

Notice of meeting and agenda



Midlothian Council

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

Date: Tuesday, 13 February 2018

Time: 11:00 - 13:00

John Blair
Director, Resources

Contact:

Clerk Name: Verona MacDonald

Clerk Telephone: 0131 271 3161

Clerk Email: verona.macdonald@midlothian.gov.uk

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

2 Order of Business

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

3 Declarations of Interest

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

4 Deputations

None received

5 Minutes of Previous Meeting

Minute of Meeting of Midlothian Council of 19 December 2017 submitted for approval as a correct record;

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

Minute Volume Index **4 - 5**

6 Questions to the Council Leader

None received

7 Motions

None received

8 Public Reports

8.1 Formal Intimation of the Death of Councillor Montgomery - Report by Chief Executive **6 - 6**

8.2 Appointment of Provost - Report by Director, Resources **7 - 9**

8.3 Vacancy on the Midlothian Licensing Board - Report by Director, Resources **10 - 12**

8.4 Casual Vacancy Electoral Ward 1 Arrangements for By-Election - Report by Chief Executive **13 - 15**

8.5	Financial Strategy 2018-19 to 2021-22 - Report by Head of Finance and Integrated Service Support (to follow)	
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9 Private Reports

THE COUNCIL IS INVITED (A) TO CONSIDER RESOLVING TO DEAL WITH THE UNDERNOTED BUSINESS IN PRIVATE IN TERMS OF PARAGRAPHS 1, 8 OF PART 1 OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973 - THE RELEVANT REPORTS ARE THEREFORE NOT FOR PUBLICATION; AND (B) TO NOTE THAT NOTWITHSTANDING ANY SUCH RESOLUTION, INFORMATION MAY STILL REQUIRE TO BE RELEASED UNDER THE FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 OR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 Procurement of the Legend Leisure Management System - Report by Director, Resources

- 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.

9.2 Minute of Education Appointment Committee of 18 January 2018

- 1. Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office holder, former office-holder or applicant to become an office-holder under, the authority.

9.3 Minute of Education Appointment Committee of 25 January 2018

- 1. Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office holder, former office-holder or applicant to become an office-holder under, the authority.

Minute Volume



Presented to the Meeting
of **Midlothian Council**
on **Tuesday, 13 February 2018**

Cabinet

Cabinet 21 November 2017

Planning

Planning Committee 14 November 2017

Special Planning Committee 5 December 2017

General Purposes

General Purposes Committee 14 November 2017

Local Review Body

Local Review Body 21 November 2017

Performance Review and Scrutiny

Performance Review and Scrutiny Committee 28 November
2017

Audit

Audit Committee 26 September 2017

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

Midlothian Integration Joint Board 7 December 2017

**FORMAL INTIMATION OF DEATH OF COUNCILLOR ADAM MONTGOMERY
MEMBER FOR ELECTORAL WARD NO 1 - PENICUIK****Report by Chief Executive**

- 1** It is with great sadness that I have to report to the Council the death of Provost and Councillor Adam Montgomery on Wednesday, 10 January 2018.

A funeral service was held at Mortonhall Crematorium on Friday, 26 January 2018. The Council was well represented at this and I can report that the Council's sympathies have been conveyed to his wife and family.

Councillor Montgomery's death has resulted in a casual vacancy occurring in Ward 1 – Penicuik. Accordingly a By-Election will be held in terms of Section 37 of the Local Government (Scotland) Act 1973 and this matter is addressed in another report to Council.

2 Recommendations

The Council is therefore asked:

- (a) To record with deep sadness the death of Councillor Adam Montgomery, Member for Electoral Ward No 1 – Penicuik on 10 January 2018; and
- (b) To note that the Council's sympathies have been conveyed to his wife and family.

29 January 2018

Report Contact: Kenneth Lawrie

Tel No 0131 271 3002

Kenneth.lawrie@midlothian.gov.uk

Appointment of Provost

Report by Director, Resources

1 Purpose of Report

The purpose of this report is to advise the Council of the requirement to fill the vacancy in the role of Provost following the sudden death of Councillor Adam Montgomery.

2 Background

- 2.1** The sudden death of Councillor Adam Montgomery has created a vacancy in the role of Provost. In terms of Standing Orders 5 and 6, the Depute Provost, Councillor Margot Russell has been acting as Provost in the meantime. It is however a requirement of section 4 (6) of the Local Government (Scotland) Act 1994, that a casual vacancy in the role of Provost be filled as soon as practicable at a meeting of the Council. Accordingly, it is a requirement of that Act that the casual vacancy in the role of Provost be filled at today's meeting.
- 2.2** As stated in another report to Council, the by election to fill the casual vacancy in Ward 1, Penicuik will be held on 22 March 2018 and any change to the political balance of the Council will not be known until 23 March 2018 at the earliest.
- 2.3** The requirement in terms of the Local Government etc (Scotland) Act 1994 is simply to appoint the Provost, there is no set period for the appointment specified within the Act. Furthermore, there is no requirement to fill any other casual vacancy within a set period of time.
- 2.4** Accordingly, it would be competent for the Council to appoint Cllr Russell to act as Provost from this meeting until the forthcoming meeting of the Council on 27 March 2017 and to leave the role of Depute Provost vacant during that period. Cllr Russell could then demit the role of Provost and revert to her current role as Depute Provost at that meeting. This would allow the appointment of Provost to be made by the full Council on that date.

3 Report Implications

3.1 Resource

There are no additional resource issues arising from this report.

3.2 Risk

The Council will be in breach of section 4(6) of the Local Government (Scotland) Act 1994 should it fail to appoint a Provost at today's meeting. This failure would be mitigated by Councillor Russell continuing to act as the Council's Civic Head in terms of the Council's Standing Orders.

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
- X None of the above

3.4 Key Priorities within the Single Midlothian Plan

This report does not impact on the key priorities within the Single Midlothian Plan.

3.5 Impact on Performance and Outcomes

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

3.6 Adopting a Preventative Approach

The report does not directly impact on actions and plans in place to adopt a preventative approach.

3.7 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities.

3.8 Ensuring Equalities

This report does not recommend any change to policy or practice and therefore does not require an Equalities Impact Assessment.

3.9 Supporting Sustainable Development

There are no sustainability issues arising from this report.

3.10 IT Issues

There are no IT issues arising from this report.

5 Recommendations

It is recommended that the Council:

- (a) appoint Councillor Russell to act as Provost until the Council meeting on 27 March 2018;
- (b) agree to leave the role of Depute Provost vacant meantime;
- (c) note that Councillor Russell would revert to her role as Depute Provost on demitting the role of Provost at the commencement of the said meeting on 27 March 2018; and
- (d) agree to hold a further election to appoint a Provost on Councillor Russell demitting that office at the said meeting on 27 March 2018.

Date 23 January 2018

Report Contact:

Name Alan Turpie Tel No 0131 271 3667

alan.turpie@midlothian.gov.uk

Background Papers: None

Vacancy on the Midlothian Licensing Board

Report by John Blair, Director, Resources

1 Purpose of Report

The purpose of this report is to invite the Council to fill the vacancy in Midlothian Licensing Board resulting from the sudden death of Councillor Adam Montgomery.

2 Background

- 2.1** At its meeting on 23 May 2017, the Council agreed that the Licensing Board would consist of ten members and appointed the members to the Board. Amongst those so appointed was Councillor Adam Montgomery. Councillor Montgomery's sudden death now means there is a vacancy within the Licensing Board.
- 2.2** In terms of paragraph 2 (4) of Schedule 1 to the Licensing (Scotland) Act 2005, where a vacancy occurs in the membership of the Licensing Board, the Council must, at the first meeting after the vacancy arises, hold an election to fill the vacancy.
- 2.3** The Council is therefore invited to fill the vacancy in the Midlothian Licensing Board.

3 Disqualification of Interested Persons

- 3.1** In terms of paragraph 3 of Schedule 1 to the Licensing (Scotland) Act 2005, a Councillor is disqualified from being a member of the Licensing Board if the Councillor is:
- A premises licence holder in terms of the Licensing (Scotland) Act 2005;
 - An employee of a premises licence holder and working in licensed premises;
 - Engaged, either alone or in partnership, in the business of producing or selling alcohol;
 - A director or other officer of a company engaged in the business of producing or selling alcohol; or
 - An employee of any person engaged in the business of producing or selling alcohol and working in that business.

4 Training

- 4.1** In terms of paragraph 11 of Schedule 1 to the Licensing (Scotland) Act 2005, Board members will require to undertake prescribed training within 3 months of their election to the Licensing Board. Board members will not be allowed to sit on the Board or to take part in any business until they have completed the training. Councillor Munro, although not currently a Licensing Board member, has undertaken the prescribed training.

5 Report Implications

5.1 Resource

There are no resource implications arising directly from this report

5.2 Risk

The Council would be in breach of the Licensing (Scotland) Act 2005 should it fail to fill the vacancy in the membership of the Licensing Board

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

This report does not impact directly on the Single Midlothian Plan.

5.5 Impact on Performance and Outcomes

This report does not impact directly on Performance and Outcomes.

5.6 Adopting a Preventative Approach

The Licensing Board is a statutory responsibility which does not impact directly on the Preventative Approach.

5.7 Involving Communities and Other Stakeholders

This report does not relate directly to involving communities.

5.8 Ensuring Equalities

There are no policy, service or budget changes which would require an EqIA.

5.9 Supporting Sustainable Development

There are no Sustainability implications or other factors which would require a Strategic Environmental Assessment contained within this report.

5.10 IT Issues

There are no IT issues implications in this Report.

6 Recommendations

The Council are invited to fill the existing vacancy within the membership of the Licensing Board. Council may also care to note that Councillor Munro, who is not currently a Licensing Board member, has undertaken the prescribed training.

25 January 2018

Report Contact:

Name Alan Turpie Tel No 0131 271 3667
alan.turpie@midlothian.gov.uk

Background Papers: None

Casual Vacancy in Midlothian Council Electoral Ward No 1 – Penicuik Arrangements for By-Election

Report by Kenneth Lawrie, Chief Executive

1 Purpose of Report

Following the untimely death of the Provost, Councillor Adam Montgomery, on 10 January 2018, I have to update the Council in regard to the arrangements I am making, in my capacity as Returning Officer, for the By-Election to fill the casual vacancy which has occurred in Electoral Ward No 1 – Penicuik and to seek approval of the financial arrangements in this regard.

2 Background

- 2.1 In terms of Section 7(5) of the Local Government (Scotland) Act 1973, the Council is obliged to pay all expenditure properly incurred by the Returning Officer in relation to the holding of an election. This relates mainly to the cost of printing, postages, advertising, transport and fees to the staff employed.

Payments for election duties, which include the polling, postal and count staff would be at similar levels to that made at last year's Midlothian Council Election and the General Election.

- 2.2 The By-election will be held on Thursday 22 March 2018 with polling taking place under the single transferable voting system between 7 am and 10 pm. The franchise for local government elections in Scotland extends to 16 and 17 year olds.
- 2.3 The Counting of Votes will be carried out manually and will take place the following day on Friday 23 March 2018 in the Ladywood Leisure Centre, 14A Yarrow Court, Penicuik commencing at 10 am.
- 2.4 The '*Notice of Election*' will be published on **Thursday 8 February 2018** and nominations close on **Monday 19 February 2018 at 4 pm**.
- 2.5 Applications to register to vote must reach the Electoral Registration Officer, Lothian Valuation Joint Board, 17A South Gyle Crescent, Edinburgh, EH12 9FL before Midnight on Tuesday 6 March 2018.
- 2.6 Postal voting applications have to be received by the Electoral Registration Officer, Lothian Valuation Joint Board, 17A South Gyle Crescent, Edinburgh, EH12 9FL of the Elections Office, Midlothian House, Buccleuch Street, Dalkeith, EH22 1DN before 5pm on Wednesday 7 March 2018.
- 2.7/

2.8 Applications to vote by proxy must reach the Electoral Registration Officer, Lothian Valuation Joint Board, 17A South Gyle Crescent, Edinburgh, EH12 9FL before 5pm on Wednesday 14 March 2018.

2.9 Fuller details of the by-election arrangements including the '*Election Timetable*', the '*Scheme of Polling Districts and Polling Places*' and the '*Administrative Arrangements for Candidates and their Agents*', can be found in the '*Nomination Pack*' on the Council's website (from Monday 5 February 2018): www.midlothian.gov.uk/elections

3 Report Implications

3.1 Resource

The cost of the By-Election will fall on the Council and this will be met from existing budgets.

3.2 Risk

The election is being conducted using the Electoral Commission recommended project planning approach, accompanied by a comprehensive Risk Plan which has been produced on the basis of in-depth risk analysis and has been used successfully by the Council's Election Project Team for recent national and local elections.

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

Not applicable.

3.5 Impact on Performance and Outcomes

Not applicable.

3.6 Adopting a Preventative Approach

Not applicable.

3.7/

3.7 Involving Communities and Other Stakeholders

An Elections Communications Plan will target encouraging voter registration and participation in the voting process. As part of the Electoral Registration Officer's annual campaign targeting the registration of young persons, he will be holding registration events in both the Penicuik High Schools before the By-Election electoral registration deadline.

3.8 Ensuring Equalities

The equalities guidelines as outlined by the Electoral Commission are being observed.

3.9 Supporting Sustainable Development

There are no sustainability issues arising from this report.

3.10 IT Issues

The Council's Digital Services Unit has allocated appropriate staff resources to deliver the By-Election and in particular the postal vote verifications.

4 Recommendations

The Council is recommended:

- (a) To approve and note, for its interest, the arrangements for the forthcoming Midlothian Council By-Election for the Electoral Ward No 1 - Penicuik to be held on Thursday 22 March 2018; and
- (b) To authorise the Chief Executive, as Returning Officer, to make the appropriate financial arrangements and payments for this By-Election.

31 January 2018

Report Contact: Allan R Brown, Elections Officer

Tel No: 0131 271 3255

allan.brown@midlothian.gov.uk

Background Papers:

- **Election Timetable for the Midlothian Council Returning Officer and his Election Project Team**
- **The Local Governance (Scotland) Act 2004**
- **The Scottish Local Government Elections Order 2011**
- **The Scottish Local Government Elections Amendment (No2) Order 2016**
- **The Representation of the People (Variation of Limit of Candidates' Local Government Election Expenses) (Scotland) Order 2016**
- **The Representation of the People (Absent Voting at Local Government Elections) (Scotland) Amendment Regulations 2016**
- **The Representation of the People (Postal Voting for Local Government Elections) (Scotland) Amendment Regulations 2016**

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 details of the material variances.

2 Background

2.1 Budget Performance

The projected budget performance figures shown in appendix 1 result in a net overspend of £0.756 million for the year which is 0.37% of the revised budget. This is an improvement of £1.379 million on the position reported to Council on 7th November 2017.

The main areas of variance are outlined below:

Pressures

- A provision for an additional contribution to the Midlothian Integration Joint Board reflecting demand led pressures in delegated Adult Social Care services, particularly in Home Care packages. They are currently projected to overspend by £0.566 million which is an improvement of £0.235 million from the quarter 2 position. Work continues through the Realistic Care Realistic Expectations work stream to drive cost reduction and it is anticipated that pressure on this budget will continue to reduce. However, spend in this area can be volatile given the fluidity of demand and the potential to have high value of individual packages of care;
- Additional running costs for Care Homes for Older people of £0.178 million which is a deterioration of £0.019 million on quarter 2;
- Achievement of Council Transformation Targets for Integrated Service Support, Procurement savings, Customer Services and for tactical reductions in contracted hours has slipped and is projected to overspend by £0.741 million. This is a marginal improvement on quarter 2;
- In setting the 2017/18 budget Council agreed a package of operational and service cost reductions and income generation measures. There is currently projected to be £0.512 million of slippage into future financial years in delivering these;
- Demand led pressures in Children's Services of £0.699 million mainly relating to secure placements and non-residential services. The Children's Services budget has been reducing steadily in recent years due to transformational activity;

- Slippage in the opening of Pentland House which has put additional pressure on Bed and Breakfast budgets for Homeless clients. An overspend of £0.208 million is currently projected;
- Unit prices and backdated bills for utility costs of £0.143 million;
- Legal expenses associated with a Rights of Way dispute of £0.100 million.

Favourable Movements

- Schools are projected to underspend by £1.493 million. However, under the current Devolved School Management Scheme £1.247 million of budget within schools will be eligible to carry forward for use in 2018/19. Whilst these carry forwards will be shown in the General Fund Balance at 31st March 2018 they will be earmarked for use in 2018/19. The impact of this on the non-earmarked element of the General Fund Balance is a projected underspend of £0.246 million;
- Income at Midlothian Snowsports Centre has benefited from good weather conditions and is projected to be £0.238 million better than budgeted;
- Costs associated with PPP contracts are £0.217 million less than budgeted due to one-off rebates;
- Tonnages for Waste Disposal are lower than expected thus generating a projected saving of £0.203 million;
- A continued growth of properties in Midlothian will generate an improvement on budget of £0.400 million for Council Tax Income;
- 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 £0.750 million.

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 which increase the budget by £0.026 million and which results in a projected revised allocation to the Board of £38.716 million.

The projected outturn indicates expenditure of £39.028 million which represents an overspend in respect of services delegated by the Council of £0.312 million. Whilst the Integration Scheme sets out the mechanism for addressing an overspend position by the MIJB it is considered prudent, given that the MIJB has no reserves, to reflect in

the monitoring the impact an additional contribution from the Council to meet the projected overspend.

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 £4.186 million of this has been applied. This includes severance costs of £0.775 million committed to date associated with the 2017 Voluntary Severance Scheme covering twenty employees with an ongoing annual budgetary saving of £0.638 million for seventeen of these employees and cost avoidance for three switch employees.

After allowing for 2017/18 projected costs the remaining balance of the fund is £3.532 million. £0.731m of this is committed in 2018/19 for transformation projects and the remainder is anticipated to be utilised to fund further severance costs associated with the 2017 VSER scheme or as an inevitable cost 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		(5.084)
General Reserve at 1 April 2017		12.567
<i>Planned movements in reserves</i>		
Planned Utilisation	(3.970)	
Supplementary Estimate	(0.144)	
Council Transformation Programme Costs	(0.300)	
VSER 2017 Scheme	(0.775)	
One-off costs of VSER	(0.206)	
Redetermination of SGG – 31 st January	0.569	
Other	0.531	
		(4.295)
Overspend per appendix 1		(0.756)
Devolved School Management carry forward		1.247
General Fund Balance at 31 March 2018		8.763

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

	£ million
General Fund Balance at 31 March 2018	8.763
<i>Earmarked for specific purposes</i>	
Budgets earmarked for Council Transformation	(3.532)
Devolved School Management	(1.247)
General Reserve at 31 March 2018	3.984

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

The uncommitted General Fund Reserve at 31 March 2018 is £3.984 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

The projected performance against budget set out in this report presents the initial projections for the year. Work continues within the Directorates to reduce projected overspends and to progress the delivery of approved savings.

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 an assessment of performance for the full year based on activity in the first quarter of the year. 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 during the year.

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:

- a) Note the contents of the report;
- b) Note that along with the Chief Executive assurance continues to be sought from Heads of Service that remedial action is being taken to address the projected overspend set out in appendix 2.

26th January 2018

Report Contact:

David Gladwin Tel No 0131 271 3113

E mail david.gladwin@midlothian.gov.uk

Background Papers:

Appendix 1

GENERAL FUND OVERVIEW 2017/18

Function	Revised Budget £	Outturn £	(Underspend) / Overspend £
Management	1,901,948	1,901,948	0
<u>Education Communities and Economy</u>			
Childrens Services	14,688,128	15,323,128	635,000
Communities and Economy	3,968,099	3,908,099	(60,000)
Education	87,412,303	87,478,303	66,000
<u>Health and Social Care</u>			
Midlothian Integrated Joint Board - Adult Social Care	38,716,456	39,028,456	312,000
Customer and Housing Services	11,380,817	11,461,817	81,000
<u>Resources</u>			
Commercial Services	15,608,048	15,601,048	(7,000)
Finance and Integrated Service Support	12,157,839	12,235,839	78,000
Properties and Facilities Management	13,627,669	13,799,669	172,000
Lothian Valuation Joint Board	555,551	561,551	6,000
Central Costs	1,353,175	1,353,175	0
Non Distributable Costs	1,432,502	1,432,502	0
GENERAL FUND SERVICES NET EXPENDITURE	202,802,535	204,085,535	1,283,000
Loan Charges	7,407,639	7,360,639	(47,000)
Investment Income	(300,475)	(371,475)	(71,000)
Council Transformation Programme savings target	(1,197,981)	(456,981)	741,000
Allocations to HRA, Capital Account etc.	(4,782,220)	(4,782,220)	0
	203,929,498	205,835,498	1,906,000
less Funding:			
Scottish Government Grant	150,576,706	151,326,706	(750,000)
Council Tax	45,004,000	45,404,000	(400,000)
Utilisation of Reserves	8,348,792	9,104,792	756,000

Financial Monitoring 2017/18 – General Fund Revenue – Material VariancesEducation, Communities and EconomyChildren's Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Non-Residential services commissioned and provided for children with and without disabilities	Higher than anticipated levels of demand for Respite, Direct Payments and Taxi Services commissioned for children with disabilities. There is also a projected overspend on respite services commissioned for children without disabilities.	189	190	332	Movement in projected cost between Q2 and Q3 mainly relates to an increased volume of Kinship and Adoption carers allowances.
Residential and Day Education Placements	The forecast requirement for residential placements is higher than anticipated and provided for in the budget. Demand for new placements, particularly expensive secure accommodation, has been high for the first half of the financial year. Since the quarter 2 projection there has been two additional secure placement and one new residential placement.	49	110	367	This represents a 12% overspend on the Multi-Agency Resource Group budget of £3 million. It should be noted that £324k of this projected variance relates to secure placements over which the Council has very little control. The group continues to challenge new demand to keep costs under control and has recently been successful in its work to progress children in secure placements to allow them to move to other forms of care.
Gross Overspend		238	300	699	
<i>Offset by:</i>					
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Children's Services budget.	(1)	(5)	(64)	No impact on frontline service.
Net Overspend		237	295	635	

Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Midlothian Local Development Plan	The estimate of the costs of the required public examination of the LDP by Scottish Government reporter was lower than the expected final outturn. The variable being the number and complexity of unresolved objections to the LDP.	38	43	43	One-off financial pressure associated with completing the 2014 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 savings target will not be achieved in full.	20	30	30	Appointment of 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 will be minimal, possibly zero.
Landlord Registration Income	Landlord registrations are renewable on a 3 year cycle. Fewer registrations are due to be renewed in 2017/18 than budgeted.	19	19	6	No impact on frontline service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service budget.	15	18	29	No impact on frontline service.
Gross Overspend		92	110	108	
<i>Offset by:</i>					
Planning and Building Standards Income	Higher levels of income than anticipated.	0	0	(96)	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)	Some vacancies have been filled during Q3.
Net Overspend / (Underspend)		28	5	(60)	

Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Schools	Schools are currently projected to underspend by £1.493 million. However, in accordance with the current Devolved School Management rules and based on current projections schools would be able to carry forward budget of £1.247 million into 2018/19.	0	328	(246)	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 £0.246m. Secondly there will be an increase in the earmarked element of the reserve of £1.247 million. During Q3 there was detailed scrutiny of education budgets including the movement between schools budgets and central education budgets and Scottish Government Grant for Newly Qualified Teachers.
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	Early Years budgets, particularly in light of the increase in pre-school entitled hours to 1140, have been scrutinised and this will be reflected in 2018/19.
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	Full implementation is anticipated in 2018/19.
Lifelong Learning and Employability Income	There is 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.	63	42	34	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.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Education Service budget.	(80)	90	213	No impact on frontline service.
Gross (Underspend) / Overspend		(17)	938	283	
<i>Offset by:</i>					
PPP Contracts	Insurance costs are lower than provided	(182)	(182)	(185)	Windfall Income. This is the consequence an annual review

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
	for in the contract which leads to a refund from the contractor.				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)	Assumptions regarding performance reductions have been checked and updated during the development of the 2018/19 budget.
	The rate of inflation applied to contracts was lower than provided for in the budget. This is more than offset by the backdated impact of change notices.	(55)	(55)	63	Inflation assumptions have been reviewed during development of the 2018/19 budget.
Net (Underspend) / Overspend		(319)	636	66	

