without adequate policy coverage.

Not developing sustainable travel may breech Council duties in relation to the Climate Change (Emissions Reductions Targets) Scotland Act 2019.

Not adequately resourcing the delivery of the new ATS also risk the delivery of existing funded projects and targets, as well as contributing to a deterioration of existing assets that require investment and upgrading.

A loss of suitably skilled and experienced staff would impact on the Council's capability and capacity to develop and deliver long-term approaches and may risk increased costs through the need for consultancy support.

Not agreeing to progress ATIF bids or accept any ATIF award with associated delivery of capital funded projects risks ensuring safety of school children and staff, or risks creating pressures on the Council's capital budget.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

An IIA is underway in relation to the new Active Travel Strategy, and this will be updated through proposed consultation.

4.5 Additional Report Implications

Appendices

Appendix A – Additional Report Implications
Appendix B – "On the Move Midlothian 2024-34: Our Active Travel Strategy for Everyone" - Draft for consultation

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

A.2 Key Drivers for Change

Key drivers addressed in this report:

☒ Holistic Working
☐ Hub and Spoke
☒ Modern
☒ Sustainable
☐ Transformational
☒ Preventative
☒ Asset-based
☒ Continuous Improvement
☐ One size fits one
☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

☐ One Council Working with you, for you
☒ Preventative and Sustainable
☐ Efficient and Modern
☒ Innovative and Ambitious
☐ None of the above

A.4 Delivering Best Value

Utilising a partnership approach to securing adequate staffing levels represents an example of Delivering Best Value.

A.5 Involving Communities and Other Stakeholders

Input into the new ATS from all geographic communities and communities of interest will be actively sought through the consultation period.

A.6 Impact on Performance and Outcomes

The report recommendations all contribute to the Single Midlothian Plan Vision “Midlothian will be a Great Green Place to Grow by achieving our net zero carbon ambitions”.

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Development of active and sustainable travel options for communities actively supports sustainable development.

Midlothian

ON THE MOVE MIDLOTHIAN

Our Active Travel Strategy for Everyone: 2024 - 2034

Contents.

Foreword

1. Introduction

1.1. What is active travel and why do we need an Active Travel Strategy?

1.1.1. What is active travel?

"Getting around in a way that makes you physically active"; "walking or cycling to work, school, the shops or the train station"; "the transportation of people or goods by physically active means". These are a few definitions of active travel found in the literature and the media. Active travel is much more than simply cycling and walking as a means of transport, and here in Midlothian, with our mix of urban, rural and semi-rural environments, it is important to emphasise the many forms and methods of travel and multi-modal journey types, encompassed by this term. **For travel to be 'active travel', it does not require the entire journey to be made by physically active means.**

In this strategy we define active travel as:

"a means of moving around using your own physical effort, when making every-day journeys to school, work and other services, as well as for leisure, sport, health and recreational purposes."

Active travel can take the form of walking, wheeling and cycling, which includes the use of wheelchairs, pushchairs, adapted bikes, cargo bikes scooters and skateboards.

Active travel can form part or all of a journey, and includes physically active travel to bus stops, to reach public transport, and any short distance journey such as a walk to reach nearby facilities, or a longer journey regardless of the purpose or final destination.

With a push to decrease the number of journeys by car and other forms of motorised transport, **it is important to recognise how even making small parts of a longer journey 'active' can contribute to our aim of reducing total car mileage** and the number of motorised vehicles on the road.

Journey hubs and public transport services will play a vital role in meeting our active travel and sustainable transport targets.

1.1.2. Why do we need a new Active Travel Strategy?

We want to lead the way in providing a **safe, convenient, well-connected and well-maintained active travel network.** We are aware of the challenges ahead, given the current status and condition of our active travel infrastructure, and the barriers that currently exist in preventing people from choosing active forms of travel for their everyday journeys.

Despite these barriers, we are committed to making Midlothian a place where:

choosing active travel will be an easy, convenient, cheap and realistic option for all.

A lot has changed since the production of our last Active Travel Strategy in 2018. Production of the **National Transport Strategy (NTS2),** changes in the **Highway Code**, **the National Transport Hierarchy**, and publication of the **4th National Planning Framework (NPF4)** all reflect a push to give more priority to active and sustainable transport. Changes in **movement and lifestyle patterns** post-Covid 19; more **flexible working; large housing growth**; growth in economic development areas; commitments to **climate change and biodiversity targets**, and more recent concerns around **the cost of living**, are all factors that emphasise the need for a new Active Travel Strategy here in Midlothian, to reflect and acknowledge changes in policy and demand.

Having an up-to-date active travel strategy, reflective of Midlothian's current needs, is vital to securing funding to deliver projects going forward. With the period covered by the previous ATS now passed, it is important that we build on the successes achieved, and pursue funding for projects still relevant, but not yet delivered, as well as the delivery of new projects to reflect the changing demand and environment. To ensure that any funding made available to local authorities is spent in the most efficient way, and used to deliver best-practice active travel infrastructure, it is a requirement for all local authorities to have an active travel strategy and action plan in place. This reflects the importance that the Scottish Government are ascribing to active travel in helping Scotland to achieve ambitious transport, climate, biodiversity and air quality targets, as well as the prominence they are giving in ensuring that the aims of the Transport Hierarchy are reflected in all local authority areas.

1.1.3. How will the Active Travel Strategy sit alongside other local transport and land-use planning strategies, and incorporate National Policy and best practice design?

Midlothian Council's Sustainable Transport Team are currently working alongside consultants Stantec to produce a Local Transport Strategy (LTS), whilst officers in the Strategic Planning Team are in the early-stage process of developing Midlothian's next Local Development Plan (MLDP2). Given the importance now being ascribed to active travel in government strategy and policy, production of this Active Travel Strategy will be influential in the writing and shaping of the LTS, and in guiding land use allocation and strategic networks in the LDP. Writing these three key documents at the same time provides us with an excellent and exciting opportunity to ensure that active travel is high on the agenda and prioritised in all aspects of land-use and transport planning going forward, and will enable close collaboration and communication between teams and council departments, which will help ensure that we can deliver and are striving for the same goals.

Recent publication of NPF4 in February 2023 has allowed us to incorporate and build on National Planning Policy, spatial principles and regional policies in this document, meaning that we are referencing and referring to the most up-to-date best practice guidance/policy within any projects we deliver.

1.1.4. How is the picture changing in terms of priority and investment in active travel and local living?

Ambitious targets to **reduce total km travelled by car by 20% by 2030, and commitments to spend 10% of the total transport budget on active travel** reflects the Scottish Government's commitment to developing a sustainable transport network, with active travel a major component in this modal shift.

In 2017, £39 million was spent on active travel in Scotland, compared to targets of £320 million by 2024/25. With such a big increase in funding availability it is vital that Midlothian Council has a strategy and plan in place to seek and implement this funding. This will allow us to deliver the highest quality infrastructure and well-connected network possible, as well as to support and enable behaviour change.

In their 2030 vision for active travel, Transport Scotland would like to see walking and cycling the most popular choices for everyday journeys, and for communities and places to be shaped around people. This commitment to more sustainable living is further reflected in NPF4, with a focus on the quality of areas, to make places where we live and work sustainable and resilient, with an infrastructure first approach, to make communities great places to live and work in.

1.2. Why are we promoting active travel?

The overarching vision of the Scottish Government, set out in 'A more active Scotland' is for 'people to enjoy more active and healthier lives'. Active travel is, however, about much more than health through physical activity, and can take many forms.

Our aim throughout this strategy is to promote the message that:
active travel is not just about walking and cycling, but that all of us, no matter our age or ability, can take part in active travel, however large or small, and benefit in many ways.

At Midlothian Council we recognise the many benefits that active forms of travel can have, not only to individuals personally, but to communities and the wider environment. Promotion of active travel is a key priority for Midlothian Council as it can:

- **Provide benefits to physical, mental and social health**
- **Provide equal access and reduce inequalities**
- **Reduce carbon emissions and our impact on climate change**

- **Improve air quality**
- **Reduce noise pollution**
- **Provide a less expensive means of travel**
- **Decrease congestion and lead to more vibrant places where people want to spend their time**
- **Create and stimulate economic growth and vibrant communities (Paths for all, 2024).**

The many interlinkages between the positive changes brought about by people taking fewer vehicular journeys, and travelling more actively, emphasises the importance of encouraging and promoting this behaviour change, and incentivising people who already travel actively in their day to day lives to continue doing so.

Figure 1. A health and well-being ride, along the NCN in Midlothian

1.3. How have we developed the Strategy?

Development of Midlothian Council's Active Travel Strategy has been the role of the Council's Sustainable Transport Team, with public and stakeholder consultation events helping to shape both the strategy and action plan. The feedback from stakeholder and public consultation held in 2021, and the resultant report produced by consultants Arcadis helped to establish key priority areas/themes, acting as a case for change, as well as highlight specific problem routes and locations where demand for improved active travel infrastructure is high. Building on feedback from the consultation, we have held workshops within and across council departments to develop a strategy with measurable and achievable targets that we can commit to. Midlothian Council's Sustainable Transport Team also attended Forward Midlothian events in October 2022 and 2023, to learn more about challenges faced by people with disabilities. Completion of the Integrated Impact Assessment Process has allowed us to consider and mitigate any potential impacts to all sectors of the community. More detailed 1-1 meetings with individual community councils has helped to inform the detailed site-specific action plan, with public consultation on the draft strategy and action plan helping to finalise the document.

Figure 2. Midlothian Council Active Travel Officers at the Forward Midlothian Event in 2022

With a focus on connectivity and strategic routes, collaboration and communication with neighbouring local authorities has also played a key role in the determination and feasibility of key route planning, to **ensure cross-boundary connections are planned and achievable, and that any connections into neighbouring authorities will produce a cohesive and joined up network.**

The prominence of 'living locally' and '20 minute neighbourhoods' within Scottish Government policy and strategy means that a key focus of formulating the active travel strategy, and delivering projects going forward has also involved building and strengthening relationships between the roads and development planning teams within the council. This will help to ensure that active travel is considered/designed into all new developments going forward.

We are working in collaboration with Sustrans to allow us to make the best possible use of any funding streams, with a Sustrans embedded officer now a key part of the team.

1.4. Where we are since production of the last ATS?

A lot has changed in Midlothian and surrounding local authority areas since the last ATS was produced in 2018. Our success in meeting specific objectives set out in the 2018 ATS will be reflected on in more detail in the sections that follow.

On a personal level we are witnessing:

- much greater home and hybrid working;
- an increase in online working, shopping and deliveries;
- greater recognition of the climate and biodiversity crisis amongst the population.

On a policy and governmental level we are now seeing:

- greater emphasis and funding being attributed to sustainable and active travel.

On a local developmental level we are currently seeing:

- many of the housing and commercial land allocations set out in the Local Development Plan now built/being delivered
- A change in the character of some Midlothian communities/landscapes
- great opportunities to connect to and expand the existing active travel network.

Many of these changes, particularly with respect to personal movement trends and lifestyles were not predicted and will have impacted (both positively and negatively) on some of the targets set out in the 2018 ATS.

Three key objectives of the 2018 ATS were to:

- 'Raise awareness of all aspects of active travel and promote walking and cycling as alternative transport modes for short trips and commuting'.
- 'Encourage more people to walk and cycle more often by providing them opportunities to do so'
- 'Increase active travel in schools through a variety of walking and cycling programmes'.

Since the writing of the 2018 ATS a number of events have been held to work towards meeting these objectives, including:

- recent 'Winter-ready' events
- public cycle training sessions
- Bikeability training in schools
- School travel plan production and promotion
- Road safety awareness training in schools
- attendance at Midlothian's Disabled Access Forum
- Go-E bike promotional activities
- staff cycle training sessions
- staff driver awareness courses
- attendance at the Midlothian Outdoor Festival

We plan to build on this engagement and promotional activity going forward, with more detail on what has already been achieved and is planned in the relevant sections that follow.

Figure. 3 Road Safety awareness and Bikeability training sessions in Midlothian's schools

Further objectives to 'Increase the availability of active travel infrastructure and develop infrastructure improvements which encourage active travel' along with 'Improving the safety of walking and cycling and reduce the number of yearly walking and cycling casualties' have been delivered through a range of 'Cycling, Walking, Safer Routes' funded projects, and expansion and development of the network through the creation of active travel routes through new housing and developments.

Detail on those completed projects and progress towards others that have not yet been achieved but are actioned in the current plan is included in the local-neighbourhood action plan in Part 2 of this document. Staff from the Sustainable Transport/Active Travel Team are now attending Midlothian's Road Safety forum and feeding in on best practice, and helping to promote infrastructure and behaviour change to reduce road casualties.

The objective to 'Ensure walking and cycling needs are included in new development design' is currently being delivered through a detailed assessment of new housing sites in Midlothian, being undertaken by consultants 'Living Streets'. More detail is included in the following sections on how we will use this assessment to deliver design guidance in new developments, and our aims to use this to ensure that all new developments are designed to best-practice standards in terms of active travel infrastructure, accessibility, and location to services. A move for the Sustainable Transport Team from the Roads Policy Team into the Planning Team also emphasises progress towards this objective, and how it will be built on further in the new strategy.

Figure 4. The inclusion and design of active travel infrastructure and links within and around new housing developments is a key aim of the Active Travel Strategy

Progress towards the objective 'Maintain, repair and upgrade walking and cycling infrastructure, including routes and facilities' will be reported on throughout the main document, as well as indicated in the new action plan. Workshops and cross-team meetings have been held to discuss how we can best proportion resources and budgets going forward, to ensure that active travel infrastructure is inspected and maintained to reflect its place at the top of the transport hierarchy. Funding sources have been/are being actively pursued to demonstrate our commitment to routine maintenance of existing routes, as well as to upgrade routes for wider accessibility and year-round use.

1.5. Active Travel Action Plan

Our active travel action plan consists of two key components, both presented in Part 2 of this strategy.

The first component is our **10-year project pipeline**, which takes a more strategic view of active travel infrastructure and behaviour change work which we plan to implement over the next 10 years. The project pipeline lists:

- key priority routes along strategic routes and corridors
- key junction improvements
- larger infrastructure projects with active travel elements
- key behaviour change projects
- local neighbourhood level infrastructure
- commitments to pursue funding for rural roads and paths

The second component takes a more detailed look at the **local neighbourhood level** element of the 10-year project pipeline, where we have included routes from the previous active travel strategy that have not yet been delivered, along with new routes that have been suggested during consultation events and from the output of site investigations. These routes have been ranked and prioritised using a scoring matrix to help us to categorise different routes for particular funding streams depending on for example, the scale, level of funding required, ability to provide connections to key trip generators, if they are potential quick wins or more in-depth projects, or more aspirational in nature. The 10-year project pipeline and Action Plan list the potential sources of funding for each programme of delivery. The plan reflects the assumption that funding will increase over the next ten years in line with greater commitments to active travel.

1.6. Aims of the ATS

The 3 key aims of the Active Travel Strategy 2024 – 2034 are to:

- **Expand the active travel network and improve its accessibility, safety, connectivity and maintenance.**
- **Promote and enable behaviour change towards uptake in all forms of active travel.**
- **Provide transparent monitoring of the delivery of all projects.**

These are described in detail in Chapter 10, along with their respective objectives and indicators.

