

Medium Term Financial Strategy – 2024/25 to 2028/29**Report by David Gladwin, Chief Financial Officer & Section 95 Officer****Report for Decision****1 Recommendations**

- a) Note that the financial outlook remains challenging for this term of Council and recall the recommendation in the External Auditors report in 2022 that *“as a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council’s transformation plans”*.
- b) Note the position relating to Scottish Government funding for Councils in 2024/25 and the associated grant settlement for Midlothian Council.
- c) Note that the projected budget gap over the life of the Medium Term Financial Strategy (MTFS) through to 2028/29, assuming Council support all recommendations as shown in table 6, is £20.882 million.
- d) Approve a freeze in Council Tax rates for 2024/25 thus accepting the Scottish Government Grant offer of £2.870 million to support a freeze. Council Tax bandings are shown at Appendix B.
- e) Approve the 2024/25 budget as shown in table 6 and in Appendix D noting that it contains neither utilisation nor enhancement of reserves other than £4.093 million of one-off funding relating to retrospective service concessions.
- f) Approve an allocation to Midlothian Integration Joint Board (MIJB) for 2024/25 of £60.866 million in respect of delegated services (subject to final confirmation of the distribution of Scottish Government Funding).
- g) Note that a further MTFS report with updated financial projections and a specific focus on progress with Transformation Blueprint work will be presented to Council no later than 25th June 2024.
- h) Note that ongoing work on Capital Plan Prioritisation, including the updating of asset management plans, will be finalised and presented to Council no later than 25th June 2024.
- i) Otherwise, note the remainder of the report.

2 Purpose of Report / Executive Summary

- 2.1 The main purpose of this report is to provide Council with the budget position for 2024/25 to allow discharge of their statutory duties to set a balanced budget for 2024/25. The report also provides budget projections for financial years 2025/26 through to 2028/29.
- 2.2 Commentary is provided to Members on the latest position on Scottish Government funding for Midlothian Council in 2024/25 and government timescales to finalise this.
- 2.3 Recent developments relating to Employers Pension contributions for all groups of workers is discussed and the implications of these are reflected in the 2024/25 base budget position and the remainder of the MTFS.
- 2.4 Council approved savings proposals and future planning assumptions around the use of service concession retrospection partially bridge the projected budget gap over the term of the MTFS. However, the use of one-off measures to balance budgets does not contribute to the underlying financial challenge of matching recurring expenditure and income to reach a financially sustainable position for Midlothian Council.
- 2.5 The budget position for 2024/25 is balanced after reflecting recommendations made in this report and in items 8.5, 8.6 and 8.7 on today's agenda. A budget gap of £20.888 million is projected through to 2028/29.

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3 Background / Main Body of Report

- 3.1 The aim of the MTFS is to provide a multiyear financial strategy aligned to the Council's Strategic Plans. It seeks to support the Council in fulfilling its statutory duty to set a balanced budget and determine Council Tax levels annually with a key aspect being ongoing financial sustainability for the Council where recurring costs are matched by recurring income.
- 3.2 Council and officers are reminded of a recommendation of the external Auditor that *"as a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans"*. The auditor also observed that *"The Council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding of the ongoing impact of Covid and other financial pressures"*.
- 3.3 The approval of the MTFS in June 2019 was an important step-change and one that provided greater certainty for local communities and for employees. It allowed the Council to shift from having to consider savings every year at February Council meetings to planning for the medium term and in turn securing continued financial sustainability.
- 3.4 As a result, the approval of the MTFS and, on the recommendation of the BTSG, the subsequent approval of the 2020/21 & 2021/22 budgets ensured that the Council secured strategic budgets which invested in Midlothian to help it fulfil its potential to be a great place to grow.
- 3.5 The MTFS also provided a strong foundation on which the Council has been able to build its response to the financial impact of the COVID pandemic. It was against this backdrop that a corporate solution for 2022/23 was developed to support the delivery of the last budget determined by the previous Council.
- 3.6 The pandemic has accelerated financial challenges, exacerbated by very challenging inflationary pressures. There are some difficult choices ahead as Midlothian Council try to deliver services within available budget alongside sustained demographic growth from being the fastest growing local authority in Scotland. As a result, there is a significant funding gap that will impact on what services the Council can continue to deliver and how they are delivered. Reprioritisation and redesign is crucial to balancing the financial position. The approved budget for 2023/24 included some areas of efficiency and service reduction whilst recognising the importance of driving transformation outlined in the Transformation Blueprint as quickly as possible.
- 3.7 Council last considered the MTFS on 19th December 2023 where budget projections were discussed with particular focus on recent fiscal events and the emerging position on employers' pension contributions.