Health and Social Care

A provision for an additional allocation for services Delegated to Midlothian Integration Joint Board - Adult Social Care

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Community Care Resource Panel	Assessed needs are currently slightly less than budgeted. The budget amounts to around £32m, is demand led and subject to demographic pressures. Individual packages of care are sometimes in excess of £100k per annum and as a consequence projections in this area can be volatile.	792	266	(88)	<p>An overspend position at the end of the previous financial year alongside additional savings targets remain a challenge going forward. However the Realistic Care, Realistic Expectations work stream continues to monitor savings delivery. The work of the review team is having an impact on expenditure levels and progress continues to be monitored. The aim is to reduce the existing level of commitments 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.</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 overspend in the Home Care service.</p> <p>The implementation of two new policies, Fair Access to Care and Transport should ensure transparency and equity in this process of allocating resources.</p> <p>It has been possible this year to utilise some one-off funding to reduce in-year pressures but the budget situation going forward remains challenging in the context of future years savings targets.</p>
Home Care / Midlothian Enhanced Rapid Response and Intervention Team	Additional employee costs due to the volume of care packages being provided.	391	535	654	Due to the ongoing pressures within external services delivering care at home, the in-house Homecare and MERRIT services have been creating additional capacity which is resulting in an over spend on existing budgets.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
(MERRIT)					<p>These costs are being offset by underspends within the external provider contract budgets.</p> <p>A key action has been to establish a new framework agreement resulting in additional providers being available within Midlothian and work has begun to transfer services to these providers. This is being supported by a wider review of care at home to create a new delivery model to support more efficient, effective and sustainable service delivery.</p>
Care Homes for Older People	Overspend on staffing costs to cover gaps in the rota at Newbyres.	266	159	178	<p>There have been higher than anticipated levels of sickness absence within Newbyres Care Home and there are management actions now in place to address the situation. This is being implemented and monitored through a robust action plan, with HR support being provided to support staff return to work at the earliest opportunity. A meeting with Trades Unions has been arranged to discuss this collectively.</p> <p>The Highbank service review is underway. There has been an improved position within Highbank, resulting in less agency use which has enabled spend to be brought back in line with budget.</p>
Non-achievement of management review saving	Delays in implementing a new management structure across Health and Social Care.	55	55	55	Consultation is now completed and the final report is due to be considered at both the NHS Lothian Workforce Organisational change Group and CMT prior to implementation. Post are expected to be filled before the end of the financial year.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Adult and Social Care budget.	40	75	4	No impact on frontline service.
Gross Overspend		1,544	1,090	803	
<i>Offset by:</i>					

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
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)	No impact on frontline service but the underspend offsets care and support costs related to protection issues.
Fieldwork Staffing	A number of vacancies have arisen within the team over the last few months resulting in a projected underspend against budget.	0	0	(176)	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.
Joint Equipment Store / Aids and Adaptations	Demand during 2017/18 for both areas of spend are less than budgeted.	0	0	(92)	These are demand led budgets thus spend can be volatile.
Criminal Justice	An element of the Scottish Government funding is used to fund the management and administration of this service.	(65)	(55)	(54)	No impact on frontline service.
Cherry Road, Community Access Team, Shared Lives	Underspends on running costs offset by non-achievement of planned budget savings.	(60)	(24)	8	No impact on frontline service.
Net Overspend		1,260	875	312	

Customer and Housing Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
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 will therefore not be made.</p> <p>During Q3 a managing agent has terminated a long standing contractual relationship for their privately rented properties. As a consequence the Council has relocated 30 households with an associated cost.</p>	208	208	290	<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>
Gross Overspend		208	208	290	
<i>Offset by:</i>					
Homelessness Furniture	An increase in referrals falling under the Scottish Welfare Fund and a lower than anticipated level of demand.	0	0	(97)	No impact on frontline service.
Revenues Service Vacancies	There have been a number of vacancies and also maternity savings resulting in a projected underspend within the revenues processing team.	(74)	(37)	(19)	No impact on frontline service.
Customer Services Vacancies	Vacant posts as a consequence of the Customer Services Review.	(54)	(19)	(65)	No impact on frontline service.
Community Safety Staffing	Projected saving as a result of not backfilling maternity absence.	(27)	(33)	(38)	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	No impact on frontline service.
Net Overspend		44	131	81	

Resources

Commercial Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
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	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	The court case is ongoing. An update will be provided in due course.
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 from vacancies left unfilled pending finalisation of the review.	60	48	0	It is anticipated that the full saving will be achieved in 2018/19.
Play areas	A budget reduction of £30,000 in 2017/18 was approved. This will not be fully achieved in year.	0	0	24	It is anticipated that the full saving will be achieved in 2018/19.
Midfest	The net cost to the Council of Midfest is anticipated to be about £20,000 which is unbudgeted.	0	0	20	Attendance numbers were lower than anticipated.
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 will result in less income being generated than expected.	18	18	18	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. At this stage it is projected that the review will not yield any savings in 2017/18.	10	10	10	Review work is underway and the financial impact of this will be picked up in due course.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Review of financial contribution to Pentland Hills Regional Park	A budget reduction of £20,000 in 2017/18 was approved.	5	5	0	It is anticipated that the full saving will now be achieved in 2017/18.
Other non-material Variances	Miscellaneous over and underspends covering the remaining area of the Commercial Services budget	0	0	26	
Gross Overspend		243	231	348	
<i>Offset by:</i>					
Waste Disposal Charges	Tonnages to date are lower than expected.	(78)	(113)	(203)	Volume of tonnage can be volatile and are monitored routinely.
Decriminalised Parking	The implementation date has slipped into 2018/19 resulting in a saving against budget in 2017/18.	0	0	(122)	A report on Decriminalised Parking was presented to Council on 19 th December 2017. The anticipated start date is now April 2018.
Roads Services Income	Income generated from new developments and Temporary Traffic Regulation Orders is anticipated to exceed budget.	(30)	(30)	(30)	Budget will continue to be monitored and will be reviewed if sustainable in the longer term.
Net Overspend / (Underspend)		135	88	(7)	

Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Employee Performance Factor	The performance factor for the service is £466,000. At this time predicted vacancies and other staffing variations will not fully offset this giving rise to an overspend.	135	137	87	Only essential vacancies are filled and work continues to explore opportunities to reduce this overspend. Vacant posts since Q2 have given rise to an improvement in the position.
Central Postages and printing costs	The volume of postages and printing exceeds budget.	60	22	15	A review of activity is underway with the aim of minimising volumes and reducing reliance on paper in accordance with EWiM principles.
External Legal Fees	Continuing costs associated with residual equal pay and other staffing related cases, the continued high incidence of children's permanence cases, a rise in the costs of curators fees associated with permanence cases and occasional complex one-off cases.	30	35	34	The residual legal issues relating to Equal Pay claims have been brought in-house during Q3. Children's permanence cases have now been brought in-house although there will be a number of legacy cases to be completed by external solicitors. A registration scheme has been implemented to employ curators on a lower fee basis than previously charged.
Bank Charges	The shift towards electronic payments has led to increased transaction costs.	25	22	25	A review of bank charges is underway with the aim of negotiating lower rates with service providers.
Mi-Future	The costs for staff in SWITCH during the year are projected to exceed budget	0	19	55	6 months budget is moved to Switch with displaced employees. The Mi-Future team continues to work towards a satisfactory resolution for each employee in SWITCH and when compared to severance costs SWITCH remains a cost effective solution.
Gross Overspend		250	235	216	
<i>Offset by:</i>					
Digital Costs	The anticipated cost of equipment and support costs is lower than budgeted.	(109)	(105)	(105)	Future year budgets have been reviewed.
Disclosure Scotland Fees	Anticipated costs in 2017/18 are lower than budgeted.	(28)	(3)	0	Future year budgets have been reviewed.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Archiving	Anticipated costs in 2017/18 are lower than budgeted.	(25)	(28)	(33)	Costs are expected to increase in future years as the facility is used more.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Finance and Integrated Service Support budget.	(34)	(17)	0	
Net Overspend		54	82	78	

Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Energy Costs	Unit prices for gas are higher than budgeted (£34,000), an approved saving for reducing the electricity bill has not yet been achieved (£45,000) and backdated water costs associated with meter issues on one site (£63,000).	0	0	143	Opportunities to reduce ongoing assumptions continue to be explored and the latest unit price forecasts are reflected in the 2018/19 budget.
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	Ongoing costs associated with evolving plans will be presented to Council in due course.
Properties and Facilities Management Service Review	A budget reduction of £60,000 in 2017/18 was approved. The review is underway but at this stage it is not anticipated that the full saving will accrue in 2017/18.	60	60	60	It is anticipated that the full saving will be achieved in 2018/19.
Loanhead Leisure Centre	Closure for part of the year.	0	0	42	
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	Council on 26 th September 2017 agreed to keep Public Toilets open but with reduced staffing levels and approved additional funding for this.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
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	
Review of Facilities Management Officers	A budget reduction of £40,000 in 2017/18 was approved by Council. This will be achieved in part in 2017/18.	20	20	40	It is anticipated that the full saving will be achieved in 2018/19.
Gross Overspend		245	205	410	
<i>Offset by:</i>					
Snowsports Centre income	Early projections point to a higher than budget income from chargeable activities.	0	0	(238)	
Net Overspend		245	205	172	

Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional Information / Action taken
Loan Charges	Slippage in the plan has resulted in a lower value of borrowing than planned for. In addition borrowing both on a short term and long term basis has been sourced at lower rates than expected at the time of setting the 2017/18 budget.	(146)	(42)	(47)	Movement between Q1 and Q2 is a consequence of the re-representation of the Borders Rail liability agreed with the External Auditor as part of the 2017/18 accounts finalisation process.
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 is on course to be delivered in 2017/18 but not all of it.	345	272	172	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. It is projected that £0.100 million of this will be achieved.	250	152	184	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. It is projected that £0.115 million will be achieved in 2017/18.	114	180	235	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	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)	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)	The continued growth in Band D equivalents will be factored into Council Tax income budgets for future years.

General Services Capital Plan 2017/18 to 2021/22

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:-

- An update of the General Services Capital Plan incorporating information on further additions to the Capital Plan for approval (Section 2);
- Information on the projected performance against budget for 2017/18 (Section 3);
- Forecast expenditure and income for the General Services Capital Plan for 2018/19 through to 2021/22 (Section 4)
- Update on the gross and net debt outstanding position in comparison with the previously agreed debt cap (Section 5);
- Update on the capital fund (Section 6).

2 Update of General Services Capital Plan for new projects

The General Services Capital Plan presented to Council on 19 December 2017 allowed, over the period 2017/18 to 2021/22, for expenditure of £133.369 million, funding of £79.348 million, and a total borrowing requirement of £54.021 million.

2.1 Projects presented at today's Council meeting for approval

The following projects are being presented to Council on today's agenda for approval, or for the amendment of the existing project budget, in the General Services Capital Plan:-

- **School Estate Capacity and Pupil Intake Limits School Session 2017-18:-** Revised budget of £2.581 million following tender returns, replacing the existing capital plan budget of £1.967 million for the provision of modular units at Burnbrae, Mayfield, St. David's, Danderhall and Lasswade Primaries. Phased across 2017/18 and 2018/19. Additional cost of £0.614 million funded by prudential borrowing;
- **Online Payments & Services (OPAS):-** £0.104 million for the implementation and integration of customer focused information and online forms with back-of-house processes, phased across 2017/18 and 2018/19. Funded by prudential borrowing;
- **Newbattle Centre of Digital Excellence:-**
As members will be aware the new Newbattle Community Campus will be the Council's first Centre of Excellence, A Digital Centre of Excellence. 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. The development as a Digital Centre of Excellence requires further investment in digital technologies to support the curriculum, which at this point is currently estimated to cost £0.220 million:-

Item	Capital Cost £000's
Additional devices technology and software to support the Digital Centre of Excellence curriculum	105
Digital Film and Video Production	40
Sound and Radio Production	20
Coding and Gaming Laboratories	20
Digital Engineering	25
Business Applications; e-commerce	10
Total	220

It was originally anticipated that the Council would have secured funding through the City Deal to meet all or part of these costs. However the finalisation of the City Deal will come too late to support this investment. Accordingly it is proposed that this investment is funded from the £12.000m that Council 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.

The inclusion of these projects, if approved by Council today, will revise the overall levels of expenditure, funding and borrowing required over the period 2017/18 to 2021/22 as shown in table 1 below.

Table 1: General Services Capital Plan as approved 19 December 2017 including projects presented at today's Council meeting for approval

Item	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	Total Budget
	£000's	£000's	£000's	£000's	£000's	£000's
Expenditure	32,297	29,848	32,590	27,962	11,389	134,086
Funding	19,329	21,251	17,226	11,863	9,679	79,348
Borrowing Required	12,968	8,597	15,364	16,099	1,710	54,738

3 2017/18 Projection against budget

3.1 2017/18 Budget

The 2017/18 capital plan budget of £32.297 million, as reported above, has been rephased to £24.910 million to account for updated expenditure profiles provided in the period, as shown in the table below:-

Table 2: Rephasing of project expenditure budgets

Project	Description of amendment to budget	Previous Budget £000's	Revised Budget £000's	Budget Movement £000's
Street Lighting	Weather conditions have led to slippage in planned works	1,111	800	-311
Footway & Footpath Upgrades	Weather conditions have led to slippage in planned works	493	265	-228
Road Upgrades	Weather conditions have led to slippage in planned works	1,901	1,060	-841
New Recycling Facility – Penicuik	Project delayed pending decision on whether to retain or close Penicuik Recycling Facility. Options presented to Special Council on 10 October 2017.	244	0	-244
Vehicle & Plant Replacement Programme	Deferral of purchase of remainder of 2017/18 fleet replacement programme until 2018/19	2,867	2,043	-824
Stobhill Depot Upgrade	Project on hold pending progression of the Hopefield Resource Centre project	568	100	-468
Property Upgrades	Rephasing of spend compared to previous planning assumption	1,723	1,438	-285
Hillend Freestyle Jump Slope	Grant application for match funding from Scottish Government was unsuccessful resulting in delay to implementation of project	208	50	-158
Paradykes & Roslin Primaries	Rephasing of project expenditure into 2018/19 pending overall review of project budget	8,485	6,997	-1,488
Hopefield Primary	Rephased commencement of design of new building whilst scope of project was resolved	300	124	-176
Lasswade High School	Rephasing of project expenditure into 2018/19 pending overall review of project budget	435	87	-348
Saltergate Alterations Phase III	Playground improvement works to now be carried out over the 2018	271	155	-116

	summer holiday period			
Members Environmental Improvements	Rephasing of spend compared to previous planning assumption	209	104	-105
Gorebridge Connected	Grant funding for the project was confirmed late in the year, thereby delaying tendering and commencement of work.	772	0	-772
A701 & A702 works	Delay to commencement of works	927	532	-395
Digital Services	Rephasing of Digital Services projects reflecting ongoing refinement of digital asset management plan	2,256	1,668	-588
Others	Minor variances	887	846	-42
Total		23,657	16,269	-7,387

In line with this, the expected level of funding available to finance the plan has also been rephased and totals £17.636 million, a decrease of £1.693 million which reflects:-

- the reduction of £0.567 million in the application of developer contributions due to rephasing of expenditure on the Danderhall hub, Newbattle High School, Gorebridge Connected and A701&A702 works projects,
- The reduction of £0.176 million in the application of the insurance settlement for Hopefield Primary School due to rephasing of expenditure on the Hopefield Primary School project;
- the reduction of £0.671 million in the application of Scottish Government grant for the Gorebridge Connected project due to the rephasing of £0.671 million of expenditure on this project into 2018/19;
- Reduction of £0.279 million in early years funding for Modular Units for the 2017/18 session.

This reduces the projected in-year borrowing requirement from £12.568 million to £7.274 million. The projected performance against budget for 2017/18 is shown in table 3 below:-

Table 3: General Services Capital Plan Projected Performance against Budget 2017/18 – as at Quarter 3

Item	2017/18 Budget £000's	2017/18 Rephased Budget £000's	Actual To 10/12/17 £000's	2017/18 Projected Outturn £000's	2017/18 Variance £000's	2017/18 Carry Forward £000's
Expenditure	32,297	24,910	11,651	24,916	+6	7,387
Funding	19,329	17,636	8,302	17,636	0	1,693
Borrowing Required	12,501	7,274	3,349	7,280	+6	

3.2 Expenditure

Expenditure to 10 December 2017 is £11.651 million with a projected expenditure outturn of £24.516 million against the revised budget of £24.508 million, a minor increase of £0.008 million.

At this stage it is anticipated that budgets for the projects detailed in Appendix 2 will be fully spent in the current year.

3.3 Funding

The funding available to finance the Capital Plan in 2017/18 is expected to total £17.636 million, in line with the revised budget of £17.636 million. Funding of £8.302 million has been received to 10 December 2017.

3.4 Borrowing

The budgeted level of borrowing for 2017/18 is £7.274 million. Based on the forecast expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2017/18 is £7.280 million, a minor increase of £0.006 million. The impact on the Council's borrowing costs is reflected in the Financial Monitoring 2017/18 General Fund Revenue report elsewhere on today's agenda.

4 Capital Plan 2018/19 to 2021/22

4.1 Expenditure

In addition to the rephasing of project expenditure and funding as reported in Section 3, expenditure and income forecasts covering the remainder of the period of the plan have been rephased to reflect the most recent information available.

The Vehicle & Plant Replacement programme has been rephased, with a deferral of purchase of vehicles & plant previously programmed in for 2018/19, which will now be deferred to 2019/20. Replacement in each subsequent years has also been rephased to the following financial year.

Based on the new projects as presented in Section 2.1, and the rephased expenditure profiles for previously approved projects, the forecast level of expenditure over the life of the plan is forecast to increase from £133.368 million to £134.523 million, an increase of £1.155 million.

4.2 Funding

The planning assumption for the level of General Capital Grant funding from the Scottish Government over the life of the plan was £45.651 million, as reported to Council in the General Services Capital Plan 2017/18 to 2021/22 report on 19 December 2017. The Local Government Finance (Scotland) Settlement 2017-18 (Finance Circular 5/2017) issued on 14 December 2017 provides for an increase in the level of General Capital Grant in 2018/19 compared to the previous planning assumption. Page 41 of 137

This has resulted in an expected increase in General Capital Grant in 2018/19 from the previous planning assumption of £8.435 million to £9.777 million.

In light of this, the baseline planning assumption for future years' General Capital Grant has also been adjusted to assume a cash flat level of General Capital Grant for all local authorities from the 2018/19 baseline, with Midlothian's share also increasing to reflect growth in population over the period of the capital plan.

In addition, an estimate of Midlothian's share of the £150 million Early Year's Capital Grant has been included.

As such the forecast level of General Capital Grant funding, including Early Years Capital Grant funding, from the Scottish Government over the life of the plan is projected to increase from £45.651 million as reported to Council on 19 December 2017 to £53.691 million, an increase of £8.040 million.

This funding continues to include the re-profiling reduction of £1.763 million applied in the 2016/17 capital grant allocation for Midlothian, albeit that this will now be paid in 2019/20 as opposed to the previous indication that this would be paid over the period 2018-20.

Overall, the funding available to finance the planned expenditure has increased from £79.348 million to £87.457 million, an increase of £8.110 million. A more detailed breakdown is shown in Appendix 1.

4.3 Borrowing

As a result of these revised expenditure and funding forecasts, the forecast level of borrowing over the period 2017/18 to 2021/22 has decreased from £54.020 million to £47.066 million.

Table 5: General Services Capital Plan 2017/18 to 2021/22

Item	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	Total Budget
	£000's	£000's	£000's	£000's	£000's	£000's
Expenditure	24,916	36,077	32,497	27,174	13,859	134,523
Funding	17,636	24,049	20,046	13,903	11,823	87,457
Borrowing Required	7,280	12,028	12,451	13,270	2,036	47,066

5. Overall Cap on Debt Outstanding

The projected level of gross debt outstanding, based on the expenditure and income assumptions outlined in Table 7, is shown in the table below.

Including forward funded projects (where the Council incurs capital expenditure which is expected to be funded by future developer contribution receipts), the projected level of net debt outstanding is also shown in table 6 below.

Table 6: Debt outstanding net of any forward funded projects

Item	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£000's	£000's	£000's	£000's	£000's
Debt Outstanding 01 April	113,739	117,135	125,233	133,767	142,928
Borrowing arising from Capital Plan	7,279	12,028	12,451	13,270	2,036
Debt Repayments	-3,883	-3,929	-3,892	-4,070	-4,182
GROSS Debt Outstanding 31 March	117,135	125,234	133,793	142,993	140,848
Less: Net debt on Forward Funded projects	-5,641	-5,553	-6,396	-6,848	-5,661
NET Debt Outstanding 31 March	111,494	119,681	127,397	136,146	135,186
Agreed Cap	124,000	124,000	124,000	124,000	124,000
Headroom	12,506	4,319	-3,397	-12,146	-11,186

As can be noted from the table above, the overall level of debt outstanding is projected to exceed this cap in the year ended 31 March 2021 by £12.146 million and remain £11.186 million above the cap in the year ended 31 March 2022. A fuller review of the General Services Capital Plan is underway and will be reported to Council once completed. That review will include a reassessment of the debt cap position.

6. Capital Fund

The Capital Fund at the start of the 2017/18 financial year was £16.707 million. Capital Receipts of £1.250 million are forecast to be received in 2017/18, and will be transferred to the capital fund. This will increase the balance in the Capital Fund to £17.957 million as at 31 March 2018.

Council, on 27 September 2016, approved the medium to long-term strategy for the Capital Fund, specifically, to maintain the current arrangements for crediting all capital receipts for the disposal of assets to the Capital Fund, and for £12.000 million to be earmarked from the Capital Fund for the Edinburgh and South East Scotland City Region Deal. As noted in Section 2.2, £0.220 million of this is now proposed to be allocated for release to fund the Digital Centre of Excellence at the Newbattle Community Campus, leaving a balance of £11.780 million of City Deal funding available.

The projected balance on the Capital Fund at 31 March 2022, inclusive of the release of £0.220 million Newbattle Community Campus Digital

Centre of Excellence and £11.780 million City Deal funding, is £23.066 million.

7. Report Implications

7.1 Resource

The borrowing required to finance the planned investment in 2017/18 to 2021/22 is currently £47.066 million.

The loan charges incorporated within the previous and current Financial Strategy reports are based on the overall level of debt outstanding remaining within the cap of £124.000 million. As noted above, the level of debt outstanding is projected to exceed the cap and this will result in either (a) a corresponding increase in the level of loan charges over the period 2017/18 to 2021/22 or (b) require reductions in Capital Expenditure or alternative sources of funding.

7.2 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.

As noted in Section 3, the projected level of debt outstanding exceeds the cap and this will therefore result in additional loan charges. This risk is exacerbated through the lack of fully developed asset management plans, with only provisional sums for the Council's 6 core asset bases (Property, Roads, Street Lighting, Footway & Footpaths, Vehicles and Digital Services/Business Applications equipment) currently included in the capital plan. The impact of the Learning Estate Strategy is yet to be fully quantified and is therefore currently not included in the plan, further exacerbating this risk. In order to mitigate this risk officers, through the creation of a Capital Plan and Asset Management Board will review the emerging financial implications of the Learning Estate Strategy, the additional investment requirements arising from the developing asset management plans, and the prioritisation of any new projects, to ensure that the overall level of debt outstanding remains affordable.

7.3 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

7.4 Impact on Performance and Outcome

There are no issues arising directly from this report.

7.5 Adopting a Preventative Approach

There are no issues arising directly from this report

7.6 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

7.7 Ensuring Equalities

There are no equalities issues arising directly from this report.

7.8 Supporting Sustainable Development

There are no sustainability issues arising directly from this report.

7.9 Digital Services Issues

There are no Digital Services implications arising from this report.

8 Recommendations

Council is asked to:

- a) Approve the amendment to the budgets and inclusion of the projects listed in Section 2.1 of this report in the General Services Capital Plan, including the release of £0.220 million from the Capital Fund to fund £0.220 million of Capital Expenditure on digital technologies in the Newbattle Community Campus;
- b) Approve the revised expenditure and funding levels in the General Services Capital Plan 2017/18 to 2021/22 (as shown in appendices 1 and 2).