1.7. Acknowledging Risks/Uncertainties

It is acknowledged that changes in circumstances and external drivers could occur during the lifetime of the ATS and Project Pipeline/Route Action Plan. We will continue with internal and external consultation throughout the lifetime of the ATS, and update the documents as required, directed by external drivers and changing priorities.

2. Policy Context

2.1 Transport Targets/policies and the Transport Hierarchy

Active travel features prominently in many of the Scottish Government's long-term planning priorities, and has played an increasingly large role in strategy at all levels in response to both national and international targets. While environmental concerns frame much of the policy discussion on active travel (the transport sector accounts the largest share of Scotland's carbon emissions), many policies favour active travel for its health and wellbeing, cost, and social benefits. Figures 5a. and 5b. broadly illustrate the desired outcomes of active travel policy in Scotland.

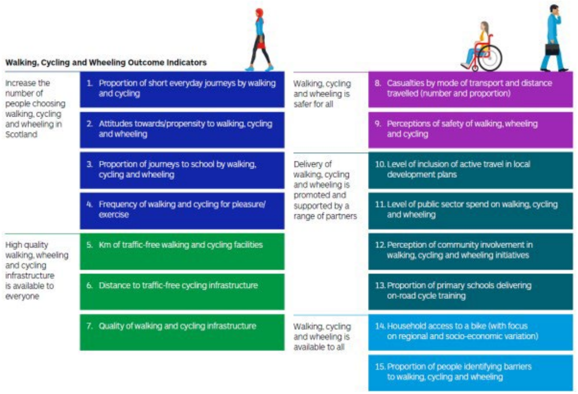


Figure 5a. Desired outcomes of active travel policy in Scotland (Active Travel Framework, 2020)

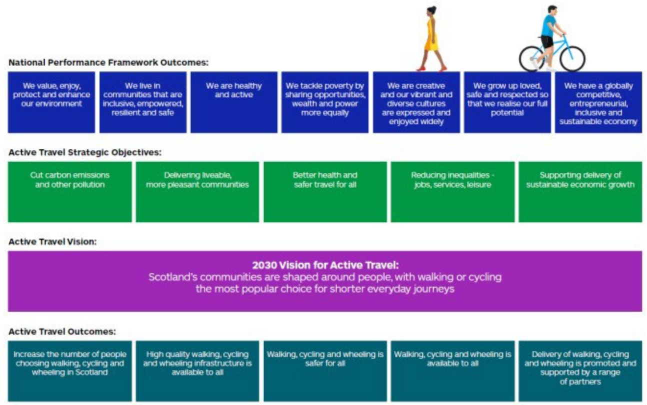


Figure 5b. Desired outcomes of active travel policy in Scotland (Active Travel Framework, 2020)

2.1.1 International targets

Many of Scotland's active travel policies have their root in internationally agreed goals and targets. The United Nation's Sustainable Development Goals provide an international framework for a global low-carbon future with resilient communities at their heart. Organisations such as the World Health Organisation (WHO) have published reports such as *Walking and Cycling: Latest evidence to support policy-making* (2022) to encourage active travel through government policy.

2.2 Scottish targets, policies, and key guidance

The Scottish Government has articulated plans to reach net neutrality by 2045 – an undertaking that will require significant investment in all sectors of the Scottish economy. As of 2017, transport is estimated to make up 37% of Scotland's carbon emissions – the largest share of any sector in the Scottish economy. The Scottish government's stated goal is to see a 20% reduction in car kilometres by 2030.

The *National Planning Framework 4* (NPF4), *The National Transport Strategy* (NTS2), and the *Strategic Transport Projects Review 2* (STPR2) outline the Scottish Government's main planning priorities, and have all placed a much greater focus on the importance of active travel for strong, healthy communities.

2.2.1 National Transport Strategy

The National Transport Strategy is underpinned by four key priorities, all of which have place great importance on active travel:

1. Reduces inequalities through ensuring easy, affordable access for all
2. Takes climate action through meeting net-zero targets and promoting greener choices to adapt to the effects of climate change
3. Helps deliver inclusive economic growth through reliable high-quality infrastructure
4. Improves health and wellbeing through safe and secure infrastructure that encourages people to make healthy travel choices

In terms of prioritising transportation, recent strategies have pointed to the transport hierarchy as a guide to prioritising user modes in transportation projects. This hierarchy is to provide a guideline for prioritisation between user groups in transportation projects, with those walking and wheeling to be considered the highest priority in the planning and development of transportation projects. This is reflected in the complementary investment hierarchy which places the reduction in unsustainable travel as the foremost priority for transportation-related investment.

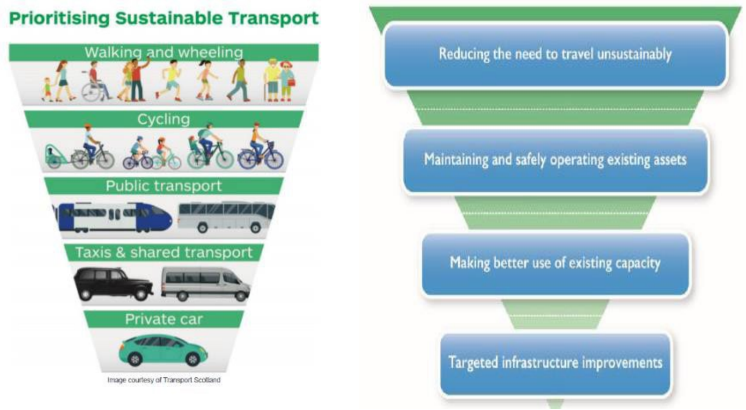


Figure 6. Transport Hierarchy and accompanying Investment Hierarchy (National Transport Strategy, 2020)

Recent strategies have increasingly emphasised a need to better integrate land use and transportation planning. NPF4's spatial principles include reference to local living, compact, urban growth, and rebalanced development to help create sustainable, liveable, and productive places. The creation of a nationwide active travel network to connect these communities is seen as a key priority (National Development #8: National walking, cycling, and wheeling network). Place-based approaches that reduce car dominance should be pursued, with consideration being given to developments that promote local living and reduced car ownership levels.

These priorities have been expanded on in the *Strategic Transport Project Review 2* (STPR2), which breaks these strategies down into objectives at the national and regional levels. The first five objectives cover improvements to active travel infrastructure:

1. Connected neighbourhoods
2. Active freeways and cycle parking hubs
3. Village-town active travel connections
4. Connecting towns by active travel
5. Long-distance active travel network

Similarly, active travel figures prominently under the objectives relating to 'influencing travel choices and behaviour'.

The *Infrastructure Investment Plan for Scotland* (2021) has allocated £550 million over five years (until 2026) for active travel, including £50 million to develop 'active freeways'.

In addition to these core policies, Transport Scotland have prepared a number of design guidance documents to help guide active travel projects across Scotland. Chiefly, *Cycling by Design* (updated in 2021) provides guidance to be used across all roads, streets, and paths to promote cycling as a practical and attractive choice for the everyday and occasional journeys for all people. *Designing Streets* (2010) has also been developed to inform the design of streets and other movement-focused public spaces at the neighbourhood level to encourage a more holistic approach to urban design.

2.3 Regional

SEStran is the organisation responsible for providing regional oversight and coordination over transport developments in the Southeast Scotland region. SEStran has published a number of strategic documents outlining priorities for the creation of a coherent regional active travel network. These include the Strategic Cross-Boundary Cycle Development plan (2017) and the Strategic Network Plan (2020).

Improvement of walking and cycling as realistic transportation options, and greater integration between active travel and public transport networks (to encourage multimodal journeys). The Regional Transport Strategy (RTS) advocates for an integrated approach to land use and transportation planning, adhering to a 20-minute neighbourhood framework.

Figure 7. The SESTran regional area (SESTran RTS, 2023)

20-minute neighbourhood or local living frameworks feature prominently in recent strategies

Figure 8. 20 minute neighbourhood framework (SESTran RTS, 2023)

2.4 Local

The *Midlothian Local Development Plan* (LDP, 2017) is the core document governing changes to the built environment in the Midlothian Council area. The current LDP 'Secure active and sustainable transport options for existing communities and future growth areas, and promote opportunities for walking, cycling and public transport, including links to shared open spaces. The current plan places an emphasis on development of active travel alongside the expansion and protection of the Midlothian Green Network. In early 2024, work began to update the Local Development Plan.

In addition to MLDP2, other planning strategies make reference to active travel. *The Single Midlothian Plan* (2023), addresses the need for active travel infrastructure to connect communities, and provide a greater range of travel choices – particularly in areas that are not well served by public transport. From the Citizen's Panel survey in the Single Midlothian Plan:

- 94% of responses want communities better connected with good transport and active travel links, and improved network infrastructure and connectivity;
- 81% of responses would like improved greener travel options;
- 75% want to reduce carbon emissions from businesses and homes

Local Place Plans are being encouraged under reforms to the *Planning (Scotland) Act* in 2019, allowing communities a greater voice in how local places can be shaped.

2.4.1 Shawfair

The SEStran 2035 RTS highlights Shawfair as one of seven strategic sites across Southeast Scotland. Once developed, the Shawfair area is estimated to accommodate over 4,000, and will contain a town centre, enterprise area, and public transport connections. Located between the Edinburgh bypass, southeast Edinburgh (particularly the Bioquarter), and East Lothian (adjoining to the Queen Margaret University masterplan area in Musselburgh), Shawfair represents a key strategic connection between communities in Midlothian, and substantial growth areas in neighbouring local authorities. Due to its position within the wider city-region, Shawfair has the potential to be a key hub in the regional active travel network.

2.5 Recent Legislative and Policy Changes

2.5.1. Changes to the Highway Code (2023)

In January 2023, the Highway Code was updated to reflect changes in national policy. These updates include the introduction of a hierarchy of users, where road users who are most vulnerable to harm should be given greater priority. This does not absolve users from behaving responsibly, but does enhance the priority of active travel users – particularly at parallel crossings.

2.5.2. Pavement Parking Legislation

In December 2023, new legislation came into force allowing councils to pursue bans on pavement parking. Pavement parking bans are currently being implemented in Edinburgh and East Lothian, and Midlothian is currently examining the feasibility of implementing a ban locally.

2.6. 20 mph speed limits

Many Council areas across Scotland have been examining the potential to implement 20 mph speed limits within settlements, or in the case of some Council's, council-wide. Midlothian are currently consulting on measures to reduce speeds within towns and villages in Midlothian.

2.7 Themes

2.7.1. Demographic changes

Midlothian is the fastest growing council area in Scotland by population, seeing a 17% (to 94,680) increase between 2001 and 2021, and anticipated to see a growth of approximately 13.8% by 2028. This is anticipated to be the highest rate of growth in any Scottish Council area.

Midlothian's population growth is boosted by the influx of young families from other parts of Scotland, accommodating a large number of young families. Simultaneously, Scotland as a whole is seeing an aging population with a unique set of needs from their transport infrastructure. Providing high-quality active travel infrastructure suited for the needs of all users, particularly younger and older residents will be a priority under this strategy

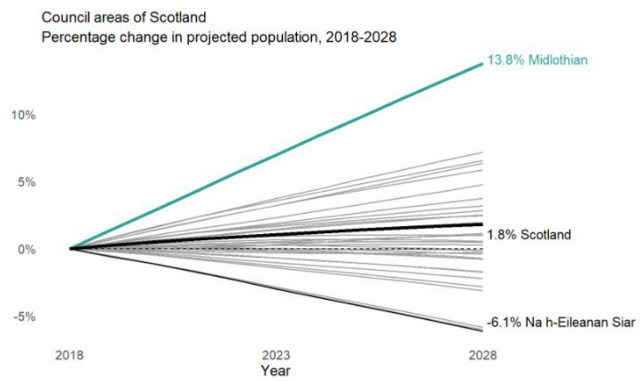


Figure 9. Changes in population (source: NRS)

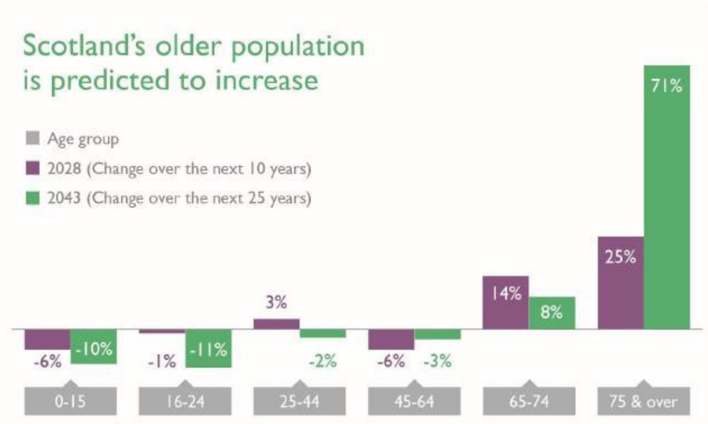


Figure 10. Predicted changes in Scotland's older population

2.7.2 Health Policy

Public Health Scotland advocates for greater uptake in active travel for a number of reasons. Primarily, modal shift will result in a decrease in greenhouse gas emissions, and a reduction in noise and air pollution, but also touts active travel's benefits for a healthier lifestyle, particularly in later years. Healthier lifestyles have also been noted to reduce the economic strains on the national health service.

2.7.3 Inequality

Improving active travel access, particularly in conjunction with improved public transportation provision are viewed as an important way to address inequalities – particularly related to age and income.

3. The Current status of active travel

3.1. The current Active Travel network

A map showing the existing active travel network throughout Midlothian, including on-road cycle lanes, shared use cycleway/footpaths, tracks and paths, and the Sustrans National Cycle Network can be found on the Council website at the following link: Midlothian: Active Travel Map (mapsinteractive.co.uk).

Figure.11 Midlothian Council's 'Interactive Active Travel Map' displays cycling and walking routes and facilities, as well as detail on the type of infrastructure.

3.2. A case for change: What did you say?

3.2.1. Public Consultation

In December 2021 we held a number of consultation events to establish views on the ease and accessibility of walking, wheeling and cycling in Midlothian. We wanted to know:

- what is good about our active travel network
- where improvements can be made
- how we can support more people to walk, wheel and cycle more often
- the key barriers to active travel in Midlothian

In 2022 and 2023 we also attended the Forward Midlothian event in Dalkeith, hosted by The Midlothian Disabled Access Panel. The results from these consultation events have given us a clear picture of some of the main barriers to active travel, as well as examples of good practice that we aim to build on.

Results from the public survey indicate that those who **choose to travel by car** as their main mode of transport to work or study do so because they feel it is the **quickest option**, and that they **lack alternatives**. **Personal safety** was also cited as a main concern.

Figure 12. Results from the 2021 public consultation, displaying the main reasons for most frequent choice of travel mode (Arcadis, 2022)

In comparison, people who choose to walk do so for the **health and fitness benefits,** and the **enjoyment** aspect.

Similarly those who cycle as their main mode of transport cited **health and fitness** as the main reason, along with **cost savings**.

These results suggest a **need to prioritise improving our active travel network so that travelling actively can be done safely along key strategic transport routes, and that desire lines and directness of routes are key principles that need to be designed into any new routes, and route improvements.**

Promoting active travel for its health and fitness benefits and enjoyment levels should also play a key part of any behaviour change initiatives. Given that enjoyment and health are two of the key reasons cited by current active travel users we must also ensure that some new routes and infrastructure are designed and located to provide options for those who wish to enjoy active travel away from busier roads.

