Notice of Meeting and Agenda

Midlothian Council

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

Date: Tuesday, 12 November 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.

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1   Welcome, Introductions and Apologies

2   Order of Business

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

3   Declaration of Interest

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

4   Deputations

5   Minutes

6   Questions to the Council Leader

7   Motions

8   Public Reports

8.8 Offsite Construction Housing Report, report by Executive Director 258 - 264
Place

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6, 9 AND 11 OF PART 1 OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973 - THE RELEVANT REPORTS ARE THEREFORE NOT FOR PUBLICATION; AND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

9.1 Midlothian House & Fairfield House - Rationalisation Options Appraisal, report by Executive Director Place

10 Date of Next Meeting

The next meeting will be held on Tuesday 17 December, 11am.

Minute of Meeting

Midlothian Council
Tuesday 12 November 2024
Item No 5.1

Midlothian Council

Date	Time	Venue
Tuesday 8 October 2024	11:00 am	Council Chambers, Midlothian House/Hybrid

Present:

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

Religious Representatives:

Anne-Theresa Lawrie	

In attendance:

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

Fiona Clandillon, Head of Development, Capital and Entreprenurial Projects	Michelle Strong, Education Chief Operating Officer
Joan Tranent, Chief Officer Children's Services, Communities and Partnerships and Chief Social Work Officer	Derek Oliver, Chief Officer Place
Iina Jaara, Democratic Services Team Leader	Janet Ritchie, Democratic Services Officer
Maria Perez, Democratic Services Officer	

1.   Welcome, Introductions and Apologies

The Provost welcomed everyone to this meeting of the Midlothian Council and advised that the meeting was open to the public and would be webcast live.

There were no apologies received for this meeting.

The Provost welcomed two new members of Democratic Services staff, Iina Jaara and Maria Perez.

The Provost noted that Elizabeth Jones had retired after 36 years of service at St Davids Primary. The Provost noted how lovely it was to see messages on the school's social media from current and past pupils to congratulate Mrs Jones and share their memories of her. The Provost wished Mrs Jones a long and happy retirement.

The Provost also noted that this was the final Council meeting for Joan Tranent who is retiring from her position as Chief Officer Children's Services, Communities and Partnerships and Chief Social Work Officer. The Provost thanked Joan Tranent for her 23 years of service in Social Work, 12 of which were with Midlothian Council, and congratulated Nick Clater who will take on the role of Chief Social Work Officer. Members joined the Provost in wishing Joan Tranent a long and happy retirement.

The Provost also congratulated the Bonnyrigg Rose Women's FC on reaching the second round of the Women's Scottish Football Cup and expressed delight at seeing women and girls succeed in the sport, noting how until recently there was no opportunity for women to play football competitively. The Provost wished the team good luck on their next fixture against St Mirren on November 3rd.

2.   Order of Business

The order of business was as per the agenda previously circulated.

3.   Declarations of interest

None.

4.   Deputations

None.

5.   Minutes of Previous Meetings

Item No.	Report Title	Submitted by:
5.1	**Minute of Midlothian Council of 27 August 2024**	**Executive Director Place**

Outline and Summary of Discussion
The Minute of the Meeting of Midlothian Council held on the 27 August 2024 was submitted for approval. A member noted that item 8.1 Financial Monitoring 2024/25 - General Fund Revenue, page 9 reads "It was stated that there needs to be better utilisation of the expensive machinery used for potholes and requested a report to come back to Council on its use/application". The member stated it had already been agreed this report would come back to Council and the use of this resource would be audited. The member also noted that item 8.2 Housing Revenue Account – Revenue Budget and Capital Plan 2024/25 reads "there was a suggestion put forward that three ward members meet with the Executive Director Place" and stated this was already agreed rather than being a recommendation and requested that this was corrected in the minute of the meeting. The Executive Director Place advised this would be actioned. Councillor Parry moved to approve the minute of Midlothian Council 27 August 2024, seconded by Councillor Cassidy.

Decision
The Minute of the Meeting of Midlothian Council held on 27 August 2024 was approved with the above amendments.

Action
Democratic Services

Item No.	Report Title	Submitted by:
5.2	**Minute Volume Index**	**Executive Director Place**
Outline and Summary of Discussion		

The Minute Volume Index was submitted for consideration.

Councillor Parry moved to approve the Minute Volume Index, seconded by Councillor Cassidy.

Decision
The Minute Volume Index submitted as part of the agenda items was approved.

Action

Item No.	Report Title	Submitted by:
5.3	**Action Log**	**Executive Director Place**

Outline and Summary of Discussion
The Action Log was submitted for consideration.   It was noted that on item 14 of the log there is a typo as there is a reference to February 2024 which is likely to be 2025. The Executive Director Place confirmed that indeed this is a typo, and it would be amended.   It was also noted that item 6 of the log states there is a report due in spring 2025 and asked whether this could be presented sooner. The Executive Director Place confirmed a completion date of winter 2024.   Members noted that item 12 of the log there is an action for the Executive Director Children, Young People and Partnerships to send a letter to the Scottish Government with regards to the importance of SQA remaining at Shawfair, and asked whether there had been a response to this letter. The Executive Director Children, Young People and Partnerships confirmed that the letter is being drafted.   Members noted that item number 4 (Tenancy Agreement) of the log is to be reported back to Council in November. It was suggested it will be helpful for the option paper on anti-social behaviour be presented to the different political groups for review before being presented to Council. The Executive Director Place clarified that a discussion on anti-social behaviour had been included as part of the recently delivered members' briefing, but this can be added to the action log and options paper drafted.

Decision
The Action Log was approved with the above amendments.

Action
Democratic Services

6.   Questions to the Leader of the Council

None.

7. Motions

Report No.	Report Title	Submitted by:
7.1	**Lodge Dalkeith Kilwinning no 10**	**Councillor Cassidy**

Outline and Summary of Discussion
The Notice of Motion was proposed by Councillor Cassidy and seconded by Councillor Bowen. Councillor Cassidy stated that 2024 would mark a historic anniversary for Kilwinning lodge as it celebrates 300 years, making it one of oldest custom-built lodges in the world. Councillor Cassidy asked the Council to extend congratulations to the members of the lodge, noting he is aware through friends in the organisation of the charity work the lodge does and its commitment to the community. Councillor Bowen advised that while he is not a member, he recognises the positive impact of lodges in this community and seconded the motion.

Decision
The Council approved the motion to recognise Lodge Dalkeith Kilwinning no 10 on their 300 anniversary and their merits to the community.

Action

8. Reports

Report No.	Report Title	Submitted by:
8.1	**Medium Term Financial Strategy – 2025/26 to 2028/29**	**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 provide Council with the Medium-Term Financial Strategy (MTFS) for the financial years 2025/26 to 2028/29 amidst the continuing backdrop of a challenging financial outlook. This was presented in June with assumptions at that time and these are presented again in section 3.1. A draft Local Government settlement is expected on 12 December 2024 which is likely to only provide figures for one year but the conversation regarding multiyear settlements is ongoing. The Chief Financial Officer stated that because of the expected date of the Scottish Budget and the date of December Counci, it may be too early to present anything except a verbal update at the December Council meeting on the budget settlement and impacts for Midlothian. The Chief Financial Officer also referred to savings highlighted in the transformation blueprint, stating that additional savings options are needed. Engagement with members at political group level is taking place, but other consultations will be

necessary. A proposed online public consultation on the Council's budget will go live tomorrow and will run until 20 November (if the report is approved today). This consultation will look at proposed saving options, Council Tax increases and proposals to stimulate growth and revenue.

The Chief Financial Officer asked the Council to approve the recommendations on the consultation and the report recommendations A to D.

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

Members stated that there are bold choices in the consultation and whilst the settlement figure is unknown, the Scottish Fiscal Commission's report highlights Scottish Government budget pressures are as a result of UK Government decisions. The report highlights additional pressures that will lead to overspend at both a UK and Scottish level due to inflation. It was acknowledged that figures paint a grim picture ahead, but people should not be made to feel like the Council has given up as there has been contact made with both the Prime Minister and Chancellor of the Exchequer to request additional funding for Scottish Local Authorities and Capital Funding for Midlothian. The same approach has been taken with the Scottish Government.

Members stated that with the proposed shortfall of £9.4m the majority of the Council's statutory services will struggle to cope and warned that this figure is contingent in assuming Council Tax will go up and the expected settlement will be received from the Scottish Government. Assuming a modest raise to the IJB budget to make up for inflation, Health and Social Care will struggle and be forced to make difficult decisions. Councillor Milligan requested an amendment to the report that different services investigate additional cuts and savings to bridge the £3.4m gap and that their proposals are presented to the elected members to approve a second tranche of savings which should also go into public consultation.

Members also noted that Council Tax has gone up 2% a year and 22% over 10 years, while Retail Price Index has gone up over 55% so there is a huge gap as the government grant has only gone up 33% in the same period. Unfortunately, Council finances are very reliant on the settlement, and due to UK Government or Scottish Government decisions the amount of this grant has reduced compared to size and scale of growth of Midlothian.

Councillor Imrie formally seconded Councillor Milligan's amendment. He added that if options are given in the consultation the Council should have wriggle room t, but this may be tricky given the difficulties local government has had in the past to secure funds from the Scottish Government. Members cited the difficulties to cover the pay awards as an example and how the Scottish Government finally accepted there was no money in local government to cover these increases.

It was argued by some members that the Council was guilty of not prioritising income generation in the past but with Destination Hillend the Council has taken a massive step in this direction. Once the trial phase is over and the alpine coaster is fully up and running income will be generated. This is only one small project but with

correctly managed projects it is possible Midlothian could generate sufficient money to bridge the gap.

Attendees were reminded that in the run up to the general election Rishi Sunak announced additional grants for local government and wondered whether the new Labour Government would honour it i.e., in the case of Mayfield. Members asked whether it would be possible to contact the MP at Westminster to check if this additional funding of £21m is going to be forthcoming. Councillor Parry responded that she had written to both the Midlothian MP and the Secretary of State for Scotland and had received some brief correspondence back. (Post meeting note – letters are appended to the minute of the meeting).

It was stated that the consultation should also highlight investing more in Midlothian to maximise income or generate savings in the longer run although this will have a financial short-term burden.

Context regarding the budget gap of the IJB was provided and members were advised of the ongoing work with officers in the Council and other agencies to tighten the budget. Members were informed that the point has been reached where the Integration Joint Board has used all its reserves.

Members supported the proposed amendment but stated that there may not be enough time to bring this before the next Council meeting.

Moved by Councillor Milligan, seconded by Councillor Imrie.

Decision
The Council accepted the recommendations set in the report with the amendment proposed by Councillor Milligan.
Action
Chief Financial Officer

Report No.	Report Title	Submitted by:
8.2	**Education Annual Plan and Report**	**Executive Director Children, Young People and Partnerships**
Outline and Summary of Discussion		

The Education Chief Operating Officer presented the report. The Education Service has the obligation to present an annual report detailing the actions taken to improve quality of education and tackle inequality.

This plan is submitted for Scottish Ministers' approval, and it informs the development for the national improvement framework. For this reason, the report is very detailed, but a more concise version has been created to help families and other interested parties to understand what has been achieved so far in the academic session 2023/24 as well as the priorities for the forthcoming year. The plan also details targets until 2027 and is based on robust self-evaluation and consultation with stakeholders. The Education Chief Operating Officer asked that

the Progress report and Annual Plan are approved, and recognition is given to all who have contributed to make it happen.

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

Members praised the report as very comprehensive. The abridged version was very helpful and accessible. It was noted that learners appear to be doing consistently better in numeracy than in literacy and asked if it could be possible to research the reasons behind this. Members should consider that the school meals register does not count all of those entitled to school meals and for that reason the final figures on equality could be distorted. Members noted how the report shows the efforts made for pupils with Additional Support Needs to be able to sit exams but noted this requires a large space, so it would be desirable that this different use of school spaces is considered when discussing future developer contributions.

The Education Chief Operating Officer noted that there is ample research and data at both local and national level to explain why a lower percentage of children are attaining in literacy. That is one of the specific areas where Midlothian is tracking data and intervening to improve attainment. The Education Chief Operating Officer added that they would be happy to brief any member about the attempts made to tackle poverty outwith this meeting.

Members thanked all involved in the successes of the year and compilation of plan. A member explained that this plan underpins the great work done and stated they are proud of Midlothian's Education Services as an elected member and as a parent. However, it was noted that as well as encouraging skills and confidence among teachers, wellbeing should also be addressed as a priority, in an explicit rather than implicit manner.

The Education Chief Operating Officer agreed that the wellbeing of staff is critical to the delivery of the service, and that it is crucial to recruit and retain the best by investing on staff development. The Education Service have promoted wellbeing among staff in conjunction with unions and teaching organisations and advised that they would be happy to reflect this on the next iteration of the plan.

Councillor Scott moved the recommendations in the plan, seconded by Councillor Virgo.

Decision
The Council approved the recommendations in the Education Annual Plan

Action

Report No.	Report Title	Submitted by:
8.3	**Chief Social Work Officer Annual Report 2023/24**	**Chief Social Work Officer and Chief Officer Children's Services,**

		Communities and Partnerships

The Chief Social Work Officer and Chief Officer Children's Services, Communities and Partnerships presented the annual report.

The Chief Social Work Officer noted that the Social Work and Social Care landscape is challenging and commended the hard work done by all staff. The focus of the department is to protect and support the client base under the constant scrutiny of inspections, of which there have been many with good results. The Chief Social Work Officer stressed that as a small local authority, the Social Work Department go above and beyond the call of duty and improve outcomes for Midlothian residents. The Chief Social Work Officer stated that that they have every confidence that Nick Clater will be successful when they take over the role as Chief Social Work Officer. The Chief Social Work Officer advised that it was an honour to have served in the post and asked that recognition is given to all services for the work that has taken place in this annual report and a copy of the report is put in the council website.

The Chief Executive expressed their gratitude to the Chief Social Work Officer for a job well done and acknowledged their role in protecting those most vulnerable and transforming Children's Services to the point where most areas of the service are rated as performing as good or above and having outstanding results in inspection reports.

A member stated reading the Chief Social Work Officer's annual report made them realise the local authority had been lucky to have someone so committed and showing such great passion for their work at the helm of Social Work Services, and whose heart was always in Midlothian. The Chief Social Work Officer's report mentioned areas with poor employment rates, low income, lower life expectancy and poor access to amenities. The issues with those areas have been known to Council for many years so the Chief Social Work Officer was asked what resources would be needed to make changes to these.

The Chief Social Work Officer noted that the Social Worker shortage is a challenge seen at a national level, but Midlothian Council is fortunate in having a good level of staff retention.

Another member thanked the Chief Social Work Officer for their dedication and hard work, and stated their work in community planning and reducing violence against women and girls should be celebrated.

It was highlighted from the report that the feedback from the mothers who are supported by Hawthorn Family Learning Centre is good, and members asked if there are plans to develop the income maximisation tools offered to its users further as one of the key strands. The Chief Social Work Officer stated Hawthorn supports 85 children and their families every week, and that income maximisation is a way to ensure families can receive the benefits they are entitled to. This approach is now routinely used in other areas like Child Protection and Adult Services.

Councillor Virgo echoed the sentiment expressed by other elected members and noted the Chief Social Work Officer's confidence in their steering of the service with a firm grasp on reality and challenges faced.

Councillor Milligan expressed appreciation for the work done by the Chief Social Work Officer during their long and successful career and added that it had been a pleasure to work with them. Councillor Milligan noted how the demands of the job have evolved over time to include supporting refugees as well as introducing trauma informed approaches.

Councillor Alexander echoed the good wishes given by the other elected members and wished the Chief Social Work Officer an enjoyable retirement. Councillor Alexander asked the Chief Social Work Officer to clarify if income maximisation will be offered to extended family members as feedback is that many grandparents are struggling financially. The Chief Social Worker explained that when it comes to income maximisation the department works with the information the families choose to share, but that these concerns can be fed back to the next post holder, so grandparents are considered, however did raise that the number of Welfare Rights Officers is limited. It was clarified that if the grandparents have kinship care duties, they are always offered an income maximisation assessment.

Councillor Scott moved to approve the recommendations in the annual report, seconded by Councillor Virgo.

The Provost reiterated the good wishes and thanks from other elected members and wished the Chief Social Work Officer a happy retirement.

Decision
The Council approved the annual progress report.

Action

Report No.	Report Title	Submitted by:
8.4	**Rapid Rehousing Transition Plan 2023/24-2024/25**	**Executive Director Place**
Outline and Summary of Discussion		

The report was presented by the Chief Officer Place. This report presents the annual review of Midlothian Council's progress in delivering the Rapid Rehousing Transition Plan (RRTP), and the challenges facing housing and homelessness services. The RRTP is due to be submitted to the Scottish Government in October 2024. In 2023-24 the Council has continued to make significant progress in providing services to households experiencing homelessness or those that are at risk of homelessness. Pressure on the Council's homeless service has grown, and a 28% increase in homeless assistance applications compared to the previous year has been reported.

The Provost thanked the Chief Officer Place for the report and opened the meeting for questions and comments.

Members thanked the Chief Officer Place for the detailed report and acknowledged the growing pressure on the Council's homeless service. It was highlighted that the Council lobbies the Scottish Government for additional funding every year.

A member asked if there is a link between how effective the plan is and the number of housing applications which continue to increase, and if the council could prioritise local applicants. The Chief Officer Place responded that new legislation allows applicants to be referred to any local authority. Members asked if any progress has been made in the delivery of the schools' education homeless prevention program. The Chief Officer Place said that sessions should hopefully be delivered during this academic year.

It was suggested that Council speaks with Edinburgh Council regarding the homeless support applications Midlothian are receiving, and how that is affecting the council. The Chief Officer Place said that this may be difficult with the current legislation.

The Council noted the contents of the paper and the recommendations.

Decision
The Council noted the recommendations as set out in the report.

Action
Executive Director Place

Report No.	Report Title	Submitted by:
8.5	**Midlothian Council's Housing Services Assurance Statement 2024**	**Executive Director Place**
Outline and Summary of Discussion		

The report was presented by Executive Director Place. The purpose of the report is to comply with the Scottish Housing Regulator's Regulatory Framework. The Council must approve and submit an AAS each year providing assurance that it is meeting legislative and regulatory standards for social housing in Scotland. This report explains the Regulatory Framework and appends an Assurance Statement for approval by Council. The AAS confirms the Council fully meets the SHR required standards and outcomes. Following Council approval, the AAS will be published on the SHR and Midlothian Council's websites.

Council is recommended to approve the Annual Assurance Statement (AAS), attached at Appendix 1, for submission to the Scottish Housing Regulator (SHR) by 31 October 2024.

The Provost thanked the Chief Officer Place for the report and opened it up for questions and comments. No questions were asked.

The paper was moved by Councillor Curran and seconded by Councillor Parry.

Decision
The Council noted the contents of the report.

Action
Executive Director Place

Report No.	Report Title	Submitted by:
8.6	**Midlothian Strategic Housing Investment Plan 2025/26 – 2029/30**	**Executive Director Place**

Outline and Summary of Discussion

The report was presented by Head of Development, Capital and Entreprenurial Projects. The report summarises the key points set out in Midlothian's Strategic Housing Investment Plan (SHIP) 2025/26 – 2029/30. SHIP is submitted to the Scottish Government annually as the Scottish Government requires detail on the Affordable Housing Supply Programme in each regional area towards meeting the national target of supporting the development of new affordable homes. Council is recommended to approve the Strategic Housing Investment Plan (SHIP) 2025/26 – 2029/30, which will be submitted to the Scottish Government in October 2024 to meet the required date.

The Provost thanked the Head of Development for the report and opened the item for questions and comments.

Members noted the record number of houses being built mentioned in the report and passed thanks to the people working on building sites across the county. Members mentioned that this report gives the Council the flexibility needed for social housing. A member mentioned Normandy Court and the need to update tenancy agreements to reduce antisocial behaviour. An update on two sites at Danderhall was requested.

The Executive Director Place responded that a site visit had been organised at Normandy Court and work is ongoing to address antisocial behaviour through tenancy agreements and a further update should follow soon. Members were hopeful that the Council can be flexible with the age demographic prioritised in the allocation of these houses.

The Head of Development mentioned that the Stewart Milne site has been taken on by a new developer, and further information will follow. Progress on the Danderhall site is imminent.

A member raised concerns regarding the modelling not giving Midlothian the ability to build the mentioned amount of Council houses. The Head of Development responded by highlighting that the report states that not all the projects are funded, and that funding prioritisation needs to be reviewed annually. The Executive Director

Place also mentioned that Midlothian does not have a rent freeze but a rent strategy which will be reviewed next year. Buying of ex-Council homes is a different project.

Members asked about Golden Share properties. The Head of Development explained that this is a discounted sale, and the Council does have Golden Share properties within its housing stock. It was also suggested that the Council looks beyond ex-Council properties when purchasing properties to add to the housing stock. The Head of Development clarified that the open market equity scheme is operated by the Scottish Government and is not the purchase of homes that the Council builds

The Head of Development confirmed that the Council should have an update on the Danderhall Primary School plot soon. Members asked for an update on the Newtongrange development which may affect the local community garden. The Head of Development said responses from consultees are still pending, and that the design needs to be finalised and brought back to the community. An update should be available before Christmas.

Paper moved by Councillor McKenzie and seconded by Councillor Curran.

Decision
The Council approved the recommendations as stated in the report.
Action

Report No.	Report Title	Submitted by:
8.7	**Edinburgh and South East Scotland City Region Deal (ESESCRD) Annual Report 2023 – 2024**	**Executive Director Place**
Outline and Summary of Discussion		

The report was presented by the Executive Director Place. The report summarises the key findings on the appended City Region Deal Annual Report as approved by the City Region Deal Joint Committee on 6 September 2024. Each year, the City Region Deal Programme Management Office is required to produce an annual report to assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region. The Council is recommended to note the Edinburgh and South East Scotland City Region Deal (ESESCRD) Annual Report 2023-2024.

The Provost thanked the Executive Director Place for the report and opened the item for questions and comments.

Elected members were encouraged to view the six case studies mentioned. Concerns were expressed regarding the delayed Easter Bush development, which is also experiencing financial issues. Members also noted traffic congestion concerns in the Sheriffhall roundabout. Councillor Parry said she is happy to write to the Cabinet Secretary for Transport regarding development A720, the lack of

definitive answer on this, and share her previous letter to the UK Government on budget pressures.

Members requested for this document to be made available on the Council website in an accessible format. The Executive Director Place will action this. A member asked if the number of Midlothian students who have completed data courses is known. The Executive Director Place said that the data exists, and they can share this with members offline.

The report was moved by Councillor Imrie and seconded by Councillor Parry.

Decision
The Council notes the recommendations as detailed.   Councillor Parry's letter to the UK Government on budget pressures to be circulated.   Councillor Parry to write to the Cabinet Secretary for Transport regarding A270.
Action
Chief Officer Corporate Solutions   Councillor Parry/Democratic Services   Councillor Parry

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 6, 9 and 11 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973:

There were no private reports for discussion.

Date of Next Meeting

The next meeting will be held on Tuesday 12th November 2024

The meeting concluded at 12:51.

Midlothian Council
Midlothian House
Buccleuch Street
Dalkeith   Council Leader
EH22 1DJ   Councillor Kelly Parry

Wednesday 23 October 2024

Fiona Hyslop MSP
Cabinet Secretary for Transport
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

By email:
CabSecfortransport@gov.scot

Dear Cabinet Secretary

Sheriffhall Roundabout

I am writing to express the growing frustration regarding the prolonged delays in upgrading the Sheriffhall Roundabout. Six years have passed since the project was announced as part of the City Region Deal, and despite the Public Inquiry held in Dalkeith nearly 2 years ago, no substantial progress has been made in decision or delivery. The ongoing congestion is impacting not only our local economy but regionally in this major transport artery through to the rest of Scotland.

Our residents, businesses, and visitors are bearing the brunt of these delays in daily commutes for those who rely on this vital junction, and it is imperative that progress is made soon as the situation is becoming untenable, with traffic issues worsening, contributing to inefficiencies in the region's transport network. Additionally, the projected costs have escalated beyond the original budget, placing further strain on this critical infrastructure upgrade.

The Council fully understands the concerns raised by climate campaigners, and the financial pressures on budgets, but the pressing need for better traffic flow and safety at Sheriffhall cannot be overlooked. Addressing these challenges will improve both local growth and national prosperity.

I urge the Scottish Government to prioritise this project and provide a clear timeline for its commencement. A commitment to action is essential to restore public confidence in the delivery of this vital improvement for Midlothian and beyond.

Our Ref:

Tel 0131 271 3002
www.midlothian.gov.uk

Midlothian Council
Midlothian House
Buccleuch Street
Dalkeith   Council Leader
EH22 1DJ   Councillor Kelly Parry

Midlothian

Yours sincerely,

Yours sincerely
Councillor Kelly Parry
Leader of Midlothian Council
Kelly.Parry@midlothian.gov.uk

Midlothian Council
Midlothian House
Buccleuch Street
Dalkeith   Council Leader
EH22 1DJ   Councillor Kelly Parry

Midlothian

Tuesday 22 October 2024

Kirsty McNeill MP
Member of Parliament
House of Commons
London
SW1A 0AA

By email:
kirsty.mcneill.mp@parliament.uk

Dear Kirsty McNeill

Request for the Honouring of Funding Pledges Made During the Election

I write to you on behalf of all Midlothian Councillors following a discussion in the Midlothian Council chamber regarding funding for Mayfield regenerations projects. During the General Election campaign the UK Government made a pledge to secure additional funding for the regeneration of Mayfield and the council is eager to see this funding materialise to support the much-needed developments in our community.

As you will be aware, Midlothian, and particularly Mayfield, requires investment to support local services, infrastructure, and economic development. The commitment to this funding raised hope within our community, and we are eager to move forward with plans that would benefit from this financial support.

We appreciate the pressures and challenges the government faces but believe that honouring this promise would greatly contribute to the prosperity and well-being of our residents. We therefore respectfully request your assistance in ensuring that this pledge is fulfilled, allowing us to deliver on the improvements and services that will strengthen the area for years to come.

We would be grateful for any updates you can provide on the timeline or process for securing these funds, and we would welcome the opportunity to discuss the needs of Mayfield with you in more detail.

Thank you for your attention to this matter. We look forward to your response and to working with you to bring about positive change in our community.

Midlothian Council
Midlothian House
Buccleuch Street
Dalkeith   Council Leader
EH22 1DJ   Councillor Kelly Parry

Yours sincerely,

Yours sincerely
Councillor Kelly Parry
Leader of Midlothian Council
Kelly.Parry@midlothian.gov.uk

Councillor
Kelly Parry
COUNCIL LEADER

Midlothian Council
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Midlothian

The Rt Hon Sir Keir Starmer
Prime Minister   7 October 2024

The Rt Hon Rachel Reeves
Chancellor of the Exchequer

Dear Prime Minister and Chancellor

As Leader of Midlothian Council, I am writing to you ahead of the forthcoming UK Budget to urgently request increased funding for public services in Scotland, which would consequently mean that the Scottish Government could allocate additional funding for Midlothian Council.
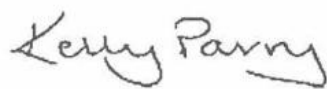
Midlothian Council is Scotland's fastest-growing local authority, and this growth brings with it increasing pressure on our services and infrastructure. With a rapidly growing population, we are struggling to keep pace with the demand for essential services such as education, health, and social care. A reversal of the recent cuts to Scotland's Capital budget is also essential, as it allows us to plan for future growth and ensure that we have the infrastructure in place to support a thriving community.

Unfortunately, we have seen a lack of adequate investment in Midlothian's infrastructure under the previous UK Government, particularly in relation to key projects such as the A701 road realignment and other necessary transport and infrastructure improvements. We now expect this Government to do better by ensuring that Midlothian's infrastructure needs are met through targeted investment. The Levelling Up Fund, for example, provides a crucial opportunity for us to address these needs, and I strongly urge you to ensure that Midlothian's projects receive the attention and funding they deserve.

Investing in infrastructure here is not just a local priority – it supports broader economic growth across Scotland and the UK. Growth in Midlothian leads to increased business activity and employment, which in turn generates more revenue for public services, benefiting the entire region.

I invite you both to visit Midlothian and see firsthand the challenges we face, as well as the incredible potential we have for growth. I look forward to discussing how the UK Government can support us in realising that potential through targeted investment in our public services and infrastructure.

Yours sincerely

Kelly Parry

COUNCILLOR KELLY PARRY
Leader, Midlothian Council

www.midlothian.gov.uk

Councillor
Kelly Parry
COUNCIL LEADER

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Yours sincerely

Kelly Parry

COUNCILLOR KELLY PARRY
Leader, Midlothian Council

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Midlothian Council Action Log

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	a) December 2024 b) October 2024 c) December 2024	**UPDATE: September 2024 –** Executive Director provided a verbal update to respective August BTSG & Council meetings. Remaining work streams being concluded to finalise recommendations and agree a revised plan to have an affordable GSCP in the context of a balanced MTFS - a) Learning Estate Strategy options being developed

No	Date of meeting	Item No and Title	Action	Action Owner	Expected completion date	Comments
						for consideration on conclusion of Edge Analytics pupil product review, expect reporting in December.
						b) Climate Change – Net Zero 2030 / 2045 reporting to October Council
						c) Fleet & Asset Management Plans reporting in December.
2	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	Report to council to be submitted with income achieved as part of Q4 financial monitoring
3	19/12/2023	8.8 Fleet and Plant Asset Replacement Plan	Considerations around increasing fleet capacity to be brought to BTSG.	Chief Officer Place	Report to BTSG in November and to Council in December 2024	Fleet Management Plan will follow Climate Action Plan as proposing all Refuse Collection Vehicles and Heavy Goods Vehicles remain diesel at present.
4	26/03/2024	8.3 Midlothian Council Housing Allocation Policy Review 2023/24	1. audit of tenancy allocations 2. Distribute ASB option paper to the different political groups and submit at council.	a) Chief Internal Auditor b) Executive Director Place	a) August Council updated. b) ASB options report to political	a) Assurance Exercise progressed and near completion. Expect report will be finalised in October and to be presented at November Council.

No	Date of meeting	Item No and Title	Action	Action Owner	Expected completion date	Comments
					groups in November	**b) Update** Member Briefing held 5 Sep. on Tenancy Agreements and Anti-Social Behaviour. ASB options report circulate to political groups in November
5	26/03/2024	8.4 Midlothian Council Mixed Tenure Strategy	Arrange an Elected Member briefing on arm's length organisations (ALEOs)	Executive Director Place	Briefing date to be scheduled post summer recess.	Currently scoping option for special purpose vehicle in development and management & maintenance of Mid-Market Rent Oak Leaf homes option (MMR & Market Rent) included in MTFS 2025/26 proposals consultation

No	Date of meeting	Item No and Title	Action	Action Owner	Expected completion date	Comments
6	07/05/2024	8.10 Glyphosate	Paper on neighbourhood service operatives would be undertaking a targeted winter programme of work in springtime 2025.	Chief Officer Place	Winter 2024	Report to council to be submitted
8	25/06/2024	8.14 Whitecraig Traveller Site	A full cost report to come back to Council for final approval to include early termination cost and reinstatement cost unless the cost for this is nil.	Executive Director Place	When termination costs are known	Align to action jointly with ELC
9	27/08/2024	5.1 Minute of the meeting of 27 August 2024	Minute to be amended as agreed	Democratic Services	ASAP	**Completed**
10	27/08/2024	8.1 Financial Monitoring 2024/25 General Fund Revenue	Report on the better utilisation of expensive machinery, such a used for potholes.	Chief Officer Place	ASAP	
11	27/08/2024	8.2 Housing Revenue Account – Revenue Budget and Capital Plan 2024/25	Financial costs of Normandy Court to be provided to all Members. Report to be brought back to Council to look at the allocation of Normandy Court if no resolution reached.	Executive Director Place Executive Director Place	ASAP If required	Email information circulated separately to all elected members. Further information once costs concluded. 4G coverage installation since completed.

No	Date of meeting	Item No and Title	Action	Action Owner	Expected completion date	Comments
						Allocations listed and applicants contacted
12	27/08/2024	8.3 General Services Capital Plan 2024/25 Quarter 1 Monitoring	Provide a final account for clarity to the Elected Members on Hillend Alpine Coaster project costings	Chief Financial Officer	GSCP Q3 Financial Monitoring report to Council in February.	Coaster operational and project is in its final stage.
13	27/08/2024	8.4 The Education (Scotland) Bill	Letter to be sent to the Scottish Government with regards to the importance of the SQA remaining in Shawfair.	Executive Director, Children, Young People and Partnerships	30 September 2024	**Recommended for closure** - letter sent
14	27/08/2024	8.5 United Nations Convention on the Rights of the Child ('UNCRC') (Incorporation) (Scotland) Act	Information on what the UNCRC is and what it means to be provided to the public.	Executive Director Children, Young People and Partnerships	December 2024	SG published new statutory guidance on UNCRC 18th September, information for parents/carers and young people will be prepared taking cognisance of the new statutory guidance.
15	27/08/2024	8.3 General Services Capital Plan 2024/25 Quarter 1 Monitoring	Report to be presented to Council on a site for Gorebridge High School within six months.	Executive Director Place	End Feb 2025	Site search in progress

No	Date of meeting	Item No and Title	Action	Action Owner	Expected completion date	Comments
16	08/10/2024	8.1 Medium Term Financial Strategy	Heads of Service to look for additional efficiency savings to bridge the budget gap of .3.4 million on top of the savings already suggested in the public budget consultation. This is to be reviewed at November council meeting.	Chief Financial Officer	Proposals to be presented in November BTSG	Action in progress
17	08/10/2024	8.7 Edinburgh and South East Scotland City Region Deal (ESESCRD) Annual Report 2023 – 2024	Annual Report to be published on the Council website in an accessible format.	Executive Director Place	Completed	**Completed**
18	08/10/2024	8.7 Edinburgh and Southeast Scotland City Region Deal (ESESCRD) Annual Report 2023 – 2024	Letter to UK Government on budget pressures to be circulated to members. Write to Transport Cabinet Secretary regarding A720 Grade separation	Councillor Parry Councillor Parry	Completed Completed	**Completed –** included in the minutes of the October meeting **Completed** – included in the minutes of the October meeting

Financial Monitoring 2024/25 – General Fund Revenue

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

Report for Information

1   Recommendations

Council is recommended to 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 2024/25 and to provide commentary on areas of material variance against budget. The budget performance figures as shown in appendix 1 result in a projected net overspend of £2.200 million which is a deterioration of £0.427 million from projections at quarter 1. The projected overspend represents 0.7% of the revised budget.

2.2   Some areas of projected overspend 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 on 31st March 2025 is £21.501 million, of which £14.742 million is earmarked for specific use leaving a non-earmarked General Fund balance of £6.759 million.

Date: 25 October 2024

3 Background

3.1 This report encompasses all performance against revenue budget for General Fund services.

3.2 In response to the immediate and challenging financial outlook the Chief Executive, during the financial year 2022/23, introduced a moratorium on non-essential spend and a freeze on non-essential vacancies. This was recently heightened to a moratorium on any spend that is not business critical and it is expected that some areas of general spend, including staffing will reduce as a consequence.

Performance against budget

3.3 The material areas of projected variance against budget at quarter 2 are outlined in table 1 below which also describes mitigating measures and next steps. Accurate 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
Staff Costs	£1,521,000	Maternity cover in schools (£554,000), staffing in excess of budget in Neighbourhood Services (£326,000), absence cover costs for cleaning and janitorial services (£239,000), additional resource in Building Maintenance Services (£250,000) and higher costs from deploying temporary resources to cover service areas with permanent recruitment challenges (£234,000). Partially offset by some vacancies across the Council.	Strategic Workforce Plan is being developed. Continuation of enhanced level of vacancy control.	Continual review of service costs. Full Implementation of Neighbourhood Services Review will reduce costs to budgeted levels. Review of interaction between the General Fund and the Housing Revenue Account for Building Maintenance.
Pupil Transport	£968,000	Volume and value of school pupil transport invoices higher than budgeted.	Council approval to proceed with the transport review was granted on 25th June 2024. This will include a root and branch review of practices, processes and costs.	Appointment of delivery partner. Where possible, early implementation of identified efficiencies.
Insurance	£632,000	The volume of insurance claims settled, particularly relating to potholes, increased considerably during quarter 1 and whilst reducing a little during	Internal processes to consider each claim are being reviewed with potential to increase repudiation rates and consequently reduce	Officer review meeting linking in with professional insurer advice.

		quarter 2 remains at a higher level than seen in previous years.	projected costs in 2024/25.	
Council Tax Income	£600,000	Whilst the Council Tax Base continues to grow total projected income is lower than budgeted. Household growth is slower than anticipated, the value of households eligible for a Single Person Discount has increased considerably and a higher provision has been made for non-collection of Council Tax.	A detailed review is underway to develop a fuller understanding of influencing factors and to ensure they are reflected in future years budget setting.	
Waste Disposal	£404,000	The contract for disposal of Bulky Items expired in July. Tender responses necessitated an extension to the contract which came at an additional cost for the current financial year of £267,000 including additional costs to separate upholstered materials. A legislative change on treatment and haulage of air pollution contaminants has driven a higher cost than budgeted of £137,000.		
Fleet	£317,000	Ageing vehicles and higher volumes of external contracting than planned. External vehicle hire in Waste Services 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 maintenance has been accelerated as approved by Council on Tuesday 19th December 2023. Items are now operational.
Building Repairs	£153,000	Costs in 2024/25 relating to scaffolding for Midlothian House.	A report with recommendations on the future use of Midlothian House is scheduled for Council consideration in November.	Options for changing the use of Midlothian House are linked to the Estate Rationalisation strand of the Transformation Blueprint.

Table 2: Shortfalls against income targets in the Budget

Budget	Overspend	Reason	Action Plan / Mitigating Measures	Next Steps
Cafes	£58,000	Income is lower than budgeted targets.	New menus have been introduced as a trial and will be fully implemented if successful. It is anticipated this development will move income received to targeted levels.	Trial underway and outcomes to be evaluated later in 2024/25.

There also remains £1.450 million of Medium-Term Financial Strategy (MTFS) cost reductions either to be finalised or to be fully implemented. A number of these are taking longer than planned to implement with an impact on the 24/25 financial position. A detailed report on this was presented to the Business Transformation Steering Group (BTSG) on Monday 19th August.

Council on 4th October 2022 agreed a saving of £0.250 million for rationalisation of the office estate. Delivery of this remains at risk.

Underspends

- Loan Charges are projected to underspend by £1.627 million in 2024/25. There are three main factors:
    - Deferral of borrowing to later years to match timing of capital expenditure;
    - A reduction of £25.2 million in the borrowing requirement for 2024/25;
    - Higher than forecast surplus cash related directly to timing of capital expenditure thus providing opportunity to generate deposit income.

- Unit prices for the purchase of Electricity and Gas are considerably lower than those used to create the budget which was based on the latest available information from Scotland Excel. An underspend of £0.751 million is forecast. Consumption projections remain consistent with budget.

- With the exception of Additional School Needs (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 than expected pupil numbers thus giving rise to a positive variance of £0.768 million.

- The cost of residential and day education placements for children and also for some non-residential services is projected to be £0.364 million less than budget.

<u>Pay and funding</u>

3.4   With the exception of Unison members, all employees now have an agreed pay award for the current financial year. The award equates to a total uplift of 4.27% in-year with, at each Spinal Column Point (SCP), a £0.67 uplift to the hourly rate or 3.6% (whichever is better). Discussions with Unison continue.

3.5   Funding for 2024/25 pay costs as it stands involves an assumption of 3% in council budgets, another 0.2% funded from Council Reserves with remaining costs provided by the Scottish Government with a variety of mechanisms to deliver this. Midlothian Council budgeted at 3% for pay in 2024/25 with the additional 0.2% budget approved by Council on 27th August.

<u>Destination Hillend</u>

3.6   The wider Destination Hillend project approved by Council in December 2022 has been paused pending a review of tendered costs with an updated business case to be developed prior to further elected member engagement.

3.7   The first phase of the project included work on the road infrastructure and installation of an alpine coaster. This phase is complete and the coaster is operational. The 24/25 budget was set based on an opening date for the coaster in July and reflected customer income projections embedded in the approved business case. Whilst the Coaster has proven to be very popular the later than expected opening date alongside carefully manged initial opening hours have resulted in a projected shortfall of income of £0.125 million against budget in the current financial year.

4   Delegation of resources to Midlothian Integration Joint Board

4.1   The approved budget provided for the allocation of £63.535 million to the Midlothian Integration Joint Board (MIJB) for the provision of delegated services.

4.2   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 activities 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)

4.4   MIJB met on Thursday 24th October and discussed quarter 2 projections for 2024/25 which show a very significant overspend albeit with mitigating actions underway. At this stage there is a very significant risk of MIJB requiring additional resource from Midlothian

Council to be able to fund costs in 2024/25. Detailed engagement with elected members has taken place and will continue.

5 General Fund Reserve

5.1 The projected balance on the General Fund as at 31 March 2025 is as follows:

	£ million	£ million
General Fund Reserve at 1 April 2024		**46.338**
Planned movements in reserves		
Application of Budgets carried forward from 2023/24 for use in 2024/25	(15.366)	
Utilisation of reserve to balance 2024/25 budget	(2.680)	
Utilisation of retrospective service concessions to fund costs in 2024/25	(4.093)	
Transformation funding applied to date during 2024/25	(0.171)	
Funding for pay (0.2%) – supplementary estimate	(0.330)	
Other	0.003	
		(22.637)
Overspend per appendix 1		(2.200)
General Fund Balance at 31 March 2025		**21.501**

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

	£ million
General Fund Balance at 31 March 2025	**21.501**
Earmarked for specific purposes	
To support Council Transformation Blueprint	(2.465)
Planned use of Service Concession Retrospection	(12.277)
General Reserve at 31 March 2025	**6.759**

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 £4.743 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 The General Reserve of £6.759 million is £2.016 million above the minimum set in the Reserves Strategy. Considering current financial pressures, the General Reserve must be viewed both in the context of £3.227 million of underlying service pressures in 2024/25 (Appendix 1 - General Fund Services Net Expenditure), the latest Medium Term Financial Strategy (MTFS) projected gap of approximately £20.6 million through to 2028/29 and also the severe in-year pressure faced by

MIJB. Until there is significant progress towards a balanced MTFS it remains sound financial practice to maintain a substantial 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 updated projections for the year. Work continues across the council to reduce overspends and to progress at pace delivery of approved savings.

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**

The 2024/25 Budget was finalised with some assumptions on Scottish Government Grant Funding. The Scottish Government removed £145 million of funding for teachers from General Revenue Grant to Ring-Fenced Revenue Grant (£2.786 million for Midlothian) with a wish to attach conditions around teacher numbers to this funding. Discussions have not been concluded and grant offer letters remain unsigned. Whilst this situation persists there remains a risk of not receiving all the expected funding.

Further Scottish Government funding, via UK Government consequentially, is due to pass to Councils to fund the Employers Superannuation increase for Teachers. Funding for this has not yet been received and Councils have not been advised of timescales. The additional cost to Midlothian Council is approximately £1.8 million.

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 some previous years has resulted in previously unreported or significantly adjusted variances at the financial year end. CMT continues to consider these areas and supports actions to address the underlying issues and mitigate the risk associated with them. At quarter 2 projections for building maintenance recharges remain under review. Activity is in place to ensure this will be rectified for quarter 3.

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 and ongoing 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

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. A further round of community consultation is underway.

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 lasting 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 tables

MIDLOTHIAN COUNCIL

GENERAL FUND 2024/25

Performance against budget

Function	Approved Budget	Revised Budget Expenditure	Revised Budget Income	Revised Budget Net £	Outturn £	(Underspend) / Overspend £
Management and Members	1,625,932	1,637,840	0	1,637,840	1,726,840	89,000
Place						
Corporate Solutions	25,531,038	49,896,758	(24,665,446)	25,231,312	26,270,312	1,039,000
Place	43,290,284	66,104,783	(17,282,056)	48,822,727	50,014,727	1,192,000
Central Costs	(504,556)	3,541,096	0	3,541,096	4,173,096	632,000
People and Partnerships						
Midlothian Integration Joint Board	63,534,354	72,160,455	(8,621,856)	63,538,599	63,538,599	0
Non-Delegated Services - Community Safety and Welfare Rights	710,635	824,708	(53,102)	771,606	769,606	(2,000)
Childrens Services, Partnerships and Communities	20,171,442	22,636,815	(765,932)	21,870,882	21,488,882	(382,000)
Education	144,975,521	158,930,398	(9,256,856)	149,673,542	150,357,542	684,000
Lothian Valuation Joint Board	581,659	581,659	0	581,659	581,659	0
Non Distributable Costs	898,936	898,936	0	898,936	873,936	(25,000)
GENERAL FUND SERVICES NET EXPENDITURE	300,815,246	377,213,449	(60,645,248)	316,568,200	319,795,200	3,227,000
Loan Charges	5,460,091	5,460,091	0	5,460,091	3,833,091	(1,627,000)
NDR Discretionary Relief	70,300	70,300	0	70,300	70,300	0
Investment Income	(110,736)	0	(110,736)	(110,736)	(110,736)	0
Allocations to HRA, Capital Account etc.	(5,536,901)	(5,536,901)	0	(5,536,901)	(5,536,901)	0
	300,698,000	377,206,939	(60,755,984)	316,450,954	318,050,954	1,600,000
less Funding:						
Scottish Government Grant	(226,443,000)	0	(226,331,937)	226,331,937	226,331,937	0
Council Tax	(64,686,000)	0	(64,686,000)	64,686,000	64,086,000	600,000
Service Concessions - in-year	(2,796,000)	2,796,000	0	2,796,000	2,796,000	0
Service Concessions - retrospection	(4,093,000)	4,093,000	0	4,093,000	4,093,000	0
Utilisation of Reserves	2,680,000	384,095,939	(351,773,921)	18,544,017	20,744,017	2,200,000

**Housing Revenue Account
Revenue Budget and Capital Plan 2024/25**

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

Report for Information

1   Recommendations

Council is recommended to note the 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 30th September 2024 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2024/25.

The summarised financial performance for 2024/25 is:

- Capital Investment in the year totalling £54.451 million;
- A net underspend of £0.526 million on the Revenue Account;
- A projected HRA general reserve at 31st March 2024 of £36.001 million.

Date 21st October 2024

Report Contact:
Name Lisa Young   Tel No 0131-271-3111
lisa.young@midlothian.gov.uk

3 Background

3.1 Capital Plan 2024/25

The Capital Plan Budget has been revised to reflect the current profile of spend as shown in appendix C. Capital investment in the year is projected to be £54.451 million. There was a variance reported to Council 27th August 2024 of £0.825 million in relation to grant funding from Scottish Government for contribution towards net- zero emissions in the Council's housing stock which will subsequently reduce the overall borrowing requirement for 2024/25. There is no change to this position and there are currently no other material variances to be reported.

3.2 Revenue Account 2024/25

The overspend report to Council 27th August 2024 was £0.417 million, this has decreased by £0.943 million to a projected underspend of £0.526 million, as shown in appendix D. This is mainly due to reflection of the latest delivery programme for the HRA capital plan and the availability of reduced rate PWLB loans specifically available for the HRA. This will result in lower in-year borrowing costs of £0.998 million. At quarter 1 in-year capital expenditure was forecast to be £65.707 million. Quarter 2 forecasts see a reduction of £11.256 million.

The HRA general reserve balance is projected to be £36.001million at 31st March 2025, which is committed to finance existing investment commitments to 2039/40.

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 which could result in lower debt charges resulting in the Housing Revenue Account Reserve balance to increase by 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 – Background Information

Appendix C - Capital Plan 2024/25

Appendix D – Revenue Account 2024/25

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.

APPENDIX B

Background Papers/Resource Links

HRA Capital Plan and Revenue Budget enclosed

MIDLOTHIAN COUNCIL

HOUSING REVENUE ACCOUNT CAPITAL PLAN 2024/25

	Revised Budget £'000	Actuals to Date £'000	Projected Outturn £'000	Variation (Under)/Over £'000
FUNDING				
Grants				
- Incentivising New Build	7,287	4,316	7,287	0
- Off Market Purchases Funding	471	0	471	0
- Social Housing Net-zero Funding	0	0	825	825
Council Tax on Second Homes	90	0	90	0
Borrowing Requirement	46,603	14,963	45,778	(825)
TOTAL AVAILABLE FUNDING	**54,451**	**19,279**	**54,451**	**0**
APPROVED EXPENDITURE	**£'000**	**£'000**	**£'000**	**£'000**
New Build Houses Phase 2 - Phase 5	37,536	15,916	37,536	0
Dalkeith Town Centre Regeneration - Social Housing	500	0	500	0
Backdated Developer Contribution	724	0	724	0
Off Market Purchases	1,500	165	1,500	0
Aids & Adaptations	519	139	519	0
Environmental Improvements	500	0	500	0
BDHS Meters	500	0	500	0
Homelessness - Temporary Accommodation Provision	30	0	30	0
Scottish Housing Quality Standard				
-Upgrade Central Heating Systems	1,677	112	1,677	0
-Energy Efficiency Standard for Social Housing (EESSH)	4,800	272	4,800	0
-SHQS Repairs	6,165	2,675	6,165	0
TOTAL EXPENDITURE	**54,451**	**19,279**	**54,451**	**0**

MIDLOTHIAN COUNCIL

Appendix D

HOUSING REVENUE ACCOUNT 2024/25

	Revised Budget	Projected Outturn	Variation (Under)/Over
Average Number of Houses	**7,664**	**7,596**	**(68)**
	£'000	**£'000**	**£'000**
Repairs and Maintenance			
General Repairs	8,237	8,736	499
Decant/Compensation	71	66	(5)
Grounds Maintenance	603	600	(3)
	8,911	**9,402**	**491**
Administration and Management	5,537	5,687	150
Loan Charges	16,568	15,240	(1,328)
Other Expenses	2,856	2,966	110
TOTAL EXPENDITURE	**33,872**	**33,295**	**(577)**
Rents			
Houses	(35,299)	(35,246)	53
Garages	(690)	(690)	0
Others	(176)	(178)	(2)
TOTAL RENTS	**(36,165)**	**(36,114)**	**51**
NET EXPENDITURE/(INCOME)	**(2,293)**	**(2,819)**	**(526)**

Movement in HRA Reserve

Opening HRA Reserve	(33,182)
Enhancement during 2024/25 as above	(2,819)
Reserve earmarked to fund capital investment plans	**(36,001)**

General Services Capital Plan
2024/25 Quarter 2 Monitoring

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

Report for Decision

1   Recommendations

It is recommended that the Council:-

1.   Approve the inclusion of the project in Section 3.1 in the GSCP;
2.   Note the forecast outturn for expenditure (after reflecting rephased project budgets), funding and borrowing, as outlined in Section 4.

2.   Purpose of Report

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

- An update of the GSCP incorporating information on a further addition to the Plan for approval (Section 3);
- Information on the projected performance against budget for 2024/25 (Section 4);
- Update on the Capital Fund (Section 5).

Date   28 October 2024
Report Contact:
Gary Thomson, Senior Finance Business Partner
gary.thomson@midlothian.gov.uk

3   Update of GSCP

3.1   Projects presented for endorsement in the Plan

The following project is presented for endorsement to be fully adopted within the GSCP:-

- **The Steading, Rosewell Development Trust**: £0.065 million of infrastructure upgrades, equipment and landscaping for the Rosewell Development Trust's Steading Building, with capital expenditure budget to be phased across 2024/25 and 2025/26 and fully funded by £0.065 million of developer contribution receipts. Approved by Capital Plan & Asset Management Board on 24 October 2024.

4   2024/25 Projection against budget

4.1   2024/25 Budget

After accounting for the following:-

- Rephasing of budgets from 2023/24 to 2024/25 as reported to Council at Quarter 1 on 27 August 2024;
- Including the new project as outlined in Section 3;

The capital plan expenditure budget for 2024/25 is £77.463 million, funding budget is £26.737 million and in-year borrowing of £50.726 million.

4.2   Rephasing

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

Table 1: Rephasing of project expenditure budgets

Project	Description of rephasing of budget	Previous 2024/25 Budget £000's	Revised 2024/25 Budget £000's	2024/25 Budget Rephasing £000's
CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD				
Easthouses Primary School	Project complete other than retention which will be due in 2025/26	5,446	6,033	+587
Mayfield & St. Luke's Primary School Campus	Commercial discussion with contractor ongoing to bring overall cost of project back within approved budget, with subsequent delay to project programme whilst this exercise is concluded	10,268	1,080	-9,188
Beeslack CHS Replacement	Delay to appointing contractor	11,743	7,420	-4,323
Learning Estate Strategy Development Budget & LES Projects Approved in Principle	Project development expenditure re-profiled to reflect emerging status of projects	400	200	-200
ASSET MANAGEMENT PROGRAMME BOARD				
Temple Ground Stabilisation	Reprioritisation of work and internal resources to the continuation of the Residential Streets Upgrade programme.	309	0	-309
B6372 Arniston Bank Stabilisation	Detailed design schemes will be prepared in due course for these essential work to ensure the long term integrity of these sections of the public road network	593	0	-593
Fleet Replacement Programme	Delivery of 6 welfare transport buses deferred to 2025/26	4,062	3,369	-693
TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARD				
A701 Relief Road	Realignment of project expenditure cashflows, with acceleration of expenditure fully funded by City Deal Government Grant funding	98	846	+748
OTHER				
Others	Rephasing of other projects	7,555	7,479	-76
Total		**40,474**	**26,427**	**-14,047**

This results in a rephased capital expenditure budget for 2024/25 of £63.417 million as shown in detail in Appendix 1.

In line with this, the expected level of funding available to finance the plan has also been rephased and now totals £24.993 million.

This results in an in-year borrowing requirement of £38.423 million.

The projected performance against budget for 2024/25 is shown in table 2 below:-

Table 2: General Services Capital Plan Projected Performance against Budget 2024/25 – as at Quarter 2

Item	2024/25 Q1 Budget £000's	2024/25 Rephased Budget £000's	Actual To 15.09.23 £000's	2024/25 Projected Outturn £000's	2024/25 Variance £000's	2024/25 Carry Forward
Expenditure	77,463	63,417	22,485	63,417	0	-14,047
Funding	26,737	24,993	11,597	24,993	0	-1,744
Borrowing Required	**50,726**	**38,423**	**10,888**	**38,423**	**0**	**-12,303**

4.3 Expenditure

Expenditure to 15 September 2024 is £22.485 million and at this point project managers and service leads are indicating a forecast expenditure outturn of £63.417 million, in line with the rephased budget.

Expenditure incurred to 15 September 2024 across all projects in the General Services Capital Plan (£22.485m) equates to 35% of the projected total expenditure budget for 2024/25. This means that the remaining £40.932m (or 65%) of expenditure is projected to be incurred by the end of the financial year, with only 54% 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 2024/25 into 2025/26.

Given the substantive expenditure currently estimated to be committed in the second half of the year combined with material supply and inflationary pressures, all Project Managers and Service Leads are carrying out a full review of project plans and expenditure profiles and the outcome of this will be reflected in the Q3 GSCP report to Council in February 2025.

4.4 Funding

The funding available to finance the Capital Plan in 2024/25 is expected to total £24.993 million.

Funding of £11.597 million has been received to 15 September 2024.

4.5 Borrowing

Based on the forecast expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2024/25 is forecast to be £38.423 million. The impact on the Council's borrowing costs is reflected in the Financial Monitoring 2024/25 General Fund Revenue report elsewhere on today's agenda.

5   Capital Fund

The Capital Fund at the start of the 2024/25 financial year was £17.242 million. £7.694 million of this is committed to fund the City Deal, with a further £7.061 million committed to support capital investment.

The forecast non-committed capital fund balance at 31 March 2025 is £2.778 million, as shown in the table below.

Item	Amount £000's
Balance at 01 April 2024	**17,242**
Forecast Capital Receipts 2024/25	895
Forecast Balance at 31 March 2025	**18,137**
Committed to fund City Deal Project	-7,694
Committed to support Capital Investment	-7,061
Developer Contributions earmarked for specific purposes	-604
Forecast non-committed balance at 31 March 2025	**2,778**

6. Report Implications

6.1 Resource

The borrowing required to finance the planned investment in 2024/25 is currently £38.423 million and the loan charges associated with this is reflected in the Financial Monitoring 2024/25 General Fund Revenue report elsewhere on today's agenda.

6.2 Digital

There are no Digital Services implications arising from this report.

6.3 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 Capital Plan includes a provision for the return of contingencies of £13.081 million over the period 2024/25 to 2027/28, equating to 2.5% of all project expenditure. The Capital Plan includes a provision for the return of contingencies of £2.539 million in 2024/25, equating to 2.5% of 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 monitor the level of return of contingencies against the £2.539 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.

6.4 Ensuring Equalities

There are no equalities issues arising directly from this report.

6.5 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

The report does not directly impact on Delivering 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

There are no issues arising directly from this report.

A.7   Adopting a Preventative Approach

Not applicable.

A.8   Supporting Sustainable Development

Not applicable.

