

Medium Term Financial Strategy – 2021/22 Budget**Report by Gary Fairley, Chief Officer Corporate Solutions****Report for Decision****1 Recommendations**

At its meeting on 8 February 2021 the Business Transformation Steering Group recommended, in respect of the 2021/22 budget, that:-

- Council Freeze Council Tax at 2020/21 levels in recognition of the unique pressures created by the pandemic and to help protect household incomes;
- For the same reasons Council freeze at 2020/21 levels fees and charges determined by the Council;
- The budget include a revised provision for pay inflation to align with the Scottish Government's Public Sector Pay Policy;
- The Medium Term Financial Strategy 2021/22 Budget report presented to Council include details in respect of the Council's share of the £259 million one off COVID funding announced on 28 January 2021 together arrangements for any further funding uplifts which may be provided as part of the Local Government Finance (Scotland Order) 2021.

Accordingly on the basis of the recommendations of Business Transformation Steering Group Council is asked to:

- a) Freeze fees and charges determined by the Council at the 2020/21 levels in recognition of the unique pressures created by the pandemic and to help protect household incomes;
- b) Note the update in respect of Scottish Government grant, individual Council Grant settlements and the net cost of services;
- c) Approve the 2021/22 service budgets as set out in appendix B including approval of an allocation of £47.724 million to the Midlothian Integration Joint Board for 2021/22 in respect of delegated services;
- d) As a consequence of recommendations a) and c), and to achieve a balanced budget, retain a Band D Council Tax of £1,409 for 2021/22 as set out in appendix C;
- e) Delegate authority to The Chief Officer Corporate Solutions to apply any additional funding included in the Local Government Finance (Scotland) Order 2021 on the basis outlined in section 5 of this report;
- f) In considering the recommendations from Business Transformation Steering Group also consider the overarching EQIA published alongside this report.

2 Purpose of Report/Executive Summary

The approval of the Medium Term Financial Strategy in June 2019 was an important step-change and one that provided greater certainty for local communities and also for employees. It has allowed the Council to shift from having to consider savings each and every year at February Council meetings to planning for the medium term and in turn securing continued financial sustainability.

As a result the approval of the Medium Term Financial Strategy and, on the recommendation of the Business Transformation Steering Group, the subsequent approval of the 2020/21 budget ensured that the Council secured a strategic budget which invested in Midlothian to help it fulfil its potential to be a great place to grow.

The Medium Term Financial Strategy has provided a strong foundation on which the Council has been able to build its response to the financial impact of the COVID pandemic. A pandemic which continues to bring unprecedented financial challenges, risks and uncertainties for Local Government during the current financial year, for the 2021/22 budget, and which will likely impact on Council budgets for a number of years to come.

It is against this backdrop that a corporate solution was developed to support the achievement of balanced budgets for 2021/22 and 2022/23, the two budgets which will be required to be determined during the remaining term of this Council. The pre settlement corporate solution was unanimously agreed by the Business Transformation Steering Group on 26 October 2020 and also agreed by Council on 15 December 2020.

This report now facilitates the finalisation of decisions in respect of the 2021/22 revenue budget following the publication of the Scottish Government budget and Council grant settlements. It enables Council, on the recommendation of the Business Transformation Steering Group, to determine service budgets for the year ahead, agree a formal offer for the Midlothian Integrated Joint Board, and set a Band D Council Tax to achieve a balanced budget for 2021/22.

Date: 12 February 2021

Report Contact:

Gary Fairley, Chief Officer Corporate Solutions

gary.fairley@midlothian.gov.uk

0131 271 3110

3 Background

Council last considered an update on the Medium Term Financial Strategy on 15 December 2020. Council noted the terms of the report and agreed:-

- a) the recommendation of the Business Transformation Steering Group on 26 October 2020 of the 3 strands of the corporate solution for the 2021/22 and 2022/23 budgets and;*
- b) to rearrange the Council meeting scheduled for 9 February 2021 to 23 February 2021 and also rearrange meetings of the Business Transformation Steering Group for the 8 and 22 February 2021 to facilitate finalisation of the 2020/21 budget after publication of the Scottish Government's proposed grant settlement on 28 January 2021.*

The pandemic has brought about a significant shift in the normal financial planning parameters and timetables. In particular the Scottish Government's draft budget for 2021/22 was published on 28 January 2021 with the proposed Local Government settlement then set out in financial circular 1/2021 published on 1 February 2021.

