

# Notice of Meeting and Agenda



## Midlothian Council

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

**Date:** Tuesday, 04 October 2022

**Time:** 11:00

### Executive Director : Place

#### Contact:

Clerk Name: Democratic Services

Clerk Telephone:

Clerk Email: [democratic.services@midlothian.gov.uk](mailto: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**

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## **2 Order of Business**

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

## **3 Declaration of Interest**

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

## **4 Deputations**

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## **5 Minutes**

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|------------|--|---------|
| <b>5.1</b> | MINUTE Midlothian Council for Approval 23 Aug 2022 | 5 - 22  |
| <b>5.2</b> | Minute Volume Index - 04 October 2022              | 23 - 24 |
| <b>5.3</b> | PRIVATE Minute Volume Index - 04 October 2022      |         |
| <b>5.4</b> | Midlothian Council Action Log- 04.10.2022          | 25 - 28 |

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

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None

## **7 Motions**

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None

## **8 Public Reports**

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- |            |   |         |
|------------|---|---------|
| <b>8.1</b> | MLC Annual Audit Report 2021-22 Report by EY  | 29 - 88 |
| <b>8.2</b> | Midlothian Council Strategic Plan 2022-2027 and associated Medium Term Financial Strategy 2023-24 to 2027-28 By Chief Officer Corporate Solutions - To Follow |         |
| <b>8.3</b> | National Public Holiday for HM The Queen's Funeral Report by Fiona Robertson Executive Director Children, Young People and Partnerships                       | 89 - 92 |

<b>8.4</b>	Standing Order 19.2 Decision Report by Chief Executive	93 - 96
<b>8.5</b>	Midlothian Cares Practical Support Measures Identified Report by the Chair of Cost of Living Task Force.	97 - 104
<b>8.6</b>	Housing Revenue Account – Rent Setting Strategy 2023-24 - 2025-26 Report by Executive Director Place	105 - 118
<b>8.7</b>	Midlothian Council’s Housing Services Assurance Statement 2022, Report by Executive Director Place	119 - 128
<b>8.8</b>	Mayfield Town Centre Regeneration Close-out Report on Community Led Project by Executive Director Place	129 - 140
<b>8.9</b>	Vogrie Country Park – feasibility update Report by Executive Director Place	141 - 156
<b>8.10</b>	Brexit and COVID-19 – An Economic Assessment for Midlothian Council, Report by Chief Officer Place	157 - 216
<b>8.11</b>	Short-Terms Let Licensing Policy for Midlothian Council for Consideration and Adoption Report by Chief Officer Place	217 - 260
<b>8.12</b>	Voluntary Community Asset Transfer, Report by Executive Director Place	261 - 278
<b>8.13</b>	Scottish Government Funding for Children’s Outdoor Play – Refurbishment of Play Areas, Report by Chief Officer Place	279 - 284
<b>8.14</b>	Audit Committee – Independent Chair & Independent Non-Voting Member Report by Executive Director Place	285 - 290
<b>8.15</b>	Pupil Admissions Policy Update Report by Fiona Robertson, Executive Director Children, Young People & Partnerships	291 - 316
<b>8.16</b>	Appointment of Member to Champion the White Ribbon Campaign Report by Executive Director Place	317 - 320

## **9 Private Reports**

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<b>9.1</b>	Internal Audit Service Report by Executive Director Place <ul style="list-style-type: none"> <li>• 6. Information relating to the financial or business affairs of any particular person (other than the authority).</li> <li>• 11. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office-holders under, the authority</li> </ul>
<b>9.2</b>	Interim Chief Officer Corporate Solutions 16.09.2022 Report By Executive Director Place - To Follow
<b>9.3</b>	Zero Waste- Edinburgh and Midlothian Report by Executive Director Place <ul style="list-style-type: none"> <li>• 6. Information relating to the financial or business affairs of any particular person (other than the authority).</li> </ul>

#### **9.4 Destination Hillend – Contract 1 Decision and Car Parking Charging Report by Executive Director Place**

- 6. Information relating to the financial or business affairs of any particular person (other than the authority).
- 8. The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.
- 9. Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

#### **10 Date of Next Meeting**

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The next meeting will be held on Tuesday 15 November 2022 at 11am

# Minute of Meeting



## Midlothian Council

Date	Time	Venue
23 August 2022	11.00 am	via MS Teams

### Present:

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

### In attendance:

Dr Grace Vickers, Chief Executive	Morag Barrow, Joint Director Health and Social Care
Gary Fairley, Chief Officer Corporate Solutions	Alan Turpie, Legal and Governance Manager/Monitoring Officer
Derek Oliver, Chief Officer Place	Sinead Urquhart Executive Business Manager
Saty Kaur, Executive Business Manager	Nick Clater, Head of Adult & Social Care
David Gladwin Financial Services Manager	Fiona Clandillon Head of Development
Lynn Cochrane Communications Team Leader	Myra Forsyth Quality and Scrutiny Manager
Roxanne King – NHS Lothian	Elaine Johnstone – Policy & Scrutiny Officer
Mrs Anne-Lawrie - Religious Representative	Mrs Elizabeth Morton – Religious Representative

Marco Reece-Heel Business Analyst	Janet Ritchie , Democratic Services Officer
Ross Neill, Democratic Services Team Leader	

## 1. Welcome and Apologies for Absence

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The Provost welcomed everyone to the meeting reminding all that it was a public meeting being webcast live.

Apologies for absence were intimated on behalf of Councillor Smail

## 2. Order of Business

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The Provost advised the order of business as per the agenda

## 3. Declarations of interest

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None

## 4. Deputations

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None received.

## 5. Minute of Previous Meeting

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<b>No.</b>		<b>:</b>
<b>5.1 &amp; 5.2</b>	<b>Minute</b>	<b>Executive Director Place</b>
<b>Questions to Officers</b>		
Accepted as a clear and fair record		
Midlothian Council Minute 28 June 2022 Private Midlothian Council Minute 28 June 2022		
Proposed Councillor Parry Seconded Councillor McEwan		
<b>Decision</b>		
Approved		
<b>Action</b>		
All to Note		

<b>No.</b>		<b>:</b>
<b>5.3</b>	<b>Action Log Update</b>	<b>Executive Director Place</b>
<b>Questions to Officers</b>		
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All members were satisfied the action log was up to date and in order.

- Dr Vickers confirmed the Hybrid Working Short Life Working Group had been delayed but was now scheduled for next week
- Mr Fairley confirmed Mileage allowance payments and the letter to HMRC had been completed during June and the July Recess
- Mr Anderson updated Members that Item 12, LACER fund has now been redirected to the Cost of Living Crisis Task Force. (COLCTF)

Elected Members were briefly updated by Councillor Parry on the first COLCTF concluding all members on the group were very aware of the urgency required to distribute the funds.

#### Decision

All to Note

#### Action

None

## 6. Question to the Leader of the Council

None

## 7. Notices of Motion

Report No.	Report Title	Report by:
7.1	<b>Standing up for Responsible Tax Conduct</b>	<b>Proposed by Councillor Pottinger</b>  <b>Seconded by Councillor Imrie</b>

### Outline of report and summary of discussion

#### Midlothian Council notes that:

1. The public expectation on organization's to pay the right amount of Tax in the right place at the right time has never been stronger.
2. Polling from the Institute for Business Ethics finds that "corporate tax avoidance" has, since 2013, been the clear number one concern of the British public when it comes to business conduct.
3. Almost two-thirds (63%) of the Scottish public agree that the Government and local councils should consider a company's ethics and how they pay their tax as well as value for money and quality of service provided, when undertaking procurement.
4. Around 15% of public contracts in Scotland have been won by companies with links to tax havens.
5. It has been conservatively estimated that a loss of £200m from multinational profit-shifting

(Just one form of tax avoidance) could be costing the UK some £17bn per annum in lost corporation tax revenues.

6. The Fair Tax Mark offers a means for business to demonstrate good tax conduct, and has been secured by wide range of businesses across the UK, including FTSE-listed PLCs, co-operatives, social enterprises and large private businesses.

**Full Council believes that:**

1. Paying tax is often presented as a burden, but it shouldn't be.
2. Tax enables us to provide services from education, health and social care, to flood defences, roads, policing and defence. It also helps to counter financial inequalities and rebalance distorted economies.

As recipients of significant public funding, local authorities should take the lead in the promotion of exemplary tax conduct; be that by ensuring contractors are:

Paying their proper share of tax, or by refusing to go along with offshore tax dodging when buying land and property.

3. Where substantive stakes are held in private enterprises, then influence should be wielded to ensure that such businesses are exemplars of tax transparency and tax avoidance is shunned - e.g., no use of marketed schemes requiring disclosure under DOTAS regulations (Disclosure Of Tax Avoidance Schemes) or arrangements that might fall foul of the General Anti-Abuse Rule.
4. More action is needed, however, as current law significantly restricts councils' ability to either penalise poor tax conduct or reward good tax conduct, when buying goods or services.
5. Councils can and should stand up for responsible tax conduct - doing what they can within existing frameworks and pledging to do more given the opportunity, as active supporters of international tax justice.

**Midlothian Council resolves to:**

1. Approve the Councils for Fair Tax Declaration.
2. Lead by example and demonstrate good practice in our tax conduct, right across our activities.
3. Ensure when practical that contractors implement IR35 robustly and pay a fair share of employment taxes.
4. Not use offshore vehicles for the purchase of land and property, especially where this leads to reduced payments of stamp duty.
5. Undertake due diligence to ensure that not-for-profit structures are not being



used inappropriately as an artificial device to reduce the payment of tax and business rates.

6. Seek clarity on the ultimate beneficial ownership of suppliers and their consolidated profit & loss position.
7. Promote Fair Tax Mark certification to any business in which we have a significant stake and where corporation tax is due.
8. Support Fair Tax Week events in the area, and celebrate the tax contribution made by responsible businesses who say what they pay with pride.
9. Support calls for urgent reform of EU, UK and Scots law to enable local authorities to better penalise poor tax conduct and reward good tax conduct through their procurement policies.

Councillor Pottinger spoke to the motion highlight various aspects and noting other Local Authorities had debated and passed this pledge already. Despite HMRC's attempts to close loopholes in tax evasion Midlothian Council should also be vigilant in its own dealings with business and suppliers.

Councillor Imrie concurred with Councillor Pottinger, adding that it was only fair that all members of society fairly contribute for services they use. He hoped members would agree and this motion would be incorporated into future procurement policy.

11.10am - Web casting was interrupted and restarted after a 10 minute recess at 11.20am

Elected members across all groups commented that they agreed in principle with what was being proposed, however there was concern of the wording of the motion and what exactly was being proposed as it seemed vague.

Mr Turpie responded that procurement policy at present can exclude companies who have a proven case of tax avoidance, powers are however constrained. He noted that South Lanarkshire recently passed a similar motion with some slight changes to the wording, they had removed 'Due Diligence' and added encourage/ discourage certain practices. This change then is accurate for legal purposes.

Both Councillor Pottinger and Imrie indicated that they accepted the proposed changes to the wording.

Provost called a vote  
Amended Motion passed unanimously

### Decision

Agreed

### Action

Procurement Policy to be amended to include the amended motion – Legal Services/  
Procurement

## 8. Reports

Report No.	Report Title	Report by:
8.1	<b>Housing Revenue Account Revenue Budget and Capital Plan 2022_23 Report</b>	<b>Chief Officer Corporate Solutions</b>
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report is to provide Council with a summary of expenditure and income to 4th July 2022 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2022/23. The summarised financial performance for 2022/23 is:</p> <ul style="list-style-type: none"> <li>• Capital Investment in the year totalling £67.566 million;</li> <li>• A net overspend of £0.294 million on the Revenue Account;</li> <li>• A projected HRA general reserve at 31st March 2022 of £31.819 million.</li> </ul> <p>Recommendation –</p> <p>Council is recommended to note the contents of this report.</p> <p>Mr Fairley spoke to report in detail highlighting various aspects. This included anticipated capital expenditure, highlighting risks to various projects and noting supply issues. The Q1 is to the end of June with the projected figures based on what was expected at that time. He then offered to take questions.</p> <p>In response to a number of questions Mr Fairley answered that at the moment current tenders were partially protected but new tenders will be affected, the risk will need to be continually monitored At present no contracts have been refused or handed back by contractors.</p>		
<b>Decision</b>		
All to Note		
<b>Action</b>		
None		

Report No.	Report Title	Report by:
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<b>8.2</b>	<b>Annual Treasury Management Outturn 2021-22 Report</b>	<b>Chief Officer Corporate Solutions</b>
<b>Outline of report and summary of discussion</b>		
<p>The purpose of the report is to inform members of the Council of the Treasury Management activity undertaken in 2021/22 and the year-end position. Audit Committee on 29 June 2022 scrutinised a draft of this report in advance of its consideration today by Council. This final report to Council reflects the Audit Committee comments arising from the meeting on 29 June 2022.</p> <p>Recommendation –</p> <p>It is recommended that the Council note the Annual Treasury Management Report 2021/22.</p> <p>Mr Fairley spoke to the report noting key aspects, he noted it had been scrutinised by Audit committee prior to being presented today. Midlothian remains one of the best performing Councils primarily through securing loans &amp; long term borrowing when rates were low, this alleviates some of the risks faced by projects. He then offered to take any questions.</p> <p>Responding to various questions Mr Fairly responded that the his team are constantly monitoring the situation , borrowing last year at low rates under pin many current projects but as rates of borrowing rise so will the cost of capital projects. Council properties due to transition to alternative energy is partially covered by existing funding, future funding will need to be sought to complete the transition of all Council properties. Mr Fairly cited the HGV fleet and the high costs replacing them with electric vehicles.</p> <p>Councillor Cassidy referred to the Croydon investment and asked for an update.</p> <p>Mr Fairly responded that expected returns are due in October noting Midlothian will generate an income from the investment.</p> <p>Councillor Milligan congratulated Mr Fairley on Midlothian’s continual excellent performance.</p>		
<b>Decision</b>		
All to Note		
<b>Action</b>		
None		

<b>Report No.</b>	<b>Report Title</b>	<b>Report by:</b>
<b>8.3</b>	<b>General Services Capital Plan 2022_23 Quarter 1 Monitoring</b>	<b>Chief Officer Corporate Solutions</b>
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report is to provide Council with:-</p> <ul style="list-style-type: none"> <li>• An update of the General Services Capital Plan incorporating information on further additions to the Capital Plan for approval (Section 3);</li> <li>• Information on the projected performance against budget for 2022/23 (Section 4);</li> <li>• Update on the Capital Fund (Section 5)</li> </ul>		

Recommendation –

Note the adjustment to the project expenditure budgets in the General Services Capital Plan as set out in Section 3.1.

Mr Fairley spoke briefly to the report noting key aspects before taking questions.

Councillor Parry queried project expenditure and the contingency set aside to cover risk.

Councillor Drummond ask why some projects were missing from the paper.

Mr Fairly answered that over the life of a project the risk reduces and contingency remaining returns to Midlothian Council funds. The projects listed are those currently incurring expenditure in their 5 year lifespan those not listed in the document will be reflected in future papers after they start incurring expenditure.

#### Decision

All to Note

#### Action

None

Report No.	Report Title	Report by:
8.4	<b>Financial Monitoring 2022/23 – General Fund Revenue Report</b>	<b>Chief Officer Corporate Solutions</b>
<b>Outline of report and summary of discussion</b>		
<p>The purpose of this report is to provide Council with information on projections of performance against service revenue budgets in 2022/23 and to provide commentary on areas of material variance against budget. The projected budget performance figures as shown in appendix 1 result in a net overspend of £0.225 million for the year which is represents 0.08% of the revised budget.</p> <ul style="list-style-type: none"> <li>• With the assumption that Council will approve the supplementary estimate for inflationary pressures the projected General Fund balance at 31st March 2023 is £5.339 million, of which £1.336 million is earmarked for specific use.</li> <li>• The projection of the General Fund Balance at 31st March 2023 is predicated on the ongoing financial impact of the Covid-19 Pandemic continuing to be met from the available funding, whether ring fenced for specific purposes, or from general funding provided.</li> </ul> <p>Recommendations –</p> <ul style="list-style-type: none"> <li>• Note the projected financial position for the General Fund Reserve in financial year 2022/23 and the associated risks with projections at this stage in the year;</li> <li>• Approve a supplementary estimate of £1.395 million to cover unbudgeted inflationary pressures; and</li> <li>• Otherwise note the contents of the report.</li> </ul> <p>Mr Fairley discussed the report noting it covers the 1<sup>st</sup> Quarter using the budget set in February 2022. Unforeseen cost increases have now impacted this. There</p>		

are opportunities being looked at to reduce spending service by service , also the potential 5% pay increase offer is partially unbudgeted for , the original offer was for a 3.5% increase, leaving 1.5% unfunded. Negotiations over pay are currently ongoing.

Councillor Parry moved to accept the recommendations in the report. Adding that in her capacity as Council Leader she wrote to the Scottish Office highlighting the huge challenges people are facing this winter.

It was indicated by Councillor Parry that Councils will be collectively writing directly to the treasury.

Other Elected Members agreed with Councillor Parry, many citing their expectation that a large % of the population will be in fuel poverty this winter. All also noted that the negotiations are likely to continue in light of other pay offers to non-council services being in some cases in excess of 7%.

Councillor Milligan seconded the move to accept recommendations in the report

#### Decision

Approved

#### Action

None

Report No.	Report Title	Report by:
8.5	<b>Medium Term Financial Strategy - 2023/24 to 2027/28 Report</b>	<b>Chief Officer Corporate Solutions</b>
<b>Outline of report and summary of discussion</b>		
<p>Medium Term Financial Strategy 2023/24 to 2027/28 - Background Council last considered an update on its Medium Term Financial Strategy on 15 February 2022 where it agreed the following:</p> <p>a) Note that at its meetings of 24 and 31 January and 2 February 2022 the Business Transformation Steering Group gave consideration to recommendations to Council to enable Council to fulfil its statutory duty, as set out in Section 93 of the Local Government Finance Act 1992 (as amended), namely to set Council Tax and a Balanced Budget for 2022/23;</p> <p>b) Consider the recommendations from the Business Transformation Steering Group meeting on 2 February 2022 that Council approves:-</p> <ul style="list-style-type: none"> <li>• The deferment of debt repayments in 2021/22 &amp; 2022/23 to secure £6.358 million to support the 2022/23 budget;</li> <li>• The utilisation of £2 million from uncommitted earmarked reserves to support the 2022/23 budget ;</li> <li>• An allocation of £56.438 million to the Midlothian Integration Joint Board for 2022/23 in respect of delegated services (subject to final confirmation of the quantum and distribution of funding for new burdens);</li> </ul> <p>c) Note that after incorporating the measures in recommendation b) that the remaining budget gap for 2022/23 would be £1.369 million;</p> <p>d) Approve a one off addition of £0.250 million to the 2022/23 budget to supplement the Scottish Welfare Fund;</p>		

- e) Approve the 2022/23 service budgets as set out in Appendix D (as revised) which includes the application of £0.250 million from the projected general reserve;
- f) Note the amended analysis of change as set out in Appendix E (as revised);
- g) As a consequence set a Band D Council Tax for 2022/23 of £1,442.60 as set out in appendix F;
- h) Note that the projected general reserve remains £1.403 million above the minimum level determined by reference to the Council's Reserve Strategy;
- i) Otherwise note the update in respect of Scottish Government grant, individual Council grant settlements and the net cost of services as set out in the report;
- j) Delegate authority to the Chief Officer Corporate Solutions to determine if it is preferential to use the fiscal flexibility of a Loan Repayment Holiday in 2022/23 should the Statutory Instrument route be adopted by Scottish Government. In such circumstances the use of the Loans Fund review would be utilised in 2021/22 to create reserves to utilise to support the 2022/23 budget as part of the options noted in recommendation b);
- k) In considering the recommendations above in respect of the 2022/23 budget also consider the overarching EQIA published alongside this report.

Recommendations –

Council is asked to note:-

- a) The proposed reporting schedule to support finalisation of the budget and Council Tax levels for 2023/24;
- b) The update on Scottish Government grant prospects which reflects the Scottish Government's Resource Spending Review (RSR) published on 31 May 2022. Noting also that the RSR sets out extremely challenging planning parameters for Local Government which are exacerbated for Midlothian by the financial pressures associated with population growth;
- c) The update on the position with 2022/23 pay claims and the associated impact for the period of the Medium Term Financial Strategy.
- d) The update in respect of fiscal flexibilities and that having now received draft statutory guidance that work continues to assess the full implications of the service concession flexibility;
- e) That the underlying budget gap for 2022/23 is now projected to be £13.130 million and that as a consequence of both the inflationary increase in costs and cash flat grant settlements the projected budget gap for 2023/24 now stands at £14.4 million rising to a projected £27.1 million by 2027/28;
- f) Otherwise note the remainder of the report.

Mr Fairley spoke to the report noting February Council in 2023 will need to take in consideration all the factors highlighted within the report before setting the next budget. He then took questions.

Councillor Parry concurred with Mr Fairley that it is a challenging time, she also thanked the members of the Business Transformation Strategy Group (BTSG) for the work they do.

Councillor Milligan echoed Councillor Parry's sentiments adding the budgetary gap in future is likely to be massive. He asked that proposals to attempt to resolve this be presented sooner rather than later. Capital projects presented should only be of the essential in nature.

Mr Fairley assured Councillor Milligan that projects are assessed thoroughly and monitored closely throughout their life cycle and reviewed.

#### Decision

All to Note

#### Action

None

Report No.	Report Title	Report by:
8.6	<b>Scottish Parliament Finance and Public Administration Committee_ Pre-Budget Scrutiny Call for Views Report</b>	<b>Chief Officer Corporate Solutions</b>

#### Outline of report and summary of discussion

On 24th June 2022, as part of its pre-budget scrutiny, the Finance and Public Administration Committee of the Scottish Parliament launched a call for views on Scotland's public finances in 2023-24 and the impact of the cost of living and public service reform.

While the deadline for responses was set for Friday 19 August 2022 the clerk to the committee has advised that she is content for the Council to submit a late response to the call for views so allowing Council to consider the draft submission at today's meeting.

The call for views highlights that the committee is particularly interested in views on how the rising cost of living will impact on the Scottish budget in 2023-24 and will the Scottish Government's proposals for reforming the public service deliver the efficiencies expected.

Recommendations –

Council is asked to agree the appended submission in response to the call for views from the Scottish Parliament's - Finance and Public Administration Committee as part of its pre-budget scrutiny.

Mr Fairley spoke to the report before taking questions.

Councillor Parry moved to accept recommendations  
Councillor Cassidy seconded

Recommendations were passed unanimously

#### Decision

Agreed

#### Action

None

Report No.	Report Title	Report by:
8.7	<b>Risk Management Strategy Report</b>	<b>Executive Director Place</b>
<b>Outline of report and summary of discussion</b>		
<p>Council is presented with the revised Risk Management Policy and Strategy, which outlines the proposed approach to risk management and governance arrangements for risk monitoring and accountability. The Framework development has included a consultation process with the Council's Audit Committee.</p> <p>Recommendations –</p> <ul style="list-style-type: none"> <li>• approve the content of the revised Risk Management Policy and Strategy;</li> <li>• instruct the Chief Officer Place to lead the adoption and implementation of the Risk Management Policy and Strategy across the Council; and</li> <li>• Agree to review the Risk Management Policy and Framework in two years.</li> </ul> <p>Mr Anderson spoke to the report noted unprecedented challenges over the last few years highlighting the risk register presented each quarter, then he invited take questions.</p> <p>Members asked a number of questions including how risks are reported to audit. Mr Anderson responded that High Risk and general risk are presented to the Audit Committee, all details are presented to Members.</p> <p>Councillors McKenzie and Virgo felt an off meeting discussion with Mr Anderson would be helpful to clarify some of high end risks noted.</p> <p>Councillor McKenzie moved the paper Councillor Virgo seconded</p>		
<b>Decision</b>		
Agreed		
<b>Action</b>		
Briefing for Councillors Virgo & McKenzie – Executive Director Place		

Report No.	Report Title	Report by:
8.8	<b>National Care Service (Scotland) Bill Report</b>	<b>Principal Solicitor</b>
<b>Outline of report and summary of discussion</b>		
<p>Background to the Bill-</p> <p>In August 2021 the Scottish Government launched a consultation on the way in which social care was delivered in Scotland. The consultation followed recommendations made in the Independent Review of Adult Social Care (the Feeley Report).</p> <p>The purpose of this report is to: <a href="#">Page 16 of 320</a></p>		



- Note that a briefing of elected members will take place on 15th August 2022
- Note the preparatory actions taken by CMT as outlined in this report
- Provide an update as to the progress of the legislation which will underpin the National Care Service;
- Provide an overview of the NCS Bill;
- Draw elected members attention to the Health, Social Care and Sport Committee, and other committees, who are looking at the details of the proposals, and want to know what people think about them. Views can be submitted by 2 September 2022 as outlined in section 2.6

Ms Ross spoke to the report highlight various areas of note before taking questions.

Councillor Cassidy moved to accept the motion, he added that he welcomed this report.

Councillor Parry seconded

#### Decision

All to Note

#### Action

None

Report No.	Report Title	Report by:
8.9	<b>(Abortion) Buffer Zone Consultation Response Report</b>	<b>Executive Director Place</b>
<b>Outline of report and summary of discussion</b>		
<p>This report responds to a previous Motion to Council on 25 June 2019 relating to Buffer Zones. It also highlights the associated Safe Access (Abortion Services) Scotland Bill consultation which closed on 11 August 2022 and provides information regarding a submission made by the motion mover and seconder.</p> <p>Recommendations –</p> <ul style="list-style-type: none"> <li>• Note the action taken by the Chief Executive following Motion 7.2 to Council on 25 June 2019 and the responses received in August 2019.</li> <li>• Note that the consultation period for the Safe Access (Abortion Services) Scotland Bill closed on 11 August 2022 and that a request for an extension was unfortunately not granted.</li> <li>• Note that the mover and seconder of the original motion have submitted their response as outlined in Appendix 3.</li> </ul> <p>Mr Anderson spoke to the report briefly before taking questions.</p> <p>Councillors Curran, Drummond and Parry expressed their support for this report. All Members fully supported the report and its recommendations</p>		
<b>Decision</b>		
Agreed – For Noting		
<b>Action</b>		
None		

Councillor Drummond returned to the Meeting

Report No.	Report Title	Report by:
8.10	<b>Appointment of Representatives to Outside Bodies - Scottish Joint Council July 2022 Report</b>	<b>Executive Director Place</b>
<b>Outline of report and summary of discussion</b>		
<p>In accordance with Standing Order 4.1 (x) consideration requires to be given by Council to the appointment of representatives to Joint Committees, Outside Bodies and other partnership working.</p> <p>Recommendation –</p> <p>The Council is invited to consider the appointment of an elected member to the Scottish Joint Council as COSLA is seeking nominations from all 32 local authorities.</p> <p>Mr Anderson spoke to the report and invited nominations from Elected Members</p> <p>Councillor McManus nominated Councillor Parry Councillor McKenzie seconded</p> <p>No other nominations</p>		
<b>Decision</b>		
Councillor Parry appointed		
<b>Action</b>		
None		

Report No.	Report Title	Report by:
8.11	<b>Appointment of Representatives to Outside Bodies - Scotland Excel Joint Committee Report</b>	<b>Executive Director Place</b>
<b>Outline of report and summary of discussion</b>		
<p>In accordance with Standing Order 4.1 (x) consideration requires to be given by Council to the appointment of representatives to Joint Committees, Outside Bodies and other partnership working.</p> <p>Recommendation -</p> <p>The Council is invited to consider the appointment of a named substitute member to the Scotland Excel Joint Committee.</p> <p>Mr Anderson spoke to the report before inviting Elected Members to offer nominations for Councillor Bowens substitute.</p> <p>Councillor Parry nominated Councillor Alexander Councillor McManus seconded</p>		
<b>Decision</b>		

Councillor Alexander appointed
<b>Action</b>
None

Report No.	Report Title	Report by:
8.12	<b>Wheelchair Accessible Housing Targets Report</b>	<b>Executive Director Place</b>
<b>Outline of report and summary of discussion</b>		
<p>This report summarises the key points of 'Midlothian's Wheelchair Accessible Housing Target' which details the consultation and feedback which have enabled the target proposal. Midlothian's wheelchair accessible targets will determine the number of wheelchair accessible homes which will be built during the course of the next five years in both social and market developments.</p> <p>The proposal is to set a wheelchair accessible housing target of 20 per annum for the next five years; 10 will be social housing delivered by Midlothian Council/RSL partners and 10 should be provided by private sector developers.</p> <p>Recommendations –</p> <ul style="list-style-type: none"> <li>• notes the findings of this report, and</li> <li>• Approves the proposed wheelchair accessible housing targets, which are to be integrated into the next Local Development Plan for Midlothian.</li> </ul> <p>Mr Anderson spoke to the report noting the proposed targets and how they are achieved before taking questions</p> <p>Many Members expressed a view that they would have preferred to see a higher target, perhaps using planning powers to influence private developers.</p> <p>Mr Anderson acknowledge the members views noting this was based on current needs analysis. It will be reviewed in consultation with partners including the Scottish Government. Mr Anderson noted that in the same way Midlothian pushes carbon neutral we push developers with wheelchair access.</p> <p>Members felt that future targets need to be increased and stronger emphasis on mixed dwellings including single storey properties through planning</p> <p>Councillor Mc Ewan proposed Councillor Imrie seconded</p>		
<b>Decision</b>		
Approved current targets		
<b>Action</b>		
A further proposal to be presented to Council that would increase targets – Executive Director Place		

Report No.	Report Title	Report by:
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<b>8.13</b>	<b>Rapid Rehousing Transition Plan 2022-23_ 2024-25 Report</b>	<b>Executive Director Place</b>
<b>Outline of report and summary of discussion</b>		
<p>This report presents the annual review of Midlothian Council's Rapid Rehousing Transition Plan which was submitted to the Scottish Government on 4 July 2022.</p> <p>Recommendations –</p> <p>Council is recommended to note the updated Rapid Rehousing Transition Plan submitted to the Scottish Government on 4 July 2022.</p> <p>Mr Anderson spoke to the report highlighting the challenges over withdrawing B&amp;B provision and Housing's success in doing so, before taking questions.</p> <p>Councillors McKenzie and Curran expressed their congratulations at what has been achieved suggesting this model can be replicated and even promoted to other authorities.</p>		
<b>Decision</b>		
All to Note		
<b>Action</b>		
None		

<b>Report No.</b>	<b>Report Title</b>	<b>Report by:</b>
<b>8.14</b>	<b>Trauma Informed practice development in Midlothian report</b>	<b>Head of Adult Services</b>
<b>Outline of report and summary of discussion</b>		
<p>This is an information report providing an update on the development of trauma informed practice in Midlothian.</p> <p>Recommendation –</p> <p>Council is recommended to note the report.</p> <p>Mr Clater spoke to the report before inviting questions.</p> <p>Councillor Parry thanked Mr Clater for this report and suggested a briefing for members that would also look at mental health first aid training.</p>		
<b>Decision</b>		
All to Note		
<b>Action</b>		
Members Briefing on Trauma Practice and Mental Health First Aid – Head of Adult Services		

<b>Report No.</b>	<b>Report Title</b>	<b>Report by:</b>
<b>8.15</b>	<b>Additions to Family Leave - Pregnancy Loss Pledge and Fertility Treatment Leave Report</b>	<b>Chief Officer Corporate Solutions</b>
<b>Outline of report and summary of discussion</b>		
<p>The Miscarriage Association is urging employers across the UK to commit to supporting their staff through the distress of miscarriage. They are encouraging</p>		

businesses and organisations to meet their new pregnancy loss standard to ensure that employees going through what can be a very difficult or traumatic time get the support and time off they need.

To date, amongst others, the British Army, Fife Council, West Dunbartonshire Council, East Renfrewshire Council and Inverclyde Council have signed up for the Pregnancy Loss Pledge.

The standard asks employers to understand and implement the rules around pregnancy-related leave, create a supportive work environment, to have a policy or guidance in place, to ensure line managers have access to resources to help them manage a difficult situation and to support people, including partners, back to work by showing flexibility wherever possible.

Recommendation –

- Consider committing to the Miscarriage Association's Pregnancy Related Pledge, also
- to further providing paid time off up to 5 days (pro rata) for any employee who has suffered a miscarriage and for their partner too, and
- to provide support to employees who have decided to go through the in-vitro fertilisation (IVF) process and allow 2 days paid leave (pro rata) per cycle of treatment up to a maximum of 5 days (pro rata) in a leave year for the employee and their partner.

Mr Fairley Spoke to the report before inviting questions.

All members welcomed this paper and felt it did not go far enough.

Councillor Drummond proposed that –

- recommendation 2 be increased from 5 to 10 days,
- also pending HR advise anyone using IVF would be treated the same

Councillor Virgo seconded

Report and amendment unanimously passed

### Decision

Agreed

### Action

Recommendation 2 - To be increased from 5 to 10 days , also pending HR advice IVF would be treated equally – Chief Officer Corporate Solutions

The meeting then moved to private consideration of the following reports:-

9.1 - Acquisition of Office and Industrial Investment at Hardengreen One And Two, Eskbank, Dalhousie Road, Dalkeith, EH22 3NX Report by Executive Director Place

9.2 - Easthouses Primary School – Audit Report by Chief Executive

9.3 - Learning Estate Investment Plan 3 Bids Report by Executive Director Children, People & Partnerships

The meeting concluded at 2.50pm

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**Date of Next Meeting 4 October 2022**

# Midlothian Council Minute Volume



**Presented to the Meeting  
of Midlothian Council  
on Tuesday, 04 October 2022**

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

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MINUTE Midlothian Council for Approval 23 Aug 2022 for Approval 3 - 20

PRIVATE MINUTE Midlothian Council for Approval 23 Aug 2022 for Approval

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

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

Cabinet 08 March 2022 21 - 26

General Purposes Committee 06 June 2022 27 - 30

Cabinet 07 June 2022 31 - 38

Business Transformation Steering Group 13 June 2022

Planning Committee 14 June 2022 39 - 48

Local Review Body 20 June 2022 49 - 56

Local Review Body 27 June 2022 57 - 62

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

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

Midlothian Integration Joint Board 16th June 2022 63 - 72



# Action Log



No	Subject	Date	Action	Action Owner	Expected completion date	Comments
1	Minute action - prospective crematorium development.	16/11/2021	Scope potential suitable sites for prospective crematorium development.	Chief Officer Place	February 2023	Report scheduled for February Council.
2	Motion Amendment – Loanhead Football Club	16/11/2021	Update the Sports Needs Assessment from 2016 and report to future council meeting	Head of Adult Social Care/ Sport & Leisure Manager	TBC	Slight delay in report due to lack of response from some clubs. This issue has been proactively followed up and anticipated that report will be available at the end of September.
3	Motion - Infrastructure	14/12/2021	Report to Council Strategic Investment Framework	Executive Director Place	TBC	Strategic Infrastructure Investment Framework 2 <sup>nd</sup> stage review has commenced and full report shall be presented to Council when completed and available.
4	Minute Action - CCTV	14/12/2021	To Provide a Report outlining an expansion of sites for CCTV	Chief Officer Place	February 2023	Procurement & progress in Phase 1 from current Council approval. Phase 2 is the expansion which needs further

No	Subject	Date	Action	Action Owner	Expected completion date	Comments
						consideration with a report anticipated for February Council
5	Minute Action – Improving Energy efficiency by tackling Dampness, Condensation and improving ventilation	15/02/2022	Provide a Report to Council  Additional Report – Update on Current Housing Stock that will not meet Energy Efficiency Targets	Chief Officer Place	December 2022	Work progressing. EESH2 Report scheduled for December Council.
6	A paper covering the capital projects procurement process and how councillors can have greater scrutiny over procurement decisions	28/06/2022	including using the development partner Hub South East Scotland's competitive tender process	Head of Development	September 2022	Completed. All members Procurement Briefing session held on 21 September included Overview of Procurement, Procurement Routes, Capital Projects and Local Procurement Strategy,
7	A Briefing on procurement for councillors later in the year	28/06/2022	Procurement Briefing	Head of Development	September/ October 2022	Completed. All members Procurement Briefing session held on 21 September included Overview of Procurement, Procurement Routes, Capital Projects and Local Procurement Strategy,

No	Subject	Date	Action	Action Owner	Expected completion date	Comments
8	Arm's Length Company to Manage Industrial Sites in Midlothian	28/06/2022	Explore and outline process for creating an Arm's length company	Head of Development	December 2022	Report scheduled for December Council
9	Motion - Standing up for Responsible Tax Conduct	23/08/2022	Procurement Policy to be amended to include word change	Legal Services/ Procurement	October 2022	Completed Policy variation from Council recommendation
10	Risk Management Strategy Report	23/08/2022	Briefing for Councillors Virgo & McKenzie	Executive Director Place	TBC	Briefing meeting arranged
11	Wheelchair Accessible targets	23/08/2022	Opportunities that would increase targets	Executive Director Place	TBC	Scoped into the Local Development Review once commenced. Opportunities for other developments as they arise.
12	Briefing - Trauma Informed practice	23/08/2022	Members Briefing on Trauma Practice and Mental Health First Aid	Head of Adult Services	TBC	Trauma training will be arranged when Trauma Lead is in post (recruitment currently in process). Mental Health Training can be provided by Health in Mid who can design bespoke half day training for elected members. Confirmation of date required and then

No	Subject	Date	Action	Action Owner	Expected completion date	Comments
						can be arranged with Health in Mind.
13	Additions to Family Leave - Pregnancy Loss Pledge and Fertility Treatment Leave Report	23/08/2022	Recommendation to be increased to 10 days and include couples using IVF pending HR advice	Chief Officer Corporate Solutions	October	Completed Policy variation from Council recommendation
15	Quality Scoping Report	23/08/2022	on the quality of builds over the last 10 years comparing all tendered projects including with those of HUB SE	Executive Director Place	TBC	Peer Review of Hub SE tender process completed. Separate commission procured for wider scope schools review.



Midlothian Council  
Tuesday 04 October 2022  
Item 8.1

# Midlothian Council

**Annual Audit Report to Members  
and the Controller of Audit - year  
ended 31 March 2022**

**27 September 2022**



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<b>Wider scope dimensions</b>	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited body's: <ul style="list-style-type: none"><li>▶ financial position and arrangements for securing financial sustainability</li><li>▶ suitability and effectiveness of corporate governance arrangements</li><li>▶ effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets</li></ul> Provide an update on the our work in respect of assessing the Council's arrangements to secure Best Value across our audit appointment period	24
<b>Appendices</b>	Undertake statutory duties, and comply with professional engagement and ethical standards:  Appendix A: audited body's responsibilities Appendix B: required auditor communications Appendix C: independence and audit quality Appendix D: action plan Appendix E: summary of adjusted differences identified during the audit Appendix F: Timing and deliverables of the audit Appendix G: Likely developments in sustainability reporting	45

## About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of Midlothian Council (the Council) for financial years 2016/17 to 2021/22. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the Council and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. This report has not been designed to be of benefit to anyone except the recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

## Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may contact the Ombudsman or the Scottish Public Services Ombudsman. We can provide further information on how you may contact our professional institute.

# Executive Summary: Key Conclusions from our 2021/22 audit

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*[We have issued an unqualified audit opinion on the Council and Group 2021/22 financial statements.]*

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We continued to review and update our risk assessment throughout the audit, including the materiality level applied. Our materiality levels were reduced and valuation of property, plant and equipment elevated to a significant risk.

## Financial Statements

*[We have concluded our audit of the Council's financial statements for the year ended 31 March 2022.]* Nine adjustments were made to the financial statements since the publication of the unaudited financial statements in June 2022. We did not identify any unadjusted differences that we are required to communicate. The draft financial statements and supporting working papers were provided on time and were of a good quality however we did identify an increased number of adjustments and control observations. We worked with management to make enhancements to the Management Commentary and notes to the financial statements, in particular to ensure the financial statements reflected recent good practice guidance from Audit Scotland around the disclosures of related parties.

We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate. We were generally satisfied that the Annual Governance Statement reflects the requirements of the *Delivering Good Governance Framework*, and the key changes in governance arrangements that were required as a result of changes to working practices due to Covid-19.

## Going Concern

In accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under a revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Council has concluded that there are no material uncertainties around its going concern status, however it has continued to include enhanced disclosures around its future financial position in the financial statements to reflect the impact of Covid-19 and inflationary pressures. We have no matters to report in respect of our work around going concern or the conclusions reached by the Council.

## Wider Scope and Best Value

We summarise the conclusions we reached in response to our work on the wider scope dimensions below.

### Financial Sustainability



Initial forecasts for the updated Medium Term Financial Strategy set out an increasing projected budget gap reaching £27.1 million by 2027/28. In order to deliver a balanced budget, challenging decisions on service priorities and expenditure commitments, careful evaluation of new spending commitments and the delivery of challenging levels of savings are urgently required. However, we continue to report that as a matter of urgency, officers and elected members need to work together to agree the medium-term financial strategy and progress the Council's transformation plans with measures to address the 2023/24 budget requiring urgent agreement. Our assessment of red also recognises the ongoing challenge facing local authorities and the level of risk and uncertainty outside the Council's control, all of which has been exacerbated by the impact of the pandemic and the cost of living crisis.

### Financial Management



The Council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding of the ongoing impact of Covid and other financial pressures. The importance of good financial control is clearly understood across the Council but we have noted an increase in the volume and value of audit adjustments, alongside an increase in control observations. The finance team is moving into a transition phase with the departure of the Section 95 officer and it is important that transition arrangements are implemented to ensure appropriate skills and capacity remain within the finance team. It is a combination of these factors which have resulted in the amber rating in respect of financial management.

### Governance & Transparency



The key features of good governance remain in place at the Council.

The Council's Audit Committee assessed itself as having a medium to high degree of performance and effectiveness during the year. A review should be undertaken to ensure that revised governance arrangements following the elections meet the changing scrutiny needs of the Council.

The Council opted out of the shared internal audit service in 2022 but there is not yet a permanent replacement in place. Monitoring of the internal audit team's capacity should be a priority.

### Value for Money



The Council's arrangements for performance monitoring, improvement and self-assessment have continued through the global pandemic. We note reports to both committees and available to the public, continue to be heavily narrative based resulting in performance being harder to readily interpret. Dashboard reporting is being used within some areas and should be expanded. We note that performance as reported through the annual balanced scorecard has improved this year. While there remains further scope for improvement, the Council has demonstrated continuous improvement after challenging years.

## Best Value Conclusion

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to our overall assessment and assurance on the Council's achievement of Best Value. Good progress continues to be made against the Best Value improvement plan but key themes from the report will remain relevant, particularly as work progresses on setting the medium term financial strategy.



# Introduction

As a result of the impact of Covid-19, Audit Scotland and the Accounts Commission agreed to extend our appointment as external auditor of the Council to 2021/22.

## Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of Midlothian Council (“the Council”). Our appointment term was extended by a further 12 months, to financial year 2021/22. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is intended to summarise the key findings and conclusions from our audit work. It is addressed to both members of the Council and the Controller of Audit, and presented to those charged with governance. This report is provided to Audit Scotland and will be published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Council. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our Annual Audit Plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Council employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the Council in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations.

## Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

## Scope and Responsibilities

The Code sets out the responsibilities of both the Council and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan, which was presented to the Council's Audit Committee in March 2022.

### Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £7.7 million. We considered whether any change to our materiality was required in light of Covid-19 and the Council's 2021/22 financial performance. As a result of reduced expenditure in year, our materiality was revised to £7 million. A further amendment was made during audit fieldwork to reduce our tolerable threshold due to the level of adjustments identified through our audit work.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

We updated our assessment of materiality based on the 2021/22 financial performance. Planning materiality was reduced from £7.7 million to £7 million.

Overall Materiality	Tolerable Error	Nominal amount
<b>£7 million</b>	<b>£3.5 million</b>	<b>£250,000</b>
2% of the Council's net expenditure	Materiality at an individual account level	Level that we will report to committee

As outlined in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.

### Financial statement audit

We are responsible for conducting an audit of the Council's financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view of the financial position of the Group and Council as at 31 March 2022 and its expenditure and income for the year then ended; and
- ▶ whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published along with the financial statements. Our findings are summarised in Section 2 of this report.

### **Wider Scope audit**

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for money.

Our findings are summarised in Section 3 of this report.

### **Best Value**

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to our overall assessment and assurance on the Council's achievement of Best Value. We outline our findings and assessment for 2021/22 on page 40.

# Financial Statements audit

## Introduction

The annual financial statements provide the Council with an opportunity to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted two areas that we identified as a significant risk of material misstatement or fraud risk:

- ▶ the risk of fraud in revenue and expenditure recognition (significant risk); and
- ▶ misstatements due to fraud or error (fraud risk).

## Compliance with Regulation

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the Council to prepare financial statements, ensure their availability for public inspection and consideration by the Council or a committee with an audit or governance remit. Despite the ongoing impact of the pandemic and recovery, the Council complied with the regulations and the normal timescale concerning preparation, publication and approval of its annual financial statements. We received the unaudited financial statements on 29 June 2022.

The inspection notice was published by the Council in line with the requirements of the Regulations. No objections were received in relation to the financial statements.

## Preparation of the Financial Statements

The unaudited financial statements prepared by management were to a good standard and were materially compliant with the Code and required disclosures. As part of the audit process, we worked with management and the finance team to make amendments and enhancements to the presentation. Our focus included consideration of the appropriateness of the disclosures related to the ongoing impact of Covid-19 and recovery activities, including in the management commentary, governance statement and financial statements notes.

The draft financial statements were submitted for audit in line with planned timescales. The inspection notice was published in accordance with requirements.

The financial statements continue to be prepared with a robust internal process, including quality assurance checks prior to being submitted for audit.

This year we worked with management to consider guidance from Audit Scotland issued to local government bodies, following a review of the related parties disclosed within the 2020/21 financial statements of 30 Scottish councils. The disclosures of related parties were chosen for a good practice review because of potential impact of the relationships in understanding the financial statements, along with indications that the quality of disclosures were variable. Following our review and discussions with management, a number of enhancements were made to further align them with identified areas of good practice.

### **Group financial statements**

The Council has identified and accounted for the following interests in other entities within its group financial statements:

- ▶ Pacific Shelf 826 Ltd;
- ▶ Trusts, Bequests, Common Good and Community Funds;
- ▶ Lothian Valuation Joint Board;
- ▶ Midlothian Energy Limited; and
- ▶ Midlothian Integration Joint Board.

Midlothian Energy Limited is a joint venture with Vattenfall, a Swedish state-owned energy company. The venture will support the delivery of low carbon energy projects across the Midlothian area.

No matters were identified as a result of our review of the group consolidation arrangements within the financial statements. Midlothian Integration Joint Board is the only entity in scope for our group audit arrangements. All required audit work was provided by the IJB audit team to the Council audit team in line with timeframes agreed and with no exceptions or reportable matters noted.

### **[Audit Status**

*Our audit work is substantially complete with the following areas of work ongoing:*

- ▶ *Completion of procedures in respect of infrastructure assets;*
- ▶ *Finalisation of the Manager and Partner review; and*
- ▶ *Subsequent events procedures.]*

### **Audit Outcomes**

We identified nine audit difference arising from the audit, which have been summarised in the relevant sections of this report. These adjustments have been adjusted by management in the finalised financial statements. No unadjusted differences were identified. Our overall audit opinion is summarised on the following page.

# Our audit opinion

## Element of opinion

## Basis of our opinion

## Conclusions

<p>Financial statements</p> <ul style="list-style-type: none"> <li>▶ Truth and fairness of the state of affairs of the Group and Council at 31 March 2022 and its expenditure and income for the year then ended</li> <li>▶ Financial statements in accordance with the relevant financial reporting framework</li> </ul>	<p>We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.</p> <p>We are satisfied that accounting policies are appropriate and estimates are reasonable</p> <p>We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.</p>	<p><i>[We issued an unqualified audit opinion on the 2021/22 financial statements for the Council and its Group.]</i></p>
<p>Going concern</p> <ul style="list-style-type: none"> <li>▶ We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting</li> </ul>	<p>We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis.</p> <p>Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.</p>	<p><i>[In accordance with the work reported on page 22, our audit opinion is unqualified in this respect.]</i></p>
<p>Other information</p> <ul style="list-style-type: none"> <li>▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit</li> </ul>	<p>We conduct a range of substantive procedures on the financial statements.</p> <p>We conduct a range of substantive procedures on the financial statements and our conclusion draws upon Review of committee and board minutes and papers, regular discussions with management, our understanding of the Council and the wider sector.</p>	<p>We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.</p>
<p>Matters prescribed by the Accounts Commission</p> <ul style="list-style-type: none"> <li>▶ Audited part of Remuneration Report has been properly prepared.</li> <li>▶ Management Commentary / Annual Governance Statement are consistent with the financial statements and have been properly prepared.</li> </ul>	<p>Our procedures include:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the content of narrative disclosures to information known to us.</li> <li>▶ Our assessment of the Annual Governance Statement against the <i>Delivering Good Governance</i> Code.</li> </ul>	<p><i>[We issued an unqualified opinion.]</i></p>
<p>Matters on which we are required to report by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> <li>▶ there has been a failure to achieve a prescribed financial objective,</li> <li>▶ adequate accounting records have been kept,</li> <li>▶ financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records, or</li> <li>▶ we have not received the information we require.</li> </ul>	<p>We have no matters to report.</p>

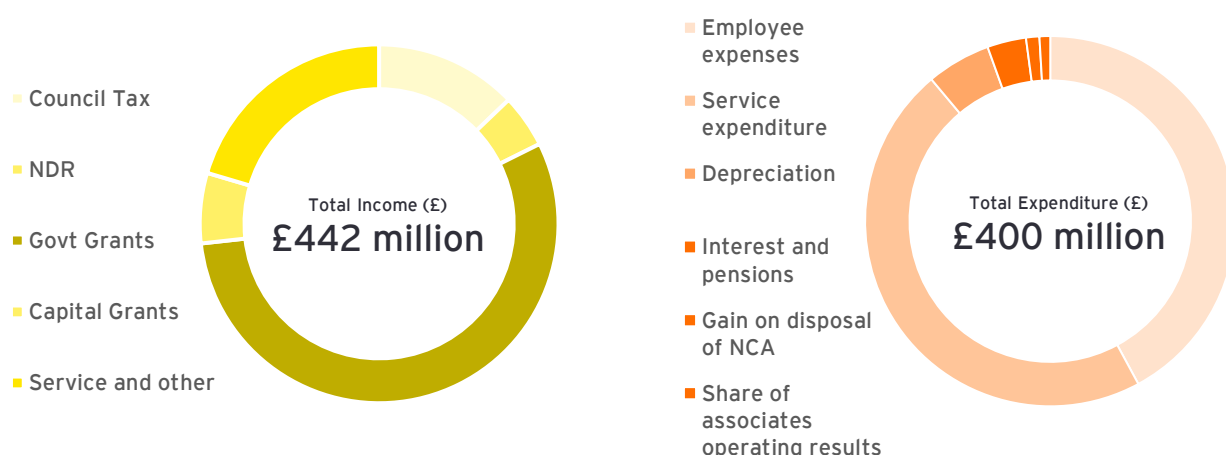
# Significant and fraud audit risks

## What is the Risk of Fraud in income and expenditure recognition

As outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

In our audit planning, we rebutted the risk of improper recognition of core grant funding income from the Scottish Government, as well as in respect of council tax and non-domestic rate income because there is no judgement in respect of these income streams. We also rebut the risk around payroll expenditure recognition. We have outlined below how our assessment impacts our testing strategy on the Council's financial statements.