Results around mode of travel by length of journey revealed that for **journeys of less than 2 miles 25% of survey respondents still use the car.** A focus on active travel provision within and around town and village centres and close to key trip generators is required to make leaving the car at home an easier option, as well as a **focus on providing rest stops, bus shelters, dropped kerbs and access for all** to ensure that everyone is able to make these short journeys actively.

The top 5 priority actions for roads and pavements from the public consultation were:

- **Widening of routes**
- **Segregation**
- **Cycling safety**
- **Surface improvements**
- **Network connectivity**

The top 5 priority actions for paths were:

- **Segregated cycling infrastructure**
- **Better linkages**
- **Segregation between cyclists and pedestrians**
- **More direct routes**
- **More on-road cycle lanes**

The most popular answers depending on bike usage reveal some interesting differences, but also similarities between those who never cycle, and those who cycle often for transport and leisure (Figure 13).

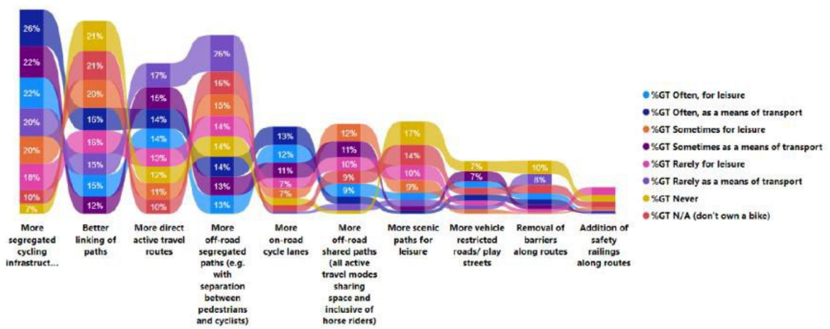


Figure 13. Top priorities for active travel infrastructure depending on respondents frequency/use of active travel (Arcadis, 2022)

For those who never cycle-

it is **better linking of paths**, more **scenic paths for leisure**, and **more off-road segregated paths** that are seen as top priorities.

For those who cycle often-

more segregated cycling infrastructure, better **linking of paths**, and **more direct active travel routes** are considered top priorities.

This suggests that to encourage more people to start travelling by bicycle a focus on linking off-road paths away from the road carriageway, via quieter rural areas and scenic routes is required. A simultaneous focus on providing well connected, safe and segregated next-to-carriageway routes as well as off-road connections is needed to improve conditions for those who already cycle.

The full public consultation report can be found in the appendix.

3.2.2. School Surveys

The results from the **schools survey are very encouraging**, with **73% of pupils who answered the survey walking, cycling or wheeling as their main mode of transport** to school. This reflects the very successful behaviour change and school travel plan work ongoing in the council, which we commit to continue developing.

Figure 14. Cycle and scooter parking provision and walk to school campaigns have been successful in increasing the numbers of children choosing active travel to get to school.

18% of pupils travelled by bus, which is also likely to have incorporated an element of active travel. The feedback from teachers skewed the overall results slightly, with only 16% of teachers walking or cycling as their main mode of transport.

Quickness of travel and having **no other alternative**, and 'other' were the three most popular reasons for pupil transport choice, with **health and fitness and enjoyment** being the 4th and 5th most popular reasons. Quickness and lack of alternatives made up 71% of teachers responses.

Although results are very encouraging there were some **key barriers identified that prevent people from walking and cycling to school,** with the **lack of suitable cycle routes** identified as the main reason from both pupils and teachers. The most frequent barrier identified by **parents was the distance that they live from the school**.

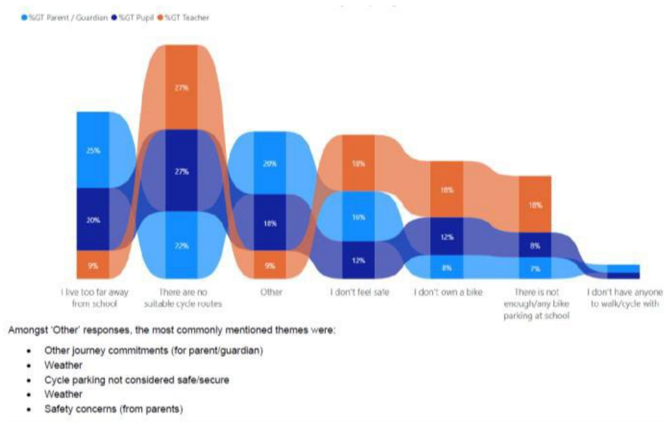


Figure 15. 2021 school survey- Barriers to choosing active travel to school (Arcadis, 2022)

Key improvements suggested to make cycling and walking more attractive included:

- Improvement/creation of on-road and off-road segregated cycling paths
- Safe crossing points
- Better maintenance and surface conditions
- Safer routes more generally

The feedback from the school surveys suggests that **providing the most direct routes for active travel is a requirement** to make these options as quick (if not quicker) than using the private car, and a realistic option for those with time constraints and other commitments.

We will continue our work on improving routes to school, and **build on our already very successful school travel plan work**. Our collaboration with the planning department will help to address distance from school, through advising on designs for local living and 20-minute neighbourhoods.

3.2.3. Stakeholder feedback

Feedback from stakeholder consultation has highlighted aspects of the current active travel network considered to be good practice, which we will use to aid our decisions going forward, as well as areas where infrastructure and the wider network can be improved.

Positive aspects of the current network included:

- paths within new housing developments

- the use of old railway lines as active travel links

Figure 16. Examples of active travel provision in Midlothian that were considered a positive aspect in the 2021 stakeholder survey

key areas identified for improvements included:

- **maintenance of routes**
- **shared use paths and lack of segregation**
- **unprotected road cycling infrastructure**
- **physical barriers**
- **lack of cohesiveness**
- **lack of safe crossing points along some routes**

with the following themes identified as key aspects to take forward in the new strategy:

- **access for all**
- **links with public transport and other modes of travel**
- **improved connectivity, and safety**

Narrow pavements, lack of dropped kerbs, lighting and street clutter were also highlighted as key barriers both in the stakeholder feedback and the disabled access forum event.

There was also an **emphasis on including leisure and tourism as part of active travel,** not solely commuting- something which we have taken on board and reflected in our new strategy, as well as consideration of the impact of any new routes on horse-riders. Some specific route improvements were also suggested, which have been incorporated into our project pipeline and aspirational route matrix.

The Stakeholder consultation report can be found in the appendix.

3.3. Current Active Travel Network Usage

3.3.1. Strava Metro Heatmaps

Strava Metro data is a very useful tool providing Midlothian Council with an insight into active travel trends and route preference- but comes with a number of limitations. The data reveals the most popular routes recorded on the app for walking, running and cycling, as well as the numbers of people recording their activity on the app. It can also be used to assess the most popular days of the week and time of day for activity.

The data acts as a guide as to the most favoured and well-used roads and paths, but only provides a picture of those who choose to record their activity and upload it onto the Strava platform. As discussed in the introduction, active travel is much more than walking, running and cycling for fitness and leisure purposes, and some key everyday journeys are likely to be missed when looking at data recorded on a platform marketed for fitness purposes. Everyday journeys to shops, bus stops, work and education, for example, are unlikely to all be presented in this dataset. Although the data can reveal the most popular routes, it is not possible for us to identify the reasons for route choices. A route showing up as heavily used on Strava Metro may be used because it is the only quiet and safe option, rather than it being the preferred option.

With these limitations in mind, the data does still reveal some key findings on route choice (Figure 17). It also provides us with a clearer picture of the routes chosen for leisure and fitness purposes, and ones that should be included in any updated maintenance and inspection schedule going forward, as well as those routes that are more heavily utilised for everyday essential journeys (and not necessarily shown here).

Figure 17a. illustrates the **key walking and running routes** recorded on the platform in 2022/23, with the lighter, brighter colours indicating greatest usage. The **Dalkeith to Penicuik NCN196** route and **Roslin to Shawfair multi-user path** are both popular and heavily utilised routes, but there is an equally popular use of the network around the main town centres and areas of population density. Figure 17b. illustrates **key cycling routes** recorded on the platform in 2022/23, with a much more extensive network, covering **many minor and country roads**, as well as **key transport corridors**.

Key popular routes **from Edinburgh into Midlothian** can be seen, including:

A703 Seafield Moor Road, Gilmerton Road, the Roslin to Shawfair multi-user path, the A701 to Penicuik.

National Cycle Network route 1 around Temple and Carrington, and other country roads around Howgate and Middleton are also popular routes.

a. b.

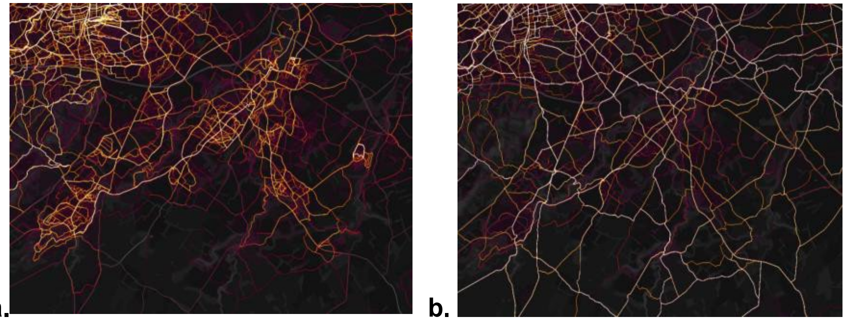


Fig. 17. Midlothian Strava users May 2022 – April 2023. A. Walking/running; b. Cycling

Going forward we will use this data to **feed into the roads and paths inspection and maintenance schedule**, and will use this in support of any funding applications to improve routine and winter maintenance along the most popular and heavily utilised routes.

We will also **look at developing a quiet route network** to improve safety for all users of the roads in **more rural areas**. The data will also be used in support of any funding applications for safe and segregated infrastructure provision along major roads where conditions are currently poor, but are clearly key direct routes for large numbers of active travel users.

3.3.2. Strava Metro: Demographics and time of day/week

Strava Metro also provides an indication of changing demographics and users, which we will use to help prioritise behaviour change and marketing campaigns, as well as the types of interventions and improvements to the network we might look to provide going forward. Figure 18a. suggests a decline in users of Strava aged 18-34 in Midlothian, compared to an increase in other age groups. As with the heatmap data, this must be taken with caution as it could indicate a move to recording on another platform, or an incresae in app and technology use in older age groups, rather than a true picture of active travel useage. Figure 18b. suggests an increase in e-bike use, which will influence the funding streams we target, and any route planning and infrastrutuce such as charging provision.

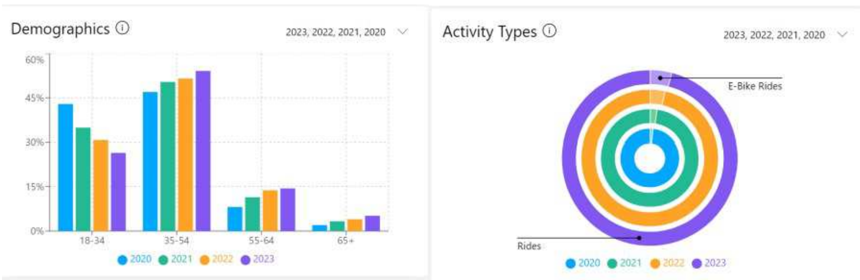


Figure 18. a. Strava Metro users 2020-2023 b. Strava Metro bike users 2020-2023 (Strava Metro, 2023)

Data on the time of day and day of week of activity reveals a clear change in cyclist behaviour patterns post pandemic. Comparison of usage data in 2019 with 2022 displayed in Figures 19, shows a strong commuter trend in cycling activity in 2019, which although still present in 2022, is less pronounced, with the **time periods over which people cycle during the day now wider**. This is suggestive of more flexible working and working from home, but does still emphasise the **requirement for a safe, accessible and well-lit network at the times of day when the roads are likely to be busiest**. Use of the walking and running network is much more evenly spread throughout the day and has been less impacted by the pandemic and flexible working. Volumes by day of the week indicate that the **network is being used consistently throughout the week and weekend.**

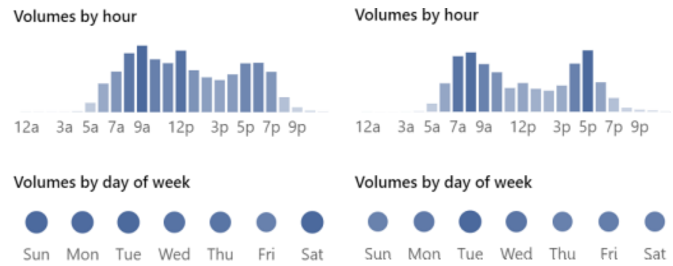
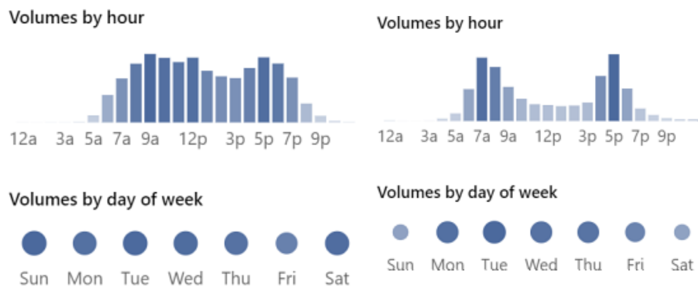


Figure 19. a. 2022 Walking/running vol. per hour/day b. 2022 Cycling vol. per hour/day (Strava Metro, 2023)



c. 2019 walking/running vol. per hour/day d. 2019 cycling vol. per hour/day (Strava Metro, 2023)

3.3.3. Network Planning Tool for Strategic Cycle Network Planning

Another useful tool is the newly developed 'Network Planning Tool Scotland' for strategic cycle network planning. This can be used to examine the cycle-friendliness, gradients, and fastest and quietest routes around Midlothian. The tool is publicly available at the following link: NPT Scotland, and will be used in supporting and developing funding bids to expand our active travel network going forward.

3.3.4. Sustrans Hands Up Survey

The Sustrans 'Hands up survey' results from 2022 display a very positive picture of school travel in Midlothian, compared to the national average. 97.3% of state schools participated in the survey, and results presented in Figure 20 show that **over 60% of Midlothian's children either walk, cycle, scoot or skate to school.** The numbers of children being driven to school are much lower than the national average.

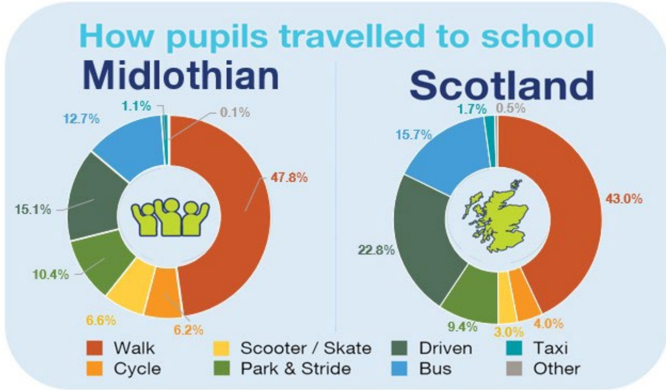


Figure 20. Results from the 2022 Sustrans 'Hands up' survey show higher rates of active travel to school than the national average

As part of this strategy we are committed to building on these positive results through the continuation of Bikeability training and promotion of active and sustainable travel through school travel plan production and road safety initiatives.