Statutory Responsibilities of Councillors

- 3.8 Full Council has a statutory duty, as set out in Section 93 of the Local Government Finance Act 1992 (as amended), to set Council Tax and a balanced budget for the following financial year by 11th March.
- 3.9 Members should note that legislation contains no specific requirement for a Council to set its budget at the same time as setting its Council Tax. This is because it is implicit in setting the Council Tax that the income it raises needs to be sufficient to fund the balance of expenditure not otherwise funded from government grant, fees, reserves etc.
- 3.10 It is therefore implicit in legislation that Council Tax income funds the gap between income and expenditure. Accordingly, in determining a budget, Council needs to identify the gap between expenditure and income and if no other action is taken to redress any shortfall Council Tax has to be set at a rate that will do so. As a consequence, Council Tax decisions should not normally be taken in advance of other budget decisions.
- 3.11 Members should also continue to note that in terms of Section 112 of the Local Government Finance Act 1992 (as amended) it is an offence for members to participate in any vote in respect of setting Council Tax where the member has unpaid Council Tax. Accordingly, at the Council meeting on 27th February members would be required to disclose if this section of the act applies to them and subsequently not vote on any question with respect to the matter.

Scottish Government Funding - Local Government Finance Circular 8/2023

- 3.12 The Scottish Budget was announced on Tuesday 19th December 2023 with the provisional Local Government Finance Circular issued on Thursday 21st December. Consultation on the circular took place during January 2024 and informed the next stages of the parliamentary process. Stage 1 of the Budget Bill passed on Thursday 8th February, stage 2 is planned for Tuesday 20th February and stage 3 (final) on Tuesday 27th February. The Local Government Financial Order Debate is scheduled for Wednesday 28th February.

Scottish position

- 3.13 Total cash funding for 2024/25 shown in Finance Circular 8/2023 is £13,883.109 million which is a £522.934 million increase on the published 2023/24 position in Finance Circular 3/2023. Table 1 below provides details.

Table 1: All Scotland Aggregated Funding Totals

	2023/24	2024/25	Cash Change
	£m	£m	£m
Revenue	12,651.734	13,245.100	593.366
Capital	708.441	638.009	(70.432)
Total	13,360.175	13,883.109	522.934

Revenue Funding

- 3.14 To reach a meaningful comparison between financial years it is necessary to compare numbers on the same basis. New and recurring funding provided to Councils during 2023/24 should be reflected in the starting figure and new funding provided in 2024/25 should be excluded. Analysing figures in this manner shows a core cash cut to revenue funding of £62.7 million.
- 3.15 Converting cash values to real terms figures is not an exact science illustrated by various commentators concluding slightly differently. Nonetheless, what is clear to all is a significant real terms reduction in funding for Local Government in 2024/25 with no additional funding for pay and other inflation or for service demand pressures.
- 3.16 The Scottish Government have provided Councils with funding for 2024/25 to support new expenditure commitments as shown in table 2 below.