Background Papers:
Appendix 1 –General Services Capital Plan 2024/25 Quarter 2 Monitoring

Appendix 1: General Services Capital Plan 2024/25 Quarter 2 Monitoring

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

Budget is a "Project Under Development" - requires approval of SOBC before budget is fully approved

GENERAL SERVICES CAPITAL PLAN Q2 Monitoring	Rephased 2024/25 Budget Q1 £000's	Rephased 2024/25 Budget Q2 £000's	2024/25 Actual to P6 £000's	2024/25 Forecast Outturn Q2 £000's	2024/25 Variance Q2 £000's	2024/25 Carry Forward Q2 £000's
CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD						
FULLY APPROVED PROJECTS						
Education - Primary						
Woodburn Primary 9 class & activity hall extension	7,372	7,359	4,135	7,359	-	13
Easthouses Primary School	5,446	6,033	5,953	6,033	-	(587)
Mayfield & St. Luke's School Campus	10,268	1,080	365	1,080	-	9,188
Burnbrae Primary - Conversion of ASN to GP Space	55	55	14	55	-	-
Modular Units 2023/24	344	344	124	344	-	-
Education - Secondary						
Lasswade High - Enhance Facilities to Support School Capacity	452	452		452	-	-
Beeslack CHS Replacement	11,743	7,420	787	7,420	-	4,323
Penicuik High School	2,058	2,058	447	2,058	-	-
Education - ASN						
Hawthornden Primary - ASN Unit	24	24	13	24	-	-
Education - Early Years						
King's Park Primary School	6	6	-	6	-	-
Settings/Catering Kitchens	382	382	0	382	-	-
Mauricewood Primary School	125	125	-	125	-	-
Vogrie Outdoor Early Learning Centre	81	81	1	81	-	-
Education - Primary - Projects near completion						
Paradykes Primary Replacement	69	69	3	69	-	-
New Danderhall Primary hub	61	61	(57)	61	-	-
Acoustic Upgrades	95	95	4	95	-	-
Education _ General						
Learning Estate Strategy: Development Budget	400	200	-	200	-	200
Burnbrae Primary School External Works	1	1	1	1	-	-
TOTAL - CYPE PROGRAMME BOARD	**38,981**	**25,844**	**11,791**	**25,844**	**-**	**13,137**

GENERAL SERVICES CAPITAL PLAN Q2 Monitoring	Rephased 2024/25 Budget Q1 £000's	Rephased 2024/25 Budget Q2 £000's	2024/25 Actual to P6 £000's	2024/25 Forecast Outturn Q2 £000's	2024/25 Variance Q2 £000's	2024/25 Carry Forward Q2 £000's
PROJECTS APPROVED IN PRINCIPLE						
Education - Primary						
Bilston Primary School Extension	404	404	74	404	-	-
Mauricewood Refurbishment	404	404	75	404	-	-
Hopefield Farm Primary 2 (HS12)	500	500	-	500	-	-
St Davids Primary - 4 class & EY extension	784	784	-	784	-	-
Education - ASN						
ASN Provision - Social Complex Needs	250	250	-	250	-	-
TOTAL - CYPE APPROVED IN PRINCIPLE	**2,341**	**2,341**	**150**	**2,341**	**-**	**-**

GENERAL SERVICES CAPITAL PLAN Q2 Monitoring	Rephased 2024/25 Budget Q1 £000's	Rephased 2024/25 Budget Q2 £000's	2024/25 Actual to P6 £000's	2024/25 Forecast Outturn Q2 £000's	2024/25 Variance Q2 £000's	2024/25 Carry Forward Q2 £000's
PROJECTS UNDER DEVELOPMENT						
Education - Primary						
Bonnyrigg Catchment Primary Schools Expansion	-	-	1	-	-	-
Education - Secondary						
Shawfair All-through Campus	1,652	1,652	-	1,652	-	-
Gorebridge High School	-	-	-	-	-	-
TOTAL - CYPE PROJECT UNDER DEVELOPMENT	**1,652**	**1,652**	**1**	**1,652**	**-**	**-**
CYPE - OVERALL TOTAL	**42,974**	**29,837**	**11,942**	**29,837**	**-**	**13,137**

GENERAL SERVICES CAPITAL PLAN Q2 Monitoring	Rephased 2024/25 Budget Q1 £000's	Rephased 2024/25 Budget Q2 £000's	2024/25 Actual to P6 £000's	2024/25 Forecast Outturn Q2 £000's	2024/25 Variance Q2 £000's	2024/25 Carry Forward Q2 £000's
ASSET MANAGEMENT PROGRAMME BOARD						
Digital						
Business Applications	282	282	49	282	-	-
DS Corporate Solutions	-	-	9	-	-	-
Front Office - Hardware, Software & Services	139	139	70	139	-	-
Back Office - Hardware, Software & Services	130	130	-	130	-	-
Network, Software & Services	520	520	-	520	-	-
Schools - Hardware, Software & Services	508	508	215	508	-	-
Recharge of Staffing	110	110	-	110	-	-
Digital: Equipped for Learning	2,120	2,120	1,037	2,120	-	-
Roads & Street Lighting						
Street Lighting and Traffic Signal Upgrades - New	1,015	1,015	137	1,015	-	-
Footway & Footpath Asset Management Plan - New	542	542	-	542	-	-
Road Upgrades - Asset Management Plan	1,598	1,598	658	1,598	-	-
Accelerated Roads Residential Streets	76	76	76	76	-	-
Roads: Potholes & Upgrades / Residential Streets	4,687	4,687	780	4,687	-	-
Roads AMP - Temple Ground Stabilisation	309	-	-	-	-	309
Roads AMP - B6372 Arniston Embankment Stabilisation	593	-	-	-	-	593
Fleet						
Vehicle & Plant Replacement Programme	4,062	3,369	303	3,369	-	693
Property						
Property Upgrades	1,034	1,034	130	1,034	-	0
Property Upgrades - LES	843	843	-	843	-	-
Open Spaces / Play Areas						
Outdoor Play Equipment - Rosewell	44	-	-	-	-	44
Roslin Wheeled Sports Facility	59	59	-	59	-	-
Mauricewood Road Bus Shelter	4	4	-	4	-	-
Millerhill Park Asphalt Path	100	73	62	73	-	26
Birkenside Play Equipment	72	72	-	72	-	-
Welfare Park, Newtongrange	39	-	-	-	-	39
Play Park Upgrades: Clarinda Gardens & Ironmills Park	51	51	-	51	-	-
Play Park Renewal 2023/24+	123	123	-	123	-	-
Nature Restoration Fund 2023/24	22	22	-	22	-	-
Contaminated Land	70	70	23	70	-	-
Sport & Lesiure						
Loanhead Memorial Park Pitch	66	66	66	66	-	-
Flotterstone Car Park Infrastructure & Charging	16	16	-	16	-	-
TOTAL - AM PROGRAMME BOARD	**19,235**	**17,531**	**3,614**	**17,531**	**-**	**1,705**
TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARD						
Transport						
A701 Relief Road: Bush Loan Junction	61	810	113	810	-	(749)
A701 Relief Road: A701 Active Travel Corridor	36	36	36	36	-	-
A7 Urbanisation	187	187	-	187	-	-
Active Travel Infrastructure	655	655	59	655	-	-
Community Bus Fund	4	4	-	4	-	-
Road Safety Improvement Fund	169	169	(149)	169	-	-
FCC Zero Waste - Heat Offtake Facility	1,040	1,040	-	1,040	-	-
TOTAL - TE&I PROGRAMME BOARD	**2,153**	**2,901**	**59**	**2,901**	**-**	**(749)**

GENERAL SERVICES CAPITAL PLAN Q2 Monitoring	Rephased 2024/25 Budget Q1 £000's	Rephased 2024/25 Budget Q2 £000's	2024/25 Actual to P6 £000's	2024/25 Forecast Outturn Q2 £000's	2024/25 Variance Q2 £000's	2024/25 Carry Forward Q2 £000's
REGENERATION & DEVELOPMENT PROGRAMME BOARD						
Regeneration						
Place Based Investment Fund 2021/22	298	298	15	298	-	-
Place Based Investment Fund 2022/23	182	182	87	182	-	-
Place Based Investment Fund 2023/24	149	149	31	149	-	-
Rosewell Development Trust - The Steading	10	10	-	10	-	-
Development				-		
Destination Hillend	4,975	4,975	3,034	4,975	-	-
Shawfair Town Centre Land Purchase	2,122	2,122	2,122	2,122	-	-
Recycling Improvement Fund	-	47	-	47	-	47
TOTAL - R&D PROGRAMME BOARD	**7,736**	**7,783**	**5,290**	**7,783**	**-**	**47**
OTHER (PROGRAMME BOARD NOT YET DEFINED)						
PLACE						
Digital						
Council Hybrid Meetings	22	22	-	22	-	-
Property/Development				-		
Midlothian & Fairfield House Shower Upgrades	5	5	-	5	-	-
32-38 Buccleuch Street Ground Floor Redevelopment	1	1	46	1	-	-
Public Sector Housing Grants	291	291	62	291	-	-
Gorebridge Connected	-	-	-	-	-	-
Penicuik THI: Public Realm Scheme	171	171	-	171	-	-
CCTV Network	146	146	-	146	-	-
2-4 West Street, Penicuik	20	20	1	20	-	-
EWiM - Buccleuch House Ground Floor	33	33	-	33	-	-
Millerhill Pavilion	7	7	-	7	-	-
PEOPLE & PARTNERSHIPS				-		
Education				-		
Free School Meal Provision	210	210	-	210	-	-
Communities & Partnerships				-		
Members Environmental Improvements	251	251	52	251	-	-
Adult Social Care				-		
Assistive Technology	102	102	12	102	-	-
Analogue to Digital Transition	851	851	228	851	-	-
Highbank Intermediate Care Reprovisioning	5,082	5,082	1,036	5,082	-	-
Day Care Centre	464	464	95	464	-	-
General Fund Share of Extra Care Housing	248	248	54	248	-	-
TOTAL - OTHER	**7,904**	**7,904**	**1,587**	**7,904**	**-**	**-**
SUBTOTAL - PRE RETURN OF CONTINGENCIES	**80,003**	**65,957**	**22,492**	**65,957**	**-**	**14,094**
Provision for Return of Contingencies	(2,539)	(2,539)	(7)	(2,539)	-	-
GENERAL SERVICES CAPITAL PLAN TOTAL	**77,463**	**63,417**	**22,485**	**63,417**	**-**	**14,094**

School Admissions Policy Consultation

Report by Executive Director, Children, Young People and Partnerships

Report for Decision

1   Recommendations

Council is requested to:

- Authorise the Executive Director, Children, Young People and Partnerships to undertake a review, followed by a statutory consultation, to update Midlothian Council's admission policy for all schools (excluding Early Learning and Childcare) in line with the S*chools (Consultation) (Scotland) Act 2010*;

- Agree that a report on the outcome of the consultation and recommendations will be brought back to Council for consideration.

2   Purpose of Report/Executive Summary

The purpose of this report is to seek approval to undertake a review, followed by a statutory consultation, to update Midlothian Council's admission policy for all schools (excluding Early Learning and Childcare) in line with the Schools (Consultation) (Scotland) Act 2010

Date: 18 October 2024
Report Contact: Sinead Urquhart, Executive Business Manager
Sinead.Urquhart@midlothian.gov.uk

3   Background

3.1   The *Education (Scotland) Act 1980* places a legislative duty on the Council to make adequate and efficient provision of school education across its area. This duty applies in respect of both the current school population and anticipated pattern of demand.

Section 3D of the *Standards in Scotland's Schools etc. Act 2000* (as inserted by Section 2 of the *Education (Scotland) Act 2016*) introduces a requirement on education authorities to carry out their duty to ensure the delivery of improvement in the quality of school education which is provided in the schools they manage, with a view to achieving the strategic priorities of the National Improvement Framework. It is, therefore, the duty of the education authority to ensure that the education it provides is directed to the development of the personality, talents and the mental and physical abilities of the children to their fullest potential.

In addition, Councils have a statutory duty to secure best value in terms of the *Local Government in Scotland Act 2003* by continuous improvement in performance of the local authority's functions, while maintaining an appropriate balance between quality and cost and having regard to economy, efficiency, effectiveness, equal opportunities, and the achievement of sustainable development.

3.2   As a local authority, Midlothian Council has a legislative duty in respect of admissions to provide suitable education opportunities for children and young people. Midlothian Council's approach to pupil placement is to provide a place for every pupil at one of their catchment schools and to review/grant placing requests whenever this is possible. Where catchment schools are over-subscribed, Pupil Placement seeks to allocate places at neighbouring schools to ensure every pupil is afforded the opportunity to attend a local school.

3.3   A review of the current admissions policy will reflect and incorporate any recent changes to legislation, policies and procedures as well as schools' circumstances. This will ensure that the admissions process remains effective, clear and consistent to meet the enrolment requirements of the children and young people of Midlothian fairly and effectively.

3.4   The statutory consultation is anticipated to be undertaken in the Spring/Summer term 2025 and will run for period of at least 6 weeks, to include 30 school days during term time. Education Scotland will then undertake their own consultation lasting a period of 3 weeks. This will not start until after the consultation period has ended. In preparing their report, Education Scotland may visit some schools and make such reasonable enquiries of such people there as they consider appropriate.

3.5 A full report will be published detailing the outcome of the statutory consultation, including the proposals and recommendations. This will be presented for consideration by Council in June 2025. Subject to the outcome and the decision taken by Council on the proposals, the new policy will take effect from August 2026. The changes will apply to the registration enrolment/placing requests process commencing in November 2025.

3.6 As part of our legislative duties, Midlothian Council is required to give all statutory consultees advanced notice of the proposals and engagement events. In line with national legislation and guidance, all consultees will be consulted on the proposals within the consultation documents. This includes a wide range of stakeholders as well as the wider public. A communication on the consultation and engagement events will be sent to all affected consultees prior to the consultation commencing, as well as an announcement being made on the Council's website and social media platforms.

3.7 Council is requested to authorise the Executive Director, Children, Young People and Partnerships to undertake a review, followed by a statutory consultation on the proposal:

- To update Midlothian Council's admission policy for all schools (excluding Early Learning and Childcare) in line with the *Schools (Consultation) (Scotland) Act 2010*;

4 Report Implications (Resource, Digital, Risk and Equalities)

4.1 Resource

Conducting this statutory consultation will require collaborative working with officers from various teams across Midlothian Council.

4.2 Digital

None

4.3 Risk

An updated policy will ensure that the admissions process remains effective, clear and consistent to meet the enrolment requirements of the children and young people of Midlothian fairly and effectively. This will reflect and incorporate any recent changes to legislation, policies and procedures as well as schools' circumstances.

4.4 Ensuring Equalities

Should changes to the admissions policy require an Equalities Impact Assessment, this will be carried out and published as part of the consultation process.

4.5 Additional Report Implications (See Appendix A)

Appendices

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

A.4 Delivering Best Value

The implementation of the recommendation of this report will enhance best value in the delivery of Council services.

A.5   Involving Communities and Other Stakeholders

This report recommends undertaking a statutory consultation with all communities and stakeholders.

A.6   Impact on Performance and Outcomes

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

A.7   Adopting a Preventative Approach

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

A.8   Supporting Sustainable Development

Not applicable

Climate Change/Net Zero

Report by Kevin Anderson, Executive Director Place

Report for Decision

1   Recommendations

Council is recommended to:
i.   Consider the findings and recommendations of the February 2024 Aether Climate Action Support Report (CASR) attached as Appendix C. This report details the required climate emissions reduction trajectories of the Midlothian Council estate needed to meet the Council's 2030 net zero deadline.
ii.   Given the challenges (particularly financial) presented therein, approve realignment of the target deadline of 2030 for net zero emissions from the Midlothian Council estate to 2045.
iii.   Instruct a refresh of the Council's Climate Change Strategy in line with recommendation (ii).
iv.   Note the update on the Climate Ready South East Scotland (CRSES) work program (Appendix B).

2   Purpose of Report

2.1   The report asks Council to consider the findings of the Climate Action Support Report (CASR) prepared by Aether consultants relating to climate emissions reduction trajectories for the Council's estate. In light of the challenges presented (particularly those pertaining to finance), the Council is asked to realign the target deadline of 2030 for net zero emissions from the Midlothian Council estate to 2045 in-line with the Scottish Government's own targets.

2.2   The report also seeks Council's instruction to undertake a review of the current Council's Climate Change Strategy, taking into account the CASR. An amended strategy will be reported to Council for consideration once prepared.

2.3   The report highlights Midlothian Council's interaction in the key regional climate related work programme 'Climate Ready South East Scotland' (CRSES), overseen by Sniffer (a climate change and environmental charity) and involving Lothian, Edinburgh and Fife Councils alongside cross-sector partners. CRSES is currently seeking resident, business and commuter 'lived experience of climate effects' across the region. This is a critical evidence base in informing the work programme's key output - a regional climate and economic risk and opportunity assessment.

Date: 22 October 2024
Report Contact: Wendy Campbell, Climate Change Lead Officer
Planning, Sustainable Growth and Investment Service
Wendy.campbell@midlothian.gov.uk

3   Background

3.1   The Council was an early signatory to the Scottish Governments Climate Change declaration in 2007. This was a voluntary agreement that committed the Council to working with the Scottish and UK Governments to help reduce greenhouse gas emissions, taking steps to adapt to the impact of climate change, and working with communities on the issue.

3.2   The Climate Change (Scotland) Act 2009 set the legislative framework for climate change in Scotland, including mandatory targets to reduce greenhouse gas emissions up to 2050 to support the transition to a sustainable low carbon economy. The initial targets were reviewed and revised by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 which now gives Scotland some of the most stringent statutory targets in the world.

3.3   In 2014, the Council prepared its first Climate Change Strategy.   In April 2019, following the UK Government's declaration, the Scottish Government declared a climate change emergency, bringing into sharp focus the scale of the problem and the urgency for action. In October 2019 new climate change legislation reset the 2009 Scottish Government's greenhouse gas emissions target from 80% by 2050 to net zero by 2045 with interim targets of at least 56% reduction in 2020, 75% by 2030 and 90% by 2040.

3.4   In December 2019, the Council declared its own Climate Emergency, agreeing to become net carbon zero across all aspects of its organisation by 2030. In response to the Council's Climate Emergency declaration, the Climate Change Strategy 2020 was prepared and approved by Council at its meeting in August 2020.

3.5   In 2023, Aether consultants were commissioned to:
- Calculate the baseline emissions for the Midlothian Council estate and provide a trajectory of emissions to 2030 given a 'business as usual' emissions reduction scenario and an ambitious emissions reduction scenario.
- Review existing policies and actions to reduce emissions identified within the Midlothian Council Climate Change Plan (and update) and engage with key Council departments to determine progress.
- Conduct a review of the Council estate by analysing electricity and gas consumption and identified the main emissions sources, outliers and buildings requiring further audit.

This cumulated in the CASR published in February 2024 (Appendix B).

Climate Action Support Report (CASR) Summary

3.6   A high-level summary of the suggested route to net zero and indicative costings outlined in the CASR is set out below

3.7   Reducing demand for energy, water and vehicle usage, and reducing the amount of waste that is generated, through behaviour changes, awareness raising, and other efficiency measures. There is an ongoing initiative to replace streetlights with LEDs which will reduce energy consumption.

3.8   Phasing out the use of fossil fuels in buildings and transportation. This will involve switching to electric systems where possible, and then supplying these with renewable electricity or another zero emission fuel:

- For buildings, this will typically include individual or communal/district heating systems that utilise heat pumps, although in some cases it may be more appropriate to use another form of heating (e.g. infrared or direct electric). Any other fossil fuel systems such as gas cookers will also need to be replaced.
- For vehicles, this will typically include switching away from petrol and diesel to electric vehicles. Where electrically powered alternatives are not yet commercially available or feasible, as in the case of specialist plant and HGVs, ultimately these will need to use another fuel such as green hydrogen or biodiesel; the Council should keep abreast of technological developments and adopt these when possible. A key enabling measure will also be to install sufficient charging points and support electricity network upgrades where necessary.
- Reviewing opportunities to source renewable energy, either via a renewable tariff or by installing renewables on Council-owned buildings and sites. This would provide financial benefits, reduce emissions, and make good use of Council assets.

3.9   Most of the remaining emissions will come from waste. The Council should continue with initiatives aimed at reducing waste and increasing rates of recycling and composting within the area. Residual emissions will require some form of technological solution, such as carbon capture and storage (CCS) being fitted to the energy from waste plant.

3.10   Finally, seek to reduce other indirect emissions from business travel by choosing sustainable travel options and EVs (electric vehicles) where possible, and signpost employees to initiatives that can support a reduction of energy use while hybrid/home working.

3.11   Under a 'money no obstacle' scenario where all of the actions set out in Section 5 across energy, water, waste and travel were implemented, then Midlothian Council could expect to reduce GHG (greenhouse gases) emissions by around 78-80% by 2030, compared against a 2021 baseline.

3.12   The remaining emissions in 2030 would need to be addressed through some form of carbon offsetting, given they cannot be mitigated using currently available technologies or because they are largely outside of the Council's control.

3.13   Looking beyond 2030, further reductions can be achieved through use of additional renewables, further behaviour change measures, and technological solutions such as green hydrogen or CCS. All of these would be needed to reduce the Council's emissions to net zero.

3.14   Reliance on CCS and offsetting will be lower if the Council can achieve larger emissions savings through energy efficiency measures, behavioural change, reducing demand for transport, etc. Those actions will also reduce the amount of renewable energy that is needed to power buildings and vehicles, which in turn will reduce energy bills.

3.15   A high-level costing exercise was carried out to indicate the potential scale of investment that would be required. As a rough estimate, if the Council were to upgrade all of its buildings, replace all heating systems with zero emission alternatives, and purchase electric vehicles for all applications where this is practical, the capital costs of these measures would be in the range of £60-100M, possibly higher. Note that these figures refer solely to the capital costs and do not account for wider supporting measures such as electricity grid upgrades, which would increase the total costs, nor do they account for bill savings. Furthermore, some of this expenditure would take place anyway, due to routine building maintenance, fleet replacement, etc.

   What are the potential costs of actions?

3.16   Cost of measures – assumptions are in CASR Appendix D. In addition to the GHG emissions savings, the potential scale of upfront capital costs for different measures is detailed/estimated, not accounting for planned expenditure that would occur.

3.17   For example, the cost of replacing petrol cars with EVs includes the whole upfront cost of purchasing the EV, without subtracting the cost of the petrol car that might have been purchased if a like-for-like replacement was made. In other words, some of these costs would be incurred regardless of whether the Council takes additional measures to reduce its emissions.

3.18   This is not a detailed costing exercise; the Council will need to undertake separate feasibility studies to confirm the actual costs of each measure.

3.19   The table below summarises the results for individual measures. Overall, the total scale of investment for the costed measures is in the range of £60-100M.

   Table 7 Mitigation measures and indicative costs:

Category	Mitigation measures	Indicative cost
Council fleet	Reduce fuel consumption through measures such as eco driving training, route optimisation, etc.	Up to £40K
	Replace vehicles with EVs, where practical	£13M-20M
Streetlights	Continue to replace streetlights with LEDs	£3.2M
Business travel	Use EVs or public transport, where practical	Not costed
Buildings	Retrofit buildings	£27M-40M
	Replace gas cookers with electric cookers	£200K-300K
	Switch to ZDEH (zero direct emissions heating) systems	£6M-10M
Water supply and treatment	Implement water efficiency measures	Included in costs of retrofitting (see above)
Waste	Reduce waste arisings, increase recycling	Not costed
Renewables	Install ground and roof mounted solar PV on Council owned land and buildings	Up to £25M

3.20 These calculations do not account for:
- Bill savings
- Ongoing maintenance costs
- Changes in costs over time
- Supporting infrastructure, e.g. EV charging points and electricity grid upgrades
- Administration costs to deliver the required projects Appendix D of the CASR provides more details of the assumptions underpinning these cost estimates.

4   Report Implications (Resource, Digital and Risk)

4.1   Resource

Producing an update Climate Change Strategy is a requirement for which the Council will need to meet the costs. The strategy could be

both innovative and transformational in nature, presenting huge opportunities to embed wider financial, social and environmental value and efficiencies whilst also presenting challenges across all Council Services. The intention would be for the preparation of the strategy to be coordinated by the Council's Climate Change Lead Officer. However, the need for high level input in supporting realignment and reprioritisation is acknowledged and governance mechanisms may need to be extended cross Council. There will be a need for significant cross Council input and wider (likely external) resourcing in producing a future fit practical strategy underpinned by ambitious actions and clear key performance indicators.

4.2 **Digital**

Digital support will be needed to coordinate data across the Council and with external partners. Outputs from the Climate Ready South East Scotland regional climate and economic risk and opportunity assessment (due to report March 25), will support development of the renewed Climate Change Strategy but it is expected that further analysis of this nature will also need to be undertaken at by each party, including Midlothian Council.

4.3 **Risk**

4.3.1 There is a reputational risk to the Council associated with any proposed setback in net zero targets. It is clear from the current and developing climate duties on public bodies, Scottish Government expectation of local authorities in respect of climate action is one of a lead and facilitator of collective cross-sector climate action.

4.3.2 Public bodies in Scotland are subject to legislative climate change duties as established under S44 of the Climate Change (Scotland) Act 2009. Public bodies are required to report annually on compliance with these duties and in accordance with Schedule 2 of Climate Change (Duties of Public Bodies; Reporting Requirements) (Scotland) Order 2015 as amended by the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020.

4.3.3 In respect of climate adaptative duties, the Climate Change (Scotland) Act 2009, S4, sets out that a "public body must, in exercising its functions, act: in the way best calculated to help deliver any (Scottish statutory adaptation programme). Scotland is already experiencing climate change impacts, including warmer summers and wetter winters. The Met Office's UK Climate Projections 2018 (UKCP18) highlight the significant impacts of climate change in Scotland, including increasing water scarcity, flooding, and extreme weather events. In response, the Scottish Government is preparing for these challenges with the new Scottish National Adaptation Plan (SNAP3).

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

An integrated impact assessment (IIA) will be required for the Climate Change Strategy.

4.5   Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix B – Climate Ready South East Scotland (CRSES) update
Appendix C - Climate Action Support Report (CASR)

APPENDIX A – Report Implications

A.1   Key Priorities within the Climate Strategy

A revised Climate Strategy would relate to all seven themes of the Single Midlothian Plan 2023-27 and be instrumental in helping support delivery of identified outcomes and actions of each of those themes.

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

External work required for producing the Climate Change Strategy would be procured following local government procurement rules. These rules in themselves developed with climate considerations embedded.

A.5   Involving Communities and Other Stakeholders

An effective Climate Strategy will always necessitate both cross Council and cross sector interaction. To mitigate the economic, social and environmental impact of the activity undertaken in response to the strategy and to maximise the opportunities of moving to net zero, it will require to be informed by local, regional and national context. Local communities, their knowledge of local place and needs and wants in that regard will be integral in informing it. Co-creation of effective workstreams will also be integral and demand deep levels of partnership working alongside public, private and third sector partners.

A Participation Report would be compiled in undertaking the Climate Strategy setting out engagement undertaken.

A.6   Impact on Performance and Outcomes

A Climate Change Strategy is both holistic and innovative in nature. Carefully developed climate action has the potential to deliver efficiently, effectively and impactfully against a wide breadth of Council responsibilities, supporting action across climate, nature recovery, wellbeing and economic objectives. In terms of Council performance and outcomes, there is clear expectation from Scottish Governmnent that climate considerations permeate all public body activities this being reflected across all recent Governmental strategies (National Strategy on Economic Transformation, National Planning Framework 4, current review of water and wastewater). To meet current duties and those in advanced stages of development, all Council Services will require to invoke change, often significant. It will be critical that development of the Climate Strategy supports services in that journey and sets clear vision, objectives and key performance indicators.

A.7   Adopting a Preventative Approach

Adopting an updated and future fit Climate Change Strategy is an opportunity to prevent and mitigate future climate change impacts.

A.8   Supporting Sustainable Development

By its nature, a Climate Change Strategy aligns with sustainable development aspirations and plays a primary role in ensuring the alignment and scope of wider Council plans, programmes and policies support such outcomes. A Strategic Environmental Assessment (SEA) will be undertaken in the production of the Climate Change Strategy.

APPENDIX B

Climate Ready South East Scotland (CRSES) - update in drawing in lived experience of climate effects in Midlothian.

5.   **Overview of CRSES**

5.1   The CRSES project is an 18-month collaboration between Sniffer and the six local authorities (Scottish Borders, City of Edinburgh, East Lothian, Fife, Midlothian and West Lothian Councils) in the Edinburgh and South East Scotland City Region. The work program is being developed as part of the Regional Prosperity Framework, with support from Capital City Partnership. Funded through the UK Shared Prosperity Fund and Scottish Government.

5.2   The project will produce a cross-sector regional climate risk and opportunity assessment in partnership with third and private sector partners. The assessment will draw on the best available scientific data and evidence. It will involve communities across the region in sharing their experiences and stories.

5.3   The assessment will identify where more action is needed and will provide the evidence needed to inform decision making across the region. Following completion of the risk assessment the project will be a catalyst for a range of local climate resilience and adaptation projects.

5.4   *Draw in of lived experience of regional climate effects -* as part of this project interested parties are encouraged to participate in submitting their lived experiences of climate change in Midlothian to CRSES's story map. The purpose of this exercise is to inform the current Climate Ready South East Scotland Region risk and opportunity assessment, raise awareness of regional climatic work programs and promote discussion and action involving communities in the work for mutual gain. The project recognises the challenges of meeting net zero emission targets and acknowledges that planning must begin now to increase levels of resilience against future climate change impacts.

5.5   Climate hazards can occur at all scales and responding to them requires collaboration across legislative boundaries. Developing a shared risk and opportunity assessment is an important opportunity to deepen collaboration among city region partners and begin working towards an ambitious and transformative approach to climate change adaptation across the city region.

Midlothian Council

Climate Action Support

February 2024

v. 1

Title	Climate Action Support
Customer	Midlothian Council
Recipient	Derek Oliver
Report Reference	3146
Report Status	Draft
Revisions	V1
File	

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Executive Summary

Background

In 2019, Midlothian Council voted to declare a climate emergency and stated its ambition to achieve net zero for its own emissions by 2030. It acknowledged the need for urgent action to reduce its contribution towards climate change.

Midlothian Council has appointed Aether to calculate their baseline emissions for their estate and to provide them with a trajectory of emissions to 2030 given a 'business as usual' emissions reduction scenario and an ambitious emissions reduction scenario. Aether also reviewed existing policies and actions to reduce emissions identified within the Midlothian Council Climate Change Plan (and update) and engaged with key council departments to determine their progress. Alongside this wider climate action planning, our team conducted a review of the council estate by analysing electricity and gas consumption and identified the main emissions sources, outliers and buildings requiring further audit.

Baseline emissions

The baseline and 2030 emissions trajectory cover the main sources of emissions included within Midlothian Council's Public Bodies Duties Climate Change Report: energy use, water supply and treatment, fuel used within Council's own vehicle fleet, electricity used for streetlighting, employee homeworking, and business travel for Council activities. We have also included emissions from all waste that the Council collects, recognising that waste management is one of the Councils' responsibilities and it has influence over how it is treated/processed.

Council housing is excluded, as are indirect emissions from procured goods and services and the wider supply chain. (These are classified as 'Scope 3 emissions'; see definition in Section 2.2.2.)

Midlothian Council's GHG emissions are estimated to be 19.5 ktCO$_2$e in 2021/22. The Council's Scope 1 and 2 emissions from its own operations are dominated by buildings and vehicles, which together account for nearly 75% of GHG emissions. Municipal waste is estimated to account for around 17%. The other categories collectively make up <10% of the total, as shown in the table below.

Table 1 Midlothian Council's emissions in 2021/22

Emissions source	Emissions (tCO$_2$e)	% of total emissions
Buildings total	12,455	64%
Buildings - Electricity	*3,069*	*16%*
Buildings - Gas	*9,144*	*47%*
Buildings - Gas oil	*221*	*1%*
Buildings – Water supply & treatment	*21*	*0.11%*
Streetlighting	1,191	6%
Fleet total	1,982	10%
Fleet - Diesel	*1,694*	*9%*
Fleet - Petrol	*37*	*0.19%*

Fleet – Gas oil	*250*	*1%*
Business travel	18	0.09%
Waste (Council collected)	3,240	17%
Homeworking	605	3%
Total	**19,490**	**100%**

Note: Figures in this table have been rounded

Note: The majority of the Council's Scope 3 emissions have not been quantified, but these could potentially have a large impact on the results; it is not uncommon for them to represent 90-95% of a corporation's total emissions. The percentage values above should therefore be interpreted with caution because they are subject to change if additional sources of emissions are added to Midlothian's GHG inventory in future years.

Reducing emissions to zero

In order to be net zero by 2030, the Council would need to strategically use its power and influence to further decarbonise. Readers should refer to the detailed list of actions in Section 5, along with Sections 4.3 and 4.4.3 which describe priority measures and their potential scale of impact.

Figure 1. Priority actions for net zero
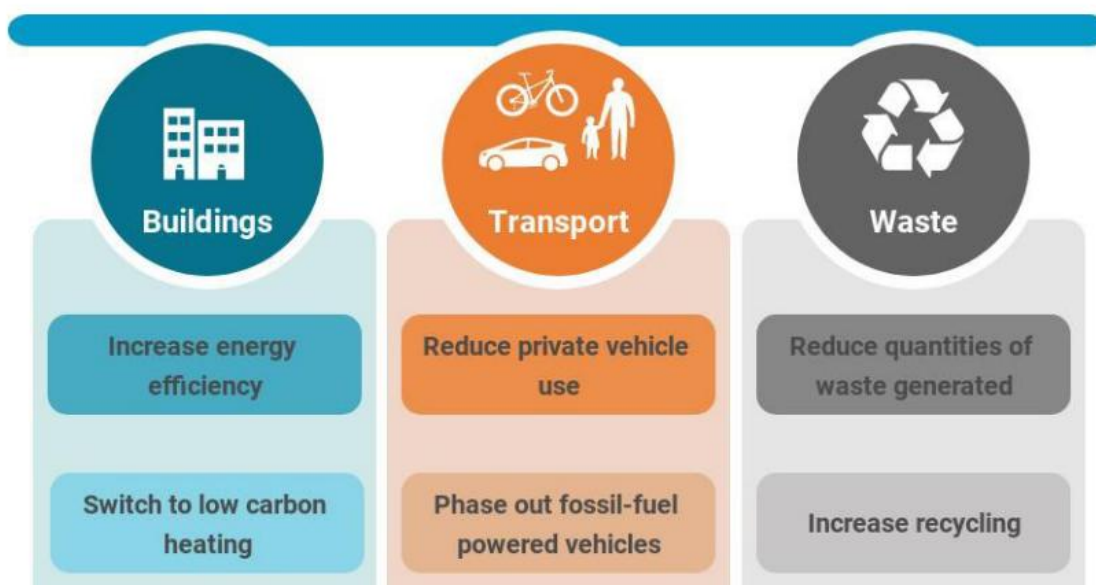
Strategically, the route to net zero can be summarised as follows:

- **First, reducing demand for energy, water and vehicle usage, and reducing the amount of waste that is generated**, through behaviour changes, awareness raising, and other efficiency measures. There is an ongoing initiative to replace streetlights with LEDs which will reduce their energy demands.
- **Then, phasing out the use of fossil fuels in buildings and transportation.** This will involve switching to electric systems where possible, and then supplying these with renewable electricity or another zero emission fuel.
  - For **buildings**, this will typically include individual or communal/district heating systems that utilise heat pumps, although in some cases it may be more appropriate to use another form of heating (e.g. infrared or direct electric). Any other fossil fuel systems such as gas cookers will also need to be replaced.

- For **vehicles**, this will typically include switching away from petrol and diesel cars and vans to electric ones. Where electrically powered alternatives are not yet commercially available, as in the case of HGVs, ultimately these will need to use another fuel such as green hydrogen or biodiesel; the Council should keep abreast of technological developments and adopt these when possible. A key enabling measure will also be to install sufficient charging points and support electricity network upgrades where necessary.

- Reviewing opportunities to **source renewable energy**, either via a renewable tariff or by installing renewables on Council-owned buildings and sites. This would provide financial benefits, reduce emissions, and make good use of Council assets.

> A report from 2015 found that there was potential for up to 17.5 MWp of PV to be delivered on Council-owned land.

- Once those measures are adopted, most of the remaining emissions will come from **waste**. The Council should continue with initiatives aimed at reducing waste and increasing rates of recycling and composting within the area. Residual emissions will require some form of technological solution, such as carbon capture and storage (CCS) being fitted to the energy from waste plant.

- Finally, seek to reduce **other indirect emissions** from business travel by choosing sustainable travel options and EVs where possible, and signpost employees to initiatives that can support them to reduce their energy use while home working.

Under a 'money no obstacle' scenario where all of the actions set out in Section 5 across energy, water, waste and travel were implemented, then Midlothian Council could expect to reduce GHG emissions by around 78-80% by 2030, compared against a 2021 baseline.

The remaining emissions in 2030 would need to be addressed through some form of carbon offsetting, either because they cannot be mitigated using currently available technologies (e.g. decarbonising the water treatment system), because they are largely outside of the Council's control (e.g. decarbonising homeworking), or both. This is shown on the graph below.

Figure 2. GHG emissions by source - 2030 target scenario
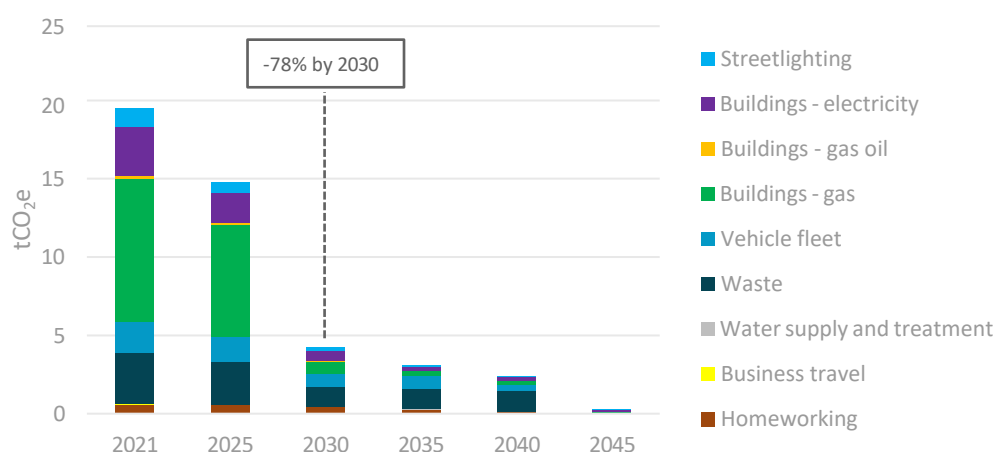
Looking beyond 2030, further reductions can be achieved through use of additional renewables, further behaviour change measures, and technological solutions such as green hydrogen or CCS. All of these would be needed to reduce the Council's emissions

to net zero. Reliance on CCS and offsetting will be lower if the Council can achieve larger emissions savings through energy efficiency measures, behavioural change, reducing demand for transport, and so on. Those actions will also reduce the amount of renewable energy that is needed to power buildings and vehicles, which in turn will reduce energy bills.

A high-level costing exercise was carried out to indicate the potential scale of investment that would be required. As a rough estimate, if the Council were to upgrade all of its buildings, replace all heating systems with zero emission alternatives, and purchase electric vehicles for all applications where this is practical, the capital costs of these measures would be in the range of £60-100M, possibly higher. Note that these figures refer solely to the capital costs and do not account for wider supporting measures such as electricity grid upgrades, which would increase the total costs, nor do they account for bill savings. Furthermore, some of this expenditure would take place anyway, due to routine building maintenance, fleet replacement, etc. More details on costs are provided in Section 4.6.

Governance and monitoring

There are a range of ways that the Council can strengthen its internal procedures and governance arrangements relating to climate change and carbon reduction. Some specific recommendations include:

- Reviewing ways that the Council can have an influence on wider emissions, e.g. in its role as a planning authority
- Bringing in dedicated staff to support decarbonisation efforts
- Awareness-raising among staff on topics such as waste reduction and energy efficiency

These are discussed in more detail in Section 6, which also provides suggestions for several areas where additional data could be collected, and existing collection procedures could be improved. This would provide more complete, accurate and transparent GHG accounting going forward.

Conclusions

Based on the results of this analysis, there are some overarching implications for Midlothian Council as it continues in its climate change mitigation journey:

- Maintain a high level of ambition for mitigating all sources of emissions, initially perhaps focusing on ones that are more within the Council's ability to control and can be addressed using existing technologies. These would include (a) behavioural changes and other measures to reduce demand for energy, private vehicle use, and waste and (b) switching from fossil fuels to electric alternatives where possible.
- Keep abreast of technological developments such as CCS and green hydrogen and, where possible, work with stakeholders to bring these solutions forward.
- Make sure that the Council's own policies, internal processes and funded programmes align with a net zero future and do not continue to promote dependence on fossil fuels, private vehicles, etc. Where these do not align, there should be a clear reason for doing so, and a strategy for changing practices in future, as in the case of replacing gas boilers like-for-like when these break down. In simple terms, it is important to avoid making the decarbonisation challenge even harder than it already is.

- Look at ways that the Council can facilitate wider emissions reductions, both in Midlothian and elsewhere. For example, reviewing planning policy to facilitate uptake of renewable technologies and energy efficiency measures.

Midlothian has made great progress in monitoring, measuring and reducing emissions including work on their Local Heat and Energy Efficiency Strategy, Salix carbon reduction projects and the formation of Midlothian Energy Ltd to drive investment and development of renewable energy technologies in the area. This should be celebrated and recognised. With continued commitment, increased investment and co-ordination then Midlothian Council will continue to be at the forefront of local authority emission reduction leaders in Scotland.

Contents

1   Introduction

1.1   Why is it important to take action on climate change?

There is an overwhelming scientific consensus that human activities are causing global temperatures to increase, with serious knock-on effects for our atmosphere, land and oceans. According to the UK Climate Change Risk Assessment (2022), the impacts for Scotland[1] may include:

- More severe and frequent storms and flooding
- A greater risk of wildfires and heatwaves
- Rising sea levels and coastal erosion
- Other changes in the ecosystem that pose a risk to agriculture

These effects would have a serious impact on people at a local and regional level. But when this type of disruption happens all across the world – threatening homes, businesses, food and water security, and human health – the risks become much greater.

Governments around the world have acknowledged the urgency of this problem, and international agreements such as the 1997 Kyoto Protocol and 2016 Paris Agreement have sought to mitigate the damage. This can be done by:

- reducing greenhouse gas (GHG) emissions, to limit the overall temperature rise and therefore avoid even more extreme climate change, and
- making sure that our communities, economy, and infrastructure are resilient to the changes that are already underway.

"Climate change is happening now. It is one of the biggest challenges of our generation and has already begun to cause irreversible damage to our planet and way of life."
– HM Government, 'UK Climate Change Risk Assessment' (2022)

1.2   Climate action planning in Midlothian

In 2019, Midlothian Council voted to declare a climate emergency and stated its ambition to achieve net zero for its own emissions by 2030. It acknowledged the need for urgent action to reduce its contribution towards climate change.

Midlothian's **Climate Change Strategy**, published in 2020, provides an overarching framework for action. It is structured around the following themes: energy efficiency, recycling and waste, sustainable development, sustainable travel, business processes, carbon management, governance and management, and risk.

The strategy also includes an Action Plan, which sets out specific near-term (2-3 years) steps that the Council plans to take. These include, but are not limited to, various awareness-raising and outreach activities, measures to reduce waste and promote sustainable travel choices, and initiatives that would reduce local emissions by investigating the potential for heat networks and ultra-efficient new homes.

Note: The Strategy and Action Plan, along with this report, deal with the Council's own emissions as an organisation, not emissions for Midlothian as a geographic area.

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[1] https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-Scotland-Summary-Final-1.pdf

The Climate Change Strategy and Action Plan provide a strong foundation going forward looking at GHG emissions reduction from a qualitative standpoint. The next step is to look at Midlothian Council's emissions quantitatively, and consider:

- Are these actions sufficient to achieve the net zero target?
- If not, what additional actions need to be taken?
- What scale of investment might be required, and when?

Those are the questions that this report seeks to address. It also recommends ways to improve data collection in the future, ensuring that the Council's GHG inventory is technically robust, accurate, and transparent as well as regularly updated. Finally, it suggests the type of governance structures and resourcing that the Council would need to put in place to implement the proposed changes.

The process
Aether was commissioned to undertake the following tasks:
- Step 1: Develop the council baseline GHG inventory by analysing detailed information on energy, waste, and travel
- Step 2: Identify the actions Midlothian Council needs to take to achieve its net zero target, through a collaborative process of engagement with key stakeholders
- Step 3: Calculate what the Council's future emissions might be, accounting for business as usual trends plus additional GHG reduction measures, and researching the potential costs of different options
- Step 4: Review the outcomes and suggest next steps

1.3   Policy context and other drivers

In addition to this local commitment, all Scottish Local Authorities have a duty to take action on climate change, arising from a combination of international, national, and sectoral policy requirements and legislation. Some of the key drivers are summarised below.

The UK ratified the **Paris Agreement** in 2016. The Paris Agreement is an international treaty that commits signatories to pursue action to limit global warming to 2°C, with an ambition of keeping it below 1.5°C.

The UK **Climate Change Act 2008** (as amended in 2019) requires emissions to reduce to net zero by 2050 at the latest. Additionally, the Committee on Climate Change (CCC), which is the UK Government's independent advisory body on climate change, sets out 5-year carbon budgets that must be met as stepping stones along the way. These targets have been set in response to the scientific evidence compiled by the Intergovernmental Panel on Climate Change (IPCC)[2].

The **Climate Change (Scotland) Act** 2009 set a legally-binding GHG emissions reduction target for whole country, which is expressed as a percent (%) improvement, relative to 1990 levels. Whereas the original Act would have required an 80% cut in GHG emissions by 2050, it was amended in 2019 to require a 100% net reduction by 2045. This

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[2] https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/

ambitious target would require emissions to reach net zero five years in advance of the rest of the UK, as illustrated below.

Figure 3. GHG emissions reductions targets for the UK and Scotland
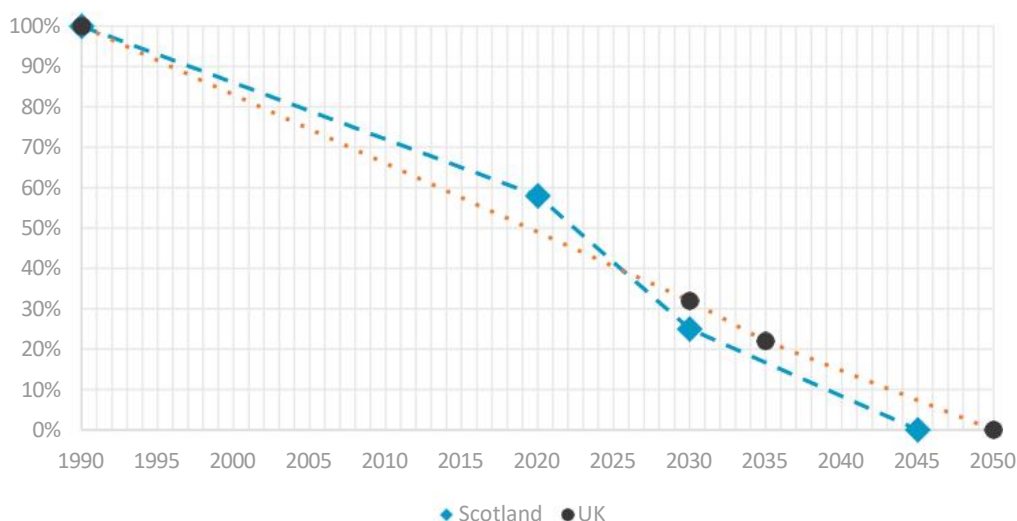
Under the Climate Change (Scotland) Act 2009, public sector bodies have a range of duties to in relation to climate change including mandatory reporting since 2015-16. Midlothian's annual **Public Bodies Climate Change Reports** are published online; these include estimates of the Council's corporate emissions alongside other actions the Council is taking on area-wide emissions and climate change resilience.[3]

The **2018 Climate Change Plan** for Scotland set out the Government's plans for transition towards a zero carbon economy. It contains a list of targets, funding initiatives, policy measures and other supporting actions the Scottish Government will take to achieve emissions reductions across all sectors. This was first refreshed in 2020 via the **Climate Change Plan Update** (CCPu), and at the time of writing (February 2024), the Scottish Government is preparing another update.[4] Some of the key policies described in the CCPu that are relevant to Midlothian's climate ambitions include:

Transport: Ending the sale of new combustion engine vehicles in favour of ones with zero tailpipe emissions, implementing measures to promote sustainable travel modes to contribute towards a 20% overall reduction in car kilometres, and supporting alternative fuels for vehicle types that are impractical to run on batteries, such as HGVs.

Buildings: Improving the energy performance of the existing building stock, phasing out fossil fuel heating systems in favour of ones with zero direct (i.e. onsite) emissions, and increasing the proportion of heating that is supplied via heat networks.

Notably, while most buildings must have a zero-emission heating system by 2045, for public sector buildings this target is 2038. Council housing is

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[3] https://sustainablescotlandnetwork.org/reports/midlothian-council

[4] https://www.gov.scot/publications/securing-green-recovery-path-net-zero-update-climate-change-plan-20182032/

also required to meet higher standards of energy efficiency than the rest of the housing stock by 2032 – achieving a minimum EPC rating of 'B' while the minimum for other homes is a 'C' rating.

Waste: Reducing the amount of food waste that is produced, ceasing to send biodegradable waste to landfill by 2025, taking action to reduce emissions from closed landfill sites, and increasing recycling rates.

Energy: Promoting renewable energy uptake, including an expansion of offshore wind capacity, and providing support to community and locally owned schemes. There is a target for renewable energy generation to account for the equivalent of 50% of energy demand for heat, transport and electricity by 2030.

Negative emission technologies: Supporting research and development into direct air carbon capture and storage (DACCS) and bioenergy with carbon capture and storage (BECCS), both of which are needed to mitigate 'hard-to-abate' sources of emissions such as waste.

These policies and drivers have been taken into consideration when developing the list of GHG mitigation actions for Midlothian, including timescales. More details of the actions are provided in subsequent chapters.

1.4 Structure of this report

Section 2 describes Midlothian Council's current GHG emissions, and explains how these were calculated. It forms the basis for identifying additional recommendations throughout the rest of the report.

Section 3 presents an assessment of current energy use in Council-owned buildings. It then provides recommendations for priority measures to improve their performance.

Section 4 shows the potential future GHG emissions trajectory for Midlothian Council, comparing a 'business as usual' scenario against alternative pathways to net zero.

Section 5 sets out a long list of actions that the Council could take to mitigate its GHG emissions, including timescales, potential costs, co-benefits, and other practical considerations.

Section 6 describes governance arrangements for reducing emissions, and provides recommendations on how to monitor emissions in future, including data collection.

Section 7 summarises key messages and draws together conclusions from the work.

The **Appendices** provide further detail on the modelling assumptions and methodology used as part of this project.

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2   Midlothian Council's current GHG emissions

This section describes Midlothian Council's current GHG emissions, and explains how these were calculated. It forms the basis for identifying additional recommendations throughout the rest of the report.

2.1   What is a GHG emissions inventory?

A greenhouse gas (GHG) inventory, or 'carbon footprint', is a dataset that quantifies the sources of GHG emissions from an organisation's operations. Different sources of emissions will be included in the inventory, depending on the type of organisation, the reason that it is reporting its emissions, and whether there are data available to provide an estimate.

Producing a GHG inventory is important for a few reasons:

- If an organisation wants to reduce its emissions, it is first crucial to understand where the emissions are coming from.
- It allows organisations to track their progress against targets over time.
- It provides a way for them to compare themselves to other, similar organisations, and to undertake benchmarking.

2.2   Inventory Methodology

2.2.1   Overview of the approach

In simple terms, a GHG inventory is produced by collecting data on the organisation's activities, and then applying a conversion factor that represents how 'carbon intensive' that activity is. This is shown in Equation 1.

Equation 1: Emission factor approach for calculating GHG emissions

$$\text{Emissions} = \text{Emission Factor} \times \text{Activity Data}$$

Activity Data - This is a measure of the activity which is taking place, which might be in units of electricity, litres of petrol or tonnes of waste. For this inventory, activity data have been provided by Midlothian Council.

Emission Factor - This is the GHG emissions per unit of activity, which usually comes from scientific literature.

For example, estimating CO_2 emissions from the use of electricity involves multiplying data on kilowatt-hours (kWh) of electricity used by the emission factor ($kgCO_2$/kWh) for electricity, which will depend on the technologies and type of fuels used to generate the electricity. Electricity generated by coal- or gas-fired power plants will have a higher emission factor than electricity generated by a mix of fossil fuels and renewable energy.

This assessment has been produced in line with guidance set out within the internationally-recognised GHG Protocol Corporate Accounting and Reporting Standard[5],

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[5]   https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

which also underpins the guidance for the Scottish Public Bodies Climate Change Duties Annual Reporting co-ordinated by the Sustainable Scotland Network (SSN)[6].

2.2.2 What does this assessment cover?

This inventory covers sources of emissions that are included in Midlothian Council's Public Bodies Climate Change Report[7]:

- **Energy use**, **water supply** and **water treatment** for buildings where the Council is responsible for utility bills
- Fuel used within the Council's own **vehicle fleet**
- Electricity used for **streetlighting**
- **Business travel** for Council activities

It also includes the emissions from **waste** generated by the Council's operations. Guidance from the SSN and the Local Government Association (for England and Wales) states that local authorities should report waste emissions, although it is not yet included in Midlothian Council's public reports.

Council housing, and other properties the Council owns but where it is not responsible for utility bills, are **outside the scope** of this assessment.

There are various other sources of emissions associated with Midlothian Council's activities that should fall within the scope of this inventory, but have not been included because data were not available during the project timescale and/or because they are expected to be small in comparison with the emissions listed above.

The table below lists the sources of emissions that are considered relevant to Midlothian Council. In line with standard GHG accounting procedures, these have been grouped into three categories or 'scopes', for which definitions are also provided.

 In future, it is recommended that Midlothian Council collect data and report on those additional sources for the sake of completeness. Please refer to **Section 6.1** for more recommendations on data collection.

Additional information:

- The **reporting period** for this assessment is the financial year (FY) 2021/22.
- In terms of the **geographical boundary**, this assessment encompasses any locations where Midlothian Council operates, which are primarily within Midlothian, although some waste management activities and business travel may take place elsewhere.

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[6] https://sustainablescotlandnetwork.org/uploads/store/mediaupload/2179/file/PBDR%20Guidance%202023%20V1.2.pdf
[7] https://sustainablescotlandnetwork.org/reports/midlothian-council

Table 2. GHG emissions associated 2.2.2with Midlothian Council's operations

	Category definition	Emissions currently <u>included</u> in the inventory	Emissions <u>not</u> currently included in the inventory
Scope 1	**Direct** GHG emissions from sources owned or controlled by the Council	• Gas, oil or other fuels used to heat buildings where the Council pays utility bills • Fuel used in vehicles such as petrol and diesel cars, vans and HGVs	• Refrigerants, which are used in fridges, freezers, and air conditioning • Fertilizer use (e.g. on lawns or playing fields)
Scope 2	**Indirect** GHG emissions from the consumption of purchased electricity, steam or other sources of grid-generated energy	• Electricity used in Council-owned and operated facilities, including buildings and streetlamps, where the Council pays utility bills • Electric vehicle charging at the same properties*	
Scope 3	GHG emissions that occur indirectly from Council activities, **outside the control of the Council** (e.g. the Council's procured services)	• Waste – all waste collected by the Council • Water supply • Water treatment • Business travel • Home/hybrid working	• Employee commuting • Capital goods (e.g. embodied carbon of buildings) • Other purchased goods and services (e.g. social care, food and catering for schools) • Investments (e.g. pension funds) • Energy use in buildings owned by the Council where other entities pay utility bills

* Electricity used for vehicle charging cannot be disaggregated from the figures for electricity used in buildings based on the data provided.

2.2.3 Data sources

A full breakdown of the activity data used is presented in Appendix A.

Buildings, streetlighting, vehicle fleet and business travel: The activity data reported in Midlothian Council's 2021/22 climate duties report was used in the emissions calculations.

Whilst the building energy data provided by the Council contained a more detailed breakdown between building types, the total energy consumption reported in these files was substantially lower than the total energy consumption reported in Midlothian's climate duties report for gas and electricity. It is assumed that the activity data in the Public Sector Bodies report is more comprehensive, so this was used to calculate the Council's baseline emissions.

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Waste: Waste data for the Council's own operational waste was requested but was not available. We have therefore used the total amount of waste collected by the Council, based on statistics for 2021 published by the Scottish Environmental Protection Agency (SEPA). Although the Council's operations only generate a small amount of this waste, all of the waste can be considered a Scope 3 emissions source for Midlothian Council, since it is responsible for waste management and commissions the energy from waste plant.

Home/hybrid working: The activity data reported in Midlothian Council's 2021/22 climate duties report was used in the emissions calculations.

Emissions factors: Emissions factors for greenhouse gas reporting are published annually by the UK Government. The 2021 dataset was used to calculate emissions for the financial year 2021/22 for buildings, streetlighting, vehicle fleet, business travel and waste.[8] The homeworking emission factor from Sustainable Scotland Network's Reporting Guidance 2020/21[9] was used in order to align with Midlothian Council's climate duties report. Emissions factors have been checked for consistency with Midlothian Council's 2021/22 climate duties report. For water supply and treatment, there is a slight discrepancy between the figures used in that report and the UK Government's statistical publication; we have used the latter. This does not have a significant impact on the results.

2.3   Council GHG Emissions in 2021-22

Midlothian Council's GHG emissions are estimated to be 19.5 ktCO$_2$e in 2021/22. A more detailed breakdown of the Council's emissions is presented in **Table 3**.

Table 3 Midlothian Council's emissions in 2021/22

Emissions source	Emissions (tCO$_2$e)	% of total emissions
Buildings total	12,455	64%
Buildings - Electricity	*3,069*	*16%*
Buildings - Gas	*9,144*	*47%*
Buildings - Gas oil	*221*	*1%*
Buildings – Water supply & treatment	*21*	*0.11%*
Streetlighting	1,191	6%
Fleet total	1,982	10%
Fleet - Diesel	*1,694*	*9%*
Fleet - Petrol	*37*	*0.19%*
Fleet – Gas oil	*250*	*1%*
Business travel	18	0.09%
Waste (Council collected)	3,240	17%
Homeworking	605	3%
Total	**19,490**	**100%**

Note: Figures in this table have been rounded

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[8] www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
[9] www.sustainablescotlandnetwork.org/uploads/store/mediaupload/1572/file/CC%20Reporting%20Master%20Guidance%202021%2013.07.21.pdf

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The Council's Scope 1 and 2 emissions from its own operations are dominated by buildings and vehicles:

- Operational buildings are a significant source of GHG emissions for Midlothian Council, and account for 64% of the GHG emissions that have been quantified. The use of natural gas in the Council's buildings accounts for just under half of total emissions. The second largest contributor to Midlothian's carbon emissions is electricity consumption in buildings. There is also a small amount of gas oil used for heating which accounts for around 1% of emissions.
- The Council's vehicle fleet contributes 10% of total GHG emissions. Within this category, the majority of emissions relate to the use of diesel, with petrol and gas oil accounting for a small proportion of fleet emissions.
- Streetlighting accounts for around 6% of Midlothian's emissions.

Among the Scope 3 (indirect) emissions that have been quantified, the most significant source of emissions (17% of the total) is from waste; however, as stated previously, this includes all waste collected by the Council. The Council's own operational waste is likely to be a small proportion of this. It is also worth noting that emissions from waste in this calculation are dominated by waste that is sent to landfill, and it is understood that this practice has been stopped. If the same amount of waste was sent to the incinerator, GHG emissions from waste would be significantly lower than indicated. The values presented here should be interpreted with particular caution as they do not necessarily reflect current waste management practices, and include waste generated by organisations and individuals not associated with Midlothian Council.

The remaining Scope 3 emissions that have been quantified in this study are associated with homeworking (3%), water supply and treatment (0.1%) and business travel (0.1%).