Figure 21. Walk to school campaigns and cycle and scooter storage facilities

3.3.5. Current Cycling Modal Share

Cycling Scotland Monitoring Group

Data provided by the Cycling Scotland Monitoring group shows cycling rates from counters located at Eskbank Road in Dalkeith, and John Street in Penicuik in September 2022. **Cycling contributed 0.56% to total road users**, a slight increase on the same month in the previous year (table 1). It should be noted that the results are taken from a 48-hour period and may be influenced by weather conditions and other external factors. It should also be noted that these counters are located on busy roads where cycling infrastructure may not be conducive/attractive for cycling to all users, and may under-represent the modal share for the local authority more widely.

Table 1: Cycling Scotland Monitoring Group Cycle Count data: September 2022

Location	Eskbank Road, Dalkeith	John Street, Penicuik	Midlothian total
Cyclists	119	196	315
All modes	27829	27955	55784
Cycling modal share	**0.43%**	**0.70%**	**0.56%**

Table 2: Cycling Scotland Monitoring Group Cycle Count data: May 2021-September 2022

	May-21	Sep-21	May-22	Sep-22
Cyclists	451	265	395	315
All modes	52674	55921	58805	55784
Cycling modal share	**0.86%**	**0.47%**	**0.67%**	**0.56%**

Installation of three new 24-hour automatic Cycling Scotland cycling counters at Lasswade Road, Gilmerton Road and on the Eskbank to Bonnyrigg section of NCN196 has taken place in May 2023, and will provide additional data on route use and demand, as well as external factors driving usage of the network. Subject to funding we also plan to install cameras to monitor desire lines and movement patterns at key junctions to help guide street layout and infrastructure design.

4. Physical Barriers to Active Travel

4.1. Active Travel Route Maintenance

Our Active Travel Consultation event in 2021 highlighted route maintenance as a key concern and barrier to participation in active travel, raised by both public and stakeholder groups.

A number of key issues were identified, including poor road and path surface conditions; debris and vegetation overgrowth in cycle lanes and along shared use paths; lack of/limited gritting of active travel routes in winter; and poor/lack of street lighting along some routes.

Figure 22. Vegetation overgrowth has been highlighted as a key concern for active travel users.

We are committed to addressing these issues and will seek out all available funding for road and path surface improvements for existing routes where possible. We have highlighted the lack of funding currently available for existing route maintenance as a key priority to encourage active travel going forward to our largest funding bodies, and will continue to explore all available funding opportunities.

Within the council we have held a number of cross-departmental workshops to identify the potential for pooling of resources, and to discuss how the transport hierarchy can be better reflected in any roads and paths inspection regimes, as well as in the allocation of funding.

Going forward we will make use of all available monitoring data on cyclist and pedestrian usage of the network to feed into the roads and paths inspection and maintenance schedule, so that the parts of the network most popular for active travel are prioritised for maintenance, reflecting the transport hierarchy.

We will also look at key transport corridors and desire lines and ensure that those parts of the network not used as heavily for active travel are maintained to similar levels, to ensure that this is not a barrier to use along these routes. Funding and resource permitting, we aspire to inspect all active travel routes (both on and off-road) on foot or by bicycle.

We will **aim to address all reports of vegetation overgrowth within 2 weeks** of any member of the public reporting these to the contact centre, and **routine sweeping of routes will now be aligned to**

coincide with routine cutting of vegetation. All repairs needed to the road and path network will be addressed once reported to the contact centre by members of the public, in addition to planned repairs and maintenance on the updated inspection schedule.

Figure 22. Examples of work that has recently been undertaken as part of our new late summer 'Reclaiming our paths and pavements programme' with teams working together in a collaborative approach to cutting, clearing, sweeping and disposing, to ensure our routes for active travel are fully accessible all year round.

In collaboration with neighbouring local authorities we will look at the potential to apply for funding and set up forums to support volunteers and community groups to help with maintenance and path improvement works.

Where funding allows, we will commit to pursuing improvements to Street lighting and winter gritting on all main active travel routes.

4.2. Road Safety

Cyclist safety was highlighted as a key priority for roads and paths improvements in the 2021 active travel consultation- with lack of segregation between different types of road users one of the key concerns. For all new active travel schemes we will look at introducing fully segregated routes where possible, but also acknowledge that the nature of some of our roads and spaces will require other forms of improvements to enhance safety, and make the roads and paths more attractive and appealing places for active travel. Traffic calming measures were identified as a key priority action for road safety, and we will work alongside colleagues in the roads department to see these implemented where possible, along with 20mph zones in some of our towns and villages, and other considerations that emerge from the results of the Midlothian Speed Limit Policy Review in 2023.

Alongside our Roads Safety and Roads Engineer colleagues we will **work to improve routes to schools and key destinations throughout Midlothian as a priority.** We will work with our School Travel Plan Coordinator and Road Safety Officer to prioritise key routes for improvements, where we will monitor desire lines and feedback from public consultation. We will look at **increasing the number of safe crossing points, accessibility, pavement provision and conditions, and full segregation between all users where possible, along the most direct routes**. Similarly we will look at prioritising key junctions where road safety has been flagged as an issue and work alongside road safety colleagues to look at **increasing and improving crossing points and signalisation** where relevant, with other measures considered on an individual basis.

We **will seek input from road safety officers and work alongside roads engineers and those in the roads policy team when advising on any new active travel infrastructure**, as well as on policy and strategy around changes to any existing road design and layout, and other physical infrastructure. In particular we will **work on writing new policy/guidance around guardrail, guardrail removal, cyclist and pedestrian priority crossings, continuous pavements, uncontrolled crossings, and other traffic calming measures.**

In addition to infrastructural and street/road layout and design changes, **behaviour change initiatives will form a key part of our focus and drive to improve road safety**, for active travel users of the network. Active Travel officers are now part of the Midlothian Road Safety Forum, allowing any key active travel concerns to be discussed with Police Community Officers, Roads Police and the Speed Camera Unit, the Fire Service, and Transport Scotland. We will use this forum as an opportunity to collaborate with these services/organisations on road safety campaigns, speed reduction and wider behaviour change initiatives, which are covered in greater detail in the behaviour change section of the strategy. We will lead by example by **promoting and providing driver awareness training on sharing the roads with cyclists to all of our staff**, which will now be incorporated as an essential learning module for all new and existing members of staff at Midlothian Council. Other behaviour change initiatives, discussed in more detail in the behaviour change section include public, school and staff bicycle training and awareness sessions, all of which have a focus on road safety.

Given the rural nature of Midlothian, we have a number of national speed limit country lanes and roads where visibility, gradient, road width, and road condition mean that users need to treat the roads with extra caution, and drive to the conditions. Many of these roads are found in more quiet areas of Midlothian, and are appealing for pedestrians and cyclists, as well as horse riders, who use these for leisure and sporting activities, away from busier built-up areas and volumes of traffic. We seek to promote these roads as safe spaces for active travel and will **look for funding opportunities to develop a 'green/quiet road network'** of roads, where signage and traffic calming measures, and potential speed limit reduction, will be used to increase driver awareness of the shared nature of these roads, and to make the routes safer spaces for all users.

Figure 23. Rural roads throughout Midlothian are popular for walking and cycling.

Many of the aspirational improvements to road and route maintenance highlighted in the route maintenance section, including improved street lighting and road surface conditions will also contribute to improved road safety for users of the active travel network.

4.3. Quality/inaccessibility of the active travel environment

Design guidance produced by 'Living Streets' in their assessments of housing sites, discussed in Section 8 will be used to promote best-practice street design, and ensure that all new environments are designed in a way that fully delivers access for all. Feedback from consultation events and engagement with the public and stakeholders has helped us to identify where and how we can improve the existing environment, and engagement in the IIA process throughout development of this strategy and production of the action plan has helped to identify key issues. Physical barriers such as pedestrian guardrail, lack of dropped kerbs, lack of tactile paving and a lack of rest stops have been highlighted and incorporated into our 10-year and local neighbourhood action plan, where we intend to seek funding to address these issues.

We will promote the availability of external funding to community groups and volunteer organisations, and help provide support where possible to ensure that Midlothian residents have the best access and clear guidance on how to get involved. The Sustrans 'Artwork Fund' and 'Paths For All' 'Ian Findlay Fund' are examples of funds that can be applied for by community groups to provide more appealing and quality environments for active travel.

5.Other barriers to active travel

Engagement & Behaviour Change Work

The following barriers have been identified as key aspects limiting the number of journeys made by active travel in Midlothian, and in some cases preventing people from taking part in any form of active travel. **We believe that promoting and encouraging behaviour change is as important, if not more so, than providing the infrastructure to allow change to take place.** In many cases the two complement each other, but the **promotion of behaviour change is a vital component in seeing any funded infrastructure schemes being used effectively to their full potential.** The physical aspects of barriers to active travel are covered elsewhere in the strategy, as well as being presented in the action plan.

5.1. Barriers to walking

5.1.1 Route finding/knowledge of active travel routes

Working with the public

The Council produces a range of mapped resources that allow people to find out about local active travel infrastructure and journey times.

We are currently working on updating these maps and publicising the active travel network via a refresh of our website. Interactive consoles around Midlothian have also helped to support more accurate travel planning and sustainable journeys, and we aim to replace and repair these where necessary. **We will continue to provide hard copies of walking and cycling maps on a regular basis to libraries/leisure centres and health centres around Midlothian.**

In addition to the supply of physical maps, the Active Travel team are currently working on the production of a free **'Active Travel App'** that will be made available to the wider Midlothian public. The aim is to offer more accessibility to a breadth of Active Travel information, **allowing users to have flexibility in undertaking journeys through checking the app while out and about in the area**.

We consider promotion and familiarisation of the active travel network to Midlothian residents a key aspect of behaviour change. We will also look to work with developers on active travel packs provided to new residents in new-build housing estates.

Midlothian Council staff engagement

To encourage and promote healthy working lives, **led walks** will be offered to all council staff at various office locations, encouraging staff to become more active, as well as exposing them to new routes and opportunities for active travel.

Step count challenges have proven very successful and will continue to run to promote competition and motivation throughout the workforce- the first step to longer term behavioural change.

Figure 24. Organised lunchtime walks will be promoted to Midlothian Council staff at a range of locations to suit those working in the office and at home

5.1.2. Traffic related concerns over safety

Working with the public

Midlothian Council staff, funded through Transport Scotland funding, will continue to work on schools projects including 'Walk to school week', 'Walking Battle', various road safety activities, 'School Streets', as well as working with Junior Road Safety Officers in schools on 'Park Smart' initiatives. We will also continue to work with Sustrans to promote 'Sustrans Big Walk and Wheel'- the UK's largest inter-school walking, wheeling, scooting and cycling challenge, which aims to inspire pupils to get active during the school run.

Figure 25. Midlothian Council School Travel Plan and Bikeability officers will continue to lead and promote walk to school, road safety and other active travel campaigns.

5.1.3. Distance and gradient

Working with the public

Given the varied terrain and rural nature of some of Midlothian's towns and villages, distance between origin and destination of journeys can prevent people from using active travel. We **consider**

multi-modal travel to be the key to this barrier in many cases, where shared transport, journey hubs, improved bus stop/rest stop provision, community owned transport and lift sharing schemes can be implemented and utilised **to allow active travel to make up a component of a longer journey- no matter how large or small**. We will seek funding opportunities to implement and expand these schemes, and will work with SESTran, public transport providers and neighbouring local authorities to promote multi-modal journey provision where possible. Examples include exploring the possibility to expand bikes on bus and supporting free travel for under 22s on public transport.

5.2. Barriers to cycling.

5.2.1. Costs of owning and maintaining a bike

Working with the public

We will continue to deliver 'Dr. Bike' sessions to the public, where free maintenance checks will be offered, along with advice on using the active travel network. We also **aim to work with co-mobility providers to look at installing mobility hubs at key transport interchanges and trip generators**, where bike share schemes could reduce the need to own and maintain your own bicycle and **make using a bike a realistic option for those who cannot afford their own**. We will also continue our work in schools where bicycle maintenance sessions are delivered as part of the Duke of Edinburgh Award.

We will continue our bike loan service, which is provided to all schools across the authority, with 288 beneficiaries since 2023. The bike library consists of 49 bikes, ranging from balance bikes to 29" bikes for larger children/adults.

Figure 26. Continuing to deliver free bike maintenance sessions and training will be a key component of the Active Travel Strategy

Midlothian Council staff engagement

We will continue to promote the cycle to work scheme to all council staff, and seek to increase the maximum price of any bike that can be purchased. The Council is currently renewing our Cycle to Work contract, which may open up the opportunity for staff to buy an electric bike through the scheme. The Council currently has two pool bikes that are available for staff to use for business purposes, as well as an electric cargo bike to allow staff to carry and transport heavy items via active travel. Under the staff bike-loan scheme 13 bikes are available for commuting (funded by Cycling Scotland). Staff can borrow a bike for up to two months, free of charge, after which it will go to another member of staff. It is hoped that the initiative will encourage staff to buy their own bike and change their travel behaviour after the hire period. We plan to continue to offer this service going forward.

Midlothian Council employee Greg explains how he has benefited from the bike loan scheme:

"I thought the bike hire scheme was great and really beneficial to me. It was really good for cycling to and from work, along with extra exercise out of work. Was great for both my fitness and mental health. I would definitely participate again in the future and plan on getting in touch again after the winter. It's the first time I have cycled a half decent bike and what a difference it makes! A lot easier on the legs and can travel a lot further."

5.2.2. Cycle storage space and security

Working with the public

A **lack of secure bike parking is a key barrier to both owning a bicycle**, and to using a bicycle as part of a journey, where it needs to be stored or left temporarily at a destination. We will **promote Cycling Scotland's 'Residential Cycle Storage and Parking Fund', to local communities,** and support them in their applications. We will also work with the planning team to update the 'Parking Standards' and ensure that we feed into, and are consulted on, any new developments to ensure that cycle storage is provided to reflect requirements set out in Cycling by Design.

Where possible, we will seek all funding opportunities to introduce safe, secure and convenient cycle parking facilities at key trip generators, workplaces, and places of education. Cycling Scotland's school storage fund will be utilised going forward to improve shelters within school grounds across the authority. Four schools benefitted in 2023 of having updated or increased storage as a strategy to increase school pupils cycling, and reinforce behaviour change regarding cycling from an early age.

Figure 27. An example of secure bicycle parking at a Midlothian school.

Midlothian Council staff engagement

Midlothian Council currently holds **Cycling Sctoland's "Cycle Friendly Employer" status,** valid until February 2024. Lockers are available in

Fairfield and Midlothian Houses on a first-come, first-served basis for storage of clothing and equipment for staff that use active travel to work. Cycle parking facilities currently include an externally-funded covered cycle shelter in the car park behind Midlothian House and rails behind Fairfield House. There are two working showers for staff use. We will continue to seek funding to improve and enhance these facilities and renew our application to improve staff bicycle storage and changing and drying facilities at all sites.