Date 01 February 2018

Report Contact:

Name Gary Thomson

Tel No 0131 271 3230

gary.thomson@midlothian.gov.uk

Background Papers:

Appendix 1 – Summary General Services Capital Plan 2017/18 to 2021/22

Appendix 2 – Detailed General Services Capital Plan Expenditure 2017/18 to 2021/22

Appendix 1

Summary General Services Capital Plan 2017/18 to 2021/22

GENERAL SERVICES CAPITAL PLAN 2017/18 to 2021/22	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget £'000
EXPENDITURE						
Resources	9,098	11,765	13,479	18,351	12,116	64,810
Education, Community & Economy	15,439	19,440	12,648	6,573	1,541	55,641
Health & Social Care	294	994	447	150	203	2,088
Council Transformation	85	3,877	5,923	2,100	0	11,985
Total Approved Expenditure	24,916	36,077	32,497	27,174	13,859	134,523
FUNDING						
Government Grants	10,264	11,255	11,797	10,137	10,239	53,691
Government Grants - Others	519	1,231	0	0	0	1,750
Receipts from Sales transferred to Capital Fund	1,250	6,804	10,305	0	0	18,359
Transfer from Capital Fund to Capital Plan	-1,250	-2,904	-4,305	2,100	0	-6,359
Developer Contributions	1,857	3,195	2,249	1,667	1,583	10,552
Other Contributions	4,996	4,469	0	0	0	9,465
Total Available Funding	17,637	24,049	20,046	13,903	11,823	87,457
Approved Borrowing Required	7,279	12,028	12,451	13,270	2,036	47,066

Appendix 2

Detailed General Services Capital Plan Expenditure 2017/18 to 2021/22

GENERAL SERVICES CAPITAL PLAN	2017/18	2018/19	2019/20	2020/21	2021/22	Total
2016/17 to 2021/22	Budget	Budget	Budget	Budget	Budget	Spend
	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES						
Customer Services						
Front Office - Device & Interactive Asset Upgrades	206	249	0	0	0	454
Back Office - Anti Virus Upgrades	51	-2	26	0	0	75
Network Enterprise - Network Connection	0	0	0	0	0	0
Network Enterprise - Network Assets (Power & Data)	100	126	0	0	0	226
IGS - Compliance - Data Encryption	0	15	8	0	0	23
IGS - Compliance - PCI	39	0	0	0	0	39
Disaster Recovery	0	0	0	26	14	40
Service Desk - ITMIS Service Improvement	42	38	0	0	0	80
Committee Management System	3	0	0	0	0	3
Paperless Meetings	10	6	0	0	0	16
Business Application Upgrades inc. mobile working	50	89	0	0	0	139
Interactive White Board Replacement	385	90	0	0	0	474
SWAN Programme	475	42	0	0	0	517
New GoreGlen & Bilston Digital Assets	0	67	0	0	0	67
Newbattle Centre for Excellence in Digital Industries	297	303	77	0	0	677
Digital Services Asset Management Plan	0	1,645	2,496	2,355	2,264	8,759
Commercial Operations						
Street Lighting Upgrades	800	961	1,000	1,000	1,350	5,111
Street Lighting LED Upgrade (Salix Funded)	0	0	0	0	0	0
Footway & Footpath Network Upgrades	265	553	500	500	675	2,493
Road Upgrades	1,060	1,816	1,500	1,500	2,025	7,901
Zero Waste Capital Contribution	0	0	0	7,380	0	7,380
Cycling, Walking & Safer Streets Projects	79	108	102	94	122	505
Footpath Lighting: Bonnyrigg Bypass to Gorton Road	83	44	0	0	0	127
B6482 Newbattle/Easthouses Road Cycleway	54	29	0	0	0	84
A6094: Bonnyrigg Bypass Cycleway & Toucan Crossing / R	49	26	0	0	0	75
Ironmills Park Steps	21	0	0	0	0	21
New recycling facility - Penicuik	0	244	0	0	0	244
Vehicle & Plant Replacement Programme	2,043	1,873	1,152	1,707	4,234	11,009
Electric Vehicles - Powerpoint Installation	64	0	0	0	0	64
Grass Cutting Machinery	142	0	0	0	0	142
Geogrid - Barleyknowe Lane	43	0	0	0	0	43
20mph Limits	0	0	0	0	0	0
Vogrie Car Parking Barriers	17	0	0	0	0	17
King George V Park Outdoor Fitness Equipment	4	0	0	0	0	4
Gore Glen Bing	1	0	0	0	0	1
Easthouses Lily Stand	5	0	0	0	0	5
Outdoor Play Equipment - Rosewell	32	17	0	0	0	49
Outdoor Play Equipment - Gorebridge	84	45	0	0	0	129
Westerhaugh Bridge	30	6	-6	0	0	30
Property & Facilities						
Stobhill Depot Upgrade	100	468	0	0	0	568
New Depot: EWIM Phase III	188	1,162	5,519	2,788	83	9,740
Straiton Bing Site Investigation	2	0	0	0	0	2
Property Upgrades inc. Lighting/Lightning	1,438	1,285	1,000	1,000	1,350	6,073
Midlothian House 3rd Floor Reconfiguration	123	0	0	0	0	123
Purchase of 7 Eskdail Court, Dalkeith	249	0	0	0	0	249
Purchase of 49 Abbey Road, Dalkeith	215	0	0	0	0	215
Purchase of 31 Jarnac Court, Dalkeith	1	0	0	0	0	1
Hillend Freestyle Jump Slope Upgrade	50	158	0	0	0	208
Purchase 9/11 White Hart Street	98	53	0	0	0	150
Primary 1-3 Free School Meals	0	0	0	0	0	0
Leisure Management System (Legend)	102	63	4	0	0	169
Automated Public Toilets	0	188	101	0	0	289
TOTAL RESOURCES	9,098	11,765	13,479	18,351	12,116	64,810

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
EDUCATION, COMMUNITY AND ECONOMY	Budget	Budget	Budget	Budget	Budget	Spend
	£'000	£'000	£'000	£'000	£'000	£'000
Early Years						
Gorebridge Development Trust (EYG Funded)	115	0	0	0	0	115
Gorebridge Development Trust	91	0	0	0	0	91
Gorebridge Development Trust (EYG Funded)	66	0	0	0	0	66
Early Years Pilot - Mayfield Family Outreach Centre	13	7	0	0	0	20
Further Early Years Provisions inc. 1140 hours	0	604	604	604	604	2,414
Primary						
New Bilston Primary	239	0	0	0	0	239
New Gorebridge North Primary	236	0	0	0	0	236
Corbank Primary Extension	0	0	0	0	0	0
St Andrews Primary Extension	0	0	0	0	0	0
Newtongrange Primary Extension	0	0	0	0	0	0
Paradykes & Roslin Primaries Preparatory Works	0	0	0	0	0	0
Paradykes Primary Replacement	5,727	1,622	0	0	0	7,349
Roslin Primary Replacement	1,270	782	0	0	0	2,052
Former Hopefield Primary School	124	5,890	4,630	970	0	11,613
Inspiring Learning Spaces	98	0	0	0	0	98
New Danderhall Primary hub	10	2,503	6,867	5,000	937	15,317
Cuiken & Sacred Heart Primaries - Design Team	116	84	0	0	0	200
Cuiken Primary School Extension	0	0	0	0	0	0
Sacred Heart Primary School Extension	0	0	0	0	0	0
Secondary						
Lasswade High School inc. 2nd MUGA	87	502	0	0	0	589
Newbattle High School Preparatory Works	406	614	182	0	0	1,202
Newbattle High School - Future Extension	0	0	0	0	0	0
Beeslack Community High School Pitch	17	0	0	0	0	17
General						
Online Payments for Schools (Parent Pay)	39	39	10	0	0	87
PPP1 Land Acquisition	27	0	0	0	0	27
Saltergate Alterations Phase II	185	0	0	0	0	185
Saltergate Alterations Phase III - Internal Alterations	155	0	0	0	0	155
Saltergate Alterations Phase III - Playground Improvements	0	263	0	0	0	263
Modular Units - Session 2017/18	1,678	903	0	0	0	2,581
Modular Units - Session 2018/19	73	701	356	0	0	1,130
Children and Families						
Planning & Development						
Environmental Improvements	104	313	0	0	0	418
Borders Rail - Economic Development Projects	0	250	0	0	0	250
East High Street Public Realm & Burns Monument	20	0	0	0	0	20
Shawfair Town Centre Land Purchase	3,650	1,965	0	0	0	5,615
Track to Train	358	193	0	0	0	550
Gorebridge Connected	0	1,313	0	0	0	1,313
A701 & A702 Works	532	894	0	0	0	1,426
TOTAL EDUCATION, COMMUNITY AND ECONOMY	15,439	19,440	12,648	6,573	1,541	55,641
HEALTH AND SOCIAL CARE						
Adult & Social Care						
Assistive Technology	130	407	150	150	203	1,040
Travelling Peoples Site Upgrade	17	0	0	0	0	17
Homecare	80	0	0	0	0	80
Recovery Hub	0	551	297	0	0	848
Customer & Housing Services						
Online Payments & Services	67	36	0	0	0	
TOTAL HEALTH AND SOCIAL CARE	294	994	447	150	203	2,088
COUNCIL TRANSFORMATION						
Purchase to Pay	15	0	0	0	0	15
Online Housing Applications	27	0	0	0	0	27
Corporate Telephony Services Upgrade	0	9	0	0	0	9
EWiM - Buccleuch House Ground Floor	33	0	0	0	0	33
Website Upgrade	10	111	0	0	0	121
City Deal	0	3,757	5,923	2,100	0	11,780
TOTAL COUNCIL TRANSFORMATION	85	3,877	5,923	2,100	0	11,985
GENERAL SERVICES CAPITAL PLAN TOTAL	24,916	36,077	32,497	27,174	13,859	134,523

Housing Revenue Account Revenue Budget and Capital Plan 2017/18

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 summary of expenditure and income to 22th December 2017 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2017/18.

2 Background

2.1 Capital Plan 2017/18

The Capital Plan Budget has been revised to reflect the current rephasing of the New Social Housing projects between years as shown in Appendix 1 and there are no material variances to be reported at this stage.

2.2 Revenue Account 2017/18

The underspend reported to Council on the 7th November 2017 was £1.281 million. This has increased by £0.310 million to £1.591 million, as shown in Appendix 2, due to:-

- The impact of Universal Credit on projected write-offs and provision required not being as high as anticipated. It is worth noting that this is still the first full year of Universal Credit implementation so the full impact may not yet be realised.

The HRA reserve balance is projected to be £34.938 million at 31st March 2018. The longer term financial projections demonstrate that the majority of this will be required to finance existing investment commitments to 2031/32 as detailed in the Rent Setting Strategy 2019/20 – 2021/22 report elsewhere on the agenda.

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.

The full implementation of Universal Credit this financial year has seen an increase in the level of rent arrears and whilst assumptions have been made in the financial model, based on other Local Authorities experience, there is a risk that arrears may be higher than anticipated in future years resulting in a greater decrease in the level of reserves. This will continue to be monitored closely and any financial implications identified will be assessed and reported accordingly.

Whilst the HRA reserve balance is projected to be £34.938 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 projected financial performance for 2017/18 is:

- Capital Expenditure of £12.722 million;
- A net underspend of £1.591 million on the Revenue Account;
- The HRA reserve at 31st March 2018 is projected of £34.938 million.

5 Recommendations

Council is recommended to note the contents of this report.

Date 19th January 2018

Report Contact:

Name Lisa Young Tel No 0131-271-3111

lisa.young@midlothian.gov.uk

Background Papers: HRA Capital Plan and Revenue Budget

HOUSING REVENUE ACCOUNT CAPITAL PLAN 2017/18

	Revised Budget	Actuals to Date	Projected Outturn	Variation (Under)/Over
	£'000	£'000	£'000	£'000
FUNDING				
Net Receipts from Sales	2,075	984	2,075	0
Grants				
-Incentivising New Build	1,025	825	1,025	0
-Mortgage to Rent	114	0	114	0
-Buy Backs Funding	280	0	280	0
Council Tax on Second Homes	150	0	150	0
Developer Contributions	1,310	0	1,310	0
Borrowing Required	7,768	4,390	7,768	0
TOTAL AVAILABLE FUNDING	12,722	6,199	12,722	0

	£'000	£'000	£'000	£'000
APPROVED EXPENDITURE				
New Build Houses Phase 1	51	(74)	51	0
New Build Houses Phase 2	5,564	2,116	5,564	0
New Build Houses Phase 3	550	332	550	0
Buy Backs	855	493	855	0
Aids & Adaptations	400	270	400	0
Homelessness - Mortgage to Rent	224	0	224	0
Homelessness - Pentland House Refurbishment	550	393	550	0
Scottish Housing Quality Standard				
-Kitchen Replacement	2	2	2	0
-Upgrade Central Heating Systems	800	498	800	0
-Sanitary Ware Replacement Programme	179	111	179	0
-SHQS Repairs	3,547	2,058	3,547	0
Total Expenditure	12,722	6,199	12,722	0

MIDLOTHIAN COUNCIL

HOUSING REVENUE ACCOUNT 2017/18

Appendix 2

	Revised Budget	Projected Outturn	Variation (Under)/Over
Average No of Houses	6,992	6,917	(75)
	£000's	£000's	£000's
Repairs and Maintenance			
General Repairs	6,307	5,800	(507)
Decant/Compensation	41	58	17
Grounds Maintenance	604	602	(2)
	6,952	6,460	(492)
Administration and Management	4,934	4,888	(46)
Loan Charges	9,478	9,016	(462)
Other Expenses	2,924	2,254	(670)
TOTAL EXPENDITURE	24,288	22,618	(1,670)
Rents			
Houses	26,712	26,399	313
Garages	556	556	0
Others	614	848	(234)
TOTAL RENTS	27,882	27,803	79
NET EXPENDITURE/(INCOME)	(3,594)	(5,185)	(1,591)
BALANCE BROUGHT FORWARD	(29,753)	(29,753)	0
BALANCE CARRIED FORWARD	(33,347)	(34,938)	(1,591)

Treasury Management and Investment Strategy 2018/19 & Prudential Indicators

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

1 Purpose of Report

The purpose of the report is to seek the agreement of Council to the Treasury Management and Annual Investment Strategies for 2018/19 and the Prudential and Treasury indicators contained therein.

2 Treasury Management & Investment Strategy 2018/19

2.1 Current Loan and Investment Portfolio

The Council's current loan and investment portfolio, as at 26 January 2018, is shown in tables 1 and 2 below:-

Table 1: Current Loan Portfolio as 26 January 2018

Loan Type	Principal Outstanding £000's	Weighted Average Rate
PWLB Annuity	708	8.90%
PWLB Maturity	197,224	3.72%
LOBO	20,000	4.51%
Temporary Market Loans	18,000	0.30%
Other Loans	10,296	0.00%
Total Loans	246,228	3.39%

Table 2: Current Investment Portfolio as at 26 January 2018

Investment Type	Principal Outstanding £000's	Weighted Average Rate
Bank Call Accounts	0	n/a
Money Market Funds	8,936	0.41%
Bank Notice Accounts	64,985	0.73%
Total Investments	73,921	0.72%

2.2 Borrowing Requirement 2017/18 to 2021/22

The Council's capital plans contain projections of capital expenditure and income over the forthcoming financial years. Any expenditure not financed directly by income, requires funding through borrowing.

The projected borrowing requirement arising from the Council's Capital Plans, and the maturing long-term loans that require to be

refinanced, over the period 2017/18 to 2021/22 is shown in table 3 below:-

Table 3: Total Borrowing Requirement over the period 2017/18 to 2021/22

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Capital Expenditure						
General Services	24,916	36,076	32,497	27,174	13,860	134,523
HRA	12,722	40,785	53,960	54,634	52,678	214,779
Total Capital Expenditure	37,638	76,861	86,457	81,808	66,538	349,302
Total Available Financing	-22,577	-29,121	-23,389	-23,585	-23,103	-121,775
Principal Debt Repayments	-7,968	-8,419	-9,237	-10,625	-11,686	-47,935
Capital Expenditure less available Financing	7,093	39,321	53,831	47,598	31,749	179,592
Maturing Long-term Loans	10,271	10,452	9,131	9,142	1,394	40,390
Total Borrowing Requirement	17,364	49,773	62,962	56,740	33,143	219,982
Borrowing secured	-20,000	-10,000	0	0	0	-30,000
Total Remaining Borrowing Requirement	-2,636	39,773	62,962	56,740	33,143	189,982

2.3 Borrowing Strategy for remainder of 2017/18 and 2018/19

The current low Bank of England base rate level of 0.50% and the expectation that any base rate rises will follow a shallow upward trajectory in the short-medium term, means that continued utilisation of temporary borrowing within the Council's overall loan portfolio (current level of £18.0 million as at 26 January 2018 at an average borrowing rate of 0.31% as shown in Table 1) would continue to provide a cost-effective solution to the Council. The quantum of this will continue to be assessed against the backdrop of potential long term costs if the opportunity is missed to take PWLB loans at historically low medium-long term rates, particularly given the projected gradual rise in PWLB rates.

Long-term borrowing rates from the Debt Management Office's (DMO) Public Works Loans Board (PWLB) are currently sitting at, or close to, historical lows. Whilst the Council has already secured long-term borrowing for financial year 2017/18, as can be noted from Table 3 above the Council has a significant borrowing requirement across the forthcoming 3 financial years (2018/19 to 2020/21).

Part of this borrowing requirement has already been secured through the second of the Council's two forward dealt loans. This involved the Council committing to draw down two £10 million loans at fixed interest rates that were priced against historically low borrowing rates, with minimal cost of carry and allowed the Council to hedge against future borrowing rate movements, thereby representing an extremely viable alternative to traditional PWLB borrowing and adding certainty to the Council's loan portfolio. The first of these two loans was drawn on 29 June 2017 and the second will be drawn on 15 November 2018,

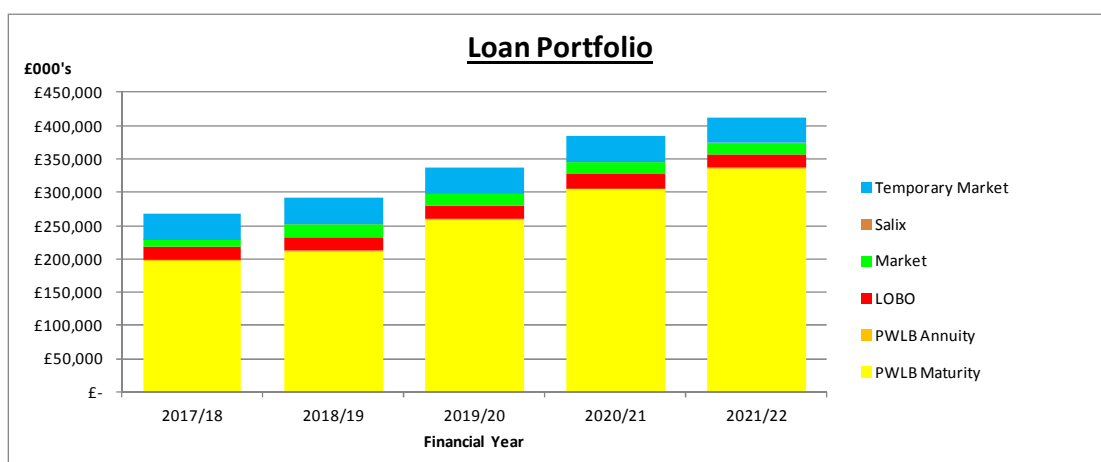
with both of these dates matched to two £10 million PWLB loans maturing on the same dates.

It is expected that the majority of the remaining borrowing requirement to fund capital expenditure incurred in 2018/19 and 2019/20 shall be sourced from a blend of internal borrowing, further temporary borrowing and by locking in to longer term PWLB borrowing to manage longer term risk for the loan portfolio. However, the opportunity continues to exist to consider further loans on a 'forward dealing' basis, and officers will continue to explore the viability of these loans throughout the remainder of 2017/18 and into 2018/19.

Officers will ensure that any loans taken are drawn to match the existing maturity and projected capital expenditure profiles as closely as possible, that proposed interest rates continue to sit below forward interest rate projections, and that the overall borrowing remains within the Authorised Limit of £482.021 million proposed below.

Any other borrowing undertaken in advance of need would be supported by a business case which will appraise the anticipated savings in borrowing costs (from expected increases in rates later in the year / in forthcoming years) against the carrying cost associated with borrowing in advance of need.

The Council's projected loan portfolio over the period 2017/18 to 2021/22 is shown in graphical format below.



2.3 Investment Strategy

The investment environment within which the Council seeks to invest its cash reserves remains challenging, with the continued scrutiny over the creditworthiness of counterparties resulting in an ever tighter counterparty list. At the same time, the low 0.50% Bank of England base rate dictates low returns of typically sub 1% for a 12 month fixed term deposit.

The position on potential investment opportunities remains broadly as reported to Council in the Treasury Management Mid-Year Update report on 07 November 2017.

£15.000 million of the Council's investments are held in fixed term certificates of deposit which mature in late March / early April 2017 and £49.985 million in bank notice accounts (with the notice period equating to broadly 6 months). Council officers, in conjunction with Link Asset Services (previously known as Capita Asset Services) will continue to review the range of investment options available to the Council, within the proposed Permitted Investments included as Appendix 1, in order to select only the most creditworthy counterparties to ensure the security of Council funds, and from that list select the range of investment products that offer best value to the Council's investment portfolio.

3 Prudential Indicators

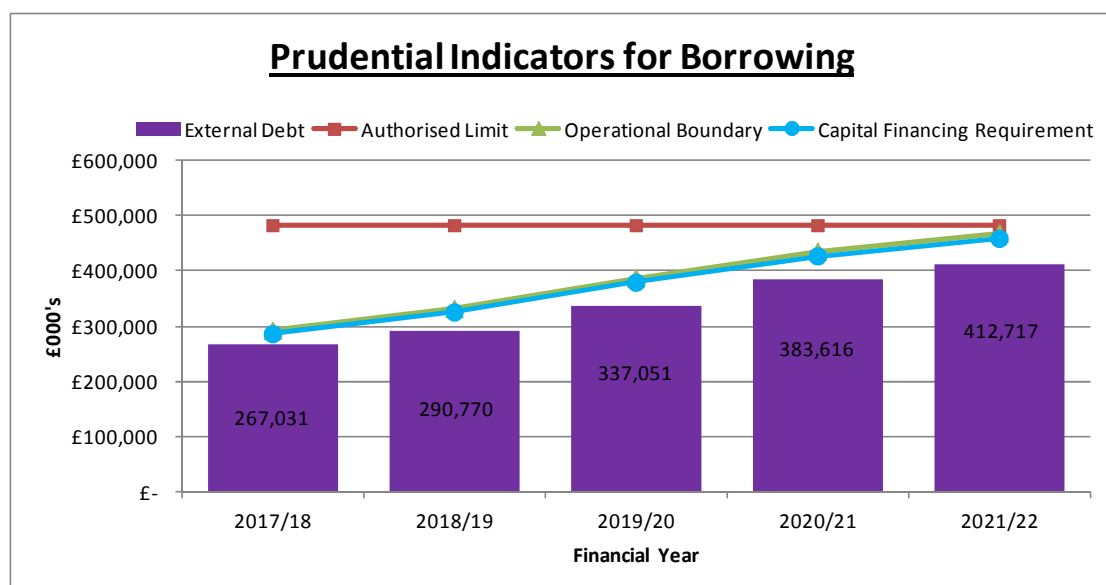
Prudential Code for Capital Finance in Local Authorities

The Prudential Code for Capital Finance in Local Authorities requires that Councils can demonstrate that their Capital Plans are affordable, prudent and sustainable, taking into account the financial provisions made in current and future revenue budgets; and that Treasury Management decisions are taken in accordance with good practice.

The Prudential Indicators that Councils need to consider relate to both actual, historic outcomes, and future estimated outcomes (covering the same period as the Council's Capital Plans), as follows:-

- Original indicators and actual outcomes for 2016/17;
- Revised estimates of the 2017/18 indicators; and
- Estimates of indicators for 2018/19 to 2021/22.

