

# Notice of meeting and agenda



## Midlothian Council

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

**Date:** Tuesday, 26 June 2018

**Time:** 11:00 - 13:00

**John Blair**  
Director, Resources

**Contact:**

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**Further Information:**

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

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

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

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## **2 Order of Business**

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

## **3 Declarations of Interest**

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

## **4 Deputations**

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None

## **5 Minutes of Previous Meeting**

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Minute of Meeting of Midlothian Council of 8 May 2018 submitted for approval.

Minutes of Meetings for noting, information and consideration of any recommendations contained therein - Minute Volume attached

June Minute Volume Index

**7 - 8**

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

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Councillor Alexander Question to the Leader 11 June 2018\_Redacted

## **7 Motions**

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**7.1** Motion by Councillor Johnstone, seconded by Councillor Baird 7 June 2018 COSLA

**7.2** Motion by Councillor Smaill, seconded by Councillor Lay-Douglas 11 June 2018 Roads

**7.3** Motion by Councillor Baird, seconded by Councillor Cassidy 11 June 2018 Newbattle Campus

**7.4** Motion by Councillor Alexander, seconded by Councillor McCall 11 June 2018 Nuclear Convoys

**7.5** Motion by Councillor Parry, seconded by Councillor Alexander 12 June 2018 Breastfeeding

**7.6** Motion by Councillor McCall, seconded by Councillor Wallace 12 June 2018

- 7.7** Motion by Councillor Milligan, seconded by Councillor Muirhead Grass cutting

## **8 Public Reports**

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<b>8.1</b>	Appointment of Chief Executive - Report by Chief Executive	<b>25 - 26</b>
<b>8.2</b>	Creating a World Class Education System Update on Digital Centre of Excellence at Newbattle Community High School - Report by Head of Education	<b>27 - 30</b>
<b>8.3</b>	Edinburgh and South East Scotland Region City Deal - Report by Chief Executive (to follow)	
<b>8.4</b>	Bottom-up Cross Cutting Service Reviews - Report by the Chief Executive	<b>31 - 38</b>
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<b>8.6</b>	Housing Revenue Account - Revenue and Capital Final Outturn and Capital Plan - Report by Head of Finance and Integrated Service Support	<b>65 - 72</b>
<b>8.7</b>	Draft Capital Investment Strategy - Report by Head of Finance and Integrated Service Support	<b>73 - 140</b>
<b>8.8</b>	Treasury Management Report 2017-18 - Report by Head of Finance and Integrated Service Support	<b>141 - 168</b>
<b>8.9</b>	General Services Capital Plan Outturn 2017-18 - Report by Head of Finance and Integrated Service Support	<b>169 - 178</b>
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<b>8.15</b>	Implementing the Learning Estate Strategy (update on Culken and Sacred Heart Primary Schools) - Report by Director, Education, Communities and Economy	<b>259 - 270</b>
<b>8.16</b>	Environmental Health Food Service Plan 2018-19 - Report by Head of Communities and Economy	<b>271 - 274</b>
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<b>8.18</b>	Edinburgh Schools - Midlothian Council Position - Report by Head of Property and Facilities Management	<b>285 - 304</b>
<b>8.19</b>	National Minimum School Clothing Grant - Report by Director, Resources	<b>305 - 310</b>
<b>8.20</b>	Education Appointments Committee - Delegation of decisions to be made on 28 June 2018 (to follow)	

## **9 Private Reports**

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THE COUNCIL IS INVITED (A) TO CONSIDER RESOLVING TO DEAL WITH THE UNDERNOTED BUSINESS IN PRIVATE IN TERMS OF PARAGRAPHS 6, 8 AND 9 OF PART 1 OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973 - THE RELEVANT REPORTS ARE THEREFORE NOT FOR PUBLICATION AND (B) TO NOTE THAT NOTWITHSTANDING ANY SUCH RESOLUTION, INFORMATION MAY STILL REQUIRE TO BE RELEASED UNDER THE FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 OR THE ENVIRONMENTAL INFORMATION REGULATIONS 2004

- 9.1** Newbyres Crescent Update - Report by Head of Property and Facilities Management
- 6. Information relating to the financial or business affairs of any particular person (other than the authority).
  - 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.
- 9.2** Destination Hillend Note of Seminar held on 5 June 2018
- 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.
- 9.3** Energy Projects Non-Domestic Energy Efficiency - Report by Head of Property and Facilities Management



- 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.

**9.4** Asset Management Rationalisation - EWiM Phase 3 Resource Facility  
- Report by Head of Property and Facilities Management

- 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.

**9.5** Highbank Intermediate Care Reprovision - Report by Joint Director,  
Health and Social Care

- 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.

**9.6** Buccleuch Street Development - Report by Head of Property and  
Facilities Management

- 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.



# Minute Volume



Presented to the Meeting  
of **Midlothian Council**  
on **Tuesday, 26 June 2018**

## **Cabinet**

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Cabinet 10 April 2018

## **Performance Review and Scrutiny**

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Performance Review and Scrutiny Committee 24 April 2018

## **Police, Fire and Rescue**

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Police, Fire and Rescue Board 19 February 2018

## **Additional Minutes**

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Appointments Committee 29 May 2018

Appointments Committee 14 June 2018

Education Appointment Committee 30 May 2018

Education Appointment Committee 15 June 2018

Education Appointment Committee 15 June 2018

Education Appointment Committee 15 June 2018

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

### **Midlothian Integration Joint Board**

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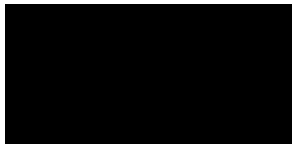
Midlothian Integration Joint Board 29 March 2018



**SNP Group**

**Question to Council Leader**

Ask the Leader what contingencies has the council put in place to secure alternative vital funding that comes to Midlothian to support our industry, science, tourism and voluntary sector from the EU after Brexit? Also what contingency is being put in place to ensure the collaboration, sharing and free movement of students between the science sectors in Midlothian continues with those of the EU?



Councillor Dianne Alexander

11 June 2018





## Scottish National Party Midlothian Council

SNP Midlothian Group propose they should represent Midlothian Council and its residents at CoSLA with immediate effect.

Midlothian Labour Administration have demonstrated little appetite to work with CoSLA on important committees, which strive to make a positive difference to life in Scotland and most importantly shape policy which affects Midlothian residents and workers. Further, this Administration shows no leadership in filling the four vacancies available to Midlothian Council namely community justice subgroup, resources and capacity executive group and two places on sport, art and culture working group).

Midlothian Labour councillors are purporting to represent the local electorate whilst in fact they are shirking that very responsibility since assuming control of Midlothian Council with a minority of councillors.

### Attendance

- 0% - Derek Milligan, Health and Social Care
- 20% - Steven Curran, Community and Wellbeing
- 25% - Russell Imrie, Environment and Economy Board
- 80% - Jim Muirhead, Children and Young People

Figures provided by CoSLA

Proposed



Seconded



7/6/18







## Midlothian Council Conservative Group

“Midlothian Council, by way of a Motion passed by Council on 27 March 2018, recognised the efforts of its staff in rising to the challenge of the exceptional weather conditions of March 2018, and agreed to seek a further report on the engagement with community groups and others in order to review preparedness for the future. One of the lessons learned from the experiences of the severe and damaging weather conditions is the highly damaging consequential impact it had on the Midlothian road network.

The Council notes with concern that access to the Bellwin Scheme and associated support for road repairs, a requirement estimated to be worth £50m to local authorities across Scotland, has been in practice been avoided by the Scottish Government in favour of an arbitrary £10m ad-hoc compensation package. In our case a £149,000 contribution has been received compared to a £686,000 adverse variance on winter maintenance alone for last year. year.

Midlothian Council further notes:

- the need for substantially higher payments than implied by the substitute arrangement, particularly for the Councils worst affected by heavy snowfalls
- the subsequent pothole pandemic, in which further financial support is vital to avert persistently degraded roads, leading to vehicle damage and serious risk to pedal and motorcyclists;
- the desirability of funding longer-term road reconstruction as constituting better taxpayer value

Midlothian Council calls on the Scottish Government to revisit the £10m settlement, provide a more realistic sum, and enter into dialogue so as to support our citizens' reasonable expectations for the maintenance of our road network; and to confirm the important principle of appropriate support being provided to local authorities in the event of severe weather conditions.”

Proposed by:

Councillor Smail

Seconded by:

Councillor Lay-Douglas

Date: 11 June 2018





**SNP Group**

**Notice of Motion**

Midlothian Council records the gratitude and thanks to all staff, contractors, consultants involved in the design, building and delivery of the Newbattle Community Campus which opened to the public on 26 May 2018 and to school pupils on 5 June 2018. The dedication hard work including extensive consultation ensured this Community facility is a class leader in the Schools for the Future Programme.

The Council also recognises the potential spin off benefits for the Communities of Mayfield, Easthouses Newtongrange, Gorebridge and beyond arising from the establishment of a world class Education and Community Digital Centre of Excellence facility in the area.

A black rectangular box redacting the signature of Councillor Kenneth Baird. A small portion of the signature is visible to the left of the box.

Moved      Councillor Kenneth Baird

A black rectangular box redacting the signature of Councillor Colin Cassidy.

Seconder      Councillor Colin Cassidy

11 June 2018





**SNP Group**

**Notice of Motion**

Midlothian Council commits to writing to the Minister for Defence to ask what measures have been put in place by his department to safeguard the people of Midlothian should the convoys carrying nuclear weapons, fuel and waste, through Midlothian be involved in an emergency incident which would endanger local people.

Moved [REDACTED] Councillor Dianne Alexander

Seconded [REDACTED] Councillor Debbi McCall

11 June 2018





**SNP Group**

**Notice of Motion**

That this Council recognises the benefits of breastfeeding to both mother and baby, as well as wider benefits on reducing health inequalities across Midlothian.

This Council also recognises that its breastfeeding rates are poor in comparison to the rest of Scotland, and the UK, and recognises that Midlothian's breastfeeding rates are significantly poorer in Midlothian's most deprived area.

This Council recognises the support from NHS Lothian already in place but also recognises that additional support to breastfeeding mothers, and influence on the wider community could be improved. This Council also recognises that peer influence has a large part to play and agrees to implement a breastfeeding friendly scheme in all public Council facilities, as well as encouraging other business to opt in.

This Council resolves to:

- i) Report back to Council on measures already in place, and look to best practice across Scotland, and in areas of Midlothian with higher success rates as well as investigating barriers in least successful areas.

- ii) Launch a Breastfeeding Friendly Scheme, to advertise this scheme widely, and investigate all possible options for engaging the business community that directly facilitate the public.



Moved Cllr Kelly Parry



Seconded Cllr Dianne Alexander

12 June 2018

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SNP Group

**Notice of Motion**

Midlothian Council congratulates Cornbank Primary School, Penicuik on achieving the Eco-Schools Green Flag Award for the sixth time, the first school in Midlothian to do so; notes the huge amount of work undertaken by the pupils, teachers and staff; and encourages other schools to follow suit.



Moved      Cllr Debbi McCall



Seconded      Cllr Joe Wallace

12 June 2018



# Midlothian Council

## Labour Group

Item 7.7



**Midlothian Council**  
**Tuesday 26 June 2018**

### Notice of Motion

While Council rejected officer proposals for a further reduction in grass cutting standards during this year's 2018/19 budget deliberations, Council recognises that cumulative reductions in previous years are having a significant detrimental effect on our parks and open spaces in our towns and villages.

Recognising that we need to prioritise Council spending to areas of greatest need it would not be appropriate to simply reinstate cuts in budgets to this service. However, we are aware that the Land and Countryside team have been successful in attracting significant income from the provision of external services over £90K in 2016/17 and £100K in 2017/18.

To ensure that our parks are maintained to as high a standard as possible, Council agrees that the first £50k of any income generated in this year's budget 2018/19 by the Land and Countryside be re-invested in the service in order to improve grass cutting and general maintenance standards within our parks and open spaces.

Moved:

**Councillor Derek Milligan**

Seconded:

**Councillor Jim Muirhead**



## **Appointment of Chief Executive Report by Chief Executive**

### **1 Purpose of Report**

This report advises of the shortlisting and interview of candidates for the post of Chief Executive and invites the Council to approve the recommendation of the Appointments Committee, under Standing Order 17, in relation to the interview panel's preferred candidate.

### **2 Background**

- 2.1** The Council at their meeting on 8 May 2018, having considered a report by the Director, Resources advising of the formal resignation of Mr Kenneth Lawrie, as Chief Executive of Midlothian Council agreed:

- (a) An Appointments Panel to consist of the Leader and Depute Leader of each of the 3 political parties represented on the Council be formed for the purposes of appointing a new Chief Executive;*
- (b) The recruitment process as outlined in the report by the Director, Resources be adopted.*

- 2.2** 20 applications were received and following review by the selection panel 6 candidates were invited for interview on 14 June 2018.

### **3 Decision of Interview Panel**

- 3.1** Following deliberation, the unanimous view of the interview panel was to recommend to the Council that the post of Chief Executive be offered to Dr Grace Vickers, currently Head of Education, Midlothian Council on the agreed conditions of service and subject to satisfactory completion of pre-employment checks.

### **4 Standing Orders**

In terms of Standing Order 17, "The appointment of Chief Officials will be by the Council, on a recommendation by the Appointments Committee, which will also recommend conditions to apply to the post"

### **5 Report Implications**

#### **5.1 Resource**

There are no resource implications as a result of the recommendations contained within this report.

## 5.2 Risk

Any delay in filling this post risks compromising progress.

## 5.3 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

## 5.4 Key Priorities within the Single Midlothian Plan

Not Applicable

## 5.5 Impact on Performance and Outcomes

Not Applicable

## 5.6 Adopting a Preventative Approach

Not applicable.

## 5.7 Involving Communities and Other Stakeholders

Not applicable.

## 5.8 Ensuring Equalities

An EqIA is not required.

## 5.9 Supporting Sustainable Development

Not applicable.

## 5.10 IT Issues

Not applicable.

## 6 Recommendation

The Council, under Standing Order 17, is invited to approve the recommendation of the Appointments Committee that Dr Grace Vickers is appointed to the post of Chief Executive subject to the agreed conditions of service and satisfactory completion of pre-employment checks.

**18 June 2018**

**Report Contact:**

**Gordon Aitken**

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## **Creating a World-Class Education System: Update on Digital Centre for Excellence at Newbattle Community High School**

**Report by Dr Grace Vickers, Head of Education**

### **1 Purpose of Report**

The Centres of Excellence model is a core part of our strategy to create a world-class education system in Midlothian. This is an ambitious project designed to deliver excellence and equity with a particular emphasis on interrupting the cycle of poverty. The purpose of this report is to update Council on progress towards this new Digital Centre of Excellence and to seek approval for further capital funding.

### **2 Background**

- 2.1** A report was submitted to Council on 7 February 2017 giving the background to the proposed development of Newbattle Community High School as a Centre of Excellence in Digital. Council approved the appointment of a Centre Coordinator and the appointment was ratified by Cabinet on 22 May 2018.
- 2.2** A bid for funding of £1.3m to support the additional capital and initial revenue costs estimated at that time to establish a Centre of Excellence at Newbattle Community High School was included as part of the original Edinburgh and South East Scotland City Region (ESESCR), Skills and Innovation bid (City Deal Project G). As reported elsewhere on today's agenda the Integrated Regional Employability and Skills Programme strand will be developed over an eight-year timeline commencing in 2018/19 and will be supported by Scottish Government funding of £25m. Discussions on the extent to which Centres of Excellence, including Newbattle would be able to secure funding from this strand have still to reach a conclusion.
- 2.3** On 27 June 2017 Council approved investment of £0.457 million in the mainstream digital technologies required for the School, Library and Leisure Centre. This coupled with the existing provision for asset replacement brought total investment to £0.630m. In addition reflecting the uncertainty over the level and timing of City Deal funding Council on 13 February 2018 approved further investment in digital technologies to support the curriculum, of £0.220 million funded from the Resources earmarked in the Capital Fund for City Deal projects so allowing the digital technologies to be procured and available for the 2018/19 academic year.

### **3 Further Work on the Digital Centre of Excellence**

- 3.1** Research and development on the Centre of Excellence continues and a number of workstreams are planned to support its implementation. Workstreams include:
  - Curriculum – exploring the enhancements to the curriculum that will emerge from collaboration with further education, higher education, industry and commerce.

- Community Ownership – ensuring students, staff and wider community have a strong voice in the development of the Centre and its services.
- Professional Learning – addressing the need for the up-skilling of teachers and other centre staff to be comfortable with an enhanced level of technology.
- Digital Technology – identifying appropriate technology to support each curricular area, in particular to straddle the school, further and higher education and industry.
- Support – ensuring that the support arrangements meet the needs of a Digital Centre of Excellence.
- Partnership – developing strong partnerships across education sectors and with local, national and international technology companies.
- Digital Participation – looking for innovative ways of ensuring that the Centre aspires to deliver best practice in digital inclusion, ensuring learners are equipped for learning in the digital age.
- Enterprise – looking for ways that the centre can engage with the wider community, supporting local business and attracting funding streams to support its activities.
- Digital Hub – establishing the Centre as a hub for the delivery of digital learning across Midlothian, including curriculum for excellence, lifelong learning and professional learning programmes.

### **3.2 Partnership Working with the University of Edinburgh**

Officers are continuing to work closely with the University of Edinburgh on developing the concept of the centres of excellence. Working together in this way will help to develop a number of shared priorities, particularly in terms of a skills solution for Midlothian and potentially the wider South East of Scotland area. We can now update members that we have jointly signed the Heads of Terms which is a partnership agreement between the University of Edinburgh and Midlothian Council, this is a significant step to ensure that we have the continued support and expertise of the University moving forward.

## **4 Capital Funding for Digital Assets**

In addition to the £1.307 million of capital investment in digital assets already approved further areas of investment have been identified which would allow the School to further develop the curriculum during academic year 2018/19 These total £180,000 for the following items :

- Networking and Infrastructure £80k
- Computing technology and multimedia £100k

As detailed above there is no certainty of City Deal funding and officers are continuing to explore alternative sources of funding though the University of Edinburgh and directly with Scottish Government. Given the uncertainty on funding and the lead time to implement the technologies one option would be to include a further provision of £180,000 in the General Services Capital plan, met from the Capital Fund. If alternative sources of funding come to fruition this will negate the requirement to utilise the Capital Fund.

### **4.1 Additional Staffing and Operational costs**

The original City Deal bid identified a need for funding across the first three years of operation until the centre was able to mainstream these needs or to secure longer term funding sources to meet such costs.



The three year costs reflected the following additional posts and running costs :-

Detail	Three year cost
Enhanced academic staffing	£223k
Technical Support Officer	£124k
Technical Support Assistant	£91k
3 x Apprentices (part funding)	£91k
Total	£510k

Given the City Deal position and the wider budget challenge officers have explored alternative options to meet these costs and have identified a package of funding which can meet the majority of the costs. Work is also ongoing to secure a commitment to City Deal funding and to lever in support from partners and Scottish Government.

## 5 Report Implications

### 5.1 Resource

To allocate an additional £180,000 in the General Capital Services Plan for the additional Capital investment detailed in section 4.would require a further provision in the general services capital plan in 2018/19 met from the Capital Fund. This in turn will reduce the resources available to fund the overall Capital Strategy investment requirements, a draft of which is also on today's agenda.

### 5.2 Risk

The additional investment in digital assets and the identified package of funding to meet the additional operating costs minimises the risk associated with the continued uncertainty over the level and timing of city deal or other funding sources to provide further investment in digital assets within the centre.

### 5.3 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

### 5.4 Key Priorities within the Single Midlothian Plan

#### 5.4.1 Getting it Right for Every Midlothian Child:

- Children and young people are supported to be healthy, happy and reach their potential.
- Inequalities in learning outcomes have reduced.

#### 5.4.2 Improving Opportunities for the People of Midlothian:

- Midlothian residents are successful learners and young people go on to positive destinations when they leave learning.

### **5.5 Impact on Performance and Outcomes**

The centre provides Digital Technology which is fit for 21st Century delivery of education and other services and gives children, families and the local community access to modern education and leisure facilities.

### **5.6 Adopting a Preventative Approach**

The provision of further digital technology across the Centre will support the delivery of positive destinations for pupils and the wider community. It will also produce more effective working practices for Midlothian staff.

### **5.7 Involving Communities and Other Stakeholders**

The wider learning community has been involved in the development of the Centre.

### **5.8 Ensuring Equalities**

One of the core principles of the Newbattle Digital Centre of Excellence is to help tackle social and economic inequalities and develop skills, knowledge and ambition in the wider community, thereby improving outcomes and positive destinations for young people. Wider aspirations include reducing the poverty based attainment gap.

### **5.9 Supporting Sustainable Development**

The digital learning strategy and future asset management plans for the digital estate will need to ensure that the cost of maintaining and replacing digital technologies deployed in the Centre and the wider learning estate are identified, affordable and sustainable in the context of the wider capital investment demands.

### **5.10 IT Issues**

This report sets out the actions to ensure that the centre has the digital technologies necessary for it to be fully effective and for the Newbattle Community High School to deliver a full curriculum.

## **6 Recommendations**

It is recommended that Council:

- Note that Midlothian have signed the Heads of Terms in partnership with the University of Edinburgh.
- Approve the addition of £180,000 to the General Services Capital Plan in 2018/19 to fund the proposed investment met from the Capital Fund, in the absence of any external funding.
- Note the ongoing work to support the development of Newbattle Digital Centre of Excellence.

**Report Contact: Julie Currie**

**Name Julie Currie Tel No 0131**

**2713719 [julie.currie@midlothian.gov.uk](mailto:julie.currie@midlothian.gov.uk)**

## **Bottom-up/Cross Cutting Service Reviews – Remit of Working Group and Proposed Initial Review Programme**

### **Report by Kenneth Lawrie, Chief Executive**

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

This report provides an update to Council encompassing the proposed remit and an initial review programme for the cross party working group which will progress Bottom-up/Cross cutting Service Reviews as approved by Council on 13 February 2018.

#### **2 Background**

- 2.1** Presentation of the Financial Strategy 2018-19 to 2021-22 report to Council in February 2018 included a range of proposals to inform a programme of change and transformation to be taken forward under the Delivering Excellence framework. The amendment approved by Council included the following recommendation:

*Agreed that the Chief Executive in conjunction with the Council Leader bring forward as part of a revised transformation programme proposals which include a bottom up/cross Council service review programme to be overseen by a 3 member cross party working group, in addition to the Council Leader, with recommendations from the working group being reported directly to Council;*

#### **3 Moving Forward**

- 3.1** Following this decision this report brings forward proposals for relating to the bringing forward plans for a bottom-up service review programme two key areas requiring clarity where identified as follows:

1. How would the reviews be carried out (Approach/Governance)
2. What services would be included in the initial review programme

- 3.2** Whilst recognising the need for the governance structure to address the decision taken at February Council in terms of the cross party working group agreeing and having oversight of the programme of bottom up/cross cutting service reviews, it is also important that the work undertaken and progress made is aligned with the wider Delivering Excellence approach adopted by the Council. Accordingly Appendix 1 details the suggested governance route for the working group.

- 3.3** It is proposed that service reviews initiated by the working group would be taken forward using the Delivering Excellence Framework as a basis. The Delivering Excellence framework and programme for change was developed to ensure that as a Council we continue to look at designing efficient and

excellent services that are fit for the future. Adopting the framework calls for services to identify, assess and plan what we can change or do differently, which services can be improved and which services we can stop. The framework, detailed in Appendix 2, proposes that service reviews should be carried out using the following five steps:

- 1. Taking Stock** – asks services to take stock of their current position in terms of cost, workforce and performance and the future impact on these areas in terms of the future purpose and direction of the service. The future considerations to support re-design of the service is also informed by customer expectations and needs, national and local strategy and priorities, and future costs and resources in the context of available budgets.
- 2. Self-Evaluation** – ensures that a self-evaluation exercise, using the Midlothian Excellence Framework, which assesses service performance and delivery whilst also identifying areas for improvement. The Self Evaluation exercise allows the service team to clarify ‘what they do’ and ‘how well they do it’ from a people, customer and community perspective.
- 3. Options for Change** – Completing the previous steps ensures that each service is clear about their purpose and the demand for the service which helps inform what they might change or deliver differently, how the service can be more efficient and what services should be reduced or stopped. This clarity helps focus and develop the options for change that can be considered for future service delivery.
- 4. Review and Challenge** – The options identified are then subject to peer review and challenge to test whether they are achievable, acceptable and financially accurate. Agreed options for change are then incorporated into the wider Delivering Excellence Change and Transformation Programme at step 5.
- 5. Programme for Change** – An agreed package of change and transformation activities which captures all service options to be taken forward is incorporated into an overarching programme plan for visibility and wider consultation and engagement. The overarching Delivering Excellence Change and Transformation Programme will then be monitored via the agreed governance of BTSG and Council to ensure ongoing tracking and monitoring.

Adopting the Delivering Excellence framework should ensure that a range of outputs are available for elected members to consider, including:

- Clear and actionable service priorities
- Service improvement plans
- Efficiency savings
- Workforce plans
- Key measures of success which can be quantified.

It is recognised that the working group will also wish to shape the framework for reviews. In this regard it is proposed that the first two reviews are taken forward as pilots, so that the learning from these can inform the approach to future reviews.

- 3.4** The timeframe for initiating reviews by the working group will be informed by the priorities of the working group and must also be related to the existing activity within the appropriate Head of Services wider Delivering Excellence Change and Transformation programme, once a review is initiated by the working group the plan for delivery should largely follow the outline timeframe shown in Appendix 3. Ideally it is proposed that services be reviewed taking a medium to long-term perspective looking ahead on at least a five year time horizon, with the aim of providing a period of service and financial stability after the review recommendations have been implemented.

- 3.5** To better support elected member engagement and involvement in the existing Delivering Excellence framework model a briefing document for the elected member role in the reviews will be presented to the working group at its first meeting.
- 3.6** It is proposed that the initial programme of reviews to be included for consideration in of the bottom-up/cross cutting service reviews be phased and primarily informed by those proposals considered but not taken forward at the February Council meeting due to the need for further review and consideration as follows:
- **Phase 1** – Waste Services and Land and Countryside Service Reviews
  - **Phase 2** – Housing Repairs Service and Road Services Reviews
  - **Phase 3** – Catering Services and Sport and Leisure Service Reviews
- 3.7** The list of reviews noted above will be subject to change and review as a result of ongoing discussions by the working group and to ensure a clear link with the wider programme of change informed by Business Transformation Board and Business Transformation Steering Group as appropriate. The agreed service reviews and the timescale for their consideration will also be reported to the wider Council at scheduled intervals.
- 3.8** It is also proposed to include expert knowledge to inform the reviews and this could be in the form of officers outwith the services being reviewed or engaging relevant external advice. This would inform the challenge aspect of the reviews and provide an additional level of scrutiny and assurance for elected members.

## **4 Report Implications**

### **4.1 Resource**

Whilst no direct resource requirements are linked to this report, the need to draw upon existing resources within the appropriate services and support functions to deliver the identified bottom-up/cross cutting service reviews will be required.

### **4.2 Risk**

This report seeks to support the Council's delivery of strategic and sustainable plans for future service delivery. Heads of Service will consider, on an ongoing basis possible risk exposures to the successful achievement of all priorities and plans.

### **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**

The Single Midlothian Plan informs all Service Plan activity with a key requirement that all plans demonstrate the services contribution to the SMP outcomes and priorities.

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

Service Plans and improvement planning activities contribute to the SMP outcomes and priorities and will therefore continue to provide the basis for ongoing performance management.

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

All Service Plans and improvement activity consider the adoption of a preventative approach to service delivery.

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

Service plans demonstrate the services contribution to the SMP outcomes and priorities which are informed by consultation and engagement which is also a key component of the Delivering Excellence framework. A core requirement of the framework is the involvement and input of staff within the service informing the improvement planning activity.

In undertaking the reviews it is intended to actively seek and engage the views of staff and trade unions.

#### **4.8 Ensuring Equalities**

As with service plans being subject to an Integrated Impact Assessment (IIA), changes and improvements to service approaches and models will be subject to IIAs as appropriate.

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

The development and adoption of the Delivering Excellence framework for Service Reviews ensures a robust approach to supporting sound and sustainable planning of council services.

#### **4.10 IT Issues**

No direct IT issues to consider at this time.

### **5 Recommendations**

Midlothian Council is asked to:

1. Agree the proposed governance route and approach to the Bottom-up Service Reviews as set out in section 3 and supporting appendices.
2. Nominate members of the cross party working group.

#### **Appendices:**

**Appendix 1 – Governance Structure**

**Appendix 2 – Delivering Excellence Framework**

**Appendix 3 – Delivering Excellence Timeframe**

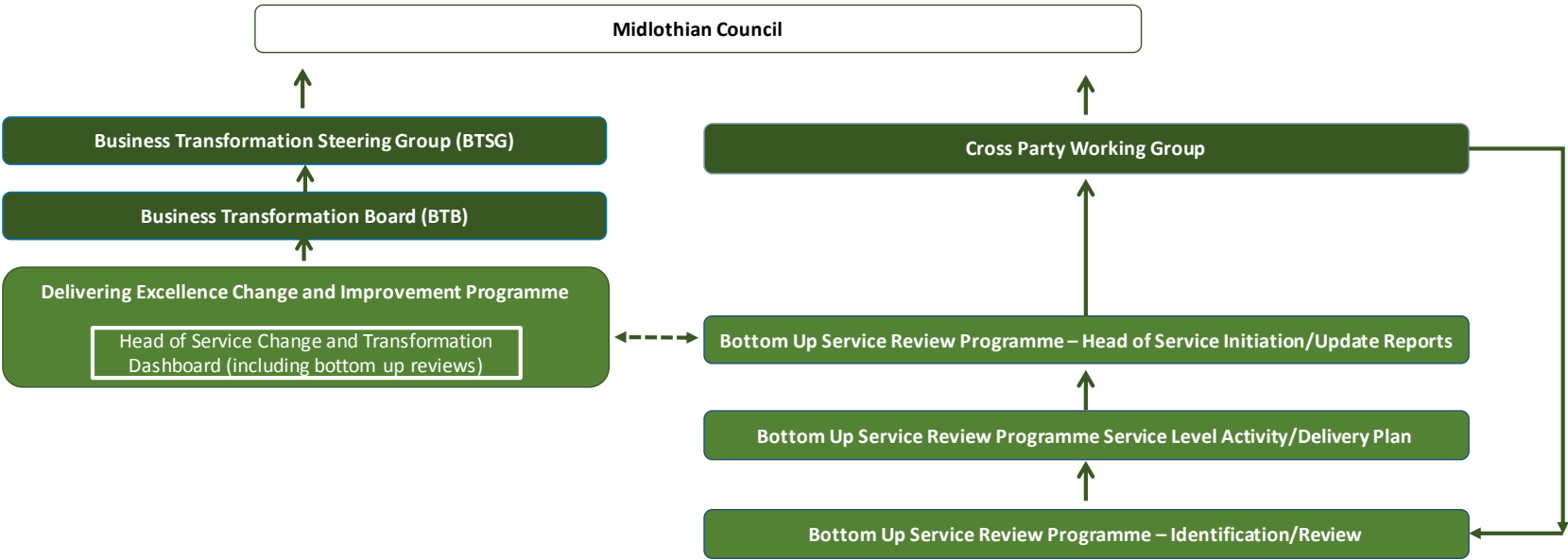
**Date:** 7 June 2018

**Report Contact:** Myra Forsyth

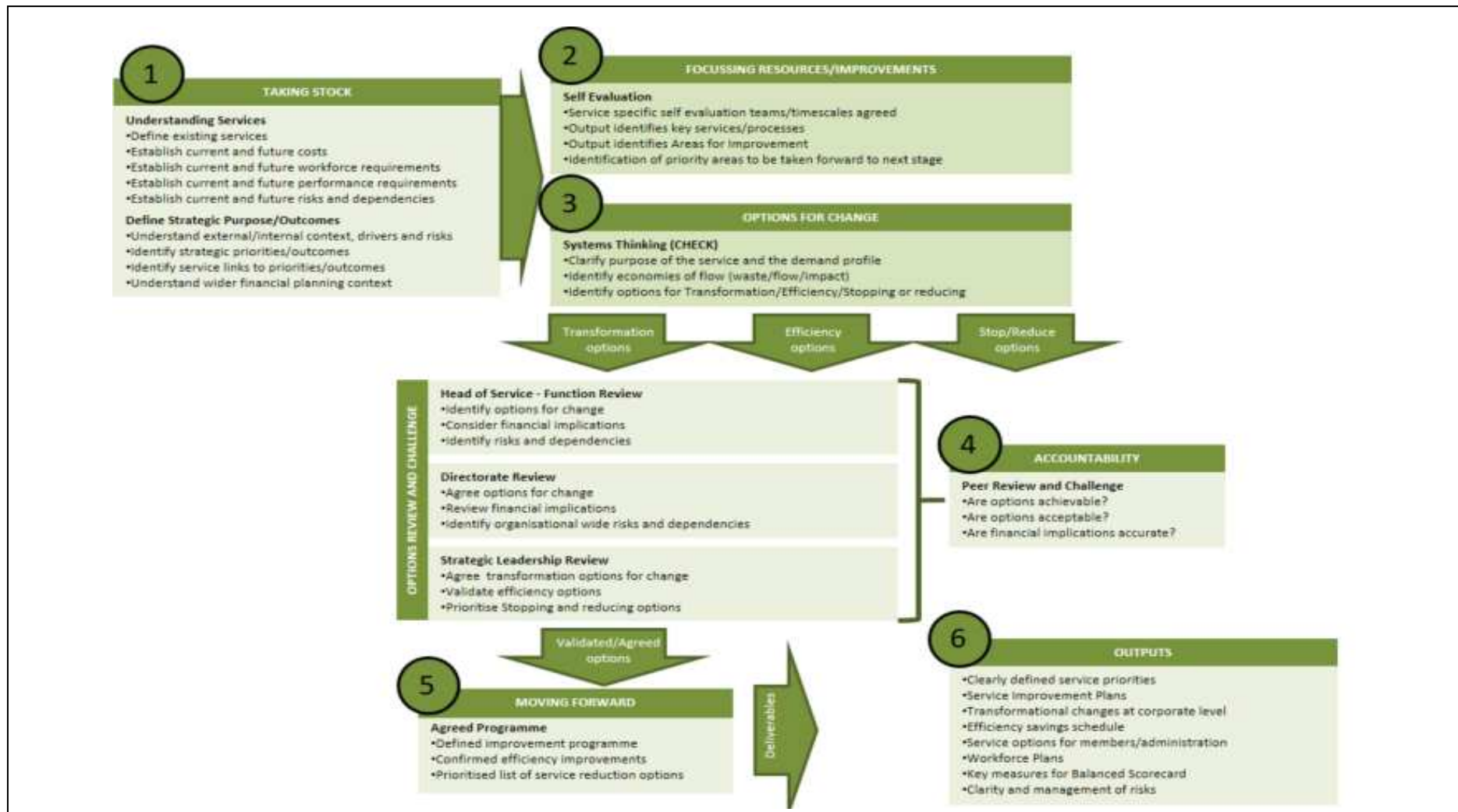
**Tel No:** 0131 271 3445

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**Background Papers:** None









Task	Activity	Owner	Duration
<b>1</b>	<b>PHASE 1 - TAKING STOCK</b>		<b>2 weeks</b>
1.1	Understanding Services and Customers		
1.1.1	Define existing services	Service Manager	
1.1.2	Establish current and future costs	Finance	
1.1.3	Establish current and future workforce requirements	HR/OD	
1.1.4	Establish current and future performance requirements	Performance & Improvement Lead	
1.1.5	Define Strategic Purpose/Outcomes	Service Manager	
1.2	Understand external/internal context and drivers	Service Manager	
1.2.1	Understand customers' needs and expectations	Service Manager	
1.2.2	Identify strategic priorities/outcomes	Service Manager	
1.2.3	Identify service links to priorities/outcomes	Service Manager	
1.2.4	Understand wider financial planning context	Service Manager	
<b>2</b>	<b>PHASE 2 - FOCUSING RESOURCES/IMPROVEMENTS</b>		<b>2/3 weeks</b>
2.1	Self-Evaluation (PSIF - MEF)	P&S/ Performance & Improvement Lead	
2.1.1	Service specific self-evaluation teams/timescales agreed	Service Manager	
2.1.2	Key services/processes identified	Service Team	
2.1.3	Areas for improvement identified	Service Team	
2.1.4	Priority areas to be taken forward identified	Service Team	
<b>3</b>	<b>PHASE 3 - OPTIONS FOR CHANGE</b>		<b>4/6 weeks</b>
3.1	Systems Thinking (CHECK)[or equivalent tool]	Performance & Improvement Lead	
3.1.1	Purpose of service and demand profile clarified	Service Team	
3.1.2	Economies of flow identified (waste/flow/impact)	Service Team	
3.1.3	Identified options for Transformation/Efficiency/Stop or Reduce	Service Team	
<b>4</b>	<b>PHASE 4 - ACCOUNTABILITY</b>		<b>3/4 weeks</b>
4.1	Options Review	Management	
4.1.1	HofS/SMT identify options for change	Management	

4.1.2	HofS/SMT consider financial implications	Management	
4.1.3	HofS/SMT identify risks and dependencies	Management	
4.1.4	DMT agree options for change	Management	
4.1.5	DMT review financial implications	Management	
4.1.6	DMT identify organisational wide risks and dependencies	Management	
4.1.7	BTB agree transformation options for change	Management	
4.1.8	BTB validate efficiency options	Management	
4.1.9	BTB prioritise stopping and reducing options	Management	
<b>5</b>	<b>PHASE 5 - MOVING FORWARD (PLANNING)</b>		<b>3/4 weeks</b>
5.1	Agreed Programme	BTB	
5.1.1	Defined improvement programme	BTB	
5.1.2	Confirmed efficiency improvements	BTB	
5.1.3	Prioritised list of service reduction options	BTB	

## **Financial Monitoring 2017/18 – General Fund Revenue**

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

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

The purpose of this report is to provide Council with information on performance against revenue budget in 2017/18 and to provide detail on material variances.

#### **2 Background**

##### **2.1 Budget Performance**

The detailed budget performance figures shown in appendix 1 result in a net overspend of £0.622 million for the year which is 0.30% of the revised budget. This is an improvement of £0.134 million on the position reported to Council on 13<sup>th</sup> February 2018.

The main areas of variance are outlined below:

##### Pressures

- Demand led pressures in Children's Services of £1.404 million mainly relating to secure placements and both residential and non-residential services. The Children's Services budget has been reducing steadily in recent years due to transformational activity;
- A review of the value of debtors relating to Housing Benefit overpayments resulted in identification of an overstatement of £0.904 million of collectable debt in the Council's Balance Sheet which required a one-off adjustment in the Councils Income and Expenditure account;
- Achievement of Council Transformation Targets for Integrated Service Support, Procurement savings, Customer Services and for tactical reductions in contracted hours has slipped and represents an overspend of £0.830 million;
- Additional costs incurred in dealing with the exceptionally severe winter of £0.686 million. Scottish Government funding of £0.149 million will be received during 2018/19 to partially offset this;
- In setting the 2017/18 budget Council agreed a package of operational and service cost reductions and income generation measures. There is £0.672 million of slippage into future financial years in delivering these;
- Pressures on homeless budgets from slippage in the opening of Pentland House which put additional pressure on Bed and Breakfast budgets for Homeless clients, additional budget pressure from Welfare Reform and the impact of a managing

agent terminating a long-standing contractual relationship for private rented properties. The combined budgetary impact of these is an overspend of £0.548 million.

### Favourable Movements

- External advice from the Council's Treasury consultants recommended that the Council consider revising the methodology used to apportion interest costs associated with borrowing. The rationale for this is founded upon the relative certainty of the HRA Capital Plan compared to the General Services Capital Plan and longer term borrowing decisions that have been made in line with this. Revised methodology, combined with slippage in the General Services Capital Plan, results in a £1.164 million underspend in Loan Charges;
- Distribution of elements of Scottish Government Grant that were not identified at Council level in the Local Government Finance Circular that was used to set the 2017/18 budget has resulted in a greater share coming to Midlothian than expected. This gives a favourable variance of £0.766 million;
- A combination of additional income generated in Roads and Land Services and lower than budgeted costs in Fleet and Waste services gives rise to a £0.488 million underspend in Commercial Services;
- A continued growth of properties in Midlothian generated an improvement on budget of £0.453 million for Council Tax Income;
- Tonnes for Waste Disposal are lower than expected thus generating a saving against budget of £0.343 million;
- Planning and Building Standards income, mainly as a result of some high value applications, exceeds budget by £0.325 million;
- Costs associated with PPP contracts are £0.275 million less than budgeted due to one-off rebates;
- Income at Midlothian Snowsports Centre benefited from good weather conditions in the early part of the season and is £0.117 million better than budgeted.

Detailed information on material variances is contained in appendix 2 which identifies each variance, explains why it happened, outlines what action is being taken to control variances and details the impact of that action.

## **2.2 Delegation of resources to Midlothian Integration Joint Board**

The approved budget provided for the allocation of £37.510 million to the Midlothian Integration Joint Board (MIJB) for the provision of delegated services. As reported to Council on 23 May 2017 this is supplemented by a one off allocation of £1.180 million as part of the year end flexibility arrangements. In addition there have been minor virements during the year which reduced the budget by £0.116 million resulting in a final allocation to the Board of £38.806 million.

The projected outturn presented to Council on 13<sup>th</sup> February showed expenditure of £39.028 million which represented an overspend in respect of services delegated by the Council of £0.312 million. During Q4 opportunities arose to utilise one-off funding to reduce in-year pressures for the Community Care Resource Panel. As a consequence the final position was a net underspend of £0.539 million. This is earmarked for specific purposes and subsequently retained by the Midlothian Integration Joint Board in accordance with the Integration Scheme.

## **2.3 Council Transformation Programme**

Council approved utilisation of £7.718 million of General Fund Reserve to fund costs associated with the ongoing transformation programme.

At the report date £5.703 million of this has been applied. This includes severance costs of £2.283 million associated with the 2017 Voluntary Severance Scheme covering sixty nine employees. There is a full year budget saving of £1.359 million associated with forty six of these employees and cost avoidance of £0.747 million for twenty three switch employees.

The remaining balance of the fund is £2.015 million. £1.163 million of this is committed in 2019/20 and 2020/21 for transformation projects and the remainder of £0.852 million is anticipated to be utilised to fund further inevitable costs of implementing the Change Programme.

## 2.4 General Fund Reserve

The projected balance on the General Fund as at 31 March 2018 is as follows:

	£ million	£ million
Reserve as at 1 April 2017		17.651
Less earmarked reserves utilised in 2017/18		(5.044)
<b>General Reserve at 1 April 2017</b>		<b>12.607</b>
<i>Planned movements in reserves</i>		
Planned Utilisation	(3.970)	
Supplementary Estimates	(0.144)	
Council Transformation Programme Costs	(0.309)	
VSER 2017 Scheme	(2.283)	
Redetermination of SGG – 31 <sup>st</sup> January	0.569	
Earmarked Budgets carried forward to 2017/18	3.244	
Other	0.504	
		(2.389)
Overspend per appendix 1		(0.622)
Devolved School Management carry forward		1.181
<b>General Fund Balance at 31 March 2018</b>		<b>10.777</b>

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

	£ million
<b>General Fund Balance at 31 March 2018</b>	<b>10.777</b>
<i>Earmarked for specific purposes</i>	
Budgets earmarked for Council Transformation	(2.015)
Budgets carried forward to 2017/18 for specific purposes	(3.244)
Devolved School Management	(1.181)
<b>General Reserve at 31 March 2018</b>	<b>4.337</b>

The position for General Fund Reserves includes the impact of the redetermination for 2017/18 announced by the Finance Secretary on 31<sup>st</sup> January 2018.

The uncommitted General Fund Reserve at 31 March 2018 is £4.337 million.

A prudent level of uncommitted reserves is seen to be between 2% and 4% of net expenditure which equates to between approximately £4 million and £8 million and is required to provide a contingency in the context of the continued challenging financial outlook, the uncertainty associated with future years grant settlements, pay awards, the economic impact of Brexit and also the potential costs as a consequence of the Limitation (Childhood Abuse) (Scotland) Act 2017.

### **3 Report Implications**

#### **3.1 Resource**

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

#### **3.2 Risk**

Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the proper administration of their financial affairs.

The assessment of performance against budgets by services is underpinned by comprehensive financial management and budgetary control arrangements. These arrangements are central to the mitigation of financial risk.

Ensuring that adequate systems and controls are in place minimises the risk of significant variances arising, and where they do arise they help to ensure that they are identified and reported on and that appropriate remedial action is taken where possible. The primary purpose of this report is to provide details of performance for the full year against budget. The material variances detailed in appendix 2 highlight that the financial management and budgetary control arrangements require continual review and enhancement if financial risk is to be effectively mitigated.

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

Themes addressed in this report:

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

#### **3.4 Impact on Performance and Outcomes**

The decisions taken to balance the budget will have fundamental implications for service performance and outcomes. The Council's Programme aims to minimise the impact on priority services.

#### **3.5 Adopting a Preventative Approach**

The proposals in this report do not directly impact on the adoption of a preventative approach.

#### **3.6 Involving Communities and Other Stakeholders**

No consultation was required.

### **3.7 Ensuring Equalities**

There are no equality implications arising directly from this report.

### **3.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

### **3.9 IT Issues**

There are no IT implications arising from this report.

## **4 Recommendations**

It is recommended that Council note the contents of this report and consider the financial position in the context of the Financial Strategy for 2018/19 to 2022/23.

31<sup>st</sup> May 2018

**Report Contact:**

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**Background Papers:**



## Appendix 1

## GENERAL FUND OVERVIEW 2017/18

Function	Revised Budget £	Outturn £	(Underspend) / Overspend £
Management	1,918,089	1,901,238	(16,851)
<u>Education Communities and Economy</u>			
Childrens Services	14,675,154	16,098,076	1,422,922
Communities and Economy	3,860,653	3,515,127	(345,526)
Education	84,657,978	84,462,301	(195,677)
<u>Health and Social Care</u>			
Midlothian Integrated Joint Board - Adult Social Care	38,805,623	38,805,623	0
Customer and Housing Services	12,275,121	13,442,400	1,167,278
<u>Resources</u>			
Commercial Services	15,880,721	15,800,541	(80,180)
Finance and Integrated Service Support	11,898,622	12,198,636	300,014
Properties and Facilities Management	14,295,376	14,604,457	309,080
Lothian Valuation Joint Board	555,551	562,244	6,693
Central Costs	(319,282)	(533,639)	(214,357)
Non Distributable Costs	2,136,009	2,075,420	(60,589)
<b>GENERAL FUND SERVICES NET EXPENDITURE</b>	<b>200,639,617</b>	<b>202,932,424</b>	<b>2,292,808</b>
Loan Charges	7,407,639	6,243,885	(1,163,754)
Investment Income	(300,475)	(371,385)	(70,910)
Council Transformation Programme savings target	(829,901)	0	829,901
Allocations to HRA, Capital Account etc.	(4,782,418)	(4,829,090)	(46,672)
	<b>202,134,462</b>	<b>203,975,834</b>	<b>1,841,372</b>
less Funding:			
Scottish Government Grant	150,878,580	151,645,000	(766,420)
Council Tax	45,004,000	45,457,236	(453,236)
<b>Utilisation of Reserves</b>	<b>6,251,882</b>	<b>6,873,598</b>	<b>621,716</b>



**Financial Monitoring 2017/18 – General Fund Revenue – Material Variances****Education, Communities and Economy****Children's Services**

<b>Description of Variance</b>	<b>Reason for Variance</b>	<b>Quarter 1 £000</b>	<b>Quarter 2 £000</b>	<b>Quarter 3 £000</b>	<b>Quarter 4 £000</b>	<b>Additional information / Action taken</b>
Non-Residential services commissioned and provided for children with and without disabilities	Higher than anticipated demand for respite, direct payments and taxi services commissioned for Children with disabilities. There was also an overspend on respite services commissioned for children without disabilities.	189	190	332	427	The rising demand in this area of work will be addressed in the Financial Strategy.
	Family placement budgets mainly resulting from expenditure on external adoption fees. At Q3 it was anticipated that expenditure would be offset by income from other Local Authorities for the provision of adoption placements but receipt of this has been delayed into 2018/19 as the legal process has not yet been completed.	0	0	0	180	Information regarding the requirement for external adoption fees will be factored into the Financial Strategy. The Family Placement team is working to increase our capacity to provide adoption placement. Income due from other organisations for the provision of placements will be collected when chargeable. It should be noted that any income is dependent on court processes and timescales.
Residential and Day Education Placements	The requirement for residential placements was higher than anticipated and provided for in the budget. Demand for new placements, particularly expensive secure	49	110	367	797	This represents a 27% overspend on the Multi-Agency Resource Group budget of £3 million. This budget has been substantially reduced from £3.9m in 2016/17 reflecting transformational savings. It should be noted that £330k of this variance relates to secure placements over which the Council has very little

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	accommodation, has been high throughout the financial year.					control. Secure Placements, in addition to step down placements (which cost the same) amounted to £821k. The Council have very little control over these placements and during 2017/18 at one time had 4 young people in secure care which is higher than normal and also out of kilter with other Councils of similar size.  The group continues to challenge new demand and is looking at alternatives to secure care. However, this work is at a very early stage of development.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Children's Services budget.	(1)	(5)	(64)	19	
<b>Overspend</b>		<b>237</b>	<b>295</b>	<b>635</b>	<b>1,423</b>	

#### Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Midlothian Local Development Plan	The costs of the required public examination of the LDP by Scottish Government reporter was greater than budgeted. The variable being the number and complexity of unresolved objections to the LDP.	38	43	43	43	One-off financial pressure associated with the formal statutory process of completing the Midlothian Local Development Plan.
Charging for Section 75 Agreements	Charging for Section 75 Agreements was approved by Council when setting the 2017/18 budget. Processes to allow this to happen are still under development so the 2017/18	20	30	30	30	Appointment of the section 75 compliance officer in July 2017. Charging can only be implemented in new S75 agreements where the appropriate clause is included. It cannot apply retrospectively to existing agreements. Therefore income in 2017/18 was zero.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	savings target has not been achieved.					
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service budget.	15	18	29	3	No impact on frontline service.
<b>Gross Overspend</b>		<b>73</b>	<b>91</b>	<b>102</b>	<b>76</b>	
<i>Offset by:</i>						
Planning and Building Standards Income	Higher levels of income than anticipated.	0	0	(96)	(325)	High value applications from developers received between Q3 and Q4.  An increase to Planning and Building Standards income has been included in the 2018/19 budget.
Vacancies and Performance Factor	The number of vacancies across the service exceeds the performance factor.	(64)	(105)	(72)	(90)	Additional vacancies between Q3 and Q4.
Landlord Registration Income	Landlord registrations are renewable on a 3 year cycle. Slightly more registrations took place in 2017/18 than budgeted.	19	19	6	(7)	No impact on frontline service.
<b>Net Overspend / (Underspend)</b>		<b>28</b>	<b>5</b>	<b>(60)</b>	<b>(346)</b>	

## Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Mini Service Reviews	In setting the 2017/18 budget Council approved savings of £150,000 which would flow from some service reviews within the Education Service.	0	150	150	150	Full implementation is anticipated in 2018/19.
Early Years	Significant demographic growth and the popularity of the Good time to be 2 initiative has resulted in a rise in pupil uptake within Early Years. This is offset by costs in the core Early Years budget that are chargeable to the ring-fenced Grant for Early Years Expansion.	0	328	132	23	Early Years budgets, particularly in light of the increase in pre-school entitled hours to 1140, have been scrutinised and are reflected in 2018/19.  Movement between Q3 and Q4 mainly relates to uptake for the Good time to be 2 initiative being lower than projected.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Education Service budget.	(80)	90	213	22	No impact on frontline service.
<b>Gross (Underspend) / Overspend</b>		<b>(80)</b>	<b>568</b>	<b>495</b>	<b>195</b>	
<i>Offset by:</i>						
PPP Contracts	Insurance costs are lower than provided for in the contract which leads to a refund from the contractor.	(182)	(182)	(185)	(185)	Windfall Income. This is the consequence an annual review for PPP2 (£83,000) and a 5-yearly review for PPP1 (£99,000).
	Contractual refund of funding paid to cover reparation of malicious damage that was not utilised.	(65)	(65)	(95)	(56)	Assumptions regarding performance reductions have been checked and updated during the development of the 2018/19 budget.
	The rate of inflation applied to	(55)	(55)	63	(34)	Inflation assumptions have been reviewed during

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	contracts was lower than provided for in the budget which was in-part offset by the backdated impact of change notices.					development of the 2018/19 budget.
Lifelong Learning and Employability Income	There was a projected under recovery of income as a result of lower contract values awarded and a withdrawal of funding from the Big Lottery in 2017/18 but this has been more than offset from staffing vacancies and windfall income related to finalisation of accounts for older programmes.	63	42	34	(59)	There has been and will continue to be a focus on reducing expenditure throughout the service in order to minimise the impact of reduced income values.
Schools	Schools are underspent by £1.238 million. However, in accordance with the current Devolved School Management rules schools have carried forward budget of £1.181 million into 2018/19.	0	328	(246)	(57)	The impact of this on the General Fund Reserve will be 2-fold. Firstly, there will be an enhancement of the non-earmarked element of the reserve of £0.057m. Secondly there will be an increase in the earmarked element of the reserve of £1.181 million.
<b>Net (Underspend) / Overspend</b>		<b>(319)</b>	<b>636</b>	<b>66</b>	<b>(196)</b>	

### Health and Social Care – Delegated to Midlothian Integrated Joint Board

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Home Care / Midlothian Enhanced Rapid Response and Intervention Team (MERRIT)	Additional employee costs due to the volume of care packages being provided.	391	535	654	575	<p>There are continuing challenges to manage the demands of an ageing population with complex care needs. The shift in the balance of care has resulted in more care at home requests.</p> <p>External provider capacity remains challenging. High absence rates within complex care will be a focus moving forward. The MERRIT service review is underway.</p> <p>This overspend is partially offset by a reduced Resource Panel spend on Older People.</p>
Care Homes for Older People	Overspend on staffing costs to cover gaps in the rota at Newbyres offset by underspends in general running costs at Newbyres and Highbank.	266	159	178	114	<p>Significant progress has been made and sickness levels have reduced along with a subsequent reduction in agency staff spend. Focus will remain on absence management to maximise capacity.</p> <p>The Highbank service review is now complete with robust absence management in place.</p>
Non-achievement of management review saving	Delays in implementing a new management structure across Health and Social Care.	55	55	55	55	Posts have been filled and the saving will be achieved in 2018/19..
<b>Gross Overspend</b>		<b>1,544</b>	<b>1,090</b>	<b>803</b>	<b>744</b>	
<i>Offset by:</i>						
Community Care Resource Panel	It has been possible this year to utilise some one-off funding (£869k) to reduce in-year pressures. The budget amounts to around £32m, is demand led and subject to demographic pressures. Individual packages of care are sometimes in excess of	792	266	(88)	(659)	<p>There remains an underlying overspend of £210k.</p> <p>Within Older People's Services there is an element of unmet need within Care at Home, which goes in some way to explain the aforementioned overspend within the Home Care service.</p> <p>The Realistic Care, Realistic Expectations work stream</p>



Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	£100k per annum and as a consequence projections in this area can be volatile.					continues to monitor savings delivery. The work of the review team continues with the aim being to achieve and maintain a balanced budget position whilst still meeting critical and substantial need. This remains challenging against a background of increasing demands, particularly going forward in relation to young people with complex needs moving into Adult Services.
Fieldwork Staffing	A number of vacancies have arisen within the team over the last few months resulting in an underspend against budget.	0	0	(176)	(149)	No impact on frontline service. Due to a number of changes, posts have been vacant during the year and there has been a move to avoid the use of agency staff.
Public Protection	Scottish Government funding provided specifically for Adult Support and Protection requirements. Some spend relevant to this funding is in the form of care packages and is met from the resource panel budget.	(159)	(136)	(177)	(131)	No impact on frontline service but the underspend offsets care and support costs related to protection issues.
Joint Equipment Store / Aids and Adaptations	Demand during 2017/18 for both areas of spend are less than budgeted.	0	0	(92)	(94)	These are demand led budgets thus spend can be volatile.
Learning and Development	Delivery of some training has slipped into 2018/19.	0	0	0	(67)	No impact on frontline service and offsets the cost of essential cover for front-line staff with mandatory training requirements.
Service User income	Contributions from service users towards their care packages are higher than provided for in the budget.	0	0	0	(56)	No impact on frontline service.
Criminal Justice	An element of the Scottish Government funding is used to fund the management and administration of this service.	(65)	(55)	(54)	(48)	No impact on frontline service.