Figure 4 Midlothian Council's GHG emissions by source
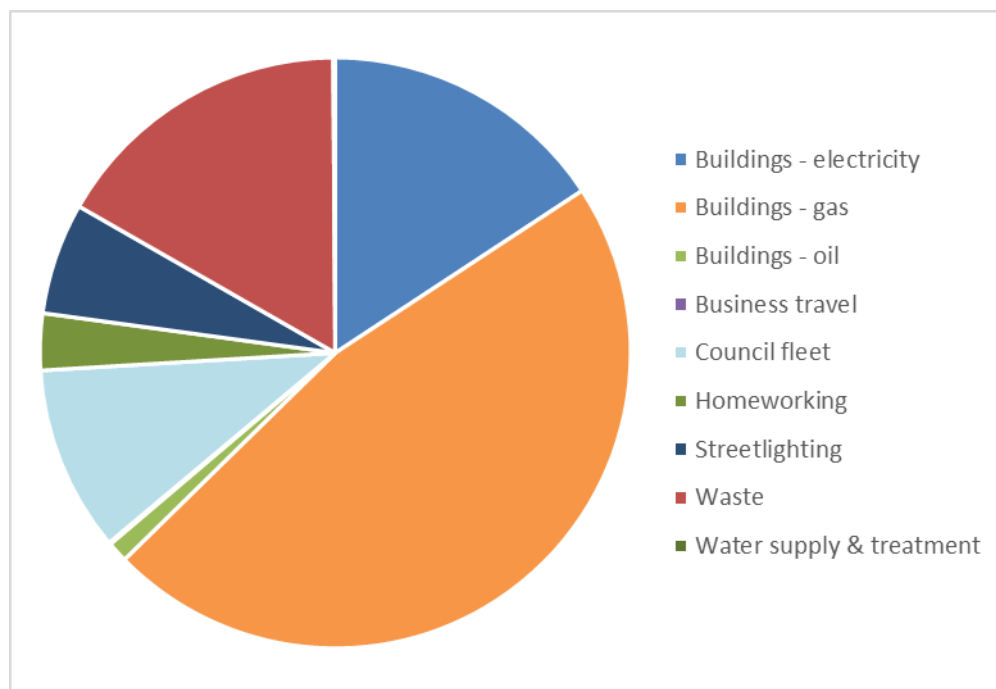
Note: The majority of the Council's Scope 3 emissions have not been quantified, but these could potentially have a large impact on the results; it is not uncommon for them to represent 90-95% of a corporation's total emissions. The percentage values above should therefore be interpreted with caution because they are subject to change if additional sources of emissions are added to Midlothian's GHG inventory. They could also change for methodological reasons; for instance, the emission factor for homeworking is based on an average that is not specific to Midlothian Council's own staff. A more detailed estimate might produce a different result.

3   Energy use in Council buildings

This section presents an assessment of current energy use in Council-owned buildings. It then provides recommendations for priority measures to improve their performance.

3.1   Why are we interested in energy use?

Midlothian Council owns a variety of buildings, including Council offices, leisure centres, schools, residential care homes, and others. These buildings use a significant amount of heat and power, and therefore account for a significant proportion of Midlothian Council's operational GHG emissions – as well as operating costs.

The purpose of this analysis was to try and identify which buildings use the most energy, and to identify priority actions for the Council to improve those buildings' performance. This has informed the analysis of future emissions pathways, and recommendations for further work e.g. building energy audits and detailed feasibility studies.

3.2   Energy Data

Midlothian Council provided gas and electricity consumption data for all Council-owned buildings (where information was available). This was used to identify:

- The buildings with the highest energy demand overall (kWh), i.e. the total amount used each year; and
- The most energy-intensive buildings (kWh/m^2 per year), accounting for the differences in building size.

For a sub-set of buildings, the analysis also looked at *patterns* of energy use: how these vary seasonally, across the week, and in relation to outdoor temperature changes. The latter is referred to as 'degree day analysis'.[10]

Where possible, we sought to fill gaps in the data by referring to Energy Performance Certificates (EPCs) for the buildings in question. These list the floor area of the building and provide a rough indication of its energy efficiency levels and running costs based on modelled estimates, not the actual energy bills.

The analysis covered energy use at the following types of premises:

- Council offices
- Commercial buildings
- Community centres

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[10] Information on degree days was taken for Edinburgh from https://www.degreedays.net/

- Schools
- Libraries
- Public parks
- Depots
- Sports and leisure centres
- Residential accommodation and social care
- Public toilets
- Cemeteries
- Other miscellaneous non-residential buildings

Council housing was excluded from the analysis.

Note: Although efforts were made to ensure that the dataset was complete, this exercise found some discrepancies which could not be resolved within the timeframe of the project. For example, EPCs were provided for some buildings for which energy data were unavailable, and vice-versa. It has been assumed that the list of Council buildings with associated gross internal area (GIA) covers Midlothian Council's main buildings and have matched this data to gas and electricity consumption on the basis of postcode, where possible.

It was not possible to match some buildings on this list with energy data due to inconsistencies in the energy data, and therefore some of Midlothian Council's buildings will be missing from the analysis. Recommendations for improving future data collection are presented in Section 6.2 of this report.

3.3   Buildings Energy Intensity

3.3.1   Buildings with high energy and gas consumption – comparisons with benchmarks

The buildings with the highest electricity and gas consumplion were identified and these are presented in **Appendix 1**.

Although it is important to consider which buildings contribute most to emissions to ensure that actions will have a bigger impact on the overall emissions total, it is of limited use to consider energy consumption without considering other factors such as building size and type. Unsurprisingly, the buildings at the top of both lists were mostly leisure centres with pools and high schools which are expected to have reasonably high energy demands.

The buildings with the highest intensity electricity usage (annual electricity consumption by GIA), listed in **Table 4**, were compared to Scottish benchmarks for electricity use in public sector buildings.[11] These include average, maximum and minimum values; data for Midlothian's buildings were compared against this range.

Of the 20 buildings, five were found to be higher than the benchmark values. All other buildings included in the list were found to be within or lower than the expected range

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[11] The Scottish public sector benchmarks are based on the energy use of over 9,000 individual sites, as reported by Scottish Local Authorities and other public sector organisations that participated in the voluntary benchmarking exercise in 2021. https://www.zerowastescotland.org.uk/resources/scottish-public-sector-benchmarking-tool

for electricity consumption. Three of those buildings identified as having unusually high electricity use were care homes or accommodation.

The care home at 1A Eastfield Drive, which had the highest electric intensity of all Midlothian's operational buildings, was 26% higher than the expected electricity use range for similar buildings. Newbattle Community Campus and Kings Park Primary School were also identified as having unusually high electricity consumption, by 26% and 5% respectively.

Both of the council's main office buildings feature in the list of buildings with the highest electricity intensity, although both are within range of benchmark values.

Table 4 Buildings with the highest electricity use intensity, compared to benchmarks for Scotland

Building	Intensity (kWh/m²/yr)	Benchmark category	Comparison against benchmarks
1A Eastfield Drive	161	Care homes	26 % Higher than range
Penicuik House	133	Care homes	5% Higher than range
Pentland House HEP	124	Care homes	Within range
Stobhill Depot	112	Depot	Within range
Penicuik Pool and Library	107	Leisure centre - indoor dry sports and swimming pool	Lower than range
Parkhead Lodge	97	Accommodation	2% Higher than range
Loanhead Centre	95	Sports and leisure	Lower than range
Highbank HEP	94	Care homes	Within range
Midlothian House	91	Offices	Within range
Cowan Court	90	Care homes	Within range
Newbattle Community Campus	87	Secondary school with pool	26% Higher than range
Newton Grange Leisure Centre	86	Sports and leisure	Lower than range
Newbyres Village Care Home	82	Care homes	Within range
Fairfield House – Main Building	78	Offices	Within range
Roslin Library	76	Library	Within range
Kings Park Primary School	74	Primary & secondary educational buildings	5% Higher than range
Gorebridge Childrens Home	67	Care homes	Within range
Beeslack High School	58	Primary & secondary educational buildings	Within range
Burnbrae Primary School	58	Primary & secondary educational buildings	Within range
Gorebridge Leisure Centre	57	Sports and leisure	Lower than range

Similarly, the buildings with the highest gas consumption intensity were also compared to Scottish benchmarks. The results are shown in **Table 5**. Of the 25 buildings included in the list, only 8 were found to be in range of benchmark values, and all others had higher than expected gas consumption when compared to buildings of similar type.

Table 5 Buildings with the highest gas consumption intensity, compared to benchmark values

Building	Intensity (kWh/m²/yr)	Benchmark category	Comparison against benchmarks
Parkhead Lodge	889	Accommodation	214% Higher than range
Penicuik Pool and Library	526	Leisure centre - indoor dry sports and swimming pool	Within range
1A Eastfield Drive	503	Care homes	40% Higher than range
St Mattews RC Primary School	497	Primary and secondary educational buildings	166% Higher than range
Stobhill Depot	453	Depot	144% Higher than range
Glencourse Primary School Now ASN	408	Primary and secondary educational buildings	118% Higher than range
Roslin Library	402	Library	51% Higher than range
Hawthorn Children's Centre	399	Day centre	34% Higher than range
Loanhead Centre	350	Sports and leisure	Within range
Penicuik High New Pavilion	330	Cultural, recreational and events	21% Higher than range
Kings Park Primary School	325	Primary and secondary educational buildings	74% Higher than range
Cowan Court	315	Care homes	55% Higher than range
Highbank HEP	311	Care homes	Within range
Fairfield House Main Building	288	Offices	42% Higher than range
Gorebridge Children's Home	286	Care homes	Within range
Newbattle Comm Education Centre	285	Community centre	0.5% Higher than range*
Kilbreck House	283	Accommodation	0.1% Higher than range*
Midfield House	281	Care homes	Within range
Sacred Heart RC Primary School	274	Primary and secondary educational buildings	46% Higher than range
Penicuik High School	260	Primary and secondary educational buildings	39% Higher than range
Penicuik Complex Care	252	Care homes	Within range

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Newtongrange Primary School	252	Primary and secondary educational buildings	35% Higher than range
Gorebridge Leisure Centre	249	Sports and leisure	Within range
Penicuik Town Hall	231	Offices	14% Higher than range
Brightsparks	231	Day centre	Within range

* These values are only slightly above the stated range; when considering the uncertainty associated with any benchmarking exercise, along with natural variations in weather and usage patterns, this difference may not be significant.

In some cases, gas consumption was significantly higher than benchmark values. The gas intensity reported for Parkhead Lodge was over three times larger than the benchmark value. St Matthews RC Primary School, Stobhill Depot and Glencourse Primary School all had gas use intensities that were over double expected values.

Of the Council's two main office buildings, Fairfield House has gas consumption that exceeds benchmark values. Midlothian House does not appear in the list of the top 25 buildings for gas consumption intensity and is also within the expected benchmark range for office buildings.

It is difficult to understand the full extent of energy use in Midlothian Council's buildings due to uncertainty about the coverage of the energy data. Inconsistencies between datasets suggest that some buildings have not been included in the data that were supplied to us.

The energy intensity analysis demonstrates that some Council buildings have energy consumption that is much higher than expected, especially for gas consumption. It is understood that Midlothian Council has already scheduled energy audits for some of its buildings in the financial years 2023/24 and 2024/25, although a list of those buildings selected for these initial audits has not been received.

Recommendations:

It is recommended that the Council ensure that complete and consistent energy data are recorded. Data collection needs are discussed further in Section 7.1.

It is strongly recommended that Midlothian Council completes energy audits for buildings with the highest energy use or energy use intensity and looks into the potential reasons for this. It is recommended that audits for buildings with high energy use and high energy intensities are prioritised.

3.3.2   Midlothian House vs. Fairfield House: Energy use and emissions

The Council is currently considering whether to close Midlothian House or Fairfield House. This section provides a brief comparison of these properties in regard to energy use and GHG emissions. It also discusses the potential impacts from demolishing and rebuilding, if and when one of the properties is sold.

The methodology and data sources used to calculate energy and GHG emissions have been described previously in **Section 2.2**. Embodied carbon (that is, the indirect

emissions from the construction and materials) has been estimated based on RIBA benchmarks.[12]

Energy use: These two properties have relatively high energy use compared with other buildings in the Council's portfolio, and are within the top 20 for both gas and electricity (see Section 3.3.1). Total gas and electricity consumption (kWh) in Fairfield House is around 35% higher than in Midlothian House, although it is around 15% smaller.

Figure 5. Energy: Midlothian House vs Fairfield House
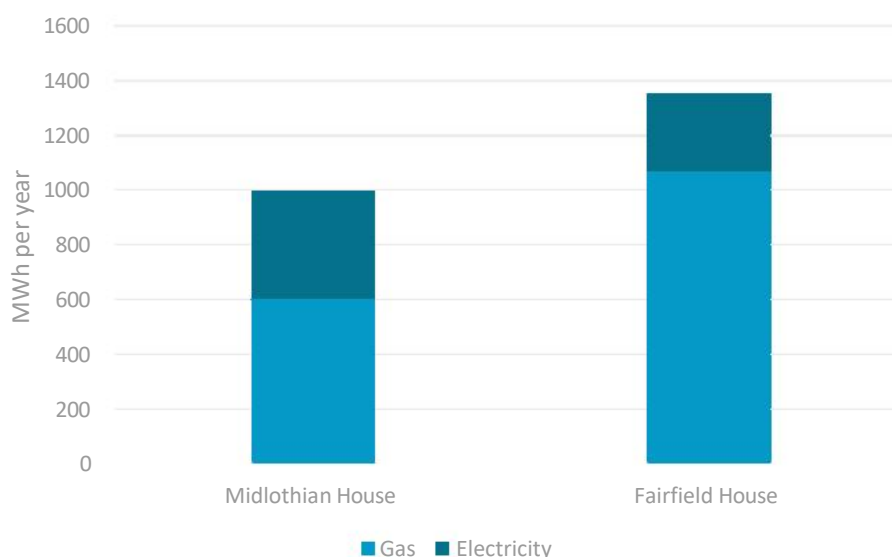
Although Fairfield House uses more energy, it is estimated that energy bills at the two properties may be roughly similar due to differences in the cost of electricity and gas.

GHG emissions: Despite having relatively high energy use, they account for a relatively small proportion of emissions (which is to be expected for any individual building given the breadth of the Council's portfolio). Midlothian House accounts for around 1.1% of the Council's quantified GHG emissions (212 tCO$_2$e), whereas Fairfield House accounts for around 1.4% (269 tCO$_2$e).

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[12] https://www.architecture.com/about/policy/climate-action/2030-climate-challenge

Figure 6. Emissions: Midlothian House vs Fairfield House
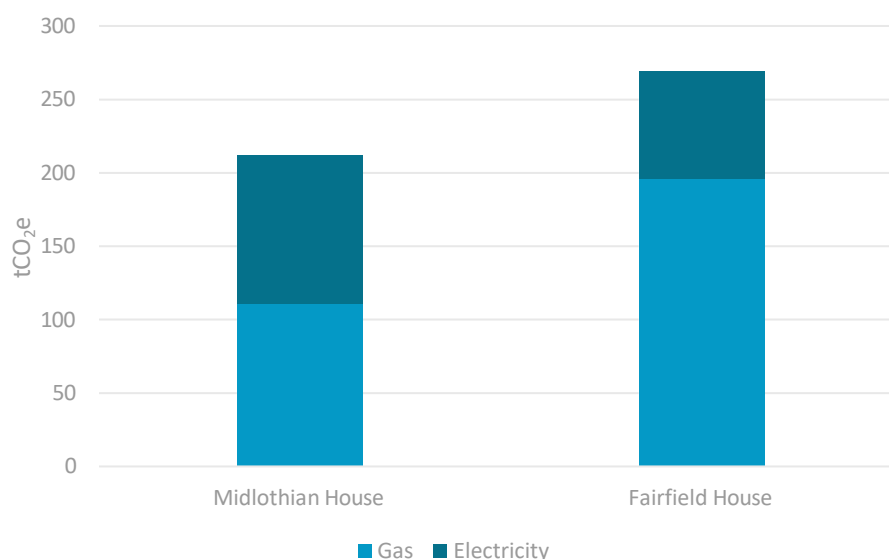
Indirect impacts on emissions: It is understood that, if sold, the buildings might be demolished and replaced. Those emissions would not fall within the Council's GHG inventory once the asset is sold. However, the Council does have the ability to influence – and potentially avoid – those emissions through careful decision-making. This is important to consider because embodied carbon emissions will be many times higher than the annual operational emissions.

The chart below illustrates the difference, assuming that Midlothian House is replaced with another office building of the same floor area that meets good practice energy efficiency standards.

- Operational emissions from the current building are 212 tCO_2e per year.
- A new building with a heat pump that uses 65 kWh/m^2 of electricity per year would have roughly 65% lower emissions, saving around 140tCO_2e per year.
- Using the RIBA 2025 good practice benchmark for new build offices (970 $kgCO_2e/m^2$), the embodied carbon of a replacement building would be more than 4,500 tCO_2e.

So, even if the replacement building was highly energy efficient, it would take 30 years to make up for the upfront embodied carbon through operational carbon savings.

Figure 7. Midlothian House: Annual operational emissions vs. embodied carbon
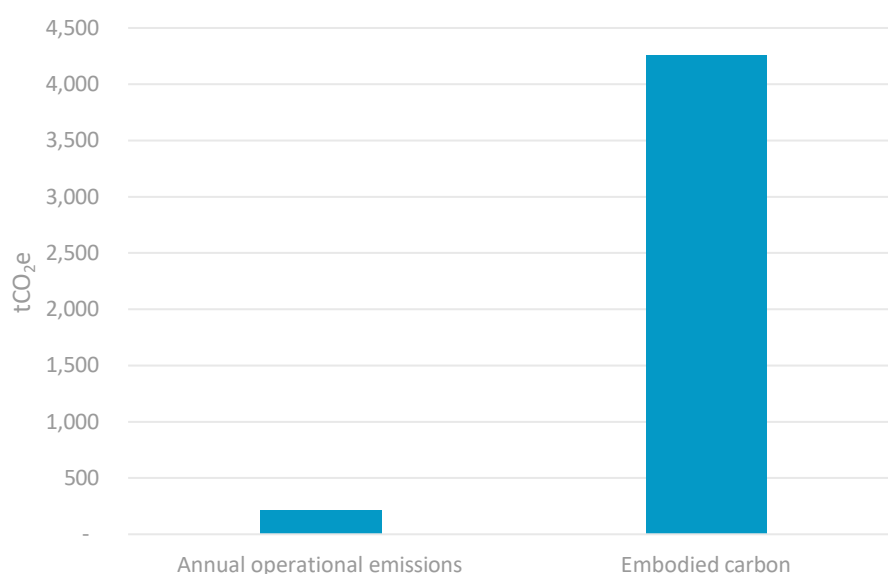
The key take-home point from this analysis is that the decision to sell one building versus the other would not have a significant impact on Midlothian Council's emissions – on paper. Their operational emissions are small compared with the Midlothian Council's total operational emissions. However, if the Council has reason to believe that one building would be demolished and rebuilt, while the other could be refurbished, this *would* result in a significant difference in GHG emissions between the two options, due to the embodied carbon.

3.4   Embedding GHG reductions into operations and maintenance strategies

For the Council's own assets, it is important to make sure that decarbonisation is embedded within the operations and maintenance strategy. This is absolutely critical to prevent money being spent on new fossil fuel systems if it can possibly be avoided.

Any new gas boiler that might be installed between now and 2030 would either have to be replaced again in a few years' time for the Council to meet its net zero target. Or – as is more likely – they will continue to operate in 2030 and beyond, which will mean that the net zero target is missed.

This issue can be complicated depending on the ownership and tenancy/leasing arrangements of Council-owned buildings. The table below highlights the different approaches that apply in different circumstances.

Table 6. Approach for buildings under different ownership and operational models

Type of building	Recommended steps
All buildings that the Council either owns or operates	Acknowledge that you have levers of influence over these emissions, directly or indirectly Assess which sources of emissions are likely to be most significant – this might involve a qualitative screening assessment at first, before examining important sources in more detail Work with landlords/tenants/other stakeholders to collect relevant data Ensure that plans align with Government regulations e.g. minimum EPC ratings Regularly report and track progress
Buildings that the Council owns, but doesn't operate	Make tenants aware of your longer-term plans and targets Work with tenants to identify steps that they can take (and how you, as the landlord, can facilitate this) Make sure that relevant works/upgrades are integrated into the maintenance strategy Where relevant, introduce 'green lease agreements'
Buildings that the Council operates, but doesn't own	Make the landlord aware of your longer-term plans and targets Work with the landlord to understand steps that you can take (and what permissions are needed) Identify opportunities to reduce emissions through your own operations, that do not require the landlord's involvement e.g. encouraging staff to recycle more
Buildings that the Council owns AND operates	All of the above actions, as relevant The Council will have full control over changes and will be able to take advantage of the full benefits of any measures that are implemented

4 Midlothian Council's future emissions

This section shows the potential future GHG emissions trajectory for Midlothian Council, comparing a 'business as usual' scenario against alternative pathways towards net zero.

4.1 How do we model future emissions?

This GHG emission trajectory study for the Council has been undertaken using the Carbon Scenario Model (CSM). Originally developed for use by local authorities (funded by Resource Efficient Scotland and Sustainable Scotland Network[13]), this Excel-based tool has been adapted by the project team to provide a bespoke modelling solution for Midlothian Council.

Within the model, baseline emissions are disaggregated by sector (e.g. buildings, vehicles, waste) and by fuel type (e.g. electricity, gas, petrol). The model is then configured to specify whether each source of emissions will increase or decrease, and by how much.

Changes in the BAU scenario may be due to wider trends (e.g. population and economic growth) or planned and committed projects (e.g. building refurbishment). Changes in the net zero scenario(s) are due to GHG reduction actions and policies.

In each case, the scale of the impact is informed by an evidence base that includes stakeholder engagement, literature and policy reviews. Two of the key sources of information for this study were (1) the technical research underpinning the 6th Carbon Budget and (2) the GHG impact assessment of the Scottish CCPu.[14] We have also drawn on our team's expert knowledge of relevant case studies.

The model is then configured to specify the timeframe over which the changes occur or the actions are implemented. Based on all of this information, the model recalculates emissions for each sector and fuel type for each year up until the target date.

This process allows us to evaluate how close Midlothian Council could get towards achieving its target, assess the scale of impact from individual GHG reduction measures, and identify any sectors where there is a shortfall. The results can then be used as an evidence base to prioritise actions and identify key risks.

However, it is important to understand that these are illustrative scenarios based on assumptions and not projections or predictions. **Any estimates of future emissions – particularly ones that extend decades into the future – are associated with significant uncertainty and subject to adjustments as the evidence base improves and unforeseen technology and behaviour changes arise.**

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[13] https://sustainablescotlandnetwork.org/resources/carbon-footprint-and-project-register-tool

[14] https://www.gov.scot/

4.2 The 'Business as Usual' scenario

4.2.1 Modelling approach

The base year GHG inventory is projected forward in time, assuming no further action is taken by the Council, to produce the Business as Usual (BAU) scenario. The changes in the baseline emission profile are therefore as a response to wider-scale pressures and actions from outside of Midlothian.

The key change that has been modelled is the decrease in emissions from grid electricity, which is due to a higher proportion of renewables being used to generate power. The future grid electricity factors used in the model are based on the Treasury Green Book supplementary appraisal guidance on valuing energy use and greenhouse gas (GHG) emissions.[15]

Note that the Scottish and UK governments have both announced a range of policy initiatives and targets that would impact emissions in Midlothian even if the Council did not introduce new policies of its own. However, Midlothian Council would still be responsible for implementing them, so for the purpose of this exercise these have been included in the net zero scenarios, rather than the BAU scenario.

4.2.2 BAU scenario emissions

Emissions are predicted to reduce steeply in the next few years, decreasing by about 17% by 2030. The pace of change would slow significantly after that, with a total of about 20% reduction by 2040 or 2045.

Figure 8. GHG emissions by source - BAU scenario
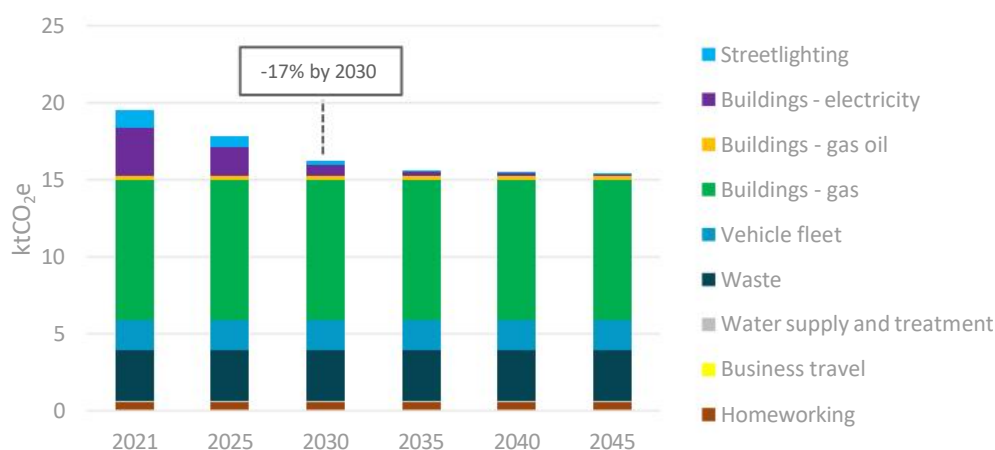
The BAU scenario shows that some emissions reductions will take place between now and 2030 due to decarbonisation of the electricity grid. It is important to note that the future emission factors for electricity are *not* forecasts of what will actually happen. The Treasury Green Book figures represent the changes that would need to happen for the UK to meet its carbon targets. Achieving this will require very significant investment in infrastructure and a step change in renewable energy deployment and battery storage.

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[15]The year-on-year change in Treasury Green Book values was used to calculate the carbon emission factor for electricity to the year 2045.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/79473 7/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal-2018.pdf

The values cited above are therefore an optimistic estimate of the GHG reduction that would occur in the BAU scenario.

However, the BAU also clearly demonstrates the need for further action from Midlothian Council, to meet the emissions reduction targets. On this point, the Council already has a variety of initiatives underway to reduce emissions, including building retrofits, heating system upgrades, roof-mounted PV, and street lighting replacements. The following sections discuss the potential scale of impact from continuing to deliver these and other types of projects, maximising the level of ambition.

4.3   What additional measures are needed to bridge this gap?

To understand potential pathways to net zero, we need to consider each source of GHG emissions and map out the behavioural and technological solutions that can reduce each of these to zero. This will inform the list of climate actions for Midlothian Council that is presented in Section 5.

Based on the make-up of Midlothian's current GHG inventory, we have grouped actions into three main priority areas: buildings, transport and waste.[16] For each of these, first and second principles are outlined below, which recommend the type of actions that need to be prioritised, and the order in which to do so.

Figure 9. Priority actions for net zero
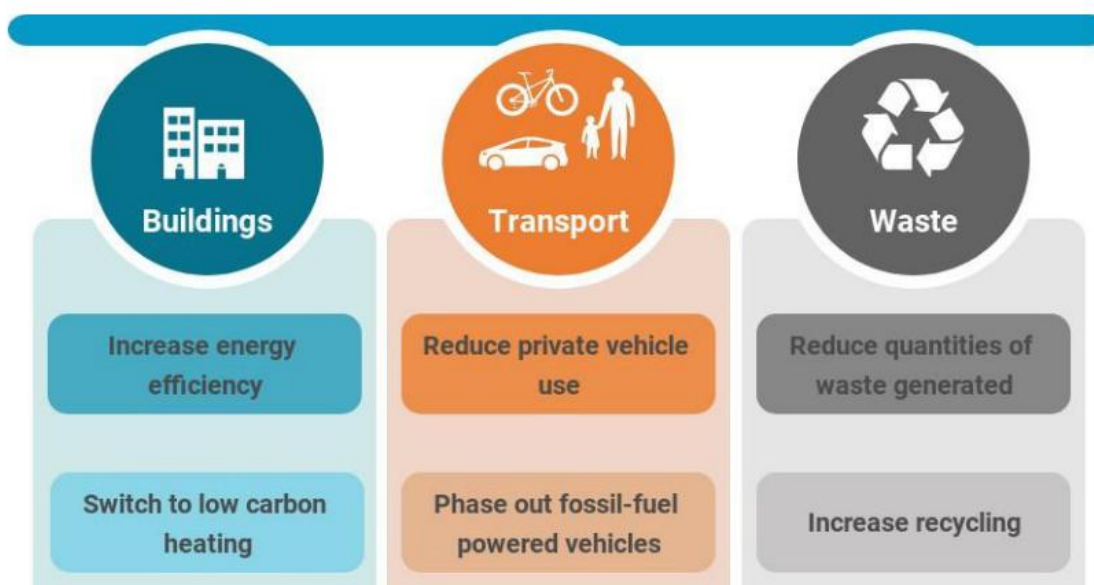
4.3.1   Buildings

First principle: increase energy efficiency. Reducing the energy demand by increasing energy efficiency is the first step to lowering emissions. Actions to increase energy efficiency of buildings should come before installing low carbon heating appliances. This principle is already recognised by Council stakeholders who take a 'fabric first' approach.

Second principle: switch to zero direct emission heating (ZDEH) systems. The Scottish Government's intention is that no new fossil fuel heating systems will be installed from

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[16] The other main source of GHG emissions is streetlighting, but good progress is already being made to install LEDs, so this is not one of the main priority areas. Water supply and treatment, business travel and homeworking are indirect Scope 3 emissions and account for a relatively small proportion of the total.

2030 onwards, and that by 2045 all systems will have zero direct emissions at the point of use.[17] These could be individual systems or communal/district heating solutions, and they are likely to run on renewable electricity or another source of waste heat – although the preferred solution will depend on the local context and individual building.

4.3.2 Transport

First principle: reduce vehicle use. Decreasing the number of vehicles on the roads, and the mileage of vehicles, is the essential first step to decarbonising transport, to reduce the energy demand. This could take the form of trip avoidance, consolidating journeys where possible, and undertaking eco driving training. In some cases, it might be possible to shift to public transport, walking and cycling.

Second principle: phase out fossil-fuel powered vehicles. After adopting measures to encourage public transport, walking and cycling, the remaining vehicles on the roads will need to be replaced with non-fossil fuel powered vehicles. The majority of these will be electric vehicles, with hydrogen possibly playing a role for decarbonising freight vehicles. The Council can facilitate this shift to electric vehicles through working with partners to ensure sufficient availability of rapid charging points in the area.

Figure 10 Sustainable travel hierarchy
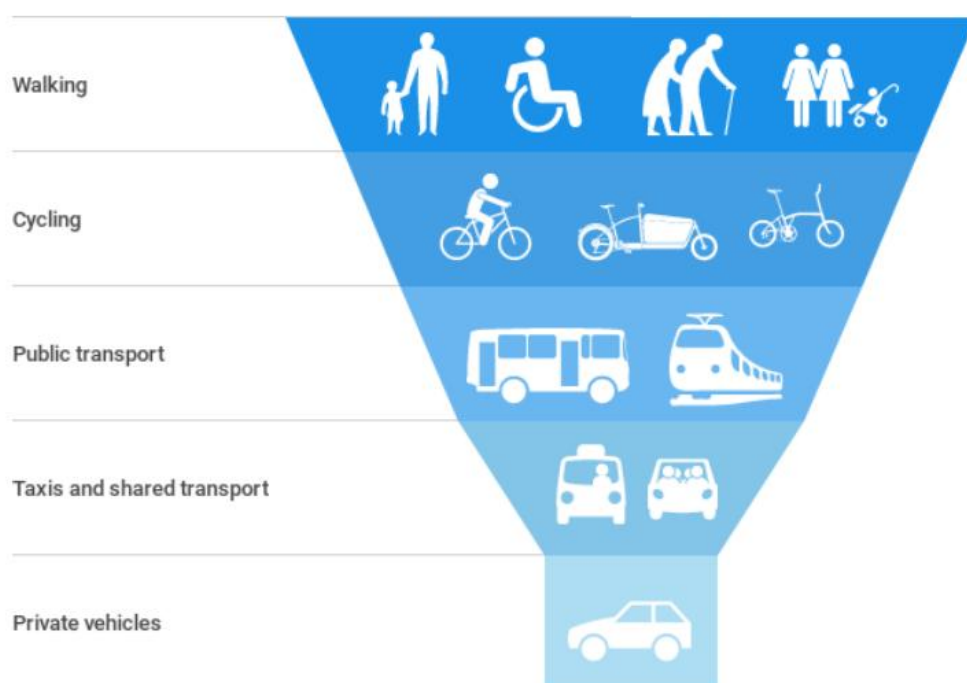
4.3.3 Waste

First principle: reduce quantities of waste generated. Reducing the amount of waste generated is the first step to decarbonising the waste stream, as it lowers the energy demand on the process. This is the first level on the waste hierarchy of management options, shown in Figure 11. Waste generation can be reduced through changes in

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[17] There will still be some indirect emissions from generating electricity, but over time these will also reduce due to grid decarbonisation.

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packaging of goods, reducing the consumption of goods, reusing and repairing goods, and embracing circular economy approaches.

Second principle: increase recycling and composting. The waste that cannot be avoided should be processed through these methods, which avoid waste going to the EfW plant. Increased recycling of plastics will have a particular effect in reducing emissions from their combustion at the EfW plant.

Figure 11 Waste management hierarchy

These principles have been used to define a set of mitigation measures that can be modelled, to quantitatively assess how Midlothian Council can reach its net zero target.

Which measures have been modelled?

Some measures will have a quantifiable impact on Midlothian's GHG inventory, but this is not always the case. In this study, GHG reductions have only been quantified where:

- There is technical evidence or research available to inform the analysis. This provides transparency, and ensures that the estimates are formed based on realistic assumptions.
  AND
- The source of emissions is included in Midlothian Council's GHG inventory. Some actions reduce wider emissions – for instance, switching from a car to cycling might avoid the emissions associated with manufacturing vehicles and supplying fuel – but this would not affect the Council's 'balance sheet'.

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4.4 Pathways towards net zero

4.4.1 Modelling approach

The decarbonisation scenarios incorporate the same grid electricity trends as the BAU scenario. Individual GHG reduction actions are added with emissions savings estimated annually from the year of implementation.

The table below summarises the mitigation measures that have been modelled. Measures listed in *grey italics* are not considered to be feasible within the timeframe between now and 2030, but are included in the 2045 pathway. **Appendix C** provides more information about the evidence base used to quantify the emissions impact for each measure.

Category	Mitigation measures
Council fleet	Reduce fuel use where possible through measures such as eco driving training, route optimisation, etc.
	Replace vehicles with EVs, where practical
	Replace diesel in HGVs with green hydrogen or biofuel once this becomes commercially available (mid-2030s onwards)
Streetlights	Continue to replace streetlights with LEDs
Business travel	Use EVs, public transport, walking or cycling, where practical
Buildings	Retrofit buildings to improve fabric efficiency
	Where present, replace gas cookers with electric cookers
	Switch to zero direct emission heating (ZDEH)
Water supply and treatment	Implement water efficiency measures
	Decarbonise water supply system
	Decarbonise water treatment system
Waste	Reduce waste arisings, increase recycling
	Incorporate CCS into the energy from waste plant
Homeworking	Energy saving advice/measures for homeworkers
	Decarbonise home working
Electricity	Deploy up to 17.5MW of ground-mounted PV on Council-owned land, plus roof-mounted PV on suitable buildings

To evaluate different levels of ambition and time periods for implementation, the CSM has been used to model GHG reduction trajectories for:

- 2030 – in line with Midlothian's net zero target
- 2045 – in line with Scotland's net zero target

The 2045 target was included to evaluate the impacts of technologies that are not likely to be available by 2030, but might be at a further stage of development later in that decade or into the 2040s.

4.4.2 Carbon Reduction Scenario Emission Estimates

Target: 2030

The chart below shows how emissions could change in a 'money no obstacle' scenario where Midlothian Council is able to implement energy, water and waste reduction measures, replace all vehicles with EVs, retrofit all of its buildings and replace all heating

systems by 2030. This would reduce GHG emissions by an estimated 78% compared with a 2021 baseline, potentially increasing to more than 80% if the Council deployed large-scale solar farms on its land and installed roof-mounted PV to meet some of its electricity demands.

Figure 12. GHG emissions by source - 2030 target scenario
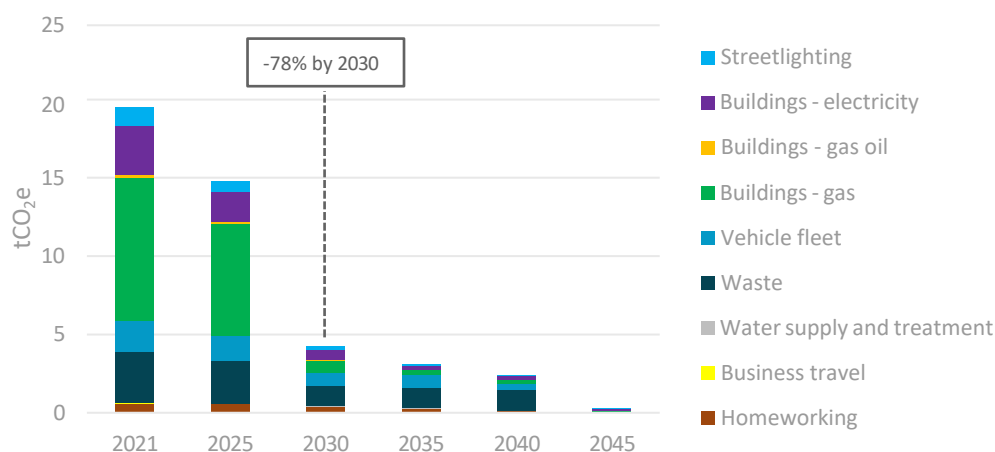
In 2030, there would be residual emissions from:

- Vehicles that cannot switch to EV
- Waste, water supply and water treatment systems
- Business travel (unless the Council could utilise active travel or other zero emission vehicles)
- Employee homeworking

As shown on the graph, there would be some further emissions reductions in the 2030s due to electricity grid decarbonisation. However, systems such as energy from waste, water supply and water treatment are not likely to become net zero until the 2040s. If and when this occurs, in principle the Council could achieve net zero by 2045.

Target: 2045

The chart below shows an emissions pathway where the Council aims to retrofit all of its buildings by 2038 (as per the Scottish Government's target), and has adopted all of the other mitigation measures by 2045. By 2040, emissions would have decreased by about 86%. As with the previous scenario, the Council could potentially achieve net zero by 2045, but this relies on external factors and technological change, including the availability of CCS or other forms of carbon offsetting.

Figure 13. GHG emissions by source - 2040 target scenario
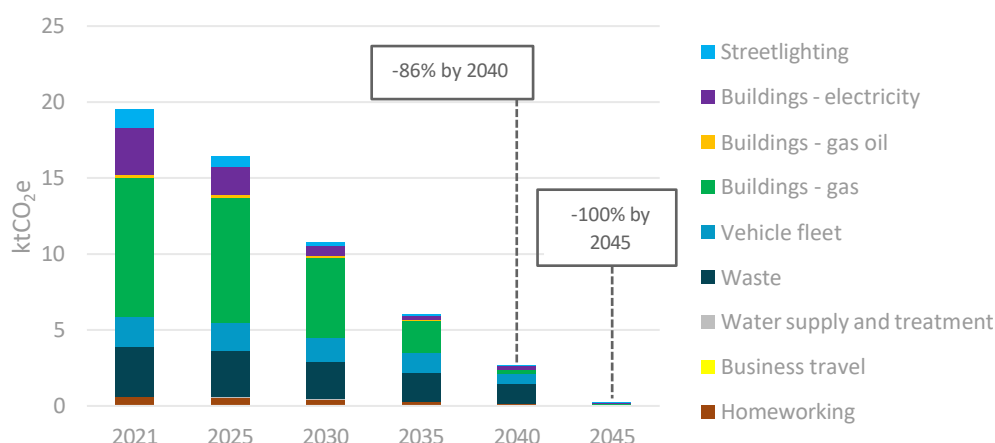
4.4.3 Impacts of mitigation measures

The waterfall chart below illustrates the relative scale of impact from individual mitigation measures. Both of the pathways to net zero assume that each measure is fully implemented – the differences are due to how much progress is made by a given year – so the following results apply to both pathways.

As explained previously, some of these assumptions are based on future technologies, so this is a theoretical pathway towards net zero. However, it is still helpful to visualise the potential effects of different measures, and where any residual emissions are likely to come from. The measures shown on this graph that are essentially hypothetical at present are: replacing diesel HGVs with hydrogen (as these are not yet commercially available), decarbonising the water supply, water treatment and waste sectors (as this relies on CCS), and decarbonising home working (because the Council cannot implement changes in employees' homes).

Figure 14. Required GHG reductions from different measures, including existing & future technologies

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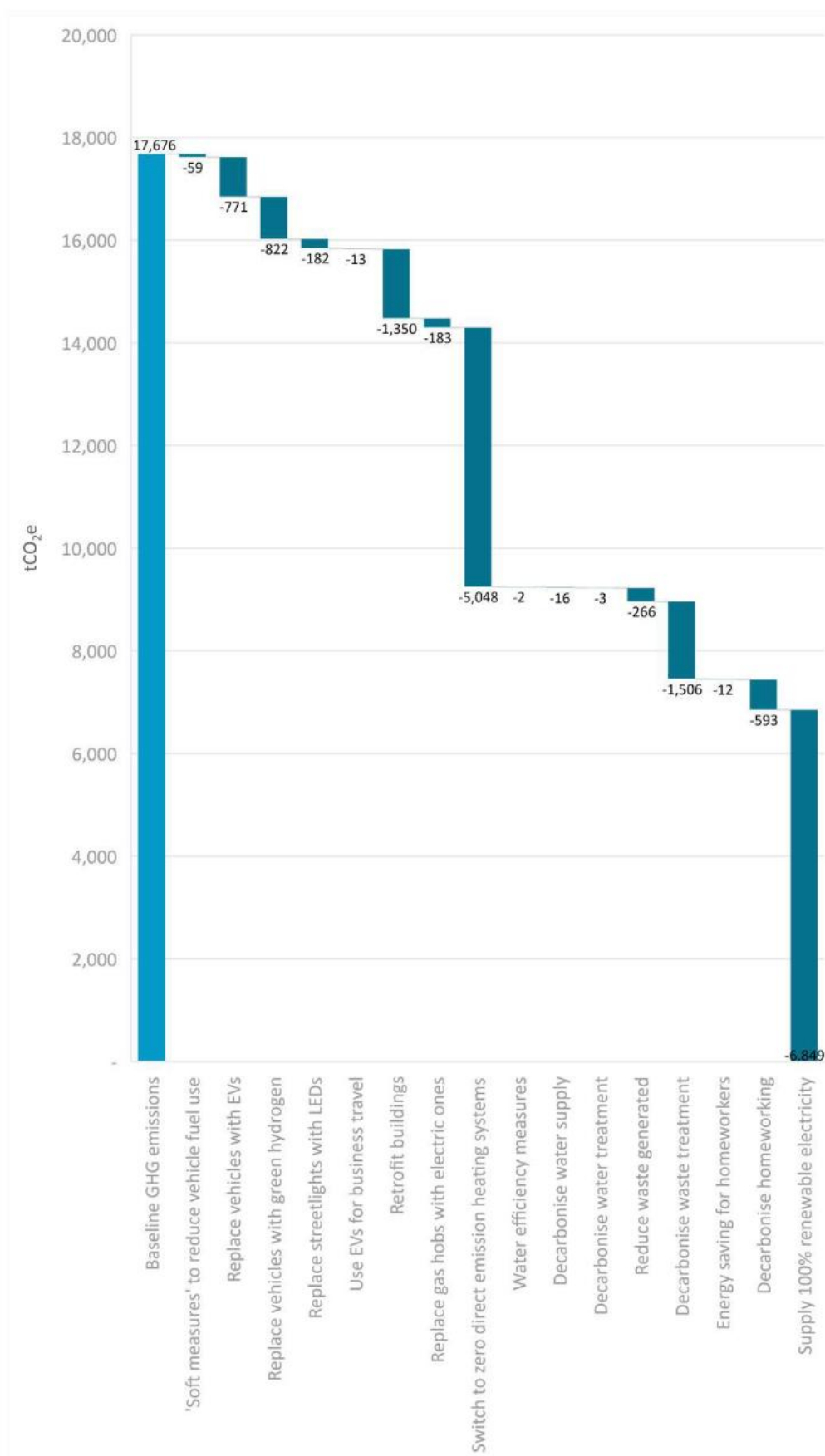
Out of the mitigation measures modelled, switching to zero direct emission heating (ZDEH) systems, and then supplying renewable electricity, has the biggest impact. If **emissions from buildings** reach net zero, overall emissions would decrease by up to 64%. Energy use, and associated bills, can be reduced via retrofitting, but this has a much smaller impact on GHG emissions than switching heating systems – and retrofitting alone is not enough to get buildings to net zero.

Note: The percent (%) reduction in emissions cited above reflects the proportion of current emissions that are associated with buildings. If and when Midlothian starts to report on additional sources, then its total quantified emissions will increase, and the percent reduction due to building decarbonisation will get smaller in comparison. The same point applies to all of the GHG reductions described in this section.

Streetlighting currently accounts for 6% of the GHG emissions that have been quantified. As is the case for buildings, supplying these with zero carbon electricity, either from a decarbonised electricity grid or Council-owned renewable energy installation, would mitigate this source of emissions, reducing the total by up to 6%. There will also be energy savings resulting from to the ongoing initiative to switch to LEDs.

The Council's **vehicle fleet** currently comprises 10% of the quantified GHG emissions. Different technological solutions apply for different vehicles, but information on the split of fuel consumption by vehicle type was not available during this study. To provide a conservative estimate, we have assumed that most vehicles switch to an EV alternative, but that 50% of the diesel consumption is used for HGVs or other vehicles that may not be practical or possible to electrify.[18] On that basis, emissions from the vehicle fleet would decrease by around 57% once they are replaced with EVs and supplied with renewable energy, which equates to about a 6% reduction in the Council's quantified GHG emissions.

Vehicles that cannot switch to electricity would need to rely on another fuel such as green hydrogen or sustainably sourced biodiesel. Whether the vehicle fleet can get to net zero emissions would depend on exactly which alternative fuel is used; emissions from hydrogen and biodiesel depend on the source so it is difficult to specify an exact figure. Emissions reductions from those vehicles would depend on other measures such as waste reduction (so that more households and businesses can be served by the same collection vehicles), route optimisation, and eco driver training. However, we have made a conservative estimate, recognising that the scope for improvement without a change in technology might be small; those measures are estimated to provide a <1% reduction in the Council's quantified GHG emissions.

Business travel only makes up a very small proportion of emissions (0.1% of those quantified). It is assumed that this could be mitigated by switching to electric vehicles or (where practical) public transport walking or cycling.

Emissions from **waste** account for roughly 17% of the total (although this is highly uncertain; refer to Section 2.2.3 for an explanation of how this figure was calculated).

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[18] This is based on a very rough estimate of the split of fuel consumption, drawing from a fleet list published by Midlothian Council in response to a Freedom of Information Act request in 2018, and typical conversion efficiencies for vehicles as per the DESNZ GHG Conversion Factors for Company Reporting.

This is one of the most challenging sources of emissions for Midlothian (and other local authorities) to address. The key issues are:

- In the long term, the Scottish Government's expectation is that energy from waste plant will need to be fitted with CCS technology to prevent GHG emissions being released to the atmosphere. However, that technology is not yet commercially available.
- Furthermore, the energy from waste plant is operated by a separate company on a 25-year contract which runs until the early 2040s. As a result, Midlothian Council has limited influence over the emissions from that plant in the short to medium term.

Recognising these technical and practical barriers, the Council's options for reducing its waste emissions are:

- Reducing the amount of waste that is generated in the first place;
- Increasing recycling and composting rates; and
- No longer sending waste to landfill.

Note: We understand that the Council has stopped sending waste to landfill in recent years, although according to their Public Sector Bodies Reporting, this was still taking place as of 2021/22.

The CCC indicates that, as a national average, these measures could reduce waste by anywhere from 13%-33% by 2037. Since Midlothian Council is targeting net zero by 2030 we have made the conservative assumption that a 15% reduction could be achievable, equating to a 2-3% reduction in emissions for Midlothian Council. The remainder would need to be mitigated through CCS. On this point, the Council's main options are to keep abreast of technological developments and Government policy initiatives aimed at promoting uptake, to ensure that it is taken into account when the contract is changed or renewed.

A similar challenge applies to decarbonising **water supply and treatment**, which is outside of the Council's ability to control. CCS might be an option for mitigating these emissions n future; however, since these account for only 0.1% of emissions, we have assumed that this could potentially be offset in the meantime.

The remaining 3% of quantified GHG emissions is associated with **homeworking**. Again, this is an area where the Council only has an indirect influence, although it would be impacted by grid decarbonisation and other Government policies such as the anticipated ban on installing new fossil fuel heating systems. In the meantime, the Council's main options are to make sure that their employees receive energy efficiency advice that they can implement themselves, such as draughtproofing and behaviour changes, which we have assumed could reduce home energy use by around 1-2%. However, this would have a very small impact on total emissions.

> **In theory, all of these measures combined would reduce Midlothian Council's quantified GHG emissions to net zero.**
>
> **In reality, some form of offsetting will be required.**

4.5 Carbon offsetting

Achieving net zero is likely to involve both a combination of deep carbon emissions reductions and the offsetting of any remaining 'unavoidable' carbon emissions. To satisfy the net zero target, emissions that remain for the Council by 2030 would need to be offset for every year that emissions remain.

Carbon offsetting must always be considered a last resort within the GHG mitigation hierarchy. Carbon offsetting enables individuals and organisations to compensate for any emissions they cannot avoid or reduce, by paying for a carbon credit i.e. to pay for an equivalent amount of emissions to be reduced or removed elsewhere. Because climate change is a global issue and greenhouse gases mix in the atmosphere, in practical terms it does not matter precisely where the GHGs are reduced.

These emissions savings are generated through the implementation of a wide variety of projects across a wide range of locations and might range from planting trees, to installing solar panels, to cancelling industrial carbon credit allowances. The Climate Change Committee warns that offsetting is not a panacea and that to reach net zero, "most sectors will need to reduce emissions close to zero without offsetting; the target cannot be met by simply adding mass removal of CO_2 onto existing plans."[19]

Key considerations in weighing up offsetting options include:

- **Carbon Price:** Current offsetting costs are relatively low, sometimes under £10/tCO$_2$e, although various UK-based schemes have prices in the region of £20-70/tCO$_2$e. However, it is expected that offsetting costs will increase by a factor of 10 or more, partly due to rising demand but also because of increasing costs of abatement through time.[20]
- **Location**. Most carbon offsets available for purchase are generated by activities taking place in countries other than the UK. However, offsetting internationally has previously had negative consequences for local communities, for example where forests are valued only as a carbon store rather than a complex ecosystem with high cultural value. Domestic schemes can provide homegrown environmental and economic benefits (literally, in the case of tree planting) and may be a preferable option.
- **Budget and ownership**: The Council will need to think carefully about the potential costs of offsetting borough-wide emissions, particularly if the aim is to offset all scopes (i.e. including scope 3 emissions). The costs of doing this could be prohibitive. And who should be responsible for offsetting? One option could be for the Council to choose to commit to offsetting all emissions from its own operations, and then encourage individuals and organisations to offset their own emissions (direct and indirect).
- **Scopes:** Should emissions from all scopes be offset? As highlighted above, costs of offsetting all indirect emissions could be prohibitive. And given they are difficult to

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[19] Committee on Climate Change (2019), Net Zero – The UK's contribution to stopping global warming, 2 May 2019

[20] The Woodland Carbon Code typical prices are around £10-20/tCO$_2$e:
https://www.woodlandcarboncode.org.uk/buy-carbon/how-to-buy
Carbon prices for the UK Emissions Trading Scheme are around £70/tCO$_2$e but projected to rise to up to £172/tCO$_2$e by 2050: https://www.gov.uk/government/publications/traded-carbon-values-used-for-modelling-purposes-2023
This scale of increase is supported by modelling by other organisations such as PwC:
https://www.pwc.co.uk/who-we-are/purpose/pdf/considerations-accessing-high-quality-carbon-offsets-part-net-zero-transition.pdf

quantify; it may not be possible to robustly measure how much carbon needs to be offset. Limiting the scope of what should be offset (e.g. Scopes 1 and 2) may be a pragmatic option and might also help avoid double-counting.

- **Quality and verification**: Whichever option or scheme(s) the Council opt for, it will be important to select an offset strategy that involves the purchase of robust, verifiable carbon offsets to ensure that any carbon offset:
  - Is additional
  - Avoids carbon "leakage"
  - Is not double-counted
  - Is permanent
  - Does not overestimate the GHG reduction
  - Does not cause the buyer to postpone its own mitigation actions
  - Does not cause other environmental or social damage
  - Is not claimed by other entities[21].

In practice, it is very difficult to find carbon offset purchases that truly meet all of the quality criteria listed above[22]. For example, the majority of renewable energy projects are unlikely to be additional; they would have gone ahead regardless of the offset revenue. Tree planting may not be permanent or sustainable. Projects for the purchase of cook stoves in developing countries have a tendency to overestimate GHG savings and should be thought of as development projects instead of credible offsetting projects. With these concepts in mind, it is imperative that GHG emissions are reduced as close to zero as possible to limit the level of offsetting required by the Council.

4.6   What are the potential costs of actions?

Comment for Midlothian Council: We would welcome any further feedback on costs of measures – assumptions are in Appendix D.

In addition to the GHG emissions savings, we have sought to quantify the potential scale of upfront capital costs for different measures, where published data were available to support an estimate. These are based on the typical cost of a measure, multiplied by the number of times it would need to occur (e.g. based on the current number of fleet vehicles owned by Midlothian Council). This gives the estimated average cost of the measure, not accounting for the expenditure that would occur anyway.

So, for example, the cost of replacing petrol cars with EVs includes the whole upfront cost of purchasing the EV, without subtracting the cost of the petrol car that might have been purchased if a like-for-like replacement was made. In other words, some of these costs would be incurred regardless of whether the Council takes additional measures to reduce its emissions.

This is not a detailed costing exercise; the Council will need to undertake separate feasibility studies to confirm the actual costs of each measure.

The table below summarises the results for individual measures. Overall, the total scale of investment for the costed measures is in the range of £60-100M.

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[21] Broekhoff, D., Gillenwater, M., Colbert-Sangree, T., and Cage, P. (2019) Securing Climate Benefit: A Guide to Using Carbon Offsets. Stockholm Environment Institute & Greenhouse Gas Management Institute. http://www.offsetguide.org/wp-content/uploads/2019/11/11.15.19.pdf
[22] https://www.theguardian.com/environment/2023/sep/19/do-carbon-credit-reduce-emissions-greenhouse-gases

Table 7 Mitigation measures and indicative costs

Category	Mitigation measures	Indicative cost
Council fleet	Reduce fuel consumption through measures such as eco driving training, route optimisation, etc.	Up to £40K
	Replace vehicles with EVs, where practical	£13M-20M
Streetlights	Continue to replace streetlights with LEDs	£3.2M
Business travel	Use EVs or public transport, where practical	Not costed
Buildings	Retrofit buildings	£27M-40M
	Replace gas cookers with electric cookers	£200K-300K
	Switch to ZDEH systems	£6M-10M
Water supply and treatment	Implement water efficiency measures	Included in costs of retrofitting (see above)
Waste	Reduce waste arisings, increase recycling	Not costed
Renewables	Install ground- and roof-mounted solar PV on Council-owned land and buildings	Up to £25M

Although these numbers are very large, it is worth noting that a portion of this money would be spent anyway. Some has already been allocated for ongoing initiatives such as building fabric upgrades, air source heat pump trials, and streetlighting replacements. Even without those projects, the Council would still be paying for like-for-like replacement of vehicles, heating systems, etc. Therefore, the extra-over costs of some measures will be lower than the figures given below.

These calculations do not account for:

- Bill savings
- Ongoing maintenance costs
- Changes in costs over time
- Supporting infrastructure, e.g. EV charging points and electricity grid upgrades
- Administration costs to deliver the required projects

Appendix D provides more details of the assumptions underpinning these cost estimates.

4.7 What does this mean for Midlothian Council?

The headline outcome of the analysis of the carbon emissions scenarios is that achieving net zero carbon by 2030 would require a radical overhaul of the Council's operations, changes in its maintenance and fleet replacement strategy, and a significant investment

in renewable energy. Due to technological constraints, in 2030 there would inevitably be some residual emissions that would have to be dealt with via offsetting.

The cost figures provided above only give a rough indication of the scale of investment that would be required. However, broadly speaking, if these measures were implemented today, the capital costs would be in the range of £60M-100M. In practice, some of that money would need to be spent anyway due to routine maintenance and fleet replacement, but it highlights the major challenge involved in reaching net zero.

Extending the timeframe into the 2040s, towards 2045, has a few implications and would reduce some practical barriers:

- The amount of annual spending needed to reach the net zero target is lower, because it is spread out over a longer period of time.
- Actions would increasingly be backed up by Scottish and UK Government policies, such as phasing out fossil fuel heating systems. This might mean that more funding is available, and that there are stronger supply chains in place to deliver low carbon solutions like heat pumps.
- The cost of some technologies might come down. Solar PV, for example, has reduced in cost by more than 80% in the past decade.
- Some technologies that are not commercially available today could become viable, such as hydrogen HGVs or CCS for the waste incinerator.

On the other hand, delaying the target date would mean watering down Midlothian Council's ambitions on climate change. With that in mind, there are some potential responses that the Council can take, that balances the urgent need for climate action against the practical and financial considerations described above.

- Maintain a high level of ambition for mitigating all sources of emissions, initially perhaps focusing on ones that are more within the Council's ability to control and can be addressed using existing technologies. These would include (a) behavioural changes and other measures to reduce demand for energy, private vehicle use, and waste and (b) switching from fossil fuels to electric alternatives where possible.
- Keep abreast of technological developments such as CCS and green hydrogen and, where possible, work with stakeholders to bring these solutions forward.
- Make sure that the Council's own policies, internal processes and funded programmes align with a net zero future and do not continue to promote dependence on fossil fuels, private vehicles, etc. Where these do not align, there should be a clear reason for doing so, and a strategy for changing practices in future, as in the case of replacing gas boilers like-for-like when these break down. In simple terms, it is important to avoid making the decarbonisation challenge even harder than it already is.
- Look at ways that the Council can facilitate wider emissions reductions, both in Midlothian and elsewhere. For example, reviewing planning policy to facilitate uptake of renewable technologies and energy efficiency measures.

5   Climate Action Planning

This section sets out a long list of actions that the Council could take to mitigate its GHG emissions, including timescales, potential costs, co-benefits, and other practical considerations. It includes the actions that were included in the modelling in Section 4, along with other supporting measures for which the GHG impact has not been calculated.

5.1   How was the list of options developed?

First, we reviewed existing national, regional and local policy documents and climate change strategies, and developed a long list of actions for consideration. This was supplemented with suggestions from an independent team of climate change experts within Aether.

Then, the list was presented to key stakeholders within the Council, for discussion and validation. This included one-on-one discussions as well as a workshop, attended by about 20 staff from across different Council departments. Stakeholders were asked to:

- Provide information on the current status of actions within the Midlothian Climate Change Plan, indicating which person or department is responsible, and what the key opportunities and challenges have been
- Review the additional actions proposed by the Aether team to provide their views on whether it would be feasible for Midlothian Council to pursue
- Comment on the anticipated timeframes, funding availability, and overall governance approach that would be required to implement actions.

5.2   Climate actions for Midlothian Council

Table 8 sets out the actions that Midlothian can take to reduce its current GHG emissions, in line with the priorities set out in Section 4.3. Some of these are already reflected in the Council's Climate Change Strategy and ongoing initiatives, such as replacing street lighting with LEDs.

Some of the measures are shown as being time-dependent but others could potentially be undertaken at any time. It is acknowledged that this is subject to logistical, financial and practical considerations.

The **GHG impact** of actions is discussed in more detail in Section 4.4.3 and assumptions are presented in Appendix C. The **indicative costs** are discussed in more detail in Section 4.6 and assumptions are presented in Appendix D.