The Prudential Indicators required by the Code are listed individually in Appendix 2. The key indicators relating to external borrowing are shown in graphical format below.



The **Capital Financing Requirement (CFR)** denotes the Council's underlying need to borrow for capital purposes. The CFR includes borrowing arising as a result of the Council's Capital Plans, plus the

long-term liability arising from the Council's two PPP contracts. The Underlying Borrowing Requirement strips out the latter of these (long-term liability arising from the two PPP contracts) from the CFR.

The **Authorised Limit for Borrowing** represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It is the expected maximum borrowing need with some headroom for unexpected movements.

The Authorised Limit for Borrowing has been calculated by taking the maximum value of the CFR over this year and the next 4 financial years (2018/19 to 2021/22), with the total forecast level of capital receipts and developer contributions added back to this figure (given the inherent uncertainty regarding the timing and value of these receipts/contributions). This is shown in table 4 below.

Table 4: Authorised Limit for Borrowing: Calculation

Authorised Limit	Amount £000's
CFR – General Services (31 March 2021)	145,406
CFR – HRA (31 March 2022)	315,112
Unrealised Capital Receipts & Developer Contributions 2017/18	2,076
Forecast level of Capital Receipts & Developer Contributions 2018/19 to 2021/22	19,427
Proposed Authorised Limit	482,021

Council is therefore asked to approve an adjustment to the authorised limit for borrowing to £482.021 million, if market conditions support this action. This would have the effect of securing lower costs for future years but care would be taken to ensure that the cost of carry from borrowing early is minimised and that the maturity structure of all debt is sufficiently robust to ensure that the CFR at 31 March 2022 remains achievable.

The authorised limit therefore reflects a level of borrowing which, while not desired, could be afforded but is not sustainable.

Statutory repayment of loans fund advances

Under Finance Circular 7/2016, Council is now 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. The Council is recommended to approve the following policy on the repayment of loans fund advances:-

- For loans fund advances made before 1 April 2016, the policy will be to maintain the practice of previous years and apply

what is termed “the Statutory Method”, with all loans fund advances being repaid by the annuity method.

- For loans fund advances made after 1 April 2016, the policy for the repayment of loans advances is proposed to continue to operate under the “Statutory Method” – i.e. loans fund advances will be repaid by the annuity method. This annuity rate that is proposed to be applied to the loans fund repayments is based on current interest rates and is currently 3.10%.

A review of the Loans Fund accounting arrangements is currently being undertaken which includes an assessment of the period over which Loans Fund advances are projected to be repaid. At this time a savings target of £0.500 million has been attached to the review and reflected in the 2018/19 proposed budget with the final outcome of the review expected to be reflected in the both the revised Capital Strategy and Plan and the final outturn position for the current year which will be reported to Council in June 2018. In addition, any proposed change to the policy for the repayment of loans fund advances will be reported to Council for approval.

4. Report Implications

4.1 Resources

There are no direct resource implications arising from this report.

4.2 Risk

The strategies outlined in this report are designed to maintain the effectiveness of the overall risk management arrangements for Treasury activity. Providing the limits outlined in the strategies are observed they will support the controls already in place in the Treasury Management Practices within which the treasury function operates.

The Prudential Indicators contained in Appendix 2 maintain the effectiveness of the overall risk management of Capital Investment and Treasury Management.

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

The strategies to be 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.

4.5 Adopting a Preventative Approach

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

4.6 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.

4.7 Ensuring Equalities

There are no equality issues arising from this report.

4.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

4.9 Digital Issues

There are no IT issues arising from this report.

5 Summary

The Treasury Management and Investment Strategies outlined in this document, and in the detailed document that has been placed in the Member's Library / uploaded to the Council's Committee Management System, have been formulated to comply with the revised Codes of Practice and relevant Regulations and provide the framework for achieving best value in the management of the Council's borrowing and investment portfolios.

6 Recommendations

It is recommended that the Council:-

- a) Approve the Treasury Management and Investment Strategy for the 2018/19 financial year, as detailed in Section 2 of this report;
- b) Approve the list of Permitted Investments outlined in Appendix 1;
- c) Adopt the Prudential Indicators contained in Appendix 2 of this report;
- d) Approve an adjustment to the Authorised Limit for Borrowing to £482.021 million (as shown in Section 3) if market conditions indicate that this is prudent;

- e) Note that the policy to repay loans fund advances made before 1 April 2016 will be to continue to use the 'Statutory annuity method';
- f) Approve the policy for the statutory repayment of loans fund advances made from 1 April 2016 to be the 'Statutory annuity method' and that the current annuity rate applied is 3.10%.

Date:- 01 February 2018

Report Contact:-

Name Gary Thomson

Tel No 0131 271 3230

E mail gary.thomson@midlothian.gov.uk

Background Papers:-

Appendix 1:- Permitted Investments

Appendix 2:- Prudential Indicators

Appendix 3:- Treasury Management & Annual Investment Strategy
Statement – 2018/19 Detailed – uploaded to Members Library
on the Committee Management System

Permitted Investments

Appendix 1 Item 8.9

The Council uses the Capita creditworthiness service. This utilises credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poors, along with credit watches, outlooks, CDS spreads and country sovereign ratings in a weighted scoring system with an end product of a series of colour coded bands which indicate the relative creditworthiness of counterparties for investment.

These colour codes are used by the Council to determine the maximum suggested duration for investment with that counterparty. These are as follows:-

Capita Colour Code	Maximum Suggested Duration for Investment
Yellow	6 years*
Dark Pink	6 years**
Light Pink	6 years**
Purple	3 years
Blue	2 years***
Orange	2 years
Red	8 months
Green	120 days
No colour	Not to be used

* *Note the yellow colour category is for:- UK Government Debt, or its equivalent, Money Market Funds (MMF's), and collateralised deposits where the collateral is UK Government Debt*

** *Dark Pink for Ultra Short Dated Bond Funds with a credit score of 1.25; Light Pink for Ultra Short Dated Bond Funds with a credit score of 1.5*

*** *Only applies to nationalised or semi-nationalised UK banks*

Note that the maximum suggested durations listed above have been extended by 1 year (when compared to the suggested maximum durations provided by Capita) for the Yellow, Dark Pink, Light Pink, Purple, Blue and Orange categories, to allow flexibility around these durations on the margins e.g. the placement of a 13 month fixed term deposit for a counterparty rated Orange or Blue. Equally, the maximum suggested duration for the Red category has been extended by a month to 8 months, and the maximum duration for the Green category has been extended by 20 days to 120 days, on the same basis. A thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Capita, against any enhanced value to the portfolio, will be undertaken prior to the placement of any deposit.

1.1 Deposits

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	Term	No	100%	6 months
Term deposits – local authorities	--	Term	No	100%	2 years
Call accounts – banks and building societies	Green	Instant	No	100%	1 day
Term deposits / Notice Accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Term	No	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 120 days Not for use
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 120 days Not for use

1.2 Deposits with counterparties currently in receipt of government support / ownership

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
UK nationalised banks – Call accounts	Blue	Instant	No	100%	1 day
UK nationalised banks – Term Deposits / Notice Accounts	Blue	Term	No	100%	2 years
UK nationalised banks – Fixed term deposits with variable rate and variable maturities: - Structured deposits	Blue	Term	No	100%	2 years
Non-UK (high sovereign rated country) nationalised banks – Call accounts	Green	Instant	No	100%	1 day
Non-UK (high sovereign rated country) nationalised banks:- Term Deposits / Notice Accounts	Yellow Purple Blue Orange Red Green No Colour	Term	No	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 120 days Not for use
Non-UK (high sovereign rated country) nationalised banks:- Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 8 mths Up to 120 days Not for use

If forward deposits are made, the forward period plus the deal period equate to the maximum maturity period.

1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Government Liquidity Funds	AAA	Instant	No	100%	1 day
Money Market Funds CNAV	AAA	Instant	No	100%	1 day
Money Market Funds LVNAV	AAA	Instant	No	100%	1 day
Money Market Funds VNAV	AAA	Instant	No	100%	1 day
Ultra Short Dated Bond Funds with a credit score of 1.25	AAA	T+1 to T+5	Yes	100%	1 day
Ultra Short Dated Bond Funds with a credit score of 1.5	AAA	T+1 to T+5	Yes	100%	1 week
Bond Funds	AAA	T+2 or longer	Yes	50%	2 days
Gilt Funds	AAA	T+2 or longer	Yes	50%	2 days

1.4 Securities issued or guaranteed by governments

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	Yes	100%	50 years
UK Government Gilts	UK sovereign rating	Sale T+1	Yes	100%	50 years
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	Yes	100%	50 years
Sovereign bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	Yes	100%	50 years
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	Sale T+1	Yes	10)%	50 years

1.5 Securities issued by corporate organisations

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Sale T+1	Yes	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 7 mths Up to 100 days Not for use
Commercial paper other	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 7 mths Up to 100 days Not for use
Floating rate notes	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 7 mths Up to 100 days Not for use
Corporate Bonds other	Yellow Purple Blue Orange Red Green No Colour	Sale T+3	Yes	100%	Up to 6 yrs Up to 3 yrs Up to 2 yrs Up to 2 yrs Up to 7 mths Up to 100 days Not for use

1.6 Other

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Local authority mortgage guarantee scheme.	Blue	Term	No	50%	5 years
Loans to Third Parties	n/a	Term	No	£25m	20 years
Subordinated Debt Subscription to Newbattle Centre SPV	n/a	Term	No	£0.5m	27 years
Property Funds	n/a	T+4	Yes	50%	15 years

1. Prudential Indicators for Affordability

1.1 Estimates of Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of Financing Costs to Net Revenue Stream							
%	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Original	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
General Services	3.57%	3.58%	3.78%	3.87%	3.94%	4.26%	4.47%
HRA	34.35%	34.59%	34.14%	34.39%	37.33%	43.06%	45.77%

The figures above are based on the latest Capital Plans presented to Council.

1.2 HRA Ratios

The following indicator identifies the ratio of overall debt on the HRA account compared to annual house rent revenue.

HRA Debt as a % of Gross Revenue						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 162,628	£ 166,325	£ 197,549	£ 242,821	£ 281,219	£ 315,113
HRA revenues £000's	£ 24,657	£ 26,399	£ 27,993	£ 30,089	£ 31,991	£ 34,508
Ratio of debt to revenues %	660%	630%	706%	807%	879%	913%

The following indicator identifies the ratio of overall debt on the HRA account per HRA dwelling.

HRA Debt per Dwelling						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 162,628	£ 166,325	£ 197,549	£ 242,821	£ 281,219	£ 315,113
Number of HRA dwellings	6,875	6,917	6,970	7,022	7,068	7,074
Debt per dwelling £	£ 23,655	£ 24,046	£ 28,343	£ 34,580	£ 39,788	£ 44,545

2. Prudential Indicators for Capital Expenditure

2.1 Estimated Capital Expenditure

This indicator shows the gross capital spend included in the relevant capital plans.

Capital Expenditure						
	2016/17 Actual £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's
General Services						
Resources	£ 7,987	£ 9,098	£ 11,765	£ 13,479	£ 18,351	£ 12,116
Education, Community & Economy	£ 22,875	£ 15,439	£ 19,440	£ 12,648	£ 6,573	£ 1,541
Health & Social Care	£ 95	£ 294	£ 994	£ 447	£ 150	£ 203
Business Transformation	£ 189	£ 85	£ 3,877	£ 5,923	£ 2,100	£ -
Unallocated	£ -	£ -	£ -	£ -	£ -	£ -
Total General Services	£ 31,146	£ 24,916	£ 36,076	£ 32,497	£ 27,174	£ 13,860
Total HRA	£ 23,907	£ 12,722	£ 40,785	£ 53,960	£ 54,634	£ 52,678
Combined Total	£ 55,053	£ 37,638	£ 76,861	£ 86,457	£ 81,808	£ 66,538

2.2 Financing of Capital Expenditure

This indicator shows how the Capital Expenditure forecasts are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure and Available Financing						
	2016/17 Actual £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's
Capital Expenditure						
General Services	£ 31,146	£ 24,916	£ 36,076	£ 32,497	£ 27,174	£ 13,860
HRA	£ 23,907	£ 12,722	£ 40,785	£ 53,960	£ 54,634	£ 52,678
Total	£ 55,053	£ 37,638	£ 76,861	£ 86,457	£ 81,808	£ 66,538
Financed by:						
Capital receipts	£ 5,983	£ 2,061	£ -	£ -	£ -	£ -
Capital grants	£ 12,723	£ 12,202	£ 17,403	£ 14,982	£ 19,656	£ 21,354
Capital reserves	£ -	£ -	£ 3,900	£ 6,000	£ 2,100	£ -
Developer/Other Contributions	£ 6,470	£ 8,314	£ 7,818	£ 2,407	£ 1,829	£ 1,749
Net financing need for the year	£ 29,877	£ 15,061	£ 47,740	£ 63,068	£ 58,223	£ 43,435

2.3 Estimated Capital Financing Requirement

This indicator measures the Council's maximum underlying need to borrow for capital purposes and other long term liabilities over the next three years.

Capital Financing Requirement (CFR)						
	2016/17 Actual £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's	2021/22 Estimate £000's
Capital Financing Requirement						
CFR – General Services	£ 116,154	£ 119,550	£ 127,647	£ 136,206	£ 145,406	£ 143,262
CFR – HRA	£ 162,628	£ 166,325	£ 197,549	£ 242,821	£ 281,219	£ 315,112
CFR – PFI Schemes	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998	£ 47,167
Total CFR	£ 333,754	£ 339,534	£ 377,429	£ 429,710	£ 475,623	£ 505,541
Movement in CFR	£ 21,376	£ 5,780	£ 37,895	£ 52,281	£ 45,913	£ 29,918
Movement in CFR represented by						
Net financing need for the year (previous table)	£ 29,877	£ 15,061	£ 47,740	£ 63,068	£ 58,223	£ 43,435
Less Scheduled Debt Amortisation	£ (7,293)	£ (7,968)	£ (8,419)	£ (9,237)	£ (10,625)	£ (11,686)
Less PFI Finance Lease Principal Payments	£ (1,208)	£ (1,313)	£ (1,426)	£ (1,550)	£ (1,685)	£ (1,831)
Movement in CFR	£ 21,376	£ 5,780	£ 37,895	£ 52,281	£ 45,913	£ 29,918

3. Prudential Indicators for Prudence

3.1 Net Borrowing Requirement

This indicator shows the amount of external borrowing required to finance the current debt outstanding on capital projects.

Net Borrowing Requirement						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
External Debt						
Debt at 1 April	£ 237,272	£ 257,302	£ 267,031	£ 290,770	£ 337,051	£ 383,616
Actual/Expected change in Debt	£ 20,030	£ 9,729	£ 23,739	£ 46,281	£ 46,565	£ 29,101
Other long-term liabilities (OLTL)	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998
Actual/Expected change in OLTL	£ (1,208)	£ (1,313)	£ (1,426)	£ (1,550)	£ (1,685)	£ (1,832)
Actual/Expected Gross Debt at 31 March	£ 312,274	£ 320,690	£ 343,003	£ 387,734	£ 432,614	£ 459,883
The Capital Financing Requirement	£ 333,754	£ 339,534	£ 377,429	£ 429,710	£ 475,623	£ 505,541
Under / (over) borrowing	£ 21,480	£ 18,844	£ 34,426	£ 41,976	£ 43,009	£ 45,658
Investments						
Cash & Cash Equivalents	£ 8,581	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 10,000
Short-Term Investments	£ 74,985	£ 64,985	£ 64,985	£ 64,985	£ 64,985	£ 64,985
Total Investments	£ 83,566	£ 74,985	£ 74,985	£ 74,985	£ 74,985	£ 74,985

4. Prudential Indicators for External Debt

4.1 Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed and will be the focus of day to day treasury management. Typically, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

For this Council:-

- the Operational Boundary for Borrowing has been calculated to equate directly to the value of the CFR for General Services and HRA combined, over the current financial year and the following 4 financial years (2017/18 to 2021/22); and
- the Operational Boundary for Other Long-Term Liabilities has been calculated to equate directly to the in-year CFR for Other Long-Term Liabilities, given the known contractual provisions for the repayment of debt within the Council's two PPP agreements.

Operational Boundary						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Operational Boundary - Borrowing	£ 278,782	£ 285,875	£ 325,196	£ 379,027	£ 426,625	£ 458,374
Operational Boundary - Other long term liabilities	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998	£ 47,167
Total	£ 333,754	£ 339,534	£ 377,429	£ 429,710	£ 475,623	£ 505,541

Should the Operational Boundary be breached, for example as a result of a decision taken to borrow in advance (should market conditions indicate that it is prudent to do so), this will be reported to Council at the next available opportunity.

4.2 Authorised Limit of Total External Debt

This indicator sets the limit for total external debt.

In an active Treasury Management policy it is sometimes prudent to borrow in advance of need if interest rates are expected to rise.

In order to continue to service the ongoing external debt and finance the current capital programmes the Council needs to increase its external borrowing to £481.355 million by 31 March 2022. Within the Capital Plans, there are assumptions regarding capital receipts and developer contributions which when applied to the Council's capital plans reduce the Council's borrowing requirements. However, the realisation of these capital receipts and developer contributions carry inherent uncertainty around both the timing and value of each receipt/contribution, given that they are largely dependent upon economic and market activity which are outwith the Council's control. Therefore, in order to calculate the Authorised Limit for Borrowing, these capital receipts and developer contributions have been added to the Capital Financing Requirement, to give the Council flexibility to fully borrow in advance of need (if market conditions support this action) should these receipts and contributions be unable to be realised in the short term. This therefore reflects a level of borrowing which, while not desired, could be afforded but is not sustainable.

Council is therefore asked to approve that, rather than restrict borrowing to £285.875 million for 2017/18, £325.196 million for 2018/19, £379.027 million for 2019/20, £426.625 million for 2020/21 and £458.374 million for 2021/22, that permission be granted to borrow up to the 2021/22 Authorised Limit for borrowing of £482.021 million as shown in the table below, if market conditions support this action.

Adopting this approach will secure lower costs for future years but care will be taken to ensure that the cost of carry is minimised and that the maturity structure of all debt is sufficiently robust to ensure that the Capital Financing Requirement at 31 March 2022 remains achievable.

Authorised Limit						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Authorised Limit - Borrowing	£ 482,021	£ 482,021	£ 482,021	£ 482,021	£ 482,021	£ 482,021
Authorised Limit - Other long term liabilities	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998	£ 47,167
Total Debt	£ 536,993	£ 535,680	£ 534,254	£ 532,704	£ 531,019	£ 529,188

Reconciliation of calculation of Authorised Limit for borrowing:-

Reconciliation of Authorised Limit for Borrowing	
	£000's
CFR - General Services at 31 March 2021	£ 145,406
CFR - HRA at 31 March 2022	£ 315,112
Capital Receipts 2017/18 unrealised to date	£ 2,076
Capital Receipts 2018/19 to 2021/22	£ -
Developer/Other Contributions 2017/18 Unrealised to date	£ 5,624
Developer/Other Contributions 2018/19 to 2021/22	£ 13,803
Authorised Limit for Borrowing	£ 482,021

5. Prudential Indicators for Treasury Management

5.1 Adoption of the CIPFA Treasury Management Code of Practice

The adoption of CIPFA's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* is an indication of a clear, integrated and prudent approach to Treasury Management.

5.2 Upper limits on Fixed and Variable Interest Rates

This indicator limits the amount of external debt that may be held at fixed or variable rates. These limits are proposed to be as follows:-

Upper Limits on Exposure to Fixed and Variable Interest Rates 2017/18			
Interest rate exposures			Upper Limit
Limits on fixed interest rates based on gross debt			100.00%
Limits on variable interest rates based on gross debt			30.00%
Limits on fixed interest rates based on investments			100.00%
Limits on variable interest rates based on investments			100.00%

5.3 Maturity Structure of Borrowing

This indicator sets the upper and lower limits of the time scales within which external debt may be held.

The Treasury Management Code of Practice now requires that LOBO's with a call date in the next 12 months are classified as short-term borrowing rather than longer-term (10 year+) borrowing.

In addition, the Code also recommends that where an authority's debt is typically very long term (i.e. for a period of greater than 10 years), that authorities should break down the period in excess of 10 years into several ranges, for example 10 to 20 years, 20 to 30 years, etc.

With the above in mind, the proposed upper and lower limits for each maturity band are shown below, with the overall aim to ensure a spreading approach to avoid a cluster of high value loans maturing/requiring refinancing within a short period of time.

Maturity Structure of Borrowing 2018/19		
Maturity structure of fixed interest rate borrowing 2018/19	Lower	Upper
Under 12 months	0.00%	50.00%
12 months to 2 years	0.00%	50.00%
2 years to 5 years	0.00%	50.00%
5 years to 10 years	0.00%	50.00%
10 years to 20 years	0.00%	50.00%
20 years to 30 years	0.00%	50.00%
30 years to 40 years	0.00%	50.00%
40 years to 50 years	0.00%	50.00%
50 years and above	0.00%	50.00%
Maturity structure of variable interest rate borrowing 2018/19	Lower	Upper
<i>Under 12 months</i>	0.00%	30.00%
<i>12 months to 2 years</i>	0.00%	30.00%
<i>2 years to 5 years</i>	0.00%	30.00%
<i>5 years to 10 years</i>	0.00%	30.00%
<i>10 years to 20 years</i>	0.00%	30.00%
<i>20 years to 30 years</i>	0.00%	30.00%
<i>30 years to 40 years</i>	0.00%	30.00%
<i>40 years to 50 years</i>	0.00%	30.00%
<i>50 years and above</i>	0.00%	30.00%

5.4 Total Principal Sums Invested for Periods Longer than 365 Days

This indicator relates to the total level of investments held for periods longer than 365 days.

Principal Sums Invested for > 365 Days	
Limit	£50m

The current strategy as outlined in the body of these reports is to cash-back the Council's balance sheet reserves. It is expected that the majority of this will be in the form of 175-185 day notice accounts, 12 month fixed term deposits and/or certificates of deposit. The limit for principal sums invested for > 365 days has been set at £50m to give the Council flexibility to extend the duration of such deposits on the margins, to e.g. 366 days or 13/14 months. As noted in the Investment Strategy section of this report, a thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Capita, against any enhanced value to the portfolio, will be undertaken prior to the placement of any deposit.

Housing Revenue Account – Rent Setting Strategy 2019/20 – 2021/22

Report by Allister Short, Joint Director, Health and Social Care & Gary Fairley, Head of Finance and Integrated Service Support

1. Purpose of the Report

- 1.1 This report considers the affordability of council house rents and provides feedback on consultation regarding future rental charges for council housing which will determine the level of investment and new build development in council housing beyond the Council's current programme. It recommends a three year increase in rents and related charges of 3% per annum with effect from April 2019.