**Exhibit 1: Key components of the Council's income and expenditure as accounted for within the 2021/22 financial statements**



Source: 2021/22 Financial Statements: Note 12 Expenditure and Income analysed by nature

Exhibit 1 sets out the financial position of Group and Council as per the Group Comprehensive Income and Expenditure Statement which reported a surplus on provision of services of £42 million. After taking account of adjustments between accounting basis and funding basis under regulations there is a net reduction in Useable Reserves for the Council of £19.7 million in the year.

For both income and expenditure we focus on the risk in relation to the occurrence, completeness and measurement of income and expenditure recognised around the financial yearend through the process of yearend accruals. For income we also focus on the recognition of grant income where there are conditions attached to the recognition, and on the treatment of capital grant income to ensure it is not accounted for as revenue.

Our work included:

- ▶ Review and challenge management's accounting estimates on revenue or expenditure recognition for evidence of bias.
- ▶ Focusing our testing on income and expenditure recognised around the financial yearend through manual journals and accruals raised by management.
- ▶ Search for material payments and receipts received after year end and ensured these had been accounted for in the correct period

### **Our Audit of Other Income and Expenditure**

We undertook walkthroughs in respect of the processes management established to account for material income and expenditure streams. We obtained data downloads from the Council's financial ledger to allow us to trace key transactions from initiation to recording in the financial statements.

### **Other audit procedures: non-significant risk areas:**

**Council tax income:** We established detailed expectations of income based on properties and rates and compared to actual income in the year. We audited the reconciliation between the financial statements and the relevant feeder system.

**Non Domestic Rates:** We established expectations of income to be collected by the billing authority and agreed the reconciliation between the general ledger and the feeder system. We also audit the Council's NDR grant return to the Scottish Government to ensure that reliefs have been applied appropriately.

**Non ring-fenced grant income:** We substantively tested these balances to grant confirmation letters from third parties.

**Interest income:** We agreed balances to bank statements and other third party reports.

**Employee expenses:** We established expectations of payroll costs in the year based on staff numbers and salary movements, and compared our expectations to actual results and investigated variances. Our bespoke data analysers provided analysis of all payroll transactions in the year, from which we investigated and corroborated material and unusual transactions.

**Depreciation, amortisation & impairment:** We undertook testing of these balances in conjunction with our work on property, plant and equipment. We considered the appropriateness of useful lives of assets and recalculated depreciation charged in the year.

**Pension costs:** We have outlined our consideration of the valuation of pension assets and liabilities held by the Council on page 20. In respect of all pension transactions impacting the CIES we agreed these journals to the underlying IAS 19 report prepared by the Council's actuary.



### **Audit of Covid-19 grant income and expenditure**

2020/21 was the first year where income and expenditure transactions were materially impacted by Covid-19. This material impact continued albeit to a lesser extent, in 2021/22 with the Council receiving £9 million from the Scottish Government related to Covid-19 to support the Council in meeting its additional costs, local businesses and the wider public. The material nature of the additional funds created a new income stream for audit consideration in the prior year.

Covid grant income and expenditure continues to be an area of focus. Our audit work focused on:

- ▶ Reviewing the arrangements the Council had implemented to manage the processing, monitoring and reporting of the new income, including addressing the risk of misappropriation and fraudulent claims. Our work and conclusions here are outlined in more detail in the financial management section of our wider scope reporting.
- ▶ Assessing management's accounting treatment of the income and expenditure against the requirements of IFRS, the CIPFA Code and the specific LASAAC guidance issued in the year. We particularly focused on whether income and related expenditure had been correctly categorised as the Council being a "principal" or "agent" in the transaction.
- ▶ Selecting a risk based sample of grants to agree to supporting evidence, in the form of bank receipts, grant awards and other notifications, including the details of the grant award conditions, where relevant.
- ▶ Review of the disclosures made by the Council in the financial statements to ensure they met both accounting requirements and more generally were sufficient to allow readers to understand the nature of the activity in the year given the significance to the Council.

#### **Our conclusions**

- ▶ Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas where we disagreed with management over the accounting treatment.
- ▶ We identified no matters to report in relation to the Council's accounting for Covid-19 grant income and related expenditure in the year.

### **Risk of Misstatement due to Fraud or Error**

Our Annual Audit Plan recognised that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

### **Risk of Fraud**

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

### **Testing on Journal Entries**

We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. In particular we considered:

- ▶ Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- ▶ Journals transferring funds between useable reserves and restricted or separated accounts such as HRA accounts; and
- ▶ Journals adjusting between income and expenditure accounts and capital accounts.

We identified no unusual journals which could not be explained by management or which indicated any additional risk of fraud.

### **Our conclusions**

- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

## **Judgements and Estimates**

ISA (UK) 540 on accounting estimates was issued in December 2019 and was applicable to the 2020/21 audit for the first time with a continuing focus in 2021/22. In particular, risk factors relevant to the public sector included the following examples for consideration by auditors:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as liabilities relating to defined benefit pension schemes (outlined on page 19 of this report); and
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page 16 of this report).

Our procedures included:

- ▶ Testing management's process method, key assumptions, data;
- ▶ Testing management's process-estimation uncertainty;
- ▶ Considering evidence from events up to the report date; and
- ▶ Developing our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias as outlined above, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements. We worked with management to enhance these, as outlined earlier in this report.

## **Accounting Policies**

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Council to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under the Code.

### **Our conclusions**

- ▶ We did not identify any areas of significant estimation or judgement as part of our audit work in these areas where we disagreed with management over the accounting treatment.
- ▶ There were no significant accounting practices which materially depart from what is acceptable under the Code.

## Valuation of Property, Plant and Equipment

The Council's property, plant and equipment (PPE) portfolio totals over £1.12 billion of assets (2021: £0.96 billion). The valuation of these assets requires expertise and significant estimation. To meet the requirements of the CIPFA Code of Practice, the Council values its property, plant and equipment on at least a 5 yearly cycle. Due to the timing of the Council's valuation cycle a significant amount of the Council's estate was subject to revaluation in 2021/22 (£0.99 billion). This included the Council's social housing assets (£0.5 billion) and its schools (£0.43 billion).

The valuation of property, plant and equipment was originally assigned an inherent audit risk within our audit plan. Following our initial review of the valuations and materiality of values associated with adjustments identified, we increased valuation of property, plant and equipment to a significant audit risk.

To address the significant risk, our work focused on the following key areas:

- ▶ Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Sample testing key asset information used by the valuers in performing their valuation based on both size of asset value and our consideration of risk assigned to each valuation (e.g. floor plans to support valuations based on price per square metre).
- ▶ Auditing management's assessment of assets not subject to valuation in the year to confirm that there were no indicators that earlier revaluation was required to prevent material misstatement of each class of asset.
- ▶ Completion of procedures designed to address the requirements of the revised ISA 540, as outlined earlier.
- ▶ Engaging our internal valuation specialists to assess the reasonableness of asset valuations including the significant assumptions and inputs applied by the Council's internal valuers.

Our procedures noted the following:

- ▶ We identified one £8.2 million valuation audit difference through the course of our work around the valuation of the Council's social housing assets, outlined in Appendix E. A further £1.4 million adjustment was identified in respect of social housing asset additions.
- ▶ We identified no assets which had not been revalued which demonstrated indicators they should be revalued in the year. Management brought forward the valuation of schools following their own review.
- ▶ We identified three audit differences in relation to the valuation of schools in 2021/22, outlined in Appendix E. Valuations adjustments included the omission of a school campus from the valuation and the omission of retentions in respect of a new school addition.

## Valuation of Property, Plant and Equipment (continued)

We noted in previous years that the Council's overarching process for valuation of its property, plant and equipment was showing improvements. However, in 2021/22 we noted a number of areas for improvement:

**Recommendation 1: The valuation methodology adopted by the Council's internal valuers should be subject to review to ensure it remains in line with best practice. This should include a review of the quality assurance review arrangements to reduce the level and nature errors in valuations.**

- ▶ A formula error led to a material adjustment within the social housing valuations;
- ▶ A community hub was erroneously omitted from the valuation exercise;
- ▶ Retentions had not been accounted for correctly and there were some minor immaterial adjustments in the disposal of assets;
- ▶ Evidence to support valuations was not readily available (for example, evidence to support the housing valuations was not complete and did not demonstrate appropriate coverage of the Midlothian area);
- ▶ Some valuation reports had not been updated from the prior year to reflect assets age, useful life remaining and in some cases, the valuation method was incorrectly recorded.
- ▶ Conditions surveys have not been routinely performed resulting in up-to-date condition information not being readily available for all asset valuations; and
- ▶ There was a lack of documentation within the valuation reports to support the judgements made, particularly in respect of assets nearing the end of their useful lives.

We additionally noted that the methodology adopted by the internal valuers has not been subject to review in a number of years and we believe could benefit from this to ensure it remains up-to-date with best practice. We do, however, note that management has taken on board previous feedback and recommendations in respect of reviewing the frequency of the valuation cycle with social housing and schools both being revalued in a more timely manner.

### Our conclusions

- ▶ We identified six audit adjustments related to the Council's valuation of assets in 2021/22.
- ▶ We concluded that management has undertaken sufficient procedures to identify any further assets which should be revalued before their cycle valuation date.
- ▶ We observed a decline in the quality of information provided in respect of valuations and therefore recommend that the valuation arrangements are reviewed with a focus on quality review arrangements and the methodology applied by the internal valuers.

**Recommendation 2:** The statutory override is intended to be a short-term solution to issues in respect of accounting for infrastructure assets. The Council should ensure that greater detail on infrastructure assets is retained moving forward and appropriate consideration is given to disposals and replacements of infrastructure assets.

## Infrastructure Assets

The CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom (the Code) requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Due to these assets being difficult to componentise and there often not being a clear linkage between spend and an identifiable asset, councils often capitalise schemes of expenditure and depreciate over an estimated economic life. Assets are removed from the financial statements (“derecognised”) when depreciated to nil, with there rarely being an exercise performed to derecognise the actual asset being replaced. It is possible that asset lives can therefore significantly vary from their estimated life.

Local government auditors raised concerns that Code requirements were not being adhered to particularly in respect of subsequent expenditure on infrastructure assets. The Code requires that where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset. However, largely due to data limitations, it is believed that most local authorities have been unable to comply with the requirement. Due to the information deficits in respect of infrastructure assets, further concerns were raised in respect of the ability to evidence the existence of infrastructure assets at the balance sheet date.

CIPFA LASAAC has been unable to find a solution that will both satisfy audit concerns and the requirement for high quality financial reporting. The Scottish Government however agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code. This temporary solution has been issued with the expectation that local authorities will begin to address information deficits to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements once a permanent solution is agreed.

The override was issued on 29 August 2022 and has two areas:

- ▶ Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- ▶ Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent amendment shall be made to the carrying amount with respect to that part.

Local authorities can choose to adopt either or both of the statutory overrides.

### **Infrastructure Assets continued**

The Council holds infrastructure assets of £31 million (2020/21: £29.5 million) and therefore this is a material balance within the financial balances. *[The Council elected to adopt both statutory overrides resulting in changes to disclosures in the financial statements in respect of infrastructure assets.]* The Council additionally undertook an extensive exercise to determine the records available dating back to 2010. From 2016/17, the Council has been maintaining more granular information within the fixed asset register and supporting workings.

In response to this emerging risk area, we performed the following procedures:

- ▶ Enhanced our understanding of the Council's processes for accounting for infrastructure assets, including how information is recorded on the fixed asset register and the process the Council has for identifying replacement assets.
- ▶ Performed additions testing over new infrastructure assets in year.
- ▶ Analysed the entries in the fixed asset register and reviewed supporting documentation including an analysis of spend back to 1 April 2010.
- ▶ Evaluated the continued existence of infrastructure assets at the balance sheet date through detailed testing.
- ▶ Assessed the accuracy and completeness of disclosures in respect of infrastructure assets including overrides applied.

#### **Our conclusions**

- ▶ Our work in respect of the existence of infrastructure assets and associated disclosures is ongoing. There is a risk that if we are unable to obtain sufficient, appropriate audit evidence to gain assurance over the valuation of these assets that the scope of our audit may be limited.
- ▶ We are [satisfied] that management's disclosures in respect of infrastructure assets are in line with the statutory guidance.
- ▶ We note that while management has undertaken significant work to support the existence of infrastructure assets, further information is likely to be required to support any permanent solutions and therefore management should look to build on work performed during the audit fieldwork.

# Other inherent audit risks

Our Annual Audit Plan highlighted additional areas of inherent risk. We identified no further areas of risk as part of our audit procedures. The results of our procedures on inherent risk areas are summarised below.

## **Valuation of pension liabilities**

The Council's net pension liability, measured as the sum of the present value of the long term payments due to members as they retire against the Council's share of the Lothian Pension Fund investments, is a material balance in the Council's financial statements. At 31 March 2022 the net liability totalled £54 million (2021: £141 million). The pension figures included in the financial statements are those that are prepared annually for accounting purposes as required by IAS 19. The funding of the scheme and the determination of employer contributions is determined with reference to the triennial valuations carried out by the scheme actuary. The last triennial actuarial valuation, in 2020, assessed the overall funding position to be 104% (2017: 99%)

Accounting for this scheme involves significant estimation and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by its actuary. We have outlined on the previous page our requirement to consider this estimate in line with the requirements of ISA 540. In particular, for the valuation of pension assets and liabilities we are required to undertake procedures on the use of management experts, the assumptions underlying fair value estimates, and the valuation of the Council's share of scheme assets and liabilities at the year end.

Our audit work focused on the following areas of judgement within these balances included:

- ▶ Auditing the reasonableness of the underlying assumptions used by the Council's actuary, including those associated with recent developments in relation to the various ongoing equalisation case judgements such as the GMP, McCloud and Goodwin rulings.
- ▶ Ensuring the information supplied to the actuary in relation to the Council was complete and accurate and that our own estimate of the valuation based on those inputs was materially consistent with the actuarial reports.
- ▶ Considering the findings of the appointed auditor of the Lothian Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council, in particular in relation to the valuation of the Pension Fund assets at 31 March 2022.
- ▶ Auditing the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.

### **Our conclusions**

- ▶ The assumptions used by the actuary were reviewed by our EY actuarial team who concluded that the assumptions and methodology used are considered to be within a range which is appropriate.
- ▶ The auditor of the Lothian Pension Fund reported no material differences in the valuation of assets held by the Fund.



### **Financial fiscal flexibilities**

In October 2020 the Cabinet Secretary wrote to COSLA to confirm three financial flexibilities for local government with further details to be brought forward in statutory guidance:

- ▶ Use of capital receipts to fund revenue Covid-19 expenditure in 2020/21 and 2021/22.
- ▶ Loans fund repayment holiday in either 2020/21 or 2021/22.
- ▶ Extension of PPP and other similar contract debt repayment periods to reflect asset lives.

The capital receipts and loans repayment holiday were originally only to be used for the purposes of addressing Covid-19 related costs, whereas the change to PPP accounting may provide a wider flexibility however greater flexibility was later provided. Local authority Directors of Finance and COSLA have been liaising with the Scottish Government to clarify the practicalities of the flexibilities. The revised legislation for capital receipts and loans repayments was considered by the Local Government and Communities Committee in February 2021 where there was committee support.

Council delegated authority to the Chief Officer Corporate Solutions, in consultation with the Group Leaders approval, to apply flexibilities as required, based on the outcome of the ongoing discussion with the Scottish Government, on the actual outturn position at the year end and an assessment of continued Covid-19 financial pressures for 2021/22. In accordance with the delegated authority approved in February 2022 by Council the use of the repayment flexibility in 2022/23 was approved. In May 2022, the Scottish Government agreed to extend the loans fund repayment deferral flexibility for a further year.

The options in respect of flexibilities have been reported to Council throughout the year, as guidance has developed. The latest position on flexibilities was reported to Council in August 2022 which noted that they would utilise the loans fund repayment holiday in 2021/22 and 2022/23. In respect of the service contract concessions, the Council is reviewing the latest statutory guidance in place to fully evaluate the accounting treatment and any associated financial provisions.

We worked with the Council to ensure appropriate financial statement disclosures were in place with respect of planned and actual use of financial flexibilities.

# Going concern

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. In accordance with the CIPFA Code of Practice on Local Government Accounting, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, the ongoing cost of living crisis and inflationary pressures, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Council and its financial sustainability. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements to October 2023. We note that the going concern period extends beyond the period for which an agreed financial plan is in place and therefore, we have focused on the assumptions made by management in the period between April 2023 and October 2023.

Management's going concern assessment reported that the Council shall prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. It reported significant access to cash to support the cost of delivering services, with balances more than sufficient to cover a plausible downturn in Council income from variable sources, and access to other useable reserves in committed funds which could be reallocated as necessary. On this basis the Council concluded that there are no material uncertainties around its going concern status.

## Our conclusions

- ▶ We *[reviewed and challenged]* the going concern assessment provided by management. We verified the assessment to supporting information, including key Council reports and treasury management forecasts of future cash balances. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Council, or of the wider Group where they are material to the consolidated financial statements.
- ▶ We *[worked with management]* to enhance the disclosures in the financial statements in relation to the Council's future financial performance and ongoing work in respect of the revised medium term financial plan.

# Looking ahead

## CIPFA/LAASAC Code for 2022/23

Local authorities are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The most significant change to the Code for 2022/23 relates to IFRS 16.

We have reported in previous years that IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 has been delayed on a number of occasions in local government financial statements for various reasons. Most recently, CIPFA/LASAAC conducted an emergency consultation on the Code for both 2021/22 and 2022/23 in March 2022. This resulted in a further deferral to the implementation of IFRS 16 until 1 April 2024. However early adoption will be permitted from either 1 April 2022 or 1 April 2023.

While implementation has been further delayed, the Code strongly encourages early adoption and therefore all finance teams are encouraged to continue their preparations for implementation and to ensure that they are ready to adopt the standard in the next three years.

We have outlined previously that full compliance with the revised standard is likely to require a detailed review of existing leases and other contract documentation prior to the implementation date in order to identify:

- ▶ all leases which need to be accounted for;
- ▶ the costs and lease term which apply to the lease;
- ▶ the value of the asset and liability to be recognised as at 1 April; and
- ▶ where a lease has previously been accounted for as an operating lease.

Work is therefore necessary to prepare information required to enable the Council to fully assess their leasing position and ensure compliance with the standard.

We have discussed progress in preparing for the implementation of *IFRS 16 Leases* standard with the finance team over the course of the past few audits and are satisfied robust arrangements were being established to assess the impact of the changes for inclusion in the financial statements.

The implementation of IFRS 16 has been delayed until 1 April 2024 however early adoption is permitted.

The Council finance team has previously performed an initial assessment of the impact of the change on the Council's financial statements which will be revisited once an adoption date is agreed.

# Best Value and Wider Scope dimensions

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value.

## Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the Council's arrangements for the four wider scope audit dimensions. We also draw upon these assessments and other work to form conclusions on the Council's ability to demonstrate Best Value in its activities. In undertaking our work in respect of the wider scope audit dimensions, we also integrate our assessment of the Accounts Commission's five Strategic Audit Priorities.

We apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. In doing so, we draw upon conclusions expressed by other bodies including the Council's internal auditors, and the other scrutiny bodies that we work with on the Local Area Network including Education Scotland and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland. As the appointed auditor, we are the LAN Lead. The LAN has determined, in agreement with the Council, that no separate scrutiny plan was required for 2021/22.

For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

- ▶ **Financial Sustainability:** Considers the medium and longer term outlook to determine if planning is effective to support service delivery.
- ▶ **Financial Management:** Considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- ▶ **Governance and Transparency:** Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.
- ▶ **Value for Money:** Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.

# Financial Sustainability

**Our overall  
assessment:  
Red**



The Council's existing Medium Term Financial Strategy ('MTFS') runs until March 2023. Work on a revised strategy is underway but initial forecasts for the updated strategy set out an increasing projected budget gap of £27.1 million by 2027/28. Recurring expenditure exceeds recurring funding by £13 million with one off funding sources required to balance the budget in the current year with the gap increasing across the term of the MTFS. The parameters in respect of Scottish Government grant support, as set out in Government's Resource Spending Review published on 31 May 2022 indicates cash flat grant settlements at a time when costs continue to rise. The assumptions underpinning all forecasts will require regular review as inflationary forecasts are updated and pay award settlements finalised. These factors are likely to increase existing budget gaps identified and increase the requirement for robust saving plans.

In order members to fulfil their statutory duty to deliver a balanced budget, challenging decisions on service priorities and associated expenditure commitments, careful evaluation of new spending commitments and the delivery of challenging levels of savings will be required. As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the council's transformation plans. The immediate priority is to ensure that measures to balance the 2023/24 budget are agreed as part of the development of the MTFS. Our assessment of red also recognises the ongoing challenge facing local authorities and the level of risk and uncertainty outside the Council's control which could impact its ability to deliver savings, all of which has been exacerbated by the impact of the pandemic and the cost of living crisis.

## **Context for Local Government Financial sustainability**

The Scottish Government's 'Resource Spending Review' was published on 31 May 2022 and sets out the high level parameters for resource spend within future Scottish budgets up to 2026-27. The plan is focused on how the Scottish Government will allocate funding to achieve their strategic outcomes and priorities:

- ▶ Tackling child poverty;
- ▶ Addressing the climate crisis;
- ▶ Securing a stronger, fairer, greener economy; and
- ▶ Delivering excellent public services.

The review sets out that there will be no increases to core local government funding for the next 3 years with the local government budget estimated to decline in real terms by 7% between 2022/23 and 2026/27. While the spending review is not a finalised budget, it provides the sector with an indication of likely funding allocations. In August 2022, the Council's Section 95 officer set out to Council, the extremely challenging parameters for local government which are exacerbated for Midlothian by the financial pressures associated with population growth.

The Scottish Parliament's Finance and Public Administration Committee, as part of its pre-budget setting scrutiny for 2023/24, launched a call for views on Scotland's public finances and the impact of both the cost of living crisis and public service reform in August 2022. This consultation has included seeking views on the priorities within the Resource Spending Review and how the Scottish Government should respond to inflationary pressures and the cost of living crisis within its 2023-23 budget.

While the Council has managed its finances well to respond to the pressure on services and communities caused by the pandemic, the underlying gap between recurring expenditure and recurring income reliance on one-off savings and solutions is not sustainable in the medium term to balance budgets.

This decline in funding for 2022-23 onwards in real terms occurs at a time when the UK is facing an unprecedented cost of living crisis and local authorities across Scotland are working to agree new medium-term financial plans.

#### 2022/23 Performance to date

Like all councils in Scotland, the impact of the Covid-19 pandemic and inflationary pressures continue to create significant financial pressure in 2022/23. The Council's most recent financial update report, prepared in August 2022, forecasts a small overspend of £0.225 million for the financial year. The budget for 2022/23 does however have significant risks and uncertainties:

- ▶ Inflationary pressures - to date, £1.4 million of unbudgeted costs have been identified to date in respect of inflation, largely relating to energy prices and contractual inflation embedded in contracts such as the Public Private Partnership contracts.
- ▶ Pay pressures - 2022/23 pay claims for all of the local government bargaining groups have yet to be concluded at the time of writing. While the Scottish Government has committed to providing some additional funding, it is not anticipated that this would fully meet the cost of the current pay offers, creating a further uncommitted budget gap.
- ▶ Cost reductions - there remains £1.3 million of cost reductions to be finalised within the budget however the plans are all now at implementation stage.

While the current forecast general reserve of £4 million is above the minimum set by the Council's Reserves Strategy, the risks and uncertainties highlighted above could result in an adverse movement to this balance and therefore will require extensive close monitoring.

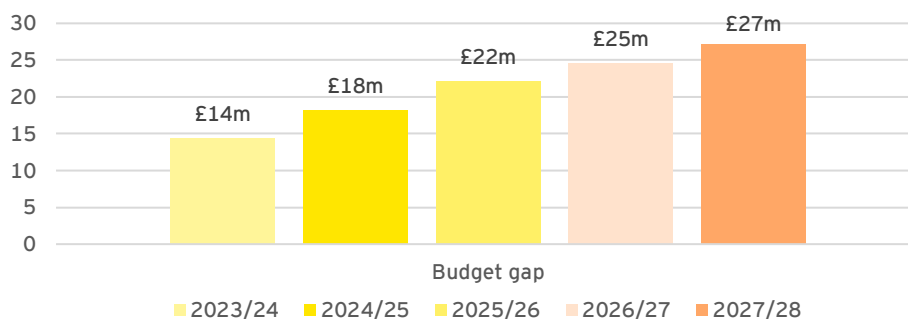
#### Development of the revised MTFS to 2027/28

Following the local government election in May 2022, work has accelerated in respect of the Medium Term Financial Strategy ('MTFS') covering the budgets to be determined during this term of Council for financial years 2023/24 to 2027/28. The aim of the MTFS is to provide a multi-year strategy aligned to the development and approval of the Midlothian Council Strategic Plan 2022-2027.

In line with the previous MTFs, the cross-party Business Transformational Steering Group is tasked with assessing and approving further proposals to deliver a sustainable financial plan, drawing upon consultation with communities. An update on the development of the MTFs was presented to Council in August 2022 setting out the current budget gap across the next 5 years alongside the proposed timetable for:

- ▶ Presentation, consultation and finalisation of the proposed strategic plan.
- ▶ Presentation, consultation and finalisation of the MTFs, savings plans and associated savings measures.

**Exhibit 2: The Council has updated its forecast yearend position through the financial year**



Source: Midlothian Council - Medium Term Financial Strategy - 2023/23 to 2027/28

Exhibit 2 highlights the scale of the challenge facing the Council over the next five years with the funding gap, the extent to which recurring expenditure exceeds projected recurring income, likely to grow as the projections are updated to take into account the latest inflation projections and forecast demographic growth. In the current year, recurring expenditure exceeds recurring funding by £13 million with one off funding sources required to balance the budget. This gap grows across the term of the MTFs. To date, there has been no agreement on plans to address the budget gaps but work in this area is ongoing.

Over recent years, largely due to the impact of the Covid-19 pandemic, the Council has relied on one-off non-recurring measures in order to deliver a balanced budget. We continue to emphasize that this approach is not sustainable in the medium to long term and the Council does not currently have sufficient one-off measures to address the gaps identified for 2023/24. In order to deliver a balanced budget, challenging decisions on service priorities and associated expenditure commitments, careful evaluation of new spending commitments and the delivery of challenging levels of savings will be required. As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans. Identifying recurring measures to address budget gaps will be crucial in ensuring the Council's longer term sustainability and enable the Council to respond proactively to the ever changing external environment.

**Recommendation 3: As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans. The key priority is to ensure measures to balance the 2023/24 budget are agreed as part of the development of the MTFs.**

The immediate priority will be to ensure that measures to balance the 2023/24 budget are agreed as part of the development of the MTFS.

We are also aware of the ongoing National Care Service review which is likely to result in significant changes to the service delivery model which is anticipated to impact local government services and funding thus impact the Council's current financial and future planning assumptions.



# Financial Management

**Our overall assessment: Amber**



The Council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding of the ongoing impact of Covid and other financial pressures.

The importance of good financial control is clearly understood across the Council but we have noted an increase in the volume and value of audit adjustments, alongside an increase in control observations.

The finance team is moving into a transition phase with the departure of the Section 95 officer and it is important that transition arrangements are implemented to ensure appropriate skills and capacity remain within the finance team. It is a combination of these factors which have resulted in the amber rating in respect of financial management.

**Recommendation 4:** Management should undertake a review of the errors and control observations identified during the audit and ensure that appropriate actions are taken to both improve processes and to reduce the number and value of audit adjustments.

## Financial control environment

While our financial statement audit work is not designed to express an opinion on the effectiveness of internal control, we consider the financial control environment through the course of our interactions and observations through the audit.

During the course of our audit fieldwork, we noted an increase in the number of adjustments and control issues encountered during the audit including:

- Adjustments within the bank reconciliations relating to reconciling items.
- Errors in formulas within working papers for provisions and housing valuations.
- Inability to reproduce original BACS files for requested dates.
- Cut-off adjustments in respect of assets under construction.
- Inability to produce a council tax listing from the Civica Open Revenues system which reconciled to the financial statements.
- PPE valuations improvements have been noted on page 17.

As illustrated in Appendix E, the adjustments identified relate to the balance sheet accounts. Based on work undertaken, we have not noted any material deficiencies in internal control however we have noted a number of areas for improvement. We understand management has already commenced investigations into the areas for improvement identified in order to improve processes.

## Financial Regulations

The Council's financial regulations were subject to review during the year with approval by Council in June 2022. The financial directives have also been subject to review with a progress update made to the Audit Committee in June 2022. This initial exercise identified a number of directives requiring a more detailed review to ensure they are both up-to-date and user friendly. This exercise is currently ongoing.

**Recommendation 5:** Management should ensure appropriate handover arrangements are in place for the section 95 officer and ensure the finance team continues to have sufficient skills, capacity and capability.

The Council’s section 95 officer is the Chief Officer - Corporate Solutions. We are satisfied that the Council adheres to the principles laid out within CIPFA’s Statement on the role of the Chief Financial Officer in Local Government. In our view there is evidence that the Council continues to have sufficient financial skills, capacity and capability.

The section 95 officer is due to leave his role in October 2022 and the Council is currently establishing handover arrangements with an interim arrangement being implemented while a permanent appointment is made. The loss of an experienced and knowledgeable officer, at a time of significant pressures on the finance team, means that it is crucial that appropriate arrangements are in place to allow for a smooth transition and ensure that there is sufficient financial skills, capacity, capability and knowledge within the finance team.

**Financial monitoring and outturn**

The Council’s financial monitoring arrangements have been broadly consistent with previous years. The Council’s financial governance arrangements provide for budgets to be carried forward from one year to the next. These resources, together with funds allocated by Scottish Government late in 2021/22 ( to deliver services in 2022/23) contributed to the General fund balance including budgets carried forward and earmarked for use in 2022/23 of £19.923 million (31 March 2021: £22.063 million), In addition the application of fiscal flexibilities to support balancing the 2022/23 budget resulted in reserves being set aside at 31 March 2022 of £5.576 million ( 31 March 2021: £2 million) . The outturn for the general reserve, that being the element which is not committed, was reported as £5.597 million as at 31 March 2022 compared with a quarter 3 projection of £5.303 million.

The Council’s forecast general fund balance increased significantly from initially forecasts as part of the year end outturn. This increase is attributable to late funding, the Council should ensure that the forecast position is closely monitored to prevent future significant changes in forecasts.

**Exhibit 3: The Council has updated its forecast yearend position through the financial year**

Reporting period	Aug-21	Nov-21	Feb-22	Outturn
Forecast surplus / (deficit)	£0.32m	£2.75m	£2.6m	£3.091m
Forecast General Fund balance	£6.299m	£8.313m	£11.719m	£32.432m
Of which earmarked	£2.157m	£2.952m	£6.416m	£26.835m
Forecast General Reserve (Uncommitted)	£4.142m	£5.361m	£5.303m	£5.597m

*Source: Midlothian Council 2021/22 Financial monitoring reporting*

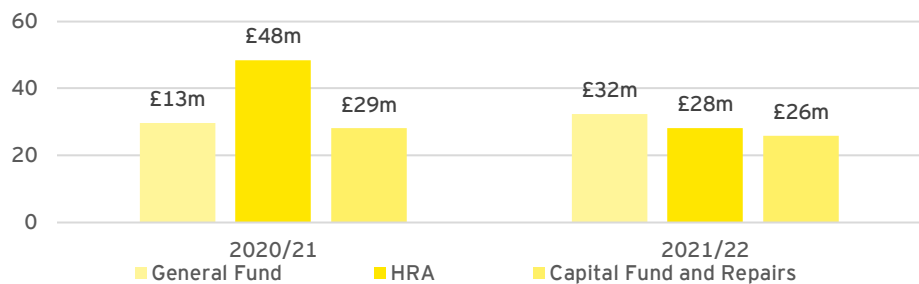
**Council reserve levels and strategy**

As illustrated in Exhibit 3, the Council’s forecast general reserve element of the general fund balance increased over the year principally reflecting the increase in the forecast surplus. The increase in the earmarked element of the reserve reflects the Council’s utilisation of fiscal flexibilities and reserves to support the 2022/23 budget was determined late in the year and accounted for £5.6 million with £20 million attributable to in year budgets carried forward for use in 2022/23. Amounts carried forward specifically include Covid funding, LACER funds and other Scottish Government funding for designated use and education recovery funding for specific use.

As part of the annual revenue budget setting process, the Council approves the minimum reserves to be held as uncommitted general funds. For 2021/22 it concluded that the uncommitted balance should be maintained at a minimum of 2% of net expenditure (excluding the IJB allocation) which equates to £3.65 million. At 31 March 2022 the Council's uncommitted general fund balance was £5.6 million, representing an increase from the 2021 balance of £3.63 million.

The Council's cash backed reserves decreased during the year largely due to the use of £25 million from the HRA reserve to fund capital expenditure.

Exhibit 4: The Council's cash backed reserves decreased by approximately £19.7 million in 2021/22



Source: Midlothian Council 2021/22 Financial Statements

### Capital programme

The Council spent £62.6 million on capital expenditure in 2021/22 (2020/21: £ 41.2 million), an overspend of £0.1 million against its original budget. In line with prior year, this demonstrates a reversal of the historic trend of slippage against the capital budget. We do, however, note that rephasing during the year was required for a number of capital projects primarily due to the impact of Covid-19, Brexit and the Ukraine conflict on availability of materials and equipment and social distancing onsite. Inflationary pressures on materials costs and equipment continue and this will have an impact on the capital programme in future years.

The capital programme plays a crucial role in the Council's route map to respond to the pandemic. However, it is clear that ongoing supply chain issues may impact the Council's ability to deliver this significant capital programme and will require careful monitoring to ensure that the programme remains affordable within the context of the Council's MTFS.

In order to ensure the Council has the appropriate skills and capacity to deliver the ambitious capital programme, the Council has continued to progress with making improvements to monitoring and reporting processes through the Capital Plan and Asset Management Planning Board. Work continues to ensure this framework is being applied consistently across all large capital projects.

### **CIPFA financial management code**

The CIPFA Financial Management Code comes into effect for all councils in 2021/22. It is intended to support good practice in financial management, assist in demonstrating a local authority's financial sustainability, and set out standards of financial management. A short-life working group was established in March 2021 to perform the self-assessment and review compliance against each of the 17 standards. The final assessment of compliance was presented to the Audit Committee in November 2021 with compliance being demonstrated against 11 standards and 6 standards being identified as having minor to moderate areas for improvement.

Progress has been made in addressing actions identified from the self-assessment against the CIPFA Financial Management Code.

Areas for improvement identified from the self assessment include:

- ▶ Ensuring governance actions as set out within the Annual Governance Statement are addressed including update of the Financial regulations and directives as well taking action to strengthen the procurement function.
- ▶ Developing an engagement plan for the next iteration of the Medium Term Financial Strategy.
- ▶ Performing a review of recent capital projects to identify learnings.
- ▶ Reviewing and refreshing the Risk Management Framework.

Progress has been made in respect of the areas for improvement with the Financial regulations being approved in June 2022 and an updated risk management strategy subject to Council approval in August 2022. The Council will continue to perform self-assessments against the Code moving forward and monitor any actions identified.

### **Treasury Management**

During 2020/21 treasury management was an area of audit focus with a separate report provided to the Audit Committee in June 2021. No significant findings were identified with only minor areas for improvement noted. One finding remained outstanding at the time of conclusion of our 2020/21 audit which was dependent on the finalisation of the revised CIPFA Treasury Management Code and Prudential Code.

CIPFA published revised Treasury Management and Prudential Codes in December 2021 following consultation periods, with both Codes becoming applicable with immediate effect. An update on the main changes to both Codes was presented to Audit Committee in January 2022 and Council in February 2022. Management has performed an assessment of the impact of the Code changes to their own Treasury Management and Annual Investment Strategy as well as the Treasury Management outturn report with no material changes required. We are satisfied that appropriate consideration has been given to the revised Codes and reporting of the impact of the changes was appropriate.

# Governance and Transparency

**Our overall  
assessment:  
Green**



The key features of good governance remain in place at the Council. The Council's Audit Committee assessed itself as having a medium to high degree of performance and effectiveness during the year. A review should be undertaken to ensure that governance arrangements following the local government elections meet the changing scrutiny needs of the Council.

The Council opted out of the shared internal audit service in 2022 with work underway to finalise a revised permanent arrangement. We note that internal audit has experienced capacity challenges in recent years with 82% of the original plan delivered in 2021/22. Finalisation of a permanent arrangement and ongoing monitoring of the internal audit team's capacity should be a priority.

## **Local Code of Corporate Governance**

In 2020/21 the Council considered the effectiveness of its arrangements against the CIPFA framework for *Delivering Good Governance in Local Government*. The results of the review and updated Local Code of Governance were considered by the Council in March 2021.

The Council uses the Annual Governance Statement to report on its assessment of the effectiveness of the governance framework throughout the financial year, and key areas of improvement. The Code review informed the annual assurance process including completion of the Annual Governance Statement.

The governance statement for 2021/22 concluded that *"reasonable assurance can be placed upon the adequacy and effectiveness of Midlothian Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in most respects to meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control."*

We reviewed the Annual Governance Statement against the required guidance and we were satisfied that it was consistent with both the governance framework and key findings from relevant audit activity. The statement continues to set out key areas for improvement in governance arrangements to enhance the Council's Local Code of Corporate Governance and to demonstrate best value. There continues to be an opportunity to review the structure to ensure that it better reports on the achievement of strategic priorities and reflects areas of significant risk and challenge.

## Internal audit activity

The internal audit work planned for the year 2021/22 was mostly completed in line with planned deadlines by 31 March 2022. The internal audit team continued to face capacity restraints due to part-time deployment of two internal auditors to assist with the administration of Covid support grant payments alongside other staff absences. This has resulted in the level of actual audit days being 82% of the original plan. However, the chief internal auditor has concluded that the work performed during the year has been sufficient to inform the internal audit assurance opinion.

**Recommendation 6: The Council should ensure a permanent solution to internal audit provision is agreed to ensure appropriate capacity is in place to ensure the timely delivery of the 2022/23 and future internal audit plans.**

In addition to its ongoing programme of new reviews, internal audit continues to monitor the progress against existing recommendations and report to the Audit Committee on outstanding recommendations from internal and external parties, with a focus on those recommendations which are graded as higher priority.

In January 2022, a report was presented to Audit Committee proposing a mutual opt out of the Shared Internal audit services with Scottish Borders Council effective from 2022/23. The Council agreed that a transitional period would continue for the first quarter of 2022/23 to ensure the continued provision of internal audit services. Work has progressed to move towards a permanent solution, however at the time of writing, a permanent arrangement is not in place. While we note that internal audit activity is continuing, there is a risk that there is not sufficient capacity within the team to deliver the 2022/23 plan.

## Openness and transparency

The Council has clear arrangements to ensure that members of the public can attend council and committee meetings as observers in usual circumstances, and agendas and papers are available in advance of each meeting. The Council has continued to hold meetings remotely following the Covid-19 pandemic with minutes of meetings, including key decisions, publicly available via the Council website after the meetings. Key Council and committee meetings can be via livestream or video broadcasting.

We have continued to observe the Audit Committee throughout the year as part of our attendance at each meeting. We also monitor Council and other committee meetings through review of the agendas, supporting papers and minutes. We have observed that generally papers are sufficiently comprehensive to understand key matters, and there is evidence of scrutiny of management at these meetings.

The Audit Committee undertook its annual self-assessment of the effectiveness of its arrangements in January 2022. While the overall assessment was positive, the committee continued to note areas for improvement including the use of the CIPFA Skills and Knowledge Toolkit to support new and continuing members as well as continuing to obtain feedback on its performance from a range of officers and others who interact with the committee. The wider review against CIPFA guidance also noted that two of the current six elected members on the Audit Committee were in the Cabinet.

Prior year recommendation 6: The Council should review audit committee arrangements post-election to ensure that governance arrangements reflect the political and strategic environment.

Consistent with prior year's self-assessment, the Annual Report from the Audit Committee Chair recommends that consideration should be given to:

- ▶ Excluding the Audit Committee membership from the Scheme of Administration requirement; or
- ▶ Ensuring that the Membership of the Audit Committee should exclude members of the Cabinet.

In our view, the role of independent members on the committee, together with the benefit brought to the committee as a result of the wider roles and experience of the two Cabinet members, has outweighed any risk impacting independence. There is no prescribed structure for Audit Committees within local government as the structure can vary depending on the political environment. Other councils in Scotland adopt wider remits for equivalent committees, including a focus on finance, risk and Best Value. We would note that the role and membership of the Audit Committee is being actively considered by the new Council, following the local government elections in May 2022 and recruitment is underway for new independent members.

### **Arrangements to prevent fraud and corruption**

The consideration of financial management also includes evaluating the Council's arrangements for fraud and corruption. CIPFA's *Code of Practice on Fraud and Corruption* notes that leaders of public bodies have a responsibility to embed effective standards for countering fraud and corruption in their organisations. The Council approved a refreshed Counter Fraud Policy Statement and Counter Fraud Strategy on 25 August 2020.

The Integrity Group continues to operate with the purpose of the Group being to improve the Council's resilience to fraud, corruption, theft and crime. The Group has met bi-monthly during 2021/22.

The Counter Fraud Annual report was presented to Audit Committee in June 2022 setting out the counter fraud work undertaken during the year in support of the Council's counter fraud policy and strategy. The report notes that as result of counter fraud activity, a total nominal savings value of £0.84 million has been identified during the year largely attributable to tenancy frauds with the nominal value assigned based on Audit Scotland guidance. In addition, the Council's participation in the National Fraud Initiative 2020/21 identified £0.7 million of estimated savings mostly attributable to Council tax and housing tenants. The exercise has also considered Covid-19 support grants with 8 cases being identified as paid in error or fraudulent.

We are satisfied that the Council had appropriate arrangements in place to prevent fraud and corruption during 2021/22 with appropriate reporting of activity and associated outcomes. We note that counter fraud activity has historically been supervised in part by both the Principal Internal Auditor and the Chief Internal Auditor. Following the changes to the internal audit provision and capacity, the Council should ensure that appropriate capacity remains to undertake the appropriate level of counter fraud activity.

Significant nominal savings have been identified from counter fraud activity in the year, including participation in the NFI exercise underlining the importance of such activity at the Council.

A comprehensive induction programme was developed to support members in undertaking their new roles.

### **Elected Member Induction Programme**

Following the local government elections in May 2022, the Council established an elected member induction programme to ensure members had appropriate training and support to deliver their responsibilities. The programme was largely delivered virtually and covered key areas including standing orders and governance; local government finance and capital strategy and treasury management. The Council should continue to engage with members on ongoing training and development requirements.



# Value for Money

**Our overall assessment: Green**



The Council's arrangements for performance monitoring, improvement and self-assessment have continued through the global pandemic. While we observed improvements being piloted to the presentation of performance reports to members in the prior year, we note reports to both committees and available to the public, continue to be heavily narrative based resulting in performance being harder to readily interpret. Dashboard reporting is continuing to be used within some areas and should be expanded.

We note that performance as reported through the annual balanced scorecard has improved this year with 61% of indicators being on track for delivery compared to 52% in 2020/21. While there remains further scope for improvement, the Council has demonstrated continuous improvement after challenging years associated with the Covid-19 pandemic.

## Performance Management framework

The Council monitors its performance against its plans and performance indicators throughout the year. Quarterly scorecards are provided by management to both Council's Cabinet and Performance, Review and Scrutiny Committee, and are made available for public information as part of the committee papers on the Council's website in addition to the Council's dedicated performance reporting website area. These reports outline the full set of performance indicators included by the Council in its corporate plan, and the current performance of each indicator against targets summarised through a 'RAG' rating system.

Performance reports available publicly, including quarterly updates, continue to be heavily narrative based. We do, however, note that elected members have direct access to more detailed performance data within the Pentana Browser. We note that some directorates have been trialling performance dashboards, showing a graphical representation of data. Following the local government elections, management should continue to review the presentation of performance reports, including seeking member feedback to ensure data is presented in the most accessible manner which supports members in performing their scrutiny role effectively.

## 2021/22 Performance Outcomes

The 2021/22 Annual Performance Report outlines a number of key achievements during the year, including the changes made to service delivery as a result of the ongoing impact of the pandemic which improved partnership working. The report recognises the significant challenges that services experienced and how teams responded to the challenges that the pandemic brought. This year, the report notes a particular focus on how to secure permanent change to the way services are delivered to build back better. The key corporate performance indicators for 2021/22, as established and reported by the Council, are in line with prior year with 5 of the Corporate Performance Indicators remaining classified in the red category (2020/21: 5).

**Prior year recommendation 7: The Council's performance reporting should continue to be reviewed to ensure performance can be readily assessed and scrutinised including through greater use of graphics where appropriate.**

The Council has demonstrated improvement across a range of indicators as reported through the Annual Balanced Scorecard. Improvements are also noted in the number of indicators where data is available in a more timely manner.

### **Accountability and delivery of improved outcomes**

Key indicators within the Council's balanced scorecard provide an assessment of progress against the priorities within the Single Midlothian Plan alongside other services indicators. The final balanced scorecard for 2021/22 was presented to the Performance, Review and Scrutiny Committee in June 2022. This reports that, for those indicators where data is available in relation to the Single Midlothian Plan, 67% of indicators are on track for delivery (2020/21 - 52%), demonstrating a significant improvement. This trend also continued across all balanced scorecard indicators with 61% being on track for delivery, an improvement from 53% in 2020/21. While the Council has reduced the number of indicators reported against, we also noted a significant reduction in the number of indicators where no data was available.

As part of its response to the Best Value Assurance Report, the Council has implemented a digital dashboard performance management system to allow elected members to have access to up to date performance data, along with mitigating actions for all indicators.

### **Statutory Performance Indicators**

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. The Council has a responsibility, under the duty of Best Value, to report performance to the public. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which recognises the role and effectiveness of the LGBF, but continues to require councils to report:

- ▶ performance in improving local public services provided by the Council (on its own and with its partners and communities), and progress against agreed desired outcomes;
- ▶ assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments; and
- ▶ how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

The Council has been required to meet the requirements of the revised Statutory Performance Information Direction from 2019/20.

The Council continues to report a range of performance information to stakeholders and the public to demonstrate the relative value and effectiveness of Council services. Information reported covers the quality and effectiveness of local services and progress in outcomes, as well as efficiency information.

This includes reporting of the most recently available LGBF results to the relevant committees and to the public. The Council has made a link available to LGBF results for 2020/21 on their website however a change in approach has been agreed for the Council's own analysis of the data where by a more targeted improvement plan for identified indicators is being developed. At the time of drafting this report, the Council's analysis of the LGBF data for 2020/21 is yet to be finalised.

In line with observations in 2020/21, we note that while the Council continues to publish performance reports regularly on the Council website, the Public Performance report for 2021/22 is yet to be published at the time of writing.

# Best Value

**Our overall  
assessment:  
Amber**



## Forming our judgement

As appointed auditor, we are required to comment on how effectively, in our view, the Council demonstrates that it meets its Best Value responsibilities. In forming this judgement, we draw upon:

- ▶ The findings of Audit Scotland's Best Value Assurance Report (BVAR), which was published in July 2019;
- ▶ The results of the Best Value Follow Up review conducted by Audit Scotland in 2020/21; and
- ▶ The programme of work that we have conducted throughout our appointment to consider each area of Best Value. Our specific areas of focus in 2021/22 were in relation to the Council's approach to equalities and sustainability. We also take into account our wider scope responsibilities and reporting.

Our 2020/21 work included a focused review of the progress made against the Council's approved improvement plan in response to the Best Value Assurance Report. We noted good progress had been made with 7 out of 8 findings assessed as green. The outstanding recommendation related to Audit Scotland's finding that elected members need to exercise appropriate scrutiny at all times, take ownership for personal development plans and take up relevant training opportunities.

As we note on page 35, the Council has developed a programme of induction training for elected members, including specific learning on Council services. In addition, the Council has recently introduced personal development plans for elected members. Following the elections in May 2022, we understand that individual members will take ownership for completing the plans and identifying areas where they wish to see more development opportunities.

While a number of actions have been superseded or completed, we recommend that the new administration considers the key themes from the report, particularly as work progresses on setting the medium term financial strategy.

## Equalities

The Council's corporate management team and elected members drive the Council's equalities activities and oversee progress through the planning framework. The Single Midlothian Plan (SMP) sets out the shared vision for the Council and the Community Planning Partnership (CPP). This has a clear focus on equalities and fairness.

The Council and partners develop the vision each year through an inclusive process. This involves community groups and third sector bodies, and planning days to identify priorities. The Midlothian CPP has undertaken a local profile exercise using SIMD analysis of relative deprivation. This has allowed it to target its activities on three areas of deprivation: Dalkeith Central/Woodburn, Mayfield/Easthouses and Gorebridge.

The Council's Equality Plan 2021-25 sets the Council's commitment to tackling inequality and promoting inclusion.

The Midlothian Equality Plan 2021-2025 includes six equality outcome themes along with success measures and supporting actions to monitor progress. Partners used the Equality and Human Rights Commission's (EHRC), 'Is Scotland Fairer 2018', as the basis for developing the framework.

The Equality Plan recognises that the Covid-19 pandemic has magnified the disadvantages faced by certain groups of people. It notes that equalities groups at higher risk of disadvantage are facing increased technology, language and literacy barriers. These factors have been considered within the Covid-19 recovery plan.