Table 8 Climate actions for Midlothian Council

Action Name	Action Description	Key Actors	% overall emissions reduction	Indicative Cost	Timescales and key decision points	Co-benefits and opportunities
Council fleet						
Reduce fuel consumption through measures such as eco-driver training, consolidating and avoiding journeys where possible.	This action would involve developing an awareness campaign to promote stricter adherence to a travel hierarchy, plus avoiding and consolidating journeys wherever possible	MC, Council Staff	<1%	Up to £40K	N/a – can be undertaken at any time	Changing behaviour, improving air quality, improving health and wellbeing, reduce vehicle kilometres travelled
Replace fossil fuel vehicles with electric alternatives, where practical	Following the travel hierarchy, action to reduce travel should be prioritised. After these actions have been taken, the remaining mileage should be moved towards EVs	Roads and transport	4%	£13M-20M	N/a – can be undertaken at any time, but must be in fleet replacement strategy	Improving air quality, improving health and wellbeing, reduce vehicle kilometres travelled, building a green, low carbon economy
Replace larger fleet vehicles with other alternatives (e.g. green hydrogen)	Vehicles such as HGVs that cannot currently utilise EV technology should be replaced with other low or zero carbon fuels, such as green hydrogen, where possible.	Roads and transport	4%	Not costed	Not likely to be available until mid-2030s onwards	Improving air quality, improving health and wellbeing, reduce vehicle kilometres travelled, building a green, low carbon economy
Install electric charging points	Install electric charging points on all council owned non-residential properties and car parks.	Property and Facilities Management (Energy)	Supporting measure	Not costed	N/a – can be undertaken at any time	Supporting the transition to a zero emission vehicle fleet, improving air quality
Streetlighting						
LED conversion of all remaining non-LED lighting columns	This action replaces all remaining non-LED streetlights with LEDs. It is understood that an LED conversion programme has already commenced, so	Roads and transport	1%	£3.2M	Ongoing	Reducing energy use, providing skills and green jobs

Action Name	Action Description	Key Actors	% overall emissions reduction	Indica-tive Cost	Timescales and key decision points	Co-benefits and opportunities
	this action represents a continuation and completion of this work.					
Business travel						
Avoid journey where possible (digital-by-default), or utilise Active travel/public transport alternative	Following COVID-19, MC should look to maintain some of the shift to online meetings where possible. Where journeys cannot be avoided, again MC could look to conduct an awareness campaign about the travel hierarchy and promotion of alternative travel modes	Council Staff	<1%	N/A	N/a – can be undertaken at any time	Changing behaviour, improving air quality, improving health and wellbeing, reduce vehicle kilometres
Electrification of remaining business travel mileage	Where possible, the Council should support staff in the uptake and use of electric vehicles for the remaining necessary mileage. However, it is noted that this action is largely outside the Council's control and will rely on electrification of other vehicles e.g. taxis.	Council Staff, External	<1%	Not costed	N/a – can be undertaken at any time	Improving air quality, improving health and wellbeing, reduce vehicle kilometres, building a green, low carbon economy
Buildings						
Heating systems and insulation upgrades	Upgrade heating and insulation to reduce gas consumption, through: zonal heating, cavity wall or solid wall insulation, double glazing where lacking, roof insulation, insulation of heating pipes, and draft-proofing.	Property and Facilities Management (Energy)	7%	£27M-40M	Can be undertaken at any time, but particularly if carrying out any other repair or maintenance work Can be included as part of an aesthetic upgrade to the property Requirement to meet minimum	Providing skills and green jobs, building a green, low carbon economy, improving health and wellbeing

Action Name	Action Description	Key Actors	% overall emissions reduction	Indicative Cost	Timescales and key decision points	Co-benefits and opportunities
Replace gas cookers with electric cookers	Reduce gas consumption through the use of electric cookers instead of gas cookers.	Property and Facilities Management (Energy)	1%	£200K-300K	EPC standards for new tenancies N/a – can be undertaken at any time	Improving air quality
Switch heating from gas to zero direct emission heating (ZDEH) systems	Switch heating from gas boilers to heat pumps - air source, ground source, district heat networks or electric heating. It is essential that fabric measures - heating and insulation upgrades - are delivered first for heat pumps to be effective. While the loss of gas boilers reduces gas consumption, the installation of heat pumps will increase electricity consumption. Heat pumps are, however, more efficient, meaning overall energy consumption will decrease.	Property and Facilities Management (Energy)	26%	£6M-10M	Ongoing Heating systems are usually replaced on a like-for-like basis when they break, so it's important to develop an overarching strategy to undertake pre-emptive upgrades	Providing skills and green jobs, building a green, low carbon economy
Increase deployment of renewables on council buildings	This action assumes that there is capacity for (additional) renewable installation, with the electricity generated directly replacing grid electricity consumption. The GHG impacts of this measure depend on the carbon intensity of the grid electricity that is being displaced. However, as a rough estimate, roof-mounted PV could potentially meet the equivalent of 2-3% of the Council's current electricity use.	Property and Facilities Management (Energy), Housing Services	Varies depending on the carbon intensity of grid electricity	Not costed	N/a – can be undertaken at any time	Providing skills and green jobs, building a green, low carbon economy

Action Name	Action Description	Key Actors	% overall emissions reduction	Indica-tive Cost	Timescales and key decision points	Co-benefits and opportunities
LHEES Strategy	Draft and implement a Local Heat and Energy Efficiency Strategy	LHEES team	Supporting measure	Not costed	Ongoing	Providing skills and green jobs, linking to wider community
Water supply and treatment						
Water efficiency measures	Demand side measures including raising awareness of water-saving methods and behaviour change, fitting water-saving devices to showers and toilets, and using water efficient appliances.	Midlothian Council, Council staff	<1%	Included in the costs for building retrofits (see above)	Can be undertaken at any time, but particularly if carrying out any other repairs, maintenance or retrofitting work	Changing behaviour, minimising resource use
Decarbonisation of water supply and water treatment systems	Note, this measure would not be the Council's responsibility but has been included here for completeness. This would include a range of measures ranging from reducing leaks in the supply systems to converting wastewater treatment plants to increase the amount of biogas extracted and reducing methane emissions.	Water supplier	<1%	Not costed	N/a - Long-term plans under control of other stakeholders	Changing behaviour, minimising waste, providing skills and green jobs, improving health and wellbeing, improving air quality
Waste						
Reduce waste arisings, facilitate recycling and composting	Reduce the waste produced by Midlothian Council through resource efficiency and staff awareness schemes. Increase awareness of recycling policies amongst Council staff and encourage the use of recyclable materials.	Waste Services	<1%	Up to £1,000 for an awareness scheme, posters, etc.	N/a – can be undertaken at any time	Changing behaviour, minimising waste

Action Name	Action Description	Key Actors	% overall emissions reduction	Indica-tive Cost	Timescales and key decision points	Co-benefits and opportunities
Install CCS on the energy from waste plant	Installing CCS technology means that CO_2 is captured and stored rather than emitted.	EfW plant management	Up to 17% although some of this could be achieved through waste reduction	Not costed	Depends on the contractual arrangements with the operator – not likely to be implemented until late 2030s but needs to be considered before then	Providing skills and green jobs
Develop a Council Waste Strategy	Draft a centralised strategy that will set out measures and policies to reduce waste and promote a circular economy.	Waste Services	Supporting measure	Not costed	N/a – can be undertaken at any time	Changing behaviour, building a green, low carbon economy
Integrate waste disposal measures into council contracts	Ensuring that waste disposal is agreed at the contract stage of procurement can ensure that waste is reduced and recycled where possible.	Procurement Services	Supporting measure	Not costed	N/a – can be undertaken at any time	Changing behaviour, minimising waste
Homeworking						
Energy saving awareness raising among council staff	Energy saving awareness schemes encourage staff to reduce energy consumption where possible. A scheme could include information for staff on energy costs, advice on reducing consumption and avoiding waste, and incentives for adopting energy-saving behaviours.	MC, Council staff	<1%	Up to £1,000 for an awareness scheme, posters, etc.	N/a – can be undertaken at any time	Changing behaviour, minimising resource use
Renewables						
Explore options for using 100% renewable electricity	Change to renewable electricity through either the installation of renewable energy systems or adoption of a renewable tariff.	MC	This depends on how	Up to £25M	N/a – can be undertaken at any time	Providing skills and green jobs, building a green, low carbon economy, potential for

Action Name	Action Description	Key Actors	% overall emissions reduction	Indica-tive Cost	Timescales and key decision points	Co-benefits and opportunities
	This could be achieved in various ways, with different costs to the Council: • In future, if the electricity grid is net zero, this will be achieved by default. However, the timing of this is uncertain. • A 100% renewable tariff might be available at no additional cost (and in some circumstances could provide cost savings if combined with energy management systems). However, not all carbon accounting methodologies accept this as a solution. • Deliver additional renewables on Council-owned buildings and land or other nearby locations. See notes below this table.		many systems switch to electricity as part of other mitigation measures. The estimated reduction would be in the region of 40%.			energy projects that benefit the local community directly
Total			**Up to 100%**	£60M-100M or more		

Note: Large-scale renewable energy opportunities

A report from 2015 found that there was potential for up to 17.5 MWp of PV to be delivered on Council-owned bings (former waste sites). Some additional PV could be installed on suitable buildings. Based on typical PV outputs in Midlothian, in theory this could supply the equivalent of almost all of the Council's current annual electricity use. The economics of PV have changed significantly since 2015, with prices dropping by more than 80%, and there are now Local Authorities who have successfully delivered subsidy-free solar farms. This is an opportunity that the Council should revisit as it would provide financial benefits, reduce emissions, and make good use of Council-owned land.

6 Governance and monitoring

This section describes governance arrangements for reducing emissions, and provides recommendations on how to monitor emissions in future, including data collection.

6.1 Governance requirements

The Midlothian Carbon Neutral by 2030 Board is driving the progress of actions within the Climate Change Strategy and it was extremely encouraging during our engagement with the different council departments to see how engaged they are and that they are acting on many different emission reduction actions. This section highlights a few of the ways that the governance arrangements for climate change initiatives could be strengthened.

6.1.1 Making sure that the Climate Change Action Plan captures all relevant initiatives

The stakeholder engagement workshop highlighted that there are some policies and actions underway, that would contribute towards the Council's net zero ambition, which are not currently included in the Climate Change Action Plan. Examples include plans to support home working and estate rationalisation.

Council plans for net zero would be strengthened by better reporting on all actions or further co-ordination through the Climate Change Action Plan.

6.1.2 Ensuring that internal decision-making accounts for climate change

Develop a process for prioritising spending and resource allocation so that it aligns with the Council's environmental goals, considering the quantified GHG impacts alongside other topics. As a first step, referring to the discussion in Section 4.3 and 4.4 can potentially help the Council take an initial view on whether a project is likely to have a significant impact or not. Including GHG emissions estimates when preparing an outline business case would help to ensure that environmental factors are considered alongside economic ones.

6.1.3 Supporting wider emissions reductions in the local area

More broadly, the Council has additional powers at its disposal in reviewing travel, energy, council tax and planning policies that could support the transition to net zero in the local area, even though this would not have an impact on the Council's corporate emissions. We would encourage the Council to think holistically about its levers of influence and make sure that these provide a supportive framework for wider change.

Some key examples within the planning system include:

- Reducing barriers to deliver **large-scale wind and solar farms**. One of the most significant ways that local authorities can enable decarbonisation at a regional and national scale is to give support for large-scale renewables in their area. For the UK to meet its targets, there needs to be a step-change in deployment in the coming years

and decades. Carrying out a spatial assessment of suitable locations that takes a "presumption in favour" of renewables (subject to environmental, technical and safety constraints) is recommended.

The landscape and visual impacts of renewables should be weighed against the anticipated landscape and visual impacts of climate change itself – the latter will potentially be far more severe.

- Removing planning restrictions on **energy efficiency measures** (e.g. external wall insulation, double or triple glazing, and roof-mounted PV panels). This might include reviewing permitted development rights and/or modifying policies that affect conservation areas.
- Ensuring that **site allocations** for new developments include a suitable mix of uses and density that will reduce reliance on private vehicles and allow residents to access a wide range of services within an easy walking distance.
- Introducing specific, measurable policies aimed at **improving climate adaptation and resilience in new and existing buildings**.

Where the Council provides funding to businesses and community groups, it should undertake a review to consider whether that funding is supporting continued reliance on fossil fuels or other GHG-emitting activities. Where possible, the Council should seek to reallocate funding to activities that align with the net zero transition, although this may not be possible due to the Council's duties to deliver certain types of services.

6.1.4   Dedicated staff to support decarbonisation

Discussions with Midlothian Council have indicated that there is currently insufficient staff time allocated to carbon reduction projects. Designate responsibility to different departments: Some of the actions listed above are likely to cut across multiple departments. Active travel initiatives, for instance, might link to planning and transport functions. If lines of responsibility for different actions are not already clear, these should be agreed internally.

A dedicated sustainability resource (as listed as an action in the Climate Change Action Plan) would be beneficial to support this process, as well as all the other actions. Similarly, a dedicated resource for energy and carbon management to monitor buildings and energy usage would not only help to meet net zero ambitions but also potentially save the Council money as energy use could be tightly controlled and adjusted/reduced whenever possible.

6.1.5   Awareness-raising

There are further areas for improvement that could be implemented in the short term that may not have a large impact on GHG emissions, but would help raise the profile of the council's net zero ambitions. An example would be to make sure that there is an internal strategy on issues such as sustainable travel (for employee commuting and business travel) and waste reduction, and then making sure to publicise these to staff.

6.2   Data collection

The data collection process undertaken for this study highlighted several areas where additional data could be collected, and existing collection procedures could be improved. These are summarised in the following sections. Before focusing on details,

however, it is worth considering the internationally-recognised best practice principles on carbon accounting[23]:

- **Transparency:** Explaining the data sources, methods and assumptions so that results can be duplicated, and users can assess their validity.
- **Relevance:** Ensuring that the sources of emissions that are included in the inventory reflect the activities of the organisation in question.
- **Accuracy:** Working to reduce uncertainties and make sure that information is systematically neither over nor under estimated.
- **Consistency:** Using a method and format that is internally coherent, to enable meaningful comparisons over time.
- **Comparability:** Where possible, using common methodologies, units and categories so that the estimated emissions for one entity (e.g. a local council) can be meaningfully compared against others.
- **Completeness:** Including emissions estimates for all emissions sources within the inventory boundary – highlighting and explaining any gaps.

In practical terms, we recognise that organisations are often working with limited data, staff and financial resources, making it difficult to produce a GHG inventory that meets the 'completeness' requirement. We therefore recommend that Midlothian Council take a proportionate approach, initially focusing more effort on sources of emissions that are larger and/or where data are more easily available, and seeking to expand the inventory over time.

6.2.1   Buildings

Compared with the metered energy data that was reviewed as part of this study, the Public Body Climate Change Report for Midlothian Council indicated that both gas and electricity consumption were significantly higher (59% and 30%, respectively). This could be due to a number of issues, such as:

- Gaps or inconsistencies in data collection, which could also relate to how the data is labelled or stored
- Discrepancies or errors in meter readings or transcriptions

Our team also received different information on different properties – for example, EPC records for which no energy data was received, and vice-versa – which made it difficult to produce a consolidated list of all of Midlothian Council's assets.

To make sure that the GHG inventory is complete, accurate, and comparable over time, ideally there would be a consolidated list of asset that includes:

- Energy consumption by fuel type
- Where relevant, indicate whether the meter readings include more than one building on the same site
- Owner and tenant(s) if any
- Who is responsible for paying the bills
- Building type and size (m^2 floor area)
- Links to the EPC and DEC records associated with each property. *Note: EPC and DEC records can be downloaded online. In future, it would be easier to analyse the*

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[23] As per the intergovernmental Panel on Climate Change (IPCC), international standards set out in ISO 14064, and the World Resources Institute GHG Protocol.

performance of Midlothian's building stock as a whole if this information was held in spreadsheet form rather than PDF scans.

The list needs to be in a format that enables someone to see sales and acquisitions over time, so that when the GHG emissions inventory is updated in future, the Council can be assured that they are comparing like-with-like. This could be achieved, for example, by clearly stating which year the list was compiled (to use as the baseline) and then having a column that indicates the date that a building was sold or purchased.

6.2.2 Waste

Data on the amount of waste generated by Midlothian Council was not available and waste data was therefore estimated from waste data reported by the City of Edinburgh.

Information on the amount of waste generated (tonnes) by disposal route should be collected to track waste generation for all Council operated buildings. This data will enable a more accurate estimation of the council's waste emissions when the emissions inventory is next updated.

It is understood that the council will introduce SEPA's Digital Waste Tracking project in 2024 which will require waste weight data to be recorded for all commercial properties.

6.2.3 Employee travel

Emissions from council staff commuting are not included in the baseline as data were unavailable. In order to include emissions in future inventories, it is recommended that the council develops a staff travel survey. This can be done by collecting the distance travelled by each staff member across the financial year through the staff expenses system. This, at a minimum, would need to be categorised by vehicle type – car, bus, train etc with assumptions made on the size and fuel type used within each vehicle. A more detailed approach would use vehicle registration numbers and a spreadsheet-based table to look up the vehicle size (small/medium/large) and fuel type (petrol/diesel/hybrid). Additional categorisation allows for a more accurate estimate that accounts for variation in fuel efficiency across different vehicle sizes.

6.2.1 Purchased goods and services

Calculating emissions from purchased goods and services is highly uncertain. Although not included in the scope of this study, for some organisations they can represent a very high proportion of total emissions. One area of uncertainty is regarding the expense categories provided within the council's expense transaction reports. A brief description associated with each category would assist in assigning spend to relevant carbon factors and aid in identifying which categories are related to the procurement of goods and services, as opposed to financial transactions.

To gain a more accurate representation of emissions from purchased goods and services it is recommended that the council engage with their highest spend sectors to enable suppliers to perform their own carbon baselines. The council may also consider it appropriate to make carbon reporting a requirement as part of supplier contracts, and calculate the anticipated GHG impacts of contracted activities as part of the procurement process.

6.2.2   Other emissions

Scopes 1 and 2: Refrigerants and fertiliser use, which are classified as direct ('scope 1') emissions, have been excluded from this inventory due to lack of data. These are likely to comprise a small portion of total emissions, compared with buildings, waste, transport, and indirect (scope 3) emissions. However, where resources allow, we recommend the Council seek to obtain this data from relevant departments in future.

Scope 3: When it comes to including indirect ('scope 3') emissions, the guidance for the Scottish Public Body Reporting acknowledges that different organisations will report different categories. In many cases there will be no data available to support a numerical estimate.

To understand which sources of emissions an organisation should focus on, the GHG Protocol Corporate Standard for Carbon Accounting recommends that a 'materiality assessment' should be undertaken. Essentially, this would involve stakeholders from Midlothian Council reviewing a list of potential sources of emissions, and undertaking a screening exercise to identify which ones are most relevant to their own operations. Then, the Council can decide which areas to prioritise for analysis.

Please refer to the GHG Protocol Scope 3 Standard for further guidance on how to evaluate Scope 3 emissions.[24]

> Even if a source of GHG emissions cannot be quantified, ideally it should still be included in the council's climate action plan. After all, to reduce the impacts of climate change, all sources of emissions globally need to be reduced to net zero.

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[24] https://ghgprotocol.org/corporate-value-chain-scope-3-standard

7   Conclusions and Recommendations

This section summarises key conclusions and recommendations from this study.

7.1   Conclusions

Current emissions

Midlothian Council's emissions are estimated to be 18.9 $ktCO_2e$ in 2021/22. A more detailed breakdown of the Council's emissions is presented in **Section 2**.

Operational buildings are a highly significant source of emissions for Midlothian Council, and account for 68% of the GHG emissions that have been quantified in this study, at 12,455 tCO_2e. The use of natural gas in the Council's buildings accounts for just under half of total emissions. The second largest contributor to Midlothian's quantified GHG emissions is electricity consumption in buildings.

In order to maximise emission reduction, priority should be given to projects to reduce emissions across the Council building estate.

Modelling future GHG emissions scenarios

In a business as usual (BAU) scenario, the Council's emissions would be expected to decrease by around 17% by 2030 due to grid decarbonisation alone. The Council would need to implement additional measures to achieve further reductions.

Under a 'money no obstacle' scenario where all of the actions set out in Section 5 across energy, water, waste and travel were implemented, then Midlothian Council could expect to reduce GHG emissions by up to 80% compared against a 2021 baseline. The remaining emissions as of 2030 would need to be addressed through some form of carbon offsetting, because they cannot be mitigated using currently available technologies.

 As a rough estimate, if the Council were to upgrade all of its buildings, replace all heating systems with zero emission alternatives, and purchase electric vehicles for all applications where this is practical, the capital costs of these measures would be in the range of **£60-100m**, possibly higher. Note that these figures refer solely to the capital costs and do not account for bill savings. Furthermore, some of this expenditure would take place anyway, due to routine building maintenance, fleet replacement, etc.

Looking farther into the future, if and when CCS technology becomes available, it is expected to be possible for Midlothian to reduce its emissions to net zero. Reliance on CCS and offsetting will be lower if the Council can achieve larger emissions savings through energy efficiency measures, behavioural change, reducing demand for transport, and so on. Those actions will also reduce the amount of renewable energy that is needed to power buildings and vehicles, which in turn will reduce energy bills.

Conclusion

Based on the results of this analysis, there are some overarching implications for Midlothian Council as it continues in its climate change mitigation journey:

- Maintain a high level of ambition for mitigating all sources of emissions, initially perhaps focusing on ones that are more within the Council's ability to control and can be addressed using existing technologies. These would include (a) behavioural changes and other measures to reduce demand for energy, private vehicle use, and waste and (b) switching from fossil fuels to electric alternatives where possible.
- Keep abreast of technological developments such as CCS and green hydrogen and, where possible, work with stakeholders to bring these solutions forward.
- Make sure that the Council's own policies, internal processes and funded programmes align with a net zero future and do not continue to promote dependence on fossil fuels, private vehicles, etc. Where these do not align, there should be a clear reason for doing so, and a strategy for changing practices in future, as in the case of replacing gas boilers like-for-like when these break down. In simple terms, it is important to avoid making the decarbonisation challenge even harder than it already is.
- Look at ways that the Council can facilitate wider emissions reductions, both in Midlothian and elsewhere. For example, reviewing planning policy to facilitate uptake of renewable technologies and energy efficiency measures.

Midlothian has made great progress in monitoring, measuring and reducing emissions including work on their Local Heat and Energy Efficiency Strategy, Salix carbon reduction projects and the formation of Midlothian Energy Ltd to drive investment and development of renewable energy technologies in the area. This should be celebrated and recognised. With continued commitment, increased investment and co-ordination then Midlothian Council will continue to be at the forefront of local authority emission reduction leaders in Scotland.

7.2   Recommendations

Following our analysis of Midlothian Council operations and our engagement with Council departments, we have drafted the following recommendations.

The recommendations are structured around three topics: Governance and Organisation, Reporting and Data, and Policies and Actions and are presented to support the Council in their ambition to achieve net zero for its own emissions by 2030.

7.2.1   Governance and Organisation

- Make sure that the Climate Change Action Plan captures all relevant ongoing initiatives.
- Develop a process for prioritising spending and resource allocation so that these aligns with the Council's environmental goals, considering the quantified GHG impacts alongside other topics.
- Support wider emissions reductions in the local area -- reviewing travel, energy, council tax and planning policies that could support the transition to net zero. Two key examples would be removing barriers to large-scale renewable energy developments and energy efficiency measures.
- Designate responsibility for GHG reduction projects to relevant departments and provide dedicated staff/resources to support this. Similarly, a dedicated resource for energy and carbon management to monitor buildings and energy usage is recommended.
- Awareness-raising among staff -- make sure that there is an internal strategy on issues such as sustainable travel (for employee commuting and business travel) and waste reduction, and then publicise these to staff.

7.2.2   Reporting and Data

- Data collection and reporting activities should follow the best practice principles of GHG accounting: transparency, relevance, accuracy, consistency, comparability and completeness. These are defined in Section 6.2.
- Bearing those principles in mind, from a practical standpoint we recommend that Midlothian Council take a proportionate approach, initially focusing more effort on sources of emissions that are larger and/or where data are more easily available, and seeking to expand the inventory over time. This should be informed by a materiality assessment of which sources are likely to be most significant (see Section 6.2.2 for more information).

More specific recommendations on data collection across different categories are set out below.

- **Energy**: Ensure that complete and consistent energy data are recorded. In particular, develop a list of assets that contains the information set out in Section 6.2.1. Complete energy audits for buildings with the highest energy use or energy use intensity and looks into the potential reasons for this. It is recommended that audits for buildings with high energy use and high energy intensities are prioritised.
- **Waste**: Information on the amount of waste generated (tonnes) by disposal route should be collected to track waste generation for all Council operated buildings. This may be carried out as part of SEPA's Digital Waste Tracking project.
- **Employee commuting**: develop a commuting travel survey through HR.
- **Supply chain emissions**: Engage with suppliers, potentially focusing at first on highest spend sectors, to encourage and enable them to perform their own carbon baselines and provide this data to Midlothian Council.
- **Council assets:** When considering which buildings to retain, refurbish, sell, etc. the Council should account for the potential embodied carbon impacts of different options. If the Council is aware that a building is likely to be demolished after it is sold, there is an opportunity to influence – and avoid – those emissions if they are considered as part of the decision-making process. Although those emissions may not appear on the Council's GHG inventory, they are still important in a wider context.
- **Miscellaneous**: Where possible, seek to collect data on quantities of refrigerant re-gassing, medical gases and fertiliser use. Note that these are expected to account for a small portion of total emissions and therefore are likely to be a lower priority than the other items listed above, but they have been included in the interest of completeness.

7.2.3   Policies and Actions

Readers should refer to the detailed list of actions in Section 5, along with Sections 4.3 and 4.4.3 which describe priority measures and their potential scale of impact. In short, these are aimed at the following:

- **First, reducing demand for energy, water and vehicle usage, and reducing the amount of waste that is generated**, through behaviour changes, awareness raising, and other efficiency measures. There is an ongoing initiative to replace streetlights with LEDs which will reduce their energy demands.
- **Then, phasing out the use of fossil fuels in buildings and transportation.** This will involve switching to electric systems where possible, and then supplying these with renewable electricity or another zero emission fuel.

- For buildings, this will typically include individual or communal/district heating systems that utilise heat pumps, although in some cases it may be more appropriate to use another form of heating (e.g. infrared or direct electric). Any other fossil fuel systems such as gas cookers will also need to be replaced.
- For vehicles, this will typically include switching away from petrol and diesel cars and vans to electric ones. Where electrically powered alternatives are not yet commercially available, as in the case of HGVs, ultimately these will need to use another fuel such as green hydrogen or biodiesel; the Council should keep abreast of technological developments and adopt these when possible. A key enabling measure will also be to install sufficient charging points and support electricity network upgrades where necessary.

- Reviewing opportunities to **source renewable energy**, either via a renewable tariff or by installing renewables on Council-owned buildings and sites. A report from 2015 found that there was potential for up to 17.5 MWp of PV to be delivered on Council-owned bings (former waste sites). Some additional PV could be installed on suitable buildings. This is an opportunity that the Council should revisit as it would provide financial benefits, reduce emissions, and make good use of Council-owned land.
- Once those measures are adopted, most of the remaining emissions will come from **waste**. Continue with initiatives aimed at reducing waste and increasing rates of recycling and composting within the area. Residual emissions will require some form of technological solution, such as carbon capture and storage (CCS) being fitted to the energy from waste plant. Recognising that (a) this is not yet commercially available and (b) the energy from waste plant is operated by a separate company on a 25-year contract which runs until the early 2040s Therefore, the Council should keep abreast of technological developments and Government policy initiatives aimed at promoting uptake, and work with relevant stakeholders to ensure that this is taken into account when the contract is changed or renewed.
- Finally, seek to reduce **other indirect emissions** from business travel by choosing sustainable travel options and EVs where possible, and signpost employees to initiatives that can support them to reduce their energy use while home working.

Appendix A: Activity data used for emissions calculations

Category	Source	Units	Data	Source
Council Fleet	Petrol (average biofuel blend)	Litres	16,891	Midlothian 2020/21 climate duties report
Council Fleet	Diesel (average biofuel blend)	Litres	674,473	Midlothian 2020/21 climate duties report
Council Fleet	Gas Oil	Litres	90,638	Midlothian 2020/21 climate duties report
Street Lighting	Electricity	kWh	5,152,254	Midlothian 2020/21 climate duties report
Council Business Travel	Unknown	Km	107,018	Midlothian 2020/21 climate duties report
Council Buildings	Electricity	kWh	13,279,175	Midlothian 2020/21 climate duties report
Council Buildings	Gas	kWh	49,920,955	Midlothian 2020/21 climate duties report
Council Buildings	Gas oil	kWh	860,586	Midlothian 2020/21 climate duties report
Council Buildings	Water supply	m^3	121,217	Midlothian 2020/21 climate duties report
Council Buildings	Water treatment	m^3	11,515	Midlothian 2020/21 climate duties report
Waste	Landfill	tonnes	5,428	SEPA, Scottish Household Waste generated and managed in 2021 – Table 1 (Midlothian)
Waste	Recycling	tonnes	20,761	SEPA, Scottish Household Waste generated and managed in 2021 – Table 1 (Midlothian)
Waste	EfW	tonnes	17,651	SEPA, Scottish Household Waste generated and managed in 2021 – Table 1 (Midlothian)
Homeworking	Homeworking	FTEs	2,016	Midlothian 2020/21 climate duties report

Appendix B: Highest energy users

The tables below list the buildings with the highest consumption of gas (**Table A.1**) and electricity (**Table A.2**), based on data provided by Midlothian Council.

Table A.1 25 buildings with the highest annual gas consumption in 2022/23, ordered from highest energy consumption to lowest

Building	Annual Gas Consumption (kWh/yr)
LASSWADE CAMPUS	2,736,286
PENICUIK HIGH SCHOOL	2,732,503
LOANHEAD CENTRE	2,582,278
PENICUIK POOL & LIBRARY	2,252,575
NEWBATTLE COMMUNITY CAMPUS	1,954,336
BEESLACK HIGH SCHOOL	1,867,563
DANDERHALL COMMUNITY HUB & PRIMARY SCHOOL	1,085,409
FAIRFIELD HOUSE-MAIN BUILDING	1,065,956
STOBHILL DEPOT	774,038
NEWTONGRANGE PRIMARY SCHOOL	756,707
WOODBURN PRIMARY SCHOOL	694,691
KINGS PARK PRIMARY SCHOOL	677,940
CUIKEN PRIMARY SCHOOL	649,436
BONNYRIGG PRIMARY SCHOOL	638,533
MIDLOTHIAN HOUSE	604,306
COWAN COURT	601,738
GORE GLEN PRIMARY SCHOOL	577,865
MAURICEWOOD PRIMARY SCHOOL	526,497
LASSWADE PRIMARY SCHOOL	518,296
HIGHBANK H.E.P	510,461
SACRED HEART RC PRIMARY SCHOOL	502,399
HAWTHORNDEN PRIMARY SCHOOL	501,058
CORNBANK ST JAMES PRIMARY SCH	473,701
HOPEFIELD PRIMARY SCHOOL (NEW ST MARY'S)	456,376
BILSTON PRIMARY SCHOOL	402,412

Table A.2 20 buildings with the highest annual electricity consumption in 2022-23, ordered from highest consumption to lowest

Building	Annual electricity consumption (kWh/yr)
NEWBATTLE COMMUNITY CAMPUS	1,355,306
LOANHEAD CENTRE	702,278
LASSWADE CAMPUS	594,225
BEESLACK HIGH SCHOOL	486,473
PENICUIK POOL & LIBRARY	459,887
MIDLOTHIAN HOUSE	395,589
PENICUIK HIGH SCHOOL	305,036
FAIRFIELD HOUSE-MAIN BUILDING	287,175
DANDERHALL COMMUNITY HUB & PRIMARY SCHOOL	271,746
NEWBYRES VILLAGE CARE HOME	247,148
WOODBURN PRIMARY SCHOOL	228,540
PENTLAND HOUSE H.E.P	213,173
CUIKEN PRIMARY SCHOOL	204,111
BURNBRAE PRIMARY SCHOOL	200,712
STOBHILL DEPOT	191,151
BONNYRIGG PRIMARY SCHOOL	180,484
COWAN COURT	171,168
GORE GLEN PRIMARY SCHOOL	164,893
KINGS PARK PRIMARY SCHOOL	155,451
HIGHBANK H.E.P	154,181

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Appendix B: Scope of this assessment

The Public Bodies Climate Change Duties Report for Midlothian Council (2021/22) reports emissions from the following activities.

"During the reporting year, Midlothian Council was responsible for the utility/fuel costs of:

- *A building portfolio of around 200 premises that includes:*
  - *3 major administration offices (all located in Dalkeith)*
  - *4 works depots*
  - *9 libraries*
  - *39 schools*
  - *7 leisure centres and swimming pools (some of which are co-located on school premises)*
- *9,895 street lighting points*
- *948 signs*
- *709 street lighting control cabinets*
- *626 bollards*
- *43 CCTV cameras and associated equipment*
- *34 sets of traffic signal crossings and associated equipment*
- *76 sets of traffic signals and associated equipment*
- *275 vehicles, including those on a long-term lease. 21 of these are electric, of which 11 are leased. These include taking delivery in 2021/22 of four electric vans which were part funded by the Scottish Government's "Switched on Fleets" grant.*
- *25 public electric vehicle charging points*
- *2 pool bikes*
- *Various stair lighting and door entry systems, as well as Christmas/festive lighting."*

In addition to the above data, we have presented an estimate of the emissions from all waste collected by Midlothian Council, as reported by SEPA.

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Appendix C: GHG mitigation assumptions

The table below describes the evidence base and rationale for the quantified GHG reductions set out in Section 4.

Category	Mitigation measures	Impact	Basis for assumption	Reference(s)
Council fleet	Reduce fuel use where possible through measures such as eco driving training, route optimisation, etc.	3% reduction in vehicle fuel consumption	This is an intentionally conservative estimate which reflects a variety of potential measures. According to the CCC, around 3% of van miles could be avoided through trip consolidation – however that is for the UK as a whole, and opportunities within Midlothian might be much smaller. Eco driving training has been shown to reduce fuel consumption by up to 15%, but again, that figure refers to organisations that are different in character from Midlothian Council.	CCC 6th Carbon Budget Report
	Replace vehicles with EVs, where practical	70% reduction in vehicle fuel consumption for vehicles that switch to EV	This is based on the relative fuel use of petrol and diesel engines (kWh/km) compared with EVs. Note: This measure is applied after the reduction in fuel use due to eco driving and other soft measures (see above).	DESNZ, GHG Conversion Factors for Company Reporting
	Replace diesel in HGVs with green hydrogen once this becomes commercially available (mid-2030s onwards)	100% reduction in emissions for vehicles that switch to green hydrogen	This figure is purely illustrative. It assumes that, in future, a zero direct emission technology such as green hydrogen will	N/a

			become available to decarbonise HGVs.	
Streetlights	Continue to replace streetlights with LEDs	50% reduction in electricity use for lights that switch to LEDs	LEDs offer significant energy savings compared with traditional bulbs. The 50% figure is based on a case study for another local authority. Note that higher reductions could be achievable; this figure has been used as a conservative estimate.	https://www.lbhf.gov.uk/news/2019/05/new-led-streetlights-deliver-huge-energy-savings
Business travel	Use EVs, public transport, walking or cycling, where practical	70% reduction in vehicle fuel consumption for vehicles that switch to EV	For simplicity, since this represents a small proportion of total emissions, we have modelled this as a switch to EVs. In practice, greater reductions could be achieved if there was a reduction in business travel, or if (where practical) staff switched to using public transport, walking and cycling for some additional journeys.	As for Council fleet
Buildings	Retrofit buildings	15% reduction in heat demand on average	The level of reduction depends on the types of retrofitting measures that are applied. This is subject to a range of technical and practical constraints that have not been examined in detail in this study. In theory, it is possible to bring some buildings to near-Passivhaus levels of performance, with savings of 75-90%, but this is not common	[1] Passivhaus Trust https://passipedia.org/certification/enerphit [2] BBP, 'Real Estate Environmental Benchmark: 2019 Energy Snapshot – Chart 6' (2020). Available at: https://www.betterbuildingspartnership.co.uk/sites/default/files/media/attachment/BBP_REEB%202019%20Energy%20Snapshot.pdf

		[1]. Case studies from the Better Buildings Partnership showed reductions of up to 26% [2]. 15% has been selected as a more conservative estimate.	
Replace gas cookers with electric cookers	50% reduction in energy used for cooking	The proportion of gas used for cooking is estimated to be 4%, based on the Energy Consumption in the UK End Use Statistics, Table U5. The amount of natural gas used for cooking in the sectors community/arts/leisure, education and offices, was divided by the amount of gas used for all purposes and the result was c. 4%. The reduction in energy used for cooking is based on the relative efficiencies of gas cookers compared with electric ones. Typical figures would be around 40% and 80% respectively.	Assumption based on typical values ECUK (2022) End Use Tables, Table U5
Switch to zero direct emission heating (ZDEH)	66% reduction in energy used for heating Note: This measure is applied after the reduction in fuel use due to retrofitting (see above).	This is based on the relative efficiencies of gas boilers compared with heat pumps. We have assumed that boilers are typically 85% efficient, which aligns with the Scottish CCPu GHG Emissions Projections report, and that ZDEH systems will on average be around 250% efficient. The latter could represent a heat	Scottish Government, 'Greenhouse Gas Emissions Projections, Scotland: Results of Phase 1 and Phase 2 modelling' (2023) Scottish Government, 'Update to the Climate Change Plan 2018 – 2032: Securing a Green

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			pump with a SCOP of 2.5; this is slightly lower than is assumed in the Scottish CCPu Assessment, but could represent a weighted average efficiency, with some systems being heat pumps and others being direct electric or infrared systems.	Recovery on a Path to Net Zero' (16 Dec 2020)
Water supply and treatment	Implement water efficiency measures	10% reduction in water use	According to Scottish Water, the average consumption is around 150 litres per person per day (lpd). In new buildings, the use of water efficient fittings is intended to reduce this to 110 lpd – a 26% reduction. Those figures compare existing and new domestic properties and do not necessarily reflect public sector buildings, so a more conservative estimate of 10% has been used instead.	https://www.scottishwater.co.uk/-/media/ScottishWater/Document-Hub/Your-Home/Water-Efficiency/270718ScottishWaterWaterEfficiencyJun16.pdf
	Decarbonise water supply system	100% reduction in residual emissions, after water efficiency measures	This figure is purely illustrative. It assumes that, in future, technologies will become available to decarbonise the water supply system and/or that carbon removals will be used to mitigate unavoidable emissions. (Note: the water industry state that there are no technical barriers to carbon neutral water supply by 2050, only financial at present.)	CCC 6th Carbon Budget Report

			According to the CCC, decarbonisation options could include reducing leaks in supply systems, decentralising the water supply, using sustainable drainage systems, and increased deployment of renewables on site.	
	Decarbonise water treatment system	100% reduction in emissions	This figure is purely illustrative. It assumes that, in future, technologies will become available to decarbonise the water treatment system and/or that carbon removals will be used to mitigate unavoidable emissions.

According to the CCC, decarbonisation options could include:

Conversion of wastewater treatment plants to anaerobic digestion (increasing the amount of biogas extracted and reducing methane emissions)

Process optimisation improvements and leak identification using on-site emissions monitoring of CH4 and N2O.

More innovative solutions are in development, e.g. membrane aerated biofilm reactors or partial nitrification-Anammox processes. | CCC 6th Carbon Budget Report |

Waste	Reduce waste arisings, increase recycling	15% reduction in emissions from waste	The CCC indicates that, as a national average, these measures could reduce waste by anywhere from 13%-33% by 2037. Since Midlothian Council is targeting net zero by 2030 we have made the conservative assumption that a 15% reduction could be achievable.	CCC 6th Carbon Budget Methodology Report, Table 10.1
	Incorporate CCS into the energy from waste plant	100% reduction in residual emissions after waste reduction measures	This figure is purely illustrative. It assumes that, in future, CCS will become commercially available such that residual emissions from waste, specifically the energy from waste plant, are captured. Additional carbon removals would be needed to mitigate emissions from other waste sources such as landfills and composting of food waste.	N/a
Homeworking	Energy saving advice/measures for homeworkers	2% reduction in emissions from homeworking	Rough scale of impact based on measures like smart meters, which save around 1% of energy use according to the Scottish CPPu GHG . Impact Assessment, draughtproofing, and other general energy saving behaviours.	Scottish Government, 'Greenhouse Gas Emissions Projections, Scotland: Results of Phase 1 and Phase 2 modelling' (2023)
	Decarbonise home working	100% reduction in emissions after home energy saving measures are implemented	This figure is purely illustrative. It assumes that, in future, most people's homes will become zero carbon due to Scottish and UK government policies that promote energy performance	N/a

		upgrades and phase out fossil fuel heating systems by 2045. This would reduce residual emissions from homeworking to zero.	
Electricity	Deploy up to 17.5MW of ground-mounted PV on Council-owned land, plus roof-mounted PV on suitable buildings	Could provide an estimated 13 GWh of renewable electricity per year. The emissions impact will depend on the carbon intensity of the grid electricity that is displaced.	Roof-mounted PV: A rough estimate of the potential PV capacity on the Council's non-domestic buildings was made based on rules of thumb set out in the DECC Renewable Energy Capacity Methodology (2010), which is intended for estimating opportunities within a geographic area at a high level. That document assumes that 40% of non-domestic buildings are suitable for PV and that the average system size will be 5 kWp. This was multiplied by the number of buildings (200, according to Midlothian Council's Public Sector Bodies Report) to obtain an estimated. As a rough estimate, this suggests around 400 kWp could be installed. Note, this is probably an underestimate of the typical system size, but in the absence of more detailed information on roof orientation/suitability, this has been used as a conservative estimate. Ground-mounted PV: A report from 2015 found that there	DECC Renewable Energy Capacity Methodology (2010) Midlothian Council Public Sector Bodies Report Regional Renewable Statistics Apse Energy, 'Midlothian Counci: Report on Solar PV Opportunities' (2015)

was potential for up to 17.5 MWp of PV to be delivered on Council-owned land.

The typical output for PV was based on the DESNZ Regional Renewable Statistics for Midlothian. That publication suggests there is 9.39 MW of PV in Midlothian which generates 6926 MWh annually, giving an average output of 738 MWh/MWp for PV in that region.

This could provide around 13 GWh of electricity per year, which for context is roughly equivalent to the Council's current electricity use, or around half of future electricity use if it electrifies all buildings and transport.

Appendix D: Cost assumptions

In addition to modelling the GHG impact, we have sought to indicate the potential scale of upfront capital costs for different actions, where published data were available to support an estimate.

These are based on the typical cost of a measure (e.g. replacing a petrol car with an EV), multiplied by the number of times it would need to occur (e.g. based on the current number of fleet vehicles owned by Midlothian Council). This is not a detailed costing exercise; the Council will need to undertake separate feasibility studies to confirm the actual costs of each measure.

As stated in the main report, these calculations do not account for:

- Bill savings
- Ongoing maintenance costs
- Changes in costs over time
- Supporting infrastructure, e.g. EV charging points and electricity grid upgrades
- Administration costs to deliver the required projects

Category	Mitigation measures	Indicative cost	Explanation of cost assumptions
Council fleet	Reduce fuel consumption through measures such as eco driving training, route optimisation, etc.	Up to £40K	Calculation assumes around 10% of Council staff (c. 400 people) receive eco driving training at £100 per head based on market research.
	Replace vehicles with EVs, where practical	£13M-20M	Calculation assumes electric cars cost c. £25,000, electric vans cost c. £30,000 and electric buses around £400,000 based on market research Also assumes that only 50% of diesel

			vehicles switch to EV. The number of vehicles is a rough assumption, informed by a 2018 FOI request for a list of the Council's vehicles.[25]
	Use 100% renewable electricity for EVs	-	See row titled 'Use 100% renewable electricity', below
	Replace vehicles with green hydrogen or other alternatives where EVs are not commercially available or practical	Not costed	No cost data as this technology is not yet commercially available
Streetlights	Continue to replace streetlights with LEDs	£3.2M	Cost information provided by Midlothian Council via email
	Use 100% renewable electricity for streetlights	-	See row titled 'Use 100% renewable electricity', below
Business travel	Use EVs or public transport, where practical	Not costed	EV rental/leasing is available at minimal additional cost; in future, it is assumed that most vehicles (incl. taxis) would be EV and this cost would not be borne by the Council
	Use 100% renewable electricity for EVs	-	See row titled 'Use 100% renewable electricity', below
Buildings	Retrofit buildings	£27M-40M	Calculation assumes that the typical cost to retrofit commercial buildings is around £250 per m^2 of floor area.[26] Data received from Midlothian Council indicates that the average floor area is around 600-700m^2 and there are around 200 buildings.
	Replace gas cookers with electric cookers	£200K-300K	Calculation assumes that commercial cookers are present in around 20% of buildings and that they cost around £6,000-7,000 each based on market research.
	Switch to ZDEH systems	£6M-10M	For simplicity, this calculation is based on individual heat pumps, although in practice these could be delivered as part of a communal or district heating system. Some buildings might also use alternative technologies such as direct electric or infrared heating, green hydrogen, or biofuels. It assumes that commercial ASHPs cost around £20K-40K each.

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[25] https://www.whatdotheyknow.com/request/fleet_list_597
[26] https://www.theccc.org.uk/wp-content/uploads/2019/07/The-costs-and-benefits-of-tighter-standards-for-new-buildings-Currie-Brown-and-AECOM.pdf

			Note that the actual costs could be significantly lower, for example if heat pumps come down in price, or higher, if more expensive solutions are chosen instead. Determining a cost optimal heating solution is outside the scope of this study.
	Use 100% renewable electricity for buildings	-	See row titled 'Use 100% renewable electricity', below
Water supply and treatment	Implement water efficiency measures	Included elsewhere	Assumed to take place as part of building retrofit programme (see above)
	Decarbonise water supply system	*Not costed*	*Outside of the Council's control*
	Decarbonise water treatment system	*Not costed*	*Outside of the Council's control*
Waste	Reduce waste arisings, increase recycling	Up to £1K for an awareness campaign but other measures have not been costed	Recommendation assumes there is an awareness raising campaign, plus ongoing training and engagement with employees over time. Council has indicated up to £1K for posters etc.
	Incorporate CCS into the energy from waste plant	*Not costed*	*No cost data as this technology is not yet commercially available*
Homeworking	Energy saving advice/measures for homeworkers	Up to £1K	Recommendation assumes there is an awareness raising campaign, plus ongoing training and engagement with employees over time. Council has indicated up to £1K for posters etc.
	Decarbonise home working	*Not costed*	*Outside of the Council's control*
Various	Use 100% renewable electricity [Note: this is the total for all of the previous rows that refer to renewable electricity]	Up to £25M	Could be achieved in various ways, with different costs to the Council. Options include: • In future, if the electricity grid is net zero, this will be achieved by default. However, the timing of this is uncertain and it will not occur by 2030. • A 100% renewable tariff might be available at no additional cost (and in some circumstances could provide cost savings if combined with energy management systems). However, not all carbon accounting methodologies accept this as a solution.

- The most certain way of achieving this would be to deliver additional renewables locally and use a Power Purchase Agreement. A study from 2015 suggested up to 17.5MW of PV could be delivered on Council-owned sites. Assuming £1M-£1.25M per MW, this is estimated at about £20M. Roof-mouned PV tends to be more expensive, at £1.5-2M per MW. Depending on the amount of roof-mounted PV that is deployed, the capital cost for PV on Council-owned buildings is estimated at roughly £1-1.5M. There would be additional costs due to factors such as grid infrastructure upgrades, building work to reinforce roofs, etc. Also note that although the cost of PV has decreased over the last decade and a half, it has risen in the past few years due to global events and other market factors so there is uncertainty in these estimates.[27]

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[27] https://www.gov.uk/government/statistics/solar-pv-cost-data

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Midlothian Strategy for Inclusive Economic Growth 2025-2030.

Report by Kevin Anderson, Executive Director - Place

Report for Decision

1 Recommendations

The Council is recommended to approve the Midlothian Strategy for Inclusive Economic Growth 2025 – 2030 and instruct Officers to create a delivery plan for the period of the Strategy.

2 Purpose of Report/Executive Summary

The existing Midlothian Council Strategy for Growth 2020-2025 and Economic Renewal Addendum has been reviewed to align with the Scottish Government National Strategy for Economic Transformation and the Edinburgh and South East Scotland City Region Deal Regional Prosperity Framework. It is recommended this new strategy be adopted as the Council's Economic Strategy for 2025 - 2030.

Date: 21st October 2024

Report Contact:
Annie Watt, Economic Development Manager (Acting)
Annie.Watt@Midlothian.gov.uk

3 Background/Main Body of Report

3.1 The Strategy for Growth 2020-25 published by the Council in 2019 and the Economic Renewal Strategy Addendum published June 2020, did not foresee the impact of Brexit or the Covid Pandemic on local communities and the economic and inflationary consequences.

3.2 The Midlothian Strategy for Inclusive Economic Growth 2025-2030 (Appendix B) was developed in consultation with local businesses, foundational sector clusters and partners following the Ekosgen research on the impact of Covid-19 and Brexit on the Midlothian Economy (Appendix C).

3.3 The Scottish Government published the National Strategy for Economic Transformation in 2022 to realise a Wellbeing Economy for Scotland through the adoption of the Community Wealth Building approach to economic development, building economic resilience at a local level with Scotland's transition to Net Zero as a central tenet.

Community Wealth Building has 5 pillars:

- Plural ownership of the economy
- Making financial power work for local places
- Fair employment and just labour markets
- Progressive procurement of goods and services
- Socially productive use of land and property

3.4 The strategy aligns to the Edinburgh and South East City Deal, Regional Prosperity Framework which provides a basis to guide and integrate public, private and third sector decisions, actions, collaborations, strategies, policies and investments across areas including sustainability, climate change, energy, transport, planning, housing, infrastructure, education, digital, services, equalities, well-being, economic development, procurement and delivery.

The Regional Prosperity Framework states that rebuilding the economy must support:

- People – to access fair work, to learn and develop new skills and to live happy and healthy lives.
- Places – that are sustainable, and attractive to live and work in and where enterprise thrives.
- Planet – meeting our needs in a way that will allow future generations to meet theirs, with a focus on reduction of greenhouse gas emissions (sustainability).

3.5 Midlothian Council has been delivering against the plural ownership of the economy and the progressive procurement of goods and services

through the Local Procurement Strategy 2021, the Midlothian Procurement Strategy 2018-2023 and the Single Midlothian Plan 2022/23.

The Economic Development and Procurement services have been working together to identify opportunities to localise and shorten our supply chain, supporting and strengthening the local economy and contributing to reducing carbon emissions.

The SPF Community Wealth Building Officer provides support to local businesses to aid access to tender opportunities.

The Single Midlothian Plan 2023-2027 progresses this work in partnership with Midlothian's Anchor Organisations and Council Services to create a Community Wealth Building Action Plan to develop services to build resilience and empowerment for individuals and the communities of Midlothian.

The UKSPF Local Business Support has funded 2 Community Wealth Building Officers to focus on the Plural Ownership and Progressive Procurement Pillars as outlined in the UKSPF Investment Plan and provides grants to support, local social economy organisations, tourism businesses and exporters (Appendix D).

4 Report Implications (Resource, Digital and Risk)

4.1 Resource
There are no resource implications arising from this report.

4.2 Digital
There are no digital implications arising from this report.

4.3 Risk
There are no risk implications arising from this report.

4.4 Ensuring Equalities (if required a separate IIA must be completed)
This report does not recommend any change to policy or practice and therefore does not require an Equalities Impact Assessment.

4.5 Additional Report Implications
No additional report implications

Appendices

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 Economic Strategy for Inclusive Economic Growth seeks to create a holistic approach to improving the economic circumstances of Midlothian's residents, businesses and social economy businesses.

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
Developing local economic resilience will support the local economy to withstand economic shocks.

A.8 Supporting Sustainable Development
An inclusive economic growth strategy will minimise environmental decline and social disparities.

APPENDIX B – Midlothian Strategy for Inclusive Economic Growth 2025 – 2030.

APPENDIX C – Ekosgen Report: The Impact of Covid-19 & Brexit on the Midlothian Economy.

The Midlothian Strategy for Inclusive Economic Growth
2025–2030

FOREWORD

I am delighted to present The Midlothian Strategy for Inclusive Economic Growth | 2025-2030.

This strategy outlines our Partnership approach to our vision of a wellbeing economy for Midlothian that will support our communities, our local businesses and town centres to thrive, ensuring opportunity and fair work for all with collaboration, inclusivity, innovation and ambition at the heart of what we do.

The Midlothian strategy for Inclusive Economic Growth has been developed through extensive consultation across the area's key sectors, capturing the needs and aspirations of the businesses, communities, the third sector and the people of Midlothian.

This strategy is written in the context of the Single Midlothian Plan 2023-2027 outcomes:

• Individuals and communities have improved health and skills for learning, life and work.

• No child or household living in poverty.

• Significant progress is made towards net zero carbon emissions by 2030.

The *Midlothian Will Have a Wellbeing Economy and be Better Connected* theme in the Single Midlothian Plan, led by Midlothian's Economic Development Service, is supporting the Plans outcomes through a partnership approach to developing a culture of entrepreneurship in Midlothian. The Economic Development Service is working with Edinburgh College Eskbank to deliver an enterprise hub and the Education Service to embed entrepreneurship into the curriculum supporting the recognition of entrepreneurship as a valued career pathway, tackling poverty and creating a culture of self-empowerment and resilience.

This strategy aligns with the Scottish Government's National Strategy for Economic Transformation to create a Wellbeing Economy for Scotland.

A partnership approach is crucial to realising our ambition for Midlothian and it being recognised as…

a great green place to grow.

Bringing Anchor Organisations together the Community Planning Partnership creates an opportunity to work together to develop a Community Wealth Building Action Plan for the whole of Midlothian.

Community Wealth Building is an internationally recognised approach to achieving a wellbeing economy, generatating and retaining wealth in local communities using the 5 pillars framework:

• Progressive Procurement

• Plural Ownership

• Fair Work

• Land and Property

• Finance

This approach strengthens and empowers local communities to take a leadership role in improving their communities.

We are committed to simplifying the procurement process and making access to Council contracts more accessible to local businesses, supporting local businesses to work together, pool resources and build their capacity to increase competitiveness in a business environment that strengthens Midlothian's local economy.

As Scotland's fastest growing local authority area, inclusive growth is integral to delivery of this strategy. Key to this is the Community Wealth Building approach to ensure opportunities are accessible to all of our local business, communities and people while taking protective steps for the planet.

We will put a strong emphasis on local jobs for local people and that jobs created by capital infrastructure upgrades will be accessible to local contractors, would be employees, and young people that aspire for careers in the industry.

The business community in Midlothian is significant. In 2023 we had 2,570 registered small and medium enterprises that collectively account for 59% of Midlothian's total workforce.

Small businesses are essential to the development of a connected, collaborative and ambitious economy for Midlothian, and I invite you to be a part of this and work with us on this journey.

Cllr Colin Cassidy,
Cabinet Member for Economic Development,
Tourism, Planning and Transport

Midlothian Council, October 2024
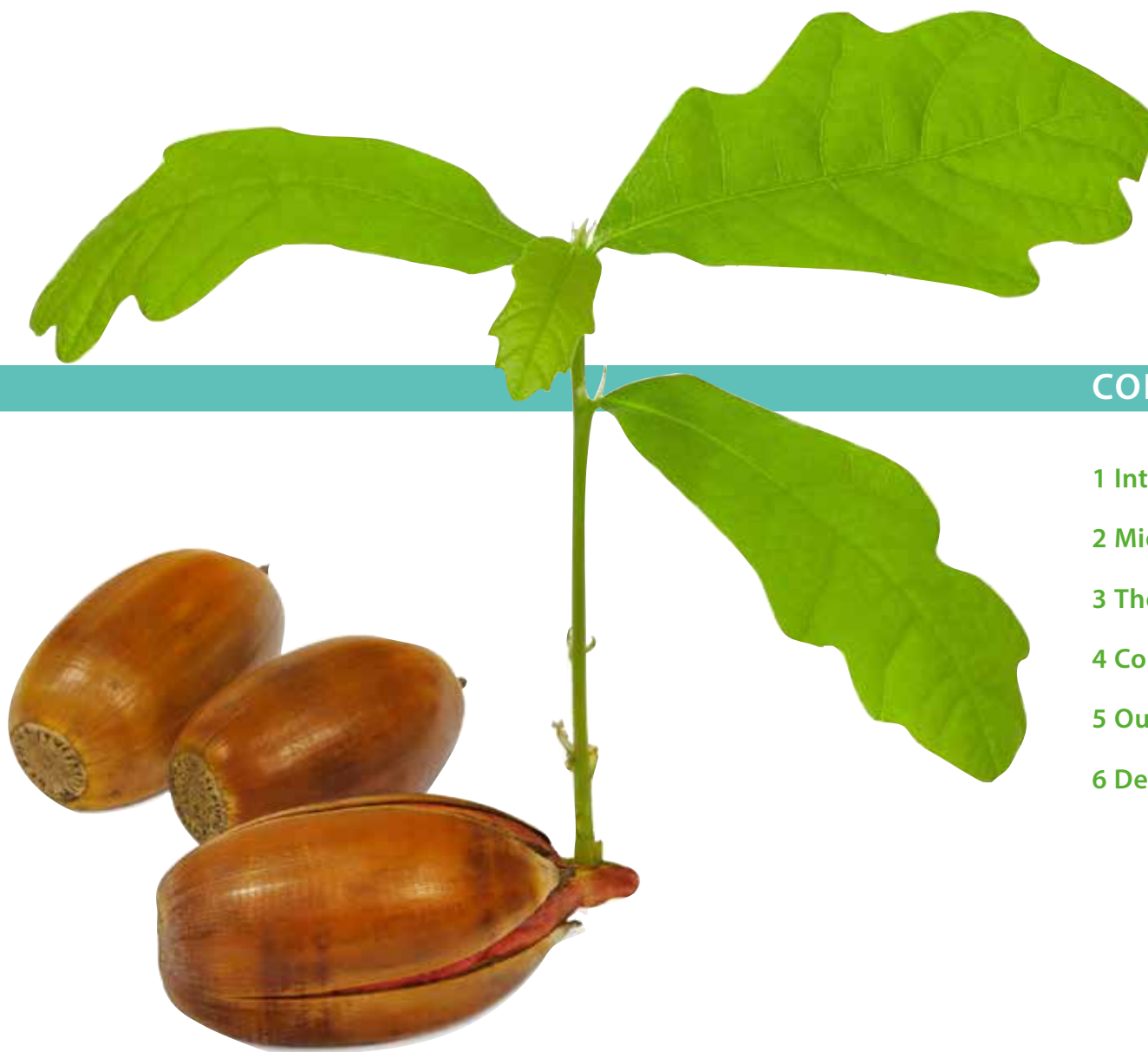
CONTENTS

1 INTRODUCTION

This document sets out Midlothian's strategy for inclusive growth, along with a new economic development vision and key priorities for the period 2025-2030.