2. Background

- 2.1 The HRA Capital Plan, approved on 27th September 2016, provides for a total investment of £119.392 million over the period 2016/17- 2021/22 of which £74.452 million is earmarked for the New Social Housing Programme. In addition to funding investment in new housing the Council needs to invest in existing stock to ensure housing stock is maintained in compliance with the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH).
- 2.2 In December 2015, Midlothian Council agreed to increase council house rents by 5% per annum for the three year period between 2016/17 and 2018/19. Consequently all council house rents will rise by 5% from 1st April 2018. However, for the years 2019/20 and beyond a future rent setting strategy needs to be agreed. It is beneficial to agree a future rent setting strategy early in 2018 as this will directly influence site selection and investment in new build council housing. In addition, tenants of new build council homes which are now over 10 years old, require certainty of the arrangements for the convergence of their rents with that of tenants of the existing housing stock.
- 2.3 The Scottish Housing Regulator responded positively to Midlothian Council's approach to rent consultation in 2015, and highlighted positive practice in the approach taken in the publication, "*How social landlords consult tenants about rent increases*" (Scottish Housing Regulator, November 2016). The Rent Setting consultation in 2017/18 has followed the recommendations of this Report which advised that:

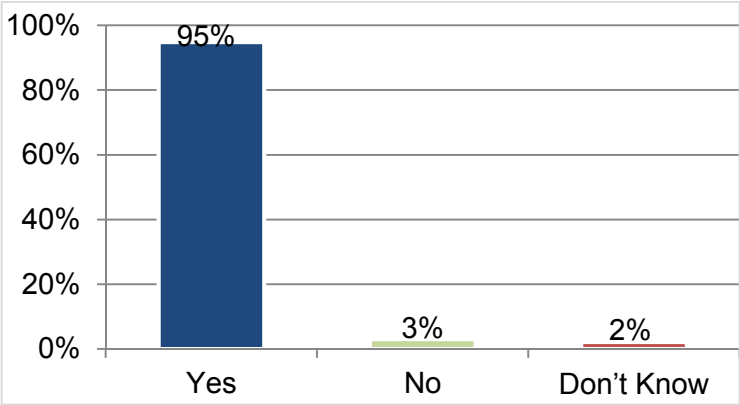
Social landlords should consult tenants about rent increases in ways that enable them to express informed views on options for different rent levels with clear information on what they mean for services and investment in homes. Landlords should:

- Consider their tenant profile and the best ways to engage with tenants about proposed rent increases;*
- Give tenants easy-to-understand information to help them express informed views;*
- Give tenants genuine options for proposed rent increases and spell out what they mean for levels of investment in homes and the level of services offered;*
- Discuss with tenants the level of service they want;*
- Talk to current and prospective tenants about what level of rent is affordable for them;*
- Be transparent about how they determine affordability; and*
- Show tenants how their views were taken into consideration in decisions and give them feedback on the consultation process.*

2.4 Midlothian Council's Strategic Housing Investment Plan was approved by Midlothian Council in November, 2017. It noted that the Council had reached a significant milestone in surpassing 1,000 new build council homes built since the start of the new social housing programme in 2006. The Council's new build programme has so far allocated £208.3 Million on building new council homes in Midlothian over three phases with funding committed for 475 further units (including some open market purchases). In addition to receiving grant funding from the Scottish Government, the Council has increased rental charges annually in order to support funding for investment and new council housing and currently places a 25% premium on new build homes for the first 10 years they are let.

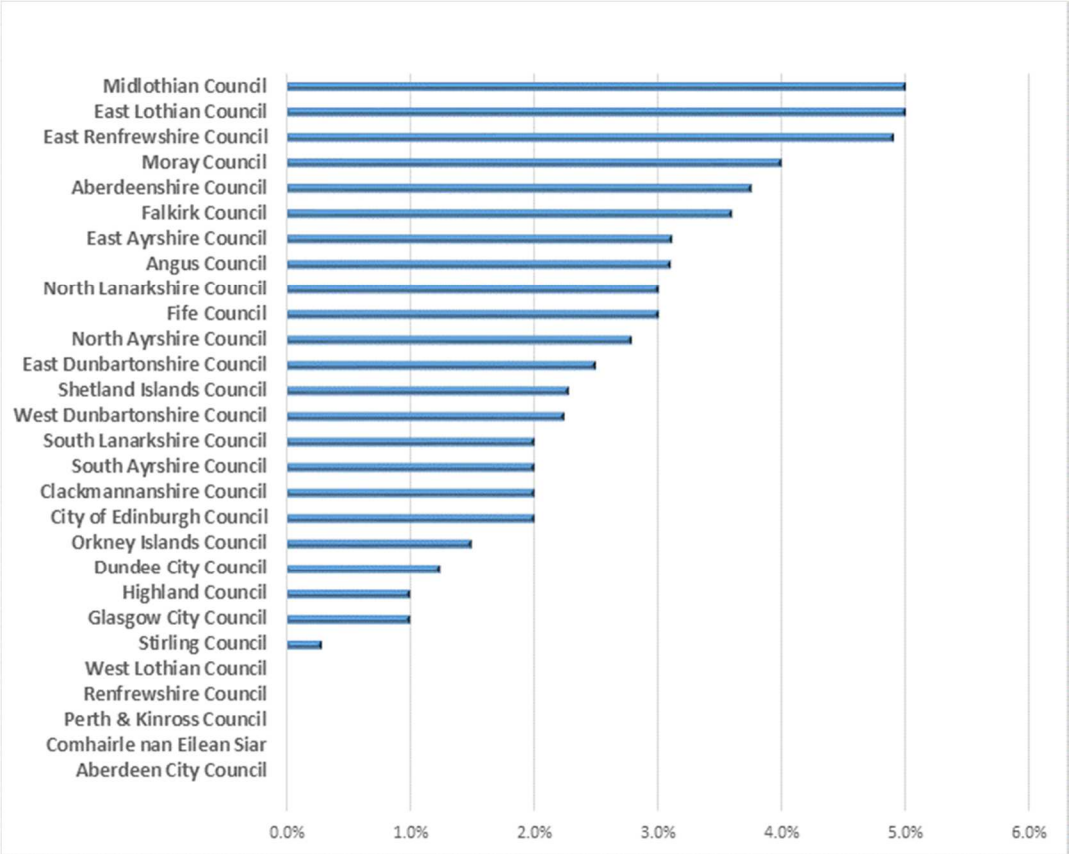
2.5 Despite the success achieved at significantly increasing the new supply of affordable housing, it is evident that the level of housing need has increased with 4,925 households currently on the Housing List – including over 1,000 homeless households. In order to address this rapid increase in housing need the supply of new affordable housing across all tenures needs to increase. Tenants and Housing Applicants consider it a priority for the Council to build new housing, Chart 1, below shows that 95% of tenants and applicants who responded to the 2018 Rent Setting Consultation support further development of new Council Housing. In order to increase the supply of new council housing increases will be required for existing council housing rent levels for future years in addition to continued grant funding from the Scottish Government to support new affordable housing development.

Chart 1: Support for new council housing



2.6 The Council’s most recent Tenant Satisfaction Survey, undertaken in 2016/17, recorded that the majority of respondents (82%) were satisfied their rent provided good value for money compared to 10% percent that indicated dissatisfaction. However, the average rent is now higher than the Scottish average: Midlothian Council average weekly rent is £69.40 compared to the *Scottish average for council housing* of £67.76. In addition, Chart 2 below, shows that the annual rent increase for Midlothian Council of 5% (which has been applied annually since April 2016) is the joint-highest in Scotland.

Chart 2: Rent Increases by Scottish Council (Data from 2016/17 Annual Charter Return to the Scottish Housing Regulator)



2.8 In terms of demonstrating the affordability of rental charges, it is suggested that when housing costs exceed 30%-35% of a household's income, the cost is judged to be unaffordable. The table below shows an average weekly 3 bedroom Midlothian Council house rent and compares this to a gross household income based on a full time employee who receives the minimum wage (£7.50 per hour). It shows in both cases that current rents are well below the 30% -35% level of households who receive either the minimum wage. Even if the current rent increase option was applied for a further 3 years (5% increase per year) a householder working full time and earning the minimum wage or living wage would still be paying less than 30% of their gross income to pay for housing costs.

Table 1: Midlothian Council Rent Affordability

Average Weekly Rent (3 Bedroom)	£65.12
Minimum Wage Income	£270
Percentage of Income Spent on Rent	24%

2.9 Council Officers undertook an extensive consultation exercise with tenants and Housing List applicants, as detailed in Appendix 1 to this Report. 10,577 Survey returns were sent out in December 2017 with the deadline for responses on 15th January 2018. A total of 1,040 Surveys were completed, with responses from 738 tenants and 302 housing list applicants.

2.11 Tenants and housing list applicants were asked to select their preferred option for annual rent increases for the next three years. They were also advised what impact each option would have for future investment in council housing in Midlothian. The options used as part of the consultation are shown in Table 2.

Table 2: Rent Increase Options 2019/20 – 2021/22

Option	Annual Increase between 2019/20 to 2021/22	Total Number of Additional Homes
Option 1	3%	1,000
Option 2	3.5%	1,190
Option 3	4%	1,385
Option 4	5%	1,770

2.12 Table 3 shows the preferences of respondents. It is evident that Option 1 (a 3% increase) was the most popular choice: 564 respondents or 56% of those who responded selected this option. Option 2 was the second highest Option, with 187 respondents (19%) choosing this Option. Option 4 was chosen by 173 respondents (17%). The least popular choice was Option 3, with 81 respondents (8%) choosing this. Option 1 was the most commonly selected choice for both tenants and housing applicants. Some responses to the consultation expressed disappointment that there weren't lower rent increase options and some tenants were dissatisfied that their rent charge was being increased to support new housing.

Table 3: Preferred Rent Option 2019/20 – 2021/22

Rent Option	Option 1 3%	Option 2 3.5%	Option 3 4%	Option 4 5%
Number	564	187	81	173
%	56%	19%	8%	17%

2.13 In November 2009, Midlothian Council agreed to proposals for the rent strategy for new build council housing as follows:

“The weekly rent for new build properties is 25% higher than that of the equivalent size of existing property. Over time it is appropriate that new build and existing rents should converge and it is therefore proposed to achieve this by applying a rent increase for each new build property of 2% below the general increase starting with the first rent increase which is applied 10 years after the whole site was completed.”

The Report to Council in November 2017 on the Strategic Housing Investment Plan 2018/19 – 2022/23 noted that this Policy would no longer be workable due to limitations of the current housing management IT system, the length of time taken for rents to converge and the difficulty in future consultation regarding rent increases with affected tenants. As a result, tenant and housing list applicants were consulted on alternative proposals for new build tenants. These proposals ensured that there is no detriment to current projected future income, in order that investment plans are not impacted.

2.14 Table 4, below, shows that 41% of survey respondents chose Option C which proposes to freeze new build rents until the older housing stock rental charges increase the same level. However, the views of tenants only shows that a significantly higher proportion support a 15 year rent premium (42%) compared to a rent freeze (36%). In addition, 22% of tenants voted to retain the premium rent charge permanently for all new build homes. It is therefore recommended that Option A is agreed by Council as the new policy for new build rents. Option A provides a slightly lower level of rental income compared to Option B (£524.3M compared to £526M during the period 2017/18 – 2032/33) but this will not be not detrimental to investment plans.

Table 4: Preferred Option for New Build Premium

Option	Action	Income £Million	Tenants and Housing List	Tenants Only
Option A	Retain New Build Premium for 15 Years then reduce rent to same as older homes	£524.3M	40%	42%
Option B	Retain New Build Premium Permanently	£535.4M	19%	22%
Option C	Freeze New Build Rents after 10 years until the rent charge for older homes are at a similar level.	£526M	41%	36%

3 Report Implications

3.1 Resource

The Housing Revenue Account Capital Plan, approved on 27th September 2016 provides for a total investment of £119.392 million over the period 2016/17 to 2021/22, of which £74.452 million was earmarked for the New Social Housing Programme. This increased to reflect additional Scottish Government Grant received bringing the total budget for completion of 1,496 properties to £227.901 million.

The proposed 3% rent increase per annum for 2019/20 – 2021/22 and the longer term assumption of 2% thereafter would continue to support current investment in New Social Housing and also in the existing stock as well as provide additional investment of £94.050 million for a further Phase of New Social Housing, £6 million investment in Temporary Accommodation and £10 million for Environmental and Fire Safety improvements with reserves falling to a contingent level of £1.876 million in 2032/33. This additional investment would fund approximately 1000 homes as well as approximately 30 Temporary Accommodation units.

The HRA revenue model has been updated and projected forward to 2030/31 and reflects the revised Capital plan as well as the following key assumptions:

- The borrowing cost of the capital investment detailed in appendix 2 together with estimated investment in existing properties over the remaining years of the projection;
- The impact on rental income stream as a result of the implementation of Universal Credit;
- Projected provision for inflation over future years as per GDP Deflator and BCI Tender Prices Index;
- The longer-term requirement that the rents for new build properties will converge with that of the existing stock.

These together with a number of other minor adjustments to the previous financial projections confirm that the HRA can support the existing investment plans.

The proposed revenue budget for 2018/19 and indicative revenue budgets for 2019/20 – 2023/24 are detailed in appendix 3.

3.2 Risk

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

The longer term financial modelling undertaken demonstrates that the current capital plan is affordable but sensitive to movement in the following variables:-

- Future years rent strategy will affect the affordability of the Capital Plan;
- The full impact of Universal Credit is still as yet unknown and may be higher than anticipated resulting in a further reduction of reserves;
- Inflation and interest rates.

Regular monitoring is in place to manage the financial and project risks. This ensures that any cost changes are identified and the implications assessed and reported promptly.

3.3 Key Priorities within the Single Midlothian Plan

Midlothian Council and its Community Planning Partners have made a commitment to treat the following areas as key priorities under the Single Midlothian Plan:

- Reducing inequalities in the health of our population
- Reducing inequalities in the outcomes of learning in our population
- Reducing inequalities in the economic circumstances of our population

The themes addressed in this report impact on the delivery of the Single Midlothian Plan outcome particularly in terms of priorities in relation to the delivery of affordable housing, homelessness and health and social care outcomes through the provision of specialist housing.

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

3.4 Impact on Performance and Outcomes

The recommendations in this Report impact positively upon achieving the following Local Housing Strategy outcomes:

- 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.

3.5 Adopting a Preventative Approach

The proposed strategy for rent setting for a three year period ensures that the Housing Revenue Account continues to provide for investment in existing stock to ensure housing is of good quality and investment of new housing to meet housing need in Midlothian.

3.6 Involving Communities and Other Stakeholders

The attached appendix provides detail on the consultation which has been undertaken which included a survey, meetings with Midlothian Tenant Panel and other Tenant Groups. In addition, the Rent Setting Strategy was discussed at the December, 2017 Local Housing Strategy and Homelessness Working Group to ensure engagement with key stakeholders such as local RSLs, Shelter and the Scottish Government.

3.7 Ensuring Equalities

An equalities impact assessment has been completed in connection with this Report. This is to ensure the rent setting strategy does not impact negatively upon any equality groups.

3.8 Supporting Sustainable Development

Not Applicable

3.9 IT Issues

Not Applicable

4. Recommendation

It is recommended that Council:

- a) Note the positive response to consultation with tenants and housing list applicants in relation to agreement on future rent setting.
- b) Agree to a 3% rent increase per annum for three years from 2019/20 – 2021/22.

- c) Note that a 3% rent increase will provide investment for a total of 1,000 additional council homes, 30 temporary accommodation units and investment in Environmental and Fire Safety Improvements.
- d) Agree to change the policy on the new build rent premium as set out in Section 2.14 of this Report.
- e) Note that all elected members will be consulted for their views on potential locations for new council housing development.
- f) Approve the resultant HRA Capital Plan for 2018/19 to 2023/24 as detailed in Appendix 2.
- g) Approve the HRA Revenue Budget for 2018/19 and note the Indicative Revenue Budget for 2019/20 to 2023/24 as detailed in Appendix 3.

Date: 23rd January 2018

Report Contact: Kevin Anderson, Head of Customer and Housing Services

Tel No. 0131 271 3225

Email: kevin.anderson@midlothian.gov.uk

Background Papers:

Strategic Housing Investment Plan 2018/19 – 2022/23

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Introduction

As part of Midlothian Council's commitment to involving tenants and other service users in the management of housing services it undertook consultation on the future rent setting strategy before making a recommendation on the rent charges during the period 2019/20 to 2021/22.

When making decisions about the future rent strategy, the Council needs to ensure that it adequately forecasts the cost of managing and maintaining its housing stock and meets standards including maintaining stock to the Scottish Housing Quality Standard and Energy Efficiency Standard for Social Housing. It also needs to decide whether to build a further phase of new council housing beyond the current phase of development which is currently underway. In addition, it needs to take account of good practice guidance from the Scottish Housing Regulator in relation to consulting on rent setting, which advises that:

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

- Consider their tenant profile and the best ways to engage with tenants about proposed rent increases;
- Give tenants easy-to-understand information to help them express informed views;
- Give tenants genuine options for proposed rent increases and spell out what they mean for levels of investment in homes and the level of services offered;
- Discuss with tenants the level of service they want;
- Talk to current and prospective tenants about what level of rent is affordable for them;
- Be transparent about how they determine affordability; and

- Show tenants how their views were taken into consideration in decisions and give them feedback on the consultation process.¹

What was the Council's Approach to Consultation?

Following a review of good practice, the following methods were agreed:

- Development of an easy to read and attractive newsletter which provided information on rent and affordability to give tenants and other service users an improved understanding to inform their decision making on rent setting options.
- Development of a Survey which asked key questions about the future rent setting strategy, including providing four options for tenants and prospective tenants to select.
- Arranging 4 rent consultation drop in events across Midlothian during January 2018.
- Consulting with members of the Midlothian Tenant Panel and other tenant and resident groups.
- Providing tenants and applicants with a range of ways of providing feedback, including face to face, telephone, email and post.

This report contains key information derived from the consultation exercise, including:

- Analysis of Survey Data and the preferred option for rent increases during the next three years.
- Feedback from Tenant Groups and Drop in Events.
- Officer's responses to comments received during the consultation process.

¹ How Social Landlords Consult Tenants about Rent Increases, Scottish Housing Regulator (2016)

Section 1: Analysis of Survey of Tenants and Prospective Tenants

A total of 10,577 Survey returns were sent out in December 2017 with the deadline for responses being the 15th January 2018. Table 1, below, shows that 11% of tenants and 8% of housing list applicants responded to the Survey, with a total of 1,040 Surveys completed. The majority of Surveys were completed via postal returns while 7 respondents completed their Survey online. This was a lower return compared to the previous consultation undertaken in 2015 when 1,268 responses were received. However it is still a better return compared to the rent consultation in 2010 when 417 surveys were returned. This level of response compares well to other Registered Social Landlords (RSLs).

Table 1: Response Rate to Rent Setting Survey²

Respondent Type	Total Number	Number of Respondents	Percentage Response
Tenant	6,861	738	11%
Applicant	3,716	302	8%
Total	10,577	1,040	10%

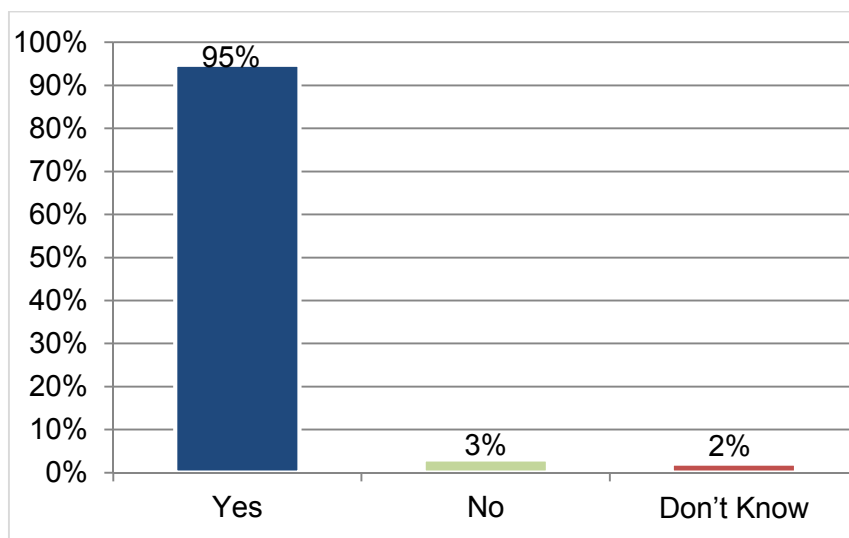
Views about New Build

Tenants and applicants were asked some questions relating to the Council's New Build Programme which is closely linked to the future rent setting options.

Chart 1, indicates the response to the question "Should the Council continue to build new council housing to help reduce the number of applicants on the housing list"? It shows that the vast majority of respondents were supportive of additional investment in new council housing – with 95% of respondents supporting this. Of tenants who responded, 93% supported new council housing, compared to 99% of applicants on the waiting list.

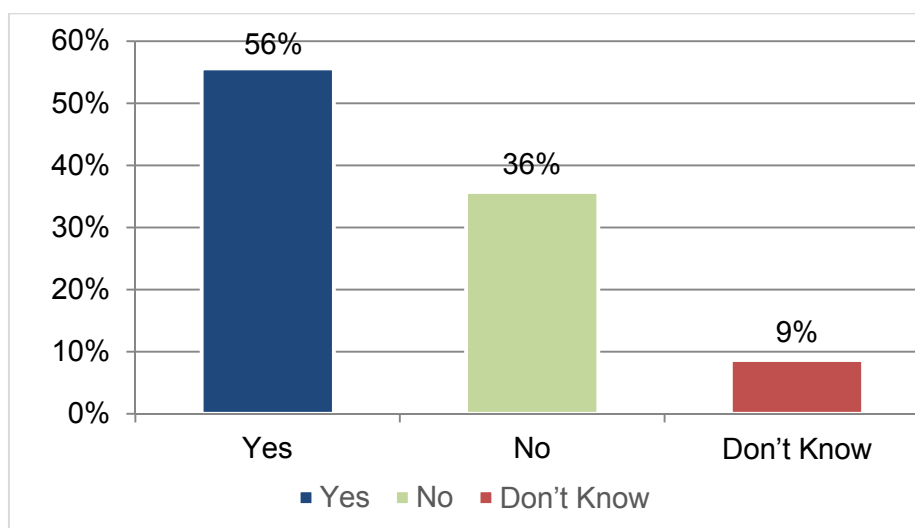
² The number of applicants on the Housing List is reduced for the purposes of the mail-out as current tenants who are on the Housing List will have already received a Survey and also some applicants do not have a fixed abode as an address.

Chart 1: Support for new council housing



Midlothian Council places a 25% premium on new build rents for the first 10 years of let to support the funding for this investment. Those surveyed were asked if they thought new build homes should have higher rents than older properties. Chart 2 shows that 56% of respondents thought new build rents should be higher. Just over one third of those surveyed (36%) did not think rents should be higher. A significant proportion (9%) felt unsure about what their view was in relation to this question. Applicants on the Housing List were less supportive of higher new build rent levels with 45% stating they agreed with this compared to 63% of current tenants.

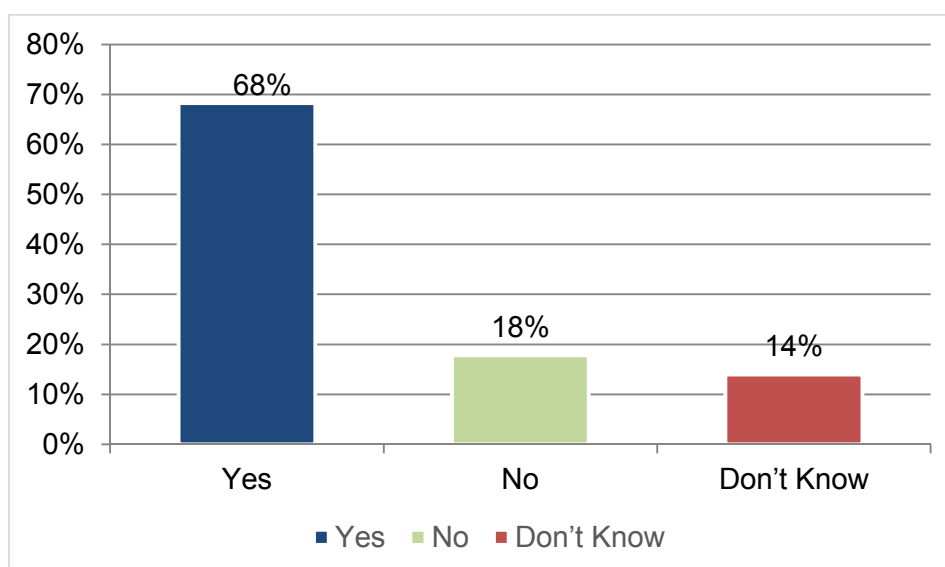
Chart 2: Premium on new build rent levels



Approach to Consultation

Those surveyed were asked if they were happy with the amount of consultation and information provided as part of the Rent Consultation. Chart 3 shows that over two-thirds of survey respondents were satisfied with the approach to consultation. In terms of other responses, 18% were dissatisfied with the approach to consultation and 14% were not sure of their opinion.

Chart 3: Satisfaction with Rent Consultation



Options for Future Rent Increase

Tenants and housing list applicants were then asked to select their preferred option for annual rent increases for 2019/20 – 2021/22. They were also reminded that the rent increase for 2018/19 was already set at 5%. Those surveyed were also made aware of the impact on new build plans that different rent increase options would have, with higher increases providing more funding to provide a larger number of new build housing, as shown in Table 2. There has been a significant increase in the total number of council homes that can be built partly because the level of Scottish Government funding has significantly increased and now provides £57,000 of funding for every new council house that Midlothian Council builds.