Table 2: 2024/25 new commitments

Commitments (national funding)	£m
Free School Meals	4.5
Real Living Wage (£12ph) in Adult Social Care for PVI	230.0
Personal and Nursing Care for Older People	11.5
Discretionary Housing Payments	6.8
Council Tax Freeze	147.3
Total	400.1

- 3.17 The Scottish Budget also made a change to Non Domestic Rates (NDR) poundage for Intermediate rated (levied on properties with a rateable value from £50,001 to £100,000) and higher rated (levied on properties with a rateable value over £100,000) properties. The poundage rate for both categories increased by 6.7%.

Impact of Finance Circular 8/2023 on Midlothian Council

- 3.18 Finance Circular 8/2023 distributes £12,878.251 million revenue funding to local authorities with the remaining £366.849 million undistributed at this stage. Table 3 below shows Midlothian's share of distributed amounts and estimated shares of undistributed.

Table 3: Midlothian Council shares of Scottish Government Grant

	Scotland £m	Midlothian £m
<i>Distributed funding</i>		
General Revenue Funding	9,547.264	180.389
Non Domestic Rates	3,068.000	34.834
Ring-Fenced Grants	262.987	3.682
Total	12,878.251	218.905
<i>Undistributed funding</i>		
General Revenue Funding	366.849	5.476
Non Domestic Rates (NDR)	0	0
Ring-fenced Grants	0	0
Total	366.849	5.476
Total Scottish Government Funding	13,245.100	224.381

- 3.19 Table 3 excludes funding of £147.3 million that the Scottish Government have offered Councils to support a Council Tax freeze in 2024/25 (sections 3.24 – 3.27 below).
- 3.20 It was expected that the published results from the 2022 census would result in a refresh of some of the indicators used in Scottish Government Grant calculations with an improved relative position for Midlothian Council. This was indeed the case and table 4 below shows the distributional gains.

Table 4: Impact of 2022 Census and updating of other indicators

<i>GAE Service Grouping (note 1)</i>	<i>£m</i>
Education	1.550
Social Work - Children	0.241
Social Work - Adults	0.610
Roads and Transport	(0.171)
Leisure and Recreation	0.130
Cleansing and Environment	0.213
Other	(0.002)
Growth in Midlothian Share of National Funding	2.571

Note 1 - Individual GAE lines (80+) are recalculated each year based on updated indicators.

Further distributional gains are expected in 2025/26 once full census results are incorporate into calculations.

- 3.21 In 2023/24 Midlothian contributed £3.069m to the Floor which was set at 0.25% below the average level of Local Authority revenue grant change. The Deputy First Minister (DFM) has discretion to choose where to set the floor but tends to work within agreed parameters of 0.25% to 0.75% as agreed by CoSLA Leaders. Growing Councils, like Midlothian, have continued to illustrate how the floor works against increasing service demand.
- 3.22 The annual average change in grant for Councils in 2024/25 was a reduction of 0.54%. The DFM has provisionally set the floor at 0.5% thus ensuring that the maximum percentage reduction any Council can receive is 1.04%. In 2024/25 Midlothian contributes £2.445 million to the floor. A floor of 0.25%, as seen in the 2023/24 settlement, would have resulted in a £2.988m contribution and a floor of 0.75% would have resulted in a contribution of £2.065. Whilst movement on the floor brings financial benefit to Midlothian Council it remains the case that the vast majority of additional funding for a growing population is re-distributed.
- 3.23 Despite a cash terms cut of £62.7 million in revenue funding to Councils in 24/25 (section 3.14), upsides in distribution result and movement in the floor, Midlothian Council see a marginal cash increase in funding.

Council Tax Freeze

- 3.24 On the 17th October 2023 the First Minister announced that Council Tax is to be frozen for financial year 2024/25. Discussions have taken place between Councils and Government on the precise details of this particularly on the level of financial support the Scottish Government will provide to Councils. The average Council Tax rise across Scotland in 2023/24 was 5.3%. Midlothian's increased by 5%.
- 3.25 National funding of £147.3 million is available to support a Council Tax freeze. Funding is calculated to equate to a 5% increase (increased Council Tax yield less additional costs of the Council Tax Reduction Scheme). Indicative shares were provided on 11th January with Midlothian receiving £2.870 million. This value has now been confirmed.
- 3.26 Every 1% increase in Council Tax generates additional income of approximately £0.630 million thus 5% equates to £3.150 million. A 5% increase in Council Tax Reduction Scheme costs equates to approximately £0.260 million. The net impact is £2.890 million which is £0.020 million different from Scottish Government funding leading to a conclusion that funding provided for Midlothian equates to fractionally less than 5%.