Our economic development approach

Economic development increases the capacity of a local area to improve economic outcomes for its businesses and residents, and enhance its social wellbeing and quality of life. It is a continuous process of transformation and innovation, managing change driven by local and macro-economic factors. It ultimately results in increased labour market activity and productivity, and delivers improved infrastructure – all of which reduces costs and increases output.

There are a wide range of different environmental, economic and social factors that contribute to the development of the Midlothian economy. Environmental factors like our commitment to make Council activity Net Zero by 2030 and the Scottish Government's target for Net Zero by 2045 provides a framework for current and future development of the Midlothian economy, while working within the remit of ensuring that this growth is inclusive of all of our residents in order to ensure a Just Transition to a net zero carbon economy.

Social factors such as a need to improve the quality of life, our region's ability to "keep it local" through advancing and strengthening inclusive economic growth and our region's learning and training outcomes can help address the barriers associated with the various socio-economic measures of deprivation outlined in the Scottish Index of Multiple Deprivation.

Economic factors such as the makeup of our economy by way of enterprise type, size, age and performance inform how we support our key sectors of strength (construction, food and drink, ICT and digital technologies, life sciences and tourism) to maximise economic activity and performance within Midlothian. Developments resulting from this strategy are focused on delivering support for our businesses both in terms of capital developments and revenue funding that will promote the Midlothian economy as an "area in which everyone can live, work and do business sustainably."

Partnership and collaboration

Local economic development in the context of Midlothian is a partnership approach: the Council, working collaboratively with businesses, communities, and the third sector to drive improved outcomes. This empowers, creates dialogue and allows the Council to make better informed development choices with partners, by taking a bottom-up approach to decision-making on local issues, thereby increasing the efficacy of services delivered in the area.

This partnership approach is critical for delivering inclusive growth in Midlothian – ensuring that we work to increase prosperity and economic opportunities for all of Midlothian's residents and communities, and that the wealth generated in Midlothian is distributed fairly and equitably. It is also a central strand of placemaking, which this strategy will contribute to. Good placemaking requires strong collaboration, and should maximise the knowledge and understanding of all local partners in delivering any activity that aims to meet the needs and aspirations of Midlothian's communities.

New Housing in Midlothian

Strategy for Inclusive Economic Growth

Our previous Strategy for Growth (2020-25) and the Economic Renewal Addendum 2020 has been replaced to account for the period of uncertainty surrounding the UK Government's decision to leave the European Union, the impacts of Covid-19 and the impacts of the current Ukraine crisis on the rising cost of living. The 2022 ekosgen report: Covid-19 and Brexit impacts on Midlothian outlined 10 strategic priorities:

• Supporting business and employment growth
• Inward investment and developing Midlothian's proposition
• Provision of business premises
• Re-imagining and regenerating town centres
• Infrastructure enhancements
• Building resilience and community wealth
• Skills and employability
• Supporting the transition to net zero
• Operating in a different funding regime
• Tackling inequality

Whilst impacts are still being felt from these events (limiting opportunities for growth, reduced access to business finance, a higher degree of home working and greater pressures on business and public sector finances), there is a better understanding of the landscape and as such these events have informed our new strategy.

Midlothian Council has led the development of this strategy with its partners, with inputs provided by the community, business and public sector in a series of online workshops. The new strategy builds on the shared vision that was identified in 2020 and identifies new key priorities in shaping and delivering growth for Midlothian's economy.

Purpose and objectives of the strategy

The purpose of this strategy is to build upon the previously established shared ambition to grow and transform the economy by harnessing opportunities and overcome the challenging macroeconomic context presented over the previous three years.

Strategic objectives and key priorities set out in this document align with the Scottish Government's National Strategy for Economic Transformation and are in the context of the various local and regional strategies that have been developed since the previous iteration, including the Midlothian Local Housing Strategy, the Midlothian Council Climate Change Strategy and the Midlothian Digital Strategy. The strategy also builds on other strategies that have been implemented around the same time as the previous Strategy for Growth, including the Community Planning Partnership's Single Midlothian Plan (now updated for the period 2023-27), Midlothian Council's Capital Investment Strategy, SESTran's Regional Transport Strategy, the Interim Regional Spatial Strategy for South East Scotland and the Scottish Government's National Planning Framework 4 (NPF4).

Our strategy will be supported by an annual monitoring plan prepared through the Community Planning Partnership's sustainable growth theme, to realise a Wellbeing Economy and contributeto the delivery of the Single Midlothian Plan.

The fiscal environment continues to be challenging, and financial pressures are increasing for all. In recognition of this, our strategy seeks to deliver better outcomes for our economy in conjunction with our partners and the future direction of Midlothian Council set out in the Medium Term Financial Strategy.

Our strategy reinforces the importance of partnership working across the various Council services, the Edinburgh and South East Scotland City Region Deal partners, Skills Development Scotland, Developing the Young Workforce, Business Gateway, private sector and landowners, the third and voluntary sector, the Midlothian and East Lothian Chamber of Commerce, the Federation of Small Businesses, Scottish Enterprise, Scottish Development International and Higher and Further education providers. Actions within the strategy remain underpinned by this partnership-based approach to achieving our objectives.

Over the period 2025 – 2030, the primary focus of our work is targeted towards raising our profile, promoting the diverse offer in Midlothian and reaping the benefits of this increased visibility. Recent government policy has been focused on how best to transform the economy in order to ensure inclusive growth for all, whilst addressing various issues such as the Climate Emergency and ensuring a Just Transition to net zero carbon, which can be achieved through investment that provides greater opportunities to businesses, people and communities, and distributes the returns on that investment fairly – ensuring inclusive growth in Midlothian is achieved.

Our strategy remains underpinned by sustainability in achieving economic outcomes. Following Midlothian's declaration of a Climate Emergency in 2019, we were early actors in introducing a Carbon Charter for businesses to follow and embed sustainability in their actions. The Charter has been widely adopted and sustainable practices have been implemented across a wide range of businesses in Midlothian. Our Climate Change Strategy adopted an aim to establish a Citizens Assembly and Climate Change Partnership Group to engage the businesses and residents of Midlothian in the climate change debate. Midlothian Energy Ltd (MEL), a partnership between Midlothian Council and Vattenfall, have made significant progress in the development of the District Heating Network at Midlothian's New Town of Shawfair. MEL continues to exlpore decarbonisation projects across the County to realise our Net Zero ambitions to ensure…

Midlothian is a great green place to grow.

With our partners in the Edinburgh and South East Scotland City Region (ESESCR) Deal, we are delivering improvements to our infrastructure in order to drive change. Midlothian is receiving targeted infrastructural support with regards to the Sheriffhall Roundabout and improvements to the Midlothian Science Zone at Easter Bush. Together with regional programmes in skills development, this will help our businesses to flourish, result in increased start-up activity and increased capacity for growth. All of which will continue to invite and capitalise on vital investment in our business community.

Midlothian Science Zone

2 MIDLOTHIAN

Midlothian covers 354 square miles and has a growing population in excess of 94,000. It lies in the east-central lowlands, bordering the City of Edinburgh, East Lothian and the Scottish Borders local authority areas. Its area encompasses seven urban centres and is surrounded by a hinterland of rural communities. The town of Dalkeith is in the county of Midlothian with further sizeable settlements at Bonnyrigg and Lasswade, and Penicuik. Development corridors in the South East Scotland (SES) Plan provide for significant settlement growth along the A701 and Borders Railway corridors.

Midlothian's location

Located to the south of Edinburgh city, in the Edinburgh and South East Scotland City Region and the gateway to the Pentlands, Midlothian has a varied topography. Castles, stately homes, country parks and the world famous late-gothic Rosslyn Chapel, are all located here. With attractions such as Roslin Glen, Dalkeith Country Park, Vogrie House, the Secret Herb Garden, Dobbie's Garden Centre and the Hillend Infrastructure Investment (development of Midlothian Snowsports Centre), there is a something for residents and tourists alike.

Edinburgh is 20 minutes by car from Midlothian's centre and the airport is 30 minutes away. It is also only 1 hour 30 minutes from Glasgow airport, offering a range of commercial and business destinations and freight opportunities.

National Mining Museum Scotland

A thriving mining area in days gone by, Midlothian is home to a number of former colliery villages. Newtongrange, a 19th century designed mining village, houses the Lady Victoria Colliery which is open to the public as the National Mining Museum Scotland where Scotland's largest steam engine and winding tower for the disused 1,625-ft shaft is housed.

Midlothian's population

Midlothian had a population of 97,030 (June 2022). Much of its population is within its seven urban centres of Bonnyrigg, Penicuik, Dalkeith, Mayfield, Gorebridge, Loanhead and Danderhall. It is the fastest growing local authority in Scotland: its rate of projected growth is greater than any other local authority area in Scotland, with forecast population increase to be around 31% increase between 2018 and 2043 (rising to approximately 119,637).

Much of this forecast change is projected to be driven by in-migration, with a sizeable natural change component.

NRS Local Authority population growth projections, mid-2018 to mid-2029, and to mid-2043 overleaf

The National Records of Scotland (NRS) population projections show that the Midlothian population will grow the fastest of all Scottish local authorities with 15.1 per cent growth from a base of 91,340 in 2018 to 105,137 in 2029.

In comparison, the total Scottish population is projected to grow by 1.9 per cent by 2029.
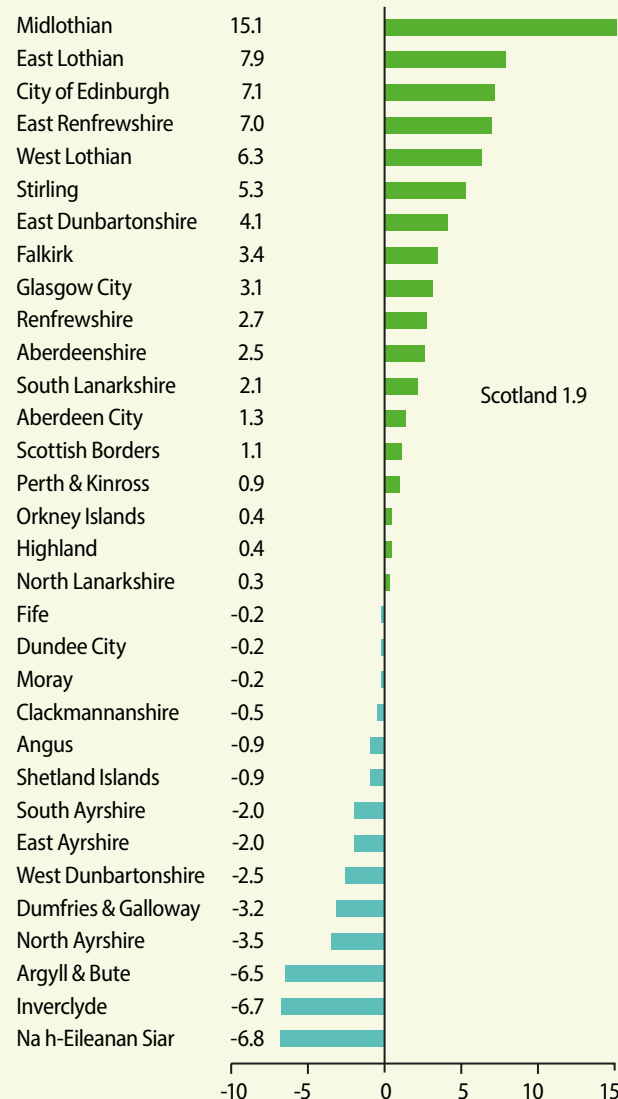
In the following illustration of NRS population projections from the 2018 base to 2043, all of the South East Scotland City Region, with the exception of Fife, show positive population growth, with Midlothian having the highest growth of all Scottish local authorities at 30.1 per cent (119,637).

In comparison, NRS estimate a growth in the total population of Scotland of 2.5 per cent by 2043.

Source: Population Projections for Scottish Areas (2018-based): Data Tables

www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections/sub-national-population-projections/2018-based

% Projected Population Growth by Local Authority 2018 –2029, Source: Scottish Fiscal Commission

Local Authority	%
Midlothian	15.1
East Lothian	7.9
City of Edinburgh	7.1
East Renfrewshire	7.0
West Lothian	6.3
Stirling	5.3
East Dunbartonshire	4.1
Falkirk	3.4
Glasgow City	3.1
Renfrewshire	2.7
Aberdeenshire	2.5
South Lanarkshire	2.1
Aberdeen City	1.3
Scottish Borders	1.1
Perth & Kinross	0.9
Orkney Islands	0.4
Highland	0.4
North Lanarkshire	0.3
Fife	-0.2
Dundee City	-0.2
Moray	-0.2
Clackmannanshire	-0.5
Angus	-0.9
Shetland Islands	-0.9
South Ayrshire	-2.0
East Ayrshire	-2.0
West Dunbartonshire	-2.5
Dumfries & Galloway	-3.2
North Ayrshire	-3.5
Argyll & Bute	-6.5
Inverclyde	-6.7
Na h-Eileanan Siar	-6.8

Scotland 1.9

% Projected Population Growth by Local Authority 2018 –2043, Source: Scottish Fiscal Commission

Local Authority	%
Midlothian	31.0
East Lothian	15.1
East Renfrewshire	13.5
City of Edinburgh	13.1
West Lothian	11.6
Stirling	10.5
East Dunbartonshire	7.6
Falkirk	6.0
Glasgow City	5.8
Renfrewshire	4.3
South Lanarkshire	2.8
Aberdeenshire	2.4
Aberdeen City	2.3
Scottish Borders	0.8
Dundee City	-0.6
North Lanarkshire	-0.9
Highland	-1.0
Perth and Kinross	-1.0
Orkney Islands	-1.6
Fife	-2.1
Moray	-2.7
Clackmannanshire	-2.9
Angus	-3.8
Shetland Islands	-6.1
South Ayrshire	-6.5
East Ayrshire	-6.6
West Dunbartonshire	-7.4
Dumfries and Galloway	-8.4
North Ayrshire	-9.6
Argyll and Bute	-14.8
Na h-Eileanan Siar	-16.0
Inverclyde	-16.2

Scotland 2.5

Midlothian's economy

Midlothian's historic economy was based around coal mining and heavy industry including papermaking, carpet making and mills along the River Esk. However, like the majority of post-industrial regions, these sectors have disappeared since the 1970s. To facilitate diversification, the Council has delivered a number of capital programmes to facilitate physical improvements to the built environment. Midlothian has invested in redeveloping the Bilston Glen mining site to become an industrial estate with British Coal Enterprise and Scottish Enterprise. Midlothian Council has also supported the development of the wider Easter Bush Campus in partnership with Scottish Enterprise, The University of Edinburgh, Northern Property and Moredun Research Institute.

Midlothian is known for its rolling green hills and its world-leading centre of research excellence in animal health and life sciences. The Midlothian Science Zone, established in 2016, encompasses the Pentlands Science Park, Easter Bush Campus, Bush Estate, Edinburgh Technopole and BioCampus. The University of Edinburgh site at Easter Bush, the Roslin Institute and Moredun Research Institute are world renowned for their contribution to education on infectious diseases, support of sustainable agriculture and creation of solutions to ensure safe and sustainable food and water supplies, thereby addressing climate change and conserving biodiversity.

Midlothian has a strong retail offering at Straiton. The retail park is home to multinational companies including IKEA and Costco. Large national companies have a strong presence in the area, including: Sainsbury's, Marks and Spencer, Next, Halfords, and Boots.

Midlothian has a strong and growing third sector. The area is home to a number of social enterprises and community development trusts, with over 200 registered charities identifying their main operating area as Midlothian[2] and nearly 500 social enterprises and voluntary organisations operating in the region overall.[3] This puts our economy in a strong position in terms of pursuing inclusive growth objectives.

The area has benefitted from major transport infrastructure upgrades in recent years. The reopening of the Borders Railway in 2015 connects the key stations of Eskbank (Dalkeith), Newtongrange, Gorebridge and Shawfair directly to both Edinburgh City and the Scottish Borders, and opens Midlothian up to Edinburgh, Scotland and beyond. Midlothian is strategically linked to the A1 corridor, connecting Edinburgh to the Scottish Borders and the north of England. Midlothian is also in relatively close proximity to Glasgow. Connectivity is enabled by rail via the Glasgow-Edinburgh line and Cumbernauld/Edinburgh-Dunblane lines, and also by the M8 road network, connecting to the west of Scotland in under an hour, and the M90 towards Perth and the north in a similar travel time.

Midlothian is a well serviced area in the heart of the Edinburgh and South East Scotland City Region with a strong community

Newbattle High School

base, boasting educational centres of excellence and new multipurpose facilities at Newbattle and Lasswade Community High Schools. The Loanhead Centre includes a primary school, health centre, swimming pool and leisure facilities.

A new health and social care centre of excellence is proposed at Shawfair's new high school and more recently, plans were approved for a new Science Technology, Engineering and Maths (STEM) school in the A701 corridor. All of which makes Midlothian…

a great green place to grow.

Borders railway

Combined with the diverse range of heritage and cultural activities, events and access to greenspace, the area boasts a high quality of life. Recent developments have increased the housing offer ensuring it caters for individual need and budget and benefits from strategic transport links. The new town of Shawfair, which has commenced development and has a rail station on the Borders Railway route, will provide 4,000 housing units, business and industrial units, formal and informal open space, and will include a new Town Centre, with retail, food and beverage, commercial business, community, social and education facilities. This will sit adjacent to the partially developed Shawfair Business Park, and open up wider investment potential.

[1] National Records of Scotland: Mid-2021 Population Estimates Scotland
[2] Midlothian Health and Social Care Partnership Workforce Data
[3] SCVO State of the Sector, 2022

3 THE STRATEGIC FRAMEWORK FOR MIDLOTHIAN

This strategy sets out our commitment to grow Midlothian's economy in the context of local and national policy, and alongside our partnerships.

National and regional strategic context

LEAD ORGANISATION	STRATEGY & CONTEXT FOR ECONOMIC DEVELOPMENT	PRIORITIES

Scottish Government	National Strategy for Economic Transformation	• Fairer, Wealthier, Greener
		  - Entrepreneurial People and Culture
		  - New Market Opportunities
		  - Productive Businesses and Regions
		  - Skilled Workforce
		  - A Fairer and More Equal Society

	Shaping Scotland's Economy	• Where Scotland's Competitive and Comparative Advantage meets Global Opportunity
		  - Evidence-Informed Analysis set in the Context of our Values-Led Approach
		  - Identifying Scotland's Opportunity Areas: Energy transition; Decarbonisation of Transport; Software and IT; Digital Financial Services; Digital Business Services; Space; Health Tech; Transformation of Chemical Industries; Food & Drink Innovation
		  - Covid Impact and Impetus
		  - Scotland's Opportunity Areas for Inward Investment
		  - Delivering Wider Economic Benefits Across Scotland's Regions
		  - Leveraging Inward Investment

	A Trading Nation	• Strategic choice 1: how best to support our ongoing businesses?
		  - Strategic choices 2 and 3: what and where?
		  - Strategic choice 4: how we will align support in-market
		  - Strategic choice 5: how we will align export support in Scotland
		  - Maximising the economic impact of exports

	International Framework	• To create an environment within Scotland that supports a better understanding of international opportunities and a greater appetite and ability to seize them; and • To influence the world around us on the issues that matter most in helping Scotland flourish
	Global Affairs Framework	• Good citizenship • Maintaining close relations with the European Union • Gender equality • The climate crisis and climate justice • Respect for human rights and the rule of law • The role of Scotland's international network • Scotland's culture.

LEAD ORGANISATION	STRATEGY & CONTEXT FOR ECONOMIC DEVELOPMENT	PRIORITIES
Scottish Government	Community Wealth Building	• Progressive Procurement: Maximising community benefits through procurement and commissioning, developing good enterprises, fair work and shorter supply chains. • Fair Work: Increasing fair work and developing local labour markets that support the wellbeing of communities. • Land and Property: Growing social, ecological, financial and economic value that local communities gain from land and property assets. • Plural Ownership: Developing more local and social enterprises which generate community wealth, including social enterprises, employee-owned firms and cooperatives. • Finance: Ensuring that flows of investment and financial institutions work for local people, communities and businesses.
	Draft Energy Strategy and Just Transition Plan	• People have access to affordable clean energy. • Communities and places can participate and benefit in the net zero energy transition. • We have a supportive policy environment, maximising the impact of government expenditure and attracting private investment. • Scotland is home to a multi-skilled energy workforce, boosting our domestic supply chain and manufacturing capabilities. • Scotland's net zero energy system is continuously innovative and competitive in domestic and international markets
	Climate Change Plan	• Adaptation to climate change • Reducing greenhouse gas emissions • Leadership in the public sector • Engagement with business on climate action • Low carbon living • International action on climate change • Community-led climate action • Administering the UK emissions trading scheme • Managing the Nitrogen Balance Sheet • Delivering a Just Transition
	Fair Work	• Effective Voice • Opportunities • Security • Fulfilment • Respect

LEAD ORGANISATION	STRATEGY & CONTEXT FOR ECONOMIC DEVELOPMENT	PRIORITIES
Scottish Government	National Innovation Strategy 2023-2033	**Building successful Innovation Clusters** Scotland has a competitive advantage and a strong research and business base in a number of key markets. These give rise to four broad innovation themes on which future activity will focus: Energy Transition Health & Life Sciences Data & Digital Technologies Advanced Manufacturing **Innovation Investment Programme** To support the growth and scaling of our priority areas we will recalibrate our innovation investment and support landscape to ensure it aligns with our innovation priorities and maximises all appropriate sources of funding. We are determined to embed an investor mindset that maximises leverage, closes capital supply gaps and balances risk/return to ensure the maximum impact of the funding available through the public sector. **Innovation-led Entrepreneurship and Commercialisation Programme** The Commercialisation Programme is focused on three key elements – supporting our universities in their ambitions for a new Investment Fund, developing a Research Commercialisation Action Plan, and delivering existing commitments on entrepreneurship in universities. **National Productivity Programme** We will introduce an innovation-themed National Productivity Programme which diffuses the benefits of innovating for productivity gains. **Innovation Scorecard** To demonstrate progress and guide future action we will develop and publish an innovation scorecard which will rigorously measure and assess the strength and performance of each level of Scotland's innovation ecosystem.
	NPF4	Spatial principles: **Just transition.** We will empower people to shape their places and ensure the transition to net zero is fair and inclusive. **Conserving and recycling assets.** We will make productive use of existing buildings, places, infrastructure and services, locking in carbon, minimising waste, and building a circular economy. **Local living.** We will support local liveability and improve community health and wellbeing by ensuring people can easily access services, greenspace, learning, work and leisure locally. **Compact urban growth.** We will limit urban expansion so we can optimise the use of land to provide services and resources, including carbon storage, flood risk management, blue and green infrastructure and biodiversity. **Rebalanced development**. We will target development to create opportunities for communities and investment in areas of past decline and manage development sustainably in areas of high demand. **Rural revitalisation.** We will encourage sustainable development in rural areas, recognising the need to grow and support urban and rural communities together.
	Town Centre Action Plan Review	• Putting the right policy framework in place • Ensuring the right kind of support • Providing a framework for investment • Working closely with partners

LEAD ORGANISATION	STRATEGY & CONTEXT FOR ECONOMIC DEVELOPMENT	PRIORITIES
Transport Scotland	National Transport Strategy (NTS2)	• A sustainable, inclusive, safe and accessible transport system, helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors: - Reduces inequalities. - Takes climate action. - Helps deliver inclusive economic growth. - Improves our health and wellbeing
Scottish Tourism Alliance	Scotland Outlook 2030	• Our passionate people • Our thriving places • Our diverse businesses • Our memorable experiences
Edinburgh and South East Scotland City Region	ESESCR City Deal	• Research, Development and Innovation • Integrated Regional Employability and Skills • Transport • Culture • Housing
	Regional Prosperity Framework (RPF)	Big moves: • Data capital of Europe • Re-thinking our place • Sustainable transport • Regenerating the Forth • Sustainable tourism & culture • Supporting enterprise • Aligning skills • Re-inventing healthcare • Anchor institutions
	RPF Delivery Plan	• Green regeneration • Infrastructure for recovery and prosperity • Visitor economy and culture • Data Driven Innovation (DDI) economy

LEAD ORGANISATION	STRATEGY & CONTEXT FOR ECONOMIC DEVELOPMENT	PRIORITIES

SESPlan	Interim Regional Spatial Strategy for South East Scotland	• Regional recovery and renewal
		  - Tackling inequality
		  - Economic renewal
		  - Environmental improvement
		• Adaptable, a more resilient region
		  - Tackling climate change
		  - Conservation
		• Accessible Region
		  - Connectivity
		• Infrastructure delivery
		• Digital access
		• Sustainable housing sites
		• Focus on: the City; the East; the South; the Centre –
		  Midlothian; the West; the North

SEStran	SEStran 2035	• Transitioning to a sustainable, post-carbon transport system • Facilitating healthier travel options • Widening public transport connectivity and access across the region • Supporting safe, sustainable and efficient movement of people and freight across the region

Borders railway

Midlothian strategic landscape

LEAD ORGANISATION	STRATEGY & CONTEXT FOR ECONOMIC DEVELOPMENT	PRIORITIES
Midlothian Council	Medium Term Financial Strategy	• The aim of the Medium Term Financial Strategy is to provide a multi-year strategy aligned to the development and approval of the Midlothian Council Strategic Plan 2022-2027; and • It seeks to support the Council in fulfilling its statutory duty to set a balanced budget.
	Midlothian Local Development Plan	• To implement the requirements of the Strategic Development Plan for South East Scotland (SESplan); • To contribute to the delivery of successive Midlothian Single Outcome Agreements; • To support the development of a vibrant, competitive and sustainable local economy; • To safeguard and enhance Midlothian's natural and built heritage, which sustains the quality of life of its communities; • To respond robustly to the challenges of mitigating climate change and adapting to its impacts; • To provide positively for development which secures long-term social, economic and environmental benefits for existing and new residents, and not just short-term gain; • To identify and implement a Green Network for Midlothian consistent with national and regional green network projects; and • To help ensure that Midlothian is a welcoming and enriching place to live, work and visit.
	Midlothian Local Procurement Strategy 2021	• Demonstrate leadership and corporate social responsibility by procuring sustainably and ethically and influencing suppliers, contractors, service providers and our collaborative partners to do the same; • SMEs, third sector (supported businesses & social enterprise) and the local business community will be encouraged and supported in their efforts to engage commercially with the Council; • We will work with these bodies to help them increase capacity and understanding of the procurement process and subsequent procurement systems; • The Council will use its contract and supplier relationship management processes to improve, social, economic, environmental and sustainable arrangements within current and future contract opportunities; • The Council will seek to build Community Benefit Clauses into a broader range of contracts and will work with suppliers to explore how the procurement system helps us meet the wider objectives of the Single Midlothian Plan; • The Council will use its spend to actively encourage and support a growing, diverse and resilient local business base, and to support our Carbon Neutral by 2030 ambitions; • The Council will consider any negative externalities of procurement, for example the impact on the environment; and • The Council has a key role in stimulating complex markets in pursuit of mixed provision of services and in ensuring equality of opportunity to do business exists; • Promote engagement with SMEs through regular forums, e.g. Meet the Buyer events, Supplier Surveys, etc; • Midlothian Council will support our business base – including a wide range of business models – to enhance their capacity to bid for public sector contracts; and • Midlothian Council will encourage local businesses to explore their supply chain opportunities to support the local and regional economy.
	ekosgen Report - Covid-19 and Brexit Impact 2022	The ekosgen report outlined the following strategic priorities: • Supporting business and employment growth • Provision of business premises • Re-imagining and regenerating town centres • Infrastructure enhancements • Building resilience and community wealth • Skills and employability • Supporting the transition to net zero • Inward investment and developing Midlothian's proposition • Operating in a different funding regime • Tackling inequality

Midlothian strategic landscape

LEAD ORGANISATION	STRATEGY & CONTEXT FOR ECONOMIC DEVELOPMENT	PRIORITIES
Midlothian Council	Midlothian Economic Renewal Strategy Addendum 2020	Six Key Objectives 1. To integrate Midlothian with the regional economy and promote the region internationally 2. To improve the skills landscape 3. To increase economic participation 4. To build on the success of our key sectors 5. To improve the vibrancy of our town centres and make them more environmentally friendly 6. To accelerate growth through infrastructure upgrades
	Community Wealth Building Action Plan	• Currently under development through the Community Planning Partnership in 2023/24, in line with national Community Wealth Building objectives.
	Midlothian Local Transport Strategy	Currently under development, due 2025
	Midlothian Active Travel Strategy	• Create a well-connected network of active travel infrastructure; and • Encourage and enable safer walking and cycling environments.
	Midlothian Climate Change Strategy	• To make the Council's activities net carbon zero by 2030; • To establish a Citizens Assembly and Climate Change Partnership Group to engage the wider population, business, education and scientific sectors in the climate change debate; • To raise awareness about the impacts and risks from a changing climate; • To take a 'One Council' approach to reducing carbon emissions and putting this objective at the heart of our organisational activities, processes and decisions; • To encourage people, businesses and communities to work alongside the Council and make their own climate change commitment; • To lead by example and provide climate change leadership to our partners, communities and businesses; • To develop our resilience and ability to adapt to the impacts and risks of a changing climate; and • To monitor and publicly report our climate change progress.
Midlothian Community Planning Partnership	Single Midlothian Plan	• Be healthier; • Be safer; • Get it right for every child; • Support residents to improve employability and outcomes in our communities; • Be greener; • Have a wellbeing economy and be better connected; and • Work towards reducing poverty.
Tyne Esk LEADER	CLLD	• Community-led local development across rural communities in East Lothian and Midlothian.

Strategic partners

AGENCY / ORGANISATION	
Scottish Government	Midlothian Science Zone
Scottish Enterprise	Edinburgh and South East Scotland City Region
Scottish Development International	Midlothian and East Lothian Chamber of Commerce
Co-operative Development Scotland	Midlothian Tourism Forum
Skills Development Scotland	Midlothian Community Planning Partnership
Business Gateway	Midlothian Third Sector Interface
VisitScotland	Midlothian Voluntary Action
Scottish Tourism Alliance	Bonnyrigg and Sherwood Community Development Trust
Edinburgh University	Gorebridge Community Development Trust
Scotland's Towns Partnership	Mayfield and Easthouses Development Trust (MAEDT)
Edinburgh College	Newtongrange Development Trust
Scotland's Rural College (SRUC)	Penicuik Community Development Trust
FSB Scotland	Rosewell Development Trust
Moredun Research Institute	One Dalkeith
Roslin Institute	Midlothian Federation of Community Councils

Roslin Innovation Centre

The Single Midlothian Plan

Midlothian has a diverse economy, which is one of its key strengths. A central tenet of the Council's approach to economic and community development is strong local partnerships and collaboration. This is set out in the Single Midlothian Plan.

The Single Midlothian Plan is a four-year plan with associated annualised priorities to deliver local outcomes, all of which contribute to the national context as monitored through Scotland's National Performance Framework.[4] This strategy for growing Midlothian's economy and its associated actions will directly link to the outcomes set out in the Single Midlothian Plan, and will operate within the 'Wellbeing Economy' theme of the Community Planning Partnership. The current thematic outcome areas of the Single Midlothian Plan are that Midlothian will:

1. Be healthier
2. Be safer
3. Get it right for every child
4. Support residents to improve employability and outcomes in our communities
5. Be greener
6. Have a wellbeing economy and be better connected
7. Work towards reducing poverty

Medium Term Financial Strategy

In light of the budgetary challenges facing local authorities, the Council has adopted a Medium Term Financial Strategy to provide stability and to revisit its priorities against a reduction of centrally allocated funding. This was most recently updated for the period 2023/24 to 2027/28. The four pillars of: working with you, for you; preventative and sustainable; efficient and modern; and innovative and ambitious are embedded in this strategy to enable future planning and investment in Midlothian as a great green place to grow. This strategy and vision for the future is intrinsically linked to our strategic priorities and is reflected in our commitments and partnership-based approach to delivery.

[4] https://nationalperformance.gov.scot

National Strategy for Economic Transformation

There is a much-changed strategic economic landscape in Scotland, with the publication of Delivering Economic Prosperity, Scotland's National Strategy for Economic Transition (NSET)[5] in March 2022 and The National Innovation Strategy 2023-2033.

The NSET is a radical departure from its forerunner, Scotland's Economic Strategy, and is a roadmap for the Scottish economic model, with the explicit aim of transitioning to a "Wellbeing Economy" – one that ensures fair work and better wages, increases productivity through entrepreneurship and innovation.

This move to a net zero, nature-positive economy is underpinned by the concept of a "Just Transition"[6] away from traditional fossil fuels. It is a helpful concept to recognise the need to move to a more sustainable economy in a way that is fair to everyone – including people working in polluting industries, whilst equipping them with the skills, education and retraining required to support retention and access to green, fair and high value work.

Importantly, a Just Transition is both an outcome and a process – and one that must be undertaken in partnership with those impacted by the transition to net zero.

[5] www.gov.scot/publications/scotlands-national-strategy-economic-transition
[6] www.gov.scot/groups/just-transition-commission

Figure 3.1: NSET vision, ambitions and programmes of action (Source: Scottish Government, 2022)

Vision	A Wellbeing Economy Thriving across economic, social and environmental dimensions.		
Ambition	**Fairer** Ensuring that work pays for everyone through better wages and fair work, reducing poverty and improving life chances.	**Wealthier** Driving an increase in productivity by building an internationally competitive economy founded on entrepreneurship and innovation.	**Greener** Demonstrating global leadership in delivering a just transition to a net zero, nature-positive economy, and rebuilding natural capital.

Programmes of Action

Entreprenurial People and Culture	New Market Opportunities	Productive Businesses and Regions	Skilled Workforce	A Fairer and More Equal Society

A Culture of Delivery

Figure 3.2: NSET Programmes of action strategy matrix (Source: Scottish Government, 2022)

REGIONAL STRATEGIES	ENTREPRENEURIAL PEOPLE AND CULTURE	NEW MARKET OPPORTUNITIES	PRODUCTIVE BUSINESS AND REGIONS	SKILLED WORKFORCE	A FAIRER MORE EQUAL SOCIETY	SECTORAL STRATEGIES
• Regional Economic Strategies • City Region Deals • Place Plans (for example Clyde Mission)	Scottish Technology Ecosystem Review	Scotland's Vision for Trade	Infrastructure Investment Plan	Future Skills Action Plan	Fair Work Nation	**Including:** • Making Scotland's Future • Scottish Space Strategy • Tourism Scotland Outlook 2030 • The Scottish Construction Industry Strategy • Food and Drink Ambition 2030: Industry Strategy for Growth • Life Sciences Strategy for Scotland 2025 • Scottish Retail Strategy
		A Trading Nation		Population Strategy	Community Wealth Building	
	Unlocking Ambition	Inward Investment Plan	Housing 2040	National Mission for Jobs	Gender Pay Gap Action Plan	
	Scotland CAN DO		National Transport Strategy			
	Scottish EDGE	Global Capital Investment Plan	Greensports	Green Jobs Fund	Fair Start Scotland	
	Women's Business Centre	Supply Chain Development Programme	National Planning Framework	Climate Emergency Skills Action Plan	No One Left Behind	
		Scotland the perfect Stage		Youth Work and Adult Learning Strategies	Culture Strategy for Scotland	
	Women in Enterprise Framework		Digital Strategy			
	Rural Entrepreneur Fund		Productivity Clubs			
Net Zero and Environmental Strategies						
	Environment Strategy	Climate Change Plan Update	Just Transition Plans and Energy Strategy	Biodiversity Strategy	Circular Economy	
National Performance Framework – Programme for Government – Covid Recovery Strategy – Tackling Child Poverty						

Inclusive Economic Growth

Inclusive economic growth will be achieved through a balanced approach to growing the Midlothian economy.

Attracting inward investment, supporting the existing SME base and extending reach to ensure access to all residents and communities will underpin the delivery of this strategy.

This approach will ensure the benefits of growth are equally distributed to all societal groups, reducing inequalities by creating more opportunities for disadvantaged communities, including through education and workforce development initiatives, while also using the community wealth building approach to shorten supply chains to redirect wealth into the local economy to create new jobs and empower communities through democratic ownership models.

The Scottish Government has adopted the internationally recognised Community Wealth Building (CWB) approach, as a tool to achieve the wellbeing economy objectives of NSET. CWB is a place-based approach that explicitly aims to redirect wealth back into local economies, and seeks to place greater control, and therefore benefits, into the hands of local people.[7]

This is done according to five core principles. Specifically, these are:

- **Progressive Procurement:** Maximising community benefits through procurement and commissioning, developing good enterprises, fair work and shorter supply chains.

- **Fair Work:** Increasing fair work and developing local labour markets that support the wellbeing of communities.

- **Land and Property:** Growing social, ecological, financial and economic value that local communities gain from land and property assets.

- **Plural Ownership:** Developing more local and social enterprises which generate community wealth, including social enterprises, employee-owned firms and cooperatives.

- **Finance:** Ensuring that flows of investment and financial institutions work for local people, communities and businesses.

[7] www.gov.scot/policies/cities-regions/community-wealth-building

5 Pillars of Community Wealth Building

Plural Ownership
Developing and growing SME's, social enterprises, community organisations, employee owned businesses and co-operatives enables a financially regenerative local economy – locking wealth in place.

Fair Work
Employer culture of fair and meaningful work for all, to include paying the Living Wage, effective voice and career progression routes.

Finance
Increase flows of investment in the local economy by harnessing and recirculating the wealth that exists, channelling local investment to local communities while still delivering financial return for investors.

Land & Property
Land and Property assets are owned and managed by local people to strengthen the local economy.

Progressive Procurement
Developing a more localised supply chain to strengthen the local business base to include plural ownership models, supporting local employment and retain wealth locally.

Net Zero and Just Transition

Scotland has some of the most ambitious commitments to net zero and greenhouse gas reduction amongst advanced economies. Since the 2021-2022 Programme for Government, the Scottish Government has committed to implementing the recommendations of the Just Transition Commission[8] to build a net zero economy that is fair for all, including the publication of Just Transition plans for every sector and region, overseen by the Commission.

Scotland's commitment to net zero by 2045 and for a 75% reduction in Greenhouse Gas (GHG) emissions by 2030 is a fundamental driver for its ambition for a Fairer greener Scotland[9] – a recognised need to move to a more sustainable economy in a way that's fair to everyone – including people working in polluting industries, and equipping them with the skills, education and retraining required to support retention and creation of access to green, fair and high value work.

Just Transition reflects the need for collaboration, a local approach and proper funding, and its relevance is particularly clear when considering the potential scale of disruption to the labour market that may be anticipated over the next decade.

[8] www.gov.scot/groups/just-transition-commission
[9] www.gov.scot/publications/transition-fairer-greener-scotland

Vogrie country park

4 CONSULTATION

The consultation programme

This strategy was compiled following consultation with key partners and stakeholders within the community, private and public sector in Midlothian. The purpose of this programme of consultation was to update stakeholders with regards to the performance of the previous Strategy for Growth, provide the context and explain the need for a new strategy given the various macro-economic shocks that have occurred since it was published, and to sense-check priorities for a new economic development strategy that had been identified through previous research commissioned by Midlothian Council.

This consultation programme was delivered through a series of workshops, with community, public sector and business representatives being engaged. Key stakeholders were also provided the opportunity to engage in a series of one-to-one consultations.

Engagement

Workshop attendance was from a range of different areas of the economy, including representation from local community organisations, businesses and representative business organisations, Council representation with regards to Community Planning, Conservation and Environment, and Local Development Planning. Elected members were also engaged.

Pentlands Science Park

Issues that were explored

Midlothian Council, building on the previous Strategy for Growth and other research that had been commissioned in the interim period, had identified ten key economic priorities for driving growth in the region.

These priorities were as follows:

• Supporting business and employment growth
• Provision of business premises
• Re-imagining and regenerating town centres
• Infrastructure enhancements
• Building resilience and community wealth
• Skills and employability
• Supporting the transition to net zero
• Inward investment and developing Midlothian's proposition
• Operating in a different funding regime
• Tackling inequality

We asked for views as to whether these are the right priority areas for Midlothian to focus on, as well as how closely aligned these priorities were to both Scottish Government priorities and those established within our own local and regional strategies.

We then asked for views on the previous iteration of the Strategy for Growth, in particular whether the vision was still relevant or in need of an update, and whether the key strategic pillars of innovation, inclusion, partnership-working and ambition were still relevant.

We also asked for views on the key opportunities currently available in Midlothian to capitalise upon, any barriers, challenges or inhibiters to realising economic opportunity in Midlothian, and what the key enablers are to realising this potential.

5 OUR VISION AND STRATEGIC PRIORITIES

This section sets out our vision and strategic priorities for economic growth in Midlothian. It also details the pillars which form the underlying principles for economic delivery.

Vision

The Midlothian Strategy for Inclusive Economic Growth's vision is that Midlothian will have a Wellbeing Economy and be a Great Green Place to Grow. Wellbeing and sustainability are vital to the inclusive growth of our local economy. This strategy for economic growth is a critical component of this overarching ambition. Therefore, the vision for economic growth is as follows:

Midlothian's wellbeing economy will support our communities, businesses and town centres to thrive, ensuring inclusivity and fair work for all. It will continue to be recognised as home to world leading clusters of science and innovation and be known as an area in which everyone can live, work and do business sustainably to generate wealth and wellbeing for its citizens.

Delivering sustainable economic growth for all requires strong partnerships and collaboration. Our economy is diverse and varied, and Midlothian's position in the wider region and indeed Scotland puts it in an advantageous position. To take advantage of this and the opportunities presented to the area, we must not only foster the ambition to build on our strengths amongst Midlothian's citizens, communities and businesses, but we must also empower them to take a pro-active role in delivering the economic growth we strive for.

We will harness the skills and talent of our local workforce, and give them the tools and skills required to respond to a dynamic economic, social and environmental landscape. This will ensure that Midlothian can make a telling contribution to the Scottish economy, and generate benefit for all of our citizens.

Roslin Innovation Centre

Roslin: Bilston

Pillars

This vision will be achieved in accordance with four pillars – principles that underpin the strategy's vision and ensuing priorities:

Empowerment:

Empowering individuals, communities and organisations to take a lead role and ownership of community led economic development initiatives; and developing resilience responsive to local needs in an inclusive way by embedding the Community Wealth Building pillars approach to support capacity building and skills development aligned to market opportunities.

Partnership and collaboration:

Strengthening and maximising relationships with strategic partners, anchor organisations, businesses and community organisations to achieve a connected, collaborative and ambitious local economy.

Ambition:

Recognising and capitalising on the opportunities that exist for Midlothian's economy, and supporting businesses, communities and individuals to realise the benefits presented.

Innovation:

Proactively and creatively addressing local challenges, harnessing opportunities and adopting a collaborative approach to achieving economic development outcomes.

Business networking event at The National Mining Museum

Figure 5.1: Vision, pillars and priorities

Vision	Midlothian's wellbeing economy will support our communities, businesses and town centres to thrive, ensuring inclusivity and fair work for all. It will continue to be recognised as home to world leading clusters of science and innovation and be known as an area in which everyone can live, work and do business sustainably to generate wealth and wellbeing for its citizens.					
	Empowerment		**Partnership and collaboration**	**Ambition**		**Innovation**
Pillars	Empowering individuals, communities and organisations to take a lead role and ownership of community led economic development initiatives; developing resilience responsive to local needs in an inclusive way by embedding the community wealth building pillars approach to support capacity building and skills development aligned to market opportunities.		Strengthen and maximise relationships with strategic partners, anchor organisations, businesses and community organisations to achieve a connected, ambitious and collaborative local economy.	Recognising and capitalising on the opportunities that exist for Midlothian's economy, and supporting businesses, communities and individuals to realise the benefits presented.		Proactively and creatively address local challenges, harness opportunities and adopt a collaborative approach to achieving economic development outcomes.
Priorities	Develop Midlothian's proposition within the Edinburgh and South East Scotland City Region	Enhance skills and employability opportunities in Midlothian, to meet the challenges and opportunities of inclusive Green Growth with entrepreneurship recognised as valuable career pathway	Maximise the potential of Midlothian's key sectors to support a Just Transition	Capitalise on the strengths of Midlothian's strategic partners to embed community wealth across all services to realise a wellbeing economy	Re-imagine our town centres, ensuring they meet Midlothian's economic, social, cultural and environmental needs	Deliver infrastructure enhancements that will support Midlothian's transition to a Wellbeing Economy

Strategic priorities
1. Develop Midlothian's proposition within the Edinburgh and South East Scotland City Region

Part of Edinburgh and South East Scotland City Region (ESESCR), the region is home to around a quarter of Scotland's population, and generates more than 23% of Scotland's GVA. Edinburgh is a driver of the Scottish and wider UK economy.

Midlothian boasts rich tourism, culture, and heritage offerings that play a crucial role in its overall proposition within the Edinburgh and South East Scotland City Region (ESESCR). The CRD Regional Visitor Economy Partnership is a collaboration of the partner authorities to develop and promote the regions tourism assets to harness new opportunities.

Midlothian's assets not only attract visitors but also contribute significantly to the region's economy by creating jobs, fostering community engagement, and enhancing the overall quality of life. Emphasising Midlothian's unique story, cultural heritage, and tourism attractions will not only showcase its diversity but also attract investment and bolster its position within the wider region. By leveraging these cultural and heritage resources, Midlothian can further enhance its appeal to both visitors and investors, ultimately driving sustainable economic growth and prosperity for the region.

Connections and dependencies between Midlothian and the City of Edinburgh economy are growing, not just in terms of labour market and travel to work areas, but also with regard to enterprise and business dynamics. Further, the regional dynamic is increasingly important to the economic development approach in Scotland. Regional Economic Partnerships (REPs) have been established by the Scottish Government to provide a focus on driving inclusive growth, and on reducing regional disparity, acting as a collaborative platform to support local ambitions and respond to specific local and regional circumstances.[10]

Recognising Midlothian's position in relation to Edinburgh, and the positive dynamics of the relationship with Scotland's capital city is therefore a significant opportunity for Midlothian to grasp. Midlothian is the fastest growing local authority in Scotland: its population is expected to grow by over 30% in the next 20 years.[11] As a result, the demographic structure and wider landscape in Midlothian is changing. Better integration and positioning of Midlothian within the wider region is therefore necessary.

Grasping the opportunity of Midlothian's economy and what it can contribute to the regional and national economy will help to secure greater inward investment.

Despite the impacts of Brexit, Scotland continues to be seen as an attractive location for inward investment, and Midlothian's location in close proximity to Edinburgh, and as part of the ESESCR is increasingly advantageous for attracting inward investment.

The Midlothian offer – individually and as part of the wider ESESCR – is significant, and fully articulating Midlothian's proposition will help to realise the full potential of this offer. One aspect of this is telling Midlothian's story – highlighting its successes, strengths and opportunities for prospective investors and local businesses alike. There is scope to maximise the potential of case studies to set out success stories, and to identify champions or ambassadors for Midlothian to deliver these messages, to better sell the area.

[10]https://regionaleconomicdevelopment.scot/our-work/regional-economic-partnership

[11]www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections/sub-national-population-projections/2018-based

[12] https://education.ec.europa.eu/focus-topics/digital-education/digital-education-action-plan

2. Enhance skills and employability opportunities in Midlothian, to meet the challenges and opportunities of inclusive Green Growth with entrepreneurship recognised as valuable career pathway

The way we work and the jobs that we do continue to change. Already there are instances where some roles in parts of the economy did not exist five years ago, and many more roles will come into existence in the next decade.

The transition to a digital economy, and the response to the climate emergency are two critical drivers in changing the world of work.

It is anticipated that in future at least 90% of jobs will require digital skills to some degree.[12] Data and digital technology offers an opportunity to transform the region into a digital powerhouse. Through the ESESCR's Data Driven Innovation (DDI) approach, there is an opportunity to establish the region as the Data Capital of Europe.

Already Midlothian has benefitted from investment through the DDI Skills Gateway, with a pioneering Digital Centre of Excellence established at Newbattle High School, and a £9.5 million Internet of Things project piloted at Roslin Primary and Newbattle High.

DDI skills activity takes an inclusive approach, where the whole population can benefit from opportunities to develop data literacy skills and upskill in preparedness for the future world of work. This is very much in line with the empowerment and inclusion ethos of this strategy.

Digital skills development in Midlothian will also be augmented at a national level through Skills Development Scotland's Digital Economy Skills Action Plan (DESAP).

The climate emergency is also driving a skills shift. Across industry there is a growing demand for skills that will meet current and emerging environmental challenges, including providing new solutions in order to achieve national and regional targets, and adapting existing processes or products to align with consumer demand.

As well as more technical skills that are specific to the green recovery, there is demand for softer, transferable skills across occupations: climate literacy and competency will become a meta skill required across industry. There will also be a range of emerging job opportunities, including in sectors and roles not typically considered 'green'. It is important that everyone can access the opportunities offered by the development of new jobs and the greening of existing ones so that the benefits are distributed fairly. Taking an inclusive approach to skills provision will help to remove barriers for disadvantaged and under-represented groups, and open up access to the sectors in Midlothian where there will be most opportunity. This is not just in high-tech sectors such as green energy or digital, but in construction and other parts of the foundational economy.

Ensuring that Midlothian responds effectively to these drivers means a need to stimulate greater labour market participation. This in turn will increase economic activity in Midlothian, contributing to greater levels of wealth generation and improvements in the standard of living.

This strategy aims to increase the capacity of Midlothian's citizens to participate in and benefit from inclusive economic growth. Ensuring fair access to employment opportunities that recognises the value and contribution of individuals will stimulate a fairer distribution of benefits.

This requires employment growth activity to be targeted at existing demand in key sectors, as well as at anticipated future demand in growth areas for Midlothian, rather than just focusing on job filling or job creation.

This will contribute to a shift in the existing pattern of out-commuting to Edinburgh and other areas, and provide greater employment opportunities within Midlothian – increasing the potential to capture a greater proportion of generated wealth. It will also provide employment opportunities for Midlothian's growing population.

We will work with our employers, education providers, enterprise and skills agencies, and strategic partners to ensure that the supply of education and skills is responsive to, and aligned with, current and anticipated demand from employers for skilled workers. We will engage employability and positive destination services to remove barriers to participation, and create a supportive environment for entrants and returners to the workplace.

A key element of the skills and employability response in Midlothian will be continued delivery as part of the ESESCR's Integrated and Regional Employability (IRES) programme, and making best use of labour market intelligence delivered by Skills Development Scotland's aligned Labour Market Analysis and Evaluation (LMAE) project – as well as data and insights from the DESAP, Climate Emergency Skills Action Plan (CESAP), and suite of regional and sectoral Skills Investment Plans. The IRES programme aims to ensure that everyone has equal access to good skills and employment opportunities across the ESESCR in order to support and enhance the regional economy and maximise the impact of skills investment.

Entrepreneurship should also be promoted as a valuable career pathway. Not only will this contribute to increased economic activity and the development of additional positive destinations for school leavers, it will also help to retain skilled and talented workers within Midlothian.

The development of tourism skills is a key area to generate employment opportunities and promote cultural exchange, fostering community pride. By investing in the preservation and promotion of local heritage sites, Midlothian can capitalise on its rich history to attract tourists and sustain economic growth.

Furthermore, cultural initiatives provide opportunities for entrepreneurship and creative expression, nurturing a vibrant arts scene and supporting local artisans and businesses. Embracing and promoting Midlothian's cultural heritage not only adds to its economic vitality but also enriches the lives of its residents and visitors alike.

A critical action for all areas of Scotland is increasing talent retention – this is vital for economic and social wellbeing. Improving skills and employability opportunities, including through the promotion of entrepreneurship, will help enhance Midlothian's 'stickiness' with regard to attracting and retaining talent, as its population grows.

3. Maximise the potential of Midlothian's key sectors to support a Just Transition

The plural, diverse nature of our economy in Midlothian is a key strength. Many of Scotland's key sectors, as identified by the ESESCR Skills Investment Plan can be found in Midlothian: construction, food and drink, ICT and digital technologies, life sciences and tourism.[13] These sectors are critical to Midlothian's continued economic recovery following COVID-19, and in managing the ongoing economic uncertainty as a result of Brexit.

Maximising the value of Midlothian's key economic assets, including the Midlothian Science Zone and a world-leading animal life sciences cluster around the Roslin Institute, to generate increased economic wealth and employment opportunities is therefore a key ambition of this economic strategy.

To achieve this, we must recognise the growth ambition and potential of local companies, as well as those looking to invest in Midlothian. We will target business support through the proactivity and responsiveness of Business Gateway Midlothian, working in conjunction with Council regulatory services to take a 'One Council' approach to provide businesses and investors with a streamlined message, clearer guidance and reduce the administrative burden. This will increase our competitiveness, and improve business confidence in Midlothian as a destination in which to do business.

We will also work collaboratively with strategic partners including Scottish Enterprise to help support businesses to grow, and ensure that interventions are tailored to specific sectoral needs.

Additionally, we recognise that there is a demonstrable need for ongoing business support provision, targeted at key operational business challenges and responsive to the needs of enterprises in an increasingly uncertain economic environment, and in light of macro-economic factors such as inflation, rising energy costs, tariff and non-tariff trade barriers.

Sectors and companies where we have a comparative advantage or distinct place-based opportunity will continue to be targeted, and we will seek to capitalise on Midlothian's reputational assets. This will be augmented by an innovative and partnership-based approach to

supporting growth and the improved performance of sectors that are significant employers in the region.

The transition to a net zero carbon economy offers new opportunities in Green Growth. In the immediate term, this may be in low carbon energy and those industries at the vanguard of the energy transition. However, other opportunities may arise over the longer term, such as through carbon capture and sequestration. There is also anticipated to be an increase in demand for building retrofit not just to reduce carbon emissions, but to mitigate against climate change. Other sectors may also see opportunities in new ways of working and operating as they themselves become greener and respond to the climate emergency. We must be ready to support these businesses and sectors as and when they reach critical milestones in their net zero transition journey.

There is an increasing need to recognise the importance of Midlothian's Foundational Economy, and its role in supporting both a Just Transition, and Community Wealth Building. Supporting these sectors so that they can grow, and also contribute to providing job security for individuals working in these industries will play a part in the transition – at every level – must be a priority. Acknowledging the importance and providing adequate support to Foundational Economy sectors is also critical for building resilience and capacity, since sectors in the Foundational Economy were those that were most likely to have been hit hardest as a result of the COVID-19 pandemic, or which had to make the most significant adaptations to their working models.

Importantly, there is no set sectoral definition for the Foundational Economy. The characteristics of an area and the sectors that are fundamental to its economic and social wellbeing should be the ones that form the Foundational Economy approach for that area. In Midlothian, we know that this includes construction, tourism, food and drink as well as the public sector. Along with higher-value sectors such as life sciences, these are important sources of employment for Midlothian's citizens, and part of the business support offer must therefore be targeted at these sectors.

Tourism, as a key industry, holds considerable potential for Midlothian, capturing a significant amount of local activity.

Investments in initiatives like Hillend Snowsports Centre and the Research Report for Vogrie Country Park to outline various strategies for income generation and governance in parks present significant opportunities for both Midlothian and the wider city region. However, there's a perception that existing cultural, leisure, and outdoor assets are overshadowed by offerings from other areas, notably Edinburgh. Therefore, maximising Midlothian's leisure offerings and capitalising on new developments are essential to changing this perception and boosting tourism.

Whilst maximising Midlothian's leisure offerings and capitalising on new developments it is important to align with principles of responsible tourism and the transition to a net-zero carbon economy, it's crucial to integrate sustainability practices into tourism development initiatives. Additionally, highlighting Midlothian's unique cultural and natural heritage can attract tourists seeking authentic and sustainable experiences.

By enhancing the visibility, the tourism, culture and heritage offering through platforms like Locate in Midlothian, the Midlothian Tourism Forum and related initiatives, Midlothian can effectively develop its tourism sector whilst aligned with the principles of a Just Transition and supporting the foundational economy.

Integrating Fair Work principles into the tourism sector ensures that economic growth is inclusive, equitable, and sustainable, driving Midlothian's overall prosperity. This strategic focus not only creates employment opportunities and fosters economic resilience but also ensures that economic growth benefits all stakeholders.

13 www.skillsdevelopmentscotland.co.uk/media/43648/edinburgh-sip-2017_digital-version.pdf

4. Capitalise on the strengths of Midlothian's strategic partners to embed community wealth across all services to realise a wellbeing economy

There is a view amongst Midlothian residents that the post-COVID-19 pandemic environment is seeing a shift to more collaborative and co-operative values. We cannot emphasise enough the scale of opportunity that Community Wealth Building presents to Midlothian. With increased focus on Community Wealth Building in Scotland and building socioeconomic resilience, there is clear scope for the Council to support the growth of social enterprises, foster shared ownership of the local economy, build fair employment opportunities, explore more socially just use of land and property and generate increased wealth in the local economy through shortening supply chains to reduce our carbon impact and distribute local Community Benefit.

Pivoting the economy in Midlothian to deliver real wealth, increase resilience and a wellbeing economy is therefore a significant opportunity. Midlothian is already in a strong position due to the strength of its third sector, particularly social enterprises. As such, there is potential to position the area at the vanguard of Community Wealth Building activity in Scotland, for the benefit of the local area, and for the wider region.

To achieve this there is a need to establish a truly collaborative model of economic and social delivery in Midlothian. A recent report by Audit Scotland has highlighted the need for Councils in Scotland to be more radical in their approach, stating that greater collaboration is urgently needed if councils are to maintain services.[14] Such an approach should see a shift away from the Council as lead organisation on all local economic development matters, and empowering other organisations to take on responsibility and decision-making on matters that they are best placed to lead on. The Council's role should be more focused on enabling and providing stewardship of the Midlothian area, and taking a more bottom-up approach to decision-making rooted in effective consultation with organisations, groups and fora in an advisory capacity to inform joint decision-making. Empowering communities and organisations will also contribute to boosting civic pride.

A Midlothian Community Wealth Building approach must recognise the strength of the third sector in the area. Midlothian stands out amongst other Scottish council areas for the strengths of its social enterprises, co-operatives and community organisations, and supporting the third sector to become more entrepreneurial will only benefit our Community Wealth Building ambitions.

Building procurement locally and leveraging resource through council and other public sector organisations/ anchor institutions buying goods and services within the area is an important tenet of Community Wealth Building. This deepens and intensifies supply chains, builds services rooted in place with a true understanding of the needs of Midlothian's communities and a knowledge of what will work in response to challenges these communities face.

Through supporting local supply chains and procurement, and place-based service delivery by social enterprises and community organisations, there is more opportunity to maximise the benefits of investment in staff by building a skilled and committed workforce. In addition, by providing an exemplar to local businesses, it also has the potential to encourage private enterprises to behave in a more collaborative and altruistic way, further benefitting the local economy.

Midlothian's rural economy also stands to benefit from the Community Wealth Building approach. In particular, greater levels of shared ownership, socially just management of land and natural capital, and community ownership models are all aspects of Community Wealth Building that can strengthen resilience and support provision of essential services and addressing market failure in areas such as food supply chains, energy production, transport, care, housing, etc.[15]

Other opportunities to broaden Community Wealth Building-focused activity in Midlothian include:

• Exploring opportunities for multi-functional public sector-operated collaborative hubs, to provide co-location of service from both public and third sector providers, including through innovative use of Scottish and UK funding mechanisms available to the Council and partners; and

• Stimulating greater collaboration or co-opetition amongst geographical or thematic groupings of businesses, as well as amongst community organisations, to overcome common challenges and barriers.