Table 2: Rent Increase Options

Option	Annual Increase between 2019/20 to 2021/22	Total Number of Additional New Homes Built
Option 1	3%	1,000
Option 2	3.5%	1,190
Option 3	4%	1,385
Option 4	5%	1,770

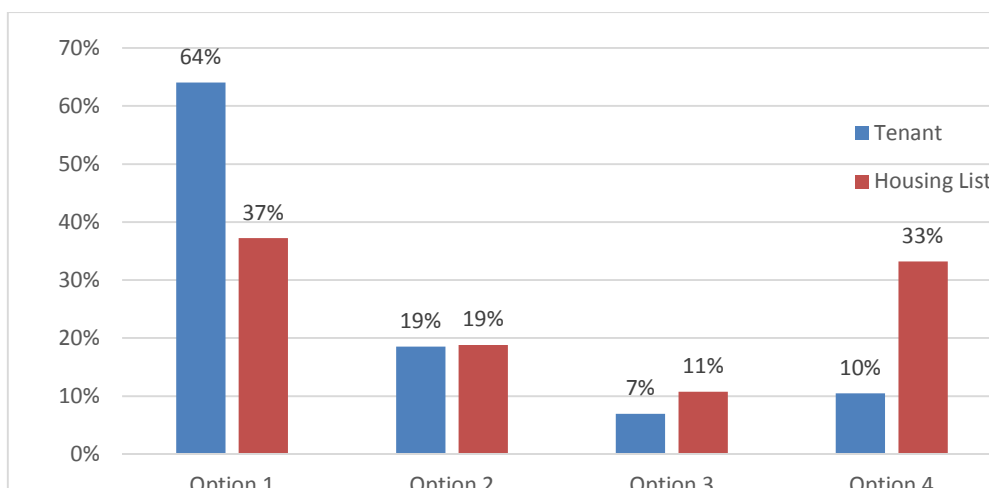
Table 3 shows the preferences of respondents. It is evident that Option 1 (a 3% increase) was the most popular choice: 564 respondents or 56% of those who responded selected this option. Option 2 was the second most popular Option, with 187 respondents (19%) choosing this. Option 4 was chosen by 173 respondents (17%). The least popular choice was Option 3, with 81 respondents (8%) choosing this.

Table 3: Preferred Rent Option 2019/20 – 2021/22

Rent Option	Option 1 3%	Option 2 3.5%	Option 3 4%	Option 4 5%
Number	564	187	81	173
%	56%	19%	8%	17%

However, there was significant differences between the views of tenants and housing list applicants. Chart 4 shows that Option 1 was the most popular option for tenants who responded (64% of tenants) while all other options had a much lower response. The second most common choice for tenants was Option 2 (19%). For housing list applicants the most commonly chosen option was also Option 1 (37%), however Option 4 was a close second (33%) which was a vote for the highest rent increase.

Chart 4: Preferred Rent Option, by Respondent Type



Further analysis of the results raised the following points of information:

- Support for the lowest rent increase was higher for those living in larger properties. For example, 61% of tenants living in a 1 bedroom property and 63% of tenants in a 2 bedroom property chose Option 1, compared to 69% of tenants living in a 3 bedroom property.
- In terms of income, tenants who received Housing Benefit/Universal Credit to support payment of their rent were more likely to support higher rent increase options compared to tenants who did not receive any support to pay their rental costs.
- Tenants who have been a council tenant for a longer period of time favoured the lowest rent increase option. For example 68% of tenants who have held a tenancy for between 11 and 20 years chose Option A compared to 60% of tenants who had been a tenant for between 6 and 10 years. This could be for a variety of reasons, such as longer term tenants being more likely to be retired on a low income or possibly more recent tenants were more likely to need a transfer to another property to accommodate a growing household.

New Build Rent Premium

In November 2009, Midlothian Council agreed to proposals for the rent strategy for new build council housing as follows:

“The weekly rent for new build properties is 25% higher than that of the equivalent size of existing property. Over time it is appropriate that new build and existing rents should converge and it is therefore proposed to achieve this by applying a rent increase for each new build property of 2% below the general increase starting with the first rent increase which is applied 10 years after the whole site was completed.”

This will affect properties at Bill Russell Grove in 2018/19, with further estates to follow in 2019/20. Under this Policy by 2028 all 1,052 current new builds would have their rental costs reduced, moving towards being charged the same rent charge as an older property. This poses a number of challenges for the Housing Service:

- The Council is required to consult with tenants on a regular basis with tenants on the rent charge and rent increase that they are required to pay. For tenants who live in a new build house it could be confusing for them as they will need to decide on different rent increase options. It would be a complicated administrative process to undertake rent consultation with new build tenants who may be affected by rent convergence over different time periods.
- The length of time it would take for the rental charge for a new build property to converge with existing properties is estimated at 21 years. It may be difficult to justify charging a ‘new build’ premium on a property over 20 years old.
- It is administratively onerous to set different rental increases for different houses built in different years and to do so would require an upgrade to the housing management system.

As part of the consultation, Tenants and Housing List applicants were given three options and asked which one they would favour. All options were not detrimental to the income of the Housing Revenue Account, so current levels of investment were not adversely impacted. The options were:

Option A

15 Year New Build Rent Premium

This option means that all new build tenants pay a 25% premium for 15 years instead of the current policy of 10 years from the year it was built. After this time the rents reduce by 25% to exactly the same level as older council housing. This option is the quickest way for tenants to pay a lower rent and avoids a long period of transition to a lower rent level.

Option B

Retain New Build Rent Premium

This option would mean that tenants in new homes would pay 25% higher rents permanently. This would provide extra income to the Council which could potentially fund additional future development. However, some tenants living in recently built houses may feel disadvantaged by paying a higher rent charge and may face affordability issues.

Option C

Freeze the Rents in New Build Properties

This option would mean that after 10 years the rent charged for a new build house would be frozen until the rent for older properties have caught up. This would avoid new build tenants paying more in the short term although it would take a varying time for rent charge to reduce. This would be dependent on the level of annual rent increases applied. For example, if rent increases were at 4% every year it would take a further 7 years for the rent charge to return to the same level of older properties. If the rent increases were 3% per annum it would take a further 8 years for the rent charge to return to the same level of older properties.

Table 4 below shows that Option C was chosen by 41% of Survey respondents. Option B was the second most popular option, chosen by 40% of respondents. However, the table also shows that tenants preferred Option A, with 42% of tenants who responded favouring this Option. Midlothian Council has a statutory duty to consult with tenants but not Housing List applicants, therefore Officers need to particularly consider tenants views when making decisions.

Table 4: Preferred Option for New Build Premium

Option	Action	Tenants and Housing List	Tenants Only	Housing Applicants Only
Option A	Retain New Build Premium for 15 Years then reduce rent to same as older homes	40%	42%	36%
Option B	Retain New Build Premium Permanently	19%	22%	12%
Option C	Freeze New Build Rents after 10 years until the rent charge for older homes are at a similar level.	41%	36%	52%

How do results compare with Consultation in 2015?

The Chart below shows the preferences for options put to tenants and housing list applicants in 2015 when the previous consultation on rent setting took place. Similar to 2017/18 this would also determine if a further phase of council house building would proceed. The results are shown in Table 5. It shows that there was stronger support for the higher rent increases than is the case in the 2017/18 consultation. The low support for higher rent increases in 2017/18 is likely to be due to a number of factors:

- Several years of above inflation rent increases has become less acceptable to an increased proportion of tenants and housing list applicants.
- The lowest rent increase: Option in 2015 (Option 1: 4%) did not provide for any new build housing whereas in 2017/18 the lowest increase provides funding for a total of 1,000 new council homes. This higher figure of development is due to low debt charges, increased subsidy from the Scottish Government and that this figure takes account of several sites for development due to be completed from an earlier phase of funding for new housing.

Table 5: Preferred Rent Option 2015

Rent Option	Option 1 4%	Option 2 4.5%	Option 3 5%	Option 4 6%
Number	179	313	309	353
%	15%	27%	27%	31%

Section 2: Feedback from Midlothian Tenant Panel, Drop in Events and other Groups

Midlothian Tenant Panel

Midlothian Council works with the Midlothian Tenant Panel in order that interested tenants can become more involved in tenant scrutiny and engagement projects with the Housing Service. Three members of the tenant panel met with Housing staff prior to the consultation period on the rent increase. The main points of feedback included:

- All Panel members were interested in giving their views in relation to the annual rent increase.
- All Panel members felt that the Newsletter provided good information about rent increase options and affordability and was well designed. The wording of one question was slightly amended following discussion.
- One Panel member suggested local advertising would help increase the involvement of tenants in this important issue and felt people should come to meetings and find out more.
- Panel members felt it was a good idea to involve Housing List applicants too. One Panel member noted that she had lived in homeless temporary accommodation for some time prior to being housed and would have found this information useful for her understanding about the level of housing need in the area.
- All Panel members were strongly supportive of additional new build housing but wanted to ensure that older housing would see investment in order that the condition of housing stock did not deteriorate.
- One Panel member recalled from a previous meeting with the Scottish Housing Network that Midlothian Council's recent rent increase of 5% was among the highest in Scotland and felt it was appropriate that, going forward, the annual increase should be lower than 5%.
- Two Panel members supported Option A (a 15 year new build premium). They felt this gave tenants certainty over how long they would pay a higher charge.

Some quotes from tenant panel members in relation to the rent setting strategy:

“Midlothian Rents are pretty good. When I talk to my family and friends who are with other landlords and in other areas my rent charge is cheaper”

“You must keep building new homes – but my home was built in the 1930s and I want to know that some of my extra rent will go towards keeping it up to date.”

Esk Place Tenant’s Association (Registered Tenants Organisation)

Eight residents attended a meeting with Officers to discuss the Rent Consultation.

- In response to the question “Should the Council continue to build new council housing to help reduce the number of applicants on the housing list?”, the Group strongly agreed with this as they considered the need for more housing to be very high.
- Asked whether or not new build properties should be charged at a higher rate than older properties, there were mixed views. One tenant felt that you should only pay more if there are extra facilities that go with a new build property.
- With regard to the question of the level of consultation being carried out, several tenants asked for more feedback about what decisions are taken following the consultation period in order that they can see how their views have influenced decision-making. Some tenants also felt it was disappointing that more tenants did not engage with consultation or return their Survey Forms. One tenant raised long standing concerns about a repairs issue in his flat which he feels has not been satisfactorily resolved and considered this an example of when the Council does not listen. This tenant also felt that the service provided is poorer with the absence of the warden service. This was challenged by Housing Service staff as there was a consultation period in which the views of tenants at Esk Place were sought.
- Most tenants favoured a 3% rent increase.

Cowan Court Tenants Group

The Cowan Court Tenants Group met on 12th January where there was 8 attendees. The Rent Consultation was discussed at the meeting. The following comments were made:

- Several tenants said they had not completed a Survey and did not think that many of the other residents had responded either.
- Several tenants felt they were already paying too much and would have preferred lower rent increase options than 3% or the option to freeze the rents for future years.

It may be the case that tenants have a negative view of the rent charge due to other charges they are required to pay in Cowan Court, such as housing support and communal heating charges.

Woodburn Tenants Group and Loanhead Tenants Group

- Several tenants were concerned about repairs issues in their neighbourhood and were concerned that the focus for investment would be on new build housing. Attendees were assured that this was not the case.
- Some attendees felt it was unfair that certain individuals could get allocated a council house before them. The Officer present explained the issue was more the lack of supply of housing rather than the allocation of housing.
- One attendee felt that the consultation was a waste of time as Midlothian Council would decide whatever rent increase it wished. Attendees were assured that the Report of the Consultation would be considered by Officers and Members before any decision was taken.
- One attendee was concerned with her ability to pay for her rent charge, utility bills and council tax given she was reliant on the state pension.

Drop In Events

Tenants and Housing Applicants were welcome to attend one of 4 Drop in Events in Midlothian to talk to staff about the consultation materials, ask questions, and provide feedback in an informal environment.

Drop in Events were held in the following locations:

- Buccleuch House, Dalkeith, Monday 8th January, 9:00 –11:00
- Penicuik Library, Tuesday 9th January 2018, 16:00 – 18:00
- Loanhead Centre, Wednesday 10th January 2018, 14:00–16:00
- Gorebridge Library, Thursday 11th January 2018, 16:00 –18:00

Drop in events attracted only a small number of attendees and the nature of attendees enquiries did not relate specifically to the rent consultation. This is consistent with the drop in events that took place in 2015, where tenants and housing list applicants generally wanted to discuss the Allocation Policy or new build housing and were not interested in discussing the rent increase.

Section 3: Rent Consultation Written Feedback

As part of the consultation process for the rent setting strategy, applicants were able to provide written feedback in addition to their Survey comments. Of the 1,040 completed survey forms a total of 190 comments were provided. An additional two comments were made by letter. Many of the comments were similar in nature and some comments did not specifically relate to rent setting. Of the responses:

- 59 Responses were positive
- 58 Responses provided negative views about the rent setting options
- 75 Responses were neutral or not specifically related to the rent setting strategy. These included suggested improvements for the proposals.

This Section reviews some of the comments and suggestions provided and, where applicable, provides a response or recommendation in relation to the comment.

Response Category	Individual Response	Council Response/Recommendation
New Build Rent Costs - Positive	Rent is ok if you have a family but living alone in a four bed and on the housing list for over 4 years waiting on a 1 or 2 bed.	Noted. The Council's Allocation Policy is due to be reviewed and may be subject to amendment in order to increase downsizing activity.
	Perhaps link to inflation then 1-2%	This may be a viable approach in future years, however above inflation increases are required during the next three years in order to invest in new housing and maintain existing housing.
	I understand new builds would have higher rents but would expect higher standards with regards to bigger room size, 2 toilets, better insulated, more cupboards and more 4 beds in Danderhall would be welcomed.	Noted.
	There's a great shortage of housing and I think this idea would work very well.	Noted.
	People in older homes should be given first opportunity for a new build.	Every new council development has a Local Letting Initiative developed for it. Usually this prioritises lets for existing tenants who are overcrowded or under-occupying. This then provides a vacancy chain which provides a home for another applicant from the Housing List.
	The more money raised through annual rent increase would help to fund new housing projects. This in turn would give new/existing applicants a greater opportunity to rent a council house	Noted.

Response Category	Individual Response	Council Response/Recommendation
New Build Rent Costs - Positive	Rent on new builds should be higher than older homes and when the rent increases on the older home, then by all means the rent on the new home should increase	Noted.
	Reduce cost of private sector lets rent	Midlothian Council does not have legal powers to set rents in the private sector.
	Agree new build is the only way forward	Noted.
	How much cheaper would rents be if loan cost were reduced? What about including solar/wind panels in new builds? Then increase rent to average national costs which would still be cheaper than private lets.	Loan costs could only reduce if the Council borrow less – this would lead to a poorer standard of housing and no new building. Solar panels have been provided on many of the recently built developments and this will continue.
	Keep council housing affordable for average person	Noted.
	Feel present level works well	Noted.
	Agree with 82% of tenants that feel Midlothian Council rent charges are good value for money	Noted.

Response Category	Individual Response	Council Response/Recommendation
Rent Setting – Negative	Been in house for 6 years and the rent has increased by 17%, how can that be fair as inflation hasn't went up by anything like that amount?	It is accepted that there have been above inflation increases in recent years to support investment in new and existing housing. Tenants are given the opportunity to vote on a range of options in terms of the annual increase. Midlothian Council rents also continue to be below the Scottish average for Registered Social Landlords.
	Rent taken in should pay for new build properties not rent increases	All revenue from rent payments support the ongoing maintenance of existing housing, staffing associated with the management and maintenance of the housing, and borrowing costs for the new build programme.
	There's a big difference in the average rent for old and new properties, for first time tenants this can be tough.	Applicants are able to refuse an offer of a new build property without their application being suspended if they consider the rent charge to be too high.
	As a rent and tax payer, people like myself are having to subsidise people living on benefits. We're paying higher rents but wages rises are going up by 1%, I'm earning less now than 5 years ago. I'm privileged to have a new build but most of my neighbours are on benefits and have no respect for the estate as it is covered in rubbish, they are too lazy to use bins, this is why I'm against a large rent increase.	<p>We would advise contacting your Housing Officer in respect of issues relating to estate management. Tenants who pay their rent from earned income do not pay a higher rent than tenants who are reliant on benefit payment.</p> <p>Options between 3% and 5% have been recommended in recognition that many working families would be in favour of choosing a lower annual rent increase.</p>

Appendix 1

Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Negative	None of this matters to me, I have given up hope of getting a home – 10 years waiting and no sign of movement.	An increase of at least 1,000 new council homes will significantly increase the chances of applicants being offered housing. Applicants are advised to consider widening their housing choices on their application to potentially reduce the wait for new housing.
	Rents are too high for 1 beds some are nearly 60 years old.	1 bed older housing is the lowest rent charge for housing let by the Council and this charge is significantly lower than the Scottish average.
	We should not be paying for new homes. My rent should cover my property. Is this legal under tenancy legislation? I will be approaching Shelter for advice.	The Housing Revenue Account can be used to support funding for new council housing subject to consultation with tenants.

Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Negative	Means test new tenants.	It would be illegal for Midlothian Council to take income into account when making decisions about allocating to tenants.
	Would it not be better use of money to buy back ex council homes?	Whilst it might be initially cheaper to purchase ex council houses, it is a cheaper longer term investment to build new housing which will require lower maintenance costs compared to a 50 year old house.
	Other councils sometimes freeze their rents, why not Midlothian Council?	Very few councils have frozen their rent charges in recent years, with many raising rents by similar levels to Midlothian Council in order to fund new council housing. Midlothian Council rents are close to the Scottish average for Councils and substantially lower than other RSLs with stock in Midlothian.

Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Neutral	<p>Concern about more houses being built unless more Health Centres are also being built. Also this results in less countryside. I'm satisfied with the current setting. Why does the Council not buy ex-council houses when they go on the market?</p>	<p>When new homes are built a contribution towards community facilities such as school provision and transport infrastructure are paid in order to meet the need for an increased population. It is also the case that the vast majority of housing applicants already live in Midlothian so new development does not necessarily result in an increased population.</p> <p>Midlothian Council does buy properties (including ex-council housing) for sale on the open market depending on the level of demand for the house type, value and condition of the home.</p>
	<p>Social housing rents should be based on weekly or monthly earnings on a minimum rate pay national or living rate.</p>	<p>As noted in the Consultation Newsletter, Midlothian Council rents are judged as being affordable for a full time worker earning the National Living Wage.</p>
	<p>Don't leave empty houses too long, don't waste money on windows and doors when not required.</p>	<p>Rent loss for empty council homes is low and properties do not sit empty for long due to the high level of demand. The condition of fixtures and fittings are assessed prior to works taking place.</p>
	<p>Older properties should have their rent frozen until new windows and doors are put in also more accessibility to the loft. New builds should have higher rents as they have more up to date fixtures and fittings.</p>	<p>Noted. All properties are have maintenance programmes which determine when upgrades are required.</p>

Response Category	Individual Response	Council Response/Recommendation
Rent Setting - Neutral	Rent should be the same for Midlothian 4 bed older properties and 4 bed new builds (older properties are more sturdy than new builds).	Given that new build homes are being funded from a rent increase being applied to all tenants it seems more appropriate that tenants that benefit from a new build home pay a greater share of the cost towards the building programme.
	Is it possible to have cheaper rents for pensioners?	Legislation prohibits varying rent levels according to the economic circumstances of the tenant.
	I do not pay rent so this does not apply to us.	Tenants who are reliant on Housing Benefit or Universal Credit are still entitled to have a say on changes to rent charges made by Midlothian Council.
	Older properties have higher fuel bills.	Noted. This is acknowledged and there is an awareness that a new build tenant is likely to pay lower fuel bills which may partly mitigate the extra cost of paying a 25% premium on a new build property.
	Concerned about length of time on waiting list. Why have homes purchased through Right To Buy not been replaced?	Homes sold via the Right to Buy were sold at heavily discounted values and income received would only replace a small amount of the homes that were sold.
	Not a consultation as only offer limited options. Why not 0% and no new bulids and change allocations policy.	Council Officers consulted with Midlothian Tenant Panel members prior to the rent setting options being finalised. A 0% rent increase would not be possible unless there was a substantial reduction in investment in older housing stock. The vast majority of tenants and applicants support new build investment. A separate consultation regarding the Allocation Policy will take place during 2018/19.

Response Category	Individual Response	Council Response/Recommendation
Letter 1	I am disgusted that you have the audacity to insult Midlothian Tenants by asking them to fill in a consultation when your rents policy has already been made for the next three years just in the same way you did with the last rent consultation (the result of which was never published).	No decision will be taken on the Rent Setting Strategy 2019/20 – 2021/22 until the February 2018 Midlothian Council meeting. The Report on the Consultation will be provided to Elected Members and published at www.midlothian.gov.uk . The previous Rent Consultation Report was published in December 2015 and remains available to view.
	Older houses do not have any debt against them and have been paid for many times over. Older homes rents should be reduced.	Older homes are maintained and require ongoing investment in roofing, harling, heating etc. New build homes rents are higher to support the cost of developing these homes.
	The way your Consultation Paper is set out and the way propaganda is couched in it puts the onus on tenants that it is their duty to pay for the building of new council houses. No other citizens of Midlothian are expected to contribute. But they are entitled to be housed by the Council if they become homeless if evicted by a private landlord or cannot afford to pay their mortgage. The government should pay for these houses just as they did after the war when we had nearly three times the national debt that we now carry.	The taxpayer does contribute to the development of new council houses as the Scottish Government provide grant funding towards the development of new affordable homes. Midlothian Council receives £57,000 per home that is built. The UK Government did provide subsidies for council housing after the Second World War although this did not pay for the entire cost of development. The current government grant arrangements to Council's are at the highest level since the 1970s.
	The disastrous Right to Buy meant the loss of around 6,000 council houses which is the main contribution to the devastating loss of stock and homelessness. It would be helpful to me if you could supply me information on what happened to the money acquired from the sale of these houses.	Income generated from Right to Buy sales remains in the Housing Revenue Account and contributed to the healthy financial position of this Account. However, legislation required that homes were sold for significantly less than their market value and therefore was not high enough to replace stock sold off.