The Equality Act 2010 requires all public bodies to publish equality outcomes at least every four years. The Council's Equality Mainstreaming & Outcomes Progress Report for 2019-21 sets out a broad range of activity and strategies that have contributed to its equalities outcomes, but there is scope to develop more specific and measurable targets to fully reflect the Council's equality and fairness agenda. We understand that the Council intends to develop and refine targets along with its wider performance framework.

Since 2016, the Council has made use of an Integrated Impact Assessment (IIA) tool to consider equality and the impact of its decisions on those with protected characteristics. It has updated its IIA practice to take a wider perspective on socio-economic inequality, health inequalities, environmental and sustainability. This is an example of good practice, reflecting the 2018 Fairer Scotland Duty which requires local authorities to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage. IIAs are quality-assured by the Equality and Diversity Officer and accompany committee reports for Elected Members' decisions.

The Council has a programme of equality, diversity and human rights awareness training, supported by a range of policies. This was put in place as part of its Equality Plan 2017-2021 and Equally Safe at Work Accreditation Process. The corporate management team and elected members are updated on Equality, Diversity and Human Rights Awareness and the Integrated Impact Assessment. We also note that officers involved in service planning and delivery are given detailed training in undertaking equalities impact assessments to ensure services consider local needs.

The Council has committed to work with Trade Unions and regularly review its pay and progression systems to ensure that they are fair and non-discriminatory. As at 31 March 2022, the gender pay gap for all Council employees between average hourly rates of pay for male and female narrowed to 2.52%, compared to 2.7% in 2020/21. The Council has also redesigned its terms and conditions to integrate the Living Wage to ensure that as many employees benefit from the Living Wage as possible, as such the minimum salary point paid to local government workers is above that defined as the Scottish Local government Living wage.

**Recommendation 7:** The Council should develop more specific and measurable targets to demonstrate its progress with its equality and fairness agenda.

## Climate Change and Sustainability

In September 2022, the Accounts Commission issued a [briefing paper](#) on Scottish council's response to climate change. This recognised the critical role of councils in achieving the Scottish Government's legally binding target to achieve net zero by 2045.

The Scottish Government has set a target to be net-zero by 2045; 5 years ahead of the UK target.

Midlothian Council is one of 9 councils who have committed to an ambitious target to achieve net zero on its buildings, energy and transport emissions by 2030.

The briefing notes that there are significant variations in the measures and timelines that councils have set to reach net zero. Midlothian Council is one of 81% of Scottish Councils to have set a target to reduce the council's own emissions. Midlothian, along with eight other councils have committed to reducing their own emissions to net zero by 2030. A further 14 councils have set equivalent targets by 2045. Seventeen councils have set targets for council area-wide emissions.

The Council published its Climate Change Strategy in August 2020. The strategy is ambitious and recognises the key actions necessary to mitigate and adapt to climate change. An action plan is in place to reduce emissions and the Council's carbon footprint. More recently, the commitment to climate change has been recognised within the Single Midlothian Plan 2022/23, which sets out a vision that Midlothian will be a "*Great Green Place to Grow by achieving our net zero carbon ambitions.*"

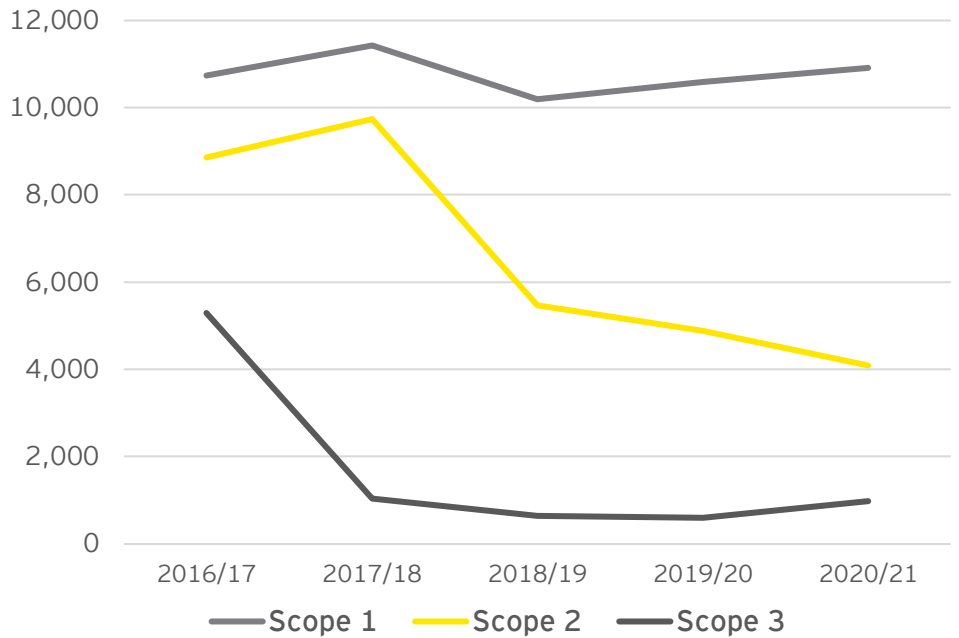
A Midlothian Climate Emergency Group has been established with other community partners to develop and monitor the progress made against the ambitious targets.

Alongside this, the Council has recognised the importance of climate change within other key strategies including:

- ▶ The role of Capital Investment Strategy 2020-30 in building in sustainability. This includes the largest Passivhaus programme in Scotland, to build 182 council dwellings that will be built in line with Midlothian Council's Net Zero Housing Design Guide. This ensures that each house will achieve very high levels of energy efficiency, with corresponding low utility bills for tenants;
- ▶ The Learning Estates Strategy, including the requirement to build the replacement for Beeslack Community High School to Passivhaus standards; and
- ▶ The Council also continues to work with Midlothian Energy to develop the business case options for addressing building fabric and energy decarbonisation of the existing estate. It's initial project is a low carbon district heating network for the Shawfair new town development.

- ▶ Scope 1 emissions are direct emissions that are released into the atmosphere from sources that are owned or controlled by the Council.
- ▶ Scope 2 emissions are indirect emissions from the generation of purchased energy, which for most organisations are primarily emissions released during the generation of the electricity it uses.
- ▶ Scope 3 emissions are all other indirect emissions that occur because of an organisation's activities but from sources not owned or controlled by the Council.

**Exhibit 7: The Council reports within its annual climate duties report that it has reduced emissions by 36% since 2016/17, but the impact on Scope 1 emissions have increased over the period**



Source: Annual Report on Compliance with Climate Change Duties submitted to the Sustainable Scotland Network, 2020/21

While the Council has met its public duty to report to the Sustainable Scotland Network, we note that there are not yet any arrangements to validate or peer review the levels of emissions reported. The Council reports on a number of aspects of climate action within its quarterly reporting to the Cabinet, covering aspects such as:

- ▶ The impact of LED street lighting on reducing carbon emissions;
- ▶ The percentage of waste going to landfill; and
- ▶ The percentage of council fleet which is "green."

However, it is difficult for elected members to assess the progress against the 2030 carbon neutral target, and therefore whether it is likely to be achievable based on current levels of investment. The Council's Strategic Risk Register notes that climate change is regarded as a "red" risk but the actions in place currently focus on recruiting a Climate Change Officer and development of a Carbon Management Plan, including the development of a standard methodology for measuring and accounting for carbon emissions.

**Recommendation 8: The Council must review whether current actions are sufficient to meet its 2030 target. This should include an assessment of the level of future investment required and the affordability of these investments in the context of the Council's MTFS.**

### **Looking ahead: Sustainability Reporting**

Significant advances have been made in sustainability reporting in the corporate sector and central government sectors over a number of years. There are not yet any mandatory emissions measurement and reporting requirements for local government, although it is an area many local authorities are exploring.

Mandatory requirements are likely to be required in the coming years. In March 2022, the International Sustainability Standards Board issued an Exposure Draft consultation, on requirements for the disclosure of climate-related matters. The proposals in the exposure draft set out requirements for identifying, measuring and disclosing climate-related risks and opportunities based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The consultation closed on 29 July 2022. In Appendix G we set out the key reporting areas of TCFD disclosures, along with annotations in green boxes with recommendations of good practice from other sectors.





# Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit Committee

D - Action plan, including follow up of prior year recommendations

E - Adjusted errors identified during the audit

F - Timing and deliverables of the audit

# Appendix A: Code of Audit Practice Responsibilities

## Audited Body's Responsibilities

### Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit, risk and governance committees or equivalent) in monitoring these arrangements.

### Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ maintaining proper accounting records.
- ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- ▶ Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

### Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

### Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

### Best Value

Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.

# Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the Council.

## Matters that we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Confirmations

We are not aware of any inconsistencies between the Council's policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

## Audit Fees

	2021/22	2020/21
<b>Component of fee:</b>		
Total agreed auditor remuneration	£152,060	£148,890
Additional audit procedures (see below)	£22,500	£27,300
Audit Scotland fixed charges:		
Pooled costs	£15,850	£14,160
Performance audit and best value	£67,040	£66,860
Audit support costs	£8,120	£8,190
<b>Total fee</b>	<b>£265,570</b>	<b>£265,400</b>

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year.

Through the 2021/22 audit cycle we have discussed with management areas of the audit which required additional work beyond that usually expected for the Council. These areas related to the additional procedures in respect of infrastructure assets (£9,500) as well as additional work following the reduction of our materiality (£9,000) and PPE valuations (£4,000). For these areas we have agreed the fee noted in the table above with management and Audit Scotland, based on the additional time required at the contracted Audit Scotland rates.

Matters that we are required to communicate

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2021 UK Transparency Report can be accessed on our website at [EY UK 2021 Transparency Report | EY UK](#). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our Audit Quality Report.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the Council since appointment can be found at: [Quality of public audit in Scotland annual report 2021/22 \(audit-scotland.gov.uk\)](#)

# Appendix C: Required communications

Required communication	Our reporting to you
<p><b>Terms of engagement / Our responsibilities</b></p> <p>Confirmation by the audit, risk and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	<p>Annual Audit Plan</p>
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<p>Annual Audit Report</p>
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	<p>Annual Audit Report</p>
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit, risk and governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	<p>Annual Audit Report</p>

Required communication	Our reporting to you
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<p>No significant matters have been identified.</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Annual Audit Plan</p> <p>This Annual Audit Report - Appendix B</p>
<p><b>Internal controls</b></p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report - no significant deficiencies reported</p>
<p><b>Subsequent events</b></p> <p>Where appropriate, asking the audit, risk and governance committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p><b>Material inconsistencies</b></p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of</li> </ul>	<p>Annual Audit Report or as occurring if material.</p>
<p><b>Group audits</b></p> <ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	<p>Annual Audit Plan</p> <p>This Annual Audit Report</p>

# Appendix D: Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Council or management to action.

## New recommendations

### Classification of recommendations

**Grade 1:** Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

**Grade 2:** Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	<p>Audit procedures in respect of valuations continued to note a number of errors and areas for improvement:</p> <ul style="list-style-type: none"> <li>▶ Omission of a school campus from the valuation report;</li> <li>▶ Formula errors within the housing valuations;</li> <li>▶ Supporting evidence for valuation not being readily available;</li> <li>▶ Limitations in valuation methodology in respect of assets with lower useful lives</li> </ul>	<p>The valuation methodology adopted by the Council's internal valuers should be subject to review to ensure it remains in line with best practice. This should include a review of the quality review arrangements in place to reduce errors in valuations.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> Recommendation Accepted</p> <p><b>Responsible officer:</b> Chief Officer Place</p> <p><b>Implementation date:</b> 31 March 2023</p>
2	<p>The statutory override in respect of infrastructure assets is intended to be a short-term solution to issues in respect of accounting for infrastructure assets.</p>	<p>The Council should ensure that greater detail on infrastructure assets is retained moving forward and appropriate consideration is given to disposals and replacements of infrastructure assets.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> Recommendation Accepted</p> <p><b>Responsible officer:</b> S95 Officer/Chief Officer Place</p> <p><b>Implementation date:</b> 31 March 2023</p>

## Classification of recommendations

	<b>Grade 1:</b> Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.	<b>Grade 2:</b> Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.	<b>Grade 3:</b> Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.
<b>No.</b>	<b>Findings and / or risk</b>	<b>Recommendation / grading</b>	<b>Management response / Implementation timeframe</b>
3	The Council has identified significant budget gaps within initial drafts of the MTFs however to date no plans to address these gaps have been identified and agreed.	As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans.  It is imperative for measures to be agreed to balance the 2023/24 budget urgently.  <i>Grade 1</i>	<b>Response:</b> Recommendation Accepted  <b>Responsible officer:</b> Chief Executive  <b>Implementation date:</b> 11 March 2023
4	Our audit work in 2021/22 identified an increased number of adjustments and control observations including in relation to bank reconciliations, cut-off and ability to generate accurate listings from the Council tax system.	Officers should review both the errors and control observations identified during the audit and ensure appropriate improvement actions are identified to prevent future occurrences.  <i>Grade 2</i>	<b>Response:</b> Recommendation Accepted  <b>Responsible officer:</b> S95 Officer <b>Implementation date:</b> 31 March 2023
5	The Council's experienced and knowledgeable Section 95 officer leaves the Council in October 2022. Interim arrangements are in the process of being finalised however there is likely to be reduced capacity within impacted teams including finance while a permanent arrangement is implemented.	Management should ensure appropriate handover arrangements are in place for the section 95 officer and ensure the finance team continues to have sufficient skills, capacity and capability.  <i>Grade 2</i>	<b>Response:</b> Recommendation Accepted  <b>Responsible officer:</b> Executive Director Place  <b>Implementation date:</b> 4 October 2022



## Classification of recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
	<p><b>Grade 1:</b> Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.</p>	<p><b>Grade 2:</b> Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.</p>	<p><b>Grade 3:</b> Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.</p>
6	<p>The Council's internal audit team has continued to experience capacity challenges with audit days available being 82% of planned capacity.</p> <p>The shared services arrangement with Scottish Borders Council has ended and work to finalise a revised arrangement is ongoing.</p>	<p>The Council should ensure a permanent solution to internal audit provision is agreed to ensure appropriate capacity is in place to ensure the delivery of the 2022/23 and future internal audit plans.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p><b>Response:</b> Recommendation Accepted</p> <p><b>Responsible officer:</b> Chief Executive</p> <p><b>Implementation date:</b> 31 December 2022</p>
7	<p>The Council's Equality Mainstreaming &amp; Outcomes Progress Report for 2019-21 sets out a broad range of activity and strategies that have contributed to its equalities outcomes. However, the Council could benefit from more specific and measurable targets to demonstrate progress.</p>	<p>The Council develop more specific and measurable targets to demonstrate its progress with its equality and fairness agenda.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p><b>Response:</b> Recommendation Accepted</p> <p><b>Responsible officer:</b> Continuous Improvement Manager</p> <p><b>Implementation date:</b> 31 March 2023</p>
8	<p>The Accounts Commission published a briefing in September 2022 noting that councils have a critical role in helping Scotland achieve its national climate change goals and that climate change must be central and integral to all council activity. In our view, the reporting against the Council's target to be carbon neutral by 2030 is insufficient to target interventions.</p>	<p>The Council must review whether current actions are sufficient to meet its 2030 target. This should include an assessment of the level of future investment required.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p><b>Response:</b> Recommendation Accepted</p> <p><b>Responsible officer:</b> Chief Officer Place</p> <p><b>Implementation date:</b> 31 March 2023</p>

## Follow up of prior year recommendations

### Classification of recommendations

**Grade 1:** Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

**Grade 2:** Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Management response / Implementation timeframe	Our assessment of progress
1	<p>Continued work is required to finalise a medium-term financial plan, underpinned by identified and agreed budget savings over the term of the plan to not only manage in year financial positions, but also to ensure that the forecast pressures are addressed on a timely basis. The Council must continue to develop a balanced MTFP in the medium to long term.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Agreed, Officers continue to support BTSG to recommend measures to council to achieve a balance MTFS.</p> <p>Responsible officer: <b>BTSG</b></p> <p>Implementation date: <b>11 February 2020</b></p>	<p>While plans are in place for the 2021/22 and 2022/23 budgets, the Council is relying on one-off measures. Significant work is required to develop a revised MTFS for the next administration.</p> <p><b>Our assessment: Superseded by current year recommendation 3</b></p>
2	<p>The Council continues to experience timing and data accuracy issues in relation to feeder financial information systems</p> <p>The Council must ensure that services apply greater rigour to feeder financial systems to support improved reporting.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Agreed. As part of the review of the 2018/19 year end an issue and lessons learnt report is being prepared which will set out recommendations for future improvement required for 2019/20 year end.</p> <p>Responsible officer: <b>Head of Finance &amp; ISS</b></p> <p>Implementation date: <b>31 March 2020</b></p>	<p>Within Financial Management, we noted that the level of variation in financial monitoring reports noted in prior years did not occur, signalling improved financial forecasting and control.</p> <p><b>Our assessment: Complete</b></p>
3	<p>The Best Value Assurance Report highlighted that there is scope to be clearer about priority indicators and targets to track the Council's performance. The Council should ensure that performance reporting arrangements support elected member scrutiny.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p>Responsible officer: <b>Quality &amp; Scrutiny Manager</b></p> <p>Implementation date: <b>31 March 2020</b></p>	<p>While significant improvements have been made to the Council's performance reporting capability, we note that the development of a new strategic plan and MTFS creates opportunities to review indicators.</p> <p><b>Our assessment: Ongoing</b></p>

## Follow up of prior year recommendations

### Classification of recommendations

**Grade 1:** Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

**Grade 2:** Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Management response / Implementation timeframe	Our assessment of progress
4	<p>The accounting for assets which are subject to revaluation continues to be an area of significant estimation uncertainty.</p> <p>The completion in 2020/21 of the revaluation of the major aspects of the Council's assets, would be an opportunity for the Council to consider its approach going forward as a matter of good practice. This review may include:</p> <ul style="list-style-type: none"> <li>▶ Reducing the time between full valuations for all major individual asset classes;</li> <li>▶ Applying indexation increases on assets not fully valued in the year to reflect some estimate of the movement in their value between formal valuations; and</li> <li>▶ Ensuring up-to-date condition surveys are in place for all assets.</li> </ul> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> Accepted. A review of the asset valuation arrangements will be undertaken in preparation for the 2021/22 year end. Changes arising will be reflected in the formal engagement with the internal valuation team and in the final accounts project plan.</p> <p><b>Responsible officer:</b> Chief Officer, Corporate Solutions</p> <p><b>Implementation date:</b> 31 March 2022</p>	<p>We note that the Council has reduced the time between full valuations for major asset classes such as council dwellings and schools.</p> <p>However, up-to-date condition surveys are not in place. We are aware a timetable for obtaining condition surveys is now in place.</p> <p><b>Our assessment:</b> <b>Superseded by current year recommendation 1</b></p>
5	<p>We noted there may be scope to review the current structure of the Governance Statement against good practice outlined within CIPFA's Delivering Good Governance Guidance. This includes ensuring that the statement captures the key strategic challenges and risks that face the Council and communicating significant issues alongside an action plan for improvement.</p> <p>While the Annual Governance Statement is in line with current requirements, there is an opportunity to review the structure to ensure that it better reports on the achievement of strategic priorities and reflects areas of significant risk and challenge.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p><b>Response:</b> Accepted. In preparation for the 2021/22 Annual Governance Statement a review of the structure will be undertaken and changes reflected in the draft Annual Governance Statement for 2021/22</p> <p><b>Responsible officer:</b> Chief Internal Auditor/Legal Services Manager</p> <p><b>Implementation date:</b> May 2022</p>	<p>While we have observed improvements in the Annual Governance Statement, we consider there remains scope to review the structure and content to ensure that it better reports on the achievement of strategic priorities and reflects areas of significant risk and challenge.</p> <p><b>Our assessment:</b> <b>Ongoing</b></p>

## Follow up of prior year recommendations

### Classification of recommendations

**Grade 1:** Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

**Grade 2:** Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Management response / Implementation timeframe	Our assessment of progress
6	<p>We note that the role and membership of the Audit Committee should be considered by the new Council, following local government elections in May 2022. There is no prescribed structure for Audit Committees within local government as the structure can vary depending on the political environment. Other councils in Scotland adopt wider remits for equivalent committees, including a focus on finance, risk and Best Value.</p> <p>The Council should review audit committee arrangements post-election to ensure that governance arrangements reflect the political and strategic environment.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> Accepted. The review will form part of the review of Standing Orders and the Scheme of Delegation in preparation for the next term of Council.</p> <p><b>Responsible officer:</b> Executive Director Place</p> <p><b>Implementation date:</b> May 2022</p>	<p>The review of the committee structure remains ongoing following the recent elections.</p> <p><b>Our assessment:</b> <b>Ongoing</b></p>
7	<p>Quarterly and annual performance reports presented to Cabinet and Performance, Review and Scrutiny Committee are heavily narrative based.</p> <p>Council officers have been exploring alternative formats for presenting data including the introduction of graphics such as charts, trend analysis however Committee reports, which are also publicly available, continue to contain significant narrative analysis.</p> <p>Officers should work with members to ensure performance reports are presented in a manner which supports effective challenge and scrutiny, including through the use of more graphical presentations.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p><b>Response:</b> Accepted. Work is underway to progress dashboards which will supplement quarterly reporting data currently available to elected members via 'Pentana Browser'. In addition these will be publicly available ensuring more timely and accessible performance information is published on the Council's website. The intention is to introduce dashboards as part of improvements for the performance management cycle for 2022/23.</p> <p><b>Responsible officer:</b> Continuous Improvement Manager</p> <p><b>Implementation date:</b> September 2022</p>	<p>We note that dashboards have been reported for some directorates to recent Cabinet meetings. However this is not common practice across all areas and are submitted as an Appendix to the narrative based reports.</p> <p><b>Our assessment:</b> <b>Ongoing</b></p>

# Appendix E: Summary of adjusted differences identified during the audit

This appendix sets out the significant adjustments processed as part of finalisation of the financial statements. There were no unadjusted audit differences identified above our reporting threshold.

Adjusted differences			
No.	Description	Income and Expenditure Impact / £000's	Balance Sheet Impact / £000's
1	Council Dwellings Valuation - correction of formula used to calculate discount rate.		Dr Revaluation Reserve 8,221 Cr PPE - Council Dwellings 8,221
2	Assets Under Construction- non-recognition of construction costs.		Dr PPE - AUC 1,422 Cr Creditors 1,422
3	Loanhead Centre - asset missed from valuation cycle		Dr PPE - Buildings 1,682 Cr Revaluation Reserve 1,682
4	Retentions - Danderhall Primary School		Dr PPE - Buildings 1,830 Cr Creditors 384 Cr Revaluation Reserve 1,446
5	Debtors/Bank Reconciliation		Dr Cash & Bank 1,142 Cr Debtors 1,142
6	Beeslack High School Valuation		Dr Revaluation Reserve 2,495 Cr PPE - Buildings 2,495
7	NDR Bank Reconciliation		Dr Debtors 6,088 Cr Cash & Bank 6,088
8	Creditors/Bank Reconciliation		Dr Creditors 414 Cr Cash & Bank 414
9	Reclassification between Land & Buildings		Dr PPE - Land 483 Cr PPE - Buildings 483

# Appendix F: Timing and deliverables of the audit

We delivered our audit in accordance with the timeline set by the Council, in accordance with the annual audit planning guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2021/22 audit cycle, including the remaining areas of work with completion deadlines subsequent to this report.

JAN	Audit Activity	Deliverable	Timing
FEB	<ul style="list-style-type: none"> <li>Onsite fieldwork, documentation and walkthrough of key accounting processes</li> </ul>	Annual Audit Plan	Finalised and submitted to Audit Scotland March 2022
MAR	<ul style="list-style-type: none"> <li>Scoping of wider scope work for year</li> </ul>		
APR	<ul style="list-style-type: none"> <li>Review of current issues impacting the Council</li> <li>Review of reported frauds</li> </ul>	Quarterly current issue return submission Quarterly fraud return submission	Quarterly throughout the audit cycle
MAY			
JUN	<ul style="list-style-type: none"> <li>Year-end substantive audit fieldwork on unaudited financial statements</li> </ul>	Whole of Government Accounts assurance statement to NAO (as required)	<i>[Financial statements audit and annual audit report on course for submission September 2022.]</i>
JUL	<ul style="list-style-type: none"> <li>Conclude on results of audit procedures</li> </ul>	Certify Annual Financial Statements Issue Annual Audit Report	WGA guidance and further minimum dataset return requests awaited.
AUG	<ul style="list-style-type: none"> <li>Issue opinion on the Council's financial statements</li> </ul>	Submit minimum dataset return to Audit Scotland	
SEP			
OCT	<ul style="list-style-type: none"> <li>Completion of Non-Domestic Rates return testing</li> </ul>	Certified Non-Domestic Rates return	On course for completion October 2022
NOV	<ul style="list-style-type: none"> <li>Completion of Housing Benefits claim testing</li> </ul>	Certified Housing Benefit subsidy claim	On course for completion October 2022
DEC			

# Appendix G: Likely developments in sustainability reporting

In the corporate sector, significant financial reporting developments has meant that there has been a step change in the level of climate related disclosures within company financial statements. There is not yet an equivalent requirement for local government accounting, but guidance from the Scottish Government recently issued [Public Sector Leadership on the global climate emergency guidance](#) which recommends that public bodies should consider reporting to external frameworks such as the Taskforce for Climate Related Financial Disclosure. We outline the key elements below:

Cross-reference to where the disclosure can be found. If cross-referencing to another document, explain why the information is not included in the annual report.

TCFD elements	TCFD recommendations	Cross-reference or explanation of non-compliance	Next steps and other comments
Governance	a. Board oversight		
	b. Management's role		
Strategy	a. Climate-related risks and opportunities	Consider commenting on progress in preparing a climate transition plan	
	b. Impact on the organisation's businesses, strategy and financial planning		
	c. Resilience of the organisation's strategy to climate-related risks	Consider commenting on progress in being able to report scope 3 GHG emissions	
Risk Management	a. Risk identification and assessment processes		
	b. Risk management process		
	c. Integration into overall risk management		
Metrics and Targets	Climate-related metrics in line with strategy and risk management process		
	Scope 1, 2 (and 3) Green House Gas (GHG) metrics and the related risks		
	Climate-related targets and performance against targets		

The governance processes, controls and procedures the entity uses to monitor and manage climate related risks and opportunities

How climate related risks and opportunities are identified, assessed, managed and mitigated

Set out key focus areas for next year  
Consider explaining readiness to comply with any changes to requirements applicable for next reporting cycle

Source: Adapted from [Continuing the journey towards TCFD compliance](#), EY Centre for Board Studies, May 2022

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**National Public Holiday for HM The Queen's Funeral**  
**Report by Fiona Robertson Executive Director Children, Young People and Partnerships****1 Recommendation**

To seek the Council's approval to re-arrange the pre-existing school holiday scheduled for 19 September 2022 to Monday 24 October 2022, in light of the national bank holiday on 19 September to mark the State Funeral of HM Queen Elizabeth II.

**2 Purpose of Report/Executive Summary**

The Council is asked to approve the recommendation to change the planned school holiday day of 19 September 2022 to Monday 24 October 2022 and the Staff Development day scheduled for 24 October 2022 to Tuesday 25 October 2022.

**Date** 20 September 2022

**Report Contact.**

**Name:** Fiona Robertson, Executive Director Children, Young People and Partnerships

[Fiona.robertson@midlothian.gov.uk](mailto:Fiona.robertson@midlothian.gov.uk)

### **3 Background**

- 3.1 Following the death of Queen Elizabeth II, the government announced that the day of her funeral, Monday 19 September, would be a National Public Holiday.
- 3.2 Monday 19 September was already a designated school holiday day with all Midlothian schools and local authority nursery settings closed for the September (Edinburgh) weekend.
- 3.3 The proposal is to reschedule the pre-existing school holiday from 19 September 2022 to Monday 24 October 2022.
- 3.4 Schools had a staff development day scheduled for 24 October 2022. It is proposed that this would move to Tuesday 25 October 2022, with pupils returning on Wednesday 26 October rather than Tuesday 25 October 2022.
- 3.5 The appropriate permissions have already been given by Scottish Government to reduce the number of pupil days, should this proposal be agreed.
- 3.6 The Midlothian Negotiating Committee for Teachers (MNCT) have been consulted and are in full agreement with the proposals.

### **4 Report Implications (Resource, Digital and Risk)**

#### **4.1 Resource**

There are no additional resource implications arising from this report

#### **4.2 Digital**

There are no digital implications arising from this report.

#### **4.3 Risk**

There is no significant risk associated with this proposal

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

There is no significant impact arising from the proposal contained within this report

#### **4.5 Additional Report Implications**

## Appendices

### APPENDIX A – Report Implications

#### A.1 Key Priorities within the Single Midlothian Plan

Individuals and communities have improved health and learning outcomes

#### A.2 Key Drivers for Change

Key drivers addressed in this report:

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

#### A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

#### A.4 Delivering Best Value

Not applicable

#### A.5 Involving Communities and Other Stakeholders

MNCT debated the options and agreed the proposal

#### A.6 Impact on Performance and Outcomes

Not applicable

**A.7 Adopting a Preventative Approach**

Not applicable

**A.8 Supporting Sustainable Development**

Not applicable.

## **Standing Order 19.2 Decision**

### **Report by Chief Executive**

### **Report for Noting**

#### **1 Recommendations**

Council is invited to note the terms of this report.

#### **2 Purpose of Report/Executive Summary**

The purpose of this report is to advise the Council of the decision taken by the Chief Executive in consultation with the Leader of the Council in terms of Standing Order 19.2.

**Date: 22 September 2022**

**Report Contact:**

**Alan Turpie, Legal and Governance Manager**

[alan.turpie@midlothian.gov.uk](mailto:alan.turpie@midlothian.gov.uk)

0131 271 3667

### 3 Background

#### 3.1 Standing Order 19.2 states that:

“The Chief Executive, after discussion with the Leader of the Council, whom failing the Depute Leader of the Council, will have authority to take decisions where urgent or immediate action is required. Where such decision(s) is required, the Chief Executive will provide a report to the next available full Council meeting to inform the Council of such decision(s).”

- 3.2 In line with Scottish Government guidance, Monday 19 September was declared a public holiday for the Queen’s state funeral. There not being a scheduled meeting to consider the Council’s response, the Chief Executive, following consultation with the Leader of the Council, used Standing Order 19.2 powers to ensure that the Council observed the public holiday and operated emergency only services on that day. In addition, all council public buildings were closed, including schools, early learning centres, libraries, leisure centres and Midlothian Snowsports Centre. However, previously arranged burials went ahead on the day and cemeteries were open as normal. Alternative arrangements were also made to replace the Monday waste collection service.

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

#### 4.1 Resource

The additional cost of providing emergency service provision and re-scheduling the Monday waste collection is estimated at circa £30,000 which will fall to be met by a supplementary estimate from reserves.

There will be additional costs delivery of 24/7 services associated with services delegated to the Midlothian IJB. Any additional costs arising in respect of such delegated services would fall on the IJB to fund.

#### 4.2 Digital

None

#### 4.3 Risk

Failure to report the decision would lead to a lack of governance.

#### 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.

#### 4.4 Additional Report Implications

See Appendix A

## Appendix A – Additional Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

Not applicable

### A.2 Key Drivers for Change

Key drivers addressed in this report:

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

### A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

### A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value

### A.5 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities

### A.6 Impact on Performance and Outcomes

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

### A.7 Adopting a Preventative Approach

Not applicable

### A.8 Supporting Sustainable Development

Not applicable





## **Midlothian Cares Practical Support Measures Identified by the Cost of Living Task Force**

### **Report by Chair of the Cost of Living Task Force (Councillor Parry)**

#### **Report for Decision**

#### **1 Recommendations**

Midlothian Council is recommended to;

- i. Note the range of time limited crisis mitigation measures outlined in the report, and
- ii. Note the time limited review timescales for these measures due to rapidly changing landscape and pressures
- iii. Agree to take forward some immediate measures in advance of winter from utilisation of £118,013 (22/23) from earmarked Covid funding on the basis that it supports wellbeing.
- iv. Note the launch of Midlothian Cares Communication Plan including pledges from Local Businesses and Organisations
- v. Note and promote the Calendar of Activities for Challenge Poverty Week.

#### **2 Purpose of Report/Executive Summary**

The purpose of this report is to explore the potential mitigating actions Midlothian Council could take to support local people experiencing additional challenges from the cost of living crisis. The report also sets out some immediate recommended actions and others for further exploration to enable a fuller assessment of cost, impact and deliverability.

The report also contains a communications plan of how we will ensure local people are made aware of the additional supports available through the Midlothian Carers Communication Plan, as well as a Calendar of Activity for Challenge Poverty Week.

**Date:** 23<sup>rd</sup> September 2022

**Report Contact:** Annette Lang

**Email:** [annette.lang@midlothian.gov.uk](mailto:annette.lang@midlothian.gov.uk)

### **3 Background**

- 3.1** Governments at UK and Scottish levels have announced a number of proposals to support those households most affected by the Cost of Living Crisis, for example doubling the Scottish Fuel Insecurity Fund. At the time of writing this report emergency budget reviews are underway and further information at UK and Scottish Government levels respectively is expected. In this context, the Cross Party Midlothian Cost of Living Task Force recognises the need to also act at a local level to identify and provide practical supports.

Due to the unprecedented nature of the cost of living crisis there is a need to provide additional support measures to ensure local people have dignity and choice over the actions they can take. In previous years there has always been a robust winter planning process coordinated by the Midlothian Health & Social Care Partnership, Place, and Children, Young People and Partnerships Directorates, but due to the increased pressures the task force expects a broader range of local people and staff will need to access a wider suite of supports with a specific focus on:

- Money/ Household Income
- Food
- Fuel and Energy
- Networks of Support
- Partnership Pledges
- Communications

The Midlothian Cares Action Plan includes a number of short and longer term interventions over 3, 6, 12 and 24 months with reviews and assessment of need built in. There are also developmental measures which will change and adapt over time. This is required as the landscape and pressures are changing rapidly and the interventions which are deemed appropriate now may not continue to be as the conditions we are living in change or take up is not as predicted. In addition the funds recommended to support these initiatives are only available in the short term.

In order to ensure local people in Midlothian can identify and access the supports available a Midlothian Cares communications plan has been developed as detailed at Appendix B. There are a number of key themes offered and under development as part of Midlothian Cares and Challenge Poverty Week. These include: housing supports, illegal money lending, employability, affordable food, bus pass supports, cost of the school day, career skills, HENRY programme, Citizen Advice support and information from Social Security Scotland.

### **4. Deployment of Council Resources to offer practical supports**

#### **4.1 Midlothian Cares Action Plan**

- 4.2** Currently the Local Authority Covid Recovery Emergency Funds (LACER) is funding a number of immediate mitigating actions until March 23. These include, as listed:

<b>Currently Funded LACER Actions</b>	<b>Theme</b>	<b>Cost</b>	<b>End Date</b>
Income Maximisation Officers	Increased access to Money	122,000	31/03/2023
Eat & Heat Fund	Increased access to Money	279,000	31/03/2023
Trusted Partners Model	Increased access to Money	400,000	31/03/2023
Housing Officer - Low income household fund	Increased access to Money	40,219	31/03/2023
Woodburn Food Pantry	Increased access to Food	50,000	31/03/2023
Food Fund for Food Banks	Increased access to Food	50,000	31/03/2023
Commissioned Report	Increased access to Money	20,000	31/03/2023
<b>TOTAL</b>		<b>£961,219</b>	

#### 4.3 Proposed New Temporary Mitigation Actions at 3, 6 or 12 months 22/23

<b>Additional Temporary Actions 22/23</b>	<b>Theme</b>	<b>Cost</b>	<b>End Date</b>	<b>Source of Funding</b>
Wash & Dry Fund for laundrette facilities - 3 month pilot based on: 200 people supported one wash per week for 3 months	Increased access to Money	33,800	31/03/2023	Covid Funding
Free meal reheatable taster - 3 venues (Jan-March) Based on 200 people supported 5 meals per week for 13 weeks and funding for storage if required	Increased access to food	66,140	31/03/2023	Covid Funding
Cost of Living Crisis Support Coordinator	Lived Experience informing directly influencing new support mechanisms	£18,073 (4 month cost)	31/03/2023 with extension for 2 years fixed term	Covid Funding

<b>Total</b>		<b>£118,013</b>		
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#### 4.4 Temporary Mitigation Actions 23/24/24/25 proposed to be resourced from the Covid Fund

<b>Temporary Mitigation Action 23/24</b>	<b>Theme</b>	<b>Cost</b>	<b>Duration</b>	<b>Funding Source</b>
Income Maximisation Officers	Increased access to Money	61,000	6 months	Covid Funding
Eat & Heat Fund	Increased access to Money	139,500	6 months	Covid Funding
Trusted Partners Model	Increased access to Money	200,000	6 months	Covid Funding
Cyrenians Fair Share scheme membership for organisations up to 4 organisation annual membership	Increased access to Food	£12,648	12 months	Covid Funding
Cost of Living Crisis Support Coordinator	Lived Experience informing directly influencing new support mechanisms	£108,438 (for 2 years fixed term)	24 months	Covid Funding
<b>Total</b>		<b>£521,586</b>		

**Total additional investment required from Covid Funds for 2022 to 2025 equates to £521,586**

#### 4.5 Further Potential Measures for 23/24

<b>Mitigation Measure (No Fund Identified)</b>	<b>Theme</b>	<b>Cost</b>	<b>Duration</b>	<b>Funding Source Not Currently Available</b>
Welfare Fund	Increased access to Money	Top up welfare fund if required 250,000	12 months	Assessment for top up 23/24 if required. new additional funding source

				would require to be identified
Increase Welfare Team 1 FTE temp 12 months	Increased access to Money	47,952	12 months	Assessment of need and new funding source would be required to be identified
<b>Total</b>		<b>£297,952</b>		

#### 4.6 Longer Term Development Actions (No Funding Secured)

Development Actions	Theme	Cost	Action
Reduce cost of the school day	Increased access to Money	To be assessed as part of development work (TBA)	Consolidate - development already work underway
Additional hours of work/additional employment	Increased access to Money	TBA	Assessment of cost impact and deliverability to be undertaken
Embed free food offer into council targeted activities	Increased access to Food	TBA	Assessment of cost impact and deliverability to be undertaken
Create two warm & well hubs at Lasswade & Newbattle HS - subsidised Food & drink	Reduced Heating and fuel costs	TBA	Assessment of cost impact and deliverability to be undertaken

### 5. Report Implications (Resource, Digital and Risk)

#### 5.1 Resource

The proposals in the report related to additional actions in 22/23 are estimated to cost **£118,013** to deliver over the coming winter months. With a further **£819,538** for 2023/24/25.

To allow early implementation of these specific measures in advance of Winter it is recommended that these costs be funded by utilising **£118,013** of earmarked funds set aside for the continued impact of Covid on the basis they will support those identified wellbeing initiatives. Noting that this is non-recurring funding.

#### 5.2 Digital

None

#### 5.3 Risk

Due to the unpredictable landscape there is a risk that demand will outstrip the resources identified, there will be added pressures in terms of staff capacity to deliver. In addition if other factors also feature at the same time for example upticks in Covid or extreme winter weather disruption then these measures may not be fully deliverable. With the current financial pressures on local authority funding there is a need to take a balanced approach to risk in terms of the levels of financial supports available and the potential increased demand for services.

#### **5.4 Ensuring Equalities (if required a separate IIA must be completed)**

The measures identified are aimed at supporting those most vulnerable in relation to the protected characteristic groups which includes Poverty. Proactive measures will be taken to promote the additional services put in place for those who may not be in local networks and therefore not be aware of the supports available to them in particular through the Midlothian Cares Communication Plan.

## **APPENDIX A – Report Implications**

### **A.1 Key Priorities within the Cost of Living Task Force**

### **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**

As short term funding has been identified for the majority of the mitigation measures, it is important to have robust reviews of what is effective and time limited measures to be able to adapt as the cost of living crisis evolves and changes.

### **A.5 Involving Communities and Other Stakeholders**

The Cost of Living Crisis Task Force has been informed by contact via Elected Members with constituents and through information prepared for the cost of living information session with partners involved in support services.

### **A.6 Impact on Performance and Outcomes**

The Single Midlothian Plan 22/23 outcomes are that:

- Individuals and communities have improved health and learning outcomes
- No child or household living in poverty
- Significant progress is made towards net zero carbon emissions by 2030

These mitigation measures directly contribute to the outcomes in the Single Midlothian Plan 22/23

## **A.7 Adopting a Preventative Approach**

Prevention can be about supporting local people with issues so that they do not escalate further as the measures outlined in this report are mitigation measures they would fall under this preventative area of work. It is recognised that the measures do not prevent poverty but are crisis support measures.

## **A.8 Supporting Sustainable Development**

Not applicable as crisis mitigation measures

## **Appendix B – Communications Plan**



Midlothian Cares -  
comms plan draft 1.p

**(As at 16<sup>th</sup> September 2022)**

## **Appendix C Challenge Poverty Week Activities**

[Challenge Poverty Week 2022 | #MidlothianCares and Challenge Poverty Week 2022 | Midlothian Council](#)



**Housing Revenue Account – Rent Setting Strategy 2023/24-2025/26****Report by Kevin Anderson, Executive Director - Place****Report for Decision****1 Recommendations**

- 1.1 It is recommended that Council approves the Rent Setting Strategy options for 2023/24 – 2025/26 for consultation. Following approval the options will be subject to consultation with all Midlothian Council tenants and waiting list applicants during the Winter 2022 period. The consultation outcomes and a recommended option will be reported back to Council in February 2023.

**2 Purpose of Report**

- 2.1 This report presents rent setting strategy options for future rental charges for council housing from April 2023, which in turn will support the continuing investment in the Council's existing Housing stock and will determine the level of new build investment beyond the Council's current social housing programme commitment.

**Date:** 16 September 2022**Report Contact:****Name :** Kevin Anderson, Executive Director, Place**Tel No :** 0131 271 3102[kevin.anderson@midlothian.gov.uk](mailto:kevin.anderson@midlothian.gov.uk)

## 2 Background

- 3.1 On 6 September 2022 the Scottish Government announced a social housing rent freeze until 31 March 2023. This report concerns the period from 1 April 2023.
- 3.2 As at 31 March 2022, the Council owned 7,121 houses and 858 garages. The rental income received through the Council's Housing Revenue Account (HRA) for 2021/22 was £31,259,000. Midlothian Council has carried out a new social housing programme since 2006 and continues to invest in building new social housing. The most recent Strategic Housing Investment Plan (SHIP) contains details of a further 1,413 Midlothian Council new build homes planned between 2022/23 and 2026/27. There continues to be high demand for the Council's social housing despite significantly increasing the new supply of affordable housing; there are 4,237 households on the Council's waiting list(s) – including 634 homeless households. In order to address housing need, the supply of affordable housing across all tenures needs to increase whilst investment is also made to existing housing stock in adherence with the Scottish Housing Quality Standard and the Energy Efficiency Standard for Social Housing.
- 3.3 The Energy Efficiency Standard for Social Housing (ESSH) was introduced by the Scottish Government to improve the energy efficiency of social housing by reducing energy consumption, fuel poverty and the emission of greenhouse gases. The ESSH2 has subsequently set a requirement that all social housing must meet an Energy Performance Certificate Band B rating by December 2032. The ESSH2 cost for Midlothian Council is currently estimated at £140m.
- 3.4 The Scottish Housing Quality Standard (SHQS) was introduced by the Scottish Government in 2004 to ensure that homes meet a minimum standard. The budget for the SHQS in Midlothian was secured and ring fenced for this ongoing work.
- 3.5 In 2021, Midlothian Council agreed to defer both the 2021/22 and 2022/23 rent increases of 3% following the impact of the Covid-19 pandemic. Prior to 2021 rental charges were increased annually. In November 2021 it was agreed that the next Council would consider a rent and investment strategy in order to deliver services, build new properties and carry out asset management works on existing properties.
- 3.6 The HRA reserve balance at 1 April 2022 was £28,084 million and on 1 April 2021 it amounted to £48,385 million. The HRA reserve sustained the referenced rent freezes whilst still budgeting for 17 sites in the Strategic Housing Investment Plan 2022/23-2026/27 which will result in 760 new Midlothian Council homes. Any additional, emerging sites will require additional funding beyond the current HRA reserves and Scottish Government funding.
- 3.7 Despite the success in significantly increasing the new supply of affordable housing in Midlothian, it is evident that the level of housing

need is increasing. The recent Housing Needs and Demand Assessment for the South East Scotland area projected that in order to meet existing housing need a total of 8,243 new affordable homes are required in Midlothian over the next 20 years.

- 3.8 The Town and Country Planning (Scotland) Act 1997 legislates that 25% of private housing developments should be affordable; these are often referred to as Section 75 sites. Midlothian Council officers track future Section 75 sites and are currently aware of 16 sites which will require 815 affordable housing units to be built of which approximately 500 are to be delivered in the period the emerging rent strategy covers. These are not budgeted for and will require additional funding if Midlothian Council is to further increase the number of council homes beyond those scheduled in the SHIP 2022/23 – 2026/27.
- 3.9 The Council partly funds new build sites from rental charges, including a premium of 25% on new build homes for the first 15 years they are let. Many of Midlothian Council's new build sites are approaching 15 years old, after which the rent will reduce to the level of the legacy stock homes. During the course of the rent strategy 2023/24 – 2025/26, 467 new build homes are due to have the premium removed and reduce annual rental income by £579,902. Removal of the premium will also have the added effect of reducing the average Midlothian Council rent charge.
- 3.10 Midlothian Council has undertaken a site search to review future housing land supply. An outcome of that was the selection of a number of small sites – largely garage or lock up sites – which could have potential for small scale infill affordable housing. Midlothian Council have submitted these as sites that could be taken forward through the Edinburgh & South East Scotland Housing Demonstrator Programme. This programme seeks to create a programme of housing that will be delivered to standardised typologies and performance standards with the use of offsite construction processes for a pipeline of sites across the city region. The approximately capacity of the Midlothian sites is 40 homes, with the overall regional pipeline approximately 320 homes. Midlothian Council intends to enter into a Memorandum of Understanding to embed collaborative working in advance of each City Deal local authority procuring feasibility work to their Demonstrator sites to a common specification with the same design team. The following table contains details of the proposed Housing Demonstrator sites in Midlothian.

Site name	Town	No. of homes	Build type
Eskvale Drive	Penicuik	6	Houses
Lomond Vale	Penicuik	4	Houses
Lyne Terrace	Penicuik	8	Houses
Blackcot Road	Mayfield	6	Houses
Stone Place	Mayfield	8	Houses

- 3.11 Temporary accommodation rent charges are currently in line with those of new build tenancies (plus a management fee).

#### 4 Midlothian Council Rent Affordability

- 4.1 There is no formal guidance on how to define rent affordability. As per Scottish Government guidance, landlords should determine the balance between affordability for the tenants and costs of delivering services and property management. The Scottish Social Housing Charter defined standards and outcomes that all social landlords should aim to achieve:

- Social landlords manage all aspects of their businesses so that: tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay
- Social landlords set rents and service charges in consultation with their tenants and other customers so that: a balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them
- Tenants receive clear information on how rent and other money is spent, including details of any individual items of expenditure above thresholds agreed between landlords and tenants

- 4.2 Social rents should satisfy the national social rent benchmark assumption (More Homes Division – Scottish Government). The following table sets out relevant social rent benchmark assumptions between 2022/23 and 2025-26. Social Landlords are required to justify why a proposed rent is considered affordable if the benchmark assumption is exceeded by more than 5%. Approval of rents exceeding the suggested benchmark by more than 10% is given only in exceptional circumstances.

#### RSL social rent annual value assumptions for 2022-23 to 2025-26

BEDSPACES	2022-23	2023-24	2024-25	2025-26
2	£4,110	£4,192	£4,276	£4,362
3	£4,602	£4,694	£4,788	£4,884
4	£5,017	£5,117	£5,219	£5,324
5	£5,316	£5,422	£5,531	£5,641
6	£5,523	£5,633	£5,746	£5,861
7	£5,983	£6,103	£6,225	£6,349

- 4.3 In order to demonstrate the affordability of current and possible future rental charges, the tables below show an average weekly 1, 2, 3 and 4+ bedroom Midlothian Council house rent<sup>1</sup> and compares this to a gross household income based on a full time employee who receives the minimum wage (£9.50 per hour). It is suggested that when housing costs exceed 30%-35% of a household's income, the cost is judged to

<sup>1</sup> Midlothian Council statistics September 2022

be unaffordable. It shows in all cases that current rents are below 30%. The effect of different rent increases of between 2% and 5% also show that the rents would remain below 30% in this affordability test. It should be noted that the calculations do not include a national minimum wage increase beyond the current level.

	Current rent level	2% increase	3% increase	4% increase	5% increase
Average weekly rent (1 bedroom)	£73.75	£75.23	£75.96	£76.70	£77.44
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	19%	20%	20%	20%	20%
Annual rent charge	£3,835	£3,912	£3,950	£3,988	£4,027

	Current rent level	2% increase	3% increase	4% increase	5% increase
Average weekly rent (2 bedrooms)	£84.22	£85.90	£86.75	£87.59	£88.43
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	22%	23%	23%	23%	23%
Annual rent charge	£4,379	£4,467	£4,511	£4,555	£4,598

	Current rent level	2% increase	3% increase	4% increase	5% increase
Average weekly rent (3 bedrooms)	£90.11	£91.91	£92.81	£93.71	£94.62
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	24%	24%	24%	25%	25%
Annual rent charge	£4,686	£4,779	£4,826	£4,873	£4,920

	Current rent level	2% increase	3% increase	4% increase	5% increase
Average weekly rent (4+ bedrooms)	£98.51	£100.48	£101.47	£102.45	£103.44
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	26%	26%	27%	27%	27%
Annual rent charge	£5,123	£5,225	£5,276	£5,327	£5,379

- 4.4 The tables below show the same affordability test for Midlothian Council new build properties. It shows in all cases that current rents are below 30%. The effect of different rent increases of between 2% and 5% also show that the rents would remain below the 30% affordability criteria for the first year of the strategy period. A new build property with 4+ bedrooms and a 5% annual rent increase would require 32% of a household's income by the third year of the strategy.