The Finance and Constitution Committee Convener has written to Ms. Forbes, Cabinet Secretary for Finance to confirm dates for the Budget Bill. The Committee's view is that it would be appropriate for Stage 2 and Stage 3 of the Budget Bill to take place after the UK Budget is published and on that basis Stage 2 will take place on 8 March and Stage 3 on 9 March. The Committee has also agreed to publish their budget report by 24 February on the basis that the Stage 1 debate will take place on 25 February. Government have advised that the Local Government Finance (Scotland) Order 2021 is currently scheduled to be presented to the Scottish Parliament on 10 March 2021.

Accordingly the finalisation of the Scottish Budget and the Local Government Finance (Scotland) Order will not take place before today's Council meeting. As members are aware the Scottish Government needs to secure an agreement with others in the Scottish Parliament to ensure the budget bill is passed and the budget approved. As such I will update Council on any developments arising after this report is published which might impact on the recommendations in this report.

The publication of the Scottish Government draft budget was some six weeks later than previously experienced and exactly six weeks before the 11 March statutory deadline by which Council is required to determine a budget and set Council Tax and for the year ahead. The practicalities of billing arrangements to ensure direct debits can be collected for April 2021 means that, for practical purposes, Council Tax decision need to be made at today's meeting and certainly no later than the end of February 2021.

4 Corporate Solution for 2021/22 and 2022/23 Budgets

As reported on 15 December 2020 the Business Transformation Steering Group unanimously recommended the adoption of a corporate solution to secure financial balance for 2021/22 and 2022/23. Accordingly the recommendations made to Council today reflect amendments to the corporate solution as a consequence of the grant settlement and associated conditions, the expected share of additional one-off resources announced for COVID financial pressures, Council's decision of 17 November 2020 for a review of the deliverability of savings targets, and completion of the review of the base budget.

The principal amendments arising from the grant settlement are as follows:-

- a) In respect of financial year 2021/22 an additional £1.663 million is available to compensate the Council if it freezes Council Tax at 2020/21 levels. As referenced in the Cabinet Secretary's letter in Appendix D, this is in recognition of the unique pressures created by the pandemic and to help protect household incomes;
- b) A revised provision for pay inflation based on alignment with the Scottish Government's Public Sector Pay Policy. This equates to an estimated 2.3% uplift in the pay budget for Local Government Workers and 1% for Teachers and others on SNCT conditions;
- c) The inclusion in the budget of the sums contained in the grant settlement for new burdens;
- d) The Council's expected share of the £259 million of one-off COVID funding, estimated at £4.400 million, which has been applied to offset a continued shortfall in service and dividend income and the deferment and deletion of savings targets.

At its meeting on 8 February 2021 the Business Transformation Steering Group agreed to recommend to Council that it sets a budget for 2021/22 on the basis of Council Tax being frozen at 2020/21 levels and that a similar freeze be applied to locally determined fees and charges. The Group also recommended that service budgets for the year ahead should include a provision for pay uplifts aligned to the Scottish Public Sector Pay Policy. Furthermore the Group recommended that the report presented to Council include details in respect of the Council's share of the £259 million one-off COVID funding announced on 28 January 2021 together arrangements for any further funding uplifts which may be provided.

Work is also ongoing to finalise the costs associated with the delivery of a revised Digital Learning programme which recognises the Council's ambitious plans to provide every child of school age with a digital device and the associate infrastructure. As highlighted at the recent members briefing the aims of this programme is to provide a world-class experience of digital technology for all our young people, supporting educational recovery and providing the skills and experiences needed to enter sustained positive destinations.

In recognition of this programme an uplift has been added to the budget for 2021/22 to create a provision for the revenue implementation and support costs during the financial year together with borrowing costs associated with the provisional estimate of £10.5 million incorporated in the General Services Capital plan reported elsewhere on today's agenda. Further work is required to finalise the delivery costs part of which will include an assessment of whether direct capital purchase of devices or a leasing arrangements represent better value. Once this is concluded the budgets can be adjusted accordingly.