<b>Description of Variance</b>	<b>Reason for Variance</b>	<b>Quarter 1 £000</b>	<b>Quarter 2 £000</b>	<b>Quarter 3 £000</b>	<b>Quarter 4 £000</b>	<b>Additional information / Action taken</b>
Cherry Road, Community Access Team, Shared Lives	Underspends on running costs offset by non-achievement of planned budget savings.	(60)	(24)	8	(9)	No impact on frontline service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Adult and Social Care budget.	40	75	4	(70)	No impact on frontline service.
<b>Net Overspend / (Underspend)</b>		<b>1,260</b>	<b>875</b>	<b>312</b>	<b>(539)</b>	
<b>Retained by Midlothian IJB.</b>	<b>Budgets retained and held in IJB Reserves in accordance with the Integration Scheme for use during 2018/19.</b>				<b>539</b>	
<b>Net Impact</b>					<b>0</b>	

## Customer and Housing Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Debtors relating to Housing Benefit Overpayments	A full review of the interaction between the value of debtors shown in the Councils Balance Sheet and the individual debtor balances shown in feeder systems has resulted in an overstatement of collectable debt in the Balance Sheet which requires to be written off through the Councils Revenue Account.	0	0	0	904	Information between feeder systems and the Balance Sheet are now fully reconciled and will be reviewed on a periodic basis going forward. Manual processes that contributed to the variance have been enhanced and the review will ensure this position is maintained.
Homelessness accommodation	<p>Specialist treatment required in the conversion works to reuse Pentland House have led to delays in the project with completion in September 2017. The full saving on the Bed and Breakfast budget has therefore not be made.</p> <p>During Q3 a managing agent terminated a long standing contractual relationship for their privately rented properties. As a consequence the Council have relocated 30 households with an associated cost.</p> <p>A cash settlement was agreed on monies due to the Council by that managing agent, which was considerably less than the monies owed, but realistic given the</p>	208	208	290	548	<p>The budget provided for an average 36 B and B places per week. Average occupancy is currently 69 places.</p> <p>The funding shortfall as a consequence of Welfare Reform, particularly for young people's housing options is causing a significant pressure on the homelessness budget in general. This was detailed in the Universal Credit report to Council in December 2017.</p> <p>This unplanned expenditure results in a swing of £186k between Q3 and Q4.</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	alternative legal costs and uncertainty of reimbursement.					
Community Safety Community Action Team	Council agreed to re-instate the Police Community Action Team with effect from December 2017 with additional budget being reflected in 2018/19 onwards.	0	0	0	51	The additional cost of the Council funded Community Action Team in 2017/18 has been offset by vacancies as shown below.
<b>Gross Overspend</b>		<b>208</b>	<b>208</b>	<b>290</b>	<b>1,503</b>	
<i>Offset by:</i>						
Customer Services Vacancies	Vacant posts as a consequence of the Customer Services Review.	(54)	(19)	(65)	(120)	Delays in filling vacancies and also a further vacancy resulted in an increased underspend at Q4.
Revenues Service Vacancies	There have been a number of vacancies and also maternity savings resulting in an underspend within the revenues processing team.	(74)	(37)	(19)	(83)	Unfilled vacancies held for Welfare Reform effects and also further posts becoming vacant resulted in an increased underspend between Q3 and Q4. A number of these posts have been deleted as part of the approved 2018/19 Budget.
Homelessness Furniture	Scottish Welfare Fund resourcing a number of packages and a lower than anticipated level of demand.	0	0	(97)	(66)	No impact on frontline service.
Community Safety Staffing	Saving as a result of not backfilling maternity absence. During Q4 additional vacancies arose.	(27)	(33)	(38)	(61)	No impact on frontline service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Customer and Housing Services budget.	(9)	12	10	(2)	No impact on frontline service.
<b>Net Overspend</b>		<b>44</b>	<b>131</b>	<b>81</b>	<b>1,167</b>	

## Resources

### Commercial Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Winter Maintenance	Additional costs incurred in dealing with the exceptionally severe winter.	0	0	0	686	The majority of additional costs were incurred on snow clearing and gritting predominantly relating to the Civil Emergency in place from 28 <sup>th</sup> February to 5 <sup>th</sup> March.
Review of travel arrangements associated with the grey fleet.	A budget reduction of £150,000 in 2017/18 was approved. At this stage it is anticipated that savings will commence in 2018/19.	150	150	150	150	Work is underway to develop options and plans. The financial impact of these will be picked up in due course.
Rights of Way	Legal expenses have been incurred in respect of an ongoing dispute.	0	0	100	74	The court case is ongoing with an anticipated hearing date of June 2018.
Midfest	The net cost to the Council of Midfest was £25,000 which is unbudgeted.	0	0	20	25	Attendance numbers were lower than anticipated. The Council is not making a financial contribution to the event in 2018/19.
Trade Waste Charges	A 10% price increase was approved for 2017/18 and was expected to generate an additional £30,000 of income. Subsequently the customer base reduced and this resulted in less income being generated than expected.	18	18	18	20	The service continues to look to attract new customers.
Review the number of Football Pitches	A budget reduction of £10,000 in 2017/18 was approved. The review did not yield any savings in 2017/18.	10	10	10	10	Consultation is ongoing and a further report will be submitted to Council in due course.
Play areas	A budget reduction of £30,000 in 2017/18 was approved. This is not fully achieved in year.	0	0	24	6	It is anticipated that the full saving will be achieved in 2018/19.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Commercial Operations Service Review	A budget reduction of £250,000 in 2017/18 was approved. The review is underway and planned savings can be met in 2017/18 from vacancies left unfilled pending finalisation of the review.	60	48	0	0	It is anticipated that the review will be finalised in 2018/19 and the full saving will be achieved.
Review of financial contribution to Pentland Hills Regional Park	A budget reduction of £20,000 in 2017/18 was approved.	5	5	0	0	
<b>Gross Overspend</b>		<b>243</b>	<b>231</b>	<b>322</b>	<b>971</b>	
<i>Offset by:</i>						
Waste Disposal Charges	Tonnages are lower than provided for in the budget.	(78)	(113)	(203)	(343)	Ongoing work to minimise contamination in recycling has led to lower than anticipated costs in this area.  Street Cleaning tonnages collected are significantly lower than budgeted for.
Decriminalised Parking	The implementation date has slipped into 2018/19 resulting in a saving against budget in 2017/18.	0	0	(122)	(170)	This is a one-off saving. Decriminalised parking was introduced in early April.
Fleet Services running costs	The cost of repairs to Council fleet and also of external hires was lower than budgeted.	0	0	0	(118)	Regular investment in the Councils fleet has reduced regular repairs costs. The budget for external hires has been reduced by £50k in 2018/19.
Land Services Income	Income from both external and internal works exceeds budget by £0.694m. Costs of carrying out these works amounted to £0.575m.	0	0	0	(109)	A significant proportion of these works related to School build projects in the 2017/18 General Services Capital Plan.  The sustainability of future income streams will be reviewed and if possible targets will be increased in future years budgets.
Roads Services Income	Income generated from new developments and Temporary	(30)	(30)	(30)	(101)	The budget for external income has been increased by £71k in 2018/19.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	Traffic Regulation Orders has exceeded budget.					
Vacancies in Fleet and Waste services	Vacancies held in excess of the target for the Commercial Operations Service Review.	0	0	0	(61)	It is anticipated that the review will be finalised in 2018/19 and the full saving will be achieved.
Waste Service running costs	The waste collection calendar was not produced in 2017/18 giving rise to a printing saving of £44k.	0	0	0	(44)	This budget has been removed in 2018/19 as part of the Financial Discipline approved savings.
	Essential replacement costs of wheeled bins was £23k less than budgeted.	0	0	0	(23)	
Bus Shelter maintenance	Expenditure is largely reactive with lower demand than budgeted in 2017/18.	0	0	0	(32)	The shelter maintenance budget was reduced by £30k in 2017/18 and will be reviewed further as part of the Financial Strategy.
Other non-material Variances	Miscellaneous over and underspends covering the remaining area of the Commercial Services budget	0	0	26	(50)	
<b>Net Overspend / (Underspend)</b>		<b>135</b>	<b>88</b>	<b>(7)</b>	<b>(80)</b>	

## Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Employee Performance Factor	The performance factor for the service is £466,000. Vacancies and other staffing variations were not sufficient to fully offset this.	135	137	87	261	Only essential vacancies are filled. Contraction in the overall size of the workforce makes this target more challenging to achieve but work continues to explore opportunities that may arise.
Mi-Future	The costs for staff in SWITCH during the year have exceeded budget.	0	19	55	92	The shift to a policy avoiding compulsory redundancy agreed by Council has now been implemented through the introduction of a revised People Policy for Managing Change. This removes Switch and any costs associated with it.
Bank Charges	The shift towards electronic payments has led to increased transaction costs.	25	22	25	38	A review of bank charges is underway with the aim of negotiating lower rates with service providers. There has been a growth in the use of credit and debit cards with a corresponding increase in charges.
Central Postages and printing costs	The volume of postages and printing exceeds budget.	60	22	15	12	A review of activity has already had an impact and continues with the aim of minimising volumes and reducing reliance on paper in accordance with EWIM principles.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Finance and Integrated Service Support budget.	(34)	(17)	0	16	
<b>Gross Overspend</b>		<b>186</b>	<b>183</b>	<b>182</b>	<b>419</b>	
<i>Offset by:</i>						
Digital Costs	The cost of equipment and support is lower than budgeted.	(109)	(105)	(105)	(67)	Future year budgets have been reviewed.
Archiving	Costs in 2017/18 are lower than budgeted.	(25)	(28)	(33)	(33)	Costs are expected to increase in future years as the facility is used more.
External Legal Fees	During Q4 all heritable Adult Social Work cases and Child	30	35	34	(13)	In light of this future years budgets have been reviewed.



Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	Permanence orders were dealt with in-house for the first time thus saving on external legal fees.					
Disclosure Scotland Fees	Costs in 2017/18 are lower than budgeted.	(28)	(3)	0	(6)	Future year budgets have been reviewed.
<b>Net Overspend</b>		<b>54</b>	<b>82</b>	<b>78</b>	<b>300</b>	

#### Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
EWiM planned building closures	Evolving plans for buildings that were planned to be sold or demolished through approved EWiM projects have resulted in anticipated revenue savings not materialising.	95	95	95	176	Unbudgeted costs in 2017/18 related to Dundas Buildings, Eskdaill Court and Jarnac Court. With the exception of Jarnac Court costs will continue in 2018/19 until future plans are clear.
Buildings repairs costs	Significant slippage in Capital property upgrade works has resulted in a higher than planned revenue spend.	0	0	0	152	
Leisure Centre Income	Loanhead Leisure Centre was closed for part of the year and other Centres were closed during the periods of severe weather.	0	0	42	91	
Properties and Facilities Management Service Review	A budget reduction of £60,000 in 2017/18 was approved. The review is underway but did not deliver any saving in 2017/18.	60	60	60	60	It is anticipated that the full saving will be achieved in 2018/19.
Energy Costs	Unit prices for gas are higher than budgeted (£34,000), an approved saving for reducing the electricity bill has not yet been	0	0	143	41	Opportunities to reduce ongoing assumptions continue to be explored and the latest unit price forecasts are reflected in the 2018/19 budget.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	achieved (£45,000) and backdated water costs associated with meter issues on one site (£63,000).					
Review of Facilities Management Officers	A budget reduction of £40,000 in 2017/18 was approved by Council. This has not been achieved in 2017/18.	20	20	40	40	It is anticipated that the full saving will be achieved in 2018/19.
Closure of Penicuik Town Hall	A budget reduction of £30,000 in 2017/18 was approved. This has been delayed due to grant funding approvals for external refurbishment works.	30	30	30	30	Refurbishment works are underway. Future use of the building is still to be determined.
Public Toilet Provision	A budget reduction of £40,000 in 2017/18 was approved. At Q1 it was not anticipated that the full saving would be achieved in 2017/18.	40	0	0	0	Council on 26 <sup>th</sup> September 2017 agreed to keep Public Toilets open but with reduced staffing levels and approved additional funding for this.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Property and Facilities Management budget.	0	0	0	28	
<b>Gross Overspend</b>		<b>245</b>	<b>205</b>	<b>410</b>	<b>618</b>	
<i>Offset by:</i>						
Property Investment Account	Void rental periods have been shorter than budgeted for and general running costs are lower than budgeted.	0	0	0	(118)	One-off windfall income.
	The insurance settlement for the fire damage claim at Mayfield Industrial Estate has been received. Costs associated with	0	0	0	(74)	

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	this were incurred in 2016/17.					
Snowsports Centre income	Customer income is higher than budgeted.	0	0	(238)	(117)	There were weather related closures during Q4 that impacted on income levels and explains the movement between Q3 and Q4.
<b>Net Overspend</b>		<b>245</b>	<b>205</b>	<b>172</b>	<b>309</b>	

#### Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional Information / Action taken
Loan Charges	<p>Revised methodology for apportioning interest costs associated with external borrowing between General Fund and HRA has resulted in a considerably reduced cost to General Fund.</p> <p>Additionally, slippage in the General Services Capital plan has resulted in a lower value of borrowing than planned for with new borrowing sourced at lower rates than expected at the time of setting the 2017/18 budget.</p>	(146)	(42)	(47)	(1,164)	External advice from the Council's Treasury consultants recommended that the Council consider revising the methodology used to apportion interest costs associated with borrowing. The rationale for this was founded upon the relative certainty of the HRA Capital Plan compared to the General Services Capital Plan and longer term borrowing decisions that have made in line with this.
Transformation Savings – Integrated Service Support	A Target of £1.122 million of savings was set for 2017/18 which consisted of slippage from previous years and also an additional target for 2017/18. A large part of this target has been delivered in 2017/18.	345	272	172	266	The shortfall in delivery will be achieved in 2018/19.

Transformation Savings - Procurement	A target of £0.350 million for procurement savings was set for 2017/18 which reflected slippage in targeted savings for previous years.	250	152	184	175	Continuing inflationary pressures are such that it is challenging to secure budget reductions as contracts are being re-tendered.  Contract savings have been made or are planned for 2017/18 which impact on the Capital Account and the Housing Revenue Account.
Transformation Savings – Customer Services	A target of £0.295 million of savings was set for 2017/18 which reflected slippage in targeted savings from previous years and also an additional target for 2017/18.	114	180	235	239	The shortfall in delivery will be delayed until 2018/19.
Transformation Savings – Tactical Reductions in contracted hours	The target of £0.150 million will not been achieved in 2017/18	150	150	150	150	Progress in taking forward a voluntary reduction in hours initiative and promoting flexible retirement options have been delayed.
Scottish Government Grant	The distribution of amounts withheld by the Scottish Government when the budget was set is in excess of Midlothian's expected share.	0	(500)	(750)	(766)	No additional costs are associated with the higher than anticipated distribution.
Council Tax Income	A continued growth in Band D equivalents results in a higher than budgeted Council Tax yield.	(250)	(400)	(400)	(453)	The continued growth in Band D equivalents will be factored into Council Tax income budgets for future years.
Central Costs	The bad debt provision is recalculated on an annual basis and has reduced since 2016/17.	0	0	0	(160)	Gross sundry debt has reduced and the anticipated collectability of some of the remaining debt has improved.
	The provision for outstanding Insurance claims has reduced since 2016/17.	0	0	0	(34)	The expected settlement cost to the Council of existing insurance claims is based on the loss adjustors assessment of the likely settlement cost of each claim.
Investment Income	The dividend received from the Council's investment in Lothian Buses was higher than budgeted.	0	0	0	(71)	The 2018/19 budget was revised to reflect 2017/18 dividend levels.

**Housing Revenue Account  
Revenue and Capital Final Outturn 2017/18 and Capital Plan 2018/19 -  
2022/23****Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

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

- The final outturn position for 2017/18 for both the Housing Revenue Account (HRA) Capital Plan and the Revenue Account;
- A revised capital plan for 2018/19 to 2022/23 reflecting the carry forwards from 2017/18.

**2 Background****2.1 Capital Plan 2017/18**

The Capital Plan reported to Council on 13<sup>th</sup> February 2018 allowed for investment of £12.722 million in 2017/18. A carry forward of £2.053 million to 2018/19 will be required, as shown in Appendix 1 due to:-

- Delays in the tendering process and various remediation works of £2.100 million for Phase 2 of New Social Housing;
- Continuing Solar Panel Investigation works for Phase 1 New Social Housing of £0.102 million;
- General slippage in New Social Housing Phase 3 of £0.076 million.

Offset by:-

- General acceleration of Central Heating Systems upgrades, SHQS repairs and Buybacks resulting in budget to be brought forward from 2018/19 of £0.066 million, £0.151 million and £0.007 million respectively.

There is an underspend of £0.096 million against the revised budget of £10.668 million, as shown in Appendix 1, due to:-

- Mortgage to Rent Cases not proceeding resulting in an underspend of £0.134 million offset by a reduction in the subsidy received of £0.064 million;
- Additional Scottish Government subsidy received for Phase 2 New Social Housing Sites of £0.177 million;

- A reduction in Council Tax income received on Second Homes. The drop from previous years is likely to be due to the introduction of the levy on long term empty properties.

The variations explained above result in a reduction in borrowing against the budget of £5.714 million of £0.135 million for the year.

## **2.2 Revenue Account 2017/18**

The underspend reported to Council on the 13<sup>th</sup> February 2018 was £1.591 million. This has reduced by £1.076 million to £0.515 million, as shown in Appendix 2. This is primarily due to:-

- Revision of the methodology for apportioning interest costs associated with external borrowing between the General Fund and HRA has resulted in a higher interest charge to the HRA which now exceeds budget by £0.623 million.

External Advice from the Council's Treasury Consultants recommend that the Council consider revising the methodology used to apportion interest costs associated with borrowing. The rationale for this was founded upon the relative certainty of the HRA Capital Plan compared to the General Services Capital Plan and longer term borrowing decisions that have been made in line with this.

- Rent arrears were higher than anticipated due to Universal Credit therefore the increase in the provision for bad and doubtful debts is £0.284 million higher than originally expected.

Offset by

- Lower demand for High Value repairs due to continuing SHQS investment in existing housing Stock resulting in an underspend of £0.828 million, which is an increase of £0.321 million from Quarter 3.

The HRA reserve balance is £33.862 million at 31<sup>st</sup> March 2018. The longer term financial projections demonstrate that the majority of this will be required to finance existing investment commitments to 2031/32.

## **2.3 Capital Plan 2018/19 – 2022/23**

The capital plan has been updated to reflect the carry forwards from 2017/18 and is detailed in Appendix 3. A fuller review of the Capital Plan and other potential investment plans will be completed over the summer and reported to Council later in the year.

## **3 Report Implications**

### **3.1 Resource**

There are no direct resource implications arising from this report.

## 3.2 Risk

The principal risks are around the issue of affordability, ensuring that the investment in new build and the existing stock can be made without having to impose unacceptable increases on weekly rents.

Whilst the HRA reserve balance is £33.862 million at 31 March 2018, the longer term financial projections demonstrate that the majority of this will be required to finance existing investment commitments.

## 3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

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

## 3.4 Impact on Performance and Outcomes

This report links to the Corporate Priority 1a. "Provide quality, affordable housing including increasing homelessness accommodation".

## 3.5 Adopting a Preventative Approach

There are no issues arising directly from this report.

## 3.6 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

## 3.7 Ensuring Equalities

There are no equality issues arising directly from this report.

## 3.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

## 3.9 IT Issues

There are no IT issues arising directly from this report.

## 4 Summary

The summarised financial performance for 2017/18 is:

- Capital Investment in the year totalling £10.572 million;
- A net underspend of £0.515 million on the Revenue Account;
- An HRA reserve at 31<sup>st</sup> March 2018 of £33.862 million.

Council is recommended to note the contents of this report.

**Date 21<sup>st</sup> May 2018**

**Report Contact:**

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



## HOUSING REVENUE ACCOUNT CAPITAL PLAN 2017/18

	Approved Budget 201718 £'000	Carry Forward to/from 201819 £'000	Revised Budget 201718 £'000	Final Outturn £'000	Variation (Under)/Over £'000
<b>FUNDING</b>					
Net Receipts from Sales	2,075	0	2,075	2,056	(19)
Grants					
-Incentivising New Build	1,025	0	1,025	1,202	177
-Mortgage to Rent	114	0	114	57	(57)
-Buy Backs Funding	280	0	280	280	0
Council Tax on Second Homes	150	0	150	86	(64)
Developer Contributions	1,310	0	1,310	1,312	2
Borrowing Required	7,768	2,054	5,714	5,579	(135)
<b>TOTAL AVAILABLE FUNDING</b>	<b>12,722</b>	<b>2,054</b>	<b>10,668</b>	<b>10,572</b>	<b>(96)</b>

	£'000	£'000	£'000	£'000	£'000
<b>APPROVED EXPENDITURE</b>					
New Build Houses Phase 1	51	102	(51)	(51)	0
New Build Houses Phase 2	5,564	2,100	3,464	3,464	0
New Build Houses Phase 3	550	76	474	474	0
Buy Backs	855	(7)	862	862	0
Aids & Adaptations	400	0	400	373	(27)
Homelessness - Mortgage to Rent	224	0	224	90	(134)
Homelessness - Pentland House Refurbishment	550	0	550	601	51
Homelessness - Jarnac Court	0	0	0	13	13
<b>Scottish Housing Quality Standard</b>					
-Kitchen Replacement	2	0	2	2	0
-Upgrade Central Heating Systems	800	(66)	866	866	0
-Sanitary Ware Replacement Programme	252	0	252	252	(0)
-SHQS Repairs	3,474	(151)	3,625	3,625	0
<b>Total Expenditure</b>	<b>12,722</b>	<b>2,054</b>	<b>10,668</b>	<b>10,572</b>	<b>(96)</b>

# MIDLOTHIAN COUNCIL

## HOUSING REVENUE ACCOUNT 2017/18

## Appendix 2

	Revised Budget	Projected Outturn	Variation (Under)/Over
Average No of Houses	6,992	6,985	(7)
	£000's	£000's	£000's
<b>Repairs and Maintenance</b>			
General Repairs	6,307	5,479	(828)
Decant/Compensation	41	52	11
Grounds Maintenance	604	625	21
	<b>6,952</b>	<b>6,156</b>	<b>(796)</b>
<b>Administration and Management</b>	4,934	4,829	(105)
<b>Loan Charges</b>	9,478	10,101	623
<b>Other Expenses</b>	2,924	2,603	(321)
<b>TOTAL EXPENDITURE</b>	<b>24,288</b>	<b>23,689</b>	<b>(599)</b>
<b>Rents</b>			
Houses	26,712	26,415	297
Garages	556	556	0
Others	614	827	(213)
<b>TOTAL RENTS</b>	<b>27,882</b>	<b>27,798</b>	<b>84</b>
<b>NET EXPENDITURE/(INCOME)</b>	<b>(3,594)</b>	<b>(4,109)</b>	<b>(515)</b>
<b>BALANCE BROUGHT FORWARD</b>	<b>(29,753)</b>	<b>(29,753)</b>	<b>0</b>
<b>BALANCE CARRIED FORWARD</b>	<b>(33,347)</b>	<b>(33,862)</b>	<b>(515)</b>

## HOUSING REVENUE ACCOUNT CAPITAL PLAN 2018/19 - 2022/23

	Proposed Budget 2018/19 £'000	Proposed Budget 2019/20 £'000	Proposed Budget 2020/21 £'000	Proposed Budget 2021/22 £'000	Proposed Budget 2022/23 £'000
<b>FUNDING</b>					
Net Receipts from Sales	0	0	0	0	0
Grants					
-Incentivising New Build	3,363	1,311	9,405	11,001	6,498
-Mortgage to Rent Subsidy	114	114	114	114	114
-Buy Backs Funding	1,440	1,760	0	0	0
Council Tax on Second Homes	154	158	162	166	170
Developer Contributions	0	0	0	0	0
Borrowing Required	37,768	50,617	44,953	41,397	22,889
Borrowing Approved in Revenue Budget					
<b>TOTAL AVAILABLE FUNDING</b>	<b>42,839</b>	<b>53,960</b>	<b>54,634</b>	<b>52,678</b>	<b>29,671</b>

	£'000	£'000	£'000	£'000	£'000
<b>APPROVED EXPENDITURE</b>					
New Build Houses Phase 1	102	0	0	0	0
New Build Houses Phase 2	17,644	15,411	5,355	483	0
New Build Houses Phase 3	11,151	13,553	8,149	5,744	431
New Build Houses Phase 4	0	4,370	31,350	36,670	21,660
Buy Back Properties	5,138	6,160	0	0	0
Aids & Adaptations	410	420	431	442	453
Homelessness - Mortgage to Rent	224	224	224	224	224
Bonnyrigg District Heating Scheme Boiler	0	1,300	0	0	0
Environmental and Fire Safety Improvements	0	2,000	2,000	2,000	2,000
Temporary Accommodation Provision	0	2,000	2,000	2,000	0
Scottish Housing Quality Standard					
-Upgrade Central Heating Systems	1,432	1,536	1,590	1,629	1,417
-Future Works	6,738	6,986	3,535	3,486	3,486
<b>Total Expenditure</b>	<b>42,839</b>	<b>53,960</b>	<b>54,634</b>	<b>52,678</b>	<b>29,671</b>



**Draft Capital Investment Strategy****Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

To introduce a draft of the Council's first Capital Investment Strategy to support early consideration by elected members.

**2 Introduction**

As part of the continued development of the Council's strategic financial planning and in line with best practice a draft Capital Investment Strategy covering a ten year period has been developed for the Council. This is at a higher level than the existing five year Capital Plans which are already in place for both General Fund Services and Housing Revenue Account (HRA) and over time it is expected that many of the projects will move into those more detailed plans and be fully costed and fully funded.

It is difficult to fully anticipate the local authority environment over such a long period so an element of the strategy represents aspiration and expectation rather than certainty particularly given the affordability gap for the projects currently identified and costed.

**3 Background**

Whilst the Council has in place a five year Capital Plans for both General Fund Services and HRA there has been no mechanism to capture the wider and longer term investment in the Council's asset base and in particular to set out the investment required to align with the longer term time horizon of the Midlothian Local Development Plan.

The draft Capital Investment Strategy is based on the themes of the Midlothian Local Plan and identifies the investment required to achieve outcomes over a ten year period through to March 2028.

The Capital Investment Strategy is structured around the key themes of Sustainable Growth, Getting it Right for Every Midlothian Child, Adult Health and Integrated Social Care, Community Safety and Improving Opportunities in Midlothian. In addition a general theme for Council Service Provision has been included. Under each of these themes, projects and developments have been identified which will most closely support the achievement of future outcomes.

The strategy even at this draft stage is a key document in the Council's overall financial strategy linking to the five year Capital Plans and the strategy for the revenue budget. It is also key in the Council's overall strategy in that it integrates with the delivery of the infrastructure required for the Midlothian Local Development Plan and delivery of the Strategic Housing Investment Plan (SHIP) and the associated Rents Strategy.

It demonstrates a recognition of the significant resources required to deliver the vision for the Council and is a mechanism for indicating the longer term funding requirements and to support the prioritisation of investment.

One of the essential parts of the overall strategy is the Edinburgh and south East Scotland Region City Deal which will underpin key infrastructure projects for the A720 City Bypass and A701/A702 as part of the Easter bush development.

Amongst the other key priorities set out in the draft strategy are continuing development of both the school estate and the housing estate across the Council. It is recognised that work is ongoing to develop a Waste Strategy which may have a capital investment requirement which is currently unknown. Any further investment demands such as this will be picked up and considered in the proposed refresh of the strategy.

In developing the draft strategy and taking cognisance of the affordability gap it is clear that a number of potential projects will only be able to be progressed if they can be delivered on a spend to save basis (i.e. where income or cost savings more than offset the cost of funding the investment) or where they can be delivered on a cost neutral basis. This includes projects such as Dalkeith town centre redevelopment and master planning proposals for Newtongrange and Stobhill.

## **4 Report Implications**

### **4.1 Resource**

The draft Capital Investment Strategy spans a ten year period and is intended to reflect the Council's ambition over that period. It sets out the longer term expenditure and funding and the borrowing implications of these.

Including projects already included in the approved Capital plans the draft strategy incorporates projects with an estimated total value of £852 million, £586 million for General Fund and £266 million for HRA. The HRA element is fully funded, principally by borrowing supported by future year's rental income.

The position is more challenging for General Fund where the initial indications based on projected funding and affordable borrowing together with a range of assumptions set out in the Capital Investment

Strategy itself highlight an affordability gap at this point of £102 million (or 17%). Work will continue over the summer to further refine the assessments but the extent of the funding gap means that Council will need to prioritise projects which in turn may require some of the projects in the draft strategy to be dropped or progressed by other means.

Ideally the Council will want to have in place an affordable and deliverable ten year Capital Investment Strategy which can then be fully reflected in the regular update of the Council's rolling five year Capital Plans.

#### **4.2 Risk**

The Capital Investment Strategy mitigates against the risk of capital investment not being aligned to the delivery of the Council's priority outcomes.

#### **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**

The draft strategy supports the delivery of all of the Single Midlothian Plan's priorities.

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

Sustainable investment in the asset base is essential to service performance and delivery of outcomes.

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

Sustainable investment in the asset base is essential to securing a preventative approach.

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

At this time only, the Council's Management Team have been consulted and are in agreement with the content of this report. The draft strategy reflects the essential infrastructure arising from the Strategic Housing Investment Plan and Local Plan, both of which were subject to extensive consultation.

#### **4.8 Ensuring Equalities**

The Integrated Impact Assessment completed for the strategy identifies a range of positive benefits associated with the development of the strategy and the projects it contains.

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

Sustainable investment in the asset base is essential to supporting sustainable investment.

#### **4.10 IT Issues**

The draft strategy includes investment to sustain the Council's digital asset base.

### **5 Summary**

The draft Capital Investment Strategy attached sets out the longer term capital investment priorities and funding source for the Council over the next ten years.

It is presented in a draft to allow fuller consideration by members over the summer with a view to holding a seminar of Council before the finalised strategy is presented to Council in October 2018.

### **6 Recommendations**

It is recommended that Council:-

- a) Welcomes the draft Capital Investment Strategy attached to this report;
- b) Notes the affordability gap for General Fund services;
- c) Agree to a seminar of Council to consider more fully the strategy before it is finalised and presented to Council on 2 October 2018 for approval.

**Date: 8 June 2018**

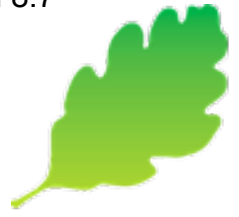
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**Background Papers:**





# CAPITAL INVESTMENT STRATEGY 2018 - 2028

Midlothian

A Great Place to Grow

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June 2018

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## Foreword

The South East of Scotland is recognised as a key area for economic and population growth within Scotland with Midlothian Council projected to be the fastest growing Council in Scotland.

Population growth in Midlothian over the next 10-15 years will see Midlothian's 0-15 year's population increase at 20% and the 75+ year's population increase at 100% between 2014 and 2039. Failure to resource and plan for these rises will significantly impact the Council's ability to fulfil its statutory obligations in relation to these age groups and the needs of the whole community.

This growth brings opportunities and supports the Council vision of being 'A Great Place to Grow'. As a growing Council this brings the opportunity to redevelop parts of Midlothian, improve infrastructure with a focus on area targeting, improving economic opportunities, improving education and health outcomes.

This growth creates the opportunity to meet the housing need with 25% of new homes being built in the affordable housing sector, in addition to the expansion in Council House building. This construction will also directly support employment in construction. Wherever possible, new housing will be located close to good community facilities, shops and employment opportunities, with efficient and high quality public transport connections. New development shall be of high quality, balancing a desire for good contemporary design with respect for the area's heritage. The established community will benefit as much as possible from growth, through new affordable homes, enhanced employment prospects, improved facilities and the development of green networks with opportunities for leisure and recreation. Midlothian will continue to have a close relationship with the capital city for employment and services, supported by improvements in transport provision, not least Borders Rail. The natural and built environment will be protected and be an attraction and inspiration to its communities and visitors alike.

Recognising its responsibilities to both existing and new residents, Midlothian Council will work with its communities and partners to ensure that prosperity, quality of life and wider sustainable development principles are central to its planning decisions.

Midlothian Council's targeted investment is in supporting our greatest resource: Midlothian's people. Recent and continuing investment in our school estate is helping to address educational attainment rates and give our young people an opportunity for a great start towards future careers. This Capital Investment Strategy brings together many strands of the Council's activities to build upon our past successes and drive forward in a co-ordinated and achievable manner for the benefit of Midlothian and its citizens.

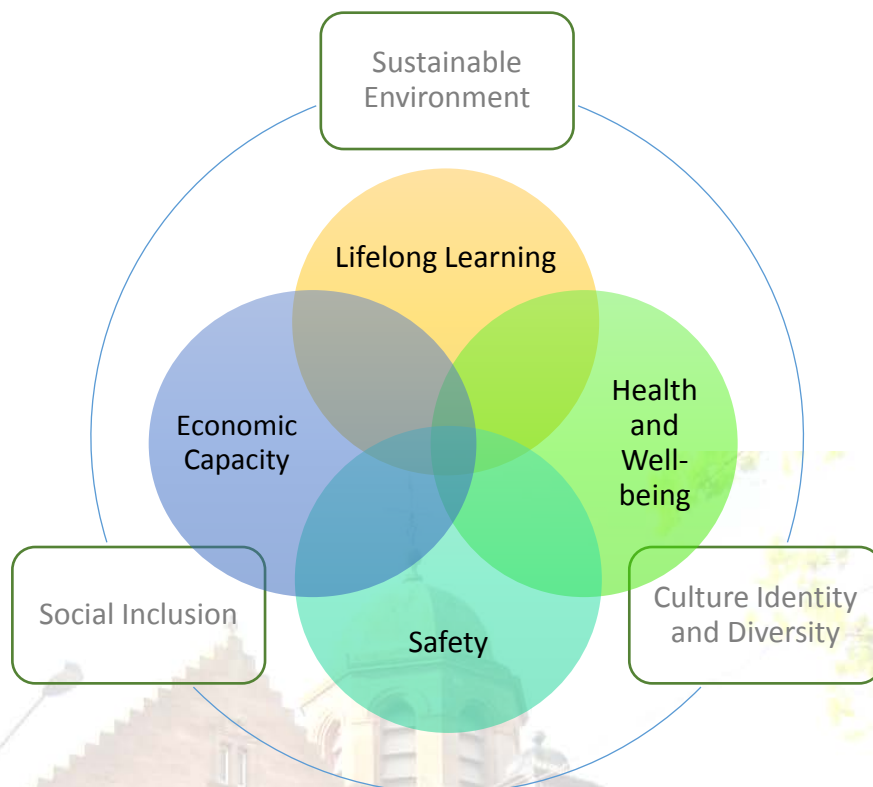






# Midlothian - A Great Place to Grow

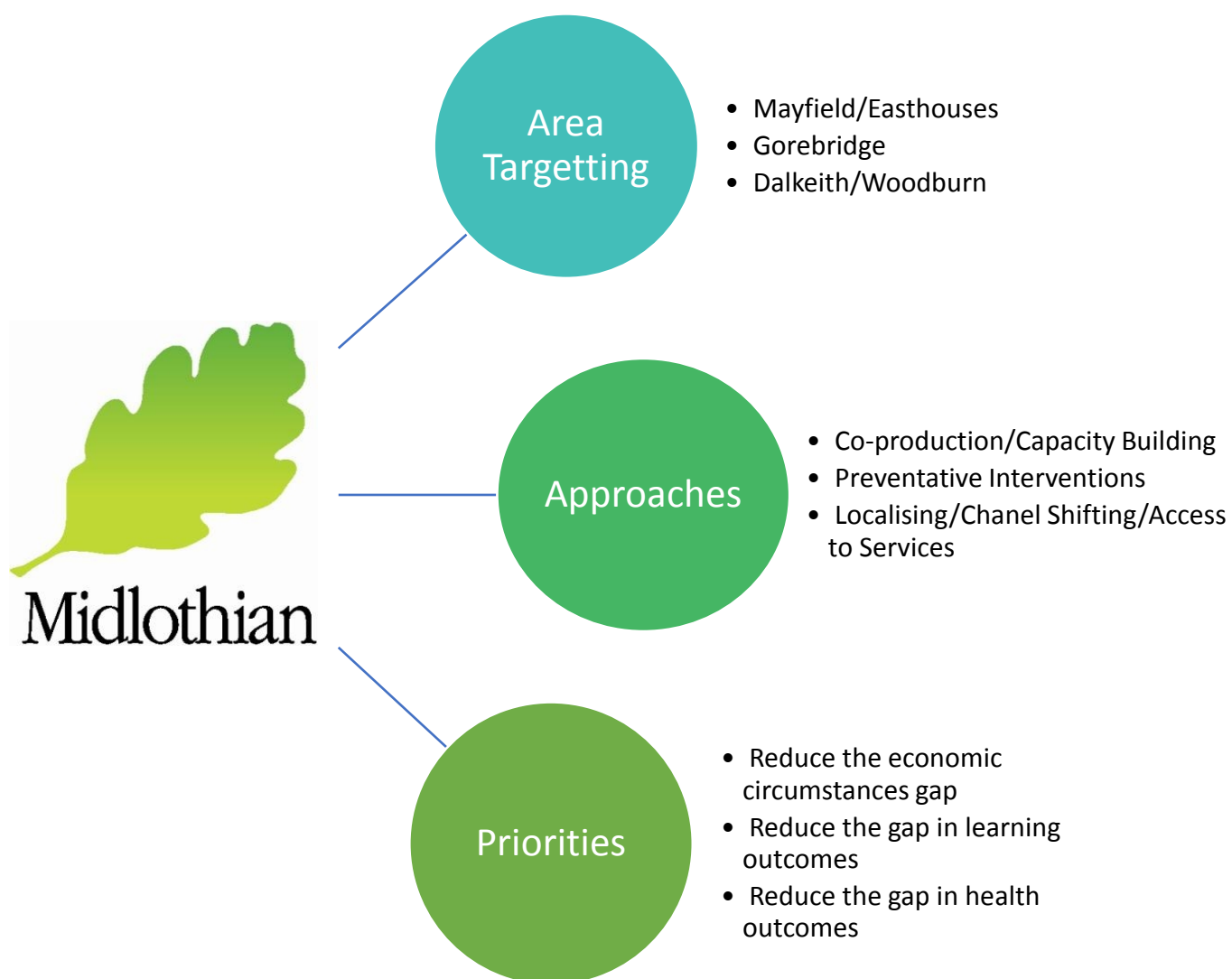
Midlothian has committed to a longstanding aspiration for the area to be framed around Sustainable growth, social inclusion and quality of life. This has underpinned the change seen across the area through the priorities of the Community Planning Partnerships and as reflected in our Single Midlothian Plan. The underlying vision of these partnerships has remained relevant:



## Context and Vision

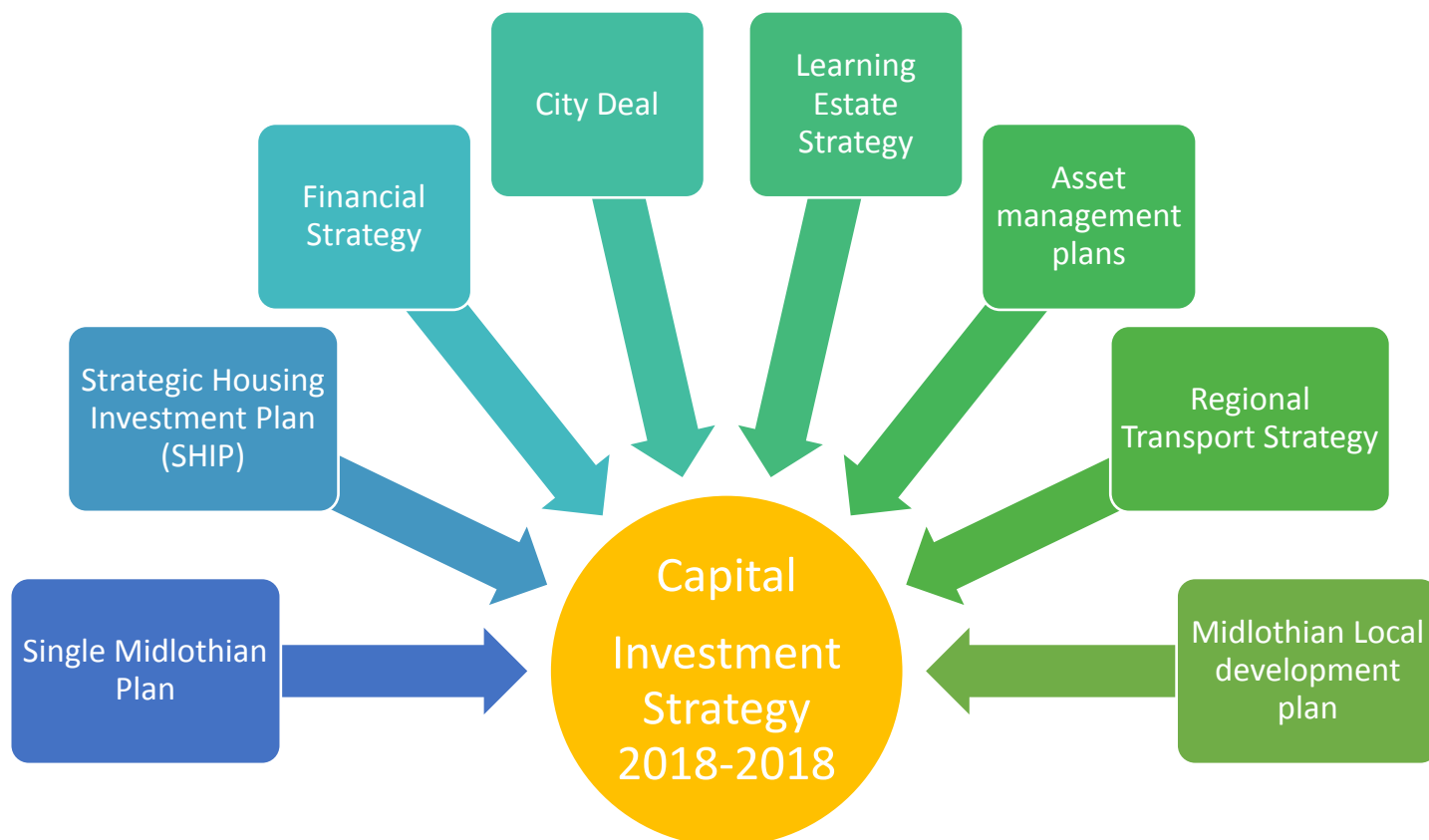
Midlothian Council delivers its priorities through the Community Planning Partnership (CPP) and the Single Midlothian Plan. Taking into consideration evidence regarding the comparative quality of life of people living in Midlothian, it is clear that less well-off residents experience poorer health, have fewer or no choices in how they use low incomes, and also that there is a proven relationship between these factors and their learning. Education is generally the best route out of poverty.

As a result the current top priorities for the Council are set out below in the Map of the Community Planning Partnerships below:



## Context and Vision

As recommended in the Accounts Commission report by Audit Scotland, This Capital Investment Strategy sits centrally within the Council's future planning activities and in doing so has to reflect the demands of each strategy to ensure positive outcomes are achieved at the right time for the maximum benefit to Midlothian.



The Capital Investment Strategy sets out the vision for capital planning within the following Single Midlothian Plan themes:



**Sustainable Growth in Midlothian**



**Getting it Right for Every Midlothian Child**



**Adult Health and Integrated Social Care**



**Community Safety**



**Improving Opportunities in Midlothian**



**Service Provision**



The Sustainable Growth theme's overarching objective will be to contribute to the delivery of the Midlothian Local Development Plan 2017-2027. The Strategic aims being to:

- Implement the requirements of the Strategic development Plan for South East Scotland (SESplan);
- Contribute to the delivery of successive Midlothian Single Outcome Agreements;
- Support the development of a vibrant, competitive and sustainable local economy;
- Safeguard and enhance Midlothian's natural and built heritage, which sustains the quality of life of its communities;
- Response robustly to the challenges of mitigating climate change and adapting its impacts;
- Provide positively for development which secures long-term social, economic and environmental benefits for existing and new residents, and not just short-term gain;
- Identify and implement a Green Network for Midlothian consistent with national and regional green network projects and;
- Help ensure that Midlothian is a welcoming and enriching place to live, work and visit.

Sustainable place-making factors and the wider principles of sustainable development provide the basis for the environmental, social and economic objectives that sit under our Local development plan. These objectives are set out below.



### Social Objectives

- Provide an adequate supply and mix of housing suited to local needs, including affordable housing.
- Secure active and sustainable transport options for existing communities and future growth areas, and promote opportunities for walking, cycling and public transport, including links to shared open spaces.
- Create new and/ or extended communities that are more self-contained with local access to jobs, services and facilities and a strong neighborhood focus.
- Seek agreements and partnerships with developers and agencies to ensure delivery of infrastructure, affordable housing, facilities and environmental enhancement.
- Improve access opportunities to public open space and to Midlothian's countryside.

### Environmental Objectives

- Protect Midlothian's built and historic environment from inappropriate development.
- Avoid coalescence and the loss of community identity. Protect and enhance the countryside and rural environment, the landscape setting of towns and villages, and open space generally.
- Ensure careful integration of new building into the landscape.
- Prioritise the reuse of brownfield land over the development of Greenfield, especially Green Belt, land and the efficient use of land generally.
- Direct new development to locations which minimize the need to travel, particularly by private car.
- Promote sustainable energy solutions where this can be achieved in a manner acceptable in terms of the environment.
- Seek to achieve a high quality of design in all new development, including measures to promote community safety, low and zero-carbon technologies and resilience to the impacts of a changing climate.
- Safeguard and enhance biodiversity and take full account of development impact on the water environment whilst consideration being taken for its improvement.
- Facilitate a reduction in the environmental impact of waste.

## Economic Objectives

- Support Midlothian's growing economy by creating quality and sustainable business locations.
- Deliver Business Gateway support services, and promote local procurement, to encourage the expansion of existing local businesses and the creation of new ones.
- Identify new economic and commercial opportunities to provide local jobs and help reduce out-commuting.
- Seek the early implementation of strategic transport and other physical and digital infrastructure projects, including the roll-out of high speed broadband, and ensure that efficient use is made of existing and new infrastructure.
- Develop and promote tourism with a clear focus on activities, built heritage and the rural environment.

Much has already been achieved in recent years to transform the Midlothian economy and ensure that it is a catalyst for growth in the wider region, and we remain committed to maximising opportunities for inclusive economic growth.

In Midlothian we have an established a number of key sectors including life sciences, healthcare, digital technology and creative industries. More needs to be done, however, to unlock further growth in these sectors and to realise the potential that exists in industries such as energy services and tourism.

### Focusing on Economic Growth

Promoting economic growth is the primary objective of the Midlothian Economic Development Framework and the economic recovery plan, *Ambitious Midlothian*. This recovery plan corresponds to the Scottish Governments Economic Strategy. It is also a central objective of the Community Planning Partnership's Single Midlothian Plan. Midlothian Council seeks to deliver economic benefits by:

- **providing land and supporting the redevelopment of existing sites/ property to meet the diverse needs of different business sectors;**
- **supporting measures and initiatives which increase economic activity;**
- **giving due weight to the net economic benefit of the proposed development; and**
- **ensuring the necessary capacity in the physical and transport infrastructure network is available to enable development.**



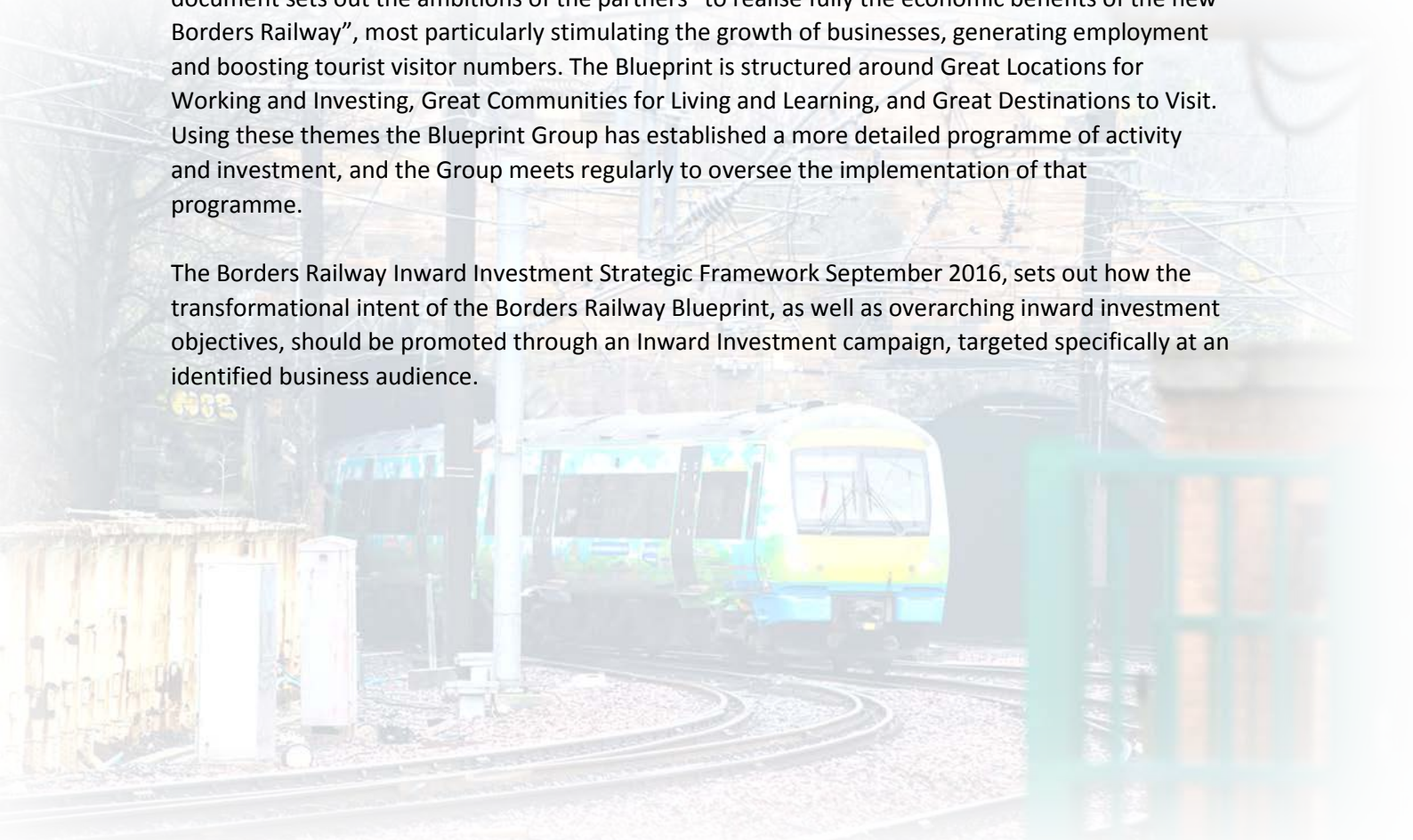
The Borders Railway linking Edinburgh, Midlothian and the Scottish Borders opened in September 2015, the project is a major investment providing additional travel opportunities for the people of Midlothian with four new stations at Shawfair, Gorebridge, Newtongrange and Eskbank. In addition The Borders railway is breathing new life into the economies of Midlothian, the Scottish Borders and Edinburgh, offering fantastic opportunities for Business, investment and employment.

The line provides ready access to education/training at Edinburgh College, Borders College and Queen Margaret University with improved access to the labour markets in Edinburgh and the Borders and is a catalyst for housing growth.

Over the next few years, the Edinburgh city region is expected to see significant economic and population growth, along with rising tourism volumes, a diversifying business base and increased demand for skills. The Borders Railway will help regenerate our priority Communities through which the railway passes.

**“Borders Railway – Maximising the Impact: A Blueprint for the Future”** was published by the ‘Blueprint Group’ of partners comprising Scottish Government, the Scottish Borders, Midlothian and City of Edinburgh Councils, Transport Scotland, Scottish Enterprise and VisitScotland. The document sets out the ambitions of the partners “to realise fully the economic benefits of the new Borders Railway”, most particularly stimulating the growth of businesses, generating employment and boosting tourist visitor numbers. The Blueprint is structured around Great Locations for Working and Investing, Great Communities for Living and Learning, and Great Destinations to Visit. Using these themes the Blueprint Group has established a more detailed programme of activity and investment, and the Group meets regularly to oversee the implementation of that programme.

The Borders Railway Inward Investment Strategic Framework September 2016, sets out how the transformational intent of the Borders Railway Blueprint, as well as overarching inward investment objectives, should be promoted through an Inward Investment campaign, targeted specifically at an identified business audience.



## Borders Railway Corridor Masterplans

Long term provision plans to develop Newtongrange, Stobhill and Lady Victoria are currently being prepared. The aim of these masterplans will be to maximise the economic and community benefits resulting in the opening of the Borders Railway. The masterplans were commissioned jointly by the Borders Railway Blueprint partnership and Midlothian Council.

Extensive consultation took place as part of both masterplans including local residents, businesses, land owners and community Councils.

After a detailed economic Impact Assessment was carried out, the report indicates that the Masterplan outcomes drive a significant financial benefit to Newtongrange and to Midlothian as a whole. The combined effect of both masterplans is a £20.2 million GVA per annum (Gross value add). In addition 447 jobs are estimated to be generated for Midlothian across both Masterplan sites.

### Newtongrange Town centre

The masterplan aims to regenerate Newtongrange village centre which includes provisions for:

- Community Hub and new Church centre at the heart of the village.
- New mixed tenure housing in an accessible location.
- New retail units.
- Enhanced and improved public realm at heart of village
- In doing so seeks to create animation, footfall and strong connectivity to the Station and Mining Museum.

### Stobhill / Lady Victoria

The masterplan provides a heritage lead mixed use regeneration scheme which includes:

- The creation of a tourism orientated commercial/retail development which enhances the rich heritage of the National Mining Museum and complements the town centre retail uses.
- Significant employment opportunities created by retail and commercial space and industrial units
- Provision of mixed tenure residential development of varying sizes and types.
- Focuses on green space with strong pedestrian and cycling routes to the town centre and rail station and the wider area.
- Potential for health centre with essential parking provision, benefitting the wider health catchment area.



## Sustainable Growth in Midlothian

### Edinburgh and South East Scotland City Region Deal

The Edinburgh and South East Scotland City Region comprises the six local Authorities of City of Edinburgh, Fife, East Lothian, **Midlothian**, Scottish Borders and West Lothian. It is one of the most prosperous and productive UK regions and includes Scotland's iconic capital city, recognised worldwide for its culture, history and Architecture.

A key driver for the investment in this deal is the opportunity to address inclusion across the region. However, Prosperity and success is not universal across the region as **21% of children are living in poverty; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skill jobs**. The deal will address these issues, create new economic opportunities, and is expected to provide up to 21,000 new jobs. The region's new skills programme, alongside improved transport and housing provision, will ensure that businesses and communities across the region will benefit and will be given the chance to take advantage of these exciting new opportunities.

The City Region Deal is a mechanism for accelerating growth by pulling in significant government investment. By investing funding in infrastructure, skills and innovation the economic performance will be significantly improved, which will not only generate funds to pay back this initial investment but also draw in significant additional funding from the private sector.

The A701/A702 road improvements including the junction with the A720 City Bypass is a critical part of delivering the Easter Bush development and will benefit from funding through City Deal. The Midlothian Local Development Plan includes proposals for a new road relieving traffic congestion on the existing A701 and to provide a new link road between the A703 and the A702. The existing A701 would be upgraded as a primary route for public transport, walking and cycling, while the new A702 spur road would provide improved access from the strategic road network to the Easter Bush campus.

### Easter Bush Development

The UK Government and the Scottish Government will provide up to £350m of capital funding over a fifteen-year period to support the development of Data storage and analysis technology that will allow large datasets to be brought together, in a secure environment, from public and private sector organisations. This data analysis repository will allow the development of new products and services within key sectors. It will be based at the University of Edinburgh's UK's National Supercomputer Centre at Easter Bush in Midlothian and will be connected to a region-wide Internet of Things (IoT) network. Five research, development and innovation sectoral hubs across the regions will draw on the data repository and support activity in key sectors including a Scaled-up incubation space for bioscience businesses and specialist facilities at **Easter Bush Midlothian**, delivering alignment with the Roslin Institute's research excellence in agritech and extensive industry partnerships.

The business and major science-based academic, research and manufacturing facilities based at Easter Bush will not only enhance the economy of Midlothian and the wider region but will also be a make a crucial contribute to the Scottish economy.

## Sustainable Growth in Midlothian

### Midlothian Campus of Edinburgh Science Triangle

Biotechnology and bioscience are identified by the Government as having significant potential for economic growth and job creation. The development of this sector in Midlothian is focused around The Midlothian Science Zone in the A701 Corridor where a specialised science, research and technology cluster incorporates six out of the eight science parks and research facilities that comprise the Edinburgh Science Triangle. Within the cluster, the Midlothian BioCampus (Gowkley Moss), Scotland's first dedicated national bio-manufacturing campus, was recently designated as one of the five life science Enterprise Areas in Scotland, demonstrating the importance of this sector in this location and providing a further impetus to growth prospects in the A701 Corridor. Development of the sector is locally, strategically, nationally and internationally important and it is therefore a priority of the Midlothian Local development Plan to protect and promote its growth in this locality.

Enterprise Areas were established by the Government to stimulate key sectors of the Scottish economy and create jobs. A range of incentives are available, including discounted business rates (up to 100%); enhanced capital allowances for investment in plant and machinery; a streamlined planning application process; high speed broadband connections; international promotion and marketing; and skills and training support. The MLDP acknowledges the Enterprise Area as a positive intervention in the promotion and development of bioscience facilities at The Midlothian Science Zone. Through *Ambitious Midlothian*, it is promoting the creation of a Business Improvement District (BID) at The Midlothian Science Zone to enhance collaboration between companies and to market the area as a bioscience location.

There have been significant investments at The Midlothian Science Zone in recent years such as the University of Edinburgh's Royal (Dick) School of Veterinary Medicine (including the small and large animal teaching hospitals) and the Easter Bush Research Consortium. A *Bush Framework Masterplan* has been prepared through partnership working to help guide future development on the site, and investment in the infrastructure required to maximise its growth potential.



## Destination Hillend

A business plan is currently being developed to transform Midlothian's Snowsports facility into a year round tourist attraction. The proposals for **"Destination Hillend"** represent a significant expansion of the existing Snowsports centre which is anticipated to generate significant revenues from the investment and also secure the centres future as a centre of excellence for artificial skiing and snowboarding. The development located on the northern slopes of the Pentland Hills is an important asset as a recreational and educational resource utilised by many local schools and host to competitions of an international standing.

Proposals for this exciting development include accommodation, related retail and restaurant facilities to support the centre.





## Sustainable Growth in Midlothian

### Operational Property Portfolio

The Property and Facilities Management team delivers suitable and efficient operational property for the delivery of Council services including offices, community centres, libraries, residential care homes and depots. A strategic capital investment plan ensures that appropriate capital investment is made in the operational property portfolio to provide and maintain high quality, safe, suitable and energy efficient premises. Major capital investment is also made in the school estate to deliver new build and refurbished educational facilities.

Capital investment in the ongoing property rationalisation programme ensures operational properties are operating efficiently. Through intensification of use of these properties other properties have become surplus to requirement. These surplus properties are sold, transferred to the community via the community asset transfer process or demolished. Capital investment on property rationalisation has, and will continue, to reduce the Council's property costs.

Our Property Assets team will continue to work on maximizing the utilisation of the Council's property portfolio including progressing sites for the building of additional social housing. This will stimulate new business and attract employment opportunities to Midlothian.

### Building Energy

Energy consumption across the entire Midlothian Council buildings portfolio continues to be monitored on a monthly basis. Accurate monitoring capacity has been further enhanced due to an extension in the number of automatic read meters installed and improvements in data capture enabling remote monitoring of the meter readings by the Council's Energy Team. Further smart meters, capturing gas supplies in a number of buildings have been progressed, and more are planned for the years ahead.

There has been a two year light replacement programme in the majority of schools.

Building asset rationalisation under the EWIM project through the closure, demolition and selling of properties have had a beneficial effect on energy consumption resulting in fewer emissions.





## Our Place – Environmental Quality

Midlothian's Country Parks situated at Hillend, Dalkeith, Vogrie and Roslin Glen play an important role in providing outdoor recreation in locations that are in relative close proximity to Midlothian's towns and villages. They provide for more concentrated and intensive recreational use than other parts of Midlothian's countryside and are key destinations in terms of the Midlothian Green Network. The Capital Strategy incorporates a provision for the replacement of play equipment in at Vogrie and other parks throughout the county.

In addition we will continue the restoration of our green space to provide a framework which both enhances Midlothian's image and thus making Midlothian an attractive and vibrant place to visit, while at the same time creates an environment which contributes to the health and wellbeing of our citizens.



## Green Spaces

There is strong evidence for the health and wellbeing benefits from “green exercise” - a term which encompasses ways of using the outdoor and contact with nature to foster better health. This covers activities including walking, cycling, gardening, volunteering outdoor learning and play as well as just enjoying being in the green environment and nature.

**There are a number of key areas which we will deliver:**

- Improve the quality of parks and open space through design to encourage use and maximize the potential to enhance health and well-being.
- Link into the school estate in terms of maximizing play opportunities and open space management. Including Outdoor play equipment at Rosewell and Gorebridge.
- Develop a Green Health Partnership with key stakeholders including Scottish National Heritage and Forestry Commission etc. in order to promote a number of initiatives including green prescribing and influence facility design of open spaces and parks.
- Core path and Green Circular Development to encourage walking and cycling etc.
- Develop our Sport and Leisure Activity Strategy
- Deliver specific projects in relation to active lives, play and sport including the installation of Outdoor Fitness equipment at King George V Park. Specific projects include the refurbishment of Play areas across Midlothian.