	Current rent level	2% increase	3% increase	4% increase	5% increase
Average weekly rent (1 bedroom)	£81.15	£82.77	£83.58	£84.40	£85.21
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	21%	22%	22%	22%	22%
Annual rent charge	£4,220	£4,304	£4,346	£4,389	£4,431

	Current rent level	2% increase	3% increase	4% increase	5% increase
Average weekly rent (2 bedrooms)	£93.58	£95.45	£96.39	£97.32	£98.26
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	25%	25%	25%	26%	26%
Annual rent charge	£4,866	£4,963	£5,012	£5,061	£5,110

	Current rent level	2% increase	3% increase	4% increase	5% increase
Average weekly rent (3 bedrooms)	£100.59	£102.60	£103.61	£104.61	£105.62
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	26%	27%	27%	28%	28%
Annual rent charge	£5,231	£5,335	£5,388	£5,440	£5,492

	Current rent level	2% increase	3% increase	4% increase	5% increase
Average weekly rent (4+ bedrooms)	£105.57	£107.68	£108.74	£109.79	£110.85
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	28%	28%	29%	29%	29%
Annual rent charge	£5,490	£5,599	£5,654	£5,709	£5,764

- 4.5 The table below compares current Midlothian Council rent levels to those of both our Local Authority peer group and the 3 largest Housing Associations operating within Midlothian<sup>2</sup>. Whilst Midlothian Council rent levels are lower than neighbouring Housing Associations, they are higher than the Scottish average and the Local Authority peer group<sup>3</sup>.

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<sup>2</sup> SHR figures 2021/22

<sup>3</sup> Moray Council, Stirling Council, East Lothian Council, Perth&Kinross Council, Clackmannanshire Council, Angus Council, South Ayrshire Council, Shetland Council, East Renfrewshire Council, Orkney Council, East Dunbartonshire Council

	Midlothian Council	Melville Housing Association	Castlerock Edinvar Housing Association	Dunedin Canmore Housing Association	Local Authority Peer Group	Scotland
1 apt	76.64	N/A	73.24	107.04	61.90	75.95
2 apt	82.54	78.51	82.44	97.81	71.33	81.32
3 apt	84.87	84.95	98.84	107.53	77.33	84.18
4 apt	86.76	89.41	111.47	116.13	83.17	91.48
5 apt	91.15	98.02	127.01	123.2	92.06	100.74
Overall Average	84.39	87.72	98.6	110.34	77.16	86.73

- 4.5 As of September 2022, 2,650 Midlothian Council tenants pay full rent whilst 4,471 Midlothian Council tenants are in receipt of HB and/or Universal Credit.

## 5 Options for future rent setting

- 5.1 It is estimated, at present, that EESSH2 will require £140m. The following table illustrates the rent options available, the effect on the new build programme and the asset management works on existing properties e.g. a 4.1% rent increase would enable EESSH but no new build programme beyond that in the SHIP 2022/23-2025/26, whereas a 5.2% rent increase would enable EESSH and 500 new build units. The proposed rent increases are for three years: 2023/24 – 2025/26. These calculations are based on a three year new build completion rate and an eight year EESSH2 completion.

No. of new build units	Rent increase (new social housing and EESSH2)
0	4.1%
100	4.4%
200	4.6%
300	4.8%
400	5%
500	5.2%
1000	6%

- 5.2 The Scottish Housing Regulator recommends that landlords consult tenants about rent increases in ways that enable them to express informed views on options for different rent levels with clear information on what they mean for services and investment in homes. Landlords should:

- consider their tenant profile and the best ways to engage with tenants about proposed rent increases;
- give tenants easy-to-understand information to help them express informed views;



- give tenants genuine options for proposed rent increases and spell out what they mean for levels of investment in homes and the level of services offered;
- discuss with tenants the level of service they want;
- talk to current and prospective tenants about what level of rent is affordable for them;
- be transparent about how they determine affordability; and
- show tenants how their views were taken into consideration in decisions and give them feedback on the consultation process.

5.3 Midlothian Council intends to carry out an online rent consultation as this will be both cost effective and environmentally friendly. A clear and easy-to-understand rent options guide will be provided along with a survey. Paper copies will be available to those who request them. Council officers will also schedule a number of rent consultation drop-in sessions to enable face to face discussions with members of the public.

5.4 This report contains robust and credible data and forms a sound base on which to consult with Midlothian Council tenants and waiting list applicants on future aspirations for the new build programme whilst maintaining existing housing stock.

## **6 Report Implications (Resource, Digital and Risk)**

### **6.1 Resource**

None.

### **6.2 Digital**

Midlothian Council officers will use existing digital resources. There are no digital implications.

### **6.3 Risk**

The principal risks relate to balancing the need to invest in additional housing and providing adequate resources to maintain the existing housing stock whilst taking account of the affordability of rental charges and tenant and prospective tenant views.

### **6.4 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.

### **6.5 Additional Report Implications (See Appendix A)**

See Appendix A

**Appendices**

**Appendix A – Additional Report Implications**

**Appendix B – Background information/Links**

## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

Provision of secure affordable housing will improve the quality of life for citizens and reduce the gap in health outcomes.

### 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 continually improving value for the rent and other charges they pay.

### A.5 Involving Communities and Other Stakeholders

A full consultation will be carried out with all Midlothian Council tenants and waiting list applicants. Stakeholders will be informed at regular Local Housing Strategy Forum meetings.

### A.6 Impact on Performance and Outcomes

The proposed Rent Setting Strategy options support key objectives to keep rents affordable while improving and investing in our existing and new homes.

### **A.7 Adopting a Preventative Approach**

The strategy for rent setting ensures that the Housing Revenue Account continues to provide for investment in existing stock to ensure housing is of good quality and investment of new housing to meet housing need in Midlothian. Investment levels over the next five and ten years will be driven by three elements:

- Maintaining compliance with the Scottish Housing Quality Standard and Energy Efficiency Standard for Social Housing (ESSH);
- Meeting ESSH2 and the Scottish Government's carbon reduction targets;
- New supply

### **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.

**APPENDIX B**

**Background Papers/Resource Links** (insert applicable papers/links)



**Midlothian Council's Housing Services Assurance Statement 2022**  
**Report by Kevin Anderson, Executive Director Place****Report for Decision****1 Recommendations of Report**

Council is recommended to approve the Housing Services Annual Assurance Statement 2022, as attached at Appendix B, for submission to the Scottish Housing Regulator by 31 October, 2022.

**2 Purpose of Report/Executive Summary**

To comply with the Scottish Housing Regulator's (SHR) Regulatory Framework, the Council must approve and submit an Annual Assurance Statement (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 standard and outcomes.

Following Council approval, the AAS will be published on the SHR and Midlothian Council's websites.

**Date:** 26 July 2022

**Report Contact:**

Gillian McCusker, Senior Manager Housing and Wellbeing

email: [Gillian.mccusker@midlothian.gov.uk](mailto:Gillian.mccusker@midlothian.gov.uk)

### 3 Background

- 3.1** The Housing (Scotland) Act 2010 set out the requirement for a Scottish Social Housing Charter (SSHC) and the statutory objectives, functions, duties and powers of the Scottish Housing Regulator (SHR).
- 3.2** The SSHC sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. The SHR monitors, assesses and reports on the SSHC. The SHR's statutory objective is to safeguard and promote the interests of current and future tenants, people who are homeless, factored owners and Gypsy/Travellers.
- 3.3** A Regulatory Framework sets out the approach to regulation.  
<https://www.housingregulator.gov.scot/for-landlords/regulatoryframework#>.

The SHR monitors, assesses, reports and intervenes (as appropriate) in relation to Scottish social landlord performance and housing activities. The current framework came into force in April 2019 and it requires all social landlords to submit an AAS providing assurance that their organisation complies with the relevant requirements of Chapter 3 of that framework.

- 3.4** The AAS provided at Appendix B replaces the AAS submission for 2021 approved by Council on 6 September 2021. As the governing body, Midlothian Council is required to approve the council's Housing Services Assurance Statement 2022, and an Annual Assurance Statement of Compliance, provided at Appendix C.
- 3.5** All Scottish social landlords are required to report performance to the SHR annually through the Annual Return on the Charter (Midlothian Council last submitted this in May 2021) and report to tenants during November 2021.
- 3.6** The SHR analyses each charter return and then publishes an individual Engagement Plan for each landlord, which focuses on areas for improvement. Midlothian's Engagement Plan, March 2022 – March 2023 is focussed on services for people who are homeless as we emerge from the Covid pandemic (this measure applies to all local authorities) and our performance in respect of the repairs service. Midlothian Council has existing scrutiny and performance structures in place to ensure assurance can be given that housing services are delivered in accordance with legislation, regulatory standards and best practice guidance. The Council can give assurance in compliance with all of the statutory obligations, including The Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order 2017.
- 3.7** Midlothian Council has a statutory responsibility to anyone threatened with or experiencing homelessness, including households experiencing domestic abuse and the Housing Allocation Policy current target is to let 60% of all Council lets to homeless waiting list applicants.



## **4 Report Implications**

### **4.1 Resource**

There are no additional resource implications related to this report

### **4.2 Risk**

There are no additional risk implications related to this report.

### **4.3 Digital**

There are no digital implications related to this report.

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

The contents of this report were considered under the Council's Integrated Impact Assessment process and it was determined that undertaking such an assessment was not required.

### **4.5 Additional Report Implications**

Appendix A – Report implications

Appendix B – Annual Assurance Statement

Appendix C – Annual Assurance Statement Assessment of Compliance



## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

Delivering housing services in accordance with legislation, regulatory standards and best practice guidance contributes to improving the quality of life for Midlothian's citizens and safeguarding housing assets for future generations.

### A.2 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

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

### A.3 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.4 Delivering Best Value

Midlothian Council manages all aspects of its business so that tenants and other customers receive services that provide value for money for the rent and other service charges they pay.

### A.5 Involving Communities and Other Stakeholders

Information sharing and consultation takes place with the Midlothian Tenants Panel. The AAS will be made available on the Council's website along with the SHR's Landlord Performance Report and Engagement Plan.

**A.6 Impact on Performance and Outcomes**

Referenced in section 3 of this report.

**A.7 Adopting a Preventative Approach**

Prevention of homelessness is referenced in the report.

**A.8 Supporting Sustainable Development**

Not applicable.



## **Midlothian Council Assurance Statement 2022**

Midlothian Council complies fully with duties, obligations, and responsibilities placed on landlords by legislation and through statutory guidance and is working towards delivering good outcomes set out in the Scottish Social Housing Charter for tenants, people who are homeless and others who use our services.

Midlothian Council complies fully with regulatory requirements set out in Chapter 3 of the Regulatory Framework, duties, obligations and responsibilities placed on landlords by relevant legislation and through statutory guidance. Midlothian Council complies with standards and outcomes in the Scottish Social Housing Charter and is working towards delivering good outcomes set out in the Charter for tenants, people who are homeless and others who use our services. We have appropriate plans to implement an effective approach to the collection of equalities information and have started to consider how we can adopt a human rights approach in our work.

I can confirm we have seen and considered appropriate information and evidence necessary to give assurance to support this statement.

The Annual Assurance Statement was approved at the Council meeting held on 4 October 2022.

Signed:

Date of Signing:

**Councillor Stuart McKenzie, Cabinet Member for Housing Services**



Appendix C			
	Assured		
<b>Scottish Housing Regulator (SHR) - Annual Assurance Statement (AAS) Assessment of Compliance</b>			
SHR Requirement	Status	Evidence	Action
Prepare an AAS in accordance with published guidance, submit it to the SHR between April and 31st October 2021 and make it available to tenants and other service users.		Committee Report and Appendices, 23 August 2022. The ASS is published on the Council website at <a href="http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance">http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance</a> and can be provided in other formats as requested.	The winter tenant newsletter posted on social media platforms will provide information on and how to access the 2022 AAS.
Notify the SHR during the year of any material changes to the assurance on our AAS.		There are no material changes to report at present.	The Council provides the SHR with regular performance information and updates on areas for improvement identified in the Council's Engagement Plan. Officers will also meet with SHR during the summer of 2022 to discuss Engagement Plan 2022/23.
Have assurance and evidence that we are meeting all our legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.		Housing services are delivered in accordance with legislation, regulatory standards and taking account of best practice guidance. As we progress out of the Covid-19 pandemic, the focus of the Housing Service has been ensuring the health and safety of tenants, other service users and Council employees, whilst maintaining core services and providing reassurance and contact for tenants and service users. This has been done in accordance with guidance issued by the Scottish Government, Public Health Scotland and the SHR. Policies and procedures provide clear direction to the Housing Services staff and are reviewed regularly to ensure they continue to be in line with best practice. The Making Performance Matter Appraisal process supports staff to achieve work related objectives linked to service / corporate plans and provide good levels of service to customers. Internal audit reviews are carried out, most recently on the Allocations Policy compliance. Audits are reported to Audit Committee and development plans implemented. Housing Services data is reported quarterly to the Council's Cabinet and the Performance, Review and Scrutiny Committee. The Council is a member of the Scottish Housing Network and benchmarks performance against peer local authorities and regularly engages with best practice networks in a culture of scrutiny connected to performance management.	
Notify the SHR of any tenant and resident safety matters which have been reported to or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.		No health and safety matters have been reported to the Health and Safety Executive in the last 12 months. There are no reports from regulatory or statutory authorities relating to safety concerns.	requirement for an Electrical Installation Condition Report (EICR) to be carried out in each property at least every five years to demonstrate compliance with element 45 of the SHQS. We have a backlog in EICR testing due to the COVID shutdown which we are working on. We are currently in the procurement process for a contractor to complete this works. This will be an ongoing contract of works working towards completion of all EICR by September/October 2025 The Engagement Plan features in the tenant newsletter.
Make our Engagement Plan easily available and accessible to our tenants and service users, including online.		The Council's current Engagement Plan is published on the Council website at <a href="http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance">http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance</a>	
Submit an Annual Return on the Charter to the SHR each year in accordance with the SHR published guidance.		The Annual Return was completed and submitted by 31st May 2022, in accordance with the SHR response timescale.	
Involve tenants, and where relevant, other service users, in the preparation and scrutiny of performance information. We must: agree our approach with tenants; ensure that it is meaningful - that the chosen approach gives tenants a real and demonstrable say in the assessment of performance; publicise the approach to tenants; ensure that it can be verified and be able to show that the agreed approach to involving tenants has happened; involve other service users in an appropriate way, having asked and had regard to their needs and wishes.		The Tenant Participation and Customer Engagement Strategy 2020-23 sets out the framework for tenant scrutiny opportunities and is available on the Council's website at <a href="https://www.midlothian.gov.uk/info/200277/tenancy/224/tenant_participation">https://www.midlothian.gov.uk/info/200277/tenancy/224/tenant_participation</a> . Funding is provided to support tenant participation and engagement. Feedback from homeless service users has shaped the Council's Rapid Rehousing Transition Plan in respect of further transforming services.	A meeting will be scheduled with Midlothian Tenants Panel to review 2021/22 performance, facilitated by the Scottish Housing Network (this is an annual event). This will include considering feedback received regarding the format and design of the performance report for 2022/23. The winter tenant newsletter will include the performance report for 2021/22.
Report our performance in achieving and progressing towards the Charter outcomes and standards to our tenants and other service users. We must agree the format of performance reporting with tenants, ensuring that it is accessible for tenants and other service users, with plain and jargon free language.		The annual performance report is provided to tenants and is available on the Council's website at <a href="http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance">http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance</a> There are a range of ways tenants can engage with the Housing Service to discuss performance and influence the format and design of the annual performance report.	
When reporting our performance to tenants and other service users we must: provide them with an assessment of performance in delivering each of the Charter outcomes and standards which are relevant to the Council; include relevant comparisons - these should include comparisons with previous years, with other landlords and with national performance; set out how and when we intend to address areas for improvement; give tenants and other service users a way to feed back their views on the style and form of the reporting.		In addition to published quarterly performance data reported to the Performance, Review and Scrutiny Committee, the annual performance report provides a comparison with other councils based on the Scottish Housing Network's peer group system. The report compares the Council's performance with the Scottish average and if performance has improved or deteriorated over the previous year. A narrative is provided highlighting key points and identifies areas for improvement.	
Make the SHR report on our performance easily available to our tenants, including online.		The current SHR report is available on the Council's website at <a href="http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance">http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance</a>	The winter tenant newsletter provided information on how to access the SHR report for 2021/22 and this will be published on the Council's website.
Have effective arrangements and a policy for whistleblowing by staff and elected members, which it makes easily available and which we promote.		The Council's Whistleblowing Policy was last reviewed 17th August 2018. Details are available for staff on the Council's intranet site. Policies in respect of fraud, corruption and bribery are available to members of the public on the Council's website and staff undertake mandatory eLearning training. Concerns can be reported by telephone and email. <a href="https://www.midlothian.gov.uk/forms/form/57/en/report_a_possible_crime_fraud_or_similar_concern">https://www.midlothian.gov.uk/forms/form/57/en/report_a_possible_crime_fraud_or_similar_concern</a>	
Make information on reporting significant performance failures, including the SHR leaflet, available to tenants.		A link to the SHR website is available on the Council's website at <a href="http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance">http://www.midlothian.gov.uk/info/917/housing/323/housing_strategy_and_performance</a>	The winter tenant newsletter will provide annual reminder information on reporting significant performance failures.

<p>Provide tenants and other service users with the information they need to exercise their right to complain and seek redress and respond to tenants within the timescales outlined in our service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).</p>		<p>The complaints handling process is available on the Council's website (and link provided on the front page of the website) at <a href="https://www.midlothian.gov.uk/info/670/have_your_say/132/complaints_procedure">https://www.midlothian.gov.uk/info/670/have_your_say/132/complaints_procedure</a>. Leaflets are available in Council buildings used by members of the public and referred to in written and verbal communications as appropriate with customers. The complaints process is highlighted at the new tenant settling-in visit undertaken within the first 4-6 weeks of tenancy start date.</p>	<p>The winter tenant newsletter will provide annual reminder information on the complaints handling procedure. Information on how to contact the regulator if unhappy with services is available on housing pages on the Council's Website</p>
<p>Ensure we have effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO guidance.</p>		<p>Complaints performance data is considered at the Housing Services monthly performance review meeting attended by senior officers. This includes details of complaints received, outcomes and lessons learned where service failures are identified and remedial action is taken to improve service. Housing Services complaints data is reported to the Council's Cabinet and the Performance, Review and Scrutiny Committee. Mandatory eLearning training on Customer First and Complaints handling is undertaken by all staff to ensure they have the necessary skills, knowledge and confidence.</p>	<p>New complaints system is in progress by the Council which will include housing services. Complaints and opportunities to learn from failures in the services are discussed at team meeting and as part of individual performance monitoring as necessary</p>
<p>Have assurance and evidence that we consider equality and human rights issues properly when making all of our decisions, in the design and review of internal and external policies, and in day to day service delivery.</p>		<p>The Council's Equality Plan 2017-21 commits all services to meeting the requirements of equalities legislation and promoting an equal opportunities culture. The Equality Mainstreaming Outcome Progress report (2017-19) sets out how the Council integrates equality across activities and functions when delivering services. This report and other reports is published on the Council's website at <a href="https://www.midlothian.gov.uk/info/200286/equality_and_diversity/136/equality_and_diversity_-_our_commitment">https://www.midlothian.gov.uk/info/200286/equality_and_diversity/136/equality_and_diversity_-_our_commitment</a>. The Council's Integrated Impact Assessment (IIA) tool is used to ensure the consideration of equality and human rights issues and the impact of decisions on those with protected characteristics.</p> <p><b>All new and existing housing policies and procedures are considered as part of a wider scope in the IIA, including socio-economic inequality, health inequality, human rights, environmental and sustainability matters.</b></p> <p>The Council's Equality/Diversity Officer is <b>consulted when</b> new policies, plans, strategies are being reviewed, renewed or developed through the IIA process. This helps to ensure that the needs of all our customers are met.</p> <p>The Council meets its legal requirements in respect of the corporate reporting. Equalities considerations are a standing item for consideration in all Council Reports being considered by Elected Members and the Corporate Management Team.</p> <p>The Council's Equality / Diversity Officer delivers appropriate training to the staff teams regarding equality and diversity awareness and IIA toolkit and guidance.</p>	<p>Undertake discussions with the Council's Engagement Officer and Midlothian Peoples Equality Group, which is a group of that represent all the protected characteristics, to establish arrangements to encourage feedback on future policies, plans, strategies.</p>
<p>To comply with these duties, we must collect data relating to each of the protected characteristics of our existing tenants, new tenants, people on waiting lists, governing body members and staff. We must also collect data on protected characteristics for people who apply to us as homeless and those who live on our Gypsy / Traveller site.</p>		<p>Midlothian Council collects data relating to protected characteristics for the specified groups.</p>	<p>The Council will undertake as part of its Council-tenant-wide profile survey to collect up to date information across all protected characteristics and socio-economic situation during our 2022 survey.</p>



## **Mayfield Town Centre Regeneration – Close-out Report on Community Led Project**

**Report by Kevin Anderson, Executive Director, Place**

### **Report for Information**

#### **1 Recommendations**

##### **It is recommended that Council**

- a) Note the progress made in identifying the community's aspirations for improvements at Mayfield Town Centre and the significant achievement of the In It Together partnership who delivered this project;
- b) Note the content of the Masterplan and areas for improvement identified in the Mayfield Town Centre as a long term ambition by the local community and partners to deliver; and
- c) Note the proposed next steps:
  - i. In It Together will continue to lead on the delivery of the project, taking steps to resource a development manager to develop a robust business case that reflects current priorities and context.
  - ii. The In It Together group will continue to work with different partners, including Midlothian Council, setting out clear parameters and expectations in relation to their roles and responsibilities from the outset.
  - iii. Midlothian Council will seek to develop a Place Brief as part of the Strategic Infrastructure Investment Framework, working with local partners to establish priorities in the local area.

#### **2 Purpose of Report/Executive Summary**

The purpose of this report is to provide Council with a closing out report on the Mayfield In It Together (IIT) project following conclusion of the Mayfield Town Centre Masterplan, as agreed in the October 2019 report to Council.

**20 September 2022**

##### **Report Contacts:**

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### 3 Background/Main Body of Report

- 3.1 In 2019 an update report on the Mayfield Town Centre Regeneration project was taken in private to Council. Within that report, it was agreed that the project required progress updates. This report is presented as the end of project update and recommendations on next steps.
- 3.2 The [Mayfield and Easthouses Community Futures Neighbourhood Plan 2012 – 2017](#) highlighted a need for the regeneration of Mayfield Town Centre (Appendix B – site map). Mayfield and Easthouses Development Team (MAEDT) led the project, working with McSence, Social Enterprise Alliance Midlothian (SEAM) and Mayfield Voluntary Action (MVA) to form the working group (IIT), chaired by MAEDT (see Appendix C for full list of members).
- 3.3 With support from Midlothian Council and MVA, a project team was established (Appendix D) with an architect appointed to work with the local community to produce the Mayfield Town Centre Masterplan (Appendix E). This was jointly funded by Midlothian Council (£40k) and Scottish Government's 'Blueprint' funding (£40k). This was the first fully community led project undertaken by Midlothian Council at that time. The Council provided support through a lead officer.

#### **Masterplan Process and Conclusions**

- 3.4 The Mayfield Town Centre Masterplan commenced in May 2019 and a consultant was appointed in October 2019 to undertake a four stage approach involving extensive community consultations and presentations, informing the completed report and plan. Monthly progress reports were issued to Blueprint as part of the funding agreement and Appendix F shows key project milestones. The Masterplan was scheduled to be complete by May 2020, but was subject to delays due to the impact of Covid-19, and completed in 2022.
- 3.5 The Mayfield Town Centre Masterplan community engagement found that this was an exciting opportunity to regenerate the heart of Mayfield and Easthouses through the vision the Masterplan arrived at with the local community. The report sets out the principles of how the regeneration could be taken to the next stage and onto implementation.
- 3.6 At the heart of the plan is a proposal to establish a community cluster, educational community and retail facilities, surrounded by a more attractive pedestrian environment – reconnecting the town centre more directly to its adjacent neighbourhoods by becoming the focus of the key route. Through the creation of a sequence of appealing streets and spaces the masterplan seeks to redefine the Mayfield town centre experience.
- 3.7 The report also highlights opportunities for residential development that could deliver new housing as an integral part of the town centre, whilst making the town centre facilities the main focus. Through more sustainable patterns of movement, the masterplan seeks to create social and economic value to the benefit of the whole community, by bringing all sectors of the community together.

- 3.8 In the process of preparing the masterplan the IIT Group have demonstrated strong community support for the project and their collective efforts form the basis of a community regeneration exemplar in terms of current Scottish Government guidance – a New Future for Scotland’s Town Centres.
- 3.9 The Masterplan proposals set out the desires and preferences from the community to see improvements in the environment of Mayfield town centre. However, a viability assessment was not completed as part of the masterplan, therefore more information is required to establish the exact nature of the funding gaps that would need to be addressed to deliver the projects contained therein.
- 3.10 The Masterplan also proposes the demolition and replacement of a number of currently occupied housing and retail units. Demolition and redevelopment of these units represents a significant financial overhead to the Masterplan. Opportunities to address the shortcomings in relation to fabric and repairs could potentially offer opportunities that will significantly address energy cost reductions and net zero challenges. These opportunities might result in variations to the Masterplan as proposed but still achieve the community’s aspirations for improved housing and supporting local retail provision.

#### **Lessons Learned and Next Steps:**

- 3.11 The IIT Group are very positive about their significant achievement in delivering the completed masterplan, noting that this is a fantastic achievement for their group. They entered into this project as a group of residents and professionals from different third sector organisations operating in Mayfield & Easthouses who shared an ambition to work together collaboratively to enable a positive change for their community.
- 3.12 The IIT Group provided their own feedback following reflection for inclusion in the report:
- *IIT need an experienced project manager for any future work – a project of this size and importance cannot be an add on, or simply an extra task for any of their members. They should employ a dedicated project manager who will produce a robust business plan to enable them to work together with purpose and intent to ensure that future work is carried out timeously, professionally and right. This is an important piece of work, which they will not get the opportunity to do again if they get it wrong – there is no room for mistakes and so they must ensure the possibility is diminished.*
  - *The group recognises that different partners bring different skills to table. Future work would have to start with clear parameters and expectations of and from all parties involved.*
  - *Getting the right architecture team is key – they were very lucky with their team. They were patient with the IIT Group, succinct with their needs, supportive and understanding of our difficulties and issues, happy to explain and support the group when necessary and willing to go above and beyond their remit in order to get the right outcome for their group. They were key to the success in this project.*

- *The IIT Group is of volunteers and professionals who work and live in Mayfield & Easthouses, but are not used to this type of work. The Group felt that were many chances for better mentorship which were missed during this project. This was not the fault of any one particular person, group or organisation. They were all new to this and all learning as they went. Future work should value and respect the nature of the lead group and of the partnerships and enable full and honest support and mentorship for the group and for the individuals within.*
- *The Masterplan is a fantastic achievement for all involved. They have worked hard, with people who have never done this type of work before and during difficult times to produce a coherent and achievable Masterplan for Mayfield Town Centre. This should be celebrated.*
- *Their task is to look at what is needed now, what can be achieved and how they can move forward to enable the Masterplan to become a reality. Times have changed dramatically since they first embarked on this project. Some aspects of the Masterplan have been changed since its concept (Hawthorn Children's Centre is no longer a consideration for relocation) and other aspects of people's day to day personal and professional lives have also changed and so the work they do from now will be influenced by this in ways that they could not have envisaged when they started this project.*

- 3.13 The masterplan represents a long term ambition from the community setting out a future it wants to see delivered. Within this framework, Midlothian Council will seek to support the community where possible as it moves the masterplan forward.
- 3.14 Given the scale of its ambition, the key goal now will be to prioritise projects that the community wishes to see delivered and support the community as it works to drive those priorities forward with partners.
- 3.15 Midlothian Council will seek to support the delivery through the next stage of its Strategic Infrastructure Investment Framework, which will develop a brief for Mayfield/Easthouses in partnership with the community.
- 3.16 The IIT Group will also seek to resource a development manager role that can focus on delivering a Business Plan for the priority projects.

## **4 Report Implications (Resource, Digital and Risk)**

### **4.1 Resource**

Funding for the Masterplan was made up of £40K from Midlothian Council and £40K from the Scottish Government's 'Blueprint' funding.

It should be noted that the contribution from Midlothian Council relates wholly to in-kind staff resource assigned to provide the necessary, expertise support and advice in the provision of financial, technical, legal and community capacity support. This therefore supports the expectations of the Community Empowerment (Scotland) Act 2015 for public bodies to work with communities in the provision of local services.

## **4.2 Digital**

There are no direct digital issues arising from this report.

## **4.3 Risk**

The Masterplan represents a significant body of work undertaken by the community. However, the IIT need support determining their priorities and will require external resource to help develop the business case for priority projects. A key risk will be the need of IIT to secure funding to progress this next stage of the work and for any emerging project to attract external funding if it is not self-financing.

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

It is anticipated that an Integrated Impact Assessment will be required as part of the next steps. Funding and resource will be required.

## **4.4 Additional Report Implications (See Appendix A)**

See Appendix A

## **Appendices**

**Appendix A – Additional Report Implications**

**Appendix B – Site plan**

**Appendix C – In It Together membership**

**Appendix D – Project Team**

**Appendix E – Masterplan**

**Appendix F - Milestones**

## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

The proposed masterplan is in line with the priority for sustainable growth, creating employment opportunities and increasing the economic impact derived from Midlothian's leisure assets.

### 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

Please refer to section 3 of this report.

### A.5 Involving Communities and Other Stakeholders

The proposed governance arrangements as set out in the briefing documents have been designed to involve key partners. Specifically, the Brief empowers the Mayfield In It Together Group to lead the Masterplan Study. Two community consultation exercises together with consultations with the local secondary school were as noted in the recommendations section of this report.

### A.6 Impact on Performance and Outcomes

The provision of the railway and the establishment of the line provides an opportunity to involve Midlothian residents and visitors and promote the Council area. The long-term benefits arising from the establishment of the railway will positively benefit Midlothian residents and visitors to the area.

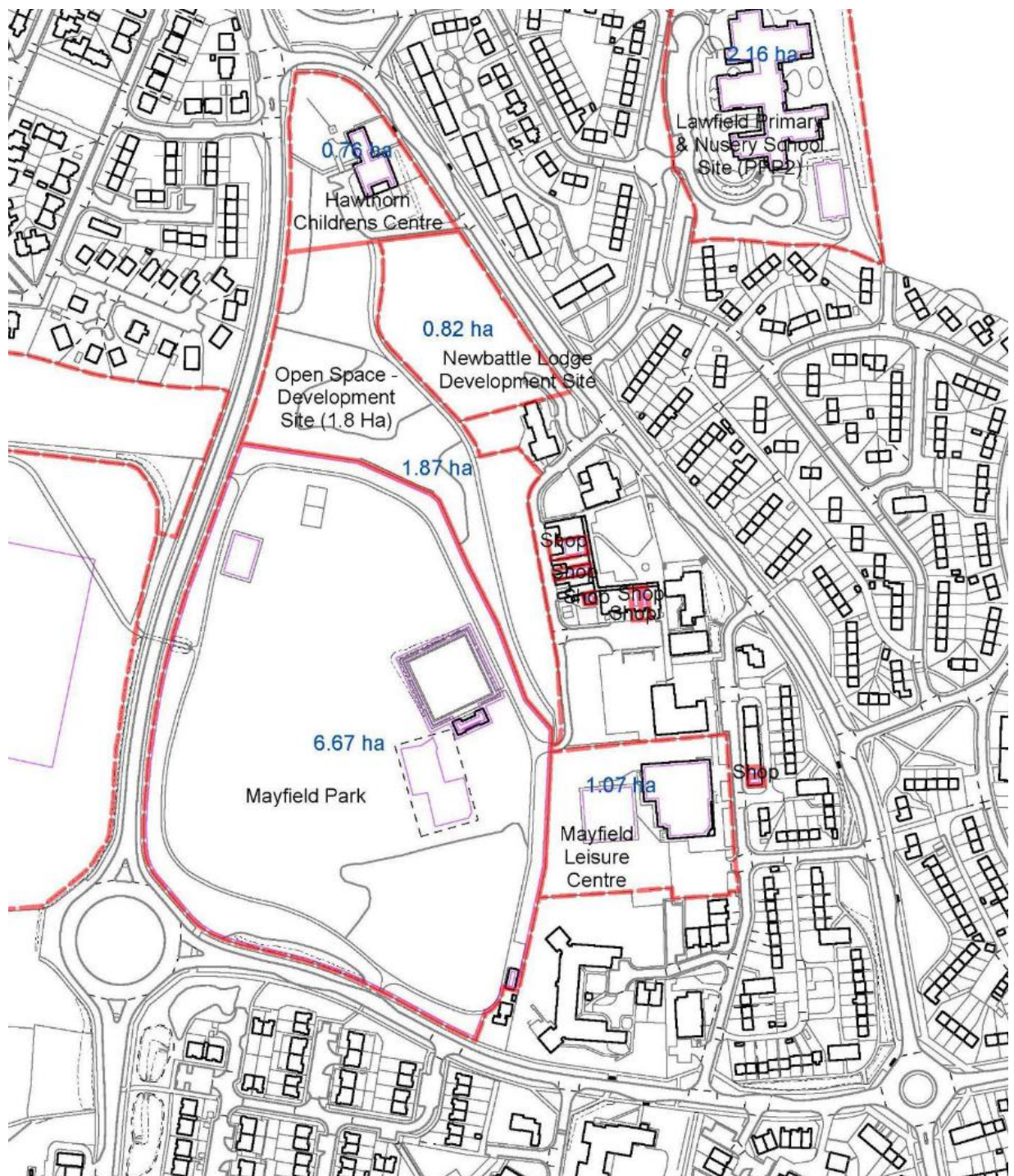
### **A.7 Adopting a Preventative Approach**

The Masterplan provides a framework for future investment development and improvements in the Mayfield area maximising the opportunities provided by the opening of the Borders railway.

### **A.8 Supporting Sustainable Development**

The proposal takes into account the need to deliver fit for purpose, sustainable (for both now and the future) services including through the design and use of appropriate and sustainable facilities and infrastructure. It should be noted that the complete solution will be sustainable only if the Enerphit proposal is adopted in terms of the refurbished units in Mayfield Place.

APPENDIX B – SITE PLAN





## APPENDIX C – IN IT TOGETHER MEMBERSHIP

### ABOUT THE IN IT TOGETHER GROUP

We are a group of community organisations whose work is based in or focussed upon Mayfield & Easthouses. The group consists of two representatives from each of the organisation. All of the members of the IIT Group live and/or work in Mayfield and Easthouses, and we all know the area very well. We work together to make things better for local people. We are:



**Mayfield & Easthouses Church** – In 2019 Newbattle Parish was appointed a Transition Minister for 5 years to take the congregations and communities of Newbattle, Newtongrange and Mayfield and Easthouses through radical change in parallel with the emerging masterplans for Newtongrange and Mayfield. The Mayfield and Easthouses church campus has already been two thirds refurbished to include a café area, “New to You” shop and modern praise area. Further refurbishment and development of the use of the buildings will be progressed in partnership with existing user groups and potential future users groups in the surrounding community during the 5 year Transition Ministry.



**McSence** – an award-winning community business and social enterprise, founded in 1988 to provide employment, training, personal development opportunities and support economic growth.



**Midlothian Voluntary Action** – is the Third Sector Interface for Midlothian. They offer support and expertise to voluntary groups in the area and their work on health inequalities in Mayfield & Easthouses was what made the whole IIT project happen. They continue to support the IIT group and intend to do so into the future.



**Mayfield and Easthouses Youth 2000 Project (Y2K)** – Y2K's main purpose is to provide a safe and secure environment, open and accessible to all young people in the Mayfield/Easthouses community. We offer a diverse range of services and supports, responding to their expressed needs. Young people attend voluntarily and our aim is to provide a safe space for them to enjoy being with friends, meet new people and broaden horizons. We offer young people the opportunity to play active roles in their wider community, encouraging them to grow and develop as confident individuals and responsible citizens.



**Mayfield Community Council** – As volunteers we act as a voice for our local community and co-ordinate and express your views to Midlothian Council and other public bodies on a wide range of issues E.g planning, licensing, consultations, issues that are important to you and the local community.

It is our role to determine what the priorities are for our community. This is based upon consultation and engagement with you and the local community.



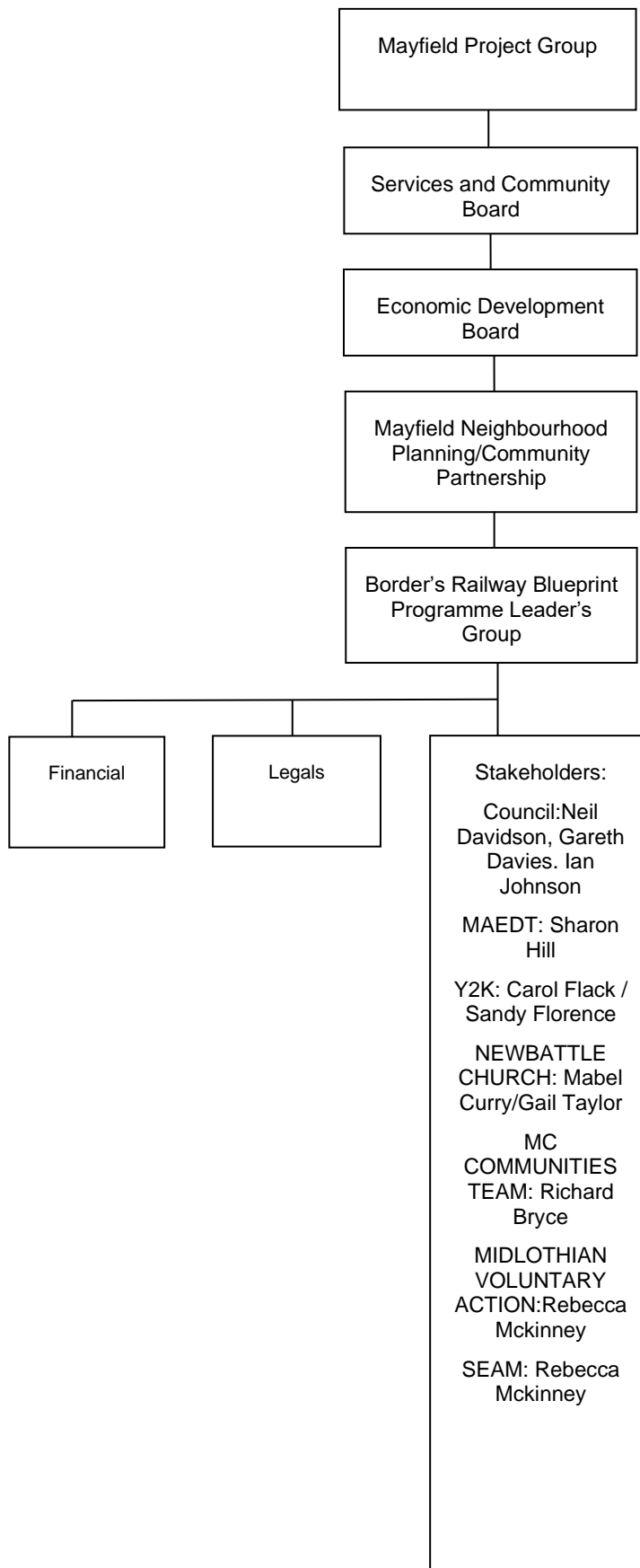
**Mayfield and Easthouses Development Trust** – set up in 2006 following extensive consultation with the local community with the aim to achieve the sustainable regeneration of the community through addressing the economic, social, environmental and cultural needs of the residents and the area.



**Midlothian Council** – Midlothian Council – the IIT Project is fully supported by Midlothian Council. A member of staff sits on the IIT group as advisor and conduit to enable smooth lines of communication at all times.

APPENDIX D

Project Team



## APPENDIX E – MASTERPLAN

- THE FULL DOCUMENT IS AVAILABLE FOR VIEWING IN THE MEMBERS LIBRARY

## APPENDIX F – MILESTONES

Milestone Action Table		
Planned	Progress	Where we are now
Midlothian Council Funding Approval	Obtained 29 May 2018 from the Council's Capital Plan Board.	Completed
Tender Issue	28 May 2019	Completed
Consultant Appointment	Appointed 1 October 2019	Completed
Initial meeting with Consultant	2 October 2019	Completed on 22 October 2019
Stage 1	13 December 2019	Completed on 17 December 2019
		Agreement with IIT   Yes
Stage 2	20 December 2019	Completed on 20 December
		Agreement with IIT   Yes
Stage 3	27 March 2020	Completed on 30 April
		Agreement with IIT   Yes
Stage 4	27 April 2020	Complete
		Agreement with IIT   Yes
Stage 5 / Completion of Masterplan	1 May 2020	<ul style="list-style-type: none"> <li>• masterplan Draft report framework to be completed by 31 July 2020 <span style="float: right;">Final</span></li> </ul>
		<ul style="list-style-type: none"> <li>• Masterplan Final completion in March 2022 <span style="float: right;">Final</span></li> </ul>
		Agreement with IIT   Yes



## **Vogrie Country Park – feasibility update**

### **Report by Executive Director Place**

#### **Report for Information**

## **1 Recommendations**

It is recommended that the Council:

- i. Note the findings of the User Survey and the contents of this report;
- ii. Approve the use of £40,000 of Blueprint funding (in addition to the £10,000 previously allocated to Vogrie) to commission a landscape and access strategy for the site, noting that officers will ensure that the redirection of Blueprint Grant (£50,000) to fund this has the full written consent of Scottish Ministers prior to any expenditure being incurred;
- iii. Approve the preparation of an updated Management Plan by Midlothian Council, which would be resourced internally by Land and Countryside team.
- iv. Approve the allocation of £200,000 of the 2022/23 Place Based Investment Fund towards the upgrade of toilet facilities within Vogrie, as an immediate action in response to the User Survey;
- v. Support the continued exploration of revenue streams that are complementary to an overall vision and ambition to utilise the asset of Vogrie Country Park.

## **2 Purpose of Report/Executive Summary**

A report was requested from elected members on the current status of Vogrie Country Park and to provide answers to the following:

- i. How many user groups utilise Vogrie Country Park?
- ii. How much it costs Midlothian Council to run Vogrie Country Park year on year and what income is generated by the Park?
- iii. What are the locations of the Core Paths around Vogrie?
- iv. What is the estimated time for progressing any emerging investment strategy?

Following the request, the Place Directorate commissioned a user survey of Vogrie Country Park to inform this report. The aim of the

survey was to understand what aspects of Vogrie were valued most and what elements users felt were priorities for improvement.

This report presents the findings of the survey and sets out three key actions, namely:

*Action 1 Enhance Accessibility and Quality of Vogrie Landscape – commission a new landscape and access strategy that will inform a refreshed Management Plan for the park.*

*Action 2 Quick Wins – direct funding from the Place Based Investment Fund into priority investment highlighted by the User Survey, namely refurbishment of toilet facilities on site.*

*Action 3 Continue to explore ways to enhance long term sustainability of Vogrie Country Park, specifically through introduction of glamping to a suitable site, and enhanced use of Vogrie House for events and suitable opportunities.*

**Date:** 04/10/22

**Report Contact:**

Fiona Clandillon, Head of Development

[fiona.clandillon@midlothian.gov.uk](mailto:fiona.clandillon@midlothian.gov.uk)

### 3 Background

- 3.1 James Dewar acquired the Vogrie estate in 1719 and laid out the park and grounds in the early 19<sup>th</sup> century. Vogrie House was built by the Dewar Family in 1876 with the Stable Block having been built some 50 years earlier. In the early 20<sup>th</sup> century the house and estate were sold and became an exclusive residential nursing home. In 1975 Midlothian House took on the ownership of Vogrie House and grounds.
- 3.2 In 1982, Vogrie estate was designated a Country Park under the Countryside (Scotland) Act 1967 which led to significant works to the grounds and creation of a path network along with a nine-hole golf course to create one of Midlothian's most visited attractions. In 1994 the lower ground floor and ground floor of Vogrie House were refurbished to allow occupancy of the house and allowing the provision of a café.
- 3.3 Under the Act the site was designated a Country Park by the local authority "*which by reason of its position in relation to major concentrations of population affords convenient opportunities to the public for enjoyment of the countryside or open-air recreation*". In addition there were a number of facilities including toilets that government stipulated were required. These government requirements for designation of a Country Park have now lapsed.
- 3.4 Today, Vogrie Country Park ("Vogrie") retains much of its character as a Victorian parkland estate with sweeping carriage drives and landscaped vistas and remains a key attraction in Midlothian.
- 3.5 The key features of the house and Country Park are:
  - 103 hectares of landscape parkland, leading down to the Tyne Valley.
  - 11.5 miles of woodland trails.
  - Vogrie Country Learning & Childcare Setting located within part of the original walled garden
  - Ranger Service is based in Vogrie House
  - Adventure Playground
  - Miniature Railway, operated by EskValley Model Engineering Society
  - Cafe
  - Stable buildings currently let to the Girl Guide Association
- 3.6 The park has been submitted for Green Flag four times and has been successful each time. The award recognises parks that attain a level of excellence.
- 3.7 In 2015, as part of the Diamond Jubilee Dedication scheme, the park became protected through a "Queen Elizabeth Field" designation under Fields in Trust which is a national organisation whose main purpose is the protection of public open spaces. The protection, conferred by designation, is legally binding and was approved by the Council.
- 3.8 If the Council determines to take the Country Park out of the protection scheme this would need to be with the agreement of Fields in Trust and would require compensatory land to be designated which has a commensurate public value as open space.

- 3.9 Initial feasibility work to examine the commercial potential of Vogrie was instigated in September 2018, this work being part funded by the Borders Rail Blueprint Fun, with update reports provided to Council at the time.
- 3.10 The initial feasibility work included consultation with experts in the commercial leisure and tourism industry, as well as other related enterprises. This study examined the potential for the following uses:
- Main House: boutique hotel / self-catering apartments (holiday lets etc.)
  - North field: tourist accommodation / chalets.
  - Existing café: relocation from the main house to a more attractive location, such as the walled garden.
  - Grounds of Main House/Walled Garden<sup>1</sup>: small bespoke retail outlets/small scale distilling manufacture and retail outlets.
  - Existing play area: relocation to a more attractive position.
  - Nine Hole Golf Course: bring back into use, possibly as an adjunct to a boutique hotel within the main house.
- 3.11 These initial findings were the subject of internal officer discussions with the Planning and Economic Development services. The principle of tourist facilities, tourist accommodation and tourist-related development were considered to be generally acceptable in planning terms subject to normal design criteria and other matters such as access and environmental impact. However, significant commercial and retail development could be considered contrary to the provisions of the Midlothian Local Development Plan (2017).
- 3.12 The advent of the COVID-19 pandemic resulted in this work not being progressed. This report seeks to answer elected members questions and revive the subject of the future direction for Vogrie Country Park and sets out a preferred approach for potential Project Benefits that could be realised;
- To provide a year round, family orientated, multi activity leisure attraction which will enhance and safeguard the future of Vogrie Country Park.
  - Delivers a diverse business opportunities backed by additional activities, including glamping, potential indoor play space, conferencing, retail offering and food court space to enhance the existing leisure offering
  - Direct and indirect employment FTEs supported by the facility annually
  - Creates the opportunity for an expanded tourist attraction for Midlothian
  - Total direct and indirect income impact in the local economy annually to be determined

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<sup>1</sup> This work was carried out prior to the Early Years Centre located in the Walled Garden



### **How Many User Groups Utilise Vogrie Country Park?**

- 3.13 Until 2009 it was estimated from car counters that Vogrie received over 250,000 visitors per annum. Over recent years the car counter has fallen into disuse and estimates based on payment for car parking are nearer 100,000 users, with the largest user group being the general public.

#### **Key stakeholders**

- 3.14 There are a range of stakeholders based within the park and these include:

<b>Land &amp; Countryside Service</b>	Grounds Maintenance Team – estate maintenance includes grass cutting, litter picking and cleaning duties.  Ranger Service – visitor management, volunteering opportunities, maintaining access and facilities, group work, biodiversity and habitat management, environmental education, Vogrie House, Green Flag monitoring and standards for submissions. Ranger Service is key generator of additional resource through their co-ordination and management of significant programme of voluntary work, which plays a significant role in the upkeep of Vogrie Country Park.
<b>Early Learning</b>	Based in the former walled garden, an outdoor nursery with 80 attending.
<b>Girl Guiding Assoc.</b>	Based in former stable block, residential accommodation for Girl Guides and Brownies from around Scotland.
<b>Miniature Railway</b>	Esk Valley Model Engineering Society runs a model train and offers public rides throughout the summer and on demand.
<b>Tree Top Cafe</b>	Based in Vogrie House provides refreshments for customers
<b>Saltergate School</b>	Based in former golf starters hut undertakes therapeutic education in the outdoors with young people from the school.
<b>Other Tenants</b>	Includes Social Services Community Action Team, The Wildlife Information Centre and Riederer Hospitality.

- 3.15 There are several other stakeholders such as Parkrun that arrange a free 5km run every Saturday of the year for around 150 participants contributing to Midlothian as a healthy place to live and work.

#### **User Groups**

- 3.16 Prior to Covid the number of groups using the Ranger Service was in the region of 350 annually. This included schools, corporate and local volunteers, community organisations, conservation groups etc. The majority of these groups performed a variety of activities from improving the park by volunteering to self-led activities and learning about Midlothian's natural environment and history. The number of groups visiting is gradually building up again following the removal of Covid restrictions.
- 3.17 The Girl Guide Centre runs residential and non-residential sessions with Guides and Brownies attending from different parts of Scotland although the focus is on local groups from Midlothian.