It is expected that significant service income loss will continue into 2021/22 and that Council should not include receipt of a dividend in the budget in respect of the Council's shareholding in Lothian Buses. Furthermore the Council's decision of 17 November 2020 for a review of the deliverability of savings targets identified that a number of the savings measures anticipated in 2021/22 will either not be feasible to implement or will be delayed. Accordingly, and in order to maintain a corporate solution to balancing the 2021/22 budget, these pressures have been mitigated by a combination of the Council's estimated share of £4.4 million of the one-off £259 million of COVID funding and by utilisation of the flexibility provided by the Loans Fund review.

Maintaining a corporate solution in this way achieves a balanced budget for 2021/22 at what continues to be an unprecedented time for communities across Midlothian, our workforce and the Council itself. The adaption of the Medium Term Financial Strategy supported by the corporate solution ensures the continued delivery of services and the extensive capital investment plans reported elsewhere on today's agenda.

The proposed 2021/22 budget represents a significant departure from previous budgets determined by the Council since Local Government reorganisation in 1996 in that there are no new service cuts.

Furthermore the adoption of the corporate solution provides the opportunity for the Leadership Team to continue to respond to the impact of the pandemic and, through the work of the Business Transformation Board, focus on development of a financial strategy for the life of the next Council which it is anticipated will be presented early after the May 2022 elections.

5 Scottish Government Grant Settlement

The Scottish Government's budget presented to parliament on 28 January 2021 by Ms Forbes, Cabinet Secretary for Finance was presented as delivering an increase for Local Government for 2021/22 compared to 2020/21 of £335.6 million or 3.1%, including additional funding to compensate for a Council Tax freeze as outlined in the Cabinet Secretary's letter to the COSLA President Councillor Evison (appendix D).

The settlement also includes a further allocation of £259 million of non-recurring COVID-19 funding for 2021/22. The distribution of this funding, which will be provided as general revenue grant, has still to be determined but is anticipated to be on Grant Aided Expenditure plus Special Islands Needs Allowance. On that basis Midlothian might expect to receive in the region of £4.4 million of non-recurring funding in 2021/22 to mitigate COVID related pressures. Members should note that COSLA had sought additional funding of £770 million.

COSLA's analysis highlights that of the £335.6 million, £241 million relates to new Scottish Government commitments as summarised below. Accordingly the reality of the revenue settlement is that it represents a year on year increase in core funding of £94 million or 0.9%. Excluding new commitments the capital allocation is cash flat. There is no reinstatement of the £117 million national cut applied in 2020/21.

Appendix D highlights the range of new commitments and conditions included in the overall settlement as summarised below with Midlothian Council's impact also noted. The resources for these new commitments are either "ring fenced" or are already committed.

	National	Midlothian
Early Learning and Childcare (Specific Grant)	£59.0m	£1.412m
Specific grant support for Inter-Island Ferries	£7.7m	£0.0m
Additional funding for Discretionary Housing payment	£11.3m	£0.200m
Compensation for councils who choose to freeze their Council Tax at 2020-21 levels	£90.0m	£1.663m
Health and Social Care		
Carers Act 2016	£28.5m	£0.427m
Living Wage in Social Care Uplift	£34.0m	£0.510m
Uprating of free personal and nursing care payments	£10.1m	£0.134m
Total New Commitments	£241.0m	£4.346m
Of Which Specific Grant	£66.7m	£1.412m
Include in Revenue Support Grant	£174.3m	£2.934m

Whilst the revenue settlement is greater than previously projected for 2021/22 at 0.9% the uplift represents a year on year reduction in core spending power, given that the revised provision for pay inflation sits between 1% and 2.3%.

The funding to freeze Council Tax equates to income which would have been generated by an increase in Council Tax of around 3.1%. This is £0.906 million less than would have been raised by a 4.8%.

Members should note there is an underlying deficit in the 2021/22 budget which is mitigated by non-recurring measures to support

delivery of the Medium Term Financial Strategy. The underlying budget gap will need to be addressed financial years for 2023/24 and beyond.

Accordingly if the Local Government Finance (Scotland) Order 2021, scheduled to be presented to the Scottish Parliament on 10 March 2021, includes any further increases in the Council's core funding it is proposed that such resources be applied in the first instance to further mitigate the impact of COVID related financial pressure or support the introduction new services and interventions aimed at support economic recovery and re-employment. To facilitate this is recommended that Council delegate authority to the Chief Officer Corporate Solutions to apply any additional funding included in the Local Government Finance (Scotland) Order 2021 on the basis outlined above. There is already provision in the Council Financial Regulations which provide a mechanism to deal with grant redeterminations or the award of specific grant streams from Government which may flow after the Local Government Finance Order is passed.