5.2.3. Distance and gradient

Working with the public

We currently provide a number of maps on our website, and as hard copies in leisure centres and libraries to promote the active travel network in and around Midlothian. We are working on updating these maps to give Midlothian residents access to the most up-to-date knowledge of direct routes to and from key destinations. We will work with **Sustrans** to promote their **Network Planning Tool**, which will allow users to plan journeys based on criteria such as gradient, fastest route, how quiet the route is, cycle friendliness etc. Following the recent end to our collaboration with Bewegen and Go-ebikes we are committed to pursue future possibilities **for e-bike hire schemes**- helping to reduce the physical demands created by journey distance and hilly terrain, opening up the option to cycle to a greater number of people. Discussions **with public transport providers and options around developing mobility hubs** will also be actively pursued.

Midlothian Council staff engagement

All employees at Midlothian Council are currently able to purchase a bike, tax-free, using the **Cycle to Work Scheme**. Going forward we aim to open discussions with the Employment and Rewards team to increase the value of bikes that can be purchased on the scheme to enable purchase of electric bikes, which will help to tackle barriers around distance and gradient that prevent staff from travelling by bicycle. We will continue to **promote national and work-based cycling challenges** such as Cycleschemes ‘Cycle to Work’ day and Love to Ride’s ‘Ride it Out’ campaigns.

5.2.4. Cycling skills, concerns over traffic and perception of safety

Working with the public and Midlothian Council staff

We will continue our commitment to encouraging and enabling behaviour change in schools through delivering Bikeability sessions, projects including ‘Bike to school week’, ‘Smoothie Bike’, Road Safety activities, School Streets, and work with Junior Road Safety Officers.

Figure 28. Bikeability training will continue to be delivered throughout Midlothian’s primary schools.

We plan to continue to deliver public and staff cycle training sessions in collaboration with Cycling Scotland, as well as led rides for adults and families. We will look to collaborate with Police Scotland on their Close Pass campaign as well as seek funding for implementation of quiet routes and infrastructure/signage to increase driver awareness of cyclists using the rural road network.

Figure 29. Training sessions will be promoted to council staff and the general public to increase the safety of cycling on the road network.

6. Auditing the Active Travel Network

A high-level baseline audit of the active travel network has been undertaken in developing the active travel action plan, and will be progressed further as the action plan develops and is up-dated. Further, more in –depth auditing of specific aspects and sections of the network has also been delivered as part of the development of guidance around new housing layout, as well as in school travel planning and the development of routes to school.

A detailed audit of the Sustrans National Cycle Network Route 196 will be undertaken using funding from Sustran's Barrier Removal Fund.

Going forward, as part of this strategy, we are committed to seek funding to allow us the resources to carry out a full audit of the active travel network to bring this in line with inspections of the main road carriageways to fully reflect the change in the transport hierarchy and feed-in to the inspection and maintenance schedule.

7. Introduction to Priority Routes/action plan

7.1. What is the Action Plan?

Our Active Travel Action Plan is comprised of two parts. The first, a 10-year strategic project pipeline, and the second, a detailed local neighbourhood scale list of priority, planned, and aspirational local and longer distance routes and connections. Together these provide an **ambitious list of priority infrastructure projects that are most needed; most in-demand; and that help to close gaps in, and enhance, our active travel network.** The 10-year project pipeline is our action plan with respect to major strategic routes and network expansion, along with behaviour change and maintenance work. The local neighbourhood action plan looks at each of the main towns/villages in Midlothian, and their surrounding areas, and provides a list of key priority routes and aspirational routes for improvements/network expansion.

The purpose of both parts of the plan is to provide a transparent picture of our aims and aspirations, against which we can monitor progress. The project plan will also help in the preparation of funding applications and has been formulated to allow us to map out interconnecting projects, and ensure joined-up approaches between projects and departments. The project plan and its transparent nature allows it to be viewed by other council departments, local authorities and key stakeholders, increasing the likelihood and opportunities for collaboration and joined-up route planning across local authority borders and departments. The project plan will also be used to steer future investment, so that resources are available at the right time for the design and build of future schemes, as well as allow funds for maintenance and upkeep of any new and existing routes to be sought.

With the local Transport Strategy and the next Local Development Plan both being prepared in 2024, the Active Travel Action Plan will also directly inform these key pieces of council policy/strategy, helping to ensure that future development complements the existing and planned active travel network, and that sustainable transport and active travel are key drivers in the location and design of new developments. Smaller links in the local neighbourhood action plan will feed directly into the next Local Development Plan, to allow for integration and delivery as part of new development. The projects and work-streams set out in the 10-year project plan will inform the Local Transport Strategy regarding potential changes in future travel/transport habits, and where demand for multi-modal journeys and journey hubs may present. It can also encourage collaboration between transport providers, and local roads and planning teams.

7.2. Why were these routes/work-streams chosen?

The strategic routes/work-streams and the more detailed and location specific routes have all been selected to:

- **improve/provide safe and accessible links from key locations to key trip generators and destinations.**
- **cater for areas high/growing in population.**
- **link up with public transport networks and other key transport hubs to allow multi-modal journeys.**

Routes within the local neighbourhood action plan have been prioritised to improve accessibility and ease of short journeys, with a **focus on enabling local-living and to support the 20-minute neighbourhood concept**. Elements of this are reflected in the 10-year strategic project pipeline, where commitments to addressing barriers to active travel (such as provision of cycle parking, dropped kerbs, etc.) will also aid in encouraging the switch away from private car trips to active travel for local journeys.

As discussed in the introduction, we consider active travel to cover **travelling by physical means for a large range of purposes**. This is reflected in both parts of the action plan. We are committed to:

- **expanding and filling gaps in the longer distance strategic network for journeys between settlements and travel to key trip generators**
- **improving accessibility at the neighbourhood scale to improve access to bus stops/public transport to allow multi-modal journeys.**
- **improving local street design and permeability in new developments to encourage local-living.**
- **improving and expanding provision for active travel along rural roads and pathways to improve access to nature and more remote villages.**

7.3. How were the routes/work-streams selected?

The strategic routes and work-streams set out in the 10-year project plan, and the more specific routes in the local neighbourhood action plan have been selected based on a range of criteria. This includes:

- **feedback from the community**
- **school and stakeholder events**
- **the location of planned areas of growth**
- **the location of existing and planned key trip generators**
- **to fill gaps in the existing network**
- **to improve/establish cross-boundary routes and connections**

The feedback from our Active Travel Consultation event in 2021 has mostly been used to help develop our 10-year strategic project pipeline and prioritise key work-streams. The survey was used to gather high-level feedback around barriers to active travel, and priorities for network improvement. Some of the key barriers identified in this consultation included:

- a lack of segregated infrastructure
- a lack of safe crossing points at major junctions
- poor maintenance and route conditions
- the lack of a continuous and cohesive network
- busy and dangerous roads
- physical barriers and poor accessibility along routes
- a lack of cycle parking and bike hire

All of these are reflected in the main work-streams and strategic routes/network that we propose to take forward.

We will **build on what we are already doing well**, through a commitment to **expand our rural off-road routes**, identified as key positive aspects of the current route network. Collaborative working with Development Planning, schools and neighbouring local authorities will also allow us to:

- **prioritise connections to key areas of development**
- ensure a **cohesive network across boundaries**
- enhance **safety and ease of active travel around schools**

The Local Neighbourhood Action Plan looks to prioritise those routes that were set out in the previous Active Travel Strategy, and includes new routes, based on more detailed feedback from the community, internal audits and site visits, mapping exercises, school engagement and public consultation.

Prioritisation of the routes has been achieved using a scoring matrix described in more detail in the following section, and included in the appendix. The scoring matrix includes key criteria such as: location relative to trip generators; predicted volume of users; potential to improve safety; providing links in an existing network.

7.4. The 10-year project pipeline

The 10-year project pipeline takes a strategic view to active travel infrastructure and behaviour change work, which we plan to implement over the next 10 years, subject to funding. The pipeline identifies:

- key strategic routes and corridors
- key junction improvements
- larger infrastructure projects with active travel elements
- key behaviour change projects
- commitments to pursue funding for rural roads and paths
- local neighbourhood level infrastructure

Local neighbourhood level infrastructure improvements are not identified in detail by location and project type/specifics, but instead it is highlighted that 4-6 of these will be taken forward each year using Transport Scotland's Cycling Walking Safer Routes funding. The specific detail on these projects and how they have been prioritised is contained within the route prioritisation matrix.

The 10-year project pipeline identifies the following key aspects/work streams…

- An active travel strategic route network (on or next to the main road carriageway)
- Expansion of the long-distance off-road (away from the road carriageway) network
- Major junction improvements
- Rural roads and rural paths programme
- Routes to school
- Shared use paths
- Removal of physical barriers
- Production of design guidance
- Behaviour change work
- Multi-modal journey provision/integration

Specific detail on the above, and the routes that we have selected to take forward for funding as part of the strategic route network, long-distance off-road network and major junction improvements is contained within the Action Plan, along with more in-depth detail on the behaviour change programmes of work, barriers to active travel that we will aim to address, and the types of provision that we will look to implement for multi-modal journeys.

The Project Pipeline will be kept under review, and we will monitor, evaluate, and report on progress.

7.5. Local Neighbourhood Action Plan

This second component of the Action Plan looks at the local neighbourhood level element of the 10-year project pipeline in detail. Here we have used a scoring matrix to assess and prioritise routes for funding, and have included new routes that have been suggested during consultation events and the output of site investigations, along with those from the previous active travel strategy that have not yet been delivered. These neighbourhood-level projects are likely to be funded through the Transport Scotland Cycling, Walking, Safer Routes grant and Active Travel Infrastructure Fund, and the plan reflects the assumption that funding will increase over the next ten years in line with greater commitments to active travel.

The scoring matrix gives points to each route depending on the following factors:

- Proximity to key services and amenities (community centres; places of education; workplace; health services;

retail; e-bike docks; public transport stops/hubs; tourism and leisure attractions)
- Who it will support- pedestrians, wheelers, cyclists
- Intersections/interactions with existing active travel routes
- The potential to provide benefit (personal safety; physical safety; improved accessibility (to existing routes); improved accessibility (new route); commuting route; inclusion of place-making elements; route to school; leisure route; connects residential areas; connects remote areas; potential modal shift)
- Timeline (short term; medium term; long term)
- Area of low SIMD (20% or less)
- Mentioned in the 2021 Active Travel Strategy Consultation (as a minor issue; significant problem; top priority intervention)
- Links to current or planned developments (large scale; medium scale; small scale)
- Accident data recorded on the route (minor; significant)
- Perception of safety

Although not directly used in the scoring of routes, the timing of delivery with other planned or aspirational routes; deliverability (suitable topography; minimal environmental impact; affordability) and the length of the route, have all been noted to help us prioritise schemes in terms of timing, funding windows and resource availability. Detail on the exact scoring system can be seen in the appendix.

8.Design Standards and guidance for active travel

When providing feedback on any new schemes during internal consultation, the Active Travel Team will refer to national guidance provided in **'Cycling by Design 2021'** (or any newer updated versions as they are released) to ensure best-practice design is followed and implemented.

It will be an expectation that the highest level of service is provided in the design of any new or updated active travel infrastructure schemes, unless solid reasoning against this can be provided as part of the design review process.

We will use Sustrans' 'Walking for everyone' report and Wheels for Wellbeing 'Guide to Inclusive Cycling 2020' (and any newer updated versions) to provide further advice on design standards, and will ensure that the Council's IIA process is followed for any new active travel infrastructure projects.

8.1 Development of our own Design Guidance

As the fastest growing Local Authority area in Scotland, it is acknowledged that local population growth and the corresponding demand for new housing will continue to increase in the coming years, putting pressure on the environment, as well as urban and rural mobility in Midlothian and surrounding areas.

In Midlothian, we consider the correct design and layout of new housing and new areas of development to be the key to ensuring that this **population growth can continue with minimal impacts on congestion, the natural and lived environment, and the economy,** to consolidate and strengthen communities. Through actively encouraging a spatial planning approach, in which active and sustainable travel is aligned with housing, planning, and economic development we can **help alleviate these problems, through making walking, wheeling and cycling the easiest and go-to options of travel.**

In addition to the design and layout of new developments, we also want to ensure that new and existing **developments are linked and permeable,** allowing ease of access by walking, wheeling and cycling, and that the highest level of design, best-practice, and access for all is applied to not only new house building, but to any **new infrastructure** projects, and a **change to any existing development/infrastructure.**

Our commitment to ensure that active travel is designed into all new development at the earliest stages, and to the highest standard, is reflected in the creation of a new Strategic Transport Team within the council, and the movement of Sustainable and Active Travel Officers into this team.

Going forward, all new planning applications will now be distributed to this team for feedback on best-practice design, in addition to the transport assessment response currently provided to the case officer. **Active Travel officers will act as internal consultees on any new development proposals, and will refer to the most up-to-date best-practice guidance to help ensure that the highest quality active travel routes and accessibility are considered ahead of the private car in new development**, reflective of the new transport hierarchy.

The new Strategic Transport Team are also involved in helping to shape the next local development plan, working closely with the strategic planning team to ensure active travel is incorporated at the earliest plan stage, and that any new developments are close to services and key trip generators to minimise overall journeys made.

In addition to referring to UK and Scottish best-practice guidance on active travel infrastructure and accessibility when consulted, we also aim to produce our own Midlothian Council New Housing Street and Location Design Guidance, which will be submitted/proposed to Council for approval, and used to guide the location of new development as well as distributed to developers at the planning application stage. Alongside consultants 'Living Streets', funded through Sustrans, we have been working on 'Designing and Aligning Midlothian'- a project to produce design guidance that will maximise the provision and quality of infrastructure and accessibility for travel modes that are the most sustainable. An assessment of five new housing sites and their wider areas has been undertaken, with the production of new design guidance on street design, layout and accessibility the intended outcome.

The intention is for the new guidance to be used to inform and guide locations within the next local development plan, as well as be used as a guidance document for developers during the development management process, to maximise the quality of active travel provision within and around new sites.

The outcomes of the project will help ensure that the choice of new housing sites encourages people to walk, cycle, wheel or use public transport, to the greatest extent possible. Our intention is for the design guidance to cover active travel infrastructure and street design directly, as well as give guidance on:

- development location
- accessibility for all disabilities
- best practice design for buses and public transport to allow integration with active travel
- best practice design for traffic control measures such as speed bumps, traffic calming measures, and on-street parking

In addition to the new design guidance, we are currently in discussions and working on new policy with respect to pedestrian guardrail and chicane barriers; cyclist dismount signs; introduction of priority crossings and signage; and layout of other crossing points. We are committed to continuing these conversations and will set up working-groups within the council to formulate a series of policy documents to take to council for approval, which will then be used in the development management process.

Figure 30. Physical barriers can prevent access for all, and make using active travel a difficult option. We will look at all opportunities to improve access and remove phyiscal barriers where this can be done safely.

8.2. Placemaking in Midlothian

The nature and design of Midlothian's towns, settlements and rural areas means that travel involves longer journeys to work and to access services for some sections of the community. By designing places that support local living, so that they are attractive and liveable spaces, in which people can live, work and socialise, we can decrease those journey times and lengths, and open up the opportunities to travel actively.