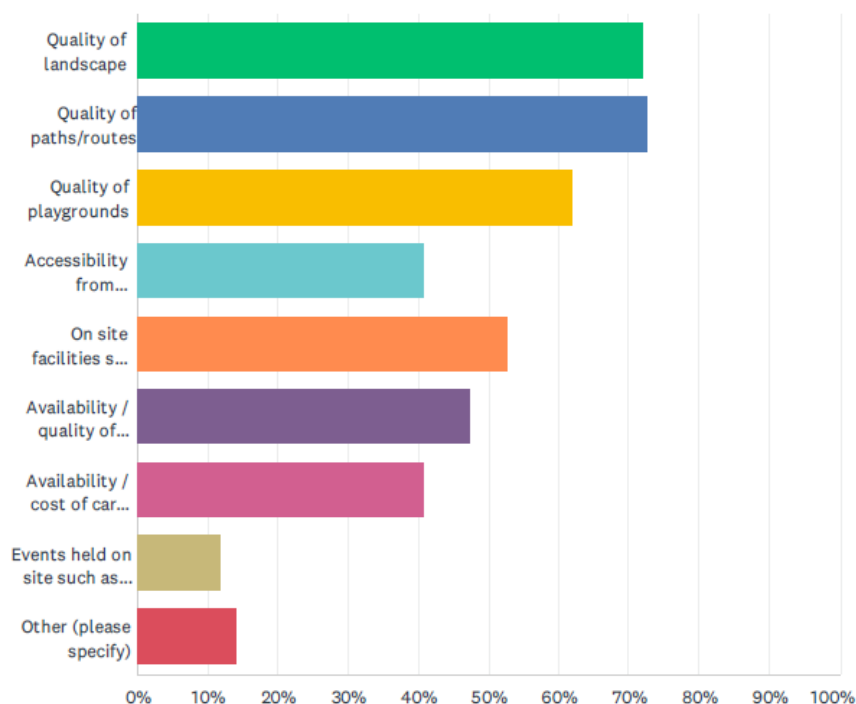
- 3.18 Family groups book commercial activities such as barbeques, the segways and the events field for activities such as horse riding. Additionally many dog-walking businesses use the park.
- 3.19 There are also larger scale events attended by several thousand attendees such as the Woodland Dance Project and Vogrie Pogrie.

### Survey of the general public

- 3.20 An online survey on Vogrie Country Park carried out in 2022 attracted a very strong response, with 730 responses received, indicating a high level of engagement and interest in the park in Midlothian and beyond.
- 3.21 The survey found that 51% of visitors visited the park once per month or more, with 12% visiting more than once a week. The majority of visitors (83%) came to the park the same frequency or more than they did pre-Covid 19.
- 3.22 93% of respondents stated that they visited Vogrie for general leisure purposes rather than organised activities (17%).
- 3.23 Question 6 in the survey asked people what they most enjoy about the park.

Enjoyment Factor	%
Walking, running cycling dog walking	73
Landscape	72
Playgrounds	62
Cafe	53

Figure 1 Enjoyment Factors



- 3.24 The conclusion to be drawn is that the majority of users enjoy the attractive landscape for walking with opportunities for children's play. However, the café, playgrounds and toilets provide additional incentive to enjoy the natural elements.
- 3.25 Question 7 in the survey asked what people least enjoyed about the park. Issues associated with the public toilets on site and also the cost of car parking were the two most common issues raised. Due to the age of the parking control system there have been ongoing technical issues which have caused frustrating delays for visitors to leave the park. Under "Other", respondents also highlighted difficulties accessing the park by public transport and challenges associated with accessing facilities within the park by those with mobility issues.

<b>Least Enjoyed Factor</b>	<b>%</b>
Availability/quality of public toilets	38
Cost of car parking	32
Cafe	19
Quality of playgrounds	12
Quality of paths	8
Other	32

- 3.26 Question 8 asked respondents to rank their top priorities for improvement.

<b>Quality Factor</b>	<b>Ranking</b>
Paths	1
Playgrounds	2
Toilets	3
Landscape	4
Cafe	5
Cost of car parking	6

- 3.27 Question 9 asked, if there was anything respondents would like to add to their views about the park.
- 3.28 An analysis of this answers found many of the comments to be very positive. Typical comments were: 'I love Vogrie' to 'It's an amazing place', 'It's lovely', 'A wonderful resource', 'The staff are always so helpful and friendly', 'I love walking / running there', 'It's a very affordable day out' etc. It is clear therefore that Vogrie is much valued by Midlothian residents.
- 3.29 Another theme which emerged was the importance of the natural environment to visitors with trees, ponds and wildlife being seen as a vital characteristic of the park and reflect people's principle reason for enjoying the park in response to Question 6.
- 3.30 The Ranger Service also received a lot of positive comments through their work with volunteers, education and management and maintenance of the site.

### **What are the location of the Core Paths Around Vogrie?**

#### **Core Path Plan and Midlothian's Green Network**

- 3.31 Within Vogrie there are 11 miles of path network. Approximately four miles of the network is designated as Core Path within the Midlothian Core Paths Plan. One of these paths, that follows the River Tyne, is a right of way.
- 3.32 The paths form a comprehensive network around the park and give visitors a range of experiences from formal policies to semi-natural woodlands and grasslands with ponds and a river. There is, however, not a circular route around the less formal areas of the park for wheelchair users so that opportunities to explore the more natural side of Vogrie are constrained.
- 3.33 The paths within the park link to the wider path network outside of Vogrie. Paths such as the Tyne Esk Trail link to the nearby settlements of Newlandrig, Dewarton and the wider countryside. The Callender Estate, which owns much of the land around Pathhead is seeking funding to improve one of the main paths between Vogrie and the settlement in order to improve accessibility to the park for local residents.
- 3.34 The Midlothian Green Network identifies Vogrie Country Park as one of several locations where strategic connections can be improved. There are, however, difficulties in providing active travel routes for cycling to Vogrie due to gradients out of Dalkeith and through Gorebridge. Walking to Vogrie from public transport stops is challenging for all but the very enthusiastic and not practical for a family day out.
- 3.35 Off-road links to other local estates along the Tyne Valley are limited by topography. There is a right of way that links Borthwick with Crichton and Vogrie. The route is mainly used by enthusiastic ramblers and is not really suitable for the casual visitor. The development of this could make an excellent cultural trail. It has many points of historic interest and great natural beauty with spectacular views.

### **How Much Does It Cost / What Income Is Generated by Vogrie Country Park?**

#### **Income and Expenditure Associated with Vogrie Country Park**

- 3.36 The operating costs for Vogrie Country Park including all the elements of maintaining the park are estimated by Land & Countryside Services to be around £231,000 per annum. This is set against estimated income by the service of £96,000 and have to be validated by Financial Services.
- 3.37 Not reflected in the additional resource is a value the Ranger Service generates through management and co-ordination of voluntary work, which makes a significant contribution to the maintenance and upkeep of Vogrie Country Park.
- 3.38 A net operating loss for a Country Park will not be unusual given the nature of the asset. In the past, revenue streams have been sought to bring

additional income into the park and assist in its upkeep. However, there is clearly a balance that needs to be struck between revenue generating activities and maintaining the core characteristics that attract the vast majority of users i.e. the quality of landscape and overall experience that the park offers. However, there is clearly scope to further increase and diversify income streams to reduce this deficit.

- 3.39 To achieve the balance between retaining the core character of the park, while generating additional revenue streams, the following is the proposed approach:

### **Action 1 Enhance Accessibility and Quality of Vogrie Landscape**

*The Vogrie Country Park Management Plan (2018-2023) requires updating. Since it was published, the golf course has closed and the Early Years setting has opened.*

*The key quality that attracts people to Vogrie is the quality of its landscape and the enjoyment people get from experiencing it. It is therefore important to ensure there is an up to date vision and clear set of actions to guide ongoing enhancement of the park.*

*It is therefore proposed that the Management Plan is updated, but that it is supported by the commissioning of a landscape and access strategy for the park.*

*The key objectives for this work will be:*

1. *Provide a long term strategy for investment in the core asset of Vogrie Country Park, i.e. its landscape and key features including the walled garden.*
2. *Set out key priorities and actions for enhancement of landscape and access within the park.*

*Outputs of the study should comprise:*

1. *An updated long term vision for the landscape of Vogrie Country Park;*
2. *An analysis of the different landscape elements within Vogrie Country Park and areas where enhancement / investment should be prioritised;*
3. *An access strategy that allows appropriate access paths /routes to be provided for different kinds of users, enhancing overall accessibility while reducing conflicts. This should also highlight opportunities to enhance connections from outwith the park for walkers and cyclists;*
4. *Guidance on where there is capacity within the landscape for new uses to be accommodated that could generate additional income streams e.g. bike trails, additional café facilities, enclosed dog field/park and glamping.*

5. *A funding strategy, highlighting appropriate funding sources that could be utilised to implement the strategy.*

*A budget of £50,000 (ex VAT) should be made available to deliver this work, which will then inform an updated Management Plan.*

*£10,000 of funding from Blueprint was allocated to Vogrie Country Park in 2019 and was not utilised. It is proposed that this £10,000 is augmented with a further £40,000 from the same fund to ensure sufficient budget is available for landscape and access strategy, which will guide investment priorities and support the revised Management Plan.*

### **Action 2 Quick Wins**

*Two key issues were highlighted by users in their response to the survey on Vogrie Country Park: the operation and cost associated with the car park charging system and the condition of the toilets on site.*

*Since the survey was carried out, the toilets within Vogrie House have been re-opened. This will enhance toilet availability. However, it is proposed to utilise the Place Based Investment Fund to refurbish and enhance the toilet provision within Vogrie, with the potential for the creation of a Changing Places toilet at a suitable location within the park to be explored. This will support users of the park who have additional support needs.*

*It is proposed that a budget of £200,000 is set aside to carry out these works from the Place Based Investment Fund. These works must be under contract by March 2023.*

*In relation to car park charging, the Land & Countryside team will examine the response to the survey and work with the contractor to provide an efficient car park barrier system to reduce delays and avoid customer frustration. The service will also investigate a replacement system that allows reduced rate passes for regular visitors.*

### **Action 3 Continue to explore ways to enhance long term sustainability of Vogrie Country Park**

It is recognised that Vogrie would benefit from additional revenue streams to support its ongoing operation and overall financial viability. However, any additional commercial activity will need to be compatible with existing patterns of use and ensure ongoing free and open access to the Country Park. This is particularly important now there is more widespread understanding of the health & wellbeing benefits of quality green infrastructure to our communities. This approach is in keeping with the outcomes of the Single Midlothian Plan priorities for 2022/23, which are to work towards improved health and learning for individuals and communities in Midlothian; work to make sure that no child or household is living in poverty, and make progress towards meeting net zero carbon emissions.

Of the uses examined previously, glamping offers the opportunity to introduce a leisure use that is low impact in terms of landscape and could bring additional users to the park that would support the café (and wider local economy). It also offers up the potential for linked room lettings in Vogrie House for parties and family events, making greater use of an under-utilised asset.



The optimum location for a glamping use will be determined through market engagement, the development of the landscape and access strategy and opportunities and constraints presented by local planning policy and access to services and utilities.



The use of Vogrie House for events, including private receptions, more generally should continue to be promoted.

### **What is the Estimated Time for Progressing Emerging Investment Strategy?**

- 3.40 As per the actions set out above, there are actions that can be taken forward in this financial year to achieve some quick wins. However, more substantial elements of investment should take place in the context of a landscape and access strategy for Vogrie. It is estimated that this will take approximately 6 months to procure and deliver. Market testing with glamping operators will happen in parallel with this. If the decision is taken to move ahead with that

use (or any other uses) in a specific location, that can happen once the landscape and access strategy is approved.

#### **4 Report Implications (Resource, Digital and Risk)**

##### **4.1 Resource**

£200,000 to be directed to refurbishment of facilities within Vogrie Country Park from the Place Based Investment Fund (2022/23).

£40,000 (plus VAT) funding from Blueprint requested to fund a landscape and access strategy for Vogrie.

Internal resource will support this work and also the updated Management Plan.

##### **4.2 Digital**

None

##### **4.3 Risk**

Without an updated vision and strategy for investment, Midlothian Council will not be able to prioritise most impactful projects to support ongoing running of Vogrie Country Park. Failure to invest will result in a widening operational deficit.

Lack of a strategy for investment and understanding of how potential additional revenue generating impact on Park and users will also result in risk of increased conflict between uses and the qualities of landscape and policies, to the detriment of the park and user experience.

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

Not required at this stage

##### **4.4 Additional Report Implications**

None

#### **Appendices**

**Appendix A – Additional Report Implications**

**Appendix B – Background information/Links**





## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

- **Reduce economic inequality:** through provision of high quality environment in a location that is more accessible
- in a decreased carbon footprint for the operation of the school.

### 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

#### Planning / Design / Delivery Consultation

Community engagement will commence once this report has been approved and the project has governance to progress to Planning.

### A.6 Impact on Performance and Outcomes

The aim of this paper supports the priority to reduce inequalities.

### A.7 Adopting a Preventative Approach

Not applicable

### A.8 Supporting Sustainable Development

Not applicable at this stage

**APPENDIX B**

**Background Papers/Resource Links (if applicable)**



## **Brexit and COVID-19 – An Economic Assessment for Midlothian Council**

**Derek Oliver, Chief Officer – Place**

### **Report for Decision**

#### **1 Recommendations**

Council is recommended to:

- a) Note the contents of the Economic Assessment;
- b) Endorse the ten strategic priorities listed within the Economic Assessment and summarised in Sections 3.9 to 3.18 of the report;
- c) Approve the creation of a new Economic Strategy for Midlothian, to be presented to Council for approval in early 2023.

#### **2 Purpose of Report/Executive Summary**

In March 2022, Midlothian Council commissioned ekosgen to undertake an analysis of the economic impact of Brexit and the COVID-19 pandemic on Midlothian's economy.

ekosgen's report (Appendix B) presents an analysis of challenges, opportunities and strategic priorities that will enable the Council, along with its strategic partners, to respond to the impacted economic landscape through a refreshed economic strategy.

This report summarises the key findings and the strategic priorities that are recommended to be taken forward through a new Economic Strategy.

**Date** Tuesday 13 September 2022

**Report Contact:**

Derek Oliver, Chief Officer – Place

[Derek.Oliver@midlothian.gov.uk](mailto:Derek.Oliver@midlothian.gov.uk)

### **3 Background**

- 3.1** 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.
- 3.2** 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.
- 3.3** ekosgen's report (Appendix B) presents an analysis of challenges, opportunities and strategic priorities that will enable the Council, along with its strategic partners, to respond to the changed economic landscape through a refreshed economic strategy.

#### **Summary of key findings**

- 3.4** ekosgen looked at a number of key economic areas to inform their analysis:
- Overview of the Midlothian economy including pre-COVID and pre-Brexit
  - The economic outlook for the short, medium and long term
  - Labour market, skills and employability
  - Impact on communities
  - Sectorial impacts (including retail, social work, construction and education)
  - Business impacts
  - Funding landscape
- 3.5** They concluded that Midlothian, along with the rest of Scotland and 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, in the short, medium- and longer-term future, and the full impacts are still to materialise over the next few years.
- 3.6** 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.
- 3.7** 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.

- 3.8** 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. Ten strategic priorities have been recommended by ekosgen and will be incorporated into the refreshed economic strategy

### **Strategic priorities**

- 3.9 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.
- 3.10 Provision of business premises:** Though the Council is 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.
- 3.11 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.
- 3.12 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.

- 3.13 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.
- 3.14 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.
- 3.15 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.
- 3.16 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.
- 3.17 Operating in a different funding regime:** Recognising the fundamentally changed funding landscape Scotland is now faced with, Midlothian Council should commit sufficient resources in 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.



**3.18 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
- 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 has an important role to play in reducing social and health inequalities.

## **4 Report Implications (Resource, Digital and Risk)**

### **4.1 Resource**

There is no resource impact for the development of the report as the costs were met from existing service budgets. Refresh of the Economic Strategy will be met from existing service resource. There will cost implications to deliver the Economic Strategy which will be continually assessed and require further reports to Council.

### **4.2 Digital**

There are currently no known digital impacts.

### **4.3 Risk**

The report from ekosgen outlines what the economic impacts are and could be for Midlothian. There is a risk of a more negative economic outlook should the strategic priorities not be progressed.

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

There is no requirement for an IIA at the moment. The refreshed Economic Strategy and associated action plans will be subject to an IIA when being developed.

### **4.4 Additional Report Implications (See Appendix A)**

See Appendix A

**Appendices**

**Appendix A – Additional Report Implications**

**Appendix B – ekosgen report**

## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

This report contributes to the SMP priority of reducing the gap in economic circumstances.

### 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

There are no Best Value implications with the development of this report.

### A.5 Involving Communities and Other Stakeholders

The report was informed by a range of data sources that involved internal and external stakeholders.

### A.6 Impact on Performance and Outcomes

The findings from the report will inform the delivery of the Council's economic outcomes.

### A.7 Adopting a Preventative Approach

The findings from the report support a preventative approach to economic recovery.

## **A.8 Supporting Sustainable Development**

Economic development and recovery is a key enabler to sustainable development.



**Brexit and COVID-19  
An Economic Assessment  
for  
Midlothian Council**

**Report**  
**August 2022**



Report completed/submitted by:	Richard Weaver, Ross Mawhinney, Esther Cordingley
Proof check completed by:	Lee Williamson
Date:	8 <sup>th</sup> August 2022
Report reviewed by:	Pamela Reid
Date:	9 <sup>th</sup> August 2022

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# 1 Introduction

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## 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**



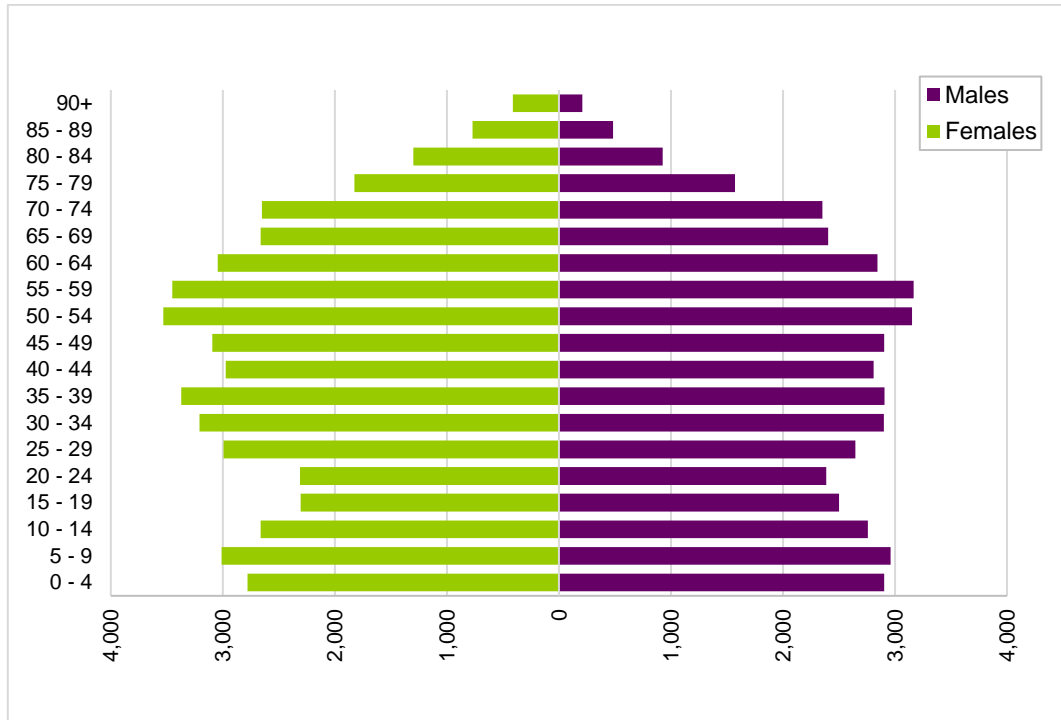
Source: NRS, 2022

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.<sup>1</sup>

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.

<sup>1</sup> <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections>

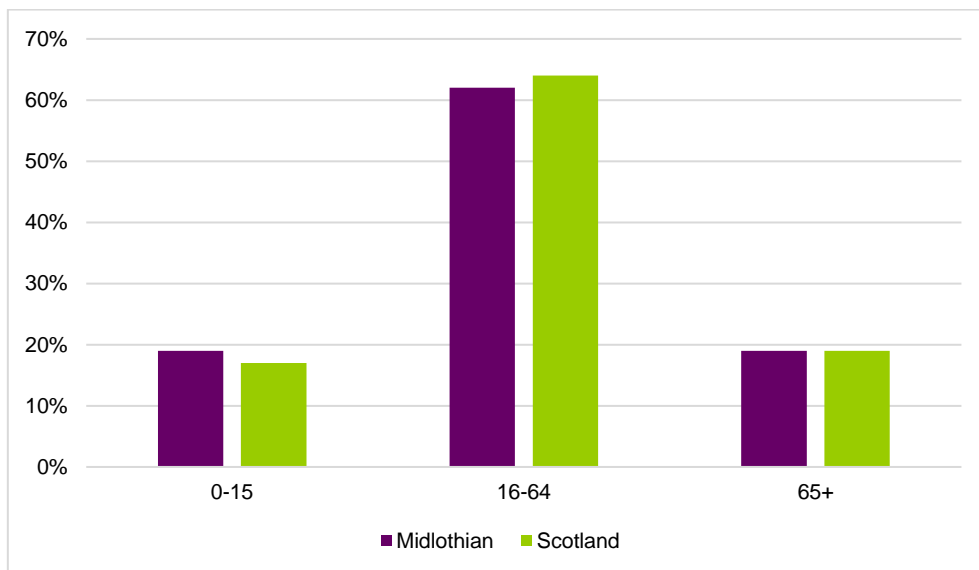
**Figure 2.2. Population structure of Midlothian, 2020**



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<sup>2</sup> 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**



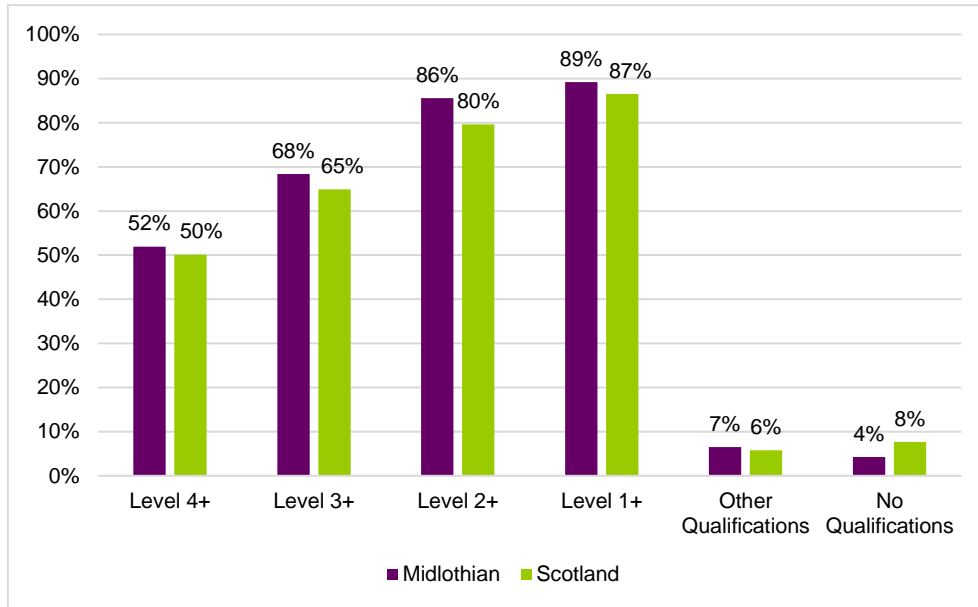
Source: ONS Population estimates

<sup>2</sup> 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.

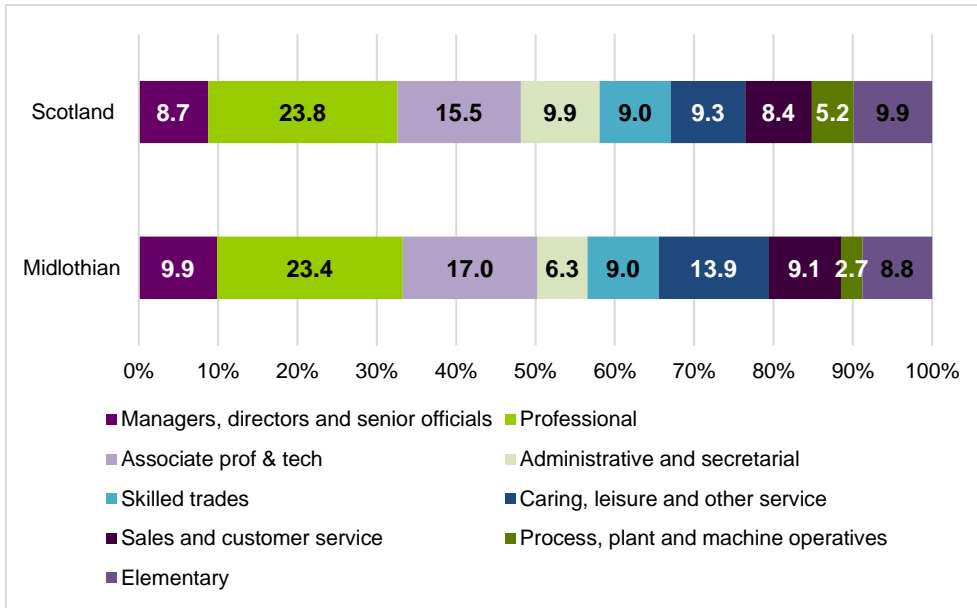
**Figure 2.4 Skills Levels of Working Age Population, 2021**



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**

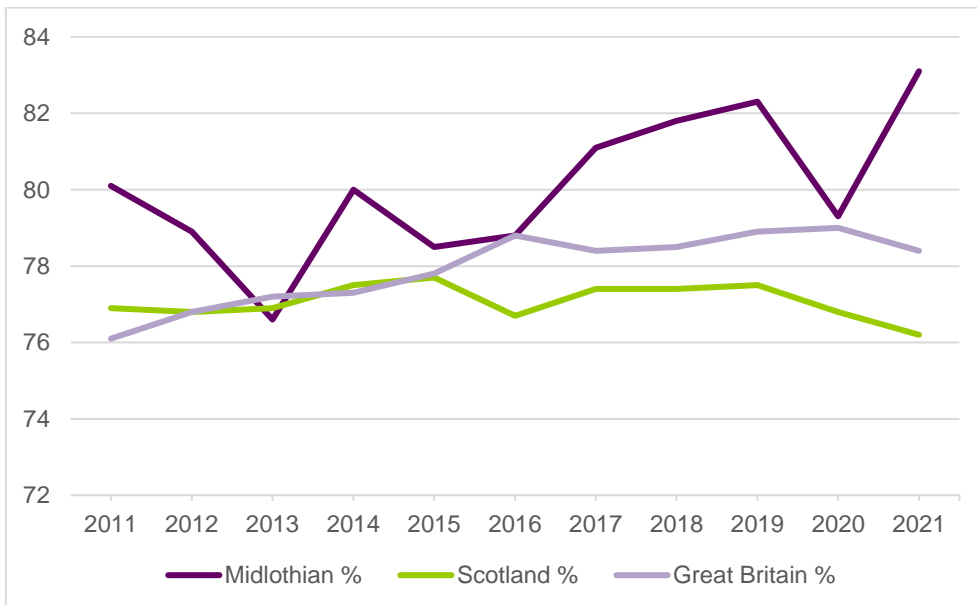


Source: ONS annual population survey

## 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**

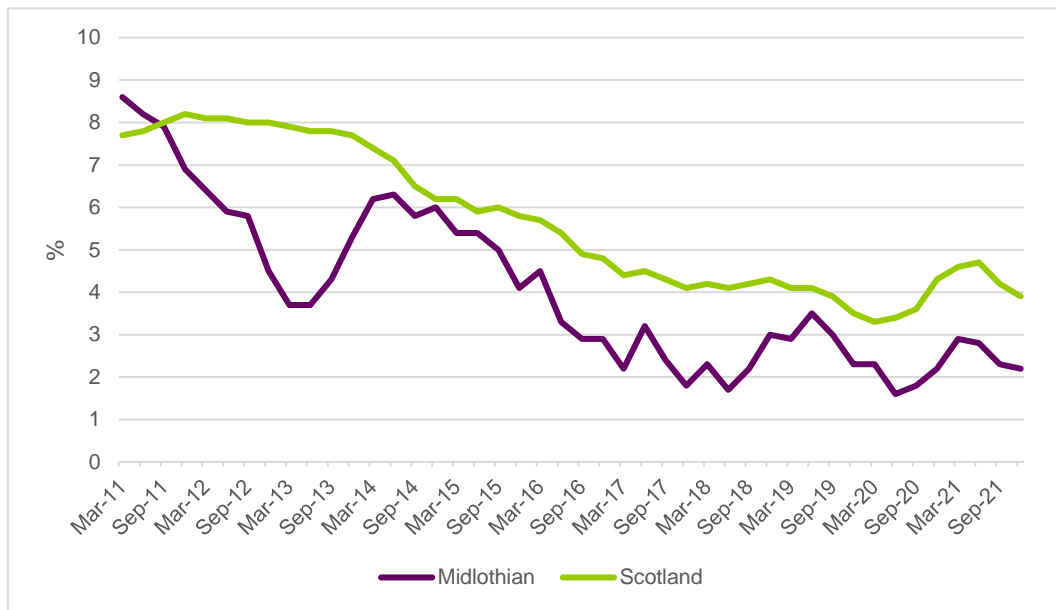


Source: Annual Population Survey, 2022

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.<sup>3</sup> 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**

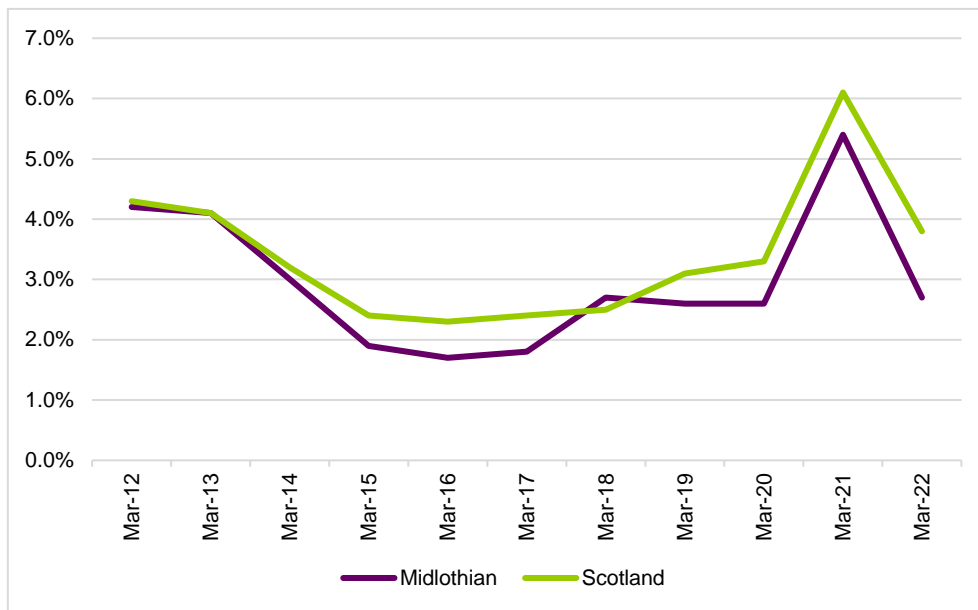


Source: ONS Annual Population Survey, 2022

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.

<sup>3</sup> 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

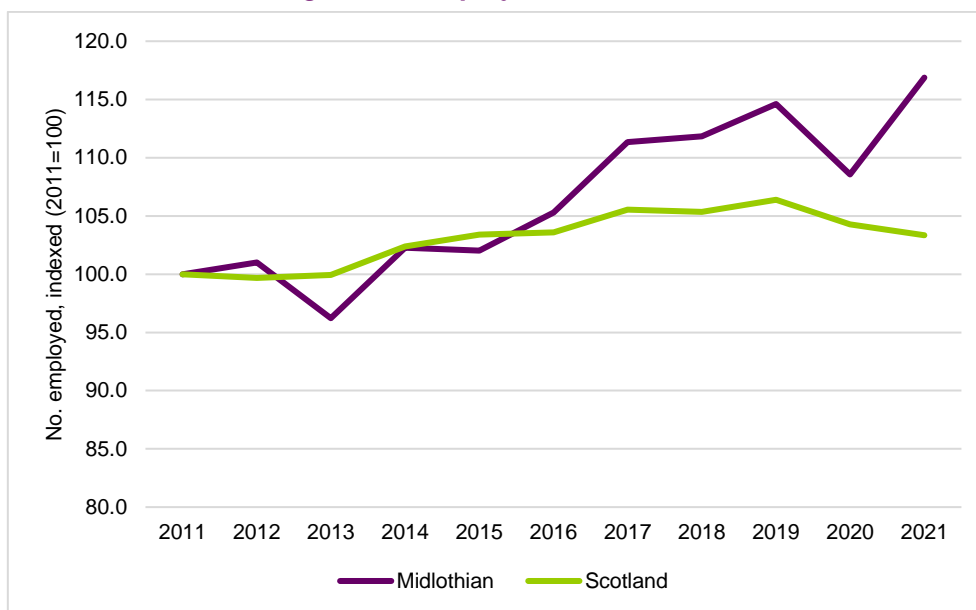
2.13 It should be noted that there has been a significant increase in the number of in-work recipients of Universal Credit across Scotland. The proportion of in-work recipients of Universal Credit in Scotland has risen from 30.4% in May 2015 to 38.4% in May 2022. In Midlothian, a similar pattern has 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.

**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.

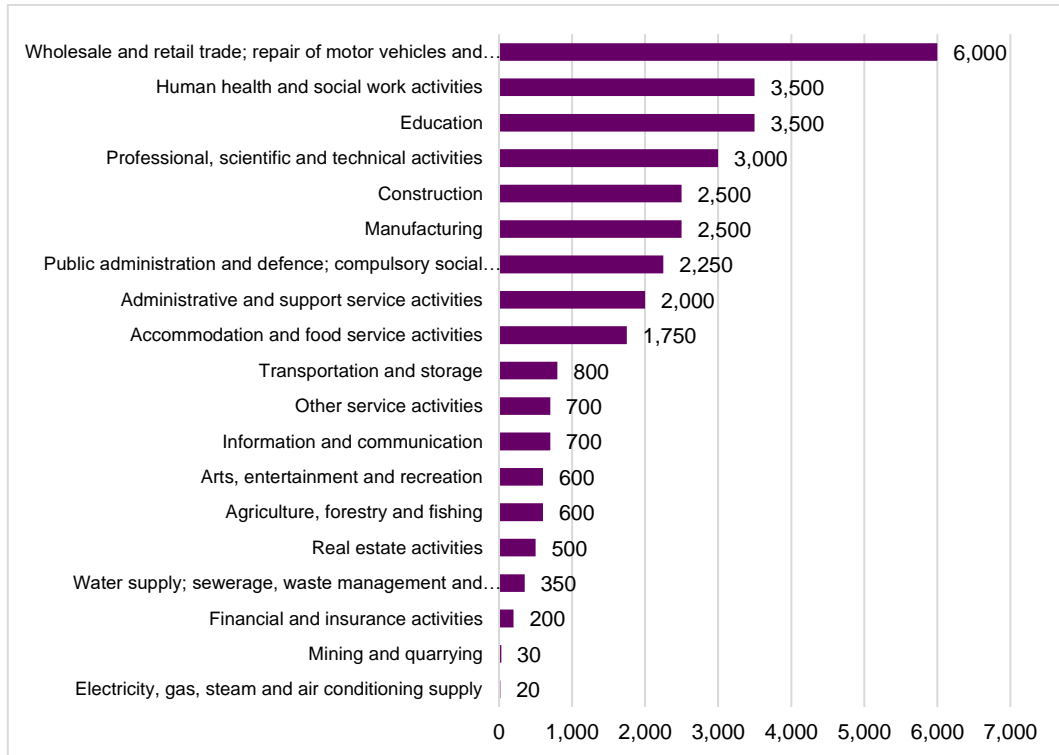
2.18 In Quarter 1 of 2020, there were 4,900 people in Midlothian that were classified as self-employed, accounting for 1.5% of the total of self-employed people in Scotland. This is the second lowest proportion Midlothian had in Quarters 1 from 2011 to 2020, but is a marked improvement from 2018 when 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.<sup>4</sup> For reference, 13.7% of the Scottish workforce was employed in Wholesale and retail trade in 2020.

<sup>4</sup> Ibid.



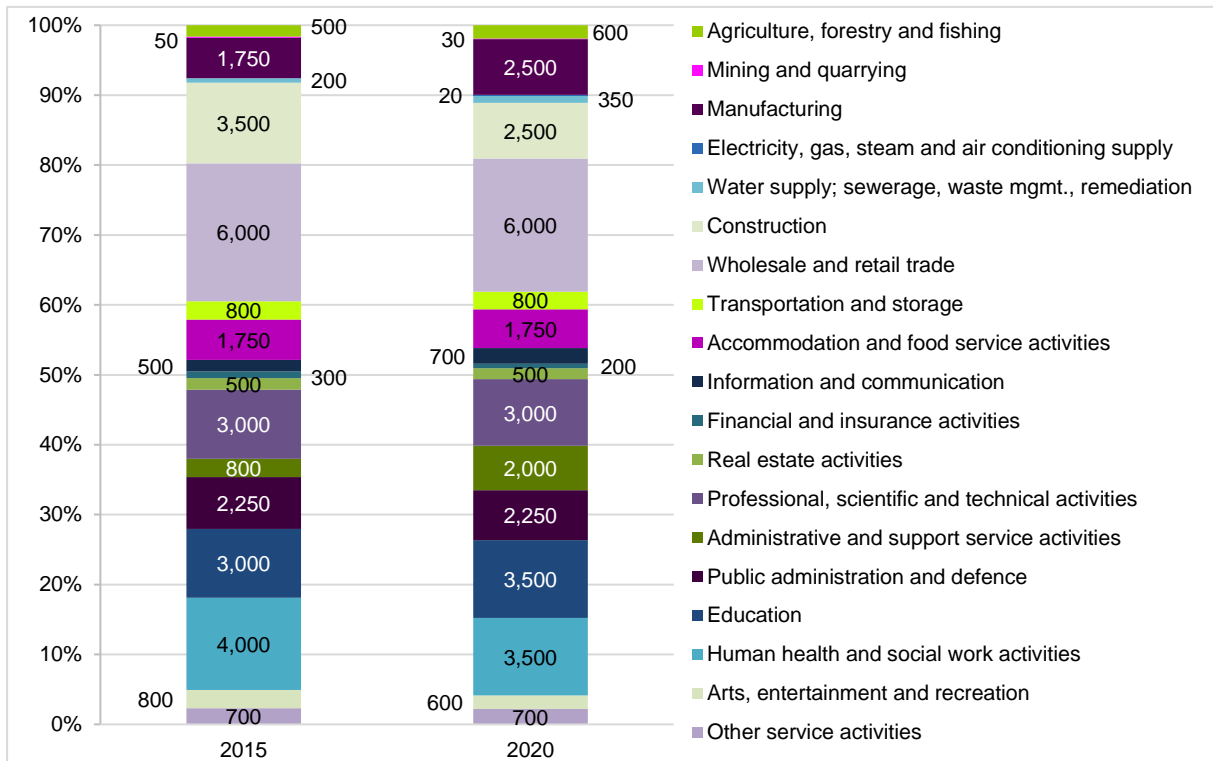
**Figure 2.10. Midlothian employment by sector, 2020**

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.

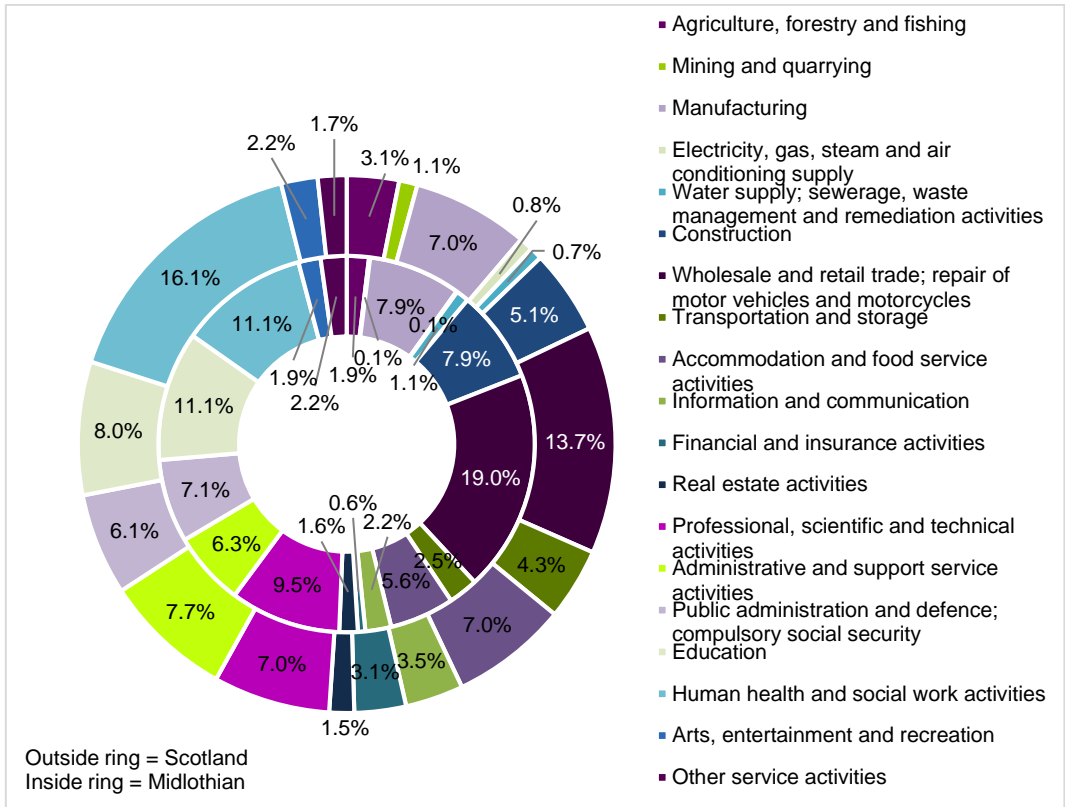
**Figure 2.11: Midlothian employment sector shares, 2015 and 2020**



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.

**Figure 2.12: Sectoral share of employment, Midlothian and Scotland, 2020**

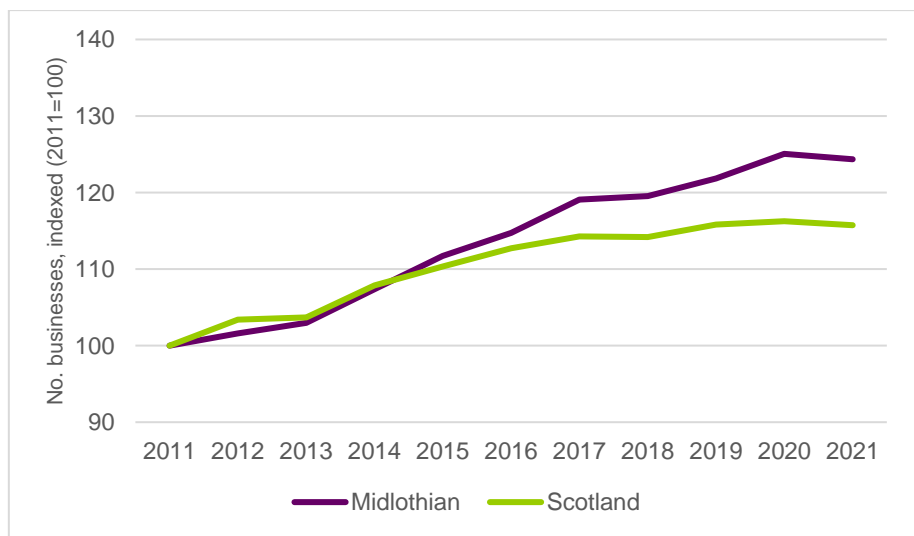


Source: Business Register and employment Survey, 2022

### 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.

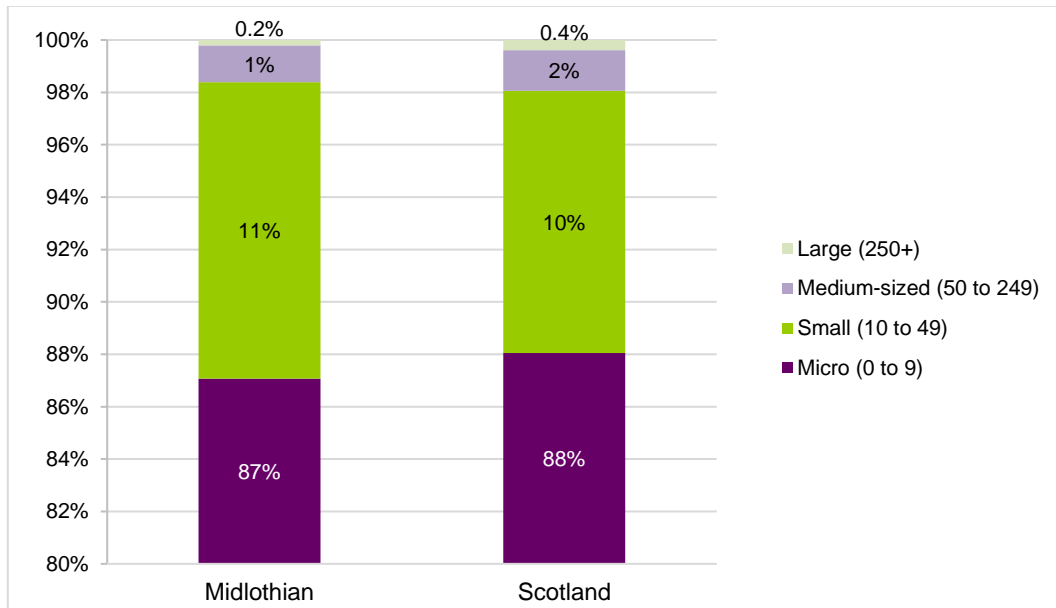
**Figure 2.13. Number of businesses, 2011-2021**



Source: Scottish Government Businesses in Scotland, 2022

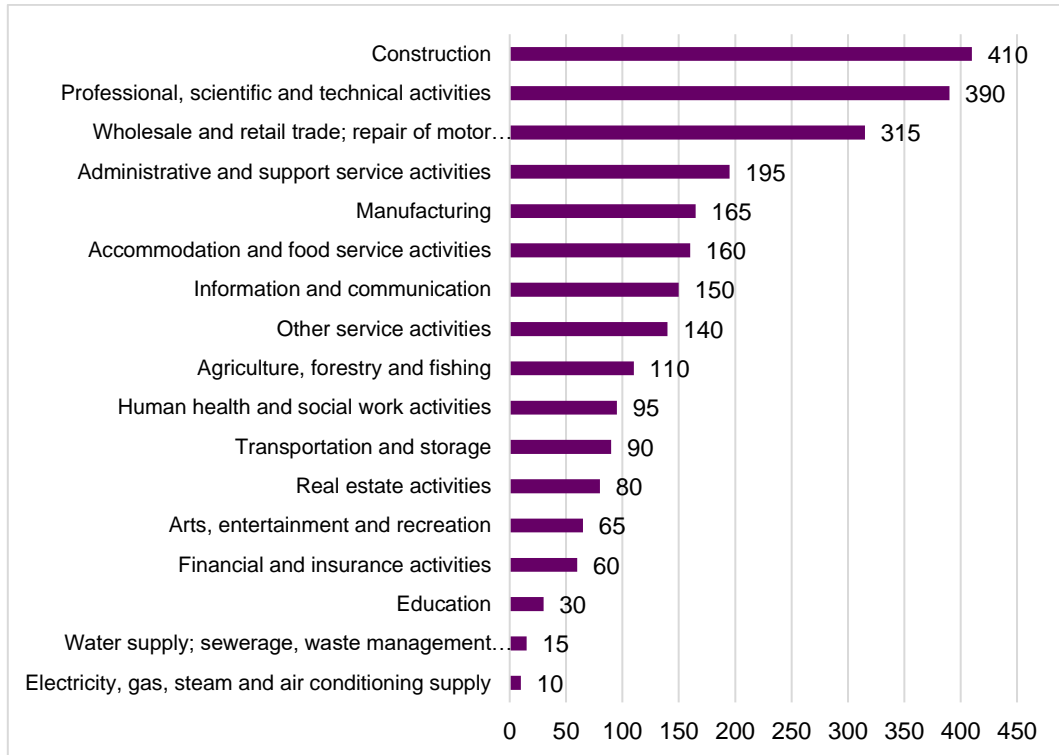
2.25 In terms of the number of businesses per employment size, Figure 2.14 shows a significant disparity between micro size and large sized businesses. In 2021, 87% of business in Midlothian were recorded as micro businesses (0-9 employees), . Small, medium and large sized businesses accounted for 13% 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.

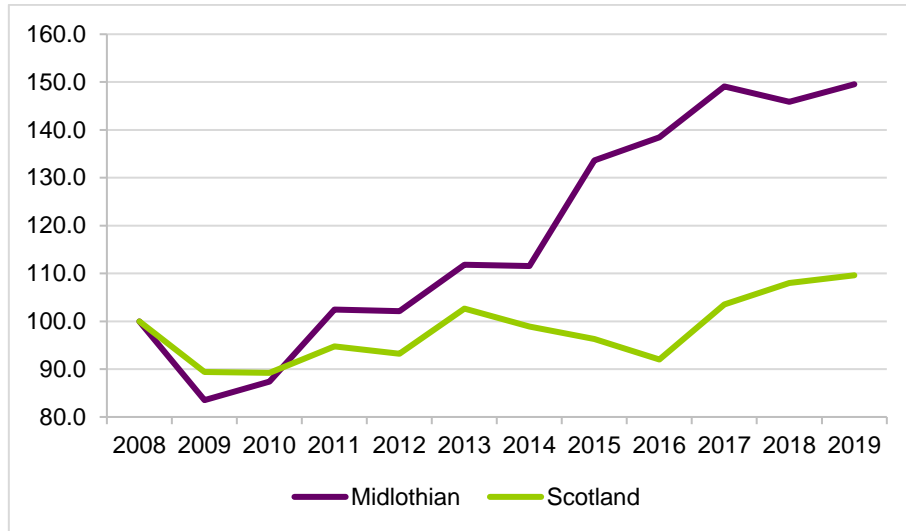
**Figure 2.15 Midlothian Business Base by Sector, 2021**

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.