- 3.27 The Scottish Government have confirmed that Council Tax funding provided in 2024/25 for the purposes of freezing Council Tax will be baselined into General Revenue Grant in future years for those Councils which freeze Council Tax.

Local Government Finance Settlement Conditions

- 3.28 There are some conditions attached to the settlement set out in Finance Circular 8/2023 and in accompanying and subsequent letters from the DFM and Scottish Government Cabinet Secretaries. The letter received from the DFM on 19th December 2023 is attached for information at Appendix C. Key areas to note are:

- Integration Joint Boards - "The funding allocated to Integration Authorities for Free Personal and Nursing Care and adult social care pay in commissioned services should be additional and not substitutional to each council's 2023-24 recurring budgets for adult social care services that are delegated." And "Where there is evidence funding is not passed across to be used for the policy intent, the Scottish Government reserves the right to look at reclaiming this."
- Ring-Fencing – "Our offer to baseline £564.1m of education funding is conditional upon the agreement that, by the end of March 2024, the assurance framework being sought by the Cabinet Secretary for Education and Skills is in place and that the new joint Education Assurance Board has been established."
- Council Tax Freeze – "We will seek agreement of councils freezing their Council Tax in 2024-25."
- Funding for Teachers – "We will provide further detail related to the maintenance of teacher numbers...and the conditions around the £145.5 million allocated for this purpose once we have finalised the process that is currently underway relating to this year (2023/24) teacher numbers".

- 3.29 On the 8th February 2024 The DFM provided Councils with further advice relating to the Scottish Government position on the school workforce advising that the Cabinet Secretary for Education and Skills will shortly be writing to confirm the position on funding for school workforce in 2023/24 and 2024/25.

Budget Projections

- 3.30 The projected net cost of services for 2024/25 has been continually refined to reflect new or changing information particularly relating to inflationary forecasts. The current year's budget as approved on 21st February 2023 was reliant on £5.259 million of one-off funding measures as presented in table 5 below.

Table 5: Underlying budget gap for 2023/24

One-off Measures in 2023/24 Budget	£m	£m
Utilisation of uncommitted earmarked reserves	1.166	
Service Concession retrospection	4.093	
Underlying Budget Gap for 2023/24		5.259

- 3.31 Early indicative budget projections for 2025/26 and beyond as shown in table 6 below are predicated on assumptions related to Scottish Government Grant, pay and other inflation and Council Tax growth. They also assume continuation of the current structure of public services in Scotland. Projections for 2025/26 through to 2028/29 have been updated from those presented to Council in December 2023 to reflect updated assumptions on pay and pension costs, demographic pressures, inflation and debt charges to support capital investment and will be developed in more detail for inclusion in the next update to Council on the MTFS. Detailed service budgets are shown at Appendix D.