## Sustainable Travel & Transportation

The Midlothian Council Travel Plan 2017/21 demonstrates how Midlothian Council has applied national, regional and local policy to its own operations, in support of transport policy across Scotland. Occupying a key location in Scotland's Central belt, and as a result of its location next to Edinburgh, Midlothian is subject to substantial growth pressures. One of the key issues that emerged at the consultation stage for the Council's Local Transport Strategy (LTS) is the potential for this to ultimately damage the local economy and environment. As the largest employer in Midlothian, travel connected with the Council's operation has the potential to exacerbate or ameliorate this situation.

Midlothian Council is a member of SEStran, one of 7 regional transport partnerships in Scotland 2008-2023. In 2008 the Regional Transport Strategy (RTS) was submitted to Scottish Ministers for approval. It forms a blueprint for transport development in South East Scotland for the 21st century and sets out core work for the next 15 years. The RTS outlines a commitment to the development of travel plans by its local authority members and others. To support the RTS in the delivery of travel plans, SEStran has produced a travel plan strategy with the following aims:

- to increase use and awareness of travel plans in the SEStran region.
- to increase the use of Tripshare Sustran, a web-based system encouraging car sharing.
- to promote sustainable transport more generally (especially where of relevance to travel plans).

Midlothian Councils Travel Plan supports the following strategic actions and obligations on:

Outcomes and priorities for the Council and its partners in the Single Midlothian Plan include environmental limits are better respected in relation to waste, transport, climate change and biodiversity. People are able to look after and improve their own health and wellbeing and live in good health for longer. Investing in our people and our infrastructure in a sustainable way.

Climate Change (Scotland) Act 2009 – The Scottish Government has set an overall target of at least an 80% reduction in Scotland's carbon emissions by 2050, with an interim target of at least 42% reduction by 2020.

The Council is a signatory to Scotland's Climate Change Declaration, which commits to achieving a significant reduction in greenhouse gas emissions from its own operations, including travel and transportation.

Midlothian Council has also been working to promote the health of employees in a variety of ways through the Healthy Working Lives Scheme. Travel and transportation are a priority in the Council's Healthy Working Lives Statement of Intent in relation to the environment. In 2013, the Council achieved its first Gold award which has been renewed in 2016. This Travel Plan contributed to achieving that award.



The Lothian Joint Physical and Complex Disability Strategy recognises that disabled people require an accessible environment. This Travel Plan contributes to maintaining and improving accessibility for disabled people and the wider community in terms of our own operation, whilst reducing environmental impacts.

City deal will deliver major investments to ensure that the regions are served by world class infrastructure. The SESplan cross boundary study of the region has helped to show where transport investment will be most effectively targeted. The Scottish Government will invest up to £120m to support improvements to the A720 City Bypass principally for the grade separation of Sheriffhall roundabout.

The A701/A702 construction scheme and junction with the A720 will also receive funding through City Deal as part of the Easter Bush development. The Midlothian Local Development Plan includes proposals for a new road relieving traffic congestion on the existing A701 and to provide a new link road between the A703 and the A702. The existing A701 would be upgraded as a primary route for public transport, walking and cycling, while the new A702 spur road would provide improved access from the strategic road network to the Easter Bush campus.

We will continue to work with the City Deal partners, Transport Scotland and SEStran to bring forward proposals to consider the best option to ensure sustainable modes of transport contributes to improving the environment and reducing congestion. We will look to invest in the road network to maintain and improve road safety. Midlothian Council will continue to work with other organisations (transport and economic development related) to improve Midlothian's connectivity to the rest of Scotland and beyond.

## Sustainable travel – Midlothian's Local transport Strategy

Through Midlothian Council's Local transport strategy, we are seeking to develop an active travel network to promote sustainable travel and give priority to walking, cycling and public transport initiatives and developments over provision for car-based travel. The network will be a combination of existing and planned routes and infrastructure which would include:

- **safer routes to school;**
- **re-prioritised road space to support walking and cycling;**
- **dedicated routes to encourage walking and cycling to work, and for recreation and leisure;**
- **the proposed Midlothian Green Network and Core Paths network;**
- **the integration of new and existing housing and economic development; contributions towards cross-boundary/long distance recreation and commuting routes;**
- **the development and extension of the National Cycle Route Network; and facilities for visitors and tourists.**
- **A continuing provision to replace road surfacing and footways and the replacement of street lighting which has reached the end of its design life.**

## Vehicle Fleet & Plant

A modern Fleet that is fit for purpose and reduces the environmental impact of the councils transport activities plays a vital role in supporting all departments in delivering their operations.

Fleet tracking software continues to assist the Council in maximising the efficiency of its fleet vehicles in operation. Further efficiencies in operation and maintenance of vehicles will be achieved with the move to Hopefield and the introduction of new fleet management software and improved maintenance facilities. The size of the fleet remains under review, ensuring that the number of vehicles in operation is matched with service requirements. Ongoing cycles of fleet vehicle replacement include consideration of environmental credentials and compliance with Euro engine standards. There are 13 electric vehicles in the fleet. The majority of the fleet have Euro 5 engine standards and all new vehicles meet Euro 6 engine standards. Going forward vehicles the latest Euro engine standards will be applied to all new vehicle purchases.





## Recycling & Waste Management – Zero Waste Project

The Council is committed to achieving the targets set out by the Scottish Government in Scotland's Zero Waste Plan and Midlothian is signed up to The Household Recycling Charter. A joint Midlothian/City of Edinburgh Council Recycling and Energy Recovery Centre (RERC) at Millerhill to treat kerbside collected residual waste is currently in the advanced stages of construction. The joint project will aid both Councils meet Zero waste targets and also produce energy for the National grid.

The plant is set to enter full operation in 2019 and will incinerate around 135,000 tonnes of household residual waste and a further 20,000 tonnes of commercial waste every year. It will generate sufficient electricity to satisfy the energy demands of up to approximately 32,000 households. Construction will continue through the rest of 2018 and the two Councils are expected to start delivering waste to the facility at the end of the year to allow the important commissioning and testing phase to get underway.

A separate facility, which takes all of the food waste collected by the partner councils, is already in operation on the neighboring site to the RERC. It is hoped that these new facilities treat both food and non-recyclable waste, creating renewable energy in the process, will help both authorities contribute to the national recycling target of 70% by 2025 and the national landfill diversion target of 95% by 2025.

In addition Midlothian Council is developing a comprehensive waste strategy that will further inform the direction of travel in relation to waste services for the foreseeable future. This will focus on the Household Recycling Charter and associated Code of Practice which the Council is a signatory to, in an effort to ensure that legislative recycling levels can be achieved and that materials separated for recycling continue to be taken by the market.



## Street Lighting

Street lighting provides many benefits to Midlothian including reducing crime and the fear of crime, preventing night time injury or accidents and promoting economic development by supporting a 24 hour economy.

In order to maintain current service levels the Council aims to provide lighting which meets the requirements of a dynamic and modern Midlothian combined with the correct equipment to minimize energy and maintenance demands and to provide a safe and robust electrical infrastructure. The benefits of this will be to reduce energy costs and consumption, carbon usage and maintenance costs as well as reducing light pollution.

LED upgrades have taken place over 25% of the street lighting network. On the more recent upgrades the LED have been dimmed by 30%. A trial is ongoing with lights being dimmed by 10% at 10pm and 50% between 12am-5am. Through capital investment there is an ongoing column replacement programme that replaces the old galvanised steel with aluminium columns with upgrades to LED at the same time. All new housing developments are installing LED lanterns with Central Management Systems. New LED traffic systems are being installed with SELV (safety extra low voltage).

As infrastructure projects expand, and with new developments in technologies we need to ensure that our infrastructure is fit for purpose and most importantly of all, safe for use. To meet these demands, we will invest in further energy efficient LED lighting throughout Midlothian as well as investing in new electrical networks and supporting infrastructure.

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## Roads

The Council recognizes the benefit derived from completing permanent, structurally robust repairs to roads and utilizes a road programme developed in accordance with national asset management standards. The programme sets out to complete preventative maintenance work designed to improve road surfaces prior to structural failure and seal the surface to water ingress while the condition is still suitable for lower depth surfacing interventions.

The rolling maintenance programme aims to balance the benefits of whole life cost extension and the resilience of asset condition to achieve the Councils service standards objectives.

Roads continue to improve opportunities within Midlothian and work with regional/national partnerships in delivering key transport projects including the progress of the A701.



2017 Mid-Year population estimates there are 19,254 children and young people aged 0-17 years living in Midlothian. This represents 21.4% of our total population of 90,090.

Getting it right for every child (GIRFEC) is a national approach in Scotland to improve the outcomes, support and wellbeing of our children and young people by offering the right help at the right time. Midlothian Council and partners have framed long terms outcomes set out as follows:

- **Every child in Midlothian has the best start in life and is ready to succeed**
- **The life chances for Midlothian's children, young people and families at risk have improved**
- **Our people are successful learners, confident individuals, effective contributors and responsible citizens**

An ongoing commitment to delivery of the best possible educational outcomes includes investment in the Primary and Secondary school estates. The Scottish Government's commitment to increasing nursery hours will also drive an increased need for enhanced or new facilities throughout Midlothian.



## Getting it Right for Every Child in Midlothian

### Schools for future

Midlothian remains committed to the creation of a world-class education system, We have developed a **learning estate strategy aimed at delivering Excellence and Equity** by reducing inequalities and delivering improved outcomes for all Midlothian's children and young people. Our focus is on reducing inequalities, improving levels of educational attainment and enabling children with additional and complex needs to access high quality services. The service promotes targeted support towards early years and addresses the key issues which can act as barriers to children achieving their full potential.

To fully implement our ambition to create a world-class education system through excellence and equity the following core principles are embedded into the learning estate strategy:

- Promoting excellence and equity by delivering a more equitable distribution in learning opportunities by ensuring that every one of our children has the right to aim for excellence and to attain excellence in multiple ways
- Interrupting the cycle of poverty by school hubs having a role at the heart of their community to help address the inequalities that reduce life chances;
- Getting it right for every Midlothian child by utilising the school estate to deliver early intervention strategies through, where possible, the co-location of services together with a family learning approach;
- Taking a community based approach to building schools which meet the needs of communities and enhance the lives of all those who live in those communities.

To realise our ambitions for Midlothian's children and young people, we plan to develop our school estate and homes which provide care to some of the most vulnerable children in the area. Our vision is to signal the high value we place on learning and care. We want our schools to be places which people and communities will enjoy using and are proud of;

which are well designed, maintained and managed and which encourage continuous engagement with learning; which are far more than just 'educational establishments' whose quality of environment supports an accessible range of services and opportunities and which enrich the communities they serve and the lives of learners and families.





## First centre for Excellence at Newbattle

Newbattle Community Campus is Midlothian's first centre for Excellence. The campus which opened in May 2018, offers students from across Midlothian the chance to gain digital industry skills from film and video production to programming, coding, games developments, robotics and graphic design.



## Education - Our Key Priorities

**Over the next 10 years our key priorities will be focused in the following areas:**

### Early Years

The Scottish Government has made a commitment to increase funded Early Learning and Childcare provision from 600 hours to 1140 hours by 2020. This requirement has a direct and immediate impact on our estate, and this project is a priority for our capital spend plans.

A detailed plan for the expansion of early learning and childcare from the current entitlement of 600 hours to 1,140 hours by 2020 has been developed. The expansion is being phased in from 2017/18 and will reach full capacity in 2020/21. The plan incorporates Council provisions, partner providers (private, third sector and voluntary nurseries) and childminders, and will offer affordability, accessibility, flexibility and quality to parents and carers. The Scottish Government has confirmed the funding that the Council will receive to support this expansion.

The expansion plan will be iterative and will change as the needs of people who will be parents of 2, 3 and 4 year old children in 2020 are gathered, feasibility studies are carried out and quotes received, recruitment and training of staff progresses, and important guidance on partner providers, childminders and funding follows the child are published by the government. The expansion plan is closely aligned with the Learning Estate Strategy to ensure that learning estate planning takes into account the increased early years provisions required, that the expansion plan takes up the opportunities for efficient use of resources presented by the works required to the school estate in the short term, and is sustainable in the long term.



## Getting it Right for Every Child in Midlothian

### Primary School Estate

The number of primary pupils generated from established housing across the county attending Midlothian primary schools equates to 190 pupils for every 1,000 houses. The number is higher for new housing, which generates between 300 and 470 primary pupils for every 1,000 houses. In recent years we have experienced these higher numbers of pupils coming forward from new housing development in areas such as Bonnyrigg and Mayfield. The effect of this is more rapid pupil growth as a result of new housing than we had originally expected. However we anticipate that when the new developments mature the pupil numbers will eventually fall back to the established primary pupil product of 190 pupils for every 1,000 houses. This presents a challenge for planning the provision of school capacity.

These factors indicate that a newly built development with 1,000 houses would initially generate 470 pupils, if 90% attend a non-denominational school, that would require a two-stream school, however to maintain full use of that school's capacity would require a community with over 2,000 homes.

Midlothian's preferred model of primary school provision has been a two stream school, designed with capacity to accommodate 60 pupils at every stage of Primary 1 to Primary 7, a total of 420 primary pupils. However, in areas of significant growth the learning estate strategy is based on a three-stream model where the population requires this, for example in Bonnyrigg, Dalkeith and Shawfair.

In addition the learning estate strategy cautions against the building of single stream primary schools moving forward. A single stream primary school has the capacity to accommodate 30 pupils at every stage of Primary 1 to Primary 7, a total of 210 primary pupils. It is becoming increasingly challenging to attract Head Teachers to single stream schools and the growing population in Midlothian would mean that a combination of two, but preferably three stream schools would be the model moving forward.

The 2015 census reports that around 10% of Midlothian's population identified themselves as Roman Catholic, while the analysis of pupils attending Midlothian primary schools in 2016 shows that 898 pupils (12.4%) choose to attend a denominational school. Of these only 337 children are Roman Catholic, spread across the seven denominational primary schools in Midlothian.

Using 10% to estimate the number of Roman Catholic children of primary school age equates to 47 denominational pupils for every 1,000 new houses and 23 denominational pupils for every 1,000 established houses. These smaller numbers mean that a newly built community would need to have about 9,000 houses to require a two-stream denominational school, and to maintain full use of that school's capacity would require a community with over 18,000 houses. The numbers required to support a single stream denominational school would be a community with 4,500 newly built homes and the community would need to grow to 9,000 homes to maintain full use of that school's capacity.

A review of denominational school provision is required to establish the best strategy to continue to provide denominational education in Midlothian and further consultation work needs to be undertaken. Officers will progress this review and bring a report back to Council in 2018.

## Secondary School Estate

The numbers of secondary pupils generated from established housing across the county attending Midlothian non-denominational schools equates to 130 pupils for every 1,000 houses. The number is higher for new housing, which we estimate generates between 200 and 330 secondary pupils for every 1,000 houses. These numbers are based on experience to date and on the traditional delivery model for secondary curriculum, which may change as Curriculum for Excellence becomes more established.

The 2013 Scottish School Estate Statistics show that only 1 out of 365 secondary schools has a roll over 1,800 pupils. Using these parameters indicates that for a Midlothian community to be able to sustain a secondary school with no less than 750 pupils, it should have at least 6,000 houses. It also indicates that a community with more than 13,000 houses is going to generate more pupils than would be seen as optimum for one secondary school.

Views from Midlothian's group of secondary school head teachers vary but there is universal agreement that, in the Midlothian context, schools below 750 pupils are undesirable due to the consequent restrictions in curricula choices, and overall sustainability. The group also felt there were benefits in larger schools being able to attract high calibre staff from a wider pool of candidates as a career pathway would lead to a bigger school with more responsibilities and opportunities. There was general agreement that an upper limit of about 1,800 pupils would achieve a reasonable balance.

Therefore this strategy proposes a secondary school estate with schools of no fewer than 750 pupils moving forward and no larger than 1,800 pupils.

## Learning Estate Strategy – Short term requirements

The Councils Learning Estate Strategy which links the Midlothian Local Development Plan to the School estate strategic plan (2017-2045), sets out Midlothian's Short term requirements of our school estates:

Build a three stream replacement Danderhall Primary School, as agreed by Council in February 2017, required for August 2020.

Bring the capacity of Newtongrange Primary School up to two stream, required for August 2021.

Expand Burnbrae Primary School to three stream by building additional capacity at the school campus on Rosewell Road, as approved by Council on 29 August 2017, planned for August 2019.

Enhance core facilities, such as toilets and changing facilities, at Lasswade High School to provide capacity for 1,600 pupils, required immediately.

Build a new primary school in Bonnyrigg on Hopefield Farm 2 housing development site (Hs12), required for 2022.

Build a three stream replacement Lasswade Primary School on a new site, required for 2023.

Extend Rosewell Primary School from single stream to a two stream primary school, required for 2022.

Extend and refurbish Sacred Heart Primary School, including early years' expansion.

Extend Cuiken Primary School to two stream.

Present a report to Council when a potential site has been identified for a secondary school along the A701.

Penicuik High School extension and adaptations.

Extend Bilston Primary School to two stream, required by 2023.

New primary school at Auchendinny to replace Glencorse Primary School, required by 2023.

Extend Strathesk Primary School, one class extension, required for 2022.

Progress the review of denominational school provision across Midlothian and bring a report back to Council in 2018.

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## Learning Estate Strategy – Longer Term requirements

Longer terms requirements for each learning community and the estate to meet the needs of children and young people are set out below:

### Shawfair Cluster

We estimate that house building in **Danderhall and the wider Shawfair area** will increase pupil numbers to over 700 pre-school and 2,450 primary aged pupils.

In February 2017 Council agreed to replace Danderhall Primary School with a new three-stream replacement school on the current school site by August 2020. Additional school capacity is set out below:

- A new Shawfair town centre 3 stream Primary school required by 2024.
- A new Shawfair Newton village 3 stream Primary School required by 2029.
- Additional primary schools required at Cauldcoats by 2034 and at Newton farm by 2038.

## Dalkeith, Gorebridge, Mayfield and Newtongrange

Further extensions will be required in the Dalkeith area with plans to:

- Extend Dalkeith high school to accommodate 400 pupils by 2026.

The development of the new settlement at Redheugh is planned to include a new primary school by 2024 and there are plans to extend St Andrews Primary School to single stream by 2026.

There is no immediate requirement to make a decision in respect of providing additional secondary capacity for the Gorebridge, Mayfield and Newtongrange areas. However, to ensure the Council is not limited in its future options, it has decided that a potential site should be identified and safeguarded for a secondary school to serve the Gorebridge area. In arriving at a decision on how best to provide secondary capacity in the existing Newbattle catchment consideration will need to be given the SIMD of any change in catchment areas and will also need to reflect the overall affordability gap of the Capital strategy and the Learning Estate Strategy in particular.

## Bonnyrigg, Loanhead and Lasswade

We forecast in the longer term the **Bonnyrigg** area will have over 700 pre-school, 2,500 primary and 2,000 secondary pupils. Lasswade High School is a modern, recently built school which opened in 2013. This school is currently at its capacity of 1,480 pupils and occupies a site which could accommodate up to a maximum of 2,000 pupils. The plan is to:

- Extend Lasswade High School to accommodate 1800 pupils by 2028.
- Extend Hawthornden Primary School to two stream by 2025.

## Midlothian's Digital Learning Strategy

Midlothian has a clear vision and strategy for Digital Learning. As a result, Midlothian will take full advantage of the opportunities offered by technology to equip our children and young people with the knowledge and digital skills essential for learning, life and work in the 21st century.

Midlothian's Digital Learning strategy is central to the Council's aim of delivering a world class education system. It is closely aligned with Scottish Government's policy and advice on digital learning and it also articulates with key national and local priorities including:

- Scotland's National Improvement Framework for Education (2016)
- The Scottish Attainment Challenge (2016)
- Midlothian's *Delivering Excellence* programme
- Visible Learning

Midlothian's strategy covers 4 key aspects associated with learning in the digital age Curriculum, learning and teaching; Leadership and professional learning; Digital participation; and Infrastructure.

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## Children's Homes and ongoing support

Local Authorities have a duty to provide accommodation for children in certain circumstances. Most children benefit from remaining locally where they can retain contact with family, friends and school. The Care Inspectorate registers and inspects both residential and foster care provision and care providers are expected to meet the standards in order to retain their registration.

From 1 April 2015, under new provisions in part 11 of the Children and Young People (Scotland) Act 2014, Continuing Care entitles a young person, born after 1 April 1999 and looked after in foster, kinship or residential care, to remain in their care placement up to their 21st birthday. Providing ongoing care and support is challenging and requires investment and collaboration across services to ensure the placement is appropriate to the needs of the young person, and others within their community.



## Conclusion

A well-managed estate of schools and residential houses is of collective value to everyone in our communities. Across our Learning Estate Strategy we aim to deliver schools and residential houses whose conditions support and embrace their functions. This signals to all users that learning and caring for our children and young people is highly valued and therefore our learning and caring environments are priorities for investment for the Education and Children's Services and Midlothian Council.



## Adult Health and Integrated Social Care

Between 2016 and 2026, the population of Midlothian is projected to increase from 88,610 to 100,410. This is an increase of 13.3%, which compares to a projected increase of 3.2% for Scotland as a whole. Midlothian is projected to have the highest percentage change in population size out of the 32 council areas in Scotland.

From 2014-16. Life expectancy in Midlothian is higher than at Scottish average for both males and females. Life expectancy in Midlothian was higher for females (81.4 years) than for males (77.9 years). Male life expectancy has rapidly increased in the last 10 years.

By 2035, the proportion of people in Midlothian over the age of 65 years will have grown to a quarter of the total population. While many older people enjoy good health there will inevitably be increased pressure on health and care services and on unpaid carers.





## Adult Health and Integrated Social Care

### Midlothian Health and Social Care Partnership

The Public Bodies (Joint Working) (Scotland) Act 2014 required NHS Boards and Local Authorities to integrate the planning and delivery of certain adult health and social care services. The Midlothian Integration Joint Board (IJB) was established on 1st April 2016 to plan, oversee and deliver adult health and social care services through the Midlothian Health and Social Care Partnership.

The Midlothian Health and Social Care Partnership consists of Midlothian Council, NHS Lothian, partners from the third sector and independent providers of health and social care services. The main purpose of integration was, and continues to be, to improve the wellbeing of people who use health and social care services, particularly people whose needs are complex and require support from both health and social care services.

**The creation of a new Health and Social Care Partnership provides an opportunity for the most significant change in decades to how health and care is delivered. It is important that we grasp this opportunity to transform service delivery and achieve the Partnership's vision of:**

***“People in Midlothian will lead longer and healthier lives by getting the right advice, care, and support, in the right place, at the right time.”***

**We will aim to achieve this ambitious vision by:**

- placing greater emphasis on supporting people to recover and return home
- working with the whole person
- improving patient pathways
- exploring ways of using new technologies
- working together with carers and local communities
- developing stronger partnerships with a range of public, private and voluntary agencies

The Capital Investment Strategy will support the delivery of these priorities as part of an integrated approach to the provision of health and social care services alongside NHS Lothian and other partners. A Midlothian Health and Social Care Partnership Property Strategy has been developed to inform the capital programme of both organisations as well as the Midlothian Council Housing Strategy.

#### **Key Objectives:**

The H&SC property strategy is intended to ensure that the Integrated Joint Board (IJB) has:

- The capacity to respond to the growing population
- The scope to develop more integrated services
- New housing models to provide more cost effective health and care services
- Buildings which are fit for purpose

## Current property assets delivering social care services

The following buildings are own and maintained by the Council to provide Services for Health and Social care.

- Cherry Road Day Centre for people with Learning Disabilities
- Highbank Intermediate Care Centre for Older people
- Newbyres Residential Care Home for Older people
- Cowan Court Extra Care Housing for Older people

In addition to these properties a range of activities are undertaken in other Council buildings. Weight management groups are held in Leisure Services as is the Midlothian Active Choices programme. Activity groups for people with learning disability use Penicuik Town Hall as well as a number of non-Council buildings – bowling clubs etc. Council libraries provide locally accessible information on a wide range of health and social care issues. They have also become a local supply source for hearing aid batteries and are developing a hearing aid repair service.

## Shared accommodation across Health, Social care and the Voluntary Sector:

The current arrangements for co-location of health and social care staff have been managed on a reciprocal basis with no financial transactions for property costs. The main logistical issue has been the provision of suitable IT access.

- Health and Social Care Headquarters at Fairfield House Midlothian Council
- Mental Health Team at the Old Bonnyrigg Health Centre
- Joint Dementia Team at Bonnyrigg Health Centre
- MERRIT (Rapid Response and Hospital at Home) at Bonnyrigg Health Centre
- Newbyres Care Home which now includes a small nursing team

Staff in the Voluntary Sector from at least 10 local organisations are increasingly co located in health and care settings including Fairfield House, 8 Health Centres and Cherry Road. The appropriate access to IT equipment is vital to making these arrangements effective.

## Current Capital Projects within Health and Social Care

### Recovery Hub

The objective of strengthening links between mental health and substance misuse services led to a bid for capital funding from Midlothian Council. Following a feasibility study funded by NHS Lothian the Council agreed to allocate funding and a project plan is now being developed and implemented which includes IT and telephony as well as organisational development in terms of new ways of working. Following this decision, work is also underway to examine the options for providing more suitable accommodation in Old Bonnyrigg Health Centre for two voluntary organisations-Health in Mind and Women's Aid.

### Outpatient Space

A capital award is enabling outpatient space to be developed/improved in the Medical Centres in Bonnyrigg HC, Eastfield, and Newbattle. A bid is to be submitted to enable the provision of audiology clinics in Midlothian Community Hospital.

### Newtongrange Clinic

Refurbishment of a clinic in Newtongrange is underway to provide a branch surgery for the Newbattle Medical Practice.

### Learning Disability Premises Loanhead

Inpatient premises for people with learning disabilities in Loanhead are the subject of negotiation about adapting them to residential and respite care facilities.

## Future Property requirements for investment

**Intermediate Care:** The gradual expansion of intermediate care facilities in Highbank has proved a key component of the shift towards rehabilitation and consequent reduction in the reliance upon of residential care in particular. However, Highbank was built as a residential home and despite some refurbishment it is not a particularly suitable environment for intermediate care. New build premises are required and, as part of such a development, there would ideally be scope for day care facilities currently located on a short-term basis in the Community Hospital.

**Learning Disability Service:** The development of joint teams has been possible because of capacity freed up in local health centres. The planned recovery hub will allow further collocation of health social care and voluntary organisations. Another service that lends itself to co-location and eventually joint management is Learning Disabilities and, suitable premises have yet to be identified.

**Health Centres:** The projected significant growth in population in Midlothian requires future planning for Health Centre expansion as detailed below. Negotiations continue towards securing Section 75 developer contributions towards the cost of the premises. Similarly, there is likely to be a need for additional dental practice premises although this has not yet been scoped out.

- Shawfair (2023)
- Danderhall practice expansion (2019)
- Newtongrange Clinic replacement (2025)
- Increase Health Centre capacity in Rosewell/South Bonnyrigg
- ePods for observation testing

**Dental Practices:** House-building may reduce access to NHS dental services in Midlothian. There are 16 dental practices across Midlothian offering a combination of NHS and private dental services. There is currently not a reported issue of access to NHS dental services but there is a risk that as the population increases that there will be insufficient capacity for NHS dental services unless the existing dental practice can expand (both staffing and buildings). Further analysis of this is required. If expansion is not possible, the population increase may lead to practices changing their business model and withdrawing from NHS provision as demand for private provision increases. This would widen health inequalities. To mitigate this risk the IJB and NHS Lothian should develop additional dental facilities in Midlothian that would provide NHS dental services. Further work is required with the local dental providers to assess the impact and their ability to absorb population growth.

**Voluntary Sector Hub:** Adult Social Care provides a high proportion of services through contracts commissioned with the Voluntary Sector; 35% of total budget is deployed in this way. A number of services are located in inappropriate accommodation. There are also potential efficiencies to be gained by enabling sharing of reception and back office support services. The development of a Voluntary Sector Hub may lend itself to a cross-Council approach

## Community Safety



Community Safety is essential to the quality of life of people in Midlothian. The Community Safety and Justice Partnership embraces a range of issues including crime prevention; antisocial behaviour; drug and alcohol misuse; domestic abuse; road safety; fire safety and accident prevention. It is about ensuring everyone has the right to live in safe and secure communities, feeling safe and with reduced incidence of crime. The Partnership aims to support and manage offenders in the community in such a way as to reduce re-offending and arrange services so that offenders may access and use them.

The Partnerships' key aim is **to ensure Midlothian is a safe place to live, grow up, work and visit**. To achieve this aim the Partnership works towards the following outcomes:

- Fewer people are victims of crime, abuse or harm
- People feel safe in their neighbourhoods and homes
- Our communities take a positive role in shaping their future

The Partnership focuses on prevention, early intervention and diversionary activity at the same time as providing a problem solving approach to community safety and antisocial behaviour issues. Key to this approach is the recognition that solutions to specific problems are sometimes area based rather than solely issue based.

The Community Safety and Justice Partnership is responsible for driving forward work towards the national priority to achieve safer and stronger communities and reduce reoffending. The partnership links closely and seeks to build on the work of the Scottish Community Safety Network and Building Safer Communities Programme.





Supporting vibrant sustainable communities requires investment in Midlothian's housing and community infrastructure

### Strategic Housing Investment Plan

The Local Housing Strategy (LHS) is a statutory requirement under the Housing Scotland Act 2001. The strategy is the Councils' primary strategic document for the provision of housing and housing related services, and covers a 5 year period. The current strategy covers the period 2013-2017, and is based on an independent housing needs demand study, which has been endorsed by the Scottish Government as being robust and credible. The LHS is embedded in the Council's Community Partnership Planning Framework.

The current Midlothian Local Housing Strategy was completed and submitted to the Scottish Government in 2013. The Scottish Government welcomed the clear links set out in the LHS to Community Planning and the Midlothian Single Outcome Agreement. The links between these documents made clear the aspirational outlook being taken by Midlothian Council to ensure that delivering better housing options contributes to wider community needs such as impacting on community safety, poverty and other social issues. Building sustainable and supportive communities is key to fulfilment of the Council Plan.

**There are three priority regeneration areas identified within the Local Housing Strategy;**

- The A701 corridor
- The A7/A68/Borders Rail Corridor
- Shawfair



In addition to the priority areas for housing investment, it is essential to improve housing choice across neighborhoods to support vibrant sustainable communities. The Council must also ensure provision for the requirements of people with particular housing needs such as fully adapted wheelchair housing and works with the Health and Social Care Partnership to provide for community care needs.

The Local Housing Strategy's strategic vision for housing in Midlothian is that:

**“All households in Midlothian will be able to access housing that is affordable and of good quality in sustainable communities”**

In order that this vision is realised, the Local Housing Strategy must ensure that the following outcomes are realised within the five year period of the Strategy. These outcomes are:

- Households have improved housing options across all tenures.
- Homeless households and those threatened with homelessness are able to access support and advice services and all unintentionally homeless households will be able to access settled accommodation.
- The condition of housing across all tenures is improved.
- The needs of households with particular needs will be addressed and all households will have equal access to housing and housing services.
- Housing in all tenures will be more energy efficient and fewer households will live in, or be at risk of, fuel poverty.

The Strategic Housing Investment Plan (SHIP) is the key statement of affordable housing development priorities within the local authority area. Midlothian Council, together with RSL partners and the Scottish Government have provided affordable or subsidised housing options for 2,414 homes in Midlothian during the last 10 years.

The Midlothian Strategic Housing Investment Plan 2017/18 - 2021/22 identifies the priorities for the development of affordable housing and where development will be undertaken over the next 5 years. It identifies sites for the delivery of 1,441 units during the next 5 years to meet the increasing level of housing need in Midlothian. This will not only ensure best value in the use of resources but also ensure the delivery of the right mix of houses in the most pressured areas.

### [Affordable Housing Investment Priorities 2017/18-2021/22.](#)

In order to identify suitable investment priorities Council Officers have worked with Housing Associations, private developers and it's own Finance, Estates and Construction teams to discuss the level of housing need in the region, the level of demand for different tenures of affordable housing and the mix of suitable house sizes and types in order to agree a five year programme of development.

## Total and Type of Units

- A total of 1,441 new affordable homes are to be built between 2017/18 and 2021/22.
- 475 units will be new Council housing.
- 30 units will be Council purchases bought on the open market which will be rented as council housing.
- 598 units will be RSL Social Rented housing.
- 245 units will be RSL Mid Market rent.
- 93 units will be RSL Shared Equity
- A total of 327 units are to be developed in sub-area A (Midlothian West).
- A total of 1,084 units are to be developed in sub-area B (Midlothian East).
- Most units to be built will be smaller sized properties, in line with the LHS target
- that at least 70% of all new affordable housing units would be 1 and 2 bedroom properties to meet the demand from the Housing List from households requiring
- 1 or 2 bedroom properties.
- A total of 115 units will be built for specialist provision, such as extra care housing for older people.

The Council works with Registered Social Landlords (RSLs) to direct the affordable housing supply programme to meet housing need and demand within Midlothian.

New build Council and Housing Association houses are built in accordance with the current Building Standards and encompass 'greener' standards (high insulation standards, photovoltaics and other energy saving devices) to make them extremely energy efficient, with less carbon emissions and easier to heat, thereby reducing fuel poverty for residents within Midlothian.

The SHIP 2017-2022 has been agreed. This identifies projects for the affordable housing development programme to 2021/22.

The Council will continue to work with the Scottish Government, the Scottish Futures Trust, RSLs and the private sector to provide the widest possible choices of housing and housing tenure.

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## Social Housing Quality Standards (SHQS) and Energy Efficiency Standard for Social Housing (EESH)

All housing projects in Midlothian have maximized and will continue to maximize the opportunities for energy efficiency and reduction in fuel poverty. Both the Council and RSLs are working towards ensuring that properties in Midlothian meet the Energy Efficiency Standard for Social housing (EESH).

In order for the Council to meet current SHQS standards there is provision in The HRA Capital Plan over the next 10 years to 2027/28 for £38.305 million to maintain the housing stock at the SHQS level.

## Community Infrastructure

Where possible allowances will be made in future capital plans to give local communities the opportunity to allocate a proportion of capital spend to address local infrastructure issues.

## The Loanhead Centre Community Development

The £15.4 million facility was developed in partnership with Scottish Future Trust, Midlothian and NHS Lothian through the integrated joint board.

The project delivered a Community Campus incorporating Paradykes Primary School and replacement facilities such as after school/wrap around care, library, medical centre, early year's provision and external work. The site also includes the existing leisure centre and part of King George's field. The development has enhanced the Loanhead area by creating a high quality, community asset comprising an iconic, energy efficient and welcoming campus with associated infrastructure that provides a focal point for the area. The Loanhead Centre was supported with funding from the Scottish Government's Regeneration Capital Grant Fund.



## Service Provision

### Digitally-led transformation/Customer Service

As one of the fastest growing areas in Scotland, Midlothian has a projected population increase of 23.1 % by 2039 compared with 2014. Accordingly the Council cannot support more customers using the current resources, systems and processes.

Customer self-service can help deliver some key services without customers dealing directly with a member of staff and could truly transform the way we deliver services.

We can be a leader in the delivery of online services and there is still significant potential to transform the way we work. Our Digital Strategy Group is currently managing a portfolio of projects, which could help deliver additional online customer services:

- Customer Relationship Management (CRM)
- MyAccount authentication and single sign on
- Online housing applications
- SEEMIS (parent portal)
- Review of online payments provider
- Online payments including School online payments
- Leisure booking and leisure payments

It is recognised that additional components are required to have a complete customer online experience and these include:

- A Customer Portal (where a customer logs on through our website is recognised and can complete a customer journey which is truly a transactional end to end customer journey)
- SEEMIS (parent portal)
- Integration with back end systems (e.g. Council Tax, housing, etc.)

The creation of an agreed roadmap to secure future technical sustainability of our online customer presence will:

- Provide the tools and resources to transform Midlothian into a true 'Digital by Default' organisation
- Maximise efficiencies which can be made from implementing a mature, end to end solution for customers
- Require robust governance through the Customer Service Project Board of a project/programme of work which may span 3-4 years
- Not deliver In-house process efficiencies immediately and will require processes to change to realise savings in time

## Funding Strategy

The Council has ambitious plans for Midlothian. This Capital Strategy details over £841 million of investment projects within Midlothian. Appendix 1 and 2 of this strategy provides an overview of the expenditure, funding, and borrowing associated with these investment projects for general fund and HRA Services.

The following key assumptions have been made in arriving at the expenditure, income and affordability gap set out in appendix 1 &2

- The incorporation of the Loans Fund Review carried out in 2018 which has created significant borrowing headroom for General Fund Projects.
- The General Fund Revenue Budget provision for debt financing is maintained at £7.3m plus population growth
- The current HRA rents strategy
- Government grant projections include a provision for population and inflation growth
- A range of value engineering targets for projects of up to 5% across strands along with a provision for return of contingencies (5%)
- The utilization of the Capital Fund , retaining a £5m capital reserve
- Price inflation (based on the BCIS for Scotland)

The City Deal is a major component of the next decade's projects specifically the Council leading on the A701/2 Project with funding from Developers, City Deal funding from Governments and a Council injection of up to £6.7 million.

General and specific grants from the Scottish Government will continue to underpin the Council's Capital Plan going forward.

Given the affordability gap there will have to be further prioritisation with some projects being dropped and also an increasing emphasis on collaborative and partnership initiatives, whilst also looking at how Council contributions can unlock other funding sources to help the overall development of Midlothian.

The Council will continue to review its revenue position to provide support for capital projects and will particularly do so where there are spend-to-save or prudential borrowing opportunities.

On housing provision, there will continue to be close liaison with Scottish Futures Trust on developing solutions which meet Midlothian's requirements.

## Governance

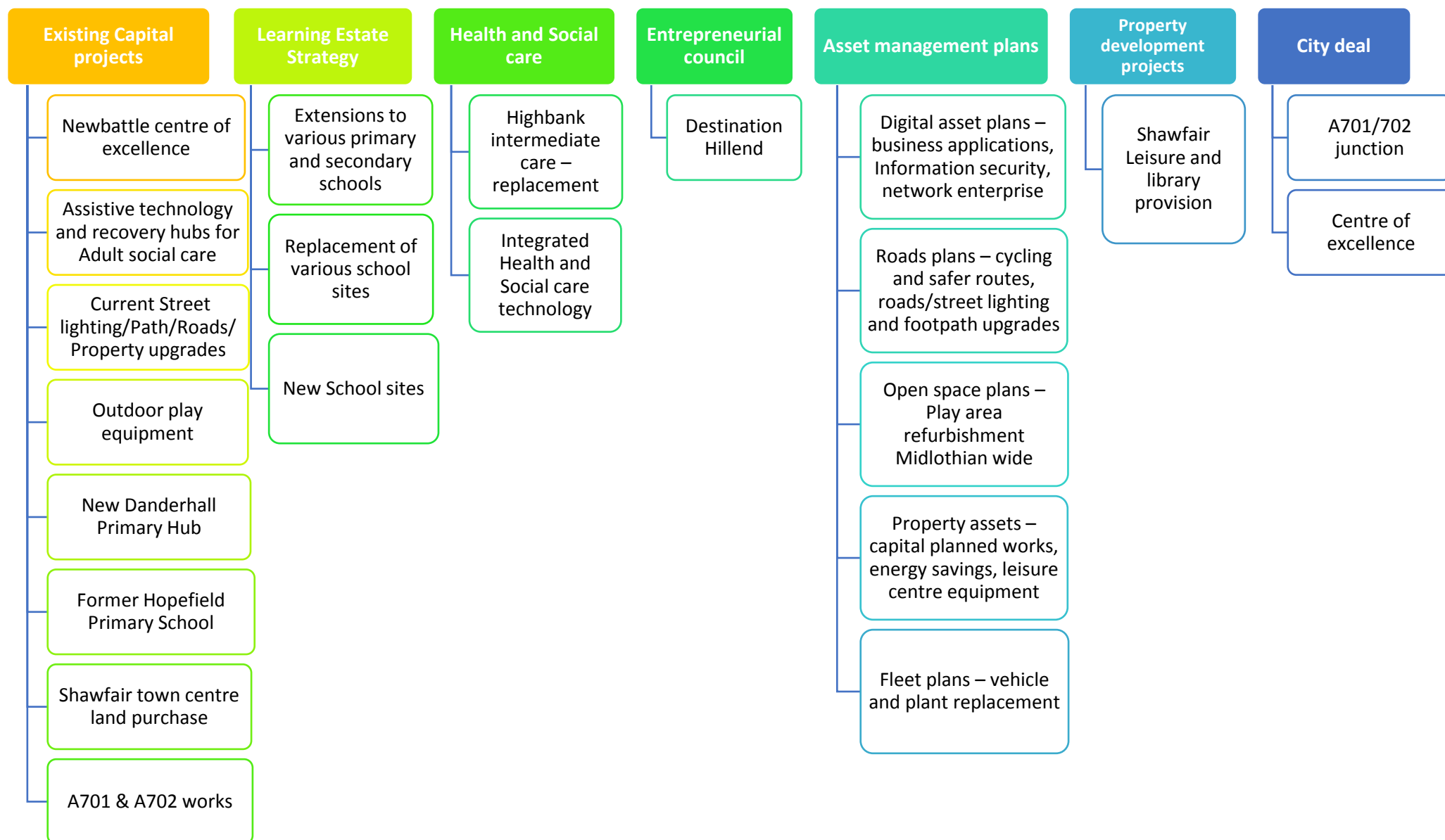
The Council's five year Capital Plans will continue to be updated on an annual basis and approved by Council.

The Capital Investment Strategy will be fully updated every five years, but will be reviewed and refreshed more regularly to ensure its continued alignment with the Council's priorities.

All individual capital projects will continue to be approved by Council. The supplement at appendix 3 attached to this Strategy provide fuller details on the Governance and approval process for Capital Projects.

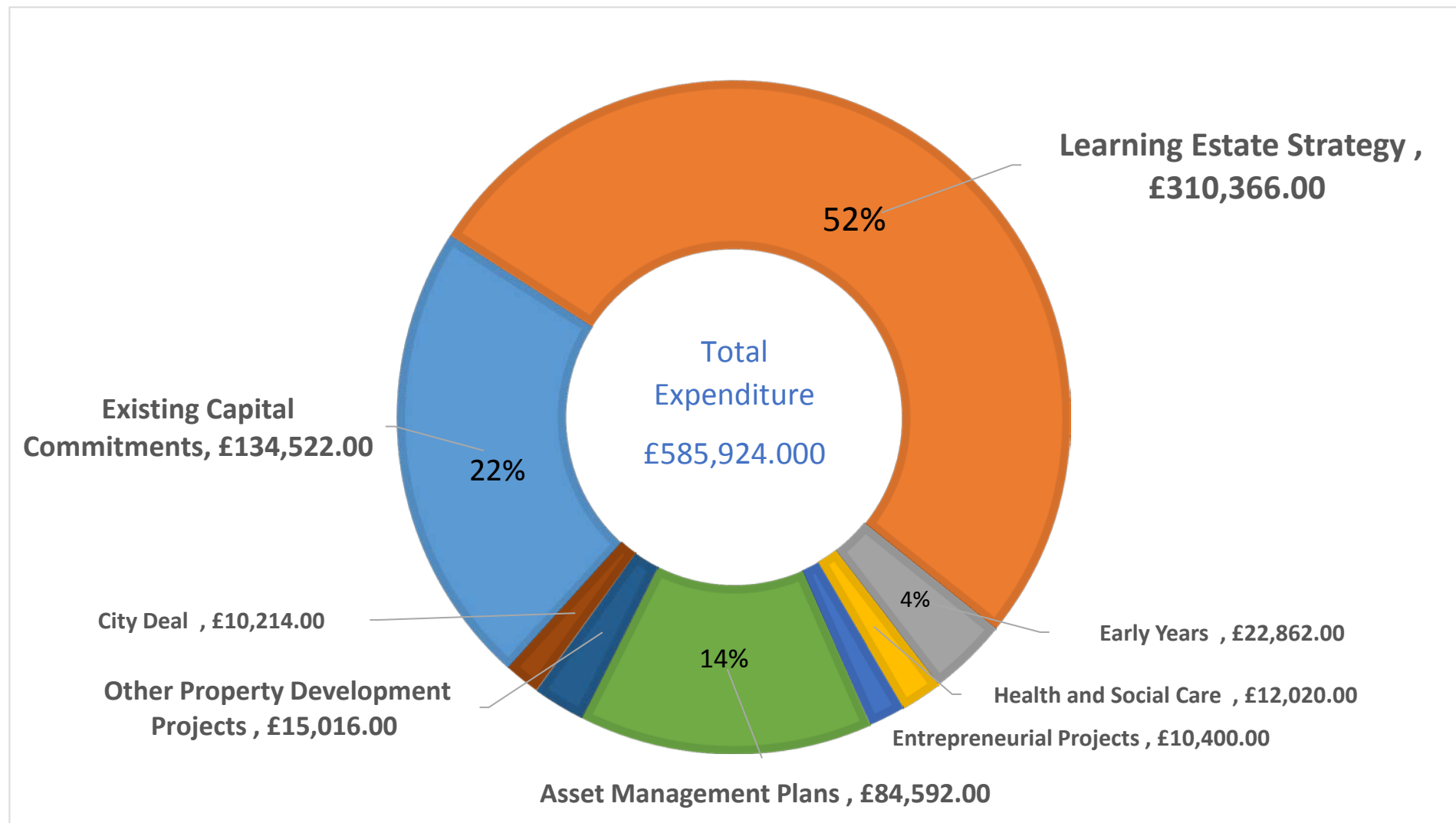
## General Services Capital Plan 2017/18 to 2017/28

Summary of high level investment activity Capital Plan.



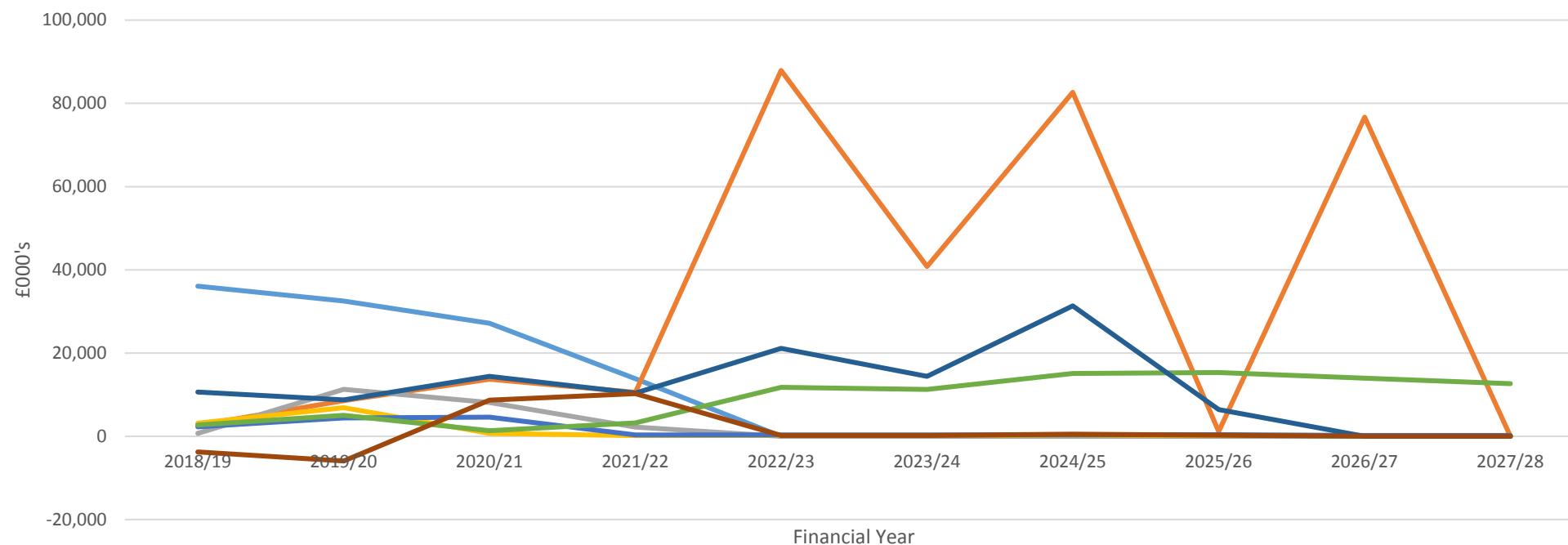
To note this is not an exhaustive list but indicates the high level investment projects.

## General Services Capital Plan 2017/18 to 2017/28



\*Total Expenditure Includes -14,067 for the provisions for return of Contingencies.

## General Services Capital Plan 2017/18 to 2017/28

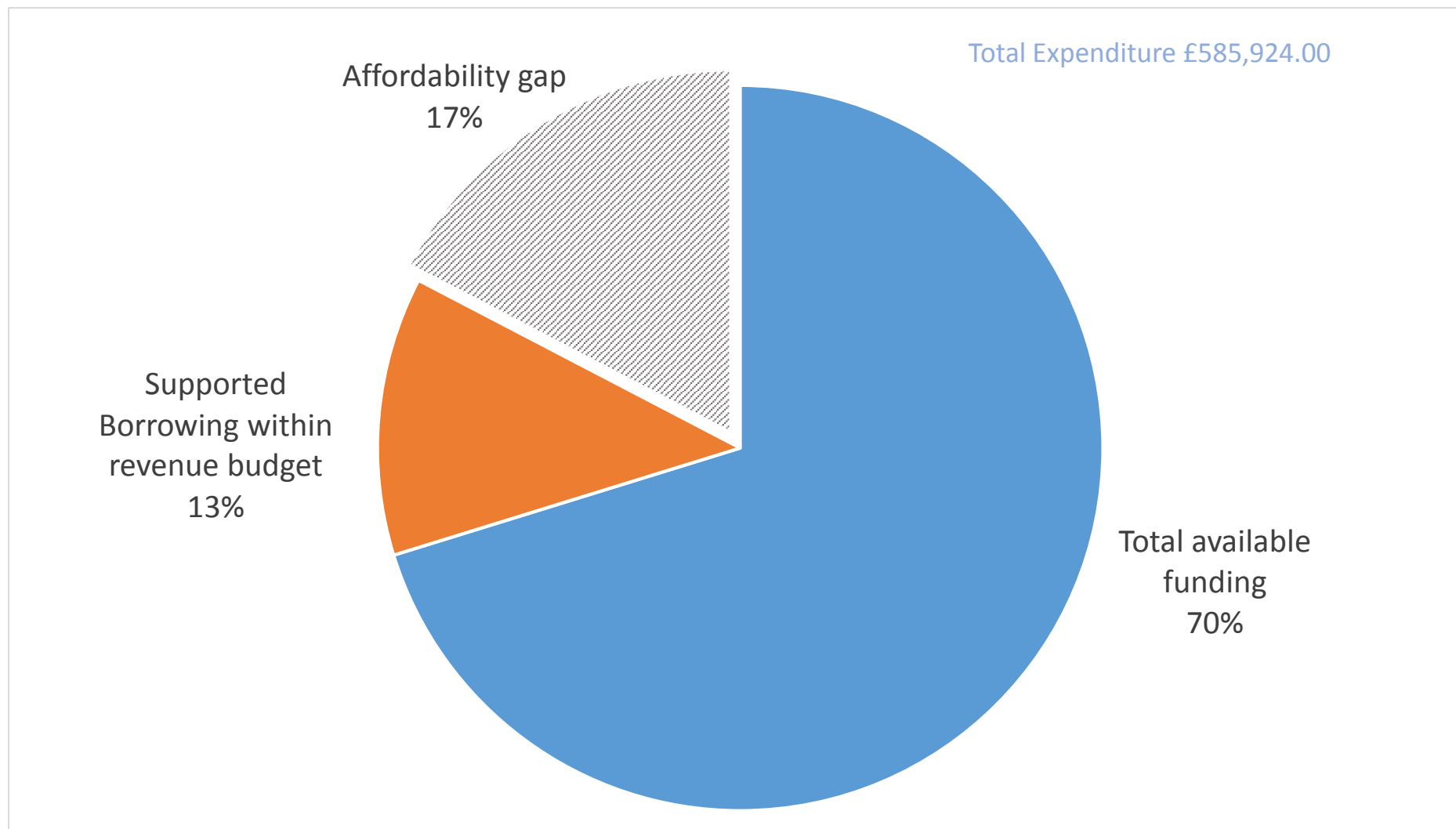


	Financial Year										Total
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
	Budget £'000										
Existing Capital Commitments	36,076	32,497	27,174	13,859	0	0	0	0	0	0	<b>£134,522</b>
Learning Estate Strategy	2,566	8,303	13,267	10,179	87,394	39,000	79,771	1,118	72,768	0	<b>£310,366</b>
Early Years	740	11,818	8,091	2,211	0	0	0	0	0	0	<b>£22,862</b>
Health and Social Care	3,150	6,855	695	169	178	185	191	195	199	203	<b>£12,020</b>
Entrepreneurial Projects	2,275	4,423	4,607	313	332	346	358	367	204	208	<b>£10,400</b>
Asset Management Plans	2,726	5,020	1,351	3,253	11,750	11,290	15,085	15,325	13,973	12,662	<b>£84,592</b>
Other Property Development Projects	10,650	8,745	14,439	10,367	21,153	14,429	31,342	6,408	0	0	<b>£15,016</b>
City Deal	-3,757	-5,923	8,675	10,253	205	226	521	240	0	0	<b>£10,214</b>
<b>Total Expenditure</b>	<b>54,492</b>	<b>71,478</b>	<b>78,773</b>	<b>51,022</b>	<b>121,525</b>	<b>67,258</b>	<b>130,186</b>	<b>23,718</b>	<b>91,066</b>	<b>13,078</b>	<b>£734,585</b>



## Funding Position

Total Available funding £411,471 - Supported Borrowing within Revenue £72,799 - Affordability gap £101,655





GENERAL SERVICES CAPITAL PLAN	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Later Yrs	Total	
2017/18 to 2027/28	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget		Budget	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£000's	£'000	
<b>EXPENDITURE</b>														
Existing Capital Commitments	24,915	36,076	32,497	27,174	13,859	0	0	0	0	0	0		134,522	
Learning Estate Strategy		2,566	8,303	13,267	10,179	84,394	39,000	78,771	1,118	72,768	0		310,366	
Early Years		740	11,818	8,091	2,211	0	0	0	0	0	0		22,862	
Health and Social Care		3,150	6,855	695	169	178	185	191	195	199	203		12,020	
Entrepreneurial Council Projects		2,000	4,123	4,277	0	0	0	0	0	0	0		10,400	
Asset Management Plans														
Digital		1,612	191	271	165	2,469	3,046	3,108	3,170	3,234	3,296		20,562	
Roads		0	309	0	0	5,278	5,273	5,459	5,599	4,867	5,235		32,020	
Fleet		266	4,030	-564	15	2,237	1,377	1,725	4,655	1,869	1,907		17,517	
Open Spaces		0	0	30	0	338	345	790	358	2,194	373		4,428	
Property		750	268	21	234	1,417	1,234	2,163	1,300	1,326	1,352		10,065	
<b>Asset Management Sub Total</b>		2,628	4,798	-242	414	11,739	11,275	13,245	15,082	13,490	12,163		84,592	
Other Property Development Projects		0	0	0	0	4,822	5,020	5,174	0	0	0		15,016	
City Deal		-3,757	-5,923	8,592	10,135	202	222	509	234	0	0		10,214	
Others		0	0	0	0	0	0	0	0	0	0		0	
Provision for Return of Contingencies		0	-1,085	-1,562	-1,546	-924	-2,533	-1,393	-2,447	-416	-2,161		-14,067	
													0	
<b>Total Expenditure</b>	<b>24,915</b>	<b>43,404</b>	<b>61,387</b>	<b>60,292</b>	<b>35,422</b>	<b>100,411</b>	<b>53,169</b>	<b>96,497</b>	<b>14,182</b>	<b>86,041</b>	<b>10,205</b>	<b>0</b>	<b>585,924</b>	
<b>FUNDING</b>														
Government Grants - General	10,264	11,255	11,797	10,336	10,647	10,966	11,261	11,597	11,943	12,297	12,662		125,024	
Government Grants - Others	519	1,231	0	0	0	0	0	0	0	0	0		1,750	
Government Grants - Early Years	569	5,400	6,300	4,300	0	0	0	0	0	0	0		16,569	
Schools For the Future funding rounds	0	0	0	0	0	20,527	0	0	0	0	0		20,527	
City Deal Funding														
A701/2	0	0	0	10,900	0	0	0	0	0	0	0		10,900	
Receipts from Sales	0	6,879	10,495	800	7,140	500	0	0	0	0	0		25,814	
Receipts from Sales transferred to Capital Fund	0	-6,879	-10,495	-800	-7,140	-500	0	0	0	0	0		-25,814	
Transfer from Capital Fund/ to Capital Plan														
Capital Fund - other		2,509	3,000	3,630	3,000	4,000	3,000	3,000	3,000	3,000	3,000		31,139	
Capital Fund - City Deal A701/2				6,700									6,700	
Developer Contributions														
Learning Estate Strategy	1,150	5,094	5,574	4,784	6,234	24,126	14,743	33,044	8,871	37,260	10,029	33,072	183,982	
Other Projects	707	151	0	0	0	0	0	0	0	0	0	0	858	
A701/2		1,157		425	425	425	425	425	425	425	425		4,557	
Other Contributions	4,997	4,469	0	0	0	0	0	0	0	0	0		9,465	
<b>Total Available Funding</b>	<b>18,205</b>	<b>31,265</b>	<b>26,671</b>	<b>41,075</b>	<b>20,306</b>	<b>60,044</b>	<b>29,429</b>	<b>48,067</b>	<b>24,239</b>	<b>52,982</b>	<b>26,116</b>	<b>33,072</b>	<b>411,471</b>	
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Later Yrs</b>	<b>Total</b>	
<b>AFFORDABILITY GAP</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£000's</b>	<b>£'000</b>	
<b>Total Expenditure</b>	24,915	43,404	61,387	60,292	35,422	100,411	53,169	96,497	14,182	86,041	10,205	-	585,924	
<b>Total Available Funding</b>	18,205	31,265	26,671	41,075	20,306	60,044	29,429	48,067	24,239	52,982	26,116	33,072	411,471	
<b>Supported Borrowing - within revenue budget</b>	6,710	12,000	12,000	9,000	9,000	8,000	8,000	8,000	8,000	8,000	(15,911)	-	72,799	
<b>Affordability Gap</b>	-	139	22,716	10,217	6,115	32,367	15,740	40,430	(18,057)	25,059	-	(33,072)	101,655	







# **MIDLOTHIAN COUNCIL CAPITAL STRATEGY**

## **Guidance Supplement**

**MAY 2018**



# Capital Strategy Guidance Supplement

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## **SECTION 1 - CAPITAL INVESTMENT AND DISPOSAL APPRAISAL PROCESS**

All capital investment is commissioned through the Capital Plan and Asset Management Plan Board (CP & AMPB) with final approval of project by Council. This enables all expenditure and its funding to be better aligned with the Council outcomes and priorities as well as that of other partners and funding sources. These partners, from both the public and private sector will be at a regional and district level.