• Develop a collaborative approach with Anchor Organisations and Council Services to ensure a streamlined approach to the realisation and distribution of Community Benefits.

[14] www.audit-scotland.gov.uk/publications/local-government-in-scotland-overview-2023

[15] www.sra.scot/sites/default/files/document-library/2022-03/2022-01-18-Community-Wealth-Building-Rural-and-Island-Insights.pdf

5. Re-imagine our town centres, ensuring they meet Midlothian's economic, social, cultural and environmental needs

The changing nature of town centres, and changing nature of businesses is a big challenge. Patterns of consumption are changing, therefore service needs within town centres are also changing. This has been accelerated by the pandemic, as well as by trends in online shopping and e-commerce.

Also, business functions are changing. Enterprises no longer fall neatly into traditional industrial or commercial categories, or land use classification. Town centres, and indeed areas of employment and business land, must be redefined.

Re-imagining town centres for a changed way of living is a priority for Midlothian – recognising the need for a more radical approach. Incorporating greater innovation and imagination for town centre delivery, e.g. co-location of services, hyper-local solutions, asset transfer, community improvement districts[16], re-focusing on social, tourism, cultural and leisure functions rather than retail, may all contribute to ensuring that town centres regain their purpose and are able to meet the needs of citizens, communities and businesses in an agile and flexible way.

The permanent move toward flexible home-working and remote working means that whilst footfall levels and patterns have changed, there is potential to better support local economies and smaller town centres as people switch their consumption patterns in line with their work patterns. This in turn contributes to the creation of 20-minute neighbourhoods, enables a better work life balance, and enhances productivity and well-being in the longer term.

There is an opportunity not just in providing more business space, which the Council is currently working on, but also in making better use of existing buildings and spaces as part of responding to the changing nature of towns and urban fabric.

Considering more flexible approaches to change of use class for employment land, and by repurposing (previously high-density) office space to provide more lower density office accommodation in line with changing business (and employee) expectations for working environments, will contribute to keeping commercial premises occupied.

Midlothian has a shortage of business premises, in contrast to a relatively healthy supply of employment land. For commercial premises in particular, there is a question of whether there is a need for more retail space, or better space tailored to the changing needs of town centres. Options for social enterprises and small businesses to take on floorspace in premises that are no longer commercially viable for traditional high street chain retail can also contribute to the accessible provision of social, cultural and public functions. Social enterprises can play a key role in reshaping our town centres and high streets, stepping into spaces, and potentially large units, where private businesses can no longer be maintained – particularly where they are able to benefit from rates relief. This in turn will contribute to maintaining the vitality of town centres and urban areas.

The work currently underway with regard to the update for the Dalkeith town centre regeneration masterplan is an example of our ability to re-imagine town centres in a collaborative manner. During the summer of 2022 Midlothian Council engaged with residents, local groups and businesses who had the opportunity to comment on draft proposals for the town centre. Core themes of a pedestrianised central square for events and socialising, a diverse local economy, better connected green spaces and improvements to the appearance of the town centre emerged from this engagement. The feedback received[17] from the various drop-in events, virtual workshops and walkabouts has been considered in the revised final masterplan.

Finally, we recognise the importance of providing the right range of services given the impact of in-migration and population growth on Midlothian's demographic structure. Through Community Wealth Building approaches and a re-visioning of our town centres, we can meet this growing and changing demand for services in an effective and efficient way.

[18] www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections/sub-national-population-projections/2018-based

6. Deliver infrastructure enhancements that will support Midlothian's transition to a Wellbeing Economy

Midlothian has population growth significantly higher than Scotland as whole. The main driver for this growth is in-migration, but natural population increase is also a significant component.[18] To cope with this unprecedented growth, a scheduled programme of upgrades to existing infrastructure is required to accelerate the pace and unlock investment potential.

Planned investment is already occurring through ESESCR. The programme for works for Midlothian includes grade separation at the A720 Sheriffhall Roundabout to separate local traffic from traffic on the City Bypass, and construction of the new A701 relief road and A702 spur road. These infrastructure improvements will also help to unlock new development land for enterprise, residential and leisure developments. They will also help to enable environmental improvements, such as the creation of sustainable travel corridors, and the preservation of woodland and green spaces.

Other major capital investments include building of a world-class Data Infrastructure Hub at the University of Edinburgh's Easter Bush site. However, other investments may be required to support wellbeing economy ambitions. For example, there is a perceived need to further improve the quality of the built environment, and attract people into the town centres. If the ambition is to attract more businesses into Midlothian, businesses will want to provide a high amenity environment for their staff, and use quality of life as an attractor. The demand and need for further transport improvements should also be explored, including the potential extension of the Edinburgh Tram system into Dalkeith.

We will also explore options for the expansion of public transport and active travel across Midlothian to improve connectivity between places, and not just around the North-South arterial routes into Edinburgh. Improved connectivity across and between Midlothian's centres of population will provide greater access to employment opportunities, and reduce traffic passing through or travelling out of the area to other destinations.

It is also important to ensure that digital infrastructure in Midlothian is fit for purpose. This strategy recognises that provision of digital infrastructure is an important element of connectivity, especially given the radical change in the way of working – and living – in a post-pandemic Scotland. Digital is critical infrastructure. Influencing Scottish Government and others to deliver what is needed for Midlothian's businesses and communities to support productivity and wellbeing improvements must therefore be part of our inclusive economic growth strategy.

Aligned to this, we will support businesses to maximise the benefit of digital connectivity, and encourage adoption of digital ways of working. Digitalisation and automation are changing the way we work. Routine tasks are increasingly automated, and workers are being freed up and redeployed to work on more value-added tasks. However, there is still a challenge in encouraging businesses to see the value of adopting digital ways of working. Businesses will need to be supported to undergo the digital transition to achieve greater efficiencies.

[16] www.powertochange.org.uk/wp-content/uploads/2020/10/PTC_3737_CIDS_Discussion_Paper_FINAL.pdf

[17] www.midlothian.gov.uk/download/downloads/id/4856/dalkeith_town_centre_regeneration_engagement_-_insights_summary_july_2022.pdf

The new town of Shawfair near Sherrifhall

Shawfair railway station

6 DELIVERY

This new strategy for inclusive economic growth sets out a change in emphasis for Midlothian's economy, in response to a dynamic socio-economic context, and a much-changed policy environment. Whilst it will generate new activity and momentum, it cannot address all of the opportunities or indeed challenges facing Midlothian. To achieve success, we must adopt a new way of working in partnership with all of our communities, businesses and stakeholders.

Delivering against the strategy

In delivering against the strategy, we will:

Identify and respond to opportunities in a way that is agile and flexible, to take the most appropriate and beneficial approach to achieving objectives and realising benefits for Midlothian's communities – striving to achieve a greener, fairer, wealthier economy.

Maximise the value of our partnerships and resources, adopting a truly collaborative approach to our work in achieving the economic objectives for Midlothian, and empowering our delivery partners to take a lead on issues where they are best placed to respond.

Build upon what has been achieved to date, and further develop our area's economic development potential, giving due cognisance to the overarching socio-economic objectives set out in the NSET and Community Wealth Building approach adopted by the Scottish Government.

Demonstrate our supportive and successful approach, creating long-term and sustainable development opportunities for businesses and communities, and promote the Midlothian area as an ideal location for both private sector and community investment.

Focus

Our vision, strategic priorities and actions have identified a series of indicators that, at the time of writing, will allow us to measure delivery success within available data collection and current resources.

Targeted support and intervention

We will target business support and other economic development interventions to maximise return on investment in economic and social terms, giving equal importance to high value sectors and those that comprise the Foundational Economy. All interventions will be made on the basis of increasing economic resilience, enhancing labour market opportunity, reducing dependency on public sector intervention and welfare system, and improving outcomes for residents and businesses.

Community Wealth Building and sustainability

Community Wealth Building is central to this strategy. We will align delivery to ensure the objectives and principles of the Midlothian Community Wealth Building Action Plan, and the wider Single Midlothian Plan, are met.

Our economic development activities will be committed to the principles of community benefit. Goods and services will be procured locally wherever possible, and there will be a strong local focus for the labour market.

New developments will reflect a low carbon economy, and we will encourage green modes of transport, increase our rates of recycling and re-use; and take all opportunities to increase the energy and resource efficiency of our domestic, commercial and industrial building stock.

Consultation and engagement

Midlothian Council developed this new strategy in consultation with communities, businesses and key stakeholders. This participative approach to identifying priorities and articulating key action areas will be integral to delivering on increasing the economic capacity of the area, and building the social and economic wellbeing of Midlothian.

This strategy sets out a number of key priorities and actions to be addressed in order to achieve sustainable and inclusive economic growth and generate real community wealth. Our approach to doing so will put the needs of our communities at the heart of our activity.

Brexit and COVID-19
An Economic Assessment
for
Midlothian Council

Report
August 2022

ekosgen

Report completed/submitted by:	Richard Weaver, Ross Mawhinney, Esther Cordingley
Proof check completed by:	Lee Williamson
Date:	8th August 2022
Report reviewed by:	Pamela Reid
Date:	9th August 2022

Contents

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1   Introduction

Overview

1.1   ekosgen were commissioned by Midlothian Council in March 2022 to undertake an analysis of the economic impact of Brexit and the COVID-19 pandemic on the Midlothian economy. Both Brexit and COVID-19 have had a profound negative effect on the Scottish economy as a whole.

1.2   In early 2020 economic analysis had already identified that Brexit had impacted on the UK's economic performance. This was compounded by the COVID-19 pandemic, the recovery from which is not anticipated to be conventional. There is a consensus that the nature of the post-pandemic economic recovery has not been previously experienced, uneven economic performance and tight labour markets expected due to the pandemic's long-lasting impacts. Many commentators anticipate that these challenges will be exacerbated by the effects of Brexit.

1.3   It is therefore important to understand the nature of the impact on the Midlothian area, so that the Council, in conjunction with its strategic partners, can adequately prepare its response to the much-changed economic circumstances through a refreshed economic strategy.

Aims and objectives

1.4   This report sets out an analysis of the socio-economic characteristics and performance of Midlothian based on available evidence. It also presents an analysis of challenges, opportunities and strategic priorities to inform the next phase of Midlothian Council's strategic planning.

1.5   It draws on a range of available socio-economic data from a number of Scottish and UK sources, as well as a number of targeted consultations with key informants from Midlothian Council and strategic partners.

Report structure

1.6   The report is structured as follows:

- **Section 2** sets out an overview of the Midlothian economy;

- **Section 3** presents an economic outlook for Midlothian in the short term as well as providing a longer term outlook;

- **Section 4** discusses labour market impacts from Brexit and the COVID-19 pandemic;

- **Section 5** considers community impacts of Brexit and COVID-19;

- **Section 6** examines sectoral impacts and implications in Midlothian;

- **Section 7** analyses business impacts of both COVID-19 and Brexit;

- **Section 8** summarises the changing funding environment for investment in economic development projects in Midlothian;

- **Section 9** identifies the threats, challenges and opportunities facing Midlothian; and

- **Section 10** sets out key findings, conclusions and priorities for Midlothian Council to take forward in refreshing its economic strategy.

2   The Midlothian economy: an overview

Introduction

2.1   This section gives an overview of the economic position of the Midlothian region, comparing it to Scotland as a whole. It presents recent trends on population structure and skills, economic activity, employment, and business base in the region.

Population structure

2.2   As of 2020, Midlothian has a population of 93,200, accounting for 1.7% of Scotland's total population. Midlothian's population has increased yearly since 2006, and since 2015, has risen by 5,800 people (6.6%). Midlothian's population has been growing at a faster pace than Scotland's since 2008. This growth rate has been driven by natural change (i.e. higher number of births than deaths), and net immigration into the area.

Figure 2.1: Population change, 2000-20
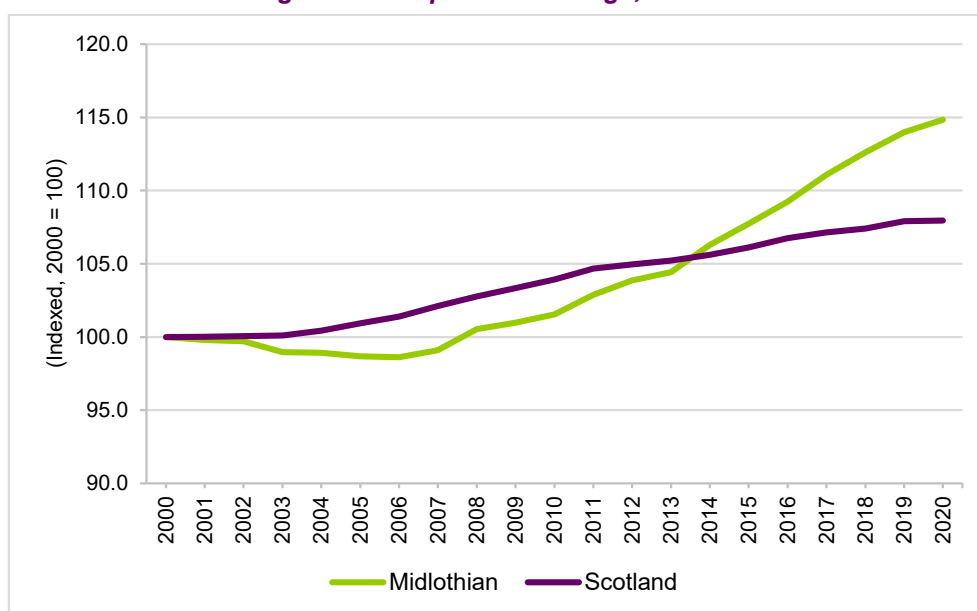
Source: NRS, 2022

2.3   Importantly, Midlothian's population is forecast to increase by 31% between 2018 and 2043 – compared to a growth of 2.5% across Scotland as a whole.[1]

2.4   Figure 2.2 shows the population structure of Midlothian. As of 2020, there were approximately 48,400 female residents and 44,800 male residents, accounting for 52% and 48% of the total population respectively.

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[1] https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections

Figure 2.2. Population structure of Midlothian, 2020
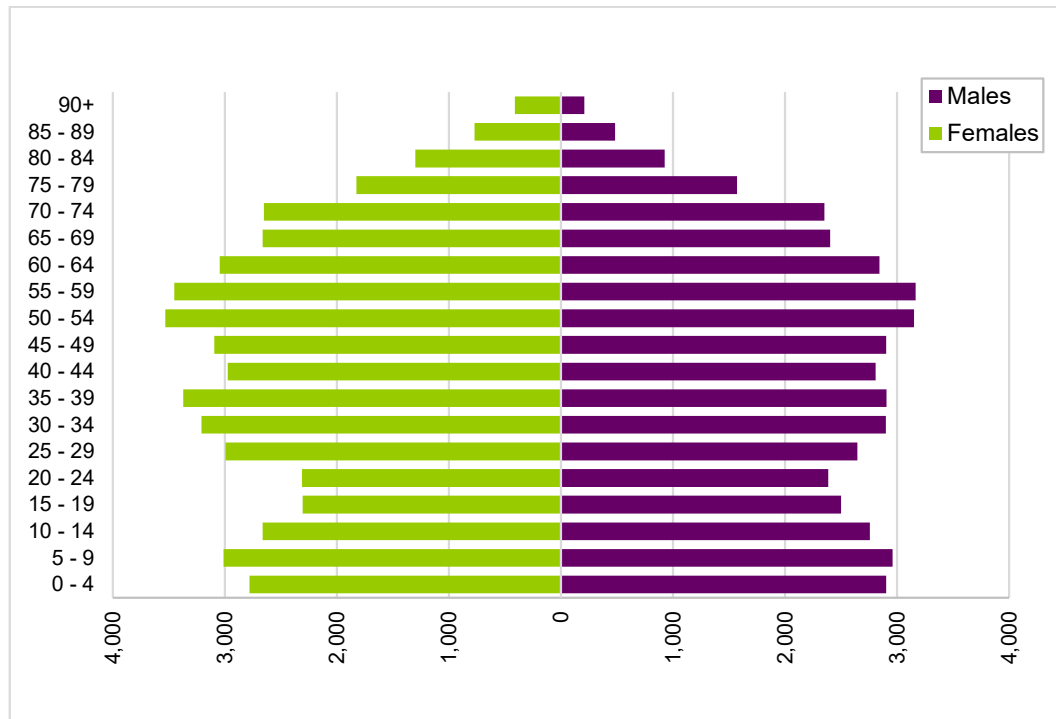
Source: ONS Population estimates

2.5   Midlothian has a somewhat younger population than nationally. Figure 2.3 shows that the average number of residents in Midlothian ages 0-15 is higher than the national rate (19% v 17%). More than half (62%) of Midlothian's population is of working age (16-64), which is slightly lower than the national average (64%). Similar to national trends, those aged 65+ in the area account for 19% of the total population. Consequently, Midlothian has a higher dependency ratio[2] than Scotland as a whole – though in contrast to the national picture, those aged 0-15 constitute the larger share of the dependent population.

Figure 2.3. Population age structure, 2020
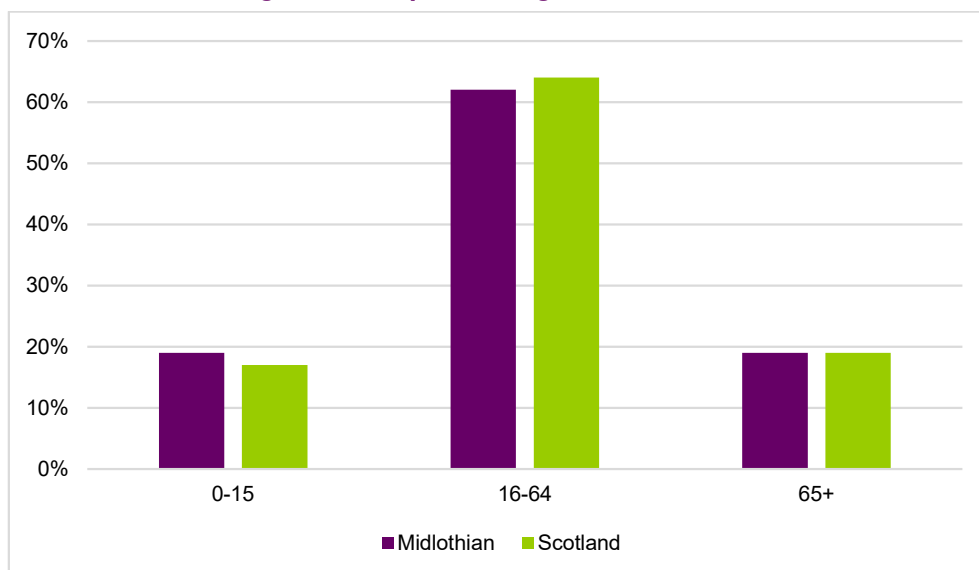
Source: ONS Population estimates

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[2] The ratio of non-working age population versus those of working age

Population skills

2.6   The Midlothian population is highly skilled. As of 2021, 52% of the working age population were skilled to Level 4 and above, which is higher than the national (50%) average (Figure 2.4). In addition, a much lower share than nationally holds no formal qualifications, with just 4% of working age residents without qualifications compared to 8% across Scotland.

Figure 2.4 Skills Levels of Working Age Population, 2021
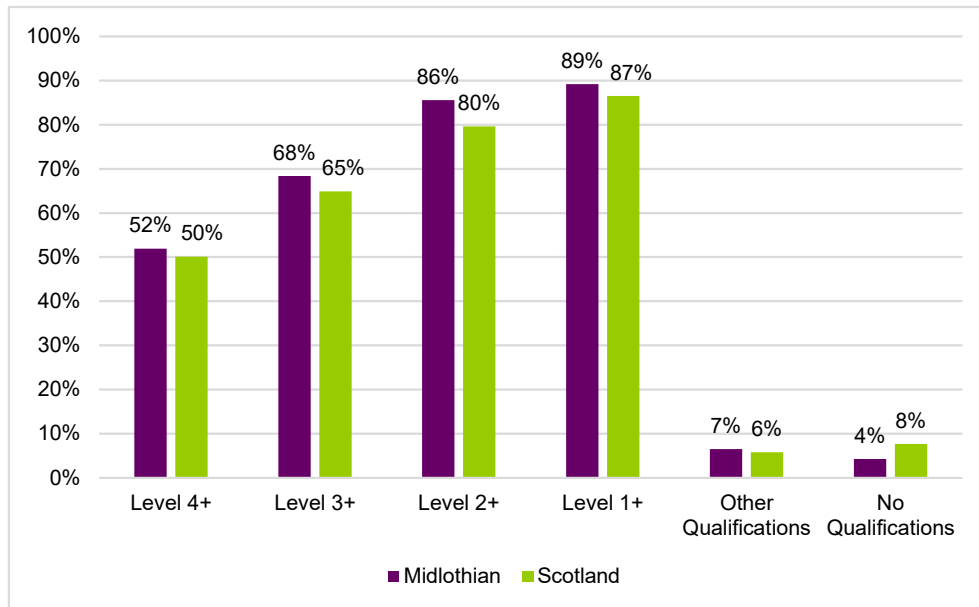
Source: ONS annual population survey

2.7   A relatively large share of Midlothian's residents are working in skilled, high-value occupations. In the year ending December 2021, *Managers, directors and senior officials*, *Professional occupations*, and *Associate professional and technical occupations* accounted for more than half of Midlothian's workforce (50.3%). Professional occupations (23.4%) was the most highly represented occupational group amongst the working population in Midlothian, a slightly smaller share than nationally (23.8%). *Associate professional and technical occupations* were the second largest occupational group, accounting for 17% of working residents compared to 15.5% nationally. Whilst fewer workers in Midlothian work in *Administrative and secretarial*, *Process, plant and machine operative*, or *Elementary* occupations than for Scotland as a whole, a significantly higher proportion work in *Caring, leisure and other service occupations* than nationally.

Figure 2.5. Occupational profile, 2021

	Managers, directors and senior officials	Professional	Associate prof & tech	Administrative and secretarial	Skilled trades	Caring, leisure and other service	Sales and customer service	Process, plant and machine operatives	Elementary
Scotland	8.7	23.8	15.5	9.9	9.0	9.3	8.4	5.2	9.9
Midlothian	9.9	23.4	17.0	6.3	9.0	13.9	9.1	2.7	8.8

Legend:
- Managers, directors and senior officials
- Professional
- Associate prof & tech
- Administrative and secretarial
- Skilled trades
- Caring, leisure and other service
- Sales and customer service
- Process, plant and machine operatives
- Elementary

Source: ONS annual population survey

Economic activity

2.8   The Midlothian local authority area has typically presented a higher proportion of the population than the Scottish and British averages that are "economically active" for the years 2011 to 2021, with the exception of 2013 when Midlothian reported 76.6% of the working age population as economically active compared to a Scottish average of 76.9% and a British average of 77.2%. For the year January to December 2021, Midlothian has peaked over the ten-year period, reporting that 83.1% of the population were economically active, compared to a Scottish average of 76.2% and a British average of 78.4%. Figure 2.6 below details the economic activity rate for Midlothian, Scotland and Great Britain over the period 2011 to 2021, with the years presented from January to December.

Figure 2.6. Economic Activity Rate, 2011-2021

Legend: Midlothian % — Scotland % — Great Britain %
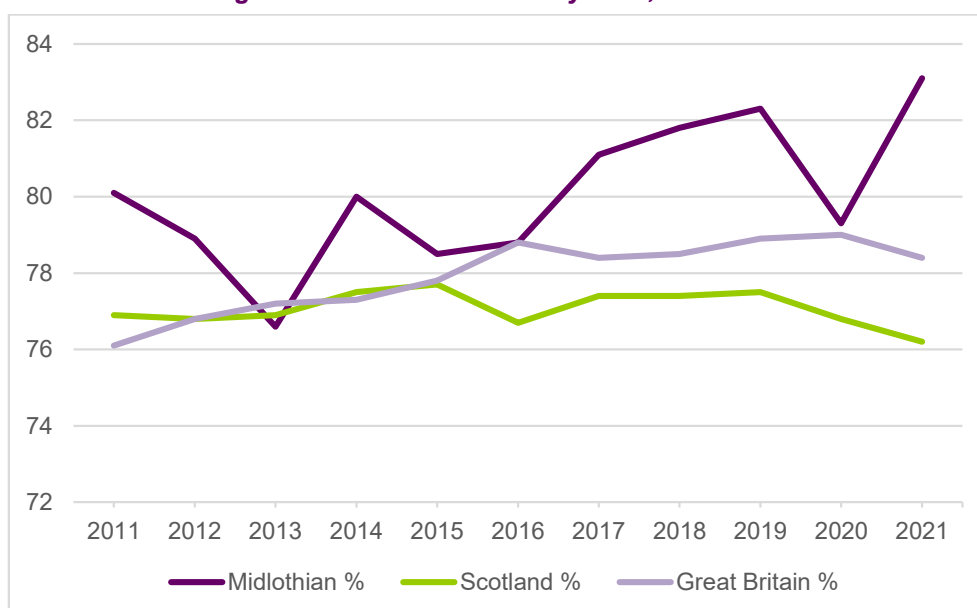
Source: Annual Population Survey, 2022

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2.9   In the five years prior to the COVID-19 pandemic, Midlothian has been characterised by low unemployment, typically falling below the Scotland average, as Figure 2.6 shows. In September 2021 unemployment in Midlothian was also lower than in Edinburgh and South East City Deal Region, 2.3% and 3.6% respectively.[3] Midlothian therefore has higher employment rates of not only Scotland as a whole, but also surrounding areas.

2.10   In the year ending December 2021, unemployment remained below the national level at 2.2% compared to 4.0%. Despite the low unemployment levels, a clear spike in unemployment cases occurred during the height of the pandemic, rising from 1.6% (July 2019-June 2020), to 2.8% (July 2020-June 2021). However, as Figure 2.7 shows, the unemployment rate decreased to previous levels as the economy gradually reopened.

Figure 2.7: Unemployment Rate, 2011-2021
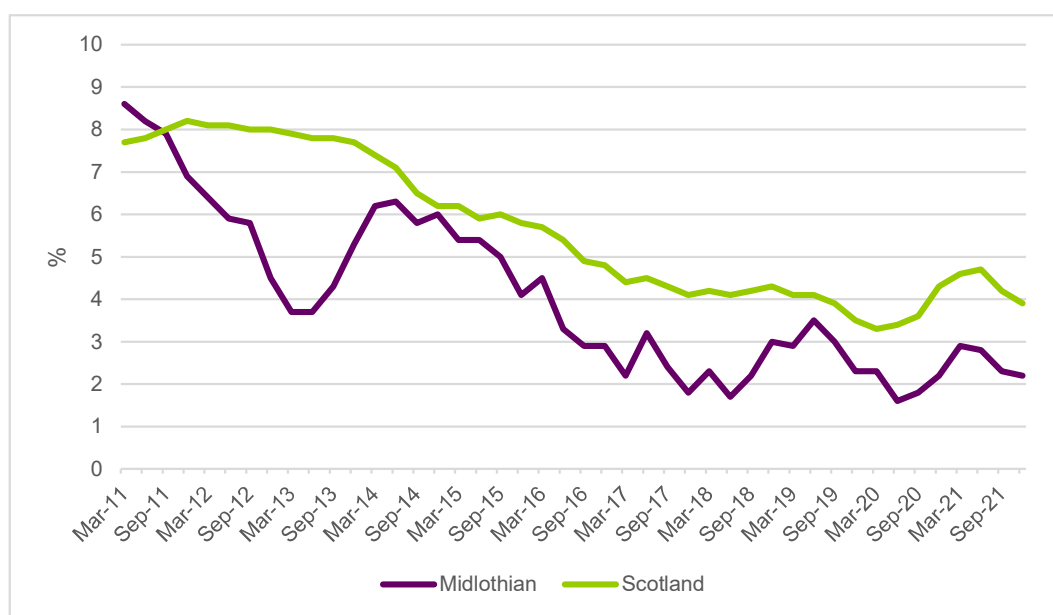
Source: ONS Annual Population Survey, 2022

2.11   The Claimant Count, which captures people claiming Job Seekers Allowance (JSA) and those who are claiming the unemployment related elements of Universal Credit (UC), provides a more up to date picture of unemployment. Except for March 2018, over the past ten years the proportion of claimants in the working age population has been consistently below the national levels (Figure 2.8).

2.12   In March 2022 there were 1,570 claimants in Midlothian accounting for 2.7% of the working age population, nearly half of the 3,090 (5.4% of the working age population) claimants from the previous year. This indicates the level of influence and financial pressures created because of the COVID-19 pandemic during its peak, and the reliance on extended finances from local and national governments, although it still falls below the Scotland (6.4%) levels.

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[3] Regional Skills Assessment 2022. Available at https://www.skillsdevelopmentscotland.co.uk/media/49092/rsa-city-region-report-edinburgh-and-south-east-city-deal.pdf

Figure 2.8. Claimants as % of the working age population, 2012-2022
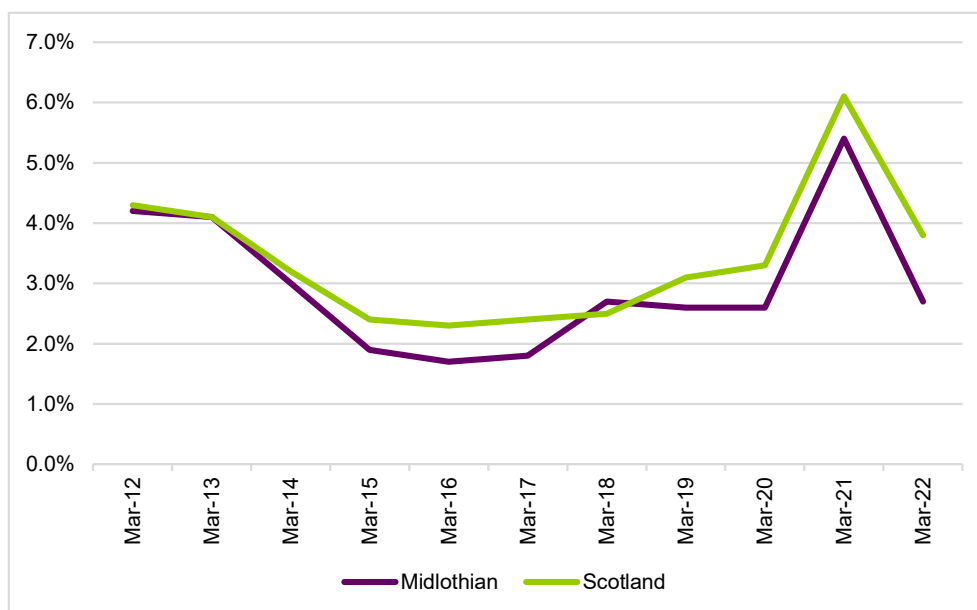
Source: ONS Claimant Count, 2022

2.13   It should be noted that there has been a significant increase in the number of in-work recipients of Universal Credit across Scotland. The proportion of in-work recipients of Universal Credit in Scotland has risen from 30.4% in May 2015 to 38.4% in May 2022. In Midlothian, a similar pattern has emerged. In May 2015, the proportion of in-work recipients in Midlothian of Universal Credit was 31.3%, In May 2022, this had increased to 40.9%.

2.14   7,711 people were in receipt of Universal Credit in Midlothian in May 2022. Of these, 3,152 (40.9%) recipients were in employment. This compares to the national figure of 171,821 of 447,696 (38.4%) of Universal Credit recipients that are in employment.

Employment

2.15   In 2021, 46,400 people worked in Midlothian, accounting for 2% of total employment in Scotland.

2.16   Since 2011 an additional 6,700 jobs have been created in Midlothian, an uplift of 16.9%, and a faster rate of growth than seen nationally (3.4%). As shown in Figure 2.9, the national trend of employment growth is steady, whereas Midlothian's is slightly inconsistent, but the overall growth spanning this period is clear.

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Figure 2.9. Employment, 2011-2021
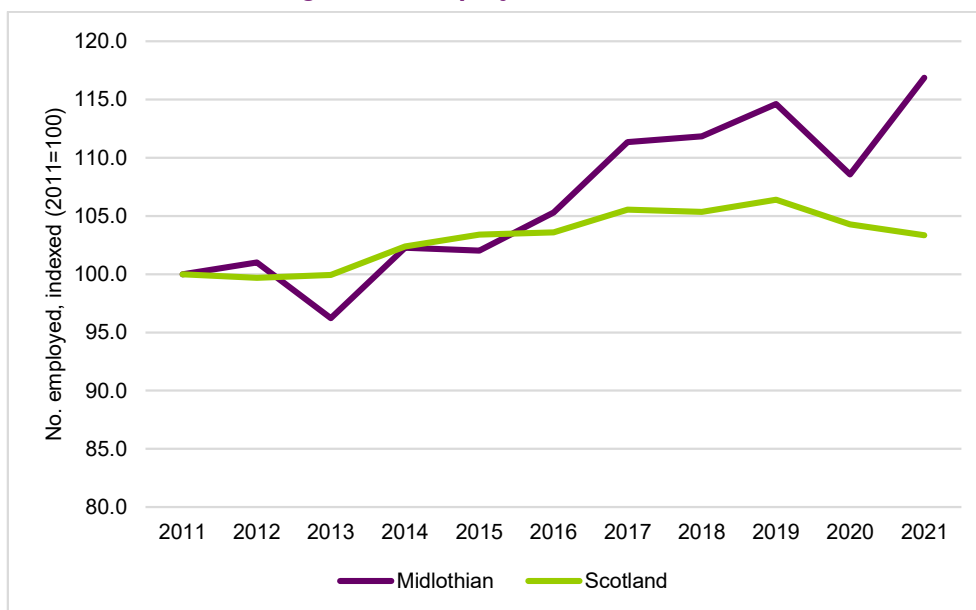
Source: ONS Annual Population Survey, 2022

2.17   Of the 30,000 employees in Midlothian (figure excludes self-employed, government-supported trainees and HM Forces), 20,000 (67%) are full-time employees, with 10,000 (33%) working part-time. These trends are identical to those nationally, with 67% of total employees working full time and 33% working part-time.

2.18   In Quarter 1 of 2020, there were 4,900 people in Midlothian that were classified as self-employed, accounting for 1.5% of the total of self-employed people in Scotland. This is the second lowest proportion Midlothian had in Quarters 1 from 2011 to 2020, but is a marked improvement from 2018 when Midlothian had 4,100 (a 1.3% national share of) self-employed people. Self-employment in Midlothian peaked at 6,200 (a 2.0% national share) people in 2015.

2.19   Employment in Midlothian is concentrated in wholesale and retail trade; human health and social work; and education which together account for 43.4% of employment in Midlothian, compared to 38.9% in Scotland. Midlothian has a relatively large administrative and support service activities, which has nearly tripled in the past 5 years, accounting for 2.6% of Midlothian's total employment in the sector in 2015, rising to 6.3% in 2020. The professional, scientific and technical activities sector is also highly represented in the area, accounting for 10% of employment, and has remained a consistently high employer.

2.20   Midlothian and Edinburgh and South East City Deal Region have similar shares of employment in Education and in Human health activities. Midlothian, however, has a much higher share of population employed in Wholesale and retail trade compared to Edinburgh and South East City Deal Region: 18.8% in Midlothian in 2020, 2.3% in Edinburgh and South East City Deal Region in 2021.[4] For reference, 13.7% of the Scottish workforce was employed in Wholesale and retail trade in 2020.

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[4] Ibid.

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Figure 2.10. Midlothian employment by sector, 2020
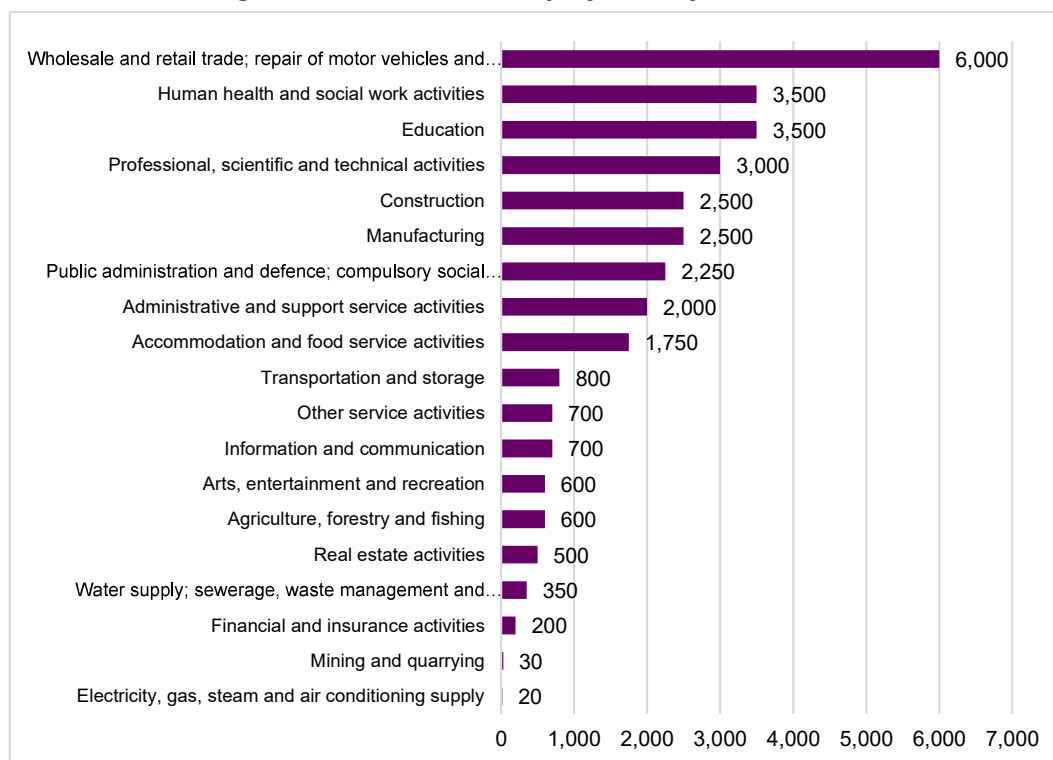
Source: ONS Business Register and Employment Survey, 2022

2.21   From 2015 to 2020, workforce has expanded in a few sectors. These are Administrative and support service activities; Water supply, sewerage, waste management and remediation activities; Manufacturing; Information and communication; Agriculture, forestry and fishing; Education; and Electricity, gas, steam and air conditioning supply. In particular, the number of people in employment in Administrative and support service activities has more than doubled, going from about 800 people in 2015 to around 2,000 people in 2020.

2.22   The sectors that experienced a decrease in employment numbers were Mining and quarrying; Financial and insurance activities; Construction; Arts, entertainment and recreation; and Human health and social work activities. As Figure 2.11 shows, these changes in employment from 2015 to 2020 have made the Midlothian workforce somewhat less concentrated. A workforce more evenly spread across more sectors is seen as a good thing, as it would provide more resilience in the face of economic shocks.

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Figure 2.11: Midlothian employment sector shares, 2015 and 2020

Source: ONS Business Register and Employment Survey, 2022

2.23   As demonstrated by Figure 2.12, a number of sectors are more highly represented in Midlothian than nationally. Wholesale and retail trade accounts for 19% of employment versus c.14% at the Scotland level, whilst Professional, scientific and technical activities accounts for almost 10% versus 7% nationally. Construction (c.8% versus c.5%), Education (c.11% versus 8%) and Manufacturing (c.8% versus 7%) are also more highly represented. Whilst Human health and social work accounts for a high volume of employment in Midlothian and is therefore an important source of employment in the local authority area, it is less highly represented than nationally.

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Figure 2.12: Sectoral share of employment, Midlothian and Scotland, 2020

Outside ring = Scotland
Inside ring = Midlothian

Legend:
- Agriculture, forestry and fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply; sewerage, waste management and remediation activities
- Construction
- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Transportation and storage
- Accommodation and food service activities
- Information and communication
- Financial and insurance activities
- Real estate activities
- Professional, scientific and technical activities
- Administrative and support service activities
- Public administration and defence; compulsory social security
- Education
- Human health and social work activities
- Arts, entertainment and recreation
- Other service activities

Source: Business Register and employment Survey, 2022

Business base

2.24   As of 2021, there were 2,705 businesses operating in Midlothian, accounting for 1.5% of the national business base. This represents a decrease of 15 businesses (0.6%) from the previous year. Between 2011 and 2021, there was an uplift of 530 businesses (+24.4%). From 2015 to 2020 the business base in Midlothian has grown at a faster pace compared to Scotland as a whole. From 2020 to 2021, the number of businesses in Midlothian has also decreased slightly more than in Scotland, 0.6% and 0.4% decreases respectively.

Figure 2.13. Number of businesses, 2011-2021
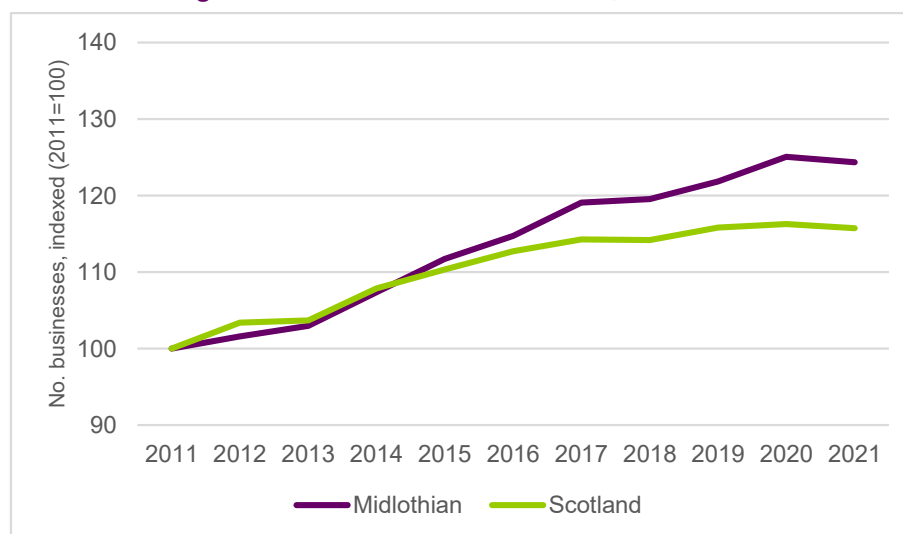
Source: Scottish Government Businesses in Scotland, 2022

2.25   In terms of the number of businesses per employment size, Figure 2.14 shows a significant disparity between micro size and large sized businesses. In 2021, 87% of business in Midlothian were recorded as micro businesses (0-9 employees), . Small, medium and large sized businesses accounted for 13% of the total business base, with large businesses accounting for the lowest share of the total Midlothian Business base (0.2%). These trends are similar to those at a national level, with micro sized businesses accounting for 88% of the total business base (Figure 2.13). Midlothian's position is in line with its geographical nature – a mix of small urban centres and rural hinterland, on the periphery of major conurbation – which puts it at a disadvantage in terms of competing for large employers.

Figure 2.14. Businesses by employment size band, 2021
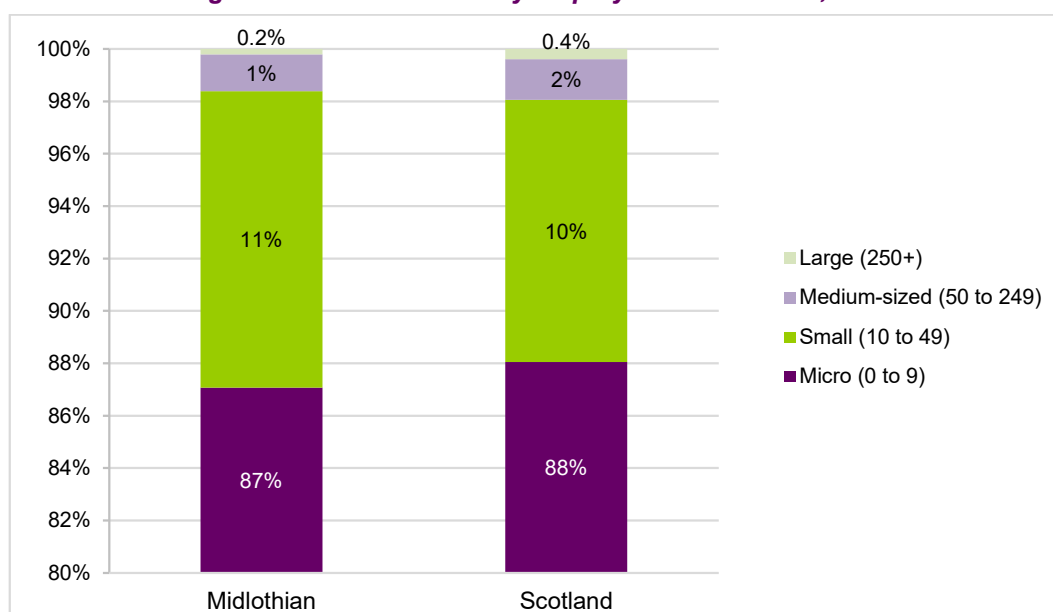
Source: ONS UK Business Counts, 2022

2.26   In 2021, the sector with the largest amount of businesses registered in the Midlothian local authority were within the construction sector, in which 410 businesses are registered. This is followed by the Professional, Scientific and Technical sector which features 390 enterprises in Midlothian, and Wholesale and Retail Trade, in which 315 businesses are registered within Midlothian. The smallest sectors with regards to business counts in Midlothian are within the Education (30 businesses), Water Supply (15 businesses) and Electricity, Gas, Steam and Air Conditioning Supply (10 businesses) sectors. Figure 2.15 details the business count across sectors within Midlothian.

Figure 2.15 Midlothian Business Base by Sector, 2021

Sector	Count
Construction	410
Professional, scientific and technical activities	390
Wholesale and retail trade; repair of motor…	315
Administrative and support service activities	195
Manufacturing	165
Accommodation and food service activities	160
Information and communication	150
Other service activities	140
Agriculture, forestry and fishing	110
Human health and social work activities	95
Transportation and storage	90
Real estate activities	80
Arts, entertainment and recreation	65
Financial and insurance activities	60
Education	30
Water supply; sewerage, waste management…	15
Electricity, gas, steam and air conditioning supply	10

Source: ONS UK Business Counts (Nomis), 2022

2.27   From 2011 to 2021 the businesses base by sector has either grown or stayed the same: no sector had a smaller number of businesses in 2021 compared to 2011. The sector to grow the fastest is Financial and insurance activities, which during this period went from 25 to 40 businesses (+140%). The sectors that added the largest number of businesses are Professional, scientific and technical activities (125 more businesses from 2011 to 2021), and Construction (55 more businesses).

Gross Value Added

2.28   Midlothian's economy has grown significantly in GVA terms in recent years. In 2019, GVA in the Midlothian economy was approximately £991 million, accounting for around 1% of total Scotland GVA – an increase from 07.% in 2010. Importantly, GVA in Midlothian has grown at a faster rate than nationally since 2010 (Figure 2.16) – an almost 50% increase versus 10% nationally.

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Figure 2.16: GVA in Midlothian and Scotland, 2008-19
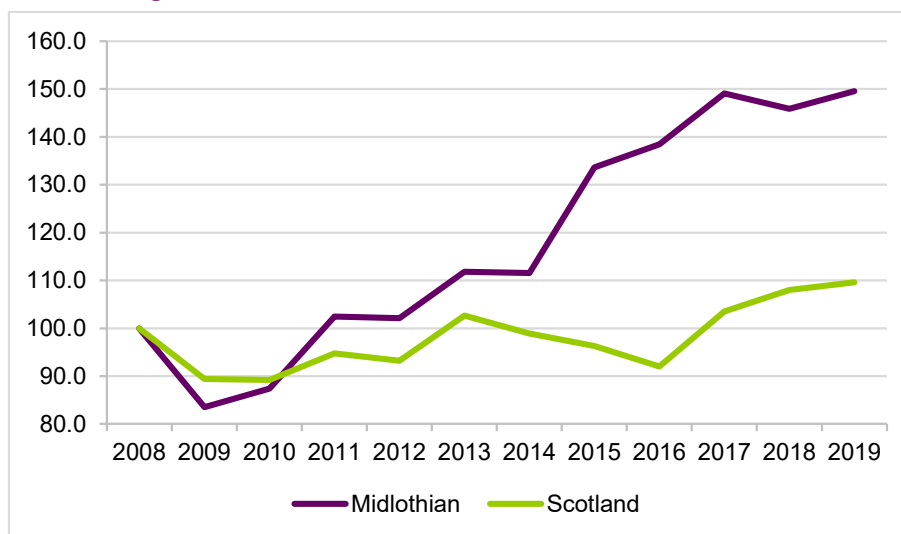
Source: Scottish Annual Business Statistics, 2021

A changing economic landscape

2.29   The population in Midlothian has been growing at a steady pace in recent years, thanks to net immigration into the area, and is somewhat younger than Scotland's population as a whole. The Midlothian population tends to have higher skills than the Scottish average, and as a result it is less likely to be unemployed, less likely to claim unemployment benefits, and more likely to work in skilled, high-value occupations.

2.30   Large shares of the workforce are employed in Education and in Human health and social work, in line with national trends. The largest share of workforce is employed in Wholesale and retail trade: 18.8% in Midlothian, compared to 13.7% in Scotland. Professional, scientific and technical activities, Construction, and Education are also more highly represented in Midlothian compared to Scotland.

2.31   This overview shows that prior to COVID-19 pandemic, Midlothian had a strong economy with a positive outlook of diversification and growth. Despite a brief increase in unemployment and claimants, and a slight fall in businesses in 2020, these areas of the economy now look to be on the mend and strengthening its position once again.

3   Economic outlook

Introduction

3.1   This section sets out the short-term and longer term economic outlook for Midlothian.

Short-term economic outlook

3.2   COVID-19 has caused a significant shock to the Scottish economy. Recent Scottish Fiscal Commission reports[5] which rely on a range of independent data sources suggest that in 2020/21 GDP declined sharply by 10.3% as a result of the COVID-19 pandemic but has been forecast to have grown back to pre-pandemic levels (10.4%) in 2021/22 and this growth is likely to continue to some degree in 2022/23 (2.2%), 2023/24 (1.2%) and 2024/25 (1.3%). Figure 3.1 below details the Scottish Fiscal Commission's December 2021 GDP forecasts.

Figure 3.1: GDP Forecasts 2020/21 – 2026/27
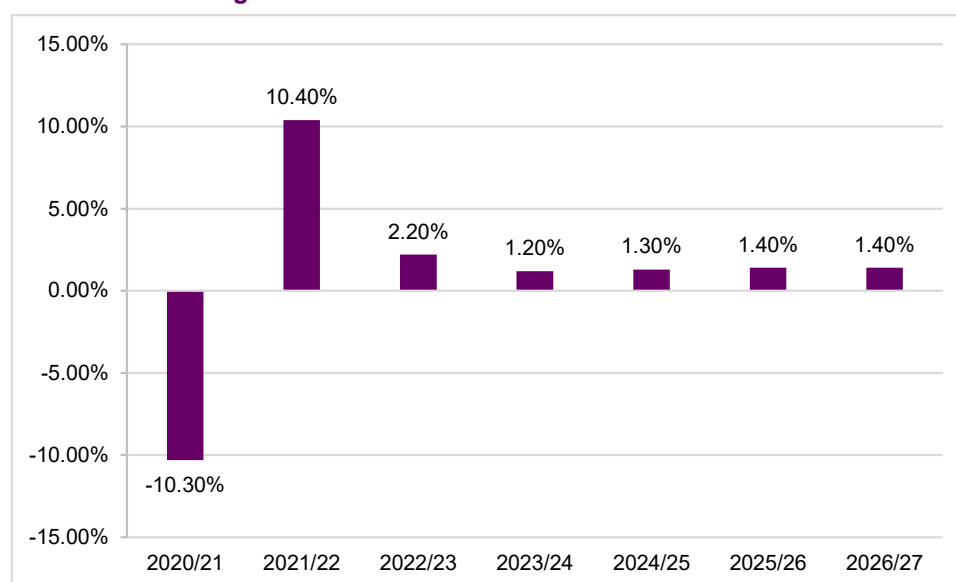
Source: Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts

3.3   While the uncertainty around Brexit between 2016 and 2019 is likely to have constrained growth, the impact from leaving the EU has been materialising throughout 2021 and 2022, impacting upon the scale of economic recovery following the COVID-19 pandemic. The Office for Budget Responsibility reported that in Q4 of 2021, goods imports from the EU were down 18% on 2019 levels, double the 9% fall in goods exports to the EU. The rise in non-EU imports indicates some substitution, however as it has only risen by 10% this does not indicate full substitution.[6]

3.4   As the furlough support ended in September 2021, it was envisaged that unemployment would rise through 2021, with many businesses re-opening with fewer staff. However, the Scottish Fiscal Commission[7] placed the unemployment rate for 2020/21 at 4.5% in December 2021, and forecasts that it shall remain relatively steady in 2021/22 (4.6%), 2022/23 (4.5%), before falling in 2023/24 (4.3%) and

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[5] https://www.fiscalcommission.scot/wp-content/uploads/2021/12/Scotland_s-Economic-and-Fiscal-Forecasts-December-2021-Full-report.pdf

[6] https://obr.uk/box/the-latest-evidence-on-the-impact-of-brexit-on-uk-trade/

[7] https://www.fiscalcommission.scot/wp-content/uploads/2021/12/Scotland_s-Economic-and-Fiscal-Forecasts-December-2021-Full-report.pdf

2024/25 (4.2%). Figure 3.2 below details the Scottish Fiscal Commission's December 2021 unemployment forecasts.

Figure 3.2: Unemployment Forecasts 2020/21 – 2026/27
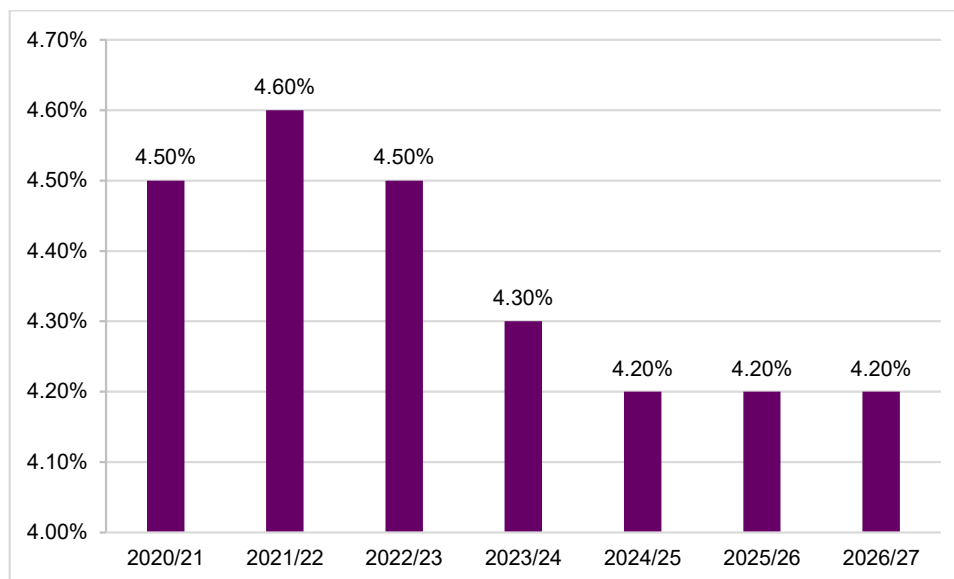
Source: Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts

3.5   Prior to the pandemic, the unemployment rate in Scotland was 3.2%.[8] This, taken together with the above forecasts, implies policy support will continue to be needed over the next couple of years to support people and businesses to recover.   The recovery from the COVID-19 pandemic is not anticipated to be conventional. There is a consensus amongst economic commentators that the nature of the post-pandemic economic recovery has not been previously experienced, with extremely high demand for skills leading to tight labour markets, uneven economic performance expected due to the long-lasting impacts of the pandemic, e.g. on severely disrupted supply chains, and ongoing uncertainty negatively affecting business confidence.

Longer term economic outlook and impacts

3.6   Due to the profound economic fallout from COVID-19, output in the UK is not likely to return to 2019 levels before at least 2023. COVID-19 in the long term may lead to some economic activity moving out of major urban centres, and the shift to more hybrid and flexible patterns of working (including increased incidence of home-working may lead to a reduced demand for commercial office space, while some of the retail impacts and the acceleration of online shopping and home delivery may further impact on town and city centres.

3.7   As of October 2021, the IFS[9] anticipate output to remain 2.5% below the Office of Budget Responsibility's pre-pandemic (March 2020) forecasts[10] trajectory for 2024-25, with Brexit continuing to have an additional impact due to having continued access to the common market until January 2020 and the relative weakness of Sterling.

3.8   The consensus is that the UK economy will be between considerably smaller in 2030 as a result of leaving the Single Market and Customs Union.[11]   The key reasons cited for this are:

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[8] https://www.gov.scot/publications/scotlands-labour-market-people-places-regions-statistics-annual-population-survey-2020-21/pages/7/

[9] https://ifs.org.uk/publications/15691

[10] https://obr.uk//docs/CCS001_CCS0320221496_CP-231-Web-Accessible-FINAL.pdf

[11] See, for example: Resolution Foundation (2022) The Big Brexit: An assessment of the scale of change to come from Brexit

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- A reduction in trade – mainly as a result of significant non-tariff barriers to trade covered in Section 6;

- A reduction in migration – due to changes in immigration policy and the attractiveness of the UK as a place to work;

- A fall in foreign direct investment flows; and

- A reduction in collaboration in research.

3.9   There is some cause for optimism, however. Midlothian was identified as the 4th most resilient local authority in Scotland according to the Oxford Economics Covid-19 Vulnerability Index, with a likely lower reliance on sectors most exposed to the effects of the COVID-19 pandemic.

3.10   Additionally, a recent EY report has underlined Scotland's attractiveness as a destination for foreign direct investment, and Edinburgh's position as joint top city in the UK for inward investment projects (Alongside Manchester). Midlothian stands well positioned to benefit from this attractiveness as an investment location.

Midlothian's economic outlook

3.11   Prior to COVID-19 pandemic (April 2019 – March 2020), Midlothian had an unemployment rate of 2.4% (1,200 people). Throughout the pandemic, this increased to a maximum of 4.0% (1,800 people) from the period March 2020 – April 2021, however the unemployment rate has now reduced again to an unemployment rate of 2.9% (1,400 people) from the period January 2021 – December 2021.[12]

3.12   Young people are likely to continue to be affected by their high representation in sectors such as hospitality and leisure, and companies postponing recruitment to determine the extent to which the recovery supports new recruitment.

3.13   COVID-19 is expected to continue to have serious consequences for low income households and vulnerable groups, including families and children falling further behind as a result of long periods of online home learning, or for people that fall sick that would be unable to work from home. Research has highlighted the impact of COVID-19 on lower income household spending, suggesting that working adults on the lowest incomes were most likely to see a fall in household income for the year 2020-21.[13]

3.14   Prior to the pandemic, Midlothian had experienced a period of high growth in Gross Domestic Product, achieving growth of 2.6% from 2015 to 2016, 4.7% from 2016 to 2017, 4.9% from 2017 to 2018 and 6.0% from 2018 to 2019.[14] This is considerably higher than the UK averages for the period (with the exception of 2015 to 2016), and also higher than Scottish averages. Table 3.1 below details this change across the three geographies.