Turning to the Scottish Public Sector Pay Policy for the year ahead which was published on 28 January 2021 alongside the Government's budget. In respect of the lowest paid it indicates that there would be a minimum uplift of £750 for those earning £25,000, delivering a minimum pay increase of three per cent to the lowest earners. The policy also delivers an above-inflation headline pay increase of one per cent to all those earning between £25,000 and £80,000 and, to reduce the overall income gap, a capped increase of £800 for those earning above £80,000 (all based on 35 hour week).

Council is reminded that pay arrangements for the Local Government Workforce are determined on a bilateral basis nationally between Employers and Trade Unions (the SJC) and for Teachers on a tripartite basis between Employers, Trade Unions and Scottish Government (the SNCT).

The Trade Unions representing these bargaining groups have submitted their pay claims for 2021/22. The SNCT claim is for an increase in the range of 3-5%, the SJC claim is for a £2,000 flat rate increase to all spinal column points, or 6%, whichever is greater, underpinned by a minimum rate of pay of £10.50 per hour. Whilst Local Government is not bound by the Scottish Public Sector Pay it is relevant as it applies to comparator employers such as the NHS and it will clearly set an expectation for Local Government employees.

The pre settlement central budget planning assumption used a 3% provision for pay increases for all negotiating groups. Initial estimates indicate the provision based on Scottish Public Pay Policy would equate to an overall percentage uplift in the pay bill of 2.3 % for Local Government Workers and 1% for those on SNCT conditions. Reducing the budget provision to align with the Scottish Public Pay policy allows service budgets to be reduced overall by £1.3 million in 2021/22.

Given the Scottish Government pay policy the Business Transformation Steering Group determined to revise the pay provisions to mirror the Scottish Public Sector Pay policy.

6 Projected Net Cost of Services

The net cost of services for 2021/22 has been reviewed and the updated projections set out in this report are based on the latest information available including school rolls projections, care demographics and as indicated above the deliverability of savings targets.

Council agreed on 17 November 2020 that a review of the deliverability of savings targets for the current year, as a consequence of the pandemic, be progressed. Concurrent with this Business Transformation Board agreed that it was also appropriate to review the savings targets reflected in future year's budget projections. The proposed service budgets for 2020/21 reflect the outcome of this review.

In respect of fees and charges the previous decision of Council was to apply the same increase as applied to Council Tax. Accordingly given that Business Transformation Steering Group is recommending to Council to freeze Council Tax it is also recommended by Business Transformation Steering Group to freeze fees and charges determined by the Council at the 2020/21 levels, recognising the unique pressures created by the pandemic and to help protect household incomes.

The resultant service budgets for 2021/22 are set out in appendix B and the main assumptions on which these are based are set out in appendix E with appendix F setting out the high level analysis of change from 2020/21 to 2021/22.

7 Continued Impact of the Covid Pandemic on 2021/22 Budget

As referenced in the COVID Financial Update and the Financial Monitoring 2020/21 – General Fund Revenue reports also on today's agenda the pandemic is projected to give rise to a divergence of £15.160 million in 2020/21 which arises from a combination of additional response and recovery costs and lost income.

It is anticipated that these will to a degree extend into 2020/21 and some elements, for example service income may take time to return to pre pandemic levels. As the vaccine roll out progresses and restrictions impacting on communities begin to ease it is also anticipated that significant demands will continue to be placed on the Council whether these be additional costs of delivering services, continued support to those most vulnerable in communities, or the introduction of a range of new services and interventions aimed at supporting economic recovery and re-employment.

The extent of and cost of service interventions which are expected to be required are, at present unknown. Accordingly, and given the continued uncertainty in terms of the flexibilities provided and the financial impact of the pandemic into 2021/21, it is proposed in the Covid Financial Update report to revisit the utilisation of the financial

flexibilities once the actual year end position for 2020/21 is known. This approach will also provide a means to support financial sustainability into 2021/22 as the extent of service interventions and supports are more fully developed. Overall this approach also supports the strategy of de-risking the deliverability of the budget and so supports securing financial sustainability.