Once initial strategic capital requirements have been identified and prioritised through the Capital Strategy, full business cases are commissioned for the highest priority projects.

For proposals incorporated in the Capital Strategy the following approvals process will be put in place before projects are then incorporated in to the Proposed Capital plans:

1. Outline Business Case (OBC) which will focus on options appraisal and quantifiable outcomes.
2. Full Business Case (FBC) – the final investment decision. This will focus on the how the priorities set out in the OBC will be delivered, including:
  - a) Project description
  - b) Consultation
  - c) Expenditure and funding including whole life costs and revenue implications
  - d) Outputs
  - e) Any further option appraisal
  - f) Value for Money
  - g) Delivery
  - h) Timescales
  - i) Risk Management
  - j) Sustainability, Forward strategy and evaluation
  - k) Asset Management
  - l) Procurement
  - m) Equality Impact Assessment
  - n) Environmental Impact Assessment
3. Change Requests where delegated tolerance levels will be exceeded.

For proposals that are identified by officers which fall outside the Capital Strategy there will be an initial extra step in the process, a 'Bid on a Page' which will be a Concept Outline. This will cover the initial concept idea, potential costs and funding sources, links to the Council Strategy and how outcomes will be improved. This will allow early consideration of whether the project should be progress and the impact it would have on the existing Capital Strategy.

The main focus is on projects incorporate in the Capital Strategy and therefore, this route will only be for exceptions.

## **How Projects Are Appraised**

Capital Projects are appraised using the following criteria:

1. Does the project deliver or facilitate the delivery of a strategic priority outcome?
2. Is it worth planning – is it value for money?
3. Can we afford to progress the project and commit funding?
4. Does the project stimulate or add to economic growth?

Business cases are presented to CP & AMPB on the basis that they have had the appropriate clearance by finance, legal and property.

## **SECTION 2 - HOW THE CAPITAL REQUIREMENTS ARE PRIORITISED**

Once a project has demonstrated that it meets the Council's and the Community Planning Partners strategic outcomes, and it has been agreed that it is suitable for capital investment, the strategic requirements will be prioritised using the following criteria (it should be noted that these are not mutually exclusive or in ranking order):

The criteria examines if the proposal is:

1. Related to mandatory, contractual or legislative service delivery requirements;
2. Required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process;
3. Required to support SMP priorities and achieve key objectives;
4. Linked into other regional objectives;
5. Supporting the evolving localism agenda;
6. Reducing costs or backlog maintenance of assets management/estate management;
7. Providing a general revenue saving (not directly linked to the budget cycle) or offering the delivery of a more efficient service;
8. Fully funded from external resources (including project management etc.);
9. Bringing in substantial external resources for which Council matched funding is required

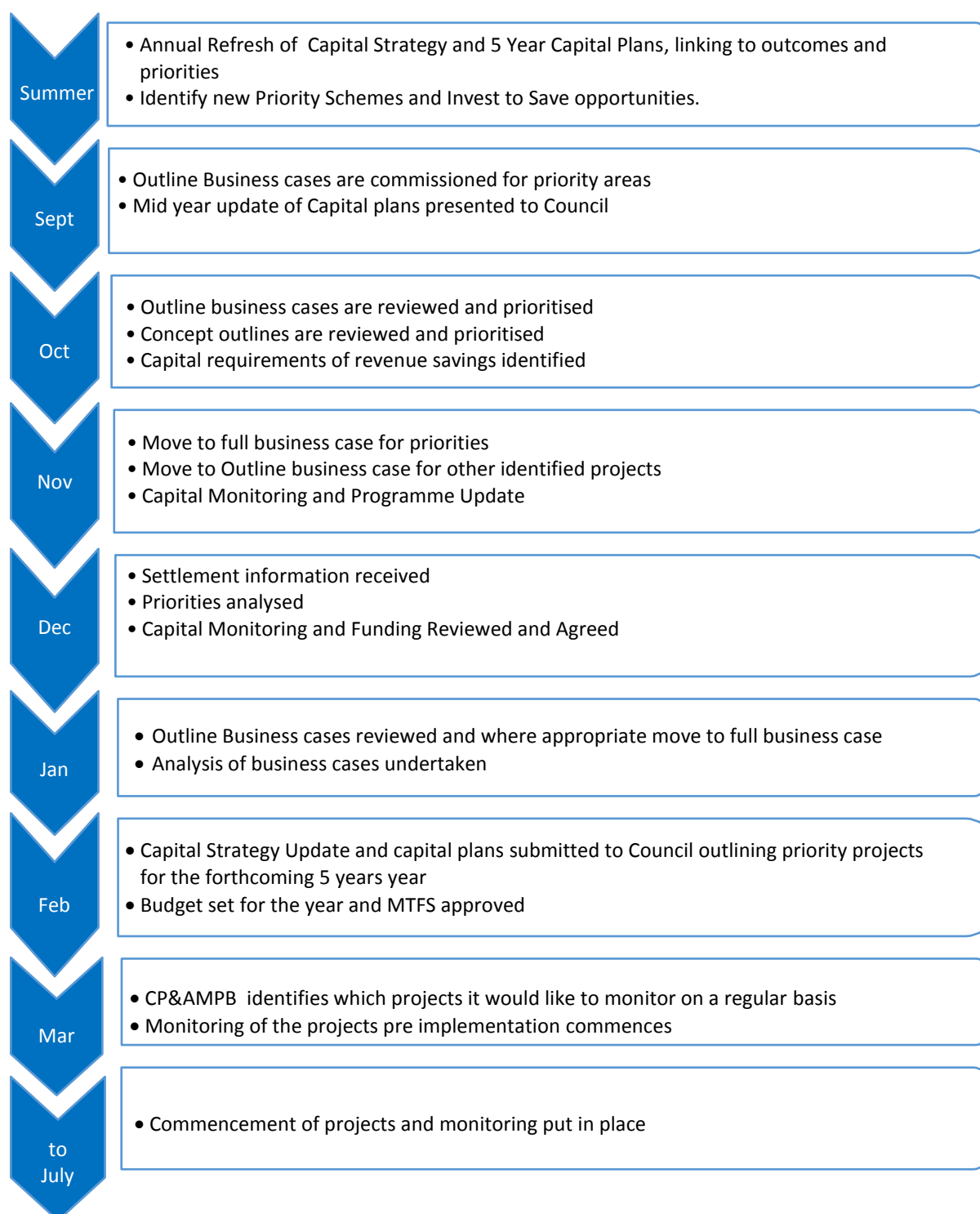
These criteria will be reviewed and any changes reported in line with the refresh of the Capital Strategy. Following this, a process of commissioning alongside officer requests for funding are undertaken and presented to Council each year as part of the process for updating the capital plans.

All projects have to demonstrate that they:

- Deliver the highest impact in achieving the required outcomes;
- Are financially sustainable and any adverse revenue implications can be dealt with within existing budgets, and the whole life cost of the project has been considered;
- Have identified risks and appropriate actions to negate these risks;
- Have identified key milestones;
- Have a full exit strategy identified where the project involves a disposal; and
- Have a method of procurement identified and represents value for money.

## SECTION 3 - CAPITAL PROGRAMME DECISION MAKING CYCLE

The diagram below illustrates the decision making cycle for capital projects and the link to the Capital Strategy, the approved annual revenue budget, the Medium Term Financial Strategy, the Single Midlothian Plan.



## **SECTION 4 - HOW THE COUNCIL PROCURES ITS CAPITAL PROJECTS**

The Council has in place a Procurement Strategy and a suite of procurement regulations and guidance. The implementation strategy for all capital projects will ensure that the principles and practices associated with procuring works, goods and services consistently achieve value- for-money and actively contribute to the council's priority outcomes as well as to support the achievement of a modern, sustainable Council.

The Procurement Strategy helps to ensure that procurement becomes an enabler of the business and is sufficiently flexible and agile to support the Council to operate in an efficient, compliant and ethical manner to deliver capital projects on time, on budget and to specified quality standards.

Regional, joint and framework options will be utilised where value for money, an appropriate structure, compliance with the Council's procurement strategy and innovation can be demonstrated. Where appropriate Procurement of capital projects will be progressed in partnership with the Scottish Futures Trust and or via HubCo. In addition consideration will be given to procurement through "turn key" delivery, particularly where the asset is fully or significantly funded by developer contributions.

Future procurement within the Council will consider the whole of the third party spend across capital and revenue categories and budgets to ensure that the total spend and demand are driven downwards to support the budget challenges. Opportunities to consolidate and aggregate spend and achieve economies of scale will be a key focus. There will be an underpinning principle of commercial focus and a drive to better understand and adapt our approach to the markets through risk and reward strategies and utilising commercial mechanisms which incentivise suppliers.

This will be coupled with an effective approach to contract management which will ensure the performance of Council's strategic contracts is managed by suitable qualified and experienced staff.

## **SECTION 5 - HOW THE COUNCIL MONITORS AND MEASURES THE PERFORMANCE OF THE CAPITAL PROGRAMME**

The CP & AMPB will review the financial performance of the capital programme on a regular basis. Financial monitoring and update reports are also considered by Council on a quarterly basis together with a year end capital outturn report. Issues that have been considered and recommended by the CP & AMP Board are reported to Council as necessary via the regular reports. Where a potential cost overrun has been identified, the CP & AMP Board will explore possible solutions in detail. It will also consider any underspending or identified surplus resources which can be reallocated to other priorities.

Where there is a delay in the commitment of programme/project resources, the CP & AMPB requires project managers to report the reasons for the delay and consider whether it would be appropriate to recommend the decommissioning of the project and the reallocation of non- ring-fenced resources to other projects. It is recognised that there may be a potential revenue consequences of doing this due to the capital accounting requirement to transfer abortive costs to revenue.

The performance of the capital programme is also measured by the prudential indicators which are reported to Council as part of the Treasury Management Strategy, the Treasury Management half yearly review, and the post year-end review.



## **SECTION 6 - THE CAPITAL PLAN & ASSET MANAGEMENT BOARD**

The Capital Plan and Asset Management Board will be made up of the following members:

- Director, Resources (Chair)
- Head of Finance and Integrated Service Support
- Head of Communities and Planning
- Head of Education
- Head of Customer and Housing Services
- Head of Commercial Operations
- Head of Property and Facilities Management
- Financial Services Manager

And is supported by the attendance of the following officers:

- Senior Accountant
- Property Manager
- Project Manager
- Section 75 Officer

The Board meets on a monthly basis to:

- Discuss and recommend actions around developing capital issues;
- Develop the capital strategy;
- Commission the coming years capital programme;
- Review the assets disposal plan and capital receipts position;
- Monitor the performance of the capital programme overall;
- Monitor the performance of strategic and high risk projects;
- Periodically review the strategic fit of projects; and
- Receive and consider post project evaluation reports.

The full Terms of Reference for the Board will be determined by the Corporate Management Team (CMT) and are set out below.

It should be noted that projects maybe proposed through other boards such as CMT or BTB but that requests for changes and additions to the capital programme should still follow the proposed process detailed in the sections above.

**CAPITAL PLAN AND ASSET MANAGEMENT BOARD TERMS OF REFERENCE****General**

1. To oversee and endorse the Council's Capital Strategy.
2. To own and oversee the development of, the Council's Capital Programme for both the General Fund and the Housing Revenue Account. Through doing so, and taking a long- term view, the Board should ensure that both individual projects and the programme as a whole is affordable and fits with the Councils vision, priorities and outcomes as laid out in the Council Plan and other inter linked plans and strategies.
3. To develop and regularly review the processes to support a strategic approach to capital investment planning which will justify investment decisions, taking account of the Council priorities within the resources available.
4. To operate according to the approved processes for consideration of all capital expenditure and for new proposed capital projects.
5. To operate as a critical gateway for capital projects put forward for endorsement of concept and for ultimate commitment by the Council.
6. To consider post project evaluation reports.

**On an Annual Basis**

1. To receive bids for inclusion in the Council's strategy.
2. To prioritise all bid submissions.
3. To review the 10 year capital strategy and 5 year capital programme taking into account projected available resources for submission to Council.
4. Receive capital monitoring reports (financial and performance information).
5. Receive asset disposal programme update.

**On a Monthly Basis**

1. Consider all requests for in - year additions and changes to the Capital Strategy and or Capital Programmes
2. To oversee, monitor and authorise the progression of capital projects through key stages (to include receiving reports from established project, programme or other boards as appropriate, and approving variations to schemes).
3. To oversee the overall level of contingences provided across the capital plan and to manage the return of contingencies target in the capital plan.

**On an Adhoc Basis**

1. Review prioritisation and adequacy of existing scoring mechanism.
2. Review systems of pre-project evaluation including project appraisal and business case justification.
3. Review systems of post project evaluation and application to all completed schemes.
4. To review at appropriate points major projects during the construction stage.
5. To receive post-implementation review presentations after the completion of major projects.

**Annual Treasury Management Report 2017/18 and revisions to TMS****Report by Gary Fairley, Head of Finance & Integrated Service Support****1. Purpose of Report**

The purpose of the report is to inform members of the Treasury Management activity undertaken in 2017/18, the year-end position and recommendations to amend the TMS.

**2. Background**

The main points arising from treasury activity in 2017/18 were:

- Total new long term borrowing taken in the year amounted to £20.000 million, comprising the following:-
  - One £10 million Maturity loan sourced from PWLB in April 2017 taking advantage of historically low PWLB rates;
  - One £10 million Equal Instalment of Principal loan sourced from Deutsche Pfandbriefbank, drawn on 29 June 2017 following loan execution and hedging of interest rate in February 2016.
- Two new investments (for a period greater than 364 days) were placed with other Local Authorities as follows:-
  - One £10 million 2 year investment with Warrington Borough Council placed on 21 March 2018, maturity 23 March 2020 on a structured basis earning 1.00% for the first year and 1.70% for the second;
  - One £5 million 2 year investment with Plymouth City Council placed on 28 March 2018, maturity 30 March 2020 on a structured basis earning 1.00% for the first year and 1.70% for the second;
- The average rate of interest paid on external debt was 3.37% in 2017/18, marginally up from 3.32% in 2016/17;
- The average rate of return on investments was 0.64% in 2017/18, exceeding the benchmark of 0.40% for the fourteenth year in succession;
- The pooled internal loans fund rate for General Fund and HRA decreased from 3.24% in 2016/17 (lowest in mainland Scotland – see Appendix 1) to 3.08% in 2017/18, which is again expected to be one of the lowest when benchmarked against all mainland Authorities in Scotland;
- Were the pooled internal loans fund rate to have equated to the Scottish weighted average of 4.20%, this would have generated

loan charges in 2017/18 of £19.7 million. The Council's actual 2017/18 loan charges for General Services and HRA were £16.3 million, representing a cash saving (compared to the Scotland average) of £3.3 million in 2017/18;

- The appointment of interest between HRA and General Fund was changed in 2017/18, with the HRA charged interest at the weighted average interest rate on the Council's long-term debt, removing interest rate risk for the HRA to support the long-term rent setting strategy. The interest charge to the General Fund provides support to the Council's medium term financial strategy and capital plans;
- No debt rescheduling was undertaken during 2017/18.

A detailed report "*Annual Treasury Management Review 2017/18*" on the activity during 2017/18 is attached as Appendix 2.

### **3. Changes to the TMS – Statutory repayment of loans fund advances**

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

A variety of options are provided to Councils so long as a prudent provision is made each year. As noted to Council in the '*Treasury Management and Investment Strategy 2018/19 & Prudential Indicators*' report on 13 February 2018, a review of the Loans Fund accounting arrangements was being undertaken which included an assessment of the period over which Loans Fund advances are projected to be repaid, noting that the final outcome would be reflected in the both the revised Capital Strategy and reported as part of the final Treasury Management outturn position for the current year. In addition, any proposed change to the policy for the repayment of loans fund advances will be reported to Council for approval.

Following this review, the following policy on the repayment of loans fund advances is proposed:-

1. Where the loans fund advance is expected to be repaid through a future dated secured funding source e.g. a Section 75 developer contribution or capital receipt, the Council will adopt the funding/income profile method for the repayment of these advances. Where the funding or income is anticipated to be less than the capital expenditure, two separate loans fund advances will be made, one being for the value of the anticipated income, profiled to reflect that income stream, with a second loans fund advance being made for the remaining balance and repaid by applying the methodology outlined below.

Specifically, the loans fund advance equating to the value of the anticipated income, will be charged interest over the period from when the advance is made to the point where the advance, or part

of the advance, is repaid. There will be no principal repayments charged during this period. This ensures that the repayment of these advances is matched to the income stream which funds the expenditure of the new asset.

Officers will keep under review loans fund advances that have been calculated by reference to an income stream to ensure the provision for repayment remains prudent. Where an authority identifies that the income stream is, or will be, insufficient to repay the loans fund advance, a prudent repayment profile will be adopted for that loans fund advance.

2. Where loans fund advances relate to new assets, principal repayments on the new asset will be deferred until the financial year following the one in which the asset is first available for use;
3. All loans fund advances from 2018/19 shall be repaid by the annuity method. Officers are currently reviewing the appropriate advance life and interest rate and will report back to Council at a later stage;
4. The advance life and interest rate used for all loans fund principal repayments prior to 1 April 2018 are also currently being reviewed by officers in line with item 3 above and a report outlining the impact of any change to this approach will be brought back at a later stage.

#### **4. Other Issues**

##### Revised CIPFA Codes

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy. This is presented elsewhere on today's agenda.

##### Markets in Financial Instruments Directive II (MiFID II)

The EU set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This has had little effect on this Authority apart from having to fill in forms sent by each institution dealing with this Authority and for each type of investment instrument we use, apart from for cash deposits with banks and building societies.

#### **5. Report Implications**

##### **5.1. Resources**

Although benefits from Treasury Management activity continue to accrue there are no direct financial implications or other resource issues arising from this report.

The loan charges associated with Capital Expenditure and Treasury Management activity during 2017/18 are reported in the Financial Monitoring 2017/18 – General Fund Revenue report elsewhere on today's agenda and reflected in the draft Capital Strategy.

## **5.2. Risk**

As the Council follows the requirements of CIPFA Code of Practice and the Prudential Code this minimises the risks involved in Treasury Management activities place. For those risks that do exist there are robust and effective controls in place to further mitigate the level of risks. These include further written Treasury Management Practices, which define the responsibilities of all staff involved.

## **5.3. 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

## **5.4 Impact on Performance and Outcomes**

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

## **5.5 Adopting a Preventative Approach**

The proposals in this report do not directly impact on the adoption of a preventative approach.

## **5.6 Involving Communities and Other Stakeholders**

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

## **5.7 Ensuring Equalities**

There are no equality issues arising from this report.

## **5.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

## **5.9 IT Issues**

There are no IT issues arising from this report.

## **6. Summary**

Treasury Management activity during the year has been effective in minimising the cost of borrowing and maximising investment income within the parameters set by the strategy for the year.

## **7. Recommendations**

It is recommended that the Council:-

- a) Note the Treasury Management Annual Report for 2017/18;
- b) Approve the changes to the TMS for the statutory repayment of loans fund advances as set out in Section 3.

**Date** 24 May 2018

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**Appendices:-**

**Appendix 1: Loans Fund Rate Comparison with other Scottish Local Authorities**

**Appendix 2: Annual Treasury Management Review 2017/18**

**Appendix 3: Investment Benchmarking Analysis 2017/18**



## Appendix 1:-

### Loans Fund Pooled Rate Comparison 2016/17

Council	Loans
	Fund Rate
	2016/17
<b>Midlothian</b>	<b>3.24%</b>
Perth & Kinross	3.28%
Dumfries & Galloway	3.31%
Aberdeen City	3.49%
East Lothian	3.49%
Fife	3.69%
Inverclyde	3.72%
Aberdeenshire	3.77%
North Lanarkshire	3.82%
East Renfrewshire	3.84%
Falkirk	3.84%
Orkney	3.84%
West Dunbartonshire	3.88%
South Lanarkshire	3.92%
Dundee City	4.09%
North Ayrshire	4.17%
Highland	4.28%
West Lothian	4.31%
Scottish Borders	4.36%
East Dunbartonshire	4.38%
Glasgow City	4.39%
Stirling	4.42%
Argyll & Bute	4.43%
Renfrewshire	4.44%
Angus	4.51%
Shetland	4.52%
Moray	4.56%
South Ayrshire	4.66%
East Ayrshire	4.99%
Edinburgh City	5.06%
Clackmannanshire	5.23%
Comhairle Nan Eilean Siar	6.55%

The Pooled Loans Fund Rate combines the interest paid by the Council on money borrowed, with the interest earned by the Council on money invested, along with other charges such as internal interest allowed, premiums written off and treasury-related expenses to arrive at a weighted average “loans fund rate” figure for each authority, as noted in the final column above.

## **Appendix 2**

# **Annual Treasury Management Review 2017/18**

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Midlothian Council  
June 2018

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## 1. The Council's Capital Expenditure and Financing 2017/18

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

<b>Table 1: Capital Expenditure + Financing</b>			
	<b>2016/17</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund</b>			
Capital Expenditure	39,423	24,263	16,984
Available Funding	19,596	14,319	13,106
<b>Borrowing Required</b>	<b>19,827</b>	<b>9,944</b>	<b>3,878</b>
<b>HRA</b>			
Capital Expenditure	23,906	41,945	10,571
Available Funding	11,681	1,289	4,989
<b>Borrowing Required</b>	<b>12,225</b>	<b>40,656</b>	<b>5,582</b>
<b>General Fund and HRA</b>			
Capital Expenditure	63,329	66,208	27,555
Available Funding	31,277	15,608	18,095
<b>Borrowing Required</b>	<b>32,052</b>	<b>50,600</b>	<b>9,460</b>

## 2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2017/18 unfinanced capital expenditure (see above table), plus prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLb] or the money markets), or utilising temporary cash resources within the Council.

**Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Scheduled Debt Amortisation (or loans repayment), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the minimum loan repayment each year through an additional revenue charge.

The Council's CFR for the year is shown below, and represents a key prudential indicator.

Table 2: Council's Capital Financing Requirement			
	31-Mar-17	2017/18	31-Mar-18
CFR:	Actual	Budget	Actual
	£000	£000	£000
<b>Opening balance</b>	<b>£ 254,024</b>	<b>£ 275,974</b>	<b>£ 278,783</b>
Add Borrowing Required	£ 32,052	£ 50,600	£ 9,460
Less scheduled debt amortisation	£ (7,293)	£ (7,411)	£ (7,969)
<b>Closing balance</b>	<b>£ 278,783</b>	<b>£ 319,163</b>	<b>£ 280,274</b>

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2015/16) plus the estimates of any additional capital financing requirement for the current (2017/18) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2017/18. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

<b>Table 3: Council's Gross Borrowing Position</b>			
	<b>31-Mar-17</b>	<b>2017/18</b>	<b>31-Mar-18</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Borrowing</b>	£ 257,303	£ 301,274	£ 241,032
<b>CFR</b>	£ 278,783	£ 319,163	£ 280,274

**The authorised limit** – this Council has kept within its authorised external borrowing limit as shown by the table below. Once this has been set, the Council does not have the power to borrow above this level.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

<b>Table 4: Gross Borrowing against Authorised Limit / Operational Boundary</b>	
	<b>2017/18</b>
Authorised limit - borrowing	£482,021
Operational boundary - borrowing	£318,647
Maximum gross borrowing position	£293,275
Average gross borrowing position	£255,524

### 3. Treasury Position as at 31 March 2018

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the Purpose section of this report, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2017/18 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

Table 5: Treasury Position						
	31 March 2017 Principal	Rate/ Return	Average Life (Yrs)	31 March 2018 Principal	Rate/ Return	Average Life (Yrs)
<b>Debt</b>						
<b>Fixed Rate Debt</b>						
PWLB	£ 197,964	3.79%	25.45	£ 197,933	3.74%	26.87
Market	£ 44,339	0.78%	6.93	£ 28,099	1.92%	20.19
<b>Total Fixed Rate Debt</b>	<b>£ 242,303</b>	<b>3.24%</b>	<b>22.06</b>	<b>£ 226,032</b>	<b>3.51%</b>	<b>26.04</b>
<b>Variable Rate Debt</b>						
PWLB	£ -	n/a	n/a	£ -	n/a	n/a
Market	£ 15,000	4.63%	33.71	£ 15,000	4.63%	32.71
<b>Total Variable Rate Debt</b>	<b>£ 15,000</b>	<b>4.63%</b>	<b>33.71</b>	<b>£ 15,000</b>	<b>4.63%</b>	<b>32.71</b>
<b>Total debt/gross borrowing</b>	<b>£ 257,303</b>	<b>3.32%</b>	<b>24.15</b>	<b>£ 241,032</b>	<b>3.47%</b>	<b>26.45</b>
<b>CFR</b>	<b>£ 276,334</b>			<b>£ 280,274</b>		
<b>Over/ (under) borrowing</b>	<b>£ (19,031)</b>			<b>£ (39,242)</b>		
<b>Investments</b>						
<b>Fixed Rate Investments</b>						
In House	£ 74,985	0.80%	0.52	£ 64,985	0.79%	0.84
With Managers	£ -	n/a	n/a	£ -	n/a	n/a
<b>Total Fixed Rate Investments</b>	<b>£ 74,985</b>	<b>0.80%</b>	<b>0.52</b>	<b>£ 64,985</b>	<b>0.79%</b>	<b>0.84</b>
<b>Variable Rate Investments</b>						
In House	£ 8,581	0.28%	0	£ 8,026	0.46%	0
With Managers	£ -	n/a	n/a	£ -	n/a	n/a
<b>Total Variable Rate Investments</b>	<b>£ 8,581</b>	<b>0.28%</b>	<b>0</b>	<b>£ 8,026</b>	<b>0.46%</b>	<b>0</b>
<b>Total Investments</b>	<b>£ 83,566</b>	<b>0.75%</b>	<b>0.47</b>	<b>£ 73,011</b>	<b>0.75%</b>	<b>0.75</b>
<b>Net Borrowing</b>	<b>£ 173,737</b>			<b>£ 168,021</b>		

The maturity structure of the debt portfolio was as follows:



Table 6: Maturity Structure of Debt Portfolio					
	31-Mar-17		2016/17	31-Mar-18	
	Actual		Original Limits	Actual	
	£000	%	%	£000	%
Under 12 months	£ 49,031	21%	0% to 50%	£ 23,034	10%
12 months to 2 years	£ 10,034	4%	0% to 50%	£ 8,437	4%
2 years to 5 years	£ 17,733	7%	0% to 50%	£ 9,956	4%
5 years to 10 years	£ 2,256	1%	0% to 50%	£ 1,609	1%
10 years to 20 years	£ 55,665	23%	0% to 50%	£ 55,590	23%
20 years to 30 years	£ -	0%	0% to 50%	£ 9,821	4%
30 years to 40 years	£ 80,534	34%	0% to 50%	£ 85,535	35%
40 years to 50 years	£ 37,049	16%	0% to 50%	£ 42,049	17%
50 years and above	£ 5,000	2%	0% to 50%	£ 5,000	2%
<b>Total</b>	<b>£ 257,302</b>	<b>108%</b>		<b>£ 241,031</b>	<b>100%</b>

The maturity structure of the investment portfolio was as follows:

Table 7: Maturity Structure of Investment Portfolio		
	31-Mar-17	31-Mar-18
	£000	£000
<b>Investments</b>		
Under 1 Year	£ 83,566	£ 73,011
Over 1 Year	£ -	£ -
<b>Total</b>	<b>£ 83,566</b>	<b>£ 73,011</b>

The exposure to fixed and variable interest rates on debt was as follows:-

Table 8: Fixed/Variable Interest Rate Exposure of Debt Portfolio					
	31-Mar-17		2016/17	31-Mar-18	
	Actual		Original Limits	Actual	
	£000	%	%	£000	%
Fixed Interest Rate Exposure	£242,302	94%	0% to 100%	£ 226,032	94%
Variable Interest Rate Exposure	£ 15,000	6%	0% to 30%	£ 15,000	6%
<b>Total</b>	<b>£ 257,302</b>	<b>100%</b>		<b>£ 241,032</b>	<b>100%</b>

## 4. The Strategy for 2017/18

The expectation for interest rates within the treasury management strategy for 2017/18 anticipated that Bank Rate would not start rising from 0.25% until quarter 2 2019 and then only increase once more before 31.3.20. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

During 2017/18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.

With that in mind, the general strategy for any new borrowings required was to balance savings from the utilisation of short-term market money from other UK public sector bodies at rates available at less than base rate (0.5%), with borrowing from PWLB at historically low rates. This allowed longer-term borrowing to be undertaken in the early part of the financial year when rates were low, whilst continued use of shorter-term borrowing within the overall portfolio continued to add value.

## 5. The Economy and Interest Rates

**UK.** The outcome of the EU referendum in June 2016 resulted in a gloomy outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in Bank Rate for at least three years. Consequently, the Bank responded in August 2016 by cutting Bank Rate by 0.25% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018. Both measures were intended to stimulate growth in the economy. This gloom was overdone as the UK economy turned in a G7 leading growth rate of 1.8% in 2016, (actually joint equal with Germany), and followed it up with another 1.8% in 2017, (although this was a comparatively weak result compared to the US and EZ).

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up in quarter 3 to 0.5% before dipping slightly to 0.4% in quarter 4.

Consequently, market expectations during the autumn rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The MPC meeting of 14 September provided a shock to the markets with a sharp increase in tone in the minutes where the MPC considerably hardened their wording in terms of needing to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered on this warning by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be a one and done move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. The MPC minutes from that meeting were viewed as being dovish, i.e. there was now little pressure to raise rates by much over that time period. In particular, the GDP growth forecasts were pessimistically weak while there was little evidence of building pressure on wage increases despite remarkably low unemployment. The MPC forecast that CPI would peak at about 3.1% and chose to look through that breaching of its 2% target as this was a one off result of the devaluation of sterling caused by the result of the EU referendum. The inflation forecast showed that the MPC expected inflation to come down to near the 2% target over the two to three year time horizon. So this all seemed to add up to cooling expectations of much further action to raise Bank Rate over the next two years.

However, GDP growth in the second half of 2017 came in stronger than expected, while in the new year there was evidence that wage increases had started to rise. The 8 February MPC meeting minutes therefore revealed another sharp hardening in MPC warnings focusing on a reduction in spare capacity in the economy, weak increases in productivity, higher GDP growth forecasts and a shift of their time horizon to focus on the 18 – 24 month period for seeing inflation come down to 2%. (CPI inflation ended the year at 2.7% but was forecast to still be just over 2% within two years.) This resulted in a marked increase in expectations that there would be another Bank Rate increase in May 2018 and a bringing forward of the timing of subsequent increases in Bank Rate. This shift in market expectations resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

As for equity markets, the FTSE 100 hit a new peak near to 7,800 in early January before there was a sharp selloff in a number of stages during the spring, replicating similar developments in US equity markets.

The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets. However, sterling did suffer a sharp devaluation against most other currencies, although it has recovered about half of that fall since then. Brexit negotiations have been a focus of much attention and concern during the year but so far, there has been little significant hold up to making progress.

The manufacturing sector has been the bright spot in the economy, seeing stronger growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, the manufacturing sector only accounts for around 11% of GDP so expansion in this sector has a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

**EU.** Economic growth in the EU, (the UK's biggest trading partner), was lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing to stimulate growth. However, growth eventually picked up in 2016 and subsequently gathered further momentum to produce an overall GDP figure for 2017 of 2.3%. Nevertheless, despite providing this massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target

and in March, inflation was still only 1.4%. It is, therefore, unlikely to start an upswing in rates until possibly towards the end of 2019.

**USA.** Growth in the American economy was volatile in 2015 and 2016. 2017 followed that path again with quarter 1 at 1.2%, quarter 2 3.1%, quarter 3 3.2% and quarter 4 2.9%. The annual rate of GDP growth for 2017 was 2.3%, up from 1.6% in 2016. Unemployment in the US also fell to the lowest level for 17 years, reaching 4.1% in October to February, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has been the first major western central bank to start on an upswing in rates with six increases since the first one in December 2015 to lift the central rate to 1.50 – 1.75% in March 2018. There could be a further two or three increases in 2018 as the Fed faces a challenging situation with GDP growth trending upwards at a time when the recent Trump fiscal stimulus is likely to increase growth further, consequently increasing inflationary pressures in an economy which is already operating at near full capacity. In October 2017, the Fed also became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

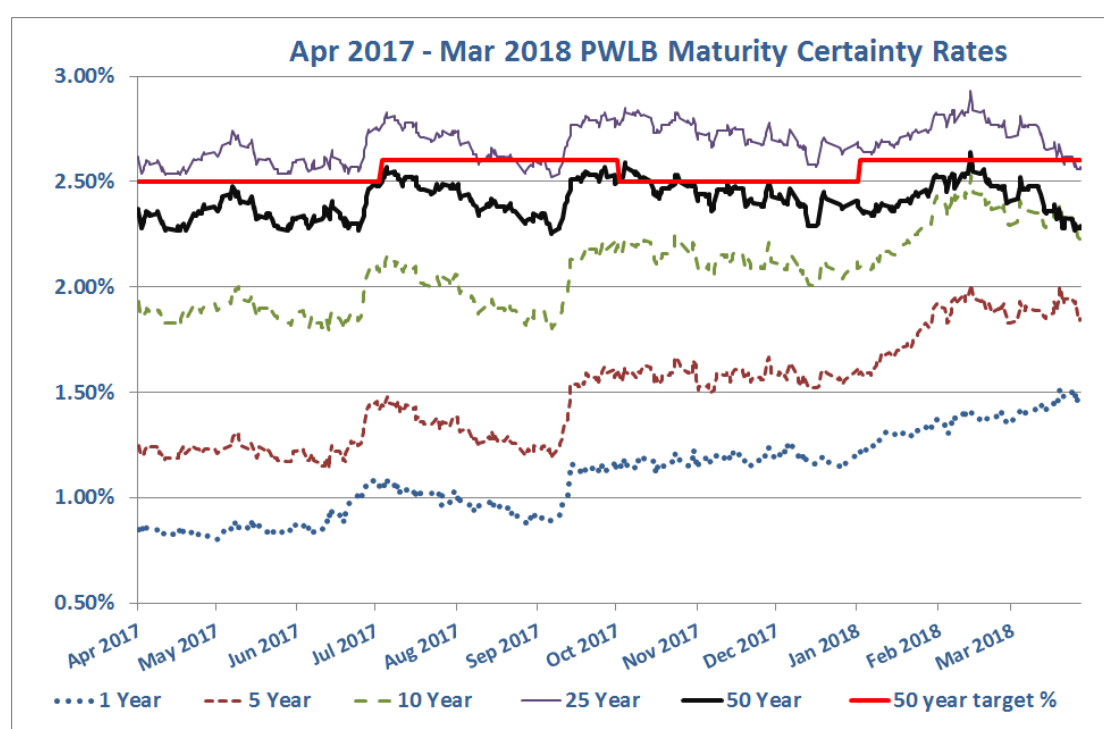
**Chinese** economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

**Japan.** GDP growth has been improving to reach an annual figure of 2.1% in quarter 4 of 2017. However, it is still struggling to get inflation up to its target rate of 2% despite huge monetary and fiscal stimulus, although inflation has risen in 2018 to reach 1.5% in February. It is also making little progress on fundamental reform of the economy.

## 6. Borrowing Rates in 2017/18

**PWLB certainty maturity borrowing rates** – As depicted in the graph and tables below and in appendix 3, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March.

During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4. The graphs and tables for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



**Short-dated market money:-** sourced from other UK public bodies, rates fluctuated throughout the year from 0.23%-0.70% for 1 to 12 month maturities.

## 7. Borrowing Outturn for 2017/18

### New Treasury Borrowing:-

New loans were drawn to fund the net unfinanced capital expenditure and naturally maturing debt.

The loans drawn were:-

Table 9: New Loans Taken in Financial Year 2017/18						
Lender	Date Taken	Principal £000's	Interest Rate	Fixed/ Variable	Maturity Date	Term (Yrs)
PWLB	06 Apr 2017	£ 10,000	2.27%	Fixed	06 Apr 2065	48.00
Deutsche Pfandbriefbank	29 Jun 2017	£ 10,000	2.63%	Fixed	29 Jun 2045	28.00
Market	Various	£300,500	0.23%-0.60%	Variable interest rate	Various	0.08-0.17
<b>Total</b>		<b>£320,500</b>				

Market loans of £300.5 million reflect an average carrying value of £25.0m of Temporary Borrowing drawn on average every 1 month. This compares against a budget assumption of new short-term market borrowing of £36.5 million at an average interest rate of 0.30%.

Medium-long term borrowing of £20.0 million compares with a budget assumption of new borrowing of £39.1 million at an average interest rate of 2.79%.

### Maturing Debt:-

The following table gives details of treasury debt maturing during the year:-

Table 10: Maturing Debt in Financial Year 2017/18						
Lender	Date Repaid	Principal £000's	Interest Rate	Fixed/ Variable	Date Originally Taken	Original Term (Yrs)
PWLB	Various (Annuities)	£ 31	8.72%	Fixed	Various	59.75
PWLB	29 Jun 2017	£ 10,000	3.26%	Fixed	29 Jun 2011	24.70
Salix	Various	£ 61	0.00%	Fixed	Various	7-8 years
Deutsche Pfandbriefbank	29-Dec-17	£ 179	2.63%	Fixed	29 Jun 2017	28.00
Market	Various	£326,500	0.23%-0.60%	Variable interest rate	Various	0.08-0.17
<b>Total</b>		<b>£336,771</b>				

### Rescheduling:-

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

### Summary of debt transactions:-

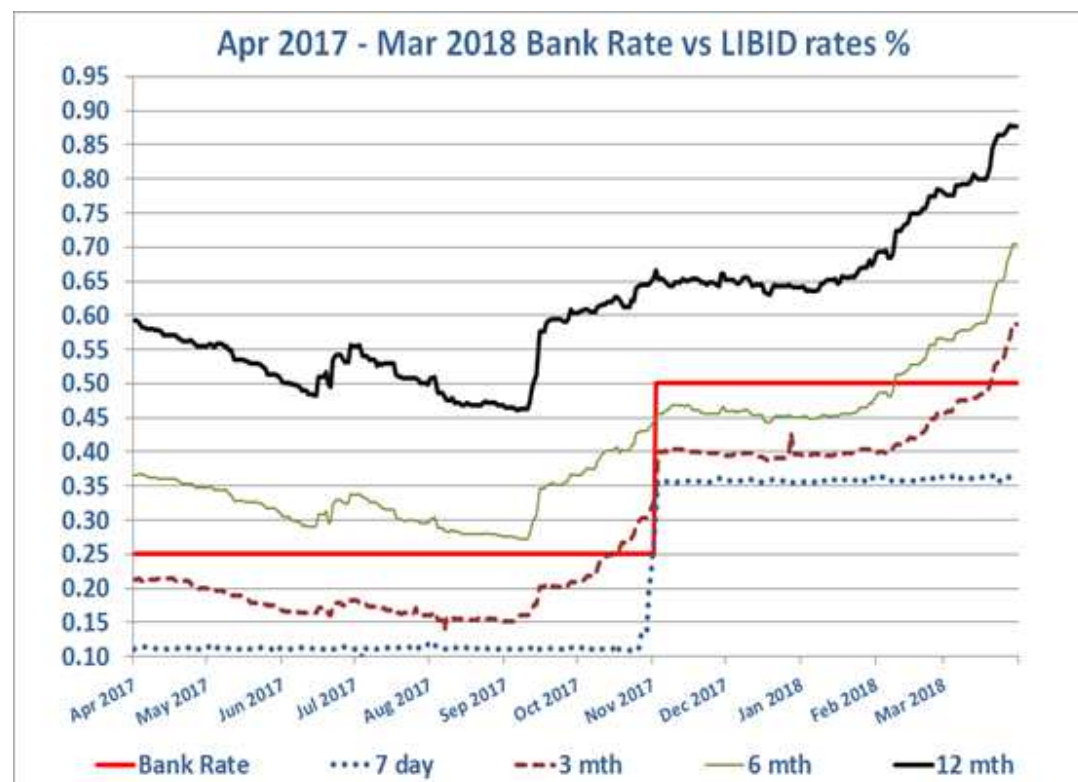
The average interest rate payable on external debt increased from 3.32% to 3.47%. The average life of debt within the loan portfolio lengthened from 24.15 years to 26.45 years.



## 8. Investment Rates in 2017/18

Investment rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March.

Bank Rate was duly raised from 0.25% to 0.50% on 2.11.17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28.2.18.



Money market fund rates started the year between 0.23%-0.48%, trending at base and sub-base rate levels throughout the year.

## 9. Investment Outturn for 2017/18

### **Investment Policy:-**

The Council's investment policy is governed by Scottish Government Investment Regulations, which have been implemented in the annual investment strategy approved by the Council on 7 February 2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

### **Investments held by the Council:-**

The Council maintained an average balance of £84.7 million of internally managed funds. The internally managed funds earned an average rate of return of 0.64%. The comparable performance indicator is the average 6-month LIBID un-compounded rate, which was 0.40%.

## 10. Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities.

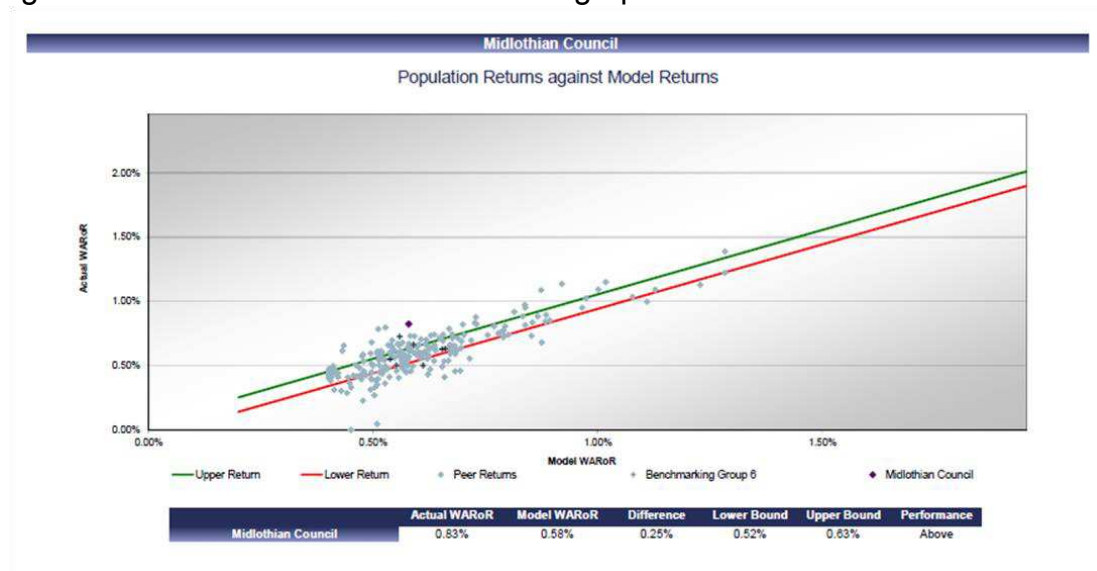
### Loans Fund Rate

Combining the interest paid (earned) on external debt (investments) with charges for premiums written off and internal interest allowed into an average Loans Fund Rate, Midlothian's result of 3.24% for 2016/17 was the lowest Loans Fund Rate amongst all mainland authorities in Scotland (see Appendix 1).

The comparative Loans Fund Rate for 2017/18, of 3.08%, is once again expected to be one of the lowest when benchmarked against all mainland authorities in Scotland (note that at present, these benchmark figures are not yet available).

### Investment Benchmarking

The Council participates in the Scottish Investment Benchmarking Group set up by its Treasury Management Consultants, Capita. This service provided by Capita provides benchmarking data to authorities for reporting and monitoring purposes, by measuring the security, liquidity and yield within an individual authority portfolio. Based on the Council's investments as at 31 March 2018, the Weighted Average Rate of Return (WARoR) on investments of 0.75% against other authorities is shown in the graph below:-



*\* Models for 30 June 2017, 30 September 2017 and 31 December 2017 are attached as Appendix 3.*

As can be seen from the above graph, Midlothian is performing above the Capita model benchmarks (red to green lines), and is achieving one of the

highest Weighted Average Rates of Return (WARoR) for the Weighted Average Credit Risk held, not only amongst peer Councils within the Benchmarking Group but also amongst the population of authorities across the UK.

### **Debt Performance**

Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide. In this respect, the relevant figures for Midlothian are incorporated in the table in Section 3.

## 11. Conclusion

The Council's overall cost of borrowing continues to benefit significantly from proactive Treasury Management activity.

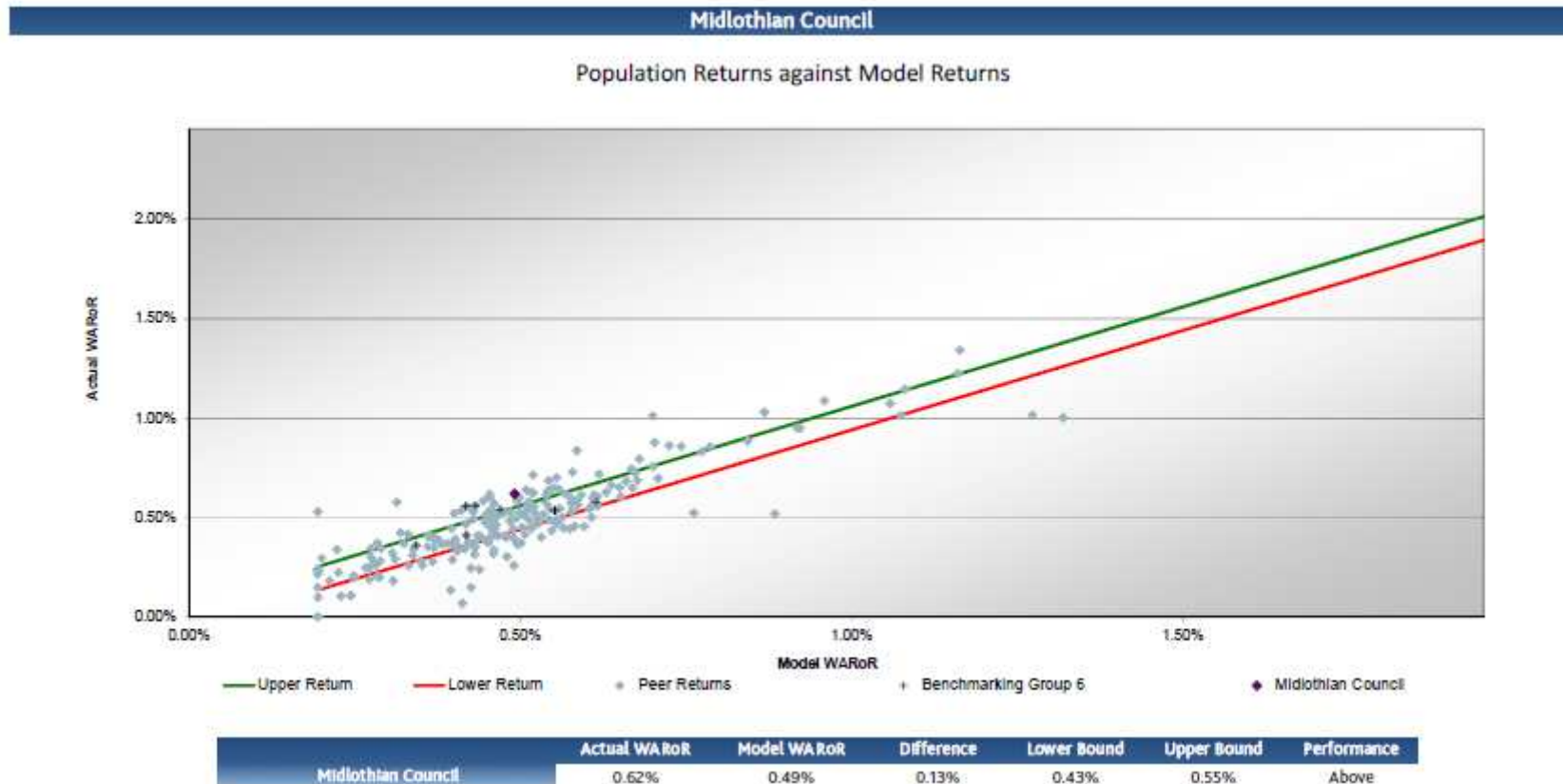
The cost of long term borrowing has been maintained by taking up opportunities to borrow from the PWLB at low interest rates whilst advantage has also been taken of the low rates available for temporary borrowing.

A better than average return on investments has been achieved for the tenth consecutive year and Midlothian continues to perform above the Sector model benchmarks and is achieving one of the highest Weighted Average Rates of Return (WARoR) for the Weighted Average Credit Risk held, not only amongst peer Councils within the Benchmarking Group but also amongst the population of authorities across the UK.

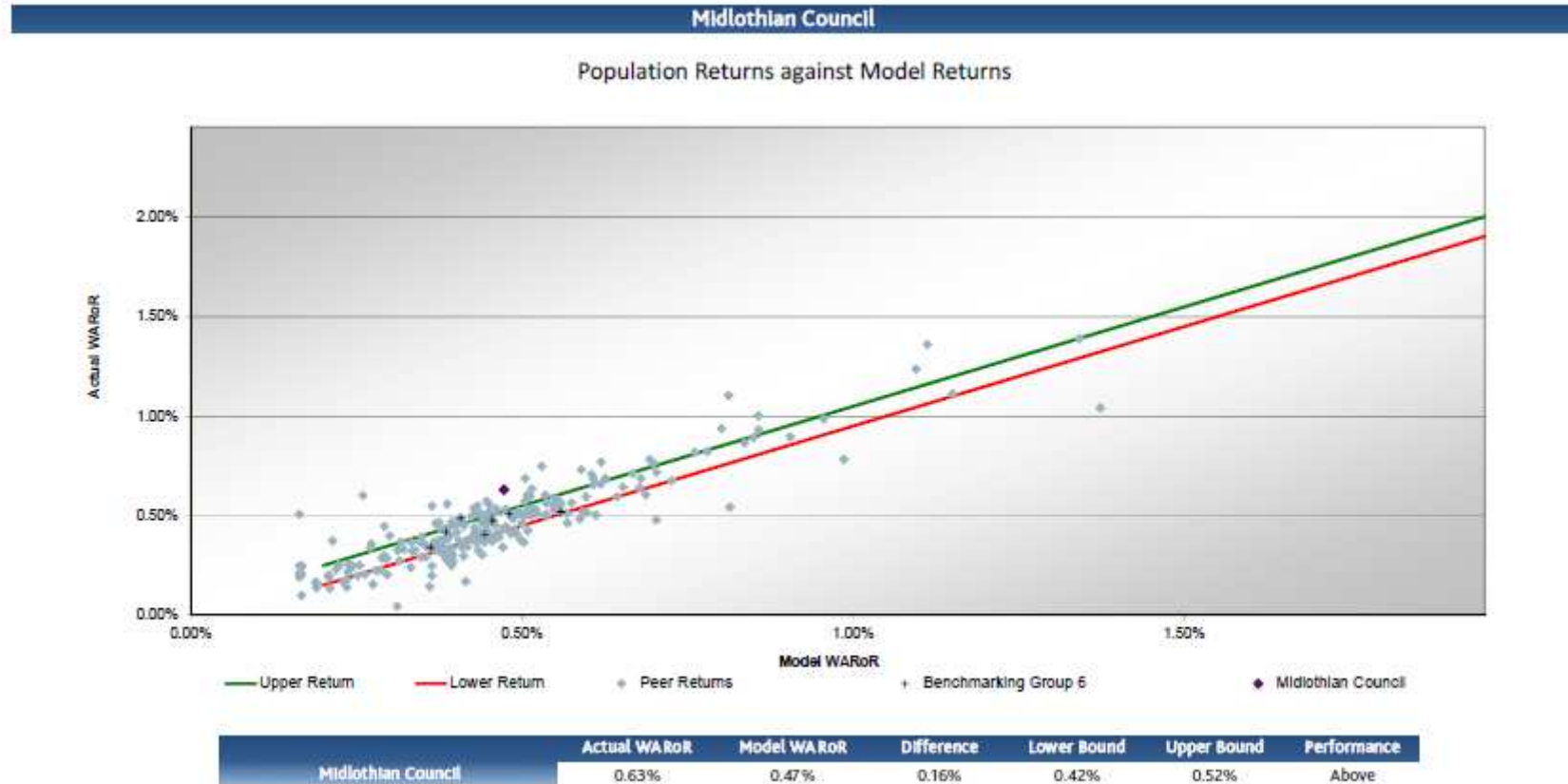
Overall Midlothian's Loans Fund Rate of 3.08% for the year is expected to be one of the lowest when benchmarked against all mainland Authorities in Scotland.

## Appendix 3

### Midlothian Council Investment Portfolio return as at 30 June 2017



# Midlothian Council Investment Portfolio return as at 30 September 2017





## Midlothian Council Investment Portfolio return as at 31 December 2017





## General Services Capital Plan 2017/18 Final Outturn

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

#### 1 Purpose of Report

This report presents the final outturn for 2017/18 on the General Services Capital Plan and an update on future years.

#### 2 Background

##### 2.1 Expenditure

The latest 2017/18 General Services Capital Plan was approved by Council on 13 February 2018, with an expenditure budget of £24.916 million.

After reflecting rephasing of 2017/18 budgets to/from 2018/19 as shown in Appendix 1, the final budget for the year is £17.677 million. Material rephasing of budgets are shown in tables 1 and 2 below:-

Table 1: Material Rephasing of budgets from 2017/18 forward to 2018/19

Project	Amount £000's	Notes
Shawfair Town Centre Land Purchase	3,650	Section 42 masterplan to be resolved prior to land purchase – expected conclusion December 2018.
Modular Units – Sessions 2017/18 and 2018/19	1,729	Finalisation of internal layouts resulted in implementation being pushed back to early 2018/19.
Vehicle & Plant Replacement Programme	598	Deferral of purchase of remainder of 2017/18 fleet replacement programme until 2018/19.
Digital Services Projects	265	Consolidated into Digital Services Asset Management Plan
A701 & A702 Works	226	Due to scheduling issues with the sonic percussive rig and contract administration by the consultant.
Outdoor Play Equipment – Rosewell & Gorebridge	116	Consequence of the evaluation of tenders – work now expected to commence in Gorebridge in early 2018/19 and later in year for Rosewell.
Property Upgrades	121	Rephasing of spend compared to previous planning assumption
Stobhill Depot	100	Project on hold pending progression of the Hopefield Resource Centre project
Others	807	
<b>Total</b>	<b>7,612</b>	

Appendix 1 contains detail on rephasing of budgets on a project by project basis.

Table 2: Material rephasing of budgets from 2018/19 back to 2017/18

Project	Amount £000's	Notes
Footway & Footpaths	251	Appointment of framework contractors in quarter 4 allowed faster than expected progress on footway upgrades despite adverse weather.
Digital Services Projects	99	Consolidated into Digital Services Asset Management Plan
Others	82	
<b>Total</b>	<b>432</b>	

Appendix 1 contains detail on rephasing of budgets on a project by project basis.

Actual expenditure in the year was £16.984million, giving an underspend of £0.723 million as detailed in Appendix 2. Material variances are as follows:-

Project	Rephased Project Budget 2017/18 £000's	Actual Outturn 2017/18 £000's	(Under)/ Over Spend £000's	Notes
Cycling, Walking & Safer Streets Projects	265	333	+68	Expenditure on new cycle paths and footways fully matched by external funding contributions from Sustrans
Newtongrange Primary Extension	0	24	+24	Settlement of final account which took a considerable period of time to agree with loss adjusters following liquidation of current contractor
Electric Vehicles Powerpoint Installation	64	83	+19	Installation of electric vehicle charging points that were ineligible for Scottish Government grant funding
Bilston/Gorebridge Primary Schools	163	63	-100	Release of contingencies as a result of project underspend
Loanhead Hub / Paradykes Primary School	5,983	5,883	-100	Release of contingency as a result of project underspend
Roslin Primary School	1,378	1,178	-200	Release of contingency as a result of project underspend
Lasswade High School	361	61	-300	Release of contingency as a result of project underspend
Others	1,045	941	-104	
<b>Total</b>	<b>9,259</b>	<b>8,566</b>	<b>-693</b>	

## 2.2 Funding

After adjusting for carry-forwards the Plan budgeted for funding of £13.038 million, as shown in Section 2.4.

Actual funding was £13.106 million, £0.068 million more than budget, with the variances relating to an increase in external funding contributions of £0.068 million from Sustrans to fund Cycling, Walking

and Safer Streets projects.

## 2.3 Borrowing

After adjusting for carry forwards the Plan budgeted for in-year borrowing of £4.639 million.

Actual borrowing was £3.878 million. The reduction in borrowing reflects:-

- the net underspend in 2017/18 of £0.693 million as described in Section 2.1; and
- the additional funding of £0.068 million as noted in Section 2.2.

## 2.4 Summary

A summary of the final outturn position for 2017/18 is outlined in the table below.

### GENERAL SERVICES CAPITAL PLAN OUTTURN

	2017/18 Budget	2017/18 Carry Forward	2017/18 Revised Budget	2017/18 Outturn	2017/18 Variance
	£'000	£'000	£'000	£'000	£'000
<b>EXPENDITURE</b>					
Resources	9,098	-1,071	8,027	8,127	100
Education, Community & Economy	15,439	-6,002	9,437	8,647	-790
Health & Social Care	294	-124	170	170	0
Council Transformation	85	-43	42	39	-3
<b>Total Approved Expenditure</b>	<b>24,916</b>	<b>-7,240</b>	<b>17,676</b>	<b>16,984</b>	<b>-693</b>
<b>FUNDING</b>					
Government Grants	10,264	-509	9,755	9,755	0
Government Grants - Others	519	-73	446	446	0
Transfer to Capital Fund	1,250	-1,568	-318	-318	0
Receipts from Sales	-1,250	1,614	364	364	0
Developer Contributions	1,857	-103	1,754	1,754	0
Other Contributions	4,996	-3,959	1,037	1,105	68
<b>Total Available Funding</b>	<b>17,636</b>	<b>-4,598</b>	<b>13,038</b>	<b>13,106</b>	<b>68</b>
<b>Approved Borrowing Required</b>	<b>7,280</b>	<b>-2,642</b>	<b>4,638</b>	<b>3,878</b>	<b>-761</b>

## 2.5 Capital Fund

The Capital Fund at the start of the financial year was £16.707 million. Capital Receipts of £0.364 million were received in the year, of which £0.318 million have been transferred to the Capital Fund. In addition,

the remaining unapplied balance of £2.437 million of the insurance receipt for the old Hopefield Primary School has been transferred to the Capital Fund. The non-earmarked balance on the Capital Fund as at 31 March 2018 is £5.025 million and is shown in the table below.

Item	Amount £000's
Balance at 01 April 2017	16,707
Capital Receipts transferred in year	318
Insurance Receipt transferred in year	2,437
<b>Balance at 31 March 2018</b>	<b>19,462</b>
Earmarked to fund Hopefield Primary	-2,437
Earmarked to fund City Deal Projects	-12,000
<b>Non-earmarked balance at 31 March 2018</b>	<b>5,025</b>

### 3 Capital Plan Update 2018/19 to 2021/22

#### 3.1 Approved Projects

Since the previous report to Council on 13 February 2018, the following projects have received approval by Council for inclusion in the General Services Capital Plan.