The 'Designing and Aligning Midlothian' project looks at the 20-minute neighbourhood concept and assesses how new housing can be designed to ensure services and everyday needs are provided within a 20-minute return walk, or short cycle, without the need to use a car. The outcome of the study will be used to provide guidance on creating better places, where people want to live, access amenities, and do business, reducing the need and distances required to travel, thus making active modes more appealing.

A mix of urban and rural locations have been presented in the study, to provide an assessment of this concept in different locational scenarios, acknowledging the rural nature of areas of Midlothian and the challenge that this presents for placemaking and active travel.

As part of the study a 'place standard tool' has been created and this will be made available going forward and used in guiding new development in the next local development plan. It will help us to understand what is needed within an area to allow people to move around actively, and how places can be designed to be attractive and pleasant centres, where people feel safe and part of the community, and where cars do not dominate.

In formulating the active travel action plan and more detailed local neighbourhood route network the results of community feedback have been, and will continue to be used to help rank and prioritise schemes to take forward. Community engagement forms a key part of the process and will ensure we take a collaborative approach, listening to the voices of local people. On-going collaboration with the planning and development teams and other key stakeholders, both internally and externally, will be a key part of any active travel work going forward. We are committed to further on-going engagement and will ensure that we maintain open and transparent conversations through the establishment of active travel forums and direct communications with community councils to ensure that communities are at the centre of any decisions we progress.

9. Funding

The Active Travel Route Action Plan and 10-year Project Pipeline provide information on secured and potential sources of funding for the range of projects we hope to deliver.

Throughout the lifetime of the strategy/action plan, different external funding sources will be identified, and applications submitted, for both capital and revenue funding.

Some of the key external funding opportunities currently being pursued/utilised include:

- Sustrans- Places for Everyone Fund (from feasibility, through to design and construction)
- Sustrans- Network Fund
- Sustrans- Barrier Removal Fund
- Sustrans- School Cycle and Scooter Parking Grant
- Cycling Scotland- Cycling Friendly Employer Programme
- Cycling Scotland- Residential Cycle Storage and Parking Fund
- Cycling Scotland- Bikeability Scotland
- Paths for All- Smarter Choices, Smarter Places

Direct sources of funding from Transport Scotland include:

- Cycling, Walking, Safer Routes Fund
- Active Travel Infrastructure Fund

For projects of a more recreational nature, or those that link to tourism, we will also look to apply to the following:

- Rural Tourism Infrastructure Fund
- Other sources of cycling tourism funding

10. Aims, objectives and indicators

Aim 1: Expand the active travel network and improve accessibility, safety, connectivity and maintenance.

Objective:

1.1. Work with planning team and feed into Local Development Plan to ensure safe and accessible active travel connectivity with new developments and support living well locally.

Indicator:

1.1.1. Number of project applications that Sustainable Transport Officers have been consulted on.
1.1.2. Number of new developments with connections to existing active travel network.
1.1.3. Locality of new developments to public and shared transport facilities
1.1.4. Presence of sufficient bike parking facilities
1.1.5. Connectivity of active travel infrastructure to local shops and services

1.2. Work with relevant teams to identify and prioritise safety and maintenance issues affecting active travel in Midlothian.

Indicator:

1.2.1. Integrated core active travel routes within the council's maintenance plans and schedules
1.2.2. To use road condition surveying to influence road maintenance schedules for active travel.
1.2.3. To have an easily accessible means of reporting issues on the active travel network.

1.3. Working with relevant internal and external bodies to enable multi-modal journeys

Indicator:

1.3.1. Improved provision of bus shelters
1.3.2. Increased cycle parking at transport hubs including bus stops, train stations and park and ride locations.
1.3.3. Increased provision of benches
1.3.4. Increased options and accessibility for taking bikes on buses
1.3.5. Established connections with public and shared transport providers to support delivery of services.

1.4.Follow best practice design guidance to ensure that new active travel infrastructure is accessible for all and supports the transport hierarchy.

Indicator:

1.4.1. To have referenced best practise design guidance in all project design work and applications.
1.4.2. To have referenced the transport hierarchy in all project work and applications.

1.4.3. Reported engagement with community and stakeholders in regards to design for all project work and applications.
1.4.4. Ensure signage and infrastructure is clear and inclusive (wording for dementia friendly signage, etc.). Could also include tactile paving, dropped kerbs, etc.

1.5. To seek appropriate funding to deliver projects as established in the action plan.
Indicator:
1.5.1. To have created an internal database of funding sources.
1.5.2. To have sought funding to cover all aspects of active travel where possible.

1.6. To utilise existing routes where possible to build new active travel infrastructure and to procure materials that adhere to the Midlothian Climate Change Strategy.
Indicator:
1.6.1. To have met target proportion of active travel infrastructure projects utilising existing routes.
1.6.2. To have met targets and followed guidance as set out in the Climate Change Strategy with regards to use of materials and contractors.
1.6.3. Sourcing locally

1.7. Ensure that all major roads infrastructure projects are developed to include elements that support more and safer AT journeys and deliver network connections
Indicator:
?

Aim 2: To promote and enable behaviour change towards uptake in all forms of active travel.

Objective:

2.1. Work with business and community organisations to promote active travel e.g. cycle to work scheme, e-bike hire scheme, cycle storage, changing facilities, adult skills training.
Indicator:
2.1.1. Increase in Cycling Friendly employers in Midlothian.
2.1.2. Increased number of employers that have rolled out Cycle to Work Scheme.
2.1.3. Increased number of employees utilising a Cycle to Work Scheme in Midlothian.
2.1.4. Number of businesses and community organisations we have engaged with to promote active travel initiatives.
2.1.5. Numbers of attendees at adult skills training events.

2.2. Promote and deliver active travel initiatives within Midlothian Council workplaces including driver awareness training, cycle to work scheme, staff bike hire scheme.
Indicator:
2.2.1. Number of drivers who have completed driver awareness training.
2.2.2. Number of new employees signed up to the Council Cycle to Work Scheme.
2.2.3. Number of new employees who have signed up to staff bike hire scheme.

2.2.4. Pool bikes
2.2.5. Provisions at the council to encourage site visits, etc. to be carried out actively

2.3. Running community events and activities to promote and make active travel more accessible to all.
Indicator:
2.3.1. Amount of engagement with community events and activities.
2.3.2. Percentage of people engaged who are more likely to engage in active travel as a result of the event/activity.

2.4. Continuing to run initiatives within Primary and Secondary schools to promote active travel including Bikeability and led rides.
Indicator:
2.4.1. Percentage of school children who have completed training
2.4.2. Percentage of children cycling to school

2.5. Increase availability and accessibility of active travel information online and offline.
Indicator:
2.5.1. Council website maps and information kept updated and promoted on a regular basis.
2.5.2. Increased number of site visits to Council website pages.
2.5.3. Number of signage projects delivered.
2.5.4. Number of active travel activities and events involving information sharing and attendance.

2.6 Ensure that transportation and access strategies submitted as part of new planning applications adequately provide for journeys by active travel or public transportation.
Indicator:
??

Aim 3: Provide transparent monitoring in the delivery of all projects.

Objective:

3.1. Develop an online platform to report progress.
Indicator:
3.1.1. To produce interim progress reports at scheduled intervals and make any necessary changes.
3.1.2. Developed mapping to be shared publicly
3.1.3. To have a means of reporting online via Council website.

3.2. To produce interim progress reports at scheduled intervals and make any necessary changes.
Indicator:
3.2.1. Production of interim progress reports at scheduled intervals.
3.2.2. Production of robust baseline monitoring statistics for project areas.

3.3. Monitor qualitative as well as quantitative outputs
Indicator:

3.3.1 Carry out surveys with residents and users to help augment feedback for planned infrastructure improvements.

3.3.2 Measure qualitative outputs against equalities impact assessments, and use feedback from survey forms to inform accessibility measures for future projects.

DRAFT

Part 2: Midlothian Council Active Travel Project Timeline and Route Action Plan

2.1. Active Travel Route Action Plan

Green = funded; Yellow = funding bids in preparation/planned; Blue = part delivered or due to be delivered through new housing schemes

Type of funding/funding source: subject to change to TS direct funding or Active Travel Infrastructure Fund once the PFE programme is phased out

Route reference numbers relate to those ascribed in the 2018-2021 ATS, if not completed

riority	Name/area	Description	Desired type of infrastructure	Funding status	Notes	Type of project/potential funding source: Sustrans Network, Sustrans PFE, CWSR, Tourism, recreational
1. Very high	RR3a. Roslin to Auchendinny	Creation of a new route to link the Roslin to Shawfair Path (at the end of Manse Road) to NCN196 at Auchendinny. The route is likely to go via Penicuik Road, Oatslie Road, and through the new Bellway housing site at Auchendinny.	Mix of new shared use off-road and fully-segregated infrastructure	Funding required	Topographical and gradient challenges. If the route is not feasible then route 17 should be promoted in terms of priority	Network or PFE

2. Very high	BL8. A7 Hardengreen Roundabout to Gilmerton Road Roundabout	Connection between Hardengreen Roundabout and Gilmerton Road Roundabout along the A7.	Creation of new fully segregated active travel infrastructure along one or both sides of the A7	Feasibility and design stages funded through Sustrans 0-2 Places for Everyone grant (2023). Construction funded through developer contributions		PFE
3. Very high	BL4. Lasswade Road and Mellvile Dykes Road	Creation of segregated infrastructure along Lasswade Road between Gilmerton Station Road and Melville Dykes Road Roundabout (A7). This is currently a pedestrian only path. The route would allow strategic active travel journeys from Bonnyrigg/Dalkeith and the A7 corridor into Edinburgh	Creation of fully segregated active travel infrastructure	Funding required Potential to combine this with route 15 for a large PFE project (24/25?)	Potential topographical challenges and width restrictions. Section from Gilmerton Station Road to Wadingburn Road could be Delivered alongside route 15	PFE
4. Very high	LB4. A701. Gowkley Moss Roundabout to the Straiton Junction.	Connection between the Seafield Moor Road (A703) junction and the Straiton Junction along the A701	Fully segregated active travel infrastructure	Funded from Straiton to the A701/A703 jucntion through the Relief Road Project.		City Deal + potentially PFE

DRAFT

5. Very high	LB1. Connection between A702 and Easter Bush Campus via Bush Loan Road				Waiting for outcome of relief road project	
6. Very high	LB3. A703 Easter Bush Campus to the A720 via Hillend and Lothianburn	Connection between the A703/A701 junction, along the A703 to Hillend, and onwards along the A702 to the Lothianburn Junction of the A720. Providing for commuter journeys from Edinburgh to the Easter Bush Campus and Science Park	Fully segregated active travel infrastructure	Funding required Proposal to submit bid for Sustrans Places for Everyone 0-2 funding 23/24	The A702 and A720 Lothianburn Junction are managed by Transport Scotland	PFE
7. Very high	DS1. A7. Gilmerton Road roundabout to Sherifhall Park and Ride	Connection along the A7 corridor from Gilmerton Road Roundabout to Sherifhall Park and Ride, allowing onward journeys connecting Midlothian to Edinburgh, across the A720.	Fully segregated active travel infrastructure	Feasibility and early stage design funded through Sustrans 0-2 Places for Everyone Grant (2023).	The A720 Sherifhall Roundabout is managed by Transport Scotland	PFE

8. Very high	Millerhill to East Lothian via Old Craighall Road. Millerhill to Shawfair Town Centre.	Connection to link the existing shared use path network at the end of the Shawfair to Roslin path and Millerhill to East Lothian, via Old Criaghall Road. Connections to link Millerhill into the new Shawfair town centre.	A mix of shared use and fully segregated active travel infrastructure	Feasibility and early stage design funded through Sustrans 0-2 Places for Everyone Grant (2023).		PFE
9. Very high	RR4 Roslin or Penicuik to Leadburn	Extension of NCN196 from either Rosewell or Penicuik to the Midlothian/Scottish Borders boundary at Leadburn. This will link into the Scottish Borders extension of their network from Peebles-Eddleston-Leadburn, creating a fully off-road/quiet route from Peebles to Musselburgh.	A mix of shared-use off road paths and quiet rural roads	Discussions underway to apply for Sustrans Network expansion funding 2024/25		Network/tourism
10. Very high	Rosewell to Auchendinny improvements	Resurfacing of NCN196 from Rosewell to Auchendinny to make the entire length of the off-road shared use route from Dalkeith to Penicuik fully accessible year-round	Surface improvements	Funded using Transport Scotland's Cycling. Walking, Safer Routes Grant (2023/24)	Subject to the outome of public consultation	CWSR, Network

11. Very high	NM6. Newtongrange to Hardengreen Roundabout	Connection between Main Street, Newtongrange and Hardengreen roundabout, via the A7	Fully segregated active travel infrastructure	Feasibility and early-stage design funded through Sustrans 0-2 Places for Everyone Grant (2023).		PFE
12. Very high	B7006 Roslin High Street from the Roslyn Inn to A701/Bilston	Connection between the centre of Roslin to Bilston and the A701 corridor- providing a connecting route for residents of new housing in Roslin and Bilston to Quiet Route 61 and the proposed A701 active travel corridor	Widening of pedestrian only footpath to create a shared use path as a minimum – ideally fully segregated infrastructure	Funding required		Network, PFE, CWSR
13. Very high	BL1. NCN1 connection to NCN196, B6392 and Rosewell Road	Connection between the quiet on-road section of NCN1 near Dalhousie Burn with the B6392 and onwards to connect to NCN196 and Rosewell Road	Mix of off-road shared-use paths and segregated infrastructure	Some of this is likely to be funded through new housing development in the Hopefield area. Other funding required?		Network

14. Very high	BL5 + BL10. Connection between Melville Dykes Road, Eskbank Road and NCN196	Provision of an off-road/quiet route link through Broomieknowe Golf Course, plus an onward connection to NCN196	Surfacing of existing track (currently track and surfaced road)	Funding required		Network
15. Very high	BL12. Quiet route connecting Wadingburn Road (and onwards to Loanhead/Lasswade Road) to Bonnyrigg	Opening up of Lasswade Viaduct to provide a quiet route connecting Wadingburn Road to Westmill Road, via Kevock Rd. Opening up of Bromieknowe Tunnel to provide a quiet route connecting Westmill Road to Bonnyrigg, and NCN196. Onward connections from Wadingburn Road to the Loanhead to Shawfair path and/or Lasswade Road are also being considered	Mix of off-road shared use paths, quiet roads, and segregated active travel provision	Potential for funding from Highways England for early stage design and feasibility. Proposal to submit a joint bid with Sustrans Places for Everyone funding (2024/25)		PFE, Highways England
16. Very high	Shawfair to NCN1	Link from Newton Village via Shawfair Railway station to NCN1 at the A1 underpass via Whitehill/Cauldcoats Road	Mix of quiet roads and shared use paths	Feasibility and early design stage funded through Sustrans Places for Everyone grant (2023/24)		PFE