Appendix 1

Response Category	Individual Response	Council Response/Recommendation
Letter 1	<p>We live in a time of austerity where the poor and needy suffer the most, the mass of these people live in council houses so why does Midlothian Council pursue with further rent rises.</p> <p>I would like to share this letter with the Councillors and Executives who make these Policies and I would like a reply to this letter.</p>	<p>It is acknowledged that there are significant numbers of households living in poverty. However, the Council needs to balance the affordability of the rent charge with the need to provide a significant increase in new housing to meet the housing needs for many households who do not currently have access to suitable housing in Midlothian</p> <p>As requested the key points of the letter was in included in the Consultation Report. A letter noting these points has been sent to the tenant.</p>
Letter 2	<p>I've just read the recent rent setting survey and I'm shocked and angry at the rent premium proposals. The premium should END after 10 years.</p>	<p>In respect of your view that the new build rent premium should end after 10 years, the Policy agreed by the Council in November 2009 was as follows:</p> <p><i>“The weekly rent for new build properties is 25% higher than that of the equivalent size of existing property. Over time it is appropriate that new build and existing rents should converge and it is therefore proposed to achieve this by applying a rent increase for each new build property of 2% below the general increase starting with the first rent increase which is applied 10 years after the whole site was completed.”</i></p> <p>Midlothian Council is now consulting on potentially changing this policy and consider the fairest way to make a decision on the new build premium is to give tenants and housing list applicants a say on their favoured approach.</p>

Response Category	Individual Response	Council Response/Recommendation
Letter 2 cont.	<p>Can you tell me how much income Midlothian Council gets per annum from the Premium? Can you also tell me how much % rents would have to increase across the board to make up for the loss of income should the premium END after the 10 years? What's the Council's thoughts on this proposal?</p>	<p>In terms of how much income Midlothian Council receives from the new build premium in a year, I can advise approximately £722,000 per annum is received from over 1,000 new build homes. This directly supports the funding of the Council's new build programme which has so far allocated £208.3 Million on building new council homes in Midlothian.</p> <p>The effect of ending the premium after 10 years: current projections show we would need to increase all rents by 5% in 2018/19 and by 3% every year for the next 15 years. This would not allow for any additional new housing to be built. Many tenants in older housing state that they do not think that they should be paying extra for homes to be built for other people so we recommend the new build premium to avoid placing a higher burden on tenants who live in older properties and do not get the benefit of living in a recently built home.</p>
	<p>Can you also tell me how much this premium costs a tenant over the 10 year period for a 1,2,3&4 bedroom property please? Did you make tenants aware of this premium and its exact cost?</p>	<p>The total additional rent payment as a result of the new build premium over the duration of the 10 year period for a property built in 2017 is detailed in the table below. This shows that, for instance, a tenant who moved into a 2 bedroom new build property last year would pay an extra £10,000 over 10 years compared to a tenant living in an older property. Upon being offered a new build property an applicant is able to refuse (without their application being suspended) if they consider the rent charge to be too expensive for them. When an applicant is offered a property they will be provided with the address and property type and the monthly rent charge for the property.</p>

Appendix 1

		<p style="text-align: right;">Premium Rental Element (Assuming Handover 1st April 17)</p> <p style="text-align: right;">Total Average Premium for 10 Years</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">1 Bed</td> <td style="text-align: right;">£8,981.44</td> </tr> <tr> <td>2 Bed</td> <td style="text-align: right;">£10,139.48</td> </tr> <tr> <td>3 Bed</td> <td style="text-align: right;">£10,846.16</td> </tr> <tr> <td>4 Bed</td> <td style="text-align: right;">£11,305.32</td> </tr> </table>	1 Bed	£8,981.44	2 Bed	£10,139.48	3 Bed	£10,846.16	4 Bed	£11,305.32
1 Bed	£8,981.44									
2 Bed	£10,139.48									
3 Bed	£10,846.16									
4 Bed	£11,305.32									
<p>Letter 2 cont.</p>	<p>Whilst charging tenants this premium do these premises really still come into the "affordable housing" bracket?</p>	<p>Council homes are being provided at an affordable rent which are significantly lower cost than private rented properties and also lower than many housing association properties that are let in Midlothian. I would also advise that a new build tenant with one household member who works full time earning the minimum wage and lives in a recently built 4 bedroom house (which is the most expensive rent charge of all our homes) would be paying 35% of their gross income of their rent. Their rent is therefore still considered to be affordable for them to pay.</p>								

Conclusion

The main points following the consultation period on rent setting are as follows:

- Tenants and Housing List Applicants are more interested in responding to a Survey than attending public meeting.
- A very high proportion of Tenants and Housing List applicants recognise there is a shortage of affordable housing in Midlothian and support continued investment in council housing.
- Most tenants and Housing List Applicants supported higher rents for new build housing.
- A total of 56% of respondents chose Option 1, a 3% rent increase per annum for three years between 2019/20 and 2021/22.
- Despite support for new council housing many respondents were concerned that investment in the older housing stock should continue and some were concerned about the level of rent increases in recent years.
- In terms of the new build premium, Option C – freezing the rents at current levels until older housing catches up – was the most popular choice 41%. However, when tenants alone were considered 42% of tenants who responded preferred the proposal of a 15 year new build premium after which rents reduce to the level of older council housing.

HOUSING REVENUE ACCOUNT CAPITAL PLAN 2018/19 - 2023/24

Item 8.10

	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	Proposed Budget 2023/24 £'000
FUNDING						
Net Receipts from Sales	0	0	0	0	0	0
Grants						
-Incentivising New Build	3,363	1,311	9,405	11,001	6,498	0
-Mortgage to Rent Subsidy	114	114	114	114	114	114
-Buy Backs Funding	1,440	1,760	0	0	0	0
Council Tax on Second Homes	154	158	162	166	170	174
Developer Contributions	0	0	0	0	0	0
Borrowing Required	35,714	50,617	44,953	41,397	22,889	7,813
TOTAL AVAILABLE FUNDING	40,785	53,960	54,634	52,678	29,671	8,101

	£'000	£'000	£'000	£'000	£'000	£'000
APPROVED EXPENDITURE						
New Build Houses Phase 1	0	0	0	0	0	0
New Build Houses Phase 2	15,544	15,411	5,355	483	0	0
New Build Houses Phase 3	11,075	13,553	8,149	5,744	431	0
New Build Houses Phase 4	0	4,370	31,350	36,670	21,660	0
Buy Back Properties	5,145	6,160	0	0	0	0
Aids & Adaptations	410	420	431	442	453	464
Homelessness - Mortgage to Rent	224	224	224	224	224	224
Homelessness - Pentland House Refurbishment	0	0	0	0	0	0
Bonnyrigg Distret Heating Scheme Boiler	0	1,300	0	0	0	0
Environmental and Fire Safety Improvements	0	2,000	2,000	2,000	2,000	2,000
Temporary Accommodation Provision	0	2,000	2,000	2,000	0	0
Scottish Housing Quality Standard						
-Upgrade Central Heating Systems	1,498	1,536	1,590	1,629	1,417	1,927
-Kitchen Replacement Programme	0	0	0	0	0	0
-Sanitary Ware Replacement Programme	0	0	0	0	0	0
-Future Works	6,889	6,986	3,535	3,486	3,486	3,486
Total Expenditure	40,785	53,960	54,634	52,678	29,671	8,101

HOUSING REVENUE ACCOUNT REVENUE BUDGET 2018/19 - 2023/24

	2018/19 Indicative Budget	2019/20 Indicative Budget	2021/22 Indicative Budget	2021/22 Indicative Budget	2022/23 Indicative Budget	2023/24 Indicative Budget
Average No of Houses	6,864	6,992	7,179	7,301	7,304	7,307
	£000's	£000's	£000's	£000's	£000's	£000's
Repairs and Maintenance						
General Repairs	6,199	6,488	6,906	7,337	7,716	8,037
Decant/Compensation	59	60	62	64	66	68
Grounds Maintenance	631	680	700	757	804	840
	6,889	7,228	7,668	8,158	8,586	8,945
Administration and Management	5,016	5,111	5,208	5,308	5,409	5,512
Loan Charges	10,618	12,974	15,726	18,112	19,743	20,710
Other Expenses	2,543	2,776	3,286	3,574	3,479	3,872
TOTAL EXPENDITURE	25,066	28,089	31,888	35,152	37,217	39,039
Income						
Houses Rents	27,993	30,089	31,991	34,508	36,108	36,855
Garages Rents	584	613	619	638	651	664
Other Income	975	1,064	1,213	1,278	1,303	1,329
TOTAL RENTS	29,552	31,766	33,823	36,424	38,062	38,848
NET EXPENDITURE/(INCOME)	(4,486)	(3,677)	(1,935)	(1,272)	(845)	191
BALANCE BROUGHT FORWARD	(34,938)	(39,424)	(43,101)	(45,036)	(46,308)	(47,153)
BALANCE CARRIED FORWARD	(39,424)	(43,101)	(45,036)	(46,308)	(47,153)	(46,962)

Midlothian Local Development Plan 2017 Action Programme

Report by Ian Johnson, Head of Communities and Economy

1 Purpose of Report

- 1.1 This report seeks Council approval to adopt and publish the Midlothian Local Development Plan 2017 Action Programme.

2 Background

- 2.1 The Town & Country Planning (Scotland) Act 1997 as amended, requires the Council to prepare an Action Programme to accompany the Midlothian Local Development Plan (MLDP). The Action Programme sets out how the Council intends to implement the plan to which it relates. It contains a list of actions required to deliver each of the plan's policies and proposals; identifies the appropriate parties or organisations that are required to carry out the actions(s); and provides an indicative timescale for carrying out these actions. In preparing the Action Programme the Council are required to consult and consider the views of the key agencies; the Scottish Ministers; and those parties specified by name in the document. Action Programmes must be published and submitted to Scottish Ministers alongside proposed LDPs; adopted and published within three months of the Plan being adopted; and thereafter be kept under review and updated at least every two years.
- 2.2 A proposed Action Programme was prepared and published along with the Proposed MLDP in May 2015. Subsequently an Examination by a Scottish Government Reporter into the unresolved issues made in respect of the Proposed MLDP was conducted between 7 November 2016 and 5 July 2017. Council considered the Report of Examination in September 2017 and agreed, with the exception of two minor issues, to accept the recommended modifications to the Plan outlined in the Report of Examination.
- 2.3 At its meeting on 7 November 2017 Council resolved to adopt the Midlothian Local Development Plan (MLDP) 2017. In doing so Council also requested a further report to be submitted for it to consider and adopt an updated Action Programme as required by the statutory regulations relating to the preparation of development plans.
- 2.4 The deadline to adopt and publish an updated Action Programme for the MLDP 2017 is 7 February 2018. Given the Council's meeting schedule it has not been possible to publish and consult on the updated Action Programme, analyse responses received and report for approval to adopt within the prescribed timescale. However, in the circumstances the Scottish Government's Development Plans Gateway have confirmed that they will accept a copy of the Action Programme as proposed to be adopted by the due date (7th February) subject to the requisite copies of the formally adopted document being forwarded following the Council's decision on 13 February 2018.

3 Action Programme Consultation Responses

- 3.1 As required by statutory regulations, the updated Action Programme was published for consultation between 22 December 2017 and 19 January 2018. The consultation was targeted at Key Agencies, Scottish Ministers and the parties/organisations identified as having a responsibility to carry out a specific action or actions listed in the Action Programme.
- 3.2 A total of 50 responses from 11 organisations were received. A summary of the responses and recommended changes to the Action Programme is attached to this report. Copies of the responses, the summary and the updated Action Programme are available in the CMIS Members Library.

Responses

- 3.3 The responses received included comments and observations from three defined Key Agencies (Scottish Water, Scottish Environment Protection Agency and Scottish Natural Heritage); four planning consultants representing house builders, developers or landowners; Castle Rock Edinvar Housing Association; East Lothian Council; and Midlothian Community Planning Partnership.
- 3.4 There were a few general responses and these comments are noted but most focused on the policy actions, infrastructure requirements (including delivery issues) and supplementary guidance sections of the Action Programme. The comments from the Key Agencies were broadly supportive and offered to provide further assistance or advice on a range of policy topics and also a willingness to contribute to the preparation of supplementary guidance (see comment numbers 4, 8 and 14). Comments from Midlothian Community Planning Partnership (CPP) sought to identify more linkages to the CPP across the actions including liaison with relevant neighbourhood planning/targeted groups. The existing CPP structures provide an established mechanism for addressing these issues.

Policy Actions

- 3.5 Just under half the comments relating to the policy section were of a general nature and don't require any changes to the Action Programme, or are minor drafting issues such as name changes and updating the appropriate organisation involved in respect of policies ENV19 – 25.
- 3.6 SEPA and SNH expressed willingness to work with the Council to assist in monitoring the impact of the Plan. While each of these organisations are statutory consultees in the planning process and are involved in the planning application process, it would be worth giving further consideration as to what closer and more regular liaison with these bodies would consist of and how that process could be effectively managed in future.
- 3.7 SNH also suggested including supporting information from the MLDP to provide clear "way marking" of further actions required to deliver the development strategy. Similarly Savills representing Old Road Securities had suggested that information on committed sites be included to better reflect the allocations that will assist delivery of the strategy. However the Action Programme is intended to be read in conjunction with the MLDP and is to set out how the policies and proposals in the Plan will be implemented. The comments are noted but alongside annual housing and employment land audits it is considered that the Action Programme includes an appropriate

level of detail to satisfy this requirement. However, future reviews of the Action Programme may include additional information over and above that currently proposed to reflect changing circumstances and progress or lack of it in terms of delivering the strategy.

- 3.8 SNH considers that indicative timescales can be given for the grade separation of Sheriffhall roundabout now that the project has been formally announced by Ministers and has reached stage 3 Assessment in Transport Scotland's Design Manual for Roads and Bridges guidance. The Council does not have formal confirmation of the details of any agreed programme for this project. However, the infrastructure requirements identified in section 6 of the Action Programme do provide an indicative delivery period for this project. Ongoing monitoring and periodic reviews of the Action Programme will track progress and update the delivery timescale as appropriate.
- 3.9 East Lothian Council considers that neighbouring authorities should be involved in the delivery of strategic development sites and suggests the Action Programme should highlight the need for such co-operation in respect of the proposed housing site at Newton Farm south of Shawfair. It is also suggested that the Action Programme highlight the potential for Millerhill (marshalling yards) as part of a conjoined economic use with the proposed allocation in East Lothian as part of a wider cross boundary approach to implementation and future development potential in this location. The comments are noted. The Council is aware of the need to liaise and consult with neighbouring Councils in respect of development adjacent to or within proximity of adjoining administrative boundaries and would take such appropriate steps as and when they arise. However the MLDP 2017 is the adopted plan for Midlothian. Any significant departure from the agreed development strategy would require further consideration of the need to review the Plan.
- 3.10 Colliers International representing Shawfair LLP sought the inclusion of a statement relating to the impact market fluctuations will have on the delivery of the MLDP. Paragraph 3.3 of the Action Programme acknowledges this matter and indicates some of the actions and/or Supplementary Guidance identified in the current Action Programme may have to be modified and/or new actions identified.

Infrastructure Requirements/Delivery Issues

- 3.11 Agents representing Taylor Wimpey/Hallam Land management requested that the requirements relating to community facilities and green infrastructure be removed and sought clarification on the requirement for "enhanced SuDS" and potential cross boundary transport infrastructure. The Action Programme reflects the adopted MLDP 2017 in respect of infrastructure requirements, therefore it is recommended that no changes are made in this regard. In respect of the matters for clarification it is considered the MLDP provides sufficient clarity at this time. Future reviews of the Action Programme will incorporate appropriate amendments to reflect progress and/or changes that may impact progress in implementing the development strategy. It is recommended that no further changes are made in this regard.

- 3.12 Scottish Water broadly supports the requirements identified in the Action Programme and will seek to inform the Council of any mitigation required through their strategic modelling programme. They also identified necessary changes to specific sites to adequately reflect the current position in respect of water and drainage infrastructure (sites Hs8 Stobhill Road, Gorebridge, Hs11 Dalhousie South and Hs12 Hopefield Farm 2, Bonnyrigg, Hs14 Rosewell North, Rosewell, Hs18 Roslin Institute and Hs19 Roslin Extension, Roslin and Hs20 Auchendinny).
- 3.13 SEPA suggested some factual changes incorporating references to the agreed water and drainage strategy for Shawfair (secured by planning permission 15/00089/MSC) and other such strategies attached to other allocated sites. These changes have been incorporated into the updated Action Programme.
- 3.14 The Midlothian Community Planning Partnership sought to include reference to the proposed Orbital Bus route linking Higher and Further Education locations. The comments are noted. The project has policy support in terms of the current and emerging SESplan Strategic Development Plan and the Regional Transport Strategy but no commitment or funding agreed. The benefits arising from any future scheme should be identified and form part of a comprehensive project brief at the appropriate time.
- 3.15 In connection with paragraph 3.9 East Lothian Council also suggested establishing joint working arrangements (at officer level) with Midlothian Council on strategic developments with potential cross boundary impacts. The comments are noted. Applications in East Lothian are currently monitored on a regular basis and as indicated in paragraph 3.9 liaison and consultation between the Councils would take place as and when required in respect of applications considered to have a cross boundary impact. Ongoing monitoring of planning applications will inform future reviews of the Action Programme and the merits of closer collaboration between the relevant officers of both Councils.
- 3.16 Barton Wilmore representing Taylor Wimpey sought the removal of community facility and green infrastructure requirements in the plan and clarity on what is meant by “enhanced SuDS” and potential requirement for cross boundary transport infrastructure.
- 3.17 Colliers representing Shawfair LLP suggested including a statement establishing a dialogue between the Council and developers of economic land to ensure realistic consideration of future proposals. This Action Programme addresses this matter on page 4 under the policy actions relating to Policy STRAT5 Strategic Employment Land Allocations.
- 3.18 Rick Finc Associates representing Palladin Ventures sought clarity on a number of points namely: what the community facilities and recreation requirements of the plan would include; what the impact of the SESplan Cross Boundary Transport Study and associated Developer Contributions Framework would be for the site at Cauldcoats; and the landscape requirements related to the remediation of Niddrie Bing. Reference was also made to why Scottish Water was not identified as having the responsibility to provide water and drainage infrastructure. In respect of the district heating requirement there was uncertainty over what could be delivered by 2022 and why the cost of any provision should rest with the developer without public sector support.

- 3.19 The proposed sites at Cauldcoats (Hs0) and Newton Farm (Hs1) are located within the South East Edinburgh strategic development area and are considered part of the wider Shawfair area including the villages of Danderhall, Newton and Millerhill. Detailed consideration of requirements will therefore be based on the approved Shawfair Masterplan and negotiated through the planning application/Developer Obligation (S75) process. The main issue for Shawfair in respect of the cross boundary study is the grade separation of Sheriffhall roundabout which is now proceeding through Transport Scotland's assessment and design process and is likely to feature in the replacement Strategic Transport Projects Review (subject to review). The MLDP includes a developer contribution requirement to this project. Paragraph 5.18 of the Action Programme sets out Scottish Water's position in respect of water and drainage infrastructure and the requirements listed in the corresponding table indicate the necessary infrastructure needed to support the proposed development. The cost of this provision is the responsibility of the developer. The Council has commissioned feasibility work on the potential of a district heating proposal at Shawfair and is in the process of preparing Supplementary Guidance (to be published later this year) on the subject. In addition the Scottish Government's current consultation on Local Heat and Energy Efficiency Strategies (as part of its Scottish Energy Efficiency Programme <http://www.gov.scot/Publications/2017/11/6232>) will seek to provide additional guidance in this respect.
- 3.20 Montagu Evans representing Buccleuch Property suggested that the Action Programme acknowledge the proposed residential use of sites e14 and Ec2 Salter's Road, Dalkeith (application 16/00893/PPP). They also stated that there has been no market interest in site e32 Sheriffhall South for economic uses and that a flexible approach to identifying potential uses is needed. This should be reflected in the Action Programme along with the need for a dialogue with the site owners/developers. The sites at Salter's Road are allocated in the MLDP 2017 as strategic economic allocations. Notwithstanding the current application the Examination into unresolved issues to the proposed plan did not support any changes to this position. Part of site e32 has been developed as a pub restaurant and while no other investments have been secured to date the Council is aware that there have been other enquiries regarding parts of this site, including an application for a drive through restaurant and petrol station (reference 17/00537/DPP - not yet determined). The Action Programme addresses the need for dialogue with developers of economic sites as part of the policy action section (page 4, policy STRAT5 and again on page 6, policy ECON1). In addition the annual Employment Land Audit will monitor progress with these and other sites and inform any future updates of the Action Programme. As part of this process will involve contact and discussion with the relevant landowner/agent and/or developer to discuss issues affecting progress with their sites.

Supplementary Guidance

- 3.21 SEPA and SNH expressed a willingness to work with the Council in the preparation of Supplementary Guidance which relates to their respective organisational remits. Similarly East Lothian Council suggested that the Council should work closely with neighbouring authorities on Supplementary and Planning Guidance. Colliers International representing Shawfair LLP sought the inclusion of a timetable for consultation and finalisation of the suite of proposed supplementary and planning guidance. These comments are welcomed and as and when guidance is being prepared and published the Council would seek to engage with the respective organisations (and other relevant parties) in an appropriate and proportionate manner. The MLDP

identifies a substantial list of statutory Supplementary Guidance and non-statutory planning guidance on a range of topics (13 Supplementary and 7 Planning Guidance). The Supplementary Guidance on the Midlothian Green Network was published on 1 February 2018 and it is intended that throughout 2018 and into 2019 the Council will progress the remaining guidance subject to available resources. Statutory Supplementary Guidance involves a prescribed approach to preparation, publication and adoption. Planning Guidance is not subject to the same processes but the Council would wish to ensure that similar levels of consultation are undertaken. The Council is aware of potential consultation overload and therefore considers a rolling programme of publication and consultation to be reasonable and manageable.

4 Report Implications

4.1 Resource

The resource implications of preparing (and publishing) the Action Programme are provided for within current budget.

4.2 Risk

The adoption and publication of the Action Programme within the prescribed three month period of adopting the MLDP 2017 ensures adherence to the statutory procedures governing plan preparation.

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 MLDP 2017 provides the spatial land use policy and development framework for Midlothian for the next ten years. It is a vital component in ensuring economic growth and business support, seeking to meet housing need in all tenures, and ensuring protection/enhancement of built and natural heritage resources; all within an overarching aim of securing environmental sustainability.

The Action Programme is a statutory requirement associated with MLDP 2017 and its purpose is to outline how the Council proposes to implement the MLDP. It focuses on delivering the benefits of the MLDP listed above. To this end it includes a list of actions required to deliver each of the plan's policies and proposals; the name/organisation that is to carry out the action; and the timescale for carrying out each action. It will reflect progress with particular development proposals but there is also an expectation from the Scottish Government that it will also be a key tool in instigating action and co-ordinating the activity of a range of agencies and organisations. Once adopted and published the Action Programme will be reviewed, updated, and republished at least every two years.

4.5 **Impact on Performance and Outcomes**

The MLDP provides the policy and development framework to support improving opportunities in Midlothian and sustainable growth. The Action Programme is a working document that sets out how the MLDP will be implemented and monitors progress to that end. Adoption and the commitment to the minimum biennial review will enable more effective monitoring of the housing and employment land supplies as well as providing an update on the progress of planned and windfall developments, and will represent the key mechanism to highlight issues and redirect the strategy if and where necessary.

4.6 **Adopting a Preventative Approach**

Alongside the MLDP the Action Programme will be the principal mechanism by which to monitor the performance of the MLDP and to trigger change and/or adjustments to the development strategy in order to maintain the planned investment in future growth and development in Midlothian over the period to 2027. The MLDP and Action Programme will help to inform the future spending priorities of the Council and its community planning partners as well as other public, private and voluntary sector bodies.

4.7 **Involving Communities and Other Stakeholders**

Consultation on the updated Action Programme was targeted to all stakeholders identified as having a responsibility in respect of the policy actions and/or infrastructure requirements of the MLDP. Comments received have been considered and included in the updated Action Programme where appropriate.

4.8 **Ensuring Equalities**

The Action Programme is an associated document to the MLDP. It does not raise any new issues over and above those identified in the MLDP process which has been subject of an Equalities and Human Rights Impact Assessment. It focuses on the implementation of the policies and proposals contained in the MLDP and provides a mechanism for monitoring the progress of the Plan to this end. It concentrates specifically on the actions of parties and/or organisations with a role in delivering the development plan strategy and monitoring the effectiveness of the planning policies contained in the MLDP. Therefore, the consultation on the updated document was appropriately targeted to those named parties/organisations identified in the document. Once adopted and published the Council is required to make the document available in libraries and online. In this context further, specific equalities assessment of the Action Programme is therefore not warranted.

4.9 **Supporting Sustainable Development**

The policy actions and infrastructure requirements identified in the Action Programme emanate from, and are included in, the Proposed MLDP which has been subject of Strategic Environmental Assessment (SEA) and the outcomes identified in an Environmental Report (including a Habitats Regulations Appraisal). The Action Programme represents a mechanism to enable implementation of the Plan and to monitor the Plan's progress. As such does not fall within the definitions of plans, strategies and programmes required to undertake SEA under the act (Environmental Assessment (Scotland) Act 2005).

4.10 **IT Issues**

There are no IT issues arising from this report.

5 Recommended Amendments to the Action Programme

5.1 Having considered all of the representations received on the draft pre-publication Action Programme, a number of relatively minor and modest amendments are recommended. It is considered that the proposed amendments provide greater accuracy and clarity of interpretation of the requirements of the adopted Midlothian Local Development Plan 2017. An inventory of these is provided in the Appendix to this report.

6 Recommendations

6.1 The Council is recommended to:

- a) adopt by resolution the Midlothian Local Development Plan Action Programme (2017); and
- b) require the Head of Communities and Economy to make the necessary arrangements to:
 - i. send two copies of the adopted Action Programme to Scottish Ministers.
 - ii. place copies of the adopted Action Programme in all public libraries and online; and
 - iii. publish the adopted Action Programme, including electronically.