##### Council 27 March 2018

- **Danderhall Primary School & hub:-** Revision to accommodation schedule previously approved by Council on 7 February 2017, including a revised community footprint and Early Years provision. Increase in expenditure budget of £1.817 million, reduction in estimated developer contributions of £0.287 million and application of Early Years Capital Grant of £1.131 million. Net increase in borrowing requirement of £0.973 million;
- **Penicuik THI:-** Package of transport improvement works within Penicuik. £0.460 million expenditure budget to be fully funded by already collected developer contributions.

##### Approved under delegated authority

- **Salt Dome:-** Repair and renewal works at existing Salt Dome. Given the urgency of works expenditure was approved under delegated authority by the Chief Executive on 21 May 2018 and subsequently endorsed by Capital Plan and Asset Management Board on 29 May 2018. Capital Expenditure budget of £0.065 million in 2018/19 to be funded by prudential borrowing;

#### 3.2 Projects Presented for Approval

The following new projects are being presented for inclusion in the General Services Capital Plan:-

- **Civica Automation Report:** Development and automation of existing routine manual processes. Approved at Capital Plan & Asset Management Board on 17 April 2018 for recommendation to

Council. Capital expenditure budget of £0.020 million in 2018/19 to be funded by prudential borrowing;

- **Finance & ISS Transactions:-** modernization of transactional processed across the Council to make them as efficient as possible. Approved by Finance & ISS Board on 23 April 2018. Capital expenditure budget of £0.058 million in 2018/19 funded by prudential borrowing;
- **Arniston Park synthetic pitch:-** Resurfacing of astro-pitch within Arniston Park. Approved by Capital Plan and Asset Management Board on 29 May 2018. £0.045 million Council contribution to overall project costs, funded by developer contributions;
- **Mayfield Town Centre Regeneration:-** Development of Town Centre regeneration proposals, involving community participation working alongside Mayfield In It Together. Approved by Capital Plan and Asset Management Board on 29 May 2018. £0.080 million expenditure budget, funded by £0.040 million from Borders Rail Blueprint fund and £0.040 million developer contributions;

### 3.3 Projects presented at today's Council meeting for approval

The following projects are being presented to Council on today's agenda for approval in the General Services Capital Plan:-

- **Cuiken & Sacred Heart Primaries:-** Extension to Cuiken Primary and refurbishment/extension to Sacred Heart primary as reported to Council elsewhere on today's agenda. Expenditure budget of £6.184 million, part funded by developer contributions of £3.058 million and Early Years Capital Grant funding of £0.714 million, with remainder (£2.412 million) funded by prudential borrowing;
- **Gorebridge Connected:** Update to overall expenditure and funding package. Approved by Capital Plan and Asset Management Board on 9 May 2018 and reported to Council elsewhere on today's agenda. Revised expenditure budget of £1.663 million, funded by external grants of £1.368 million, developer contributions of £0.170 million and £0.125 million from the current earmarked £0.250 million 'Borders Rail – Economic Development Projects' budget within the General Services Capital Plan.

### 3.4 Updated General Services Capital plan 2017/18 to 2021/22

The inclusion of these projects, if approved by Council today, along with the impact of the expenditure and funding outturn position for 2017/18, will revise the overall levels of expenditure, funding and borrowing required over the period 2017/18 to 2021/22 as shown in the table below.



<b>GENERAL SERVICES CAPITAL PLAN 2017/18 to 2021/22</b>	<b>2017/18 Budget £'000</b>	<b>2018/19 Budget £'000</b>	<b>2019/20 Budget £'000</b>	<b>2020/21 Budget £'000</b>	<b>2021/22 Budget £'000</b>	<b>Total Budget £'000</b>
<b>EXPENDITURE</b>						
Resources	8,127	13,032	13,519	18,351	12,116	<b>65,145</b>
Education, Community & Economy	8,647	27,584	16,443	7,814	1,339	<b>61,828</b>
Health & Social Care	170	1,118	447	150	203	<b>2,088</b>
Council Transformation	39	3,920	5,923	2,100	0	<b>11,982</b>
<b>Total Approved Expenditure</b>	<b>16,984</b>	<b>45,655</b>	<b>36,332</b>	<b>28,415</b>	<b>13,657</b>	<b>141,043</b>
<b>FUNDING</b>						
Government Grants	9,755	12,706	11,950	9,862	9,929	<b>54,203</b>
Government Grants - Others	446	1,886	0	0	0	<b>2,332</b>
Receipts from Sales transferred to Capital Fund	364	6,879	10,305	0	0	<b>17,548</b>
Transfer from Capital Fund to Capital Plan	-318	-2,979	-4,305	2,100	0	<b>-5,502</b>
Developer Contributions	1,754	4,534	2,986	3,511	1,583	<b>14,368</b>
Other Contributions	1,105	8,191	0	0	0	<b>9,296</b>
<b>Total Available Funding</b>	<b>13,106</b>	<b>31,217</b>	<b>20,936</b>	<b>15,473</b>	<b>11,513</b>	<b>92,245</b>
<b>Approved Borrowing Required</b>	<b>3,878</b>	<b>14,438</b>	<b>15,395</b>	<b>12,942</b>	<b>2,145</b>	<b>48,798</b>

## 4 Report Implications

### 4.1 Resource

The 2017/18 borrowing requirement has reduced from £7.279 million to £3.878 million, with the resultant impact on loan charges reported in the Financial Outturn 2017/18 – General Fund Revenue report presented elsewhere on today's agenda.

The reduction in borrowing in 2017/18 is largely due to rephasing of a number of projects, with expenditure subsequently carried forward / rephased into 2018/19. As such, any saving in loan charges in 2017/18 will largely be unwound in 2018/19 and 2019/20, once the capital expenditure relating to these projects is incurred.

### 4.2 Risk

The inherent risk in the Capital Plan is that projects will cost more than estimated thus resulting in additional borrowing. The monitoring procedures ensure that significant variations are reported at an early stage so that remedial action can be taken to mitigate this risk.

### 4.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:-

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

### 4.4 Impact on Performance and Outcomes

There are no issues arising directly from this report.

**4.5 Adopting a Preventative Approach**

There are no issues arising directly from this report.

**4.6 Involving Communities and Other Stakeholders**

No external consultation has taken place on this report.

**4.7 Ensuring Equalities**

There are no equalities issues arising directly from this report.

**4.8 Supporting Sustainable Development**

There are no sustainability issues arising directly from this report.

**4.9 IT Issues**

There are no IT implications arising from this report.

**5 Recommendations**

Council is asked to:-

1. Note the General Services Capital Plan outturn position for 2017/18.
2. Approve the additions to the General Services Capital Plan as set out in sections 3.2 and 3.3.

**Date: 23 May 2018**

**Report Contact:** Gary Thomson Tel No 0131 271 3230

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

**Background Papers:**

## Appendix 1: General Services Capital Plan 2017/18 Expenditure Outturn

	2017/18	2017/18	2017/18	2017/18	2017/18
GENERAL SERVICES CAPITAL PLAN	Budget	Carry Forward	Revised Budget	Outturn	Variance
2017/18 OUTTURN	£000's	£000's	£000's	£000's	£000's
<b>RESOURCES</b>					
<b>Customer Services</b>					
Front Office - Device & Interactive Asset Upgrades	206	-60	266	266	0
Back Office - Anti Virus Upgrades	51	-34	85	85	0
Back Office - Server Replacement	0	0	0	13	13
Network Enterprise - Network Assets (Power & Data)	100	66	34	34	0
IGS - Compliance - Data Encryption	0	-5	5	5	0
IGS - Compliance - PCI	39	39	0	0	0
Service Desk - ITMIS Service Improvement	42	38	4	4	0
Committee Management System	3	3	0	0	0
Paperless Meetings	10	10	0	0	0
Business Application Upgrades inc. mobile working	50	38	12	12	0
Interactive White Board Replacement	385	14	371	371	0
SWAN Programme	475	31	444	444	0
New GoreGlen & Bilston Digital Assets	0	0	0	0	0
Newbattle Centre for Excellence in Digital Industries	297	70	227	227	0
<b>Commercial Operations</b>					
Street Lighting Upgrades	800	12	788	788	0
Footway & Footpath Network Upgrades	265	-251	516	516	0
Road Upgrades	1,060	-31	1,091	1,091	0
Millerhill Access Road / Site Services	0	0	0	2	2
Cycling, Walking & Safer Streets Projects	79	0	79	134	55
Footpath Lighting: Bonnyrigg Bypass to Gorton Road	83	0	83	66	-16
B6482 Newbattle/Easthouses Road Cycleway	54	0	54	83	29
A6094: Bonnyrigg Bypass Cycleway & Toucan Crossing / Route 196	49	0	49	49	0
Ironmills Park Steps	21	6	15	15	0
New recycling facility - Penicuik	0	-1	1	1	0
Vehicle & Plant Replacement Programme	2,043	598	1,445	1,445	0
Electric Vehicles - Powerpoint Installation	64	0	64	83	19
Grass Cutting Machinery	142	0	142	142	0
Geogrid - Barleyknowe Lane	43	40	3	3	0
Vogrie Car Parking Barriers	17	0	17	6	-11
King George V Park Outdoor Fitness Equipment	4	4	0	0	0
Gore Glen Bing	1	0	1	1	0
Easthouses Lily Stand	5	0	5	0	-5
Outdoor Play Equipment - Rosewell	32	32	0	0	0
Outdoor Play Equipment - Gorebridge	84	84	0	0	0
Westerhaugh Bridge	30	0	30	15	-15
Arniston Park Synthetic Pitch					
<b>Property &amp; Facilities</b>					
Stobhill Depot Upgrade	100	100	0	0	0
New Depot: EWIM Phase III	188	-4	192	192	0
Straiton Bing Site Investigation	2	0	2	0	-2
Property Upgrades inc. Lighting/Lightning	1,438	121	1,317	1,317	0
Midlothian House 3rd Floor Reconfiguration	122	0	122	122	0
Purchase of 7 Eskdail Court, Dalkeith	288	29	259	259	0
Purchase of 49 Abbey Road, Dalkeith	215	12	203	203	0
Purchase of 31 Jamac Court, Dalkeith	1	0	1	3	2
Hillend Freestyle Jump Slope Upgrade	50	50	0	0	0
Purchase 9/11 White Hart Street	98	0	98	127	29
Leisure Management System (Legend)	102	98	4	4	0
<b>TOTAL RESOURCES</b>	<b>9,098</b>	<b>1,071</b>	<b>8,027</b>	<b>8,127</b>	<b>100</b>

	2017/18	2017/18	2017/18	2017/18	2017/18
GENERAL SERVICES CAPITAL PLAN		Carry	Revised		
2017/18 OUTTURN	Budget	Forward	Budget	Outturn	Variance
	£000's	£000's	£000's	£000's	£000's
<b>EDUCATION, COMMUNITY AND ECONOMY</b>					
<b>Early Years</b>					
Woodburn Family Learning Centre	0	0	0	-45	-46
Gorebridge Development Trust (EYG Funded)	115	0	115	115	0
Gorebridge Development Trust	91	91	0	0	0
Gorebridge Development Trust (EYG Funded)	66	49	17	17	0
Early Years Pilot - Mayfield Family Outreach Centre	13	0	13	0	-13
<b>Primary</b>					
New Bilston Primary	239	126	113	63	-50
New Gorebridge North Primary	236	186	50	0	-50
Newtongrange Primary Extension	0	0	0	24	24
Paradykes Primary Replacement	5,727	-256	5,983	5,883	-100
Roslin Primary Replacement	1,270	-109	1,378	1,178	-200
Former Hopefield Primary School	124	72	52	52	0
Inspiring Learning Spaces	98	35	63	63	0
New Danderhall Primary hub	10	-7	17	17	0
Cuiken & Sacred Heart Primaries - Design Team	116	14	102	102	0
<b>Secondary</b>					
Lasswade High School inc. 2nd MUGA	87	-274	361	61	-300
Newbattle High School Preparatory Works	406	113	293	293	0
Beeslack Community High School Pitch	17	0	17	-12	-29
<b>General</b>					
ParentPay	39	19	20	20	0
Bright Sparks	0	0	0	8	8
PPP1 Land Acquisition	27	0	27	0	-27
Saltergate Alterations Phase II	184	0	184	184	0
Saltergate Alterations Phase III - Internal Alterations	155	0	155	156	1
Saltergate Alterations Phase III - Playground Improvements	0	-2	2	2	0
Modular Units - Session 2017/18	1,678	1,656	22	22	0
Modular Units - Session 2018/19	73	73	0	0	0
<b>Children and Families</b>					
<b>Planning &amp; Development</b>					
Environmental Improvements	104	66	38	38	0
East High Street Public Realm & Burns Monument	20	4	16	5	-11
Shawfair Town Centre Land Purchase	3,650	3,650	0	0	0
Track to Train	358	285	72	72	0
Gorebridge Connected	0	-20	20	20	0
A701 & A702 Works	532	226	306	306	0
<b>TOTAL EDUCATION, COMMUNITY AND ECONOMY</b>	<b>15,439</b>	<b>6,002</b>	<b>9,437</b>	<b>8,647</b>	<b>-790</b>
<b>HEALTH AND SOCIAL CARE</b>					
<b>Adult &amp; Social Care</b>					
Assistive Technology	130	3	127	127	0
Travelling Peoples Site Upgrade	17	17	0	0	0
Homecare	80	55	25	25	0
Recovery Hub	0	-18	18	18	0
<b>Customer &amp; Housing Services</b>					
Online Payments & Services	67	67	0	0	0
<b>TOTAL HEALTH AND SOCIAL CARE</b>	<b>294</b>	<b>124</b>	<b>170</b>	<b>170</b>	<b>0</b>
<b>COUNCIL TRANSFORMATION</b>					
Purchase to Pay	15	6	9	9	0
Online Housing Applications	27	0	27	24	-2
EWiM - Buccleuch House Ground Floor	33	33	0	0	0
Website Upgrade	10	5	5	5	0
<b>TOTAL COUNCIL TRANSFORMATION</b>	<b>85</b>	<b>43</b>	<b>42</b>	<b>39</b>	<b>-3</b>
<b>GENERAL SERVICES CAPITAL PLAN TOTAL</b>	<b>24,916</b>	<b>7,240</b>	<b>17,676</b>	<b>16,984</b>	<b>-693</b>



## **Financial Strategy 2019/20 to 2022/23**

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

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

This report is the first in a series of reports which will provide Council with updates on the Financial Strategy, encompassing the years 2019/20 to 2022/23, to enable Council to determine Council Tax and set a balanced budget for 2019/20 by 11 March 2019 in accordance with Section 93 of the Local Government Finance Act 1992 (as amended). It includes:-

- An assessment of the 2019/20 and future years Scottish Government Grant prospects;
- Updated budget projections for 2019/20 to 2021/22 and the initial projections for 2022/23;
- A sensitivity analysis reflecting the potential impact of different pay and grant settlement scenarios;
- An update on the arrangements for the delegation of resources to the Midlothian Integration Joint Board;
- An update on the Change Programme which will be the means to address the projected budget shortfalls;
- The proposed governance arrangements and timetable for the 2019/20 budget;
- An update on General Fund Reserves.

#### **2 Background**

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

The last Financial Strategy report was presented to Council on 13 February 2018 and provided an updated assessment of projected budgets shortfalls through to 2021/22. At that meeting Council set both Council Tax levels and the budget for 2018/19.

This report begins the process by which Council will determine its budget and set Council Tax levels for 2019/20, within the context of the longer term financial projections.

### 3 Scottish Government Grant Settlement

The Scottish Government's grant settlement is one of the most critical aspects of the financial projections in this report.

There are a number of factors which will influence the level of grant support Council might expect for 2019/20 and beyond. Among these will be a range of economic factors which will influence the resources Scottish Government has at its disposal, whether from the UK Government block grant or through tax revenues directly controlled by Scottish Government. The other main factors will be the taxation and spending priorities of the Scottish Government and the negotiations with other parties in the Scottish Parliament to support the passage of the budget bill.

Whilst an assessment of the economic factors can be made at this time based on the information available from the Office of Budget Responsibility, the Scottish Fiscal Commission (SFC) and for the 2019/20 budget process [Scotland's Fiscal Outlook](#), the Scottish Government's first five year (medium term) financial strategy (MTFS), the impact of Scottish Government's tax and spending priorities will only become fully apparent when the Scottish Government's 2019/20 budget is published in December 2018.

On 30 May 2018 the Cabinet Secretary for Finance and the Constitution published [Scotland's Fiscal Outlook](#). This, together with the accompanying Economic and Fiscal Forecasts of the SFC, is designed to be a key part of the revised parliamentary budget process that arose out of the work of the Budget Process Review Group and the development of a year-round approach to budget scrutiny. It represents the clearest statement of intent by the Scottish Government of its future funding plans made for many years. In respect of the resource budget the MTFS confirms its spending priority areas to be:

- **Health**, with a budget of around £13 billion in 2018/19, but rising to over £14 billion by 2021-22 (and with scope for further increases, not included yet, in 2022/23);
- **Police**, with a budget of around £1 billion which is protected in real terms, i.e. growing at the rate of inflation;
- **Early Learning and Childcare**, with a budget rising to over £500 million by 2021 and with implications for Local Government resource funding;
- **Attainment**, via the £750 million Attainment Scotland Fund covering the term of the Parliament;
- **Higher Education**, with a budget of over £1 billion; and
- **Social Security**, with a budget that grows to over £3 billion by 2021/22, largely due to the phased transfer of responsibilities from the UK Government.

The majority of the £12 billion remainder of the resource budget relates to Local Government.

Under the Scottish Government's central scenario the overall resource budget (ex new social security) is projected to rise from £27.6 billion in 2018/19 to £29.2 billion in 2022/23. An increase of 5.8%. The resource budget that is



utilised by the six commitments highlighted above is estimated to grow under the central scenario from 56% in 2019/20 to 64% in 2022/23 accordingly, all things being equal, the impact on the remainder of the resource budget of £12 billion would result in a reduction to £10.5 billion. This would represent a significant cash reduction of 14% over the period.

The MTFS highlights that in setting the annual budget each year, the Scottish Government will have to make careful choices in the prioritisation of commitments and expenditure in order to reach a balanced budget position. The decisions that will be taken will include consideration of the balance of funding that will be allocated to the range of priorities, to Local Government and to support other key public services across Scotland. The central funding scenario in the MTFS indicates that decisions around prioritisation of spending, options for increasing revenues, delivery of efficiencies across all budget areas and considering options for reform will need to be undertaken to accommodate these priorities and continue to support high quality public services across Scotland. The MTFS indicates that even under the most optimistic scenario, if no reprioritisation or reform were agreed and no additional revenues generated, then efficiency savings of 5% per year could be required.

In terms of public sector pay policy the Scottish Fiscal Commission's (SFC) central scenario assumes a continuation of the 2018-19 Public Sector pay policy, i.e. based on 3% up to £36,500, 2% up to £80,000 and £1,600 above £80,000 in each of the years modelled. Alternative scenarios assume 4% and 2% across the board.

Whilst the MTFS represents the clearest statement of intent by the Scottish Government of its future funding plans Government will still require to adapt these to secure support of others for the passage of future year's budget bills. The MTFS and pay scenarios of the SFC do however help inform two the key assumptions for the Council's own Financial Strategy, the prospects for the Scottish Government Grant Settlement and provisions for future pay inflation.

It is expected that as in previous years the Cabinet Secretary for Finance and the Constitution will publish the Scottish Government's budget proposals for 2019/20 in December 2018. This will follow on from the publication of the UK Government's Autumn Budget. It is anticipated that Scottish Government will publish a budget only for the year ahead and will not return to the publication of three year budgets. The Finance Circular setting out the proposed individual Council grant settlements figures and associated conditions, again for 2019/20 only, is expected to be published either alongside the budget or shortly afterwards.

Thereafter the parliamentary process for approving Government's budget is expected to be concluded in February 2019. Members will recollect that for the last two years changes were made during the parliamentary process which resulted in an additional provision in the grant settlement from that originally published.

The changes in Income Tax announced as part of the Government's 2018/19 budget were expected to raise £164 million rising to £220 million by 2022/23. It remains to

be seen whether these are the start of a journey towards higher tax rates to help offset further cuts or whether it is a one-off decision. If it is a one-off then it will do little to ease the pressure in future years for further cuts as Governments continue in their efforts to balance budgets.

On the basis of the information available from Government and independent sources the grant projections set out later in this report are now based on a central planning assumption of a 2% per annum cash reduction at a national level. It also assumes that the £125 million announced on 31 January 2018 will be mainstreamed. The lower scenario set out in section 6 assumes a cash reduction of 4% per annum with the upper scenario a cash flat position. The position at a national level is partly offset by the impact of the relative growth in the Midlothian population.

It is stressed that the grant settlement figures for 2019/20 to 2022/23 set out table 1 are projections, the actual figures being dependant on future budget decisions taken by Government. However they do provide Council with an assessment of the impact of the grant settlement on the Council's financial position. Critically they highlight the severity of the challenge ahead, based on the Government's central scenario, for the term of the Council and the extent to which service provision will have to be transformed.

#### **4 Council Tax**

The budget shortfalls set out in table 1 are based on the current Band D Council Tax of £1,283 and reflect the additional income from an increase in the number of properties.

It is assumed that grant settlement conditions will continue to provide flexibility to increase Council Tax by up to 3%. For Midlothian a 3% per annum increase is estimated to generate £1.438 million for 2019/20 rising to £1.693 million in 2022/23 and would result in Band D Council Tax rising to £1,321 in 2019/20 and to £1,444 by 2022/23.

Given the grant prospects set out in section 3 of this report the Financial Strategy incorporates the full 3% increase for each year to contribute to reducing the projected budget shortfalls.

#### **5 Cost of Services**

The projected cost of services for future years is derived from the 2018/19 approved budget detailed in appendix 1. The projections will be updated over the summer to reflect the latest information available. Changes will be incorporated into an update report proposed for Council in October 2018.

Table 2 provides an analysis of the principle year on year budget changes which include the following key assumptions and cost drivers:

- Pay inflation based on 3% up to £36,500, 2% up to £80,000 and £1,600 above £80,000 for each year for all staff groups based on the SFC's central scenario together with the cost of incremental pay progression;
- Changes in the Council's contribution towards employee pensions costs advised by Lothian Pension Fund and SPPA;
- Provision for the Devolved School Management allocation to schools based on the DSM scheme and indicative pupil numbers;
- Contractual inflation linked to existing contractual conditions, many of which mirror pay inflation assumptions;
- A provision for the future years costs of maintain pay levels for procured care services at or above the living wage;
- The impact of current demand for services;
- The demographic impact on the future demand for services;
- Borrowing costs related to the approved capital investment decisions based on future interest rate forecasts provided by the Council's Treasury Advisers;
- Any new government policy requiring budgetary growth will be fully funded through increased Scottish Government grant;
- Council Tax income continues to grow in line with previous trends and planned future housing growth.

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

**Table 1: Budget Shortfalls 2019/20 to 2022/23 – 26 June 2018**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cost of Services	209.186	217.134	226.074	236.185
Less: Council Tax	(47.919)	(48.519)	(49.119)	(49.719)
Less: Scottish Government Grant	(152.073)	(150.583)	(149.091)	(147.598)
<b>Budget Shortfalls</b>	<b>9.194</b>	<b>18.032</b>	<b>27.864</b>	<b>38.868</b>

The budget shortfall in 2019/20 equates 4.4% of the net cost of services and the projections indicate this could rise to 16% by 2022/23.

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

- Historic decisions, for example, loan charges and unitary charge contractual payments;
- Specific conditions, for example the maintenance of the teacher pupil ratio; and
- Growing demand for services through demographic pressures.

These elements of the budget equate to £115 million in 2019/20 and are projected to rise to £150 million by 2022/23. Consequently the budget shortfall

expressed as a percentage of the remainder of the budget equates to 9% for 2019/20 and has the potential to rise to 45% by 2022/23.

Whilst the projected cost of service provision, Council Tax and Scottish Government grant has been projected forward to 2022/23 these are very much indicative projections based on the assumptions set out in sections 3 to 5 and will inevitably change over the period. The projections and planning assumptions on which they are based will be updated and reported to Council as new information becomes available.

The main purpose of the projections is to provide Council with an assessment of the key factors which influence income and expenditure and the overall impact these may have on the Council's financial position for future years. Critically they highlight the severity of the challenge ahead for the term of Council and the extent to which service provision will have to continue to be significantly transformed and or reduced.

Members should note that the projections are based on the continuation of the existing service delivery and funding arrangements for Local Government.

The budget shortfalls set out in table 1 arise for the following reasons:

**Table 2: Analysis of Shortfalls – 26 June 2018**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening Shortfall	<b>(0.200)</b>	<b>9.194</b>	<b>18.032</b>	<b>27.864</b>
Pay Inflation and Salary Progression	4.729	4.894	5.168	5.353
Contractual Inflation	0.882	0.896	0.910	0.925
Utilities	0.068	0.070	0.071	0.073
Demographics: Care	1.040	1.040	1.040	1.040
Demographics: School Rolls	2.650	2.375	2.375	2.375
25 Hours in Primary Schools	0.000	0.000	0.000	0.000
Demand pressures: Children	1.025	0.025	0.025	0.025
School Estate Investment	0.311	0.208	0.008	0.012
Waste Disposal Costs	0.198	(0.272)	0.112	0.129
Non Domestic Rates	0.125	0.128	0.131	0.134
Borrowing Costs	0.256	(0.123)	(0.007)	0.000
Scottish Government Grant	1.489	1.490	1.492	1.493
Council Tax Income	(0.600)	(0.600)	(0.600)	(0.600)
Full year effect of 2018/19 savings	(2.760)	(1.415)	(0.829)	(0.000)
Other Movements	(0.019)	0.122	(0.064)	0.045
<b>Totals</b>	<b>9.194</b>	<b>18.032</b>	<b>27.864</b>	<b>38.868</b>

The principal movement from the figures set out in the 13 February 2018 report are as follows.

**Table 3: Movement from 13 February 2018 to 26 June 2018**

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
<b>Shortfall 13 February 2018</b>	<b>20.048</b>	<b>29.198</b>	<b>37.987</b>	<b>-</b>
2022/23 Initial Projection	-	-	-	38.868
Pay Inflation	1.079	2.272	3.680	-
Contractual Inflation	0.313	0.708	1.037	-
School Rolls and Estate	(0.935)	(1.183)	(1.919)	-
Children's Services	1.001	1.002	1.003	-
Scottish Government Grant	0.772	0.755	0.739	-
Council Tax Income	0.000	0.050	0.050	-
2018/19 Council Tax Increase	(1.274)	(1.274)	(1.274)	-
2018/19 Policy Savings	(6.389)	(7.489)	(8.083)	-
2018/19 Operational Savings	(2.286)	(2.601)	(2.836)	-
2018/19 Loan Charges	(0.500)	(0.500)	(0.500)	-
2018/19 Transformation Savings	(2.799)	(2.799)	(2.799)	-
Other Movements	0.164	(0.107)	0.779	-
<b>Shortfall 26 June 2018</b>	<b>9.194</b>	<b>18.032</b>	<b>27.864</b>	<b>38.868</b>

## 6 Sensitivity Analysis

Given the level of uncertainty for future year grant settlements and pay awards table 4 provides a sensitivity analysis reflecting the potential impact of different scenarios for these two key aspects of the budget. As indicated earlier these scenarios are based on the MTFs and the SFC's alternative scenarios for pay of 4% and 2% across the board.

**Upper Scenario.** This is a more optimistic scenario which assumes a 2% pay award across the board in each of the years and cash flat grant settlements at a national level. All other assumptions remain as set out in section 3.

**Lower Scenario.** Is a more pessimistic scenario which assumes a 4% pay award and reducing grant income based on a 4% cash reduction per annum at a national level as set out in section 2.

**Table 4: Sensitivity Analysis – 26 June 2018**

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
<b>Upper Scenario</b>				
Central Assumption	<b>9.194</b>	<b>18.032</b>	<b>27.864</b>	<b>38.868</b>
2% Pay Awards	(1.576)	(3.207)	(4.930)	(6.714)
Cash flat settlement	(3.103)	(6.207)	(9.313)	(12.420)
<b>Amended Shortfall</b>	<b>4.515</b>	<b>8.618</b>	<b>13.621</b>	<b>19.734</b>

<b>Lower Scenario</b>				
Central Assumption	<b>9.194</b>	<b>18.032</b>	<b>27.864</b>	<b>38.868</b>
4% Pay Awards	1.576	3.207	4.930	6.714
4% cash reduction in Grant	3.103	6.084	8.944	11.686
<b>Amended Shortfall</b>	<b>13.873</b>	<b>27.323</b>	<b>41.738</b>	<b>57.268</b>

These scenarios demonstrate the significance of the impact that changes from the central planning assumption for either government grant or pay inflation have on the projected budget shortfalls.

## 7 Midlothian Integration Joint Board

As part of the budget setting process the Council will need to determine an allocation of resources to the Midlothian Integrated Joint Board (IJB). For 2018/19 the allocation was set at £39.750 million. The projected budget shortfalls set out earlier incorporate a provision for pay awards, inflationary uplifts and a sum for demographic cost pressures in respect of services delegated to the IJB.

The Change Programme proposed to Council on 13 February 2018 provided for the demographic cost pressures for future years to be significantly offset. However the motion approved by Council did not include this offset as part of the future year's budget gap projections. Consequently the proposed allocation of resources for 2019/20 and indicative allocations for future years is estimated to be as follows:-

**Table 5: IJB allocations – 26 June 2018**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Previous Year's Allocation</b>	<b>39.750</b>	<b>41.817</b>	<b>43.908</b>	<b>46.036</b>
Uplifts:				
Pay and inflation	1.027	1.051	1.088	1.114
Demographic Pressures	1.040	1.040	1.040	1.040
Additional Funding	0	0	0	0
	<b>41.817</b>	<b>43.908</b>	<b>46.036</b>	<b>48.190</b>
Change Programme Savings	0	0	0	0
<b>Indicative Allocations</b>	<b>41.817</b>	<b>43.908</b>	<b>46.036</b>	<b>48.190</b>

It is recommended at this time that Council advise the IJB of the updated projections for later years, in the context of the Council's overall budget position and that discussions continue with officers of the IJB to secure a sustainable strategy for the delivery of delegated services which can be delivered within the resource allocation. This ongoing dialogue will inform the development of both the Council's and the IJB's future years Financial Strategy.

This approach will support the IJB as it develops its own Financial Strategy within the context of the financial pressures and the available allocations anticipated to be available from both the Council and NHS Lothian.

## **8 Change Programme**

### **8.1 Delivering Excellence**

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

A draft of the refreshed Delivering Excellence Change and Transformation Strategy is set out at appendix 4. This draft strategy sets out an approach that provides the means to:

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

The future year's impact of the Change Programme proposals approved by Council on 13 February 2018 are already reflected in the projected budget gaps set out in Table 8 below.

Taking cognisance of the extent of savings anticipated to be required to secure a balanced budget for 2019/20 and the continued challenge for later years the Strategic Leadership Group is working to develop and bring forward its assessment of the most appropriate solution to secure a balanced budget for 2019/20 and also address future years projected budget gaps. This work is ongoing and a comprehensive Change Programme will be finalised and brought forward, via the Business Transformation Steering Group.

The timetable set out in section 9, if approved today, provides for these savings proposals to be first presented to Council on 2 October 2018 which will then facilitate a period of engagement with the community on the financial challenge and Change Programme through Shaping our Future, the engagement strand of the Delivering Excellence framework. This engagement is anticipated to run until mid-December 2018 and the feedback from this together with the feedback from earlier budget consultations is intended to help to inform 2019/20 budget decisions by Council early in 2019.



## 8.2 Transformation Programme

The savings targets associated with the Transformation Programme are set out in table 6 below and detailed in appendix 2. These reflect the decision of Council on 13 February 2018 other than for Children's Services which at that point included a savings target of £0.335 million for 2019/20 onwards. Given the outturn position for 2017/18 reported elsewhere on today's agenda I do not consider it prudent to incorporate a further saving for this service in the Financial Strategy at this time.

**Table 6: Transformation Programme Savings (Cumulative) – 26 June 2018**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Entrepreneurial Council	0.348	0.643	0.868	0.868
Shared Services	0.025	0.025	0.025	0.025
Digital Led	0.050	0.150	0.150	0.150
Integrated Service Support	0.500	0.500	0.500	0.500
Workforce	0.482	0.632	0.722	0.722
Children's Services	0.000	0.000	0.000	0.000
<b>Totals</b>	<b>1.405</b>	<b>1.950</b>	<b>2.265</b>	<b>2.265</b>

The proposals presented to Council on 13 February 2018 include additions to the Transformation Programme as summarised in table 7 and detailed in appendix 3. Whilst these were not incorporated in the future years budget gaps approved by Council they still remain relevant and continue to be part of the Strategic Leadership Group's solution to address the budget challenge.

**Table 7: Additions to Transformation Programme – 26 June 2018**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Entrepreneurial Council	1.210	2.125	3.710	3.710
Enterprising with Communities	0.000	0.100	1.100	1.100
Shared Services	0.035	1.035	2.035	2.035
Digital Led Transformation	0.000	0.000	0.500	0.500
<b>Additions to Programme</b>	<b>1.245</b>	<b>3.260</b>	<b>7.345</b>	<b>7.345</b>

In addition the report to Council on 13 February 2018 identified the following areas which would be further developed and incorporated in future Financial Strategy reports:-

- A Disability Service Review as part of the next steps for Children's Services Review;
- Efficiencies secured through the Learning Strategy Estate, wider property asset management and asset rationalisation;
- A master plan for the Vogrie Estate and potential income opportunities it creates;

- A further review of the approaches to and resources committed to transportation of people, both clients and staff;
- A broader review of concessions for future consideration;
- Workforce, recognising that employee costs are by far the largest element of the budget.

### **8.3 Capital and Reserves Strategy**

The projected future year's budgets include a provision for the loan charges which reflects the funding strategy outlined in the draft Capital Strategy and reported separately on today's agenda and is governed by the Treasury Management and Investment Strategy which is also reported on today's agenda.

An increase in the affordable borrowing from that set out in the draft Capital Strategy, or changes from the proposed Treasury Management and Investment Strategy would inevitably lead to an increase the projected budget shortfalls for later years. In the absence of any other funding support, this will in turn require further reductions in the service budgets.

The latest projections for the General Fund Reserve are set out later in this report.

### **8.4 Operational Savings**

The budget projections set out in tables 1 and 2 already reflect the operational savings approved in previous year's budgets. It is anticipated that further operational savings will be identified as part of the Strategic Leadership Group's proposals.

### **8.5 Policy Savings**

The budget projections set out in tables 1 and 2 already reflect the savings approved in previous year's budgets. It is anticipated that further policy savings will be identified as part of the Strategic Leadership Group's proposals.

### **8.6 Bottom-up/Cross Cutting Service Reviews**

On 13 February 2018 Council agreed that the Chief Executive in conjunction with the Council Leader bring forward as part of a revised transformation programme proposals which include a bottom up/cross Council service review programme to be overseen by a 3 member cross party working group, in addition to the Council Leader, with recommendations from the working group being reported directly to Council.

A separate report is on today's agenda setting out the arrangements for the reviews together with proposals for the first three phases. As savings are identified as part of these reviews they will be reflected in the Financial Strategy.

## 8.7 Fees and Charges

The budget projections set out in tables 1 and 2 already reflect the fees and charges changes approved in previous year's budgets with future years increase estimated in table 8. It is anticipated that further fees and charges increases will be identified as part of the Strategic Leadership Group's proposals.

## 8.8 Summary of Financial Strategy

The updated projections incorporating the impact of the various strands of the Financial Strategy set out above and a 3% per annum increases in Council Tax are set out in table 8 below.

**Table 8: Financial Strategy 2019/20 to 2022/23 – 26 June 2018**

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
<b>Budget Shortfall Table 1</b>	<b>9.194</b>	<b>18.032</b>	<b>27.864</b>	<b>38.868</b>
<b>Less: Change Programme</b>				
<b>Transformation Programme 8.2</b>				
- Existing Programme	(1.405)	(1.950)	(2.265)	(2.265)
- Additions to Programme	(1.245)	(3.260)	(7.345)	(7.345)
<b>Total Transformation Programme</b>	<b>(2.650)</b>	<b>(5.210)</b>	<b>(9.610)</b>	<b>(9.610)</b>
Operational Savings 8.4	(0.000)	(0.000)	(0.000)	(0.000)
Savings Options 8.5	(0.000)	(0.000)	(0.000)	(0.000)
Bottom-up Reviews 8.6	(0.000)	(0.000)	(0.000)	(0.000)
Fees and Charges 8.7	(0.052)	(0.092)	(0.112)	(0.130)
<b>Less:</b>				
Council Tax Increase of 3%	(1.438)	(2.937)	(4.499)	(6.126)
<b>Remaining Budget Gap</b>	<b>5.054</b>	<b>9.793</b>	<b>13.643</b>	<b>23.002</b>
<b>Budget Gap - Upper Scenario</b>	<b>0.375</b>	<b>0.379</b>	<b>(0.600)</b>	<b>3.868</b>
<b>Budget Gap - Lower Scenario</b>	<b>9.733</b>	<b>19.084</b>	<b>27.517</b>	<b>41.402</b>

The emerging Change Programme for later years will be continually updated to take cognisance of the position for future years grant and pay settlements and demographic changes recognising the critical impact these issues have on the Financial Strategy and the projected budget position.

As the Financial Strategy develops over the coming months I will, as Section 95 Officer, require to seek assurance from Directors and Heads of Service that the budget proposals put forward by them for consideration are achievable and the risks associated with delivery have been identified.

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

## 9 Governance and Timetable

Each element of the Financial Strategy continues to have clear governance in place to ensure the timely delivery of the work stream. All budget proposals will be reported through Business Transformation Steering Group and then to Council as appropriate. Responsibility for setting Council Tax, determining budgets and approving savings etc. remains, with Council.

Council has a duty as set out in Section 93 of the Local Government Finance Act 1992 (as amended) to set its Council Tax and a balanced budget for the following financial year commencing 1 April by 11 March. The proposed timetable set out in Table 9 would support the delivery of the Financial Strategy and specifically the determination of the 2019/20 budget and Council Tax levels before the statutory date.

**Table 9: Timetable – Key Events**

<b>Date *</b>	<b>Event</b>	<b>Action</b>
26 June 2018	Council	<ul style="list-style-type: none"> <li>• Consideration of updated Financial Strategy.</li> <li>• Approval of timetable and approach for the 2019/20 budget.</li> </ul>
Ongoing to September 2018	Development Work	<ul style="list-style-type: none"> <li>• Development of Change Programme and savings proposals by Strategic Leadership Group.</li> </ul>
2 October 2018	Council	<ul style="list-style-type: none"> <li>• Consideration of updated projections.</li> <li>• Update on Financial and Capital Strategy.</li> <li>• Transformation proposals approved for engagement.</li> </ul>
October/November 2018	Engagement	<ul style="list-style-type: none"> <li>• Shaping our Future engagement on Financial Strategy and Change Programme proposals.</li> </ul>
Mid to late December 2018	Grant Settlement	<ul style="list-style-type: none"> <li>• Assessment of grant settlement implications on budget.</li> </ul>
18 December 2018	Council	<ul style="list-style-type: none"> <li>• Consideration of update report and feedback on engagement.</li> </ul>
Late January or Early February 2019	Council	<ul style="list-style-type: none"> <li>• Consideration of update report, reflecting grant settlement.</li> <li>• Consideration of Change Programme and savings proposals.</li> <li>• Recommendations to set Council Tax and determine a budget for 2019/20.</li> </ul>

*\* Based on current meeting schedule and so may require revision. Interim reports will be presented to Council as necessary.*

Members should also 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 proposed for late January/Early February 2019 members would be required to disclose the fact if this section of the act applies to them and subsequently not vote on any question with respect to the matter.

## **10 Focussing Resources to Key Priorities**

The Financial Strategy is not only about balancing the budget, it is designed to ensure that available resources are as far as possible targeted on delivery of improved outcomes, particularly against the key priorities of:-

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

The Midlothian Community Planning Partnership continues to prioritise the available resources towards the delivery of the partnerships key priorities and the Financial Strategy sets out for partners the parameters the Council is working within and provides a means to better facilitate the sharing of budget and resource planning information.

The Change Programme will be central to ensuring that resources are directed towards the priorities set out in the Midlothian Single Plan.

## **11 Reserves Update**

The position for General Fund Reserves is set out in the Financial Monitoring 2017/18 – General Fund Revenue report also on today's agenda.

The uncommitted General Fund Reserve at 31 March 2018 is £4.337 million. This uncommitted reserve equates to 2% of next expenditure as a contingency in the context of the continuing challenging financial outlook, the uncertainty associated with future years grant settlements, pay awards, the economic impact of Brexit and also the potential costs to come from the historic child abuse enquiry.

Given the level of available contingent reserves I would not consider it prudent for Council to meet additional spending pressures from the contingent reserve or to use the contingent reserve as part of the strategy to secure a balanced budget for 2019/20.

Table 10 summarises the General Fund Reserve position.

**Table 10: Available General Fund Reserve 31 March 2018 – 26 June 2018**

	<b>£million</b>
<b>General Fund Balance at 31 March 2018</b>	<b>10.777</b>
<i>Earmarked for specific purposes</i>	
• Budgets carried forward to 2018/19 for specific purposes	(3.244)
• Earmarked for Council Transformation	(2.015)
• Devolved School Management	(1.181)
<b>Available Contingent Reserve at 31 March 2018</b>	<b>4.337</b>

## **12 Report Implications**

### **12.1 Resources**

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

### **12.2 Risk**

Within any financial projections, there are a number of inherent assumptions in arriving at figures and budget provisions and therefore risks that may be faced if costs change or new pressures emerge.

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

- The economic outlook and decision by Scottish Government on future years grant settlements and grant distribution;
- Given the nature of the savings options incorporated in the budget proposals the increase risk of non-delivery or late delivery of planned savings, including those arising from reductions in the staffing establishment;
- The risk to service provision and service users associated with a continued decline in available resources to fund services;
- Outstanding pay award settlements and the implications of the National Living Wage for external service providers;
- Actual school rolls exceeding 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 impact of Universal Credit, and potential pension changes;
- The costs of implementation of national policies varying from the resources provided by Government; and
- Unplanned capital investment requirements and associated cost.

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

The projections set out in this report highlight the severity of the challenge ahead for the term of this Council and the extent to which service provision will have to be significantly transformed and or reduced.

The work of the Strategic Leadership Group to bring forward and implement a comprehensive Change Programme is critical to enable Council to address the projected budget gaps and in securing financial sustainability for the continued delivery of services.

The severity of the challenge is such that Council will require to approve a range of proposals which not only achieves a balanced budget for 2019/20 but which will also contribute to reducing future years budget shortfalls. The risk of not doing so would be the potential elimination of available reserves and so severely limiting the Council's ability to deal with unforeseen or unplanned events.

### **12.3 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

### **12.4 Impact on Performance and Outcomes**

The Financial Strategy facilitates decision on how Council allocates and uses its available resources and as such has fundamental implications for service performance and outcomes. The budget projections indicate that in 2022/23 the Council will have available in the region of £200 million for the provision of services and the pursuit of key outcomes as set out in the Single Midlothian Plan.

### **12.5 Adopting a Preventative Approach**

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

### **12.6 Involving Communities and Other Stakeholders**

The proposed timetable set out in section 9 includes the continuation of Shaping our Future, the consultation strand of the Delivering Excellence framework. This has a focus on informing the community and other stakeholders of the financial and service challenges and provides a means to consult on a range of options as the Change Programme develops.

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



## **12.7 Ensuring Equalities**

The Financial Strategy and the Change Programme proposals which support financial sustainability have been developed within the context of the Midlothian Single Plan, ensuring that resources are directed towards the key priorities of reducing the gap in learning, health and economic circumstance outcomes.

The Financial Strategy and the Change Programme proposals will continue 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 (EqIA) for all proposals. In addition, these actions underline the Council's commitment in its Midlothian Equality Plan 2017/2021 to tackle inequality and promote inclusion which support the Council in planning and delivering services which meet the needs of our diverse communities and respond to the changes ahead.

Individual assessments together with an overarching EqIA will be published alongside the Financial Strategy report in early 2019 which will set out recommendations for the 2019/20 budget.

## **12.8 Supporting Sustainable Development**

There are no direct sustainability issues arising from this report.

## **12.9 Digital Issues**

There are no direct Digital implications arising from this report.

## **13 Summary**

This report provides:-

- An assessment of the 2019/20 and future years Scottish Government Grant prospects;
- Updated budget projections for 2019/20 to 2021/22 and the initial projections for 2022/23;
- A sensitivity analysis reflecting the potential impact of different pay and grant settlement scenarios;
- An update on the arrangements for the delegation of resources to the Midlothian Integration Joint Board;
- An update on the Change Programme which will be the means to address the projected budget shortfalls;
- The proposed governance arrangements and timetable for the 2019/20 budget;
- An update on General Fund Reserves.

## 14 Recommendations

Council is recommended to:-

- a) Note the position in respect of the Scottish Government Grant Settlement as set out in section 2 and endorse the central planning assumption of a 2% per annum reduction in grant settlements at a national level;
- b) Note the current projected cost of services, key assumptions and resultant budget shortfalls as set out in section 3 and endorse the key assumptions on which the budget projections are based;
- c) Note the continuing uncertainties and the potential impact as outlined in the differing scenarios as set out in section 6;
- d) Note the requirement to delegate resources to the Midlothian Integrated Joint Board and the ongoing work to support the development of the IJB's own Financial Plans;
- e) Note the impact of the Change Programme and projected future years Council Tax increases and the impact on the Financial Strategy as set out in table 8;
- f) Note the governance arrangements out in section 9 and approve the proposed timetable set out in table 9;
- g) Note that the projections at this time indicate that a remaining budget gap of £5.054 million for 2019/20 rising to £23.002 million by 2021/21, though these are heavily dependent on the assumptions detailed in the report;
- h) Note that the Strategic Leadership Group is engaged in developing budget options which are intended to be presented to Council on 2 October 2018, with budget decisions being in early 2019;
- i) Note that given the level of available contingent reserves it would not be considered prudent for Council to meet additional spending pressures from the contingent reserve or to use the contingent reserve as part of the strategy to secure a balanced budget for 2019/20.
- j) Note the severity of the financial challenge and also the risks as set out in section 12.2.
- k) Otherwise note the contents of the report.

**Date** 15 June 2018

**Report Contact:**

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# Appendix 1

## REVENUE BUDGET 2018/19 SUMMARY

<b>SERVICE FUNCTION</b>	<b>2018/19 £</b>
Management and Members	1,590,651
<b>Resources</b>	
Commercial Operations	14,024,072
Finance & Integrated Service Support	11,086,019
Property & Facilities Management	12,742,587
<b>Health and Social Care</b>	
Adult and Social Care	39,749,938
Customer and Housing Services	11,274,354
<b>Education, Communities and Economy</b>	
Childrens Services	15,234,429
Communities and Economy	3,239,777
Education	89,719,435
Joint Boards	550,551
Non Distributable Costs	1,338,437
<b>GENERAL FUND SERVICES NET EXPENDITURE</b>	<b>200,550,250</b>
Loans Charges	7,060,000
Investment Income	(406,420)
Business Transformation Targetted Savings	(1,463,224)
Centrally Held Budget Provisions	744,574
Allocations to Housing Revenue Account, Capital Account etc	(4,934,180)
<b>NET EXPENDITURE</b>	<b>201,551,000</b>
Utilisation / (Enhancement) of Reserves	(200,000)
Council Tax Income	47,319,000
Scottish Government Grant	154,432,000
<b>TOTAL FUNDING</b>	<b>201,551,000</b>

# **GENERAL FUND SERVICES NET EXPENDITURE SUMMARY**

	£	£
<b>EMPLOYEE COSTS</b>		
SALARIES AND WAGES	105,142,949	
SUPERANNUATION	19,254,124	
NATIONAL INSURANCE	9,748,003	
ALLOWANCES	1,141,981	
INDIRECT EMPLOYEE COSTS	-945,495	<b>134,341,562</b>
<b>PREMISES COSTS</b>		
REPAIRS AND MAINTENANCE	1,751,484	
ENERGY COSTS	2,770,141	
RENTS	20,336	
RATES	4,990,836	
WATER SERVICES	527,804	
FIXTURES AND FITTINGS	261,473	
CLEANING COSTS	3,017,338	
OTHER PROPERTY COSTS	97,592	
PREMISES INSURANCE	101,323	
GROUND MAINTENANCE	892,343	<b>14,430,670</b>
<b>TRANSPORT COSTS</b>		
DIRECT TRANSPORT COSTS	1,091,471	
CONTRACT HIRE AND OPER LEASES	5,607,223	
CAR ALLOWANCES	418,482	
VEHICLE INSURANCE	46,508	<b>7,163,685</b>
<b>SUPPLIES AND SERVICES</b>		
EQUIPMENT/FURNITURE/MATERIALS	12,296,247	
CATERING	1,980,263	
CLOTHING AND LAUNDRY	168,157	
PRINTING AND STATIONERY	347,150	
SERVICES	282,014	
COMMUNICATIONS AND COMPUTING	2,205,423	
EXPENSES	49,707	
GRANTS AND SUBSCRIPTIONS	112,322	
OTHER SUPPLIES AND SERVICES	1,519,877	
OTHER INSURANCES	498,723	<b>19,459,883</b>
<b>THIRD PARTY PAYMENTS</b>		
INTERNAL RECHARGES	3,141,796	
OTHER LOCAL AUTHORITIES	1,980,485	
VOLUNTARY ASSOCIATIONS	1,032,685	
OTHER ESTABLISHMENTS	52,367,544	
PRIVATE CONTRACTORS	13,783,905	<b>72,306,415</b>
<b>TRANSFER PAYMENTS</b>		
PAYMENTS TO INDIVIDUALS	37,086,424	
OTHER ESTABLISHMENTS	0	<b>37,086,424</b>
<b>GROSS EXPENDITURE TOTAL</b>		<b>284,788,639</b>
<b>INCOME</b>		
GOVERNMENT GRANTS	30,910,691	
OTHER GRANTS & CONTRIBUTIONS	14,031,727	
CUSTOMER & CLIENT RECEIPTS	15,645,861	
RECHARGES	23,650,111	<b>84,238,390</b>
<b>GENERAL FUND SERVICES NET EXPENDITURE</b>		<b>200,550,249</b>

## Change Programme Overview

Financial Strategy Report - 26 June 2018 - Transformation Programme

Appendix 2

Strand	SERV	No.	DESCRIPTION	Cumulative Savings			
				Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23
				£m	£m	£m	£m
Entrepreneurial Council	EDUC	1.3	Review Early Years Contracts	0.053	0.053	0.053	0.053
Entrepreneurial Council	CO	13	Increase charges where appropriate	0.150	0.300	0.450	0.450
Entrepreneurial Council	CO	27	Increase training offer - increase income Risk Management	0.025	0.025	0.025	0.025
Entrepreneurial Council	CO	28	Sales Force Spend to Generate	0.075	0.175	0.225	0.225
Entrepreneurial Council	PFM	9	Café Service Social Enterprise/Branding	0.020	0.040	0.040	0.040
Entrepreneurial Council	PFM	20	Wrap around care provision - holiday club	0.025	0.050	0.075	0.075
<b>Entrepreneurial Council</b>			<b>Total</b>	<b>0.348</b>	<b>0.643</b>	<b>0.868</b>	<b>0.868</b>
Shared Services	PFM	6	Sharing Catering management with neighbouring LAs	0.025	0.025	0.025	0.025
<b>Shared Services</b>			<b>Total</b>	<b>0.025</b>	<b>0.025</b>	<b>0.025</b>	<b>0.025</b>
Digital Lead	CHS	4	Libraries Service	0.050	0.150	0.150	0.150
<b>Digital Lead</b>			<b>Total</b>	<b>0.050</b>	<b>0.150</b>	<b>0.150</b>	<b>0.150</b>
Integrated Service Support	FISS	4	Service Improvement Plans/Business Processes/Service Reduction	0.500	0.500	0.500	0.500
<b>Integrated Service Support</b>			<b>Total</b>	<b>0.500</b>	<b>0.500</b>	<b>0.500</b>	<b>0.500</b>
Workforce	EXE	1	Senior Management Team Review	0.200	0.200	0.200	0.200
Workforce	EDUC	1.1	Reduce Learning Assistants by 10%	0.132	0.132	0.132	0.132
Workforce	FISS	5	Remove Regular Car Allowance	0.100	0.200	0.265	0.265
Workforce	FISS	6	To remove Lease Car Scheme and the cessation of Employee Retention Allowances	0.050	0.100	0.125	0.125
<b>Workforce</b>			<b>Total</b>	<b>0.482</b>	<b>0.632</b>	<b>0.722</b>	<b>0.722</b>
Childrens Services	CS	1	Childrens Services Review	0.000	0.000	0.000	0.000
<b>Childrens Services</b>			<b>Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>TOTAL</b>				<b>1.405</b>	<b>1.950</b>	<b>2.265</b>	<b>2.265</b>

## Change Programme Overview

Financial Strategy Report - 26 June 2018 - Additions to Transformation Programme

Appendix 3

Strand	SERV	No.	DESCRIPTION	Cumulative Savings			
				Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23
				£m	£m	£m	£m
<b>Digital Lead</b>	<b>FISS</b>	<b>3</b>	Digital by Default across Council	0.000	0.000	0.500	0.500
<b>Entrepreneurial Council</b>	<b>CW</b>	<b>3</b>	Entrepreneurial Council	0.000	0.500	1.000	1.000
<b>Entrepreneurial Council</b>	<b>CO</b>	<b>32</b>	Provide Taxi Testing Service at Hopefield	0.000	0.060	0.060	0.060
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>1</b>	Building Services Company	0.000	0.250	0.610	0.610
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>3</b>	Construction and Design Service Consultancy	0.090	0.190	0.190	0.190
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>4</b>	Income from Professional Consultancy	0.050	0.050	0.050	0.050
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>8</b>	Expand Catering/Function Service	0.020	0.025	0.030	0.030
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>12</b>	Property Company	0.000	0.000	0.240	0.240
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>13</b>	Renewable Sources of Energy	0.000	0.000	0.280	0.280
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>16</b>	Community run 'Pure Gymn'	0.000	0.000	0.200	0.200
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>22</b>	Selling Services	0.050	0.050	0.050	0.050
<b>Entrepreneurial Council</b>	<b>PFM</b>	<b>23</b>	Destination Hillend	1.000	1.000	1.000	1.000
<b>Enterprising with Communities</b>	<b>CW</b>	<b>1</b>	Co Production Community Engagement	0.000	0.000	1.000	1.000
<b>Enterprising with Communities</b>	<b>PFM</b>	<b>21</b>	Transfer all halls and pavillions to community groups	0.000	0.100	0.100	0.100
<b>Shared Services</b>	<b>CW</b>	<b>2</b>	Shared Services	0.000	1.000	1.000	1.000
<b>Shared Services</b>	<b>FISS</b>	<b>7</b>	Shared Service	0.000	0.000	1.000	1.000
<b>Shared Services</b>	<b>PFM</b>	<b>14</b>	PPP Shared management with other LA	0.035	0.035	0.035	0.035
			<b>TOTAL</b>	1.245	3.260	7.345	7.345



# Delivering Excellence

## Change and Transformation Strategy

V5 08/06/18

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# 1. Introduction

The scale of the financial challenge facing the public sector continues to grow. The impact of the anticipated funding cuts on Council services across Midlothian will be substantial - particularly when we are also faced with the challenges of a growing and ageing population and the increasing demand for services that this will bring.

So far, we have made savings by reshaping the council and changing the way we work. Savings since 2010 total £43 million with £12 million of this delivered in 2018/19. This has been achieved through a series of service reviews, reducing the number of managers and staff we employ, reducing our offices and other property needs, changing the way we purchase services, charging for services and reducing or stopping some services. However, continuing with changes like these will not be enough on their own to address the financial challenge.

As reported to Council on 13 February 2018 the reduction in government funding for financial year 2018/19 contributed to a budget shortfall for the Council of £10.430 million. Based on current estimates, the budget shortfall is now expected to reach £38.868 million by 2022/23. In responding to this challenge the Council has developed a change programme incorporating a number of initiatives aimed at bridging this shortfall. This includes increasing Council Tax by the maximum of 3% per annum currently permitted by Scottish Government as part of the grant settlement.

The change programme presented to Council in February provides an overview of the proposed direction and changes in services that require to be made to address the budget challenge for 2018/19 and the projected budget shortfalls for future years as part of the Council's strategy to maintain financial sustainability. These projections are updated on a regular basis. The proposals included in the change programme were informed by the 'Shaping our future' budget public engagement exercise and developed across all Council services. Work is ongoing across service areas to ensure that a clear strategic narrative informs the future shape of services and so further inform the next iteration for a programme of change for 2019/20 and beyond, which will include the outcomes from the bottom-up/cross-cutting approach to reviewing a range of services across Council led by elected members.

This strategy document has been developed to capture the strategic intent of the wider change and transformation programme, which has been informed by the Delivering Excellence Framework shown in appendix 1, with the programme as at 13 February 2018 detailed in appendix 2.

## 2. Strategic Overview

The Council continues to face unprecedented challenges as a result of constrained funding combined with demographic and other cost pressures associated with Midlothian's current and projected growth. In addition, managing the impact of a number of government policy and legislative changes places additional demands and reinforces the urgent need to change the way the council operates and the services provided.

Midlothian Council delivers its priorities through the Community Planning Partnership (CPP) and the Single Midlothian Plan. The change programme, as far as possible, is aligned to focus available resources on these priorities.

Taking into consideration evidence regarding the comparative quality of life of people living in Midlothian, it is clear that less well off residents experience poorer health, have fewer or no choices in how they use low incomes, and also that there is a proven relationship between these factors and their learning. Education is generally regarded as the best route out of poverty. As a result the top three priorities for 2016 to 2019 for the Council and our Community Planning Partners are:

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

The 'Future Service Delivery Models' exercise previously carried out identified three key approaches for how the council works with its communities – preventive intervention, co-production and capacity building and localising / modernising access to services.

Opportunities to reflect and adopt these approaches were a key consideration for Heads of Service in development of their proposals and in addition further clarity of direction on the following will also inform future saving options going forward:

- Asset Rationalisation
- Workforce Profile and Plans
- Alternative models of service delivery
- Shared Services

In addition to the agreed priorities and approaches the Council will also focus on reducing the gap between outcomes for residents living in parts of the county which for many years have shown a significant gap between their outcomes and the average outcomes for Midlothian and Scotland as a whole. The areas targeted are Dalkeith Central/Woodburn; Mayfield/Easthouses and Gorebridge.