Table 3.1: GDP Growth across Midlothian, Scottish and UK Geographies 2015 – 2019

Area	Year				
	2015	2016	2017	2018	2019
Midlothian GDP (£m)	1,392	1,428	1,495	1,568	1,662
Annual % Change		2.6%	4.7%	4.9%	6.0%
Scotland GDP (£m)	131,549	133,593	138,834	142,369	147,333
Annual % Change		1.6%	3.9%	2.5%	3.5%
UK GDP (£m)	1,712,072	1,777,366	1,844,010	1,910,247	1,977,096
Annual % Change		3.8%	3.7%	3.6%	3.5%

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[12] https://www.nomisweb.co.uk/reports/lmp/la/1946157423/subreports/ea_time_series/report.aspx?

[13] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/weeklyhouseholdspendingfellbymorethan100onaverageduringthecoronaviruspandemic/2021-09-13

[14] https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/regionalgrossdomesticproductallnutslevelregions

Source: Office of National Statistics (2021) Regional Gross Domestic Product: All ITL Regions

3.15   Forecasts have not been developed for the Midlothian geography. It has been noted that GDP is above pre-pandemic levels for the first time, however the Fraser of Allander's latest Economic Commentary has seen their predictions of growth in the Scottish economy for 2022 to have been revised down from 4.7% to 3.5% as a result of higher than anticipated inflation[15], as a result of the situation in Ukraine affecting global commodity and energy prices.[16] This growth is expected to continue to be dampened, with the Fraser of Allander institute forecasting 1.5% growth in 2023 and 1.4% growth in 2024.

3.16   The 2022, 2023 and 2024 forecasts indicate a Scottish economy with lower levels of employment and the loss of output compared to the pre-COVID trend, highlighting the long-term loss of economic momentum coupled with rising inflation and the Ukraine crisis.

3.17   It should be noted, however, that at the start of 2022 there was still optimism about Scotland's economic performance by some commentators such as KPMG in January 2022[17], in the middle of the Omicron wave of the COVID-19 pandemic, were prepared to forecast a growth of 4.8% in GDP in Scotland before moderating again to 2% in 2023. It should be noted that they forecasted this growth in tandem with rising inflation as a result of rising energy prices (prior to considerations of the crisis of Ukraine).

3.18   The Federation for Small Businesses' (FSB) Small Business Confidence Index measures whether businesses believe whether trading conditions will improve or deteriorate. FSB's Small Business Confidence index for Scotland stands at +14.3 points for the first quarter of 2022, a lower figure than over the same period in 2021 (+18.8 points). This figure is slightly lower than the UK average, which is placed at +15.3 points for Q1 2022.[18]

3.19   However, the average Scottish business owner is now much more optimistic than they were at the end of last year when the index stood at -22.0 points. This is partially due to the public health rules in Scotland at that time, which stipulated that most shops and all businesses in the hospitality sector had to remain closed.

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[15] https://fraserofallander.org/wp-content/uploads/2022/03/2022-03-FAI-Economic-Commentary-1.pdf

[16] https://www.gov.scot/publications/monthly-economic-brief-march-2022/pages/6/

[17] https://home.kpmg/uk/en/home/media/press-releases/2022/01/scotland-economy-to-grow-after-omicron-slowdown.html#:~:text=With%20Omicron%20posing%20a%20milder,levels%20of%202%25%20in%202023.

[18] https://www.fsb.org.uk/resources-page/recovery-in-scottish-business-optimism-dampened-by-rising-costs.html

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4 Labour market, unemployment and skills

Introduction

4.1   This section sets out an analysis of the dynamics of Midlothian's labour market.

Migration

4.2   In December 2020, approximately 8,000 (8.7%) of Midlothian's resident population were of non-United Kingdom origin, below the proportion across Scotland (10.7%).[19] In the year ending September 2020, 99 national insurance numbers were issued to migrant applicants in Midlothian, down from 279 the year before, highlighting the impact of COVID-19.[20]

4.3   The number of EU nationals entering the country and registering for National Insurance numbers has been falling for a number of years following the EU referendum in 2016. Between 2016 and 2019 the number of National Insurance registrations to EU nationals entering the UK fell by 28%.[21]

4.4   This drop in EU nationals has immediate and long-term implications for certain sectors of the economy.

4.5   Sectoral impacts, as a result of restricting the freedom of movement following Brexit, are likely to depend on the share of EU-born migrants in each sector as well as local skills shortages in UK-born citizens and the level of unemployment. An estimated 4,000 people in Midlothian are EU nationals.[22] A reduced flow of EU nationals who work in Midlothian is important for the sectors which employ a large proportion and number of EU citizens including: hospitality, transport, manufacturing, business admin, retail, professional, scientific and technical and construction.

4.6   Prior to Brexit the arrangements to extend existing EU residents' long term status appears to have avoided any large-scale out-migration – although the new immigration policy is likely to have a significant impact upon future migration.

4.7   Prior to the introduction of the new immigration system, the UK launched an EU Settlement Scheme that allows EU and EEA citizens who live in the UK to remain without needing to apply for additional visas or become subject to the new points based system. All workers from EEA nations who are already resident in the UK had until 30th June 2021 to apply for the EU Settlement Scheme which guaranteed their right to work in the UK indefinitely.

4.8   In total, 6.3m people have been granted the right to remain in the UK under the EU Settlement Scheme as of 31st March 2022[23], considerably higher than the pre-Brexit estimate of 3.1m EU citizens living in the UK. This estimate appears to have seriously undercounted EU citizens' role in the UK economy.

4.9   The EU Settlement Scheme has granted 3,780 applicants in Midlothian with the right to work and live in the UK without needing to apply for an additional visa or becoming subject to the new points-

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[19] https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/population-by-country-of-birth-and-nationality/jul-20-jun-21

[20] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/migrationwithintheuk/datasets/localareamigrationindicatorsunitedkingdom

[21] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811541/nino-registrations-adult-overseas-nationals-march-2019.pdf

[22] https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/population-by-country-of-birth-and-nationality/jul-20-jun-21

[23] https://www.gov.uk/government/collections/eu-settlement-scheme-statistics

based system between August 2018 and December 2021. This equates to 95.9% of all applicants, while 60 (1.5%) applications were refused, 70 (1.8%) were withdrawn or void and 30 (0.8%) were invalid.[24]

4.10   This acceptance rate is higher than the Scottish and UK averages. It compares to a Scottish average of a 95.4% acceptance rate, a 1.8% refusal rate, a 1.6% withdrawal rate and 1.2% of applications were invalid. The UK average was a 93.5% acceptance rate, 3.0% refusal rate, a 1.8% withdrawal rate and 1.7% of all applications across the UK were invalid.[25]

4.11   On 1st of January a points-based immigration system was adopted based on the skills or job shortage within the UK and the appropriate qualifications and skills of the application. This system includes a 'Skilled Workers route' which requires that people obtain 70 points, of which 50 come from the mandatory criteria of having:

- a job offer from a licenced sponsor.

- a job offer which is at, or above, the minimum skill level of an RQF Level 3 (A-level) or equivalent.

- spoken English of an acceptable standard.

4.12   A further 20 'tradeable' points might also be drawn from a combination of a worker's salary, a job in a shortage occupation (as designated by the Migration Advisory Committee), or their possession of a relevant PhD.

4.13   There is no automatic mutual recognition of professional qualifications, however, and while a framework is laid out to allow professional bodies to move in this direction, it may take some time before all relevant occupations are covered.

4.14   The changes in migration rules could reduce the number of EU nationals living and working in Midlothian, and are particularly important for the sectors including: banking and finance; retail, restaurants and hotels; manufacturing; and health and social care, and some of these sectors need lower paid/lower skilled staff, in addition to higher skilled recruits. A reduction of EU migrants working in the health and social care sector could impact the ability for Midlothian to deliver vital children and adult health and social care services in the future. A priority should be focussing on attracting and retaining staff in this sector as well as identifying any current or future skills shortages and policies to target them.

4.15   In order to address long term recruitment of the health and care workforce, Midlothian Council should make the case for the Shared Prosperity Fund (as part of the wider Edinburgh and South East Scotland Regional Economic Partnership) to replace current EU funding invested in training and skills development. Consideration should be given to ensuring training related funding prioritises the Health and Social Care sector, as well as manufacturing and industry. This is likely to relieve some of the skills shortages in these areas.

COVID-19 impacts on employment

4.16   The Claimant Count captures people claiming Job Seekers Allowance (JSA) and those who are claiming the unemployment related elements of Universal Credit (UC) and provides a comprehensive and up to date view of unemployment levels.

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[24] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/migrationwithintheuk/datasets/localareamigrationindicatorsunitedkingdom

[25] Ibid.

4.17   In March 2022 there were 1,570 claimants of JSA and unemployment related UC in Midlothian accounting for 2.7% of the working age population, down from 3,090 claimants and 5.4% of working age residents in March 2021 – a 49.2% drop.[26]

4.18   COVID-19 has disproportionately affected employment amongst young people, of which there will have been a cohort leaving education and entering the labour market in the past couple of years who have been unable to secure employment. Young people also typically have a high representation in sectors such as hospitality and leisure which have been severely impacted by COVID-19 lockdowns and travel restrictions. Between March 2020 and March 2021 the claimant count amongst those aged 16-24 grew by 109.2% from 1,495 to 3,095 in Midlothian (compared to 106.7% across all ages) with this cohort accounting for 22% of all claimants in March 2021. [27]

4.19   The Coronavirus Job Retention Scheme (CJRS) was a vital support mechanism for businesses affected by the pandemic, helping them to retain and continue paying their employees. It ended on 30th September 2021. CJRS Statistics (reporting figures up to 30th September) show there were a cumulative total of 16,300 people who accessed furlough support out of a total of 43,900 eligible jobs, representing an overall take up rate of 37% in Midlothian.[28] The largest take-up rate in Midlothian at any one time was on 31st July 2020, with 7,400 (16.5% take-up rate) employments on furlough. [29]

4.20   The impact of COVID-19 has hit the self-employed particularly hard. Figures for the Self-Employment Income Support Scheme (SEISS) to the 31st December 2021 show there were a total of 12,400 claims made in Midlothian by 3,400 individuals, equating to £35.9 million being claimed across the five grants that were made available, with the largest take-up rate being for the first grant available, which received an 80% take-up rate.[30]

4.21   In total some 19,700 jobs in Midlothian were assisted by Government support. As evidenced in Section 3, the Scottish Fiscal Commission placed unemployment in Scotland at 4.5% for 2021/22, a 40.6% rise from the pre-pandemic figure of 3.2%. It should be noted, however, that the number of JSA claimants has fallen in Midlothian from March 2021 to March 2022 by 49.2%, indicating that people are beginning to find employment again.

4.22   HM Treasury published comparison of independent forecasts suggest the unemployment rate could reach 4.1% by Q4 of 2022, with estimates ranging from 4.8% to 3.2%.[31] This represents a fall of 0.1% in unemployment in the UK from the previous year.

4.23   Whilst unemployment levels across Scotland have fallen to record lows, the ongoing economic uncertainty means that there remains a risk that unemployment in Scotland – and thus Midlothian – can rise in future. This is as a result of inflation, increased cost of living, ongoing global supply chain disruption as a result of the pandemic, the effects of Brexit and the economic impacts of Russia's invasion of Ukraine.

4.24   Looking at the 2008/9 recession shows that unemployment can take a number of years to reach its peak as highlighted in recent analysis from the National Institute of Economic and Social Research, which suggests there could be a delayed recovery in the labour market due to the reallocation of labour

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[26] https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/claimantcountbyunitaryandlocalauthorityexperimental

[27] https://www.nomisweb.co.uk/query/construct/submit.asp?forward=yes&menuopt=201&subcomp=

[28] https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-16-december-2021

[29] https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-december-2020

[30] https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-december-2021

[31] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083817/Forecomp_June_2022.1_Final.pdf

as the economy adjusts to sectoral shifts as a result of COVID-19 and Brexit.[32] Additionally, the nature of the post-pandemic recovery is expected to be atypical, and potentially 'bumpy'.

4.25   Extended periods of unemployment can have significant impacts on longer-term earnings. Typical estimates suggest that workers who are made unemployed are 6–9% less likely to be in work in the longer term, and have wages 8–10% lower than they would otherwise have had even if they find another job.[33]

4.26   Given the significant labour market impacts of COVID-19 on young people and on lower-skilled workers across the UK with regards to disproportionate detrimental employment outcomes throughout the pandemic[34], interventions such as the new Kickstart Scheme for those aged under 25, will have an important role to play in preventing more-lasting damage.

4.27   There is an immediate need to provide training and job search support to respond to the considerable job losses arising from the pandemic as well as the reduced opportunities from companies and organisations changing or postponing recruitment plans.

4.28   COVID-19 has accelerated use of digital technology across all areas of work and activities. It is evident that adopting universally applicable skills can increase the likelihood of success entering and progressing through employment, as well as the ability to transfer into other key and emerging sectors. The demand for digital skills and transferrable skills such as creativity, critical thinking, interpersonal communication skills and leadership skills will also become more important as technology advances and virtual working becomes a lot more common.

4.29   Recent research by PWC suggests that Scotland is best placed out of anywhere in the UK to deliver on the "Green Jobs Revolution."[35] They estimate that 1.65% of total advertised jobs in Scotland are "green," compared to a UK average of 1.2%. This is due to the high presence of renewable energy projects undertaken in Scotland, although Scotland has also been noted to be leading in terms of green agricultural and professional services sectors when compared to the rest of the UK.

4.30   It should also be noted, however, that Scotland is projected by PWC to have the largest share of regional job losses in the UK as a result of the transition to a net zero economy, with 9.4% of Scotland's total job share to be deemed "sunset" jobs that will need to be replaced.[36] A large proportion of these jobs will be lost with the decommissioning of offshore oil and gas installations. However, this transition presents an opportunity for people working in offshore oil and gas to find work in the decommissioning sector.

4.31   Roughly 100,000 of the jobs in the decommissioning sector by 2030 are projected to be filled by people transferring from existing oil and gas jobs to offshore renewable roles, new graduates and new recruitment from outside the existing Scottish offshore energy sector.[37] In order for this to be achieved, however, there is a requirement for strategic intervention to support the traditional workforce to diversify, upskill and pivot to decommissioning activities. In order to achieve net zero, a significant increase in 'green' skills and education is required across Scotland.

4.32   There is an opportunity to create jobs by investing in the green economy and supporting projects that involve retrofitting buildings, green transport and the related training programmes. For example, the

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[32] https://www.niesr.ac.uk/publications/recovery-stalling-not-soaring?type=uk-economic-outlook

[33] https://www.researchgate.net/publication/273454843_The_scarring_effect_of_unemployment_from_the_early_'90s_to_the_Great_Recession

[34] https://jech.bmj.com/content/76/1/8

[35] https://www.pwc.co.uk/who-we-are/regional-sites/scotland/press-releases/scotland-in-prime-position-to-benefit-from-green-jobs-revolution.html

[36] Ibid.

[37] Robert Gordon University: Energy Transition Institute (2021) UK Offshore Energy Workforce Transferability Review

Scottish Government has committed to reducing emissions from heating buildings by 68% from 2020 to 2030.[38] As result, the Scottish Government estimates that by the late 2020's, 200,000 new low and zero emission heating systems will need to be retrofitted or installed per annum to meet its targets for 2030, creating significant demand for accredited installers.

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[38] https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings/pages/3/

5   Brexit and COVID-19: Impacts on communities

Introduction

5.1   The impacts of COVID-19 have been experienced differently within different areas and communities. There is a growing body of evidence that the worst effects of the COVID-19 pandemic have disproportionately impacted people from BAME backgrounds, people in lower-paid or more public-facing work, disabled people, and people with pre-existing health and economic difficulties.[39]

5.2   A recent report with contributions from the NHS, PHS, and University of Edinburgh[40], reported higher infection, hospitalisation and death rates of COVID-19 in more deprived areas of the country. This is linked to increased vulnerability including higher prevalence of diabetes and respiratory conditions, heart disease, obesity as well as increased transmission from higher population densities and inequalities in housing conditions (such as houses of multiple occupation and limited access to outdoor and communal greenspace) in more deprived areas.

5.3   While Midlothian is in the lower half of deprived local authorities as of 2020, pockets of deprivation exist within certain area and communities in the area for example in parts of Dalkeith, Mayfield, Gorebridge and Middleton, North Gorebridge, Straiton, and Easthouses, which are likely to have faced worse health and economic impacts from COVID-19.

SIMD

5.4   The SIMD is the Scottish Government's standard tool for identifying small area concentrations of multiple deprivation across Scotland. The SIMD ranks small areas (datazones) from the most deprived (ranked 1) to the least deprived (ranked 6,976).

5.5   The local share is used to compare areas and is calculated by dividing the number of deprived data zones in the area by all datazones in the area.

5.6   Analysis of SIMD 2020 data shows that levels of relative deprivation in Midlothian have decreased. Around 9% of datazones (10 datazones in total) in Midlothian are in the most deprived 20% deprived areas in Scotland, compared to 11% in SIMD 2016, when 11% of datazones (13 datazones) were among the 20% most deprived areas in Scotland (Figure 5.1). These most deprived datazones in Midlothian were in the areas of Dalkeith, Easthouses, Gorebridge and Middleton, Mayfield, North Gorebridge and Straiton. The most deprived data zone in Midlothian in the overall SIMD 2020 is located in Dalkeith (S01011012, rank: 207). The same data zone in Dalkeith was the most deprived area in SIMD 2016, with a ranking of 254. The least deprived data zone in Midlothian is in Eskbank (S01010995, rank: 6,737). Similarly, this data zone in Eskbank was the least deprived area in SIMD 2016, with a ranking of 6,906.

5.7   Midlothian is also ranked 21st out of the 32 council areas in terms of the local shares of datazones in each that are found in the top 20% most deprived data zones in Scotland.

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[39]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/908434/Disparities_in_the_risk_and_outcomes_of_COVID_August_2020_update.pdf
[40]https://www.sciencedirect.com/science/article/pii/S2666776220300053

Figure 5.1. Local share of the 20% most deprived data zones, 2020
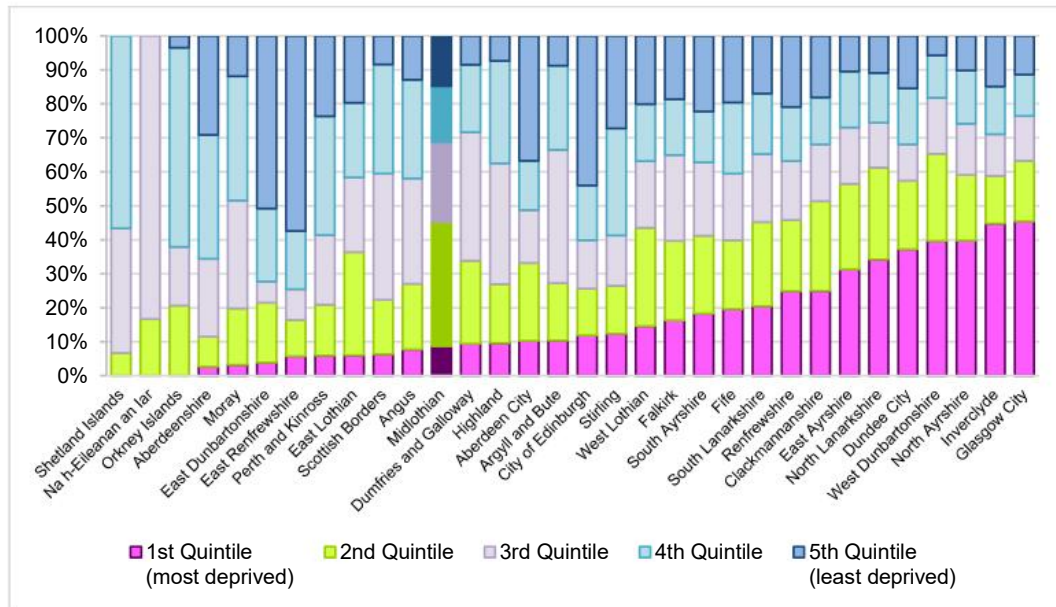
Source: SIMD 2020

5.8   Many of Midlothian's most deprived datazones are in Dalkeith, Bonnyrigg and Penicuik (Figure 5.2).

**Figure 5.2. Midlothian SIMD by Quintile, 2020**
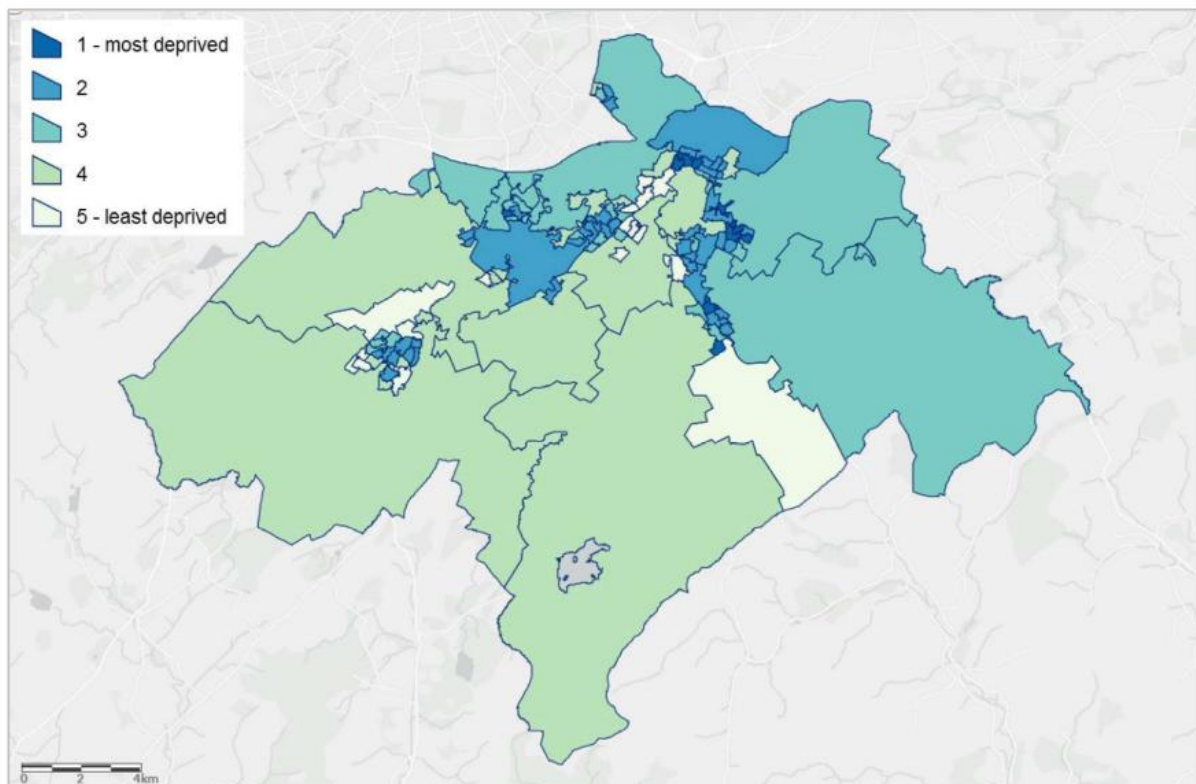
Source: SIMD, 2020

Claimant count by ward

5.9   Looking at the Claimant County by ward for March 2022 (Figure 5.3) shows that levels of employment reflect the typical pattern of deprivation in Midlothian with unemployment concentrated in

the north-east of the area, towards Dalkeith and Midlothian East. Despite this, the general rate of unemployment across all of Midlothian is significantly low (all <3.3%).

Figure 5.3. Claimant count by ward, March 2022
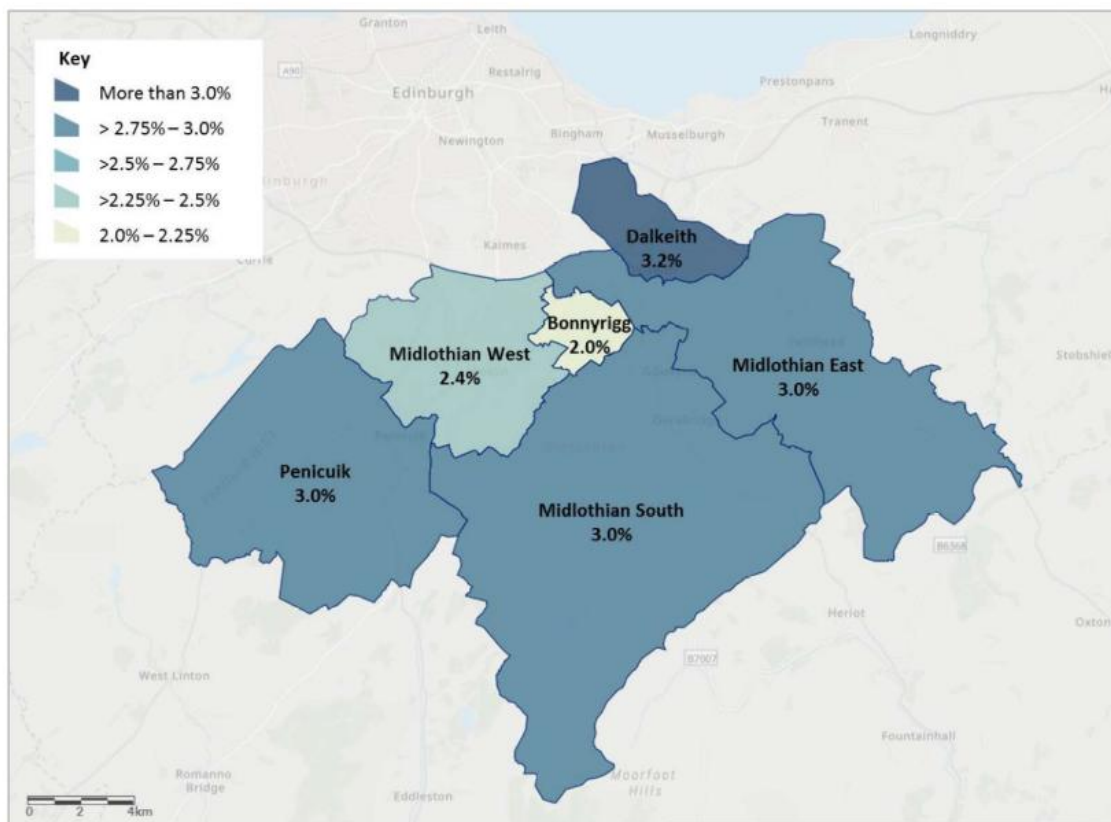
Source: ONS Claimant Counts, 2022

5.10   The wards with the highest proportion of claimants in the working age population are Dalkeith (3.2%), Midlothian East (3.0%), Midlothian South (3.0%), and Peniculk (3.0%), which together have 1,100 claimants accounting for 70% of total claimants in Midlothian. The areas with the lowest proportion of claimants are located in the north-west of the area and include Bonnyrigg (2%) and Midlothian West (2.4%).

5.11   With there being 1,570 claimants in Midlothian accounting for 2.7% of the working age population, this shows that the overwhelming majority of those able to work are in employment. Further to this, there is little variance in the spread of claimants, with only a minor majority of claimants situated in Dalkeith, in which there are some clear signs of deprivation found in small pockets of land.

5.12   Whilst COVID-19 emphasised and exacerbated economic, social and health inequalities which exist, the ongoing economic recovery is seemingly addressing these inequalities in Midlothian, which are capable of acting as a constraint to growth and influence quality of life and deprivation among communities. This is emphasised by the fact that the rate of claimants has nearly halved in the last year from 3,090 to 1,570, a decrease of 49%.

ekosgen

6   Sectoral impacts

Introduction

6.1   The sectors most at risk from the impact of Brexit are those companies more reliant on exporting and/or importing, such as Manufacturing; and those sectors that require a highly-skilled workforce including the Health and social care sector, where there is regular recruitment of international workers required to meet demand.

6.2   Sectors most exposed to the impacts of COVID-19 are not the sectors most at risk to Brexit. The at risk from COVID-19 sectors are dependent on a robust economic rebound as the country recovers from the end of lockdown restrictions, and are predominantly enterprises that have been (either fully or partly) unable to trade during the pandemic – and in particular those dependent on face-to-face trading and with limited (or no) digital presence.

Wholesale and retail

6.3   There are more than 6,000 jobs in Midlothian in the retail sector, making it the largest sector in terms of employment. There are also 315 businesses in the sector.

6.4   COVID-19 lockdown measures meant that during periods of lockdown restrictions, many 'brick-and-mortar' retail premises had to remain closed, or had to continue trading under strict public health conditions related to numbers of shoppers, spacing and display of goods, etc. During the height of the pandemic, whilst overall retail sales fell, there was a sharp increase in online retail, and this has persisted since the easing of lockdown restrictions.

6.5   COVID-19 has resulted in an accelerated shift to online shopping with effects on town centre retail business rates and employment. McKinsey estimate that online sales will continue growing at a faster rate than before COVID-19, with many people permanently shifting to more online shopping. This trend, in addition to a shift to more permanent home and hybrid modes of working, will continue to have an effect on town centre retail business rates and employment. There is expected, however, to be a compensating increase in warehouse and delivery jobs.

6.6   These trends could have a significant impact upon the vitality and viability of key town centres such as Dalkeith, Bonnyrigg and Penicuik, as well as retail locations such as Straiton Retail Park.

Human health and social work activities

6.7   There are 3,500 people employed in Human health and social work activities in Midlothian, making it an important employment sector. However, the sector has long faced significant workforce challenges that impact on its economic productivity. Previous research has identified evidence of current and future skills shortages and gaps in Midlothian and the wider Edinburgh and South East Scotland City Region.[41] These challenges have been exacerbated by both Brexit and the COVID-19 pandemic.

6.8   The impact of the COVID-19 pandemic has resulted in acute staff shortages, driven by staff absences (through isolation and other reasons), adversely impacted staff health and wellbeing, and many staff taking or considering (early) retirement or leaving the sector.[42]

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[41] ekosgen, for SDS (2020) Employer Skills Research: Health and Social Care Sector
[42] https://www.audit-scotland.gov.uk/uploads/docs/report/2022/nr_220224_nhs_overview.pdf

6.9   The impact of Brexit on non-UK Health and social care staff numbers, and the ability to continue working in the sector in Scotland is well-documented. Previous estimates have indicated that around 5% of the NHS Scotland workforce were non-UK workers.[43] However, the combined effect of Brexit and COVID-19 in reducing migration of skilled Health and social care workers to Scotland has made it more difficult for the NHS and other Health and social care employers to access the growing number of workers they need.[44] There is also ongoing uncertainty around the impact of Brexit on health determinants – for example the cost of living, unemployment, access to health and social care services, etc., as well as a challenge in disentangling the impact of Brexit from the effects of COVID-19 on public health.[45]

6.10   Overseas recruitment in Scotland for NHS posts has increased recently following a recruitment drive.[46] However, there is some concern that this will not be sufficient to meet the staff shortage in the NHS[47], and more widely in the sector.

Professional, scientific & technical

6.11   The Professional, scientific and technical sector is important for Midlothian, with the area hosting a number of innovation centres and research parks – a benefit of its close proximity to a number of Higher Education Institutions in Edinburgh. The internationally recognised Midlothian Science Zone[48] is a world-leading centre for research in animal science and food security, and is the largest concentration of animal-related expertise in Europe.

6.12   This also includes Digital. Data Driven Innovation is a key theme of the Edinburgh and South East Scotland City Deal. To capitalise on the expertise within Midlothian and the proximity to Edinburgh, a key Digital Technologies for Scotland, Midlothian and the University of Edinburgh have invested in DDI to create the Newbattle Digital Centre for Excellence, which prepares young people with the data and digital skills for the future world of work, fostering digital inclusion and enabling young people to engage in a wider programme around data skills.

6.13   The Professional, scientific and technical sector is the second largest sector in terms of Midlothian's business base (390 businesses) and accounts for around 3,000 workers – making it more highly represented than nationally. However, there have been a number of changes in the funding environment which may impact on the sector.

6.14   The Brexit Deal allows the UK to participate in the 9th EU Framework Programme, Horizon Europe, as an associated country which runs from 2021 to 2027, giving UK based researchers access to the European Research Council (ERC), Marie Skłodowska-Curie Actions (MSCA), grant funding from the European Innovation Council (EIC), and the ability to participate in and lead consortia with EU and international partners. The TCA also allows the UK access to Euratom Research and Training, the fusion test facility ITER, the Copernicus Earth observation programme and the EU's Satellite Surveillance & Tracking (SST) services.[49]

6.15   Given the scale and benefits of the Horizon Europe programme this is significant for research and innovation in Scotland and more widely in the UK[50], particularly since the UK has long benefitted

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[43] https://www.gov.scot/binaries/content/documents/govscot/publications/foi-eir-release/2017/09/foi-17-01830/documents/foi-17-01830-impact-brexit-healthcare-workforce-briefing-11-17-pdf/foi-17-01830-impact-brexit-healthcare-workforce-briefing-11-17-pdf/govscot%3Adocument/FOI-17-01830%2BImpact%2Bof%2BBrexit%2Bon%2BHealthcare%2Bworkforce%2B-%2Bbriefing%2B11%2BMay%2B17.pdf

[44] Nuffield Trust (2020) Understanding the impact of Brexit on health in the UK

[45] Ibid.

[46] https://www.gov.scot/news/nhs-scotland-recruitment-boost/

[47] https://www.nursinginpractice.com/latest-news/overseas-nurses-will-not-plug-scotlands-staff-shortages-says-rcn/

[48] https://midlothiansciencezone.com/

[49] https://royalsociety.org/topics-policy/projects/brexit-uk-science/access-to-research-funding/

[50] Ibid.

from wining a considerable proportion of research and innovation framework funding across previous EU programming periods. The UK received 12.1% (more than €7 billion) of the Horizon 2020 funding; by comparison, the country's average contribution to the overall EU budget is around 11.4% of the total.[51] However, following the Brexit vote, it is estimated that the UK missed out on around €1.5 billion of funding, having previously been the joint-most successful nation in terms of winning European research grants alongside Germany.[52] Additionally, it is understood that disputes over Northern Ireland Protocol and EU's legal action means the European Commission has not yet signed off the association of the UK to Horizon Europe. There is also some uncertainty regarding the extent to which UKRI will match any grants cancelled as a result of this situation.[53]

6.16   Prior to leaving the EU there was significant concern from scientists over the mobility of scientists, with a large proportion of scientists moving between countries for work. Around a third of academic staff in British universities are from outside the UK, with 16% coming from EU countries. The Royal Society has previously argued that present visa arrangements were uncompetitive in an international market for science talent, and was also inhibiting co-operation.[54]

6.17   As a result of Brexit, EU researchers and innovators who want to come and work in the UK will now need to navigate the visas and immigration system. Currently the upfront costs of work and study visas for researchers and innovators considering coming to the UK are up to six times higher than the average across leading science nations.[55]

6.18   New research by the Resolution Foundation suggests that new barriers to trade with the EU are likely to have a notable impact upon regulated and professional services. For instance, the research estimates a 13% reduction in output in the other professional, scientific and technical activities sector by 2030 compared to the counterfactual of remaining in the EU. There are around 200 people employed and 65 businesses in the in other professional, scientific and technical activities sector in Midlothian, which could be impacted due to increased barriers to trade as a result of the new trade agreements.[56]

Manufacturing

6.19   Manufacturing is at risk due to non-tariff barriers and integrated supply chains with the EU. Many manufacturers rely on 'just-in-time' delivery of parts or inputs, and they may therefore be experiencing disruptions to their supply chains caused by increased or uncertain processing times for goods at the border.

6.20   There are c.2,500 manufacturing jobs in Midlothian, accounting for 7.9% of total employment, and 165 businesses (7% of the business base) in Midlothian. However, it is possible that manufacturing activity will also take place across some other sectors, e.g. Professional, scientific and technical, given the presence and nature of life sciences companies in Midlothian.

6.21   Impacts are expected to vary across sub-sectors. For example, the Resolution Foundation suggests food manufacturers may benefit from new trade relationships due to a reduction in import competition from EU producers, with domestic opportunities expected to outweigh any lost market share overseas. In contrast output in the manufacturing sub-sectors such as manufacture of basic metals and

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[51] https://www.nature.com/articles/d41586-020-03598-2

[52] https://www.chemistryworld.com/news/uk-share-of-horizon-2020-funds-dropped-15bn-since-brexit-vote/4013901.article

[53] https://www.ukri.org/apply-for-funding/horizon-europe/

[54] https://royalsociety.org/-/media/policy/Publications/2019/international-visa-systems-explainer-july-2019.pdf

[55] https://royalsociety.org/blog/2021/02/what-does-the-uk-eu-deal-mean-for-science/

[56] The Big Brexit: An assessment of the scale of change to come from Brexit, The Resolution Foundation Swati Dhingra, Emily Fry, Sophie Hale & Ningyuan Jia, June 2022

electrical equipment is expected to be 14% and 7% lower by 2030, respectively, compared the scenario where the UK remained inside the EU. [57]

6.22   Midlothian is home to Roslin Innovation Centre and Pentlands Science Park, significant industrial estates for Veterinary, AgriTech and Life Sciences activity, as well as hosting a number of more traditional industrial estates such as Eldin, Edgefield Road, Hardengreen and Bilston Glen. Companies across these industrial estates, such as Danfoss, will be involved in importing and exporting to the EU, as well as other parts of the world.

6.23   Nearly a half of UK exports and imports of manufactured goods go to, and come from, the EU, and EU labour helps fill key skills gaps in the UK. In Scotland, 47% of exports in 2019 were to EU countries.[58] However, recent Scottish Government analysis indicates that that Scotland's trade in goods with the EU was lower in 2021 than it otherwise would have been under continued EU membership. The Trade and Cooperation Agreement (TCA) is found to have a statistically significant effect on imports from the EU, an effect which has persisted in each quarter of 2021. Estimates suggest that imports from the EU in 2021 were 18% to 25% lower than they otherwise would have been, and exports in the first quarter of 2021 were 9% to 14% lower than they otherwise would have been.[59]

6.24   Whilst intelligence suggests that the negative impact of the COVID-19 pandemic and various lockdown restrictions is easing and businesses are starting to recover, the effects of disruption to the movement of goods into and out of the UK, as well as along global supply chains, continue to persist.

6.25   The Resolution Foundation Research suggests that a transition of UK firms towards a focus on the domestic market in response to Brexit is expected to result in the largest gains for the lower productivity sectors that were less internationally competitive and previously struggled to compete with EU imports. This therefore suggests that any new manufacturing opportunities in the sector as a result of Brexit are expected to be in lower productivity, lower-paid manufacturing sectors.[60]

Construction

6.26   Construction accounts for a greater share of employment in Midlothian than in Scotland as a whole.   It has a location quotient (LQ) of 1.55 meaning that construction employment is more concentrated than nationally in Midlothian. Construction also accounts for the largest proportion of the business base.

6.27   The Construction sector is facing challenges following Brexit and the COVID-19 pandemic. Global supply chains have been significantly disrupted because of these and other factors, affecting the supply of construction and other materials. The shortage of HGV drivers is also impacting on the timely availability of products. This disruption has placed upward pressure on costs within the building industry, with many construction costs (e.g. construction materials) having increased considerably over a relatively short period of time.

6.28   There is significant uncertainty regarding the actual and potential impact of both the COVID-19 pandemic and Brexit. This is placing ongoing inflationary pressure on costs in the construction sector, as well as in other sectors. More recently, the conflict in Ukraine is also negatively impacting on global markets and prices for commodities and goods. Further, Brexit has caused an uncertain investment environment, with a reduction in lenders' appetite to invest as a direct result of the ongoing uncertainty of Brexit.

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[57] The Big Brexit: An assessment of the scale of change to come from Brexit, The Resolution Foundation Swati Dhingra, Emily Fry, Sophie Hale & Ningyuan Jia, June 2022

[58] https://www.gov.scot/publications/export-statistics-scotland-2019/

[59] https://www.gov.scot/publications/state-economy-2022/

[60] The Big Brexit: An assessment of the scale of change to come from Brexit, The Resolution Foundation Swati Dhingra, Emily Fry, Sophie Hale & Ningyuan Jia, June 2022

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Education

6.29   Around 3,500 people work in the Education sector in Midlothian, accounting for 11% of employment. The sector is more highly represented than nationally – it has a location quotient (LQ) of 1.39, meaning that employment is the sector is more concentrated in Midlothian in comparison to Scotland as a whole. As such it is an important employment sector for the area.

6.30   During the COVID-19 pandemic, Scotland's education system was under pressure from staff absences arising from isolation rules, and periods of at home and remote learning – with significant focus on literacy, numeracy and wellbeing in school-level teaching and learning. Whilst schools and colleges have largely returned to in-class face-to-face teaching, university learning is still being delivered through a hybrid model.

6.31   As the country emerges from the COVID-19 pandemic, a series of different pressures is facing the education sector. There is already some evidence to suggest that the number of supply teachers in Scotland is decreasing, with a lack of supply work driving supply teachers to seek employment in other sectors or in some cases take (early) retirement. However, there is also evidence at the UK level that four factors are impacting on teacher numbers. Firstly, demographic factors meaning that there are comparatively lower numbers of graduates entering the sector than in previous years. Secondly, the drive by many companies (particularly larger corporate organisations) to address gender imbalances in their workforces is impacting on the number of women choosing to enter the education sector, which traditionally is more reliant on a female workforce. In addition, the increase of home-working and flexible employment opportunities may be more attractive than part-time and term-time administrative and support roles in education. Finally, education practitioners from the UK are in high demand internationally.

6.32   These factors have implications for an important employment sector for Midlothian, though conversely this may increase supply in other sectors experiencing a tight labour market.

7   Business impacts

Introduction

7.1   This section considers the impacts of Brexit and COVID-19 on businesses including in terms of impacts for exporting and importing firms, business investment and inward investment, in addition to looking at performance of Midlothian's businesses over recent years. Recruitment challenges as a result of Brexit have also had a significant impact upon businesses which is covered in Section 4.

Implications for trade and access to markets

7.2   Increased trade barriers and friction for companies importing and exporting as a result of leaving the single market and customs union at the start of 2021 has resulted in disruptions to both the import and export of goods between the UK and the EU, as well as issues around rules of origin.

7.3   While insights on the number of exporting/importing firms was not available at the local level, based on Annual Business Survey data at Great Britain level on number of exporters and/or importers by business size band and UK Business Counts data, it is estimated that around 350 firms in Midlothian could be exporters and/or importers of goods and/or services, many of which are likely to trade with the EU.

7.4   Notable regulatory, logistical and administrative barriers have arisen, which have been reported to particularly affect smaller businesses, while larger firms have found it easier to adjust and cushion themselves against barriers and disruptions to trade.[61] Estimates suggest the additional costs of non-tariff barriers such as filling out import and export declarations range from £7.5 billion to £15 billion per year.[62]

7.5   Additional costs of proving compliance for rules of origin requirements have in some instances outweighed the potential tariff savings from satisfying rules of origin, with research suggesting in the first seven months of 2021, tariffs were paid on around 30% of UK exports to the EU that could have benefitted from zero tariff entry under the TCA.[63]

7.6   While the EU implemented customs checks for UK exports immediately in January 2021, the UK has further postponed introducing full customs checks on imports from the EU, which are now due to come into force at the end of 2023. Therefore, there is likely to be some additional challenges for exporters and importers as full customs processes are implemented next year.

7.7   New research published by the Resolution Foundation estimates that the introduction of the TCA results in a 10.8% increase in trade costs for exports to the EU and 11.0% increase for imports from the EU, and suggests this could increase further in the future.

7.8   Office for National Statistics (ONS) data on goods imports and exports suggests there was a 12% fall in exports to the EU in 2021 compared with 2018, while exports to non-EU27 fell by 6% over the same period. Similarly imports from the EU fell by 17% between 2018 and 2021, while imports from the rest of the world increased by around 13%. This data shows a slight recovery from the initial significant reduction in trade in January 2021 following the departure from the single market and customs

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[61] https://committees.parliament.uk/committee/445/eu-goods-subcommittee/news/153116/trade-in-goods-significantly-harder-under-brexit-deal/

[62] https://ukandeu.ac.uk/manufacturing-in-the-post-brexit-world/

[63] Ayele, Y., Larbalestier, G. and Tamberi, N., 2021. Post Brexit: trade in good and services (II). UK Trade Policy Observatory Briefing Paper 63

union when UK goods exports to the EU fell by 40.7%, while imports of EU goods into the UK declined by 28.8%.[64]

7.9   COVID-19 has contributed to some of the disruption in trade since 2020, impacting upon on international demand and supply chains, including as a result of increased testing of lorry drivers to curb the alpha variant and supply bottlenecks as the global economic recovery ramped up.[65]

7.10   The Centre for European Reform conducted analysis to isolate the impact of Brexit on trade and concluded that since the transition period ended, leaving the single market and customs union had reduced UK goods trade by 15.8% as of August 2021.[66]

7.11   Recent research conducted by LSE aimed to isolate how Brexit has affected relative UK-EU trade. The research concludes that *"the TCA has increased the fixed costs of exporting to the EU, causing small exporters to exit small EU markets, but not (or at least not yet) severely hampering exports by large firms that drive aggregate export dynamics"… "Nevertheless, there was a sharp drop in the number of trade relationships between UK exporters and EU importers, which suggests that the introduction of the TCA caused many UK firms to stop exporting to the EU".*

7.12   UK trade in services with the EU has fallen by more than services trade to the rest of the world compared to 2019 levels, which the Office of Budget Responsibility (OBR) suggests is reflective of the impact of COVID-19 on travel and transport sectors which accounted for a larger share proportion of EU services trade than non-EU prior to the onset of the COVID-19 pandemic. The analysis shows that UK service exports to the EU and non-EU countries has recovered to around 5% and 10% below 2019 levels, while imports of services from the EU are still down by over 30 per cent. [67]

7.13   OBR suggests the greater fall in imports from the EU to the UK, in both goods and services, may be due the UK representing a relatively small market for individual EU exporters with the cost of additional paperwork outweighing the benefits. [68] In the long term OBR analysis suggests both imports and exports will be around 15% lower than had the UK remained an EU member.

7.14   Recent Business Insights and Conditions Survey (BICS) data for Scotland asked businesses if they have exported or imported goods or services in the last 12 months. The survey data suggests a downward trend in proportion of businesses exporting or importing in Scotland over the past couple of years. It is worth noting the sample size is relatively small, with an average there were 1,050 responses each round of the survey between June 2020 and the start of March 2022.

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[64] https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/december2021

[65] https://obr.uk/box/the-initial-impact-of-brexit-on-uk-trade-with-the-eu/

[66] https://obr.uk/box/the-initial-impact-of-brexit-on-uk-trade-with-the-eu/

[67] https://obr.uk/box/the-initial-impact-of-brexit-on-uk-trade-with-the-eu/

[68] https://obr.uk/box/the-initial-impact-of-brexit-on-uk-trade-with-the-eu/

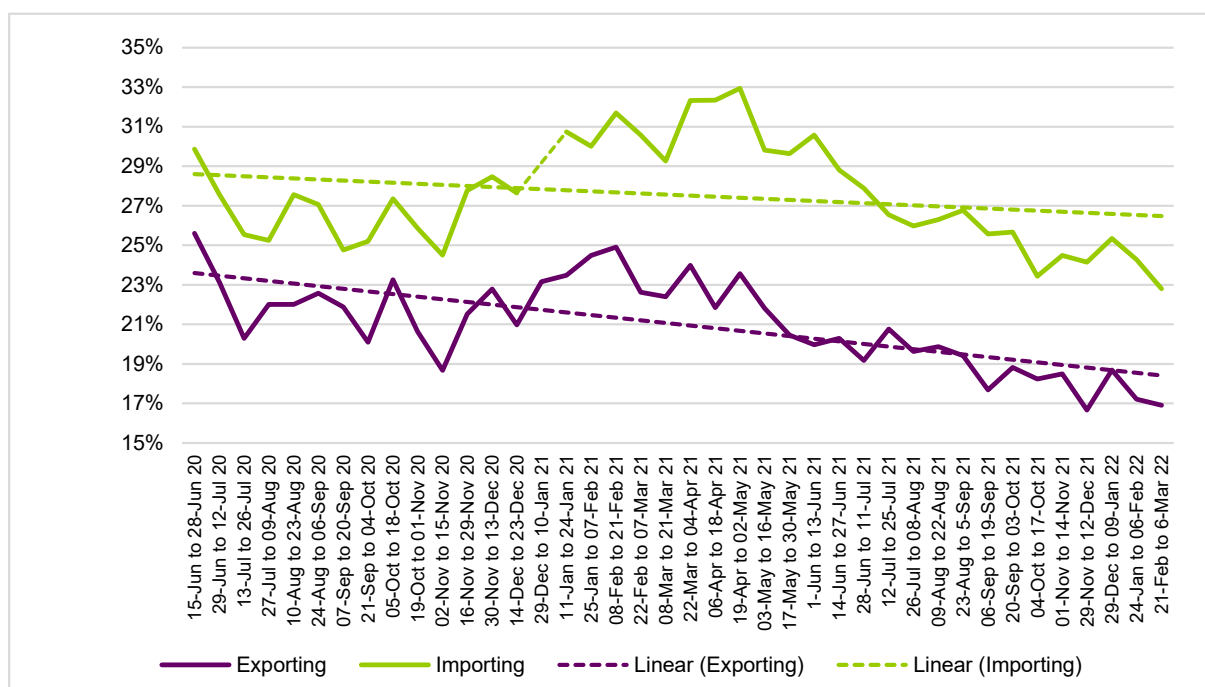**Figure 7.1. Respondents to BICS Survey Question: Has your business exported/imported goods or services in the last 12 months? June 2020 – March 2022**

Source: Business Insights and Conditions Survey (BICS) 2022, N=1,050 on average

7.15   BICS reported that 65.6% of exporters and 72.2% of importers in Scotland faced challenges during late February early March 2022 ‒ with the key challenges cited being additional paperwork (which can be directly linked to Brexit), change in transportation costs, and customs duties or levies in addition to disruption at the border. While the proportion of Scottish exporters experiencing challenges is broadly in line with the same period in 2021, the share of importers reporting challenges has risen by 13 percentage points. BICS results show that in Scotland, the end of the EU transition period combined with COVID-19 emerged as the most commonly reported factor causing challenges to trade.

Access to Markets

7.16   The UK has rolled over many of the EU's existing deals into mostly equivalent standalone agreements. In addition, it has reached free trade agreements with Australia and New Zealand and has applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, OBR analysis states that *"new trade deals with non-EU countries will not have a material impact, and any effect will be gradual"*. This reflects the fact that many of the deals replicate access the UK had previously as a member of the EU.

Implications for business investment

7.17   There is significant evidence showing that the uncertainty around Brexit following the referendum in 2016 and prior to the agreement of the TCA has supressed business investment, including evidence from the Bank of England (BoE) and the National Bureau of Economic Research.

7.18   Given an agreement is now in place, BoE state *"the fall in Brexit-related uncertainty in 2021 should help to support investment"*.

7.19   Alongside Brexit related impacts, COVID-19 has had a negative impact upon business investment in 2020 and 2021. ONS data shows that business investment fell by 11.5% between 2019 and 2020, before increasing marginally by 0.8% between 2020 and 2021, leaving business investment

10.8% lower than 2019 pre-COVID-19 levels. Growth in business investment was driven by the transportation and storage and the information and communication industries.

7.20   Business survey results from the February 2022 DMP survey[69] suggest that looking forward in the medium-term businesses reported that they expect investment to be marginally higher than it would have been without Covid. BoE suggest that this could be due to reasons including businesses catching up on investment which was put on hold due to Covid and businesses investing more heavily in new digital technologies due to Covid.

Implications for FDI

7.21   Brexit is also anticipated to lead to a reduction in the attractiveness of Midlothian and Scotland as a place to invest and re-invest relative to other towns and regions in the EU. The UK's previous promotion of the UK as a base for European markets no longer applies. Foreign Direct Investment (FDI) declined in the years following the 2016 referendum in the UK. The uncertainty surrounding a no-deal Brexit before the EU-UK FTA was signed and the economic fallout from COVID-19 also led to a decline in FDI projects in the UK falling by 12% in 2020 from 2019, with a 13% fall in projects from Europe.

7.22   However, in contract amid these challenges in 2020 Scotland saw growth of 5.9% In FDI projects, outperforming Europe and the rest of the UK. Edinburgh overtook Manchester as the leading recipient of FDI projects outside of London, which saw a significant uplift in the number of FDI projects against its ten year average.[70]

7.23   The most significant negative impact of Brexit on FDI has been in sectors which are most integrated with Europe in regulation, and trade and customs arrangements, such as financial services and manufacturing. The manufacturing sub-sectors most negatively impacted in terms of FDI have been transportation, chemicals and plastics and electronics which have experienced sharp declines.

7.24   However FDI in the agri-food sector has increased consistently since the Brexit vote. The share of European agri-food projects in the UK rose from 14.6% in 2019 to 19.9% in 2020, in line with expectations that a need to meet new regulations on food and drink could drive investment in the sector.

7.25   In addition, COVID-19 has led to greater FDI in life sciences, with a 60% increase in the number of projects in 2020 in the UK, as well as transportation and logistics in the UK in 2020 which reflects, in part, the acceleration of the shift to online shopping during 2020.

7.26   In Scotland around 3% of businesses are owned outside of Scotland, and analysis shows that on average *"inward investment tends to pull Scotland's average wage upwards within and across sectors"*, with Scotland's inward investment plan stating that *"one of the most significant contributions that inward investment makes to Scotland is the creation of high-value jobs"[71]*. In the Lothians average wage and salary per head for foreign owned businesses was over 30% higher than for Scottish owned businesses.[72] Given this evidence, it is important Midlothian remains an attractive location for inward investment to support and sustain the economic recovery, in light of potential for the UK to go into a recession during 2022.

Midlothian Business Performance

Business start-up rate, measured by the number of business births as a proportion of the business base, peaked at 13.8% in 2016, falling to 11.9% in 2017 coinciding with the aftermath of the EU referendum.

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[69] This is a monthly survey of around 3,000 chief financial officers of small, medium and large firms in the UK

[70] EY, 2022

[71] https://www.gov.scot/publications/shaping-scotlands-economy-scotlands-inward-investment-plan/

[72] Office of the Chief Economic Adviser analysis using data from Scottish Annual Business Survey

The start-up rate declined sharply again in 2020 to 10.4%, broadly in line with the Scottish trend, coinciding with the onset of COVID-19 pandemic in the UK.

**Figure 7.2. Business Start-up Rate, 2015-2020**
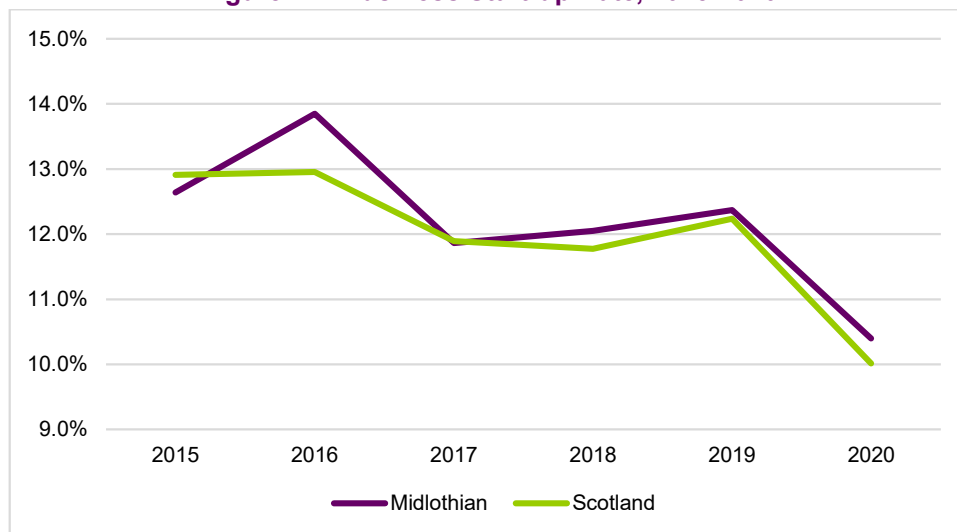
Source: ONS Business Demography and UK Business Counts

After the onset of COVID-19, business deaths rose above business starts and above the average pre-COVID-19 level and have remained above or equal to business starts to the end of 2021, peaking during 2021 representing a five year high.

However, Quarter 1 of 2022 presents a more positive picture for Midlothian with the highest number of business starts in any quarter over the past five years. While business deaths remain high compared to the pre-COVID-19 average, they fell below the number of starts.

Figure 7.3 Quarterly Business Births and Deaths, Q1 2017 – Q1 2022
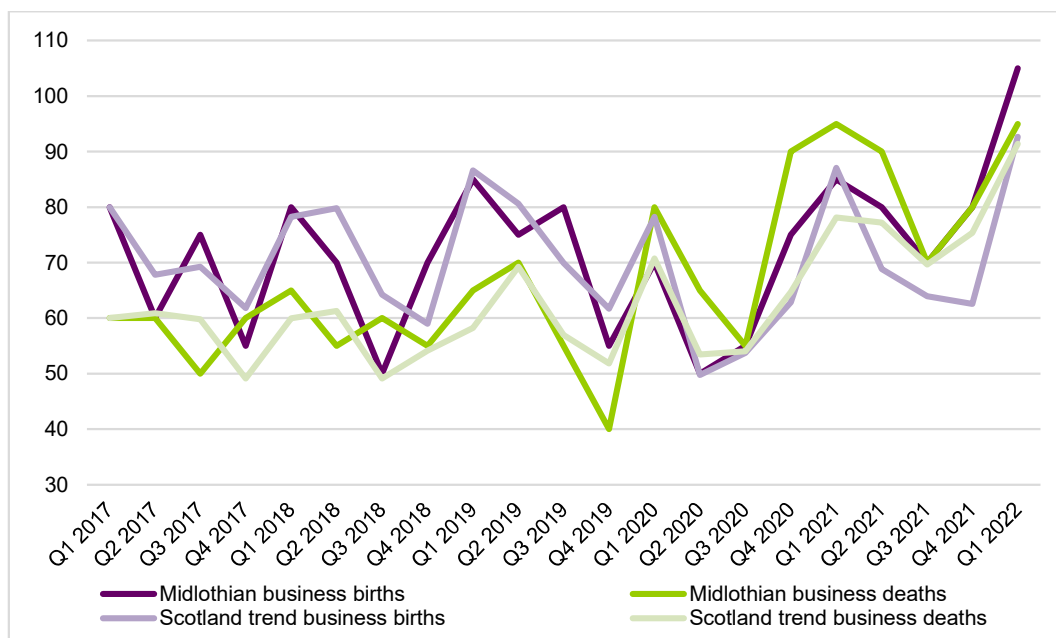
Source: ONS Business Demography, 2022

8   The funding environment

Introduction

8.1   This section sets out a discussion of the changed funding environment for economic development investment in Midlothian.