8 Finalisation of the 2021/22 Budget and Setting Council Tax

The recommendations from Business Transformation Steering Group set out in this report enables Council to fulfil its statutory duty as set out in Section 93 of the Local Government Finance Act 1992 (as amended). Namely to set its Council Tax and a balanced budget for the following financial year commencing 1 April by 11 March.

Members should note that the legislation contains no specific requirement for a Council to set its budget at the same time as setting its Council Tax. This is because it is implicit in setting the Council Tax that the income it raises needs to be sufficient to fund the balance of expenditure not otherwise funded from government grant, fees, reserves etc.

It is therefore implicit in the legislation that Council Tax income funds the gap between other expected income and expenditure. Accordingly in determining a budget Council needs first to identify the proposed expenditure to determine the resulting gap that Council Tax needs to fund. If no other action is taken to redress any shortfall, then the Council Tax has to be set at a rate that will do so, otherwise the budget will not balance. Accordingly, Council Tax decisions should not normally be taken in advance of other budget decisions.

In respect of the medium and indeed longer term position, members should note that the use of the Loans Fund Review strand of the corporate solution is a one off measure and that accordingly the budget gaps for later years together with the increased borrowing requirement over the longer term required to fund essential infrastructure will have to be addressed as part of the development of the Medium Term Financial Strategy for the term of the next Council.

Members should also continue to note that in terms of Section 112 of the Local Government Finance Act 1992 (as amended) it is an offence for members to participate in any vote in respect of setting Council Tax where the member has unpaid Council Tax. Accordingly at today's Council meeting 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.

8.1 Midlothian Integration Joint Board

The Local Government settlement provides an uplift of £72.6 million for Health and Social Care as follows:

Health and Social Care	National	Midlothian
Carers Act 2016	£28.5m	£0.427m
Living Wage in Social Care Uplift	£34.0m	£0.510m
Uprating of free personal and nursing care payments	£10.1m	£0.134m
Total	£72.6m	£1.071m

Passing the Midlothian allocation on to Midlothian Integrated Joint Board in full will result in a budget to be delegated of £47.724 million and Council is asked to approve this as the formal offer to the Board.

It is recommended that this offer be considered in the context of the Council's overall financial position, the conditions of the grant settlement as set out in appendix D.

The Chief Officer and Chief Financial Officer of the Midlothian Integrated Joint Board (IJB) have been kept updated on the Council's budget position.

9 Governance and Timetable

Each element of the Medium Term Financial Strategy continues to have governance in place to support the timely delivery of the work streams. Any changes to the Medium Term Financial Strategy will first be reported to the Business Transformation Steering Group with recommendations then presented to Council. Responsibility for setting Council Tax and determining budgets remains with Council.

10 Report Implications (Resource, Digital and Risk)

10.1 Resource

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

10.2 Digital

The adoption of digital solutions is a central strand of the Medium Term Financial Strategy.

10.3 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 continued uncertainties arising from the COVID Pandemic;
- Uncertainty over the ongoing impact on the Council's financial position, especially in respect of service income, and the uncertainty over future additional grant support to help mitigate such impacts;
- The economic outlook and decision by Scottish Government on future years grant settlements and grant distribution;
- The delivery of budget reductions. To mitigate this risk a review of existing savings has been completed as part of the strategy to de-risk as far as possible the delivery of the 2021/22 and 2022/23 budgets;
- 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;
- Learning Estate Strategy for schools being underfunded to meet statutory functions;
- The funding position for Early Years expansion, which means that whilst delivering 1,140 hours the range of options open to parents and carers is less than was anticipated;
- 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;
- Pressures for uplifts in the National Care Home Contract that exceeds budget provisions;
- The impact of Universal Credit, and potential pension changes;
- The costs of implementation of national policies varying from the resources provided by Government;
- Potential liabilities arising from historic child abuse;
- Unplanned capital investment requirements and the associated cost; and
- Ability to continue to meet the expectations of our communities within a period of fiscal constraint.

The Medium Term 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 adoption of the corporate solution for 2021/22 and 2022/23 secure a means to achieve financial balance without further service reductions.