17. Ver y high	A701 from Gowkley Moss Roundabout to Peebles Road, Penicuik	Provision of fully segregated active travel infrastructure along the A701 from Gowkley Moss to Penicuik, to link up with the A701 active travel corridor, and replace existing on-road advisory lanes	Fully-segregated active travel infrastructure	Funding required		PFE
18. Ver y high	RR1. Connection between Dryden Farm and A701	Connecting route from the Roslin to Shawfair path across to meet the A701 at Bilston. Surfacing and upgrading of existing path via Langhill Farm.	Shared-use off-road path	Funding required		Network, CWSR
19. Ver y high	RR2. Connection between Manse Road and Penicuik Road, Roslin.	Extension of Quiet Route 61 to Easter Bush Estate. via the former Roslin Institute site and B7006. Surfacing of existing path and creation of new paths. Potential route via the underpass and steps at Main Street and onwards links to the A701	Shared-use, off road path network	Plan to explore opportunities using Sustrans Network Funding or CWSR (24/25)	Some aspects already delivered through new housing.	Network, CWSR
20. Ver y high	RR3c. Roslin to Gowkley Moss Roundabout via the B7003	Creation of new segregated infrastructure to provide a strategic route alternative to	Fully-segregated active travel infrastructure	Funding required		PFE

		off-road shared use path network				
21. High	Lauder Road and Newmills Road to Dalkeith Town Centre	Fully-segregated infrastructure along the length of the A6106 from Dalkeith Town Centre to connect communities of Woodburn, Kippielaw and Easthouses Road	Fully-segregated active travel infrastructure	Funding required Potential to include this in a 'Dalkeith Connections' funding bid to Sustrans PFE 24/25		PFE
22. High	NM1. Stobhill Road to Bogwood Road/B6482 Suttislea Road	Alternative active travel connection to avoid use of Crawlees Road, which lacks a pavement and is a busy road with national speed limit		Due to be delivered as part of new housing in the area		
23. High	NM4. Connections to Butterfield Road	Connection along the B704 between Butterfield and Cockpen, and Butterfield and the A7, improving links to the industrial estate and NCN1 from Gorebridge	Shared use path or fully segregated	Funding required		Network, CWSR
24. High	Newbattle Abbey Road/Newbattle Road	Connection between Eskbank Toll through Newbattle to Newtongrange. Providing an alternative route to the A7 and access to connecting footpaths and trails.	Widening of pavement to create a shared-use path?	Funding required	Potential width restrictions	CWSR

25. High	LB2 Connections within Bilston and Loanhead	Widening and surfacing of some existing off-road paths; creation of new shared-use pathways through new housing developments- providing key connections to the A701, A703 in Bilston, and avoiding main roads through Loanhead	Mix of widening, surfacing/re-surfacing and new shared use paths	Some funded through developer contributions; some funding required		CWSR
26. High	Links from Shawfair/Millerhill to Dalkeith Country Park	Connections from Shawfair and Millerhill via a crossing/under the A720 Edinburgh Bypass to allow access into Dalkeith Country Park and onward links to East Lothian		Funding required Some potentially funded through developer contributions?	Potential to achieve some of this through the Newton Welington Farm slip road to the A68?	Network or PFE, recreational, tourism
27. High	Link from the Shawfair Spine Road to the Edinburgh boundary	Connecting the Shawfair to Roslin path onwards into Shawfair Town Centre, railway station and the Edinburgh City boundary via Millerhill Road	Fully segregated active travel infrastructure	Feasibility and early-stage design funded by Sustrans PFE 0-2 grant (2023/24)		PFE
28. High	D4. Connection between Easthouses Road and Waterfall Park	Widening of existing path from Easthouses Road to Lothian Drive; creation of new link between lothian Drive and existing cycleway along Wester	Part of the route has been completed- The section from the bottom of Kippielaw to	Funding required for the work not yet completed		CWSR

		Kippielaw Drive; creation of new cycleway between Wester Kipplielaw Drive and Waterfall Park.	Easthouses road is not complete.			
29. High	Abbey Road and Lothian Road, Dalkeith	Providing quieter and more direct connection from/to Eskbank train station into the centre of Dalkeith, avoiding busier roads	Shared use paths	Funding required		Network?
30. High	Improvements to NCN1 along the B704- Dundass Street and Cockpen Road, Bonnyrigg, to meet Carrington Road	This is part of NCN1 but there is no provision other than on road cycling. NCN1 continues over the roundabout at the junction with the B6392 to the junction with Carrington Road	Widening of pavements to provide shared use facilities, or fully segregated infrastructure	Funding required. Potential for Sustrans Network Funding or PFE 24/25		Network/PFE
31. High	Nivens Knowe Road and The Loan, Loanhead	Provision of safe routes from the Loanhead railway path (in the centre of Loanhead) to Bilston and Loanhead Industrial Estates, and onwards to the A701 is required. This is also required for safe routes to school for pupils attending the new Beeslack High School	Widening of pavements to provide shared use facilities, and improved crossing points	Funding for enhanced crossing facilities of side roads being sought from Education. Funding and feasibility required for widening of paths and segregated infrastructutre etc.	Width limitations will prevent fully segregated infrastructur e?	PFE

DRAFT

32. High	DS1 (part 2). Sheriffhall Park and Ride to the Wisp.	Connection along the A7 between Sheriffhall P&R and The Wisp	Fully segregated active travel provision	Potential for early-stage design and feasibility to be funded through the Bioquarter to Danderhall CEC PFE 0-2 work	Collaboration with CEC required	PFE
33. High	D3. Improved direct connection into Dalkeith Town Centre along Musselburgh Road	Connection between the existing cycleway along Musselburgh Road and Shadepark Drive and onwards into the town centre.	Removal of guard rail and widening of path to create a shared use or fully segregated facility	Funding required		CWSR, Network, PFE
34. High	Dalhousie Road North of Eskbank Train Station (to meet Eskbank Toll)	Direct cycling links are currently lacking from Eskbank Station onwards to Eskbank Toll, Dalkeith and Edinburgh.	Widening of pavements to create shared-use facilities or segregation	Funding required	Width restrictions?	Network/PFE
35. High	Penicuik town centre to NCN196	Improved links to Valleyfield Road and NCN196 from Penicuik town centre required. Links towards Cornbank via Cairnbank Road could also be investigated	Crossing points, signage and shared use paths/full segregation	Funding required Potential for Sustrans Network funding 24/25?		Network

36. High	NM8. Connections within Easthouses	Improved walking and cycling links within Easthouses, as well as to and from the new Easthouses primary school, and Newbattle High School	New crossing points and shared use pathways	Funded through a mixture of developer contributions for the new Easthouses Primary School, new housing, and CWSR 2023/24		CWSR
37. High	LB6. Straiton. Connection between existing cycleway along Straiton Road and Hillend (LB6)	Creation of a new off-road East-West link between Straiton and Hillend/the Pentland Hills, as an alternative to using busy sections of the A701, Pentland Road and the A702	Shared use or fully segregated remote rural pathway	Funding required	Land ownership?	Recreation, Tourism, CWSR
38. High	Loanhead Railway Path to Straiton Retail Park	Resurfacing of the path connecting QR61 (Loanhead Railway Path) at Straiton Nature Reserve to the retail park	Shared use, remote rural pathway- surfaced to provide year-round accessibility for All segregated	Funding required		Tourism, recreation, Network
39. High	G1. North Middleton to Gorebridge (Gore Glen Primary)	Direct connection between North Middleton and Gorebridge along the A7.	Widening of pedestrian-only pavement to create a shared-use pathway or preferably fully-	Funding required		PFE, CWSR

DRAFT

			walking/cycling infrastructure			
40. High	G2. Connection between Hunterfield Road and Goreglen Country Park-	Upgrading of remote trails to provide improved, safe and accessible access from Gorebridge to the Country Park	widenning and surfacing of paths to allow access for all, provision of crossing facilities over main roads	Funding required		Recreation, tourism, CWSR
41. High	Vogrie Country Park West to Gorebridge and East to Edgehead/Ford	Connection between Barleyknowe Road, Gorebridge and Vogrie Country park via B6372, and onwards to the junction with Edgehead and Ford to create improved provision towards Pathhead	Widening and surface improvements of the current pedestrian only path to create a shared-use facility alongside the main carriageway Installation of a new shared-use path where sections of pavement are currently Missing	Funding required	Gradients to reach the top of Gorebridge are steep, before you reach this section of the route	CWSR, PFE, Tourism, recreation

42. High	CP1. A6106 Lauder Road/Cowden Road Roundabout to Cousland	Connection between A6124 and Lauder Road/Cowden Road roundabout along the A6106	Widening of current pedestrian only pavement to allow either shared use or fully segregated active travel infrastructure alongside the main carriageway	Funding required	Potential to link into active travel infrastructure being planned by TS along the A68 to Pathhead (TS feasibility study 24/25)	CWSR, PFE
43. High	BL11. Dobbies Road to Hillhead through King George V Park.	Connecting Hillhead to Dobbies Road via a quiet off-road route and an alternative to the busier main street and town centre. Provision of a quiet route from/to Polton from NCN1/196	Widening of existing paths to allow shared-use, off-road remote access	Funding required		Network, CWSR, recreation
44. High	LB8. Connection between Bush Loan Road. And Seafield Moor Road.	Surfacing of trails and new provision to allow connections between Bush Loan Road and Seafield Moor Road, avoiding the A701/A703	Fully segregated off-road remote active travel path	Part route potential to be provided through new Beeslack High School.		Network, PFE, CWSR

				Potential for section from Bush Loan Road to be funded as part of QR61 extension (Sustrans Network or PFE 24/25?)		
45. High	LB9. Loanhead to Lasswade via Wading Burn	Off-road connection between the Loanhead Railway Path and Wadingburn Road (via Spittal Gardens/ Hunter Ave. Wading Burn and Wadingburn Lane)- avoiding the busy Wadingburn Road which currently has a very narrow pedestrian only pavement	Fully segregated off-road remote active travel path, incorporating some quiet lanes	Potential to include this as part of route 15 in a funding bid to Sustrans PFE/Highways England 2024/25?	Land ownership	CWSR, PFE, Network
46. Medium	G3. Gorebridge Medical Centre to the A7	Improved, quiet, off-road connections between Gorebridge town centre and health centre to existing multi-user paths and onwards to the A7, Gore Glen Country Park, and Engine Road	Surfacing, widening and upgrading of existing off-road path/trail to create an accessible shared-use path	Funding required		CWSR, recreation, tourism

47. Medium	D2. Easthouses Road to Cowden	Connection between the existing shared-use path along Easthouses Rd and	Quiet route/quiet road link	Funding required	Land ownership?	CWSR
	Road and the A6106	existing shared use path along Cowden Rd. The missing link currently requires cyclists to use the road carriageway	through existing housing estate/ farm. Crossing facilities to cross the A6106			
49. Mediu m	Bilston Glen Viaduct to Bilston Glen Industrial Estate	Link from Bilston Glen Viaduct to Bilston Glen Industrial Estate to allow off-road access from the Loanhead Railway Path. Surfacing of existing off-road trails required.	Off-road, remote shared surface path	Funding required		Recreational, tourism, Network
48. Medium	Loanhead to Lasswade-Wadingburn Road	Better provision for direct active travel journeys between Loanhead and Lasswade – currently a narrow, pedestrian only un-lit pavement alongside Waddingburn Road	Widening of the current pedestrian only, narrow pavement next to the carriageway to a shared-use surface with	Funding required	Width restrictions? Land ownership?	CWSR, PFE

			street-lighting, or fully segregated pedestrian/cycling infrastructure			
50. Medium	G4. Gorebridge Railway Station to Stobhill Primary School	Improved connections for cycling between Gorebridge Town Centre and Stobhill Primary School, where currently pedestrian-only pavements and on-road cycling are available	Widening of pedestrian-only pavements to create shared-use pathways next to the carriage. Widening of existing pedestrian only paths through parkland, and provision of crossing facilities to connect them up	Funding required	Gradient challenges?	CWSR
51. Medium	G6. Gorebridge Primary School to Cockpen	Off-road connection between the A7 at Gorebridge Primary School and the B704	Upgrading and creation of new off-road, remote shared surface path	Funding required?	Potential for some of this to be delivered through the new Redheugh housing development	Network and developer contributions
52.	G7 and G9. New	Improved off-road	Surfacing and	Funding required		CWSR

Mediu m	Hunterfield Road to Stobhill Road, Gorebridge, and the A7	connection between Stobhill Road, New Hunterfield Road, and the A7, and new active travel links through	upgrading of existing off-road path/trail to an accessible	for part of the route.		
		new housing development from Stobhill Road to New Hunterfield. Improved facilities along Greenhall Road	shared-use path. Potential installation of crossing facilities and widening of current pedestrian only path	Part of the route to be completed/progres sing as part of new housing development.		
53. Mediu m	RR3b. Connecting RR3a to A701 and Science park	Crossing facilities and onward connections from Oatslie Road across The Brae, Auchendinny, to meet the existing shared-use path on the A701	Shared-use path or fully-segregated infrastructure next to the carriage and crossing facilities	Funding required	Could be combined with route 1	PFE, Network, CWSR

54. Medium	Edinburgh Road from Dalkeith Main Street to Lugton Brae	Connection required to join Dalkeith's planned new pedestrianised high street to the existing shared use path on Old Dalkeith Road for onward journeys towards Edinburgh	Fully-segregated or shared use path alongside the main carriageway, or alternative use of Old Edinburgh Road as an active travel route and traffic restrictions	Funding required. Potential to look at this connection as part of a wider 'Dalkeith Connections' project submission to Sustrans PFE fund 23/24 or 24/25	Bridge over the River North Esk and other width restrictions.	PFE
55. Medium	Easthouses Road to Cauden Road, Dalkeith	Easthouses Road leading up to Lauder Road, and then East on Lauder Road to meet Cauden Road (If D2 is not feasible)	Shared-use pathway alongside both carriageways to link into the existing shared use path along Easthouses Road. Crossing points	Funding required		CWSR

DRAFT

56. Medium	BL6. Cockpen Road to NCN196	Improved off-road path/quiet road connection between Cockpen Road and NCN route 1/196	Widening of existing path to allow shared-use for the full length. Barrier removal	Funding required	Alternative off-road link from the B704 to NCN1/196 avoiding cycling/walking along the busy B704- May not be as great a priority if improvements made to the B704	CWSR
57. Medium	P5, P6, P7 Penicuik- John Street to Beeslack High School	Provision of a mixed off-road/quiet road route to improve travel throughout Penicuik and as an alternative to using the A701. Connection between St. Kentigern Way & Eskhill. Connection between Loanburn and Eastfield Drive along Cuiken Burn. Connection between Eastfield Industrial Estate and Beeslack High-School via Beeslack Woods.	Widening of existing surfaced pedestrian only off-road paths to allow shared use. Widening and resurfacing of existing off-road unsurfaced path. Installation of crossing facilities	Funding required		CWSR

58. Medium	A702 Bush Loan Road to Flotterstone	Improving connections from Roslin, Easter Bush, Loanhead etc. to Flotterstone and the Pentland Hills Regional Park	Pavement widening to create shared-use infrastructure alongside the A702 carriageway Alternative surfacing of pathways through the Bush Estate to allow access for all	Funding required	Owned/managed by Transport Scotland Width restrictions	Recreational/Tourism
59. Medium	D5. Dalkeith High School campus to Salters Road	Connection between Salters Road and NCN route 1/196	creation of new shared-use active travel infrastructure as part of new development	To be funded/delivered as part of new housing development?	Advantages over the current NCN route? Who will the connection serve?	
60. Medium	Eskbank Toll to the A7 via Lasswade Road	Flatter and shorter route from Eskbank Toll to the A7 than using the un-protected cycle lanes on the B6392. Will provide a direct link into the A7 urbanisation active travel infrastructure	Shared-use or fully segregated pedestrian/cycling infrastructure alongside the carriageway	Funding required Within the scope of a 'Dalkeith Connections' 24/25 Sustrans PFE bid?		PFE, CWSR