Table 6: Financial Outlook 2024/25 to 2028/29 – Analysis of Change

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Opening gap for the year	5.259	3.502	9.295	13.959	16.913
<i>Budget Changes</i>					
Staffing – pay inflation and salary progression	5.338	5.394	5.556	5.723	5.895
Lothian Pension Fund Employers contribution	(3.888)	0.000	0.000	0.000	0.000
Contractual inflation and indexation	0.595	0.591	0.558	0.561	0.563
Loan Charges	1.025	4.713	2.347	0.369	0.811
Energy Inflation	1.357	0.209	0.215	0.220	0.225
Demographic Pressures	2.703	1.227	1.234	1.240	1.248
Non Domestic Rates	0.427	0.174	0.178	0.183	0.187
Digital Cloud-based solutions	0.638	0.150	0.150	0.150	0.150
Other	0.571	(0.642)	(0.182)	0.022	0.167
Expenditure Increases	8.766	11.816	10.056	8.468	9.246
Council Tax – Property Growth	(1.350)	(1.628)	(1.479)	(1.553)	(1.630)
Council Tax – 5% increase	0.000	(3.363)	(3.601)	(3.861)	(4.138)
Non Domestic Rates income from empty premises	(0.250)	0.000	0.000	0.000	0.000
Destination Hillend Net Income	(0.259)	(0.100)	(0.100)	(0.100)	(0.100)
<i>Scottish Government Grant</i>					
Consolidation of capital funding for pay	(2.069)	0.000	0.000	0.000	0.000
Council Tax freeze funding	(2.870)	0.000	0.000	0.000	0.000
Floor	(0.600)	0.000	0.000	0.000	0.000
Other	(1.145)	0.000	0.000	0.000	0.000
Gross Income Increases	(8.543)	(5.091)	(5.180)	(5.514)	(5.868)
Budget Gap to Address	5.482	10.227	14.171	16.913	20.291
Approved savings measures	(1.980)	(0.932)	(0.212)	0.000	0.000
Budget Gap	3.502	9.295	13.959	16.913	20.291
Service Concessions	(4.093)	(4.093)	(4.093)	(4.091)	0.000
(Surplus) / Gap	(0.591)	5.202	9.866	12.822	20.291
<i>Recommendations</i>					
Funding for MIJB pay (3%)	0.664	0.664	0.664	0.664	0.664
Council Tax Income on 2 nd Homes	(0.100)	(0.100)	(0.100)	(0.100)	(0.100)

Foster Care Fees and allowance progression	0.146	0.146	0.146	0.146	0.146
Fees and Charges	(0.119)	(0.119)	(0.119)	(0.119)	(0.119)
Revised (Surplus) / Gap	0.000	5.793	10.457	13.413	20.882

- 3.32 Council last considered MTFS projections in December 2023. The report outlined a budget gap of £7.272 million in 2024/25 rising to £34.677 million by 2028/29 but did reference some potential material changes to these projections relating to Employers Pension Contributions. Projections include the additional impact in 2024/25 of savings approved in setting the 2023/24 budget on 21st February 2023 and are shown in table 7 below.

Table 7: Impact in 2024/25 of approved savings

	2024/25 £m
Shift customer engagement online	(0.065)
Hybrid working – rationalisation of the office estate	(0.167)
Increase garden waste fee	(0.026)
Location and vehicle advertising	(0.015)
1% DSM budget	(0.207)
Transformation of the school week	(1.500)
Total	(1.980)

- 3.33 On 14th November 2023 a letter was received from the Scottish Public Pensions Agency (SPPA) indicating an increase in the employer contribution rate to 26% from 23%. This applies to all teachers employed by Councils that are members of the occupational pension scheme. The principal reason for the increase was described as the impact of the UK Government's decision to reduce the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate. This increased rate will result in a significant cost increase for Councils estimated at £1.777 million for Midlothian in 2024/25 but, in the Chief Secretary to the Treasury's statement announcing the change, the UK Government committed to providing funding for increases and, for Scotland, the Barnett formula will apply. It is expected that funding will flow through the Local Government Finance Settlement but there is a risk that funding will only partially meet the additional cost thus adding to existing budget gaps. Figures in table 6 above assume that all of the £1.777 million additional cost in 2024/25 will be matched by funding.
- 3.34 Draft results from the triennial revaluation of Lothian Pension Fund (LPF) were received on 24th November 2023. These were presented to the Pension Committee on Tuesday 5th December 2023 as part of the Funding Strategy Statement for the next three years, prior to a period of consultation and a final decision in March 2024. The funding position of LPF as at 31st March 2023 is 157% (assets as a percentage of liabilities). At 31st March 2020 the funding position was 104%.