The risk of not having in place a balanced Medium Term Financial Strategy and the adoption of the corporate solution is the potential elimination of available reserves, which in turn would severely limit the Council's ability to deal with further unforeseen or unplanned events and also the imposition of significant cuts at short notice with limited opportunity for consultation.

10.4 Ensuring Equalities

The Medium Term Financial Strategy was developed within the context of the Single Midlothian Plan, ensuring as far as possible that resources are directed towards the key priorities of reducing inequalities in learning, health and economic circumstance outcomes.

The Medium Term Financial Strategy continues as far as is possible to reflect Midlothian Council's commitment to the ethos of the Equality Act 2010 with careful consideration of the interests of the most vulnerable in our communities through the preparation of equality impact assessments.

In addition, these actions underline the Council's commitment in its Midlothian Equality Plan 2017 – 2021 to tackle inequality and promote inclusion within the limitations of the resources available. These actions also will allow the Council to plan and deliver services which meet the needs of our diverse communities and respond to the changes ahead.

An overarching EQIA has been published on the Committee Management section of the Council's website.

10.5 Additional Report Implications

See Appendix A

Appendices

APPENDIX A – Report Implications

APPENDIX B – Service Budgets 2021/22

APPENDIX C – Council Tax

APPENDIX D – Cabinet Secretary's letter

APPENDIX E – Key Assumptions,

APPENDIX F – Analysis of Change

Appendix A

A.1 Key Priorities within the Single Midlothian Plan

The Medium Term Financial Strategy facilitates decision on how Council allocates and uses its available resources and as such has fundamental implications for delivery of the key priorities in the Single Midlothian Plan. The corporate solution for financial year 2021/22 helps ensure that resources are available to continue to delivery key priorities.

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

The report does not directly impact on delivering Best Value.

A.5 Involving Communities and Other Stakeholders

The development of the Medium Term Financial Strategy reflected a community consultation exercise carried out in 2019 which has also helped shape the drafting of the “Midlothian Promise” and the early development of the Council’s Longer Term Financial Strategy.

In addition, there has been and will continue to be engagement with the recognised Trade Unions on the Council’s financial position and the development of the Medium Term Financial Strategy.

A.6 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 financial consequences of the pandemic have impacted on the availability and allocation of resources in pursuit of key outcomes as set out in the Single Midlothian Plan for both the immediate and longer term and

therefore the ability of the Council to continue to deliver services in a financial sustainable manner.

A.7 Adopting a Preventative Approach

An effective Medium Term Financial Strategy will support the prioritisation of resources to support prevention.

A.8 Supporting Sustainable Development

There are no direct sustainability issues arising from this report and we will work to mitigate any sustainability issues which arise as a consequence of the Medium Term Financial Strategy.

Appendix B

MIDLOTHIAN COUNCIL

REVENUE BUDGET 2021/22 SUMMARY

	2021/22
SERVICE FUNCTION	£
Management and Members	2,054,529
People and Partnerships	
Childrens Services, Partnerships and Communities	19,336,672
Education	103,654,243
Midlothian Integration Joint Board	47,723,814
Non-delegated Services	2,122,353
Place	
Place	30,517,079
Corporate Solutions	20,955,751
Joint Boards	571,315
Non Distributable Costs	898,936
GENERAL FUND SERVICES NET EXPENDITURE	227,834,691
Loans Charges	2,491,692
Investment Income	(110,736)
Centrally Held Budget Provisions	2,890,660
Allocations to Housing Revenue Account, Capital Account etc	(5,248,308)
NET EXPENDITURE	227,858,000
Utilisation / (Enhancement) of Reserves	0
Council Tax Income	55,477,000
Scottish Government Grant	172,381,000
TOTAL FUNDING	227,858,000

Appendix C

MIDLOTHIAN COUNCIL

Council Tax for Financial Year 2021/22

This statement gives details of the 2021/22 Council Tax payable in respect of a chargeable dwelling in each of the valuation bands specified in Section 74(2) of the Local Government Finance Act 1992 determined in accordance with Section 74(1) of the Act (as amended) **Based on Band D Council Tax of £1,409.**

Band	Range of Values		Band D Proportion	Council Tax £
	From £	To £		
A	-	27,000	240/360	939.33
B	27,001	35,000	280/360	1,095.89
C	35,001	45,000	320/360	1,252.44
D	45,001	58,000	360/360	1,409.00
E	58,001	80,000	473/360	1,851.27
F	80,001	106,000	585/360	2,289.63
G	106,001	212,000	705/360	2,759.29
H	212,001	upward	882/360	3,452.05
Z	-	-	-	782.78