Ian Johnson
Head of Communities and Economy

22 January 2018

Report Contact: Neil Wallace, Lead Officer Development Plans
Tel No: 0131-271-3459
Email: neil.wallace@midlothian.gov.uk

Background Papers:

The following papers are available in the CMIS Members Library:

- i. MLDP 2017 Updated Action Programme
- ii. MLDP 2017 Updated Action Programme - summary of responses and recommendations
- iii. MLDP 2017 Updated Action Programme – responses

APPENDIX

**Midlothian Local Development Plan 2017 Action Programme
Summary of Consultation Responses and Recommended Changes**

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
1	Castle Rock Edinvar Housing Association	15.01.18	Policy Actions - Policy DEV3	Wishes it expressed that responsibility for developer contributions remains with developer not the affordable housing provider.	No change, comments noted. _The comments relate more to the proposed supplementary guidance on planning obligations and affordable housing to be published shortly.
2	Scottish Environment Protection Agency (SEPA)	18.01.18	Policy Actions - ECON3	No express change sought, but expresses intention for SEPA to work collaboratively on implementing Policy ECON3 in respect of Millerhill/Shawfair.	No change, comments noted
3	SEPA	18.01.18	Policy Actions - ECON5	No express change sought, willing to discuss Action Programme in respect of this policy with view to aligning land use planning and environmental regulation.	No change, comments noted
4	SEPA	18.01.18	Policy Actions - MIN3	No express change sought, willing to contribute expertise in respect of SG required by this policy.	No change, comments noted
5	SEPA	18.01.18	Policy Actions - ENV9	No express change sought, willing to assist in delivery of actions.	No change, comments noted
6	SEPA	18.01.18	Policy Actions - ENV10	No express change sought, willing to assist in delivery of actions.	No change, comments noted
7	SEPA	18.01.18	Policy Actions - NRG1-6, WAST2, IMP1	No express change sought, willing to assist in delivery of actions, in what could be exemplar project.	No change, comments noted

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
8	SEPA	18.01.18	Supplementary Guidance	Could help develop SG on Resource Extraction, Flooding and Water Environment, and Community Heating, as well as masterplans. Expresses concern in respect of Green Network SG that may allow for loss of flood plain, and does not adequately prevent increase/ mitigate flood risk.	No change, comments noted.
9	SEPA	18.01.18	Infrastructure Requirements - Site Hs0, Cauldcoats - water and drainage	Support requirement for Flood Risk Assessment (FRA), but would advise reference to existing drainage strategy agreed for Shawfair site and secured by planning permission (15/00089/MSC).	Change. Insert additional text making reference to water and drainage requirement - (in line with agreed drainage strategy for Shawfair consent, application reference 15/00089/MSC applies)
10	SEPA	18.01.18	Infrastructure Requirements - water and drainage (general)	Advises that where drainage/ flood risk strategies have been agreed for sites these should be included as points of reference for future work. Extensions to sites should be informed by existing agreed strategies.	Change. Insert additional text in paragraph 5.19 to the effect that where future drainage/ flood risk strategies agreed, these will be captured in future versions of the AP.
11	Scottish Natural Heritage (SNH)	19.01.18	Policy Actions, Policy TRAN3	Considers that indicative timescales can be given for this project (Sheriffhall grade separation) now that it is progressing through Design Manual Roads and Bridges Stage 3 Assessment.	No change.
12	SNH	19.01.18	Policy Actions, Policy STRAT1 and STRAT2	Considers that policy actions could refer to the further survey and assessment that is likely to be required.	No change, current actions are relevant and appropriate.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
13	SNH	19.01.18	Policy Actions - general	May be useful to users to bring in supporting information from LDP, and provide clear 'waymarking' of the further actions required to deliver the spatial strategy .	No change, this issue is addressed in sections 4 and 5.
14	SNH	19.01.18	Policy Actions, Policy ENV3 and Guidance for policies ENV12-15	Indicates willingness to be involved in development and monitoring of policy ENV3, and to prepare planning guidance (PG) for ENV12-15	No change. Would seek to include SNH in the preparation of planning and supplementary guidance as a matter of course, and expect to collect feedback on implementation of Policy ENV3 through statutory development management consultation process.
15	Scottish Water	23.01.18	Infrastructure Requirements - Water and Drainage (General)	Broadly supports comments within AP, and will seek to inform the Council of any mitigation required through our strategic modelling programme. Wishes reference made to assets within certain sites, but advises that this is based on preliminary search, and that detailed ground assessments required to locate infrastructure. Advises that contact made with SW in the first instance to discuss existing assets and how they will be managed.	No change. Support noted, and future APs can take into account results from Strategic Modelling Programme. Change. to add sentence in introductory paragraph 5.18 to refer to the need to make contact with SW to discuss existing assets and how they will be managed.
16	Scottish Water	23.01.18	Infrastructure Requirements (Hs8) - Water and Drainage	Wishes reference made to SW assets in the site, viz: there are a number of wastewater pipes located within the site and a water main located within the eastern boundary of the site.	Change. Include reference to this infrastructure.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
17	Scottish Water	23.01.18	Infrastructure Requirements (Hs11) - Water and Drainage	There is a 300mm water main located to the SW of the site. There is also a Combined Sewer Overflow pipe located to the NE of the site.	Change. Include reference to this infrastructure.
18	Scottish Water	23.01.18	Infrastructure Requirements (Hs12) - Water and Drainage	There is a 10'' water main located along the path traversing the site.	Change. Include reference to this infrastructure.
19	Scottish Water	23.01.18	Infrastructure Requirements (Hs14) - Water and Drainage	There is a 300mm water main located in the NE corner of the site.	Change. Include reference to this infrastructure.
20	Scottish Water	23.01.18	Infrastructure Requirements (Hs18) - Water and Drainage	There is a wastewater pumping station located to the SE of the site with an additional pumping station located towards the centre of the site with associated pipework.	Change. Include reference to this infrastructure.
21	Scottish Water	23.01.18	Infrastructure Requirements (Hs19) - Water and Drainage	There are two 300mm foul and surface water pipes located onsite.	Change. Include reference to this infrastructure.
22	Scottish Water	23.01.18	Infrastructure Requirements (Hs20) - Water and Drainage	There is a 90mm water main located along the Firth Road.	Change. Include reference to this infrastructure.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
23	Midlothian Council - Community Planning	03.01.18	General (not a specific section)	Wishes more linkages to the Community Planning Partnership across the actions, including liaison with relevant neighbourhood planning groups.	No change. Consider existing structures of the Community Planning Partnership are appropriate and provide a mechanism for addressing planning issues. Midlothian Council Planning is represented as part of the CPP.
24	Midlothian Council - Community Planning	03.01.18	General (not a specific section)	Wishes consideration of support for targeted communities by working with the area targeting group.	No change. Consider issues can be picked up through work of CPP thematic groups.
25	Midlothian Council - Community Planning	03.01.18	Infrastructure requirements - transport	Wishes reference to the Orbital Bus linking Higher Education/Further Education locations.	Comments noted. No Change. The merits of this SDP Objective are addressed in the SDP. It is the role of the plan and AP to reflect this and promote development and delivery. Elements/benefits arising from any future scheme will/should be incorporated as part of a comprehensive project brief at the appropriate time.
26	East Lothian Council	10.01.18	Policy Actions - Policy ENV19-25	Considers that in action and response /involvement sections of policies ENV19-25 reference to East Lothian Archaeology Service is included to reflect range of service provided under SLA (rather than just for ENV20/21, and title changed).	Change. Incorporate title of service and include reference under other policies to reflect scope of SLA

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
27	East Lothian Council	19.01.18	Policy Actions - General	Considers that the AP should signpost those other agencies and bodies that will have a role in assisting with delivery/ implementing policy.	No change. Consider that main agencies/bodies in respect to implementation of policy have been identified.
28	East Lothian Council	19.01.18	Policy Actions - TRAN2	AP should highlight that involvement of neighbouring authorities is necessary in implementing large strategic sites. Considers that liaison with ELC on Newton Farm masterplan should be emphasised in AP.	No change. The Council is aware of the need to liaise and consult with neighbouring Councils in respect of development adjacent to or within proximity of adjoining administrative boundaries and would take such appropriate steps as and when they arise.
29	East Lothian Council	19.01.18	Policy Actions - WAST2	Considers that AP should consider potential for Millerhill as part of conjoined mixed use economic site with proposed allocation in ELC, and should address need for cross boundary implementation and future opportunities.	No change. The MLDP 2017 is the adopted plan for Midlothian. Any significant departure from the agreed development strategy would require consideration of the need to review the plan.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
30	East Lothian Council	19.01.18	Delivery of key strategic housing sites/ and development which has cross boundary implications.	Action Programme should highlight potential for adjoining authority involvement in implementing larger developments (particularly with regard to transport). East Lothian Council should be involved in delivery of sites (particularly h43-45, Hs0, Hs1, e25-28 and Ec1), where there may be impacts/ opportunities for cross boundary infrastructure (and also looking at relationship with EL allocations MH1-4). Consider that joint working arrangements at officer level be established.	No change. See response to comment number 28.
31	East Lothian Council	19.01.18	Supplementary Guidance	States that Midlothian Council should work closely with neighbouring authorities on Supplementary Guidance (SG) and Planning Guidance (PG), and that this should be highlighted in the Action Programme. Particular reference made to: Development in the Countryside and Green belt, Resource Extraction, Midlothian Green Network, Special Landscape Areas, Nature Conservation, Wind Energy development, Community Heating and Flooding and Water Environment.	No Change, Midlothian Council notes and agrees that for some of the SG/PG it will be beneficial to work closely with neighbouring authorities, but considers that each SG/PG is different and it is in balance not appropriate to list all of the organisations MC will engage with in the action programme.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
32	Barton Willmore per Taylor Wimpey/ Hallam Land Management	18.01.18	Infrastructure Requirements (Hs16) - Community Facilities	Wishes reference to community accommodation or land reserved for neighbourhood/ commercial facilities to be removed (considers that not supported by LDP allocation, that proposal is now at advanced stage, and that Education capacity could deliver community needs).	No change. The Action Programme reflects the position set out in the adopted MLDP 2017.
33	Barton Willmore per Taylor Wimpey/ Hallam Land Management	18.01.18	Infrastructure Requirements (Hs16) - Green Infrastructure	Wishes requirement for allotments/ community food production space should be removed (considers that requirement overstates plan reference).	No change. The Action Programme reflects the position set out in the adopted MLDP 2017.
34	Barton Willmore per Taylor Wimpey/ Hallam Land Management	18.01.18	Infrastructure Requirements (Hs16) - Water and Drainage	Wishes clarification on what is meant by 'enhanced SuDS'	No change. The Action Programme reflects the position set out in the adopted MLDP 2017.
35	Barton Willmore per Taylor Wimpey/ Hallam Land Management	18.01.18	Infrastructure Requirements (Hs16) - Transport	Seeks clarity on potential requirement for cross boundary transport infrastructure.	No change. The Action Programme reflects the position set out in the adopted MLDP 2017. SESplan cross boundary development control framework in preparation, outcome not yet known.
36	Colliers International for Shawfair LLP	18.01.18	Policy Actions, para 3.3	Seeks inclusion of statement to effect that market fluctuations will have impact on delivery of LDP aims and committed development sites.	No change. Consider wording of paragraph 3.3 is sufficiently clear about potential impact of changing circumstances over the plan period.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
37	Colliers International for Shawfair LLP	18.01.18	Policy Actions, Policy STRAT1	No express change to AP indicated, but wishes to work with Council to remove obstacles to site progress.	No change. Comments noted
38	Colliers International for Shawfair LLP	18.01.18	Policy Actions, - Promoting Economic Growth	No express change to AP indicated, but notes importance of discussions to ensure sites implemented.	No change. Comments noted
39	Colliers International for Shawfair LLP	18.01.18	Supplementary Guidance	Seeks inclusion of timetable for consultation and finalisation of the SG.	No change. Supplementary and Planning Guidance will be reported in the first instance through Planning Committee over the course of 2018 and possibly into 2019.
40	Colliers International for Shawfair LLP	18.01.18	Infrastructure Requirements in respect of economic land	Seeks inclusion of statement to the effect that MC will have dialogue with developers of economic land, so that realistic approach to their development is taken.	No change. Action Programme includes a statement to this effect under actions related to policy STRAT 5 on page 4.
41	Rick Finc Associates for Palladin Ventures	19.01.18	Infrastructure Requirements (Hs0) - Education	Considers learning estate strategy to be woolly, and lacks assessments of pupil numbers, modelling and costs	No change. The Council's Learning Estate Strategy represents the approved Council position on education provision and future requirements.
42	Rick Finc Associates for Palladin Ventures	19.01.18	Infrastructure Requirements (Hs0) - Community Facilities	Unclear what community sport/ recreational facilities will consist of and this should be defined further.	No change. Detailed consideration of requirements will be based on approved Shawfair Masterplan and negotiated through the planning application/Developer Obligation (S75) process.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
43	Rick Finc Associates for Palladin Ventures	19.01.18	Infrastructure Requirements (Hs0) - Transport	Would wish greater clarity on SESplan cross boundary transport study, obligation framework and requirements for Cauldcoats. Unclear how plan will be revisited to take account changes in Transport Scotland's Strategic Transport Projects Review. Wishes further detail to ascertain contribution that can be made to align with Cauldcoats programming.	No change. SESplan has established a working group and work is underway to progress Supplementary Guidance on developer contributions for strategic transport interventions arising from the SESplan Cross Boundary Transport Study. SESplan Joint Committee has agreed five principles on which contributions will/will not be sought and which will form the basis for developing a methodology for apportioning contributions. The principles include reference to circumstances where development is already contributing to a "strategic" intervention(s) under a SESplan constituted authority planning obligation policy, no additional SDP obligation requirement will apply. Policy TRAN 2 of the MLDP identifies the key strategic transport transport interventions for proposed development sites. For Cauldcoats this includes contributions towards the grade separation of Sheriffhall roundabout which is identified in the SESplan cross boundary study as a "hot spot" for action. The Government has now announced its intention to proceed with this project and preliminary works are now underway as part of Transport Scotland's assessment and design process and is likely to feature in its replacement STPR (subject to review). Draft guidance is anticipated around March 2018. Any additional requirements will be identified through updates of the Action Programme and/or negotiated through the planning application process.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
44	Rick Finc Associates for Palladin Ventures	19.01.18	Infrastructure Requirements (Hs0) - Green Infrastructure	Notes burden of reclaiming Niddrie Bing falls on Palladin. Considers requirement for structural landscape/ framework requires further definition with context of an approved masterplan.	No change. Comments noted.
45	Rick Finc Associates for Palladin Ventures	19.01.18	Infrastructure Requirements (Hs0) - Water and Drainage	Queries why responsibility for the provision of water and drainage infrastructure is not given over to SW.	No change. Water and drainage requirements are deemed essential infrastructure and SW advise on the nature of these requirements.
46	Rick Finc Associates for Palladin Ventures	19.01.18	Infrastructure Requirements (Hs0) - District Heating/ combined heat and power	Unclear as to what can be delivered by 2022 and why costs rest on developers without public sector support.	No change. Work to prepare business case and strategic development plan for use of waste heat from Millerhill EfW will provide additional clarity along with emerging Supplementary guidance. In addition the Scottish Government's current consultation on Local Heat and Energy Efficiency Strategies (as part of its Scottish Energy Efficiency Programme - http://www.gov.scot/Publications/2017/11/6232) seeks to provide additional guidance in this respect. There is potential external support from the Low Carbon Infrastructure Transition Programme.

Comment No.	Organisation	Date Received	AP Reference	Comment-Change	Proposed Change
47	Montagu Evans for Buccleuch Property	19.01.18	Delivery of site e14/Ec2	Considers that AP should acknowledge the proposed residential use promoted as part of planning application 16/00893/PPP. Considers that Council need better engagement and updates on allocated sites, and more up to date information on employment land.	No change. The sites referred to are allocated in the MLDP 2017 as strategic economic allocations. Notwithstanding the current application the report of Examination into unresolved issues to the proposed plan did not support any changes to this position.
48	Montagu Evans for Buccleuch Property	19.01.18	Delivery of site e32	States that no market interest in Sheriffhall South for employment uses and that a flexible approach is needed, and should be acknowledged in AP, with clear intention set out to seek and take into account dialogue with site owners/ developers. .	No change. The report of Examination into the MLDP did not support any changes to the status of site e32 for employment uses. The Council considers that the Action Programme does adequately acknowledge the need to liaise with interested parties in order to highlight and address any obstacles to delivering the sites identified as part of the development strategy of the plan.
49	Savills on behalf of ORS	22.01.18	General	Considers that future APs be altered to include committed sites not yet constructed, to give more comprehensive and realistic picture of allocations that will deliver the LDP vision.	No change. The Action programme refers to these sites as part of policy STRAT 1 on page 3. The annual housing and employment land audits contain information about the progress of housing and employment sites.
50	Savills on behalf of ORS	22.01.18	Site Hs7	Reviewed timetables and infrastructure requirements for Hs7 and are in agreement with content of AP with regard to this site.	No change. Comments noted.

Seminar/Briefing Record

Midlothian Council
Tuesday 13 February 2018



Seminar – Creating a World-Class Education System - Examination Attainment 2017

Date	Time	Venue
Tuesday 5 December 2017	11:00	Council Chambers, Midlothian House

Present:

Councillor Muirhead (Chair)	Vic Bourne (Religious Representative)
Councillor Alexander	
Councillor Baird	
Councillor Cassidy	
Councillor Lay Douglas	
Councillor Hackett	
Councillor Imrie	
Councillor Milligan	
Councillor McCall	
Councillor Small	
Councillor Winchester	

1 Introduction and Apologies

Apologies for Absence were intimated on behalf of Councillors Curran, Johnstone, Montgomery, Parry and Russell.

Councillor Muirhead welcomed the attendees and advised that Grace Vickers would lead the presentation supported by the six Secondary Head Teachers.

2 Declarations of interest

No declarations of interest were received.

3 Seminar

(a) Background

By way of background, reference was made to the report entitled “.Creating a World Class Education System –Attainment and Achievement 2017” which would be submitted to the Council meeting on Tuesday 19 December 2017.

(b) Purpose of the Seminar

Grace Vickers explained that the purpose of the Seminar was to provide Members with an update on the current position with regard to attainment and achievement within Midlothian Schools in 2016/17. To this end each of the Secondary Head Teachers would provide a brief overview of the attainment and achievement pertaining to their school. Thereafter an opportunity would be given for elected Members to ask questions on what they had heard.

(c) Presentation

Thereafter the Seminar received a presentation from Grace Vickers which highlighted the following:-

- Attainment in level 4 Literacy and Numeracy showed a positive improvement from 74.4% in 2011 to 87.8 % in 2016, an improvement of 14.4%.
- Attainment was 1.2% higher than the virtual comparator leavers group.
- Attainment in level 5 Literacy and Numeracy shoed a positive improvement from 45.7% in 2011 to 63.31% in 2016 an improvement of 17.6%.
- Attainment was higher than the virtual comparator leavers group.
- Outcomes for the bottom 30% of learners showed a three year improvement trend for Literacy and Numeracy at level 4 for the 30% most deprived learners by the end of S4. Attainment in 2016 was now above both the virtual and the national average. Attainment at this level in 2016 was 8.07% higher than the previous year. For level 5, there was a three year improvement trend for Literacy and Numeracy by the end of S4. Attainment in 2016 was now above both the virtual and the national

average with attainment at level 5 in 2016 being more than double the percentage achieved in 2014.

The local measures for literacy and numeracy showed the following key strengths:

- Positive four year trend across all measures
- S4 Literacy and Numeracy at level 4: this was the highest recorded level achieved with 0.1% improvement on the previous year and a 14.74% improvement (2013-2017)
- S4 Literacy and Numeracy at level 5: this was the highest recorded level achieved with a 1.4% improvement on the previous year and 35.4% improvement (2013-2017)
- S5 Literacy and Numeracy at level 4: this was the highest recorded level achieved with a 1.8% improvement on the previous year and 14.7% improvement (2013-2017)
- S5 Literacy and Numeracy at level 5: this was our highest recorded level achieved with a 9.8% improvement on the previous year and 21.6% improvement (2013-2017)
- S6 Literacy and Numeracy at level 4: this showed a drop of 0.18% on the previous year but 11% improvement (2013-2017)
- S6 Literacy and Numeracy at level 5: this showed a drop of 2.6% on the previous year but 12.1% improvement (2013-2017)

What steps were being taken in order to continuously improve literacy and numeracy.

- Bring literacy and numeracy at levels 4 and 5 in line with national measures for all school leavers.
- Continue to support moderation practice in secondary schools to develop appropriate teacher judgements as part of holistic assessment within the broad general phase of education (BGE - S1-3).
- Continue to support moderation practice in secondary schools to develop appropriate teacher judgements as part of holistic assessment at the transition point from P7 into S1.
- Continue to focus on evidence based approaches to targeted interventions in literacy and numeracy that have a high effect size.
- Continue to use relevant SIMD and other data to ensure that we close the poverty related gaps in attainment in literacy and numeracy.

The national measures for literacy and numeracy showed the following key strengths:

- Total tariff scores for the lowest performing 20% of leavers' shows positive progression from 125pts in 2010/11 to 161pts in 2015/16, an improvement of 36pts. This is higher than the virtual comparator performance of 144pts.
- Total tariff scores for the middle performing 60% of leavers' shows positive progression from 636pts in 2010/11 to 802pts which is 18pts higher than the previous year. This is higher than the virtual comparator on 771pts.

- Total tariff scores for the highest performing 20% of leavers' shows positive progression from 1676pts in 2010/11 to 1890pts in 2015/16, an improvement of 114pts. This is above the virtual comparator on 1805pts.

The national measures for attainment versus deprivation showed the following key strengths:

- Midlothian performance was generally better than the virtual comparator for deciles 1 and 8 and lower than the virtual comparator for deciles 3, 4 and 9.
- Midlothian is in line with virtual comparator for most deciles by the end of S4 and 5 with the exception of SIMD 1 and 5.

What was being done to continuously improve attainment versus deprivation measures.

- Implement targeted interventions in order to improve outcomes in SIMD 1 and 5 by the end of S4, 5 and 6.
- Implement targeted pace and progression routes to improve SIMD 8, 9 and 10 by the end of S6. This will include a pilot research programme to look at factors affecting the progress and attitudes of learners within this SIMD in order to look at a variety of ways to improve their performance. It is known that 50% of the variance in learner outcomes is due to how learners behave and of they perceive themselves as successful learners so it is vital we tackle this aspect as well as teacher efficacy.
- Ensure that the curriculum at BGE level was allowing students to progress into and succeed within the senior phase in schools.
- Improving outcomes for looked after learners was a key priority for 2017/18. We are focussing on strategies to improve attendance. In addition the local authority and schools were working together to develop flexible learning pathways to ensure that there were tailor-made options for our most vulnerable learners building on the success of the approaches utilised to improve positive destinations.

Positive destinations data showed the following key strengths

- The percentage of school leavers entering a positive destination had improved from 85.2% in 2010/11 to 95.06% in 2015/16. This was the highest recorded positive destinations to date
- For the participation measures, Midlothian now ranks joint 4th place when compared with the 32 local authorities with 93.6% of school leavers now in a positive destination. This is the highest recorded figure that Midlothian has ever achieved with Midlothian school leaver destinations now 1.8% higher than the national average.

What would be done next in order to continuously improve positive destinations

- There are relatively low numbers of leavers going into Higher Education. Therefore improving attainment by the end of S5 and 6 is important as stated in the next steps for improvement outlined in this report.
- An ambitious target of 96% has been set for initial destinations.

Thereafter the six Secondary Head Teachers expanded on the various successes and challenges with regard to attainment levels impacting on their own individual school as well celebrating the wider achievements in learning through technology; expressive arts and performances; health and wellbeing; outdoor learning; the duke of Edinburgh and partnership working.

(d) Question and answer session

The Head of Education and the Head Teachers responded with further clarification to questions raised by Councillors which included:

- Whilst recognising that the recruitment of teachers was a national problem, that the Council should continue to look at ways to assist with teacher recruitment
- That the progress of each school leaver was monitored in order to support and assist wherever possible in achieving a positive destination.
- The need to share examples of good practice throughout the Authority
- The importance being attached to Modern Languages, particularly in view of the potential impact of Brexit.

Councillor Muirhead thanked all those involved in what had proved to be a most informative and useful Seminar.

The meeting terminated at 1.10 pm