EU funding

Structural Funds

8.2   The EU Structural and Investment Funds[73] are designed to promote smart, sustainable and inclusive growth, and deliver the European Union's Cohesion Policy. Under the EU's 2014-2020 budget, Scotland was allocated up to €944 million in Structural and Investment Funds, across the European Regional Development Fund (ERDF) and European Social Fund (ESF). This is in addition to the funds accessed through European Territorial Co-operation programmes that Scotland participated in – namely, Interreg NW Europe, Interreg North Sea Region, Interreg Northern Periphery, Interreg Atlantic Area, Interreg Special EU Programmes Body (covering parts of Scotland, Northern Ireland and Republic of Ireland) and Interreg Europe.

8.3   Whilst new funding has ceased and Scotland will not participate in the 2021-27 programme period following Brexit, investment from the 2014-20 EU Structural and Investment Funds programming period will continue to be spent until the end of 2023.

EU Framework Programme for research and innovation

Horizon 2020 and Horizon Europe

8.4   Horizon 2020 was the EU's 8th Framework Research and Innovation programme. It was the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness. Horizon 2020 brought together the Framework Programme for Research and Technological Development with other instruments such as the Competitiveness and Innovation Programme, Intelligent Energy Europe, etc.

8.5   The UK received 12.1% (more than €7 billion) of the Horizon 2020 funding during the 2014-20 programme period. However, following the Brexit vote, it is estimated that the UK missed out on around €1.5 billion of funding.[74]

8.6   Horizon Europe, the 9th EU Framework Programme, is the EU's key funding programme for research and innovation with a budget of €95.5 billion, a significant increase on Horizon 2020's c.€70 billion budget. It is designed to help tackle climate change, achieve the UN's Sustainable Development Goals and boosts the EU's competitiveness and growth.[75]

8.7   An agreement is being put in place to enable the UK is able to participate in Horizon Europe, running from 2021 to 2027, which is key for supporting collaborative, transnational research and development, with a primary focus on science and technology. However, as discussed in Section 6,

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[73] Principally the European Regional Development Fund (**ERDF**) and European Social Fund (**ESF**), but also the European Marine and Fisheries Fund (**EMFF**) and European Agricultural Fund for Rural Development (**EAFRD**) and the Territorial Cooperation funds (**Interreg**)

[74] https://www.chemistryworld.com/news/uk-share-of-horizon-2020-funds-dropped-15bn-since-brexit-vote/4013901.article

[75] https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe_en

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there is some uncertainty regarding the UK's access arising from disputes over Northern Ireland Protocol.

Other EU funding mechanisms

8.8   Other EU funding programmes that Scotland previously had access to include:

- **European Marine and Fisheries Fund**: The EMFF (now the European Marine, Fisheries and Aquaculture Fund; EMFAF) supports the adoption of sustainable fishing practices and helped coastal communities to diversify their economies[76];

- **Life programme**: EU's financial instrument supporting environmental and nature conservation projects throughout the EU. For the 2021 programme, it includes the Clean Energy Transition sub-programme[77];

- **Erasmus+**: the EU programme for Education, Training, Youth and Sport[78]; and

- **The Connecting Europe Facility**: The Connecting Europe Facility (CEF)[79] is a pan-European instrument aimed at supporting the development of high-performing, sustainable and efficiently interconnected trans-European networks in the field of energy, digital/telecommunications and transport.

Replacement funding regimes

Shared Prosperity Fund

8.9   The UK Shared Prosperity Fund (UKSPF)[80] is a new three-year domestic fund running from 2022. The purpose of the UKSPF is to build pride in place and increase life chances across the UK. This will be achieved through three UKSPF priorities of:

- Communities and place – strengthening our social fabric and fostering a sense of local pride and belonging, and building resilient and safe neighbourhoods;

- Local business – creating jobs and boosting community cohesion, promoting networking and collaboration, and increasing private sector investment in growth-enhancing activities, and;

- People and skills – boosting core skills and supporting adults to progress in work, by targeting adults with no or low-level qualifications and skills in maths and upskilling the working population; supporting disadvantaged people to access the skills they need to progress in life and into work; supporting local areas to fund local skills needs and supplement local adult skills provision; and reducing levels of economic inactivity and moving those furthest from the labour market closer to employment.

8.10   It provides £2.6 billion of new funding for local investment by March 2025, with areas receiving an allocation from the UKSPF via a funding formula. In the first two financial years (2022/23 and 2023/24) the UKSPF will focus on communities and place and local business interventions to boost pride in place.

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[76] https://ec.europa.eu/oceans-and-fisheries/funding/european-maritime-and-fisheries-fund-emff_en

[77] https://cinea.ec.europa.eu/programmes/life_en

[78] https://erasmus-plus.ec.europa.eu/

[79] https://cinea.ec.europa.eu/programmes/connecting-europe-facility_en

[80] https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus

8.11   Midlothian has received a UKSPF allocation of £2.94 million in core funding[81], and an additional £635,000 through the Multiply adult numeracy programme.[82]

Levelling Up Fund

8.12   The Levelling Up Fund is designed to invest in infrastructure that improves everyday life across the UK. The £4.8 billion fund is supporting town centre and high street regeneration, local transport projects, and cultural and heritage assets.[83]

8.13   In Scotland, more than £100 million was awarded to five projects during Round 1, and Round 2 projects are due for submission in July 2022.[84] As in Round 1, Midlothian is a Priority 2 area for Round 2 funding.[85]

Community Renewal Fund

8.14   The Community Renewal Fund (CRF) provides £220 million of funding to help places across the UK prepare for the introduction of the Shared Prosperity Fund. The CRF aims to support people and communities most in need across the UK to pilot programmes and new approaches and will invest in skills, community and place, local business, and supporting people into employment.[86]

8.15   While Midlothian was not identified as a priority area under the CRF, any local authority could apply for CRF. However, Midlothian did not receive any funding under the CRF.

Community Ownership Fund

8.16   The UK government launched a new £150 million Community Ownership Fund (COF) in 2021, with an updated prospectus published in May 2022. The COF aims to ensure that that communities across England, Scotland, Wales and Northern Ireland can support and continue benefiting from important local facilities, community assets and amenities. £150 million of funding is available over four years to 2025.[87]

Determining the approach in a new funding regime

8.17   A clear difference in the approach to funding investment in economic development is in how funds are awarded. Whilst EU funding has always had a degree of competitive funding within a framework of allocation, domestic funds were typically more allocation-based. This model has changed, with a much more competitive funding regime in place. As a result, local authorities and public sector partners must be clear on identifying their strategic priorities, the rationale for these priorities, and the ways in which local priorities align with regional and national strategy.

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[81] https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/ukspf-allocations

[82] https://www.gov.uk/government/publications/multiply-funding-available-to-improve-numeracy-skills

[83] https://www.gov.uk/government/publications/levelling-up-fund-round-2-prospectus

[84] https://www.gov.uk/government/publications/levelling-up-fund-first-round-successful-bidders

[85] https://www.gov.uk/government/publications/levelling-up-fund-round-2-updates-to-the-index-of-priority-places

[86] https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prospectus-2021-22

[87] https://www.gov.uk/government/publications/community-ownership-fund-prospectus

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9   Challenges and opportunities

Introduction

9.1   Following the analysis of socio-economic data relating to Midlothian set out in the preceding chapters, this chapter sets out a summary of challenges and opportunities facing the Midlothian economy, giving consideration to those likely in the short-term future, and also over the longer-term. It draws on the findings from consultations with key informants from Midlothian Council and strategic partners, and sets out challenges, opportunities and strategic considerations going forward.

Short-term challenges and threats

9.2   In summary, the short-term challenges and threats facing the Midlothian economy over the next 12-18 months or so are:

Macro-economic and trade-related

- Ongoing impacts arising from the COVID-19 pandemic and from Brexit. This includes the disruptions and delays at border checkpoints impacting on supply chains and on the import and export of goods, which in turn are negatively impacting on (and will continue to impact on) the cost of goods and services. There is also an additional challenge in disentangling the impacts of the COVID-19 pandemic from Brexit given their proximity to each other – at least at this moment in time.

- Rising inflation, and the subsequent pressure on business costs, construction costs, etc., and the effect that this will have both on the scale of economic activity, and how this cost is passed on to end consumers. This is likely to be exacerbated by the forecast recession over the next twelve months or so.

- Regarding inflation, one particular area of concern is the impact of inflation on hospitality and leisure – and the consequences this will have on businesses in terms of operating hours, footfall, change in consumer behaviour, etc. If current trends continue as forecast, it is anticipated that there will be a shrinkage in the hospitality and leisure business base.

Community and regeneration

- An increase in pressures from cost of living crisis, e.g. an increase in in-work poverty, increased incidence of fuel poverty, greater proportion of families at risk of poverty and homelessness, etc. This will increase the pressure on public and third sector services.

Business and sectoral

- Increasing business costs – and energy costs in particular. This can impact negatively on operating margins, potentially making businesses unviable. Though a lot of attention has been paid to domestic energy price caps in recent months, it is worth noting that no such caps exist for commercial and industrial customers. Further, where businesses are over-reliant on a single source of fuel, this exposes them to greater risk of price rises and price volatility.

- Midlothian has a shortage of business premises. This contrasts with a relatively healthy supply of employment land. The Council is trying to increase its own portfolio of premises, and is also working with partners such as Buccleuch Estates to increase provision. For commercial premises in particular, there is a question of whether there is a need for more retail and leisure space, or better space tailored to the changing needs of town centres.

Labour and skills

- There are skills shortages across a number sectors, including in Health and Social Care where existing workforce challenges which have been accelerated by both COVID-19 and Brexit. Skills shortages also exist in sectors that employ (or have previously employed) a large proportion and number of EU citizens including: Primary food production, Hospitality, Transport, Manufacturing, Business administration, Retail, Professional, scientific and technical, and Construction. These sectors have been impacted by return migration.

- As a result of skills shortages and a tight labour market, there is a high degree of competition for skills, and thus churn in the labour market. Attraction and retention of workers is increasingly challenging for some businesses. This has also been influenced by a change in the perceived attractiveness of sectors and roles following the COVID-19 pandemic – for example, there is evidence of acute shortages in accommodation and food services, with many employees choosing to leave or not return to the sector post-pandemic.

- There is some evidence to suggest that Brexit has had a considerable impact in terms of talent attraction and retention within the foundational economy – that is, those sectors that provide essential goods and services, and underpin the wider economy and society as a whole.

Demographic

- Midlothian is an outlier in Scotland in terms of its population growth. This is partly due to Midlothian's proximity to Edinburgh, and its lower cost of living in comparative terms, resulting in a displacement of population from there. However, this demographic trend is placing pressure on infrastructure, services and communities, which are struggling to keep pace with the population growth of the local authority area.

Funding environment

- At least over the short term, there is uncertainty around access to research and innovation funding, not least through Horizon Europe or replacement UK Government funding. Whilst research funding of this nature has always meant short- or fixed-term contracts for those working in the HE sector or for Research and Technology organisations (RTOs), the increased uncertainty around funding is serving to deter entrants to the sector, and encourage researchers to pursue research contracts and funding elsewhere, e.g. Europe.

Medium- to long-term challenges and threats

9.3   Looking beyond 2022 and 2023, anticipated challenges and threats to economic performance and realising the potential of economic opportunities are as follows:

Macro-economic and trade-related

- It is anticipated that there will be associated costs and sectoral impacts of further divergence from EU regulations, and as a consequence of this, the perceived and actual isolation from global markets. This will potentially put Scottish and UK businesses at a disadvantage for not having the same access and benefits as comparator firms in the EU.

- A permanent shift to flexible, remote and home working has resulted in reduced footfall in town centres. As a consequence of not having a critical mass of people in one location during business hours, less money is being spent in businesses based in town centres.

- The changing nature of town centres, and changing nature of businesses is a big challenge. Patterns of consumption are changing, therefore service needs within town centres are also changing. This has been accelerated by the pandemic, as well as by trends in online shopping and eCommerce. Also, business functions are changing – enterprises no longer fall neatly into categories, e.g. SIC codes, or land use classification. As a result, there is a question of how to

reclassify and repackage town centres, as well as areas of employment land to fit changing need.

Community, regeneration and infrastructure

- There are pockets of deprivation in Midlothian. There is also a mismatch in some areas between the affluence of the population, and the prosperity of places (e.g. Dalkeith; Newtongrange). There is at least a perception that there is a commuter effect: people live in Midlothian, but don't necessarily spend in Midlothian. The challenge here is to attract and retain as much spend within the local economy as possible, to help build community wealth.

- There is a notable difference between Midlothian's open spaces and countryside, and the urban fabric in the area. There is some evidence of investment in physical fabric of Midlothian's urban areas, but there is a perceived need to further improve the quality of the built environment, and attract people into the town centres – including ensuring the transport infrastructure is conducive to attracting people to Midlothian's towns. If the ambition is to attract more businesses into Midlothian, businesses will want to provide a high amenity environment for their staff, and use quality of life as an attractor.

- Midlothian's transport infrastructure is a constraining factor on the local economy. The majority of transport routes in Midlothian run North-South, with congestion an issue on arterial routes to/from Edinburgh.

Business and sectoral

- There is a demonstrable need for ongoing business support provision, targeted at key business challenges and responsive to the needs of enterprises in an increasingly uncertain economic environment.

- There may be a reduction in business rates and retail employment arising from the fall in the demand for commercial space following a shift to more flexible modes of remote- and home-working and the acceleration of online shopping.

- Digitalisation and automation are changing the way we work. Routine tasks are increasingly automated, and workers are being freed up and redeployed to work on more value-added tasks. However, there is still a challenge in encouraging businesses to see the value of adopting digital ways of working. Businesses will need to be supported to undergo the digital transition and to achieve greater efficiencies.

Labour and skills

- Ongoing skills shortages, particularly in the Health and Care Sector. With the ongoing challenge of recruitment and staff retention in the NHS and wider care sector, there is a need to continually recruit domestically and internationally in order to provide the workforce demand exacerbated by Brexit. This includes for community-based children and adult health and social care services.

Public resources

- For Midlothian Council there is a longer term challenge in terms of resource availability to support economic development activity. There is recognition that the public purse is increasingly constrained. However, this restricts the Council's ability to pro-actively follow-up on all economic development opportunities, or to develop an investment proposition for Midlothian.

Opportunities

9.4   In tackling some of the challenges and threats outlined above, there are a number of place-based and sectoral opportunities that can be exploited to develop Midlothian economy, both in the short term and over the longer term. These are as follows:

- Midlothian remains the fastest growing authority in Scotland in terms of population. This is attractive to employers in terms of skills supply, but there is a need to ensure talent retention to maximise this.

- In spite of impacts of Brexit, Scotland continues to be seen as an attractive location for inward investment, and Midlothian's location in close proximity to Edinburgh, and as part of the Edinburgh and South East Scotland City Region is increasingly advantageous for attracting inward investment.

- Midlothian is arguably starting from a point of relative strength in terms of economic recovery. It has been relatively resilient in terms of the COVID-19 pandemic's impact: this is partly because of broad employment across sectors, and not being overly dependent on those sectors highly impacted by the pandemic. Also, its strong growth over last 15 years or so in terms of economic output and GVA offers potential for future growth.

- There are economic opportunities in 'onshoring', which will help to redress imbalances exposed by the COVID-19 pandemic and by Brexit, and to reduce to reliance on overseas suppliers and long global supply chains.

- The permanent move toward flexible home-working and remote working in at least some sectors of the economy opens up wider employment opportunities for Midlothian residents. It also contributes to reducing congestion and emissions as fewer people will commute. There is also the potential to support local economies and smaller town centres as people switch their consumption patterns in line with their work patterns. This in turn contributes to the creation of 20-minute neighbourhoods, enables a better work life balance, and enhances productivity and well-being.

- There is an opportunity not just in providing more business space, which the Council is currently working on, but also in making better use of existing buildings and spaces as part of responding to the changing nature of towns and urban fabric. Considering actions such as change of use class for employment land, and also repurposing (previously high-density) office space, to provide more lower density office accommodation in line with changing business (and employee) expectations for working environments, will potentially keep buildings occupied rather than vacant premises. This in turn will contribute to maintaining the vitality of town centres and urban areas.

- Infrastructure improvements, such as the proposed A701/A702 relief road, will help to unlock new development land for enterprise, residential and leisure developments. They will also help to enable environmental improvements, such as the creation of sustainable travel corridors, and the preservation of woodland and green spaces.

- The transition to a net zero carbon economy offers new opportunities in green jobs and clean growth. In the immediate term, this may be in renewable energy (not just offshore wind but also including low carbon energy and heating from waste plants), and those industries at the vanguard of the energy transition. However, low carbon energy other opportunities may arise, such as through potential to use former coalfields to develop geothermal heat network, carbon capture and sequestration. There is also anticipated to be an increase in demand for building retrofit not just to reduce carbon emissions, but to mitigate against climate change.

- Community wealth building is a key opportunity for Midlothian. With increased focus on community wealth building in Scotland and building socio-economic resilience, there is clear scope for the Council to support growth of social enterprises, build fair employment

opportunities, foster shared ownership of the local economy and explore the potential for socially just use of land and property.

- There is an opportunity to (re-)establish local food markets – thereby shortening food supply chains and reducing the dependency on imported produce. This will build food security and resilience, and contribute to increased market opportunities for local producers. Aligned to this, there is an opportunity in developing local physical markets – not just as outlets for local produce, but to re-orient town centres and meet demands from changing consumer patterns.

- Council procurement offers an important opportunity to support local economic development in Midlothian. The Council is already localising tender opportunities where possible, alongside programme of upskilling the local business base in supplier development procurement. Further breaking down procurement contracts to incentivise local suppliers to bid across all council services can help to develop more local business opportunities, and also contribute to community wealth building – with progressive procurement to support local employment and keep wealth within communities one of the five core principles. Engaging other anchor institutions to do likewise (e.g. NHS) will also be necessary. However, this will require development of local supply chains to ensure that they can respond to tender opportunities. There is also a need for the Council to support procurement approaches at a regional level, and support the development of supply chains beyond initial successes in health products, services, construction.

- Developments such as Edinburgh International Arena and Destination Hillend offer significant opportunities to both Midlothian and the wider city region in terms of the culture offer. However, there is a perception that Midlothian's existing culture, leisure and outdoor assets are under-utilised, and overshadowed by the offer from other areas, not least Edinburgh itself. Maximising the leisure offer that Midlothian has, and capitalising on new developments, is critical to changing the perception of Midlothian and its town centres.

Strategic considerations

9.5   In pursuing the opportunities outlined above, there are a number of strategic considerations for the Council:

- The Council's positive, proactive decision-making with regard to economic development, and its flexibility in achieving solutions is recognised. The Council should give consideration to how best to continue this flexible, proactive approach in an increasingly uncertain economic climate.

- In pursuing new economic development opportunities, due cognisance should continue to be given to alignment with the Regional Prosperity Framework (particularly around the themes of rethinking our place, supporting enterprise, and anchor institutions), and the new National Strategy for Economic Transformation, as well as the forthcoming updated Scottish Enterprise Strategic Plan.

- Supporting the development and resilience of the foundational economy and sectors that underpin community wealth building will be critical to the Council's approach in this regard.

- To increase economic resilience, it will be important to influence businesses to modify their operations, 'nudge' to do things differently, and stimulate a culture of collaboration and co-opetition. There is a need to take advantage of a willingness to collaborate at the local level rather than directly competing, to help businesses realise mutual benefits.

- Managing the pivot from an allocation-based funding regime to one that is competitive – and also one where nominal allocations are short of previous funding levels – will require a change in mindset and approach within the Council and partner organisations.

- The Council's role in match-funding net zero projects (in conjunction with partners) to de-risk investment that stimulates clean growth should be examined. Taking the lead to de-risk

activities, and demonstrating leadership and creative thinking will help to encourage a wider shift in the private sector.

- Exploring opportunities to properly empower communities, boosting civic pride, self-esteem – softer outcomes, etc. will be necessary. This will ultimately enable communities to do what suits their needs. It will also contribute to reducing the burden on public sector for delivery – the Council should be positioned as steward of place, not the organisation with sole responsibility. This is an important principle of community wealth building.

- Effectively positioning Midlothian in relation to Edinburgh will be important. There must be recognition of the dynamics of relationship in terms of geographic proximity: the strategic position of being close to Edinburgh and being part of the wider Edinburgh offer, but in turn having a unique proposition for Midlothian. This will help in continuing to maximise the economic potential of a trend in businesses taking stock and giving up Edinburgh city centre premises and seeking commercial premises elsewhere – and businesses seeing Midlothian as supportive of growth.

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10   Conclusion and strategic priorities

Introduction

10.1   Based on the discussion and analysis presented in the preceding chapters, this chapter sets out conclusions and strategic priorities for a refreshed economic strategy for Midlothian.

Concluding statement

10.2   Midlothian, along with the rest of Scotland and indeed the UK has been profoundly affected by the COVID-19 pandemic, and by Brexit. These events have caused macro-economic shocks that are likely to have an ongoing impact upon Midlothian's economy, not just in the short term but into the medium- and longer-term future – there is a consensus that the full impacts are still to materialise over the next few years.

10.3   Coupled with the cost of living crisis, increasing energy costs, rising inflation and a forecast recession, the economic outlook is one of significant uncertainty, and much more challenging conditions for many businesses in both the service and industrial economy are expected.

10.4   It is therefore imperative that businesses are supported to navigate the ongoing economic disruption and uncertainty, whilst at the same time ensuring that ambitions for net zero, climate emergency and community wealth building can be realised.

10.5   It is important to note that whilst the scale and immediacy of the challenges is significant, Midlothian is well-placed to safeguard against many of the impacts. Midlothian benefits from a comparatively strong economy, and a growing population. Nevertheless, the Council and partners will need to respond quickly and effectively to ensure ongoing economic resilience and long-term prosperity.

10.6   The key priorities in achieving this are set out below.

Strategic priorities

Supporting business and employment growth: There is an ongoing need to ensure a proactive approach to economic development and the provision of business support. Continuing the Council's responsive, flexible approach to delivering solutions tailored to Midlothian's socio-economic context is key to this and could be extended to include innovative approaches to applying land use classes or making use of simplified planning zones to support business growth. Extending this proactive approach to collaborative working and relationships with strategic partners in the public and private sector should also be a part of this – ongoing engagement and conversations, rather than a more reactive mode of ad-hoc or project-based working.

Provision of business premises: Though the Council are already taking steps to increase the provision of fit-for-purpose business premises, more needs to be done to meet the demand from a variety of sectors, and ensure that Midlothian continues to be an attractive location for business growth and investment.

Re-imagining and regenerating town centres: There is an increasing need to revitalise Midlothian's town centres by responding to changing employment, retail and leisure trends, and recognising the different needs that must be met. The function of town and city centres is fundamentally changing, and this must be reflected in the activity that the Council supports and facilitates in these areas. Again, simplified planning zones or flexibility in consideration of land use classes will help in this regard.

Infrastructure enhancements: The acceleration of growth and reduction of carbon emissions through infrastructure upgrades is a stated priority for Midlothian in the Regional Prosperity Framework. This is an important element of ensuring that Midlothian is an attractive location for both businesses and employees. Improving multimodal interconnectivity between Midlothian's towns – particularly across more East-West routes – will also contribute to improving the vibrancy and accessibility of town centres.

Building resilience and community wealth: Midlothian Council should continue to pursue its community wealth building efforts, as well as continue activity to develop local supply chains. Taking a partnership approach to working with communities and businesses in supporting fair work, community ownership of key assets and using land and property for common good will help to generate and retain wealth within the local area. This in turn will help to increase resilience and insulate Midlothian from future economic shocks.

Skills and employability: There is a need to ensure the skills system is aligned to support progression towards employment in emerging sectors, including the green economy, and sectors at the forefront of the response to the climate emergency. In addition, there is also a need to support those who have been disproportionately affected by the COVID-19 pandemic (particularly young people) to secure sustainable employment. Edinburgh and South East Scotland City Region partners are already undertaking range of research into regional skills issues, such as cross-cutting skills and the demand for the skills necessary for tackling the climate emergency. Midlothian Council should maximise the learning from these studies, taking forward any recommendations, and deploy regional resources (e.g. through the IRES Programme) to best effect within local circumstances.

Supporting the transition to net zero: The transition to a fully net-zero economy by 2045 is ambitious. Within the scope of activity designed to tackle the climate emergency, there are significant economic opportunities. Many of these lie within renewable energy, but also in environmental services such as carbon sequestration or ecosystem restoration. Job and business creation can also be supported in projects delivering new zero carbon homes, maintaining and retrofitting existing homes, or sustainable transport. Midlothian Council should seek ways to support this transition.

Inward investment and developing Midlothian's proposition: A key priority for economic development in Midlothian should be through raising the profile of the area. Midlothian Council should develop an investment proposition for Midlothian. This could take the form of a prospectus that details a proposition to encourage businesses and people to invest, live, work and learn in the area, identifies key assets and development objectives and values, and establishes an inward investment protocol in line with the approach taken by Scottish Enterprise and Scottish Development International.

Operating in a different funding regime: Recognising the fundamentally changed funding landscape Scotland is now faced with, Midlothian Council should commit sufficient resources to preparing for and responding to competitive funding calls through mechanisms such as the Shared Prosperity Fund and Levelling Up Fund, to offset the increased uncertainty around funding for local economic development.

Tackling inequality: There is a need to tackle social and health inequalities, which act as a constraint to growth and influence quality of life and deprivation among communities. This is particularly important at a time when economic conditions and the rising cost of living are anticipated to place even more pressure on disadvantaged communities. Key interventions and actions will include:

- Action to ensure young people are able to gain the qualifications, skills and capabilities to take up training and employment opportunities;

- Ensuring targeted support is in place for those with physical and mental health issues to assist people back into employment and training;

- Support for those who need multiple interventions before they are ready to take up training and employment opportunities; and

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- Maximising the local impact of regional initiatives such as the IRES Programme in tackling inequality.

In addition, the physical regeneration of deprived areas can play an important part in raising aspirations and increasing community confidence. The council have an important role to play in reducing social and health inequalities.

Midlothian Council Digital Transformation Strategy 2024 - 2029

Report by Saty Kaur, Chief Officer Corporate Solutions

Report for Decision

1   Recommendations

Council is recommended to:

- Note the information in this report on activity to date
- Approve the new Digital Transformation Strategy 2024-2029 (Appendix B)

2   Purpose of Report/Executive Summary

This report presents the Midlothian Council Digital Transformation Strategy 2024-2029, outlining activity that will be undertaken to ensure that the Council benefits and thrives from technology and data.

Date   Monday 21 October 2024

Report Contact:
Saty Kaur, Chief Officer Corporate Solutions

Saty.Kaur@midlothian.gov.uk

3 Background/Main Body of Report

3.1 Digital technology is advancing at pace every day. The Council is facing a significant budget gap and new ways of working are key to bridging the gap and continuing to deliver services. In order to do this, the Council requires its workforce to have the digital skills, capacity and tools to be agile to meet the needs of its citizens.

3.2 The Council approved the Transformation Blueprint 2023-2028 in June 2023, which outlines key areas of change that are required to deliver the Medium Term Financial Strategy. Key to this change programme is fully utilising digital tools, digitising and automating processes, introducing Artificial Intelligence and ensuing that decisions can be made through comprehensive data and management information. It is imperative that the Council has a refreshed Digital Transformation Strategy that complements the Medium Term Financial Strategy and the Transformation Blueprint, to drive forward transformation, change and improvement and collectively contribute to financial sustainability for its communities.

3.2 The Midlothian Council Digital Transformation Strategy 2024-2029 outlines the key priority areas that the Council will focus on over the next 5 years, harnessing digital tools and technology and data. The key areas are:

- Automate: For an Efficient, Modern Council
- Reimagine: Transform Service Delivery
- Data: Deeper Insights and Preventative Operations
- Secure and Sustain: Protect and Preserve

3.3 Appendix 2 of the strategy outlines the activity already underway including:
- the rollout of Microsoft 365 tools
- implementing service solutions to improve delivery such as sensors in Council houses to identify mould and damp, in-cab technology in Waste Services to optimise route planning and scheduling
- shifting to online payments through the Customer Services Platform, improving customer experience and providing real time data on service delivery
- upgrading audio visual equipment across the learning estate as part of the Equipped for Learning programme

3.4 The road map will continue to evolve as new technology emerges and in response to citizen and Council needs, reviewed annually and progress monitored and reported through the quarterly service planning process.

4   Report Implications (Resource, Digital and Risk)

4.1   Resource

Resource will be required to deliver the various elements within the implementation plan and will require to be costed on an individual project basis.

4.2   Digital

Implications as per the Digital Transformation Strategy 2024-2029 presented within.

4.3   Risk

If the Council does not have a Digital Transformation Strategy then it risks lack of strategic direction, particularly in an area where technology is advancing at pace. It is imperative that the Council has a plan to ensure that investment is made in the right digital and technical advancements that will assist the Council to deliver its strategic priorities.

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

Not required at this stage. Activity that requires service redesign will be individually impacted assessed.

4.5   Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix B – Midlothian Council Digital Transformation Strategy 2024-2029

APPENDIX A – Report Implications

A.1   Key Priorities within the Single Midlothian Plan

The strategy contributes to the delivery of all of the 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

N/A

A.5   Involving Communities and Other Stakeholders

A range of internal stakeholders have been involved in developing the strategy.

A.6   Impact on Performance and Outcomes

Delivery of the strategy is anticipated to improve the measurement of performance through the data workstream and impact positively on outcomes for staff and communities.

A.7   Adopting a Preventative Approach

N/A

A.8 **Supporting Sustainable Development**

One of the key areas of the strategy is on sustainability and ensuring that as much as possible digital is aligned to the Council's net zero ambitions, though adopting a cloud first approach and decommissioning servers where possible, and reuse, recycle and resale of hardware that is no longer useable by the Council.
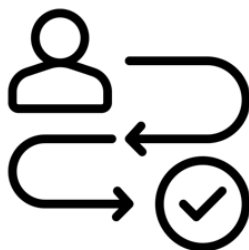
Midlothian Council

Digital Transformation Strategy

2024-2029
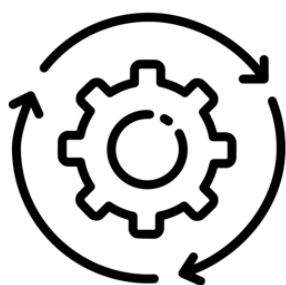
AUTOMATE

RE-IMAGINE

DATA

SECURE

Introduction
Embracing the Digital Future

Over the past two decades, the digital revolution has transformed how we live, work, and learn. We are now in an era of unprecedented connectivity and rapid technological advancement, where the power of technology to enhance lives and improve service delivery has never been more evident. At Midlothian Council, our digital transformation journey has been both adaptive and strategic, reflecting our vision for a future where digital inclusivity and efficiency are at the core of everything we do.

The post-pandemic world has accelerated the need for a comprehensive approach to digital innovation, one that places our communities at the centre. By harnessing the potential of new technologies, we are making our services more accessible, empowering our communities, and working to close the digital divide.

Amidst significant financial challenges, we recognise that digital is a key enabler to efficiencies and bridging the financial gap faced by the Council. We are committed to using technology to streamline and automate repetitive tasks, enabling staff to focus on delivering high-quality services. As the needs of Midlothian's residents evolve, we will re-imagine how we deliver a wide range of services, taking full advantage of modern technology to improve outcomes.

With access to rich data, we can proactively address the needs of our residents and make informed, timely decisions. Recognising the dual challenges of cyber threats and the climate crisis, we will ensure our information is handled securely, and that we use technology in ways that minimise our environmental impact.

We are on the threshold of a new era in public service delivery, where digital leadership, skills, and infrastructure lay the foundation for a future that is more connected, efficient, and inclusive. This document outlines our roadmap for digital transformation—a shared journey with our staff, partners, and communities—towards a Midlothian Council that thrives in the digital age.

# Our Vision
for a Digital Midlothian

We will focus on four strategic pillars, working collaboratively with our communities, partners, and workforce to unlock the full potential of digital, data, and technology.

Four Strategic Pillars:

- **Automate: For an Efficient, Modern Council**

  - Streamline and automate tasks to foster seamless collaboration across the Council.

  - Leverage digital tools to deliver better value for money and operational efficiency.

- **Reimagine: Transform Service Delivery**

  - Provide citizens with enhanced services and faster, more responsive support.

  - Deliver improved outcomes for all residents of Midlothian by embracing modern service models.

- **Data: Deeper Insights and Preventative Operations**

  - Utilise data analytics to make quicker, more informed decisions.

  - Act proactively wherever possible to anticipate needs and prevent issues.

- **Secure and Sustain: Protect and Preserve**

  - Employ digital technology to minimise our environmental impact and operate sustainably.

  - Ensure our data, systems, and infrastructure remain secure, resilient, and future-ready.
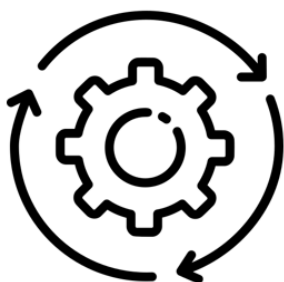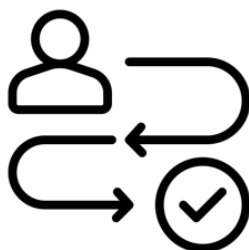
AUTOMATE   RE-IMAGINE   DATA   SECURE

AUTOMATE

For an Efficient, Modern Council

We are committed to creating a digitally enabled workforce that can operate with maximum efficiency and agility. By optimising our digital toolset and automating routine tasks, we will empower staff to focus on delivering high-quality services while embracing new ways of working.


Core Digital Toolset

Our priority is to enhance the productivity of our desk-based workforce by optimising the use of digital tools. With the core deployment of the Microsoft Office Suite complete, we are now entering Phase 2, which focuses on:

- **Digitising and Automating Processes**: Converting manual, paper-based processes into digital workflows, developing custom applications to support smarter working, and automating repetitive tasks.
- **Enhancing Collaboration and Information Sharing**: Leveraging tools like Microsoft Teams, SharePoint, and the broader Microsoft 365 suite to foster collaboration and streamline information sharing.
- **Optimising Software Utilisation**: Identifying opportunities to replace third-party software with Microsoft 365 solutions to drive efficiency.
- **Establishing Power BI**: Implementing Power BI as our main platform for data analytics and automated reporting.

Digital Workforce Across Midlothian

To support flexible service delivery, we are deploying a Hub & Spoke model across the region, providing digital hubs for staff and citizens. We will ensure staff are equipped with the necessary hardware—monitors, docking stations, laptops—and high-speed, reliable internet connectivity at all locations. Service delivery will be supported by a core digital function that is sustainable and built to meet future technical demands.

For areas where standard connectivity isn't feasible, we will explore satellite-based solutions, such as Starlink, ensuring equitable digital access for all staff. Mobile technology will continue to enhance the efficiency of our field-based teams, providing them with real-time access to data and applications from any Council device with phone signal coverage.
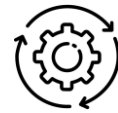
Streamlining and Automating Internal Processes

Digital transformation will be the driving force behind improving Council operations, enabling faster task completion and enhancing work quality. By automating repetitive and manual tasks, we will free up staff time to focus on higher-value activities. Key initiatives include:

- **Introducing Self-Service Digital Modules**: Implementing self-service platforms across various Council functions to streamline processes for both employees and managers.
- **Introducing Power-Automate**: Implement automated processes using MS suite to reduce time spent on everyday tasks such as providing information internally
- **Implementing Chatbots (Virtual Agents)**: Automating responses to frequently asked questions to improve the speed and efficiency of support services where appropriate.
- **Robotic Process Automation (RPA)**: Establishing an RPA function to automate time-consuming computer-based tasks, reducing human error, improving accuracy, and minimising rework.

Co-Pilot Transforming the Way We Work

- Embracing the capabilities of Co-Pilot, we will revolutionise our work processes by integrating AI-driven assistance into our daily operations. Co-Pilot will act as a digital partner, providing real-time insights, automating routine tasks, and enhancing decision-making. By leveraging Co-Pilot's advanced analytics and machine learning capabilities, we will empower our staff to work smarter, not harder. This transformation will not only improve efficiency and productivity but also foster innovation and creativity, enabling us to better serve our community and achieve our strategic goals.

A Future-Ready Workforce

Digital skills are becoming essential in both professional and personal life. We will assess current digital skill levels within the workforce and provide targeted training to build confidence in a range of digital competencies. This initiative will align with broader HR programmes, such as Making Performance Matter and recruitment efforts, ensuring we attract and develop top talent. In addition to improving digital skills, we will promote a culture of agility and innovation, empowering staff to continuously enhance their roles through the use of digital tools. Our digital strategy will also support flexible and remote working, promoting a better work-life balance and positioning the Council as an employer of choice. The Digital Strategy is complementary to the Council's Workforce Strategy 2024-2029 which will be launched in December 2024.

REIMAGINE
Transform Service Delivery

Service Delivery Enhancements:

We are committed to expanding digital service options, enabling residents to interact with the Council in ways that are most convenient to them. Through our Customer Services Platform, which launched at the end of 2022, we continue to add more services, ensuring that residents can access the Council anytime, anywhere, and through any device.

- **Enhanced Digital Access:** We will upgrade digital infrastructure in community hubs, such as libraries, to ensure residents have WiFi, device access, and charging facilities.

- **Proactive Service Delivery:** Leveraging emerging technologies, we aim to anticipate and resolve issues before they become concerns. For example:

  - **Road Maintenance:** Using AI-driven computer vision to monitor road conditions and address repairs before potholes develop into significant problems.

  - **Housing Quality:** We are deploying environmental sensors in Council housing to prevent issues like dampness and mould, while ensuring void properties are quickly identified and re-assigned.

  - **Health and Social Care:** Applying data analytics to proactively identify opportunities for early interventions, improving health outcomes for residents.

Citizen Interaction:

We recognise the importance of flexible service delivery that accommodates all residents, including those who may experience digital exclusion.

- **Expanding Digital Self-Service:** More services and requests will be made available through our website, alongside in-person and phone-based options. Our website will be continuously optimised to ensure accessibility and user-friendliness.

- **AI-Assisted Communication:** To streamline communication, we will introduce chatbots on our website and AI agents within our contact centres. These tools will ensure swift responses, enhancing both the efficiency and quality of our services.

- **Real-Time Updates:** Residents will have the ability to track the status of their inquiries and receive updates through their preferred communication channels (e.g., text, email).

- **Citizen-Centric Design:** We will involve residents in the design and testing of new digital services, ensuring their needs shape future service offerings. Digital platforms will also be used to gather feedback on Council proposals, providing a direct channel for public engagement.

Economic Development:

Midlothian will continue to collaborate with partners across the Lothians through platforms such as the City Regional Deal to enhance digital infrastructure, fostering economic growth and innovation.

- **Advanced Connectivity:** Participation in projects that explore cutting-edge connectivity solutions, such as 5G and Long Range Wide Area Network (LoRaWAN), will unlock new economic opportunities, including digital tourism and inward investment.

- **Regional Insights:** These initiatives will also provide richer data and insights about the broader Lothians area, helping to guide future development.

Empowering Digital Learners:

Building on the success of the "Equipped for Learning" (EfL) programme, which gained widespread recognition, we are launching the new *Equipped for Learning Strategy* in 2024. The Strategy ensures that digital technology is harnessed to empower young and not so young people across Midlothian, equipping them with skills for learning, life, and work.

- **Vision:** All Midlothian learners will have the digital tools and skills necessary to succeed in education and beyond, with equal access to opportunities.

- The EFL Strategy covers key areas such as:

  - **Personalised Learning**

  - **Leadership & Professional Development**

  - **Collaboration**

  - **Driving Digital Change**

  - **Resources and Infrastructure**

  - **Health & Safety**

- Midlothian's Community, Lifelong Learning and Employability service supports young people, adults, and families in gaining the skills they need for life, learning, and employment. As digital literacy becomes an essential skill for everyday life, we will integrate digital learning into our service offerings, ensuring residents are prepared for the future.

Health and Social Care:

Aligned with the *Midlothian Health and Social Care Partnership (HSCP) Digital Strategy* and the Scottish *HSCP strategy*, our focus remains on using digital technologies to enhance care delivery and improve the wellbeing of all residents. Delivering the right care in the right place at the right time is the key aim of these strategies and the Council's Digital Transformation Strategy will work with the HSCP to deliver its key strategic priorities of:

- **Digital Access:** Ensuring residents have flexible, digital access to personal health data and services that support wellbeing.

- **Digital Services:** Increasing the availability of digital health services for both residents and staff.

- **Digital Foundations:** Building the necessary infrastructure, systems, and governance for secure, robust service delivery.

- **Digital Skills and Leadership:** Developing digital skills across the health and social care workforce to enhance service delivery.

- **Digital Futures:** Keeping Midlothian at the forefront of digital innovation in health and wellbeing.

- **Data-Driven Services:** Using data to improve services, drive innovation, and enhance outcomes for residents.

DATA

Deeper Insights and Preventative Operations

Data Innovations and Solutions

We will unlock the power of data to gain fresh insights into our community, identifying innovative ways to improve lives across Midlothian. By integrating diverse sources of information, both within the Council and from external partners, we can empower our service teams to drive meaningful change. Data will become a central resource in shaping our decisions, enabling us to allocate resources smarter, act more proactively, and deliver services that truly enhance the quality of life for all.

Building Data Capability

Our aim is to create a robust data ecosystem that drives better decision-making and outcomes across all Council services. To achieve this, we will:

- Establish a comprehensive data analytics capability, supported by a corporate data platform.

- Partner with institutions like the University of Edinburgh to harness advanced data analysis tools.

- Focus on data-driven projects that can significantly improve lives, such as early intervention in Health and Social Care and improving educational outcomes by identifying trends in pupil performance.

Fostering a Data-Driven Workforce

We will develop a data-literate workforce to maximise the potential of our data capabilities by:

- Evaluating current staff proficiency in data handling and analysis.

- Providing tailored training programs to build data expertise across all teams.

- Fostering a culture of data-informed decision-making at every level of the organisation.

Data Quality and Transparency

High-quality data is the foundation of reliable insights and decision-making. To ensure we make the best use of our information, we will:

- Prioritise data cleaning and assurance to maintain a high standard of accuracy.

- Develop an Open Data platform, making our data and performance metrics transparent and accessible to the public, enhancing trust and engagement.

Smart Cities and Internet of Things

Our vision for a smarter Midlothian includes expanding the "Smart Cities" and Internet of Things (IoT) infrastructure. By deploying sensor networks throughout the region, we can improve local services and efficiency with solutions such as:

- Real-time air quality monitoring.

- Live updates on car park and leisure centre occupancy.

- Alerts for rural bin emptying.

- Automated quality control for green spaces.

SECURE and SUSTAIN
Protect and Preserve

Net Zero and Sustainability

Hybrid Working and Reduced Commuting
As Midlothian Council embraces modern hybrid working patterns, we have significantly increased our use of virtual conferencing technologies, such as Microsoft Teams for meetings and Council committee meetings. This shift has reduced the need for commuting, helping to lower pollution levels. We will continue to explore opportunities where technology can further minimise travel, such as using remote evaluations for property repairs to avoid unnecessary journeys for simpler issues.

Transition to Efficient Cloud Solutions
We are committed to reducing the carbon footprint of digital services by transitioning the majority of our energy-intensive on-premise server workloads to more efficient cloud-based and off-site solutions. This move will substantially cut the environmental impact of our digital infrastructure. Furthermore, we will ensure that our cloud providers adhere to strict sustainability practices and environmental certifications, further driving down our carbon emissions.

Optimising On-Premise Equipment
For equipment that remains on-premise, we will replace end-of-life systems with more energy-efficient alternatives, including optimising air-conditioning systems to reduce power consumption. We are also dedicated to extending the lifespan of our digital assets wherever practical to minimise the environmental impact associated with new equipment production. Future investments in digital infrastructure will prioritise solutions that meet the highest standards of energy efficiency and environmental responsibility. Where feasible, old assets will be reused, recycled or resold to benefit both the community and the environment, and any necessary disposal will be managed to minimise environmental impact.

Cyber Security

Establishing a Security Operations Centre (SOC)
In an era of rapid digital transformation, ensuring the security, availability, and integrity of our systems and data is more critical than ever. As cyber threats grow increasingly sophisticated and frequent, maintaining a proactive and adaptive security posture is essential. To safeguard our digital ecosystem, we will establish a dedicated Security Operations Centre (SOC) to provide 24/7 monitoring, threat detection, and real-time response. Utilising state-of-the-art threat intelligence platforms and advanced analytics, the SOC will play a central role in mitigating risks. We will adopt a threat-centric approach, continuously enhancing our incident response capabilities and automating processes to minimise human error and response times.

Cloud Security and Governance

Aligned with our Cloud-First strategy, our cloud infrastructures will be optimised for security, scalability, and resilience. We will implement strict governance frameworks to protect sensitive data, including clearly defined data ownership and granular access controls.

Leveraging AI and Machine Learning

The integration of Artificial Intelligence (AI) and Machine Learning (ML) technologies will bolster our cyber defences. By leveraging predictive analytics, we will proactively hunt for threats, manage vulnerabilities, and automate incident response, enabling us to detect breaches and anomalies in real time.

Cultivating a Security-Aware Culture

Recognising that people are both a vulnerability and an asset in cybersecurity, we will cultivate a culture of security awareness through continuous training, simulated phishing attacks, and real-world scenario exercises. This approach will help instil a proactive security mindset across the Council.

Balancing Risk against End User Benefits

Understanding that digital transformation brings both opportunities and challenges, we will strive to balance risk management with end user benefits. By implementing robust security measures and fostering a user-centric approach, we aim to protect sensitive data while enhancing user experience. Continuous risk assessments, user feedback loops, and adaptive security protocols will ensure that our digital initiatives remain secure and beneficial for all stakeholders. This balanced approach will help us navigate the complexities of digital innovation responsibly whilst also gaining the most out of our new digital tools.

Business Continuity and Disaster Recovery

To ensure preparedness, we will conduct regular business continuity and disaster recovery exercises, simulating a broad range of cyber events. By adhering to industry best practices and recommendations from leading cybersecurity frameworks, we will build a robust, resilient, and adaptive cybersecurity strategy.

Appendix 1: 5 Year Roadmap

	2024-25	2026-27	2028-2029
AUTOMATE	M365 Core Tools Adoption. Automation (Robotic Process Automation – RPA) – initial Proof of Concepts and Business Case for dedicated resources as required. Adoption of further Services onto the Customer Service Portal	Establish RPA Capability with regular "go lives" of new automation workflows. MS Copilot "AI Assistant" for staff – pilot & business case.	Advance RPA capabilities in to "Intelligent Automation"
RE-IMAGINE	Machine Vision (AI) pothole monitoring. Scope and cost Service Re-design training for staff to support transformation activity. Equipped for Learning Audio/Visual upgrades, prep for virtual classrooms, and implement review suggestions.	Scope + pilot website Chatbot. Investigate, Business Case and Pilots of AI (education administration; care workers write-ups). Deliver Service Re-Design training. Predictive Data and Internet of Things projects building on examples such as sensors for Council housing maintenance.	Establish "digital incubator" for rapid build of innovative digital ideas from all areas of the Council. *NB Education and HSCP digital plans are in development through dedicated forum.*

| DATA | Business Case for Data Analytics platform and resources.

Multi-source data analysis on "Cost of Living" | Establish Data Analytics team and deploy agreed data solutions.

Establish and expand key cross-service and organisational dashboards | Upskill non-data centric staff with the tools to identify paths for change through data analysis

Focus on advanced data analysis and solutions, including AI. |
|---|---|---|---|
| SECURE-SUSTAIN | Business Continuity Planning and Exercises.

Agree Security Operations Centre (SOC) plan.

Achieve cyber accreditations.

Define Future Cloud Migration Plan.

Reduction in printing through the use of M365 | Establish SOC.

Staff cyber awareness and readiness campaign and training.

Migrate network drives content to cloud.

Plan for the secure integration of Artificial Intelligence (AI)

Move Finance, Telephony, D360 , Open Revenues, TotalMobile and Networking systems to the cloud.

Reduce the number of High School servers by 50%

Consider options to move to hosted data centre

Upgrade remaining servers to Solid State Drive (SSD) storage, which reduces power consumption | AI tools for advanced cyber threat detection and avoidance.

Finalise network drive to cloud migration.

Migration of D360 & PTC to cloud. |

Appendix 2: Near Term Working Plan

The following key work projects are either already underway or will be progressed in Year 1 of this strategy:

- **Microsoft 365**
  Ongoing implementation and integration of Microsoft 365 across departments.

- **Digitise / Automate Processes**
  Leverage the Microsoft 365 suite of low-code tools to digitise manual and paper-based processes, develop custom applications for smarter working, and automate repetitive tasks.

- **Improve Collaboration & Information Sharing**
  Enhance collaboration by utilising SharePoint and other tools within the Microsoft 365 suite to streamline information sharing.

- **Software Rationalisation**
  Identify opportunities to replace third-party software with Microsoft 365 solutions, reducing redundancy and cost.

- **Power BI for Data Analytics & Reporting**
  Establish Power BI as the primary platform for data analytics and automated reporting.

- **Waste Services – In-Cab Technology & Route Optimisation**
  Implement in-cab technology and optimise waste collection routes to improve efficiency.

- **Artificial Intelligence (AI) Pilot**
  Conduct a pilot project to assess the maturity and applicability of AI in selected Council work areas.

- **Customer Services Platform**
  Enhance digital access to Council services via the website, improving the customer experience.

- **Equipped for Learning**

  Upgrade audio-visual systems and Wi-Fi networks to support the "Equipped for Learning" initiative.

- **Core Infrastructure Upgrades**

  Migrate to the SWAN 2 network to improve core infrastructure capabilities.

- **Telephony System Review & Upgrade**

  Upgrade corporate and education telephony systems to enhance communication capabilities.

- **Satellite Connectivity at Vogrie Park**

  Install satellite connectivity to improve internet access at Vogrie Park.

- **Cybersecurity Controls & Network Testing**

  Achieve cybersecurity controls accreditation and conduct cyber security incident response exercises

- **Machine-Vision Powered Pothole Detection (AI)**

  Implement a machine-vision system for automated pothole detection and road maintenance.

- **Cost of Living Data Project**

  Use data analytics to support initiatives aimed at mitigating the cost of living crisis.

- **HSCP Data Visualisation & Alerts**

  Develop data visualisation and alert systems to help identify care escalation within Health and Social Care Partnerships (HSCP).

- **Open Revenues Project**

  Transformation of Council Tax, Revenues and Benefits activities to include customer portal, online forms and e-billing.

- **Customer Payments Project**

  Improvements and enhancements to payment acceptance functionality to improve customer experience and payment card security.

- **Digital HR/Payroll**

  Leverage HR/Payroll system to expand self-service for staff and managers and modernise associated processes.

- **Parents Portal**

  Implementation in conjunction with Improvement Service to provide online facility/mobile app for parents.

- **Tenants Portal**

  Provide self service facility for tenants and move customer contact online.

- **Access Community Gateway**

  Provide self service facility for some aspects of social care client engagement including online forms.

- **Digital Dictation**

  Implement Digital Dictation tool in social care case management system and explore options for similar tools to support other services.

- **Core Business Applications Modernisation**

  Upgrade and modernise the Council's core business applications to improve performance and resilience and maintain compliance.

Offsite Construction Housing

Report by Kevin Anderson, Executive Director - Place

Report for Decision

1   Recommendations

It is recommended that Council;

a) approves a pilot housing project of modular build in Newtongrange, Main Street (former swimming pool site) in 2026/27, and
b) notes the Proposed Housing Demonstrator sites in Penicuik, with the delivery programme for this development (11 homes) scheduled to be received in November,2024, also to
c) consider the uncommitted site at Rullion Road, Penicuik (circa 50 homes) to be designated for a further offsite construction project in 2027/28.

2   Purpose of Report

2.1   At the Council Meeting held on 16 November, 2021, a Motion was approved in respect of the social housing programme strategy and construction. This report provides a progress update.

Midlothian Council acknowledges that there is huge demand for adequate and affordable housing across Midlothian, and that Council housing waiting lists currently have long waiting times.

The Council also notes that there are current significant pressures on the house building sector affecting both supplies of materials and labour, as a result of Brexit and other factors.

The Council should therefore reassess with urgency whether our current house building strategies are fit for purpose, and feasible within the current restraints.

The Council should also investigate other methods of construction for housing within the scope of its revaluation, including piloting the use of offsite construction housing.

Expanding the scope of construction methods would provide a cost effective solution in Midlothian that would provide homes that are fast and easily built, well insulated, long lasting and in line with our green agenda in Midlothian and across the world.

Date: 29 October 2024
Report Contact:

Name: Kevin Anderson, Executive Director, Place
Tel No: 0131 271 3102

kevin.anderson@midlothian.gov.uk

3. Background

Following the approval of the above motion, and in response to the need to investigate other methods of construction for housing, including piloting the use of offsite construction housing, Midlothian Council has been working to align its new housing development programme with the off site construction sector to establish whether there are benefits to the housing programme in terms of efficiency, cost and quality.

Off site construction, also known as Modern Methods of Construction (MMC), allows key elements of a building to be designed, planned and constructed using pre-fabricated or pre-assembled products that are manufactured in an offsite factory environment.

Since 2021, the Council housing development team has engaged as a partner in the South East with the Regional Delivery Alliance (the RDA, formerly known as the Edinburgh Housing Demonstrator), which is the off site construction initiative associated with the Edinburgh and South East Scotland City Region Deal. Our participation in the Pilot 3 stage involved a collaborative procurement incorporating several local authorities/Registered Social Landlords across multiple sites for a feasibility commission initially.

The first piece of work with the RDA has been to align the Council's house types with other affordable housing designs in the Edinburgh and South East Scotland Region.

This was carried out utilising a common design team with standardised house types developed to improve efficiencies in production through consistency of built areas, components, layouts, window and door openings etc, in order to enhance cost efficiencies and advantages to construction and maintenance and to unlock the circular economy potential. This Collaborative Feasibility commission provides a clear set of deliverables for each site that will create the conditions for successful delivery and bundling.

Having common house types was a critical first step in working with the off site construction sector, which requires limited variations to be able to deliver economies of scale for the housing sector in the city region.

Following this work, a series of sites were submitted to the Regional Delivery Alliance programme for design and survey work to test whether they were suitable to accommodate these house types. All sites needed to be new and additional sites to Midlothian Council's housing programme. This ensured there was no delays to the Council's existing programme of delivery or abortive costs associated with design work on our established sites that needed then to be re-worked.

Midlothian Council undertook a review of its garage and lock up sites as a potential source of future housing sites. From this review, and a wider scoping of land in Council ownership that had potential for

housing development, a number of sites were put forward for further assessment.

The approximate capacity of the suitable Midlothian sites is 11 homes, within an overall regional pipeline of 141 homes. Midlothian Council has entered into a Memorandum of Understanding to embed collaborative working across this programme. The pipeline sites have been procured appointing a single Contractor (CCG) using existing framework options and are in pre-construction phase. CCG are an established off site construction company that produces closed panel walled systems that combine with pre-fabricated roof and floor cassettes to create a home's superstructure. These panels can include insulation, internal wall linings, windows, doors and render. These panelised systems are pre-manufactured off site, allowing significantly quicker assembly of homes on site.

By working across the city region, as part of a larger programme of similar house types that have already been shared with the Contractor, the aim is to deliver economies of scale for smaller sites that they otherwise would not benefit from.

Proposed Housing Demonstrator sites in Midlothian

Site name	Location	Approx No. of homes	Build type
Eastfield Drive	Penicuik	4	Houses/Cottage Flats
Lyne Terrace	Penicuik	7	Houses/Cottage Flats

The City of Edinburgh Council (CEC) have acted as Lead Authority to procure the initial feasibility work for all sites. For the Pilot 3 phase, actual project procurement and delivery of Midlothian allocated sites will be handled by Midlothian Council directly. Additional sites can be added to the programme via the Scape framework.

The proposal from CCG with cost and programme dates is due to be provided in November 2024 for these Penicuik sites.

Modular Development

Another form of off-site construction is modular construction. This involves the assembly of 'modules' of housing off site which are then brought to site from their factory setting. This is slightly further along the off-site spectrum in terms of the level of pre-fabrication.

Modular design for manufacture and assembly can contribute to solving local problems: the challenge of zero carbon; failure of housing supply; the affordability crisis; poor build quality and cost of non-compliance; poor environmental performance and living conditions; safety; and workforce shortages.

Similar to sites for the Pilot 3, a site was required where there had been no design work done to date on it to avoid abortive costs or impact on the existing programme.

Previously a pilot site for modular construction was selected (site at Newtongrange Church Hall) and having issued an invitation to tender in April 2024 through the Scottish Procurement Alliance (SPA) NH3 Modular framework, Midlothian Council received only one tender response and this was non-compliant. The reason for this was that the planning consent for the site in question stipulated that the homes were to be a maximum of 1.5 storeys, with dormer windows on the upper floor. Unfortunately this was not a design that modular manufacturers were able to price for as was not one of their standard house types. Therefore, we were unable to appoint.

This site is now being re-assigned for development as a Regional Delivery Alliance project site so that it still benefits from off-site construction methods.

As an alternative site that is more suitable for the delivery of the standard house types needed for modular construction the former swimming pool site at Main Street, Newtongrange is available. This will require forward funding from the Housing Revenue Account in Phase 5 with affordability to be ascertained once a cost report is available as the site is at RIBA Stage 2(feasibility concept design) in the existing programme.

It is also proposed that Rullion Road, Penicuik as our only current uncommitted site is considered available for a modular development (circa 50 units). The date for delivery on this site is 2027/28 as approved in the SHIP agreed at October Council meeting

5   Report Implications (Resource, Digital and Risk)

5.1   Resource

During recent times the construction industry in Scotland and the UK has experienced unprecedented adverse market conditions, which has 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 is affecting projects and whilst measures such as value engineering are partially mitigating cost increases, there is 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

5.2   Digital

Not applicable

5.3   Risk

There is regular review of risk to ensure the retained risk in the new house building programme is of an acceptable and tolerable level to maximise opportunities and have full consideration of risk implications in achieving our aims and objectives.

Despite modular construction having been popular since prefabricated post-war buildings, and more recent technological advances having boosted its general acceptance as a construction method, Modular construction has experienced a problematic history as in recent years with around10 offsite manufacturing initiatives having either withdrawn from the sector or gone into liquidation.

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

Equality is central to all housing and housing services delivery. An Integrated Impact Assessment (IIA) has been undertaken on the Local Housing Strategy 2021-26 to ensure that the needs of local communities have been fully considered. The SHIP reflects identified needs and draws on findings from the IIA when considering the implications flowing from the translation of strategic aims into housing policies.

5.5   Additional Report Implications (See Appendix A)

APPENDIX A – Report Implications

A.1   Key Priorities within the Single Midlothian Plan

Affordable housing, homelessness and health and social care outcomes through the provision of specialist housing.

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

We manage all aspects of our business so that tenants and other customers receive services that provide value for money in the rent and other charges they pay.

A.5 Involving Communities and Other Stakeholders

A full consultation in the current Rent Setting Strategy 2023/24-2025/26 and the Housing Allocation Policy 2024 was available to Midlothian Council tenants and waiting list applicants. Stakeholders are informed of outcomes at the regular Local Housing Strategy Forum meetings.

A.6 Impact on Performance and Outcomes

Not applicable

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Good practice in relation to energy efficiency and sustainability is contained in the SHIP and Local Housing Strategy 2021/22 – 2025/26.

Background Papers:

Midlothian Net Zero Housing Design Guide