A key requirement from this strategy and the ongoing development and scrutiny is the need to clearly articulate the wider change and transformation programme, in the context of the Council's future strategic direction and resource priorities. This will provide a robust and cohesive approach to leadership which drives transformational and sustainable change to better respond to both current and future challenges and ensures delivery of Midlothian's vision of 'a great place to grow' and the 'One Council' approach developed by the Strategic Leadership Group as shown in the following figure:

## 2. Strategic Overview



**Figure 1: One Council**

For later years further work is required to identify a series of bottom-up reviews as noted at Council (13/02/18) and to bring forward proposals in respect of the following areas

- The inclusion of a Disability Service Review as part of the next steps for Children's Services Review
- Efficiencies secured through the Learning Strategy Estate, wider property asset management and asset rationalisation
- A master plan for the Vogrie estate and potential income opportunities it creates
- A further review of the approaches to and resources committed to transportation of people, both clients and staff
- A broader review of the concessions policy for future consideration
- Workforce, recognising that employee costs are by far the largest element of the budget.

The wider change programme will be subject to continuous review to take cognisance of the emerging position for future years grant settlements and demographic changes, recognising the critical impact both of these issues have on the Financial Strategy and the projected budget position.

The governance framework detailed in appendix 3 and 4 will also incorporate the bottom-up/cross-cutting reviews led by elected members and the additional items noted above as they are developed and delivered. Governance for the Delivering Excellence Change and Transformation Programme will be carried out within the existing Business Transformation Board and Steering Group arrangements (see appendix 4 and 5 for details).

### 3. Transformational Approach

Midlothian Council, along with all local authorities, has experienced and will continue to experience significant financial challenges. By adopting a transformational approach, we have become more efficient and at the same time we have delivered changes which result in improvements to the way we work, the services we deliver and the quality of life experienced by local people. These changes are evidenced in the delivery of new affordable homes, new schools, improved recycling rates, improved positive destinations for school leavers and the arrival of the Borders railway. In addition we have successfully delivered significant changes and improvements in services to protect children and vulnerable adults. All of this has been achieved despite resource constraints.

In response to the changing context the Council Transformation Programme has been subject to regular review and change and following feedback from our external auditors in December 2014 the programme was streamlined to focus support and resources resulting in the following five strands making up the programme prior to the transition to the Delivering Excellence Change and Transformation Programme from 2018/19:

- **Integrated Service Support**– The objectives for this strand include: Consolidation of key support services; Review and challenge of management arrangements to ensure appropriate spans of control (layers and specialisms); Review and challenge of service delivery arrangements and priorities; Delivery of service improvements and achievement of cost efficiencies by eliminating duplication and silo working to reduce failure demand and to improve our business processes and; To support the delivery of service ‘enablers’ and support services across the council to assess how best to release efficiencies the enablers create.
- **Education** – The objectives for this strand include: To review and streamline processes, structures and the roles engaged in administrative activities across schools to ensure the most appropriate utilisation of Education staff; To re-evaluate in light of recent legislation the most cost effective delivery of pre-school children’s access to a wider curriculum and educational experience; To review and rationalise the schools estate and catchment areas; To review secondary provision for the senior phase; To identify and pursue transformational savings to offset the impact of the agreement with Scottish Government to maintain teacher numbers and; To carry out mini service reviews within the Education Service to deliver further savings.
- **Customer Service**– The Customer Services transformation has had a positive impact on performance and customer experience and led to efficiencies and cost savings. The initial focus of the project has delivered on:
  - Developing customer insight to understand who our customers are, how they contact the Council and how they access our services, which has enabled us to make informed decisions on resources, service access and delivery channels.
  - the Customer Service Strategy for 2014-17 outlining how the vision of Customer Service is delivered by implementing the Customer Service Strategy Action plan for 2015-18
  - Piloting Customer Services in a priority area by responding to customer demand in a hotspot locality and enhancing our one stop capability provision.
- **Services with Communities**– The primary objectives for this strand is to work with our customers and partners to review and re-shape service delivery so that it is aligned to the priorities and outcomes of the Single Midlothian Plan and ensures that

Midlothian Council resources are effectively utilised to provide essential services to communities with a partnership focus on those in greatest need. The aim is to set a clear direction and make demonstrable progress in transforming Midlothian Council from being solely a service provider to a tailored, more balanced and partnership approach to the delivery of services with communities.

- **Children's Services** - The overarching aim of the strand is to ensure that children and young people of Midlothian get the help they need when they need it, so that each child and young person has the opportunity to reach their full potential. The approach taken follows a 'whole system' approach and involves working with partnership agencies. Undertaking this project will enable the Council to re-direct resources at an earlier stage, therefore preventing further issues escalating and improving outcomes for the children and young people involved.

The **Integration of Health and Social Care Transformation**, previously reported for information purposes via the Council's Business Transformation Board and Steering Group, will also transition to the Delivering Excellence Change and Transformation Programme as show in appendix 3.

Delivery of the financial savings element of the programme has been and will continue to be a key contributor to the wider change programme aimed at addressing the projected budget shortfalls.

In addition to the £15.101 million delivered/in hand the Financial Strategy for 2018/19 to 2021/22 includes further savings across the existing strands of the transformation programme. These savings targets are predicated on the outcomes of the review activity and subsequent decisions taken by Council and so remain indicative.

#### **Council Existing Transformation Programme Savings – 13 February 2018**

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children's Services *	0.000	0.000	0.000	0.000
Education	0.127	0.127	0.127	0.127
Health and Social Care	1.040	1.040	1.040	1.040
<b>Totals</b>	<b>1.167</b>	<b>1.167</b>	<b>1.167</b>	<b>1.167</b>

*\* Given the outturn position for 2017/18 it was not considered prudent to incorporate a further saving for this service in the Financial Strategy at this time.*

Whilst recognising that the majority of the savings associated with the previous transformation strands are in 2018/19 there are savings due in later years which have been transitioned to the new programme and will be monitored via the relevant Head of Service Change and Transformation Dashboard for the Delivering Excellence Change and Transformation Programme as shown in appendix 4).

An important element of the budget development work has been to develop the next iteration of transformation as a key element of the Financial Strategy to ensure that available resources are as far as possible targeted on the delivery of improved outcomes, particularly against the key priorities.

This involves incorporating the activities from the proposals set out in the Delivering Excellence Change and Transformation Programme and progressing with the following key components for the next phase of transformation:

1. **Enterprising with Communities** – there is a clear need to change the relationship we have with communities from a paternalistic one focused on service provision to one based on partnership and co-production and working together. This element of transformation builds upon and refocuses the existing Services with Communities strand within the previous Transformation Programme.
2. **Entrepreneurial Council** – covering property development, income generation, asset utilisation and energy. It focusses on the commercial opportunities associate with these.
3. **Digitally-led transformation/Customer Service** – we want to be at the forefront of digitally enabled change which will connect with the next phase and acceleration of customer services transformation. This element of transformation builds upon and refocuses the existing customer services strand within the previous transformation programme.
4. **Shared Services** – as a result of the current climate of reduced public spend and growing pressures on public services for the foreseeable future, service sharing and collaborative working will be a key consideration for options available to sustain services.

As noted previously the Integrated Health and Social Care transformation programme will continue to be included within the wider change and transformation monitoring via Business Transformation Board and Business Transformation Steering Group as shown in appendix 3. The mechanisms for reporting are shown in appendices 4 and 5 with the Head of Service Change and Transformation Dashboard template and the Team Lead Update Report template respectively.

A number of proposals within the change and transformation programme are linked to the various strategic/transformational themes supporting a number of early deliverables attached to the longer term strategic and transformational journey. The following table captures a summary of the planned savings noted within the change and transformation programme proposals linked to the transformational elements.

#### Transformation Elements by Strategic Theme (Cumulative)

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Entrepreneurial Council	0.410	1.968	3.178	4.988
Enterprising with Communities	0.000	0.200	0.300	1.300
Shared Services	0.025	0.085	1.085	2.085
Digital Led Transformation	0.050	0.150	0.200	0.700
<b>Additions to Transformation</b>	<b>0.485</b>	<b>2.403</b>	<b>4.763</b>	<b>9.073</b>

A strategic narrative for each of the key transformational components follows:

## **1. Enterprising with Communities**

As noted previously the financial challenge ahead requires Midlothian Council to think differently about how we engage and work with our communities.

Midlothian Council needs our communities to help us deliver our ambition of *Midlothian - Great Place to Grow*. We need to engage communities in the financial challenge ahead and where we plan to withdraw or reduce service delivery, we need to ensure we include them in that discussion and ask what they can do to assist in their own Communities.

Volunteering can be a powerful driver of personal, social, economic, cultural and environmental change; in Midlothian we have a strong track record of active volunteering across the voluntary, public and private sectors. This involves large numbers of dedicated volunteers of all ages and a wide variety of volunteering activities such as countryside activities, community gardens, lunch clubs and cafés, health and wellbeing activities and sports clubs, galas and events, community hospital volunteers and broader befriending and mentoring activities.

Levels of volunteering activity in Midlothian are generally higher than the Scottish average. Volunteering brings significant benefits for both the volunteer and the individuals that are supported. It is an important activity that serves to integrate people and communities through the shared experiences that it generates. With around 30% of Midlothian residents engaged in some form of volunteering, it is clear that many services and recreational activities would cease to function or be seriously curtailed without the commitment and input of local volunteers. We need to do more, however, to maximise the potential of volunteering to act as a positive force for change in Midlothian building on the existing powerful base.

As a Council we need to be honest and engage our communities moving forward. Proposals within the change and transformation programme note additional savings against the Enterprising with Communities strand by 2021/22 and this is only possible if we rethink our approach to working with communities. All of this fits with the established Christie Commission principles of building up the capacity of communities to work with the public sector in the delivery of particular services, and which is given legislative power through the legislative requirement to include communities in the decision making process through the Community Empowerment Act under which communities are active participants in the decisions made which affect their communities.

## **2. Entrepreneurial Council**

A key focus going forward will be contributing to the overall Midlothian economy by developing, delivering and providing a range of high quality, value for money entrepreneurial (commercial) services in partnership with

- Local Companies
- Other Public Bodies
- Residents and Householders
- Private developers
- Other organisations



This transformational component will be taken forward with the following deliverables in mind:

- To generate financial surplus for reinvestment within services and/or to support other Council priority services.
- To maximise the use of the workforce, buildings, vehicles, equipment and digital assets in providing services.
- To develop the skills of the workforce to enhance their jobs and to allow access to new markets.
- To develop and explore partnerships initially within and in the future build on partnering arrangements beyond Midlothian.
- To optimise and spread fixed costs over a greater cost base.

In line with challenges previously identified the requirement to become more commercial is driven by a need to respond to:

- The unprecedented level of funding cuts facing the Council and Public Sector.
- The significant impact of funding cuts on non statutory services currently provided by the Council.
- The need to develop working partnerships with Midlothian companies and other organisations.
- The need to develop staff and managers and the requirement to retain a critical employee mass to ensure the continuity of essential services.

In order to build on the commercial activity and work undertaken to date by the Council it will be necessary to:

- Enable, develop and support a commercial culture with a focus on the wider customer base.
- Concentrate and focus on core commercial activities and undertake a review of non commercial functions.
- Establish a team of key staff to assess identify and exploit opportunities using a range of skills and services.
- Enable the “sales force team” to explore and develop new ideas and opportunity for business.
- Explore opportunities that incentivise staff to excel and exceed expectations.

All entrepreneurial and commercial endeavours will be underpinned by a robust governance framework and developed and supported with an appropriate business case and professional and technical advice. Whilst entrepreneurial activities will align with council aims and values, elected member support and buy in will be key to successful delivery.

### **3. Digitally-led Customer Service**

With current population growth in Midlothian, the Council cannot continue to support services in the same model as it does now and shall transform services to digital where it makes sense to do so. Midlothian Council customers expect excellence and modernity; the ability to request services online in a digital age is now a basic requirement.

We already have a well-managed public facing website and SOCITM, in an independent benchmarking exercise, has awarded our site four stars. Midlothian is one of only four councils in Scotland to achieve this accolade.

Customer self-service already provides some key services without customers dealing directly with a member of staff and a degree of automation and workflow will improve services and reduce manual processing of service requests to continue to transform the way the Council delivers services.

Midlothian Council will procure components for an Online Payments and Services (OPAS) solution and the immediate objective is to offer an Official Journal of the European Union (OJEU) procurement competition for suppliers to create good solutions architecture, which in turn will lead to rationalisation of systems and processes, introduction of workflows, joined up systems and efficient processes.

#### **4. Shared Services**

The shared service element for transformation will be informed by a number of key principles previously identified for Shared Services and Collaborative Working by CIPFA in 2010 as follows:

- Service sharing and collaborative working, where they are relevant, will normally be used in combination with other methods, such as system thinking and process redesign.
- Making shared services happen will demand leadership and drive from those at the top of the organisation, this means senior executives and elected members.
- Partners need to understand where they are – in cost and performance terms – before embarking on change, and benchmark with peer organisations. This will provide an early assessment of the scale of opportunity.
- There is no ‘right’ option for or pathway into service sharing. Some organisations will choose to collaborate in a range of different partnerships where different services feature in each case, others will instead decide to work in more broadly based relationships, sharing a wide range of services with just a fixed group of other bodies.
- Collaboration models and vehicles will vary from case to case. In some instances this may mean working with organisations from other sectors, including commercial bodies. Legal requirements, among other things, will determine which model/vehicle is best suited to carry any partnership forward.
- In sharing services, the underlying processes will usually need to be simplified and standardised before they are consolidated in a single shared service. In doing this, processes will be redesigned on an ‘end-to-end’ basis, with ‘process owners’ taking responsibility across the whole service in question.
- Parties to the collaboration may need to migrate to a common technology platform (for instance, a finance or HR system), to remove the complexity and inefficiency that multiple systems might cause.
- Not every process or service will be open to sharing. Much will depend on the strategic significance of the service in question and the need for it to be tailored to local requirements.
- Processes and services that are shared will tend to be either;

- 'transactional' or 'rules-based' – involving standard, repetitive activities (such as processing invoices or accounting journals) that can be grouped together for processing efficiency; or
- 'competency-based'. In the latter case the work in question is likely to be brought together as part of a centre of expertise, which may allow for a range of specialist skills to be combined as part of a single unit e.g. Technical Services
- While there is a range of risks and legal issues to be addressed in sharing services, given political will and the willingness to invest resources, these can be dealt with in a managed way. They should not be seen as insurmountable barriers to change

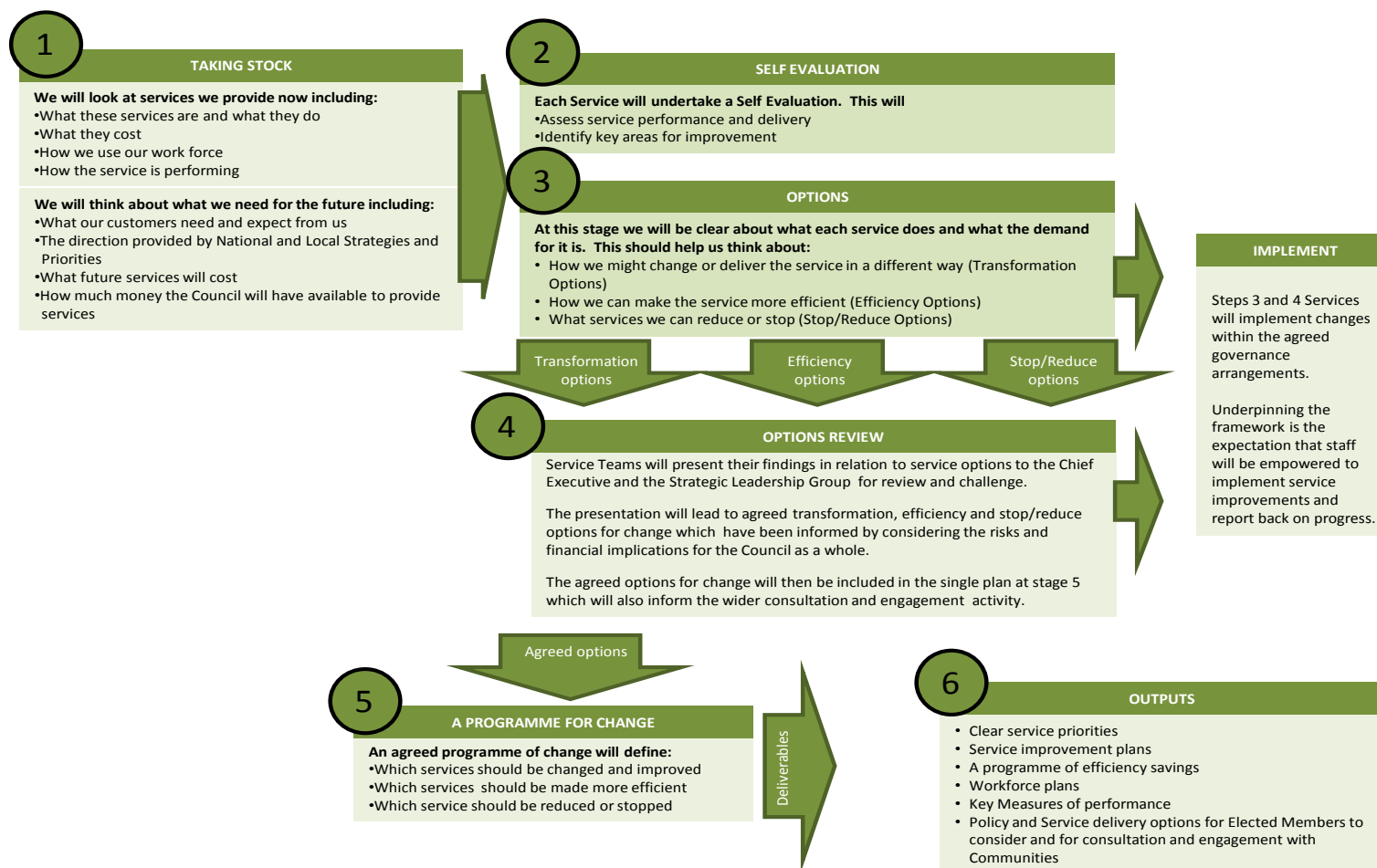
### **Delivering Transformation**

A lead officer will be identified for each of the four key transformational elements which will also be supported by a cross-directorate team of officers identified for their ability to champion and deliver change. Each element will also be sponsored by a member of the Executive Team.

Following an initial exercise to clarify the team remit and agreement of targeted transformational outcomes, the identified programme plan will be subject to ongoing reporting of progress and deliverables via the existing Business Transformation Board and Business Transformation Steering Group arrangements as shown in appendix 3.

# Appendix 1 – Delivering Excellence Framework

## Delivering Excellence Framework



## Appendix 2 – Delivering Excellence Change and Improvement Programme (13/2/18)

The following details the Delivering Excellence Change and Improvement Programme approved by Council on 13 February 2018.

KEY	SERV	No.	DESCRIPTION	RAG SI	RAG D	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Year 4 2021/22
SwCF	CW	1	Co-Production Community Engagement						1.000
SSF	CW	2	Shared Services					1.000	
ECF	CW	3	Entrepreneurial Council					0.500	0.500
OC	CW	4	Valuation Board Savings target 1%			0.005	0.005	0.005	0.005
ILOW	CW	5	Investing in Our Workforce				0.100	0.150	0.050
FD	CW	6	Financial Discipline			0.100	0.050	0.050	0.050
WF	EXE	1	Senior Management Team Review			0.050	0.200		
SR	CE	2	Overall reduction in the Planning Service	A	A	0.106			
POL	CE	5	Reduce contribution to Strategic Planning Authority	G	G	0.020			
SR	CE	6	Review of the pest control service within Environmental Health	A	G	0.007			
SR	CE	7	Deletion of Environmental Health support post (noise control/enforcement)	A	A	0.028			
SR	CE	8	Overall further reduction in the Environmental Health Service	A	A	0.108			
OWF	CE	9	Communities Team: staff saving	A	A	0.027			
OWF	CE	10	Reduction in the Economic Development Service			0.015	0.015		
OWF	CE	11	Deletion of Building Standards Trainee Post	G	G	0.028			
	EDUC	1	Schools and Early Years Change Programme						
WF	EDUC	1.1	• Reduce Learning Assistants by 10%	G	G	0.198	0.132		
EC	EDUC	1.2	• Review Surestart Contracts	G	G	0.050			
EC	EDUC	1.3	• Review Early Years Contracts	G	G	0.010	0.053		
POL	EDUC	1.4	• Review DSM	G	G	0.750	-0.250		
SR	EDUC	1.5	• Integration of Pathways, Pave and Pave 2	G	G		0.200		
POL	EDUC	1.6	• Charging for Instrumental Tuition	G	G	0.099	0.066		
POL	EDUC	1.7	• Charging for Instrumental Tuition for SQA courses	G	G	0.290			
SR	EDUC	1.10	• Reduce central education budgets, including Homelink	G	A	0.106			

POL	<b>EDUC</b>	<b>1.11</b>	• Reduction in Teacher Numbers	G	G	0.236	0.142		
POL	<b>EDUC</b>	<b>1.12</b>	• Reduction in Relative Teacher Numbers			0.350	0.210		
POL	<b>EDUC</b>	<b>1.13</b>	• Remove Outdoor Learning Resource	G	G	0.078	0.047		
	<b>EDUC</b>	<b>2</b>	Lifelong Learning and Employability						
POL	<b>EDUC</b>	<b>2.1</b>	• Lifelong Learning and Employability	A	G	0.184	0.025		
POL	<b>EDUC</b>	<b>2.2</b>	• LL&E Further service reductions	A	G	0.050	0.069		
IHSC	<b>HSC</b>	<b>2</b>	Telecare/Housing Support	G	G	0.044			
POL	<b>CHS</b>	<b>1</b>	Community Safety	A	G	0.300			
SR	<b>CHS</b>	<b>2</b>	Homelessness	G	G	0.260		0.300	
SR	<b>CHS</b>	<b>3</b>	Housing	G	G	0.100			
DL	<b>CHS</b>	<b>4</b>	Libraries Service	A	G	0.050	0.050	0.100	
SR	<b>CHS</b>	<b>5</b>	Revenues and Benefits	A	G	0.400	0.400	0.600	0.394
OWF	<b>CHS</b>	<b>6</b>	Service Management	G	G		0.071		
POL	<b>CO</b>	<b>1</b>	Charge for bins and boxes	A	G	0.050	0.060	0.060	0.060
POL	<b>CO</b>	<b>4</b>	Charge for garden waste collection	R	G		0.510		
POL	<b>CO</b>	<b>5</b>	Charge for commercial waste at Stobhill CRC site	G	A	0.035	0.015		
EC	<b>CO</b>	<b>6</b>	Advertising on Council refuse vehicles	G	G	0.015			
POL	<b>CO</b>	<b>7</b>	Increase the level of recycling	G	A	0.025	0.050		
POL	<b>CO</b>	<b>10</b>	Reduce the number of grass football and astro pitches across Midlothian and consider the introduction of hybrid pitches	A	G	0.050			
POL	<b>CO</b>	<b>11</b>	Reduce the provision of all floral displays and shrub beds	R	G	0.065	0.065		
EC	<b>CO</b>	<b>13</b>	Increase charges where appropriate	G	A	0.150	0.150	0.150	0.150
POL	<b>CO</b>	<b>14</b>	Increase lair provision at Dalkeith cemetery	G	A	0.025	0.025		
POL	<b>CO</b>	<b>15</b>	Close Polton Bowling Club	A	A	0.020			
POL	<b>CO</b>	<b>17</b>	Reduce the structures maintenance budgets	R	G	0.050			
POL	<b>CO</b>	<b>18</b>	Reduce street lighting maintenance budget	R	G	0.150			
SR	<b>CO</b>	<b>19</b>	Transform Lighting operations	A	A	0.050	0.050		

POL	CO	22	Stop all open space CCTV activity	R	G	0.030			
POL	CO	23	Introduce and Increase Parking Charges	R	A	0.050			
EC	CO	27	Increase training offer - increase income Risk Management	G	G	0.025	0.025		
EC	CO	28	Sales Force Spend to Generate	G	A	0.025	0.075	0.100	0.050
ECF	CO	32	Provide Taxi Testing Service at Hopefield	G	G			0.060	0.000
OWF	CO	36	Reduce staff - Land and Countryside	A	G	0.050	0.050		
OWF	CO	37	Reduce the fleet workshop budget	G	A	0.050	0.050		
OWF	CO	38	Management/Service Review	A	G	0.150	0.150		
OWF	CO	39	Staff Reduction Commercial Operations Management	A	G		0.080	0.030	
ISS	FISS	1	Management Structure	G	G	0.080			
ISS	FISS	2	Digital Services Review	A	A	0.150			
DLF	FISS	3	Digital by Default across Council	A	A				0.500
ISS	FISS	4	Service Improvement Plans/Business Processes/Service Reduction	A	A	0.250	0.500		
WF	FISS	5	Remove Regular Car Allowance	A	A	0.050	0.100	0.100	0.065
WF	FISS	6	To remove Lease Car Scheme and the cessation of Employee Retention Allowances	A	A	0.025	0.050	0.050	0.025
SSF	FISS	7	Shared Service	A	R				1.000
WF	FISS	8	To Review Support to Elected Members	G	A	0.075			
OWF	FISS	9	Reduce Recruitment/Contract change volumes to reduce associated admin	A	A	0.050			
OWF	FISS	10	Charge for non-employment etc. references	G	G	0.010			
OC	FISS	11	Further Phase of Print Copy Post reductions Strategy	G	A	0.075	0.075		
OWF	FISS	12	Cease all off payroll payments/reject non-compliant documentation	A	A				0.100
OWF	FISS	13	Withdraw/Charge for physio support	G	G				0.030
ECF	PFM	1	Building Services Company	A	A			0.250	0.360
POL	PFM	2	Reduction in Housing Voids Standards	A	R	0.080			



ECF	PFM	3	Construction and Design Service Consultancy	A	A		0.090	0.100	
ECF	PFM	4	Income from Professional Consultancy	A	A		0.050		
POL	PFM	5	Increasing the charging for school meals	A	G	0.040	0.040	0.040	0.040
SS	PFM	6	Sharing Catering management with neighbouring LAs	G	A	0.025	0.025		
POL	PFM	7	Trolley Service/Internal Catering to cover costs	G	G	0.013			
ECF	PFM	8	Expand Catering/Function Service	G	A		0.020	0.005	0.005
EC	PFM	9	Café Service Social Enterprise/Branding	G	A	0.010	0.020	0.020	
WF	PFM	10	Janitorial Service shared between 2 primary schools	A	G	0.225			
EC	PFM	11	Renegotiate Skanska subcontract	G	G	0.100			
ECF	PFM	12	Property Company	A	A				0.240
ECF	PFM	13	Renewable Sources of Energy	A	A				0.280
SSF	PFM	14	PPP Shared management with other LA	G	A		0.035		
POL	PFM	15	PPP maximised use of contracted hours	G	A	0.040	0.020		
ECF	PFM	16	Community run 'Pure Gym'	G	A				0.200
POL	PFM	18	Lifeguard Cover	A	G	0.100			
POL	PFM	19	Concessionary Charging Policy - Leisure	A	A	0.100			
EC	PFM	20	Wrap around care provision - holiday club	A	A	0.025	0.025	0.025	0.025
SwCF	PFM	21	Transfer all halls and pavilions to community groups	G	R			0.100	
ECF	PFM	22	Selling Services	A	A		0.050		
ECF	PFM	23	Destination Hillend	G	R		1.000		
POL	PFM	24	Increased Fees and Charges	G	G	0.100	0.100	0.100	0.100
OC	PFM	25	Temperature Reduction (Heating Policy)	R	G	0.140			
OC	PFM	26	Reduce Investment in Sports Equipment	G	G	0.050			
OC	PFM	27	Energy Savings from SALIX Investment	G	A	0.060	0.030		
OWF	PFM	28	New Depot Management Efficiencies	G	G		0.150		
OWF	PFM	29	Management Service Review	A	G	0.090	0.090		
OWF	PFM	30	Mobile cleaning service	A	G	0.050			

OC	<b>PFM</b>	<b>31</b>	New Depot Additional Floor	R	R			0.080	
FD	<b>CORP</b>	<b>1</b>	Increased Fees and Charges	G	A	0.120			
OWF	<b>RES</b>	<b>1</b>	Windfall Voluntary Severance Packages	A	A	0.050			
FD	<b>RES</b>	<b>2</b>	Financial Discipline: Operation Jumbo	A	A	0.100			
FD	<b>RES</b>	<b>3</b>	Supplier Management	A	A	0.100			
FD	<b>RES</b>	<b>4</b>	Reduce External Vehicle/Plant Hires	A	G	0.050			
FD	<b>FISS</b>		Debt Rescheduling/Funding Arrangements (Loan Charges)	G	A	0.500			
			<b>TOTAL</b>			<b>8.047</b>	<b>5.410</b>	<b>3.975</b>	<b>5.229</b>

### Operational Savings Proposals

#### KEY (Strategic Theme):

**DL/DLF** - Digital Led/DL Future Savings

**EC/ECF** - Entrepreneurial Council and EC Future Savings

**FD** - Financial Discipline

**IHSC** - Integrated Health and Social Care

**IIOW** - Investing in Our Workforce

**ISS** - Integrated Service Support

**OC** - Operational Costs

**OWF** - Operational Workforce

**POL** - Policy

**SR** - Service Review

**SS/SSF** - Shared Service/SS Future Savings

**SwC/SwCF** - Service with Communities/SWC Future Savings

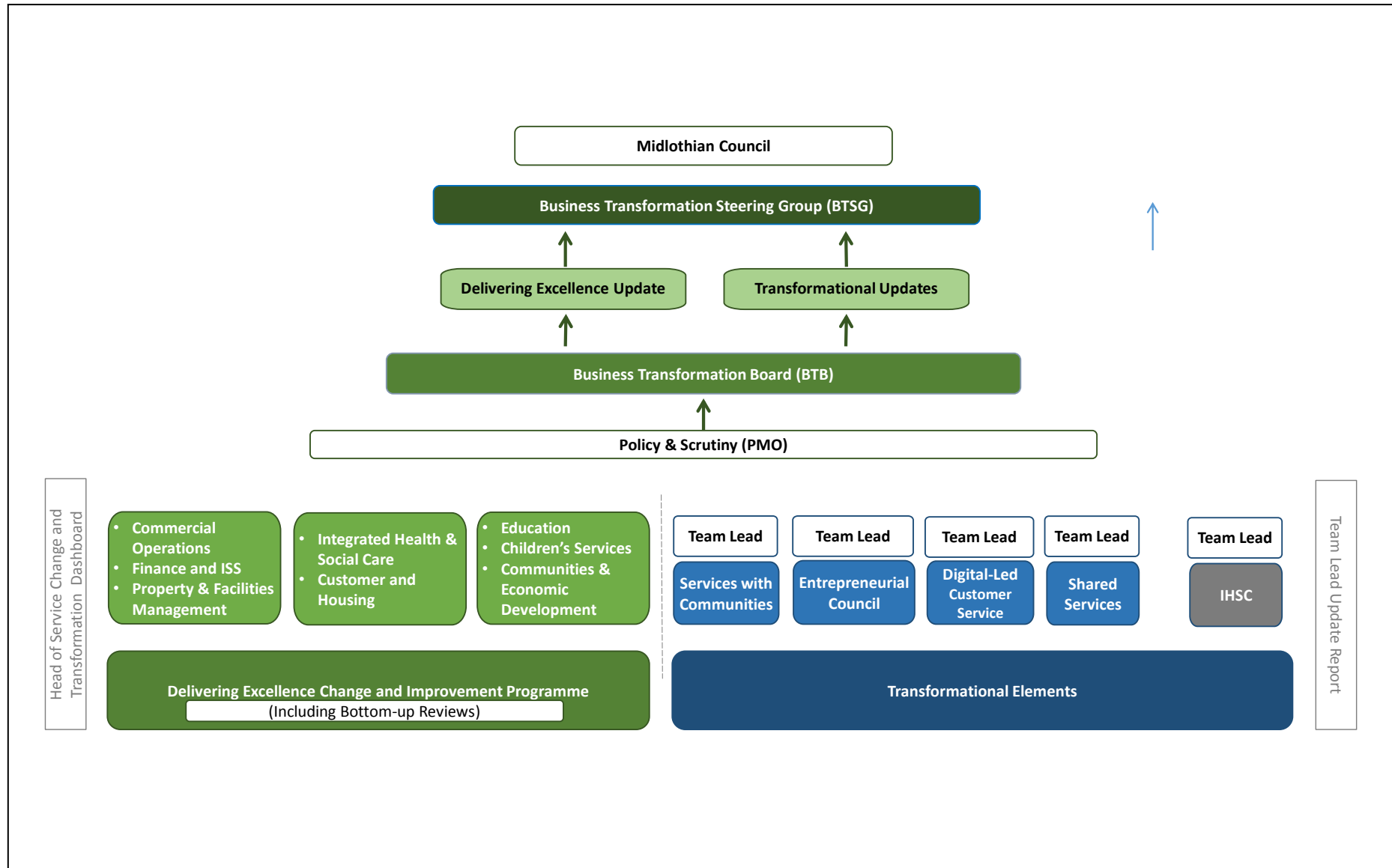
**WF** - Workforce

#### RAG Risk Rating:

**RAG SI** - Rating in relation to impact on Service

**RAG D** - Rating in relation to deliverability of proposal

## Appendix 3 – Delivering Excellence Governance Structure



## Appendix 4 – Head of Service Change and Transformation Dashboard Template

Service		Head of Service			Date	
Key Area of Activity	Prog Status*	18/19 Savings		Future	Comment – BTB/BTSG to Note	
		Target	Delivered	Years		
		£m	£m	£m		
<b>Delivering Excellence (Operational Savings)</b>						
<b>Delivering Excellence (Change &amp; Transformation Programme)</b>						
Transformational Elements included above						
Change Programme areas included above						
<b>Savings targets C/F from Previous Years</b>						
<b>Additional 18/19 Budget Items Approved</b>						
Fees and Charges						

\* Status Key

On track	Behind Schedule	Significant Slippage	Complete	Monitored through quarterly Financial Overview report	N/A this Year
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Service Strands of Change Activity	Prog Status*	18/19 Savings		Future	Comment – BTB/BTSG to Note
		Target	Delivered	Years	
		£m	£m	£m	
<b>Summary (Areas of note)</b>					
<b>Key Issues/Risks to Highlight</b>		<b>Key Decisions to be made</b>			
<b>Proposed Items for Consultation</b>			<b>Proposed Items for Political Discussion</b>		
<b>Key points to note/recommendations:</b>					

## Appendix 5 – Transformation Lead Update Report Template

<b>Project Name</b>		<b>Project Lead</b>	
<b>Report Period</b>	<b>From</b>		<b>To</b>
<b>Purpose of Report</b>			
<b>Project Status: GREEN</b>	Explanation of RAG rating:		
<b>Recommendations</b>			

<b>Transformational Objectives</b>	
<b>Highlights this period</b>	
<b>Issues this period</b>	
<b>Outlook for next period</b>	<b>Immediate actions required by Project Team</b>

## Appendix 5 – Transformation Lead Update Report Template

[illegible]



**Financial Statements for the year ended 31 March 2018****Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

The purpose of this report is to provide Council with a brief overview of the Council's Financial Statements for 2017/18. The unaudited accounts have been circulated to members.

**2 Background**

In accordance with regulation 4 of the Local Authority Accounts (Scotland) regulations 1985 (as amended) the unaudited Financial Statements for the year ended 31 March 2018 require to be prepared and submitted to the Controller of Audit by 30 June 2018.

Accordingly the statements have now been completed and are today laid before Council.

**3 Financial Performance**

Separately on today's agenda is the Financial Monitoring 2017/18 – General Fund Revenue, Housing Revenue Account Revenue and Capital Final Outturn 2017/18 and General Services Capital Plan 2017/18 Final Outturn. They detail financial performance in each area. The impact on reserves is as follows:

- The General Fund Balance is £10.777 million of which £6.440 million is earmarked for specific purposes leaving a general reserve of £4.337 million;
- The Housing Revenue Account Balance is £33.863 million which is an increase of £4.109 million on the position at 31 March 2017.

**4 Financial Statements**

The Council's External Auditors, Ernst & Young LLP (EY), made a number of recommendations based on the 2016/17 Financial Statements for action in preparing the 2017/18 statements. These were detailed in the Annual Audit Report presented to Council in November 2017. All actions have been completed with the exception of recommendation 2 – HRA Capital Contributions which requires some more detailed work to finalise figures although the direction of travel has already been discussed and agreed with EY. There are no significant changes to the format and presentation of Midlothian's statements in 2017/18 compared to the prior year.

## **5 Public Inspection**

Regulations require that the Financial Statements and all books, deeds, contracts, bills and vouchers and receipts relating to the financial statements be made available for public inspection. In accordance with section 101 of the Local Government (Scotland) Act 1973 any persons interested may inspect the accounts and may object to the accounts,

Public notice has been given advising of the availability of the Financial Statements and associated documents for inspection at Midlothian House and of the rights conferred by section 101 of the act.

## **6 Report Implications**

### **6.1 Resource**

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

### **6.2 Risk**

Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the proper administration of their financial affairs. The Council's Standing Orders and Financial Regulations detail the responsibilities of members and officers in relation to the conduct of the Council's financial affairs.

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

Themes addressed in this report:

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

### **6.4 Impact on Performance and Outcomes**

The decisions taken to balance the budget will have fundamental implications for service performance and outcomes. The Council's Transformation Programme aims to minimise the impact on priority services.

### **6.5 Adopting a Preventative Approach**

The proposals in this report do not directly impact on the adoption of a preventative approach.

**6.6 Involving Communities and Other Stakeholders**

No consultation was required.

**6.7 Ensuring Equalities**

There are no equality implications arising directly from this report.

**6.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

**6.9 IT Issues**

There are no IT implications arising from this report.

**7 Recommendations**

It is recommended that Council endorse the contents of this report and approve the Council's Financial Statements for 2017/18.

8th June 2018

**Report Contact:**

**David Gladwin** Tel No 0131 271 3113

**E mail** [david.gladwin@midlothian.gov.uk](mailto:david.gladwin@midlothian.gov.uk)

**Background Papers:**



## Report on demographic growth and the increase in the percentage of pupils with additional support for learning (ASL) needs and Complex needs (CN) in Midlothian

Report by Dr Grace Vickers, Head of Education

### 1 Purpose of Report

The purpose of this report is to highlight the significant increase in ASL & CN needs within Midlothian and to request that Council increase the funding in the 2018/19 budget to reflect the 7.93% increase in recorded ASL needs.

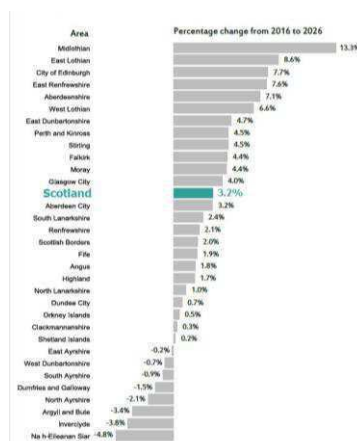
### 2 Background

2.1 Midlothian has now been identified as the fastest growing local authority in Scotland. The most recent NRScotland statistics highlight the following:

- The mid-2017 population estimate in Midlothian was 90,090, an increase of 1,480 over the corresponding mid-2016 figure of 88,610.
- The population increase in Midlothian between mid-2016 and mid-2017 was 1.67%, which was the largest increase in any of Scotland's local authorities. For comparison, the corresponding figure for Scotland as a whole was 0.37% and the second-fastest growing area was Edinburgh, at 1.19%.
- The 1.67% increase figure in Midlothian is a combination of a 1.43% increase due to net migration and 0.24% due to natural change (births minus deaths). Both of these figures are the highest of all Scotland's councils.
- Midlothian's population has increased by 12.1% between mid-2007 and mid-2017. This is the second-largest increase of all Scotland's councils. The biggest increase has been in Edinburgh (12.5%), while the corresponding figure for Scotland was 4.9%.

The above points can be considered with the latest population *projections*, which are 2016-based. They show an expected growth of 13.3% from 2016 – 2026, which is the largest in Scotland by some distance and compares to a Scottish average of 3.2%. Figure 1 below shows the percentage change in population for all local authorities from 2016 to 2026.

Figure 1



In terms of absolute numbers, they show a projected increase in Midlothian's population from 88,610 in 2016 to 100,410 in 2026, which is a rise of 11,800.

The NRS publishes a PDF of infographics and has an interactive online site that allows variables to be adjusted and comparisons with the national average and other local authorities. The following figures come from these web links:

<https://www.nrscotland.gov.uk/files//statistics/nrs-visual/mid-17-pop-est/mid-year-pop-est-17-info.pdf>

<https://scotland.shinyapps.io/population-estimates/>

The high rate of growth is expected to continue as outlined in figure 2 which shows percentage increase in population in Midlothian compared to Scotland over the 25 year period from 2016 to 2041. The graph shows the average projected population increase.

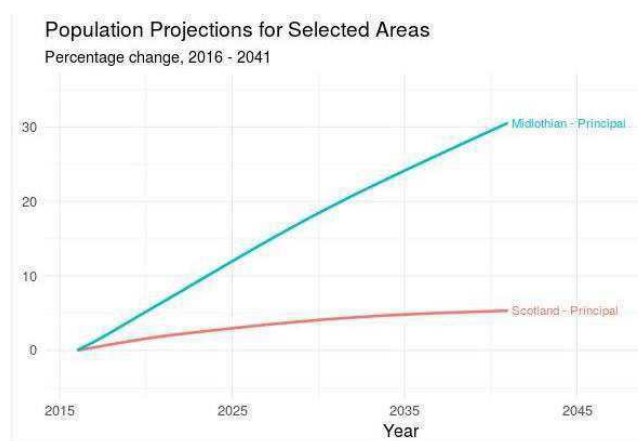


Figure 2

Breaking the population down into age groups highlights that the increases are significantly higher than the Scottish average in the under 15 and 25-44 and 75 and over age groups as outlined in Figure 3 overleaf:

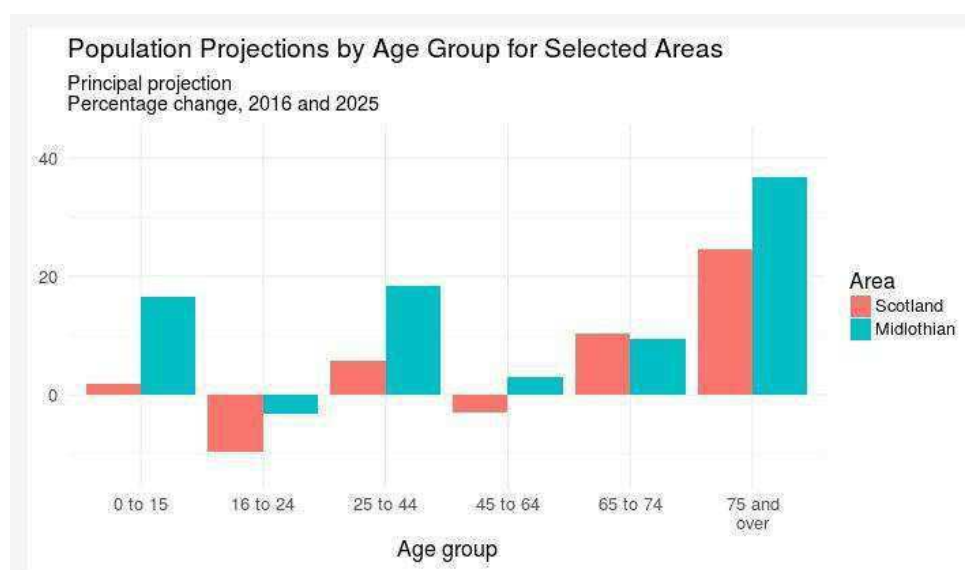


Figure 3

The full data can be accessed at the following link:  
<https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2017>

## 2.2 ASL in Midlothian: the Inclusion Review and the National drivers

As part of the inclusion review one of the tasks was to make sense of historic ASL funding against the pupil population. It was established that the budget was based on 18.6% ASL from 2014/15 and that any subsequent increase in ASL was not then reflected in the budget assigned.

A recent research document published by the Centre for Research in Education Inclusion & Diversity (CREID), part of Moray House School of Education at the University of Edinburgh found that in 2007 the percentage of pupils with ASL in Scottish schools was **5.28%**, and in 2017 the percentage of pupils with ASL in Scottish schools has risen to **24.89%**. This has also been confirmed in Scottish Government publications.

In Midlothian Council the latest data pulled from SEEMIS identifies the percentage of pupils with ASL at **26.53% which is currently slightly above the national average**.

This increase is in part due to the change in legislation regarding the presumption of mainstream and the very clear steer from the DFM stating:

*“The Scottish approach to inclusion is already unparalleled, our legislative and policy commitments are amongst the most extensive in the world. However, we must improve the experience of inclusion for all children and young people, whether that is in mainstream, special or shared settings, if we are to deliver on the promise of such an ambitious framework.”*

There is currently a national consultation on the presumption of mainstream, and inclusion and equity will remain very much at the forefront of thinking when all Scottish schools are trying to close the attainment gap, and reporting on the NIF drivers.

When Saltersgate School was expanded into St. Davids High School, the pupil numbers increased significantly. We now have established a tracking document that shows the two spikes in pupil numbers and how we track them through over the years to predict allocation needs. This means, for session 2018/2019, we were confident with the number of pupils moving out of Saltersgate and enhanced complex needs provisions that we had enough space to accommodate the referrals and pupils transitioning from P7 into S1.

However following on from the Placement Allocation Group (PAG) meeting on 22 February there were 37 referrals for pupils moving into Primary 1 with complex needs, which far exceeds the historic number of requests we have typically received which tends to be around 15. This has resulted in Saltersgate and all Primary & Secondary complex needs provisions being at capacity with no available spaces.

## 3 Budget Position 2018/2019

Through a budget analysis exercise, it was identified that the budget allocation for session 2014/2015 was based on 18.6% ASL. As stated before this figure has now risen to 26.53%. However the allocated budget has not increased in line with this. Therefore an additional **7.93%** of pupils are now requiring support with their ASL need. This means, if we do not increase the % allocation we will provide less than **2hrs support per week** to each child with an ASL need.



For the complex needs provisions we are now in a staff: pupil ratio which is at its highest, based on the SNCT guidance document for supporting pupils with complex needs.

## 4 Risk

There is significant risk to the Council when allocating support to schools, if we do not have enough support in line with National policy to provide the presumption of mainstream education, and ensure equity of access to curriculum for our most vulnerable young people, then the likely hood of expensive external placing request will increase. This in turn could lead to be an increase in references to the Additional Support Needs Tribunal (ASNT) and if these are refused, which will also have a significant cost to the council.

The risk around complex needs is even more significant, if even one pupil comes through at the next PAG meeting in May 2018 who require the enhanced levels of support we cannot place them. Additionally if any new pupils move into Midlothian with complex needs we cannot accommodate them in any provision. For Saltergate and all provisions with the exception of Gore Glen PS there is no space to add an additional class. However Gore Glen has the physical space to open another complex needs class, but there would be staffing implications for this, this requires; 1 additional class teacher and 60 hours of Learning Assistant time per week.

Due to the provisions being at capacity we also have significant risk around staff absences and being able to cover the classes. If we had 1 more class teacher at this point, that teacher could be split between the two smallest provisions to provide some breathing space, and then they could be allocated to cover absences, and if needed to staff an additional class in Gore Glen.

If Council does not agree to the recommendations there will be a significant risk of overspend within the budget to fulfil our statutory duties.

Moving forward this academic year we will be working closely with early year's teams to plot next year's arriving complex needs pupils against those leaving complex needs provision, however Midlothian is facing a significant rise in children with complex needs and this will result in us having to open another primary & secondary complex needs provisions imminently: I will bring another paper forward with the plan and associated costs as soon as possible.

### 4.1 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

### 4.2 Key Priorities within the Single Midlothian Plan

Reducing inequality of educational provision and support for our learners.

### 4.3 Impact on Performance and Outcomes

Reducing inequality will impact on closing the gap and therefore outcomes for all.

#### **4.4 Involving Communities and Other Stakeholders**

Schools will work with parents and wider partners to ensure best use and allocation of support and resources.

#### **4.5 Ensuring Equalities**

There are significant equality implications arising from this report, around access to curriculum.

#### **4.6 IT Issues**

When we open any new provisions, these will require IT installation, computers, internet and software / adaptive technology for supporting alternative and augmentative communication (AAC) within complex needs. There is also a requirement for us to ensure our ASL IT stays up to date.

### **5. Recommendations**

Council is requested to note:

1. The content of the report.
2. The rate and type of demographic growth in Midlothian.
3. That planning will now commence to open a minimum of 1 primary and 1 secondary complex needs provision to meet our statutory duty to provide education to pupils with complex needs and a further report will be brought to Council.
4. Council is recommend to:
  - a) Increase the 2018/19 budget allocation for ASL to reflect the 7.93% increase in ASL need, 478hrs per week based on 6031hrs allocated this session at a cost of £288,712.
  - b) Increase the Complex needs staffing by 1 FTE Class teacher and 60 Learning Assistant hours per week for session 2018/19, at a cost of £48,095 for the Class teacher and £36,240 for the learning assistants.
  - c) Instruct that the ASL budget allocated each year should increase to reflect the % ASL need identified. for that year

**Date 04 June 2018**

**Report Contact:**

**Andrew Sheridan, School Group Manager ASN and Complex needs**

**Tel No – 0131 271 3701**

**[andrew.sheridan@midlothian.gov.uk](mailto:andrew.sheridan@midlothian.gov.uk)**



## **2020 Vision for Early Years, Early Learning and Childcare Expansion Plan**

### **Report by Grace Vickers, Head of Education**

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

- 1.1** The purpose of this report is to provide Council with:
- I. An update on the submission of the revised Financial Template on the Early Learning and Childcare expansion plan to the Scottish Government
  - II. An update on the Council's submission to the Scottish Government for support in developing outdoor learning in early learning and childcare
  - III. Details of the multi-year funding for expansion announced by the Scottish Government
  - IV. Details of the proposed expansion activities for the current financial year
  - V. A request to increase spend in 2018/19 above that supported by specific revenue grant funding from the Scottish Government which would be recouped from grant funding in financial year 2019-20 if Scottish Government do not change the grant payment profile
  - VI. A proposal to grant fund partner provider nurseries to enable expansion of capacity for 1140 hours

#### **2 Background**

- 2.1** The Children & Young People (Scotland) Act 2014 increased the number of hours of free early learning and childcare (ELC) provided to parents and carers from 475 hours per year to 600 hours and introduced an entitlement for certain 2 year olds, both in 2014. The further increase to 1,140 hours has not yet been set in legislation however the Scottish Government has committed to the expansion, to be fully implemented by August 2020.
- 2.2** The paper 2020 Vision for Early Years, Early Learning and Childcare Expansion Plan was agreed at Council on 7 November 2017. The paper advised that the plan and financial template had been submitted to the Scottish Government at the end of September, as required. The plan was draft and was to be reviewed when the final financial settlement was announced by the Scottish Government, therefore the changes proposed to settings were subject to review and it was not appropriate to discuss the proposals with staff at that time.
- 2.3** Following receipt of all local authorities' plans the Scottish Government's Delivery Team met with each local authority to provide feedback on the plans and guidance on interpreting baseline planning assumptions and other planning considerations.
- 2.4** Subsequent to this the Scottish Government required all local authorities to revise their plans and complete and submit a revised Financial Template by 2 March 2018. The revised Financial Template was approved by Corporate

Management Team and submitted to the Scottish Government. Again, discussions with staff could not take place until plans were finalised following the confirmation of funding.

- 2.5 On the 15<sup>th</sup> of February 2018 Audit Scotland published their report Early Learning and Childcare, examining the expansion from 475 to 600 hours in 2014 and the planning for the expansion to 1140 hours in 2020. The report is available on their website: <http://www.audit-scotland.gov.uk/report/early-learning-and-childcare>. The report highlights a number of challenges and areas of uncertainty in the process of planning for the expansion, including the gap between the government's assessment at that time of the funding required to deliver the expansion and the sum of the local authorities' plans. The implications of this report for Midlothian will be presented to the Council's Audit Committee.
- 2.6 The revisions to the expansion plan for Midlothian were made while still awaiting confirmation of the funding provided by the Scottish Government (SG) from financial year 2018/19 through to 2021/22 (the first full financial year after the expansion). The multi-year revenue and capital distribution to the council was announced by the Scottish Government on 1 May 2018 and is discussed in more detail at section 4. The revised expansion plan for Midlothian will therefore require further revision now that the funding has been confirmed.
- 2.7 In addition, a number of other documents and clarification from the Scottish Government that will affect the plan are awaited, such as:
- 2.8 **Funded provider standard** – this will determine what standards are required of providers and apply to Council settings, private and voluntary providers and childminders. The Council will be expected to administer the scheme and carry out quality and organisational checks of providers. The extent of this and the level of resources required, and how much support is to be given to providers should they fall below the necessary standards, is unclear at this time therefore it is difficult to predict the number of staff required.
- 2.9 **Funding Follows the Child** – the expanded hours are intended to be “provider neutral” – a guaranteed standard of high quality early learning and childcare in all funded settings who meet the criteria in the National Standard. It should increase choice for families while providing them with certainty that settings are offering high quality provision. Families will be able to access funded ELC at the provider of their choice if that provider meets the criteria set out in the National Standard and offers entitlement in line with local delivery plans. Local authorities will retain statutory responsibility for ensuring that funded ELC is available to all eligible children, will be guarantors of quality and must ensure that there is a range of options for families in their area. Funding will be channelled through local authorities and not go directly to providers or families. It is for the local authority to set the rate paid to funded providers. This rate must be sustainable and reflect national policy priorities including payment of the real living wage to all childcare workers delivering the funded entitlement.
- 2.10 **Meal provision** – the legislation currently requires a lunch to be provided where a child is in attendance over the middle of the day, and as a result we had planned on the basis that only a snack would be needed where a child only attends for a morning or afternoon session. The Scottish Government consultation document states that a meal must be provided during each session and notes that guidance giving details of this will be developed. Until the guidance is published there is uncertainty around the requirements and hence resources required, so the financial template has been completed on the basis that a meal must be provided during every session.

- 2.11** The above three elements are encompassed within the “Early Learning and Childcare Service Model for 2020” consultation currently being undertaken by the Scottish Government. There is a separate paper presented at this Council regarding the consultation.
- 2.12** **Outdoor provision** – Dr Catherine Calderwood, Chief Medical Officer for Scotland, sets out the benefits of outdoor provision for children’s development:  
*“There is... a growing body of research that shows children with higher levels of active outdoor play have improved cognition, which can result in better academic performance and contribute to closing the attainment gap.”*
- 2.13** Midlothian is a small local authority but an area with a rich outdoor environment and the expansion provides an opportunity to maximise our use of this resource to ensure the very best outcomes for all our children. While local authorities were preparing the financial templates the government published Space to Grow, which included broad guidance on an ability to increase settings’ registered capacity by 20% in relation to outdoor provision. There was uncertainty regarding exactly what would be required in order to gain the additional 20% capacity and therefore the costs associated with it. As a result, the expansion plan did not include the additional 20% and all additional capacity required at council settings was assumed to be provided through refurbishment or new buildings. The plan did include proposals to set up two outdoor settings of 40 places each, one in the west of the county and the other in the east.
- 2.14** Subsequent to the submission of the revised financial template Midlothian was successful in its application to become one of 8 local authorities in Scotland who will be supported by Inspiring Scotland to develop outdoor learning. There are further details of the project in the news article here: <https://www.inspiringscotland.org.uk/news/inspiring-scotlands-new-role-supporting-greater-use-outdoor-learning-early-years/>. It is therefore anticipated that in the near future we will be in a position to evaluate the requirements and therefore costs of achieving the additional 20% capacity, as well as derive more robust costs for setting up and operating outdoor settings. As this progresses the expansion plan will be reviewed and revised accordingly.

### **3 Planning Principles**

- 3.1** As set out in the document 2020 Vision for Early Years: Making Midlothian the Best Place in Scotland to Grow Up, presented to Council on 7 November 2017, the key principles of the expansion are accessibility, quality, affordability and flexibility.
- 3.2** In order to determine the needs of parents and carers under the expansion a survey was carried out at the end of 2017. Nearly 500 responses were received and the key findings and their influence on the expansion plan and delivery model are detailed below. The SG ran a similar survey and its findings closely matched Midlothian’s.
- 3.3** **Finding:** Four fifths of parents and carers would use all or almost all of the increased hours for three and four year old children, and two thirds for 2 year olds.

**Response:** We have planned to provide 1140 hour places for all children. We found when the hours were increased from 475 to 600 hours that although many parents said before it was implemented that they would not take up the full hours, now that the hours are in place very few parents do not take up the full entitlement.

- 3.4** Two thirds of parents and carers want all-year places rather than school-term places.

We have increased the number of all year places we anticipate purchasing from partner providers (private and voluntary providers and childminders) and plan to change some Council settings to operate all year.

- 3.5** Of those who said they want all-year places, two thirds would like to have “holiday weeks”.

We are considering whether we will be able to have a choice of settings in each locality where parents and carers would get the hours over fewer weeks, for example 48 weeks, and get slightly more time each week.

- 3.6** More than half of parents and carers would prefer longer hours on fewer days. One in eight of are looking for pre-8am starts and/or after 6pm finishes.

Taking 1140 hours through two and a half days per week over 50 weeks works out as 9 hours and 10 minute for the full days and 4 hours and 35 minutes for the half day. At the moment legislation limits settings to a maximum of 8 hours for a funded early learning and childcare session so as a result of this feedback, we have asked the Scottish Government to change the legislation. We may be able to offer a wider range of times if the legislation is changed.

- 3.7** Following this survey, a small-scale survey was carried out where the session times that would be offered under the school-term and all year models that are being considered were explained (as set out in 3.10 below). This showed a significant change in preference between sessional and all year and strong support for a change in legislation that would allow longer hours on fewer days. The findings of this survey are being analysed and a wider survey may be required to gain a fuller picture before any changes to the principles applied in the plan are made. There are a range of potential session patterns that are being appraised, for example 5 hour blocks.

- 3.8** There are a number of other considerations that arise through the expansion that the working group and subgroups are addressing, such as recruiting and training the required number of staff in time, finalising staff shift patterns, allowing for existing staff's contracts within this, how additional physical capacity will be provided etc.

- 3.9** From recent expansion conversations with partner providers it has been assumed that their capacity will continue to increase as we move towards 1140 hours, therefore the number of Council settings that will need to change to providing all year places has been minimised. However sufficient capacity has been provided in Council settings to allow an increase to all year provision should the demand be higher than anticipated or the expansion of partner providers be less than assumed.