- 3.35 The Funding Strategy Statement recommends suspension of the Contribution Stability Mechanism which currently allows for an annual 0.5% increase or decrease in employer percentage contributions. It also recommended contribution rates for financial years 2024/25 – 2026/27 reduce from the current rate of 22.2% to 17.6% for Midlothian Council for all three years. The cost reduction in 2024/25 amounts to £3.888 million and this is recurring.
- 3.36 Loan charges are projected to increase in 2024/25 from those seen in the 2023/24 budget but by a much smaller value than previously estimated. In-year 2023/24 loans costs are considerably lower than budget due to slower than planned capital expenditure, a consequential reduced need to borrow and continued higher rates of deposit return for cash balances. This situation will continue into 2024/25 but to a lesser extent but will become much more challenging into later years of the MTFS. The ongoing Capital Plan Prioritisation exercise is addressing this challenge.
- 3.37 Budget projections previously modelled a 3% increase in Council Tax as a planning assumption whilst recognising that elected members were very likely to increase rates more than 3% to allow setting of a balanced budget. Funding for a Council Tax freeze of approximately 5% is now included in budget projections.
- 3.38 Some additional cost pressures exist in 2024/25. They mainly relate to the impact inflation continues to have on energy prices and contracts with embedded inflationary clauses. In addition a continued move from on premise digital provision to cloud-based provision brings with it a cost change from capital to revenue expenditure.
- 3.39 Demographic pressures remain a significant funding challenge for a fast-growing Midlothian. Statutory school places and an associated pressure from young people with additional support needs is a key challenge with costs ranging from specific infrastructure expansion to day-to-day service provision costs.
- 3.40 Key MTFS assumptions for 2025/26 to 2028/29 include:
- 3% for pay inflation (maximum affordability level for the Council with the assumption that if settled at a higher rate the cost will be funded by additional Scottish Government grant).
 - Council Tax Band D increase of 5% per annum.
 - Cash flat Scottish Government Grant.
 - Loan charges are only provided for approved projects. included in the General Services Capital Plan.
 - Additional Scottish Government policy commitments will be fully funded.
 - Flexibility will be afforded by the Scottish Government for the Council to transform services without stipulation or direction.

Council Tax and National Non-Domestic Rates legislation

- 3.41 Devolution to Councils of Non-Domestic Rates Empty Property Relief (EPR) provides Councils with power to end or reduce existing discounts for buildings that have been empty for six months. Council on 19th December approved an amended policy allowing a surcharge of 100% where applicable. Additional income in 2024/25 is estimated to be £0.250 million.
- 3.42 A Scotland-wide consultation on Council Tax for second homes and empty properties closed on 11th July 2023. Legislation has now been passed to allow a doubling of the full rate of Council Tax on second homes and bring this into line with long-term empty premises. This will give rise to additional recurring income of approximately £0.100 million if Council choose to amend policy in line with recommendations presented at agenda item 8.6 on today's agenda.

Fees and Charges

- 3.43 A review of existing fees and charges is complete and is presented to Council today at agenda item 8.7. Approval of recommendations will result in the generation of additional income. Some of this will simply contribute to the achievement of existing budgeted income targets. In addition to this it is estimated that an additional £0.117 million will be collected. Achievement of this will be monitored closely during 2024/25.

Transformation Blueprint

- 3.44 Officers continue to progress work embedded in the Transformation Blueprint approved by Council on 27th June 2023. Updates on work are being provided to BTSG as quickly as possible. Delivery of transformation in this way is the key action in delivering a balanced MTFS and in turn a financially sustainable Council. A further MTFS report will be presented to Council no later than 25th June 2024 to allow elected members to consider savings options.

Midlothian Integration Joint Board (MIJB)

- 3.45 The Chief Officer and the Chief Financial Officer of MIJB are being kept updated on the Council's budget position and have also shared the Board's own challenging financial forecasts both in 2023/24 and looking forward. Scottish Government guidance on Council funding parameters for IJB's is outlined at section 3.28 above.
- 3.46 The proposed budget to be delegated to MIJB is £60.866 million and is made up as shown in table 8 below.