61. Medium	P2. Connection between Rulion Rd and Queensway	Provision of an off-road cycling connection and improved access to Cuiken Primary School, avoiding busier roads	Widening and resurfacing to allow shared-use	Funding required		CWSR, recreation
62. Medium	P3. Cuiken Burn path link to Edinburgh Rd.	Improved active travel connectivity within Penicuik, avoiding main roads	Widening and re-surfacing of existing paths.	Funding required		CWSR
63. Medium	Eskbank Toll to Beccleuch Street	Direct connection between Eskbank Toll (and the A7 if route 60 is funded) to the centre of Dalkeith	Upgrading of pavements to fully-segregated pedestrian/cycling infrastructure along busy road into the town centre	Funding required Combined with route 60 as part of a 'Dalkeith Connections' 24/25 Sustrans PFE bid?	Width restrictions? Private properties	PFE, CWSR
64. Medium	Edgehead to Whitehill	Footpath or shared use provision to fill in the missing section without a footpath between Whitehill and Edgehead. Shared use provision along the entire length of road would require widening of existing sections of pavement. Potential for Quiet Road status?	New path to replace existing on-road only walking/cycling in places, and widening to shared-use in others. Alternatively look to make this part of a 'Quiet Road' network	Funding required Would provide better access to Vogrie Country Park	Steep gradients may restrict usage Quiet rural road already	CWSR, Recreational, tourism

65. Medium	Hillhead- linking Melville Dykes Road to Bonnyrigg	Most direct route from Bonnyrigg for commuting towards Edinburgh, also avoiding the A7. This would link into route number 3 if it proceeds	Next to carriageway fully segregated pedestrian/cycling provision	Funding required	Town centre location at beginning of route- width restrictions along length	CWSR, PFE, Network
66. Medium	Straiton Nature Reserve and QR61 improved accessibility	Converting the stepped access to Straiton Nature Reserve path and connection to QR61 to a ramp	Ramp access	Funding required	Land ownership Potential development in the vicinity	Recreation, tourism, CWSR, Network
67. Medium	P12 – Penicuik. Connection between Rullion Road and Bellman's Road.	Improved road safety for travel to primary and secondary schools.	Widening of existing path to make a shared-use facility.	Funding required		CWSR
68. Medium	Carlops Road from Bog Road to Penicuik House	Improved access to Penicuik House/Penicuik Estate	Widening of existing pedestrian only pavement alongside the carriageway.		Combine with route 80	CWSR, recreational, tourism

69. Mediu m	D6. Path along Melville Gate Rd - widening of existing path (currently pedestrian only).	Providing a connection between the shared use path on Old Dalkeith Road and the B6392, and onwards to Edinburgh via the shared use path on Gilmerton Road.	Shared-use path next to the carriageway to link in with the surrounding shared-use path network	Funding required	Provides an alternative to using the Sheriffhall Roundabout to Edinburgh, or the unprotected lanes on the B6392 from Eskbank The route would require some infrastructure on the missing section of the B6392 at the Melville Castle Entrance	CWSR
70. Mediu m	NM2. Connection between B6482 Suttislea Road and A7 Murderdean Road	Improved connections between Newtongrange and Mayfield, Newbattle High School, and the existing shared-use path network. Improved active travel links to the railway station	Widening of existing pedestrian-only paths, upgrading of some existing paths, provision of crossing facilities	Funding required		CWSR

DRAFT

71. Low	NM3. Connection between B704 and the A7 via Butterfield Industrial Estate	Improved active travel provision through Butterfield Industrial Estate, linking the B704 and the A7 and links into Newtongrange Railway Station. Will also provide a connection into new housing at Redheugh	Widening of existing pedestrian only pavement to allow shared-use. Crossing facilities on the B704	Funding required	This could be combined with route 23 to enable onward connections	CWSR, PFE, Network
72. Low	NM5. Connection between Suttislea Road and B703 Main Street, Newtongrange	Improving links between Mayfield and existing paths around the Newbattle Campus to the centre of Newtongrange, avoiding negotiation of the double roundabouts in Newtongrange	Widening of existing pedestrian only pavements to allow shared-use facilities alongside the main carriageway and through the park	Funding required		CWSR
73. Low	NM7. Mayfield-Connection between Oak Place and B6482	Improving links between north east Mayfield and Easthouses and Newbattle Community Campus, linking into the existing shared-use path network in the area	Widening of existing pedestrian only pavements to allow shared use facilities alongside the main carriageway,	Funding required		CWSR

			and provision of crossing points			
74. Low	LB7. Loanhead-Connection between Park View and Park Avenue	Surfacing of an existing off-road path to provide an off-road link as an alternative route to Bilston Glen Industrial Estate	Surface improvements to provide an off-road remote shared-use path	Funding required		CWSR
75. Low	G5. Barleyknowe Road	Connection between Stobhill Primary and Stobhill Road along Barleyknowe Road	Widening of pedestrian only pavement to provide a shared-use path alongside the carriageway, plus addition of continuous crossings	Funding required		CWSR
76. Low	BL3. Path along Polton Road W and Polton Drive between Cameron Crescent and Dobbie's Road	Improving connectivity in the vicinity of schools and around Polton	Widening of pedestrian only pavement to provide a shared-use path alongside the carriageway, plus addition of continuous crossings	Funding required	If extentded to Lasswade and combined with route 3 it would provide a connection from Polton to the Edinburgh boundary	CWSR
77. Low	P11. Connection between Belwood and Glencorse	Resurfacing of existing unsurfaced path for more local connections avoiding	Surfacing of existing path to provide a fully-	Funding required		CWSR, recreation

		the A701	accessible remote off-road rural route			
78. Low	CP3. Path along Edgehead Road between B6372 and Cotty Burn	Similar to route 64, but only the Edgehead end of the route	Widening of existing pedestrian only path	Funding required		CWSR, recreation, tourism
79. Low	Road from Cousland Village Hall to the A6124 (down to and through the traffic signals)	Pavement provision out of the village of Cousland to meet up with existing pavement on the A6124 for safe active travel out of the village and into East Lothian	Pavement or shared-use path to allow for safe active travel on a country road with no current pavement	Funding required		CWSR.
80. Low	P4. Penicuik-Broomhill Road to Carlops Road via Bog Road and Loan Burn.	Improved access to Montgomery Park and existing shared-use paths around the school campus; improved onward connections from NCN196 avoiding the busy A701, improved access along Loan Burn; improved access towards Penicuik Estate	Widening of pavements next to the carriageway to allow shared-use, and re-surfacing of existing paths along the burn	Funding required		CWSR, recreation, tourism
81. Low	BL2. Connection between Polton Road W and Rosewell Road.	Improved connectivity within Polton	Widening and re-surfacing of existing path.	Funding required		CWSR

DRAFT

82. Low	BL7. Cockpen Road, B704 to Hardengreen Roundabout	Improved connections from NCN1 at Cockpen Roundabout to the A7 and onwards to Dalkeith. Improved connections around new housing	Widening of existing paths next to the main road carriageway. Provision of crossing facilities.	Part delivered as part of new housing development? Additional crossing points/continuosus crossings/widening required?		CWSR
83. Low	P1. Rullion Road to the A702	Surface improvements to increase accessibility linking Rullion Road and the A702. Improved links to the Pentland Hills- but no direct access point off the A702	Surface improvements to allow access for all along a shared-use off road remote path. Addition of lighting.	Funding required	Crossing point required on the A702? Onward access to the Pentland Hills required?	Recreation, tourism, CWSR
84. Low	P8.Penicuik. Connection between Rullion Road and Mauricewood Road.	Improved, shorter, direct access for all from Mauricewood Road to Rullion Road avoiding longer route incorporating the A701	New shared-use path creation as part of new housing development.	Under construction/to be completed as part of new housing development	Look at provision of signage	CWSR
85. Low	P9. Penicuik. Philip Place to Mauricewood Road	Improved, shorter, direct access for all from Mauricewood Road to Rullion Road avoiding longer route incorporating the A701	New shared-use path creation as part of new housing development.	Under construction/to be completed as part of new housing development	Look at provision of signage	CWSR
86. Low	P10. Penicuik.	Improved connectivity	New shared-use	Under	Look at	CWSR

	Connection between Belwood Road and Mauricewood Road.		path creation as part of new housing development.	construction/to be completed as part of new housing development	provision of signage	
87. Low	P13. Connections around the Mauricewood area of Penicuik	Improved connectivity within new housing, and between Mauricewood Road and Belwood Road to avoid sections of the A701	Shared use paths through new housing developments. New crossing facilities and access to bus stops	Under construction/to be completed as part of new housing development		CWSR
88. Low	CP2. Pathhead to the A6106 along the A68 -		Fully segregated active travel infrastructure, or widening of existing path to provide a shared-use path next to the main carriageway	N/A	The A68 is managed by Transport Scotland- TS have plans to do a feasibility study looking at active travel infrastructure along this route in 24/25	N/A

DRAFT

89. Low	BL9 S and BL9 N. Cockpen (NCN1) to NCN196, Bonnyrigg and the A7	Improved connectivity between NCN196 and Cockpen, and onwards on NCN1. Quiet road options as an alternative to using the busier surrounding roads. New links into the A7 active travel corridor	Creation of new shared-use paths to be delivered as part of new housing developments			
90. Low	LB5. Straiton Road, Loanhead to Pentland Road	Provision of new active travel links from the Straiton Junction to Pentland Road, avoiding the main A701 and busy roads around the retail park.	Segregated or shared use active travel paths and crossing facilities	Heavily dependent on development in the area, and progress with the relief road. Some funding required	Subject to development proposals and relief road progress	Developer contributions, CWSR
		Providing improved access from Straiton to Hillend and Easter Bush				

Midlothian Council
Tuesday 27 February 2024
Item No 8.11

200th Anniversary of Braille

Report by Saty Kaur, Chief Officer Corporate Solutions

Report for Decision

1 Recommendations

Council are asked to:

- Note the 200th anniversary of Louis Braille; and
- Endorse the officer recommended actions to recognise the 200th anniversary.

2 Purpose of Report/Executive Summary

To update Council on the request to support the 200th anniversary of Braille.

Date Friday 26 January 2024

Report Contact
Saty Kaur, Chief Officer Corporate Solutions
Saty.Kaur@midlothian.gov.uk

3 Background

3.1 The braille system is based on six raised dots, arranged in two columns of three. Variations of the six dots represent the letters of the alphabet, punctuation and groups of letters.

3.2 Louis Braille (1809-52), from France, was the inventor of Braille, having become blind at the age of 4. The system was invented and developed through the early 1820s when Louis Braille was a teenager.

Main Report

3.3 August 2024 is the 200th anniversary of the invention of the Braille system. Braille provides an active reading and writing methods for people who cannot access print. It provides people with independence, learning, literacy, and the enjoyment of reading. By opening doors in this way it makes a different for blind and partially sighted people.

3.4 RNIB is the largest publisher of Braille in Europe and published its first braille book in 1871. Today, it's library holds over 25,000 books and music scores.

Recognition of Louis Braille

3.5 RNIB Scotland has written to Midlothian Council (Appendix B) asking it to consider naming of streets in new build developments, or new buildings, after Louis Braille.

3.6 Council should note that there is already a Louis Braille Way in Gorebridge. As per the current street naming policy, it is not possible to duplicate a street name except in the circumstances of a street encompassing a flatted development which is attached to the existing street, whereby the flatted development may be given the same name with its uniqueness being identified by using a different suffix such as Place, Court or Way. Therefore, it would not be possible to name any other street or otherwise after Louis Braille. However, it is proposed to work with the local community to consider a small celebration event in the green open space within Louis Braille Way.

3.7 In recognition of the 200th anniversary, officers have identified existing work and activities that could be promoted during the 200th anniversary month:

- **Libraries:** there has previously not been demand for Braille stock however the library will promote the current audiobook and eAudio resources that area available to all library users
- **Communications:** awareness raising of screen readers, translation services through Reachdeck and if requested, through the Communications Team physical documents can be translated into Braille

- **Communities, Lifelong Learning and Employability:** work is ongoing through the Local Employability Partnership and Sight Scotland to build relationships and seek to support those with visual impairments into employment
- **Equalities:** the Equalities Mainstreaming Plan is reviewed annually and during the 2024/25 review the actions associated with visual impairment will be looked at to see what else can be achieved in this area.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

No resource implications

4.2 Digital

No digital implications

4.3 Risk

No risk implications

4.4 Ensuring Equalities (if required a separate IIA must be completed)

Visual impairment is identified in the Council's Equalities Mainstreaming Plan. The report does not propose any changes that would require an IIA to be completed.

4.4 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix B – Background information/Links

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

N/A

A.2 Key Drivers for Change

Key drivers addressed in this report:

☐ Holistic Working
☐ Hub and Spoke
☐ Modern
☐ Sustainable
☐ Transformational
☐ Preventative
☐ Asset-based
☐ Continuous Improvement
☐ One size fits one
☒ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

☐ One Council Working with you, for you
☐ Preventative and Sustainable
☐ Efficient and Modern
☐ Innovative and Ambitious
☒ None of the above

A.4 Delivering Best Value

N/A

A.5 Involving Communities and Other Stakeholders

N/A

A.6 Impact on Performance and Outcomes

N/A

A.7 Adopting a Preventative Approach

N/A

A.8 Supporting Sustainable Development

N/A

RNIB Scotland
12-14 Hillside Crescent,
Edinburgh EH7 5EA

rnib.org.uk
RNIB Helpline: 0303 123 9999
helpline@rnib.org.uk

Sent via email.

10 January 2024

Dear Dr Vickers

August 2024 sees the start of 12 months of celebrations to mark a significant milestone in the history of accessibility and literacy with the 200th anniversary of the invention by Louis Braille of the Braille system. In the early 1820s, at the age of 15, Louis Braille, who himself was visually impaired, introduced a revolutionary tactile writing system that would empower millions of blind and visually impaired individuals worldwide.

The Braille system, comprised of raised dots representing letters and numbers, opened a new world of possibilities for blind and partially sighted people, providing them with a means to read, write, and communicate independently. Two centuries later, Braille continues to be a crucial tool, fostering inclusivity and equal opportunities for blind and partially sighted people worldwide.

Louis Braille's legacy transcends physical barriers, with his system enriching the lives of countless individuals who can navigate the world through the touch of their fingertips.

RNIB Scotland thought that a fitting tribute to mark this 200th anniversary might be the naming of any streets in new build developments, or any new buildings after Louis Braille, and wondered if this might be a possibility?

Royal National Institute of Blind People
A registered charity in England and Wales (226227), Scotland (SC039316) and the Isle of Man (1226). Also operating in Northern Ireland. A company incorporated by Royal Charter. Registered in England and Wales (RC000500). Registered office The Grimaldi Building 154a Pentonville Road London N1 9JE

Please do not hesitate to get in touch if you would like any further information.

Yours sincerely

James Adams

James Adams
Director
RNIB Scotland