**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

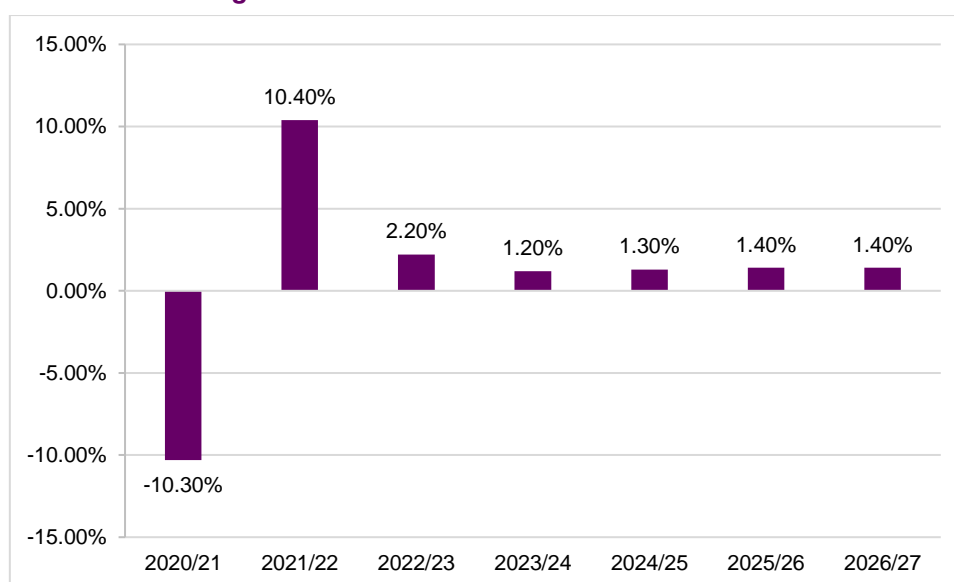
### Introduction

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<sup>5</sup> 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.<sup>6</sup>

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<sup>7</sup> 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

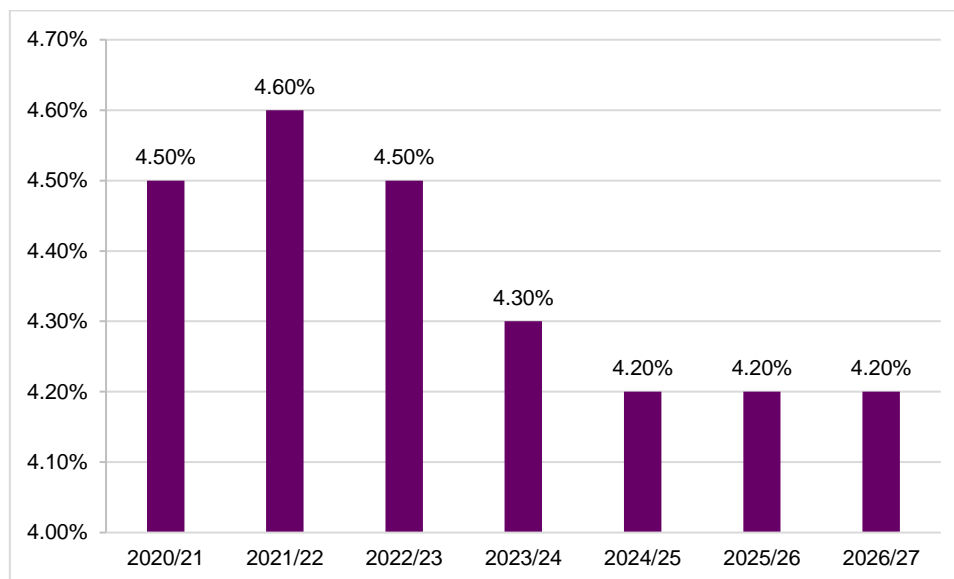
<sup>5</sup> [https://www.fiscalcommission.scot/wp-content/uploads/2021/12/Scotland\\_s-Economic-and-Fiscal-Forecasts-December-2021-Full-report.pdf](https://www.fiscalcommission.scot/wp-content/uploads/2021/12/Scotland_s-Economic-and-Fiscal-Forecasts-December-2021-Full-report.pdf)

<sup>6</sup> <https://obr.uk/box/the-latest-evidence-on-the-impact-of-brexit-on-uk-trade/>

<sup>7</sup> [https://www.fiscalcommission.scot/wp-content/uploads/2021/12/Scotland\\_s-Economic-and-Fiscal-Forecasts-December-2021-Full-report.pdf](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%.<sup>8</sup> 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<sup>9</sup> anticipate output to remain 2.5% below the Office of Budget Responsibility's pre-pandemic (March 2020) forecasts<sup>10</sup> 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.<sup>11</sup> The key reasons cited for this are:

<sup>8</sup> <https://www.gov.scot/publications/scotlands-labour-market-people-places-regions-statistics-annual-population-survey-2020-21/pages/7/>

<sup>9</sup> <https://ifs.org.uk/publications/15691>

<sup>10</sup> [https://obr.uk/docs/CCS001\\_CCS0320221496\\_CP-231-Web-Accessible-FINAL.pdf](https://obr.uk/docs/CCS001_CCS0320221496_CP-231-Web-Accessible-FINAL.pdf)

<sup>11</sup> See, for example: Resolution Foundation (2022) *The Big Brexit: An assessment of the scale of change to come from Brexit*



- 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 4<sup>th</sup> 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.<sup>12</sup>

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.<sup>13</sup>

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.<sup>14</sup> 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%

<sup>12</sup> [https://www.nomisweb.co.uk/reports/lmp/la/1946157423/subreports/ea\\_time\\_series/report.aspx?](https://www.nomisweb.co.uk/reports/lmp/la/1946157423/subreports/ea_time_series/report.aspx?)

<sup>13</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/weeklyhouseholdspendingfellbymorethan100onaverageduringthecoronaviruspandemic/2021-09-13>

<sup>14</sup> <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<sup>15</sup>, as a result of the situation in Ukraine affecting global commodity and energy prices.<sup>16</sup> 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<sup>17</sup>, 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.<sup>18</sup>

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.

<sup>15</sup> <https://fraserofallander.org/wp-content/uploads/2022/03/2022-03-FAI-Economic-Commentary-1.pdf>

<sup>16</sup> <https://www.gov.scot/publications/monthly-economic-brief-march-2022/pages/6/>

<sup>17</sup> <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%20%25%20in%202023.>

<sup>18</sup> <https://www.fsb.org.uk/resources-page/recovery-in-scottish-business-optimism-dampened-by-rising-costs.html>

## 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%).<sup>19</sup> 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.<sup>20</sup>

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%.<sup>21</sup>

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.<sup>22</sup> 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 31<sup>st</sup> March 2022<sup>23</sup>, 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-

<sup>19</sup> <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>

<sup>20</sup>

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/migrationwithintheuk/datasets/localareamigrationindicatorsunitedkingdom>

<sup>21</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/811541/nino-registrations-adult-overseas-nationals-march-2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811541/nino-registrations-adult-overseas-nationals-march-2019.pdf)

<sup>22</sup> <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>

<sup>23</sup> <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.<sup>24</sup>

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.<sup>25</sup>

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.

<sup>24</sup>

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/migrationwithintheuk/datasets/localareamigrationindicatorsunitedkingdom>

<sup>25</sup> 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.<sup>26</sup>

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.<sup>27</sup>

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 30<sup>th</sup> September 2021. CJRS Statistics (reporting figures up to 30<sup>th</sup> 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.<sup>28</sup> The largest take-up rate in Midlothian at any one time was on 31<sup>st</sup> July 2020, with 7,400 (16.5% take-up rate) employments on furlough.<sup>29</sup>

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 31<sup>st</sup> 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.<sup>30</sup>

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%.<sup>31</sup> 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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<sup>26</sup>

<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/claimantcountbyunitaryandlocalauthorityexperimental>

<sup>27</sup> <https://www.nomisweb.co.uk/query/construct/submit.asp?forward=yes&menuopt=201&subcomp=>

<sup>28</sup> <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-16-december-2021>

<sup>29</sup> <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-december-2020>

<sup>30</sup> <https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-december-2021>

<sup>31</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1083817/Forecomp\\_June\\_2022.1\\_Final.pdf](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.<sup>32</sup> 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.<sup>33</sup>

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<sup>34</sup>, 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.”<sup>35</sup> 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.<sup>36</sup> 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.<sup>37</sup> 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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<sup>32</sup> <https://www.niesr.ac.uk/publications/recovery-stalling-not-soaring?type=uk-economic-outlook>

<sup>33</sup>

<https://www.researchgate.net/publication/273454843> The scarring effect of unemployment from the early '90s to the Great Recession

<sup>34</sup> <https://jech.bmj.com/content/76/1/8>

<sup>35</sup> <https://www.pwc.co.uk/who-we-are/regional-sites/scotland/press-releases/scotland-in-prime-position-to-benefit-from-green-jobs-revolution.html>

<sup>36</sup> Ibid.

<sup>37</sup> 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.<sup>38</sup> 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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<sup>38</sup> <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.<sup>39</sup>

5.2 A recent report with contributions from the NHS, PHS, and University of Edinburgh<sup>40</sup>, 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.

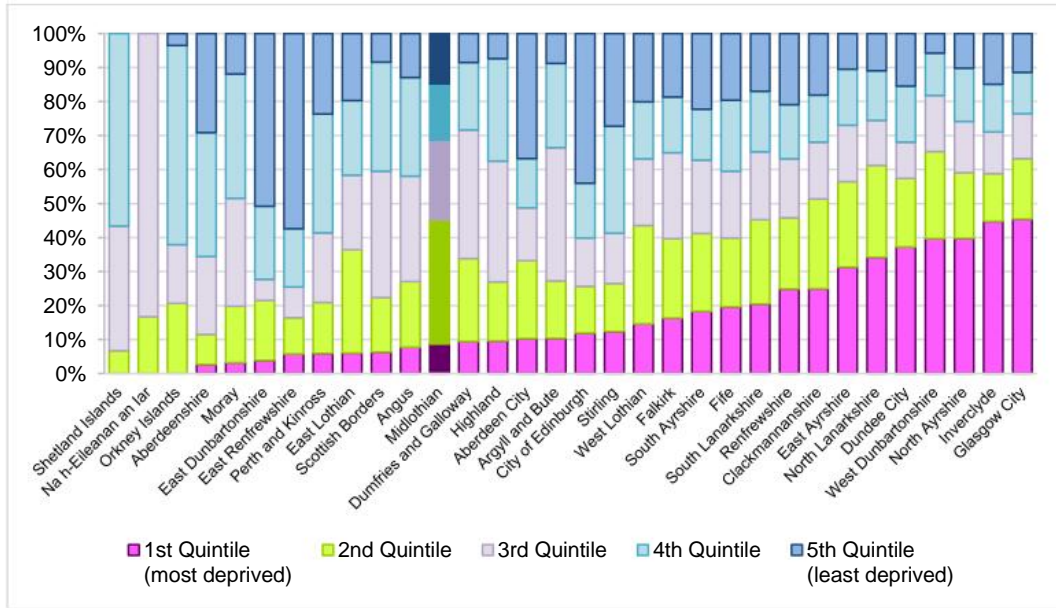
5.7 Midlothian is also ranked 21<sup>st</sup> out of the 32 council areas in terms of the local shares of datazones in each that are found in the top 20% most deprived data zones in Scotland.

<sup>39</sup>[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](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)

<sup>40</sup><https://www.sciencedirect.com/science/article/pii/S2666776220300053>



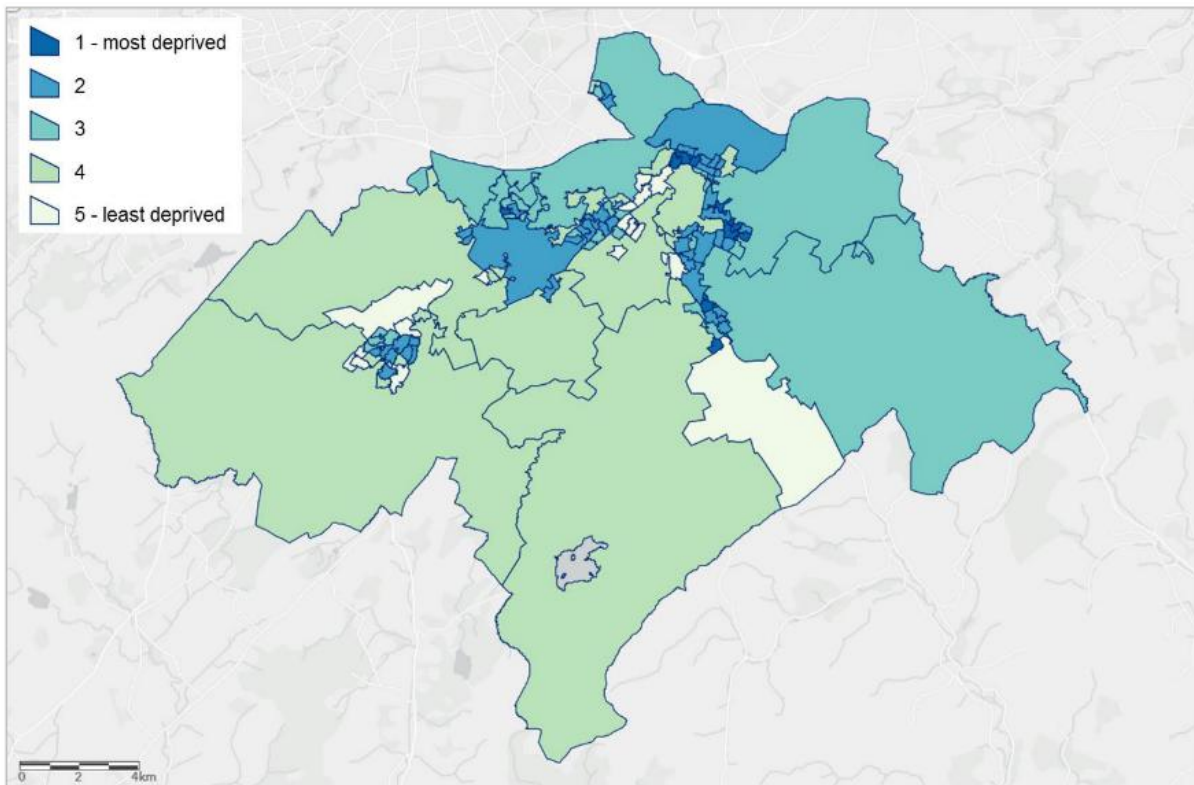
**Figure 5.1. Local share of the 20% most deprived data zones, 2020**



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**



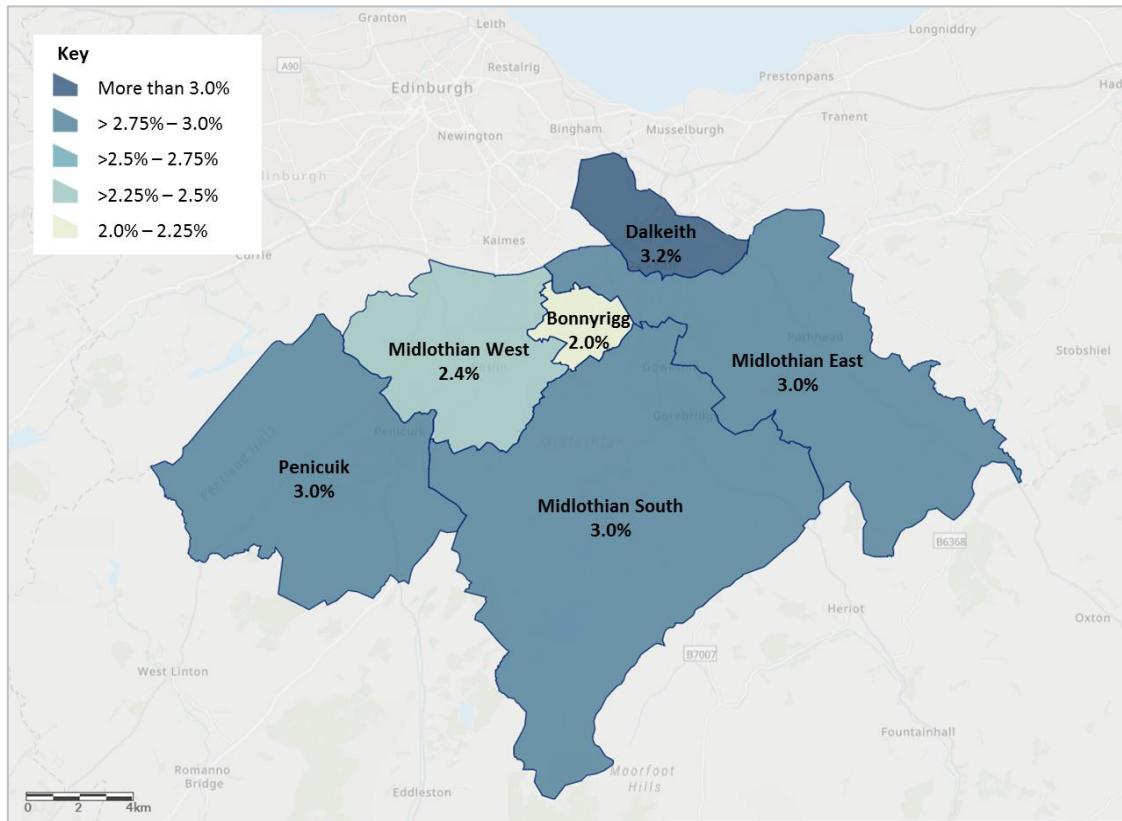
Source: SIMD, 2020

### 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 Penicuik (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%.

## 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.<sup>41</sup> 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.<sup>42</sup>

<sup>41</sup> ekosgen, for SDS (2020) Employer Skills Research: Health and Social Care Sector

<sup>42</sup> [https://www.audit-scotland.gov.uk/uploads/docs/report/2022/nr\\_220224\\_nhs\\_overview.pdf](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.<sup>43</sup> 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.<sup>44</sup> 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.<sup>45</sup>

6.10 Overseas recruitment in Scotland for NHS posts has increased recently following a recruitment drive.<sup>46</sup> However, there is some concern that this will not be sufficient to meet the staff shortage in the NHS<sup>47</sup>, 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<sup>48</sup> 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 9<sup>th</sup> 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.<sup>49</sup>

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<sup>50</sup>, particularly since the UK has long benefitted

<sup>43</sup> <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>

<sup>44</sup> Nuffield Trust (2020) Understanding the impact of Brexit on health in the UK

<sup>45</sup> Ibid.

<sup>46</sup> <https://www.gov.scot/news/nhs-scotland-recruitment-boost/>

<sup>47</sup> <https://www.nursinginpractice.com/latest-news/overseas-nurses-will-not-plug-scotlands-staff-shortages-says-rcn/>

<sup>48</sup> <https://midlothiansciencezone.com/>

<sup>49</sup> <https://royalsociety.org/topics-policy/projects/brexit-uk-science/access-to-research-funding/>

<sup>50</sup> Ibid.

from winning 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.<sup>51</sup> 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.<sup>52</sup> 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.<sup>53</sup>

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.<sup>54</sup>

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.<sup>55</sup>

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.<sup>56</sup>

## 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

<sup>51</sup> <https://www.nature.com/articles/d41586-020-03598-2>

<sup>52</sup> [https://www.chemistryworld.com/news/uk-share-of-horizon-2020-funds-dropped-15bn-since-brexit-vote/4013901\\_article](https://www.chemistryworld.com/news/uk-share-of-horizon-2020-funds-dropped-15bn-since-brexit-vote/4013901_article)

<sup>53</sup> <https://www.ukri.org/apply-for-funding/horizon-europe/>

<sup>54</sup> <https://royalsociety.org/-/media/policy/Publications/2019/international-visa-systems-explainer-july-2019.pdf>

<sup>55</sup> <https://royalsociety.org/blog/2021/02/what-does-the-uk-eu-deal-mean-for-science/>

<sup>56</sup> 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.<sup>57</sup>

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.<sup>58</sup> 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.<sup>59</sup>

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.<sup>60</sup>

## 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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<sup>57</sup> 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

<sup>58</sup> <https://www.gov.scot/publications/export-statistics-scotland-2019/>

<sup>59</sup> <https://www.gov.scot/publications/state-economy-2022/>

<sup>60</sup> 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

## 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 in 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.<sup>61</sup> 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.<sup>62</sup>

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.<sup>63</sup>

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

<sup>61</sup> <https://committees.parliament.uk/committee/445/eu-goods-subcommittee/news/153116/trade-in-goods-significantly-harder-under-brexit-deal/>

<sup>62</sup> <https://ukandeu.ac.uk/manufacturing-in-the-post-brexit-world/>

<sup>63</sup> 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%.<sup>64</sup>

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.<sup>65</sup>

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.<sup>66</sup>

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.<sup>67</sup>

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.<sup>68</sup> 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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<sup>64</sup> <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/december2021>

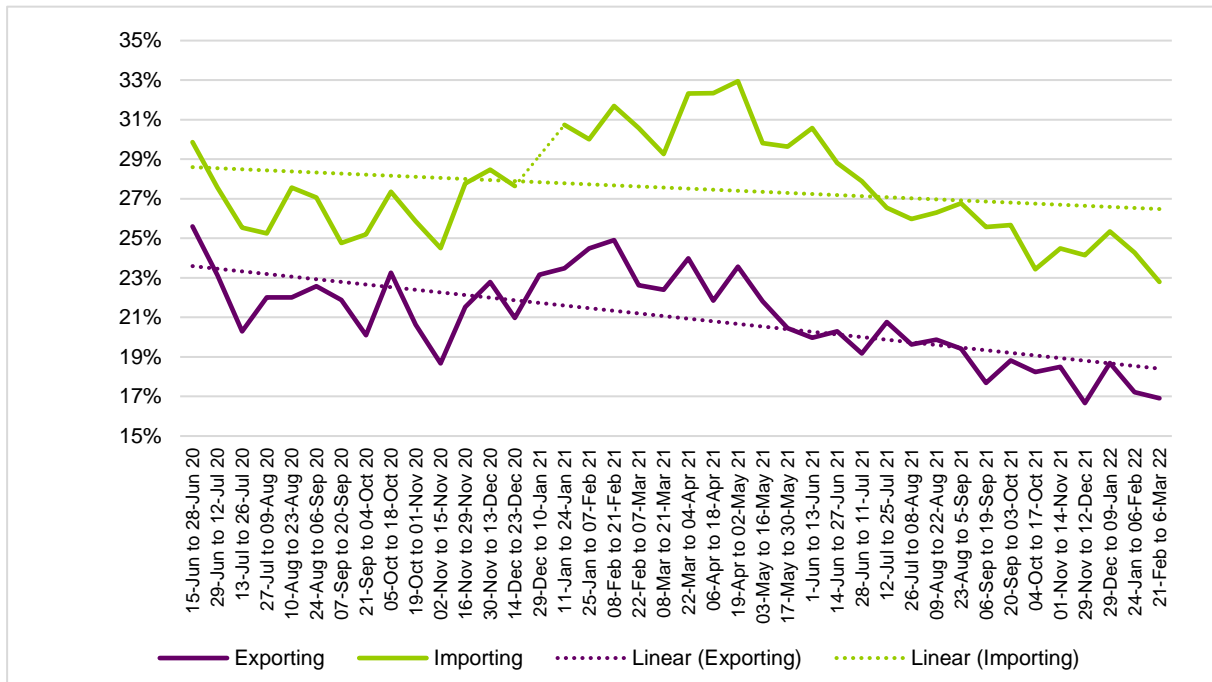
<sup>65</sup> <https://obr.uk/box/the-initial-impact-of-brexIt-on-uk-trade-with-the-eu/>

<sup>66</sup> <https://obr.uk/box/the-initial-impact-of-brexIt-on-uk-trade-with-the-eu/>

<sup>67</sup> <https://obr.uk/box/the-initial-impact-of-brexIt-on-uk-trade-with-the-eu/>

<sup>68</sup> <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 suppressed 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<sup>69</sup> 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 contrast 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.<sup>70</sup>

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"*<sup>71</sup>. In the Lothians average wage and salary per head for foreign owned businesses was over 30% higher than for Scottish owned businesses.<sup>72</sup> 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.

<sup>69</sup> This is a monthly survey of around 3,000 chief financial officers of small, medium and large firms in the UK

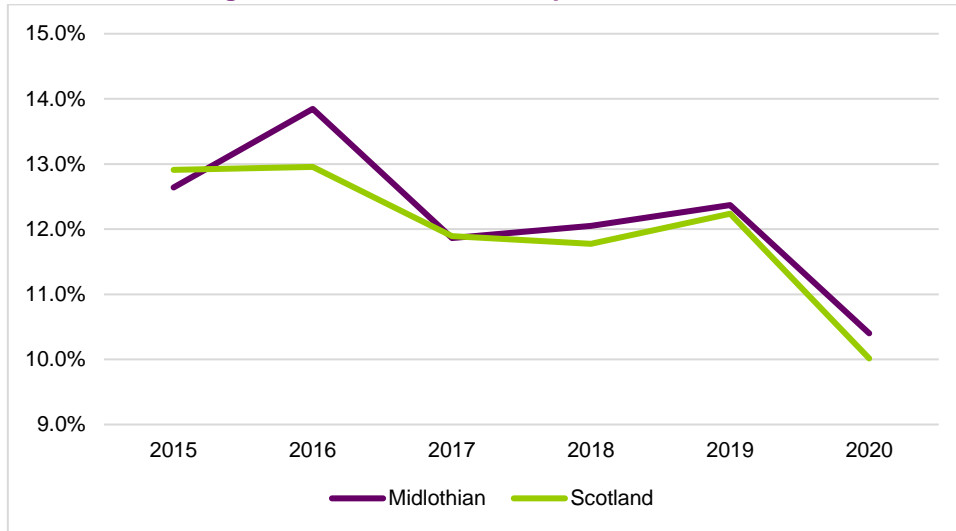
<sup>70</sup> EY, 2022

<sup>71</sup> <https://www.gov.scot/publications/shaping-scotlands-economy-scotlands-inward-investment-plan/>

<sup>72</sup> 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**

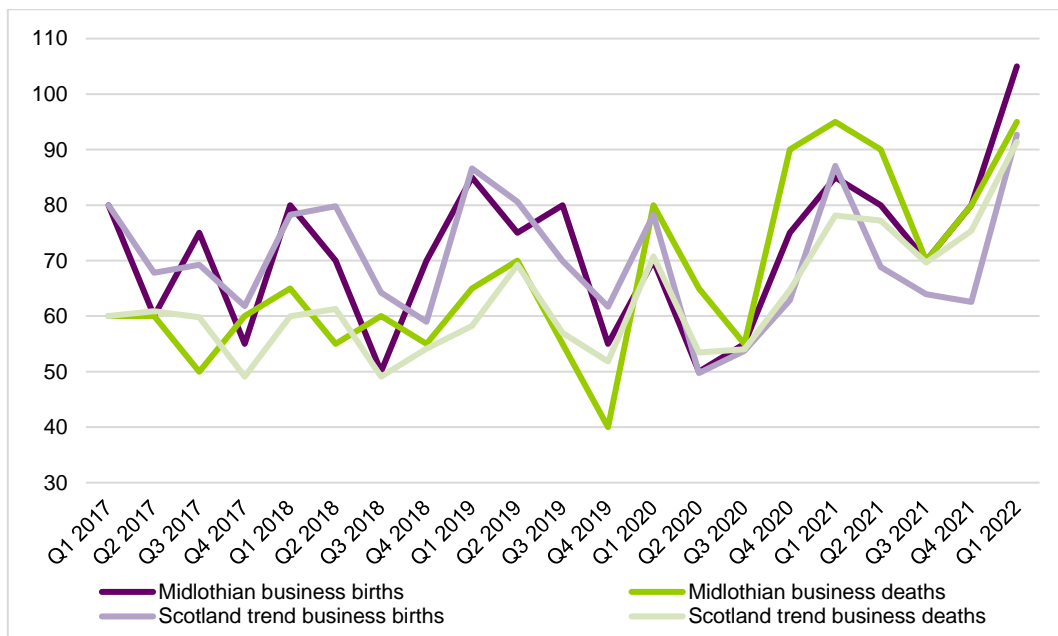


Source: ONS Business Demography and UK Business Counts

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<sup>73</sup> 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 8<sup>th</sup> 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.<sup>74</sup>

8.6 Horizon Europe, the 9<sup>th</sup> 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.<sup>75</sup>

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,

<sup>73</sup> 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**)

<sup>74</sup> [https://www.chemistryworld.com/news/uk-share-of-horizon-2020-funds-dropped-15bn-since-brexit-vote/4013901\\_article](https://www.chemistryworld.com/news/uk-share-of-horizon-2020-funds-dropped-15bn-since-brexit-vote/4013901_article)

<sup>75</sup> [https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe\\_en](https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe_en)

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<sup>76</sup>;
- **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<sup>77</sup>;
- **Erasmus+:** the EU programme for Education, Training, Youth and Sport<sup>78</sup>; and
- **The Connecting Europe Facility:** The Connecting Europe Facility (CEF)<sup>79</sup> 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)<sup>80</sup> 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.

<sup>76</sup> [https://ec.europa.eu/oceans-and-fisheries/funding/european-maritime-and-fisheries-fund-emff\\_en](https://ec.europa.eu/oceans-and-fisheries/funding/european-maritime-and-fisheries-fund-emff_en)

<sup>77</sup> [https://cinea.ec.europa.eu/programmes/life\\_en](https://cinea.ec.europa.eu/programmes/life_en)

<sup>78</sup> <https://erasmus-plus.ec.europa.eu/>

<sup>79</sup> [https://cinea.ec.europa.eu/programmes/connecting-europe-facility\\_en](https://cinea.ec.europa.eu/programmes/connecting-europe-facility_en)

<sup>80</sup> <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<sup>81</sup>, and an additional £635,000 through the Multiply adult numeracy programme.<sup>82</sup>

### 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.<sup>83</sup>

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.<sup>84</sup> As in Round 1, Midlothian is a Priority 2 area for Round 2 funding.<sup>85</sup>

### 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.<sup>86</sup>

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 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.<sup>87</sup>

## 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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<sup>81</sup> <https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/ukspf-allocations>

<sup>82</sup> <https://www.gov.uk/government/publications/multiply-funding-available-to-improve-numeracy-skills>

<sup>83</sup> <https://www.gov.uk/government/publications/levelling-up-fund-round-2-prospectus>

<sup>84</sup> <https://www.gov.uk/government/publications/levelling-up-fund-first-round-successful-bidders>

<sup>85</sup> <https://www.gov.uk/government/publications/levelling-up-fund-round-2-updates-to-the-index-of-priority-places>

<sup>86</sup> <https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prospectus-2021-22>

<sup>87</sup> <https://www.gov.uk/government/publications/community-ownership-fund-prospectus>

## 9 Challenges and opportunities

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### 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 of 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-competition. 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.

## 10 Conclusion and strategic priorities

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### 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

- 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.



## **Short-Terms Let Licensing Policy for Midlothian Council for Consideration and Adoption.**

**Report by Derek Oliver, Chief Officer Place**

**Report for Decision**

### **1 Recommendations**

It is recommended that Council;

- i. Note the terms of this report; and
- ii. Adopt the Short-term Lets Licensing Policy for Midlothian Council

### **2 Purpose of Report/Executive Summary**

The report provides details of the attached Short-term Let Licensing Policy for Midlothian Council. It provides members with information on the new powers which have been given to local authorities to regulate short term lets in the form of a licensing scheme. An appended report details the public consultation which took place regarding this policy, the responses received and the action taken as a result.

**Date** 21 September 2022

**Report Contact:**

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### **3 Background/Main Body of Report**

- 3.1 On 19 January 2022, The Civic Government (Scotland) Act 1982 (Licensing of Short-term Lets) Order 2022 (“the Order”) was approved by the Scottish Parliament. The Order came into force on 1 March 2022 and inserts new legislative provisions into the Civic Government (Scotland) Act 1982 (“the Act”).
- 3.2 The effect of the order is that from 1 October 2022 the use of accommodation for short term let is an activity for which a licence is required under the 1982 Act.
- 3.3 A Short Term Let is defined by legislation and detailed in section 2 of Appendix 1.
- 3.4 Prior to the introduction of the 2022 Order, there was no requirement to licence Short Term Lets in Scotland.
- 3.5 In order to ensure the licensing authority has a Short-term Lets Policy in place and is able to accept licensing applications on or after 1 October 2022, covering all the matters required by legislation Council is requested to adopt the Short-term Lets Licensing Policy.
- 3.6 The policy under went public consultation from 31 August to 14 September 2022.
- 3.7 As well as a full public consultation, views were invited from various interested parties including Elected Members, Police Scotland, Scottish Fire and Rescue Service and the Scottish Association of Self-Caterers.
- 3.8 The views gathered will allow Council to consider whether any changes require to be made to the Policy

### **4 Report Implications (Resource, Digital and Risk)**

#### **4.1 Resource**

Introduction and maintenance of this licensing scheme will be provided by existing staff within Protective Services. The scheme will raise revenue in term of licensing fees which have been gauged at a level which will recoup the costs of development, setting up and maintaining the licensing scheme.

#### **4.2 Digital**

A webpage will be created to allow access to all information concerning short-term licensing to be accessed by the public. In addition all applications, representations and payments to be made to Protective Services, digitally.

### **4.3 Risk**

Midlothian Council have a legal duty to have a Short-term licencing scheme in place and ready to accept applications by 1<sup>st</sup> October 2022. The carrying out of the consultation exercise would enable the Midlothian Council to make an informed decision in relation to a Short Term Lets Licensing Policy in time for the 1 October 2022 deadline.

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

Not applicable

### **4.4 Additional Report Implications (See Appendix A)**

## **Appendices**

**Appendix A – Additional Report Implications**

**Appendix B – Background information/Links**

## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

Community Safety and Sustainable Growth

### 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

This scheme has been designed to be delivered with our current staffing compliment.

### A.5 Involving Communities and Other Stakeholders

Public consultation on short-term let licencing allows us to gauge the opinions of the general public, the short-term let operators and their neighbours.

### A.6 Impact on Performance and Outcomes

The aim of the short-term let policy is to provide an efficient, effective and proportionate licensing scheme, customised to the needs and circumstances of Midlothian Council area and support applicants who wish to obtain a short-term let license. It also aims to ensure that short-term lets are safe and address the issues faced by neighbours.

### A.7 Adopting a Preventative Approach

By adopting this policy we aim to achieve a high standard of short-term letting in Midlothian and seek to address the potential issues faced by neighbours before they occur.

#### **A.8 Supporting Sustainable Development**

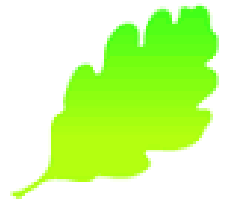
By ensuring a high standard, well controlled short-term let market in Midlothian by introduction of the licencing scheme it will help to ensure that this area of business is developed in a sustainable manner going forward.

## APPENDIX B

### Background Papers/Resource Links

Midlothian Council, Short Term Lets Policy for Midlothian Council October 2022 can be found at <F:\ECE\Communities and Economy\EH\PUBLIC HEALTH\Short Term Lets>

The report on the public consultation on the above can be found at <F:\ECE\Communities and Economy\EH\PUBLIC HEALTH\Short Term Lets\Consultation>



Midlothian

**Midlothian Council  
Short Term Lets Policy  
October 2022**

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## 1. Introduction

- 1.1. Scottish Government brought into being a scheme of licensing for Short-term Lets (STL) in The Civic Government (Scotland) Act 1982 (Licensing of Short-term Lets) Order 2022 (“22 Order”). This Order requires that all short-term lets be licensed by 1 April 2024.
- 1.2. A short-term let is defined in the order and this is detailed in section 2, below.
- 1.3. Midlothian Council must be able to accept licensing applications after 1 October 2022. This Policy becomes effective from the date that it gained approval by full Council, 4 October 2022.
- 1.4. In preparing this policy, Midlothian Council has had due regard to the [Short term lets - licensing scheme part 1: guidance for hosts and operators](#) and [Supplementary Guidance for Licensing Authorities, Letting Agencies and Platforms issued by the Scottish Government](#).
- 1.5. This policy should be read in conjunction with the 22 Order and all relevant legislation, including but not limited to the 1982 Act, the Town and Country Planning (Short-term Let Control Areas) (Scotland) Regulations 2021.

## 2. Definition of Short-term Lets

- 2.1. The Order defines a short-term let as the use of residential accommodation provided by a host in the course of business to a guest, where all of the following criteria are met:
  - a) the guest does not use the accommodation as their only or principal home,
  - b) the short-term let is entered into for commercial consideration,
  - c) the guest is not -
    - i. an immediate family member of the host,
    - ii. sharing the accommodation with the host for the principal purpose of advancing the guest’s education as part of an arrangement made or approved by a school, college, or further or higher educational institution, or
    - iii. an owner or part-owner of the accommodation,
  - d) the accommodation is not provided for the principal purpose of facilitating the provision of work or services by the guest to the host or to another member of the host’s household,
  - e) the accommodation is not excluded accommodation (see 2.2), and
  - f) the short-term let does not constitute an excluded tenancy (see 2.3)

## 2.2 Excluded Accommodation

Accommodation which is, or is part of:

- an aparthotel
- premises in respect of which a premises licence within the meaning of section 17 of the Licensing (Scotland) Act 2005 has effect and where the provision of accommodation is an activity listed in the operating plan as defined in section 20(4) of the 2005 Act
- a hotel which has planning permission granted for use as a hotel
- a hostel
- residential accommodation where personal care is provided to residents
- a hospital or nursing home
- a residential school, college, or training centre
- secure residential accommodation (including a prison, young offenders' institution, detention centre, secure training centre, custody centre, short-term holding centre, secure hospital, secure local authority accommodation, or accommodation used as military barracks)
- a refuge
- student accommodation
- accommodation which otherwise requires a licence for use for hire for overnight stays
- accommodation, which is provided by the guest,
- accommodation, which is capable, without modification, of transporting guests to another location
- a bothy
- accommodation owned by an employer and provided to an employee in terms of a contract of employment or for the better performance of the employee's duties
- Self-catering property in the grounds of a licensed hotel

are **excluded** from the scheme and does not require to be licenced as a short-term let.

## 2.3 Excluded Tenancies

Any of the following tenancy types will not fall into the scope of Short-Term let Licencing:

- protected tenancy (within the meaning of section 1 of the Rent (Scotland) Act 1984)
- an assured tenancy (within the meaning of section 12 of the Housing (Scotland) 1988 Act)
- a short, assured tenancy (within the meaning of section 32 of the Housing (Scotland) Act 1988)
- a tenancy of a croft (within the meaning of section 3 the Crofters (Scotland Act 1993)

- a tenancy of a holding situated out with the crofting counties (within the meaning of section 61 of the Crofters (Scotland) Act 1993) to which any provisions of the Small Landholders (Scotland) Acts 1886 to 1931(8)) applies.
- a Scottish secure tenancy (within the meaning of section 11 of the Housing (Scotland) Act 2001)
- a short Scottish secure tenancy (within the meaning of section 34 of the Housing (Scotland) Act 2001)
- a 1991 Act tenancy (within the meaning of section 1(4) of the Agricultural Holdings (Scotland) Act 2003)
- a limited duration tenancy (within the meaning of section 93 of the Agricultural Holdings (Scotland) Act 2003)
- a modern limited duration tenancy (within the meaning of section 5A of Agricultural Holdings (Scotland) Act 2003)
- a short, limited duration tenancy (within the meaning of section 4 of the Agricultural Holdings (Scotland) Act 2003)
- a tenancy under a lease under which agricultural land is let for the purpose of its being used only for grazing or mowing during some specified period of the year (as described in section 3 of the Agricultural Holdings (Scotland) Act 2003)
- a private residential tenancy (within the meaning of section 1 of the Private Housing (Tenancies) (Scotland) Act 2016)
- a student residential tenancy

2.4 It is recommended that people take their own independent legal advice on whether or not their accommodation would require a short-term let licence. The Licensing Authority cannot provide legal advice on whether or not a premises is excluded from requiring a short-term let licence.

### 3. Timescales

- 3.1. From the **1st of October 2022**, any new host or new operator must have a licence in place prior to operating a Short-Term Let. This means that if you were not using your property as a Short-Term prior to this date, you will not be able to accept paid guests until a licence has been approved.
- 3.2. An existing host that has been letting a property prior to the 1st of October 2022, will still be allowed to operate, however must submit a licence application by the **1st of April 2023**. This means for this period, existing hosts will still be allowed to operate without a licence, unless they have had a licence application submitted and refused.
- 3.3. The final deadline date for all hosts and properties to be licenced is the **1st July 2024**.

### 4. Purpose, Aims and Objectives

- 4.1. The Scottish Government has put in place this licensing scheme to help make sure that the economic and tourism benefits from short-term lets are balanced with the needs and concerns of local communities.

4.2. This policy seeks to ensure that Midlothian Council has:

- An efficient, effective and proportionate licensing scheme, customised to the needs and circumstances of the local authority area and supports applicants who wish to obtain a short-term let license;
- Short-term lets which are safe and address the issues faced by neighbours;
- A knowledge and understand of what is happening in its area in terms of short-term letting,
- Defined the types of short term licenses which will be available.
- A clear and transparent means of setting the applicable fees.
- An effective, efficient, and proportionate mechanism for handling complaints in relation to short-term lets.
- Detailed its enforcement procedures in terms of non-compliance with a license granted.

## 5. Consultation on Short-Term Let Policy

5.1. The Council has consulted widely on this policy prior to its introduction on 1 October 2022. The consultation took place from 31 August 2022 to 14 September 2022. In finalising the policy statement, appropriate weight has been given to the views of those who respond to the consultation.

## 6. Links to Other Midlothian Policies

6.1. The short-term lets policy links with the Midlothian Local Development Plan 2017 in particular:

- Policy VIS 2 Tourist Accommodation
- Policy RD 1 Development in the Countryside
- Policy ENV1 Protection of the Green Belt
- Policy DEV2 Protecting Amenity within the Built-Up Area

6.2. It also links to the Single Midlothian Plan 22/23 Theme 4 – Improving Opportunities for the People of Midlothian and Theme 5 – Sustainable Growth.

## 7. Planning Permission

7.1. There is a separate legislative process from licensing which allows the Council, as planning authority, to establish short-term let control areas.

7.2. The purpose of control areas is to help planning authorities manage high concentrations of secondary letting (where it affects the availability of residential housing or the character of a neighbourhood) and to restrict or prevent short-term lets in places or types of buildings where it is not appropriate.

7.3. Outside of a control area, it is for the planning authority to consider whether any change of use of a dwelling house outbuilding or other structure, is material and, therefore, requires planning permission. This is determined on a case by case basis. Under provisions within the Licencing Order, a preliminary ground for refusing to consider an application for a Short Term Let is that the use of the proposed premises would constitute a breach of planning controls set out under the Town and Country

Planning (Scotland) Act 1997 (as amended) by virtue of section 123 (1) (a) or (b) of that Act.

- 7.4. Hosts and operators are, therefore, encouraged to **engage with the Council's planning department prior to submitting a licence application** to confirm whether they require planning permission or a certificate of lawful use of development.
- 7.5. Within a control area designated by a planning authority, such a change of use will always require planning permission. **The host or operator must make an application for planning permission or already have planning permission before they apply for a licence.**
- 7.6. Having considered the nature of the short-term letting market in Midlothian it has been decided not to declare any Short-term Control areas at present. This position will be reassessed when the Policy is reviewed.

## 8. Types of Short-term Let Licence

8.1. There potentially four types of short-term let licence:

- a) **Secondary Letting**  
The operator lets out a separate premises which is not their only or principal home.
- b) **Home sharing**  
The operator shares their only or principal home.
- c) **Home Letting**  
The operator lets their only or principal residence while they are absent.
- d) **Home Sharing and Home Letting**  
Home letting and home sharing.

8.2. Midlothian Council has made the decision to provide licenses for either:

- 8.2.1. Secondary Letting.
- 8.2.2. Home Sharing and/or Home Letting.

## 9. Temporary Exemption and Temporary License Policy

9.1. Midlothian Council does not intend to have a policy on temporary exemptions or temporary licenses and would not be supportive of either such application.

## 10. Requirements for Short-term Let Licensing

10.1. A separate licence is required for each **premises**. However, a single licence may be issued in respect of unconventional accommodation (not a **dwelling house**) where there is more than one separately bookable property on the site and would be considered on a case-by-case basis. Unconventional accommodation relates to accommodation being used for residential purposes, not defined as a dwelling house, for example Glamping Pods.

- 10.2. A dwelling house is defined as an independent dwelling (with its own front door, kitchen, bathroom, living facilities) such as a flat, house, cottage etc. Separate licences will not be required for separate rooms let within the same dwelling house. For example, if two separate rooms are let out within the same house, only one licence is required.
- 10.3. Bed & Breakfast premise and Guest Houses without an alcohol license are not excluded accommodation. Therefore, a B&B or Guest House which retains the Planning use class 9, that is a dwelling house, **will require** to be licenced as a short-term let. Operators who are unclear about their Planning class use should contact Midlothian Planning Service for advice before making an application.
- 10.4. Guest Houses which have a current license to sell alcohol are excluded accommodation and exempt from the need to hold at Short-term let license.
- 10.5. It should be noted that if a property is licenced as a House of Multiple Occupancy (HMO), if the rooms within are being used as a Short-Term Let then a Licence for this purpose will also be required.

## 11. The Application Process

- 11.1. A short-term let license may be applied for via the Midlothian Council website at **(to be inserted when available)**. The application form and checklist are provided in Appendix 2.
- 11.2. The current application fees for various Short-term Licensing Applications and documentation are detailed in Appendix 3.
- 11.3. All applicants who apply for a short-term let licence must display a notice for a period of 21 days, beginning with the date on which the application was submitted to the licensing authority, at or near the premises so that it can be conveniently read by the public. This notification allows these neighbours to raise any objections to the grant of the licence. The Notice must state:
- I. That an application has been made for a licence
  - II. The main facts of the application
  - III. That objections and representations in relation to the application can be made to the Council and how these can be made.

A template is provided in Appendix 4.

- 11.4. Applicants are required to certify compliance that they have displayed the site notice as soon as possible after the 21 days has expired. A template for this certification will be provided to the applicant once an application is submitted.

## 12. Checks Made on the Application

- 12.1. A copy of the application shall be sent to Police Scotland and the Scottish Fire and Rescue Service by the local authority. A copy will also be sent to:

- Midlothian Council's Planning Department
  - Midlothian Council's Building Standards service
- 12.2. Midlothian Council requires to consider if the premises for which the Short-Term License is applied, requires to have planning permission for this use. Every property for which an application is made will require to be considered on its own merits. If it is considered that planning permission is required, but is not in place, Midlothian Council may refuse to consider the application.
- 12.3. Physical checks of the property to which the licence application relates may be undertaken prior to determining the application or at any time after the application is granted. These checks will consider if the premises are compliant with the mandatory licence conditions required by the 2022 Order detailed in Appendix 1.
- 12.4. Powers exist to attach additional conditions to a licence at the discretion of the Local Authority.
- 12.5. Failure to comply with mandatory conditions (or additional conditions if these become applicable in the future) will result in a licence being refused. If a licence is already in place, failure to comply will be a breach of the licence which may result in the licence being revoked.
- 12.6. Records must be retained for all safety checks and safety visits which are required to be undertaken for the premises (See Appendix 1 for mandatory condition and Appendix 2 for the application checklist). Copies of these documents must be provided to Midlothian Council for their records.
- 12.7. A licence will state the maximum number of guests which can stay in a property at any time. In determining this number Midlothian Council will consider the maximum number that be accommodated safely; and the maximum number that be accommodated within tolerable standards for neighbours. It will consider the number of beds, bedrooms, size of the premises and means of escape.
- 12.8. Midlothian Council will consider the following when determining if an applicant is a fit and proper person to hold a short-term let license:
- I. Any relevant criminal convictions and other relevant information from the Police;
  - II. Being disqualified from being a private landlord or having a letting agent or property factor registration revoked now or in the past;
  - III. Having a license or short-term lets or House in Multiple Occupation (HMO) revoked by any licensing authority;
  - IV. Having had an application for a short term-lets licence refused by any licensing authority (other than on the grounds of overprovision); and
  - V. Providing false or misleading information in an application for short-term-let licensing, HMO licence or application to be a private landlord.
- 12.9. If Midlothian Council considers that an applicant or their agent are not a fit and proper person to hold a licence the application will be refused.

12.10. The Council may also consider any other information they consider to be relevant. They will liaise with the police for information, or make reasonable enquiries, for example to verify the details of all property owners.

12.11. These checks are to protect neighbours, guests and other people from harm and crime; and to assist police in law enforcement.

### 13. Determining an Application

13.1. Under the 1982 Act, the authority will have 9 months to determine the Short Term Let licence application from the date a full application is received, with all the required documentation. However, for applications received prior to 1 April 2023 where the Short Term Let was in existence before 1 October 2022, the authority will have 12 months to determine the application.

13.2. The Council will check that all information required in Section 12 above and Appendix 1 has been provided to their satisfaction. If all the required information provided is satisfactory the Licence will be approved by an authorised officer under delegated powers. However, if there are any matters of concern regarding the application a hearing of the General Purposes Committee will be convened to determine if the license should be granted or refused.

13.3. One of the main purposes of short-term let licensing is to ensure that accommodation provided is safe. Where Midlothian Council considers that there are significant risks to safety and security or they are not satisfied that the applicant is a fit and proper person they may:

- Refuse any application
- Delay granting an application
- Issue an enforcement notice
- Vary or suspend a licence; or
- Revoke a licence

13.4. Anyone can make an objection or representation to the Council, about an application for a short-term let licence. The representation should be made during the 28 day consultation period starting immediately on the day on which notice of the application is displayed. Late objections may be considered in some circumstances where the Council considered that the reasons for late submission are acceptable.

13.5. To enable the Council to consider objection or representation, it must be:

- a) in writing (email to [shorttermlet@midlothian.gov.uk](mailto:shorttermlet@midlothian.gov.uk) is sufficient),
- b) specify the grounds of the objection or the nature of the representation,
- c) specify the name and address of the person making it,
- d) be signed off by them or on their behalf,
- e) be received by the Council within 28 days from when the notice of application is displayed.



- f) Late objections may be considered in some circumstances where the Council considered that the reasons for late submission are acceptable.

13.5 Grounds for objection to an application should relate to the purposes of the licensing scheme or planning rules. For example, concerns relating to:

- Safety, noise or nuisance relating to licencing
- Availability of residential housing, the impact on the character of the neighbourhood or the suitability of the building which relate to planning.

13.6 An un-redacted copy of any objection will be sent to the applicant or their representative.

13.7 Where objections are received the application may be brought before the General Purposes Committee for consideration. The objector will be invited to attend this meeting to speak to their objection and the applicant will be provided with the opportunity to respond.

13.8 Any anonymous objection or representation will not be considered. "Anonymous" includes objections or representations where the person making the objection or representation cannot be contacted using the contact information provided.

13.9 Objections or representations considered by the Council to be frivolous or vexatious, or those which have previously been considered and not been upheld, will not be considered.