- 3.10** Operating Council settings all year rather than in line with the school terms requires a significant number of changes: existing early learning and childcare staff are on school term sessional contracts; the school buildings may only be open for school terms; janitorial cover is being reviewed; the kitchen and cleaning staff will be on school term sessional contracts; the admissions policy is based on a school term calendar etc. Presently the settings' staff are managed by Head Teachers, however they are on term time contracts therefore a manager post would require to be created to manage the settings out with term time. As stated earlier, 1140 hours over 50 weeks is 4 hours and 35 minutes per day, so to make best use of all year settings two sessions can be run in a day, approximately 8:10 to 12:45 and 13:15 to 17:50. Although this is the most cost effective model it is not the most attractive to parents and carers, as the small scale survey discussed at 3.7 found. Also, over half of these parents and carers said they would prefer a two and a half days per week all year model rather than the morning and afternoon one but at present the legislation precludes the council from offering this. As a result of this feedback it is recommended that the council makes the case to the Scottish Government for extending the maximum length of session from 8 to 10 hours.
- 3.11** The most cost effective staffing model for both term time and all year settings comprises part time posts as full time posts do not match the hours of operation and lunch cover posts (early years assistants working only a small number of hours each week) are required. The Scottish Government are committed to raising the profile of employment in Early Learning and Childcare as a career and the hours of employment must be considered when finalising the staffing model to ensure posts are attractive to prospective employees. Therefore a less efficient staffing model has been used in the plan that includes full time posts and reduces the number of part time posts.
- 3.12** Although the plan sets out an increase in capacity that exceeds the predicted number of children by 2020, it includes the building of new primary schools and expansion of capacity such as for the Dalkeith and Easthouses areas, along with the replacement of Danderhall Primary School and the new campus in Bonnyrigg providing a new St Mary's Primary School and Burnbrae Early setting. The settings in these schools must have sufficient capacity for when the school is full, not just the first year that they open.
- 3.13** The expansion plan also relies on the capacity provided by these new schools in order to provide sufficient 1140 hour places, therefore the expansion in most of the learning communities is predicated on their completion by the current scheduled date. Any delays in completion will require alternative solutions put in place.
- 3.14** One of the major challenges of the expansion will be the recruitment and training of sufficient staff. This will affect the council as well as our partner providers, particularly as all other local authorities will be doing the same at the same time. Staff will be required across a number of roles, for example additional administrative support, central staff, practitioners and catering staff. Around 300 additional early learning and childcare practitioners are estimated as required across all providers in Midlothian and this is more staff than are currently employed. Almost all of these staff will need to be qualified in order to meet the required staff:child ratio. As it takes one to two years to complete the qualifications the provision of sufficient funding by the Scottish Government each year prior to 2020 to enable the recruitment and training of staff is critical to meeting the legislative requirements.
- 3.15** The Scottish Government's expectation is that local authorities will set a payment rate and create contracts with partner providers that result in them

paying the staff who deliver the funded 1140 hour places the real living wage (currently £8.75 per hour).

- 3.16** In combination, the changes made since the original plan was submitted in September 2017 significantly revised it. The total capital costs (including population expansion costs which would ordinarily be met by the council through Section 75 contributions and other funding) for providing capacity to children who will be entitled to a 1140 hour place in academic year 2020/21 was £17.7m. Revenue costs were £25.9m in financial year 2021/22, an increase of £17.7m compared to 2016/17. Further work on the revenue costs after the submission of the financial template reduced this to £16.7m.
- 3.17** Now that the multi-year revenue and capital funding and its distribution has been announced the plan will once again need to be revised to fit within the funding envelope.

## 4 Financial Information

- 4.1** The revenue and capital distribution to the Council was announced on 1 May 2018 and will be paid as specific revenue and capital grants. Details are set out in the following table along with the cost of expansion submitted to SG in the financial template (in financial years). The significant difference between the revenue funding compared to the costs in the financial template result from the SG determining the funding using National Records for Scotland population projections rather than the council's own projections as have been used in the Learning Estate Strategy. The SG have advised, however, that there will be an annual review process to ensure that the revenue funding reflects the costs of delivery and uptake. It is therefore important for Midlothian that this review process is effective and that identified changes in costs translate into timeous changes in funding. With the confirmation of funding received the expansion plan will be revised and detailed consultations with staff will commence.
- 4.2** Although the capital funding is £1.1m below that requested, as stated at 3.16 the capital costs requested from SG included costs arising out of population expansion that would ordinarily be funded by the council (to an extent provided by Section 75 developer contributions).

Capital Funding (£m)					Financial template
2017-18	2018-19	2019-20	2020-21	Total	
0.530	5.400	6.300	4.300	16.530	17.651

Additional Revenue Funding (£m)					Financial template
2018-19	2019-20	2020-21	2021-22		
1.253	7.327	12.124	13.524		16.705

- 4.3** As can be seen there is a relatively small quantity of revenue funding in 2018-19, with a large step up in 2019-20 and again in 2020-21. The revenue funding in 2018-19 is extremely restrictive and limits the number of Modern Apprentices that can be taken on alongside the continuation of the existing pilots, staffing of new and additional capacity at St David's Primary School (subject to confirmation of the timing of the works) and Mayfield Nursery School with very limited scope to do anything else. One important finding from the pilots of 1140 hour places in our council settings is that places must be balanced with

additional hours places being offered at partner provider nurseries and childminders. If this is not done many parents and carers will want to take up the additional hours places and send their children to the council setting and this will have a knock-on effect on the partner providers, particularly childminders where the loss of even a few children can represent a significant proportion of their turnover and threaten their financial viability. The expansion plan is based on an increased capacity at partner providers by 2020 therefore it is prudent to ensure they continue in operation.

- 4.4** The recruitment and training of sufficient staff is one of the major risks to the council in the implementation of 1140 hours and the number taken on in 2018-19 must be maximised. There are limitations on the number of staff that can be trained at one time therefore recruiting and training staff will quickly become time-critical for the expansion and not maximising the numbers in the coming year will increase pressure on later years.
  
- 4.5** As a result it is proposed in the first instance to approach Scottish Government to seek to have an element of the specific revenue grant payable in 2019-20 brought forward for payment in 2018-19. It is proposed to use this method to increase revenue funding by £898k in 2018-19 and use it as set out in the appendix, allowing a large increase in the number of Modern Apprentices along with a more balanced offer of 1140 hours places across partner provider nurseries and childminders, ensuring their financial viability. The expansion plan for 2019-20 will take account of this reallocation between financial years. Given the importance of the expansion of the workforce to the delivery of the 1140 hours if an element of the 2019/20 grant funding cannot be brought for payment in 2018/19 then it is proposed that Council reserves be utilised to facilitate this forward funding in 2018/19. Reserves would then be replenished from the specific revenue grant payment in 2019/20. Scottish Government consent would also be sought for this approach.
  
- 4.6** It is intended to pilot providing lunch for children receiving 1140 hours places at Mayfield Nursery School in academic year 2018/19 as well as funding lunch for those children who meet the free school meals criteria at partner providers. The cost of the latter has been estimated based on the average free school meal entitlement at primary schools and exceeds the funding provided for this by SG, however the number of children at partner providers who qualify is likely to be lower. As a result the cost estimate and hence the funding requested to be brought forward from 2019/20 is the highest estimate and any underspend will be carried forward.
  
- 4.7** Partner providers, both settings and childminders, offer greater flexibility in hours, all year provision and pick up/drop off services than council settings, as well as providing accessibility through increasing the number of locations where parents can access ELC. The expansion plan includes an increase in capacity at partner providers in response to the feedback from parents and carers. With the financial challenges for partner providers around the implementation of 30 hours in England (with different rules) the financial template included £1.94m to support partner providers to expand capacity, split equally between financial years 2018-19, 2019-20 and 2020-21. It is proposed to make capital grants available to partner providers and an application process and legal terms will be created to ensure that best use of the funding is made and that it results in additional places being available to parents under 1140 hours for the long-term. There are risks associated with this and these will be carefully considered when the process and agreements are drawn up.
  
- 4.8** In the survey two fifths of parents and carers said they would want to or need to top up the 1140 hours and one quarter did not know, potentially as they did

not know the hours of the sessions. Partner providers currently provide this flexible wrap around care however it is not provided at council settings. As a result, consideration will be given to offering wrap around care on a cost-neutral basis at council settings whereby parents and carers could purchase childcare before or after early learning and childcare sessions. If this wrap around care is to be made available it must be done in such a way as to avoid threatening the sustainability of partner providers.

## **5 Resource Implications**

- 5.1** While the Scottish Government (SG) have stated that the increase in free Early Learning and Childcare hours will be fully funded, there are significant implications for resources across the Council and its partners. It will require the collaboration and input across a broad range of services: early years practitioners; Head Teachers; central admission support staff; finance; human resources; property; catering; facilities management etc. A resources development plan has been drawn up regarding early years staff numbers across the Council and partners.
- 5.2** More physical capacity is required under 1140 hours than under 600 hours and as a result capital cost will be incurred. The financial template included costs for providing additional places due to population expansion and this has been included in the funding. Once the 1140 hours legislation is passed Section 75 agreements with property developers will be revised to take account of this increased capital cost, however the Council has existing Section 75 agreements with property developers and will be signing more before the legislation is passed. These agreements will only cover the capital cost of providing places under 600 hours. The SG has clarified that the funding provided for expansion will only relate to the expansion planning period (i.e. up to and including financial year 2021/22) and not beyond. There is therefore potential for the Council to be required to meet the additional cost of providing 1140 hour places after 2021/22 until the old Section 75 agreements are built out. A number of assumptions and estimates must be made when modelling the potential impact of this and as a result the shortfall estimates ranges from £3.7m to £5.6m at 2018 prices. These figures assume that a build cost of £3,000/m<sup>2</sup> can be achieved and that this will satisfy the Care Inspectorate requirements to achieve the additional 20% capacity for outdoors. Information on this shortfall was submitted to SG along with the revised financial template and it should be noted that the capital funding covering the expansion period included expenditure that the council would incur to provide capacity for population expansion.

## **6 Risk**

- 6.1** There are a number of risks associated with the Council meeting its expected legislative requirements regarding the increase in free Early Learning and Childcare hours and these will be monitored and addressed through a risk register. As the funding has now been confirmed the expansion plan for the transition years will be revised to align with the funding provided. The funding for financial year 2021/22 will be dependent on the population increase in Midlothian and the government's review process and any adjustments that are required. The potential shortfall in Section 75 contributions described at paragraph 5.2 represents a significant risk to the Council and has been raised with the Scottish Government.

- 6.2** Each expansion project will have its own set of risks and the significant overall risk to fulfilling the legislative duty is in recruiting and training the staff required. There is more discussion of the uncertainties and risks associated with the expansion in the Background, Planning Principles, Financial Information and Resource Implications sections of this report.

**6.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

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

**6.4 Key Priorities within the Single Midlothian Plan**

The expansion is relevant to all of the GIRFEMC outcomes for 2017/18 to 2019/20:

- Children in their early years and their families are being supported to be healthy, to learn and to be resilient
- All Midlothian children and young people are being offered access to timely and appropriate support through the named person service
- All care experienced children and young people are being provided with quality services
- Children and young people are supported to be healthy, happy and reach their potential
- Inequalities in learning outcomes have reduced

**6.5 Impact on Performance and Outcomes**

The expansion will impact upon all five of the GIRFEMC outcomes and will have a long-lasting impact upon the last two.

**6.6 Adopting a Preventative Approach**

The provision of high quality, flexible, accessible and affordable Early Learning and Childcare is by its very nature preventative, and sets the foundation upon which future outcomes for the children as they grow up and progress through the education system and then onto adulthood are based.

**6.7 Involving Communities and Other Stakeholders**

The Children and Young People (Scotland) Act 2014 requires the Council to consult at least once every 2 years with parents and carers on the provision of early learning and childcare and to have regard to the views expressed. A parent and carer survey was carried out in May 2017 that included questions on the expansion and a further survey was undertaken in November and December to gather more detailed information. This feedback has shaped the delivery model, balance of places between Council and partner providers and other provisions within the expansion plan. Stakeholders are represented on the Implementation Working Group and subgroups. As discussed at 3.7 a further small scale survey of parents and carers was carried out in March 2018. Further engagement activity will be carried out as implementation of the expansion progresses.

**6.8 Ensuring Equalities**

By 2020 the increased hours for 3 and 4 year olds will be universally available while 2 year olds will be eligible in line with the Scottish Governments' qualifying criteria. During the transition phase as capacity is increased towards full



implementation in 2020 criteria for additional hours places will be applied with a view to ensuring those most in need are prioritised. The criteria were subject to an Integrated Impact Assessment. All settings being expanded will be reviewed to consider equality of access, for example for children, parents and carers, and staff with a disability. An Integrated Impact Assessment has been carried out on the proposals to increase the spend in 2018/19 and to grant fund partnership providers to expand their capacity.

#### **6.9 Supporting Sustainable Development**

Each project within the expansion plan will be appraised to ensure its sustainability.

#### **6.10 IT Issues**

IT requirements will be identified and progressed within each expansion project, where necessary.

### **7 Recommendations**

It is requested that Council:

- 7.1** Note the submission of the revised Financial Template on the Early Learning and Childcare expansion plan to the Scottish Government
- 7.2** Note that the council was successful in its application to the Scottish Government for support in developing outdoor learning in early learning and childcare
- 7.3** Note the details of the multi-year funding for expansion announced by the Scottish Government
- 7.4** Note the proposed expansion activities for financial year 2018-19
- 7.5** Note that officers will approach Scottish Government to seek to have an element of the specific revenue grant payable in 2019-20 brought forward for payment in 2018-19. Failing which authority is sought to utilise £898k of Council reserves to facilitate this forward funding in 2018/19 with reserves being replenished from the specific revenue grant payment in 2019/20. Scottish Government consent would be sought for this approach.
- 7.6** Authorise officers to devise and implement a scheme for grant funding partner providers to enable expansion of capacity for 1140 hours

**Date: 26 June 2018**

#### **Report Contact:**

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#### **Background Papers:**

2020 Vision for Early Years paper to Midlothian Council 7 November 2017

## Appendix

ELC Expansion Plan Summary Phase 3: 2018/19				
All FTE are sessional				
	1140 hour places	From	Cost	
Council settings (includes 40 places from January 2019)*	240	Aug-18	£ 722,000	
Childminders (Mayfield ongoing and Penicuik Aug 2018)	20	Ongoing	£ 99,000	
Partner provider settings	70	Aug-18	£ 131,000	
ASN support for pilots		Aug-18	£ 48,000	
Council central staff			£ 240,000	
Modern Apprentices	4	Ongoing	£ 99,000	
Modern Apprentices (across up to 3 intakes e.g. Aug, Oct, Jan)	60	Aug-18	£ 702,000	
Free School Meals at partner providers (highest cost estimate)		Apr-18	£ 191,000	
<b>Gross total cost</b>			<b>£ 2,232,000</b>	
Reductions (carry forward, population increase staff)				£ 164,000
<b>Net total cost</b>			<b>£ 2,068,000</b>	
Funding 2, 3 and 4 year olds				£ 1,079,000
Funding meals				£ 91,000
Total funding				<b>£ 1,170,000</b>
<b>Net total cost after funding</b>			<b>£ 898,000</b>	
* - subject to confirmation of works and Care Inspectorate registration				





## **Early Learning and Childcare Service Model for 2020 Consultation**

### **Report by Grace Vickers, Head of Education**

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

- 1.1** The purpose of this report is to provide Council with:
- I. Information on the consultation currently being undertaken by the Scottish Government on the Early Learning and Childcare Service Model for 2020
  - II. An update on the feedback from the council's consultation with parents, carers, staff and stakeholders on the Scottish Government's consultation
  - III. The proposed Midlothian response to the Scottish Government

#### **2 Background**

- 2.1** As set out in the paper "2020 Vision for Early Years, Early Learning and Childcare Expansion Plan" also presented to this Council, the Scottish Government is undertaking a consultation on the service model for delivery of 1140 hours from 2020. The service model is built on the Funding Follows the Child approach, a key aspect of which is the National Standard for funded providers. The consultation opened on 29 March 2018 and closes on 29 June 2018 and is online here: <https://consult.gov.scot/children-and-families/service-model-for-2020/>
- 2.2** The consultation document sets out information on a number of areas, summarised below:
- 2.3 Funded provider standard** – this will determine what standards are required of providers and apply to Council settings, private and voluntary providers and childminders. The Council will be expected to administer the scheme and carry out quality and organisational checks of providers. The extent of this and the level of resources required, and how much support is to be given to providers should they fall below the necessary standards, is unclear at this time, therefore it is difficult to predict the number of staff required.
- 2.4 Funding Follows the Child** – the expanded hours are intended to be "provider neutral" – a guaranteed standard of high quality early learning and childcare in all funded settings who meet the criteria in the National Standard. It should increase choice for families while providing them with certainty that settings are offering high quality provision. Families will be able to access funded early learning and childcare (ELC) at the provider of their choice if that provider meets the criteria set out in the National Standard and offers entitlement in line with local delivery plans. Local authorities will retain statutory responsibility for ensuring that funded ELC is available to all eligible children, will be guarantors of quality and must ensure that there is a range of options for families in their area. Funding will be channelled through local authorities and not go directly to providers or families. It is for the local

authority to set the rate paid to funded providers and the rate must be sustainable and reflect national policy priorities including payment of the real living wage to all childcare workers delivering the funded entitlement.

- 2.5 Meal provision** – the legislation currently requires a lunch to be provided where a child is in attendance over the middle of the day, and as a result we had planned on the basis that only a snack would be needed where a child is in a morning or afternoon session. The consultation document states that a meal must be provided during each session and that guidance will be developed.

### 3 Midlothian's Response

- 3.1** In order for Midlothian's response to the consultation to fully represent Midlothian stakeholders, the council ran an online survey to gather views. 15 responses were received:

Please let us know if you are either	Number	%
Childminder	1	7%
Member of staff (Council)	2	13%
Other	2	13%
Parent or carer	10	67%
Total	15	100%

- 3.2** In addition council officers have reviewed the consultation and drafted a response taking into account the responses from Midlothian stakeholders. This draft response is included at the appendix.

### 4 Financial Information

- 4.1** As set out in the paper "2020 Vision for Early Years, Early Learning and Childcare Expansion" presented to this Council, the Scottish Government has announced the funding that will be distributed to local authorities for the implementation of the expansion to 1140 hours.

### 5 Resource Implications

- 5.1** The resource implications relating to the expansion to 1140 hours are discussed in the expansion paper presented to Council.

### 6 Risk

- 6.1** The risk implications relating to the expansion to 1140 hours are discussed in the expansion paper presented to Council.

#### 6.2 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

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

The expansion is relevant to all of the GIRFEMC outcomes for 2017/18 to 2019/20:

- Children in their early years and their families are being supported to be healthy, to learn and to be resilient
- All Midlothian children and young people are being offered access to timely and appropriate support through the named person service
- All care experienced children and young people are being provided with quality services
- Children and young people are supported to be healthy, happy and reach their potential
- Inequalities in learning outcomes have reduced

### **6.4 Impact on Performance and Outcomes**

The expansion will impact upon all five of the GIRFEMC outcomes and will have a long-lasting impact upon the last two.

### **6.5 Adopting a Preventative Approach**

The provision of high quality, flexible, accessible and affordable Early Learning and Childcare is by its very nature preventative, and sets the foundation upon which future outcomes for the children as they grow up and progress through the education system and then onto adulthood are based.

### **6.6 Involving Communities and Other Stakeholders**

Communities and other stakeholders were invited to respond to the council's local version of the consultation in order for Midlothian's response to reflect the views of these groups.

### **6.7 Ensuring Equalities**

Not applicable to this report.

### **6.8 Supporting Sustainable Development**

Not applicable to this report.

### **6.9 IT Issues**

Not applicable to this report.

## **7 Recommendations**

It is requested that Council:

- 7.1** Note the consultation currently being undertaken by the Scottish Government on the Early Learning and Childcare Service Model for 2020
- 7.2** Note the update on the feedback from the council's consultation with parents, carers, staff and stakeholders on the Scottish Government's consultation
- 7.3** Confirm the Midlothian response to the Scottish Government

**14 June 2018**

#### **Report Contact:**

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**Background Papers:**

2020 Vision for Early Years paper to Midlothian Council 7 November 2017

2020 Vision for Early Years, Early Learning and Childcare Expansion Plan to Council  
26 June 2018

## Appendix – Response to Scottish Government Consultation

### Early Learning and Childcare Service Model for 2020: Consultation 20180629

#### Question 1

**What factors should be considered in developing a simple, standardised yet flexible process for becoming a partner provider.**

**Midlothian Early Years response.**

**The consultation document was discussed within the Early Years team and their feedback was gathered:**

Completion of a written contract giving detail needed, including the following and taking into account LA procurement processes and process for financial and legal scrutiny. A model agreement could be produced that sets out the Government's expectations on what should be included in partnership contracts. However, local authorities should be free to build on this agreement so that local level practices and processes can be included.

Non-statutory guidance from SG would help support a more standardised approach to the commissioning process of early learning and childcare providers as this can vary significantly between local authorities. Flow chart of guidance to enter into the process, simple application process and clear guidance on timing etc.

In relation to best value we need a process to manage demand for people to come into partnership if e.g. there is not a need. Does the LA need to carry out due process and quality checks where the provider is not required for capacity? How will the minimum number of children for partners including childminders be linked to need and local authority plans within a locality?

Being regulator and supporter of quality is very challenging for a LA.

It is important to consider LA grading/ judgements for settings and not just rely on CI grading. Consideration of best value and quality match.

Issues around quality and information from inspections – need guidance on at what point do we come out of partnership as this would be disruptive for the children and parents/carers and potentially close the business, versus leaving children with a provider who is not meeting the required standard?

Improvement journey considered for settings and termination of contract clauses built in.

Flexibility within a framework – model only sustainable (for providers as well as the local authority) if we have parameters.

Financial criteria.

Contingency planning needed around business and sustainability.

Guidance on core aspects of coming into partnership, national criteria then flexibility for LAs.

Three years length of contract with an option to extend for another year.

Transition period needs to be clear – will all partnerships be reviewed in this time as this would be a very intense workload for local authorities if it is to be implemented for August 2020, followed by a significant drop? Publication timeframe should allow ample time for LAs to plan.

Need to review partnerships during the session 2020-21 against the standard to allow us to go forward to 2021-2022.

Will CI re-grade all partners during this time within that session?

Process – weightings for key areas that ensures we have coherence/clear criteria

Checklist template to be created - one page overview

Key Criteria:

Quality

Accessibility

Business Sustainability

Fair Work Practices, including Payment of the Living Wage

Payment Processes

Physical environment

This would give parity across LA in case partners were to go out of business

**Midlothian survey responses:**

**We asked our parents, carers, staff and partner providers to complete a consultation hosted by Midlothian Council in order to incorporate their views in the submission. There were 15 responses in total including parents and carers, childminders, council staff and others. Their responses to this question were:**

Have a choice of where to have your child looked after i.e. childminder and nursery.

Having the child's needs at the heart of it all. For some children they pilot will work for them. Especially if use to other nursery/play group settings. But for some children, i believe a stage of phasing them in is best. Moving from perhaps 2 full days the first term and building up if need be. Nurseries need to have rest room/ relaxation areas that the children can access. The day can be long and it's good for them to have a space to lie down and gather thoughts and recharge batteries. I believe England have the right approach that you have to be working 16 hours minimum as a parent to be part of the criteria for the pilot. This then rewards families who are gaining employment. And helps the families in the working poor category where they are paying more than they earn sometimes to stay in employment as the childcare cost is so high. I also think that if the child is already attending a childminder and are happy to have a blended model then it should be considered as a priority. As the child already has a consistent adult that's in their life and that relationship should be maintained.

I am responding to this survey to say the Scottish government should start addressing the teacher shortage in Scotland rather than planning for additional early level hours. There is no evidence to support the basis that providing additional early years education will shrink the attainment gap. But you will know that the single biggest impact on a child is the quality of their teachers. Pay teachers fairly. Reduce their work load. Make the job more attractive to attract graduates. Within the next 5 years the overseas markets are going to soak up ALL of our underpaid teachers. When my daughter starts high school in 6 years' time there will be no maths, physics, chemistry or English teachers to teach her. Put this funding into fixing the teacher crisis. I am a concerned parent with a 3 year old son and a 6 year old daughter. We need quality teachers at all levels. Not additional early years teaching.

I feel the curriculum should have further training every year for 3-5 years old so private and childminders are even more capable of teaching and giving these children some skills before school. These facilities should have to show they are able to meet children's needs successfully with qualified and capable staff within this age group

Knowing when payments are going to be made to private nurseries so you can work out how much you are due. Currently have to pay then get money back which if you are on tight budget is difficult.



Length of time in job and experience. Inspection gradings, what kind of setting they want to provide. How it will benefit the parents working hours and the child's development.
Parents working hours
Quality. Quality. Quality. Staff should be supported financially (i.e. paid a good wage--an issue with private settings in particular) and have regular access to CPD. The CPD should not just be about 'how to track a child', but should be in the vein of the Froebel qualification--CPD that engages the mind and hearts of early years staff. Private providers that don't meet these criteria should not be getting Government funding. Otherwise we are subsidising the expansion through poverty wages for the ELC workforce, which is mostly women--a major equalities issue.
That childminders are inspected just like other early learning and childcare providers and offer parents a unique and flexible service. Therefore you could use these grades as an idea how good the service is. So much experience in childminders.

## Question 2

### **What are the key shared principles which should underpin an effective and positive partnership between local authorities and funded providers?**

Partnership arrangements could be effectively underpinned by the principles of the Blueprint – quality, flexibility, affordability and accessibility

**Quality** : A commitment on both sides to achieving a guaranteed standard of a minimum of Good gradings, with recognition of a broader aspiration to do better. Good is the starting point. Aspirations for children should go beyond that.

The tools for achieving that higher standard may be found in the LA commitment to pay a sustainable rate, enabling the provider to pay the real living wage to staff ; the LA commitment to providing access to a range of CLPL opportunities, met by the provider releasing staff to attend ; the LA commitment to putting in place quality support, challenge and monitoring arrangements, alongside the provider's agreement to comply with those.

**Flexibility** : Recognition that all parents want flexibility in services, even if their first choice is to have what they have always had. Family circumstances and needs change and there should be flexibility to meet these needs with a framework. Local authorities have set out their plans for delivery of the 1140 hours and funded providers have an important role to play in helping to provide flexibility for families.

**Accessibility** : Commitment to working together - local authority and the funded provider sectors – to ensure sufficient capacity within the system, sharing openly planning information and information on demand for services.

Beyond that, a recognition that access to services for some families requires more than a service simply being made available – it requires a nurturing approach to families within the nursery, which encourages them in and makes the parent feel as welcome in the setting as the child. This is particularly true in areas of higher deprivation where parents may face many challenges.

Appropriately meeting the needs of children who require support should be a given in any high quality service as it is expected of nurseries as part of their Care Inspectorate registration.

**Affordability** : Improving the affordability of childcare is a key focus of the 2020 aspirations, however, affordability can also be thought of in terms of a sustainable rate for funded

providers and a best value, affordability for the local authority. A commitment to ensuring affordability in the round should be a key principle of partnership  
Responsibilities of having a true partnership with key principles as stated in consultation document.

Free at point of delivery with fair payment practices for both parents/carers and providers.

Staff across all settings receiving the appropriate level of support to deliver a high quality ELC experience with understanding of working across early level.

Priority focus to be closing the attainment gap, eradicating poverty.

Untrained staff will be needed to allow expansion to go ahead and this may impact on above.

Effective management system – Seemis not fit for purpose

Children's rights at the heart of all practice

Partners need to comply with legislation related to their business e.g. environmental health, equalities etc. Need to be clear about what happens if they do not comply?

#### **Midlothian survey responses:**

All private nurseries and child minding services should provide the same learning opportunities and the hours funded by the government.

Communication Putting children first Safety

Dignity Privacy Choice Safety Equality Diversity Realising potential

I think there should be positive differences. Children are all different and sometimes need different requirements. Childminders provide a family experience and I don't want that changing. Definitely don't tell us to become mini nurseries.

Payment made on time and when they say they will. In Midlothian we are constantly being told that payments have not been made for term by Scottish government.

See above.

The same curriculum and the same connections with schools Having the best staff, qualified and enthusiastic about children's learning

Working in collaboration Offering help and support Understanding the needs of children and families

### **Question 3a**

**We are proposing that the National Standard includes a qualification requirement for childminders delivering the funded entitlement to be qualified to or working towards the same qualification as is required for an ELC practitioner. What are the advantages of including this criteria?**

The greatest advantages in including a qualification requirement for childminders would be seen in the following ways :

Recognition of the childminder as an ELC professional on the same footing as a practitioner in any nursery setting

Consistency across all providers to ensure high quality Early Learning and Child Care.

Reassurance for parents that the adult caring for their child holds an appropriate qualification, childminders should be qualified before being able to offer the service. As they work alone they have no model or experienced practitioner to turn to for support if needed. We are in discussion around going into partnership with childminders and a level of

qualification and training is expected.

Support for local authorities to measure the quality of their commissioned services in a more equitable way.

Ability for the childminder and the nursery practitioner to flow easily between different roles within the ELC with sharing of information and capturing learning key.

**Midlothian survey responses:**

67% of 12 respondents to the question agreed with the requirement for childminders delivering the funded entitlement to be qualified to or working towards the same qualification level as is required for an ELC practitioner, 25% said no and 8% did not know.

**The responses to the written element of the question were:**

I have my SVQ2 and I love what I do but I would struggle to find the time or money for me to be able to gain a further qualification due to having a young child. I think this should be judged on abilities on inspections

It means that to get the money they have to be providing a certain standard of care. I know childminders who sit kids in front of telly why should they be paid for that.

Knowledgeable practitioners that are working together with nursery providers

More qualified staff

Parents look for a childminder to provide a home from home environment. I don't think asking childminders who have years of experience in their field to go and re train is practical nor fair. A lot of child minders of a certain age, won't sign up to provide care for this very reason. Children learn mostly through play, and childminders provide this. Educational learning should be kept in educational environments.

Yes, as long as there is financial support for them.

**Question 3b**

**Are childminders able to access adequate funding to pay for training to SCQF Level 7? Are childminders able to access training to SCQF Level 7 in a way that is flexible enough to allow them to continue to run their business?**

Subject to budget availability, funding towards the cost can be made available.

Advice is also offered on accessing other financial supports such as SAAS funding and ITA's.

Local discussions are ongoing with SCMA regarding the best timing for childminders to access training – this is likely to be evenings or weekends. Training providers are happy to provide courses at times to suit students and this could be negotiated should a large enough cohort wish to access training. Weekend HNC course is currently being considered aimed at Childminders.

Need to have national guidance for provider/funding rather than local arrangements.

**Midlothian survey responses:**

20% of 10 respondents agreed that childminders are able to access adequate funding to pay for training to SCQF 7, but the same proportion disagreed and 60% did not know.

**The responses to the written element of the question were:**

I absolutely can't. I have a young child so I'm order to gain my further qualification I'd have to get an apprenticeship which would mean not being able to afford my own childcare or going to full time college and not being able to work or afford childcare or to live.

It's an additional cost to their business which parents would otherwise have to fund.

They should be if it becomes a requirement.

40% of 10 respondents agreed that childminders are able to access training to SCQF level 7 in a way that is flexible enough to allow them to continue to run their businesses, but 30% disagreed and 30% did not know.

**The responses to the written element of the question were:**

I wouldn't be able to run my business and go to college, even at night I wouldn't make the class in time
--

They have children to look after and that should be top priority. So they should be able to do it when they have the time.
--

To continue their business
----------------------------

#### Question 4

**Our aspiration is to see outdoor learning and play becoming a defining feature of funded ELC in Scotland**

**National Standard : CRITERIA 3 – Physical Environment**

**ALL PROVIDERS**

*Sub-criteria 3.1 - Inspection grading of good or better on themes that relate to quality of environment.*

*Sub-criteria 3.2 - Children have access to outdoor play and they experience outdoor learning in a range of environments as part of their funded ELC offer.*

**Does criteria 3 capture this ambition? If not, how can it be strengthened in a way that is sustainable for providers?**

Could be strengthened by referencing daily access to outdoor play and learning – or where buildings lend themselves to it, by giving children free flow access to the outdoors at will on a daily basis.

The focus must be on high quality outdoor environments and experiences not just time spent outside.

There should be a requirement to ensure equal value is placed on indoors and outdoors e.g. planning, staffing, staff training, environment, resources, experiences, accessibility.

We have plans to extend the opportunity for children to access ELC in the outdoors by introducing a range of delivery models and are working with Inspiring Scotland to develop this.

The Daily Mile should not be seen as the answer to outdoor learning for ELC.

**Midlothian survey responses:**

30% of 10 respondents agreed that criteria 3 captured the ambition to make outdoor learning and play becoming a defining feature of funded ELC, but 30% disagreed and 40% did not know.

**What challenges, if any, exist for funded ELC providers to ensure children have access to outdoor play? How can these challenges be overcome?**

In common with the entire ELC sector, including local authority provision, funded providers

will face challenges around existing buildings and their connection to the outdoors, and challenges with regard to the quality of their existing outdoor play areas.

Funded providers will face challenges with staff training and attitudes, and with parent attitudes to outdoor learning for young children.

Staff need to receive suitable training. The expectation and commitment must be written into job role and be embedded into the ethos of all settings not an add-on.

Physical resources including suitable clothing, this should be taken into account and included when considering funding rates.

A clearer definition of risk and challenge, systems and processes around Care Inspectorate (CI) registration for outdoor spaces is required. Space to Grow was extremely helpful but CI are challenging every decision about development of outdoors at an officer level.

#### **Midlothian survey responses:**

I think Health and safety has gone a bit over board. From working in nursery and speaking to childminders and private nursery staff, they are dealing with parents who don't fully understand loose parts play and having the time to try and develop areas and then the understanding of how to be Safe with that to do more outside.

Lack of space and secure space

Lack of space money and facilities

None of you're a childminding minder!

With the correct staff there is no reason children shouldn't get regular access to outdoor learning and play

#### **Question 5 (a)**

##### **Will the criteria set out in the draft National Standard**

- **Ensure high quality, accessible, affordable Early Learning and Childcare is delivered in all funded providers?**
- **Support increased choice for parents and carers?**

The draft National Standard is set in the context of provider neutral and Funding Follows the Child, noting that this context should mean consistency of high quality provision across all provider types. The current definition of provider neutral, however, could be strengthened by making a more explicit link between it and the principles within the Blueprint – quality, flexibility, accessibility, and affordability.

Our definition of provider neutral is set out in our expansion plans and is effectively that from the parent's point of view there should be no difference between settings, no matter its ownership, Local Authority (LA), Private or Voluntary – Provider Neutral across all settings encompasses the blueprint terms.

##### **Midlothian survey responses:**

38% of 8 respondents agreed that the criteria set out in the draft National Standard will ensure that high quality, accessible, flexible and affordable Early Learning and Childcare is delivered in all funded provider settings, but 62% did not know.

25% of 8 respondents agreed that the criteria set out in the draft National Standard will support increased choice for parents and carers, but 13% disagreed and 63% did not know.

**Question 5b: Is there any criteria not included in the National Standard that is required to ensure a high quality service is provided to all children?**

Against a strengthened definition for provider neutral, the blueprint principles could be further defined to support the criteria within the National Standard in the following way :

**Quality:** Creating mechanisms to encourage excellence (beyond the grade 4's minimum) across all settings – aspiring to excellence for children and improving outcomes.

Working towards creating a unified workforce in terms of pay and conditions across the entire sector – for funded providers at a level beyond the minimum set by living wage. Living wage should represent a starting point in a journey to equity rather than an end point.

**Flexibility:** Creating a coherent cross-sector operating model that meets the needs of partners and is financially sustainable - including a common understanding of flexibility that meets the needs of children and parents.

**Accessibility:** Ensuring capacity planning is a coherent cross-sector activity.

A common understanding of the importance of family engagement and family nurture and in particular the relationship between parents, staff and setting managers (this could equally sit under the principle of quality).

Build equivalent relationships between funded providers and primary schools – mirroring existing relationships between LA settings and primary schools.

**Affordability:** Creating a single understanding of affordability across the sector improving affordability of any fees for parents and affordability for government in building a sustainable funding model which evidences Best Value. The affordability of the offer to parents could be improved even further through a model of cross-subsidising an element of top-up fees to bring them in line with local authority charges.

The criteria in the consultation paper seems to be guided by Care Inspection results but do not refer to HMIE inspections. Where does education fit within the criteria?

Appears to be driven by the business of a setting as opposed to high quality provision.

**Midlothian survey responses:**

33% of 6 respondents said no when asked if there are any criteria not included in the National Standard that are required to ensure a high quality service is provided to all children and 67% did not know.

**Question 5c: Do the proposed criteria within the National Standard seem fair and proportionate for all? Do the proposed variations for some criteria seem fair and proportionate for childminders?**

With the possible extension or strengthening of the criteria aligned to the Blueprint principles, these seem fair and proportionate.

We are also content with the proposed variations for childminders.

**Midlothian survey responses:**

50% of 6 respondents agreed that the proposed criteria within the National Standard seem fair and proportionate for all, but 17% disagreed and 33% did not know.

Only 17% of 6 respondents agreed that the proposed variations for some criteria seem fair and proportionate for childminders, with 17% disagreeing and 67% not knowing.

**Question 6: What areas would you look to be addressed in the technical guidance note for supporting implementation of the ELC Living Wage commitment?**

Whilst welcoming the general principle of improving wages in the funded provider sector, we should like to see further guidance on the management of the impact of the current proposal.

The current proposal appears to create a 2 tier staffing system within funded providers with some workers receiving living wage for the hours they work with ELC funded children and the living wage not to be paid potentially for hours or staff not working with funded children. The Workforce review already emphasised that 0-3 spaces are sometimes staffed with the youngest, most inexperienced staff. This would exacerbate this – this devalues the importance of the 0-3 age group.

This could be viewed as detrimentally impacting on the workforce, creating division and a major management problem for funded providers. It also works in opposition to criteria 6 of the National Standard – Business Sustainability.

Fully appreciating that achieving a completely provider neutral system may take some years, it would be an important step towards it to raise wages for all staff in the funded provider sector, not just those working with funded children.

It would be helpful to have guidance on percentage of staff in a setting that should be in training/qualified for each age group.

Scottish Government has been clear that it will be for local authorities to set the commissioning rate to funded providers. It is noted, however, that the consultation paper mentions publishing guidance in Autumn 2018 which would be likely to have some influence on those rates.

**Question 7: Should newly established ELC settings be able to deliver the funded hours on a probationary basis, pending the outcome of their first inspection, provided they meet all other aspects of the National Standard? Are there any particular challenges or issues that may arise from this approach?**



We have no difficulties around an approach allowing new ELC settings to deliver funded hours on a probationary basis pending the first inspection. It may present challenges, however, for local authorities in terms of supporting quality in the setting as numbers build up.

In our experience, some new settings have been relatively slow to become established – particularly in their 3-5's rooms. This is because parents of this age group usually already have childcare arrangements in place if they are working families and this is the foremost market for funded providers. It can, therefore, take time for new funded providers to see the babies and toddlers who initially come into their settings reach the age of funded entitlement. Local authority quality support arrangements are targeted towards the funded children as this is where the statutory entitlement sits and therefore, the funding for the quality infrastructure and resource to support it.

It also raises potential risks should a setting not achieve good enough gradings at the first inspection as potentially, the funded provider status would be withdrawn – which may be difficult for children and families who need to source other funded places, as well as for the provider.

**Midlothian survey responses:**

33% of 6 respondents agreed that newly established ELC settings be able to deliver the funded hours on a probationary basis, pending the outcome of their first inspection, provided they meet all other aspects of the National Standard but the same proportion, 33%, disagreed and 33% did not know.

**Question 8: What support will service providers require to prepare for the introduction of the National Standard and meet the criteria and delivery of the new service model?**

The single biggest risk to funded providers during the transition to 2020 and introduction of the new Standard, is the loss of a significant proportion of their qualified, experienced staff to the local authority workforce. This is likely to impact negatively on the quality that can be provided in the short-term and in turn this may have dual impact.

The first concern would be the potential for children to be spending long hours within settings which are not performing well and where the child's experience may not be all that would be expected.

The second concern would be the potential for the funded provider to fail the assessment against the National Standard at the point of implementation of 1140 hours and to have the contract withdrawn. If this was the case for a substantial proportion of funded providers, it could present a significant risk to capacity to deliver the full additional entitlement.

The potential mitigation against these risks would be to take whatever steps possible to protect the funded providers' workforce by raising the commissioning rate as early as possible against the current 600 hours offer and to implement increased wage commitments at an early stage.

Both of these proposed mitigating solutions are of course funding dependent and against the current phasing of the multi-year funding, would be unlikely to be achievable until at least 2021.

## **Implementing the Learning Estate Strategy (update on Cuiken and Sacred Heart Primary Schools)**

**Report by Dr Mary Smith, Director of Education, Communities and Economy**

### **1 Purpose of Report**

Committed to the creation of a world-class education system the Learning Estate Strategy was approved by Council in September 2017. The purpose of this report is to obtain governance from Council to progress with the extension of Cuiken Primary School and the extension and refurbishment of Sacred Heart Primary School, including expansion of Early Years places at Sacred Heart.

### **2 Background**

The Learning Estate Strategy which was presented to Council in September 2017 outlined the policy led strategy for the school estate and Council agreed the short term strategy through to 2023 including actions (10) and (11):

- Extension of Cuiken Primary School to two stream;
- Extension and refurbishment of Sacred Heart Primary School, including early years' expansion.

Cuiken Primary School, built in 2009, has nine primary class bases and core facilities suitable for a two-stream school, including a 60 place nursery. The pupil roll of Cuiken is projected to rise as a result of housing development in Penicuik. In August 2018 it will be operating with ten classes, using one of the school's general purpose areas as a class base. The extension to Cuiken will add six primary classes bringing the school up to two stream with fifteen primary classes. The new floor plan for Cuiken is provided in appendix 3.

Sacred Heart, built in 1974 as an open plan school, has capacity for five primary classes and a 20 place nursery. The school has only one space which provides dining and activity space and also serves as a corridor linking the two open plan teaching areas. The pupil roll of Sacred Heart is projected to rise as a result of housing development in Penicuik. It is currently operating with six classes to accommodate this growing pupil roll and in expectation that the capacity of the school will be expanded in the short-term, in line with the Council's decision in September 2017.

The plan for expansion of Early Learning and Childcare in Penicuik to 1,140 hours by 2020 is to increase the pre-school capacity at Sacred Heart to 64 places.

In January 2017 Property Services looked at various options to increase the capacity of Sacred Heart Primary School from 20 pre-school places and 125 primary places to 64 pre-school places and 210 primary school places. A summary of the cost options considered at that time is included in appendix 5. Officers in discussion with the head teacher agreed that option 5 was the preference, for which the cost estimate at that time was £3.068 million. This option encompassed a partial refurbishment with an extension of 532 square metres, which would provide the additional primary and pre-school capacity required and a separate activity hall. The pre-school area would be expanded in its current location within the school by incorporating some of the adjacent classroom space. The new floor plan for Sacred Heart is provided in appendix 4.

In June 2017, in advance of consideration of the Learning Estate Strategy, Council approved a budget of £200k to allow the appointment of architects and to progress the preparation of detailed plans and costs for the extension and refurbishment of Sacred Heart Primary School and for the extension of Cuiken Primary School. This has been done and planning has been obtained for both projects.

Additional capacity is required at both schools by August 2019 to avoid the schools operating in excess of capacity in the 2019/20 school session.

The updated costs of the proposed extensions and refurbishment are summarised in the resources section and detailed in appendices 1 and 2.

### 3 Report Implications

#### 3.1 Resource

##### Capital

<b>Cuiken Primary School Appendix 1</b>	<b>Extension Total</b>
<b>Area</b>	<b>665m2</b>
	<b>£000's</b>
Capital Cost	2,094
Developer contribution funding	-2,094
<b>Net Borrowing Requirement</b>	<b>Nil</b>

<b>Sacred Heart Primary School Appendix 2</b>	<b>Extension</b>	<b>Refurbishment</b>	<b>Total</b>
<b>Area</b>	<b>622m2</b>	<b>1,224m2</b>	<b>1,846m2</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Capital Cost	2,046	2,038*	4,084
Developer contribution funding	-1,166	0	-1,166
Early Years Expansion Funding	-338	-286	-624
<b>Net Borrowing Requirement</b>	<b>542</b>	<b>1,752</b>	<b>2,294</b>

\* includes £184,000 for furniture & fittings for refurbished areas

Capital expenditure budgets of:-

- £2.094 million for the extension to Cuiken Primary School; and
- £4.084 million for the extension and refurbishment to Sacred Heart Primary School

will require to be allocated in the General Services Capital Plan, replacing the current provision of £0.200 million for design works for Cuiken & Sacred Heart within the General Services Capital Plan.

Early Years Grant Funding from Scottish Government shall be applied in line with the phasing of these costs. Developer contributions totalling £1.060 million are expected to be collected from signed Section 75's with a further £2.200 million expected to be received from Section 75's from sites allocated within the current Local Plan.

The expected phasing of the capital costs and funding are as follows:-

Financial Year	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	Later Yrs £000's	Total £000's
<b>Cuiken Primary</b>	75	1,009	908	101	0	<b>2,094</b>
<b>Sacred Heart Primary – Extension</b>	23	1,011	910	101	0	<b>2,046</b>
<b>Sacred Heart Primary – Refurbishment</b>	23	1,008	907	101	0	<b>2,038</b>
<b>Developer Contributions</b>	0	0	-1,325	-1,111	-824	<b>-3,260</b>
<b>Early Years Grant Funding</b>		-316	-278	-31	0	<b>-624</b>
<b>Total</b>	<b>121</b>	<b>2,712</b>	<b>1,123</b>	<b>-839</b>	<b>-824</b>	<b>2,294</b>

### Revenue

Expansion will lead to additional revenue costs associated with the increase in floor area such as NDRI, utilities and cleaning. At this point, these have not been assessed but will need to be fully incorporated into future years' budget projections.

The affordability gap of the draft Capital Strategy, incorporating the LES is set out elsewhere on today's agenda and the costs for these projects are in line with those incorporated in the draft Capital Strategy, albeit members should note the significant affordability gap attached to the draft Capital Strategy.

## 3.2 Risk

There is a risk that the Council will not have a place for every pupil at their catchment school which is mitigated by the application of limits on pupil intake and the proposals to put in place additional capacity at Cuiken and Sacred Heart Primary Schools.

### 3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

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

### 3.4 Impact on Performance and Outcomes

The aim of this paper supports the priority to reduce the inequalities in learning outcomes by improving the quality of learning and teaching, leading to raised levels of achievement and attainment, by providing every child with the opportunity to attend school in their local community.

### 3.5 Adopting a Preventative Approach

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

### 3.6 Involving Communities and Other Stakeholders

This report asks Council to approve two of the short term strategy items from the Learning Estate Strategy 2018-2023. The Head Teachers of Cuiken and Sacred Heart Primary Schools have been consulted on the proposals.

### 3.7 Ensuring Equalities

This paper asks Council to approve two of the short term strategy items presented in the Learning Estate Strategy for which an Equality Impact Assessment was carried out and made available in the Members' Library along with the Learning Estate Strategy.

### 3.8 Supporting Sustainable Development

The sustainability issues relating to this report relate to the sufficiency of schools places particularly in areas of housing development, the provision of additional capacity as proposed in this report supports the objective of sustainable development.

### 3.9 IT Issues

There are no IT issues arising directly as a result of this report. The IT requirements arising in order to put in place the additional capacity for each school will be identified as part of the development of the project specifications.

## 4 Recommendations

Council is recommended to:

1. Approve capital expenditure budgets in the General Services Capital Plan of £2.094 million for the extension of Cuiken Primary School and £4.084 million for the extension and refurbishment of Sacred Heart Primary School, including the expansion of Early Years Provision at Sacred Heart, replacing the current £0.200 million provision in the General Services Capital Plan for these projects;
2. Note the utilisation of Early Years Grant funding of £0.624 million towards the project, funding the construction costs associated with expanding the Early Years provision at Sacred Heart Primary School to 64 places;
3. Note the estimated developer contributions of £3.260 million that can be applied to part fund the capital expenditure of these projects;
4. Note the additional net borrowing requirement of £2.294 million;
5. Instruct the Director of Resources to progress both projects to the construction phase.

**14 June 2018**

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## Appendices

1. Cuiken Primary School Pre Contract Cost Estimate
2. Sacred Heart Primary School Pre Contract Cost Estimate
3. Cuiken Primary School Proposed Floor Plan
4. Sacred Heart Primary School Proposed Floor Plan
5. Sacred Heart Options Appraisal January 2017 – Cost of Options

## Background Papers:

Learning Estate Strategy 2017-2047, Midlothian Council 26 September 2017

## Pre Contract Cost Estimate

**Contract:** Cuiken Primary School Extension

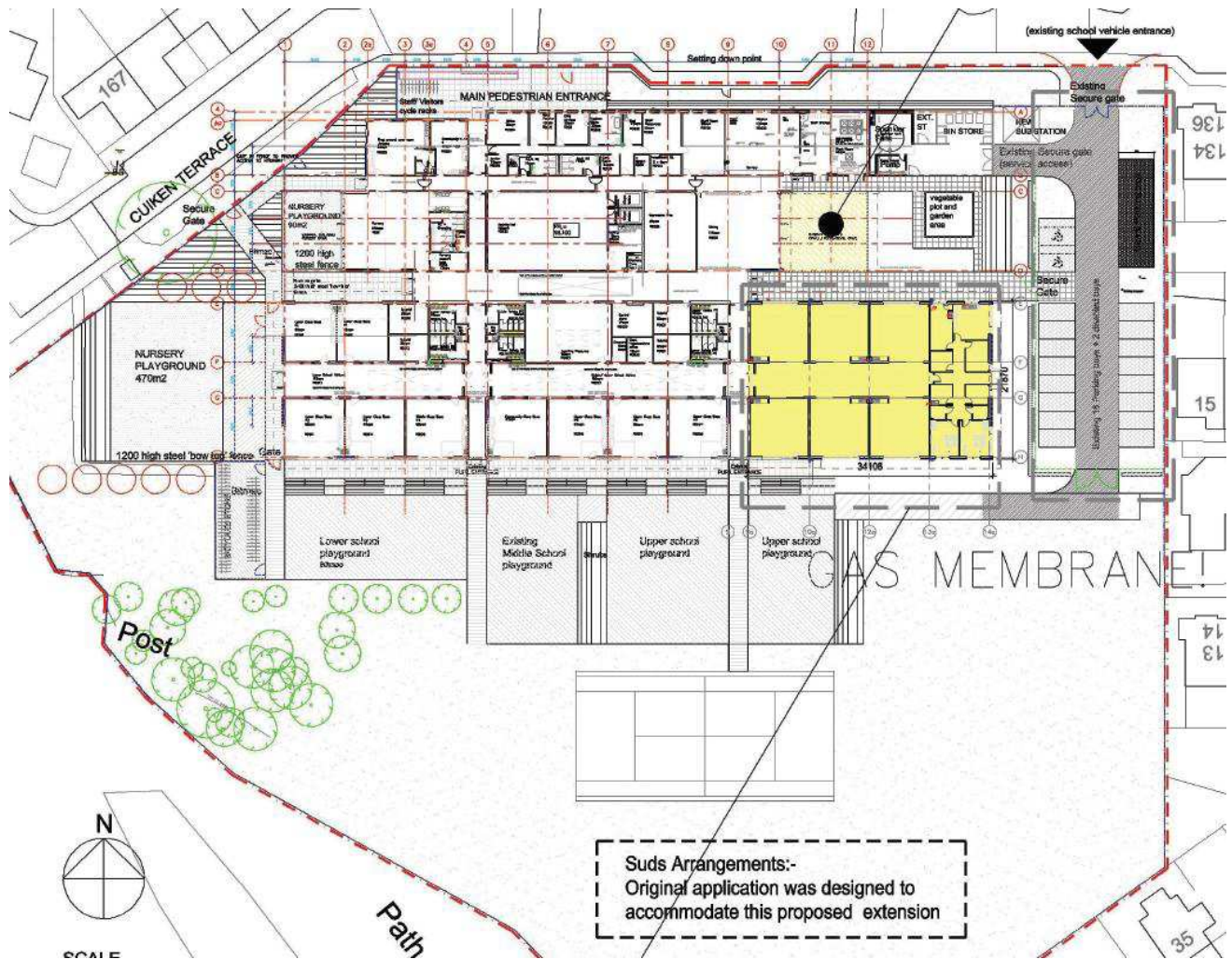
Dated:	28/05/2018	Profess No:	C395	Prepared by:	HM
Period	May-18	Integra	8120		
Pre-contract development estimate					
Estimated Budget					
1 Main Contractor - Construction Works Budget				1,766,310	
	Estimated tender		1,682,200		
	Contingencies		84,110		
			1,766,310		
2 Other Works				124,150	
Estimated costs for:	FF&E		99,750		
	IT		24,400		
			124,150		
3 Amount for Fees (Internal/External)				203,773	
Estimated costs for:	Internal Fees (Arch )		70,652		
	Internal Fees (PM )		26,495		
	QS		18,700		
	Struc Engineer		22,500		
	Fire engineer		5,000		
	BS Engineer		32,100		
	Principal Designer		5,122		
	Others (include warrant/planning costs here)		13,500		
	Contingencies		9,703		
			203,773		
Estimated Total Budget				2,094,233	
SAY				2,100,000	



Contract: Sacred Heart Primary School					
Dated:	28/05/2018	Profess No:	C388	Prepared by:	NB
Period	May-18	Integra			
Approved pre-contract development budget					
Estimated Budget					
1 Main Contractor - Construction Works Budget				3,360,000	
		Estimated tender (incl design fees if part or	3,200,000		
		Contingencies	160,000		
			3,360,000		
2 Other Works				161,602	
	Estimated costs for:	FF&E	93,300		
		IT	68,302		
			161,602		
3 Amount for Fees (Internal/External)				378,735	
	Estimated costs for:	Internal Fees (Arch )	134,400		
		Internal Fees (PM )	50,400		
		QS	67,200		
		Struc Engineer	37,500		
		Fire engineer	5,000		
		M&E Engineer	44,000		
		Principal Designer	8,700		
		Others (include warrant/planning costs here)	13,500		
		Contingencies	18,035		
			378,735		

## Cuiken Primary School – Proposed Floor Plan

The yellow shading shows the proposed construction area.



The grey shading shows the proposed new construction area.



## Sacred Heart Options Appraisal January 2017 - Cost of Options

### Sacred Heart Primary School - Options Appraisal

#### Options Summary

Option	Proposal	Cost	£ (x 000000)	Ranking (by highest cost)
1	Refurbish Existing School (1050m <sup>2</sup> )	£ 1,318,900	£1.32m	7
2	Partial Refurbishment with 580m <sup>2</sup> Extension	£ 3,205,774	£3.2m	3
2A	Partial Refurbishment with 621m <sup>2</sup> Extension	£ 3,327,161	£3.33m	2
3	Partial Refurbishment with 429m <sup>2</sup> Extension	£ 2,769,884	£2.77m	5
4	Partial Refurbishment with 323m <sup>2</sup> Extension	£ 2,460,898	£2.46m	6
5	Partial Refurbishment with 532m <sup>2</sup> Extension	£ 3,067,834	3.07m	4
6	Total Demolition and Rebuild	£ 7,906,800	£8m	1

#### Assumptions

- (i) Refurbishment Costs vary from £1000-£1400/m<sup>2</sup> - refurbishment excludes kitchen area
- (ii) Extension Costs limited to £2,400/m<sup>2</sup> (as new build costs are not appropriate)
- (iii) Costs applicable 1st Quarter 2017
- (iv) Allowance made for Temporary Units (provided by Portacabin)
- (v) Fees assumed at 10% of construction costs plus contingencies
- (vi) No significant ground abnormalities
- (vii) Costs are indicative budget estimate figures based on costs per m<sup>2</sup>  
(more detailed cost planning to follow on once option to progress is chosen)
- (viii) Costs exclusive of VAT

January 2017





## Environmental Health Food Service Plans 2018/19

### Report by Ian Johnson, Head of Communities and Economy

#### 1 Purpose of Report

- 1.1 To advise Council of the Environmental Health Food Service Plans for 2018/2019 and to recommend approval of the
- Food Service Plan 2018/19 and the review of 2017/18 Plan,
  - Food Sampling Plan, and
  - Food Enforcement Policy.

#### 2 Background

- 2.1 The Food Standards Agency (FSA) Framework Agreement on Official Feed and Food Controls provides Food Standards Scotland with a mechanism for implementing its powers under the Food Standards Act to influence and oversee local authority enforcement activity. It also defines a Local Authority's responsibilities in delivering the food enforcement service.
- 2.2 The Framework Agreement states that the Council has a duty to provide an up to date food service plan and stipulates that *"To help to ensure local transparency and accountability, and to show their contribution to the authority's corporate plan, feed and food service plans and performance reviews should be approved at the relevant level established for that local authority, whether that is Member, Member forum, or suitably delegated senior officer level."*
- 2.3 The draft documents, which are requirements of Food Standards Scotland, are available on the Committee Management Information System (CMIS). The documents comprise:
- Food Service Plan, which details the expected demands regards inspection, sampling and enforcement work planned for the year April 2018 – March 2019,
  - Food service plan 2017/18 review, which details the nature of activities carried out by the EH food service during year April 2017- March 2018 and reports on performance against the service plan for that year,
  - Food enforcement policy, which documents how inspectors make decisions about the enforcement of food safety law and the nature and levels of enforcement that can be taken, and
  - Food sampling policy, which documents the reasons for taking food samples, the role food sampling plays in food safety regulation and the situations in which inspectors will take samples
- All documents are requirements of Food Standards Scotland.



### **3 Report Implications**

#### **3.1 Resource**

Due to vacancies there is currently a 33% shortfall in the full time equivalent (FTE) environmental health enforcement officers required to deliver the work of the Food & Safety Team. It is likely that some or all of this temporary reduction will be made permanent in order to achieve savings within the Environmental Health Service as required by the terms of the Council's Financial Strategy.

The programme of work in the draft Food Service Plan has been prioritised to seek to take account of this expected permanent reduction in staffing capacity.

#### **3.2 Risk**

Environmental Health is a statutory function and the Food Service and Sampling Plans and the Enforcement Policy are produced in pursuance of these functions. Failure to produce and implement a food service plan leaves the local authority open to both the challenge of failing in its statutory duty and increased reputational risk. Operating with reduced staff capacity will put pressure on performance and it needs to be accepted that the resultant decreased levels of activity will increase the level of risk to public health.

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

Themes addressed in this report:

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

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

The adoption of the Environmental Health Food Service Plans, contributes to economic growth, business support, and community safety.

Business intervention occurs on a pre-determined risk based approach which is transparent, consistent and open to scrutiny.

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

As noted above, the Food Service Plan has been drafted to account for the reduction in resource (staff) capacity. This will translate into a lower level of impact on outcomes than that achieved in previous years.

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

Through the implementation of the Food Service Plans Midlothian Council delivers a statutory function and ensures that services are targeted and focused to the most high risk food premises thereby aiming to prevent crises through timely intervention.

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

Consultation with the Public Analyst service takes place as part of the preparation of the plans. A copy of the Food Service Plan is published on the Council's website for business, public information and comment.

### **3.8 Ensuring Equalities**

An equalities impact assessment, a copy of which is appended to this report, indicates there are no known equality issues arising from the provisions of the Plans.

### **3.9 Supporting Sustainable Development**

There are no identified sustainability issues arising from this report.

### **3.10 IT Issues**

There are no identified IT implications arising from this report.

## **4. Recommendations**

It is recommended that Council ;

- i) notes the Review of Performance of the Food Service 2017-18; and
- ii) approves the
  - Environmental Health Food Service Plan 2018/19
  - Revised Food Enforcement Policy
  - Revised Food Sampling Policy.