Appendix D

Rùnaire a' Chaibineit airson Ionmhas
Ceit Fhoirbheis BPA
Cabinet Secretary for Finance
Kate Forbes MSP



Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

Councillor Alison Evison
COSLA President
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

Copy to: The Leaders of all Scottish local authorities

28 January 2021

Dear Alison,

Today I set out the Scottish Government's proposed Budget, including tax and public sector pay policies for 2021-22 and introduced the associated Budget Bill to Parliament. Further to the announcement I write now to confirm the details of the local government finance settlement.

The intention is that details of the indicative allocations to individual local authorities for 2021-22 will be published on Monday 1 February in a Local Government Finance Circular which will begin the statutory consultation period on the settlement.

COVID-19 has taken a heavy toll on our society, communities and lives. While the local impacts have undoubtedly been severe in many areas, our communities have also shown an enduring resolve in a time of great crisis. I am indebted to local authorities in continuing to support their communities and to deliver vital public services and for the central role in administering financial support to our businesses under the most significant of pressures.

The physical and mental ill-health caused by COVID-19, together with the economic impacts, including loss of businesses and jobs, have in turn impacted people's standards of living and put many more on the cusp of financial insecurity, with the risks of poverty and homelessness that brings. There have been significant consequences for education and our communities have felt the economic impacts sharply in how we travel, live, work, and shop. Our Budget responds to those challenges.

The total non-COVID-19 revenue funding to be provided through the settlement for 2021-22 will be £11,003.4 million, which includes distributable non-domestic rates incomes of £2,631 million.

The Capital settlement has been set at £617 million.

The total funding which the Scottish Government will provide to local government in 2021 -22 through the settlement is therefore £11,620.4 million, and includes;

- £59 million revenue to support the final tranche of increased funding for the expansion in funded Early Learning and Childcare entitlement to 1,140 hours;
- In addition to the £100 million available in 2020-21, a further £72.6 million to be transferred from the health portfolio to the Local Authorities in-year for investment in adult health and social care and mental health services that are delegated to Integration Authorities under the Public Bodies (Joint Working) (Scotland) Act 2014. This brings the total transferred from the health portfolio to support health and social care integration to £883.6 million in 2021-22. The additional £72.6 million for local government includes a contribution to continued delivery of the real Living Wage (£34 million), uprating of free personal and nursing care payments (£10.1 million), continued implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£28.5 million);
- The ongoing £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- Continued provision in support of Teachers Pay (£156 million) and Pensions (£97 million);
- An increase of £7.7 million in the specific grant support for Inter-Island Ferries bringing the total to £19.2 million;
- £5.3 million for Barclay implementation costs; and
- The capital settlement includes an uplift in provision for flood risk schemes of £10 million.

In recognition of the unique pressures created by the pandemic the settlement also includes an additional £90 million available to compensate councils who choose to freeze their council tax at 2020-21 levels, helping to protect household incomes. This additional allocation provides compensation to support services and equates to an increase in council tax of around 3%.

Including the additional funding to compensate for a council tax freeze the revenue allocation delivers an increase for local government for 2021-22 compared to 2020-21 of £335.6 million or 3.1% to support services.

I can also confirm local government will be allocated a further £259 million of non-recurring COVID-19 funding for 2021-22. The distribution of this funding, which will be provided as general revenue grant, will be discussed and agreed with COSLA.

Local authorities will again, in return for this settlement, be expected to deliver further certain specific commitments.

This year, we will again work with local government to agree a small number of deliverable outcomes to help ensure Integration Authorities use total resources to focus on delivery of key areas for improvement, including: reducing delayed discharges; improving availability of, and access to, community-based health and social care services; and ensuring more people are

supported to stay at home. We will also wish to ensure that the social care workforce is supported and sustained during and following the challenges of the Covid pandemic. We will provide support and challenge by working with local government to agree a shared national and local approach to accountability for delivery, building upon existing shared mechanisms for routine reporting of expenditure, activity and outcomes across Scotland.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2020-21 recurring budgets for adult social care services that are delegated. This means that, when taken together, Local Authority adult social care budgets for allocation to Integration Authorities must be £72.6 million greater than 2020-21 recurring budgets.