13.10 The Council has the power to refuse an application for secondary letting where they consider that there would be an overprovision of secondary letting in that particular locality. Overprovision is only applicable to secondary letting. Currently the Council considers that overprovision is not an issue of concern in Midlothian and overprovision will not be used as ground for refusing a licence application. This decision will be reviewed periodically and may change. Should overprovision be deemed to become an issue an Overprovision Policy Statement will be produced.

13.11 Should an application be refused, an applicant will not be able to reapply for a licence within one year of that decision, unless there has been a material change in circumstances since the application was refused. Evidence of such material change, will be required as part of any fresh application.

13.12 Applicants may appeal against a refusal of their short-term let licence application. The appeal should be made in writing within 28 days of being notified of refusal and should be sent to [shorttermlet@midlothian.gov.uk](mailto:shorttermlet@midlothian.gov.uk) or by post to Protective Services, Midlothian Council, Fairfield House, 8 Lothian Road, Dalkeith EH22 3AA.

13.13 If the applicant has followed the process above and is still unhappy with the outcome they have a right of appeal to the Sheriff Court. However, they only have

this right if they have taken every opportunity to state their case to the Committee.

13.14 The Sheriff can uphold an appeal only if the sheriff considers that the licensing authority erred in law, based their determination on any incorrect material fact, acted contrary to natural justice or exercised their discretion in an unreasonable manner.

13.15 Any appeal must be lodged by way of a summary application with the relevant Sheriff Clerk's office within 28 days of the date of the decision appealed against.

13.16 Parties should seek their own independent legal advice in relation to an appeal.

## 14 Licence Conditions

14.1 There are certain conditions which the 2022 Order requires to be attached to any license granted. These will be detailed in any license granted. A list of the mandatory license conditions is contained in Appendix 1.

14.2 At present Midlothian Council intends to attach one additional condition relating to antisocial behaviour associated with the short-term let.

14.3 The Council may grant a licence for a period of their choosing for up to a maximum of three years, after which it requires to be renewed. First licence applications will be granted for a period of one year. Each licence will have a reference number and will confirm the expiry date.

14.4 The duration of the licence applies from the date on which the licence comes into force. This will be specified on the licence together with the expiry date of the licence.

14.5 Where an application is made to renew a licence, before the expiry date, the licence will continue to have effect until such a time as it naturally expires or a decision is made on the renewal, whichever is the later. Where satisfactory compliance with the licence conditions has occurred the Council intends to grant a renewal of a licence for a period of up to three years. However, where any licence conditions have been breached during the previous licence period, the renewal period (if renewed at all) will be for a maximum period of one year.

14.6 Licence numbers will be issued in a consistent format to assist letting agencies and platforms in being able to use the licence number provided by the host or operator in their listings.

14.7 The format of the licence number, alongside information contained in the public register, will allow anybody to identify:

- the Council that issued the licence (and therefore the area to which the licence relates);
- the type of short-term let to which the licence relates (public register); and
- the type of licence issued

- 14.8 The licence number will comprise of 8 characters, three of which are alphabetical (capital letters) and 5 of which are numerical digits (D):

For example: **A<sub>1</sub>A<sub>2</sub>-DDDDD-A<sub>3</sub>**

The leading two characters (A<sub>1</sub>A<sub>2</sub>) will identify the Council; Midlothian Council will use **MC**. The 5 digits will be issued by each Council.

The final character (A<sub>3</sub>) will denote the type of "licence" to be issued:

- **T** Temporary licence
- **P** Provisional licence number issued on receipt of a licence application
- **F** First (full) licence
- **R** Renewed licence

For example: **MC -00001 - F**

This number relates to a first (full) licence (F). The type of short-term let (e.g. home sharing) will be displayed on the public register.

## 15 Duty to have a public Register

- 15.1 Licensing authorities are required to maintain a public register of short-term let licences, and share the content of the register with Scottish Government on an ongoing regular basis.
- 15.2 Licensing authorities must:
- a) Make the register available to the public electronically, in a searchable format
  - b) Publish or update their register on **at least** a quarterly basis, and
  - c) Include in the public register the following information, if requested,
    - The number of bedrooms in the premises,
    - Data on availability and occupancy,
    - Contact details for the manager of the premises, if different from the applicant, and
    - The Energy Performance Certificate rating.

## 16 Compliance and Enforcement

- 16.1 Anyone can make a complaint with regards to a property licenced as a short-term let. Such complaints can be made via Midlothian Council website at (**to be inserted when available**); by email to [shorttermlet@midlothian.gov.uk](mailto:shorttermlet@midlothian.gov.uk); or by post to Protective Services, Midlothian Council, Fairfield House, 8 Lothian Road, Dalkeith EH22 3AA.
- 16.2 If, after investigation, the Council consider that the complaint is justified they will seek first to resolve the matter by engagement with the host or operator. Midlothian Council will aim to respond to complaints within 21 working days of

receipt. The Council will keep a record of all complaints made under this policy and the complainant will be kept informed throughout the process.

- 16.3 The Council may need to direct some complaints to other bodies such as planning authorities, letting agencies, Visit Scotland, Police Scotland etc. for further investigation.
- 16.4 If the matter under investigation cannot be resolved informally by the Council then enforcement action under the 22 Order and the Civic Government (Scotland) Act, 1982 will be considered.
- 16.5 A complaint may relate to the following areas:
- Whether the host is a fit and proper person
  - The condition of the accommodation
  - Concerns regarding planning permission
  - Undue public nuisance, public order, or public safety;
  - Excessive noise, disturbance or antisocial behaviour;
  - Suspected unlicensed short-term lets;
  - Privacy and security of neighbours; or
  - Any other good reason
- 16.6 Complaints which the Council consider to be frivolous or vexatious will not be considered
- 16.7 In the first instance, guests should raise any concerns about their short-term let with their host/operator or letting agent/platform. If the issue is sufficiently severe, then the Council may become involved.
- 16.8 Please note that the Council cannot consider complaints in relation to the quality of a guest's stay or specific contractual matters between the guest and the host/operator as this is outside the scope of the licensing scheme.
- 16.9 If anyone suspects that a property trading as a short-term let is not licensed they should first check the public register on the Midlothian Council website at **(to be inserted when available)**. If the property does not appear on the register they can report the matter to Midlothian Council via **(to be inserted when available)**; by email to [shorttermlet@midlothian.gov.uk](mailto:shorttermlet@midlothian.gov.uk); or by post to Protective Services, Midlothian Council, Fairfield House, 8 Lothian Road, Dalkeith EH22 3AA.
- 16.10 The Council will investigate any such complaints and take appropriate action.
- 16.11 The Council will periodically check, via various means, whether hosts, or operators in Midlothian area, are trading as short-term lets without a valid short-term let license.
- 16.12 The 22 Order and the 1982 Act provide the following enforcement options:
- Introduction of additional licence conditions on applications (or through variation)
  - Enforcement Notices
  - Variation, suspension or revocation of the licence
  - Pursuance of prosecution in respect of the offences under the 1982 Act

- 16.13 Midlothian Council has the power to serve enforcement notices. Where complaints, visits to premises or other information, suggest that a licence condition has been, or is likely to be, breached, and informal means of resolution have not rectified the matter, the Council will require a licence holder to take action to put it right by service of an enforcement notice.
- 16.14 The Enforcement Notice will specify the following:
- The matters constituting the breach or likely breach;
  - The action to be taken by the licence holder for the purpose of rectifying or, preventing the breach; and
  - The date by which the action must be taken.
- 16.15 If the licensee fails to comply with the enforcement notice the Council has the powers to vary, revoke or suspend a licence.
- 16.16 The Council may vary, suspend or revoke a licence in certain circumstances. This may be done without serving an enforcement notice if the seriousness of the breach justifies urgent action.
- 16.17 Midlothian Council may vary the terms of a licence on any grounds they think fit. They can do this at any time. They can do this following an application made to them by the licence holder or on their own initiative.
- 16.18 The Council may order the suspension or revocation of a licence if in their option –
- The licence holder is no longer a fit and proper person to hold the licence;
  - The licence holder is managing the property on behalf of someone who would have been refused the grant or renewal of the licence;
  - The short-term let is causing or is likely to cause undue public nuisance or a threat to public order or public safety; or
  - A condition of the licence has been contravened.

## 17 Review of Policy and Fees

- 17.1 Midlothian Council will review this policy at a minimum every 3 calendar years with the first scheduled review being 1<sup>st</sup> October 2025.
- 17.2 All fees and charges applicable to Short-term let licences and documentation will be reviewed each fiscal year with the first scheduled review due on 1<sup>st</sup> April 2024.
- 17.3 Fees will not be refunded if the application is refused or withdrawn.

## Appendix 1

### Mandatory License Application Conditions

- 1) You must not authorise any other person to carry on the day to day management of the short-term let of the premises.
- 2) You must ensure that the number of guests residing in the premises does not exceed the number specified in the licence.
- 3) Where your premises is a dwelling house, you must ensure that the premises meet the repairing standard.
- 4) You must ensure your premises has satisfactory equipment installed for detecting, and for giving warning of—
  - (a) Fire or suspected fire, and
  - (b) Carbon monoxide present in a concentration that is hazardous to health.
- 5) You must—
  - a) Ensure that all upholstered furnishings and mattresses within the Premises comply with the Furniture and Furnishings (Fire Safety) Regulations 1988,
  - b) Keep records showing that all upholstered furnishings and mattresses within the premises comply with these Regulations.
- 6) Where your premises has a gas supply—
  - a) The holder of the licence must arrange for an annual gas safety inspection of all gas pipes, flues and appliances in the premises by a competent person.
  - b) If, after an annual inspection, any appliance does not meet the required safety standard, the holder of the licence must not grant a short-term let until the works necessary to bring the appliance to the required safety standard have been carried out and the evidence of these works submitted to the Council.
- 7) If you have electrical fittings or items in the premises, you must—
  - a) Ensure that any electrical fittings and items are in—
    - (i) A reasonable state of repair, and
    - (ii) Proper and safe working order,
  - b) Arrange for an electrical safety inspection to be carried out by a competent person at least every five years or more frequently if directed by the competent person,
  - c) Ensure that following an electrical safety inspection, the competent person produces an Electrical Installation Condition Report on any fixed installations,
  - d) Arrange for a competent person to—
    - (i) Produce a Portable Appliance Testing Report on moveable appliances to which a guest has access, and

- (ii) Date label and sign all moveable appliances which have been inspected.
- 8) Where your premises is served by a private water supply, you must comply with the requirements on the owners of private dwellings set out in the Water Intended for Human Consumption (Private Supplies) (Scotland) Regulations 2017.
- 9) You must assess the risk from exposure to Legionella within your premises, whether or not it has a private water supply.
- 10) You must make the following information available within the premises in a place where it is accessible to all guests—
  - a) Certified copy of the licence and the licence conditions,
  - b) Fire, gas and electrical safety information,
  - c) Details of how to summon the assistance of emergency services,
  - d) A copy of the gas safety report,
  - e) A copy of the Electrical Installation Condition Report, and
  - f) A copy of the Portable Appliance Testing Report.
- 11) Where your premises is in a control area and where the use of the premises for a short-term let requires planning permission, you must either—
  - a) Have made an application for planning permission or
  - b) Already have planning permission.
- 12) You must ensure that any listing or advert (whether electronic or otherwise) for your premises includes—
  - a) The licence number,
  - b) The maximum number of guests permitted to reside in the premises, and
  - c) a valid Energy Performance Certificate rating, if you are required to have one for the premises
- 13) You must, for the duration of the licence, ensure there is in place for the premises—
  - (a) Valid buildings insurance, and
  - (b) Valid public liability insurance providing cover of not less than £5 million.
- 14) You must pay any fees due to the licensing authority in respect of the licence on demand.
- 15) You must not provide any false or misleading information to your licensing authority.

## Additional Conditions

1. The licence holder must take reasonable steps to manage the premises in such a way as to seek to prevent and deal effectively with any antisocial behaviour by guests anyone else in the short-term let and in the locality of the short-term let. In addition the license holder must co-operate fully with Council Officers in any investigation of antisocial behaviour and noise complaints relating to their short-term let.

## Appendix 2 - License Application Form and Checklist

### Short-term lets licence application form

#### PART 1: APPLICATION AND LICENCE TYPE

1. Please select the application type:

First application  Renewal  Change to existing licence

New application (where property has been used as licensed STL previously)

First application (existing operator\*)

*\*This option is only available for applications made on or before 1 April 2023 by existing operators (i.e. those operating the premises in which a licence is being applied for as a short-term let on or before 1 October 2023).*

*If you are applying to renew or alter your licence, please complete the following fields. If submitting a new application where the property has never been used as a licensed short-term let before, please proceed to question 2:*

Existing licence number

Existing licence expiry date



***If you are submitting a new application where the property has been used as a licensed short-term let before, please complete the following fields.***

**Previous licence number**

**Previous licence expiry date**

**2. Please select the type of short-term let licence you require:**

Home sharing

Home letting

Home sharing & home letting

Secondary letting

**3. If you do not own the property which is the subject of this licence application, do you have proof of permission from the owner(s):**

Yes

No

N/A

**If you are applying for a change to your existing licence, please indicate the reason for your request (e.g. a change of agent, changes to the property – e.g. an extension to increase maximum occupancy).**

**PART 2: PREMISES DETAILS**

<b>Premises Address (incl. postcode)</b>	
<b>Unique Property Reference Number (if known)</b>	
<b>Maximum number of occupants<sup>1</sup></b>	
<b>Number of bedrooms</b>	
<b>EPC rating (if applicable – not required for home sharing or unconventional accommodation)</b>	

**4. Please select the type of premises:**

- Detached House**      
 **Semi-detached house**   
**Terraced House**      
 **Flat**   
**Unconventional accommodation**

---

<sup>1</sup> You may be required to submit a floor plan in order to verify the maximum number of occupants requested is appropriate. This may be a simple layout drawing showing room dimension, location of windows, doors etc.

5. From the following options, please select the description that best describes your short-term let:

Self-catering  B&B

Guest house  Other form of home sharing

Home letting

### PART 3: ABOUT YOU

6. Are you applying as an individual or corporate entity?

Individual  Corporate Entity

Fill in if you are applying as an individual:

First name(s)	
Surname	
Date of Birth	
Place of Birth	
Address (if different from premises address)	
Email address	
Telephone number	
Current home address (if different from premises address)	

Please provide your home address history for the last 5 years with no gaps or overlaps, starting with the most recent. Please confirm the dates you resided at these properties:

Address (history for last 5 years)	Postcode	Date from (month/year)	Date to (month/year)

7. Do you have or intend to appoint an agent or day-to day manager?

Yes

No

If you answered yes to question 7, please provide details for your agent(s) or day to day manager(s).

Agent(s) & Day to Day Manager(s)

Full name	5 year address history	Date of birth	Email address	Telephone number

8. Is your property jointly owned?

Yes

No

If you answered yes to question 8, please provide details for all joint owners.

Joint owner(s):

Full name	5 year address history	Date of birth	Email address	Telephone number

*Individuals, please go to Part 4.*

*Corporate entities, please complete the relevant sections on the following pages.*

Fill in if you are applying as a corporate entity (e.g. company, partnership, trust or charity)

Corporate entity name	
Limited company number (if applicable)	
Your first name(s)	
Your surname	
Registered or principal office address	

Names and private addresses and dates and places of birth of its directors, partners or other persons responsible for its management, including trustees in the case of charities.

Full name	Personal address	Place of birth	Date of birth

Please complete for all other named persons on the licence (e.g. any agent or day-to-day manager):

Full name	5 year address history	DOB	Email address	Telephone number

**PART 4: CONVICTIONS**

9. Has anybody named on the application been convicted of any offence? Please include details of any unspent convictions in the table below:

Name	Date	Court	Offence	Sentence

## Privacy Notice

### PRIVACY NOTICE

Personal Information\* collected in relation to this application may include your name, and address. This information is collected by Midlothian Council for the purposes of Law Enforcement in the exercise of our official authority as Licensing Authority for Midlothian. We may share your information with other public bodies for the performance of a task carried out in the public interest or to help prevent fraud and crime, or where we are required to do so by law.

The legislation requires that Midlothian Council

a) Collect sufficient data for monitoring and enforcement purposes, including setting out requirements for the sharing of relevant information between licensing authorities for hosts and operators with premises in more than one area (**operational data**).

b) Share data, including the number, type and location of short-term lets, with Scottish Government in a consistent format on an ongoing regular basis (**analytical**

**data).** The Scottish Government will combine data into a national database for subsequent analysis but will not include personal data in its report. Operational and analytical data is expected to be shared using the same format and data field specifications as in the public register, with any additional fields appended.

c) Publish and maintain a register of short-term let licences and their status (granted, refused, being determined, revoked, lapsed etc.), which can be accessed and searched by members of the public (**public register**). From 1 October 2022, the licensing authority must publish the content of the register, in relation to short-term let licences only, on their website or other website established and maintained for that purpose and provide access free of charge

You have a right to see the information we hold on you by making a request in writing to the email address below. If you wish to raise a complaint on how we have handled your information, you can contact our Data Protection Officer who will investigate the matter. If you are not satisfied with our response or believe we are not processing your information in accordance with the law you can complain to the Information Commissioner's Office (ICO).

Contact: Midlothian Council's Data Protection Officer at [dpo@midlothian.gov.uk](mailto:dpo@midlothian.gov.uk)

Midlothian Council's Privacy Policy can be found at

[https://www.midlothian.gov.uk/downloads/download/542/privacy\\_policy](https://www.midlothian.gov.uk/downloads/download/542/privacy_policy)

*\* Personal information is information that can be used to identify, locate, or contact an individual, alone or when combined with other personal or identifying information.*



## APPLICATION CHECKLIST

**Note - this check list must be fully completed in order to submit your application**

<b>I have enclosed the following – please tick to confirm (or enter N/A)</b>		
Completed application form	<input type="checkbox"/>	
Correct application fee	<input type="checkbox"/>	See guidance notes
Completed Fire Risk Assessment	<input type="checkbox"/>	
Annual gas certificate <i>(for premises with a gas supply)</i>	<input type="checkbox"/>	Valid to:
Electrical Installation Condition Report	<input type="checkbox"/>	Valid to:
Portable Appliance Testing Report	<input type="checkbox"/>	Valid to:
Legionella Risk Assessment	<input type="checkbox"/>	
Planning permission <i>(for premises within a control area or where requested by the licensing authority)</i>	<input type="checkbox"/>	Planning application reference number:
Floor plan	<input type="checkbox"/>	See guidance notes
EPC Certificate <i>(for premises which are dwellinghouses)</i>	<input type="checkbox"/>	Valid to:
Buildings Insurance	<input type="checkbox"/>	Valid to:
Public Liability Insurance	<input type="checkbox"/>	Valid to:
Proof of consent from owner (if applicable)	<input type="checkbox"/>	
Evidence of operation as a short-term let on or before 1 October 2023 <i>(for existing hosts applying during transitional period)</i>	<input type="checkbox"/>	

<b>I have: – please tick to confirm (or enter N/A)</b>	
Identified the owners and those involved in the day-to-day management of my premises	<input type="checkbox"/>
Ensured that to the best of my knowledge all those named on my application are fit and proper persons	<input type="checkbox"/>
<b>Prepared information that will be available to guests at the premises including:</b> <b>(a) a certified copy of the licence and the licence conditions,</b> <b>(b) fire, gas and electrical safety information,</b> <b>(c) details of how to summon the assistance of emergency services,</b> <b>(d) a copy of the gas safety report,</b> <b>(e) a copy of the Electrical Installation Condition Report, and</b> <b>(f) a copy of the Portable Appliance Testing Report.</b>	<input type="checkbox"/>
Applied for planning permission (if required).	<input type="checkbox"/>
Noted the requirement to display my licence number and EPC rating on listings for my premises	<input type="checkbox"/>
Checked if any additional licence conditions apply to me / my premises	<input type="checkbox"/>
<b>Proof that furniture and furnishings/the furniture and furnishings guests have access to comply with fire safety regulations</b>	<input type="checkbox"/>
<b>Read and understood the mandatory conditions that will apply to my licence</b>	<input type="checkbox"/>

<b>My premises:</b> – please tick to confirm (or enter N/A)	
<b>Meets current statutory guidance for provision of fire, smoke and heat detection</b>	<input type="checkbox"/>
<b>Meets statutory guidance for carbon monoxide alarms</b>	<input type="checkbox"/>
Meets the required regulations for private water supplies ( <i>for premises with a private water supply i.e not provided by Scottish Water</i> )	<input type="checkbox"/>
Meets obligations with regard to the Tolerable and Repairing standard ( <i>applicable to dwellinghouses</i> )	<input type="checkbox"/>

## Appendix 3 - Fees and Charges

### Initial Application or Renewal of Licence Application – Secondary Letting

Maximum No of Bedrooms/Guests	Fee (£)	Fee to Consider a Material Change (£)
Up to 4 bedrooms/8 guests	465	270
5 - 8 Bedrooms/ 16 Guests	525	315
More than 8 bedrooms/ 16 guests	660	390

### Initial Application or Renewal of Licence Application – Home Sharing/Home Letting

Maximum No of Bedrooms/Guests	Fee (£)	Fee to Consider a Material Change (£)
1 bedroom/3 guests	210	100
2-3 Bedrooms/9 Guests	250	130
4 bedrooms/ 9 guests	330	190

Other Charges	
Duplicate Licence	£35.50
true copy of any entry on the public register	£100
Visits to the premises where the visit is necessary because of the failure of the host or operator.	£115 per hour

## Review of Fees

License fees set by Midlothian Council will be reviewed annually.

## SHORT-TERM LET LICENCE APPLICATION

The owner of the following property has made an application to Midlothian Council for a Licence to operate the property as a Secondary/Home Sharing – Home Letting Short – Term Let in terms of the Civic Government Scotland Act, 1982.

**ADDRESS:**.....

.....

**DATE:**

If you have any objection to grant of this Licence you can do this via the Midlothian Council website at **(to be inserted when available)** or in writing to Protective Services, Midlothian Council, Fairfield House, 8 Lothian Road, Dalkeith EH22 3AA. Any objections must be received by Midlothian Council within 28 days of the date given above.

# **SHORT-TERM LET LICENSING POLICY**

## **REPORT ON PUBLIC AND STAKEHOLDER CONSULTATION**

### **Introduction**

On 19 January 2022, The Civic Government (Scotland) Act 1982 (Licensing of Short-term Lets) Order 2022 (“the Order”) was approved by the Scottish Parliament. The Order came into force on 1 March 2022 and inserts new legislative provisions into the Civic Government (Scotland) Act 1982 (“the Act”). The effect of the order is that from 1 October 2022 the use of accommodation for short term let is an activity for which a licence is required under the 1982 Act. A Short Term Let is defined by legislation and detailed in Appendix 1 of this report. Prior to the introduction of the 2022 Order, there was no requirement to licence Short Term Lets in Scotland.

In order to ensure the licensing authority had a Short Term Lets Policy in place and were able to accept licensing applications on or after 1 October 2022, covering all the matters required by legislation, the General Purposes Committee gave permission on 30 August 2022 to hold a consultation on the draft Short Term Lets Policy.

### **The Consultation Process**

The consultation ran on-line from 31<sup>st</sup> August 2022 to 14<sup>th</sup> September 2022 and sought views on the draft Policy and short-term let licensing in general. The questions posed are discussed below.

The responses received enabled Midlothian Council to consider these comments, and make any necessary amendments to the policy, prior to 1 October 2022.

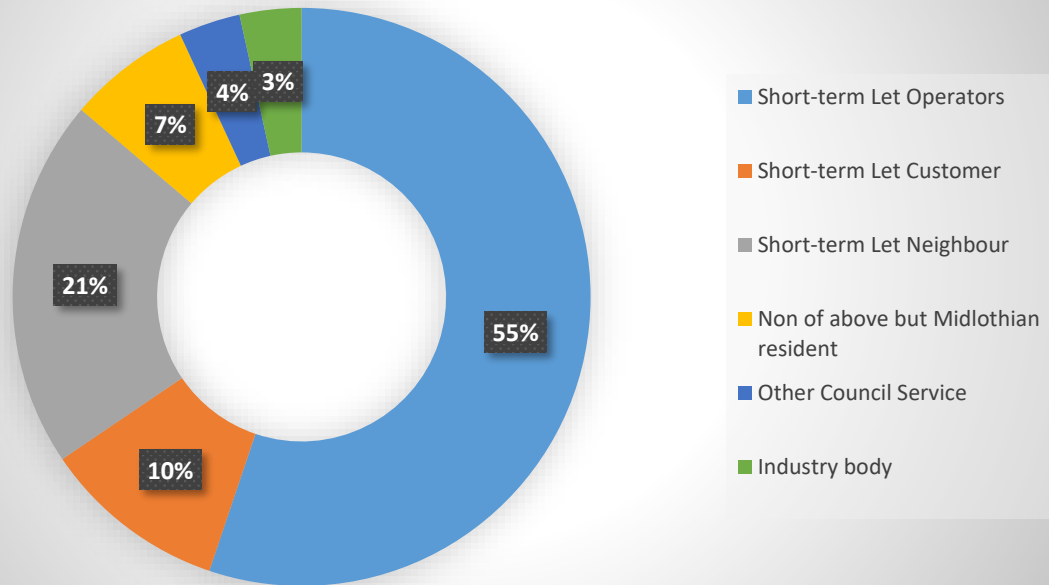
As well as a full public consultation, views were also invited from various interested parties including elected members, Police Scotland, Scottish Fire and Rescue Service, Planning and Building Standard services at Midlothian Council and the Scottish Association of Self-Caterers. The views gathered will allow full Council to consider whether any changes require to be made to the draft policy prior to final publication.

In total 29 responses were registered. Details of the responses received are given below.

### **The questions posed and responses received**

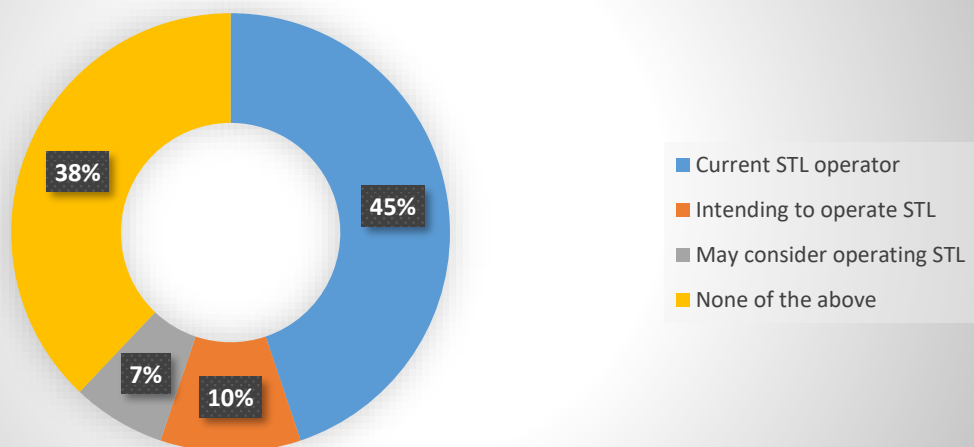
1. Which of the following apply to you?
  - a) Short-term let operator
  - b) Short-term let customer
  - c) Short term let neighbour
  - d) Midlothian resident
  - e) Visitor to Midlothian
  - f) Trade/Industry Group (please specify)
  - g) Other

## Breakdown of Consultation Respondants



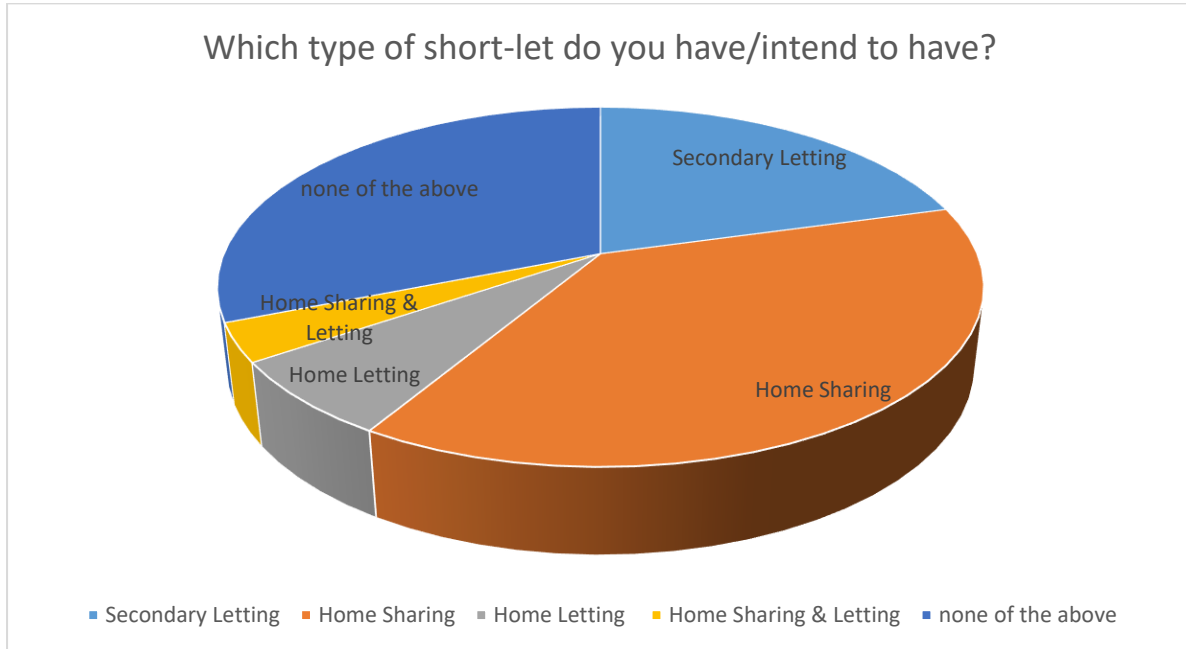
2. If you are responding as a Short-term let operator which statement best describes your position?
- I currently operate at least one short-term let in Midlothian.
  - I am intending to operate a short-term let in Midlothian in the future.
  - I may consider operating a short-term let in Midlothian in the future.
  - None of the above

## If a STL operator which best describes you?



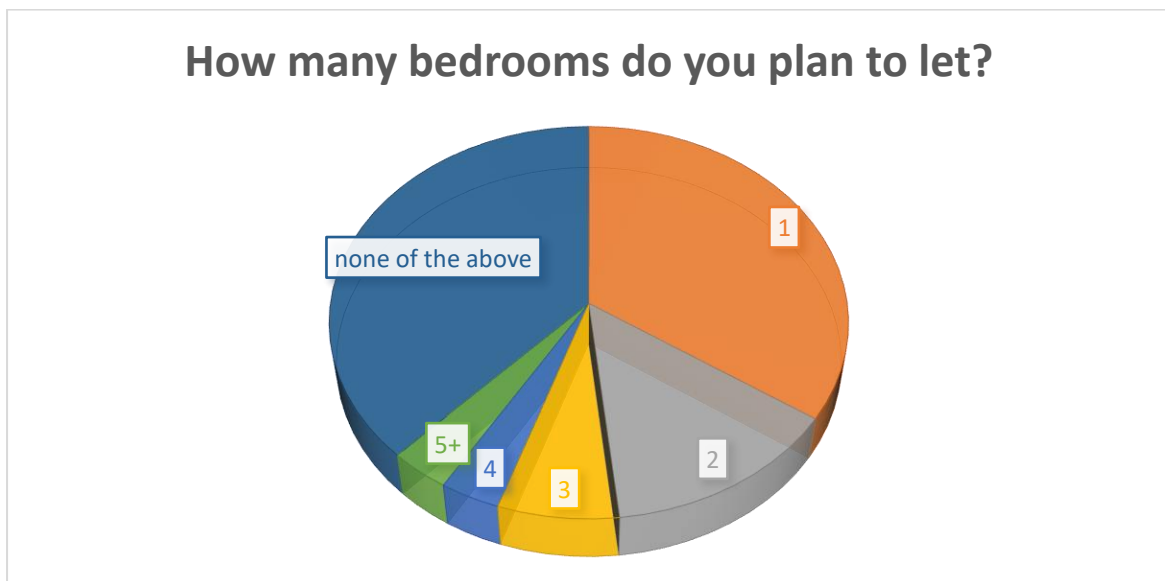
3. What type of short-term let(s) do you have or intend to have?

- a) Secondary Letting
- b) Home letting
- c) Home sharing
- d) Home Letting and Home Sharing



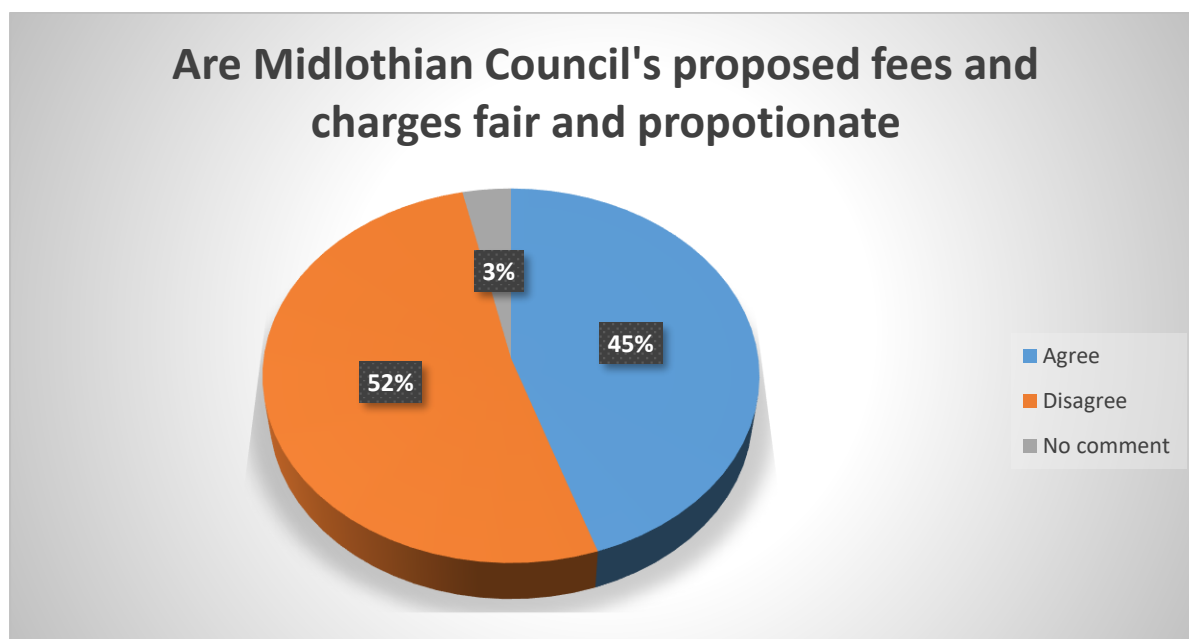
4. How many bedrooms do you have or plan to have in your property for short-term let?

- a) 1
- b) 2
- c) 3
- d) 4
- e) 5 or more



5. Fees and Charges for Licence Applications. Midlothian Council intend to base these fees on the type of short term let and the number of letting bedrooms/guests who can be accommodated. For Secondary letting these fees will range from £465 to £660 and for Home Sharing/Home letting the fees will be £210 to £330. Do you agree this method of setting fees is fair and proportionate?

- a) Agree
- b) Disagree
- c) No comment

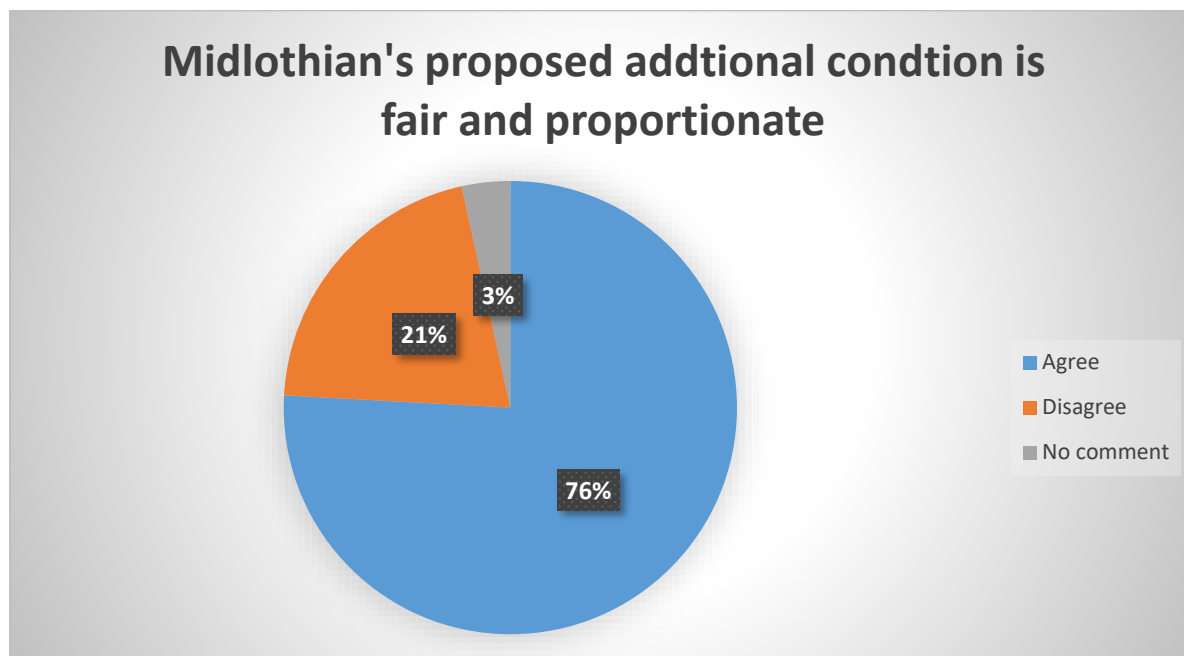


This question allowed respondent's to give additional comments if they wished. The comments received are given below.

Comments Received	No of Respondents with this Comment
Too high	3
too low	2
Secondary let costs should be the same home sharing/letting (regulatory checks are the same).	2
People should not have to pay to let out a room in their own home	1
There should be no charge	2
This will not solve problems	1
This will raise the cost of letting	1
Fees should be based on the number of people not the number of rooms	1
These properties should not be subject to non-domestic rates /full council tax should be paid	1
People letting out a room in their own home should pay much less than secondary letting.	3
This is another tax	1



6. Midlothian Council intend to add one licence condition in addition to those which the regulations say are mandatory. This condition states that: The licence holder must take reasonable steps to manage the premises in such a way as to seek to prevent and deal effectively with any antisocial behaviour by guests to anyone else in the short-term let and in the locality of the short-term let. Do you agree that this is a fair and proportionate condition?



Again this question allowed respondent's to give additional comments if they wished. The comments received are given below.

Comments Received	No of Respondents with this Comment
additional condition too vague	2
Anti-social behaviour is dealt with by other legislation	1
Landlord does not want to police antisocial behaviour	2
Is this a problem in Midlothian?	1
Suggest adding must cooperate with Council Officers and/or Police to deal with antisocial behaviour, illegal activity and noise complaints.	1
not necessary if letting agent	1

7. Please add any further comments you wish to make in the box below or any further issues you want us to consider while we develop our Short-Term Lets Licensing Policy.

The responses given to the above question are given over the page.

Additional Comments	No of Respondents with this Comment
consider extending the licensing period (5 or 10 years )	1
If additional conditions added in future should no duplicate mandatory ones and should be evidence, cost effective and enforceable	1
What about health and safety?	2
What about overprovision?	1
Survey should have been more in-depth.	1
This is not required in Midlothian	1
Not required in rural area problem is with built up areas.	1
New law is too onerous particularly for home sharing	1
Agree with antisocial conditions.	2
Checks on standards should be carried out at least randomly.	1
Will PAT testing extend to all rooms in home and not only the one let out?	1

## Discussion and analysis of the responses and comments given

### Questions 1 – 3

It can be seen from questions 1 - 3 that our biggest respondent group were those who were operating and considering operating short-term lets. Of those the biggest group were those who intended to home share followed by those who intend to operate a secondary let.

Question 4 indicates that of those who responded the largest group will let out 1 bedroom with a much smaller proportion of respondents letting 3 and above rooms.

### Question 5

In question 5 we see that opinion is fairly evenly split between the respondents who agreed that Midlothian Councils proposal for short-term lets licensing fees and charges are fair and proportionate and those who disagreed with this statement. Respondents were also invited to leave additional comments if they wished.

Of the responses given several of the responses related to issues which decided by Scottish Government in introducing legislation to license short-term lets and its accompanying guidance and were not able to be influenced by Midlothian Council. These include *people should not have to pay to let out a room in their own home; there should be no charge; this will not solve problems; this will raise the cost of letting; this is another tax.*

Three respondents felt the fees and charges were too high and two felt they were too low. This mirrors the overall response in that slightly more people thought the fees and charges were not fair or proportionate. The fees have been rigorously calculated based on the cost to the council to set

up and maintain the scheme and are designed only to recover these costs. Costs will be reviewed annually and if initial calculations are found not to reflect the actual costs to the Council they will be amended accordingly.

Similarly there are 2 respondents who believe that the licensing fee for secondary letting and home sharing should be at the same level and 3 respondents who believe that fees for those home sharing should be less than for a secondary let. The draft policy does propose the lowest fee is for those home sharing with a sliding scale dependant on the number of rooms let and the number of people accommodated. Another respondent suggests that fees should be based on the number of people not the number of rooms. The draft policy uses both these credentials to set fees. Scottish Government guidance provides suggestions on how fees may be sets and suggests considering the type of letting; the number of rooms being offered for let and the number of people to be accommodated. Midlothian Council have used this guidance to set our fees and charges.

There is a suggestion that these properties should not be subject to non-domestic rates and should pay full council tax. There is no plans are present for short-term let properties not to pay full council tax.

Having considered all of the point above it is proposed that the fees outlined in the draft short-term let licensing policy to remain unchanged but to be reviewed annually considering among other things, the point raised during the consultation.

#### **Question 6**

More than 75% of the respondents were in agreement with the additional condition which relates to antisocial behaviour. However there were some additional comments made by respondents some whom felt that this was not an issue in Midlothian and that this may be dealt with by other agencies such as the police and letting agencies. Others commented that there should be additional requirements with regard co-operation with regulatory bodies. Some landlords did not want to have this responsibility. Two respondents felt that the condition was too vague.

The proposed condition states:

***The licence holder must take reasonable steps to manage the premises in such a way as to seek to prevent and deal effectively with any antisocial behaviour by guests to anyone else in the short-term let and in the locality of the short-term let.***

There was broad general support for this additional condition. However it was considered if it could be improved. As a result it proposed to alter the condition to read:

The license holder must manage the premises

***The licence holder must take reasonable steps to manage the premises in such a way as to seek to prevent and deal effectively with any antisocial behaviour by guests to anyone else in the short-term let and in the locality of the short-term let. They must co-operate fully with Council Officers in any investigation of antisocial behaviour and noise complaints relating to their short-term let.***

The policy has been updated to reflect this change.

## **Question 7**

12 of the 27 online, and 1 of the direct respondents chose to leave additional comments with regard to the short-term let policy in general. Some of the issues raised by these respondents are covered by the short-term let licensing policy such as health and safety in the property which is covered by the mandatory conditions; overprovision which is discussed in the policy and thought not to be an issue in Midlothian presently but will be kept under review. Others relate to issues over which the Council has no control as they are required to set up and operate a short-term let licensing scheme by law. These relate to comments such as this is not required in Midlothian; not required in rural areas; the new law is too onerous.

Comment is also made regarding future additional conditions which may be added and this comment will be considered should this happen.

One respondent felt the survey should be in more depth but it was unclear if they had read the draft strategy which is very detailed and on which they could have made full comment in this section.

One respondent commented that Council Officers should carry out checks on the physical standards in short-term lets. It is our intention to do this in at least a sample of the short-term let properties.

Lastly a consultee asked if Portable Appliance Testing (PAT testing) will be required for all appliances in a home where one room is let out. We will seek guidance from the Scottish Government on this matter and feed back to the respondent directly.

### **Comments directly from the Planning Service**

The Planning service responded to the section of the draft policy relating to other Council policies which must be considered. We have taken on board all of their suggestions and amended the policy accordingly.

### **Summary**

Midlothian Council carried out a 15 day public consultation on the Draft Short-term Let Licensing policy. 29 responses were received in total. 27 from members of the public, one from an industry body and one from the Planning service.

The responses to the seven questions posed were analysed and considered and, where appropriate, minor changes to the draft policy were made.

## **Voluntary Community Asset Transfer**

### **Report by Kevin Anderson, Executive Director Place**

#### **Report for Decision**

#### **1 Recommendations**

Council is asked to:

- (a) Note the terms of this report; and
- (b) Approve a revision to the current practice for Community Asset Transfers (CATs) and allow a voluntary approach to be adopted, where appropriate, as an alternative to the formal process under the Community Empowerment (Scotland) Act 2015.

#### **2 Purpose of Report/Executive Summary**

The purpose of the report is to advise Council that CATs may be achieved by agreement between the Council and community groups without requiring such groups to submit a formal application in terms of the Community Empowerment (Scotland) Act 2015, subject to compliance with the Disposal of Land by Local Authorities (Scotland) Regulations 2010 and related Scottish Government guidance.

A similar report was considered by the CAT Committee at its meeting of 24 February 2022 when it was agreed to refer the matter to Council for further consideration. This report includes revisions which were suggested by the CAT Committee.

**Date** 13 September 2022

**Report Contact:**

William Venters, Principal Solicitor, [William.Venters@midlothian.gov.uk](mailto:William.Venters@midlothian.gov.uk)  
Gareth Davies, Senior Manager Property and Facilities Management,  
[Gareth.Davies@midlothian.gov.uk](mailto:Gareth.Davies@midlothian.gov.uk)

### **3 Background/Main Body of Report**

**3.1** On 2 October 2018 Council agreed the arrangements for determining formal requests for community asset transfers made under the 2015 Act as follows:

- (a) all members be notified when a formal application for an asset transfer had been made and be allowed to make representations should they wish to do so prior to a formal decision being made by the Asset Transfer Committee;
- (b) officers (Community Management Assessment Group) would compile a report on any competent bid and the Director, Resources (now Executive Director, Place) would make a recommendation to the Asset Transfer Committee for determination;
- (c) an Asset Transfer Committee be established to consider those applications deemed competent by the relevant officers. The committee would then decide whether to accept, reject or modify the officer recommendations;
- (d) an Asset Transfer Review Committee be established to consider any appeal received from an Applicant as a result of a decision by the Asset Transfer Committee;
- (e) the Asset Transfer Review Committee comprise of 6 named 'Elected Members' (1 from each Ward and who would not be a Member of the Asset Transfer Committee);
- (f) the remaining six elected Members act as a potential Substitute for either of the aforementioned Committees; and
- (g) the Community Asset Transfer Framework to be used for assessing competent bids in terms of Best Value themes.

The report to Council noted that Scottish Government Statutory Guidance on community asset transfer did not rule out the possibility of voluntary agreement between community groups and relevant authorities. Thus, despite the introduction of a statutory scheme, much of the previous best practice in relation to community asset transfer continues to apply.

**3.2** The assessment framework approved by Council recognises that a Community Asset Transfer (CAT) will apply to all transfers of land or buildings from the Council to a community group at below market value and involves the transfer of responsibility for an asset from the Council to a community group by way of either a transfer of management responsibility, short or long term lease or outright ownership. The type of transfer will be dependent on the individual circumstances of the community group and their proposals. In many cases a phased approach to transfer will be appropriate and a community group may start out with a management agreement before moving to a longer term lease or alternatively could move from a lease to outright ownership.

- 3.3** Since October 2018 the Council's practice has been to consider all CAT requests under the 2015 Act thus requiring community groups to make a formal application. This process requires a significant effort on behalf of the applicant and can be disproportionate to the size and nature of the heritable asset to be transferred and it is also time consuming. The process does though ensure transparency in decision making which is a key and important factor. However, a more flexible approach which retains transparency is feasible in terms of the Council's Scheme of Delegation and the 2010 Regulations. Subject to compliance with the 2010 Regulations, if the Council and community group can agree to an asset transfer then it is unnecessary for the community group to make a formal request under the 2015 Act.
- 3.4** On 8 September 2021, officers met with counterparts from Dundee City Council who confirmed their practice of undertaking voluntary CATs in accordance with the 2010 Regulations without going through the formal process in the 2015 Act. In order to ensure transparency in the decision making process Dundee City Council officers reported voluntary transfers to their Development Committee rather than the Community Asset Transfer Committee which only considered formal applications under the 2015 Act.

### **Scheme of Delegation**

- 3.5** In terms of Midlothian's Scheme of Delegation, the Executive Director, Place has delegated authority for:
- (a) negotiating, agreeing and signing all offers to let property where the length of lease is up to twenty five years and where the rent is no more than £25,000 per annum;
  - (b) negotiating and concluding terms to renew or extend leases where it is beneficial to the Council;
  - (c) authorising the assignation of leases where the Council is Landlord; and
  - (d) in conjunction with relevant Cabinet portfolio-holder and Members within whose interest the land or property is held, for property authorised to be sold, market, negotiate and agree terms of sale up to a value of £750,000.

As can be seen, the Executive Director, Place has a wide remit to authorise the disposal of Council property (whether by lease or sale) which includes for less than the best consideration but in doing so must comply with the 2010 Regulations.

- 3.6** The CAT Committee suggested that the Scheme of Delegation might be amended to clarify that the Executive Director, Place has authority to approve small scale community asset transfers within defined parameters. However, to a large extent this is already provided for in the 2010 Regulations, as referred to in Section 3.13 below, which defines the amounts for low or marginal value disposals.

- 3.7** It is important to note that the assessment framework approved by Council recognises that if a community group is looking to improve or maintain an area of Council land and they meet the following criteria then a “light touch” approach can be adopted whereby no detailed business plan is required and such requests can be dealt with under existing delegated powers:
- (a) the site is less than 1 acre in size;
  - (b) there are no major funding requirements; and
  - (c) there is no requirement for planning consent.
- 3.8** Property Services has advised that, in the absence of any wider estate management issues, the key factor in determining whether the voluntary approach is used would be the complexity of the land and buildings in terms of its future maintenance and upkeep.
- 3.9** If it is considered by Property Services that a particular asset can be easily maintained by a community group then the voluntary asset transfer approach could be used. For example, generally pavilions can be considered to be easily maintained buildings as can single storey standalone offices with 1-3 habitable rooms and which do not have complex air handling or linked fire monitoring systems or carry specific risk which requires specialist skill or knowledge.
- 3.10** Buildings, such as leisure centres, would not considered to be easily maintained due to their complex heat/water, air handling, security and alarm systems. Moreover, water tanks and pools which when both filled with water or empty create the risk of accidents occurring. For complex buildings, community groups would be asked to make a formal asset transfer request under the 2015 Act.
- 3.11** Significantly, the voluntary approach could be used to permit rent waivers or reductions to community groups who lease or wish to lease Council assets, subject to the leases containing an appropriate full maintenance, insuring and repairing obligation on the community group.