**Date: 04 June 2018**

**Report Contact:**

Edel Ryan, Environmental Health Manager

Tel No: 0131 271 3742 [edel.ryan@midlothian.gov.uk](mailto:edel.ryan@midlothian.gov.uk)

**Enclosures:**

Equality Impact Assessment

**Background Papers:**

Food Standards Agency Framework Agreement on Official Feed and Food Controls by Local Authorities



## **Gorebridge Connected**

### **Report by Ian Johnson, Head of Communities and Economy**

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

- 1.1** This report informs Council of the proposals for the Gorebridge Connected project and recommends approval of elements of the funding arrangements and related matters.

#### **2 Background**

- 2.1** Members will be aware of the success of the Gorebridge Conservation Area Regeneration Scheme (CARS) which has been implemented over the past five years. Following on from this the Council and the Gorebridge Community Development Trust have developed the “Gorebridge Connected” project.

#### **3 Gorebridge Connected Project**

- 3.1** The three interlinked elements of Gorebridge Connected are:

- Hunter Square public realm heritage enhancement scheme;
- Redevelopment of the former Gorebridge Railway station building into a “Railway Café and Gallery”; and
- the Link project – a heritage enhancement project on Main Street, Gorebridge and signage project connecting Hunter Square and Gorebridge train station with each other, with other parts of Gorebridge, and with the extended rural area and its communities.

- 3.2** The aims of Gorebridge Connected are:

1. to enhance and better connect the town for existing residents and the new residents of the substantial new housing land allocations in and around the town, and which were predicated on the opportunity to use the new Borders Rail line;
2. to provide education, training and volunteering opportunities in Gorebridge in line with relevant national, regional and local strategies;
3. to develop a Railway Café and Gallery (at the former Gorebridge train station building) that will provide new employment, flexible display area, enhance the visual amenity of the station area and enhance the station’s role as a transport interchange for rail, cycling, walking and cars;
4. to increase the type and variety of commercial space and retail offering in Gorebridge (in the former train station building), with

a particular focus on locally produced food and drink and craft items on the ground floor (approximately 80m<sup>2</sup>);

5. to increase the attractiveness of Gorebridge's revitalised historic town centre and nearby significant local historic and cultural attractions as visitor destinations through exploiting the opportunities presented by the opening of the Borders Railway, and the close proximity to Edinburgh and the populous area of the Central Belt;
6. to increase knowledge and understanding of Midlothian and Scottish history by more easily being able to access the local historic, cultural and recreational assets in the local area, particularly by cycling and walking; and
7. to develop Gorebridge as a hub for walkers and cyclists accessing the local area, particularly from the train station. This would include potential for the establishment of cycle hire facilities and related business opportunities.

### 3.3 The outcomes identified for Gorebridge Connected are

- attract at least 100 visitors per week to the Railway Café and Gallery by the end of the first year of trading. The facility would be a 38 m<sup>2</sup> cafe/food shop with 35 covers (excluding outdoor seating) and 40 m<sup>2</sup> crafts/arts shop with display space;
- enable the creation of 80m<sup>2</sup> of office space on the first floor of the Railway Café and Gallery building;
- enable at least 3 events per year to be hosted in the revamped Hunter Square;
- enable Gorebridge to become a hub for cycling, including cycling events, bike maintenance and organised cycle trips from Gorebridge;
- provide 5 seminars/workshops for young people/apprentices on construction skills during and after the construction phase;
- provide 8 ongoing seminars/workshops on sustainable travel options;
- enable the provision of an alternative pedestrian route to the station via the adjoining church grounds.
- creation of 4-5 FTE jobs (paying at least living wage) at the Railway Café and Gallery by the end of the first year of trading. A larger number of jobs could be created through development of businesses supplying the Café and other establishments in the region;
- provision of at least 3 short term work placement/experience opportunities per year at the Railway Café and Gallery;
- enable the provision of 10-15 employment opportunities within two offices on the first floor of the at the Railway Café and Gallery building;
- increase retail employment by increasing footfall in Main Street by 5% per year, in part generated by hosting events in Hunter Square; and
- provide tourism-related training opportunities for at least 30 participants per year. At least 50% of these places will be targeted at residents from the three most deprived SIMD data zones in Gorebridge.

## 4.0 Funding Arrangements

- 4.1 The three interlinked elements of Gorebridge Connected are expected to cost as follows:

Financial Year	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
Hunter Square	37	416	65	518
Railway Café & Gallery	4	748	293	1,045
Link Project	0	50	50	100
<b>Total</b>	<b>41</b>	<b>1,214</b>	<b>408</b>	<b>1,663</b>

## 4.2 Funding Sources

The following funding has been approved for the Gorebridge Connected project:

- £20,000 from the Gorebridge CARS scheme. Contribution to the public realm scheme at Hunter Square (part of the £45,000 in developer contributions allocated to the Gorebridge CARS Project)
- £1,038,000 from the Borders Railway Blueprint Programme for the public realm improvements at Hunter Square, the Link Project (heritage trail and enhancement project) and the refurbishment of Gorebridge Station building.
- £199,981 from the EU and Scottish Government funded LEADER programme which supports rural economic development and supports rural communities; contribution to the Gorebridge Station Building
- £130,000 from the Railway Heritage Trust; Contribution to the Gorebridge Station Building.

- 4.3 In addition to the funding secured above, the following funding is required for the project:-

- £125,000 from the Council's General Services Capital Plan budget for Borders Rail – Economic Development Projects'. Currently, no expenditure has been committed against this budget; and
- £150,000 of developer contributions (stated in the application to the Scottish Government Borders Railway Blueprint Programme as "subject to verification").

- 4.4 In the event that there were an underspend in the identified £60,000 Access Improvements budget of the Link Project, support is sought from Council to use the Borders Railway Blueprint grant money for a building enhancement scheme on Main Street, Gorebridge. Such an approach has been supported by the Borders Railway Blueprint Leaders' group. The enhancement scheme would be a facelift of up to

three properties on Main Street that did not receive funding grant funding through the Gorebridge CARS project.

#### 4.5 Developer Contributions

£113,232 of developer contributions for Gorebridge Town Centre have been received to date, of which £3,335 have been spent and £41,665 are already committed (both Gorebridge CARS). This leaves a balance of £68,232 of uncommitted developer contributions for Gorebridge Town Centre. However, a further £72,797 of developer contributions for Gorebridge Town Centre are anticipated to be received from sites where signed Section 75 planning agreements are in place.

Separately, £684,557 of developer contributions for Gorebridge Community Facilities have been received to date. There remains an uncommitted balance of £167,557 of developer contributions for Gorebridge Community Facilities. In addition, a further £55,387 of developer contributions for Gorebridge Community Facilities are anticipated to be received from sites where signed Section 75 planning agreements are in place.

This provides a total potential uncommitted developer contribution funding level of £235,789 (£68,232 + £167,557) for the provision of Town Centre / Community Facilities within Gorebridge.

To secure the £150,000 of developer contributions for the Gorebridge Connected project referred to in paragraph 4.3 above, approval is sought to utilise the £68,232 of currently uncommitted Gorebridge Town Centre developer contributions and £81,768 of currently uncommitted Gorebridge Community Facilities developer contributions.

This would use all the currently available uncommitted Gorebridge Town Centre contributions, but leaves £85,789 of currently uncommitted Gorebridge Community Facilities developer contributions (£167,557 - £81,768). Additionally this approach would also avoid the need for forward funding against anticipated developer contributions from housing sites in Gorebridge where Section 75 planning agreements are in place but the housing has not yet been delivered. This would therefore leave further potential developer contribution funding of £72,797 for Gorebridge Town Centre and £55,387 for Gorebridge Community Facilities.

The internal officer Capital Plan and Asset Management Board has indicated support for the £125,000 from the Council's General Services Capital Plan budget for Borders Rail – Economic Development Projects' and the £150,000 of developer contributions being allocated to the Gorebridge connected project.

The following table summarises the developer contributions position:

Infrastructure	Current	Potential	Total	Proposed	Remaining
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Pot	Uncommitted Balance 01/03/2018	Further Funding available*	Potential Balance	Utilisation for Gorebridge Connected	Balance
Gorebridge Town Centre Contributions	68,232	72,797	141,029	68,232	72,797
Gorebridge Community Facilities Contributions	167,557	55,387	222,944	81,768	141,176
<b>Total</b>	<b>235,789</b>	<b>128,184</b>	<b>363,973</b>	<b>150,000</b>	<b>213,973</b>

*\* contributions forecast to be received from sites with signed Section 75 agreements*

## 5. Lease of Former Gorebridge Train Station Building

- 5.1** In order to secure £199,981 of funding from LEADER for the Gorebridge Connected project, a long term lease for the former station building is required. Council officers are currently working with Network Rail who are the owners of the former station building, and the Gorebridge Community Development Trust with a view to securing a long term lease.

This would be on the basis of the Council taking on a long term lease but immediately subletting the building to the Gorebridge Community Development Trust. The Trust would then be responsible for all costs and liabilities associated with the lease of the building.

Support is sought from Council to take on a lease for the former station building from Network Rail and a sublease to the Gorebridge Community Development Trust on these terms.

## 6 Report Implications

### 6.1 Resource

#### Capital

Council, in the General Services Capital Plan report on 08 November 2017, approved expenditure and funding for the Gorebridge Connected project as follows:-

*“Gorebridge Connected: Community regeneration project as part of the Borders Railway Blueprint programme, including heritage enhancement works to Hunter Square along with a train station cafe & gallery. £1.188 million budget funded by £1.038 million funding from Scottish Government grant and £0.150 million developer contributions for Gorebridge Town Centre/Community Facilities. Phasing of project expenditure across 2017/18 and 2018/19. Approved subject to funding by the Borders Rail Blueprint Leaders Group on 30 June 2017.*

*Funding now confirmed by Scottish Government with formal offer letter to follow”*

Based on the revised expenditure and funding package as outlined in Section 2, a revised capital expenditure budget of £1.663 million is required. This will be funded through external grants of £1.368 million; developer contributions totalling £0.170 million and through the utilisation of £0.125 million of the currently unallocated £0.250 million ‘Borders Rail – Economic Development Projects’ budget in the General Services Capital Plan.

There is no additional borrowing required as a result of the proposals in this report.

#### Former Gorebridge Train Station Building Lease

There would be no capital commitment for the Council in taking on the lease for the former Gorebridge train station building. The building would be sublet to the Gorebridge Community Development Trust and they would be liable for all costs and liabilities associated with the lease of the building.

#### Revenue

The funding arrangements for the project give rise to no additional borrowing requirements for the Council and therefore there are no additional loan charges incurred.

Officer time would be required to help secure the lease. Any ongoing revenue costs would be covered by the budget of the Gorebridge Connected project or by the Gorebridge Community Development Trust.

## **6.2 Risk**

#### Developer Contributions

The Council has supported the submission of the applications to the Borders Rail Blueprint fund and the Gorebridge Connected project.

Failure to allocate the developer contributions as outlined in Section 4.5 to this project would put the delivery of the Gorebridge Connected project at risk. Only parts of the project, such as the Hunter Square public realm works and the Link project, might be delivered. The developer contributions are being used as match funding from the Council for the Gorebridge Connected project. Reducing the amount of developer contributions available would reduce the scale of the project and put at risk the amount of LEADER grant funding that the project could draw down. If the Council was unable to access all of the LEADER funding, then it is likely that access to the Railway Heritage Trust grant would be proportionately reduced. The Railway Heritage Trust grant is conditional upon receiving the LEADER grant.

#### Former Gorebridge Train Station Building Lease

LEADER's grant offer of £199,981 requires a long-term lease to be in place in order to be able to access this grant funding. Not having a long term lease in place between Network Rail and the Council would jeopardise the project by it not being able to access the £199,981 of LEADER grant funding.

### VAT

The structure of the lease arrangements with Network Rail and Gorebridge Community Development Trust may give rise to VAT implications to the Council.

The final structure of any lease arrangement and the transactional flow of grant funding arrangements will need to be carefully reviewed by officers prior to agreeing heads of terms and entering into any lease, to ensure any VAT implications to the Council are mitigated as far as possible. Should there be any significant VAT implications arising to the Council, officers will bring back a further report to Council prior to entering into any Heads of Terms with Gorebridge Community Development Trust or Network Rail.

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

Themes addressed in this report:

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

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

Investment in comprehensive improvement of town centres in Midlothian directly addresses economic inequalities.

## **6.5 Impact on Performance and Outcomes**

As set out in paragraphs 3.2 and 3.3 above.

## **6.6 Adopting a Preventative Approach**

Investment in town centres can arrest and reverse their decline.

## **6.7 Involving Communities and Other Stakeholders**

The Council has worked with the Gorebridge Community Development Trust in delivering the Gorebridge CARS project and developing the Gorebridge Connected project. Joint working with the Development Trust involved preparing the successful grant applications to the

Scottish Government Borders Railway Blueprint fund, to LEADER and to the Railway Heritage Trust.

The proposals for Gorebridge Connected have been subject to public consultation in Gorebridge and with Gorebridge Community Council.

## **6.8 Ensuring Equalities**

This report does not relate to a new / revised policy / service change / budget change. It is therefore considered that undertaking an Equalities Impact Assessment (EqIA) in relation to this report is unnecessary.

## **6.9 Supporting Sustainable Development**

A successful Gorebridge Connected project can help create a more vibrant and vital town centre which are contributors to a more sustainable economic and physical environment.

This report does not relate to the adoption by the Council of a strategic document and Strategic Environmental Assessment' ('SEA') legislation does not apply to this report.

## **6.10 IT Issues**

There are no IT implications from this report.

# **7 Summary**

## **7.1 Gorebridge Connected comprises:**

- Hunter Square public realm heritage enhancement scheme;
- redevelopment of the former Gorebridge Railway station building into a "Railway Café and Gallery"; and
- the Link project – a heritage enhancement project on Main Street, Gorebridge and signage project connecting Hunter Square and Gorebridge train station with each other, with other parts of Gorebridge, and surrounding countryside and communities.

## **7.2 Funding for the project is from a number of sources, the details of which are set out in this report.**

## **7.3 The project is a comprehensive scheme of improvements and new facilities which complements the success of the Gorebridge CARS programme; and which provides a further contribution to the regeneration of the centre of Gorebridge.**

# **8 Recommendations**

## **8.1 Council is asked to approve the following:**

1. Revise the current £1.188 million expenditure budget in the General Services Capital Plan for the Gorebridge Connected project to £1.663 million;

2. Approve the following funding arrangements for the project:-
  - £1.368 million of external grants for the project, comprising £1.038 million from Scottish Government Borders Rail Blueprint Fund, £0.200 million from LEADER and £0.130 million from the Railway Heritage Trust;
  - £0.125 million from the existing £0.250 million General Services Capital Plan budget for 'Borders Rail – Economic Development Projects';
  - £0.170 million of developer contributions (including the £0.020 million previously committed to the Gorebridge CARS project);
3. Instruct officers to develop heads of terms with (a) Network Rail for a long term lease on the former Gorebridge train station building and (b) the sublease of this building to the Gorebridge Community Development Trust ;
4. Prior to agreeing final Heads of Terms and entering into any lease agreement with Network Rail and/or the Gorebridge Community Development Trust, require officers to provide a report back to Council on the final details of the leases for Council approval; and
5. In the event that there were an underspend in the identified Access Improvements budget of The Link Project component of Gorebridge Connected, agree to use any remaining Scottish Government Borders Railway Blueprint grant money for a building enhancement scheme on Main Street, Gorebridge.

**8 June 2018**

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**Background Papers:** None



**Report on Edinburgh Schools – Midlothian Council Position****Report by Garry Sheret, Head of Property and Facilities Management****1 Purpose of Report**

Following the publication of the Edinburgh Schools Inquiry Report, by Professor John Cole CBE into matters relating to the closure of Edinburgh Schools as a result of the collapse of a masonry wall at Oxfords Primary School, Audit Scotland has issued councils with their report. The report concludes that there were serious faults in the procurement, design and construction of the Edinburgh Schools and the need to ensure devolved public bodies studied the Cole Report and review their estates in light of the findings.

The Cole Report provided 10 headings with a total of 40 recommendations. Each recommendation has been considered by Midlothian Council. This report sets out Midlothian Council's position with regard to the recommendations.

**2 Background****2.1 Edinburgh Schools Inquiry Report Recommendation Headings**

1. Procurement
2. Independent certifier
3. Client's Relationship with the Design Team
4. Information sharing
5. Construction
6. Training & Recruitment
7. Building Standards
8. Sharing information
9. Recommendations for the City of Edinburgh Council
10. Further Inspections

**3.0 Procurement****3.1 Expertise and resources**

Public sector bodies engaged in the procurement of public buildings should maintain, or have assured access to, a level of expertise and resources that allows that body to act as an 'intelligent customer' in undertaking transactions with Private Sector Construction Companies. Before commencing a programme of work or an individual project, a public body should first assess this requirement and ensure that it has in place the requisite and appropriate resources in terms of governance arrangements, type of expertise, allocated time and the funding required to enable it to act as an 'Intelligent Customer'.



### **Midlothian's Position**

Property and Facilities Management maintain a level of expertise and resources to allow Midlothian Council to act as "Intelligent Customer" when procuring public buildings.

Project Management ensures that the procurement route meets the agreed time, cost and quality criteria for each project and that governance arrangements are in place through:

- In house resources
- Framework resources

## **3.2 Ensuring compliance with specification**

In any construction contract let by a public body, the public body should ensure that due diligence is undertaken at an appropriate level to confirm that the requirements of that contract are actually delivered in accordance with the terms of that contract. The level of due diligence applied should be determined through an informed assessment of risk of the likelihood or implications of non-compliance.

### **Midlothian's Position**

Sufficient measures are in place to ensure specification is delivered as per the contract. Project control measures which include design meetings, progress meetings, site inspections, site reports, valuations and change control procedures ensures compliance with contract.

## **3.3 Public bodies cannot delegate duties**

In seeking to transfer as much risk as possible away from themselves in relation to the design and construction of facilities, public bodies should understand that they cannot delegate to others the duty that they ultimately owe to the public to ensure the provision of a safe environment for the delivery of services to their communities and this should inform their approach to their quality assurance processes of projects. There should always be an appropriate level of independent scrutiny in relation to all aspects of design and construction that are in effect largely or partly self-certified by those producing them.

### **Midlothian's Position**

Independent scrutiny to all aspects of design and construction work is achieved by close partnership working with project managers, consultants and commissioning a Clerk of Works service to monitor workmanship and compliance with specification. Whilst this recommendation relates to procurement of facilities, it is also applicable to the operational phase, where an appropriate level of monitoring is in place to ensure compliance with contracted services. During the operational phase, Midlothian Council allocates maintenance surveyors to oversee contracted services in non PPP facilities and contract monitoring staff for the PPP facilities. Both PPP contracts are managed by a central contract management team consisting of a PPP Service Manager and a Monitoring and Administration Officer. The central aims of the contract management activity are to ensure that:

- The local authority's agreed contractual position is protected
- The agreed allocation of risk is maintained
- Monitoring of the service provider's performance against the output specification is undertaken to ensure that the financial implications of any

failure to perform have been taken into consideration and appropriate action taken

- Payment for the service is conditional upon the quality of performance of the service provider
- Services are delivered in accordance with the contract

### **3.4 Building it right first time**

The procurement strategies adopted by public bodies should include appropriate investment in the provision of informed independent scrutiny of projects when they are being designed and constructed so that they are built right first time, rather than clients subsequently seeking to rely on their ability to seek remediation or compensation if they are not. It is the view of the Inquiry that seeking savings through cutting investment in quality assurance is inevitably a false economy.

#### **Midlothian's Position**

Contractors design proposals are scrutinised not simply to ensure that they comply with Building Standards, but also with regard to The Construction (Design and Management) Regulations (CDM) for managing the health, safety and welfare of construction projects.

Midlothian Council construction projects are closely monitored by a Clerk of Works service, commissioned to ensure projects are constructed correctly, rather than relying on the ability to seek remediation or compensation if they are not. Midlothian Council specify what is expected from the Clerk of Works service, in terms of inspections, recording workmanship and reporting any defects.

### **3.5 Quality of design and construction**

There should be a more informed approach among public bodies as to how best practice methodologies aimed at optimising the quality of design and the quality of construction can be incorporated into the current models of procurement of public buildings, whilst maintaining other benefits of these processes. One key element of such processes is a clear and considered articulation in a comprehensive brief by the client of the quality objectives for a project and of the methodology to be used for ensuring the achievement of that quality in both the design and construction phases.

Appropriate time and resource should be allocated by clients during the initial stages of a project and during the development of the brief in order to establish and clearly define these quality objectives and approaches to ensuring quality.

#### **Midlothian's Position**

A Comprehensive brief is provided by Midlothian Council stating the quality objectives for a project and the methodology to be used for ensuring the achievement of that quality in both the design and construction phases. Appropriate price/quality ratio is factored into tender scoring for both design team and contractor appointment. Following selection of design team and contractor, Midlothian Council Project Management staff or private sector Project Managers (appointed by Midlothian Council) ,control quality of design and construction. These control measures include design reviews, design sign off, design team meetings, construction progress meetings. Construction progress meetings include design team consultants' reports, contractor's report and Clerk of Works report.

## **4.0 Independent certifier**

### **4.1 Nature of inspection**

There would appear to be a lack of shared understanding, both by those commissioning and providing the services of an Independent Certifier in PPP forms of contracts, with regard to the level of inspection to be undertaken by the Independent Certifier and the degree of reliance that clients can place on the issue of Availability Certificates as to the quality of the construction.

The level of service provided by Independent Certifiers needs to be reviewed and contracts of appointment written to reflect what clients actually require of the role, so that clients better understand exactly what they are getting and providers of the service better understand what is required of them. Standard forms for these appointments should spell out the nature of the inspection required.

The Inquiry is of the view that one possible model or option to overcome the type of issues identified in the PPP1 project would be to extend the range of services required in the appointment of Independent Certifiers to include the provision and management of Clerk of Works services.

### **Midlothian's Position**

Clerk of Works services are commissioned on all major construction projects. The Clerk of Works scope of works specifies in terms of frequency of inspections, recording workmanship and reporting any defects and providing progress reports.

## **4.2 Professional indemnity insurance and Liability Period**

The level of professional indemnity insurance sought and the liability period for Independent Certifiers should be assessed to properly and appropriately reflect the significance of their Certification processes and the degree of reliance that is to be placed on it.

### **Midlothian's Position**

Level of professional indemnity insurance and liability period is project specific and written into all Midlothian Council contracts. The scale is relevant to cost of works and complexity of the project.

## **4.3 Method of appointment of Independent Certifier**

Given the essential requirement that those undertaking the role of Independent Certifier are truly independent, the appointment of Independent Certifiers should be made following properly advertised and conducted public procurement processes and not through nomination or recommendation by the private sector party (as appears frequently to have been the case).

### **Midlothian's Position**

On Midlothian's current on site construction project, Newbattle Community Campus, an Independent Certifier was joint nominated by the Design & Build main contractor and Midlothian Council. In addition to the Independent Certifier role, Midlothian Council insisted to Scottish Future's Trust that a Clerk of Works service was scoped and commissioned to provide complete independent scrutiny of construction works.

## **4.4 Fees of Independent Certifier**

The fees for undertaking the Independent Certifier role should reflect the level of service required, rather than the service being restricted to fit a predetermined budget.

## **Midlothian's Position**

Whilst undertaking a Public Private Partnership project, the role of the independent certifier is agreed between Design and Build Contractor and Midlothian Council. Over and above this, Midlothian Council insist that Clerk of Works service, commissioned independently by Midlothian Council, is also in place to ensure appropriate level of scrutiny on site.

### **4.5 Independent Inspection of the works**

Public sector clients should engage appropriately qualified individuals or organisations with the necessary professional construction expertise to undertake on their behalf an appropriate level of ongoing inspection of the construction of their buildings. This is in order to identify and report defective work to the client and to ensure proper rectification of same.

Depending on the nature of the project, this inspection role, at the level at which the defects in the Edinburgh PPP1 schools occurred, is traditionally undertaken by a combination of resident architects, resident engineers and Clerk of Works, the use of whom has dramatically reduced over recent years, yet the essential role they played does not appear to have been effectively provided for by alternative arrangements within the forms of procurement currently in vogue.

Clients need to reappraise this gap in the assurance processes which has been allowed to develop.

## **Midlothian's Position**

Midlothian Council tenders for all design team appointments. The design team is selected on a quality/ price ratio, depending on the complexity of the works. Design consultants roles are specified in the tender, this includes site inspections, site reports and design team meetings and progress meetings. Additionally Midlothian Council appoint independent Clerk of Works to oversee works as they progress on site.

### **5.0 Client's relationship with the design team**

#### **5.1 Scope of service of design team members**

Under current models of procurement, the relationship between the client and key members of the design team has tended to become at least one or more steps removed, yet the inherent fundamental quality and safety of projects as determined by the design of spaces, the specification of materials and the structural intent behind the design, relies on the creativeness and effectiveness of their designs and the proper implementation of these on site. The extent of their appointments and the level of involvement of design team members (either with clients or on site) is now frequently delegated to contractors to determine.

Public bodies should review current procurement arrangements to ensure they are providing the optimum level of communication between clients and key members of the design team and that clients are able to benefit to the fullest extent from their professional advice and expertise. They may wish to consider how more direct communication could be incorporated into current forms of contract, in addition to the existing requirement for the provision of collateral warranties.

## **Midlothian's Position**

Midlothian Council appoints the design team which is then novated to the contractor. Midlothian Council continues its relationship with consultants from project inception to project completion. Midlothian Council attends all site meetings with the contractor

and consultants and receives on going reports from consultants throughout the duration of works.

## **5.2 Role of design teams in inspecting works on site**

If clients do not wish to prescribe in their tender documentation the minimum level of services which they require to be provided by design team members when employed by a contractor, public sector clients should at least require that submitted tenders include a full description of the proposed scope of design team services, including any proposed role in the inspection of the works on site.

This, in addition to the quality of the proposed design team or proposed design, should be important factors in the assessment of such tenders.

### **Midlothian's Position**

Midlothian Council does not delegate the role of the design team to the contractor. Midlothian Council specifies the role of design teams, which is included in tender documents. This ensures design team members are responsible for inspecting their areas of work on site.

## **5.3 Notification of issues to public sector client**

The Inquiry is of the view that, where possible, there should be a mandatory provision built into such contracts that where, to the knowledge of a professional design team member, a contractor has failed to take appropriate action as advised by a member of the professional design team on issues that could impact on the subsequent safety of building users or functionality of the building, the consultant in question should be required to inform the public sector client of the advice provided to the contractor.

### **Midlothian's Position**

Midlothian Council's approach of being instrumental in appointing the design team and keeping a close relationship with the design team from project inception to project completion ensures that any design issues or defects are raised with Midlothian Council.

## **6.0 Information sharing**

### **6.1 Production, retention and updating of information**

The production, retention and updating of accurate construction and operational information and related documentation on projects should be regarded as a fundamental requirement and requires a systematic and disciplined approach by all parties to the contract.

Public bodies should establish a mandatory protocol for receipt and processing of all such project information within their own organisations.

### **Midlothian's Position**

In practice the production, retention and updating of information is ensured by the retention of planning, building warrant and as built drawings; change controls; construction progress records – including photographs; and the compilation of the Operations & Maintenance Manual, throughout the delivery of the project. The Operations & Maintenance Manual contains all as built drawings with revisions recording any changes through the design and construction phases. Project Hand Over requires the submission of a completed Operation and Maintenance Manual.

## 6.2 Provision of as-built drawings

The process of producing as-built drawings is frequently included in appointment documents as a requirement of the design team. In evidence to the Inquiry, design team members have stated a practical limitation on them in that they may be unaware of the detail of on-site changes to the issued design drawings or specifications that may be made by the contractor or its supply chain.

Contractors should be required to put in place appropriate arrangements for the recording of all subsequent changes to final 'construction issues' drawings and arrange for the production of a final as-built set of documents to a standard suitable for issue to the client for retention as a permanent record of the detail of the project.

Contractors should also be required to certify that the 'as-built' documentation as provided is an accurate record of what has actually been built.

### Midlothian's Position

The Operation and Maintenance Manual contains all as built drawings with revisions recording any changes through the design and construction phases. Project Hand Over requires the submission of a completed Operation and Maintenance Manual.

## 6.3 Provision of as-built drawings to building control

It is also recommended by the Inquiry that consideration be given to the requirement for 'as built' drawings as prepared for and certified by the Contractor to be submitted to Building Standards as a definitive record of what was built. This could be a formal part of the Completion Certificate process.

### Midlothian's Position

Building Standards, where they are aware of relevant changes either during their inspection or by notification from the contractor, will request a formal amendment to warrant application (an application which highlights any deviation/changes from the original approved building warrant application) to regularise the building warrant. The approval of the amendment to warrant is required prior to the acceptance of a completion certificate. Generally this would only apply to work considered as part of the building warrant system. As in 4.2 above, other work changes which the client (Midlothian Council) consider appropriate would need to be controlled through the Councils own contract agreement. All building warrant drawings are archived by Building Standards and kept for a minimum of 25 years. Significant buildings such as schools are generally kept for the duration of the buildings existence.

Consideration should also be given to the recording of works and changes which do not require to be the subject of an amendment to building warrant and this may be processed through the same requirements set out in 4.2 above.

## 6.4 On site accessibility of design information

It is critical that there is effective communication of essential design information in an accessible form to tradesmen such as bricklayers working on site. In relation to the construction of walls and the incorporation of related structural accessories, in order to avoid mistaken omissions of accessories such as wall ties, head restraints or bed joint reinforcement, it is recommended that all relevant information should be fully integrated into a single document, rather than requiring reference by bricklayers to a range of different documents produced by different members of the design team.

The design and construction professions should consider the need for the development of a better approach to the integration of documentation to reflect the



practical needs associated with the implementation of design information in a building site environment.

From the evidence provided to the Inquiry, there was a unanimous view that a comprehensive set of all such information in regard to the construction of external cavity walls should be provided on a document produced by the structural engineering consultants.

#### **Midlothian's Position**

Site information management is the remit of the main contractor. However, the prelims within the design team consultant tender specify format and number of sets of design information to be issued to site, which also applies to any revisions to information.

### **6.5 Communication of design intent**

The evidence to the Inquiry suggested that the design intent in relation to the importance to the structural integrity of masonry panels of the proper installation of wall accessories and secondary steelwork, may not always be adequately conveyed in design documentation and may not be fully understood by those reviewing the documentation (or perhaps more importantly by those actually building the walls).

Structural engineers should be required to describe in their documentation and drawings the approach and design philosophy adopted in their designs in terms of the reliance on the inclusion of bed joint reinforcement, wall head and lateral restraints or windposts in the required locations and in accordance with the specification, and the relative inter dependence of these various components.

#### **Midlothian's Position**

The project's appointed structural engineer is responsible for issuing a full set of structural information and drawings package, detailing all structural components, methods of fixing and complete structural integrity requirements.

### **6.6 Structural amendments to be approved**

The approved building warrant system relies on buildings being constructed in accordance with the approved drawings.

Contractors should ensure that any amendments to the structural design of buildings should only be implemented after having undertaken any necessary checks or amendment to the design by the structural engineer and any changes to the approved design should be documented and processed in compliance with the statutory obligations imposed by the Buildings Standards regulations under the amendment to warrant process.

#### **Midlothian's Position**

Within Building Standards, the current position with any amendment to the structural design requires to be approved in compliance with amendment to warrant process. It is acknowledged that there is the potential for changes to the design during the construction process to be missed. Due to the limited number of inspections carried out by Building Standards, unless the changes are volunteered by the contractor and in many cases it is only offered if it is picked up by Building Standards during an inspection, drawings which were approved as part of the original building warrant may be the only drawings held by Building Standards at the completion stage. Prior to completion Building Standards as part of the completion process request written confirmation from the engineer that works on site reflect the original design. In some



cases this confirmation is provided, with a statement that minor changes did take place, and the original design certification for the building will cover the works. If Building Standards felt the deviations were significant they would ask for a set of revised drawings and an updated design certificate to cover the changes.

## **6.7 Access to original construction information**

The City of Edinburgh Council was not automatically provided with all relevant design, construction and survey information relating to the original construction, the subsequent investigations and the implementation of the remedial works to the PPP1 schools.

In response to requests for elements of this information, the Council was advised by various members of the supply chain that it did not have a direct contractual right to this information and would have to seek it through the various levels of ESP's supply chain, including members of their original supply chain who may be out of contract.

PPP contract arrangements should incorporate clearly the right for public sector clients to be provided, by members of current and original PPP supply chains (and where relevant in return for an appropriate fee), with copies of all design and technical information, surveys, proposed amendments and as built documentation in relation to their projects.

### **Midlothian's Position**

Midlothian Council have been provided with Operations and Maintenance Manuals for both PPP1 and PPP2 projects. The same will apply on hand over of future projects including Newbattle Community Campus.

## **7.0 Construction**

### **7.1 Building of leaves of cavity walls separately**

The evidence from this Inquiry suggests that the subsequent practical difficulties that arise from building the inner and outer leaves of cavity walls at different times may have been significant contributory factors in the lack of embedment of wall ties achieved.

The construction industry should carefully review this practice and if the separate building of the leaves of cavity walls is still required to achieve programme dates, it is recommended that standard wall ties should not be used and instead be replaced by alternative approved ties or by alternative construction to blockwork for the inner leaf e.g. use of structural framing systems.

### **Midlothian's Position**

Midlothian Council advise against this method, although it is a construction industry issue rather than a contract controlled item. It is worth noting that this practice is not uncommon and with suitable site control and high degree of workmanship there is no reason that this method could not continue. It should be noted that the failure in respect of this method was to do with the relevant trades not being suitably monitored and possibly trained. If the wall ties were not crossing the cavity and suitably bedded into the outer leaf, work should not have continued, relevant design team alerted to the issue and the wall design reconsidered.

### **7.2 Design of wall ties**

There would be significant benefit if the design of wall ties, particularly the type used on the Oxbgangs School, more readily enabled both those laying the bricks and those inspecting cavity walls before closure, to determine that the minimum or

recommended embedment of wall ties was being or had been achieved. Clearer calibration or marking of these points through the introduction of colour, texture or shape could assist in this process, by making the level of embedment more clearly visible.

#### **Midlothian's Position**

Clearer calibration or marking with colour or texture to demonstrate embedment achieved is a sensible recommendation and Midlothian Council support this recommendation – this would however be up to wall tie manufactures to incorporate this in their products.

### **7.3 Design and use of head restraints**

There may be benefit in designers, contractors and manufacturers reviewing the practical complexity of installing the different forms of head restraints, particularly when being connected to sloping beams, and seeking to simplify this in terms of specification, design and fixing of this component, thereby reducing the time required to fit them and any potential reluctance on the part of bricklayers to install them.

As in the case of the wall ties, it would be beneficial if they were designed to incorporate some visible indicator to prove in any subsequent inspections that they had actually been fitted, thus preventing the need for avoidable intrusive investigations.

#### **Midlothian's Position**

Design to incorporate some visible indicator to prove existence in any subsequent inspections is a sensible recommendation and Midlothian Council support this recommendation. This however would be up to head restraint manufacturers to incorporate this in their products.

### **7.4 Payment of bricklayers**

The most common method of paying bricklayers in recent years has tended to be based on the number of bricks laid rather than on the time that bricklayers work. As generally applied, this approach would appear not to take account of the number, type and complexity of accessories that are required to be incorporated. The construction industry should seek to review this approach to remove any perverse incentive of the payment mechanism to encourage the omission of elements providing the essential structural integrity of walls.

#### **Midlothian's Position**

Construction industry should review the current payment system. This is a sensible recommendation and Midlothian Council support this recommendation. This recommendation is not controlled by the public sector and should be reviewed by the construction industry.

### **7.5 Contractor quality assurance processes**

The quality assurance processes applied by the contractors on the PPP1 projects failed to identify or rectify fundamental non-compliance with required standards in the construction of masonry walls. Irrespective of the potential role of independent inspections by agents of the client, such failures are and remain the direct responsibility of the contractor.

The repeated failures across many different projects would suggest that either the quality assurance processes themselves or the manner in which these processes are implemented have frequently proved inadequate.

It is therefore recommended that the construction industry should seek to introduce, develop and promulgate standardised best practice methods in relation to the requirements of the related quality assurance processes, how they are implemented and who implements them.

The design of such processes should consider the potential greater use of modern technology in relation to the digital recording of such areas of work.

### **Midlothian's Position**

Midlothian Council supports this recommendation and agrees with this suggestion. Consideration should be given to put in place a recording system capable of controlling quality assured work.

## **7.6 Inspection and sign off of cavity walls**

It is particularly important to note that in the case of the 17 PPP1 projects, visual only inspections of the external walls of these schools, by experienced teams of qualified structural engineers, failed to identify any indications of the subsequently identified presence of significant deficiencies in the construction of the walls.

While visual inspections are clearly the first part of any structural assessment of walls and can help identify any movement, bulging or alignment issues, they should not be relied upon as evidence that the walls are properly constructed and have the required structural capacity to resist strong winds.

It is therefore recommended that quality assurance processes on site are such that they prevent the closure of walls before proper inspection and sign-off has been facilitated to confirm the quality and completeness of the work.

### **Midlothian's Position**

Quality assurance processes on site should consider the type and method of sign off processes and that a percentage of work elements are inspected rather than spot inspections. The method of evidencing visual inspection should also be supported by photographs in order to provide the relevant assurances, rather than reliance on a written statement. This evidence should form part of the documentation handed to the client when hand over is agreed. Current projects on site include a responsibility for the Clerk of Works to photographically record construction of masonry walls, these photographs are either included in the Clerk of Works weekly reports or provided electronically.

## **7.7 Brick laying profession**

The Inquiry is of the view that, given the widespread nature of similar defective construction across the 17 PPP1 projects, undertaken by bricklayers from different sub-contracting companies, and from different squads within these companies, there is clear evidence of a problem in ensuring the appropriate quality in this fundamental area of construction.

It is therefore recommended that the construction industry should re-examine its approach to recruitment, training, selection and appointment of brick-laying subcontractors, means of remuneration, vetting of qualifications and competence, supervision and quality assurance of bricklayers.

### **Midlothian's Position**

Midlothian Council support this recommendation and agrees with the suggestion that better training, selection and supervision of bricklayers is explored. This recommendation is not controlled by the public sector.

## **7.8 Fire-stopping and fire-proofing**

Fire-stopping and fire-proofing are fundamental aspects of the safety of buildings and must be treated with the importance that they deserve due to the potential implications for the safety of building users and the risk to property as a result of defects in their incorporation into the building.

There has been significant evidence of failures of fire-stopping in PPP projects in England and questions have been raised as a result of the initial surveys of fire-stopping undertaken across the 17 PPP1 projects in Edinburgh.

It is recommended that, in relation to these aspects, consideration be given to the introduction of independent in-depth inspection and certification by a suitably qualified person or specialist company, in accordance with the provisions made within the Building (Scotland) Act 2003, and that this certification be required to be provided to Building Standards as evidence of fully compliant installation, prior to the approval of the Completion Certification by Building Standards.

### **Midlothian's Position**

Midlothian Council support this recommendation. However, it should however be noted that Building Standards do not have legislative powers to insist that certification is provided in this way.

Building Standards can ask for suitable evidence that works have been carried out however to insist that this work is certified and installed by a specialist is out with the remit of Building Standards.

There is scope within the contractual agreements, for the client to insist that work of this nature is processed by independent inspection and certification prior to issue of the completion certificate.

Midlothian Council has 8 PPP Primary Schools at Gorebridge, Lawfield, Loanhead and St. Margaret's joint campus, Moorfoot, Stobhill, Strathesk and Tynewater. At these schools inspection of fire stopping works, are carried out routinely as part of any variations where fire barriers are affected. General checks of fire stopping, forms part of the annual fire risk assessment.

As a result of the Edinburgh Inquiry Report an independent surveying company has been scheduled to carry out fire compartmentation surveys at these schools over the next few months. At the Dalkeith Schools Campus at year 10, the end of the defects liability period, Aberdeen Assets commissioned a construction review including fire compartmentation.

In addition to this BAM will be introducing a permit system to be signed by any contractors carrying out works affecting fire compartmentation. Similar quality assurance process will be implemented across all non PPP buildings.

## **8.0 Training and Recruitment**

### **8.1 Provision of training and recruitment**

The evidence to the Inquiry from several experienced sources suggested that there is an increasing shortage of essential skills and/or re-skilling in the construction industry

which is impacting on its ability to deliver and ensure the required quality of construction.

Three particular areas were identified where a combination of a lack of funding, lack of appropriate training courses and lack of recognition of the level of requirement has led to serious skills shortages and difficulties in recruitment. The three areas were:

- Bricklaying
- Clerk of Works
- Building Standards Inspectors

The appropriate authorities should undertake a review of the current level of provision of training in these areas, and any others considered relevant, to ensure that the construction industry has access to an adequate properly trained and qualified resource in each of these areas.

### **Midlothian's Position**

Midlothian Council commission a good level of Clerk of Works service. Brick laying training is out with the control of the public sector.

Building Standards should not be considered as a robust tool to inspect works which are ongoing. Resource within Building Standards is there fundamentally to carry out inspection to protect the public interest in terms of compliance and the frequency of inspection is assessed by the verifier, taking into account matters such as the type of work, quality of information submitted, etc.

It must be stressed that inspections are not to ensure that all work is constructed as the person paying for the work would want it. Responsibility for the quality of construction lies with the building owner, as they are the relevant person under the Building (Scotland) Act 2003.

However since 2013, Building Standards have introduced a construction compliance notification plan system which requests notification from the contractor that certain parts of the building are available for inspection. This system has been brought in to try and provide a consistent level of inspection to improve compliance on site. It should be noted that this process is voluntary and non-enforceable by Building Standards. The system is reliant on the applicant, contractor contacting the Building Standards section to advise that works are available for inspection. It should also be noted that inspections are limited and photographic evidence and written statements from qualified professionals can be provided in lieu of physical site inspection.

Following the recent building failures the Scottish Government has intimated that there may be a review of how the Building Standards service is expected to perform in relation to site inspection. The extent of review and timing has not been made public to date.

## **8.2 Apprenticeships**

In relation to the training of bricklayers, the Construction Industry Training Board (CITB) should review with the industry the effectiveness of current apprenticeship arrangements in meeting the objective of developing a highly skilled bricklaying workforce.

The current apprenticeship course and skills tests should also be reviewed to ensure that there is sufficient focus on understanding the function of and the practical installation of brickwork accessories.

## **Midlothian's Position**

This is a Construction Industry Training Board (CITB) responsibility. Midlothian Council do not currently directly employ apprentice bricklayers.

## **9.0 Building Standards**

### **9.1 Scope of Building Standards inspections and certification**

The Inquiry formed the view that there was a common misconception as to the extent of the reliance that can be placed on the quality of construction of a building because it had successfully gone through the statutory Buildings Standards process.

The typical frequency of site visits and the level and nature of inspections undertaken, as provided in evidence, can only confirm that buildings are being built generally in accordance with approved warrants.

It would not appear to be either practical or appropriate for Building Standards Departments to be expected to undertake the type and level of detailed inspection that would be necessary to identify the risks to user safety that have been identified in this Report. However, an underlying core objective of their function as expressed in the Building (Scotland) Act 2003 is 'securing the health, safety, welfare and convenience of persons in or about buildings'.

To resolve this issue, there is a need for Government and the construction industry to consider the introduction of methods that would provide Buildings Standards with the required level of assurance in risk areas.

In this regard, it is recommended that consideration be given to the practicality of extending the concept of mandatory inspection and certification of construction by approved certifiers to elements of the building that could potentially pose significant risk to users if not constructed properly and which level of inspection cannot practically be undertaken by Building Inspectors themselves.

## **Midlothian's Position**

Midlothian Council agrees with this recommendation that consideration be given to the mandatory inspection of structural elements that could pose risk. It is clear from the report that the failures were caused by the incorrect installation of elements of construction considered to be fundamental and a basic element, and therefore with hindsight equally as important and possibly over looked until now. Therefore inspection by structural engineers should not be restricted to structural elements considered either ground breaking or highly technical. It is now apparent that to reduce the risk of this type of failure all elements of construction should be considered as equally important and deserved of the same level of inspection and scrutiny.

The design process with regard to structural certification at the Building Warrant application stage has been improved since the introduction of the new Building (Scotland) Act 2003. However the same consideration by the industry should be given to the inspection of structural works during the construction stage.

### **9.2 Sanctions for non-compliance with Building Standards**

The evidence provided to the Inquiry showed a number of breaches in relation to the PPP1 schools compliance with the statutory applications and certification processes required under the Building (Scotland) Act 2003.



The Inquiry noted that: (a) there does not appear to be an automatic follow up by Building Standards Departments to require compliance, where proper processes have not been complied with; and (b) that the non-application for and non-issue of completion certificates for new buildings would not appear to be an infrequent occurrence.

The Inquiry would recommend that in order to improve the effectiveness of the revised Building (Scotland) Act 2005, in delivering the key stated policy objective of, 'securing the health, safety, welfare and convenience of persons in or about buildings', systematic and appropriate administrative arrangements should be developed and implemented by verifiers to identify, pursue and sanction those who fail to comply with its statutory requirements.

### **Midlothian's Position**

Building Standards do pursue developers and contractors who undertake works without the relevant Building Warrant in place and also those who occupy buildings without the relevant completion or temporary certificate. It has to be acknowledged that this process is generally risk based and enforced where Building Standards have been made aware either through our inspection or notified by the public of unauthorised occupation.

It should however be noted that there has to be the support and back up from the judicial system to pursue and apply sanctions for non-compliance or occupation. Midlothian Council have had experience of pursuing those who have undertaken work without the relevant Building Warrant and have been advised that unless the service can prove that the building is a danger and not just that they are occupying a building, there is little chance that the case will be taken further due to what are considered more pressing breaches of the law and therefore its not in the public interest to pursue.

It is unfortunate however it may be that recent events place more significance on these types of breaches and greater consideration is given by the judicial service to pursue.

## **9.3 Temporary Occupancy Certificates**

In circumstances in PPP contracts where the Building Standards Certificate of Completion cannot yet be issued, and the issue of an Availability Certificate is permitted under the contract on the basis of a Temporary Occupancy Certificate, it is recommended that there should be a specific requirement that the Independent Certifier issuing an Availability Certificate should formally advise the public sector client of this fact and qualify the documentation to reflect this position.

Additionally, it is recommended that there should be a requirement under the contract that, in such circumstances, a date should be set by which the Project Company should be required to have achieved an accepted Certificate of Completion or be in default.

### **Midlothian's Position**

Midlothian Council schools projects generally require a completion certificate which is an essential document in obtaining the Care Inspectorate Certificate. Should only a Temporary Occupancy Certificate be provided, Midlothian Council will ensure it has measures in place to guarantee completion certificate by a certain date, for example, deduction of unitary charge. Completion certificate was a requirement on PPP1 and PPP2 to allow projects to be operational.



#### **9.4 Prioritisation of risk factors**

The Inquiry noted, from the evidence provided, the number and preponderance of visits by Building Inspectors which focussed on drainage issues compared to the limited number of visits that were undertaken in relation to the compliance of the construction of the general structure and fabric of the buildings, the design and specification of which would have represented the vast majority of information submitted and scrutinised by Building Standards prior to approval of the design warrant.

It is recommended that a review be undertaken as to the overall objective of site visits undertaken by Building Inspectors to ensure that the planning of these properly reflects a prioritisation of the identification and inspection of areas of highest risk.

##### **Midlothian's Position**

Building Standards are in the process of reviewing their site inspection regime. Consideration has been given to the building type, complexity and frequency required. This will involve a system of sampling against a risk based model. It has been accepted that there is a preference, which is linked to the historic requirement to carry out drainage inspections, that this type of inspection is disproportionate to the number of inspections carried out in relation to other elements of the building. Construction Compliance Notification Plans have been introduced and assist with the spread of inspection type. There is however clear evidence from our figures that there is still a large proportion of inspection around drainage and measures and training is being put in place to rectify this.

#### **9.5 Building Standards Department of the City of Edinburgh Council**

It is recommended that a review be undertaken of the staffing and funding of the Building Standards Department in Edinburgh Council to ensure that these are adequate to meet the demand for services and to provide the level of service that is required.

##### **Midlothian's Position**

Recommendation is specific to resources within City of Edinburgh Council

#### **10.0 Sharing information**

##### **10.1 Sharing of information on matters of structural consent**

The Inquiry found that there was a degree of reluctance on the part of some Local Authorities to reveal to the Inquiry full details of the extent and nature of defective construction that had been found as a result of investigations undertaken at some of their schools. This reluctance could be related to possible on-going litigation or a reluctance on their part (or that of their project company) to have this information made public.

It is recommended that there should be a formal requirement on public bodies to make automatic disclosure to a central source of information on building failures, particularly in relation to building failures that bring with them potential risks to the safety of building users.

In particular, the collation and dissemination of information relating to matters of structural concern is a vital element of achieving safe structures. The Standing Committee on Structural Safety (SCOSS) has introduced the Confidential Reporting

on Structural Safety (CROSS) scheme, to facilitate this process in circumstances where those providing the information may wish to retain a degree of anonymity. This should be used more widely.

### **Midlothian's Position**

There is a requirement to disclose to a central source, information on building failures. This central source is facilitated by the Standard Committee on Structural Safety (SCOSS). The public sector should use this central source more widely.

## **11.0 Recommendations for the City of Edinburgh Council**

### **11.1 Minor changes within PPP1 schools**

The Council may wish to investigate what flexibilities there may be, or may be negotiated, in relation to the application of the provisions of the PPP1 Project Agreement that might better facilitate the implementation of requests for minor changes within the schools. This was identified as an on-going source of frustration by those members of staff and of Parent Councils who gave evidence to the Inquiry.

### **Midlothian's Position**

Within Midlothian Council schools changes are facilitated by "permitted alterations" or "change control" depending on size / impact of change.

### **11.2 Parents' and schools' review of management of closure**

The Inquiry would suggest that, if not already done, the Council should facilitate a joint meeting with representatives of the Parent Councils and heads of schools to review all issues relevant to the management of the closure, to benefit from any learning gained from the experience and to help inform the development of protocols for future emergency situations.

### **Midlothian's Position**

The recommendation is specific to City of Edinburgh Council. Midlothian Council will reflect this recommendation within the schools' incident response plans.

### **11.3 Fire-stopping**

In light of the results of the fire-stopping surveys of the PPP1 projects, it is recommended that the City of Edinburgh Council should, in addition to the ongoing checking of fire safety measures and components across its wider estate, require that appropriately frequent on-going inspections are undertaken by those responsible for the management of these buildings to ensure that these are properly maintained over time.

### **Midlothian's Position**

Independent inspection and certification occur prior to issue of completion certificate and review of fire compartmentation in existing buildings. Midlothian Council have 8 PPP Primary Schools, Gorebridge, Lawfield, Loanhead and St. Margaret's joint campus, Moorfoot, Stobhill, Strathesk and Tynewater. At these schools fire stopping works, are carried out routinely as part of any variations where fire barriers are affected. General checks of fire stopping forms part of the annual fire risk assessment. As a result of the Edinburgh Inquiry Report an independent surveying company has been scheduled to carry out fire compartmentation surveys at these schools over the next few months. At the Dalkeith Schools Campus at year 10, the end of the defects liability period, Aberdeen Assets commissioned a construction

review including fire compartmentation. In addition to this BAM will be introducing a permit system to be signed by any contractors carrying out works affecting fire compartmentation. Similar quality assurance process will be implemented across all non PPP buildings.

## **12.0 Further Inspections**

### **12.1 Other clients of recently constructed buildings**

In relation to the potential presence of further defective construction in the external walls of other of their buildings, the City of Edinburgh Council is undertaking a proportionate and structured risk-based approach to investigating their wider estate, specifically regarding the issues identified on the PPP1 Estate i.e. wall tie embedment and the provision of appropriate restraints to masonry panels.

Other clients of recently constructed buildings of a similar scale and form of construction to the PPP1 schools, if concerned that their buildings may contain similar defects, may wish to adopt a similar risk-based approach to any investigation process they may feel necessary.

#### **Midlothian's Position**

Proportionate and structured risk-based visual and intrusive surveys of Midlothian Council's PPP schools estate were carried out during 2016. These surveys identified minor remedial works which were completed during 2016.

On 29th April 2016 and 8th July 2016 intrusive surveys were carried out at Lawfield Primary School, Tynewater Primary School and Moorfoot Primary School.

From the 2nd to the 4th of December 2016 intrusive surveys were carried out at The Dalkeith Schools Community Campus.

In May 2016 intrusive surveys were carried out at Bonnyrigg Primary School Woodburn Primary School and Penicuik Leisure Centre.

#### **Any Further Actions required out with report recommendations in Section 2 above**

The City of Edinburgh Council, due to the extent of wall tie failures uncovered in their investigations, decided to retrospectively fix wind posts to a number of walls.

Midlothian Council Officers considered whether this measure, over and above the structural requirements already in place, was appropriate for Midlothian Council buildings. Midlothian Council will consult with independent structural engineer on recommendations for retro-fitting wind posts.

## **13 Report Implications**

### **13.1 Resource**

This report is a response to recommendations made by Audit Scotland and individual items requiring resource in all future projects, plans and reports.

### **13.2 Risk**

The risks are identified in each recommendation/ response contained in item 3 to 12.

### **13.3 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

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

Insert text here

#### **13.5 Impact on Performance and Outcomes**

Improved practices as recommended will improve Health and Safety outcomes on all construction projects.

#### **13.6 Adopting a Preventative Approach**

New practices will avoid future Health and Safety issues.

#### **13.7 Involving Communities and Other Stakeholders**

All parties directly involved in the construction process have been included in the review of their procedures/recommendations.

#### **13.8 Ensuring Equalities**

EQIA required

#### **13.9 Supporting Sustainable Development**

Long term durability of construction projects is supported through this report.

#### **13.10 IT Issues**

None

#### **14 Recommendations**

Audit Committee is recommended to note and approve the responses made to the Audit Scotland Report on Edinburgh Schools.

**23 May 2018**

#### **Report Contact:**

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**Background Papers: 2016/17 audit of The City of Edinburgh Council Report on Edinburgh Schools**



## **National Minimum School Clothing Grant**

### **Report by Director Resources**

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

The purpose of this report is to advise Council that on 11 June 2018 The Chief Executive, after discussion with the Leader of the Council/Depute Leader of the Council authorised an increased school clothing grant payments to £100 to allow payments to be made from the 18 June 2018 as previously intimated to parents and carers.

This action was to ensure the prompt and effective implementation of the joint agreement reached between the Scottish Government and COSLA on the establishment of a national minimum school clothing grant for the 2018-19 academic term.

#### **2 Background**

A letter received from Scottish Government dated 5 June 2018 is attached for information.

From the start of the 2018-19 academic year the minimum grant level has been agreed at £100. Current levels are £60 for Primary Schools and £65 for Secondary Schools.

To support the introduction of the national minimum the Scottish Government is contributing £6 million to local authorities, Midlothian Council's allocation being £121,000.

#### **3 Report Implications**

##### **3.1 Resource**

There are no resource implications from this report the additional grant will cover the cost of the increased payments.

##### **3.2 Risk**

There would be reputational risk if the joint agreement was not implemented or if payment of the increase grant was delayed.

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

Themes addressed in this report:

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

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

The payment of clothing grants contributes to addressing inequality.

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

Broadly in line with those expected from the existing arrangements.

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

The increase will help parents and carers.

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

None given the time constraint.

### **3.8 Ensuring Equalities**

Given the time constraint an IIA has not been prepared. In any event this is implementation of a nationally agreed policy.

### **3.9 Supporting Sustainable Development**

There are no sustainability Development issues as a consequence of this report.

### **3.10 IT Issues**

Midlothian Council uses the Seemis system to administer applications and payments of Clothing Grants, changes are required to implement the increase in payment amounts. The approval in accordance with the Scheme of Delegation avoids an alternative payment arrangement to have to be put in place.

## **4 Recommendations**

Council is recommended to note:

- (a) That the Scottish Government and COSLA Leaders have reached a joint agreement on the establishment of a national minimum school clothing grant.
- (b) The minimum grant level has been agreed at £100 with effect from the start of the 2018-19 academic year.
- (c) Midlothian Council's allocation of £121,000



- (d) That on 11 June 2018 The Chief Executive, after discussion with the Leader of the Council/Depute Leader of the Council authorised an increased school clothing grant payments to £100 to allow payments to made from the 18 June 2018 as previously intimated to parents and carers.

**11 June 2018**

**Report Contact: Gordon Aitken**  
[Gordon.aitken@midlothian.gov.uk](mailto:Gordon.aitken@midlothian.gov.uk)

**Background papers: National Minimum School Clothing Grant letter dated 5 June 2018.**





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Local Authority Directors of Education  
Local Authority Chief Executives

Copied to: Local Authority Directors of Finance

5 June 2018

*Dear Colleagues,*

I am writing to inform you that the Scottish Government and COSLA Leaders have reached a joint agreement on the establishment of a national minimum school clothing grant. The minimum grant level has been agreed at £100 with effect from the start of the 2018-19 academic year.

To support the introduction of the national minimum the Scottish Government is contributing £6 million to local authorities. The additional funding is intended to assist local authorities in meeting the national minimum grant level of £100, and any decision to set a local grant level beyond £100 will be at the discretion of local authorities. Eligibility criteria will continue to be set locally but should not reduce from current levels. The amount of top-up Scottish Government funding, allocated to each local authority, is listed in Annex A at the end of this letter. Distribution was considered by the Settlement and Distribution Group before being agreed by COSLA Leaders at their meeting on the 25<sup>th</sup> May.

The 2018-19 funding will be paid as a redetermination of General Revenue Grant during the last two weeks of March 2019. Funding for future years will be added to the local government finance settlement as a baseline transfer.

I would like to thank you all for your co-operation on this matter and would be most grateful if you could pass a copy of this letter onto any persons responsible for administering school clothing grants in your local authority.

*Yours sincerely,*

*John Swinney*

JOHN SWINNEY

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See [www.lobbying.scot](http://www.lobbying.scot)



## ANNEX A

### Funding distribution and allocations - Scottish Government top-up funding for the national minimum school clothing grant

Local Authority	Additional funding for school clothing grants
Aberdeen City	£179,000
Aberdeenshire	£153,000
Angus	£99,000
Argyll and Bute	£47,000
Clackmannanshire	£88,000
Dumfries and Galloway	£162,000
Dundee City	£255,000
East Ayrshire	£179,000
East Dunbartonshire	£36,000
East Lothian	£98,000
East Renfrewshire	£29,000
Edinburgh, City of	£336,000
Eilean Siar (Western Isles)	£7,000
Falkirk	£201,000
Fife	£456,000
Glasgow City	£1,031,000
Highland	£195,000
Inverclyde	£112,000
Midlothian	£121,000
Moray	£70,000
North Ayrshire	£289,000
North Lanarkshire	£511,000
Orkney Islands	£10,000
Perth and Kinross	£73,000
Renfrewshire	£219,000
Scottish Borders	£91,000
Shetland Islands	£15,000
South Ayrshire	£113,000
South Lanarkshire	£358,000
Stirling	£65,000
West Dunbartonshire	£189,000
West Lothian	£210,000
<b>SCOTLAND</b>	<b>£6,000,000</b>

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