Table 8 - MIJB budget offer for 2024/25

	£m
2023/24 Approved Funding	56.593
Additional 2023/24 funding for pay costs	0.794
Other minor adjustments	(0.024)
Revised 2023/24 funding	57.363
Recurring cost reduction from Employers Superannuation reduction	(0.669)
<i>New Scottish Government Funding</i>	
£12 per hour living wage payment for private, voluntary and independent commissioned providers	3.344
Uplift to Free Personal Nursing Rates	0.164
Total	60.202
Funding for 3% pay increase	0.664
Proposed offer to MIJB for 2024/25	60.866

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

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

4.2 Digital

The adoption of digital solutions is a central strand of the MTFS.

4.3 Risk

Within any financial projections there are inherent risks in making assumptions to arrive at figures and also a risk of costs changing significantly or new pressures emerging.

The following key risks and issues are highlighted in the context of this report:

- Uncertainty over the Scottish Government's and Council's financial position.
- The economic outlook and decision by Scottish Government on future years grant settlements and grant distribution.
- Impact of further UK Government budget announcements and any associated policy revision.
- The risk to service provision and service users associated with a continued decline in available resources to fund services.
- Future years Public Sector pay policy and current and future year pay award settlements.
- Actual school rolls varying from those provided for in the budget.
- The impact of the wider economic climate on range of factors including: inflation, interest rates, employment, tax and income levels and service demands.

- Cost pressures, particularly demographic demand, exceeding budget estimates.
- The reform of public services and the implications for the National Care Service (Scotland) Bill.
- The impact of any changes to benefits.
- The cost of implementing national policies varying from resources provided by Government.
- Potential liabilities arising from historic child abuse.
- The financial sustainability of MIJB.
- The affordability of borrowing to support capital investment; and
- Ability to continue to meet the expectations of communities within a period of fiscal constraint.

Developing and updating a MTFS is key to support the mitigation of a number of these risks by setting out the key assumptions on which forward plans are based.

The risk of not having a balanced MTFS is the potential elimination of available reserves, which in turn would severely limit the Council's ability to deal with unforeseen or unplanned events and also the imposition of significant cuts at short notice with limited opportunity for consultation. Early agreement of the measures required to balance the 2025/26 budget is crucial.

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

The MTFS together with the resource allocation measures which will support financial sustainability will, as far as the constraint on resources allow, be developed within the context of the Council's priorities, ensuring as far as possible that resources are directed towards the key priorities of reducing inequalities in learning, health and economic circumstance outcomes.

The MTFS will continue, as far as is possible, to reflect Midlothian Council's commitment to the ethos of the Equality Act 2010 with careful consideration of the interests of the most vulnerable in our communities through the preparation of equality impact assessments.

Individual EQIA's will be published in respect of future policy savings measures and an overarching EQIA will be published alongside them.

4.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications

Appendix B – Council Tax Bandings

Appendix C – Letter from Deputy First Minister to CoSLA President (19 December 2023)

Appendix D – Service Budgets

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

The MTFS facilitates decisions on how Council allocates and uses its available resources and as such has fundamental implications for delivery of the key priorities in the Single Midlothian Plan. It helps ensure that resources are available to continue to delivery key priorities.

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

The report does not directly impact on delivering Best Value.

A.5 Involving Communities and Other Stakeholders

The development of the MTFS provides for public engagement.

In addition, there has been and will continue to be, engagement with the recognised Trade Unions on the Council's financial position and the development of the MTFS.

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

An effective Strategic plan supported by a MTFS will support the prioritisation of resources to support prevention activities.

A.8 Supporting Sustainable Development

There are no direct sustainability issues arising from this report and work will take place to mitigate any sustainability issues which arise as a consequence of the MTFS.