### **The Disposal of Land by Local Authorities (Scotland) Regulations 2010**

- 3.12** The Regulations make provision for the disposal by local authorities of land and buildings for a consideration less than the best that can reasonably be obtained and apply to the sale or lease or grant of an interest in land, such as a formal right of access.
- 3.13** Disposals are permitted at less than best consideration where either:
- (a) the best consideration that can reasonably be obtained is less than £10,000 (the threshold amount); or
  - (b) the proposed consideration is less than 25% of the best consideration (the marginal amount) ; or



- (c) the local authority has carried out an appraisal of the proposed disposal and is satisfied that the disposal for that consideration is reasonable and it is likely to contribute in respect of the whole or any part of the area of the local authority or any persons resident or present in its area to the promotion or improvement of;
- (i) economic development or regeneration;
  - (ii) health;
  - (iii) social wellbeing; or
  - (iv) environmental wellbeing.

It is important to note that whilst disposals within the 'threshold' and 'marginal amounts' do not require a detailed appraisal in terms of the 2010 Regulations, it is considered this would still be required to meet Best Value and the general fiduciary obligations to council tax payers.

### **Best Value**

- 3.14** It is well known that Best Value does not always mean the highest price and Councils can sell or lease land at less than market value where it can be shown that public benefits can be obtained.
- 3.15** The Scottish Government has provided guidance on the 2010 Regulations. This emphasises that local authorities are required to fulfil their statutory duties under Best Value as set out in the Local Government in Scotland Act 2003. The 2010 Regulations are consistent with the duty to secure Best Value and relevant aspects include:
- (a) Making the best use of public resources, including land and property;
  - (b) Being open and transparent in transactions;
  - (c) Ensuring sound financial controls are in place to minimise the risk of fraud or error;
  - (d) Assessing the full financial consequences of decisions at an appropriate level before major financial decisions are taken or commitments entered into; and
  - (e) Demonstrating responsiveness to the needs of communities, citizens, customers and other stakeholders, where relevant.
- 3.16** The guidance advises that all local authorities should have arrangements in place, including schemes of delegation where appropriate, to deal with disposals of land at less than best consideration and that local authorities are expected to be open, transparent and fair in all of their transactions and have regard to subsidy control rules (formerly known as 'State Aid' pre-EU exit). Whilst a discounted price or rent can be regarded as a subsidy it is unlikely any rules would be breached given that such a form of subsidy to a community group would not affect international trade.

- 3.17** The guidance includes an example appraisal which can be used to assist in determining whether the Council should agree to a proposal in accordance with the Scheme of Delegation and 2010 Regulations. This is set out in Appendix C and can be aligned with the Council's Assessment Tool for community asset transfers which was approved in October 2018 and is in Appendix D for ease of reference.
- 3.18** As with formal requests for CATs there needs to be transparency in decision making. Transparency will be enhanced by detailed reporting on proposals to the Executive Director Place for consideration in terms of the Scheme of Delegation. This would be on the basis that reports and decisions are likely to be disclosable under freedom of information rules given the public interest.
- 3.19** Alternatively whilst the proposed asset transfer might be legitimately dealt with under the Scheme of Delegation, it could instead be reported to the Community Asset Transfer Committee for approval. This though would require a change to the remit of the Committee to include the determination of voluntary asset transfer requests with the Committee retaining oversight of all community asset transfers.

### **Process**

- 3.20** Members will be aware that the 2010 Regulations and Best Value need to be considered as part of the consideration of formal applications for asset transfer under the 2015 Act. The same considerations apply for voluntary CATs.
- 3.21** Initial expressions of interest by a community group in an asset together with appropriate supporting information would be considered in the first instance by officers on the Community Management Assessment Group. As with formal requests the supporting information should include evidence of community engagement in order to assess the level and nature of support for the asset transfer within the community.
- 3.22** If the Group considered that a voluntary transfer should be pursued then relevant officers would prepare a delegated authority report for the Executive Director, Place to consider under the Scheme of Delegation. The report would be based on the appraisal and assessment tool referred to in section 3.17 above and reference the nature and extent of community support for the proposal together with the legal terms and conditions of the transfer, which are necessary to protect the Council's interest. Essentially, similar considerations would apply as with formal asset transfer requests.
- 3.23** The Executive Director Place would consult with the members in the ward in which the property is located in deciding whether or not to approve a proposed voluntary transfer. Once the proposal is approved relevant officers would be instructed to proceed with the asset transfer to the community group.

- 3.24** In order to aid transparency the reports and decisions in relation to voluntary asset transfers could be posted on the Council's website in the Community Asset Transfer section.
- 3.25** The existing resources and processes that are in place for consideration of applications made under the 2015 Act can be adapted for the voluntary asset transfer approach.
- 3.26** In the event that it was not possible to agree to an asset transfer on a voluntary basis then the community group still retain the right to make a formal application under the Community Empowerment (Scotland) Act 2015.

#### **4 Report Implications (Resource, Digital and Risk)**

##### **4.1 Resource**

It is anticipated that consideration of potential voluntary asset transfers can be done within the existing resources and processes which are in place for formal applications under the 2015 Act.

A key part of the Council's financial strategy is the rationalisation of land and buildings. Adopting a voluntary approach to community asset transfer would support that strategy.

##### **4.2 Digital**

None

##### **4.3 Risk**

None

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

This report falls within the scope of an existing IIA contained within Appendix 4 of the report to Council in October 2018 and supports the equalities outcomes of the Single Midlothian Plan.

##### **4.4 Additional Report Implications (See Appendix A)**

See Appendix A

#### **Appendices**

- Appendix A – Additional Report Implications**
- Appendix B – Background information/Links**
- Appendix C – Example of Criteria**
- Appendix D – Scoring Template**



## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

Council decisions on asset transfers will be made in relation to the extent that the transfer supports the strategic priorities of 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

Using the Scheme of Delegation and the 2010 Regulations to support community asset transfer is consistent with the duty to secure Best Value.

### A.5 Involving Communities and Other Stakeholders

Using the Scheme of Delegation and the 2010 Regulations to facilitate community asset transfer can empower communities to be involved in utilising council assets.

### A.6 Impact on Performance and Outcomes

The existing Scheme of Delegation and 2010 Regulations can be used to support community asset transfers which can have a positive impact on the performance and outcomes of the authority.

### A.7 Adopting a Preventative Approach

The Scheme of Delegation and 2010 Regulations can be used to enable community groups to utilise the council's assets to deliver preventative programmes of activity.

#### **A.8 Supporting Sustainable Development**

A key part in assessing whether the Council can agree to a community asset transfer will be based on the extent to which the transfer contributes to sustainable development.

## APPENDIX B

### Background Papers/Resource Links

[General Guidance by Scottish Government in relation to the Disposal of Land by Local Authorities \(Scotland\) Regulations 2010](#)

[Scheme of Delegation to Officials approved by Council on 27 September 2016.](#)

[Report on Community Asset Transfer Framework made to Council on 2 October 2018.](#)





## APPENDIX C

### **EXAMPLE OF THE CRITERIA FOR CONSIDERATION WHEN MAKING AN ASSESSMENT OF A PROPOSAL TO DISPOSE OF LAND FOR LESS THAN BEST CONSIDERATION THAT CAN REASONABLY BE OBTAINED.**

Under Best Value obligations, local authorities are expected to demonstrate sound governance at a strategic, financial and operational level. The following criteria may be of help to a local authority in drawing up their assessment of a proposed disposal at less than the best consideration that can reasonably be obtained. This is a guide only and the local authority will want to determine what is appropriate and proportionate in each case.

1. A plan and/or written description of the site and buildings, its physical characteristics, location and surroundings.
2. Details of the current use of the land.
3. The best consideration that can reasonably be obtained for the interest as assessed by a qualified valuer (i.e. a chartered Member of, or is authorised to practice by, the Royal Institution of Chartered Surveyors) and the date that this assessment was obtained.
4. Details (where applicable) of the key terms and any restrictions imposed by the authority regarding the disposal, including any clawback provisions.
5. Details about the purchaser: name of the person or organisation, aims and objectives, Board or governance structure, how it is funded and whether charitable status is held etc.
6. An outline of what the purchaser intends to do with the land and whether there has been involvement of local people/service users.
7. A copy of the most recent accounts (if available) or written evidence that the purchaser is financially able to maintain, renovate, etc. the land to be disposed of or leased.
8. Details of the options appraisal and cost benefit analysis carried out by the local authority including any alternative use for the land, (e.g. a copy of the options appraisal report and Committee/Council decision/Minute).
9. Details of the inclusion of the proposed land disposal within the authority's asset management plan.
10. Details of how the disposal at less than best consideration that can reasonably be obtained, will contribute to one or more of the purposes set out in Regulation 4(2) of the Regulations.
11. An indication of the local demand for these services and details of any known opposition or support for the proposal and the measures (if applicable) taken by the authority to deal with the opposition.
12. Confirmation the disposal complies with the European Commission's State aid rules.
13. When using arm's length organisations to deliver services, information on their views and option appraisals taking account of the COSLA/Accounts Commission Code of Guidance on Funding External Bodies and Following the Public Pound.



## APPENDIX D

<b>Name of CTB making the asset transfer request:</b>		
<b>Land to which this asset transfer request relate:</b>		
<b>Validation date:</b>		
<b>Date of assessment:</b>		
<b>Assessed by:</b>		
<b>Projects Objectives</b>	<b>Evidence</b>	<b>Assessment</b> Score 1-5 (1-Weak, 5-Very Strong)
<b>Do the project objectives meet the Single Midlothian Plan objectives?</b> <ul style="list-style-type: none"> <li>• Reduce the economic circumstances gap</li> <li>• Reduce the gap in learning outcomes</li> <li>• Reduce the gap in health outcomes</li> <li>• Reduce carbon emissions in Midlothian to net zero by 2030</li> </ul>		
<b>Value to relevant authority in existing use of asset?</b> <ul style="list-style-type: none"> <li>• Feasibility and cost of relocation of services elsewhere</li> <li>• Potential revenue savings arising from transfer</li> </ul>		(if high value to Council score 0, no or little value 5)
<b>Value for alternative use/redevelopment</b>		(if high value to Council score 0, no or little value 5)
<b>Value for proposed and other community benefits</b>		

<b>Level of community benefits</b> <ul style="list-style-type: none"> <li>• Extent of community served</li> <li>• Nature of benefits to be delivered</li> <li>• Community need/demand for the services</li> </ul>		
<b>Likelihood that benefits will be delivered over a 5 year period</b> <ul style="list-style-type: none"> <li>• Strength of organisation</li> <li>• Sustainability of business plan/project</li> <li>• Sources and level of funding support</li> </ul>		
<b>Impact of project failure</b> <ul style="list-style-type: none"> <li>• To surrounding local environment</li> <li>• To reputation of the parties</li> <li>• To the service users'/relevant authority's objectives</li> </ul>		<b>If the impact of project failure is high, it scores 0.</b>
<b>7 Best Value themes</b>	<b>Evidence</b>	<b>Score 1-5 (1-Weak, 5-Very Strong)</b>
<b>Vision and Leadership – does the organisation have in place a clear vision and plan for what it will do to contribute to the delivery of improved outcomes for Scotland?</b>		
<b>Effective Partnerships – does the organisation have a collaborative approach to the challenges that communities face?</b>		
<b>Governance and Accountability – can the organisation demonstrate structure, policies and leadership behaviours?</b>		
<b>Use of resources – how does the organisation demonstrate effective management of all resources to deliver on outcomes?</b>		
<b>Performance management – does the organisation have robust arrangements in place to monitor and report on outcomes?</b>		
<b>Sustainability – what is the organisation doing to contribute to sustainable development?</b>		

Equality – has the organisation taken consideration of an embedded equality issues into its strategy?		
---	--	--

<b>Recommendations:</b>	•
<b>Conditions:</b>	•

Score	Overview of evidence
<b>5, Very strong</b>	<ul style="list-style-type: none"> <li>• Governance and financial arrangements are strong and sustainable</li> <li>• Best Value characteristics are evidenced throughout the overall approach</li> <li>• Related project benefits are very robust and demonstrate value for money</li> </ul>
<b>4, Strong</b>	<ul style="list-style-type: none"> <li>• Governance and financial arrangements are sound and sustainable</li> <li>• Best Value characteristics are in evidence in the proposal</li> <li>• Related projected benefits are demonstrated well and represent value for money</li> </ul>
<b>3, Moderate</b>	<ul style="list-style-type: none"> <li>• Governance and financial arrangements are in place and acceptable</li> <li>• Best Value characteristics have been considered as part of the proposal</li> <li>• Related projected benefits are acceptable and could lead to value for money</li> </ul>
<b>2, Weak</b>	<ul style="list-style-type: none"> <li>• Governance and financial arrangements are weak</li> <li>• Best Value characteristics are not well demonstrated in the proposal</li> <li>• Related projected benefits are not based on robust information and demonstrate questionable value for money</li> </ul>
<b>1, Poor</b>	<ul style="list-style-type: none"> <li>• Governance and financial arrangements are poor</li> <li>• There is little evidence of Best Value characteristics in the proposal</li> <li>• Related projected benefits are ill defined and/or unrealistic and do not demonstrate value for money</li> </ul>



## **Scottish Government Funding for Children's Outdoor Play – Refurbishment of Play Areas**

**Report by Derek Oliver, Chief Officer Place**

### **1 Recommendations**

Council is recommended to approve:-

- A capital expenditure budget of £0.097 million in the General Services Capital Plan, to be fully phased in 2022/23 and to be fully financed by £0.097 million of Scottish Government Capital Grant funding;
- Subject to Council approval, the proposal to install the outdoor play equipment be progressed.

### **2. Purpose of Report**

The purpose of this report is to advise on the proposed expenditure of £0.097 million across the council play estate to replace equipment that has either been removed or requires replacement along with appropriate safety surfacing and where required an access path to the refurbished play area in accordance with equalities legislation.

**5 September 2022**

**Report Contact: James Kinch** Tel: 0131 561 5256  
[james.kinch@midlothian.gov.uk](mailto:james.kinch@midlothian.gov.uk),

### **3. Proposal**

- 3.1 In February 2022, the Scottish Government advised that capital funding of £5 million has been agreed and will be distributed between each of the 32 Local Authorities in Scotland based on the agreed funding model of: a) 93% on population 0-14 years and b) 7% on rurality.
- 3.2 The Scottish Government allocation to Midlothian Council is £97,000 of capital grant funding. As part of the grant conditions we are required to prioritise play areas where there is a clear need to replace equipment:
- already removed due to risk level or unrepairable with new equipment offering a similar play experience
  - recommended for removal following play inspections with new equipment offering a similar play experience
- 3.3 The new play equipment will not therefore result in an expansion or creation of new play areas but instead the proposed equipment will replace existing equipment in order that play areas do not suffer a loss in amenity.
- 3.4 It is proposed to undertake the works in Financial Year 2022/23.
- 3.5 Scottish Government have allocated further funds for later years which will be subject to future reports. Capital allocation for year 2023/24 £197,000 year 2024/25 £295,000 and year 2025/26 £492,000.

### **4. Report Implications**

#### **4.1 Resource**

##### Capital

- 4.1.1 The capital costs of the proposed supply and/or installation of play equipment are anticipated to incur expenditure of up to £0.097 million, with the works/purchases/installations fully phased in the 2022/23 financial year.
- 4.1.2 The capital expenditure will be fully financed by £0.097 million of Scottish Government Capital Grant.
- 4.1.3 Appendix 1 provides a breakdown of the proposed expenditure for this financial year including the locations and reasons for the replacement equipment proposed.
- 4.1.4 Appendix 1 provides costs for each item based on estimated purchase and installation costs.
- 4.1.5 The proposed equipment to be installed will be amended to accord with the available budget once returned prices are received. If more of the priorities for equipment in Appendix 1 can be installed, then this will be undertaken up to the budget limit of £97,000. Equally, if the prices returned exceed this sum the number of items will be reduced to bring final expenditure within budget.



- 4.1.6 It is proposed that a capital expenditure budget of £97,000 be included in the General Services Capital Plan, to be fully funded through the release of £97,000 of Scottish Government capital grant funding for Play Park Renewal.

#### Revenue

- 4.1.7 As the capital costs are fully grant funded, there are no loan charges implications from the above.
- 4.1.8 The ongoing maintenance of these facilities will be met from existing budgets.

### **4.2 Risk**

- 4.2.1 The funds can only be spent by the Council on children's outdoor play equipment.
- 4.2.2 The risk of overspend will be prevented by setting fixed budgets including contingencies as part of the procurement process.
- 4.2.2 The respective play areas will be procured through a procurement framework with Scotland Excel, the Scottish Governments procurement hub.
- 4.2.4 Upon completion of the project, grounds maintenance going forward will incur little or no extra cost, since equipment is being replaced within existing play areas and the service is already maintaining these areas. Consequently, maintenance of the site will be met from the existing Land and Countryside Service budget.
- 4.2.5 It is expected that the full works including installation will be complete by 31 March 2023 and therefore in compliance with the timescale requirements set out in the Scottish Government Offer of Grant.

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

Themes addressed in this report:

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

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

This project will contribute to one of the long-term outcomes of the Single Plan 2022/23 for the Sustainable Growth theme under, "*Places – that are sustainable, and attractive to live and work*" within Midlothian while providing opportunities for healthy lifestyles.

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

The quality of Midlothian's Open Spaces is a key measure in the annual Citizens Panel survey and the new equipment will add to the quality of the amenity. Delivering improvements to open spaces is embedded in Land and Countryside Services' performance monitoring matrix.

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

Replacing play equipment in existing outdoor equipped play areas will mean communities do not suffer a diminution in amenity and consequent reduction in opportunities for healthy living with potential impact on reducing risk of poor health.

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

Elected members will be advised of the replacement programme and the list of equipment circulated to local community councils once the report is approved. Since the programme of works has focused on replacement or equipment that has either been removed already or will require to be removed there is little scope for meaningful community consultation.

#### **4.8 Ensuring Equalities**

All the proposed play equipment is designed for inclusivity and where there is an opportunity to replace with equipment for use by people with mobility issues, such as roundabouts which cater for wheelchair users, this is included in the programme.

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

The projects support components of the Council's Single Plan under the Sustainable Growth theme as described in Section 4.4.

#### **4.10 Digital Services Issues**

There are no Digital Services issues associated with any aspect of this project.

## Appendix 1

### List of Play Equipment, Safety Surfacing and Access Paths

Location	Proposed equipment	Replacement of existing	New safety surface	New access path	Estimated cost (£ '000)
Mayfield – Dougal Court	Inclusive Roundabout	Roundabout	Wetpour	Yes	11
Mayfield – Dougal Court	See-saw	See-saw	Bark	Yes	7
Dalkeith – Clarinda Gardens	See-saw	See-saw	Bark	Yes	7
Penicuik, Ladywood	Springer	Springer	Wetpour	Yes	2
Gorebridge, Blrkenside Park	Springer (x2 No.)	Springer (x2 No.)	Bark	No	3
Loanhead, Hunter Terrace	Infinity Bowl	Springer	Bark	No	3
Loanhead, Memorial Park	Infinity Bowl	No	Bark	No	3
Easthouses, Main Park	Infinity Bowl	No	Bark	No	3
Newtongrange, Gowkshill Park	Infinity Bowl	No	Bark	No	3
Bonnyrigg, Staiside Park	Infinity Bowl	Springer	Wetpour	No	4
Danderhall, D'hall Park	Inclusive roundabout	Roundabout	Wetpour	Yes	11.5
Gorebridge, Burnside Play	Springer	Springer	Wetpour	Yes	2
Bilston, by Primary School	Infinity bowl	See-saw	Artificial Grass	Yes	5
Penicuik, Cornbank	Inclusive roundabout	Roundabout	Wetpour	No	11
Mayfield, Oak Crescent	Springer	Springer	Bark	No	1.5
Penicuik – Queensway LC	See-saw	See-saw	Bark	Yes	7
Dalkeith, Shade Park	Springer (x2 No.)	Springer (x2 No.)	Bark	No	3
Bonnyrigg, Waverly Park	Cone Climber	Roundabout	Bark	No	10
<b>Total £97K</b>					
<b>Reserve Equipment Should Budget Allow or Consideration for 2023/24</b>					
Bonnyrigg, King George V Park	Flying Fox	Flying Fox	Bark	No	15
Vogrie CP, Adventure Play Area	Wooden platform	Wooden Platform	Bark	No	15
Edgehead, Edgehead Park	See-saw	See-saw	Rubber tiles	No	7



## **Audit Committee – Independent Chair & Independent Non-Voting Member**

### **Report by Kevin Anderson Executive Director - Place**

#### **Report for Decision**

## **1 Recommendations**

Council is to note that no applications or notes of interest were received for the recently advertised roles of the Independent Chair and Independent Non-Voting Member of the Audit Committee and is recommended to consider the alternative options available to;

- i) re-advertise the roles across an additional range of recruitment sources; or
- ii) continue with an elected member chair; or to
- iii) address the matter in the Standing Orders review to potentially combine the committee remit into another relevant wider scope committee ie. a prospective Audit, Risk & Performance Review Committee.

## **2 Purpose of Report/Executive Summary**

The council invited applications to the posts of Independent Chair and Independent Non-Voting Member of the Audit Committee. The roles are voluntary but expenses are paid. The appointments are at the council's discretion and are expected to run until the council elections in May 2027.

**Date:** 16 September 2022

**Report Contact:**

Kevin Anderson, Executive Director - Place  
[kevin.anderson@midlothian.gov.uk](mailto:kevin.anderson@midlothian.gov.uk)

### **3 Background**

- 3.1** The Audit Committee is a key component of Midlothian Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin governance and financial standards. It comprises 5 Councillors and an Independent Chair. There is also an independent non-voting person who, at the invitation of the Chair, can comment on all aspects of the Committee's business in order to assist its deliberations.
- 3.2** The committee provides independent assurance to elected members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and considers the council's statutory accounts and annual governance processes. It receives reports from both internal and external audit, helping to ensure efficient and effective assurance arrangements are in place. The role of the Audit Committee is to perform the following functions:

### **4. Governance, risk and control**

- To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances relating to the council's service delivery to ensure that the highest standards of probity, public accountability and ethical standards are demonstrated.
- To review the draft Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the council's framework of assurance, relating to the council's service delivery and ensure that it adequately addresses the risk and priorities of the council.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the council from fraud corruption.
- To monitor the counter-fraud strategy, actions and resources.
- To monitor the Treasury Management arrangements, through the scrutiny of the treasury management strategy, mid-term and annual performance reports prior to their presentation to Council for approval, and the council's approach to establishing ethical standards.

## 5 Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resources requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the Chief Internal Auditor to determine if there are any inappropriate scope or resource limitation.
- To consider reports from the Chief Internal Auditor on Internal Audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
  - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- To consider the Chief Internal Auditor's annual report:
  - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
  - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Chief Internal Auditor has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement.
- To support the development of effective communication with the Chief Internal Auditor.

## 6 External audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

## **7 Financial reporting**

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **8 Accountability arrangements**

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

## **9 Report Implications**

### **9.1 Resource**

There are no resource implications arising from this report.

### **9.2 Risk**

Good governance requires that organisation structures are kept under review to ensure that they are fit for purpose and are congruent with both the priorities set out in the Community Plan and the actions contained within the Council's Strategies.

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

Themes addressed in this report:

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



- Business transformation and Best Value  
 None of the above

**9.4 Impact on Performance and Outcomes**

There are no implications arising from this report.

**9.5 Ensuring Equalities**

There are no implications arising from this report.

**Appendices**

**Appendix A – Additional Report Implications**

**Appendix B – Background information/Links**



## **Pupil Admissions – Review of Policy and Process**

**Report by Fiona Robertson, Executive Director Children, Young People and Partnerships**

### **1. Report for approval**

This report seeks Council approval to the revisions made to the *Admission to Primary and Secondary Schools policy*.

### **2. Purpose of Report/Executive Summary**

Following the conclusion of the 2022/23 P1 and S1 intake, the Children, Young People and Partnerships Business Support Team have been working to review, update and improve the admissions process. This report provides the updated revisions to the admissions policy. The main areas for approval are:

- The inclusion of the explanation around reserved places.
- The process for late placing requests, including those with exceptional circumstances.
- An explanation of what constitutes exceptional circumstances and how this is incorporated into the waiting list criteria.

### **3. Update**

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

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

The Midlothian Council admissions policy outlines how we comply with the points outlined above and the procedures that parents/carers must follow when making a placing request to a non-catchment school. It was clear from this year's intake and the subsequent appeals that there was a need to update and provide more clarity in certain areas.

The grounds refusing a placing request are set out in the Education (Scotland) Act 1980, section 28A (3) (a) to (e) and section 28(3A) of the Act. The duty to give effect to a placing request does not apply if placing a child would:

- make it necessary for the authority to take an additional teacher into employment (section 28A(3)(a)(i));
- give rise to significant expenditure on extending or otherwise altering the accommodation at or facilities provided in connection with the school (s.28A(3)(a)(ii));

- though neither of the tests set out in sub-paragraphs (i) and (ii) above is satisfied, have the consequence that the capacity of the school would be exceeded in terms of pupil numbers(s.28A(3)(a)(vii));
- be seriously detrimental to the continuity of the child’s education (s.28A(3)(a)(iii));
- be likely to be seriously detrimental to order and discipline in the school (s.28A(3)(a)(iv));
- be likely to be seriously detrimental to the educational well-being of pupils attending the school (s.28A(3)(a)(v)).
- assuming that pupil numbers remain constant, make it necessary, at the commencement of a future stage of the child’s primary education, for the authority to elect either to create an additional class (or an additional composite class) in the specified school or to take an additional teacher into employment at that school (s.28A(3)(a)(vi)); or
- if the education normally provided at the specified school is not suited to the age, ability or aptitude of the child (s.28A(3)(b)).
- the acceptance of a placing request in respect of a child who is resident outwith the catchment area of the specified school would prevent the education authority from retaining reserved places at the specified school or in relation to any particular stage of education at the school; (s.28A(3A)).

The updated policy recognises the need to outline the above more clearly and encourage parents/carers to provide as much detail as possible at the time of the placing request to better inform decisions. The policy is attached at [Appendix B](#) and the table below provides a summary of changes for your note or approval.

Pg.	Update	Note/approve?
6	<p>ADD: an explanation of how Education determines reserved places – this was highlighted as a gap in the appeals information. While there is a need to apply a consistent approach, we also need to be able to consider other factors, such as house building. Proposed:</p> <p><b>1.9 Reserved places</b></p> <p>The Education (Scotland) Act 1996, as amended by the Standards in Scotland’s Schools etc. Act 2000, gives Education Authorities the power to reserve places at schools for children who move into the catchment areas after enrolment has completed.</p> <p>With the level of house building and migration into the authority, Midlothian Council continues to experience pressure on schools rolls. After the allocation of places, in accordance with Section 2.8 and 3.6, places will be reserved for children moving into catchment.</p> <p>In the Primary 1 year group, one place per class (and one place per teacher, where team teaching is in place) is reserved for incoming catchment children for the entire school year.</p> <p>In the Secondary 1 year group, one place per 40 pupils is reserved for incoming catchment children for the entire school year.</p> <p>Where there are other considerations, such as house building in certain catchment areas, the number of reserved places may be increased beyond the above ratios.</p> <p>For Roman Catholic schools, reserved places will only be granted to catchment baptised Roman Catholic children.</p>	<p>APPROVE:</p> <ol style="list-style-type: none"> <li>1. Reserved places explanation</li> <li>2. Reserving places at RC schools for RC children</li> </ol>

	If out of catchment places are granted by an Appeal Committee or a Sheriff, this may result in fewer reserved places being available.	
9	<p>ADD: Update around the change to legislation regarding automatic deferrals and funded ELC places.</p> <p>Children in Scotland usually start school between the ages of 4 years 6 months and 5 years 6 months old. All children who are 4 years old at the start of the school year can defer and start primary one the following year.</p> <p>Applications for children with a January or February birthday are automatically approved. From August 2023, Applications for children with a birthday between August and December will also be approved alongside the automatic deferrals.</p> <p>All families will be able to access a further year of funded quality Early Learning and Childcare (ELC) if they want their child to defer entry to primary school. This ensures children who defer have an equal right to funded ELC if their parent or carer feels it is in their best interests.</p>	NOTE
12	<p>ADD: clarification around priority of the waiting list. While the waiting list order is provided on page 14, there is a need to explain that there may be more than one child in each of the list categories. This is also explained further in a later section.</p> <p>Where there are more pupils in one category, the priority will be based on distance.</p>	NOTE
13	<p>ADD: clarification around the process when placing requests are received after 15 March (late requests). We appreciate that some people may struggle to complete the form, so the business support team are offering assistance with this.</p> <p>However, exceptional circumstances can only be considered when a placing request is received by 15 March, it will not be considered with a late placing request. In most cases, where we receive a late placing request, your child will be placed on a waiting list below the requests received on time. It is, therefore, important that placing requests are submitted by 15 March providing all relevant information and supporting documents. Assistance in completing a placing request is available through the <a href="#">pupil placement team</a>.</p>	APPROVE
14	<p>REPLACE: We propose simplifying the wording around completing the placing request form. The original wording includes areas that are not exceptional and is giving parents/carers unfair expectations about their placing request.</p> <p>REMOVE: When there are more placing requests than places available the Pupil Placement Panel will consider all requests along with supporting information and documentation. The Pupil Placement Panel have the authority to prioritise individual applications, therefore it is important that parents/carers provide all relevant information in support of their request. This may include, in no particular order, medical evidence and reports from other services or agencies involved with the child, additional support needs, bullying, racial harassment, child or parental medical conditions.</p> <p>REPLACE:</p>	<p>APPROVE:</p> <ol style="list-style-type: none"> <li>1. Updated wording</li> <li>2. Use of exceptional</li> </ol>

	<p>Non-catchment placing requests will be granted if there are places available after all catchment children are accommodated and reserved places retained within the agreed intake limit.</p> <p>Additional classes will not be created for non-catchment children.</p>	
15	<p>ADD &amp; REPLACE: this section provides additional information on exceptional circumstances (particularly around bullying and ASN) - this better aligns the policy to the appeals wording. We have also provided additional information of the priority of the waiting list.</p> <p><b>ADD:</b> Children have additional support needs if they require something which is extra or different to what is normally provided for other children of the same age. Staff in all schools in Midlothian are skilled in meeting the needs of pupils and all can fully support pupils with, a range of additional support needs or those who are experiencing bullying. All schools have transition processes in place to support children starting Primary 1 or Secondary 1, including an enhanced transition programmes for children who need a bit more support. When deciding whether to give a child priority on the grounds of exceptional circumstances, the pupil placement team will consider whether the requested school can better meet their needs than their catchment school.</p> <p><b>REMOVE:</b> If there is more than one placing request in any of the above groups then the shortest, recommended walking route from home to school is normally used to decide priority within each group.</p> <p><b>REPLACE:</b> If there is more than one placing request in any of the categories listed above, the shortest, recommended walking distance from each child's home to the nearest school gate is measured. Those living closer to the school are placed above those living further away.</p>	APPROVE

#### **4. Report Implications (Resource, Digital and Risk)**

##### **4.1 Resource**

There are no resource implications anticipated from the revisions to the admissions policy.

##### **4.2 Digital**

There are no digital implications directly arising from this report. However, work continues to improve the online registrations and placing request forms to further streamline the admissions process and create a better experience for parents/carers.

##### **4.3 Risk**

The current lack of clarity around exceptional circumstances and reserved places is leading to significant numbers of appeals. With tight deadlines, dictated by legislation, this had led to appeals being undertaken during recess/school holidays. This is making the process extremely stressful for the children and their families.

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

There are no groups adversely effected by the proposals presented in this report.

##### **4.4 Additional Report Implications (See Appendix A)**

**See Appendix A**

## Appendices

### Appendix A – Additional Report Implications

#### APPENDIX A – Report Implications

##### A.1 Key Priorities within the Single Midlothian Plan

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

##### 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**

Every decision involved in preparing this policy is considered from a Best Value perspective.

#### **A.5 Involving Communities and Other Stakeholders**

The development of this policy is driven by the needs of our schools and the expanding populations in some of our communities and we need to ensure there are enough places available for our catchment children.

#### **A.6 Impact on Performance and Outcomes**

The revisions to the policy and the wider improvements to the admissions process will have a positive impact on performance.

#### **A.7 Adopting a Preventative Approach**

This policy provides clarity to the users of the policy, which is preventative in terms of time spent on queries and placing requests.

#### **A.8 Supporting Sustainable Development**

Not applicable.



**CHILDREN, YOUNG PEOPLE AND PARTNERSHIPS**

## **EDUCATION POLICY**

### **Admission to Primary and Secondary Schools**

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**This Policy is authorised by:**  
**This Policy supersedes:**  
**This Policy was circulated to:**  
**Date of circulation:**  
**For further Information:**  
**Review Date:**

Council  
Version 13  
Public

[Pupil.Placement@midlothian.gov.uk](mailto:Pupil.Placement@midlothian.gov.uk)  
2023

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## **1.0 PLACING IN SCHOOLS**

### **1.1 Legal background**

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

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

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

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

### **1.2 Denominational Education**

In Midlothian all denominational schools are Roman Catholic.

A child does not need to be Catholic to enrol in one of our Roman Catholic primary schools or secondary school, but a place is not guaranteed for those not baptised Roman Catholic. Where a Roman Catholic school is oversubscribed priority is given to catchment Roman Catholic children who are baptised, and where parents have provided the baptismal certificate. ADD: We do not create additional classes for other children if all baptised Roman Catholic children can be placed.

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

Gaelic medium education for Midlothian resident pupils is currently provided by the City of Edinburgh Council. Midlothian Council will provide home to school transport for pupils enrolled in Gaelic medium education. Currently parents wishing to have their child/ren educated in the Gaelic medium should make a placing request for the Gaelic medium primary school, Bun-sgoil Taobh na Pàirce or the Gaelic Medium Unit at James Gillespie High School in Edinburgh. To apply for a place in either school parents should complete a placing request form available on the City of Edinburgh Council website. Further information can be found at:

<https://www.edinburgh.gov.uk/school-places/gaelic-schools-1/1>

Parents can request that the Council carries out an assessment for the need for Gaelic medium primary education to be provided within the Council area. Further information and an assessment request form are available from the following website: [www.gov.scot/Publications/2017/02/1442/downloads](http://www.gov.scot/Publications/2017/02/1442/downloads)

#### **1.4 Children with Additional Support Needs**

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

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

#### **1.5 Home to School Transport**

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

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

#### **1.6 Composite Classes**

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

Please refer to Professional Practice Paper 7 for further guidance.

#### **1.7 Team Teaching**

Team teaching is where two teachers teach a class that has more than the maximum number of pupils per teacher for that particular stage.

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

#### **1.8 Children living under shared care**

Where parents are separated the address of the parent with whom the child resides for the majority of their time per week and is in receipt of child benefit for the child, is used to determine the catchment area. If the shared care arrangement is a 50/50 split between the parents, the parents will be asked to provide proof such as a legal

agreement. If the Council is satisfied that the care is equally shared, the parents will be given the opportunity to choose which of the catchment schools at which to register.

#### **ADD:**

### **1.9 Reserved places**

The Education (Scotland) Act 1996, as amended by the Standards in Scotland's Schools etc. Act 2000, gives Education Authorities the power to reserve places at schools for children who move into the catchment areas after enrolment has completed.

With the level of house building and migration into the authority, Midlothian Council continues to experience pressure on schools rolls. After the allocation of places, in accordance with Section 2.8 and 3.6, places will be reserved for children moving into catchment.

In the Primary 1 year group, one place per class (and one place per teacher, where team teaching is in place) is reserved for incoming catchment children for the entire school year.

In the Secondary 1 year group, one place per 40 pupils is reserved for incoming catchment children for the entire school year.

Where there are other considerations, such as house building in certain catchment areas, the number of reserved places may be increased beyond the above ratios.

For Roman Catholic schools, reserved places will only be granted to catchment baptised Roman Catholic children.

If out of catchment places are granted by an Appeal Committee or a Sheriff, this may result in fewer reserved places being available.

## **2.0 ARRANGEMENTS FOR PRIMARY SCHOOLS**

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

Registration procedures commence at the beginning of November each year.

If an applicant's catchment primary school is subject to a consultation review they should continue to register their child at that catchment school. As part of the consultation process Pupil Placement will keep applicants informed of the implications for their child and the options available. Further information on school consultations can be found at [midlothian.gov.uk/consultations](http://midlothian.gov.uk/consultations).

### **2.2 Press advertisements**

In October each year Pupil Placement will place an advertisement in the local press, advising parents/carers of any child eligible to begin primary education that they should, by a specified date, register their child at their catchment school. Registering

a child does not automatically ensure that a place will be made available; this will be determined when all information is collated and examined.

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

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

At the same time, Pupil Placement will contact by letter the parents/carers of all children eligible to begin primary education and who receive funded early learning and childcare in Midlothian. Head Teachers should ensure that copies of the school handbook are available for any parent requesting one.

### **2.4 Eligibility**

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

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

### **2.5 Choosing a school**

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

See the later section for information on placing requests.

### **2.6 Access to information**

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

### **2.7 Registration of catchment children**

Primary Head Teachers may wish to publicise registration arrangements through their own local channels if they feel this is appropriate so that as many parents/carers as



possible are encouraged to register their children at this time. During the registration period Head Teachers should only register those children who are normally resident in the catchment area.

Head Teachers should ensure that catchment children are correctly identified; a Council Tax bill, Child Benefit letter, recent utility bill or driving licence is normally adequate proof. If the pupil does not attend a Midlothian Council early learning and childcare setting or receive funded ELC from a partnership provider, their birth certificate or passport should be seen as well. It is the address of the parent or carer which is relevant; the address of other family members or a child minder with whom the child may occasionally reside is not relevant.

Registration and placing request forms and the facility to upload evidence:  
[midlothian.gov.uk/schoolplace](http://midlothian.gov.uk/schoolplace).

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

See the earlier section for children living under shared care.

## **2.8 Enrolment of catchment children**

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

- children who have been prioritised based on exceptional circumstances;
- children who are baptised Roman Catholic (Roman Catholic schools);
- children who will have siblings attending the school at the same time;
- then all remaining catchment children.

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

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

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

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

## 2.9 Change of address

Children who move, or are moving before the start of the school year, will have a place reserved in their non-denominational or denominational catchment school based on their address at the start of the school year. This is subject to places being available and where proof of change of address has been received by **15 March**. For families who are renting, acceptable proof of change of address is a signed tenancy agreement. For families who are purchasing, a letter from a solicitor confirming missives have been concluded is not sufficient to enrol a child. The Council will ask for further proof by way of a council tax statement, utility bill e.g. gas, electric, landline telephone bill, HMRC child benefit letter or driving licence to accompany the concluded missives letter following the move. Discretion can be used if the parent/carer is due to move a week prior to the new term commencing.

## 2.10 Phased entry arrangements

Head Teachers may wish to phase the primary 1 intake over a period. If this is done, all children eligible for admission should be admitted by the second week of the new school session. However, a parent may require the authority to accept a child from the commencement date.

Head Teachers may also choose to limit primary 1 pupils to part day attendance in the early stages but such arrangements should not extend beyond the second week of the new school session. Any request from a parent for a child to be in full time attendance should normally be granted. Certain children may require special consideration to be in full time attendance, for example due to medical or family circumstances. In such cases, Head Teachers should consult their appropriate Schools Group Manager regarding arrangements for these children.

## 2.11 Deferred entry to primary school

### REMOVE:

In Scotland, children usually start primary school in the year during which they have their 5th birthday. This means that in P1 classes, children are usually aged between 4½ and 5½ years. Where a child does not start school at the expected August start date for their year group, it is called deferred entry to primary school.

If a child's 5th birthday falls between mid-August (the day after the school commencement date) and December 31, the parent/carer has a legal right to defer their entry into P1 until the following August when they are nearer 6 years old. However, this does not mean that the child is automatically entitled to a funded early learning and childcare place and parents/carers must apply to the Council for funding. If Midlothian Council agrees that deferring entry into P1 is in the child's best interests and an additional year of early learning and childcare will be of significant educational benefit, it can choose to provide a funded early learning and childcare place. Alternatively, the additional year of early learning and childcare can be funded by the parent.

If a child has their 5<sup>th</sup> birthday between 1 January and 28/29 February they are also entitled to defer entry to school, should their parents wish it. These children are entitled

to receive a funded early learning and childcare place. Councils receive funding from the Scottish Government for places for these children.

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

#### **REPLACE:**

Children in Scotland usually start school between the ages of 4 years 6 months and 5 years 6 months old. All children who are 4 years old at the start of the school year can defer and start primary one the following year.

Applications for children with a January or February birthday are automatically approved. From August 2023, Applications for children with a birthday between August and December will also be approved alongside the automatic deferrals.

All families will be able to access a further year of funded quality Early Learning and Childcare (ELC) if they want their child to defer entry to primary school. This ensures children who defer have an equal right to funded ELC if their parent or carer feels it is in their best interests.

## **2.12 Early admission**

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

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

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

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

## **3.0 ARRANGEMENTS FOR SECONDARY SCHOOLS**

### **3.1 Eligibility**

Pupils will normally transfer to secondary school at the end of a seven year course of primary education. If, in the opinion of the Head Teacher or other professional advice,

there are exceptional circumstances which would make it inadvisable to transfer a child, the appropriate Schools Group Manager should be consulted before a final decision is made.

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

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

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

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

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

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

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

### **3.4 Induction programmes**

Primary schools and their associated and neighbouring secondary schools have established procedures to ensure a smooth transition for all children. This includes transfer of information about each child's progress.

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

### 3.5 Registration procedures

All parents/carers of P7 pupils resident in Midlothian, who attend a primary school in Midlothian, will receive written confirmation from Pupil Placement in November that their child has been registered for a place at their catchment secondary school, based on their home address. Places at secondary schools may be limited, so registration does not guarantee a place. Parents/carers will also be advised of their right to make a placing request.

See later section for information on placing requests.

Midlothian pupils are enrolled in their catchment secondary schools through the transfer of their details from their associated primary schools. Secondary schools need to enrol those pupils whose placing requests have been granted and who do not attend a Midlothian primary school.

### 3.6 Allocation of Catchment Secondary School Places

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

- children who have been prioritised based on exceptional circumstances;
- children who are baptised Roman Catholic (Roman Catholic schools only);
- children who will have siblings attending the school at the same time;
- children who attend an associated primary school;
- all remaining catchment children.

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

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

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

### 3.7 Intake numbers

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

catchment requests which have been received and catchment requests out to other schools.

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

### **3.8 Issue of school handbooks**

Head Teachers must ensure school handbooks are updated by November. Delays in updating the handbook should be avoided as parents/carers are legally entitled to this information. The handbook should be made available on the school website.

### **3.9 Press advertisement**

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

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

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

If the child is starting P1 or S1 in August and the parent/carer wants them to attend a non-catchment school, they may make a request by completing a Placing Request. The placing request form is available online at [midlothian.gov.uk/placing](http://midlothian.gov.uk/placing), alternatively a paper version of the form is available on Midlothian Council's website or can be obtained from Pupil Placement at [pupil.placement@midlothian.gov.uk](mailto:pupil.placement@midlothian.gov.uk).

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

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

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

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

The Midlothian closing date for placing requests to start P1 or S1 in August is in the preceding December. The Council will advise parents and carers of the closing date

in the letters sent out. The Council will still consider a request if it arrives after this date but before 15 March, the national cut-off date.

The parent/carer should receive acknowledgement of their application within fourteen days of receipt by Pupil Placement. The Council will notify parents/carers of the outcome of all placing request received before 15 March by the end of April.

Placing requests received after 15 March will be decided within two months of receipt and parents/carers notified. **ADD: However, exceptional circumstances can only be considered when a placing request is received by 15 March, it will not be considered with a late placing request. In most cases, where we receive a late placing request, your child will be placed on a waiting list below the requests received on time. It is, therefore, important that placing requests are submitted by 15 March providing all relevant information and supporting documents. Assistance in completing a placing request is available through the [pupil placement team](#).**

The Placing Request forms for P2 to P7 and S2 to S6 are available to download on Midlothian Council's website or from the schools. These placing requests will be acknowledged within fourteen days of receipt and a decision made within two months.

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

### **3.12 Restriction or limitation of places**

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

#### Placing Requests

##### **REMOVE:**

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

##### **REPLACE:**

Non-catchment placing requests will be granted if there are places available after all catchment children are accommodated and reserved places retained within the agreed intake limit.

**Additional classes will not be created for non-catchment children.**

### Priority for places

Priority will be given to applicants in the following order (catchment and non-catchment):

- children who have been prioritised based on exceptional circumstances;
- children who are resident in the school's catchment area and are baptised Roman Catholic (Roman Catholic schools only);
- children who are resident in Midlothian and are baptised Roman Catholic (Roman Catholic schools only);
- children who are resident in the school's catchment area who will have siblings attending the school at the same time. A sibling attending the nursery class will not be taken into account;
- children who are resident in the school's catchment area;
- children who are resident in Midlothian who will have siblings attending the school at the same time. A sibling attending the nursery class will not be taken into account;
- children who are resident in Midlothian;
- children who are resident outside Midlothian and are baptised Roman Catholic (Roman Catholic schools only);
- children who are resident outside Midlothian who will have siblings attending the school at the same time. A sibling attending the nursery class will not be taken into account;
- all other applicants.

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

Attendance at an associated primary school (for requests in S1) may be taken into account however it does **not** guarantee that a request will receive priority or agreement.

#### **ADD:**

Children have additional support needs if they require something which is extra or different to what is normally provided for other children of the same age. Staff in all schools in Midlothian are skilled in meeting the needs of pupils and all can fully support pupils with a range of additional support needs or those who are experiencing bullying. All schools have transition processes in place to support children starting Primary 1 or Secondary 1, including an enhanced transition programmes for children who need a bit more support. When deciding whether to give a child priority on the grounds of exceptional circumstances, the pupil placement team will consider whether the requested school can better meet their needs than their catchment school.

#### **REMOVE:**

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



## REPLACE:

If there is more than one placing request in any of the categories listed above, the shortest, recommended walking distance from each child's home to the nearest school gate is measured. Those living closer to the school are placed above those living further away.

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

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

**Please note that, if a placing request is successful, the child's place at their catchment school may be allocated to another child. If a parent/carer then changes their mind and wishes their child to attend their preferred catchment school, a place may not be available.**

### 3.14 Refusing a placing request

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

The main reasons are:

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

### 3.15 What happens if the Council refuses a request?

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

In Midlothian appeals are heard by the Education Appeals Committee. The Education Appeals Committee is independent of the Children, Young People and Partnerships

Directorate. This is a formal legal process and further information will be sent on receipt of the appeal.

### **3.16 Primary school placing request**

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

### **3.17 Secondary school placing request**

If a place at the requested secondary school is not available, a place will be reserved at the catchment secondary school. However if no place is available at the catchment secondary school, then a place will be allocated at the nearest school with places available. A waiting list will be formed for the requested school and/or catchment school and, should a place become available, the parent/carer will be contacted.

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

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

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

## **Contact Details**

Pupil Placement  
Midlothian Council  
Children, Young People and Partnerships  
Fairfield House  
8 Lothian Road  
Dalkeith  
EH22 3ZG

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

Additional Support for Learning Officer  
Midlothian Council  
Children, Young People and Partnerships

Fairfield House  
8 Lothian Road  
Dalkeith  
EH22 3ZG

Email: [education.services@midlothian.gov.uk](mailto:education.services@midlothian.gov.uk)

## Useful Websites

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

Parent Zone Scotland: [education.gov.scot/parentzone/](http://education.gov.scot/parentzone/)

Education Scotland: [www.education.gov.scot](http://www.education.gov.scot)



**Appointment of Member to Champion the White Ribbon Campaign****Report by Kevin Anderson, Executive Director, Place****Report for Decision****1 Recommendation**

The Council is invited to endorse a 'champion' as part of previously agreeing to support the White Ribbon Campaign initiative and it is recommended that role is assigned to Councillor Connor McManus to align with his portfolio as Equalities champion.

**2 Purpose of Report/Executive Summary**

Midlothian Council has previously committed to the White Ribbon Campaign towards Men working to end Violence Against Women. White Ribbon Day is on 25th November, 2022 which correlates with the start of the 16 Days of Action. A programme being developed locally alongside the Violence Against Women and Girls Officer in the Midlothian & East Lothian Public Protection Team.

**Date:** 23 September 2022**Report Contact:** Kevin Anderson, Executive Director Place**Email:** [Kevin.Anderson@midlothian.gov.uk](mailto:Kevin.Anderson@midlothian.gov.uk)

### **3 Background**

Police attended around 1000 reported incidents of domestic abuse in Midlothian last year. The vast majority of reported incidents are perpetrated by men against women.

As part of a local response to mark 16 Days of Action Against Gender-Based Violence, which begins on 25 November, the East Lothian and Midlothian Public Protection Committee is supporting the White Ribbon Scotland campaign. This involves men in tackling violence against women.

Most men in Scotland are not violent towards women, but many ignore the problem, or see it as something that has nothing to do with them.

Midlothian Council is inviting everyone locally to take a simple first step to make a pledge:

“I pledge never to commit, condone or remain silent about men’s violence against women.”

The pledge can be taken at [whiteribbonScotland.org.uk/makepledge](http://whiteribbonScotland.org.uk/makepledge)

[\*\*Men tackling violence against women in Scotland - White Ribbon Scotland\*\*](#)

#### **4. Report Implications (Resource, Digital and Risk)**

##### **4.1 Resource**

There are no resource implications related to this report.

##### **4.2 Digital**

There are no digital implications related to this report.

##### **4.3 Risk**

There are no resource implications related to this report.

##### **4.4 Ensuring Equalities**

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

##### **4.5 Additional Report Implications**

See Appendix A



## Appendix A - Additional Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

Not applicable

### A.2 Key Drivers for Change

Key drivers addressed in this report:

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

### A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

### A.4 Delivering Best Value

There are no direct implications related to this report.

### A.5 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities.

### A.6 Impact on Performance and Outcomes

Not applicable

### A.7 Adopting a Preventative Approach

Not applicable

### A.8 Supporting a Sustainable Development

Not applicable