The Scottish Government, in partnership with local authorities, retains the ambition of empowering schools to make key decisions over areas such as the curriculum, budgets and staffing while continuing to deepen collaboration across the education sector. In recognising that teachers are central to achieving our ambition of delivering excellence and equity in Scottish education we will continue to commit an overall funding package of £88 million in the local government finance settlement to support both maintaining the pupil teacher ratio at a national level and ensuring that places are provided for all probationers who require one under the teacher induction scheme.

We will continue to invest in the Attainment Scotland Fund to deliver the Scottish Attainment Challenge. This will see each local authority area continue to benefit from over £120 million in Pupil Equity Funding (PEF), which will go directly to headteachers to provide additional support to help close the poverty-related attainment gap and overcome barriers to learning linked to poverty. This is in addition to the £62 million in Attainment Scotland Funding allocated to LAs outwith the local government finance settlement. This funding will continue to provide authorities and schools with additional means to provide targeted literacy, numeracy and health and wellbeing support for children and young people most impacted by poverty.

On non-domestic rates, the Scottish Budget commits, within the fiscal limitations of the devolved settlement, to extending the 100% Retail, Hospitality and Leisure (RHL) and aviation relief for at least three months. We hope that this interim measure will provide a degree of certainty in the absence of any clarity from UK Government over both the future of their equivalent RHL relief and other macroeconomic support measures such as the furlough scheme. Should the UK Government bring forward an extension to their equivalent RHL relief that generates consequential funding, Ministers will match the extension period as part of a tailored package of business support measures. In addition, our decision to reduce the Basic Property Rate ('poundage') to 49 pence, the same as in 2019-20, will deliver savings for Scottish businesses compared with previously published plans. Notwithstanding the limitations of the devolved settlement we are fully committed to doing all we can to prioritise support for businesses and this unprecedented step will ensure that properties' gross rates liabilities are no higher than they were prior to the pandemic, all else being equal.

In coming to the decisions announced in the Scottish Budget I have listened carefully to the representations that COSLA made on behalf of local government over the unprecedented pressures and challenges they are facing and this is recognised in the decisions taken on the level of funding to be delivered through the local government finance settlement.

The Scottish Government and COSLA worked together to agree the details of a lost income scheme to compensate councils for the loss of income from sales, fees and charges due to the pandemic in 2020-21. The scheme was worth an estimated £90 million for 2020-21 but was subject to confirmation of the consequentials from the UK Government. While that confirmation is still awaited, I can also confirm that I am increasing the allocation to £200

million, which when added to the previously committed £49 million of consequential that could also be used to support lost income for council Arm's Length Organisations will provide an extra £249 million of allocated funding to support councils losses due to the pandemic. While I appreciate that confirmation of this additional funding is coming late in the financial year it will allow councils to manage the costs of COVID-19 and subsequently support continued financial sustainability. I can reaffirm my commitment that if there are any further consequential that accrue to the Scottish Budget for this purpose in 2021-22, I will pass these on in full to Scottish local authorities.



KATE FORBES

Appendix E

Key assumptions

The principle year on year budget changes include the following key assumptions and cost drivers:

- A provision for pay inflation 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 current 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 year's 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 updated projections of future housing growth.

Appendix F**Budget 2021/22 - Analysis of Change**

	£m
2020/21 Approved Budget- Gap	0.000
Budget Changes	
Pay Inflation and salary progression	4.386
Contractual Inflation	0.527
Waste Disposal Costs	0.091
Demographics	
Elderly Demographics	1.040
Schools Demographics	1.905
Children's Demographics	0.268
Re-assessment of Medium Term Financial Strategy Delivery	1.689
Loan Charges, including Adjustment from Loans Fund Review	(2.804)
Council Tax - Property Growth	(1.000)
Additional Service Provisions	
Digital Learning Programme	0.568
Winter Maintenance/Neighbourhood Services	0.250
New Burdens funded by Government Grant	1.271
Scottish Government Grant	
To fund Council Tax Freeze	(1.663)
For New Burdens	(1.271)
General Grant Uplift	(4.995)
Other Movements	(0.262)
2021/22 Approved Budget - Gap	(0.000)